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# ProLogis Releases New Research Report on UK Industrial Property Market

## - National Vacancy Rate for Distribution Centers Estimated at 7.4 Percent -

DENVER, Jan. 10 /PRNewswire-FirstCall/ -- ProLogis (NYSE: PLD), the world's largest owner, manager and developer of distribution facilities, today released a new research report on the state of the industrial property market in the United Kingdom.

The report, entitled "UK Logistics Property Markets -- Hale and Hardy," indicates continued robust conditions for developers of industrial distribution space across the country. The average industrial vacancy rate in the UK is estimated to be approximately 7.4 percent, reflecting a healthy, well-leased market.

Meanwhile, construction of new industrial facilities is occurring at a brisk pace. Deliveries of new space in the country's top 15 industrial markets during 2006 are expected to exceed totals in the prior year, when almost 11 million square feet of inventory came onto the market. More than 5.3 million square feet was constructed in the first half of 2006, with another 7.2 million square feet under construction at mid-year.

"For global real estate investors, the UK offers the most transparent, the most liquid and the most resilient property market in Europe, if not the world," said Leonard Sahling, ProLogis first vice president of research. "It stands out by virtue of its sturdy, high-performance economy, the bond-like quality of its income streams, the stability of its customer base and the scarcity of developable land."

The report is based on in-house analysis by ProLogis of the UK's top 15 competitive markets for large-scale bulk distribution facilities, in addition to data from King Sturge, the UK-based real estate consultancy. Detailed findings in the report include the following:

- \* The total inventory of warehouse space in the United Kingdom's top 15 distribution markets exceeds 650 million square feet. But the supply of modern facilities -- those greater than 100,000 square feet and with clear heights of at least 30 feet -- is much smaller, totaling about 175 million square feet.
- \* More than 25 percent of all new construction is occurring in just two key markets, the East and West Midlands. Those areas had almost 3.9 million square feet under construction at mid-year 2006, out of about 15 million square feet in total.
- \* Takeup of modern space totaled 7.2 million square feet in the first half of the year, well ahead of the pace set in 2005.
- \* Market rents at Class A industrial facilities have been virtually flat since 2004, averaging just 0.8 percent, in large part due to tepid GDP growth. Asking or "headline" rents, meanwhile, range widely across the nation, from a low of 4 pounds Sterling/sf/year in the northeast to as much as 10 pounds Sterling/sf/year around London and the Southeast.

\* Total annual returns for UK industrial properties amounted to 18.6 percent in 2005, well above the average return of 12.6 percent recorded during the last 25 years.

The report notes that the UK market enjoys a number of exceptional characteristics that make it attractive to global investors, including transparency, liquidity, leasing market resiliency, land constraints, and robust macroeconomic conditions. In addition, lease structures in the UK favor property owners owing to their lengthy lease terms, upwards-only rent reviews, and provisions that hold tenants liable for all capital-maintenance expenditures.

"The outlook for this vibrant commercial property market remains highly favorable," Sahling said. "Long-term trends on the occupier side of the market will continue to bolster demand for modern distribution facilities in accessible locations."

For a copy of the new reports or past reports, visit the "Proprietary Research" page of the ProLogis web site, at [www.prologis.com](http://www.prologis.com).

#### About ProLogis

ProLogis is the world's largest owner, manager and developer of distribution facilities, with operations in 81 markets across North America, Europe and Asia. The company has \$25.3 billion of assets owned, managed and under development, comprising 406.9 million square feet (37.8 million square meters) in 2,406 properties as of September 30, 2006. ProLogis' customers include manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. Headquartered in Denver, Colorado, ProLogis employs more than 1,200 people worldwide. For additional information about the company, go to [www.prologis.com](http://www.prologis.com).

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