October 22, 2009

ProLogis Reports Third Quarter 2009 Results

- Major Elements of De-leveraging Plan Complete -

- Significant Progress on Development Portfolio Leasing -

- $325 Million in Equity Raised Through 'At the Market' Program -

DENVER, Oct. 22 /PRNewswire-FirstCall/ -- ProLogis (NYSE: PLD), a leading global provider of distribution facilities, today reported funds from operations as defined by ProLogis (FFO), excluding significant non-cash items, of $0.21 per diluted share for the third quarter of 2009, compared with $0.59 per diluted share in the third quarter of 2008. Significant non-cash items of $0.07 per diluted share for the third quarter of 2009 included impairment of real estate properties and other assets, which were partially offset by gains from early extinguishment of debt. FFO, including significant non-cash items, was $0.14 per diluted share for the third quarter of 2009; there were no significant non-cash items reported in the same period in 2008. Also embedded in the $0.21 per diluted share of FFO, excluding significant non-cash items, was approximately $0.03 per diluted share of non-recurring charges associated with write-offs of certain corporate assets and costs associated with the company's workforce reduction.

The company reported a net loss of $0.03 per diluted share for the third quarter of 2009, compared with net earnings of $0.12 per diluted share in the third quarter of 2008.

FFO, excluding significant non-cash items, was $1.06 per diluted share for the nine months ended September 30, 2009, compared with $2.95 per diluted share in 2008. FFO, including significant non-cash items, was $1.16 per diluted share for the same period in 2009; there were no significant non-cash items reported in the nine months ended September 30, 2008. Net earnings per diluted share for the nine months ended September 30, 2009 were $1.06 per diluted share, compared with $1.57 per diluted share in the same period of 2008.

Early Signs of Stabilization in Property Market Fundamentals

"During the third quarter, we began to see signs that demonstrate industrial property market fundamentals are firming up," said Walter C. Rakowich, chief executive officer. "While there continues to be pressure on market rental rates, overall market occupancies seem to be stabilizing, with an increase in customer activity. Some supply chain reconfiguration plans that were postponed are coming off the shelf, and there is growing customer interest in new build-to-suit development in global markets where there is a lack of appropriate supply.

"Throughout ProLogis' portfolio, occupancies increased for the first time in two years," Rakowich added. ProLogis' non-development portfolio was 92.7 percent leased at the end of the third quarter, an increase of 20 basis points over 92.5 percent leased at June 30. In addition, the company's static development portfolio (in place at December 31, 2008) was 61.7 percent leased at the end of the third quarter, up from 54.1 percent at June 30, 2009 and 41.4 percent at December 31, 2008.

"While one quarter does not signal a trend, we are feeling cautiously optimistic that market occupancies have stabilized and are pleased to have already reached the lower end of our goal to be 60 to 70 percent leased in our static development portfolio by year end. As global economies continue to show signs of improvement, we believe a corresponding increase in demand, combined with virtually non-existent new supply, should support stronger market occupancies in 2010," Rakowich said.

ProLogis' same-store net operating income as adjusted (excluding same-store assets associated with the company's development portfolio) decreased 4.3 percent, primarily reflecting year-over-year occupancy declines, offset by reduced rental expenses in the same-store pool. Continued pressure on market rents led to negative rent growth of 14.7 percent for the quarter on turnover of 20.2 million square feet, or 5.2 percent, of the adjusted same-store pool.

Beginning to Reduce Land Position Through Pre-leased Development and Sales

"One of our primary goals is to reduce risk by decreasing the amount of non-income producing assets on our balance sheet," said Ted R. Antenucci, chief investment officer. "Through land sales and pre-leased developments, we have begun to monetize nearly $120 million of land year to date. The developments started in the third quarter include two in Japan for Kirin Logistics and Senko and two in Europe for LG/Hi-Logistics and a major UK retailer. These projects demonstrate our new approach to development, whereby we generate returns from our land bank, and when possible, invest our development capital alongside that of our partners and customers. Going forward, we plan to focus more on these types of build-to-suit transactions and fee development management opportunities, such as the previously announced project we are doing for The Royal Mail in the UK."

Also during the third quarter, ProLogis completed gross asset sales and property fund contributions of $241.0 million. "Earlier in the year, we outlined our expectation for a total of $1.5 - $1.7 billion of contributions and asset sales, excluding the sale of our China operations and our property fund interests in Japan," Antenucci said. "With $1.2 billion of sales and contributions completed year to date, we are comfortable with meeting this target."

De-leveraging Plan Essentially Complete

"The third quarter also was notable for the completion of the remaining major elements associated with our de-leveraging plan," said William E. Sullivan, chief financial officer. "We successfully issued $350 million of senior notes, amended and extended our global line of credit to August 2012 and completed a bondholder consent solicitation that simplifies and improves transparency related to our bond covenants. We also took advantage of the REIT rally to issue equity through our at the market equity issuance program at average pricing of $11.15 per share, generating net proceeds of $325 million on approximately 29.8 million shares sold. These actions provide us with further flexibility and the liquidity to withstand pressure from today's challenging market conditions, while positioning us to consider opportunities that may emerge as global economies recover."

