July 24, 2008

ProLogis Reports Second Quarter 2008 Results

- First Half FFO Results Up from 2007 -

- Company Confirms Full-year 2008 Guidance -

TOKYO, July 24 /PRNewswire-FirstCall/ -- ProLogis (NYSE: PLD), the world's largest owner, manager and developer of distribution facilities, today reported funds from operations as defined by ProLogis (FFO) for the quarter ended June 30, 2008, of $1.06 per diluted share, down from $1.16 in 2007. Growth in income from the company's Investment Management business was offset by lower CDFS gains, as well as a reduced level of property income due to disposition activity in the second quarter of 2007. Net earnings per diluted share for the quarter were $0.80, compared with $1.50 in 2007. Net earnings in the second quarter of 2007 included approximately $0.56 of gains associated with the disposition of non-CDFS properties, which are not included in FFO, compared with $0.02 of similar gains during the same period in 2008.

For the six months ended June 30, 2008, FFO was $2.44 per diluted share, up from $2.41 in the first six months of 2007. Net earnings per diluted share for the six months ended June 30, 2008, were $1.53, compared with $2.39 in the same period of 2007, primarily due to the non-CDFS gains noted above.

"Our solid results for the second quarter reflect the geographically diversified nature of our global logistics infrastructure platform," Jeffrey H. Schwartz, ProLogis chairman and chief executive officer, said from Tokyo. "Throughout Asia and Central Europe, growing domestic consumption, exports and the lack of modern distribution space continue to support strong demand. Operating property fundamentals held up well, despite a difficult financial environment, and further signs of moderating demand for industrial space in the United States and the United Kingdom.

"We continue to pursue our disciplined investment strategy, deploying capital in the areas of the world where we see the greatest risk-adjusted returns and the strongest logistics market opportunities. The breadth of our platform allows us to take advantage of these opportunities."

During the second quarter, the company recognized increases in FFO and fees from its Investment Management business and achieved growth in leased space, rents and net operating income in its same-store pool. "Development margins are moving toward more normalized levels, reflecting our sustainable expectations for the business. New supply and the potential for overbuilding have been significantly reduced by the return to historic margin levels and continued capacity constraints in the debt markets. Ultimately, we believe these factors will result in healthier market conditions, and those companies with access to capital will be well positioned to capture opportunities," Schwartz added.

Company Confirms 2008 Guidance

The company confirms its guidance for 2008 FFO of $4.65 to $4.85 per share and net earnings of $3.15 to $3.35 per share. In addition, the company stated that it slightly exceeded its prior expectations for first half 2008 profitability primarily due to the recognition of certain CDFS gains, which had originally been anticipated in the third quarter, as well as lower losses related to the company's share of remeasurement and settlement losses on interest rate derivative contracts entered into by ProLogis' unconsolidated property funds. As a result, the company now anticipates that approximately 47 to 49 percent of full-year FFO per share will be recognized in the second half of the year, with roughly two-thirds of that amount being recognized in the fourth quarter, due to a larger expected volume of CDFS contributions. The weighting of earnings per share is expected to be similar to the distribution of FFO per share for the remaining quarters.

Continued Strength in International Demand

The company noted that global trade continues to be relatively strong, particularly throughout Asia, driving demand for distribution space in key global logistics markets. "Our concentration of existing facilities and land positions near major seaports, inland ports and rail-served locations allows us to address this demand and drives our development business," said Ted R. Antenucci, ProLogis president and chief investment officer. "While there is a greater degree of market uncertainty in the United States and the United Kingdom, over 87 percent of our development starts year to date are in markets outside these countries."

ProLogis began construction of $1.01 billion of new development during the second quarter, including development within its retail and mixed-use and industrial joint ventures, bringing the company's total CDFS asset pipeline to $8.65 billion at June 30, 2008. Of this amount, total expected investment in projects currently under construction is $4.47 billion, while the space associated with the remaining $4.18 billion of completed developments and repositioned properties was 55.1 percent leased at quarter end based on expected investment, up from 53.7 percent at March 31, 2008.

During the quarter, the company signed approximately 34.3 million square feet of leases worldwide, bringing the total for the first half of the year to 60.8 million square feet. Of that total, 14.6 million square feet were new CDFS leases, including those second quarter transactions with repeat customers such as: Amazon.com in Las Vegas, Nippon Express in Nagoya, Volkswagen in Beijing and Schenker in Paris.

