



sustainability

EXECUTIVE INTRODUCTION

Jeffrey H. Schwartz, CEO, and Walter C. Rakowich, President and COO, share their thoughts on the importance of sustainability and corporate responsibility to ProLogis



Jeffrey H. Schwartz, Walter C. Rakowich

Sustainability has long been central to our way of doing business at ProLogis. We see it as a multi-faceted business approach that underpins the entirety of our activities and is a part of our corporate culture. From implementing leading-edge, environmentally friendly features in our distribution facilities, to acting responsibly on behalf of our shareholders, to supporting local efforts to improve our communities, we strive to create sustainable value for all our stakeholders.

We seek to lead by example and are proud to have launched numerous pilot projects around the world that have given us world-class expertise in sustainable warehouse design. For example, we are implementing an interior lighting retrofit program in the United States that can reduce electricity usage by up to 75%. In the United Kingdom, we have begun development at a new distribution park that will evaluate a number of cutting-edge, environmentally friendly building materials and construction methods. And in Japan, we recently completed an industrial facility in Osaka that utilizes a new pavement technology for neutralizing vehicle carbon emissions.

ProLogis is active in brownfield redevelopment, a complex process that involves cleaning up and developing contaminated land as well as redeveloping land that has

been unproductively developed and/or is considered to have a low landscape value. We are also involved in urban redevelopment, the creation of master-planned, mixed-use developments at the site of former airports and military bases.

In recent years, several of our sustainability-related efforts have been publicly recognized, certified or rewarded:

- Our global headquarters facility in Denver, Colorado, received a prestigious Leadership in Energy and Environmental Design (LEED) certification from the U.S. Green Building Council.
- ProLogis Park Chanteloup in France was recognized with a 2005 Logistics Innovation Award. The park's state-of-the-art design features one of the largest solar panel installations in France.
- ProLogis Parc Maishima II in Japan is the first distribution facility in Osaka to have received rating issuer CASBEE's second-highest "A" rating, recognizing the facility's superior sustainable features and design.
- ProLogis was a 2006 recipient of the "Leader in the Light" award. This competition, sponsored by the National Association of Real Estate Investment Trusts (NAREIT), honors member companies that have demonstrated superior and sustained energy use practices.

It is our hope that the many sustainability-related efforts we are undertaking will serve to guide and inspire both US and global real estate development efforts and will further help to sustain the environment for many generations to come.

Handwritten signature of Jeffrey H. Schwartz in black ink.

Jeffrey H. Schwartz
Chief Executive Officer

Handwritten signature of Walter C. Rakowich in black ink.

Walter C. Rakowich
President and Chief Operating Officer

mission

Our mission with regard to sustainability is straightforward: to be the leading global provider of sustainable distribution facilities and to create an optimal balance between shareholder value, the environment and corporate social responsibility.

To ProLogis, sustainability is a business approach that recognizes economic, environmental and social objectives. It defines who we are and how we operate.

We strive to retain the trust and support of our shareholders, customers, employees and the communities in which we operate and to manage our business in a way that benefits all of our stakeholders.

This inaugural sustainability report outlines the activities we are undertaking, refining and monitoring in order to make this mission a reality.

ENVIRONMENTAL PERFORMANCE

ProLogis is committed to continuously improving the environmental performance of our global portfolio. Through state-of-the-art design and construction, innovative customer programs, active engagement with suppliers and benchmarking our performance, we strive to be the world leader in environmental best practice in our industry.

SUSTAINING PROFITABLE GROWTH

ProLogis is committed to leveraging its global leadership position to sustain profitable growth. We strive to maintain industry-leading long-term financial performance through our diversified business model, the world's largest global platform of distribution facilities and strong relationships with the companies we serve.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is a core value of our company. Through our partnerships, corporate giving, community outreach, employee involvement and education we are committed to building healthy and productive relationships with our employees, business partners and the local communities in which we do business around the world.

REPORT GUIDE

This report is global in scope and covers ProLogis' activities in North America, Europe and Asia for the full year ended December 31, 2006 unless otherwise noted.

We have engaged a third-party assurance provider to assist us in expanding the scope and level of detail we include in future sustainability reports, as well as developing and refining data collection methodologies.

We incorporate the October 2006 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.

Our approach to this publication is to report on the most significant sustainability impacts that arise from our business activities, over which we have the greatest degree of control or influence. We intend to improve

our understanding of those sustainability issues that are most material to our business and our stakeholders to ensure that our reporting remains relevant and useful.

This report has been externally assured and GRI-checked as meeting the requirements for GRI's Application Level "C+". We include reportable information for the Profile and GRI indicators shown below. We plan to report our progress and improvement in these key measures in future reports as our data collection and measurement systems are expanded.