Through a combination of asset sales and fund contributions, common equity issuances and repurchases of debt at a discount, the company has reduced its direct debt by over $3.0 billion since December 31, 2008, while funding nearly $600 million of costs associated with its development portfolio.

"In addition to addressing ProLogis' direct debt maturities for 2009 and well into 2010, we also made substantial progress with the refinancing and repayment of property fund debt. Since the start of the year, we have completed over 1.6 billion of secured financings and loan extensions on behalf of our funds, of which approximately 1.2 billion was executed upon in the third quarter," said Sullivan.

Commentary on Guidance

"We are narrowing our full-year 2009 guidance to $1.39 to $1.43 per share of FFO, excluding significant non-cash items and non-recurring charges, and $0.96 to $1.00 in earnings per share. We will continue to monitor market conditions and their impact on expected results for next year and will provide the market with detailed guidance for 2010 in January prior to the release of fourth quarter results," Sullivan added.

Copies of ProLogis' third quarter 2009 supplemental information will be available from the company's website at *http://ir.prologis.com* in the "Annual & Supplemental Reports" section before open of market on Thursday, October 22, 2009. The company will host a webcast/conference call on Thursday, October 22, 2009, at 10:00 a.m. Eastern Time. The live webcast and the replay will be available on the company's website at *http://ir.prologis.com*. Additionally, a podcast of the company's conference call will be available on the company's website as well as on the REITCafe website located at www.REITCafe.com/reitcalls.

About ProLogis

ProLogis is a leading global provider of distribution facilities, with more than 475 million square feet of industrial space owned and managed (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. For additional information about the company, go to *www.prologis.com*.

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

Overview

(in thousands, except per share amounts)
Summary of Results

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008 (1)	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008 (1)
Revenues (9)	$273,932	$988,890	$973,679	$4,106,441
Net earnings (loss) (a)	$(11,788)	$32,153	$405,809	$422,006
Net earnings (loss) per share - Diluted (a)	$(0.03)	$0.12	$1.06	$1.57
FFO, including significant non-cash items (a)	$65,187	$157,994	$444,646	$793,936
Add (deduct) significant non-cash items:				
Impairment of real estate properties and other assets	46,274	-	130,492	-
Net gain related to disposed assets - China operations	-	-	(3,315)	-
Gains on early extinguishment of debt	(12,010)	-	(173,218)	-
Our share of certain (gains) losses recognized by the property funds	(4,925)	-	6,358	-
Total adjustments for significant non-cash items	29,339	-	(39,683)	-
FFO, excluding significant non-cash items (a)	$94,526	$157,994	$404,963	$793,936

FFO per share - Diluted,

including significant non-cash items (a)	$0.14	$0.59	$1.16	$2.95
Add (deduct) - summarized significant non-cash adjustments - per share	0.07	-	(0.10)	-
FFO per share - Diluted, excluding significant non-cash items (a)	$0.21	$0.59	$1.06	$2.95
Distributions per common share (b)	$0.15	$0.5175	$0.55	$1.5525

(a) These amounts are attributable to common shares.

(b) In April 2009, our Board of Trustees ("Board") set our quarterly distribution at $0.15 per common share. The payment of distributions, including the composition between cash and stock, is subject to authorization by the Board out of funds legally available for the payment of distributions, market conditions, our financial condition and Real Estate Investment Trust ("REIT") distribution requirements and may be adjusted at the discretion of the Board during the year.

Footnotes follow Financial Statements

Consolidated Balance Sheets

(in thousands, except per share data)

	September 30, 2009	December 31, 2008 (1)
Assets:		
Investments in real estate assets (1):		
Industrial properties:		
Core	$7,441,065	$7,924,507
Completed development	4,094,702	3,031,449
Properties under development	354,885	1,181,344
Land held for development	2,694,925	2,482,582
Retail and mixed use properties	388,008	358,992
Land subject to ground leases and other	416,577	425,001
Other investments	240,533	321,397
	15,630,695	15,725,272
Less accumulated depreciation	1,606,533	1,583,299
Net investments in real estate assets	14,024,162	14,141,973
Investments in and advances to unconsolidated investees:		
Property funds (2)	1,838,797	1,957,977
Other unconsolidated investees	366,451	312,016

