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[3.1-3.3] This is ProLogis' third sustainability report, which is global in scope and covers our activities in North America, Europe and Asia during Fiscal Year 2008, except when otherwise noted. ProLogis publishes its report on an annual basis; the last report was published in April 2008 and covered Fiscal Year 2007. Enhancing our commitment to reducing energy consumption and use of natural resources, this year's report will be published in electronic format. This concept also enables us to include additional charts, graphs and supplemental information. Additionally, the GRI Content Index and GRI Profile Indicators will appear not only in a list as referenced above, but also hyperlinked within the body of the text to signify the specific disclosure it meets. We believe this change will improve the reader's overall experience.

Since our last report, there have been no re-statements of information provided in the sustainability-related disclosure. However, due to the global financial crisis and economic downturn, ProLogis has made changes to the structure and operations of the company (detailed in the Company Overview section) and is not currently focused on starting new construction.

[3.5-3.11] The basis for reporting on other matters specific to the operations of our business, including joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can affect comparability from period to period, can be found in ProLogis' Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission and also is available in the SEC Filings section of ProLogis' website at:

<http://ir.prologis.com/sec.cfm>.

This report is intended to provide information about the most significant sustainability-related impacts that arise from our business activities and is focused on those over which we have the greatest degree of control or influence. By identifying and reporting on the most material issues to ProLogis and its stakeholders, we ensure that our reporting remains relevant and useful.

To the extent possible, we have included data from internal resources or with the help of our business partners. When original data was not available, we relied on third-party sources for estimates.

This report incorporates the most recent G3 Guidelines as released by the Global Reporting Initiative (GRI) as a general framework for this report. GRI is an international, multi-stakeholder network through which a recognized sustainability reporting framework has been developed. This report has been externally assured and GRI-checked as meeting the requirements for GRI's Application Level "B+".

[3.4] Questions or feedback? Please contact ProLogis' Investor Relations department at +1 800-820-0181.

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[3.12] GRI CONTENT INDEX

Environmental		
EN0	<i>p22</i>	Management Approach Disclosure
EN1	<i>p30</i>	Materials used by weight or volume
EN3	<i>p24</i>	Direct energy consumption by primary energy source
EN4	<i>p24</i>	Indirect energy consumption by primary source
EN6	<i>p26, 27, 28</i>	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives
EN7	<i>p34</i>	Initiatives to reduce indirect energy consumption and reductions achieved
EN13	<i>p35, 36, 43</i>	Habitats protected or restored
EN14	<i>p43</i>	Strategies, current actions, and future plans for managing impacts on biodiversity
EN16	<i>p23</i>	Total direct and indirect greenhouse gas emissions by weight
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EN26	<i>p29, 31</i>	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation
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Social		
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LA0	<i>p44</i>	Management Approach Disclosure
LA1	<i>p46, 47</i>	Total workforce by employment type, employment contract, and region
LA2	<i>p45</i>	Total number and rate of employee turnover by age group, gender and region
LA3	<i>p45</i>	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations
LA4	<i>p45</i>	Percentage of employees covered by collective bargaining agreements
LA10	<i>p44</i>	Average hours of training per year per employee by employee category
LA12	<i>p44</i>	Percentage of employees receiving regular performance and career development reviews
PR0	<i>p48</i>	Management Approach Disclosure
PR1	<i>p29</i>	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures
PR5	<i>p48</i>	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction
PR6	<i>p14, 48</i>	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship
PR7	<i>p14, 48</i>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes
S00	<i>p38</i>	Management Approach Disclosure
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Economic Indicators		
EC0	<i>p49</i>	Management Approach Disclosure
EC1	<i>p38, 50, 51, 52</i>	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments
EC2	<i>p29, 53</i>	Financial implications and other risks and opportunities for the organization's activities due to climate change
EC6	<i>p52</i>	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation
EC7	<i>p46, 50</i>	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation
EC8	<i>p38, 39, 42, 52</i>	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement

GRI Profile Indicators		
1.1	<i>p6</i>	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy. Statement should present the overall vision and strategy for short-, medium- and long-term
1.2	<i>p6</i>	Description of the organization's key impacts, risks and opportunities
2.1	<i>p17</i>	Name of organization
2.2	<i>p17</i>	Primary brands, products and/or services
2.3	<i>p17</i>	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures
2.4	<i>p17</i>	Location of organization's headquarters
2.5	<i>p57</i>	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in this report
2.6	<i>p17</i>	Nature of ownership and legal form
2.7	<i>p57</i>	Markets served, including geographic breakdown, sectors served, and types of customers/beneficiaries
2.8	<i>p17</i>	Scale of organization: employees, net sales, capitalization (debt and equity), quantity of products or services provided
2.9	<i>p51</i>	Significant changes during reporting period regarding size, structure or ownership, including location of operations, facility openings/closings, changes in share capital structure, other capital maintenance and formation
2.10	<i>p7</i>	Awards received during reporting period
3.1	<i>p2</i>	Reporting period
3.2	<i>p2</i>	Date of most recent previous report
3.3	<i>p2</i>	Reporting cycle
3.4	<i>p2</i>	Contact point for questions regarding report
3.5	<i>p2, 14</i>	Process for defining report content, including materiality, prioritizing topics within report and identifying stakeholders expected to use the report
3.6	<i>p2</i>	Boundary of the report
3.7	<i>p2</i>	Specific limitations on the scope or boundary
3.8	<i>p2</i>	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period
3.9	<i>p2</i>	Data measurement techniques and the bases of calculations, including assumptions underlining information in the report
3.10	<i>p2</i>	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such restatements



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3.11	<i>p2</i>	Significant changes from previous reporting periods in scope, boundary or measurement methods
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3.13	<i>p9</i>	Policy and practice with regard to seeking external assurance for report
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4.2	<i>p19</i>	Indicate whether the Chair for the highest governance body is also an executive officer
4.3	<i>p19</i>	For organizations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members
4.4	<i>p20</i>	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body
4.5	<i>p7, 20</i>	Linkage between compensation and organizational performance for members of the highest governance body, senior managers and executives
4.6	<i>p19</i>	Processes in place for highest governance body to avoid conflicts of interest
4.7	<i>p7, 19</i>	Processes for determining the highest governance body's qualifications and expertise on economic, environmental and social topics
4.8	<i>p19</i>	Internal mission statements, codes of conduct, principles related to economic, environmental and social performance; status of implementation
4.9	<i>p7, 19</i>	Processes for the highest governance body to oversee the identification and management of economic, environmental and social performance, including risks, opportunities and compliance; state frequency with which senior management assesses sustainability
4.10	<i>p7, 20</i>	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance
4.11	<i>p20</i>	Explanation of whether/how the "precautionary approach" is addressed
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4.13	<i>p54</i>	Membership in associations and/or national/international advocacy organizations
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[1.1-1.2] Since ProLogis published its first GRI report three years ago, we have worked hard to improve, expand and refine what our commitment to sustainability means. At ProLogis, this concept incorporates business excellence, environmental stewardship and corporate social responsibility, which gives our sustainability initiative a “triple bottom line”: benefit to the planet, to people and to the profitability that makes our existence possible. Embracing this definition commits us to making progress on all three fronts at the same time, and not one at the expense of others.



WALTER C. RAKOWICH – CHIEF EXECUTIVE OFFICER

With that in mind, I believe it is important to recognize the vastly different landscape the industry is facing after last year’s disruption in the credit markets and global economic recession. This change of events has had a dramatic impact on companies worldwide, and ProLogis has not been immune. In November of 2008, we had a change in the CEO role. My predecessor was a key driver behind our rapid growth and international expansion. However, as most companies are doing in the current environment, we have had to put our expansion plans on hold. We also have had to make some very tough decisions related to the structure and operations of our company, including selling our China operations and a portion of our Japan portfolio, halting new development starts worldwide and reducing our workforce.

Despite these challenging times, sustainability is an initiative to which ProLogis remains fully committed. We believe our focus on sustainability not only serves as a competitive differentiator but it enables us to establish strategic relationships with customers and partners as well as attract and retain the industry’s most talented professionals, all of which ultimately impacts our triple bottom line.

As such, I’m pleased to report that we continued to raise the bar in our industry with regard to sustainability during 2008. Not only did we continue to implement our lighting retrofit and green building programs, but we also received external validation from two new global sustainability indexes, the Dow Jones Sustainability Index and the S&P U.S. Carbon Efficient Index.

We also made substantial progress toward our renewable energy goals and formalized our approach to working with utilities, investors and suppliers on projects at our facilities. As a result, we were able to announce the nation’s first, and currently the largest, single roof-top solar lease with Southern California Edison in the first half of 2008, and our second roof-top lease with Portland General Electric later that year. Both agreements are a significant step

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in ProLogis' renewable energy program and enable us to generate additional value from our existing assets without any outlay of capital. More details about these two exciting solar projects are in the Environmental Section of this year's report.

[2.10] Our efforts did not go unnoticed. During 2008, ProLogis received 15 industry awards, including:

The Commercial Real Estate Development Association's (NAIOP) "Industrial Developer of the Year" in Atlanta, Georgia, based on our social responsibility, development and environmental awareness;

The "Logistics Environmental Technology Development Award" in Japan for ProLogis' development and implementation of a precast concrete and seismic isolation system that reduced the amount of CO2 and Life Cycle CO2 emissions in multi-story facilities;

The "Best Green Development in Central and Eastern Europe" for ProLogis Park Uzice in the Czech Republic based on the park's sustainable design, comfortable interior environment, access to public transport, economic viability and high quality building design;

In the U.K., the Estates Gazette "Green Award" and Property Week's "European Green Award," both of which recognized our overall commitment to sustainability as well as our innovative facilities that set new standards in sustainable design; and,

Mueller, Catellus' mixed-use redevelopment project in Austin, Texas, was named one of the "Top Ten Best Eco-Friendly Neighborhoods" by Natural Home, a magazine for health-conscious, environmentally concerned homeowners.

[4.5, 4.7, 4.9, 4.10] Perhaps the most significant improvement to our global sustainability platform during 2008 was the appointment a Chief Sustainability Officer and the establishment of a Board Sustainability Committee, which comprises three individuals who were selected for their experience and background in sustainability.

We are very proud of our accomplishments and hope you enjoy reading about our progress. If you have any feedback, we welcome you to let us know what you think.