GRI Content Index	
EC1 <i>p10</i>	Direct economic value generated & distributed
EC2 <i>p12</i>	Financial implications and other risks and opportunities due to climate change
EN4 <i>p7</i>	Indirect energy consumption by primary source
EN6 <i>p6</i>	Use of energy-efficient or renewable energy initiatives to achieve reductions in energy required
EN16 <i>p7</i>	Greenhouse gas emissions
LA1 <i>p15</i>	Total workforce by employment type, contract and region
LA2 <i>p15</i>	Total number and rate of employee turnover by age group, gender and region
HR4 <i>p14</i>	Total number of incidents of discrimination and actions taken
S07 <i>p14</i>	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcome
PR5 <i>p15</i>	Customer satisfaction measurement

INDEPENDENT ASSURANCE STATEMENT SUPPLEMENT

This 2006 Prologis Sustainability Report has been subjected to independent assurance by **csrnetwork**. In conducting the assurance, **csrnetwork** evaluated the Materiality, Completeness and Responsiveness of the Report in line with the guidelines of the AA1000 Assurance Standard as well as the requirements for reporting at the C+ level for the Global Reporting Initiative G3 guidelines. The full draft of this assurance statement, including the scope of the assurance process, responsibilities, findings and recommendations, can be found at:

<http://ir.prologis.com/investors/sustainability.cfm>.

csr network ltd
U.K. April 2007

GRI Profile Indicators	
Indicator	Description
1.1 <i>p2</i>	Statement from the CEO and President/COO about the relevance of sustainability to ProLogis and its strategy
2.1 <i>p5</i>	Name of organization
2.2 – 2.4 <i>p5</i>	Primary products and services; operational structure, location of headquarters
2.5 <i>Back cover</i>	Countries of operation
2.6 <i>10-K; proxy</i>	Nature of ownership; legal form
2.7 <i>p5; back cover</i>	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)
2.8 <i>p5, 14; 10-K</i>	Scale of organization: employees, sales, capital and products
2.9 <i>n/a</i>	Significant changes during reporting period relating to size, structure or ownership
2.10 <i>p2</i>	Awards received in the reporting period
3.1 – 3.3 <i>p3</i>	Reporting period, cycle and date of most recent previous report
3.4 <i>Back cover</i>	Contact point for questions regarding this report
3.5 – 3.7 <i>p3</i>	Process for defining report content; boundary and limitations of report
3.8 <i>n/a</i>	Basis for reporting on joint ventures, subsidiaries and other entities that can significantly affect comparability from period to period
3.10 – 3.11 <i>n/a</i>	Re-statements or significant changes from previous reports
3.12 <i>p4</i>	GRI Standard Disclosures table
4.1 – 4.4 <i>p10 – 11</i>	Governance structure; indication if chair is also executive officer; independence of members; mechanism for direction to the highest governance body
4.14 <i>p5</i>	List of stakeholder groups engaged by the organization
4.15 <i>p5</i>	Basis for identification and selection of stakeholders with whom to engage



Company Overview

ProLogis is the world's largest owner, manager and developer of distribution facilities, with operations in 20 countries spanning three continents.

The company has \$26.7 billion of assets owned, managed and under development, comprising 422 million square feet (39.2 million square meters) in 2,466 properties as of December 31, 2006. ProLogis' customers include manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. Headquartered in Denver, Colorado, ProLogis employs more than 1,250 people worldwide.

We are organized under Maryland law and have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. Our European headquarters are located in the Grand Duchy of Luxembourg with our European customer service headquarters located in Amsterdam, the Netherlands. Our regional offices in Asia are located in Tokyo, Japan, and Shanghai, China.

Our business is currently organized into three reportable business segments: (1) property operations, (2) fund management and (3) CDFS business.

PROPERTY OPERATIONS

Our property operations segment represents the direct long-term ownership of industrial distribution and retail properties.

FUND MANAGEMENT

Our fund management segment represents the long-term investment management of unconsolidated property funds, and the properties they own, with the objective of generating a high level of returns to us and our fund partners. Along with the income recognized under the equity method from our investments in the property funds, we include fees and incentives earned for services performed on behalf of the property funds (primarily property management and asset management services) and interest earned on advances to the property funds, if any, in this segment.

CDFS BUSINESS

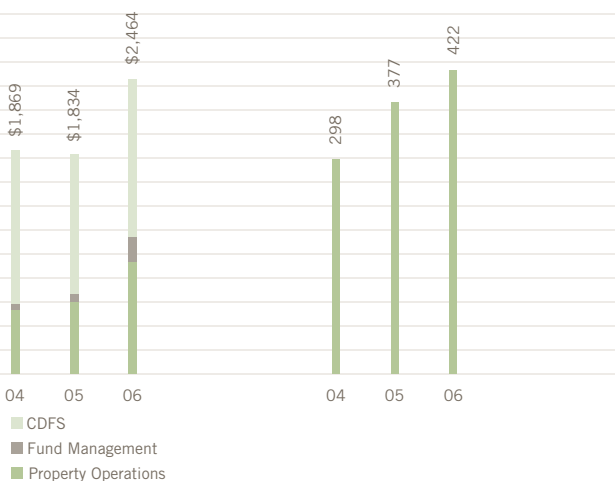
Our CDFS business segment primarily encompasses our development of properties that generally are either contributed to a property fund or sold to third parties. Additionally, we acquire properties with the intent to rehabilitate and/or reposition the property in the CDFS business segment prior to being contributed to a property fund. We engage in commercial mixed-use development activities generally with the intention of selling the land or completed projects to third parties.

