investor EVENT 2014

september 18 2014

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Forward-Looking Statements

The statements in this presentation 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. Such statements 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 properties, disposition activity, general conditions in the geographic areas where we operate, our debt and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — 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, dispositions and development of properties, (v) maintenance of real estate investment trust ("REIT") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments in our co-investment ventures and funds, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) 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 presentation.

hamid **MOGHADAM** chairman & chief executive officer

the power of the platform

We Develop

We Develop

to deepen our market presence

We Develop

to refresh the portfolio quality

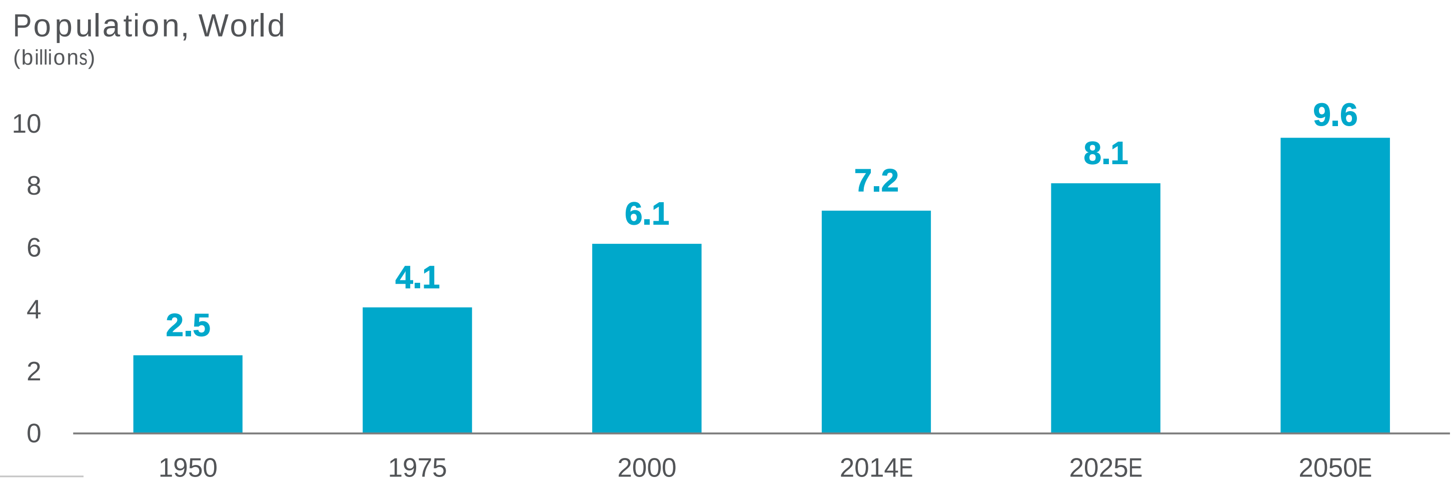
We Develop

to generate profits across cycles

chris **CATON** vice president, research

fundamental drivers of logistics development

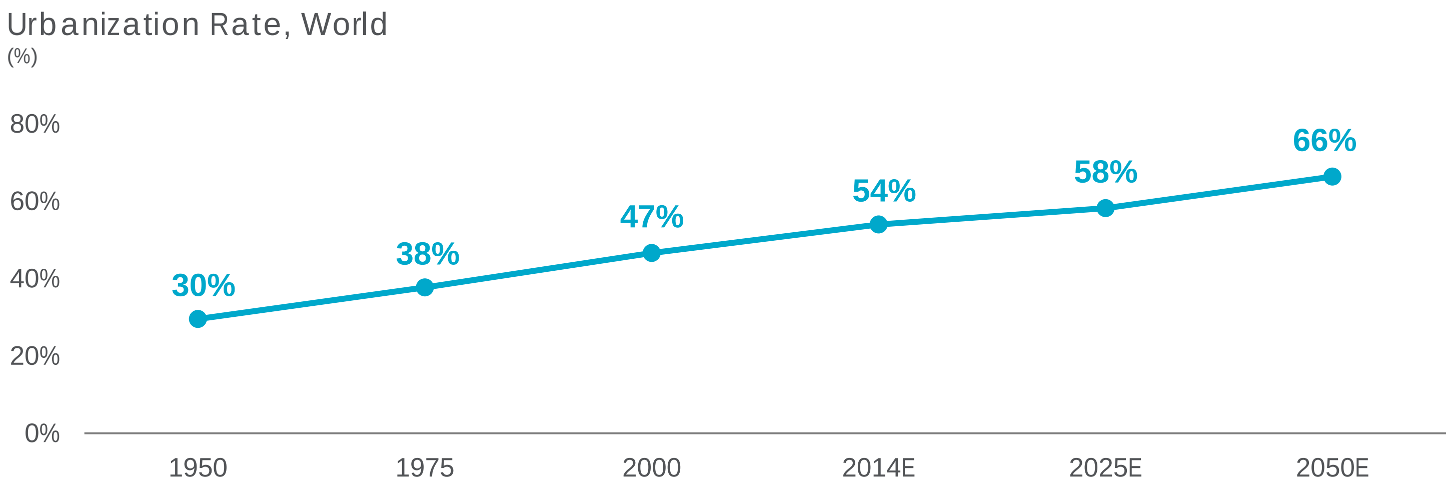
Logistics is a Growth Industry: **Population Growth**



Population Detail:	Total[1] *(millions)*	Change, June 2013-2014[1] *(millions)*	(%)
U.S.	320	2.6	0.8
Latin America	323	3.1	1.0
Europe	450	1.0	0.0
Japan	127	-0.1	-0.1
China	1,385	8.4	0.6

Source: U.N.
Note: Europe and Latin America are Prologis countries only
1. As of June 2013

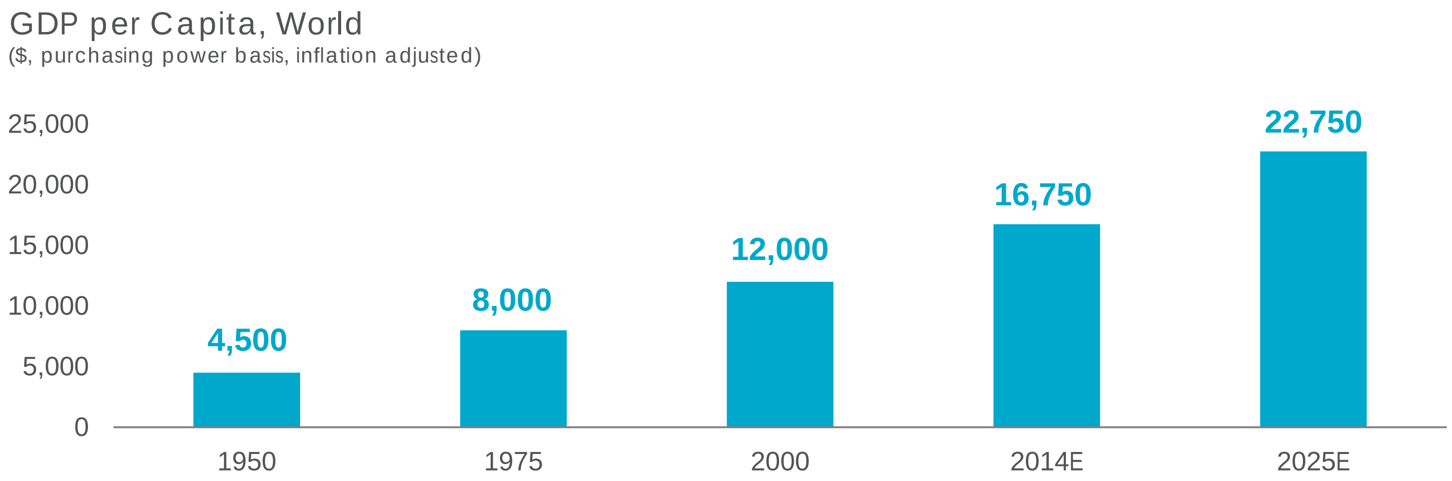
Logistics is a Growth Industry: **Urbanization**



Urbanization Rate Detail:	**2014E Rate** *(%)*	**Change, 2014E-2025E[1]** *(%)*
U.S.	81	2
Latin America	83	3
Europe	75	2
Japan	93	4
China	54	11

Source: U.N.
Note: Europe and Latin America are Prologis countries only
1. Estimates as released July 10, 2014

Logistics is a Growth Industry: **Rising Affluence**

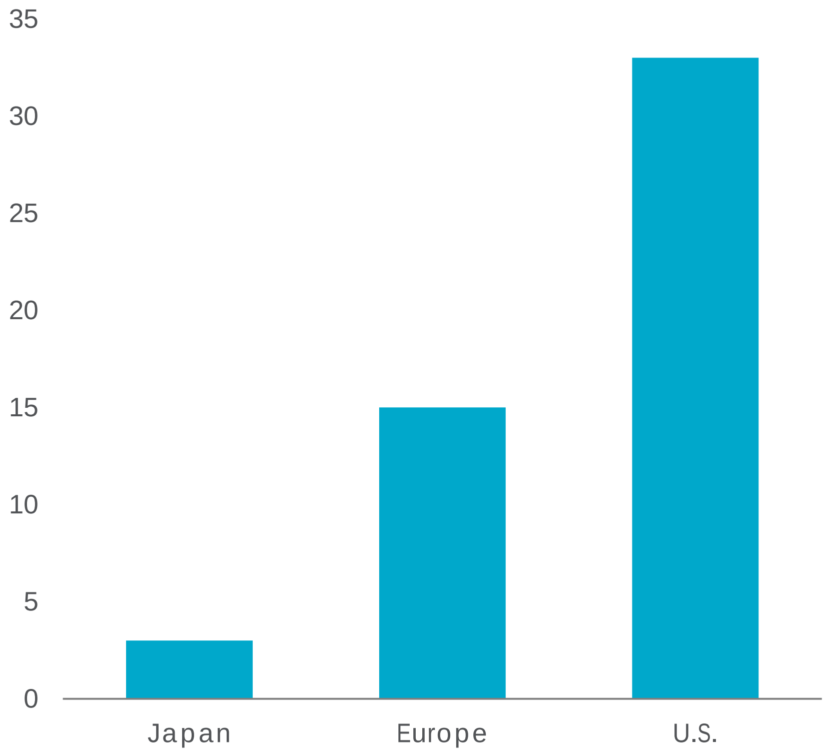


GDP per Capita Detail:	**2014E[1] $**	**2025E $**	**Growth %**
U.S.	54,750	67,750	24
Latin America	13,750	17,000	24
Europe	35,500	43,250	22
Japan	38,250	44,000	15
China	10,500	18,000	71

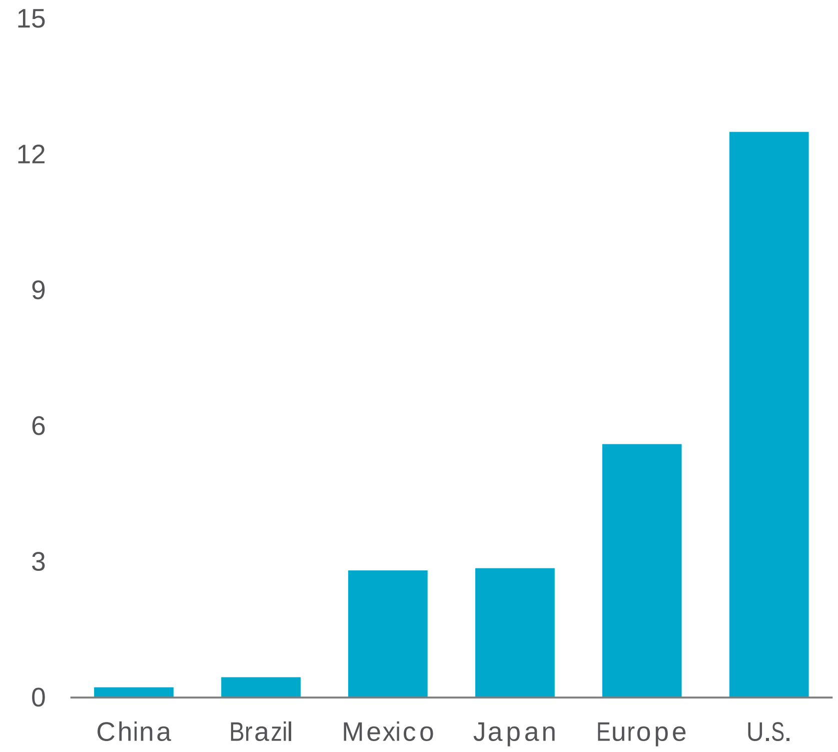
Source: OECD, IMF, Prologis
Note: Europe and Latin America are Prologis countries only
1. All data in USD at 2014 prices

Evolution of Supply Chains:
Lack of Class-A Facilities

Share of Modern Logistics Stock
(%)



Modern Logistics Stock per Person[1]
(sf/person)



Source: CBRE, JLL, DTZ, Gerald Eve, Prologis

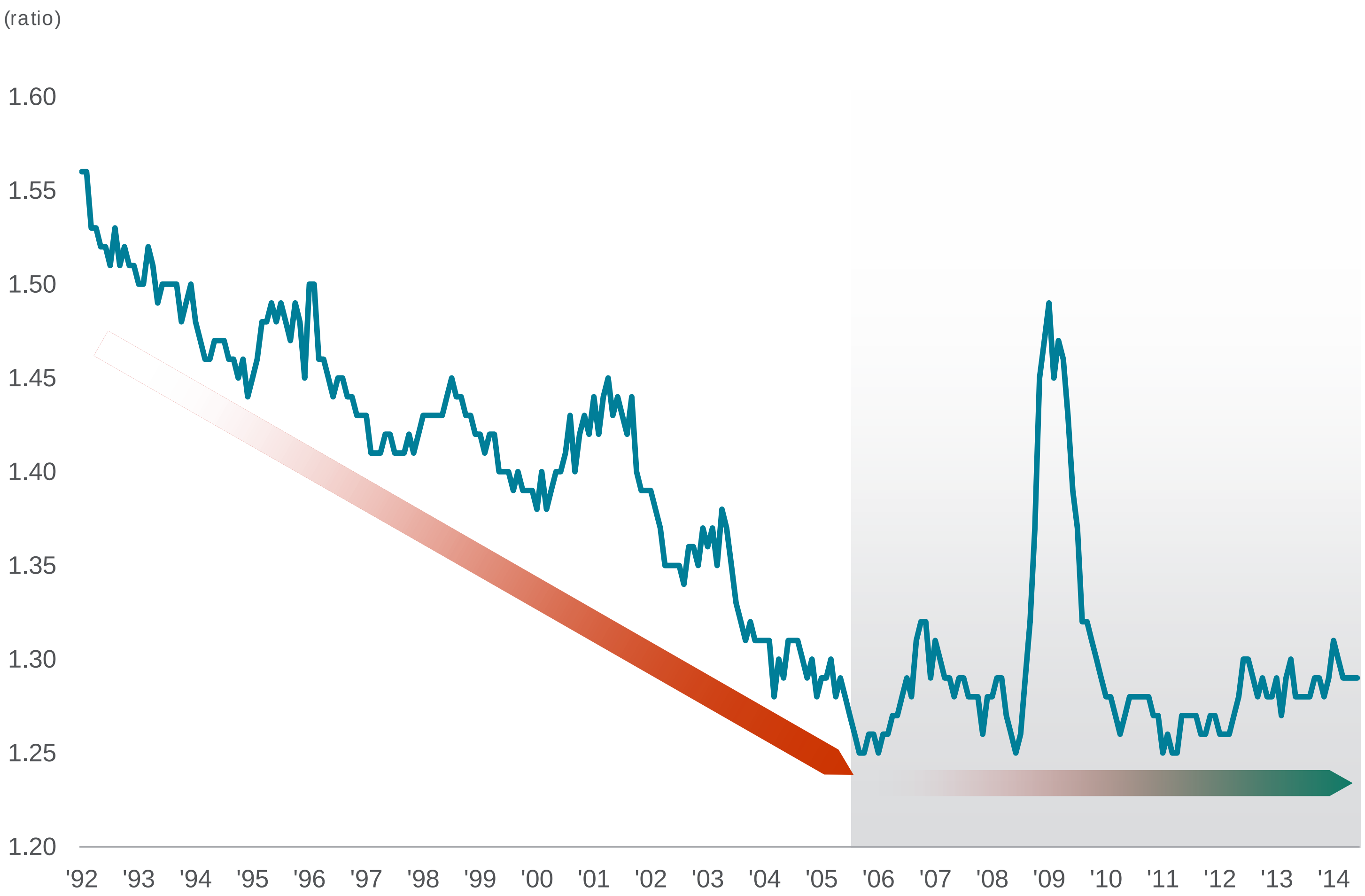
Source: Prologis, U.N., CBRE, JLL, DTZ, Gerald Eve
1. Europe is for Prologis markets only