Walter C. Rakowich
Chief Executive Officer

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INDUSTRY AWARDS

Best Green Development in Central and Eastern Europe

ProLogis Park Uzice was recognized during the *Construction Investment Journal* awards in Poland

Best Warehouse Award

ProLogis Park Uzice was recognized during the LOG-IN conference in the Czech Republic

Best Warehouse/Logistic Development in Slovakia

ProLogis Park Bratislava was recognized during the *Construction Investment Journal* awards in Slovakia

Developer of the Year, Asia

ProLogis was recognized by *Euromoney.com*

European Green Award

ProLogis was recognized by *Property Week* (UK)

Excellence in Logistics Supply Chain Service Provider

ProLogis was recognized during the Asia Logistics and Supply Chain Management Summit in China

Facility Design, Honor Award

Catellus' Los Angeles Air Force Base project was recognized by the United States Air Force as part of its Design Awards Program

Grand Prize

ProLogis was recognized for a build-to-suit facility developed in South Paris for Poste Immo, the real estate branch of the French Post

Green Award

ProLogis Park Pineham was recognized for its sustainable design by the *Estates Gazette* (UK)

Industrial Developer of the Year

ProLogis was recognized by the Atlanta chapter of NAIOP

Industrial Development of the Year

ProLogis Park Lingang was recognized by *Asia Pacific Commercial Real Estate* magazine (Asiacre.com)

Logistics Environmental Technology Development Award

ProLogis was recognized for its development and implementation of a precast concrete and seismic isolation system in Japan

Merit Award/Spotlight Award 2008

ProLogis was recognized by the Nevada chapter of NAIOP

Most Admired Real Estate Company

ProLogis was recognized by *Fortune* magazine (USA)

Top Ten Best Eco-Friendly Neighborhoods

Catellus' Mueller project was recognized by *Natural Home Magazine* (USA)

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[3.13] INDEPENDENT ASSURANCE STATEMENT SUPPLEMENT

This report has been subjected to an independent assurance by Two Tomorrows, which recently merged with csrnetwork, the firm that provided assurance for our two previous reports. In conducting the assurance, Two Tomorrows evaluated the Materiality, Completeness and Responsiveness in the report in line with the guidelines of the AA1000 Assurance Standard (2003) as well as the requirements for reporting at the B+ level for the Global Reporting Initiative G3 guidelines.

INDEPENDENT ASSURANCE STATEMENT

Scope and objectives

ProLogis commissioned Two Tomorrows to offer independent assurance on its 2008 Sustainability Report. The scope of our assurance work included:

- All information within the 2009 Sustainability Report, unless specifically excluded; and
- The GRI (Global Reporting Initiative) comparison table.

The scope of our assurance work excluded:

- Specific performance claims from case studies within the Report;
- Economic performance information;
- Any information presented on the ProLogis website that is not included in the 2008 Sustainability Report.

The objectives of the assurance process were to check claims and systems for collection of data, and to review the arrangements for the management and reporting of sustainability issues. The assurance process was conducted in accordance with the AA1000 Assurance Standard (2003).

Responsibilities of the management of ProLogis and the assurance providers

The management of ProLogis have sole responsibility for the preparation of the 2008 Sustainability Report and associated publications. In performing our assurance activities, our responsibility is to the management of ProLogis, however our statement represents our independent opinion and is intended to inform all of ProLogis' stakeholders, including the management of ProLogis. We were not involved in the preparation of any part of the Report. We have had no other contracts with ProLogis.

This is the third year that we have acted as independent assurance providers for ProLogis (in 2006 and 2007 we traded as Csrnetwork Ltd.). We adopt a balanced approach towards all ProLogis stakeholders and a Statement of Impartiality relating to our contract with ProLogis will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. The independent assurance team for this contract with ProLogis comprised Todd Cort and Jennifer Rosenberg.

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Further information, including a statement of competencies relating to the team can be found at: www.twotomorrows.com.

Basis of our opinion

Our work was designed to gather evidence on which to base our conclusions. We undertook the following activities:

- We conducted interviews with a selection of directors and senior managers responsible for areas of management and stakeholder relationships covered by the Report in Denver, CO. The objective of these discussions was to understand ProLogis' governance arrangements, stakeholder engagement process, management priorities and systems;
- We attended a meeting of the Sustainability Management Committee to assess the process for identifying and acting on material issues;
- We conducted a general review of issues raised by external parties that could be relevant to ProLogis' policies, to provide a check on the appropriateness of statements made in the Report;
- We visited one construction site in Juarez, Mexico. During the site visit, we interviewed local management and the contractor company responsible for project management. Site-level sustainability data for January through December 2008 was reviewed during the site visit;
- We reviewed full 12-month sustainability data collated at the corporate level, and claims made in the Report. We interviewed managers responsible for internal data validation, reviewed their work processes and undertook sample checks on consolidated sustainability data and also sustainability data submitted by the Juarez project site;
- We undertook an assessment of the company's reporting and management processes against the principles of materiality, completeness and responsiveness as described in the AA1000 Assurance Standard (2003).
- We assessed the company claims with regard to reporting against the GRI G3 voluntary standard for application level B.

Observations:

On the basis of the method and scope of work undertaken and the information provided to us by ProLogis, we believe:

Materiality – has ProLogis provided information on material issues to enable stakeholders to make informed judgements?

- Nothing came to our attention to suggest that material issues have been omitted from the scope of the Report. We found evidence that appropriate systems are in place for monitoring and gathering information on relevant management arrangements and performance for each of the aspects described in the Report.

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- ProLogis has established a leadership position on green building design and construction for new buildings. However, the objectives and performance of existing buildings within the company portfolio do not yet match this position, although we note recent landmark initiatives such as the Department of Energy partnership to find innovative solutions to improve green aspects of existing buildings.
- The effort by ProLogis management over the last 18 months to develop a more robust materiality assessment is a positive example of progress. The next steps for ProLogis will be to link this materiality process to the business decision-making criteria (e.g. through the corporate risk management framework) and also to test the materiality criteria with internal and external stakeholders.
- During the site visit, we noted strong practices with regard to health and safety management and the selection of sites with low relocation or resettlement impacts. We recommend that ProLogis formalize these practices by strengthening health and safety data reporting and adopting a corporate policy on the selection of site locations that includes resettlement aspects.

Completeness – does ProLogis have systems in place to understand changes to stakeholder expectations and to provide complete and accurate information against the issues identified as material for inclusion in the Report?

- Nothing came to our attention to suggest that the data included in the Report have not been properly collated and calculated from information reported at operational level. We were unable to verify the authenticity of some source documentation for office energy use at some locations outside of the United States. However, the aggregated value of these un-verified sources is relatively small. Therefore, we consider there to be a minimal risk of material mis-statement with regard to carbon emissions.
- We note strong improvement in the data collection efforts for aspects related to LEED certification – such as waste data, water usage data, etc. However, for these data sets, the information is limited to operations that are being built to LEED standards (North American developments). The next challenge in data collation for ProLogis will be to collect equivalent and comparable data from all international operations.
- The installation of the Board Sustainability Committee and Chief Sustainability Officer (CSO) are very positive developments from 2008. We recommend that the charter for the Committee be reviewed to explicitly cover aspects of social and economic sustainability.
- ProLogis has established strong corporate guidelines for ethical practice through the Code of Ethics. We recommend that these guidelines be explicitly extended to business partnerships and joint ventures.
- There appears to be an opportunity to create a more formal role for the ProLogis internal audit team on sustainability aspects through a regular schedule of audit activities.

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Responsiveness – how does ProLogis demonstrate that it has responded to stakeholder concerns?

- Customer communication appears to be a strong point within the ProLogis stakeholder engagement effort. However, although ProLogis demonstrates a variety of innovative means to inform customers of sustainability initiatives, there is room to improve the mechanisms by which ProLogis hears customer priorities on sustainability issues and how this feedback is systematically evaluated and used to drive stronger decision-making. The result is that customer communication tends to focus on sustainability aspects with a clearly demonstrable business case such as lighting upgrades to enhance energy efficiency. Other opportunities such as reducing operational waste that could achieve greater benefits and promote best practice have not been pursued to the same extent.
- We believe that ProLogis has been highly responsive to employee expectations during the recent down-sizing.
- Mechanisms to engage with communities during design, build and operation are wide-ranging, but not systematic except where required by local regulatory agencies. We believe that a systematic process for community engagement based on proactive dialogue around key issues could add significant value. This process should include mechanisms for active dialogue, metrics to measure success and tools to raise awareness in employees and community members. Such a strategic approach could be extended to community investment activities as well, including activities led by the ProLogis Foundation.
- We note that some targets from the 2007 Sustainability Report have not yet been achieved – particularly with regard to human resources (revised employee handbook, increased commitment to the ProLogis University and a new Human Resources data system). We look forward to monitoring progress against these targets in the future.
- We have seen evidence that ProLogis is seeking expert feedback on sustainability aspects and believe that this is a positive step forward in corporate level stakeholder engagement. This type of engagement could be broadened to include expertise on a wider range of topics through a review panel or similar. Also, it would be valuable to stakeholders if ProLogis would explain how the feedback from expert review will be used to drive systematic decision-making on sustainability aspects.

Two Tomorrows
USA March 2009

Todd Cort
Project Director

Jennifer Rosenberg
Consultant

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Two Tomorrows is a business focused, corporate social responsibility consultancy organization, bringing together specialists from the fields of environmental management, social accounting, and sustainable development.

Two Tomorrows North and South America (trading as Csrnetwork) is a subsidiary of Two Tomorrows (Group) Limited (www.twotomorrow.com).



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[3.5; 4.14-4.17] STAKEHOLDER ENGAGEMENT AND COMMUNICATION FRAMEWORK

In embracing sustainability as a key corporate value, we recognize that our operations are multi-directional – they both impact and are impacted by others. Therefore, working effectively with our stakeholders is of vital importance to the company.

ProLogis defines its stakeholders as any person or group of persons who may affect or be affected by ProLogis’ business operations. This includes customers, investors, employees, brokers, governments and non-governmental organizations, suppliers, associations, media and the communities in which we operate. ProLogis defines sustainability in the context of our economic, environmental and social performance; it is our understanding that each of these stakeholder groups has an interest in at least one of these aspects of our company and therefore is expected to have an interest in this report.

In determining report content, we took into consideration a variety of issues that are potentially important to our stakeholders, including energy use and greenhouse gas emissions, sourcing, compliance and investing. We then identified the issues over which ProLogis has some ability to make an impact. For each of those issues, we determined their materiality by assessing the level of importance to the stakeholder, public recognition of the issue, binding requirements, risk and relation to core competencies and organizational strategy. This exercise provided a systematic approach to identifying the material issues included in this report. Please see our Stakeholder Engagement Grid for an overview of our stakeholders and how we currently engage them.

We communicate openly and in good faith with our stakeholders and encourage honest feedback from them. This is obtained through active outreach, including customer satisfaction surveys, group and one-on-one investor meetings, investor perception surveys, industry forums, media interviews, quarterly earnings calls, employee “town hall” meetings and webcasts, public planning meetings and meetings with vendors and suppliers. Additionally, we provide departmental contact information on our corporate website, www.prologis.com.

We also respond to incoming inquiries. They can originate from local communities seeking volunteers, from third-party organizations looking for information about ProLogis’ plans to address climate change, such as the Carbon Disclosure Project and KLD Analytics, and from individual or institutional investors trying to better understand our business operations.

[PR6] We place a high importance on maintaining consistent messaging when marketing our business. Every employee adheres to a detailed disclosure policy, and we follow all NYSE guidelines regarding press release announcements and other marketing collateral. The majority of our senior marketing staff belongs to one or more professional organizations, such as the Business Marketing Association and the American Marketing Association, and adheres to guidelines established by these groups. **[PR7]** We are in full compliance with our marketing communications regulations and do not have any violations to report for 2008.