Additionally, we have land positions, including land owned by the CDFS joint ventures and land controlled through contracts or options, for future development of industrial distribution properties or other commercial development.

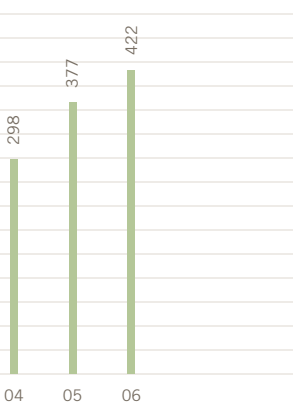
KEY STAKEHOLDER ENGAGEMENT

We define our key stakeholders as any person or group of people who may affect, or be affected by, ProLogis' operations. We communicate openly and engage in good faith with our stakeholders, and we encourage honest feedback from them. These stakeholders include customers, investors, planners, non-governmental organizations, suppliers, employees and the communities in which we operate. Our engagement takes various forms including opinion surveys, investor meetings, one-on-one meetings and industry forums.

Composition of Revenue
(in millions)



Total Square Feet Owned,
Managed and Under Development
(in millions)



environmental

ProLogis is committed to continuously improving the environmental performance of our global portfolio. Through state-of-the-art design and construction, innovative customer programs, active engagement with suppliers and benchmarking our performance, we strive to be the world leader in environmental best practice in our industry.

As global warming has become a top public policy issue around the world, governments have begun enacting environmental standards for real estate development. Our customers around the globe also are being required to address many of the same issues, resulting in the management of these issues becoming a new imperative in industrial real estate today.

SUSTAINABLE DESIGN

ProLogis has moved decisively in response to these trends and has taken a leadership role in piloting a number of sustainability initiatives around the world.

We are exploring several sustainable warehouse design features:

- **Recycled and locally sourced construction materials** that reduce environmental impact
- **Skylights and clerestory windows** that increase natural light, thereby lowering electricity usage and improving work environments for warehouse personnel
- **T5 and T8 energy-efficient fluorescent lights** that offer significantly improved energy performance over traditional metal halide systems
- **High-reflectance, white thermoplastic polyolefin (TPO) roofing** that offers the same performance as traditional black EPDM rubber roofing at essentially the same cost but with less load on the building's cooling system
- **Air-tight building construction** that reduces air leakage, thereby permanently lowering costs for heating and air conditioning

- **Solar and wind power** that provide alternative energy systems, especially photovoltaic solar cells and wind turbines
- **Low-usage water systems** that utilize treated "gray" water and recycled rainwater, resulting in lower water consumption at facilities
- **Special landscaping** that can help to minimize water consumption and reduce net carbon emissions

Our new developments are increasingly combining multiple sustainability-related features. For example, ProLogis announced in February 2007 that it will develop a 530,000 square-foot industrial facility in the Midlands area of the United Kingdom for leading supermarket chain Sainsbury's. The facility will utilize a variety of technologies and environmental features designed to significantly reduce on-site energy consumption and carbon emissions:

- Solar walls that generate heat from sunlight
- Wall-mounted photovoltaic panels that generate electricity
- An on-site power plant that reuses the heat produced by air conditioning
- An on-site recycling facility
- Energy-efficient lighting systems
- Air-tight exterior building construction

In 2007, we intend to develop minimum design standards for new global developments that will meet or exceed the requirements for environmental certification from major global rating systems such as LEED, CASBEE and BREEAM.

We have established the following company-wide targets, which we intend to achieve by 2010:

- Install renewable energy sources that have a combined generation capacity of over 25 million KWh per year
- Reduce the use of potable water for landscape irrigation by 50% in accordance with LEED methodology
- Utilize 20% recycled content, based on cost, on all new product
- Divert 75% of construction debris from disposal in landfills and incinerators on all new projects

PROLOGIS LIGHTING RETROFIT PROGRAM (NORTH AMERICA)

In 2006, ProLogis began testing the benefits of replacing standard metal halide lights with high-efficiency T5 and T8 fluorescent lights at select customer facilities. Although the initial investment can sometimes be more costly, suppliers estimate that a customer can fully recoup its investment in a fluorescent lighting system in 12 – 36 months. (Actual payback period will depend upon the cost of electricity, hours per day of electricity usage and the availability of cost-offsetting, energy-savings incentive programs.) In addition, T5 and T8 lights are rust-free, dust- and moisture-resistant, and easy to clean.

ProLogis outfitted approximately 2.5 million square feet of combined new and existing space with high-efficiency lights during 2006. Our experience so far has shown that electricity consumption may be reduced by up to 75% with these fluorescent lighting systems.

Due to the overwhelming success of this program, we have now made T5/T8 lights available in all new buildings in North America. These actions are consistent with our objective of providing innovative, cost-effective sustainable solutions to our customers.

“ProLogis is to be commended for becoming the first real estate company in the world to join CCX. Like our other member companies, ProLogis is a leader in its sector, and also a leader in the global effort to address the challenge of climate change.”