Overall US Markets Impacted by Economic Conditions

"Compared with previous US downturns, industrial supply and demand are better balanced, reflecting a significant decrease in new speculative development activity," said Walter C. Rakowich, president and chief operating officer. During the second quarter, the company reported that overall net absorption in the top 30 North American logistics markets declined to roughly 10.8 million square feet, and vacancies in these 30 markets increased to 8.5 percent from 7.9 percent at March 31, 2008.

"Our stabilized North American portfolio remains well leased at 94.4 percent. During the second quarter, all of our US development starts were preleased, while we started two inventory projects outside the United States in Toronto and Mexico City -- both relatively healthy markets," said Diane S. Paddison, executive director of global operations.

Selected Financial and Operating Information

-- Increased same-store net operating income in the quarter by 1.6 percent, resulting from 1.3 percent growth in leased space and rent growth on turnovers of 3.1 percent. For the first six months, same-store net operating income increased 2.4 percent, resulting from a 1.6 percent increase in leased space and rent growth on turnovers of 4.7 percent.

-- Maintained strong occupancy in the global stabilized portfolio of 94.2 percent, compared with 94.6 percent at March 31, 2008.

-- Recycled a total of $1.30 billion of capital through contributions and dispositions during the quarter. Of the total, $1.28 billion was from CDFS dispositions, with $79.8 million of that from acquired property portfolios. The remaining $20.5 million was from non-CDFS dispositions. Year-to-date total dispositions were $2.76 billion, with $2.70 billion from CDFS dispositions.

-- Realized FFO from CDFS dispositions of $200.3 million for the quarter. Pre-deferral, post-tax margins for developed and repositioned properties during the second quarter averaged 24.5 percent, while post-tax, post-deferral margins were 19.6 percent.

-- Increased total assets owned and under management to $40.4 billion, up from $36.3 billion at December 31, 2007, a year-to-date increase of 11.3 percent.

-- Grew ProLogis' share of FFO from property funds to $41.1 million for the quarter, compared with $33.2 million for the second quarter of 2007, an increase of 23.8 percent.

-- Recognized fee income from property funds of $32.6 million, compared with $23.9 million for the second quarter of 2007, an increase of 36.4 percent.

Copies of ProLogis' second quarter 2008 supplemental information will be available from the company's website at http://ir.prologis.com. The supplemental information also is available on the SEC's website at http://www.sec.gov. The related conference call will be available via a live webcast on the company's website at http://ir.prologis.com at 10:00 a.m. Eastern Time on Thursday, July 24, 2008. A replay of the webcast will be available on the company's website until September 30, 2008. 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 http://www.REITcafe.com.

About ProLogis

ProLogis is the world's largest owner, manager and developer of distribution facilities, with operations in 132 markets across North America, Europe and Asia. The company has $40.4 billion of assets owned, managed and under development, comprising 542.3 million square feet (50.4 million square meters) in 2,884 properties as of June 30, 2008. 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 over 1,500 people worldwide.

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 under "Item 1A -Risk Factors" in ProLogis' Annual Report on Form 10-K for the year ended December 31, 2007.

ProLogis

Second Quarter 2008
Unaudited Financial Results

Selected Financial Information
(in thousands, except per share amounts and percentages)

SUMMARY OF RESULTS	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Net earnings attributable to common shares:				
Net earnings attributable to common shares	$217,392	$400,104	$411,397	$636,195
Net earnings per share attributable to common shares - diluted	$0.80	$1.50	$1.53	$2.39
FFO:				
FFO attributable to common shares	$288,365	$309,905	$657,486	$639,618
FFO per share attributable to common shares - diluted	$1.06	$1.16	$2.44	$2.41

Distributions declared per common share (1)	$0.5175	$0.46	$1.035	$0.92

OPERATING METRICS	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Same Store:				
NOI	+ 1.62%	+ 6.16%	+ 2.43%	+ 5.89%
Rental Rates	+ 3.06%	+ 8.26%	+ 4.65%	+ 7.80%
Average Leasing	+ 1.29%	+ 2.66%	+ 1.58%	+ 2.92%
Total Expected Investment of Development Starts	$1,013,127	$687,811	$1,942,731	$1,303,411

See our definition of FFO and our definition of EBITDA.

Footnotes follow Consolidated Balance Sheets.