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STAKEHOLDER — ENGAGEMENT MECHANISMS

Stakeholder	Engagement Mechanisms
Customers	<ul style="list-style-type: none"> • Bi-annual customer satisfaction surveys • Dedicated ProLogis employees to respond to needs and requests • Select regional customer meetings to discuss sustainability and ProLogis' approach • One-on-one meetings to discuss ProLogis support of customer sustainability efforts • Customer-focused marketing materials about sustainability and other topics • Speaking engagements at customer-attended conferences and events
Investors – Public	<ul style="list-style-type: none"> • Quarterly earnings calls including Q&A with senior management • Dedicated ProLogis employees to respond to individual needs and requests • Perception study to gauge investor priorities • Annual Investor Day and other investor meetings to gather real-time feedback • Surveys from socially responsible investing groups or other investors, such as KLD Analytics
Investors - Fund	<ul style="list-style-type: none"> • Quarterly report on fund performance • Annual in-person meeting on fund performance • Regular written correspondence on issues such as contribution agreements and distribution notices of return on capital
Employees	<ul style="list-style-type: none"> • Quarterly worldwide employee meetings with CEO and senior management; includes Q&A • Employee satisfaction survey during first year of employment • Global employee survey (in development) • Training programs and support • Annual performance reviews • Sustainability Champion program to engage employees in sustainability efforts • New Intranet site to enhance internal communications
Brokers	<ul style="list-style-type: none"> • Quarterly Broker Update e-newsletter with relevant broker news • Attendance at national broker conferences • Attendance and hosting of various broker meetings at the market level
Nongovernmental Organizations	<ul style="list-style-type: none"> • Attendance at conferences and meetings • Participation in committees, such as US Green Building Council, to develop a LEED rating system for distribution centers • NGO information requests and surveys, such as the Carbon Disclosure Project
Government	<ul style="list-style-type: none"> • Close collaboration during entitlement process • Engage on relevant issues via industry associations

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Stakeholder — Engagement Mechanisms Continued

Suppliers	<ul style="list-style-type: none">• Contract development and interaction throughout term of contract• One-on-one meetings and calls• Preferred vendor list
Industry Associations	<ul style="list-style-type: none">• Participation on various committees and leadership teams, such as NAIOP's Sustainable Development Committee• Attendance at conferences and meetings
Communities	<ul style="list-style-type: none">• Input from, dialog with, and response to communities before, during, and after development• Employee volunteerism and ProLogis donations
Media	<ul style="list-style-type: none">• Press releases distributed regularly announcing significant business activity• Proactive engagement on topics important to certain media groups, including ProLogis' approach to sustainability• Press events hosted to engage with media on significant announcements• Interviews conducted regularly with a variety of appropriate ProLogis spokespersons• Articles written and other information provided in response to media inquiries• Dedicated ProLogis employees to respond to needs and requests on a daily basis

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COMPANY OVERVIEW

[2.1-2.4] ProLogis is a leading global provider of distribution facilities, with more than 475 million square feet (44 million square meters)* of industrial space in markets all across North America, Europe and Asia, as of December 31, 2008. Headquartered in Denver, Colorado USA, ProLogis is a FORTUNE 500 company and a member of the S&P 500.

[2.8] ProLogis has a presence in 18 countries and has 1,480* employees worldwide. The company leases its industrial facilities to more than 4,500 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. In addition to our core industrial business, we are active in retail and mixed-use development in Europe and throughout North America as Catellus Development Group, a ProLogis company. Information on the company's financial performance, dividend and market capitalization can be found in the economic section of this report.

[2.6] ProLogis is a Maryland real estate investment trust and has elected to be taxed as such under the Internal Revenue Code of 1986, as amended. Our world headquarters is located in Denver, Colorado. Our European headquarters is located in the Grand Duchy of Luxembourg with our European customer service headquarters located in Amsterdam, the Netherlands. Our primary office in Asia is located in Tokyo, Japan.

We were formed in 1991, primarily as a long-term owner of industrial distribution space operating in the United States. Over time, our business strategy evolved to include the development of properties for contribution to property funds in which we maintain an ownership interest and the management of those property funds and the properties they own. Recently, the global financial markets have been undergoing pervasive and fundamental disruptions, which began to impact us late in the third quarter of 2008. As the global credit crisis worsened in the fourth quarter, it was necessary for us to modify our business strategy. As such, we discontinued most of our new development activities and for the near term will focus on our core business of owning and managing industrial properties.

Currently, our business is organized into two reportable business segments: direct-owned and investment management. Our business was previously organized into three reportable business segments: direct-owned (previously called property operations); investment management; and development or CDFS business. Due to the recent economic conditions, we have modified our business strategy and, as a result, will no longer perform the investment and development activities within our CDFS business segment. Additionally, we transferred all of our real estate and other assets that were in our development pipeline to our direct-owned segment and transferred our investments in industrial and retail joint ventures to our investment management segment.

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DIRECT-OWNED

Our direct-owned segment represents the long-term ownership of industrial properties. Our investment strategy in this segment focuses primarily on the ownership and leasing of industrial and retail properties in key distribution markets. We consider these properties to be our Core Properties. Also included in this segment are real estate properties that were previously acquired or developed within our CDFS business segment and that, because of changes in our business strategy, were transferred to this segment due to our current intent to hold and operate these assets on a long-term basis. These include operating properties that we previously developed with the intent to contribute to an unconsolidated property fund. We now refer to these properties as Completed Development Properties. We also have industrial properties that are currently under development and land available for development that are part of this segment, the majority of which we plan to hold and use in this segment.

INVESTMENT MANAGEMENT

The investment management segment represents the investment management of unconsolidated property funds and certain joint ventures and the properties they own. We utilize our investment management expertise to manage the property funds and certain joint ventures, and we utilize our leasing and property management expertise to manage the properties owned by these entities. We report the property management costs, for both our direct-owned segment and the properties owned by the property funds, in rental expenses in the direct-owned segment, and we include the fund management costs in general and administrative expenses.

CATELLUS

Catellus Development Group is a business unit of ProLogis focused on mixed-use and retail in North America. In 2005, Catellus merged with ProLogis; today, Catellus continues to manage its portfolio of mixed-use and retail properties under the umbrella of ProLogis.

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CORPORATE GOVERNANCE

We are committed to maintaining corporate governance practices that uphold a business environment of uncompromising integrity. We continue to enhance this objective through our governance policies and compliance with the Sarbanes-Oxley Act of 2002, FCPA and the rules of the New York Stock Exchange (NYSE).

[4.1] Our highest governance body is the Board of Trustees, followed by our senior executives. The ProLogis Board is responsible for reviewing and approving strategic plans, corporate actions and financial objectives and [4.6] adheres to a well-defined code of ethics. In addition, the Board participates in a company-wide ethics challenge conducted each year by our legal department. [4.1] Our Board Committee Charters include:

- Audit Committee Charter
- Board Governance and Nomination Committee Charter
- Investment Committee Charter
- Management Development and Compensation Committee Charter
- Sustainability Committee Charter

[4.2] After a management change in November 2008, the Chairman of the Board is now a separate position from the Chief Executive Officer; since May of 2007, the two positions had been combined.

[4.3] Our Board comprises 10 members who are elected annually, nine of whom are independent. We require that a majority of our Board be independent in accordance with the applicable provisions of the Securities Act of 1934 and the rules standards adopted by the NYSE. [4.7] Prior to the election of any member of the Board, the Board Governance and Nomination Committee screens all potential candidates with a brief biographical sketch, conducts interviews and retains executive search firms as necessary. The Committee may look at a variety of factors to identify potential candidates, including each individual's focus on environmental, economic and social responsibility.

[4.8] At regular meetings, the Board reviews and evaluates internal mission statements, codes of conduct and principles related to economic, environmental and social performance. At the November 2008 Board meeting, a revised mission statement, which now includes sustainability, was developed and is as follows: "Our mission is to be the leading global provider of sustainable distribution facilities to the world's largest users of distribution space and to maximize shareholder value through customer service, organizational excellence and our commitment to corporate social responsibility."

[4.9] The Board receives an official update on sustainability initiatives during quarterly Board meetings. In 2008, ProLogis created the position of Chief Sustainability Officer, who reports directly to the CEO and acts as the direct liaison between the Board and senior management on all environmental and social responsibility objectives. The three members of the Board Sustainability Committee are committed to analyzing the company's environmental

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stewardship on a regular basis, with the full Board responsible for evaluating the company's overall sustainability performance. To address economic sustainability, the Board Audit Committee is charged with monitoring the quality and integrity of the accounting and reporting practices of the company.

[4.10] The Board conducts an annual self-evaluation, based on previously defined criteria, of its performance and the performance of designated committees to determine whether the Board and committees are functioning effectively. This evaluation includes the Board Sustainability Committee. The results are documented in Board minutes and discussed by the full Board with any agreed changes incorporated in Board and committee charters as applicable.

In addition, RiskMetrics Group assigned ProLogis an Industry Corporate Governance Quotient (CGQ) rating of 91.3 in April of 2009. RiskMetrics Group's CGQ is the most widely recognized third-party measure of corporate governance. The organization ranks U.S. companies using 65 different variables across eight categories: board of directors, charter and bylaw provisions, executive and director compensation, audit, anti-takeover provisions, stock ownership, progressive practices and director education.

[4.5] Our compensation philosophy is to reward superior company and executive performance and to attract and retain highly competent executives upon whose judgment, initiative and leadership our success depends. Our Management Development and Compensation Committee focuses on completing regular performance reviews for our senior executives. The Committee is responsible for setting compensation levels in accordance with company goals and objectives; the Committee also oversees programs in hiring, motivating and retaining key employees and in creating short- and long-term shareholder value.

[4.11] We take precautionary measures to address risk management in operational planning and with new investments. We have operational controls in place for emergency management, carry comprehensive insurance coverage and conduct a thorough underwriting process. Before any capital is committed to a new investment, our investment committee reviews investment memos, conducts an economic analysis and often considers the social and environmental impacts of the investment.

[4.4] You may communicate with any of the trustees, individually or as a group, by writing to them c/o Edward S. Nekritz, General Counsel and Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239. All communications should prominently indicate on the outside of the envelope that they are intended for the full Board, for outside trustees only or for any particular group or member of the Board.

For a complete description of ProLogis' corporate governance practices, please visit:

<http://ir.prologis.com/governance.cfm>.

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AN INTEGRATED APPROACH TO SUSTAINABILITY

At ProLogis, we are committed to all three dimensions of sustainability: environmental stewardship, social responsibility and business excellence. Sustainability is integrated into every level at ProLogis. It is part of our corporate culture and exerts influence throughout business decisions and negotiations. Our new governance structure helps to enforce the sustainability culture that has been fostered at ProLogis.

In 2008, we revised the way we govern our sustainability practices internally, adding a Sustainability Committee to our Board of Trustees. Three members preside on this committee and take an active role in considering how the company deploys and reacts to varying opportunities regarding ProLogis' sustainability program. We also created the position of Chief Sustainability Officer (CSO). At the executive level, the CSO makes decisions related to our day-to-day sustainability programs and manages our in-house sustainability team.

This team is comprised of two dedicated associates whose primary focus is on furthering ProLogis' sustainability efforts. For example, the Director of Renewable Energy serves as the lead for solar, wind and all other renewable energy projects that ProLogis pursues. We also have a Sustainability Analyst who tracks ProLogis' carbon footprint and creates reduction strategies, oversees our green building metrics and manages our Sustainability Champion program, described below.