Evolution of Supply Chains: **Europe & Japan**

Japan

Europe

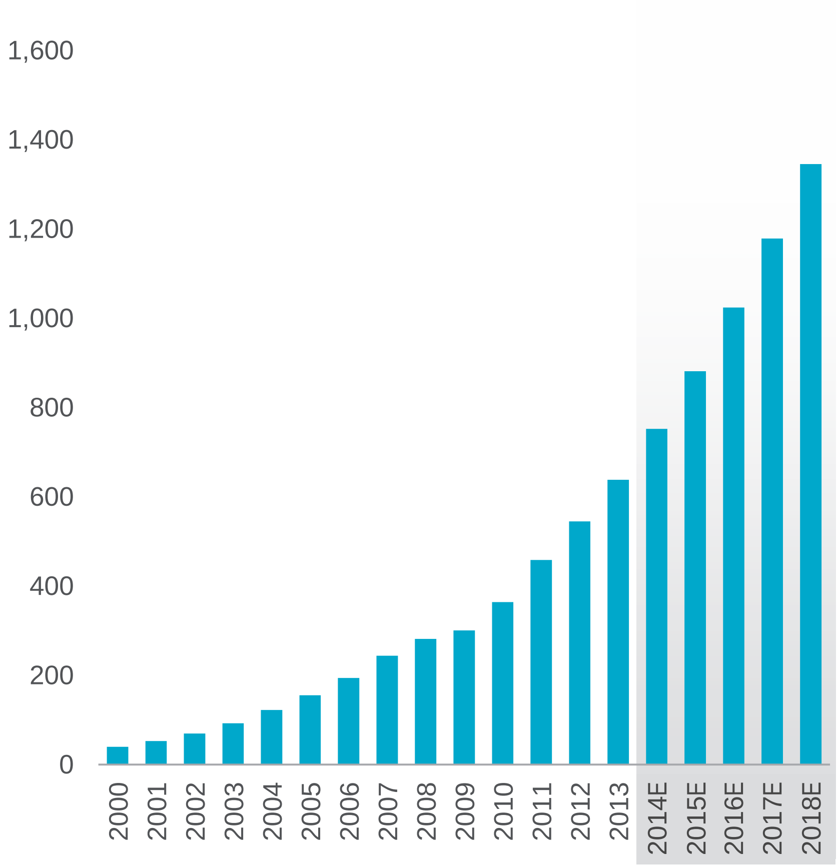
Evolution of Supply Chains:
Inventory to Sales Ratio, U.S.



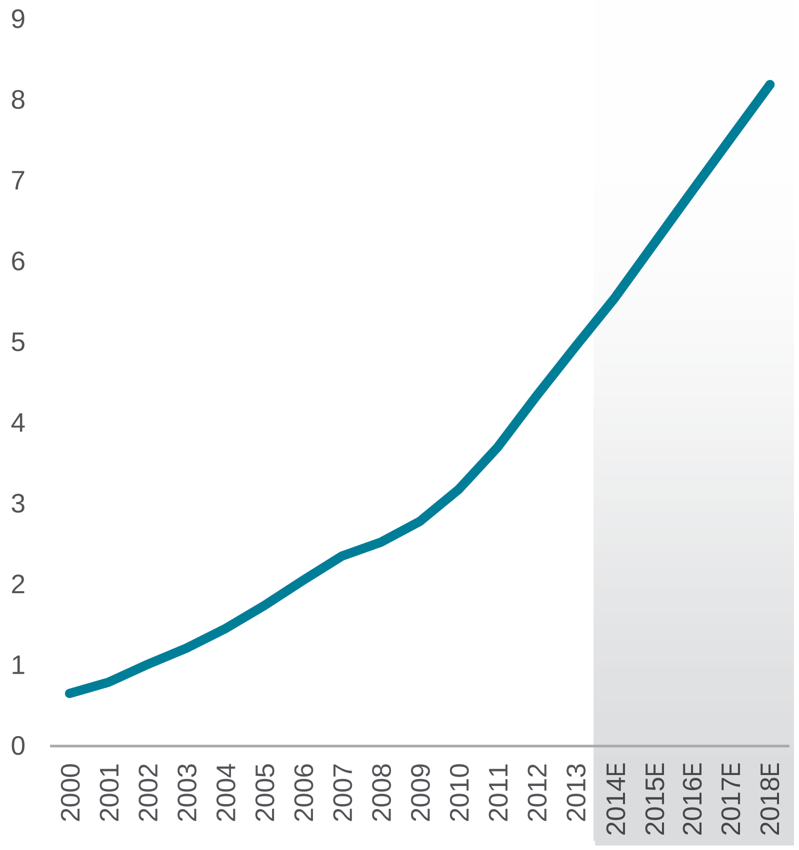
Source: U.S. Bureau of Economic Analysis

Evolution of Supply Chains: **E-Commerce**

Global E-Commerce Sales
(billions, business to consumer)



E-Commerce Share of Global Retail Sales
(%)



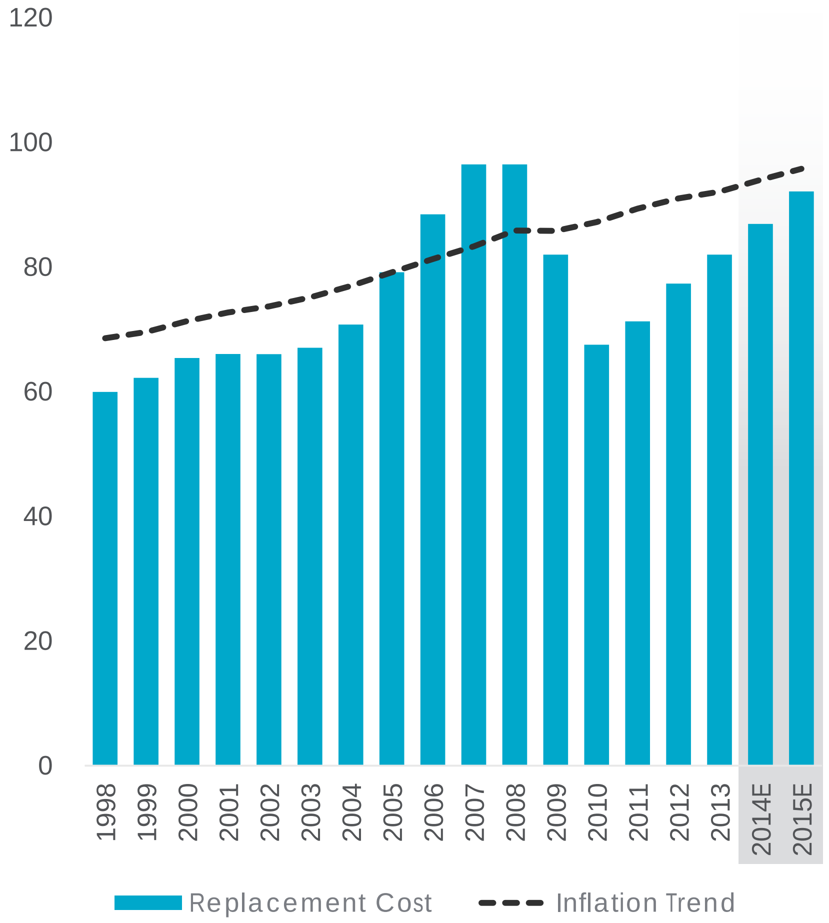
Source: Goldman Sachs Research

Governors on Development:
Challenges from this Cycle

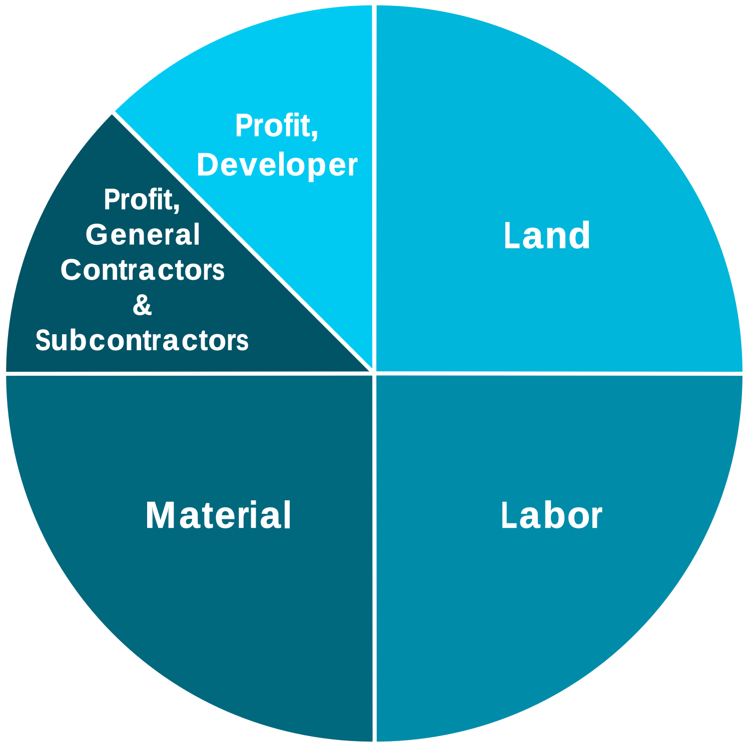
- Replacement cost rents
- Constrained financing
- Institutionalization of development
- Entitlements and zoning
- Increased scale adds complexity

Governors on Development:
Recovery Beginning to Drive Costs

U.S. Replacement Cost
($ per square foot, inclusive of developer profit)



Composition of Replacement Cost
(% of total cost, estimate in U.S.)



Source: Turner Construction Company, NCREIF, U.S. Bureau of Labor Statistics, Prologis Research

Update on the Current Cycle:
Development Cycle Still Picking Up

Historical Context of Development Starts
(sf, millions)

	Prior Cycle Peak		2014E		Change	
	BTS[1]	Spec	BTS[1]	Spec	BTS[1]	Spec
U.S.	60	140	35	100	-40%	-30%
Europe	30	60	35	10	+20%	-80%
Japan	10	16	9	24	-10%	+50%

Source: Prologis
1. Build to suit

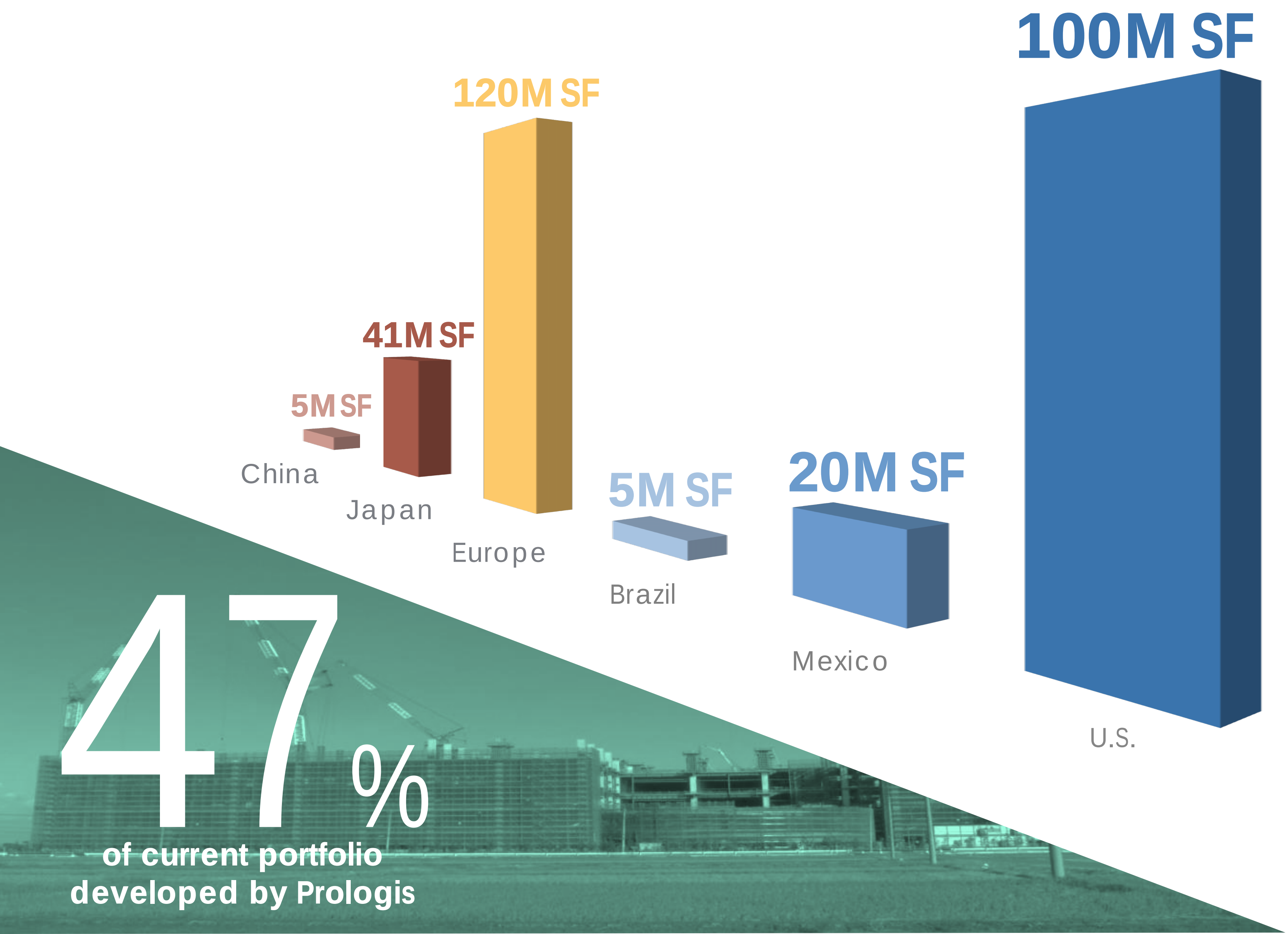
Conclusion

- Logistics development is driven by
  - population growth,
  - macroeconomic advancements, and
  - evolution of supply chains
- There are new factors in this cycle restricting development pipelines
- Room for development activities to increase in the current cycle

mike **CURLESS** chief investment officer

development performance and outlook

Development is a Major Catalyst



Rigorous Capital Deployment Process

- Prologis Integrated Risk Index (PIRI) – Powerful risk analysis tool
- Robust underwriting at market and regional levels
- Investment Committee
  - 9 permanent and 4 rotating members meet weekly
  - 230 development transactions reviewed since merger