ProLogis

Second Quarter 2008
Unaudited Financial Results

Consolidated Statements of Earnings
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Rental income (2)	$262,380	$270,840	$531,090	$527,386
CDFS disposition proceeds:				
Developed and repositioned properties	1,136,655	686,715	2,400,068	1,356,653
Acquired property portfolios	79,843	-	163,175	-
Property management and other fees and incentives	32,580	23,937	62,070	45,584
Development management and other income	3,374	6,176	10,531	13,615
Total revenues	1,514,832	987,668	3,166,934	1,943,238
Expenses:				
Rental expenses	86,186	75,052	177,159	142,180
Cost of CDFS dispositions:				
Developed and repositioned properties	936,610	476,684	1,921,917	915,675
Acquired property portfolios	79,843	-	163,175	-
General and administrative(3)	59,215	48,423	115,687	96,765
Depreciation and amortization	84,866	74,004	162,238	151,973

Other expenses	5,633	15,068	8,103	17,934
Total expenses	1,252,353	689,231	2,548,279	1,324,527
Operating income	262,479	298,437	618,655	618,711
Other income (expense):				
Earnings from unconsolidated property funds (4)	36,553	15,804	17,986	34,768
(Losses) earnings from CDFS joint ventures and other unconsolidated investees	(6,878)	1,773	(3,606)	2,317
Interest expense (5)	(84,136)	(90,640)	(169,260)	(179,291)
Interest and other income, net	9,644	9,735	15,260	20,909
Total other income(expense)	(44,817)	(63,328)	(139,620)	(121,297)
Earnings before minority interest	217,662	235,109	479,035	497,414
Minority interest share in loss (income)	4,585	(723)	3,479	(896)
Earnings before certain net gains	222,247	234,386	482,514	496,518
Gains recognized on dispositions of certain non-CDFS business assets (6)	4,662	124,085	4,662	124,085
Foreign currency exchange gains (losses), net	12,095	22,706	(24,606)	9,154
Earnings before income taxes	239,004	381,177	462,570	629,757
Income taxes:				
Current income tax expense	12,692	26,645	37,524	44,745
Deferred income tax expense (benefit)	6,236	(9,503)	8,736	(6,182)
Total income taxes	18,928	17,142	46,260	38,563
Earnings from continuing operations	220,076	364,035	416,310	591,194
Discontinued operations (7):				
(Loss) income attributable to disposed properties and assets held for sale	(150)	1,069	32	3,050
Gains recognized on dispositions:				
Non-CDFS business assets	1,856	27,161	5,669	32,125
CDFS business assets	1,994	14,196	2,124	22,537
Total discontinued operations	3,700	42,426	7,825	57,712
Net earnings	223,776	406,461	424,135	648,906
Less preferred share dividends	6,384	6,357	12,738	12,711
Net earnings attributable to common shares	$217,392	$400,104	$411,397	$636,195
Weighted average common shares outstanding - Basic	262,715	257,086	260,827	255,677
Weighted average common shares outstanding - Diluted	272,317	267,880	270,370	266,723
Net earnings per share attributable to common shares - Basic:				
Continuing operations	$0.82	$1.39	$1.55	$2.26
Discontinued operations	0.01	0.17	0.03	0.23
Net earnings per share attributable to common shares -				

Basic	$0.83	$1.56	$1.58	$2.49
Net earnings per share attributable to common shares - Diluted:				
Continuing operations	$0.79	$1.34	$1.50	$2.17
Discontinued operations	0.01	0.16	0.03	0.22
Net earnings per share attributable to common shares - Diluted	$0.80	$1.50	$1.53	$2.39

Calculation of Net Earnings per Share Attributable to Common Shares - Diluted
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net earnings attributable to common shares - Basic	$217,392	$400,104	$411,397	$636,195
Minority interest (a)	1,087	1,474	2,238	2,462
Adjusted net earnings attributable to common shares - Diluted	$218,479	$401,578	$413,635	$638,657
Weighted average common shares outstanding - Basic	262,715	257,086	260,827	255,677
Incremental weighted average effect of conversion of limited partnership units	5,053	5,108	5,053	5,124
Incremental weighted average effect of potentially dilutive instruments (b)	4,549	5,686	4,490	5,922
Weighted average common shares outstanding - Diluted	272,317	267,880	270,370	266,723
Net earnings per share attributable to common shares - Diluted	$0.80	$1.50	$1.53	$2.39

COMMENTS

(a) Includes only the minority interest related to the convertible limited partnership units.