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Total investments in and advances to unconsolidated investees	2,205,248	2,269,993
Cash and cash equivalents	41,542	174,636
Accounts and notes receivable	147,921	244,778
Other assets (1)	1,027,410	1,126,993
Discontinued operations - assets held for sale (2)	-	1,310,754
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Total assets	$17,446,283	$19,269,127
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Liabilities and Equity:		
Liabilities:		
Debt (1)(2)(3)(4)	$7,706,105	$10,711,368
Accounts payable and accrued expenses	611,408	658,868
Other liabilities	556,957	751,238
Discontinued operations - assets held for sale (2)	-	389,884
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Total liabilities	8,874,470	12,511,358
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Equity (5):		
ProLogis shareholders' equity:		
Series C preferred shares at stated liquidation preference of $50 per share	100,000	100,000
Series F preferred shares at stated liquidation preference of $25 per share	125,000	125,000
Series G preferred shares at stated liquidation preference of $25 per share	125,000	125,000
Common shares at $.01 par value per share	4,732	2,670
Additional paid-in capital (1)	8,524,988	7,070,108
Accumulated other comprehensive income (loss) (6)	125,594	(29,374)
Distributions in excess of net earnings (1)	(455,109)	(655,513)
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Total ProLogis shareholders' equity	8,550,205	6,737,891
Noncontrolling interests (7)	21,608	19,878
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Total equity	8,571,813	6,757,769
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Total liabilities and equity	$17,446,283	$19,269,127
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Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended	Nine Months Ended

	September 30,		September 30,	
	2009	2008 (1)	2009	2008 (1)
Revenues:				
Rental income (8)	$225,130	$225,501	$674,648	$707,245
Property management and other fees and incentives (2)	45,792	35,125	111,200	97,195
CDFS disposition proceeds (9):				
Developed and repositioned properties (2)	-	613,443	180,237	3,013,511
Acquired property portfolios	-	107,063	-	270,238
Development management and other income	3,010	7,758	7,594	18,252
Total revenues	273,932	988,890	973,679	4,106,441
Expenses:				
Rental expenses (10)	69,498	68,551	208,195	219,402
Investment management expenses (10)	10,186	13,456	31,581	38,417
Cost of CDFS dispositions (1)(9):				
Developed and repositioned properties	-	543,118	-	2,465,550
Acquired property portfolios	-	107,063	-	270,238
General and administrative (10)(11)	38,632	46,651	128,325	140,363
Reduction in workforce (11)	415	-	11,745	-
Impairment of real estate properties and other assets (12)	46,274	-	130,492	-
Depreciation and amortization	80,484	74,515	233,872	220,896
Other expenses	8,405	3,495	19,408	10,658
Total expenses	253,894	856,849	763,618	3,365,524
Operating income	20,038	132,041	210,061	740,917
Other income (expense):				
Earnings from unconsolidated property funds, net (13)	11,639	17,918	31,135	35,904
Earnings (loss) from other unconsolidated investees, net	(693)	5,208	2,850	12,429
Interest expense (1)(14)	(89,838)	(94,290)	(265,819)	(284,752)
Other income (expense), net	(10,021)	868	(5,846)	13,996

Net gains on dispositions of real estate properties (9)	13,627	1,152	22,419	5,816
Foreign currency exchange gains (losses), net (15)	13,386	(10,073)	34,898	(32,977)
Gains on early extinguishment of debt (3)	12,010	-	173,218	-
Total other income (expense)	(49,890)	(79,217)	(7,145)	(249,584)
Earnings before income taxes	(29,852)	52,824	202,916	491,333
Current income tax expense (benefit) (2)	(4,626)	10,938	30,140	47,717
Deferred income tax expense (benefit)	(5,088)	10,706	(20,687)	19,403
Total income taxes	(9,714)	21,644	9,453	67,120
Earnings (loss) from continuing operations	(20,138)	31,180	193,463	424,213
Discontinued operations (16):				
Income attributable to disposed properties	611	6,133	17,810	10,136
Net gain related to disposed assets - China operations (2)	-	-	3,315	-
Net gains on dispositions:				
Non-development properties	14,270	2,492	199,791	8,161
Development properties and land subject to ground leases (2)	-	108	11,503	2,232
Total discontinued operations	14,881	8,733	232,419	20,529
Consolidated net earnings (loss)	(5,257)	39,913	425,882	444,742
Net earnings attributable to noncontrolling interests (7)	(162)	(1,427)	(966)	(3,665)
Net earnings (loss) attributable to controlling interests (1)	(5,419)	38,486	424,916	441,077
Less preferred share dividends	6,369	6,333	19,107	19,071
Net earnings (loss) attributable to common shares	$(11,788)	$32,153	$405,809	$422,006

Weighted average

common shares outstanding - Basic (5)	452,683	263,139	379,421	261,665
Weighted average common shares outstanding - Diluted (5)	452,683	266,133	382,623	270,665
Net earnings (loss) per share attributable to common shares - Basic:				
Continuing operations	$(0.06)	$0.09	$0.46	$1.53
Discontinued operations	0.03	0.03	0.61	0.08
Net earnings (loss) per share attributable to common shares - Basic	$(0.03)	$0.12	$1.07	$1.61
Net earnings (loss) per share attributable to common shares -Diluted:				
Continuing operations	$(0.06)	$0.09	$0.45	$1.49
Discontinued operations	0.03	0.03	0.61	0.08
Net earnings (loss) per share attributable to common shares -Diluted	$(0.03)	$0.12	$1.06	$1.57