PIRI: **Methodology for Measuring & Managing Risk**

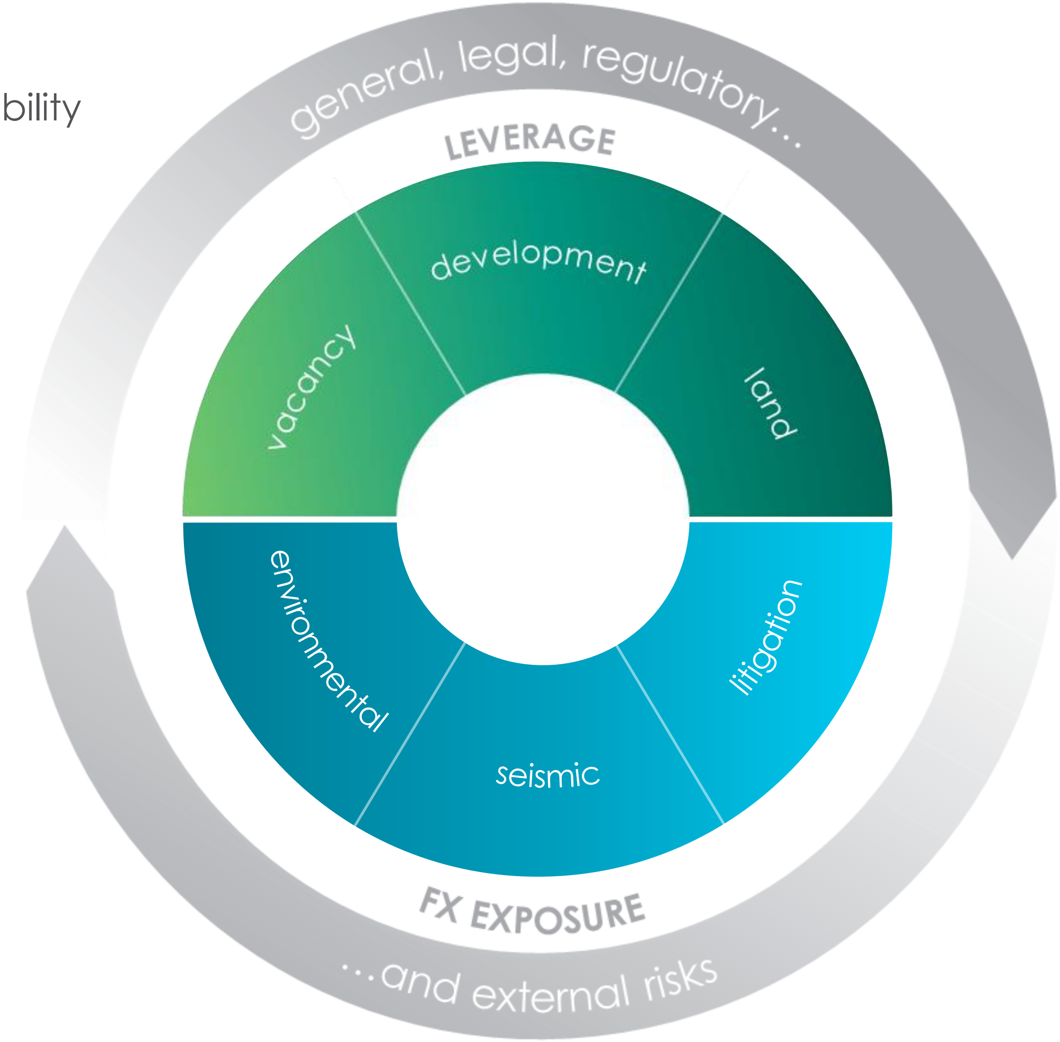
Primary Accountability

External Risk: GC, Risk Manager, Executive Committee & BOD

Financial Risk: CEO, CFO, Treasury & Strategic Capital

Business Risk: CIO and Regional Leadership

Components of Prologis Integrated Risk Index (PIRI)



vacancy
% of asset value for occupancy below 93% in both the operating and development portfolios

development
% of total expected investment until construction completion

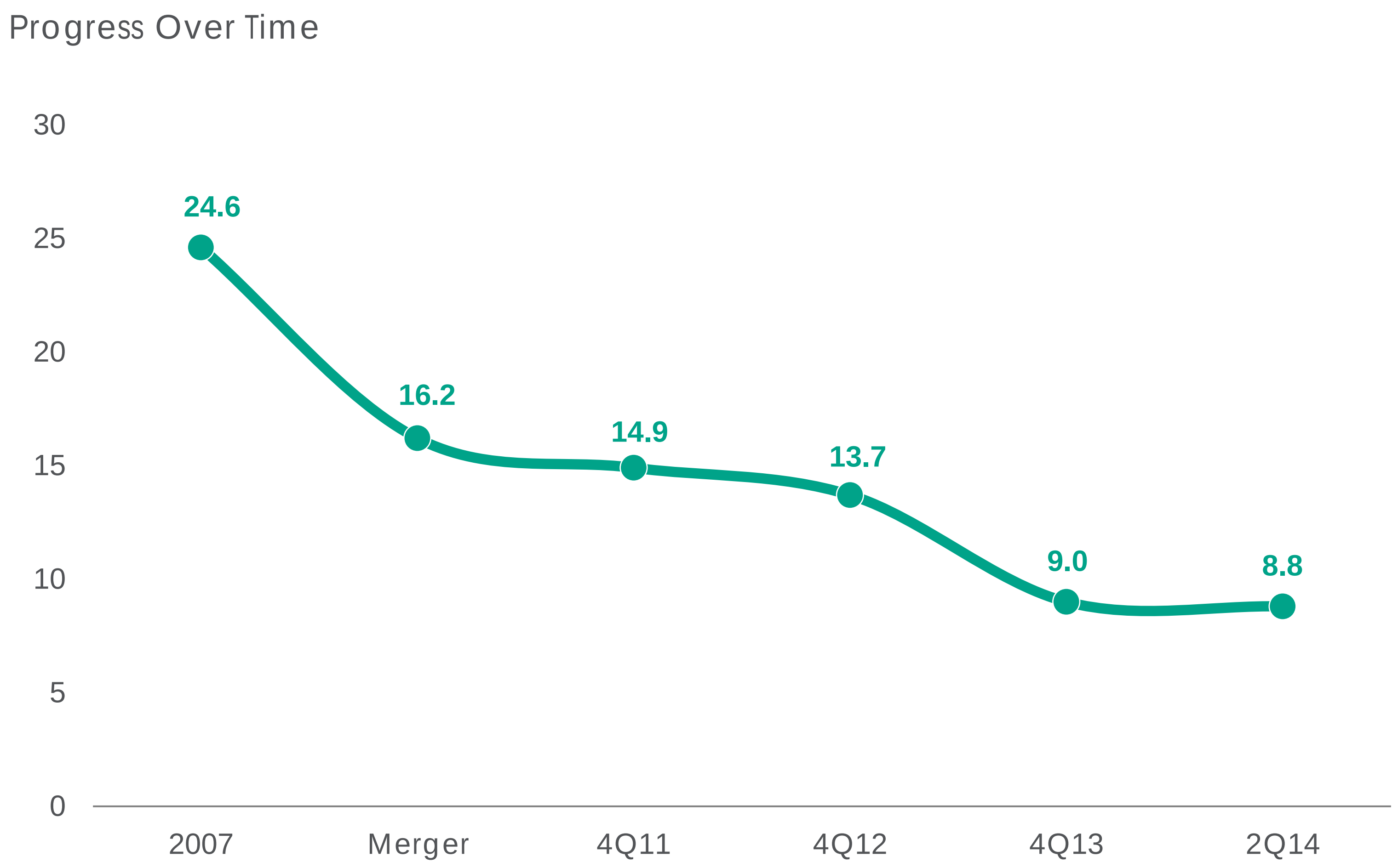
land
% of GBV for entitled land. % of GBV for unentitled land

environmental
% of GBV for entitled land. % of GBV for unentitled land

seismic

litigation
As identified by Chief Investment Officer and/ or General Counsel

PIRI: **Solid Improvement**



Rigorous Capital Deployment Process

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  - 230 development transactions reviewed since merger

Development Track Record: **2001 – 1Q 2013**

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the PORTFOLIO

1,121
properties

$20.9B
total investment

277.1M
square feet

value CREATION

$24.5B
gross stabilized value

$3.6B
gross value created

$300M
average annual margin

the RETURN

18.7%
gross IRR (vertical)

14.6%
net IRR (vertical & horizontal)

17.4%
gross margin

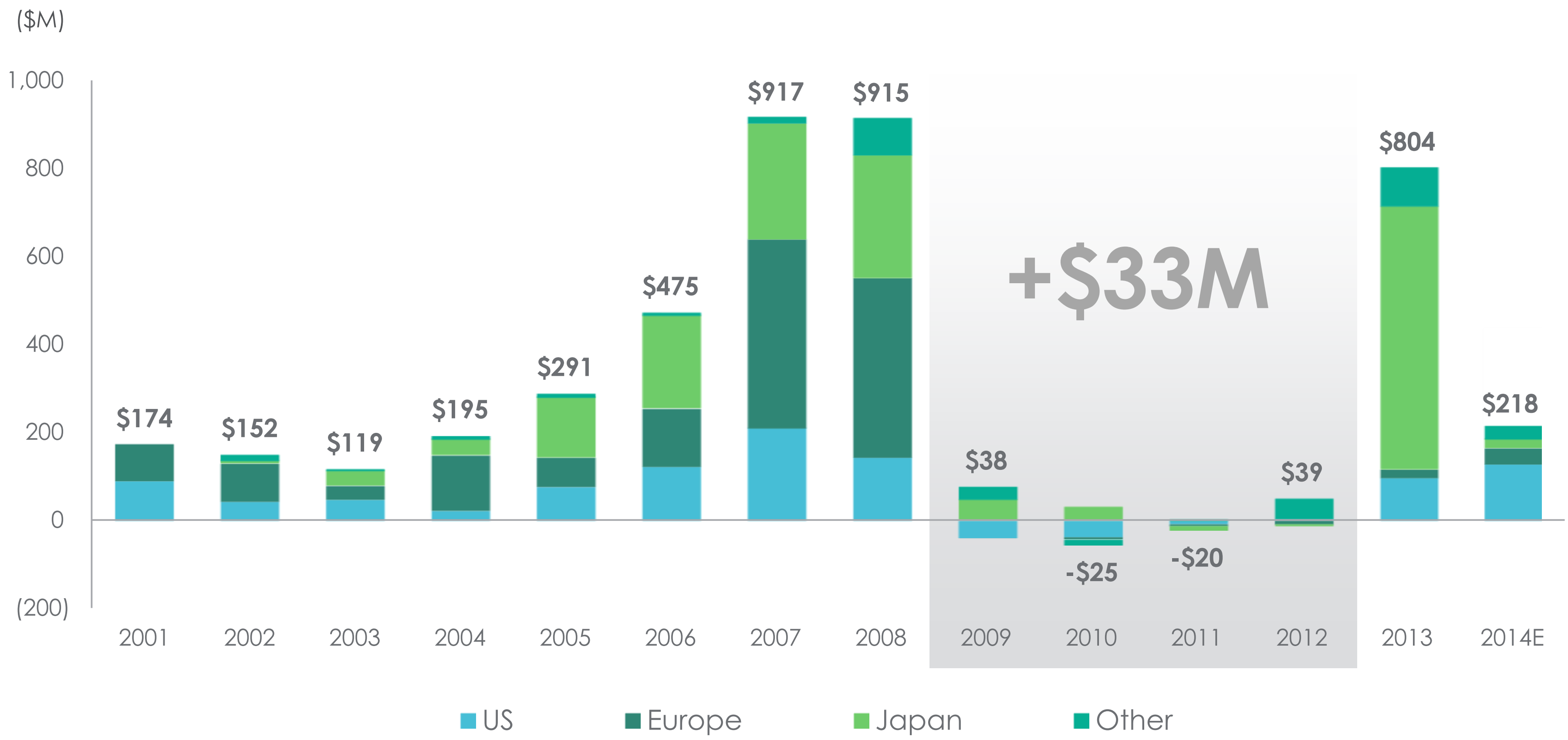
Note: Results calculated on a cash basis

Development Track Record: **Q2 2013 – Q2 2014**

the **PORTFOLIO**	**53** properties	**$1.7B** total investment	**20.6M** square feet
value CREATION	**$2.2B** gross stabilized value	**$552M** gross value created	**$552M** average annual margin
the **RETURN**	**44.5%** gross IRR (vertical)	**17.9%** net IRR (vertical & horizontal)	**33.3%** gross margin

Note: Results calculated on a cash basis

Development Track Record: **Value Creation**



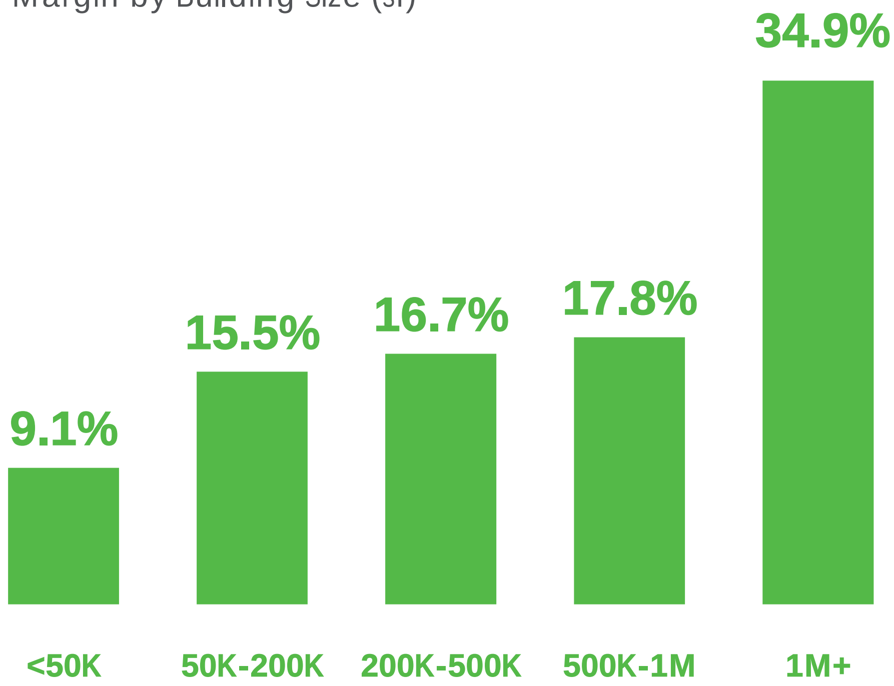
geographic diversity drove an **18.7%** margin over 14-year business cycle

Note: Results calculated on cash basis

Development Track Record: **Key Drivers**

Margin by Market Segment

Margin by Building Size (sf)