(b) Total weighted average potentially dilutive instruments outstanding were 10,276 and 10,283 for the three months ended June 30, 2008 and 2007, respectively, and 10,453 and 10,557 for the six months ended June 30, 2008 and 2007, respectively. Substantially all were dilutive for all periods.

Footnotes follow Consolidated Balance Sheets.

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Unaudited Financial Results

Consolidated Statements of Funds From Operations (FFO)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenues:				
Rental income	$262,501	$274,751	$531,977	$537,052
CDFS disposition proceeds:				
Developed and repositioned properties	1,151,862	792,524	2,415,275	1,529,951
Acquired property portfolios	79,843	-	163,175	-
Property management and other fees and incentives	32,580	23,937	62,070	45,584
Development management and other income	3,374	6,176	10,531	13,615
Total revenues	1,530,160	1,097,388	3,183,028	2,126,202
Expenses:				
Rental expenses	86,302	76,653	177,653	145,828
Cost of CDFS dispositions:				
Developed and repositioned properties	951,533	568,297	1,936,710	1,068,773
Acquired property portfolios	79,843	-	163,175	-
General and administrative(3)	59,215	48,423	115,687	96,765
Depreciation of corporate assets	4,731	2,585	8,151	5,291
Other expenses	5,633	15,068	8,103	17,934
Total expenses	1,187,257	711,026	2,409,479	1,334,591
	342,903	386,362	773,549	791,611
Other income (expense):				
FFO from unconsolidated property funds (4)	41,075	33,249	78,387	63,869
FFO from CDFS joint ventures and other unconsolidated investees	(4,685)	3,920	480	6,056
Interest expense (5)	(84,136)	(90,640)	(169,260)	(179,291)
Interest and other income, net	9,644	9,735	15,260	20,909
Foreign currency exchange losses, net	(1,945)	(2,034)	(3,805)	(8,222)
Current income tax expense	(12,692)	(23,607)	(27,866)	(41,707)
Total other income (expense)	(52,739)	(69,377)	(106,804)	(138,386)
FFO	290,164	316,985	666,745	653,225
Less preferred share dividends	6,384	6,357	12,738	12,711
Less minority interest share in (loss) income	(4,585)	723	(3,479)	896
FFO attributable to common shares	$288,365	$309,905	$657,486	$639,618
Weighted average common shares outstanding - Basic	262,715	257,086	260,827	255,677
Weighted average common shares outstanding - Diluted	272,317	267,880	270,370	266,723
FFO per share attributable to common shares:				
Basic	$1.10	$1.21	$2.52	$2.50

Diluted	$1.06	$1.16	$2.44	$2.41

Calculation of FFO per Share Attributable to Common Shares - Diluted
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
FFO attributable to common shares - Basic	$288,365	$309,905	$657,486	$639,618
Minority interest attributable to convertible limited partnership units	1,087	1,474	2,238	2,462
FFO attributable to common shares - Diluted	$289,452	$311,379	659,724	642,080
Weighted average common shares outstanding - Diluted	272,317	267,880	270,370	266,723
FFO per share attributable to common shares - Diluted	$1.06	$1.16	$2.44	$2.41

See Consolidated Statements of Earnings and the Reconciliations of Net Earnings to FFO.

See our definition of FFO and our definition of EBITDA.

Footnotes follow Consolidated Balance Sheets.

Definition of FFO

FFO is a non-Generally Accepted Accounting Principles (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, as we define it, is presented as a supplemental financial measure. FFO is not used by us as, nor should it be considered to be, an alternative to net earnings computed under GAAP as an indicator of our operating performance or as an alternative to cash from operating activities computed under GAAP as an indicator of our ability to fund our cash needs.

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 that GAAP net earnings remains the primary measure of performance and that FFO is only meaningful when it is used in conjunction with GAAP net earnings. Further, we believe that 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 GAAP net earnings to exclude historical cost depreciation and gains from the sale of previously depreciated properties. In addition to the NAREIT adjustments, we exclude additional items from GAAP net earnings, although not infrequent or unusual, that are subject to significant fluctuations from period to period that cause both positive and negative effects on our results of operations, in inconsistent and unpredictable directions, such as deferred income tax, current income tax related to the reversal of any acquired tax liabilities in an acquisition, foreign currency exchange gains/losses related to certain debt transactions and gains/losses from remeasurement of certain derivative instruments. We include gains from dispositions of properties acquired or developed in our CDFS business segment in our definition of FFO. We calculate FFO from our unconsolidated investees on the same basis.