Footnotes follow Financial Statements

Consolidated Statements of Funds From Operations (FFO)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (1)	2009	2008 (1)
Revenues:				
Rental income	$225,226	$253,580	$711,681	$785,557
Property management and other fees and incentives (2)	45,792	35,502	111,293	97,572
CDFS disposition proceeds (9):				
Developed and repositioned properties (2)	-	617,133	180,237	3,032,408
Acquired property portfolios	-	190,711	-	353,886
Development management and other income	3,010	7,991	7,594	18,522
Total revenues	274,028	1,104,917	1,010,805	4,287,945
Expenses:				
Rental expenses (10)	68,874	79,589	218,228	245,632
Investment management				

expenses (10)	10,186	13,456	31,581	38,417
Cost of CDFS dispositions (1)(9):				
Developed and repositioned properties	-	546,700	-	2,483,925
Acquired property portfolios	-	190,711	-	353,886
General and administrative (10)	38,632	50,842	129,630	153,178
Reduction in workforce (11)	415	-	11,745	-
Impairment of real estate properties and other assets (12)	46,274	-	130,492	-
Depreciation of corporate assets	3,982	4,004	12,069	12,155
Other expenses	8,405	3,689	19,414	11,792
Total expenses	176,768	888,991	553,159	3,298,985
	97,260	215,926	457,646	988,960
Other income (expense):				
FFO from unconsolidated property funds (13)	43,901	50,067	115,518	128,454
FFO from other unconsolidated investees	947	4,824	8,926	5,304
Interest expense (1)	(89,838)	(93,839)	(265,649)	(284,128)
Other income (expense), net	(10,021)	1,822	(5,774)	17,082
Net gains on dispositions of real estate properties (9)	12,515	-	30,072	-
Foreign currency exchange gains (losses), net	318	(3,927)	(22,068)	(7,732)
Gains on early extinguishment of debt (3)	12,010	-	173,218	-
Current income tax benefit (expense) (2)(17)	4,626	(11,577)	(30,341)	(39,443)
Net gain related to disposed assets - China operations (2)	-	-	3,315	-
Total other income (expense)	(25,542)	(52,630)	7,217	(180,463)
FFO	71,718	163,296	464,863	808,497
Less preferred share dividends	6,369	6,333	19,107	19,071
Less net earnings (loss) attributable to noncontrolling interests (7)	162	(1,031)	1,110	(4,510)

FFO attributable to common shares, including significant non-cash items	$65,187	$157,994	$444,646	$793,936
Adjustments for significant non-cash items	29,339	-	(39,683)	-
FFO attributable to common shares, excluding significant non-cash items	$94,526	$157,994	$404,963	$793,936
Weighted average common shares outstanding - Basic (5)	452,683	263,139	379,421	261,665
FFO per share attributable to common shares, including significant non-cash items:				
Basic	$0.14	$0.60	$1.17	$3.03
Diluted	$0.14	$0.59	$1.16	$2.95
FFO per share attributable to common shares, excluding significant non-cash items:				
Basic	$0.21	$0.60	$1.07	$3.03
Diluted	$0.21	$0.59	$1.06	$2.95

Footnotes follow Financial Statements

Reconciliations of Net Earnings (Loss) to FFO and EBITDA

(in thousands)
Reconciliation of net earnings (loss) to FFO, including significant non-cash items

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (1)	2009	2008 (1)
Net earnings (loss) (a)	$(11,788)	$32,153	$405,809	$422,006
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	76,502	70,511	221,803	208,741
Adjustments to gains on dispositions for depreciation	(1,001)	-	(2,204)	(1,710)
Gains on dispositions of non-development/				

non-CDFS properties	(111)	(1,152)	(1,646)	(5,814)
Reconciling items attributable to discontinued operations (16):				
Gains on dispositions of non-development/ non-CDFS properties	(14,270)	(2,492)	(199,791)	(8,161)
Real estate related depreciation and amortization	109	7,415	8,614	23,633
Total discontinued operations	(14,161)	4,923	(191,177)	15,472
Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	37,973	37,596	113,954	103,908
Adjustment to gains/ losses on dispositions for depreciation	(1,310)	2	(7,888)	(163)
Other amortization items	(1,659)	(4,433)	(7,821)	(12,503)
Total unconsolidated investees	35,004	33,165	98,245	91,242
Total NAREIT defined adjustments	96,233	107,447	125,021	307,931
Subtotal-NAREIT defined FFO	84,445	139,600	530,830	729,937
Add (deduct) our defined adjustments:				
Foreign currency exchange losses (gains), net (15)	(13,068)	6,417	(56,897)	27,218
Current income tax expense (17)	-	-	-	9,658
Deferred income tax expense (benefit)	(5,088)	10,742	(20,699)	19,478
Our share of reconciling items from unconsolidated investees:				
Foreign currency exchange losses (gains), net (15)	(556)	953	(790)	2,413
Unrealized losses (gains) on derivative contracts, net	(208)	183	(6,167)	4,998
Deferred income tax expense (benefit)	(338)	99	(1,631)	234
Total unconsolidated investees	(1,102)	1,235	(8,588)	7,645
Total our defined				

adjustments	(19,258)	18,394	(86,184)	63,999
FFO, including significant non-cash items (a)	$65,187	$157,994	$444,646	$793,936

