



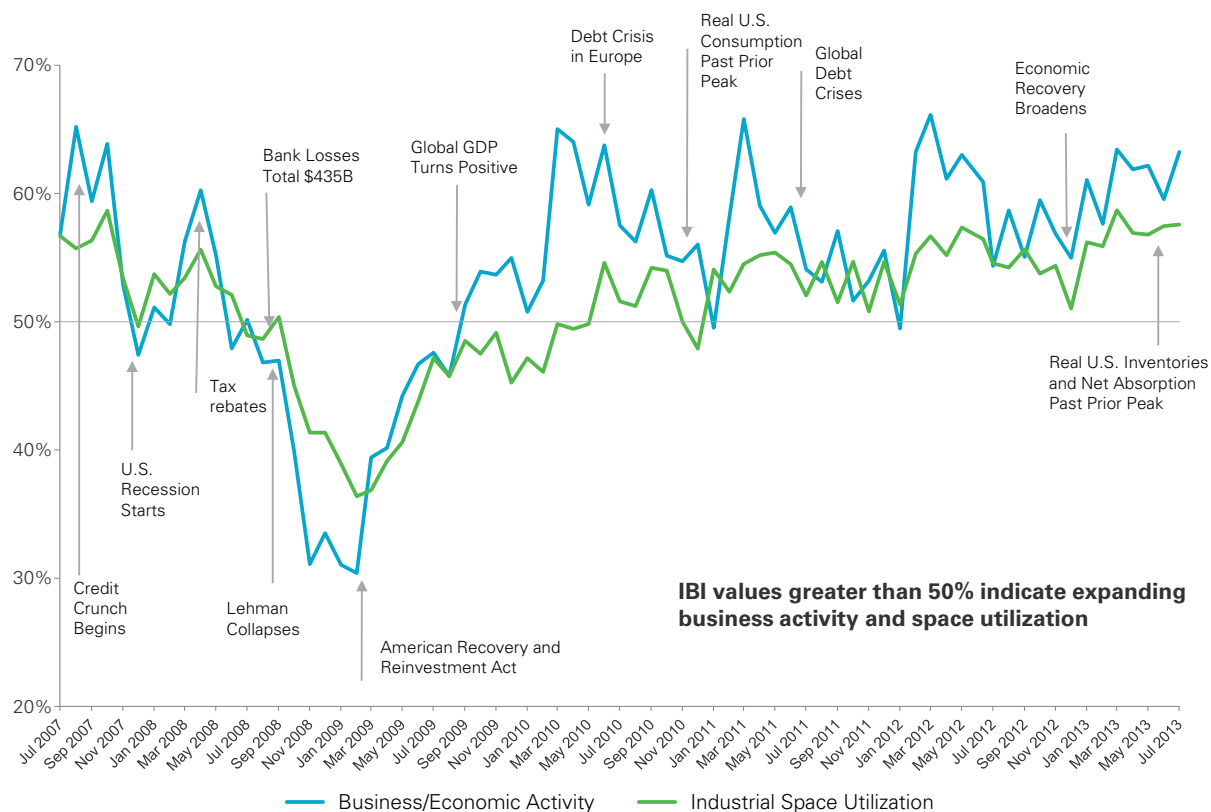
# PROLOGIS INDUSTRIAL BUSINESS INDICATOR INDICATES FURTHER STRENGTH FOR U.S. INDUSTRIAL DEMAND

## SIX YEARS AND COUNTING

July 2007 marked the initial launch of the Prologis Industrial Business Indicator (IBI), and with the July 2013 index we have entered our seventh year with 73 consecutive monthly data observations, including nearly 30,000 total participants/respondents since inception of the survey. In this update we look at what the IBI is telling us about the U.S. economy and our customer types and how this translates to demand for industrial space going forward.

The Prologis Industrial Business Indicator (IBI) is a proprietary monthly indicator derived from three components: the Business Activity Index; the Space Utilization Index; and the actual reported rate of space being utilized by our customers. Each month, data is collected from a geographically diverse set of Prologis customers, representing a variety of business sizes, sectors and markets, moving inventory through the global supply chain. This data is aggregated into the appropriate indices by markets, submarkets, industry groups and customer types, providing a powerful tool for predicting economic and industrial market trends.

