



## BUSINESS DRIVERS SUPPORTING 2009 GUIDANCE

February 9, 2009

Parenthetical references are to the fourth quarter 2008 supplemental

<b>2009 FFO and EPS Guidance</b>	<ul style="list-style-type: none"> <li>• <b>FFO</b> for the full year 2009 is expected to be between \$1.85 and \$2.05 per share, with full-year earnings per share of \$1.05 - \$1.15.</li> </ul> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;"><b>Reconciliation of EPS to FFO:</b></td> <td style="width: 15%; text-align: right;"><b>Low</b></td> <td style="width: 15%; text-align: right;"><b>High</b></td> </tr> <tr> <td>  <b>Estimated net earnings per diluted share</b></td> <td style="text-align: right;"><b>\$1.05</b></td> <td style="text-align: right;"><b>\$1.15</b></td> </tr> <tr> <td>  <b>Depreciation and amortization</b></td> <td style="text-align: right;"><b>1.52</b></td> <td style="text-align: right;"><b>1.70</b></td> </tr> <tr> <td>  <b>Gain on sale of assets</b></td> <td style="text-align: right;"><b><u>(0.72)</u></b></td> <td style="text-align: right;"><b><u>(0.80)</u></b></td> </tr> <tr> <td>  <b>Estimated FFO per diluted share</b></td> <td style="text-align: right;"><b>\$1.85</b></td> <td style="text-align: right;"><b>\$2.05</b></td> </tr> </table>	<b>Reconciliation of EPS to FFO:</b>	<b>Low</b>	<b>High</b>	<b>Estimated net earnings per diluted share</b>	<b>\$1.05</b>	<b>\$1.15</b>	<b>Depreciation and amortization</b>	<b>1.52</b>	<b>1.70</b>	<b>Gain on sale of assets</b>	<b><u>(0.72)</u></b>	<b><u>(0.80)</u></b>	<b>Estimated FFO per diluted share</b>	<b>\$1.85</b>	<b>\$2.05</b>
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<b>Core Industrial Properties</b>	<ul style="list-style-type: none"> <li>• <b>Expiring leases</b> represent 14.8% of annualized base rents (page 5.1).</li> <li>• <b>Customer retention</b> is expected to be 70% - 80% (page 5.1).</li> <li>• <b>Average leasing in the core industrial properties</b> is expected to decrease by 150 - 200 basis points during the year, reflecting softening market conditions offset by higher-than-normal tenant retention (page 1.6).</li> </ul>															
<b>Direct Owned Development Properties</b>	<ul style="list-style-type: none"> <li>• <b>Leasing in the direct owned development portfolio</b> including completions and properties under development, is expected to increase to approximately 60% to 70% by year-end 2009, up from 41% at December 31, 2008 (page 3.2).</li> <li>• <b>Development starts</b> will be limited to previously committed build-to-suit projects and are not expected to exceed \$50 million. Cost remaining to complete properties under development is \$885 million (page 3.2).</li> </ul>															
<b>Direct Owned Dispositions &amp; Contributions</b>	<ul style="list-style-type: none"> <li>• <b>Gains from dispositions of direct owned development properties</b> are expected to be approximately \$220 million, reflecting recognition of previously deferred development gains from the sale of the company's interest in its Japan property funds and the sale of one fully leased property in Japan, as well as other contribution and sale activity (page 3.3).</li> <li>• <b>Gross proceeds from third-party sales and/or contributions to funds</b> are expected to be \$1.3 - \$1.5 billion (page 3.3).</li> </ul>															
<b>Investment Management Business</b>	<ul style="list-style-type: none"> <li>• <b>Expiring leases</b> represent 8.6% of annualized base rents (page 5.2).</li> <li>• <b>ProLogis' share of FFO from property funds</b> is expected to be \$180 - \$190 million, reflecting a decrease in assets under management to roughly \$20 billion as a result of the sale of the company's interests in its Japan property funds in the first quarter (pages 4.3 - 4.4).</li> <li>• <b>Management fees</b> from ProLogis' property funds are expected to be \$140 - \$150 million, reflecting full-year effect of 2008 contributions (pages 4.3 - 4.4).</li> <li>• <b>Average ownership</b> in ProLogis property funds is expected to be approximately in line with the 25% average ownership at December 31, 2008 (page 4.4).</li> </ul>															
<b>Same Store</b>	<ul style="list-style-type: none"> <li>• <b>Same-store NOI</b> is expected to decrease by 1.5% - 3% (page 5.3).</li> </ul>															
<b>Expense Items</b>	<ul style="list-style-type: none"> <li>• <b>Gross G&amp;A expense</b> is expected to decrease approximately 20% - 25% over 2008 levels, reflecting cost savings programs undertaken by the company in the last 3 months. After adjusting for capitalized G&amp;A, net G&amp;A is expected to decrease by approximately 15% - 18%.</li> <li>• <b>Gross interest expense</b> is expected to decrease slightly, reflecting the company's plan to reduce direct debt; however, net interest expense is expected to increase by 18% - 20% due to changes in accounting for interest on convertible debt and a lower level of capitalized interest resulting from reduced development activity. This accounting change results in a non-cash increase of approximately \$73 million in gross interest expense and \$62 million in net interest expense. Capitalized interest is expected to be \$70 - \$80 million.</li> </ul>															