Note: For the period 2001-2014

Land Bank: **At A Glance**

10,239
acres

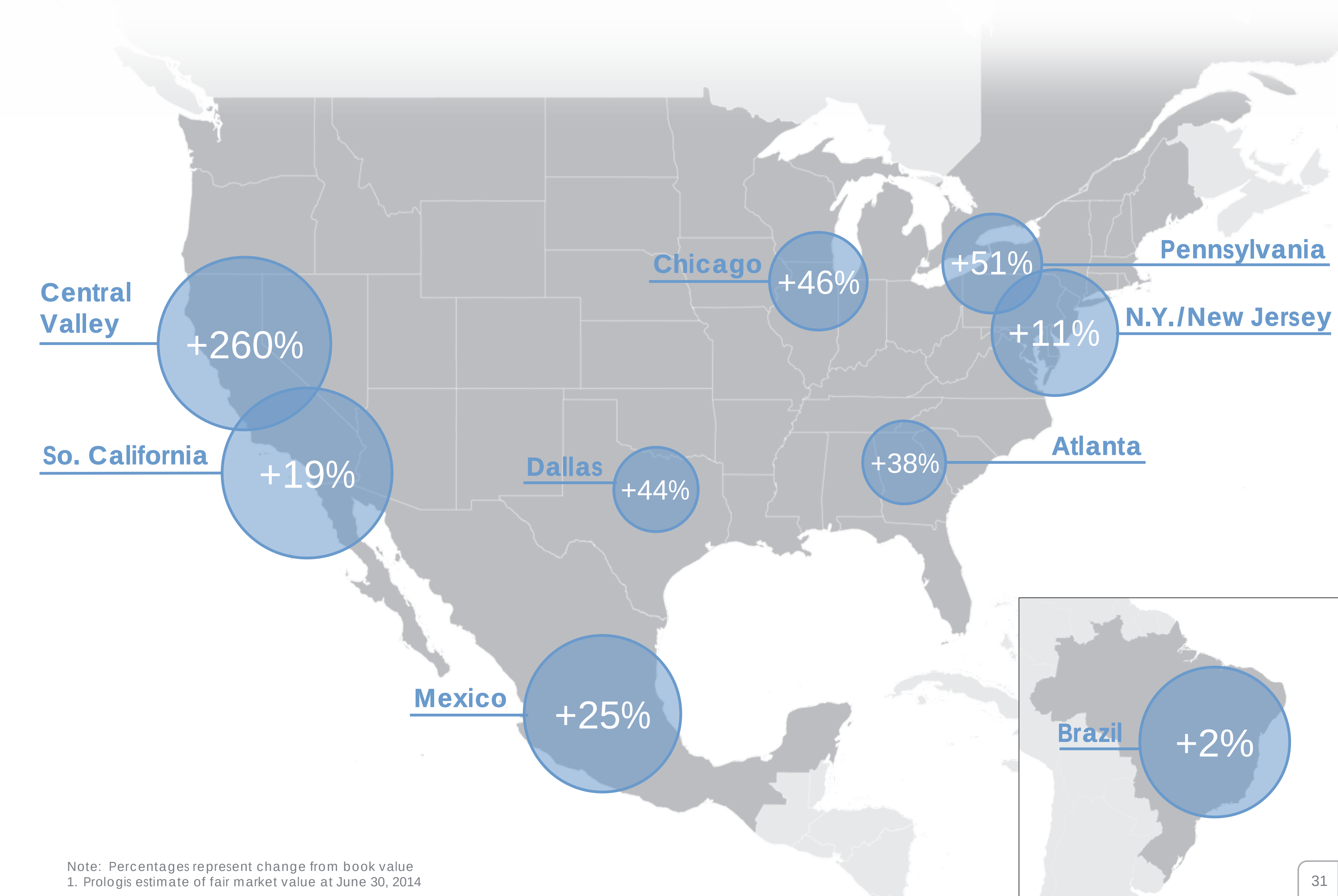
179
msf

275
total sites

88%
entitled

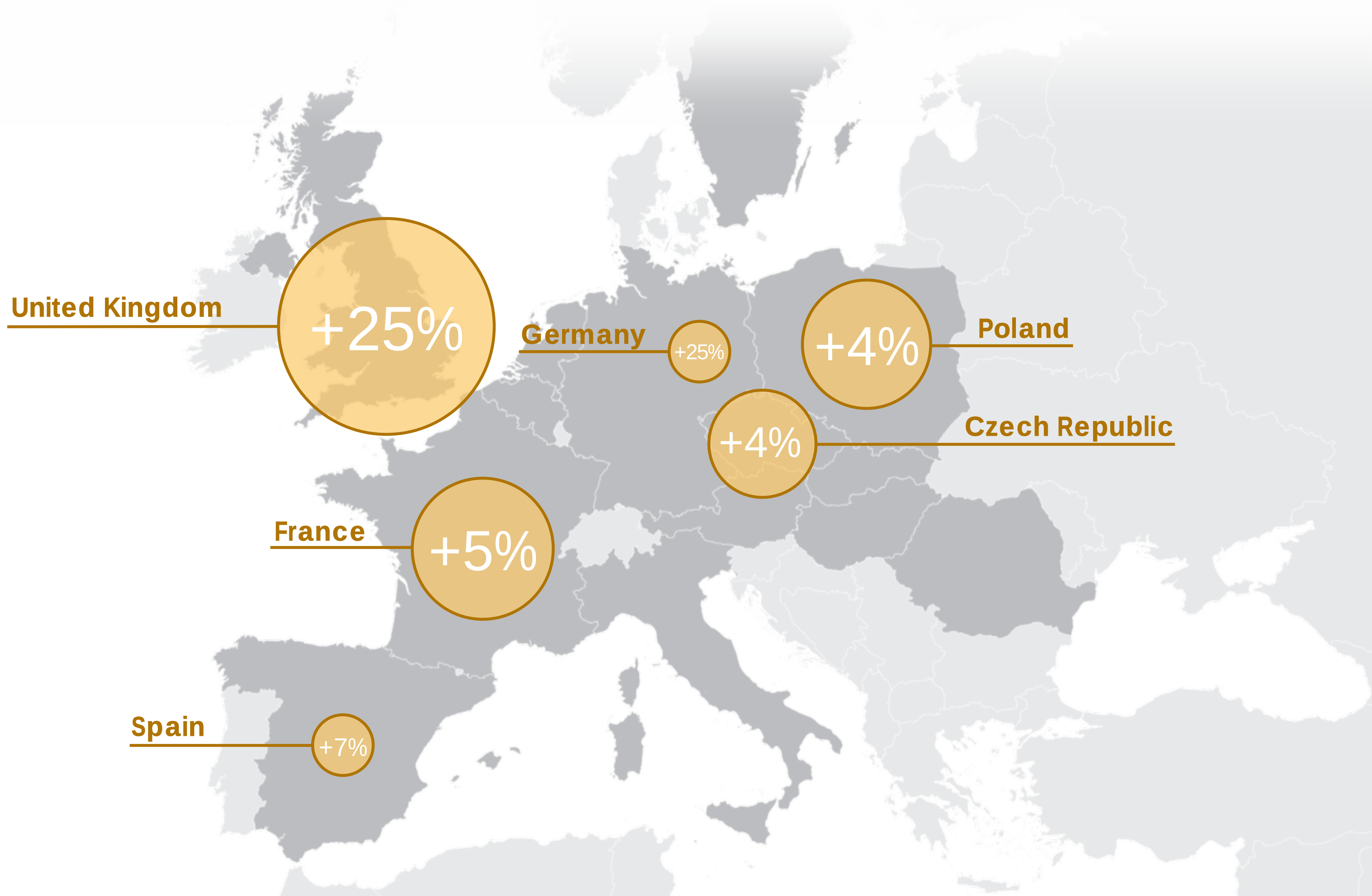
75%
large sites

America's Land Bank: **Embedded Value**[1]



Note: Percentages represent change from book value
1. Prologis estimate of fair market value at June 30, 2014

Europe Land Bank: **Embedded Value**[1]



Note: Percentages represent change from book value
1. Prologis estimate of fair market value at June 30, 2014

Asia Land Bank[1]

1. As of June 30, 2014. Represents book value which is commensurate to Prologis' view of fair market value

Land Bank Summary

	Book Value	Fair Market Value[1]	Estimated Build-Out Potential[2]	Square Feet[2]
Americas	$1.0	$1.3	$5.1	119M
Europe	0.6	0.7	2.2	53M
Asia	0.2	0.2	0.5	7M
Total	**$1.8B**	**$2.2B**	**$10.8B**	**179M**

Embedded value of land bank represents ~**22%** premium over book value

Note: Data as of June 30, 2014
1. Prologis estimate of fair market value
2. Prologis estimate

Value Creation Across the Cycle

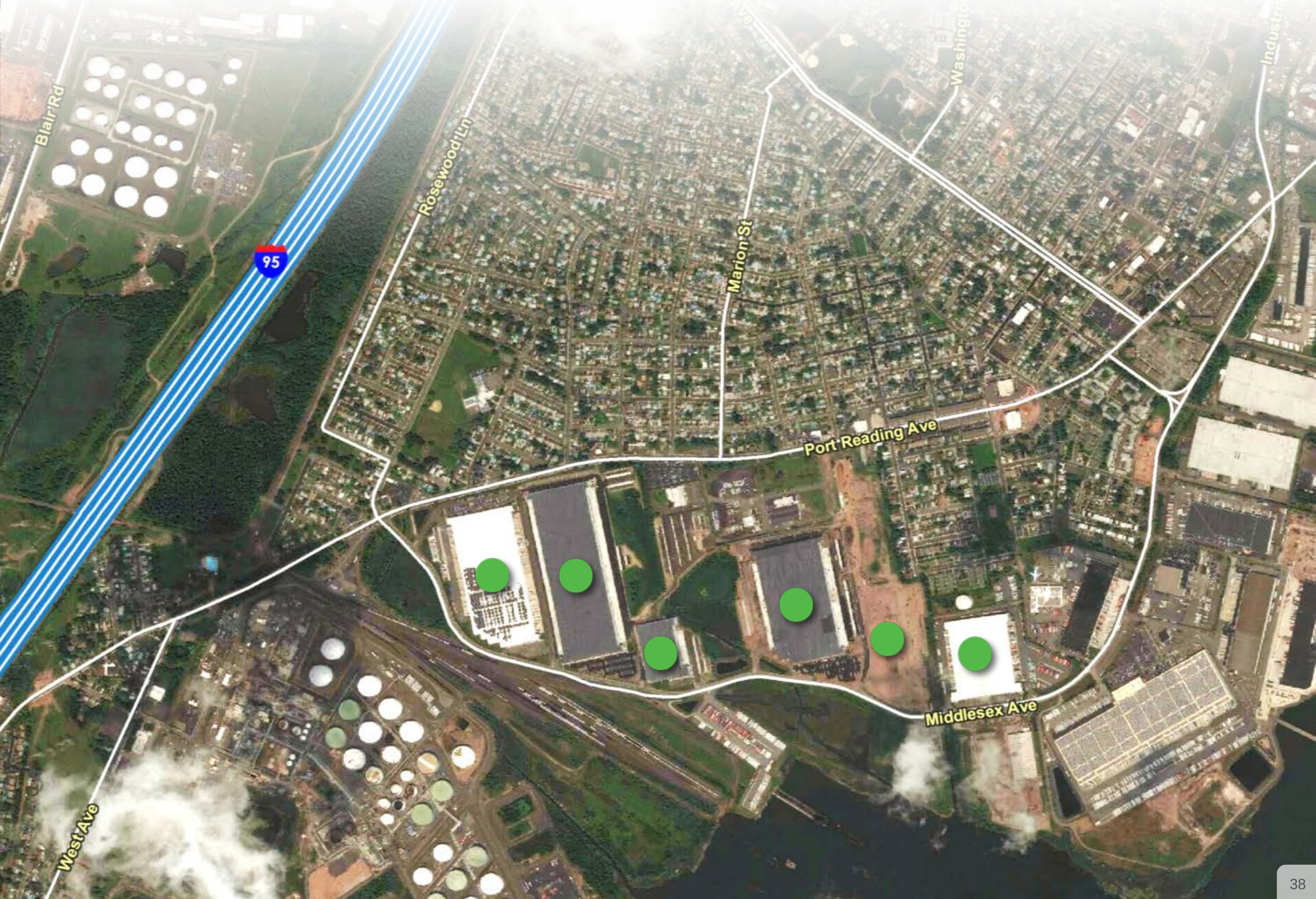
- Commitment to risk mitigation and underwriting
- Build-out of land bank has significant embedded value
- Extensive value creation across cycles and geographies
- Current market conditions highly favorable for additional value creation

nick **KITTREDGE** president, east region
dan **LETTER** senior vice president, investment officer

case studies

Prologis Park Port Reading

Prologis Park Port Reading



Prologis Park Port Reading

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Prologis Park Port Reading

Location: **Woodbridge & Carteret, NJ**

Date Acquired: **Sept. 2005**

Size: **Full park is 2.7M SF (6 buildings)**

Built NRA: **2.5M SF**

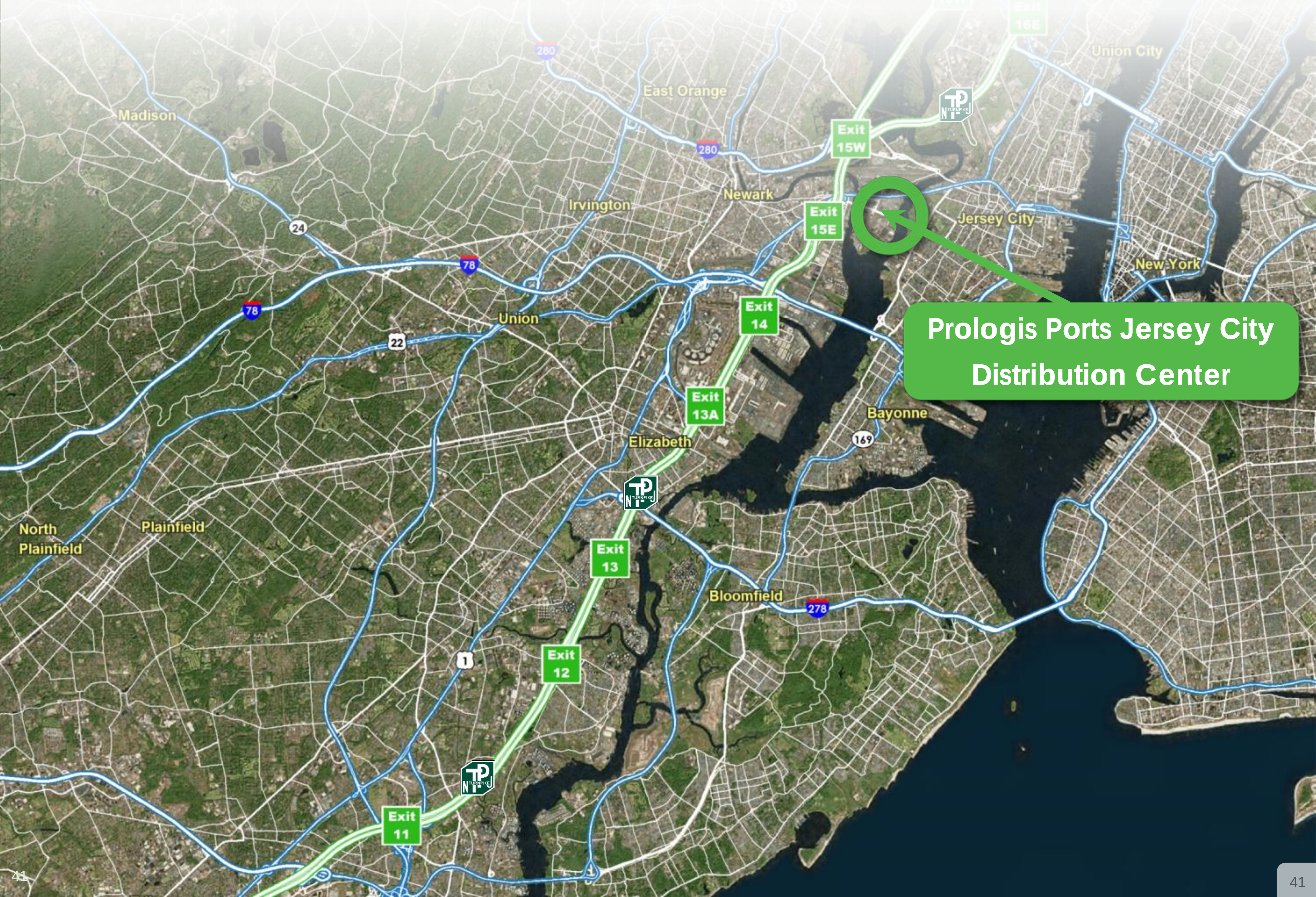
Estimated Total Investment: **$264M**

Estimated Development Yield: **6.7%** [1]