In early 2008, ProLogis identified one person in every office in the United States who was willing to help further the company's sustainability efforts on a local level. Specifically, this includes minimizing each individual field office's impact on the environment and contributing to the local communities in which we operate. These "Sustainability Champions" create a network with the following objectives:

1. Elevate awareness of sustainability within the company.
2. Improve sustainability-related communication and data sharing.
3. Reduce the impact of our operations on the environment and enhance our communities.

In early 2009, ProLogis rolled out the Sustainability Champion program in Europe and has made plans to engage our teams in Japan and Korea mid-year. By addressing sustainability at all levels of the organization, this approach is helping to integrate a sustainability ethic into all that we do.

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[ENO] As the industry leader in environmental stewardship, we see it as our duty to do our utmost to contribute to the solution of three major global challenges confronting humankind – climate change, overburdened ecosystems and conventional oil depletion. We do this by:

- **Minimizing carbon emissions**, through carbon neutrality in our own business operations as well as through innovative designs for our developments that provide our customers with practical options for moving toward carbon neutrality.
- **Minimizing the ecological footprint** of our developments worldwide by meeting or exceeding relevant local or regional green building design standards.
- **Minimizing the consumption of transportation fuels** for our customers by offering future-smart locations and reconfiguration options based on the industry’s largest and most proactively-managed global building and land portfolio.

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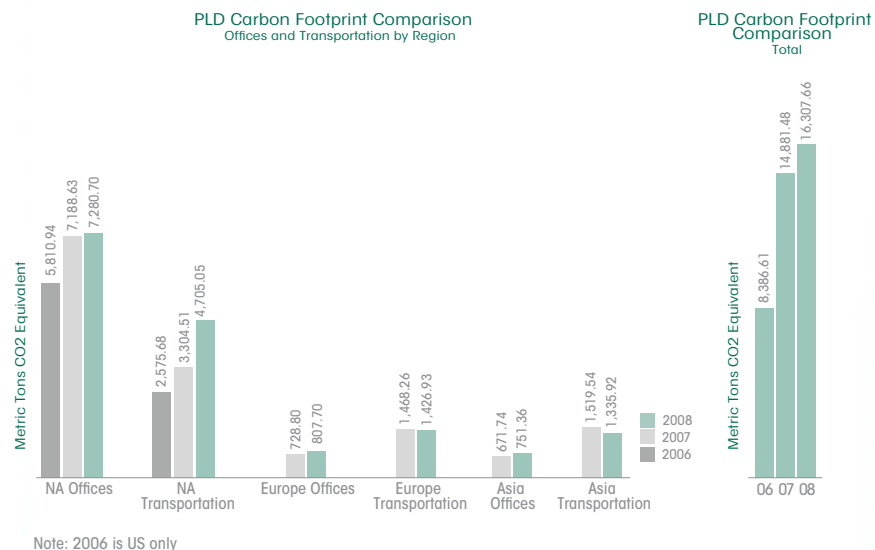


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CARBON MANAGEMENT AND ENERGY EFFICIENCY

[EN16, EN23] We believe our leadership in proactively addressing the carbon impacts of our operations and products will be recognized and rewarded through increased customer loyalty and enhanced community relations. During 2008, we continued to calculate and offset our operational carbon footprint and are in the process of developing a corporate carbon strategy. Below is a table that details ProLogis' total direct and indirect greenhouse gas emissions by weight for the year.⁽¹⁾



ProLogis also continues to work with the Chicago Climate Exchange (CCX), the world's first voluntary, legally binding greenhouse gas emissions reduction, registry and trading program. As an Associate Member in CCX, we have committed to annually measuring and offsetting 100% of our U.S. operational carbon footprint. We have taken our commitment to the next level by measuring and offsetting 100% of our global operational carbon footprint. For 2009, we committed to establishing a goal for reducing these carbon emissions and have already made progress in increasing our efficiency.

Electricity/Indirect

Energy Consumption	Natural Gas	Carbon Footprint
12,200,155 kWh	63,410 therms	16,293.91 metric tons of CO2

For example, in early 2008 we began fine-tuning our headquarters building to maximize efficiency through practices such as adjusting our HVAC schedule and investing in additional controls for lighting. We also invested in GPS units for all of our maintenance trucks to reduce unnecessary driving and identify the most efficient routes possible. While we believe buying carbon offsets is necessary to mitigate our environmental impact, we also believe the

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⁽¹⁾ In early 2008, ProLogis acquired a company plane that is no longer in use and is currently marketed for sale. The company plane accounted for approximately 2,200 metric tons of CO2, which indicates that the total organic output from ProLogis for 2008, not including the plane, was in fact less than the previous year.



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responsible approach to carbon management is to become as efficient as possible first, and then offset only what we cannot feasibly reduce.

We recognize that our carbon emissions not only result from our operations, but also from our supply chain. In 2008, we concluded a study to measure the embodied carbon of ProLogis Park Pineham in the U.K. Embodied carbon is the carbon associated with the life-cycle of warehouse development, beginning with extraction of raw materials to make building components, the manufacturing of the materials and their transport to the site, the energy consumed during construction, and finally, the demolition and waste management at the end of the building's life. Partnering with our suppliers, we offset 110% of the building's embodied carbon footprint, thus delivering our customer a carbon-neutral building from the start. We began a similar study on a U.S. warehouse in 2008, which will be concluded once our development activity resumes.

By addressing not only our direct emissions but also the emissions over which we have less control, we believe we are taking a comprehensive approach to addressing carbon and the impacts of our business on climate change.

[EN28] ProLogis has never been fined for non-compliance with environmental laws and regulations and, [EN23] due to the nature of our business we have a very low risk of significant spills.

[EN3, EN4] We are focused on improving the energy efficiency of the existing facilities in our portfolio. In 2006, we initiated a lighting program to install or upgrade the lighting systems in our North American portfolio with energy-efficient T5 and T8 fluorescent lighting. As of the end of 2008, high-efficiency lighting had been installed in more than 26 million square feet (sf) of warehouse space. Compared to standard warehouse lighting systems, this translates into a savings of over 29 million kilowatt hours (kWh) of electricity per year, enough energy to power more than 2,600 Americans' homes for one year or produce more than 21,000 metric tons of carbon dioxide emissions. Below is a table demonstrating the total number of high-efficiency lighting systems year-over-year since we first started the program⁽²⁾:

North American Portfolio

2008	11.8M SF
2007	11.4M SF
2006	3.1M SF

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⁽²⁾ The total amount of high efficiency lighting installed is not directly under ProLogis' control; our customers choose whether or not they want to upgrade their lighting systems in existing facilities and incur the related costs. In addition, current economic circumstances are causing many companies to reevaluate their priorities and cut back on certain non-critical activities, which can include sustainability efforts that require capital outlay. Despite this, through our frequent customer contact we will continue to promote high-efficiency lighting to our customers, as it typically achieves a fast return on investment and reduces their operating costs. ProLogis also will continue to invest in high-efficiency lighting to make its vacant space more attractive to potential customers. However, because of economic circumstances we will likely commit less of our own capital to lighting upgrades than we otherwise would.



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In Europe, as part of a directive related to the Kyoto Protocol, many countries are now required to implement a rating system to designate building energy efficiency. This is an effort to educate consumers and the market about the environmental impacts of buildings, with the ultimate goal of improving energy performance. For example, as of October 2008, the U.K. government mandated that all commercial buildings have an Energy Performance Certificate (EPC) when they are bought, sold or rented. Twelve of our warehouses have earned or projected scores that equate to using between 30-40% less energy than similar new buildings. Other countries are adopting rating systems as well. At this time, our German warehouses are averaging a 45-50% energy reduction compared to similar new warehouses. The number of warehouses rated under other systems is minimal, but early results show that these too are above average in terms of energy efficiency. We have a system in place to track our EPC scores and average savings, and will continue to monitor and report our performance in this area.

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U.S. DEPARTMENT OF ENERGY STUDY

[EN6] In fall of 2008, the U.S. Department of Energy (DOE) awarded approximately \$15 million for a new, national study to speed market adoption of current technologies and design solutions that yield significant, measurable savings for commercial buildings.

The DOE solicited proposals from national laboratories to achieve cost-effective energy savings of 50% above ASHRAE Standard 90.1-2004 for new commercial building designs and 30% for retrofits of existing buildings. The labs targeted major retailers, financial institutions and real estate firms as partners in the study; ProLogis was included in a proposal from the National Renewable Energy Laboratory (NREL), one of the nation's leading laboratories for renewable energy and energy efficiency research and development.

As part of the study, we committed to working with NREL to review typical warehouse design specifications and enhancements using computer-run simulations that identify the impacts of design and technology changes on energy use. So far, we have attended meetings with the DOE, NREL and other participants, and will focus our 2009 efforts on the retrofit building. From the ProLogis perspective, we hope to gain knowledge of cost-effective upgrades we can use to greatly improve the energy performance of our existing portfolio, while also helping to improve the energy efficiency of the commercial building stock as a whole. (<http://ir.prologis.com/releasedetail.cfm?ReleaseID=337189>)

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RENEWABLE ENERGY INITIATIVES

[EN6] We continue to prove our position as an industry leader. Not only does ProLogis have a well-developed sustainability program, but we are now using that expertise to create additional income in a tough economic environment.

In 2008, realizing the potential to create additional income from its existing assets, ProLogis formalized its approach to renewable energy installations at its warehouse facilities in North America, Europe and Asia. We are soliciting utility/energy companies to sign long-term lease agreements for roof space on our existing facilities, to be used for solar installations, and third-party investors to potentially lease and/or fund our solar installations.

There are many reasons why partnerships between utilities, investors and commercial/ industrial real estate owners make sense. Industrial warehouses, by design, are located near major populations. As such, facilities that reach these populations are connected to the local utility company's electrical grid serving these same populations.

Additionally, by leasing our rooftop space and earning construction management fees for installing the solar panels, we are able to supplement our revenue stream without committing additional capital. Our fund investors benefit by getting additional revenue through roof leases on facilities with solar installations.

Currently, ProLogis has 11 solar installations with capacity totaling 6.1 megawatts (MW), which should generate 5,237,590 kilowatt hours (kWh) per year. However, solar power is not the only renewable energy we are targeting. ProLogis also is dedicated to installing wind turbines at parks where conditions are viable for this technology. So far, ProLogis has three installations with capacity totaling 68 kilowatts (kW) and an estimated annual production of 49,200 kWh. At full capacity, including the total power generated from both our solar and wind installations, we could provide electricity to power approximately 527 homes.

These efforts helped us make considerable progress toward our renewable energy goals during 2008. So far, ProLogis is approximately 27% of the way to reaching its 2010 goal of installed capacity of 25 million kWh per year across the company's global property portfolio.

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ROOFTOP SOLAR INSTALLATIONS

[EN6] At the time of our first solar installation announcement, we believe ProLogis was the only real estate owner/manager in the United States with a dedicated solar program using its own rooftops. And, we have the roof surface space to make a true impact – more than 475 million square feet across North America, Europe and Asia.