## **About ProLogis**

ProLogis is a leading global provider of distribution facilities, with more than 475 million square feet of industrial space (44 million square meters) in markets across North America, Europe and Asia. The company leases its industrial facilities to more than 4,000 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. For additional information about the company, go to [www.prologis.com](http://www.prologis.com)

## **Definition of Funds from Operations**

FFO is a non-Generally Accepted Accounting Principal (GAAP) measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings. Although the National Association of Real Estate Investment Trusts (NAREIT) has published a definition of FFO, modifications to the NAREIT calculation of FFO are common among REITs, as companies seek to provide financial measures that meaningfully reflect their business. FFO, as we define it, is presented as a supplemental financial measure. FFO is not used by us as, nor should it be considered to be, an alternative to net earnings computed under GAAP as an indicator of our operating performance or as an alternative to cash from operating activities computed under GAAP as an indicator of our ability to fund our cash needs.

FFO is not meant to represent a comprehensive system of financial reporting and does not present, nor do we intend it to present, a complete picture of our financial condition and operating performance. We believe GAAP net earnings remains the primary measure of performance and that FFO is only meaningful when it is used in conjunction with GAAP net earnings. Further, we believe our consolidated financial statements, prepared in accordance with GAAP, provide the most meaningful picture of our financial condition and our operating performance.

NAREIT's FFO measure adjusts GAAP net earnings to exclude historical cost depreciation and gains and losses from the sales of previously depreciated properties. In addition to the NAREIT adjustments, we exclude additional items from GAAP net earnings, although not infrequent or unusual, that are subject to significant fluctuations from period to period that cause both positive and negative effects on our results of operations, in inconsistent and unpredictable directions, such as deferred income tax, current income tax related to the reversal of any acquired tax liabilities in an acquisition, foreign currency exchange gains/losses relating to certain debt transactions, and foreign currency exchange gains/losses from the remeasurement of derivative instruments. We include gains from dispositions of properties acquired or developed in our CDFS business segment in our definition of FFO. We calculate FFO of our unconsolidated investees on the same basis.

We believe our adjustments to GAAP net earnings that are included in arriving at our FFO measure are helpful to management in making real estate investment decisions and evaluation our current operating performance. We believe these adjustments are also helpful to industry analysts, potential investor sand shareholder in their understanding and evaluation of our performance on the key measures of net asset value and current operating returns generated on real estate investments. While we believe that our defined FFO measure is an important supplemental measure, neither NAREIT's nor our measure of FFO should be used alone because they exclude significant economic components of GAAP net earnings and are, therefore, limited as an analytical tool.

## **Forward-Looking Statements**

The statements above that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which ProLogis operates, management's beliefs and assumptions made by management, they involve uncertainties that could significantly impact ProLogis' financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future – including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume of developed properties, general conditions in the geographic areas where we operate and the availability of capital in existing or new property funds – are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, (v) maintenance of real estate investment trust ("REIT") status, (vi) availability of financing and capital, (vii) changes in demand for developed properties, and (viii) those additional factors discussed in "Item 1A. Risk Factors" of ProLogis' Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and in "Item 1A —Risk Factors" in ProLogis' Annual Report on Form 10-K for the year ended December 31, 2007. ProLogis undertakes no duty to update any forward-looking statements appearing in this press release.

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