Estimated Value Creation Margin: **27.4%** [1]

1. Pre-impairment

New York / New Jersey

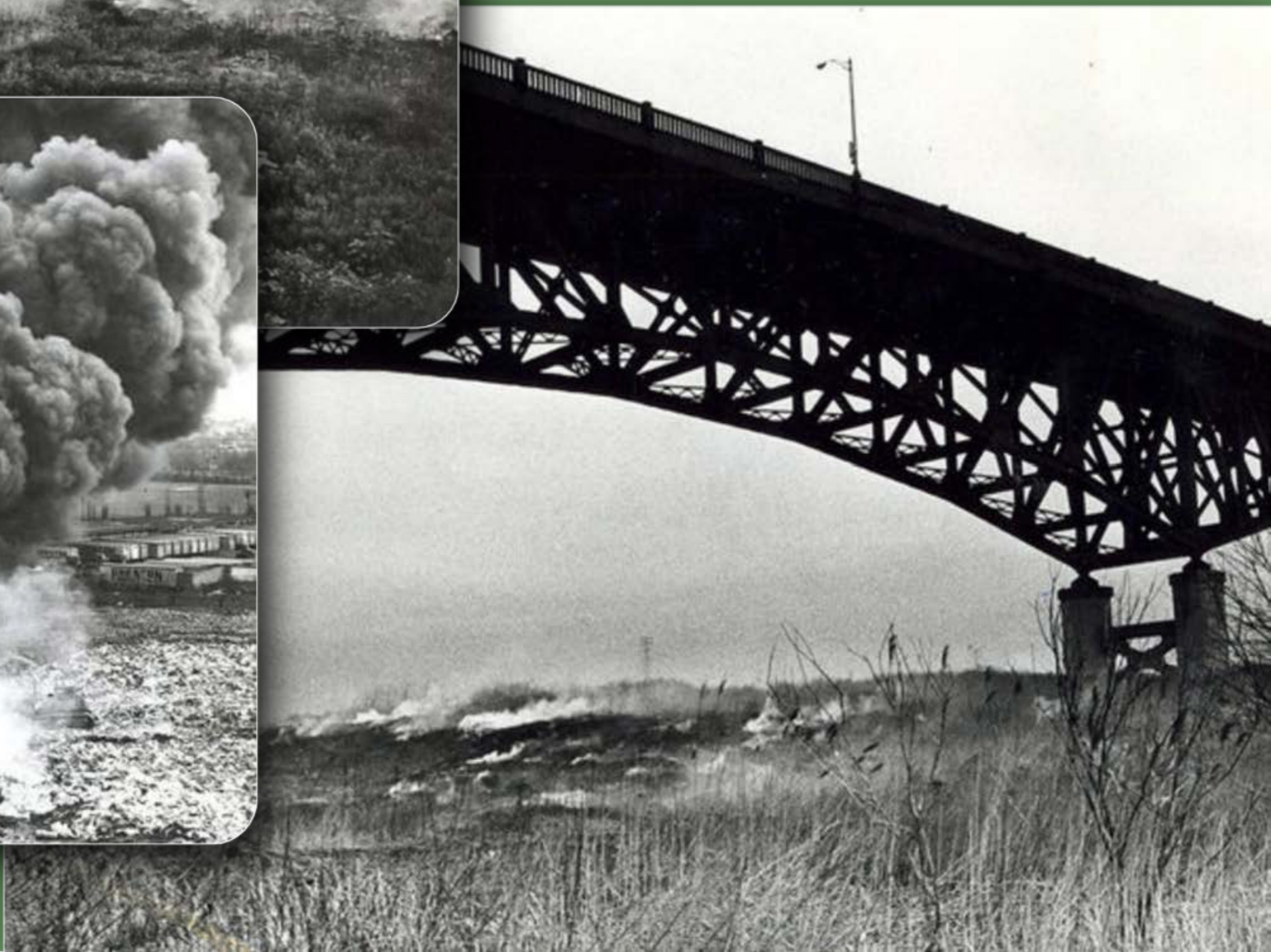


Prologis' Vision: **From Negative Legacy to Positive Catalyst**

Class-A redevelopment enabled by public/private partnership

Prologis Ports Jersey City Distribution Center

Site on Fire — Uncontrolled toxic landfill in the 1970s and 1980s



Executing the Vision: **Productive Re-Use for All**

Tenacious teamwork overcomes development obstacles and resets all notions of what can be achieved

Getting it Done

Exceptional Results Set a New Standard

Location: **Jersey City, NJ**

Date Acquired: **2008**

Location Advantage:
Strategic Infill & Population Proximity Investment

Size: **0.9M SF**

Occupancy: **100%**

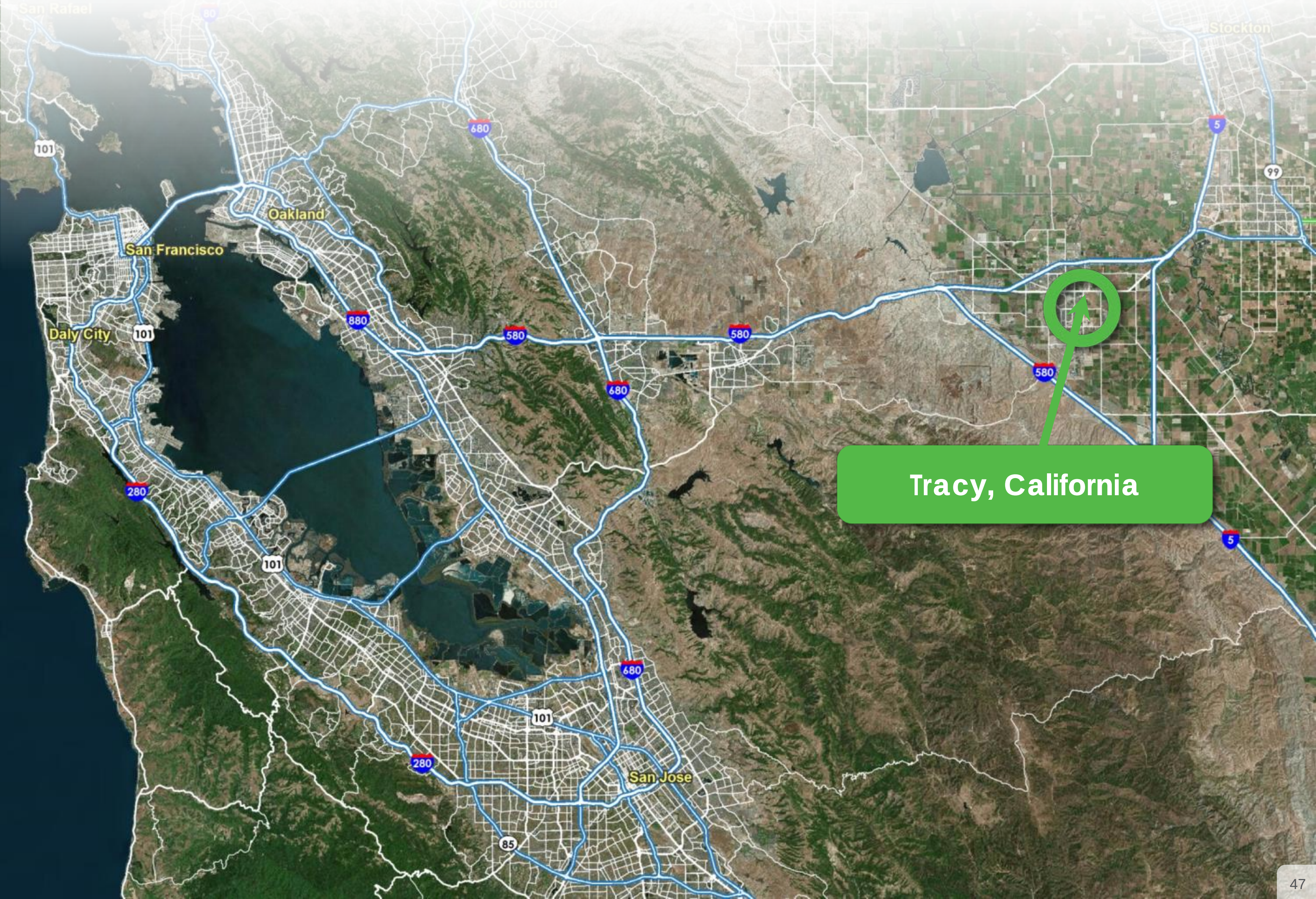
Estimated Total Investment:
$103M

Initial Yield: **5.7%** [(1)]

Estimated Value Creation Margin: **11.4%** [(1)]

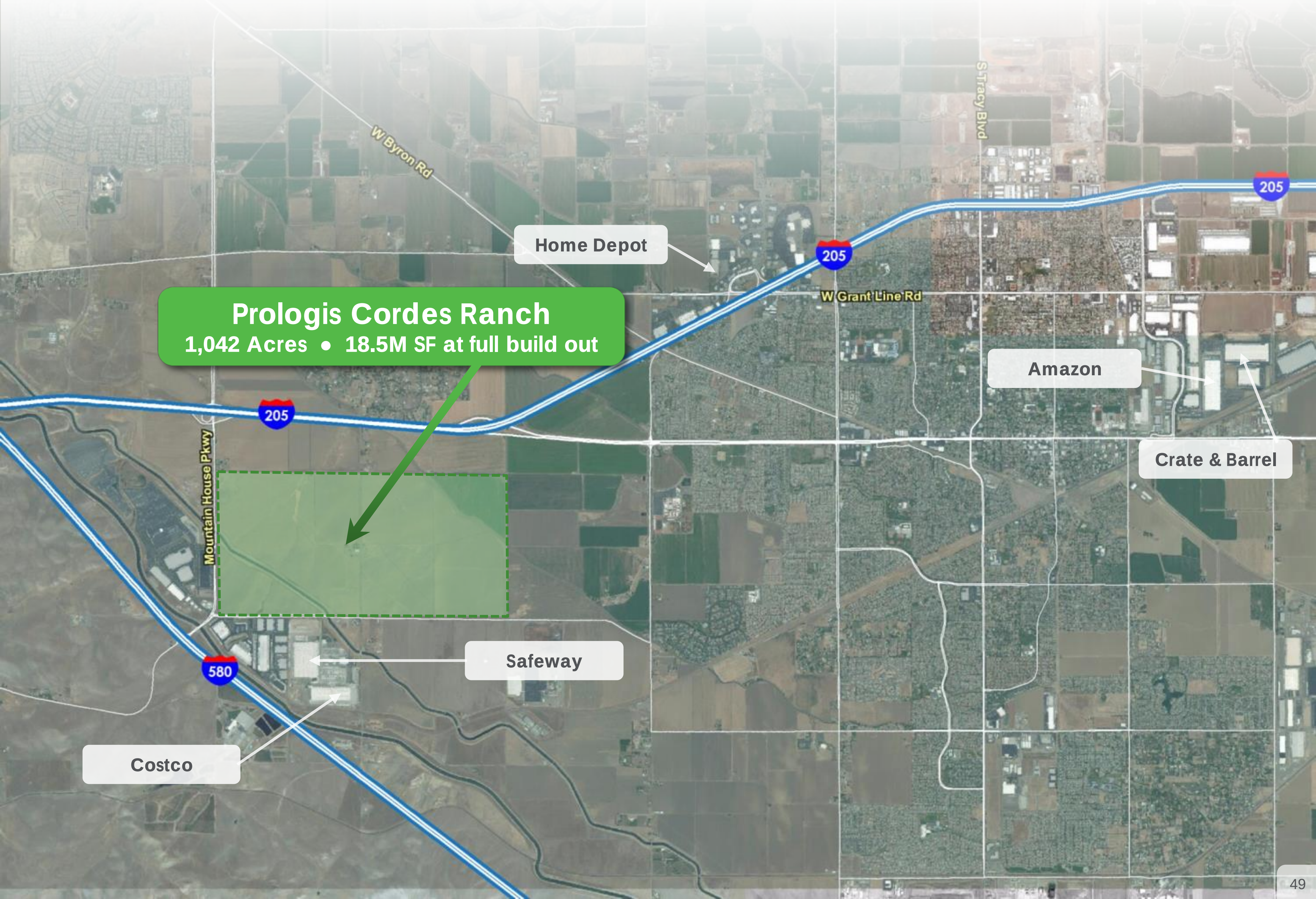
1. Pre-impairment

SF Bay Area and Central Valley Markets



Prologis Park Tracy: **Amazon**

Cordes Ranch: **The Vision**



Cordes Ranch: **Reshaping Commerce in Northern California**

Cordes Ranch: **Raising the Bar**

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tom **OLINGER** chief financial officer

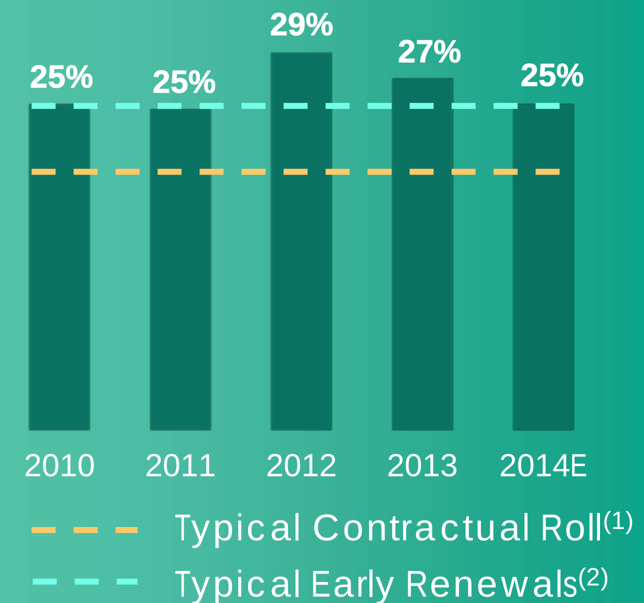
valuation

Illustrative Analysis: **2015 Same Store NOI Growth**

Owned and Managed, Net Effective Basis

2015 estimated lease roll	**25.0%**	**A**

Annual Leasing Volume as a Proportion of Total Portfolio



1. Typical contractual roll is 20%
2. Typical early renewals are 5%

Illustrative Analysis: **2015 Same Store NOI Growth**[1]

