The State of Industrial Real Estate and ProLogis: Gaining Momentum for the Road Ahead

January 27, 2010
North American Industrial Real Estate Market Remains Challenging

- Vacancy rate for the top 31 markets rose to 10.3% in Q3
  - 10% in Q2
  - 7% in Q4 of 2008
- Net absorption in the top 31 markets was -34 million square feet in Q3
  - -32.3 msf in Q2
  - -22.6 msf Q1
- Net absorption for 2009 will be negative for the first time in 25 years
- Speculative development has practically ground to a halt; new starts in Q3 amount to 4.1 msf, almost all BTS
- The North American real estate market seems to have bottomed out
Newly Started Bulk Warehouses and Distribution Centers in the Nation's Top 30 Markets

Thousands of square feet

Spec

BTS

Source: ProLogis.

P: projection.

H1-00 H2-00 H1-01 H2-01 H1-02 H2-02 H1-03 H2-03 H1-04 H2-04 H1-05 H2-05 H1-06 H2-06 H1-07 H2-07 H1-08 H2-08 H1-09 H2-09

New Starts – Arrested Development
...But There’s Light at the End of the Tunnel

- Real GDP edged down .7% during Q2
  - -6.4% in Q1
  - -5.4% in Q4 of 2008
- Most economists believe recession ended in Q2
- Forecasts call for modest increase in GDP for Q3, marking the end to the deepest and longest postwar recession
- Analysts are anticipating the recovery will be subdued, reflecting lingering effects of global credit crisis
- Customers ProLogis polled indicate slight optimism toward growth in addition to network consolidations for cost containment
A Global Leader in Distribution Facilities

<table>
<thead>
<tr>
<th>Region</th>
<th>Area (msf)</th>
<th>Countries</th>
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<td>EUROPE</td>
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</tbody>
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ProLogis associates around the globe serve 4,500+ customers in 18 countries

As of 30 September 2009
ProLogis’ Global Outlook

• The global market beginning to show signs of stability
• Growth and expansion may come sooner than we originally thought
• Industrial demand still soft, but signs of increased customer activity
• Recent top customer poll: good news for industrial real estate
  • Two-thirds expect a more positive outlook on their business by sometime in 2010
  • Several mentioned supply chain reconfiguration, for expansion or greater efficiency
• Occupancy declines slowing globally, but still virtually no new development starts in planning
• More buyers than sellers in the market right now
• Market rents still lower than a year ago
What Is the Road Ahead?

- Continued focus on customer service supporting strong retention and new customer transactions – meeting the market
- Recapitalization is behind us now
- Shifting our focus to positioning for long-term growth
- Cautiously optimistic about market fundamentals overall
Benefits of Working with ProLogis

- Relationship oriented
- Customer service driven
- Global platform
- Local presence
- Sustainable leadership