RICHARD SANDOR

Chairman and CEO of the Chicago Climate Exchange



HEITMAN ARCHITECTS INCORPORATED

*Energy-efficient T8 Fluorescent Lighting
Anixter International Facility (Chicago, IL – US)*

CHICAGO CLIMATE EXCHANGE (CCX)

ProLogis has joined the Chicago Climate Exchange, the world’s first and North America’s only voluntary, legally binding greenhouse gas emissions reduction, registry and trading program.

Membership in the exchange requires ProLogis to completely offset the “carbon footprint” associated with its business operations in the US¹ In addition, the company can also earn tradable credits when it builds warehouses that reduce energy consumption through new technology and high-quality design.

ProLogis offices are powered by electricity and, in some cases, natural gas. The emissions associated with electricity consumption are considered indirect, as the power is not generated on site. Emissions due to the consumption of natural gas are considered direct because that resource is consumed on site. The measurement of our energy usage and the resulting greenhouse gas emissions is part of our commitment to sustainability reporting. ProLogis pledges to have carbon neutral US operations from 2006 through 2010.¹ We will achieve this through a combination of organic reductions and offset procurement. In addition, we aim to expand our carbon footprint measurement and carbon-neutral status globally.

US Carbon Footprint	
Electricity/Indirect Energy Consumption (KWh)	7,616,478
Natural Gas (Therms)	49,571
Carbon Footprint ¹ (metric tons of CO2)	8,387

¹ US operations include electricity and natural gas usage at ProLogis offices as well as emissions associated with travel via plane, automobile, commuter rail, intercity rail and bus.

Note: These figures are based upon actual utility bills and travel reports where available and based upon square footage and estimations where exact data was not available. Sources of emissions factors used in the calculation are the US EPA, World Resources Institute and the Chicago Climate Exchange.

BROWNFIELD REDEVELOPMENT

Through our merger with Catellus Development Corporation in 2005, ProLogis has acquired substantial expertise in brownfield development. This complex process involves the cleanup and development or redevelopment of land that contains, or potentially contains, hazardous substances, contaminants or pollutants. Ultimate development of such land offers several benefits to varied stakeholders. First, development of former brownfield sites takes development pressure off greenfield development. In addition, the local environment is improved as indigenous wildlife returns to formerly uninhabitable surroundings. Finally, the economic well-being of the local community is enhanced as an increased tax base enables the local government to provide additional public services to its constituents.

Victoria by the Bay, a waterfront community in Hercules, California, is one such development. This 206-acre community, located on the site of former oil and asphalt refineries, includes single and multi-family homes, a school, office buildings, 14 acres of public parks and open space. Remediation efforts involved soil and ground decontamination and clean-up to Regional Water Quality Control Board standards.

PROLOGIS WORLD HEADQUARTERS

In February 2006, ProLogis formally opened its global headquarters facility in Denver, Colorado. The five-story building comprises more than 89,000 square feet of space and can accommodate up to 325 people.

The building features a number of state-of-the-art technologies designed to improve energy efficiency and mitigate impacts on the environment. Among them: an

ProLogis Park Sideway (United Kingdom)

ProLogis Park Sideway is being developed on the site of a former coal mine. Designed as a 'test bed' for leading sustainable warehouse design features, the park will be remarkable for the sheer number of environmentally friendly technologies on one site.

The park is expected to achieve at least a 32% reduction in carbon dioxide emissions, as compared to normal logistics spaces. An independent consultant will measure and publicly release the results. Features will include:

- Exterior building fabrics that decrease air leakage
- Enhanced skylights that increase natural light
- High-efficiency lighting
- Roof-mounted solar panels, heat-absorbent solar walls and solar thermal hot water systems
- Wind turbines
- Landscaping designed to offset the development's carbon dioxide emissions
- Irrigation systems that use gray water and recycled rainwater



ProLogis Park Sideway, artist's rendering (United Kingdom)

ProLogis Park 294 (US)

In 2004, ProLogis completed a 460,000 square-foot facility for Anixter International in the Chicago area.

ProLogis and Anixter worked together to incorporate multiple sustainable technologies into the facility's design. The facility, which has recently received LEED certification, includes the following environmentally friendly features:

- An advanced energy-control system
- Low maintenance landscaping
- Energy-efficient lighting and skylights
- Recycled building materials
- Reversible exhaust fans



Anixter International Facility at ProLogis Park 294 (Chicago, IL – US)

illumination system that harvests sunlight during the day and reduces power consumption; energy-efficient glass; high-reflectance roofing material; a landscape irrigation system that uses reclaimed gray water; and recharging stations for electric vehicles.

The cost premium to incorporate sustainable and green building features and technologies in the design and construction of the facility was less than 3% of the total project budget. As a result of this investment, we have already seen returns in terms of increased energy efficiency, employee productivity and pride in ownership. For instance, the lighting control system alone cuts electrical usage by 30%. We believe the corporate headquarters is nearly 40% more energy efficient than a similar building would be without such sustainable attributes.

ProLogis' headquarters recently received a prestigious LEED certification from the U.S. Green Building Council



ProLogis World Headquarters (Denver, Colorado)

(USGBC), an independent, non-profit association dedicated to sustainable building design and construction. As of December 31, 2006, ours was the only private sector commercial facility in Denver with LEED certification.