In 2008, ProLogis partnered with two large utilities for rooftop solar installations: Southern California Edison (SCE) and Portland General Electric (PGE). In March of 2008, ProLogis entered into an agreement with SCE, the largest electric utility in California, to lease more than 600,000 square feet of roof space at ProLogis' Kaiser Distribution Park in Fontana, California, to power a 2.44 megawatt (MW) installation. In December of 2008, the installation was completed and the power turned on.

In October, ProLogis signed its second rooftop solar lease with PGE, a vertically integrated electric utility in Oregon, for a 1.1 MW installation. The solar power system has been installed on three ProLogis distribution centers in the Portland area, the largest of which is a 518 kilowatt (kW) installation at a 246,000-square-foot distribution facility located at ProLogis Park PDX in northeast Portland. The remaining 577 kW has been installed on two separate ProLogis distribution centers at ProLogis Park PDX Corporate Center East, located nearby. Construction on the project was completed in December 2008, with the electricity turned on in January 2009.



PROLOGIS PARK PDX

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MINIMIZING OUR FOOTPRINT

[EN26] ProLogis maintained its commitment to developing its facilities to the highest environmental standards, including the U.S. Green Building Council's **LEED** (Leadership in Energy and Environmental Design) program, **BREEAM** (Building Research Establishment Environmental Assessment Method) in the U.K and **CASBEE** (Comprehensive Assessment System for Building Environmental Efficiency) in Japan.

[EC2] As we reported last year, ProLogis announced two major initiatives in early 2008 to develop all of its new facilities in the U.S. and U.K. according to LEED and BREEAM standards. Since then, both LEED and BREEAM have increased in recognition and adoption by other nations across the globe, which is helping to set the bar for the real estate industry as a whole. We strive to build in accordance with the accepted green building rating system in all of our regions of operation. Where rating systems do not exist, we implement best practices learned from developing sustainable buildings across our global portfolio.

[EN26, PR1] At the end of the year, ProLogis had 46 buildings registered or certified worldwide, including:

- **LEED in North America:** 35 buildings registered or certified, totaling 14.4 million square feet
- **LEED in Europe:** One building registered, totaling 130,000 square feet
- **BREEAM:** Seven buildings certified, totaling 2.8 million square feet
- **CASBEE:** Four buildings registered or certified, totaling 4 million square feet

We do not expect to increase the total number of buildings that achieve certification or registration during 2009 by a significant amount due to our company-wide decision to postpone development starts in response to the global financial crisis and our focus on preserving capital. However, we will meet these standards in buildings that were under construction prior to our decision and will continue to meet these standards in new buildings once we resume development.

[EN6] Buildings developed to these standards benefit from reduced energy consumption and carbon emissions. For example, ProLogis' LEED facilities are typically designed to achieve energy savings of 24.5% for new buildings, although our design has targeted up to 35% savings at some of our facilities. In terms of kilowatt hours, ProLogis' 2008 U.S. LEED starts are expected to save over 13.6M kWh per year during their operation. This is equal to: 9,767 metric tons of carbon dioxide emissions, or the amount saved by eliminating 1,789 passenger cars, or planting 2,220 acres of pine forests.

In terms of formally tracking our results as they relate to our multi-year goals, ProLogis established a data collection system for the United States/Canada. We started eight buildings in this region during 2008, with more than half of them meeting the goals outlined above.

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We have not yet expanded the data tracking system to formally cover Europe, Japan or Mexico; however, we completed research on ways to incorporate LEED into our developments in Mexico so that we can achieve our goals in this and other developing markets when market conditions improve.

In addition, in September of 2008, ProLogis received ISO 14001 certification for all of its U.K. project management activities. ISO 14001 standards provide guidelines for environmental management systems (EMS), which serve as management tools for companies to identify and control the environmental impact of their activities, products or services; continually improve environmental performance; and implement a systematic approach to setting and achieving environmental objectives and targets. In October, ProLogis finalized a nine-step global implementation plan and timeline to extend this accreditation to encompass its project management activities across the rest of Europe. ProLogis is well underway with its objectives, and hopes to receive certification in Europe by the end of 2009, with North America, Japan and Korea targeted for year-end 2010.

[EN1] Some of the most common materials used in ProLogis' distribution centers include concrete, structural steel, rebar, sprinkler pipe, roof deck, roof insulation, roofing and asphalt paving. In 2008, ProLogis used 3.2 million cubic yards of concrete; 163,000 tons of concrete, 91,000 tons of rebar; 8.2 million linear feet of pipe; 72.7 million square feet of roof material and 1.7 million tons of asphalt. We report this information to help demonstrate the environmental impact of our development activities.

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CUSTOMERS IN SPAIN DEMAND ENVIRONMENTALLY ADVANCED FACILITIES

[EN26] ProLogis' approach to development at its industrial park in Zaragoza, Spain, was to create a strategic location for distribution while also providing a turn-key sustainable solution. Today, ProLogis properties in Zaragoza comprises two facilities totaling 1.37 million square feet, both of which were completed as build-to-suit projects and are fully leased.

Our objectives during the design and construction process at both facilities focused on reducing water consumption, increasing energy efficiency, recycling construction waste and creating a positive work environment. As a result, both facilities were constructed using a variety of sustainable design techniques and are now among the most environmentally advanced industrial facilities in the country.

The first distribution center, completed in early 2008 and leased to ARC International, utilizes⁽¹⁾ skylights clerestory windows that increase interior daylight; a laminated-wood⁽²⁾ roof structure frame,⁽¹⁾ energy-efficient lighting systems,⁽³⁾ roof-mounted solar panels that generate electricity and heat water. The second distribution center, which will be completed in early 2010 and is leased to Bosch-Siemens Home Appliances, utilizes the same features as the first distribution center and also has direct access to rail.

Both facilities benefit from low-maintenance and water-efficient landscaping, a rainwater retention basin for irrigation and use in the toilets which are low-flush to reduce water usage, motion-activated faucets, covered parking for eco-friendly cars and free power outlets for electrical vehicles. We also prepared an Environmental Users Manual for the occupiers of the buildings.

We recently completed a study on the energy and carbon savings at the facility leased to ARC. ProLogis achieved a 70% reduction in operational emissions based on U.K. environmental standards for distribution facilities and a more than 70% reduction in operational energy when compared to a typical building. Over a 25-year period, the facilities are expected to achieve a 55% reduction in operational energy usage. The sustainable cost savings are estimated at 148,000 Euro per year.



PROLOGIS ZARAGOZA SPAIN

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⁽¹⁾ The optimization of skylights and clerestory windows can generate savings of nearly 50 percent compared with artificial lighting, while energy efficient lighting systems minimize energy usage up to 40 percent less than a standard system. This results in savings on power consumption, carbon emissions and running and maintenance costs.

⁽²⁾ The laminated wood roof structure, which is renewable, was procured from well-managed and forest stewardship certified sources. It has lower embodied carbon compared to steel/concrete-made elements and has better fire resistance than steel.

⁽³⁾ The energy produced by the roof mounted solar panels flows directly into the utility grid. The total yearly output is about 120,000 kWh, which is equivalent to nearly 10 percent of the building's energy needs, and represents savings of 52 tons on carbon emissions.



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OFFERING "FUEL EFFICIENT" FACILITIES

ProLogis distribution centers are designed to maximize the efficiency of our customers' supply chain operations. They ensure the accurate and seamless flow of goods from the point of manufacture to their ultimate destination, and in many ways they enable our customers to be fuel efficient.

We have long focused our acquisition and development activities on sites that can maximize the efficiency of distribution, logistics and light manufacturing — near major highways, large population centers and trade hubs, including seaports, airports and intermodal. Often, this translates into less fuel consumption due to the direct routes, shorter travel times and convenient access to the product consumers.



PORT READING BUSINESS PARK AERIAL

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MULTI-YEAR GOALS

In 2006, ProLogis adopted a series of multi-year, quantifiable waste and renewable energy goals to be achieved by the end of 2010 for all new development in its global portfolio. They are as follows:

Utilization of 20% recycled content, based on cost, in all new warehouse developments.

Diversion of 75% of construction debris from disposal in landfills and incinerators on all new projects.

Reduction of potable water usage for landscape irrigation by 50% in accordance with methodology established under the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) program.

Installation of renewable energy sources that have a combined generation capacity of over 25 million kilowatt hours per year across the company's global property portfolio.

Over the years, ProLogis has made progress toward reaching its goals. However, we are not progressing as fast as originally expected due to the fall-out of the global credit markets and the resultant impact on our business operations and development pipeline. Given these changes, we are planning to re-evaluate our multi-year goals and adjust them to reflect current and near-term market conditions, and we will report on any modifications accordingly.

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[EN7] In 2008, ProLogis' U.S. Sustainability Champions identified at least one action item each of their offices could take to reduce their environmental impact. The solutions included installing motion sensors for office lighting, unplugging office equipment on the weekend, establishing recycling programs and even mandating double-sided printing. They also assisted our sustainability team on several other corporate initiatives, including calculating the company's carbon footprint and providing information about electronics management to support a comprehensive corporate recycling policy.

The Sustainability Champions also helped create the "ProLogis Green Path." This initiative is a culmination of the solutions implemented by each office during 2008, compiled and expanded into set of guidelines that address four specific Environmental Impact Areas — Energy, Waste, Procurement and Water—and the various steps each office can take to reduce its impact in each of them.

In early 2009, ProLogis rolled out the Sustainability Champion initiative and Green Path in Europe, and plan to engage Japan and Korea mid-year.

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HABITATS PROTECTED OR RESTORED

[EN13] ProLogis completes an Environmental Impact Assessment (EIA) at every project we undertake to determine whether our plans for the site will impact or threaten any species or habitats. This assessment is conducted during the land procurement and entitlement process; we will work in partnership with relevant agencies and organizations to sufficiently mitigate any impacts and go above and beyond where possible.

For example, at one of its land holdings in California's Inland Empire, ProLogis created a 9-acre conservation habitat under the direction of the California Department of Fish and Game and the U.S. Army Corps of Engineers. The mitigation at the site involved the enhancement and conservation of a mature riparian habitat (the interface between land and a stream) and a riparian/upland transition habitat. As part of this, ProLogis planted 82 oak trees and one acre of scrub oak; built a 550-square-foot pond; removed exotic, non-native plants and installed a perimeter fence and signage to protect the habitat. To ensure that the mitigation project met the required standards and to provide additional benefit to the area, ProLogis salvaged topsoil from areas of the site to be developed and redistributed it in the conservation area.



INLAND EMPIRE

At ProLogis Parc Narita III in Tokyo, Japan, ProLogis preserved 172,000 square feet of forest located near the site. At first, ProLogis planned to apply for permission to cut the trees according to the local government's requirements. However, after discussing the park's impact on the land and ways to limit this, we decided to not cut or move any trees during the development process. Although this required ProLogis to modify a few plans, we felt it was important to keep the woods and protect the site's natural environment.



NARITA

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PACIFIC COMMONS WETLANDS RESTORATION PROJECT

[EN13] In connection with our Pacific Commons project, an 840-acre, mixed-use redevelopment located in the city of Fremont, California, Catellus restored and rebuilt 440 acres of vernal wetlands habitat located immediately adjacent to the project. The company then donated the land to the U.S. Fish and Wildlife Service, with which it had worked closely to recreate a series of shallow vernal pools that border the Pacific Commons property. We also constructed a 1,800-foot causeway to preserve connectivity between the pools and to allow the resident wildlife, which includes several endangered and protected plant and animal species, to safely migrate under the roadway.