We believe our adjustments to GAAP net earnings that are included in arriving at our FFO measure are helpful to management in making real estate investment decisions and evaluating our current operating performance. We believe these adjustments are also helpful to industry analysts, potential investors and shareholders in their understanding and evaluation of our performance on the key measures of net asset value and current operating returns generated on real estate investments. While we believe that our defined FFO measure is an important supplemental measure, neither NAREIT's nor our measure of FFO should be used alone because they exclude significant economic components of GAAP net earnings and are, therefore, limited as an analytical tool.

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Reconciliations of Net Earnings to FFO
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Reconciliation of net earnings to FFO:				
Net earnings attributable to common shares	$217,392	$400,104	$411,397	$636,195
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	80,135	71,419	154,087	146,682
Adjustments to gains on CDFS dispositions for depreciation	(1,710)	-	(1,710)	(2,337)
Gains recognized on dispositions of certain non-CDFS business assets	(4,662)	(124,085)	(4,662)	(124,085)
Reconciling items attributable to discontinued operations(7):				
Gains recognized on dispositions of non-CDFS business assets	(1,856)	(27,161)	(5,669)	(32,125)
Real estate related depreciation and amortization	155	1,241	361	2,968
Total discontinued operations	(1,701)	(25,920)	(5,308)	(29,157)
Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	33,494	20,368	66,312	39,209
(Gains) adjustments on dispositions of non-CDFS business assets	(111)	11	(165)	(1,888)

Other amortization items	(3,860)	(2,040)	(8,070)	(3,949)
Total unconsolidated investees	29,523	18,339	58,077	33,372
Total NAREIT defined adjustments	101,585	(60,247)	200,484	24,475
Subtotal-NAREIT defined FFO	318,977	339,857	611,881	660,670
Add (deduct) our defined adjustments:				
Foreign currency exchange (gains) losses, net	(14,040)	(24,740)	20,801	(17,376)
Current income tax expense (8)	-	3,038	9,658	3,038
Deferred income tax expense (benefit)	6,236	(9,503)	8,736	(6,182)
Our share of reconciling items from unconsolidated investees:				
Foreign currency exchange losses (gains), net	943	1,156	1,460	(173)
Unrealized (gains) losses on derivative contracts (4)	(23,817)	-	4,815	-
Deferred income tax expense (benefit)	66	97	135	(359)
Total unconsolidated investees	(22,808)	1,253	6,410	(532)
Total our defined adjustments	(30,612)	(29,952)	45,605	(21,052)
FFO attributable to common shares	$288,365	$309,905	$657,486	$639,618

See Consolidated Statements of Earnings, Consolidated Statements of FFO and the definition of FFO.

See our definition of FFO and our definition of EBITDA.

Footnotes follow Consolidated Balance Sheets.

ProLogis

Second Quarter 2008
Unaudited Financial Results

Reconciliations of Net Earnings to EBITDA
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Reconciliation of net earnings to EBITDA:				
Net earnings attributable to common shares	$217,392	$400,104	$411,397	$636,195
Add (deduct):				
NAREIT defined adjustments to compute FFO	101,585	(60,247)	200,484	24,475
Our defined adjustments to compute FFO	(30,612)	(29,952)	45,605	(21,052)

Add:				
Interest expense	84,136	90,640	169,260	179,291
Depreciation of corporate assets	4,731	2,585	8,151	5,291
Current income tax expense included in FFO	12,692	23,607	27,866	41,707
Adjustments to CDFS gains on dispositions for interest capitalized	16,134	9,375	32,800	18,145
Preferred share dividends	6,384	6,357	12,738	12,711
Impairment charges	-	12,600	-	12,600
Share of reconciling items from unconsolidated investees	47,131	26,415	87,534	49,977
EBITDA	$459,573	$481,484	$995,835	$959,340

See Consolidated Statements of Earnings and the Reconciliations of Net Earnings to FFO.

See our definition of FFO and our definition of EBITDA.