ProLogis Park Chanteloup (France)

ProLogis Park Chanteloup is an award-winning, 10-facility, 2.7 million square-foot industrial park located approximately 19 miles (30 kilometers) south of Paris.

The park, which opened in 2005, is one of the largest private sector logistics parks in Southern Europe. It received a 2005 Logistics Innovation Award at Europe's International Week of Transportation and Logistics Conference.

On-site amenities include conference facilities, a staff restaurant, childcare center and a jogging/bicycle track.

The facilities also possess several environmentally friendly features including:

- photovoltaic solar panels that generate electricity
- recharging stations for electric vehicles
- a rainwater harvesting system that supplies water for park landscaping



Solar Panels at ProLogis Park Chanteloup (Moissy-Cramayel, France)

ProLogis Parc Maishima II (Japan)

ProLogis Parc Maishima II is a 608,000 square-foot facility located in Osaka, Japan.

Completed in the fourth quarter of 2006, this building is notable for being the only distribution facility in Osaka to have received an "A" (its second highest on a scale of five) rating by CASBEE Osaka. CASBEE, which stands for Comprehensive Assessment System for Building Environmental Efficiency, is a national rating system that assesses the environmental performance of sustainability-promoting buildings.

ProLogis Parc Maishima II can restrain and reduce carbon dioxide and greenhouse gas emissions by way of its standout environmental preservation features, including:

- An energy-efficient, occupancy sensor lighting system
- Ice thermal storage and an air-conditioning system that makes ice at night, stores it in non-corrosive tanks, and uses it to cool the building the following day



ProLogis Parc Maishima II (Osaka, Japan)

economic

ProLogis is committed to leveraging its global leadership position to sustain profitable growth. We strive to maintain industry-leading, long-term financial performance through our diversified business model, the world's largest global platform of distribution facilities and strong relationships with the companies we serve.

Our business model enables us to grow by accessing and managing a variety of capital sources around the globe. Our fund management business is a powerful engine of growth with more than \$12.2 billion of industrial assets under management. Our equity partners get access to ProLogis' high-quality portfolio through our contribution of properties and benefit from professional management and our strong ties with global customers. ProLogis has the opportunity to establish relationships with equity partners around the world, aligning our interests with theirs. In addition, our fund management business enables us to expand with less of our overall capital invested, since we retain a 10 to 25% interest in the funds. In this way, we leverage our operating system and achieve higher returns on invested capital.

We are a globally diversified company. As of December 31, 2006, over 40% of our total investments represent activity undertaken outside North America. This diversification helps mitigate the impact of economic downturn in any one region of the world and helps support sustained economic growth.

ProLogis has distributed over \$1.9 billion in common dividends to investors since January 1, 2000. We have increased our dividend every year, from \$1.34 per share in 2000 to an expected \$1.84 per share in 2007, representing a compounded annual growth rate of over 4.6%. In the five years ending December 31, 2006, ProLogis common shares provided a total return (price appreciation plus reinvested dividends) of approximately 253% to investors, compared with 35% for the S&P 500 and 39% for the Dow Jones Industrial Average.

ProLogis remains committed to furthering meaningful corporate governance practices and maintaining a business environment of uncompromising integrity. We continue to enhance these objectives through our governance policies and compliance with the Sarbanes-Oxley Act of 2002 and the rules of the New York Stock Exchange ("NYSE").

Our board of trustees comprises 12 members who are elected annually. We require that a majority of our board be independent under listing standards adopted by the NYSE. To determine whether a trustee is independent, the board must affirmatively determine that there is no direct or indirect material relationship between the company and the trustee.

Our independent trustees, meaning those who are not officers or employees of ProLogis, meet in regular executive sessions without management present. The chair of these executive sessions is the Chairman of the Board.

You may communicate with any of the trustees, individually or as a group, by writing to them c/o Edward S. Nekritz, 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.

The ProLogis Board is responsible for reviewing and approving strategic plans, corporate actions and financial objectives. At present, the Chairman of the Board is not an officer of the company.

We have made several shareholder-friendly changes to our corporate governance practices in recent years. We eliminated the so-called “poison pill” in December 2003 by way of a Shareholder Rights Plan. We also shifted from plurality to majority voting in 2006. Finally, we declassified our board in 2005, which paved the way for annual re-election of all trustees beginning in 2006.