Reconciliation of FFO, including significant non-cash items, to FFO, excluding significant non-cash items

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (1)	2009	2008 (1)
FFO, including significant non-cash items (a)	$65,187	$157,994	$444,646	$793,936
Add (deduct) significant non-cash items:				
Impairment of real estate properties and other assets (12)	46,274	-	130,492	-
Net gain related to disposed assets - China operations (2)	-	-	(3,315)	-
Gains on early extinguishment of debt (3)	(12,010)	-	(173,218)	-
Our share of certain (gains) losses recognized by the property funds	(4,925)	-	6,358	-
Total adjustments for significant non-cash items	29,339	-	(39,683)	-
FFO, excluding significant non-cash items (a)	$94,526	$157,994	$404,963	$793,936

Reconciliation of FFO, excluding significant non-cash items, to EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 (1)	2009	2008 (1)
FFO, excluding significant non-cash items (a)	$94,526	$157,994	$404,963	$793,936
Interest expense	89,838	93,839	265,649	284,128
Depreciation of corporate assets	3,982	4,004	12,069	12,155
Current income tax expense (benefit) included in FFO	(4,626)	11,577	30,341	39,443
Adjustments to gains on dispositions for interest capitalized	4,605	12,195	11,544	44,995
Preferred share dividends	6,369	6,333	19,107	19,071

Share of reconciling items from unconsolidated investees	44,241	52,554	130,705	140,088
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$238,935	$338,496	$874,378	$1,333,816

See Consolidated Statements of Operations and Consolidated Statements of FFO.
Footnotes follow Financial Statements

(a) Attributable to common shares.

Calculation of Per Share Amounts

(in thousands, except per share amounts)

Net Earnings (Loss) Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net earnings (loss) - Basic (a)	$(11,788)	$32,153	$405,809	$422,006
Noncontrolling interest attributable to convertible limited partnership units (b)	-	-	966	3,665
Adjusted net earnings (loss) - Diluted (a)	$(11,788)	$32,153	$406,775	$425,671
Weighted average common shares outstanding - Basic	452,683	263,139	379,421	261,665
Incremental weighted average effect of conversion of limited partnership units (b)	-	-	1,192	5,088
Incremental weighted average effect of stock awards (c)	-	2,994	2,010	3,912
Weighted average common shares outstanding - Diluted	452,683	266,133	382,623	270,665
Net earnings (loss) per share - Diluted (a)	$(0.03)	$0.12	$1.06	$1.57

FFO Per Share, including significant non-cash items

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008

FFO - Basic, including significant non-cash items (a)	$65,187	$157,994	$444,646	$793,936
Noncontrolling interest attributable to convertible limited partnership units (b)	-	1,427	966	3,665
FFO - Diluted, including significant non-cash items (a)	$65,187	$159,421	$445,612	$797,601
Weighted average common shares outstanding - Basic	452,683	263,139	379,421	261,665
Incremental weighted average effect of conversion of limited partnership units (b)	-	5,146	1,192	5,088
Incremental weighted average effect of stock awards (c)	2,388	2,994	2,010	3,912
Weighted average common shares outstanding - Diluted	455,071	271,279	382,623	270,665
FFO per share - Diluted, including significant non-cash items (a)	$0.14	$0.59	$1.16	$2.95

FFO Per Share, excluding significant non-cash items

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
FFO - Basic, including significant non-cash items (a)	$65,187	$157,994	$444,646	$793,936
Adjustments for significant non-cash items	29,339	-	(39,683)	-
Noncontrolling interest attributable to convertible limited partnership units	162	1,427	966	3,665
FFO - Diluted, excluding significant non-cash items (a)	$94,688	$159,421	$405,929	$797,601
Weighted average common shares outstanding - Basic	452,683	263,139	379,421	261,665
Incremental weighted average effect of conversion of limited partnership units	1,110	5,146	1,192	5,088
Incremental weighted average effect of stock awards (c)	2,388	2,994	2,010	3,912
Weighted average common shares outstanding - Diluted	456,181	271,279	382,623	270,665
FFO per share - Diluted, excluding significant non-cash items (a)	$0.21	$0.59	$1.06	$2.95

=====	=====	=====	=====

(a) Attributable to common shares.
(b) If the impact of the conversion of limited partnership units is anti-dilutive, the income and shares are not included in the diluted per share calculation.
(c) Total weighted average potentially dilutive awards outstanding were 11,470 and 9,603 for the three months ended September 30, 2009 and 2008, respectively, and 11,739 and 9,993 for the nine months ended September 30, 2009 and 2008, respectively. Of the potentially dilutive instruments, 6,062 and 3,112, were anti-dilutive for the three months ended September 30, 2009 and 2008, respectively, and 6,875 and 1,769, were anti-dilutive for the nine months ended September 30, 2009 and 2008. During a loss period, the impact from convertible partnership units and stock awards are not included as the impact is anti-dilutive.