Today, the site consists of two preserve areas believed to have previously supported an extensive vernal pool and wetland complex. The reconstruction of the pools, which are characterized by their seasonal flooding and drying, has resulted in a number of unique and rarely seen plants to reemerge, providing an indication that the restoration is well on its way. To further ensure successful establishment, Catellus agreed to manage and track ecological data at the site for 10 years, after which we will set up an endowment to fund future maintenance by the U.S. Fish and Wildlife Service.

The enhanced property forms the largest vernal pool complex in the South Bay and is being incorporated into the Don Edwards San Francisco Bay Wildlife Refuge, the first urban federal wildlife refuge established in the United States. In support of its long partnership with the U.S. Fish and Wildlife Service, Catellus will also donate and install several large interpretive panels to educate the public about the function of the seasonal wetlands and to introduce its resident rare species.



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SOCIAL RESPONSIBILITY

[HRO] At ProLogis, corporate social responsibility means setting expectations of exemplary societal conduct for ourselves, be it in our own business activities, our local communities, or a global context. We strive to do this by:

- **Demanding high standards of social responsibility** from ourselves as well as from our partners and suppliers, no matter where in the world we do business.
- **Engaging in community programs** through employee involvement and charitable contributions that improve the health and welfare of children and youth in the regions where we operate.
- **Joining others in global problem-solving** in areas where our professional experience and corporate resources can make a significant difference to the solution of urgent global issues.

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COMMUNITY ENGAGEMENT

[S00] We believe in being a good corporate citizen, and that charitable actions provide long-term return on investment and greatly contribute to our social sustainability. [EC8] Across the globe, our employees offer their time, expertise and financial support with the goal of making a positive impact on the communities in which the company operates. In support of their efforts, ProLogis provides every employee with two paid days each year to be used for community service.

In 2008, ProLogis and its employees donated more than 5,300 hours of time and approximately \$1.5 million to more than 150 charities and organizations in need. Some of the organizations we helped include:

- Mercy Corps
- The Salvation Army
- Habitat for Humanity
- Project C.U.R.E.
- United Way
- Boys and Girls Clubs
- Ronald McDonald House
- Tokyo Museum of Logistics
- Office National des Forêts (ONF)
- Multiple schools, hospitals and food banks

[EC1] Almost half of the money donated came from the ProLogis Foundation, which was established in 2001 with the goal of providing financial support to institutions of higher education and charitable organizations across North America. Since then, the Foundation's scope of influence has been expanded to include our operations in Europe and Asia.

The Foundation continues to be managed by ProLogis' legal team, led by our general counsel. In 2007, we reported our plans to hire a foundation manager dedicated to managing charitable activity and fund allocations. Due to our focus on cost containment driven by the global credit crisis, we have not yet placed anyone in this role. Organizations seeking further information should contact ProLogis via regular mail to the attention of the Foundation c/o Ed Nekritz.

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SOCIAL RESPONSIBILITY ON A GLOBAL SCALE

[EC8] ProLogis is committed to supporting community programs that improve the health and welfare of children and youth in the regions where we operate. During 2008, the company completed charitable activities in virtually every country in which it operates. For example, in Mexico, ProLogis and MolsonCoors Brewery joined forces to co-sponsor a fundraising event benefiting the victims of the flood-ravaged cities of Tabasco and Chiapas. Organized by Project C.U.R.E, the event helped secure much needed medical supplies and equipment, which were delivered on a cargo container. In addition to providing financial support for the supplies and the delivery, ProLogis staff was onsite for the unloading of the container.

In San Antonio, Texas, 11 people from the ProLogis office spent a day rebuilding and renovating a home for a family of three through its partnership with Habitat for Humanity. Work on the home included installing doors, windowsills, trim, baseboards, floors, shelving and interior hardware, as well as painting, caulking and tiling. The home is located on the east side of the city in an area where Habitat builds about 50 homes a year; this is the third house the local ProLogis team has helped build in the San Antonio area.



HABITAT FOR HUMANITY

In the U.K., ProLogis contributed time and money to support a variety of education-based organizations. In Bristol, we contributed toward a new bus for a school for hearing impaired children, replacing their old, worn-out bus. In Birmingham, the team renovated a garden at a school in an economically deprived area. They also worked directly with the students on reading and other projects and restored part of an outdoor activity center there. In Dartford, ProLogis donated a half-acre site for the development of a construction skills workshop, now known as the ProLogis Academy. This site will serve as a job training facility for people seeking employment at construction and infrastructure projects throughout the region.

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In Budapest, Hungary, we renovated an old building to serve as a new kindergarten school for "Beszélj Velem" (Speak to Me Foundation); a non-profit organization that teaches disabled children between the ages of three and eight. In 2008, the foundation stopped receiving support for a lease on a building where the kindergarten had been located for several years, forcing them to move to an old, run-down building. Since they had no available funding to refurbish the facility, they turned to ProLogis Hungary for help. The ProLogis team, along with a network of construction subcontractors, helped renovate the building, paint and improve the landscaping, resulting in a nicer environment for the children.



HUNGARY KINDERGARTEN

At ProLogis offices in Tokyo, our employees have been collecting plastic bottle caps from water, teas or other drinks, which are then sent to a non-profit group called "Eco-Cap Movement." The organization sells the caps to local recycling plants and donates the proceeds to another non-profit in Japan called "Vaccines for the World's Children," which sends polio vaccines to children in developing countries.

In China, we pledged to fund the construction of one new school for every five million square feet of industrial development completed. In 2008, we developed three new schools, bringing the total number of schools built in China to four. In addition to the construction, ProLogis also donated books, TV sets, disc players and other items for the students' use. More than 1,000 students attend the schools, which are located in the Guangxi, Dalian and Ningxia regions.



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One of the most significant donations from last year was the result of a global, collective effort among ProLogis employees following the 7.9 magnitude earthquake that hit central China in May of 2008, killing more than 69,000 people and leaving millions of people homeless. We partnered with Mercy Corps, an international humanitarian aid and development charitable organization that focuses on emergency relief services, to participate in the aid and relief efforts for the survivors affected. Donations from our employees around the world, plus matching from the ProLogis Foundation, resulted in a total contribution amount of 4.73 million RMB (US\$691,000) to support the China Earthquake Relief Fund.

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CASE STUDY

THE MUELLER FOUNDATION

[EC8] Catellus, a ProLogis business unit, serves as master developer for Mueller, a 711-acre mixed-use community located less than three miles from downtown Austin, Texas. The award-winning project incorporates a number of new urbanism and green building principles, and also offers the Mueller Affordable Homes Program. This program, which is one of the most ambitious in the country, requires a minimum of 25% of the project's for-sale and for-rent residences to be deemed affordable.

To support this program, as well as efforts related to schools and education, parks and open space, job training programs, sustainable development and other charitable programs, Catellus helped form the Mueller Foundation, a 501(c)(3) Texas non-profit organization with an independent Board of Directors. The Foundation enables Catellus to implement a "shared appreciation" program, where affordable-qualifying families enter into an agreement with the Mueller Foundation, which provides an interest-free second lien on affordable homes.

In effect, the Mueller Foundation makes up the difference between the sales price and the market value of the home. Proceeds generated from the program, which are procured through home sales fees and appreciation sharing, are used by the Mueller Foundation to support long-term affordable and other community goals. To date, the Mueller Foundation has closed on more than 100 affordable homes.

The Mueller Foundation aims to generate more than \$35 million before Mueller's completion, which is estimated to be 10 to 15 years from now. Catellus has selected the Austin Community Foundation to manage the funds. These funds will be used to ensure that Mueller's ambitious Affordable Homes Program remains vital for years to come. For more information on the Mueller Foundation and the Mueller Shared Appreciation Program, please go to: <http://www.muelleraustin.com/homes/affordable/affordability.php>.

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MANAGING OUR IMPACT

[SO1; EN14] When ProLogis enters a community, we often take part in studies and engagement mechanisms with the communities. As part of our analysis and due diligence, we complete development and environmental impact analyses that enable us to do some or all the following:

- Estimate the total number of jobs to be created and new tax revenues to be generated as a result of the development.
- Conduct traffic studies to estimate the total number of vehicle and truck trips for each development.
- Develop traffic plans in conjunction with municipalities to efficiently manage traffic flows in order to minimize impacts to the surrounding community.
- Minimize any adverse impacts from light or glare.
- Attend community planning meetings to address and respond to citizen and government questions and concerns.
- Develop storm water management plans to properly control runoff quality and quantity, which includes treating run-off from impervious surfaces such as parking lots prior to discharge.
- Determine whether the development will impact any wetlands and if so, apply appropriate mitigation efforts so there is no net decrease in wetland quality or quantity.
- Verify whether any endangered plant and animal species will be impacted by our development and if so, change our development plans so the threat is eliminated and the species is not negatively impacted.

In response to public infrastructure concerns from the City of Pataskala in Ohio, which was responsible for approving phase two of development at ProLogis Park 70-Etna, ProLogis committed to providing new tax revenue for public infrastructure projects as well as support the activities of the local school district. This included a donation to the Southwest Licking Education Foundation, which will be used for education-enhancing and scholarship purposes; a donation to the Township for the new Etna Township Hall; and, other school levy donations. It also included public infrastructure improvements, which will be reimbursed over a period of time.

[EN13] During the remodeling of two lakes at The Bridge, a ProLogis mixed-use development in England, we worked to restore the habitat for a water vole population - *Arvicola terrestris* – that would have been impacted by the modifications. In addition to transplanting reeds, sowing grass seeds and planting native shrubs, we ensured the banks of the lakes were formed with a minimum of two meters of clay fill, which is ideal for water vole burrows. We also installed pre-planted coir matting along the southern bank of the south lake, which supports vegetation growth, protects the banks against erosion and creates an ideal foraging and burrowing environment for the voles. ProLogis completed the transformation in conjunction with its joint venture partner at The Bridge, Darford Borough Council, and Natural England, a division of the public sector of the Department for the Environment, Food and Rural Affairs.

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EMPLOYEES: OUR MOST VALUABLE ASSETS

[LA0] We affirm our commitment to Equal Employment Opportunity. We believe that our employees are our most important assets and seek to hire and retain superior employees by committing to excellent employment standards. We recruit, hire, train, promote and compensate candidates for employment, as well as our current employees, without regard to race, color, age, religion, gender, national origin, disability or sexual orientation. All other personnel actions including, but not limited to, disciplinary action and fringe benefit programs, will be based on the same principles. [HR4] In North America, ProLogis had one incident of discrimination raised during 2008; it was resolved during the investigation process. In addition, the two incidents of discrimination that were raised and reported on in 2007 were resolved and closed during discussions between management and the employees. To date, ProLogis has not been found to have discriminated against its employees.

ProLogis Human Resources employees with hiring responsibility try to attend at least one diversity-related career fair per year. ProLogis follows all relevant federal and state laws applicable to individuals with disabilities, Vietnam-era and disabled veterans and endeavors to maintain guidelines and practices that meet the standards required by law.