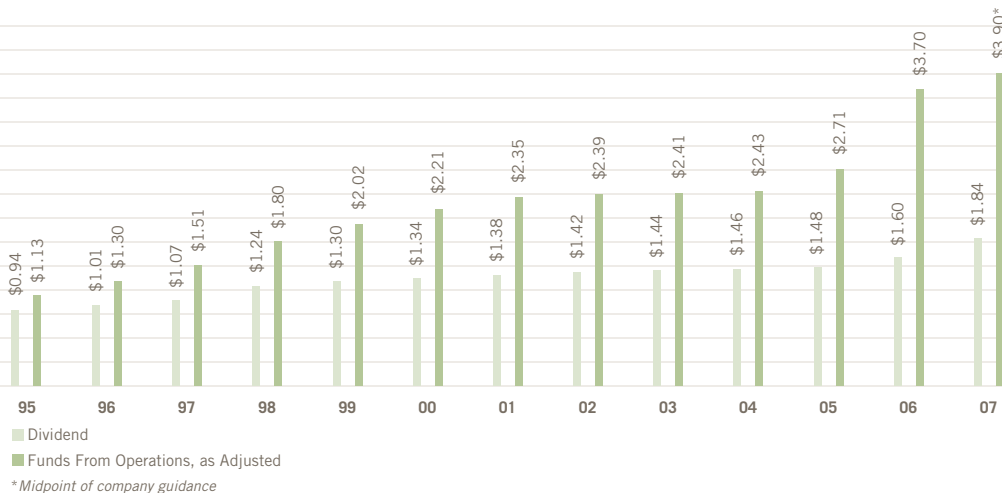
CORPORATE GOVERNANCE QUOTIENT (CGQ)

Institutional Shareholder Services (ISS) assigned ProLogis an Industry Corporate Governance Quotient® (CGQ®) rating of 92.3 in March 2007. ISS’ CGQ is the most widely recognized third-party measure of corporate governance. ISS analysts use publicly available information such as public disclosure documents and company websites to objectively measure and rate the quality of a company’s corporate governance program. US companies are ranked 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.

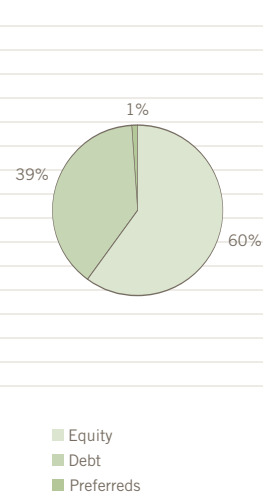
DOMINI 400 SOCIAL INDEX

ProLogis was added to the Domini 400 Social Index (DSI) in May 2006. The DSI is a stock index comprising equities subject to multiple social screens. It is a widely recognized benchmark for measuring the impact of social screening on financial returns and the performance of socially screened portfolios.

Continuous Dividend Growth and Growth in Funds From Operations (FFO)
(per share)



\$26.0 Billion Total Market Capitalization
(as of December 31, 2006)



“ProLogis is an example of a company that is walking the talk. LEED certification is a high standard that will deliver what is promised: an environmentally friendly, safe and healthy environment for ProLogis employees, as well as for the community at large.”

RICK FEDRIZZI

CEO & Founding Chairman, U.S. Green Building Council

FUTURE OPPORTUNITIES

The past year has seen the subject of climate change move into the mainstream. The Intergovernmental Panel on Climate Change’s recently released report reiterated three broad points over which scientists are now generally in agreement: the evidence that Earth is warming is unequivocal; this warming is in large part human-caused, namely by our emission of greenhouse gases; and there will be serious ramifications of global warming on the Earth’s environment.¹

Simultaneously, so-called “green buildings” are going mainstream as well. The USGBC had, as of December 2006, certified 669 buildings as green by

way of its LEED certification process. At the same time, over 4,900 additional buildings were waiting in the queue for LEED ratings, reflecting the swell in demand for buildings being constructed with environmental considerations in mind.²

We believe that environmentally friendly facilities will become increasingly sought after by tenants and that facilities without green features face economic risk or, potentially, ultimate obsolescence. Research already shows that green buildings generate significant economic benefits. According to a McGraw-Hill 2006 SmartMarket Report, green buildings command 3% higher rental rates, realize an average increase of 7.5% in building value, deliver 3.5% higher occupancy rates and improve return on investment by an average 6.6%.³

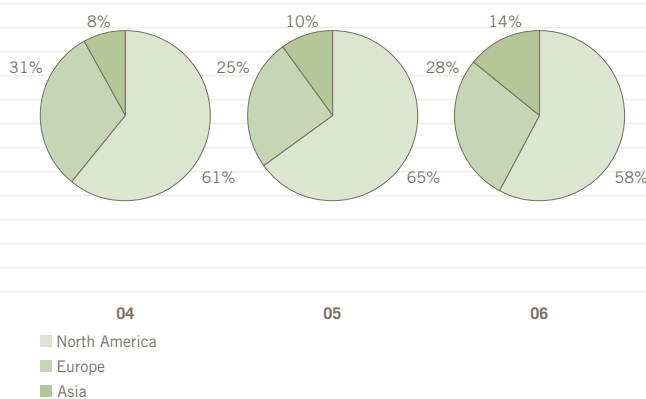
By increasingly utilizing environmentally friendly features in our new developments and retro-fitting existing facilities, ProLogis is creating a class of environmentally superior facilities that will be made available to our customers going forward. These premium facilities should help sustain ProLogis’ economic value for the long term.

¹ Intergovernmental Panel on Climate Change, “Summary for Policymakers,” February 5, 2007.