Notes to Financial Statements

Please also refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q for further information about us and our business. Certain 2008 amounts included in our financial statements have been reclassified to conform to the 2009 presentation.

(1) In May 2008, the Financial Accounting Standards Board ("FASB") issued a new standard that requires separate accounting for the debt and equity components of convertible debt. The value assigned to the debt component is the estimated fair value of a similar bond without the conversion feature at the time of issuance, which would result in the debt being recorded at a discount. The resulting debt discount is amortized through the first redeemable option date as additional non-cash interest expense. We adopted this standard on January 1, 2009, as required, on a retroactive basis to the convertible notes we issued in 2007 and 2008. As a result, we restated our 2008 results to reflect the additional interest expense and the additional capitalized interest related to our development activities for both properties we currently own, as well as properties that were contributed during the applicable periods. This restatement impacted earnings and FFO.

The following tables illustrate the impact of the restatement on our Consolidated Balance Sheets and Consolidated Statements of Operations and FFO for these periods (in thousands):

	As of December 31, 2008		
	As Reported	New Standard Adjustments	As Adjusted
Consolidated Balance Sheet:			
Net investments in real estate assets	$15,706,172	$19,100	$15,725,272
Other assets	$1,129,182	$(2,189)	$1,126,993
Debt	$11,007,636	$(296,268)	$10,711,368
Additional paid in capital	$6,688,615	$381,493	$7,070,108
Distributions in excess of net earnings	$(587,199)	$(68,314)	$(655,513)

Consolidated Statements of Operations:	For the three months ended, September 30, 2008		
	As Reported	New Standard Adjustments (a)	As Adjusted (before 2009 discontinued operations adjustment)
Cost of CDFS dispositions	$733,022	$807	$733,829
Interest expense, net of capitalization	$83,327	$10,512	$93,839
Net earnings attributable to controlling interests	$49,805	$(11,319)	$38,486

Consolidated Statements of Operations:	For the nine months ended, September 30, 2008		
	As Reported	New Standard Adjustments (a)	As Adjusted (before 2009 discontinued operations adjustment)
Cost of CDFS dispositions	$2,818,114	$1,322	$2,819,436
Interest expense, net of capitalization	$252,587	$31,541	$284,128
Net earnings attributable to controlling interests	$473,940	$(32,863)	$441,077

(a) The adjustments are the same in our Consolidated Statements of FFO.

(2) On February 9, 2009, we sold our operations in China and our property fund interests in Japan to affiliates of GIC Real Estate, the real estate investment company of the Government of Singapore Investment Corporation ("GIC RE"), for total cash consideration of $1.3 billion ($845 million related to China and $500 million related to the Japan investments). We used the proceeds primarily to pay down borrowings on our credit facilities.

All of the assets and liabilities associated with our China operations were classified as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008. In the fourth quarter of 2008, based on the carrying values of these assets and liabilities, as compared with the estimated sales proceeds less costs to sell, we recognized an impairment of $198.2 million. In connection with the sale in the first quarter of 2009, we recognized a $3.3 million gain on sale. In addition, the results of our China operations are presented as discontinued operations in our accompanying Consolidated Statements of Operations for all periods. All operating information presented throughout this report excludes China operations.

In connection with the sale of our investments in the Japan property funds, we recognized a gain of $180.2 million. The gain is reflected as CDFS Proceeds in our Consolidated Statements of Operations and FFO, as it represents previously deferred gains on the contribution of properties to the property funds based on our ownership interest in the property funds at the time of original contribution of properties. We also recognized $20.5 million in current income tax expense related to the Japan portion of the transaction. In April 2009, we sold one property in Japan to GIC RE for $128.1 million, resulting in a gain on sale of $13.1 million that is reflected as Discontinued Operations - Net Gains on Dispositions of Development Properties and Land Subject to Ground Leases and as Net Gains on Dispositions of Real Estate Properties in our Consolidated Statements of Operations and FFO, respectively. The building and related borrowings were classified as held for sale at December 31, 2008.

We continued to manage the Japan properties until July 2009. In connection with the termination of the management agreement, we earned a termination fee of $16.3 million that is included in Property Management and Other Fees and Incentives in our Consolidated Statements of Operations and FFO.

(3) During the three and nine months ended September 30, 2009, in connection with our announced initiatives to reduce debt, we repurchased several series of notes outstanding at a discount and extinguished some secured debt prior to maturity, which resulted in the recognition of gains and is summarized, as follows (in thousands):

	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009
Convertible Senior Notes:		
Original principal amount	$15,000	$536,257
Cash purchase price	$13,028	$351,105
Senior Notes (a):		
Original principal amount	$20,000	$363,192
Cash purchase price	$19,925	$322,015
Secured Debt:		
Original principal amount (b)	$227,017	$227,017
Cash extinguishment price	$227,017	$227,017
Total:		
Original principal amount	$262,017	$1,126,466
Cash purchase/ extinguishment price	$259,970	$900,137
Gain on early extinguishment of debt (c)	$12,010	$173,218

(a) Included in the nine months ended September 30, 2009 is the repurchase of euro 97.7 million ($136.0 million) original principal amount of our Euro senior notes for euro 82.6 million ($115.1 million).