Definition of EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization):

We use earnings before interest, taxes, depreciation and amortization, preferred dividends, unrealized foreign currency exchange gains/losses, impairment charges and non-CDFS gains, or EBITDA, to measure both our operating performance and liquidity. In addition, we adjust the gains from the contributions and sales of developed properties recognized as CDFS income to reflect these gains as if no interest cost had been capitalized during the development of the properties. EBITDA of our unconsolidated investees is calculated on the same basis. We consider EBITDA to provide investors relevant and useful information because it permits fixed income investors to view income from operations on an unleveraged basis before the effects of non-operating related items.

By excluding interest expense, 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 between periods and to compare our operating performance to that of other companies. We consider EBITDA to be a useful supplemental measure for reviewing our comparative performance with other companies because, by excluding non-cash depreciation expense, EBITDA can help the investing public compare the performance of a real estate company to that of companies in other industries. As a liquidity measure, we believe that EBITDA helps investors to analyze our ability to meet debt service obligations and to make quarterly distributions.

We use EBITDA when measuring our operating performance and liquidity; specifically when assessing our operating performance, and comparing that performance to other companies, both in the real estate industry and in other industries, and when evaluating our ability to meet debt service obligations and to make quarterly share distributions. We believe investors should consider EBITDA, which has limitations as an analytical tool, in conjunction with net income (the primary measure of our performance) and other GAAP measures of our performance and liquidity, to improve their understanding of our operating results and liquidity, and to make more meaningful comparisons of the performance of our assets between periods and against other companies.

ProLogis

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Consolidated Balance Sheets
(in thousands, except per share data)

	June 30, 2008	December 31, 2007
Assets:		
Investments in real estate assets:		
Industrial operating properties	$10,986,903	$11,000,079
Retail operating properties	331,497	328,420
Land subject to ground leases and other	453,834	458,782
Properties under development (including cost of land)	2,122,533	1,986,285
Land held for development	2,477,318	2,152,960
Other investments	733,895	652,319
	17,105,980	16,578,845
Less accumulated depreciation	1,469,495	1,368,458
Net investments in real estate assets	15,636,485	15,210,387
Investments in and advances to unconsolidated investees:		
Property funds	1,860,473	1,755,113
CDFS joint ventures and other unconsolidated investees	661,328	590,164
Total investments in and advances to unconsolidated investees	2,521,801	2,345,277
Cash and cash equivalents	523,846	399,910
Accounts and notes receivable	349,791	340,039
Other assets	1,434,482	1,408,814
Discontinued operations - assets held for sale (7)	6,368	19,607
Total assets	$20,472,773	$19,724,034
Liabilities and Shareholders' Equity:		
Liabilities:		
Lines of credit	$2,162,153	$1,955,138
Senior notes and other unsecured debt	4,795,286	4,891,106
Convertible debt	2,881,710	2,332,905
Secured debt and assessment bonds	950,051	1,326,919
Accounts payable and accrued expenses	874,462	933,075
Other liabilities	763,014	769,408
Discontinued operations - assets held for sale (7)	153	424
Total liabilities	12,426,829	12,208,975
Minority interest	115,582	78,661
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	2,625	2,577
Additional paid-in capital	6,646,669	6,412,473

Accumulated other comprehensive income	401,228	275,322
Retained earnings	529,840	396,026
Total shareholders' equity	7,930,362	7,436,398
Total liabilities and shareholders' equity	$20,472,773	$19,724,034

ProLogis

Second Quarter 2008
Unaudited Financial Results

Notes to Consolidated 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 on ProLogis and our business. Certain 2007 amounts included in this Supplemental Information package have been reclassified to conform to the 2008 presentation.

(1) The annual distribution rate for 2008 is $2.07 per common share. The payment of common share distributions is dependent upon our financial condition and operating results and may be adjusted at the discretion of the Board of Trustees during the year.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Rental income	$189,967	$203,904	$392,560	$399,206
Rental expense recoveries	63,474	56,652	122,777	104,933
Straight-lined rents	8,939	10,284	15,753	23,247
	$262,380	$270,840	$531,090	$527,386

(3) During the first six months of 2008 and 2007, we recorded $4.0 million and $8.0 million, respectively, of employee departure costs. In 2008, these costs relate to the planned retirement of our Chief Operating Officer in January 2009. In 2007, these costs include $5.0 million related to the departure of our Chief Financial Officer in March 2007 and $3.0 million related to other employees.