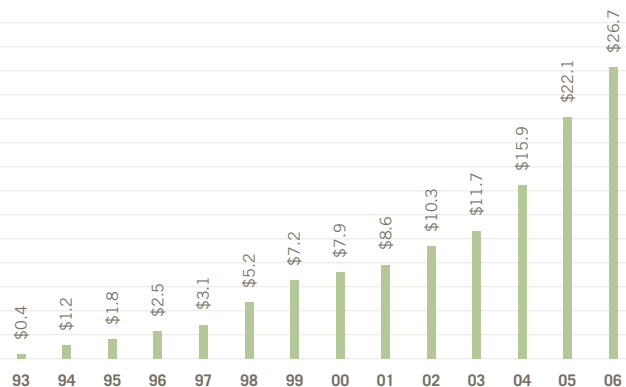
² Charles Lockwood, “As Green as the Grass Outside,” Barron’s, December 25, 2006.

³ McGraw-Hill Construction, Green Building SmartMarket Report, 2006.

Total Investments by Region



Total Assets Owned, Managed and Under Development
(in billions)



social

Corporate social responsibility is a core value of our company. Through our partnerships, corporate giving, community outreach, employee involvement and education, we are committed to building healthy and productive relationships with our employees, business partners and the local communities in which we do business around the world.

COMMUNITY INVOLVEMENT

ProLogis is proud to invest in the communities in which we operate. We contribute our time, our expertise and our financial support in numerous ways around the globe, all with the goal of making a positive difference to people and organizations in need.

We intend to further develop our company-wide community investment strategy in 2007 and to begin to measure our financial investments as a percentage of company profits.

We also plan to create, in 2007, a company-wide volunteer program that provides each ProLogis employee with two paid days each year that may be used for community volunteer efforts.

THE PROLOGIS FOUNDATION

The ProLogis Foundation was established with the goal of providing financial support to institutions of higher education and charitable organizations across North America. In 2006, ProLogis donated \$5 million to the Foundation to help support its efforts.

NORTH AMERICA

In 2006, approximately 300 of our North American employees in 17 different North American offices took part in a variety of activities benefiting over 50 different

charities. Some of the organizations we helped include:

- Eight different elementary schools
- The Humane Society
- Race for the Cure
- Toys for Tots
- YMCA
- Five food banks
- The Salvation Army
- Junior Achievement
- Two children's hospitals
- Habitat for Humanity
- Boys and Girls Clubs of America

EUROPE

In Amsterdam, ProLogis is proud to provide financial support for scientific research at Emma Children's Hospital. We also support breast cancer research, education and advocacy through our support of the Women's Club of The Hague's Pink Gala.

In the United Kingdom, we support or sponsor a variety of community organizations and efforts, including a youth football (soccer) league in the West Midlands, a child-protection charity, the Parkinson's Disease Society, and DebRA, a charity that works with children who suffer from an incurable skin condition.

In Central Europe, ProLogis sponsors a number of educational organizations and community programs in support of children and young adults. We supported the Lech Walesa Institute's educational foundation and a youth music festival in Poland. We have provided financial support for the construction of children's sports fields in Romania, the Czech Republic and Poland, and have sponsored special events for hungry and poor children in Poland. Separately, we provided financial support for construction of a public bridge in Romania in 2006.



*Ground-breaking Ceremony for the ProLogis Hope School
Wang Pu, China (January 2007)*

ASIA

Many schools in rural China are located in remote mountain areas and lack basic infrastructure such as electricity and running water. Some school buildings even lack windows or closeable doors. It is not unusual for students to walk two to three hours simply to get to school. Therefore, many students live in dormitories at school during the week and finance their lodging expenses by growing and selling fruits and vegetables.

ProLogis China has established a program whereby we will donate 1 RMB toward construction of an elementary school in rural China for each square meter (10.76 square feet) of ProLogis-completed development in that country.

Working with the local Salvation Army on our first such project, ProLogis has committed to build and finance an expansion to an elementary school in Southern China, located in the town of Wang Pu, Wuzhou City in Guangxi Province. The new school, to be called the ProLogis Hope School, will take on students from neighboring villages whose schools were destroyed by severe rainstorms in 2006. ProLogis will finance construction of a 1,000 square meter facility that will include 10 classrooms, a staff office, restrooms and dormitory facilities. We will also supply the school with desks, blackboards, school supplies and library books. After construction is completed around August 2007, we will continue our personal involvement by offering our ProLogis China employees the opportunity to schedule two-week visits to the school, during which they may interact with and teach the students. These visits will also be funded by ProLogis.

In Japan, ProLogis recently completed improvements to a public park and bus facility near ProLogis Parc Amagasaki. ProLogis Japan received a letter of appreciation from the City of Amagasaki for its services and monetary contribution.

EMPLOYMENT PRACTICES

ProLogis affirms the company's commitment to Equal Employment Opportunity ("EEO"). We believe that our associates are our most important assets. We seek to hire and retain superior associates by committing to excellent employment standards. We further encourage our associates to enhance their skills and abilities in order to reach their full potential.

To further their professional development, associates have access to ProLogis University, an educational program that includes a series of annual motivational meetings where learning and networking abilities abound. Functional department training sessions are also conducted by the Marketing, Development, Accounting and Property Management groups.