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Owned and Managed, Net Effective Basis

2015 estimated lease roll	**25.0%**	A
Average 2014 & 2015 rent change on rollover	**10.0%**	B
Same Store increase from		
Rent change	**2.5%**	AxB=C
		+
Amortization of lease intangibles	**0.5%**	D
		=
Impact from GAAP rent change	**3.0%**	E
Same Store increase from		
Occupancy growth	**0.5%**	F
		+
CPI / Indexation	**0.5%**	G
		=
Total Same Store increase	**4.0%**	E+F+G
Total Same Store increase (PLD share)	**4.5%**	

2015 Rent Change on Rollover

Estimated market rents	**$5.45**
2015 expiring rents	**$4.81**
2015 rent change on rollover	**13%**

1. All numbers shown on a net effective basis for the owned and managed operating portfolio

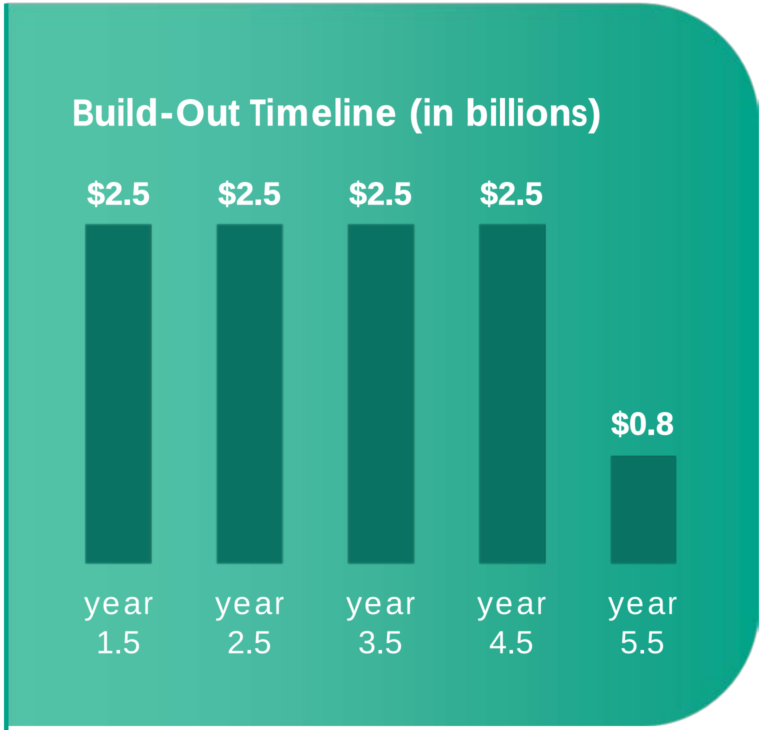
NAV Building Blocks

($M, except per share data)	Net Asset Value Range	Components
NOI from operating portfolio	$26,600 - $27,500	NOI $1570[1] / 5.90% - 5.70%[2]
Development portfolio	$1,630	Total development portfolio, including estimated value creation
Land	$1,800 - $2,100	110%-130% of book value
Strategic Capital	$1,050 - $1,250	Multiple of EBITDA (10 - 12X) plus TTM of promotes
Net other assets	$710	Net working capital, other real estate related assets & minority interests
Debt + Preferred stock[3]	($10,490)	Book value + % share of fund debt
Net asset value	$ 21,300 - $22,700	
Diluted shares[3]	512	
Core NAV per diluted share	$42 - $44	

Note: Data as of June 30, 2014
1. Adjusted cash NOI stabilized for 95% occupancy and forward same store growth
2. Stabilized capitalization rates
3. Assumes exchangeable debt is converted to equity

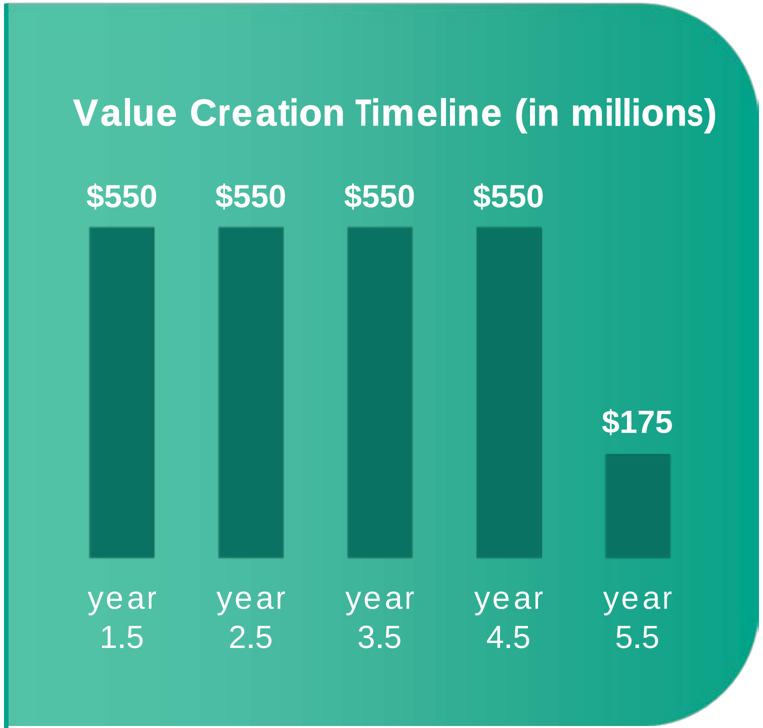
Development Business: **Valuation**

Land bank build-out potential	**$10.8B**
Annual development run rate	**$2.5B**
Years to complete build-out	**5.5**



Value Creation from Current Land Bank

Land bank build-out potential	**$10.8B**
Annual development run rate	**$2.5B**
Years to complete build-out	**5.5**
Margin without carry costs	**22%**
Value creation margin	**$2.4B**
Discount rate	**8%**
NPV of current land build-out	**$1.9B**
Ownership (PLD share)	**93%**
Value creation (PLD share)	**$1.7B**
Value creation from build-out per share	**$3.40**



1. Inclusion of capitalized carry costs not appropriate for cash-based DCF valuation

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Net asset value	$ 21,300 - $22,700	
Diluted shares[3]	512	
Core NAV per diluted share	$42 - $44	
Development platform	$3.50 / sh	Multiple of value creation (5 - 6x)
Net asset value per diluted share	$45.50 - $47.50	

Note: Data as of June 30, 2014
1. Adjusted cash NOI stabilized for 95% occupancy and forward same store growth
2. Stabilized capitalization rates
3. Assumes exchangeable debt is converted to equity

Key Takeaways

- Build-out of land bank has significant embedded value
- Extensive value creation across cycles and geographies
- Current market conditions highly favorable for additional value creation
- NOI growth driven by harvesting gap between in-place and market rents

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biographies

Presenter

Hamid R. Moghadam

Chairman of the Board of Directors and Chief Executive Officer

Hamid Moghadam is chairman of the board of directors and chief executive officer of Prologis. Mr. Moghadam co-founded the company's predecessor, AMB Property Corporation, in 1983 and led the company through its initial public offering in 1997 as well as its merger with ProLogis in 2011. He has been a board member since AMB's IPO in 1997 and serves on the company's executive committee.

Mr. Moghadam has held a number of leadership roles within the real estate industry. Currently, he is a trustee of Urban Land Institute and a board member of its executive committee. In the past, he served as chairman of National Association of Real Estate Investment Trusts (NAREIT) and the Real Estate Investment Trust Political Action Committee, a director of Plum Creek Timber Company and a founding member of the Real Estate Roundtable.

Mr. Moghadam is a trustee of Stanford University and served as chairman of Stanford Management Company. As an active participant in the San Francisco Bay area community, he has also served on various philanthropic and community boards, including the California Academy of Sciences, the Bay Area Discovery Museum, Town School for Boys and as chairman of Young Presidents Organization's Northern California chapter. Mr. Moghadam received the 2013 Ernst & Young National Entrepreneur of the Year Overall Award and is a recipient of the Ellis Island Medal of Honor. He has been named CEO of the Year on eight separate occasions by four industry publications. He has received numerous lifetime achievement awards from industry organizations, including NAREIT and NAIOP.

Mr. Moghadam received an MBA from the Stanford Graduate School of Business and a Bachelor and Master of Science in engineering from Massachusetts Institute of Technology

.

Presenter

Christopher N. Caton
Vice President, Research

Chris Caton is vice president, research and oversees Prologis' formation of global macroeconomic, capital market and industrial fundamental trends and outlooks.

Prior to joining Prologis in 2012, Mr. Caton served as vice president in Morgan Stanley's research department, tracking global commercial real estate and REIT investment environments. While at Morgan Stanley, Mr. Caton also served as a vice president in the company's private real estate department, researching U.S. and global real estate investment trends. Prior to that, he served at CBRE as part of its investment strategy services group, researching U.S. capital markets and real estate trends.

Mr. Caton is a member of the Urban Land Institute and PREA. He holds an MBA from the Wharton School at the University of Pennsylvania, a Masters of Arts in economics from Boston University and a Bachelor of Science in mathematics from the University of Puget Sound.

Presenter

Michael S. Curless
Chief Investment Officer

Mike Curless, as Prologis' chief investment officer, chairs the investment committee. His primary responsibilities include overseeing the deployment of capital, and the global customer solutions, acquisitions and dispositions teams. His additional responsibilities include oversight of the valuations and research teams.

Mr. Curless has been part of Prologis at two points in his career. From 2000 to 2010, prior to rejoining Prologis, Mr. Curless was the president and one of four principals at Lauth, a privately held, national construction and development firm. Lauth has developed in excess of $3 billion of office, industrial, retail and healthcare projects across the United States. In this role he had overall responsibility for operations, development and asset management for the firm. From 1995 to 2000, prior to joining Lauth, Mr. Curless was a first vice president at Prologis, overseeing the Indianapolis and St. Louis market operations and management of key national accounts. He has also been a marketing director for Trammell Crow Company and a financial analyst with General Electric Company.

Mr. Curless has been a member of the Young Presidents' Organization and has served on various charitable boards. He has an MBA in marketing and finance and a Bachelor of Science in finance from Indiana University.

Presenter

Nick Kittredge
President, East Region

Nick Kittredge is President, East Region, for Prologis and is responsible for the overall management and growth of Prologis' business in the eastern United States, which currently includes 93 million SF of product in 10 markets. Previously, he was the Senior Vice President, Country Manager of Brazil, overseeing the Prologis CCP joint venture.

Mr. Kittredge joined Prologis in 2004 and has served in a variety of positions in transactions focusing on business in the United States and abroad, including Vice President, Acquisitions, Mexico, Transactions Officer, Mexico, and Transactions Associate, Southwest region. Previously he was a management consultant for Andersen Consulting. He is a member of the Urban Land Institute and formerly served on the association's executive committee in San Francisco.

Mr. Kittredge earned a Bachelor of Arts degree from University of California Berkeley. Additionally, he holds two masters degrees from the University of Pennsylvania; an MBA from the Wharton School of Business and an MA degree in International Studies from the Lauder Institute.

Presenter

Dan S. Letter

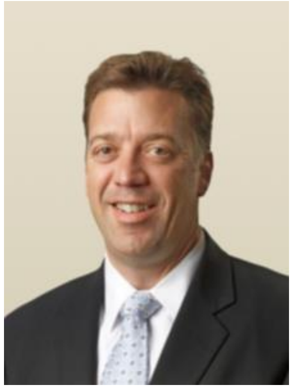
Senior Vice President, Investment Officer

Dan Letter is responsible for capital deployment activities within the Northwest Region. His responsibilities include sourcing and oversight of development and acquisition opportunities throughout the region.

Prior to Prologis, Letter joined the company in 2004 as Development Manager and was later promoted to Vice President, Development. In these roles, he helped source and oversee development transactions in the Midwest, Pacific Northwest, and Northern California.

Previously, he spent five years at The McShane Companies. He is an active member of the National Association of Industrial & Office Properties (NAIOP) and Urban Land Institute (ULI). He received a Bachelor of Science in Civil Engineering from Marquette University.

Presenter



Thomas S. Olinger

Chief Financial Officer

Tom Olinger is Prologis' chief financial officer, responsible for worldwide corporate finance including treasury, financial planning and reporting, accounting, tax, investor relations, information technology and internal audit. Prior to assuming this role, Mr. Olinger served as Prologis' chief integration officer, overseeing information technology and the implementation of best-practice processes and procedures related to the merger of AMB and ProLogis.

From 2007 to 2011, Mr. Olinger served as AMB's chief financial officer. Prior to joining AMB in 2007, he served as vice president, corporate controller at Oracle Corporation, where he was responsible for global accounting, external reporting, technical accounting, global revenue recognition, Sarbanes-Oxley compliance and finance merger and acquisition integration. Mr. Olinger was also responsible for Oracle's controllership operations in India, Ireland, Australia and California. Prior to this, Mr. Olinger spent 14 years at Arthur Andersen, the last three as an audit partner in its U.S. real estate and technology groups.

Mr. Olinger received a Bachelor of Science in finance, with distinction, from Indiana University.

Presenter

Tracy A. Ward

Senior Vice President, Investor Relations & Corporate Communications

Tracy Ward is senior vice president, Investor Relations & Corporate Communications for Prologis. She is responsible for developing the company's overall communication strategy, as well as investor relations, public/media relations, and corporate brand management. Ms. Ward joined the company in 2006 as a member of its Investor Relations group before transitioning into her current role.

Previously, she was with Gap, Inc., where she served as director of store planning for North America, responsible for the company's inventory to its stores based on volume, capacity, product performance and financial forecast. Prior to Gap Inc., Ms. Ward was with The North Face, Inc., responsible for dealer relations, space planning and design. She is a member of the National Association of Real Estate Investment Trusts (NAREIT) and the National Investor Relations Institute (NIRI). Ms. Ward holds a Bachelor of Business Administration from California State University, Sacramento, with a concentration in international business.

Reporting Definitions

Please refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q and other public reports for further information about us and our business. Certain amounts from previous periods presented in the Supplemental Information have been reclassified to conform to the current presentation.

Acquisition cost, as presented for building acquisitions, represents the economic cost and not necessarily what is capitalized. It includes the initial purchase price; the effects of marking assumed debt to market; if applicable, all due diligence and lease intangibles; and estimated acquisition capital expenditures including leasing costs to achieve stabilization.

Adjusted EBITDA. We use Adjusted EBITDA to measure both our operating performance and liquidity. We calculate Adjusted EBITDA beginning with consolidated net earnings (loss) and removing the effect of interest, income taxes, depreciation and amortization, impairment charges, third party acquisition expenses related to the acquisition of real estate, gains or losses from the acquisition or disposition of investments in real estate, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other non-cash charges or gains (such as stock based compensation amortization and unrealized gains or losses on foreign currency and derivative activity and related amortization). We make adjustments to reflect our economic ownership in each entity, whether consolidated or unconsolidated.