(b) Amount excludes premium of $11.4 million that was recorded upon acquisition.

(c) Represents the difference between the recorded debt (net of the discount or premium) and the consideration we paid to retire the debt.

(4) In July 2009, we exercised our option to extend the maturity of our global line of credit

(the "Global Line") to October 6, 2010. In August 2009, we amended the Global Line, extending the maturity to August 21, 2012 and reducing the size of our aggregate commitments to $2.25 billion after October 2010. The Global Line will continue to have a capacity of $3.6 billion until October 2010. We may draw funds from a syndicate of banks in US dollars, euros, Japanese yen, British pound sterling and Canadian dollars and until October 2010, South Korean won. Lenders who did not participate in the amended and extended facility will be subject to the existing pricing structure through October 2010, while the new pricing structure is effective for continuing lenders.

In connection with the amendment of the Global Line, we repaid the balance outstanding and terminated our existing multi-currency credit facility, which was scheduled to mature on October 6, 2009, with borrowings under the Global Line.

In August 2009, we issued $350 million of senior notes with a stated interest rate of 7.625% and a maturity of August 2014. We used the proceeds primarily to repay borrowings under our Global Line and other debt.

(5) On April 14, 2009, we completed a public offering of 174.8 million common shares at a price of $6.60 per share and received net proceeds of $1.1 billion that were used to repay borrowings under our credit facilities. During the third quarter, we issued 29.8 million shares and received gross proceeds of $331.9 million and paid offering expenses of approximately $6.9 million under our at the market share issuance plan.

(6) The net gains recognized in Accumulated Other Comprehensive Income (Loss) in the nine months ended September 30, 2009 in our Consolidated Balance Sheet are principally the result of the strengthening of the euro, yen and pound sterling against the U.S. dollar, offset somewhat by the sale of our China operations and investments in the Japan property funds in February 2009. The strengthening of these currencies against the U.S. dollar results in greater net assets upon translation of our international operations into U.S. dollars.

(7) On January 1, 2009, we adopted the provisions of a new accounting standard that requires noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity and changes the accounting for transactions with noncontrolling interest holders.

(8) In our Consolidated Statements of Operations, rental income includes the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Rental income	$168,562	$164,710	$496,270	$517,864
Rental expense recoveries	48,598	51,970	151,753	165,129
Straight-lined rents	7,970	8,821	26,625	24,252
	$225,130	$225,501	$674,648	$707,245

The decrease in rental income is generally due to the contributions and sale of properties, offset somewhat by increased leasing in our development properties.

(9) In response to market conditions, during the fourth quarter of 2008 we modified our business strategy. As a result, as of December 31, 2008, we have two operating segments - Direct Owned and Investment Management, and we no longer have a CDFS Business segment. We presented the results of operations of our CDFS Business segment separately in 2008.

Our direct owned segment represents the direct, long-term ownership of industrial properties. Our investment strategy in this segment focuses primarily on the ownership and leasing of industrial properties in key distribution markets. We consider these properties to be our Core Portfolio. Also included in this segment are operating properties we developed with the intent to contribute the properties to an unconsolidated property fund that we previously referred to as our "CDFS Pipeline" and, beginning December 31, 2008, we now refer to as our Completed Development Portfolio. Our intent is to hold and use the Core and Development properties, however, we may contribute either Core or Development properties to the property funds, to the extent there is fund capacity, or sell them to third parties. When we contribute or sell Development properties, we recognize FFO to the extent the proceeds received exceed our original investment (i.e. prior to depreciation). However, beginning January 1, 2009, we now present the results as Net Gains on Dispositions, rather than as CDFS Disposition Proceeds and Cost of CDFS Dispositions. In addition, we have industrial properties that are currently under development (also included in our Development Portfolio) and land available for development that are part of this segment as well. The investment management segment represents the investment management of unconsolidated property funds and joint ventures and the properties they own. See note 16 for information on properties sold to third parties.

(10) Beginning in 2009, we are reporting the direct costs associated with our investment management segment for all periods presented as a separate line item "Investment Management Expenses" in our Consolidated Statements of Operations and FFO. These costs include the property management expenses associated with the property-level management of the properties owned by the property funds (previously included in Rental Expenses) and the investment management expenses associated with the asset management of the property funds (previously included in General and Administrative Expenses). In order to allocate the property management expenses between the properties owned by us and the properties owned by the property funds and joint ventures, we use the square feet owned at the beginning of the period by the respective portfolios. See note 2 related to the Japan properties that we no longer manage.