### EXHIBIT 1: Business Activity and Space Utilization Remain Strong

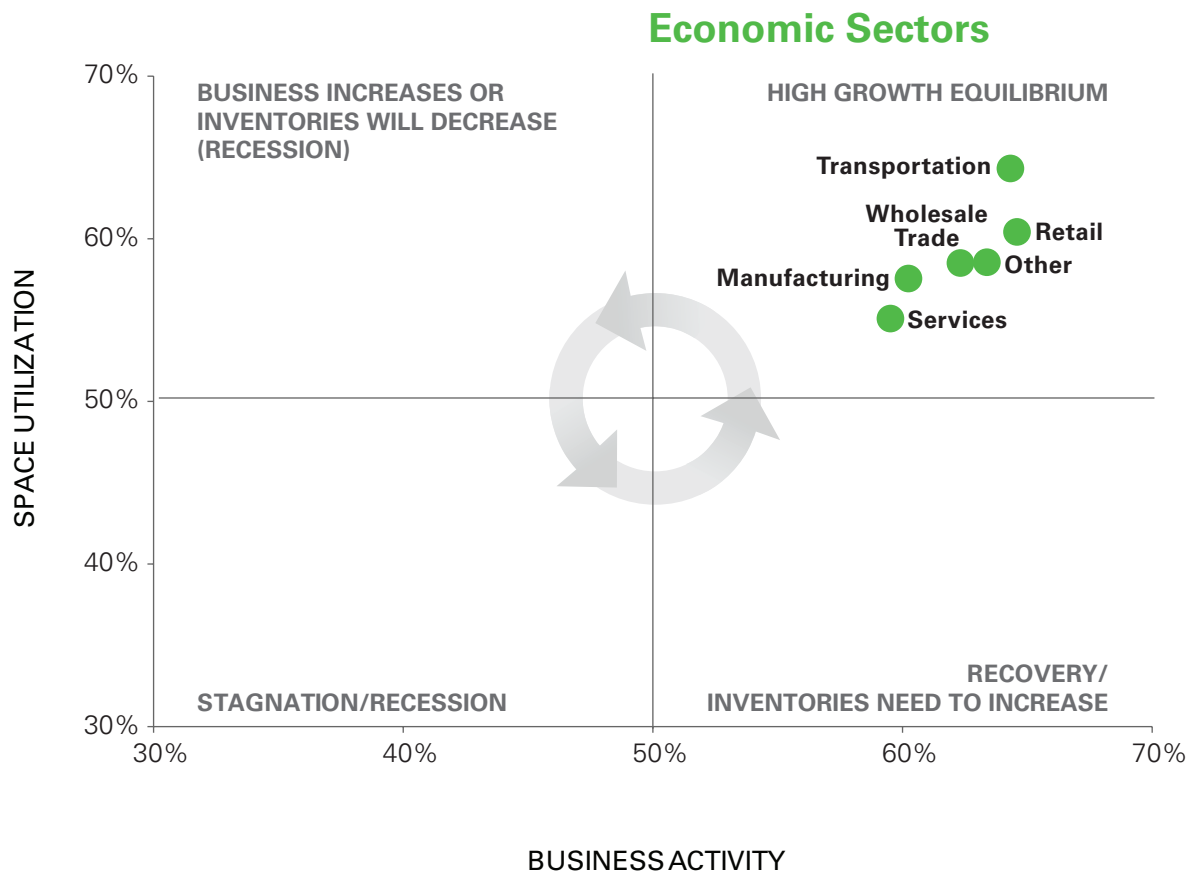


The July 2013 Business Activity and Space Utilization indices measured 63.2 and 57.6, respectively, the strongest July readings of either index since inception of the IBI. This continues the recent trend of out-performance as the year-to-date performance is also the strongest on record. The strength of these indices is indicative of strong economic and industrial market growth.

## SECTOR ANALYSIS

Exhibit 2 illustrates the July 2013 Business Activity (x axis) and Space Utilization (y axis) indices, by economic sectors. As predicted in our IBI publication from a year ago, all sectors moved into the upper-right quadrant in the fourth quarter of 2012, thereby indicating all sectors were fully in expansion. This is an important step forward and indicative of a broad-based economic recovery. Notably, this marked the first time all sectors remained in the “growth” quadrant for an entire quarter since 2008. Since then, all sectors have gained momentum and have moved further into the quadrant, indicating even stronger business activity and space utilization. The Prologis IBI is indicating that the recovery in the United States is the broadest, deepest and most diverse since prior to the financial crisis.