We consider Adjusted EBITDA to provide investors relevant and useful information because it permits investors to view income from operations on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense and other items (including stock-based compensation amortization and certain unrealized gains and losses), gains or losses from the acquisition or disposition of investments in real estate, items that affect comparability, and other significant non-cash items. We also include a pro forma adjustment in Adjusted EBITDA to reflect a full period of NOI on the operating properties we acquire, stabilize or dispose of during the quarter assuming the transaction occurred at the beginning of the quarter. By excluding interest expense, Adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for a more meaningful comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. Gains and losses on the early extinguishment of debt generally include the costs of repurchasing debt securities. While not infrequent or unusual in nature, these items result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

We believe that Adjusted EBITDA helps investors to analyze our ability to meet interest payment obligations and to make quarterly preferred share dividends. We believe that investors should consider Adjusted EBITDA in conjunction with net earnings (the primary measure of our performance) and the other required Generally Accepted Accounting Principles (“GAAP”) measures of our performance and liquidity, to improve their understanding of our operating results and liquidity, and to make more meaningful comparisons of our performance against other companies. By using Adjusted EBITDA, an investor is assessing the earnings generated by our operations but not taking into account the eliminated expenses or gains incurred in connection with such operations. As a result, Adjusted EBITDA has limitations as an analytical tool and should be used in conjunction with our required GAAP presentations. Adjusted EBITDA does not reflect our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements or contractual commitments. Adjusted EBITDA, also does not reflect the cash required to make interest and principal payments on our outstanding debt.

While EBITDA is a relevant and widely used measure of operating performance, it does not represent net income or cash flow from operations as defined by GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to consolidated net earnings (loss), a GAAP measurement.

Adjusted Cash NOI (Actual). A reconciliation of our rental income and rental expenses included in our Statement of Operations to adjusted cash NOI for the consolidated operating portfolio for purposes of the Net Asset Value calculation is as follows *(in thousands)*:

Rental income	$	381,273
Rental expenses		(109,576)
NOI		271,697
Net termination fees and adjustments (a)		(1,118)
Less: actual NOI for development portfolio and other		(11,260)
Less: properties contributed or sold (b)		(14,383)
Less: third party share of NOI		(13,382)
Adjusted NOI for consolidated operating portfolio owned at June 30, 2014		231,554
Straight-lined rents (c)		(10,580)
Free rent (c)		11,821
Amortization of lease intangibles (c)		6,776
Less: third party share		(304)
Second Quarter Adjusted Cash NOI (Actual)	$	239,267

(a) *Net termination fees generally represent the gross fee negotiated at the time a customer is allowed to terminate its lease agreement offset by that customer's rent leveling asset or liability, if any, that has been previously recognized. Removing the net termination fees from rental income allows for the calculation of Adjusted Cash NOI (Pro forma) to include only rental income that is indicative of the property's recurring operating performance.*

(b) *The actual NOI for properties that were contributed or sold during the three-month period is removed.*

(c) *Straight-lined rents, free rent amount, and amortization of lease intangibles (above and below market leases) are removed from rental income for the Operating Portfolio to allow for the calculation of a cash yield.*

Adjusted Cash NOI (Pro forma) consists of Adjusted Cash NOI (Actual) for the properties generating net operating income in our Operating Portfolio adjusted to reflect NOI for a full quarter for operating properties that were acquired or stabilized during the quarter. Adjusted Cash NOI (Pro forma) for the properties in our Development Portfolio is based on current Total Expected Investment and an estimated stabilized yield.

Assets Under Management (“AUM”) represents the estimated value of the real estate we own or manage through both our consolidated and unconsolidated entities. We calculate AUM by adding the third party investors’ share of the estimated fair value of the assets in the co-investment ventures to our share of total market capitalization (calculated using the market price of our equity plus our share of total debt).

Reporting Definitions *(continued)*

Calculation of Per Share Amounts is as follows *(in thousands, except per share amounts)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net earnings (loss)				
Net earnings (loss)	$ 72,715	$ (1,517)	$ 77,381	$ 263,899
Noncontrolling interest attributable to exchangeable partnership units	264	(75)	302	1,599
Gain net of expenses associated with exchangeable debt assumed converted	(7,498)	-	-	-
Adjusted net earnings (loss) - Diluted	**$ 65,481**	**$ (1,592)**	**$ 77,683**	**$ 265,498**
Weighted average common shares outstanding - Basic	499,112	486,032	498,919	473,892
Incremental weighted average effect on exchange of limited partnership units	1,964	1,893	1,964	3,039
Incremental weighted average effect of stock awards	3,664	-	3,677	3,078
Incremental weighted average effect on exchangeable debt assumed converted	11,879	-	-	-
Weighted average common shares outstanding - Diluted	**516,619**	**487,925**	**504,560**	**480,009**
Net earnings per share - Basic	**$ 0.15**	**$ 0.00**	**$ 0.16**	**$ 0.56**
Net earnings per share - Diluted	**$ 0.13**	**$ 0.00**	**$ 0.15**	**$ 0.55**
Core FFO				
Core FFO	$ 244,275	$ 203,337	$ 461,830	$ 391,274
Noncontrolling interest attributable to exchangeable limited partnership units	35	(19)	57	1,599
Interest expense on exchangeable debt assumed converted	4,246	4,235	8,492	8,470
Core FFO - Diluted	**$ 248,556**	**$ 207,553**	**$ 470,379**	**$ 401,343**
Weighted average common shares outstanding - Basic	499,112	486,032	498,919	473,892
Incremental weighted average effect on exchange of limited partnership units	1,964	2,093	1,964	3,039
Incremental weighted average effect of stock awards	3,664	3,339	3,677	3,078
Incremental weighted average effect on exchangeable debt assumed converted	11,879	11,879	11,879	11,879
Weighted average common shares outstanding - Diluted	**516,619**	**503,343**	**516,439**	**491,888**
Core FFO per share - Diluted	**$ 0.48**	**$ 0.41**	**$ 0.91**	**$ 0.82**

Debt Metrics. See below for the detailed calculations for the respective period (*dollars in thousands*):

	Three Months Ended June 30	Three Months Ended Mar. 31
	2014	2014
Debt as a % of gross real estate assets:		
Total Prologis share of debt - at par	$ 10,869,428	$ 10,596,789
Less: consolidated cash and cash equivalents - Prologis share	(225,598)	(173,461)
Less: unconsolidated entities cash - Prologis share	(192,006)	(120,272)
Total Prologis share of debt, net of adjustments	**$ 10,451,824**	**$ 10,303,056**
Gross real estate assets - Prologis share	**$ 27,864,825**	**$ 27,746,095**
Debt as a % of gross real estate assets	**37.5%**	**37.1%**
Secured debt as a % of gross real estate assets:		
Prologis share of secured debt - at par	$ 2,895,152	$ 2,974,434
Gross real estate assets - Prologis share	$ 27,864,825	$ 27,746,095
Secured debt as a % of gross real estate assets	**10.4%**	**10.7%**

	June 30, 2014	Mar. 31, 2014
Unencumbered gross real estate assets to unsecured debt:		
Unencumbered gross real estate assets - Prologis share	$ 21,347,207	$ 20,579,879
Prologis share of unsecured debt - at par	$ 7,974,276	$ 7,622,355
Unencumbered gross real estate assets to unsecured debt	**267.7%**	**270.0%**
Fixed Charge Coverage ratio:		
Adjusted EBITDA	$ 374,039	$ 354,093
Pro forma adjustment for mid-quarter activity and NOI from disposed properties	4,467	(492)
Adjusted EBITDA, including NOI from disposed properties	$ 378,506	$ 353,601
Adjusted EBITDA, including NOI from disposed properties, annualized (a)	$ **1,440,016**	$ **1,429,497**
Add: Prologis share of gains on dispositions of development properties for the twelve months ended	158,998	194,865
Adjusted EBITDA, including NOI from disposed properties and gains on dispositions, annualized	$ **1,599,014**	$ **1,624,362**
Interest expense	$ 80,184	$ 85,523
Amortization and write-off of deferred loan costs	(3,152)	(3,467)
Amortization of debt premium (discount), net	4,113	5,835
Capitalized interest	15,731	14,573
Preferred stock dividends	1,948	2,135
Third party share of fixed charges from consolidated entities	(1,450)	(2,354)
Our share of fixed charges from unconsolidated entities	22,000	22,930
Total fixed charges	$ 119,374	$ 125,175
Total fixed charges, annualized	$ **477,496**	$ **500,700**
Fixed charge coverage ratio	**3.02x**	**2.85x**
Fixed charge coverage ratio, including development gains	**3.35x**	**3.24x**
Debt to Adjusted EBITDA:		
Total Prologis share of debt, net of adjustments	$ **10,451,824**	$ **10,303,056**
Adjusted EBITDA-annualized (a)	$ **1,422,148**	$ **1,431,465**
Add: Prologis share of gains on dispositions of development properties for the twelve months ended	158,998	194,865
Adjusted EBITDA-annualized (a), including gains on dispositions	$ **1,581,146**	$ **1,626,330**
Debt to Adjusted EBITDA ratio	**7.35x**	**7.20x**
Debt to Adjusted EBITDA ratio, including development gains	**6.61x**	**6.34x**
Debt to Adjusted EBITDA (adjusted for development):		
Total Prologis share of debt, net of adjustments	$ 10,451,824	$ 10,303,056
Add: costs to complete - Prologis share	821,887	750,108
Less: current book value of land - Prologis share	(1,636,861)	(1,591,411)
	$ **9,636,850**	$ **9,461,753**
Adjusted EBITDA-annualized (a)	$ 1,422,148	$ 1,431,465
Add: annualized proforma NOI development portfolio - Prologis share	143,523	135,009
	1,565,671	**1,566,474**
Debt to Adjusted EBITDA (adjusted for development) ratio	**6.16x**	**6.04x**

(a) Actual promote revenue and related expenses for the quarter, if any, are removed from the EBITDA amount for the quarter before annualizing, then the actual promote revenue and related expenses for the previous twelve months are added to the annualized number. For the three months ended June 30, 2014 and March 31, 2014, actual promote revenue, net of related expenses, for the previous twelve months was $31.5 million and $15.1 million, respectively.

Reporting Definitions *(continued)*

Development Margin is calculated on developed properties as the estimated value at Stabilization minus estimated total investment, before closing costs, the impact of any deferred rents, taxes or third party promotes net of deferred amounts on contributions, divided by the estimated total investment.

Development Portfolio includes industrial properties that are under development and properties that are developed but have not met Stabilization.

Discontinued Operations. In April 2014, the FASB issued a standard updating the accounting and disclosure regarding discontinued operations. Early adoption on a prospective basis is allowed, therefore, we have adopted this standard as of January 1, 2014. As a result, none of our property dispositions in 2014 met the criteria to be classified as discontinued operations. The operations of the properties that were disposed of to third parties during 2013 that met the criteria for discontinued operations, including the aggregate net gains or losses recognized upon their disposition, are presented as discontinued operations in our *Consolidated Statements of Operations*. The income attributable to these properties was as follows (in thousands):

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Rental income	$ 9,424	$ 20,692
Rental expenses	(3,222)	(6,961)
Depreciation and amortization	(3,755)	(9,066)
Interest expense	(307)	(732)
Income attributable to disposed properties and assets held for sale	$ 2,140	$ 3,933

Estimated Build Out (TEI and sq ft)- represents the estimated TEI and finished square feet available for rent upon completion of an industrial building on existing parcels of land.

FFO, as defined by Prologis; Core FFO; Core AFFO (collectively referred to as "FFO"). FFO is a non-GAAP measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings. Although the National Association of Real Estate Investment Trusts ("NAREIT") has published a definition of FFO, modifications to the NAREIT calculation of FFO are common among REITs, as companies seek to provide financial measures that meaningfully reflect their business.

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

NAREIT's FFO measure adjusts net earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales, along with impairment charges, of previously depreciated properties. We agree that these NAREIT adjustments are useful to investors for the following reasons:

(i) historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on FFO "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." Consequently, NAREIT's definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by GAAP do not reflect the underlying economic realities.

(ii) REITs were created as a legal form of organization in order to encourage public ownership of real estate as an asset class through investment in firms that were in the business of long-term ownership and management of real estate. The exclusion, in NAREIT's definition of FFO, of gains and losses from the sales, along with impairment charges, of previously depreciated operating real estate assets allows investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists in comparing those operating results between periods. We include the gains and losses (including impairment charges) from dispositions of land and development properties, as well as our proportionate share of the gains and losses (including impairment charges) from dispositions of development properties recognized by our unconsolidated entities, in our definition of FFO.

Our FFO Measures

At the same time that NAREIT created and defined its FFO measure for the REIT industry, it also recognized that "management of each of its member companies has the responsibility and authority to publish financial information that it regards as useful to the financial community." We believe stockholders, potential investors and financial analysts who review our operating results are best served by a defined FFO measure that includes other adjustments to net earnings computed under GAAP in addition to those included in the NAREIT defined measure of FFO. Our FFO measures are used by management in analyzing our business and the performance of our properties and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses.

We use these FFO measures, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison to expected results and results of previous periods, relative to resource allocation decisions; (ii) evaluate the performance of our management; (iii) budget and forecast future results to assist in the allocation of resources; (iv) assess our performance as compared to similar real estate companies and the industry in general; and (v) evaluate how a specific potential investment will impact our future results. Because we make decisions with regard to our performance with a long-term outlook, we believe it is appropriate to remove the effects of short-term items that we do not expect to affect the underlying long-term performance of the properties. The long-term performance of our properties is principally driven by rental income. While not infrequent or unusual, these additional items we exclude in calculating *FFO, as defined by Prologis*, are subject to significant fluctuations from period to period that cause both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We use our FFO measures as supplemental financial measures of operating performance. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

FFO, as defined by Prologis

To arrive at *FFO, as defined by Prologis*, we adjust the NAREIT defined FFO measure to exclude:

(i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;

(ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in GAAP earnings that is excluded from our defined FFO measure;

(iii) foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;

Reporting Definitions *(continued)*

(i) mark-to-market adjustments and related amortization of debt discounts associated with derivative financial instruments.

We calculate *FFO, as defined by Prologis* for our unconsolidated entities on the same basis as we calculate our *FFO, as defined by Prologis*.

We believe investors are best served if the information that is made available to them allows them to align their analysis and evaluation of our operating results along the same lines that our management uses in planning and executing our business strategy.

Core FFO

In addition to *FFO, as defined by Prologis,* we also use Core FFO*.* To arrive at *Core FFO,* we adjust *FFO, as defined by Prologis*, to exclude the following recurring and non-recurring items that we recognized directly or our share of these items recognized by our unconsolidated entities to the extent they are included in *FFO, as defined by Prologis*:

(i) gains or losses from acquisition, contribution or sale of land or development properties;
(ii) income tax expense related to the sale of investments in real estate and third-party acquisition costs related to the acquisition of real estate;
(iii) impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
(iv) gains or losses from the early extinguishment of debt;
(v) merger, acquisition and other integration expenses; and
(vi) expenses related to natural disasters.

We believe it is appropriate to further adjust our *FFO, as defined by Prologis* for certain recurring items as they were driven by transactional activity and factors relating to the financial and real estate markets, rather than factors specific to the on-going operating performance of our properties or investments. The impairment charges we have recognized were primarily based on valuations of real estate, which had declined due to market conditions, that we no longer expected to hold for long-term investment. Over the last few years, we made it a priority to strengthen our financial position by reducing our debt, our investment in certain low yielding assets and our exposure to foreign currency exchange fluctuations. As a result, we changed our intent to sell or contribute certain of our real estate properties and recorded impairment charges when we did not expect to recover the costs of our investment. Also, we have purchased portions of our debt securities when we believed it was advantageous to do so, which was based on market conditions, and in an effort to lower our borrowing costs and extend our debt maturities. As a result, we have recognized net gains or losses on the early extinguishment of certain debt due to the financial market conditions at that time. In addition, we and our co-investment ventures make acquisitions of real estate and we believe the costs associated with these transactions are transaction based and not part of our core operations.