(11) As we previously announced in the fourth quarter of 2008, in response to the difficult economic climate, we initiated general and administrative expense ("G&A") reductions with a near-term target of a 20 to 25% reduction in G&A prior to capitalization or allocation. These initiatives include a Reduction in Workforce ("RIF") and reductions to other expenses through various cost savings measures. Due to the changes in our business strategy in the fourth quarter of 2008, we have halted the majority of our new development activities, which, along with lower gross G&A, has resulted in lower capitalized G&A. Our G&A included in our Statements of Operations consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008

Gross G&A expense	$65,060	$94,486	$212,221	$289,464
Capitalized amounts and amounts reported as rental and investment management expenses	(26,428)	(47,835)	(83,896)	(149,101)
Net G&A	$38,632	$46,651	$128,325	$140,363

In the fourth quarter of 2008 and the nine months ended September 30, 2009, we recognized $23.1 million and $11.7 million, respectively, of expenses related to the RIF program.

(12) During the three and nine months ended September 30, 2009, we recorded impairment charges of our real estate properties of $39.7 million and $123.9 million, respectively, related primarily to completed development properties in Europe that have been or we expect to contribute or sell during the remainder of 2009. The charges represent the difference between the estimated proceeds and our cost basis at the time of contribution/sale and may vary depending on market conditions. In addition, we recorded impairment charges of other assets of $6.6 million, which related primarily to intangible assets that were acquired in 2007.

(13) The following table represents our share of income (loss) recognized by the property funds related to derivative activity and the sale of real estate properties (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Included in Earnings from Unconsolidated Property Funds in our Consolidated Statements of Operations:				
Derivative loss:	$(2,890)	$(2,447)	$(7,700)	$(13,089)
Gain (loss) from the sale of properties and (impairment charges):	$(1,496)	$1,302	$(5,777)	$1,467
Included in FFO from Unconsolidated Property Funds in our Consolidated Statements of FFO:				
Derivative loss:	$(3,099)	$(2,265)	$(13,867)	$(8,092)
Gain (loss) from the sale of properties and (impairment charges):	$(2,544)	$1,304	$(13,403)	$1,304

(14) The following table presents the components of interest expense as reflected in our Consolidated Statements of Operations (in thousands):

	Three Months Ended	Nine Months Ended
	September 30,	September 30,

	2009	2008	2009	2008
Interest expense	$91,349	$120,014	$281,585	$360,820
Amortization of discount, net	15,706	18,243	51,049	45,225
Amortization of deferred loan costs	4,941	3,044	11,191	8,765
Interest expense before capitalization	111,996	141,301	343,825	414,810
Capitalized amounts	(22,158)	(47,011)	(78,006)	(130,058)
Net interest expense	$89,838	$94,290	$265,819	$284,752

The decrease in interest expense in 2009 over 2008 is due to significantly lower debt levels, offset by lower capitalization due to less development activity.

(15) Included in Foreign Currency Exchange Gains (Losses), Net, for the nine months ended September 30, 2009 and 2008, are net foreign currency exchange gains and losses, respectively, related to the remeasurement of inter-company loans between the U.S. and our consolidated subsidiaries in Japan and Europe due to the fluctuations in the exchange rates of U.S. dollars to the yen, the euro and pound sterling between December 31st and September 30th of the applicable years. We do not include the gains and losses related to inter-company loans in our calculation of FFO.

(16) The operations of the properties held for sale or disposed of to third parties and the aggregate net gains recognized upon their disposition are presented as discontinued operations in our Consolidated Statements of Operations for all periods presented, unless the property was developed under a pre-sale agreement.

As discussed in Note 2 above, all of the assets and liabilities associated with our China operations were classified as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008, as well as one property in Japan that we sold to GIC RE in April 2009.

During the first nine months of 2009, other than our China operations, we disposed of 128 properties to third parties aggregating 13.7 million square feet, 3 of which were development properties. This includes a portfolio of 90 properties aggregating 9.6 million square feet that were sold to a single venture in which we retained a 5% interest and for which we will continue to manage the properties. During all of 2008, we disposed of 15 properties to third parties, 6 of which were development properties, as well as land subject to ground leases.

The income attributable to these properties was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Rental income	$96	$28,079	$37,033	$78,312
Rental expenses	624	(11,038)	(10,033)	(26,230)
Depreciation and amortization	(109)	(7,415)	(8,614)	(23,633)

Other expenses, net	-	(3,493)	(576)	(18,313)
Income attributable to disposed properties	$611	$6,133	$17,810	$10,136

For purposes of our Consolidated Statements of FFO, we do not segregate discontinued operations. In addition, we include the gains from disposition of land parcels and Completed Development Properties (2009) and CDFS properties (2008) in the calculation of FFO, including those classified as discontinued operations.

(17) In connection with purchase accounting, we record all of the acquired assets and liabilities at the estimated fair values at the date of acquisition. For our taxable subsidiaries, we recognize the deferred tax liabilities that represent the tax effect of the difference between the tax basis carried over and the fair values at the date of acquisition. As taxable income is generated in these subsidiaries, we recognize a deferred tax benefit in earnings as a result of the reversal of the deferred tax liability previously recorded at the acquisition date and we record current income tax expense representing the entire current income tax liability. In our calculation of FFO, we only include the current income tax expense to the extent the associated income is recognized for financial reporting purposes.

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