(4) The unconsolidated property funds that we manage, and in which we have an equity ownership, may enter into interest rate swap contracts that are designated as cash flow hedges to mitigate interest expense volatility associated with movements of interest rates for future debt issuances.

In 2007, certain of the property funds in North America issued short-term bridge financing to finance their acquisitions of properties from us and third parties. Based on the anticipated refinancing of the bridge financings with long-term debt issuances, certain of these derivative contracts no longer met the requirements for hedge accounting and, therefore, the change in the fair value of these contracts was recorded through earnings, along with the gain or loss on settlement of certain contracts. Included in earnings from unconsolidated property funds, in our Consolidated Statements of Earnings for the three and six months ended June 30, 2008, are gains of $6.6 million and losses of $14.7 million, respectively, representing our share of the remeasurement and settlement gains or losses. When the contracts are settled, we include the realized gain or loss in our calculation of FFO, which amounted to losses of $2.8 million and $5.8 million during the three and six months ended June 30, 2008, respectively.

In Japan, the property funds may enter into swap contracts that fix the interest rate of their variable rate debt. As these contracts did not qualify for hedge accounting, any change in value of these contracts is recognized as an unrealized gain or loss on remeasurement. These contracts have no cash settlement at the end of the contract, and therefore, no impact on FFO. Included in earnings from unconsolidated property funds, in our Consolidated Statements of Earnings, are remeasurement gains of $14.3 million and $4.0 million for the three and six months ended June 30, 2008, respectively, representing our share of the remeasurement gains or losses of these contracts.

(5) The following table presents the components of interest expense as reflected in our Consolidated Statements of Earnings (in thousands). The increase in interest expense before capitalization is primarily the result of increased debt levels (a function of increased development activities, partially offset by contribution activity) offset by a decrease in our weighted-average borrowing rate. The increase in development activities also accounts for the increased capitalized interest.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Gross interest expense	$120,903	$117,854	$245,046	$232,876
Net premium amortization	(1,958)	(2,592)	(2,550)	(5,687)
Amortization of deferred loan costs	3,040	2,862	5,952	5,291
Interest expense before capitalization	121,985	118,124	248,448	232,480
Less: capitalized amounts	(37,849)	(27,484)	(79,188)	(53,189)
Net interest expense	$84,136	$90,640	$169,260	$179,291

In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. APB 14-1 "Accounting for Convertible Debt Instruments that May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" 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, which would result in the debt being recorded at a discount. The resulting debt discount would be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. The effective date is January 1, 2009 with the application of the new accounting applied retrospectively to both new and existing convertible instruments, including the notes issued in 2007 and

2008. As a result of the new accounting, beginning in 2009, we will recognize an additional non-cash interest expense of between $64 million and $82 million per annum, prior to the capitalization of interest due to our development activities. Prior periods will be restated for the partial year impact.

(6) In addition to contributions of CDFS properties, from time to time, we contribute properties from our property operations segment to unconsolidated property funds in which we have continuing interests through our equity ownership. During the three and six months ended June 30, 2008, we contributed one such property to the ProLogis Mexico Industrial Fund. During the three and six months ended June 30, 2007, we contributed 66 non -CDFS properties to ProLogis North American Industrial Fund. The gains related to the dispositions of properties from our property operations segment are included in earnings but are not included in our calculation of FFO. See our definition of FFO.

(7) 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 Earnings for all periods presented. During the first half of 2008, we disposed of five properties to third parties, one of which was a CDFS property, as well as land subject to a ground lease. During the full year of 2007, we disposed of 80 properties to third parties, five of which were CDFS properties, as well as land subject to ground leases. We had one property and two properties classified as held for sale on our Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007, respectively. The two properties classified as held for sale at December 31, 2007 were sold during the first quarter of 2008.

The components that are presented as discontinued operations (excluding the gains recognized upon disposition) are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Rental income	$121	$3,911	$887	$9,666
Rental expenses	(116)	(1,601)	(494)	(3,648)
Depreciation and amortization	(155)	(1,241)	(361)	(2,968)
	$(150)	$1,069	$32	$3,050

For purposes of our Consolidated Statements of FFO, we do not segregate discontinued operations. In addition, we include the disposition proceeds and the cost of dispositions for all CDFS properties disposed of during the period in the calculation of FFO, including those classified as discontinued operations.

(8) 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 generally recognize the deferred tax liabilities that represent the tax effect of the difference between the tax basis carried over and the fair values of these assets 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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