[LA12] ProLogis also is dedicated to the continual improvement of its training and education programs for its employees, which we achieve through a number of strategic communications tools. For starters, we believe that regular updates about the company's business operations, career growth opportunities and sustainability efforts worldwide contribute to the development and knowledge of our employees. We communicate to our employees through one-on-one and group meetings, by phone, by email and most significantly, through our global intranet site.

In addition, we expanded our global training and development team, which was formed in 2007. This group has already made substantial progress formalizing and enforcing training programs. At the end of the year, more than 70% of ProLogis employees had received a performance and career development review. Our performance review process is a combination of performance and development training.

[LA10] ProLogis tracks its investment in its employees in terms of dollars spent. In total, ProLogis invested more than \$2.5 million in training and development for its employees during 2008, which averages to more than \$1,750 per employee.

[SO3] Separately, 100% of our employees are trained in corporate governance standards. Each year, ProLogis requires every employee to participate in an online "Ethics Challenge." This is a program designed to train and reinforce ProLogis' beliefs and values to all employees, officers and Board members. In regard to FCPA (Foreign Corrupt Practices Act) training, we trained all of our senior management team, all of our China associates, 81 employees in Europe and the majority of our people in Mexico during 2008. [SO4] The company did not experience any incidents of exposure to corruption. [SO7] We did not have to take any legal actions for anti-competitive behavior, anti-trust or monopoly practices, [SO8] and we did not have any fines or non-monetary sanctions for non-compliance with laws and regulations.

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[LA3] In terms of benefits, ProLogis employees who work more than 30 hours per week are considered full-time employees and can choose to participate in ProLogis' full benefits offering. This includes medical and dental coverage, matching 401K and employee stock purchase plan (ESPP) as well as supplemental life, accidental death and dismemberment, dependent life, short-term disability and long-term disability insurance. Employees who work fewer than 30 hours per week are considered part-time and can choose to participate in ProLogis' 401K and ESPP programs. [LA4] We believe that our relationships with our employees are good. Our employees are not represented by collective bargaining agreements with the exception of Europe, where we have employees who are represented by collective labor agreements, which are required by law. These individuals make up 5% of our total headcount.

[LA2] As Walt Rakowich noted in his letter, ProLogis was impacted by the challenging market conditions and had to take several significant steps to address the situation. As part of this, we re-sized our overhead structure to reflect the current level of business activity and our outlook for reduced near-term earnings. Unfortunately, we had to reduce our workforce in order to achieve our objective of a 20-25% decrease in general and administrative expenses. This was in no way a reflection of the work done by our employees. ProLogis is providing severance benefits to eligible full-time and part-time employees whose employment was terminated due to the restructuring. This includes a minimum amount of severance pay plus additional base pay for each year of continuous service; COBRA premium healthcare coverage for three calendar months; immediate, full vesting in the ProLogis 401K Savings Plan; and, outplacement and career counseling services.

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Customer Satisfaction and Marketing Standards



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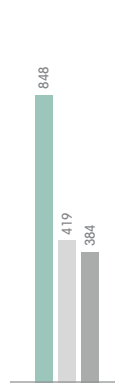
SOCIAL RESPONSIBILITY

[LAI and EC7]

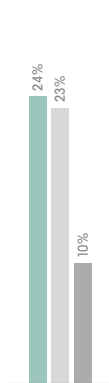
Global Employment by Type⁽¹⁾



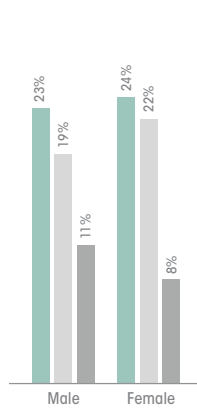
Employees by Region



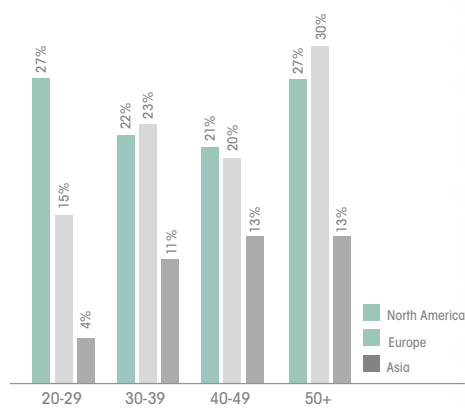
Employee Turnover by Region



Employee Turnover by Gender⁽²⁾



Employee Turnover by Age⁽³⁾



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⁽¹⁾ Contract/temporary workers are not ProLogis employees.

⁽²⁾ Employees who terminated employment as a percentage of gender by region, not a percentage of total headcount.

⁽³⁾ Employees who terminated employment as a percentage of age group by region, not as a percentage of total headcount.

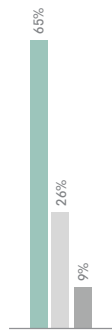


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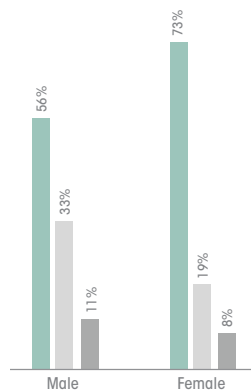
SOCIAL RESPONSIBILITY

[LA1 and EC7]

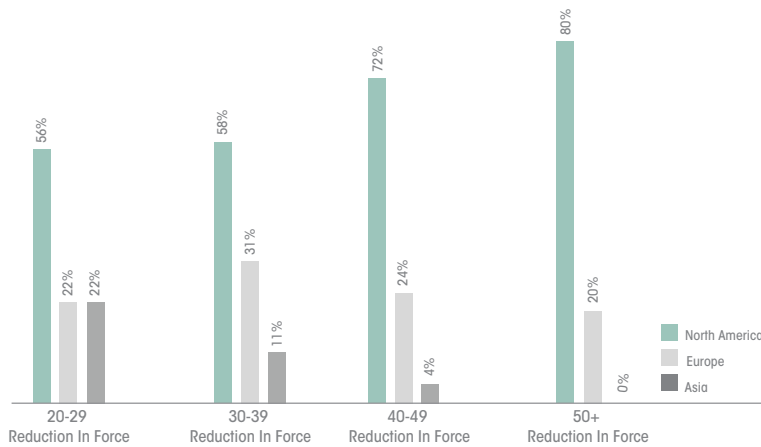
Reduction in Force by Region⁽⁴⁾



Reduction in Force by Gender⁽⁴⁾



Reduction in Force by Age⁽⁴⁾



Total # of VPs and Above



Total # of Expats

9

Total # of VPs and Above that are Expats

5

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⁽⁴⁾ Employees terminated in workforce reduction by demographic group, by region.



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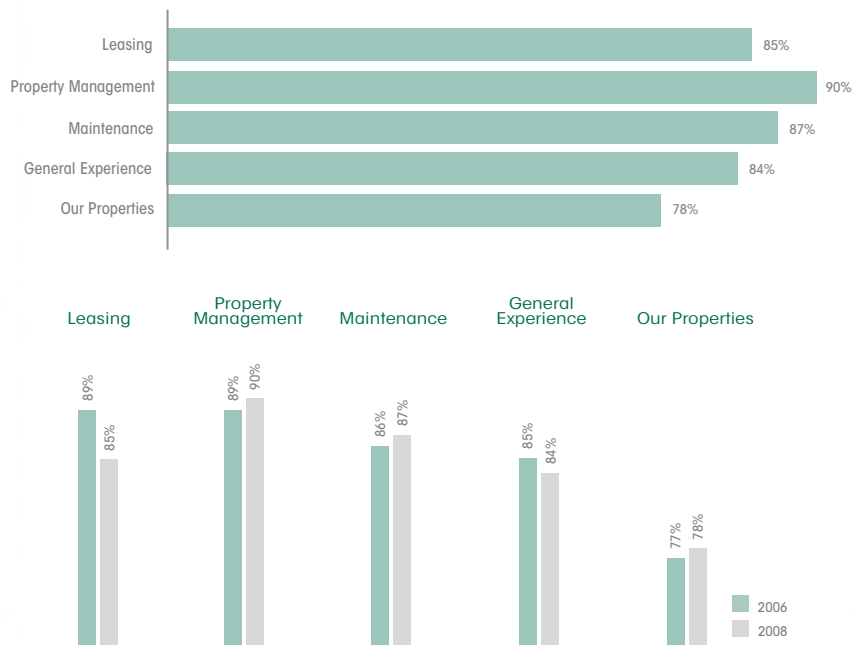
SOCIAL RESPONSIBILITY

CUSTOMER SATISFACTION AND MARKETING STANDARDS

[PRO] We constantly strive to be our customers' property business partner of choice. To continually provide exceptional levels of customer service, ProLogis developed ProServe, a systematic customer service initiative. This effort provides a framework for regular and productive interaction between our employees and our customers. [PR5] This is reflected in our high levels of customer retention, which exceeded 79% as of December 31, 2008, as well as the degree of satisfaction recorded in our bi-annual customer survey.

This survey is conducted in North America every two years. We ask customers to rate their general experience with their ProLogis personal contact and contractors, as well as in the areas of leasing, property management, facility condition and maintenance. Customers rated our performance on a scale of 1 to 5, with 5 representing top performance. The table at right summarizes the percentage of respondents indicating a 4 or a 5 in each category.

North America 2008 Customer Survey Results
Percentage of Respondents Awarding 4s and 5s
Ratings of 4 and 5 equate to "good" and "excellent"



[PR6] In addition to meeting high customer satisfaction levels, we also place a high importance on maintaining consistent messaging when marketing our business. Every public-facing employee adheres to a detailed disclosure policy, and we follow all NYSE guidelines regarding press release announcements and other marketing collateral. The majority of our senior marketing staff belongs to one or more professional organizations, such as the Business Marketing Association and the American Marketing Association, and adheres to guidelines established by these groups. [PR7] We are in full compliance with our marketing communications regulations and do not have any violations to report for 2008.

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BUSINESS EXCELLENCE

[ECO] As a leading global provider of distribution facilities, ProLogis offers its customers a modern and geographically diverse portfolio of land and assets across North America, Europe and Asia, enhanced by unparalleled customer service and an unwavering commitment to sustainability. Leveraging these core strengths, we are committed to delivering industry-leading, long-term financial growth through our diversified business model. We do this by:

- **Maximizing long-term shareholder value** through an exceptional level of service, long-term customer relationships, and a dynamic business model with multiple revenue streams.
- **Maintaining high corporate governance** and stakeholder engagement standards through exemplary board stewardship, coupled with regular stakeholder dialogue and satisfaction surveys.
- **Managing ProLogis as a global firm** through a diversified presence across the globe, respecting local culture, the employment of local nationals everywhere we operate, a multinational senior management team, and strong shared values and business ethics.

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BUSINESS EXCELLENCE

GENERATING ECONOMIC VALUE

[EC1] Industrial distribution facilities provide a crucial link in the modern supply chain by ensuring the accurate and seamless flow of goods to population centers. These facilities also function as processing centers for goods and enable companies to store enough inventory to meet surges in demand and to cushion themselves from the impact of a break in the supply chain. As a leading global provider of distribution facilities, ProLogis consistently meets the distribution needs of new and existing customers with modern, high-quality distribution space.