We analyze our operating performance primarily by the rental income of our real estate and the revenue driven by our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities. As a result, although these items have had a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long-term.

We use *Core FFO*, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison to expected results and results of previous periods, relative to resource allocation decisions; (ii) evaluate the performance of our management; (iii) budget and forecast future results to assist in the allocation of resources; (iv) provide guidance to the financial markets to understand our expected operating performance; (v) assess our operating performance as compared to similar real estate companies and the industry in general; and (vi) evaluate how a specific potential investment will impact our future results. Because we make decisions with regard to our performance with a long-term outlook, we believe it is appropriate to remove the effects of items that we do not expect to affect the underlying long-term performance of the properties we own. As noted above, we believe the long-term performance of our properties is principally driven by rental income. We believe investors are best served if the information that is made available to them allows them to align their analysis and evaluation of our operating results along the same lines that our management uses in planning and executing our business strategy.

Core AFFO

To arrive at Core AFFO, we adjust Core FFO to further exclude our share of; (i) straight-line rents; (ii) amortization of above- and below-market lease intangibles; (iii) recurring capital expenditures; (iv) amortization of management contracts; (v) amortization of debt premiums and discounts, net of amounts capitalized, and; (vi) stock compensation expense.

We believe Core AFFO provides a meaningful indicator of our ability to fund cash needs, including cash distributions to our stockholders.

Limitations on Use of our FFO Measures

While we believe our defined FFO measures are important supplemental measures, neither NAREIT's nor our measures of FFO should be used alone because they exclude significant economic components of net earnings computed under GAAP and are, therefore, limited as an analytical tool. Accordingly, these are only a few of the many measures we use when analyzing our business. Some of these limitations are:

- The current income tax expenses and acquisition costs that are excluded from our defined FFO measures represent the taxes and transaction costs that are payable.
- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that may be necessary for future replacements of the real estate assets. Further, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of industrial properties are not reflected in FFO.
- Gains or losses from property acquisitions and dispositions or impairment charges related to expected dispositions represent changes in value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of acquired or disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our defined FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our defined FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our defined FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.
- The gains and losses on extinguishment of debt that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our debt at less or more than our future obligation.
- The merger, acquisition and other integration expenses and the natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. This information should be read with our complete consolidated financial statements prepared under GAAP. To assist investors in

Reporting Definitions *(continued)*

compensating for these limitations, we reconcile our defined FFO measures to our net earnings computed under GAAP.

Fixed Charge Coverage is defined as Adjusted EBITDA divided by total fixed charges. Fixed charges consist of net interest expense adjusted for amortization of finance costs and debt discount (premium), capitalized interest, and preferred stock dividends. We use fixed charge coverage to measure our liquidity. We believe that fixed charge coverage is relevant and useful to investors because it allows fixed income investors to measure our ability to make interest payments on outstanding debt and make distributions/dividends to preferred unitholders/stockholders. Our computation of fixed charge coverage is not calculated in accordance with applicable SEC rules and may not be comparable to fixed charge coverage reported by other companies.

General and Administrative Expenses ("G&A") were as follows (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Gross overhead	$ 117,935	$ 109,631	$ 235,184	$ 216,467
Less: rental expenses	(7,497)	(7,140)	(15,620)	(16,697)
Less: strategic capital expenses	(27,837)	(25,006)	(52,000)	(44,915)
Capitalized amounts	(22,226)	(22,576)	(43,986)	(43,749)
G&A	**$ 60,375**	**$ 54,909**	**$ 123,578**	**$ 111,106**

We capitalize certain costs directly related to our development and leasing activities. Capitalized G&A expenses include salaries and related costs as well as other G&A costs. The capitalized costs were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Development activities	$ 17,403	$ 17,662	$ 34,264	$ 32,852
Leasing activities	4,404	4,590	9,122	10,075
Costs related to internally developed software	419	324	600	822
Total capitalized G&A	**$ 22,226**	**$ 22,576**	**$ 43,986**	**$ 43,749**

G&A as a percent of Assets Under Management *(in thousands)*:

Net G&A - midpoint of 2014 guidance range (a)	$ 240,500
Add: Strategic capital expenses- midpoint of 2014 guidance range (a)	102,500
Adjusted G&A, using 2014 guidance (a)	$ 343,000
Carrying value at period end:	
Operating properties	$ 42,127,637
Development portfolio - TEI	2,437,213
Land portfolio	1,753,058
Other real estate investments	454,111
Total Assets Under Management	$ 46,772,019
G&A as % of Assets Under Management	**0.73%**

G&A as a percent of Assets Under Management – Prologis Share *(in thousands)*:

Net G&A - midpoint of 2014 guidance range (a)	$ 240,500
Less: strategic capital income-midpoint of 2014 guidance range (a)	(215,000)
Add: strategic capital expenses- midpoint of 2014 guidance range (a)	102,500
Adjusted G&A, using 2014 guidance (a)	$ 128,000
Carrying value at period end:	
Operating properties - Prologis share	$ 24,609,761
Development portfolio - Prologis share of TEI	2,058,053
Land portfolio - Prologis share	1,636,861
Other real estate investments	454,111
Total Assets Under Management - Prologis share	$ 28,758,786
G&A as % of Assets Under Management - Prologis share	**0.45%**

(a) *These amounts represent the midpoint of the 2014 guidance provided in this Supplemental Package.*

Interest Expense consisted of the following (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Gross interest expense	$ 96,876	$ 115,833	$ 199,339	$ 251,644
Amortization of discount (premium), net	(4,113)	(10,676)	(9,947)	(21,391)
Amortization of deferred loan costs	3,152	4,291	6,619	7,579
Interest expense before capitalization	95,915	109,448	196,011	237,832
Capitalized amounts	(15,731)	(17,234)	(30,304)	(30,978)
Net interest expense	**$ 80,184**	**$ 92,214**	**$ 165,707**	**$ 206,854**

Investment Capacity is our estimate of the gross real estate, which could be acquired by our co-investment ventures through the use of existing equity commitments from us and our partners plus up to the ventures maximum leverage limits.

Market Classification

- **Global Markets** feature large population centers with high per-capita consumption and are located near major seaports, airports, and ground transportation systems.
- **Regional Markets** benefit from large population centers but typically are not as tied to the global supply chain, but rather serve local consumption and are often less supply constrained. Markets included as regional markets include: Austin, Charlotte, Cincinnati, Columbus, Denver, Hungary, Indianapolis, Juarez, Las Vegas, Louisville, Memphis, Nashville, Orlando, Phoenix, Portland, Reynosa, San Antonio, Slovakia, Sweden and Tijuana.
- **Other Markets** represent a small portion of our portfolio that is located outside global and regional markets. These markets include: Austria, Boston, El Paso, Jacksonville, Kansas City, Norfolk, Reno, Romania, Salt Lake City, Savannah and St Louis.

Net Asset Value ("NAV"). We consider NAV to be a useful supplemental measure of our operating performance because it enables both management and investors to estimate the fair value of our business. The assessment of the fair value of a particular segment of our business is subjective in that it involves estimates and can be calculated using various methods. Therefore, we have presented the financial results and investments related to our business segments that we believe are important in calculating our NAV but have not presented any specific methodology nor provided any guidance on the assumptions or estimates that should be used in the calculation.

The components of NAV do not consider the potential changes in rental and fee income streams or the franchise value associated with our global operating platform, strategic capital platform, or development platform.

Net Effective Rent Change (GAAP) represents the change on operating portfolio properties in net effective rental rates (average rate over the lease term) on new and renewed leases signed during the period as compared with the previous effective rental rates in that same space.

Net Operating Income ("NOI") represents rental income less rental expenses.

Noncontrolling Interest. The following table includes information for each entity we consolidate and in which we own less than 100% *(dollars in thousands):*

	Ownership Percentage	Noncontrolling Interest	Real Estate	Debt
Brazil Fund	50.0%	77,838	-	-
Prologis U.S. Logistics Venture	55.0%	435,875	1,001,754	-
Other consolidated entities	various	143,698	1,020,570	26,804
Limited partners in the Operating Partnership		47,695	-	-
Noncontrolling interests		**$ 705,106**	**$ 2,022,324**	**$ 26,804**

Operating Portfolio includes stabilized industrial properties in our owned and managed portfolio. A developed property moves into the Operating Portfolio when it meets Stabilization.

Pro-Rata Balance Sheet and Operating Information. The consolidated amounts shown are derived from and prepared on a consistent basis with our consolidated financial statements and are adjusted to remove the amounts attributable to non-controlling interests. The Prologis share of unconsolidated co-investment ventures column was derived on an entity-by-entity basis by applying our ownership percentage to each line item to calculate our share of that line item. For purposes of balance sheet data, we used our ownership percentage at the end of the period and for operating information, we used our average ownership percentage for the period, consistent with how we calculate our share of net earnings (loss) during the period. We used a similar calculation to derive the noncontrolling interests' share of each line item. In order to present the total owned and managed portfolio, we added our investors' share of each line item in the unconsolidated co-investment ventures and the noncontrolling interests share of each line item to the Prologis Total Share.

Prologis Share represents our proportionate economic ownership of each entity included in our total owned and managed portfolio.

Rental Income included the following (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Rental income	$ 290,803	$ 285,759	$ 586,309	$ 626,114
Amortization of lease intangibles	(7,280)	(8,164)	(14,974)	(17,949)
Rental expense recoveries	86,812	76,485	174,174	173,373
Straight-lined rents	10,938	9,876	24,004	26,562
	$ 381,273	**$ 363,956**	**$ 769,513**	**$ 808,100**

Same Store. We evaluate the operating performance of the operating properties we own and manage using a "Same Store" analysis because the population of properties in this analysis is consistent from period to period, thereby eliminating the effects of changes in the composition of the portfolio on performance measures. We include the properties included in our owned and managed portfolio that were in operation at January 1, 2013 and throughout the full periods in both 2013 and 2014. We have removed all properties that were disposed of to a third party from the population for both periods. We believe the factors that impact rental income, rental expenses and NOI in the Same Store portfolio are generally the same as for the total operating portfolio. In order to derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the current exchange rate to translate from local currency into U.S. dollars, for both periods.

Our same store measures are non-GAAP measures that are commonly used in the real estate industry and are calculated beginning with rental income and rental expenses from the financial statements prepared in accordance with GAAP. It is also common in the real estate industry and expected from the analyst and investor community that these numbers be further adjusted to remove certain non-cash items included in the financial statements prepared in accordance with GAAP to reflect a cash same store number. In order to clearly label these metrics, we call one Same Store NOI- GAAP and one Same Store NOI-Adjusted Cash. As these are non-GAAP measures they have certain limitations as an analytical tool and may vary among real estate companies. As a result, we provide a reconciliation from our financial statements prepared in accordance with GAAP to Same Store NOI-GAAP and then to Same Store NOI-Adjusted Cash with explanations of how these metrics are calculated and adjusted.

The following is a reconciliation of our consolidated rental income, rental expenses and NOI, as included in the Consolidated Statements of Operations, to the respective amounts in our Same Store portfolio analysis *(dollars in thousands):*

	Three Months Ended June 30,		
	2014	2013	Change (%)
Rental Income:			
Per the Consolidated Statements of Operations	$ 381,273	$ 363,956	
Properties not included and other adjustments (a)	(43,630)	(25,168)	
Unconsolidated Co-Investment Ventures	459,293	433,892	
Same Store - Rental Income	**$ 796,936**	**$ 772,680**	**3.1%**
Rental Expense:			
Per the Consolidated Statements of Operations	$ 109,576	$ 109,837	
Properties not included and other adjustments (b)	(8,114)	(7,499)	
Unconsolidated Co-Investment Ventures	111,052	107,443	
Same Store - Rental Expense	**$ 212,514**	**$ 209,781**	**1.3%**
NOI-GAAP:			
Per the Consolidated Statements of Operations	$ 271,697	$ 254,119	
Properties not included and other adjustments	(35,516)	(17,669)	
Unconsolidated Co-Investment Ventures	348,241	326,449	
Same Store - NOI - GAAP	**$ 584,422**	**$ 562,899**	**3.8%**
NOI-Adjusted Cash:			
Same store- NOI - GAAP	$ 584,422	$ 562,899	
Adjustments (c)	(1,830)	(9,539)	
Same Store - NOI- Adjusted Cash	**$ 582,592**	**$ 553,360**	**5.3%**

Reporting Definitions *(continued)*

(a) *To calculate Same Store rental income, we exclude the net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance.*

(b) *To calculate Same Store rental expense, we include an allocation of the property management expenses for our consolidated properties based on the property management fee that is provided for in the individual management agreements under which our wholly owned management companies provide property management services (generally the fee is based on a percentage of revenue). On consolidation, the management fee income and expenses are eliminated and the actual cost of providing property management services is recognized.*

(c) *In order to derive Same Store- NOI - Adjusted Cash, we adjust Same Store- NOI- GAAP to exclude non-cash items included in our rental income in our GAAP financial statements, including straight line rent adjustments and adjustments related to purchase accounts to reflect leases at fair value at the time of acquisition.*

Same Store Average Occupancy represents the average occupied percentage of the Same Store portfolio for the period.

Stabilization is defined when a property that was developed has been completed for one year or is 90% occupied. Upon stabilization, a property is moved into our Operating Portfolio.

Strategic Capital NOI represents strategic capital income less strategic capital expenses.

Tenant Retention is the square footage of all leases rented by existing tenants divided by the square footage of all expiring and rented leases during the reporting period, excluding the square footage of tenants that default or buy-out prior to expiration of their lease, short-term tenants and the square footage of month-to-month leases.

Total Expected Investment ("TEI") represents total estimated cost of development or expansion, including land, development and leasing costs. TEI is based on current projections and is subject to change. Non-U.S. dollar investments are translated to U.S. dollars using the exchange rate at period end or the date of development start for purposes of calculating development starts in any period.

Turnover Costs represent the costs incurred in connection with the signing of a lease, including leasing commissions and tenant improvements. Tenant improvements include costs to prepare a space for a new tenant and for a lease renewal with the same tenant. It excludes costs to prepare a space that is being leased for the first time (i.e. in a new development property).

Value-Added Acquisitions are properties we acquire for which we believe the discount in pricing attributed to the operating challenges could provide greater returns post-stabilization than the returns of stabilized properties that are not Value-Added Acquisitions. Value Added Acquisitions must have one or more of the following characteristics: (i) existing vacancy in excess of 20%; (ii) short term lease roll-over, typically during the first two years of ownership; (iii) significant capital improvement requirements in excess of 10% of the purchase price and must be invested within the first two years of ownership.

Value-Added Conversions represent the repurposing of industrial properties to a higher and better use, including office, residential, retail, research and development, data center, self storage or manufacturing with the intent to ultimately sell the property once repositioned. Activities required to prepare the property for conversion to a higher and better use may include such activities as re-zoning, re-designing, re-constructing, and re-tenanting. The economic gain on sales of value added conversions represents the amount by which the sales proceeds exceed our original cost in dollars and percentages.

Value Creation represents the value that we will create through our development and leasing activities. We calculate value creation by estimating the NOI that the property will generate at Stabilization and applying an estimated stabilized capitalization rate applicable to that property. The value creation is calculated as the amount by which the estimated value exceeds our total expected investment and does not include any fees or promotes we may earn.

Value Creation Margin represents value creation (as defined above) divided by the estimated total investment.

Weighted Average Estimated Stabilized Yield is calculated as NOI assuming stabilized occupancy divided by Acquisition Cost or TEI, as applicable.