Currently, ProLogis Human Resources associates with hiring responsibility typically attend at least one diversity-related career fair each year.

To the extent required by federal, state and local laws, ProLogis will recruit, hire, train, promote and compensate candidates for employment and our current associates without regard to race, color, age, religion, sex, national origin, disability or sexual orientation. All other personnel actions, including, but not limited to, disciplinary action and fringe benefits programs, will be based on the same principles.

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.

We plan to establish a worldwide sustainability employee education and awareness program during 2007 and be in a position to report on its progress in next year's report.

EMPLOYMENT STATISTICS

On December 31, 2006, ProLogis had 1,263 employees plus 54 contract or temporary workers, for a total global work force of 1,317. During 2006, 173 employees left the organization due to dismissal, retirement or resignation, representing a global employee turnover rate of 13.7%.

Of the 173, 50.9% were male and 49.1% were female. Further employment statistics may be found below.

During 2006, ProLogis was not party to any legal actions for anti-competitive behavior, anti-trust and/or monopoly practices. The company had two incidents of discrimination raised during the year. Of the two, one was dismissed for lack of substance and the other was settled at no fault out of court.

CUSTOMER SATISFACTION

We continuously strive to be our customers' industrial property business partner of choice. Our business strategy incorporates the proprietary ProLogis Operating System®, a customer-focused leasing and property management philosophy that allows us to provide superior customer service at the local level.

Our property managers spend a significant amount of time interacting with customers, understanding and anticipating their needs. We seek to exceed customers' high expectations with regards to levels of service. This superior service is reflected in our high levels of customer retention and customer satisfaction, which in turn benefit ProLogis shareholders economically through low turnover and other customer receivable costs.

We conduct substantial North American customer satisfaction surveys every two years. Written surveys are conducted in-house. We ask customers to rate their ProLogis personal contacts in areas of leasing, property management and maintenance. They are also asked to

rate their general experience with ProLogis personnel and contractors, as well as to rate the condition of their ProLogis facilities.

The percentage of responding customers offering a reply of "good" or "excellent" in our 2006 survey is depicted in the following chart.

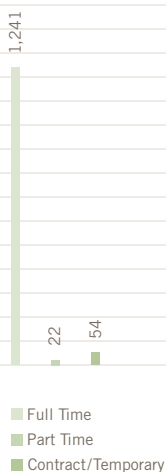
North America 2006 Customer Survey Results

Percentage of Respondents Awarding Ratings of 4 and 5; Ratings of 4 and 5 equate to "good" and "excellent"

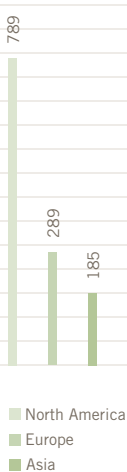


Since we first began surveying our customers in 1995, we have instituted various programs designed in response to survey results. We initiated and maintain a vendor education program in order to communicate our high service standard to ProLogis vendors. We have also implemented internal programs that put property managers in front of customers on an almost daily basis. Our goal is to maintain a rating above 85% in each of the areas of leasing, property management, maintenance and general experience in the 2008 survey and to continue our practice of providing superior customer service.

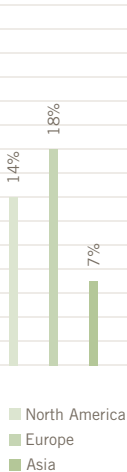
Global Employment by Type¹



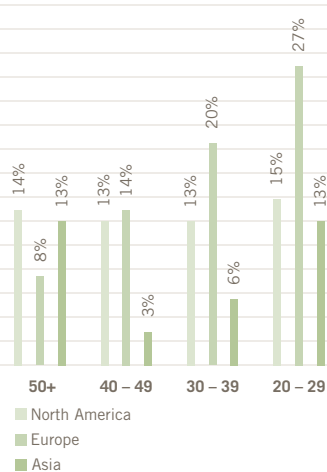
Employees by Region



Employee Turnover by Region



Employee Turnover by Age²




¹Contract/Temporary workers are not ProLogis employees

²Percentage of employees per age group who terminated their employment with ProLogis in 2006



On the front cover: wind turbine at ProLogis Parc Amagasaki, Osaka, Japan

For questions or feedback pertaining to the content of this report, please contact Investor Relations at 1.800.820.0181.

 This report was printed with soy-based inks on recycled paper that contains 100% post-consumer waste. The paper was made using renewable wind power, is Green Seal certified and acid-free. Environmental savings achieved using this paper: 33.48 trees preserved for the future, 99.69 lbs. of waterborne waste not created, 14,224 gallons of wastewater flow saved, 1,574 lbs. solid waste not generated, 3,099 lbs. net greenhouse gases prevented and 23,718,400 BTUs energy not consumed. Anderson Lithograph, a sustainable and FSC-certified printer, produced this report utilizing cogeneration technology, which resulted in virtually zero VOC emissions released into the atmosphere. The remaining carbon footprint for the 7,500 printed copies of this report put into circulation is approximately 26 tons of carbon dioxide emissions (CO2). We have purchased carbon offset credits to cover these emissions.

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