[EC1] Since going public in 1994, ProLogis has grown from \$400 million in assets under management in the United States to a global portfolio comprising more than \$34 billion in assets in 18 countries. ProLogis' geographic diversification allows us to support our customers' needs in global markets that have the strongest long-term fundamentals, while our local presence means we can quickly respond to individual market conditions.

[EC1] ProLogis' unwavering commitment to providing superior customer service and establishing lasting client relationships continues to generate value. Our customers consistently turn to us when the need for distribution space arises.

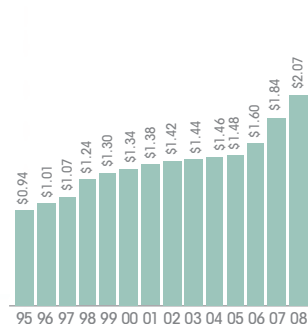
[EC1] As a Real Estate Investment Trust (REIT), we generate income from two main business segments: direct-owned properties and investment management. Our direct-owned segment focuses primarily on the ownership and leasing of industrial and retail properties in key distribution markets. Our investment management segment represents the investment management of our unconsolidated property funds and certain joint ventures and the properties they own.

Realizing that economic value is supported internally by the integrity of our employees and their daily contributions to the business, ProLogis is dedicated to attracting exceptional talent and compensating its associates competitively. [EC7] We also understand that attracting local talent best serves our business operations. More than 99% of our employees are local nationals; we have only nine expatriates working in markets other than their home country, five of which are at the vice president level or above.

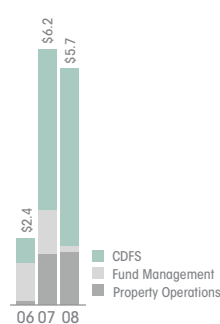
Our focus on employee recruitment and retention has proven fruitful. Even through these difficult times, ProLogis associates delivered outstanding results in 2008, achieving record total leasing activity for the year. We believe the quality of our people and strength of our customer relationships will help ProLogis maintain high customer retention and better-than-average market leasing levels despite challenging economic conditions.

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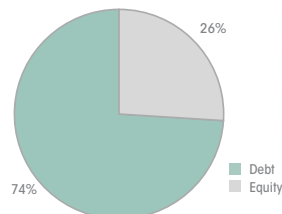
Common Dividend Per Share



Composition of Revenue (in billions)



\$14.9 Billion Total Market Capitalization (as of December 31, 2008)





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BUSINESS EXCELLENCE

SUSTAINING ECONOMIC VALUE

[EC1] [2.9] In today's market, ProLogis recognizes the importance of reducing debt and increasing balance sheet liquidity. Taking a prudent approach to our operations, in November of 2008, ProLogis announced a definitive action plan that aims to both de-risk our business model and de-leverage the company.

[2.9] One of the first actions we announced in support of that plan was the sale of our operations in China and certain assets in Japan to GIC Real Estate for a total cash consideration of \$1.3 billion. This allowed us to reduce our development pipeline by almost \$1 billion, eliminating the need to spend an additional \$250 million of construction costs and eliminating the leasing risk associated with these properties. In addition, we halted all but previously committed development starts and stopped \$500 million of planned development starts from previous quarters. In an effort to readjust operations, we also realigned our regional offices to better support the ongoing management of our core assets.

[EC1] [2.9] Our goal is to de-leverage the company by \$2.0 billion by the end of 2009. Toward this goal in the fourth quarter of 2008, we completed contributions to our property funds and sales to third parties of assets totaling \$1.33 billion. We anticipate a similar level of disposition activity in 2009 and will use the cash generated to pay down debt.

[2.9] We have also taken action to right-size the company for the current economic environment, with an anticipated annual cash savings of nearly \$100 million. Part of this effort included a reduction of workforce in order to achieve our objective of a 20-25% decrease in general and administrative expenses.

[2.9] Lastly, ProLogis is in the process of renegotiating certain terms of its lending agreements to provide more financial flexibility both on-balance sheet and within our property funds going forward. For example, in December of 2008, we completed a tender offer for a portion of our 5.25% notes due November 15, 2010. We repurchased approximately \$310 million principal amount of these notes, representing approximately 62% of the principal amount outstanding, for a total consideration of approximately \$217 million. We also announced the closing of \$104.7 million of secured financing with a large institutional investor on behalf of an affiliate of ProLogis North American Industrial Fund II. The proceeds were used to refinance a \$62 million secured debt facility that was set to mature in January 2009 and pay down \$42 million of another debt facility, thereby reducing 2009 maturities in the fund by approximately \$104 million.

[2.9] To reflect the changes in our business model, we have also revised the structure of our financial reporting measures, bringing our reporting from three business segments to two. For additional background and rationale of this approach, please refer to pages three through 12 in our 2008 annual report on 10-K. While no one can be absolutely certain of the duration of this downturn or what the lasting effects will be, ProLogis can be certain about this: we will continue to be a global enterprise, focused on our core industrial business, growing our investment management segment and eventually resuming development in markets with strong underlying demand. Most importantly, we will do all of this in a more conservative manner than in previous years, and with a lower level of debt.

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BUSINESS EXCELLENCE

DISTRIBUTING ECONOMIC VALUE

[EC1] Because we have elected to operate as a REIT for federal tax purposes, we pay a compulsory 90% of taxable income to shareholders each year in the form of quarterly dividends, generating additional value for our stockholders. More information about revenues, operational expenses and earnings can be found in our 2008 annual report on 10-K.

[EC8] By nature of our business, our operations enhance markets around the world. Understanding that the community plays a vital role in local, national and global economies, we consciously engage with local groups through volunteer work, infrastructure improvements and in-kind donations. For more about our social responsibility efforts please refer to the Social Section of this report.

[EC6] In an effort to spread economic value to the economies in which we operate, we utilize local construction materials and suppliers with each property development project. In 2008, we spent \$1.33 billion on contractors to support our development activity. Of this amount, more than \$1 billion was on local or regional companies.

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CLIMATE CHANGE AND RELATED ECONOMIC IMPLICATIONS

[EC2] Universal climate change has the potential to impact our business in many forms. ProLogis is continually assessing business risks and opportunities associated with climate change while evaluating appropriate responsive actions. Our consideration includes:

- Further adoption and regulation of green building standards set by national, state and local municipalities leading to stricter building codes.
- Enhanced regulation of carbon dioxide emissions.
- Increased cost of energy-intensive construction materials (most notably concrete and steel).
- Higher fuel costs increasing operating and construction costs.
- Rare and severe weather patterns leading to potential asset damage.
- Overall increased preference for businesses to associate with other sustainability-conscious companies.

[EC2] Because ProLogis' sustainability practices are advanced, especially compared to our peers, we feel that we are prepared to react quickly should any of the above considerations prove to become viable business risks. Our evaluation is constant and we are aware of trends as they begin to form. As such, our business practices are frequently evolving.

[EC2] For example, stricter building codes continue to be enforced. Fortunately for ProLogis, we are already experts at green building practices, with more than 20 million square feet (1.8 million square meters) of space registered or certified as "green" worldwide, with more in the process of certification. For additional information on our building practices, please refer to the Environmental Section of this report.

[EC2] We believe demand for green buildings will continue to increase and that we will realize financial returns from building energy-efficient facilities. In studies conducted by McGraw-Hill and CoStar, LEED office buildings have shown evidence of receiving higher rents and selling at larger profit margins. We realize that there is no comprehensive data specifically for the industrial market; however, we have experienced early anecdotal evidence of these trends in our own operations.

[EC2] For more insight on ProLogis' risk assessment process, please refer to the company's 2009 response to the annual Carbon Disclosure Project Report. The Carbon Disclosure Project (CDP) is an independent, not-for-profit organization that acts as an intermediary between shareholders and corporations on all climate change related issues. Its mission is to collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent climate change. We respond to CDP because we think it is important to disclose our risks and opportunities related to climate change to our investors and the public, and we plan to submit our fourth response this year.

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MEMBERSHIPS AND INDICES

[4.13] We are proud to be members of more than **52 third-party organizations**, including building-owner groups, local building councils, sustainability-focused organizations and chambers of commerce worldwide.

[4.12] We are pleased to be listed in a few of the most recognized and esteemed sustainability indexes for publicly traded businesses:

- The North American and World indexes of the Dow Jones Sustainability Index, the first global index tracking the financial performance of the leading sustainability-driven companies worldwide and providing asset managers with reliable and objective benchmarks to manage sustainability portfolios.
- The FTSE4Good Index, established jointly by the Financial Times and the London Stock Exchange to measure the performance of companies that meet globally recognized corporate responsibility standards.
- The Domini 400 Social Index, one of seventeen indexes developed by KLD Research & Analytics, Inc., the leading provider of environmental, social and governance research for institutional investors.
- The S&P U.S. Carbon Efficient Index; composed of S&P 500 companies that maintain a relatively low carbon footprint, as measured by metric tons of CO2 divided by annual revenue.



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52 THIRD-PARTY ORGANIZATIONS

American Chamber of Commerce in Germany
American Planning Association
Association of German Engineers (VDI)
Association of German Refrigerated Warehouses and Logistics Companies
Building Owners and Managers Association (BOMA)
Chicago Climate Exchange (CCX, US)
Congress for the New Urbanism
Environmental Protection Agency's ENERGY STAR program
German Association of Materials Management
German Logistics Association (BVL)
Industrial Developers Sustainability Forum (U.K.)
International Council of Shopping Centers (ICSC)
Japan Business Federation
Japan Association for Chief Financial Officers
Japan Federation of Freight Industries
Japan Institute of Logistics Systems
Japan Institution of Logistics Systems National Association of Industrial and Office Properties (NAIOP, US)
The Association for Real Estate Securitization (Japan)
The Japan Third Party Logistics Association
Urban Renewal Coordinator Association of Japan
Pegasus Club (Japan Retailing Center)
Tokyo Ginza New Rotary Club
Six Chambers of Commerce in Japan
National Association of Real Estate Investment Trusts (NAREIT, US)
National Brownfield Association
Purchasing and Logistics (BME, Germany)
Real Estate Roundtable (US)
Responsible Business Forum (Poland)
Romania Green Building Council
Society of Office and Industrial Realtors (SIOR, US)
The Association for Real Estate Securitization (Japan)
The Institute of Logistics and Warehousing (Poland)
United Kingdom Green Building Council (UKGBC)
United States Green Building Council (USGBC)
Urban Land Institute (ULI)
American Chamber of Commerce Mexico
Real Estate Developers Association (ADI, Mexico)
Mexican Association of Industrial Parks (AMPIP, Mexico)
Mexican Association of Real Estate and Infrastructure Funds (AMFII, Mexico)
Korea Logistics Association
Korea Warehousing Association
Korea Third-Party Logistics
Korea Logistics Professional Associating
Korea Chamber of Commerce & Industry
The European Chamber of Commerce in Korea
The American Chamber of Commerce in Korea
Korean CEO's Association of Multinational Corporation

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GLOBAL PRESENCE

MISSION

Our mission is to be the leading global provider of sustainable distribution facilities to the world's largest users of distribution space and to maximize shareholder value through customer service, organizational excellence and our commitment to corporate social responsibility.

PROFILE

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 4,500 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs.

Mission & Profile

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GLOBAL PRESENCE

GLOBAL MAP [2.5, 2.7]

Mission & Profile

Global Map