**EXHIBIT 2:** IBI by Economic and Customer Segments

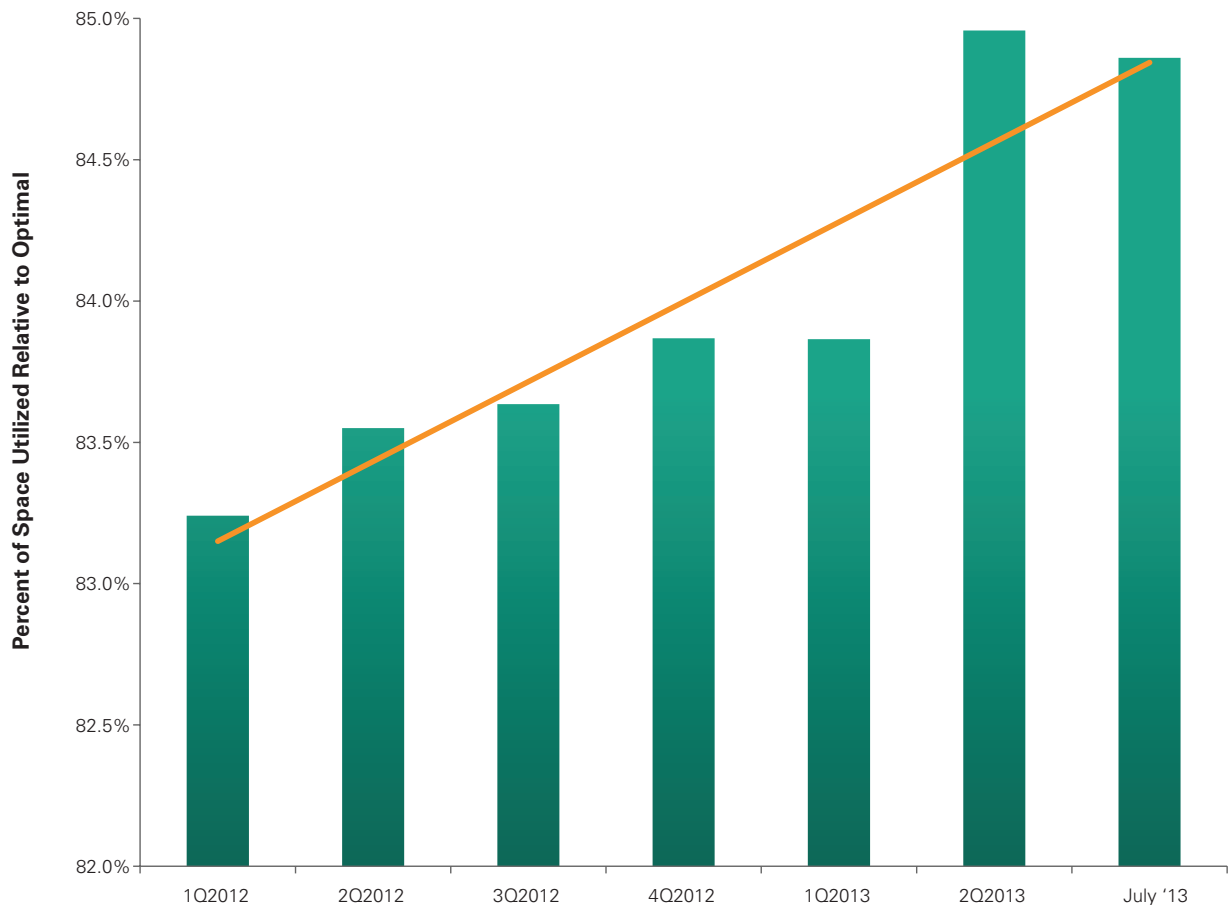


## RECORD RATES OF UTILIZATION AND REAL INVENTORIES

Our customers are indicating that they are utilizing record levels of industrial space (Exhibit 3). This uptick in utilization implies the absorption of 140 million square feet of “shadow space” during the past three months. Record level utilization is also consistent with record level real inventories, a benchmark realized in the second quarter and predicted by the IBI more than a year ago.

As real consumption is more than 6% past prior peak, the real inventory to sales ratio continues to hover near a new record low. It is clear that buildings are filling up and inventories are at record high levels. However, the economy and sales have grown at a faster rate and inventories remain too lean. This bodes well for future net absorption.

### EXHIBIT 3: Space Utilization is Accelerating



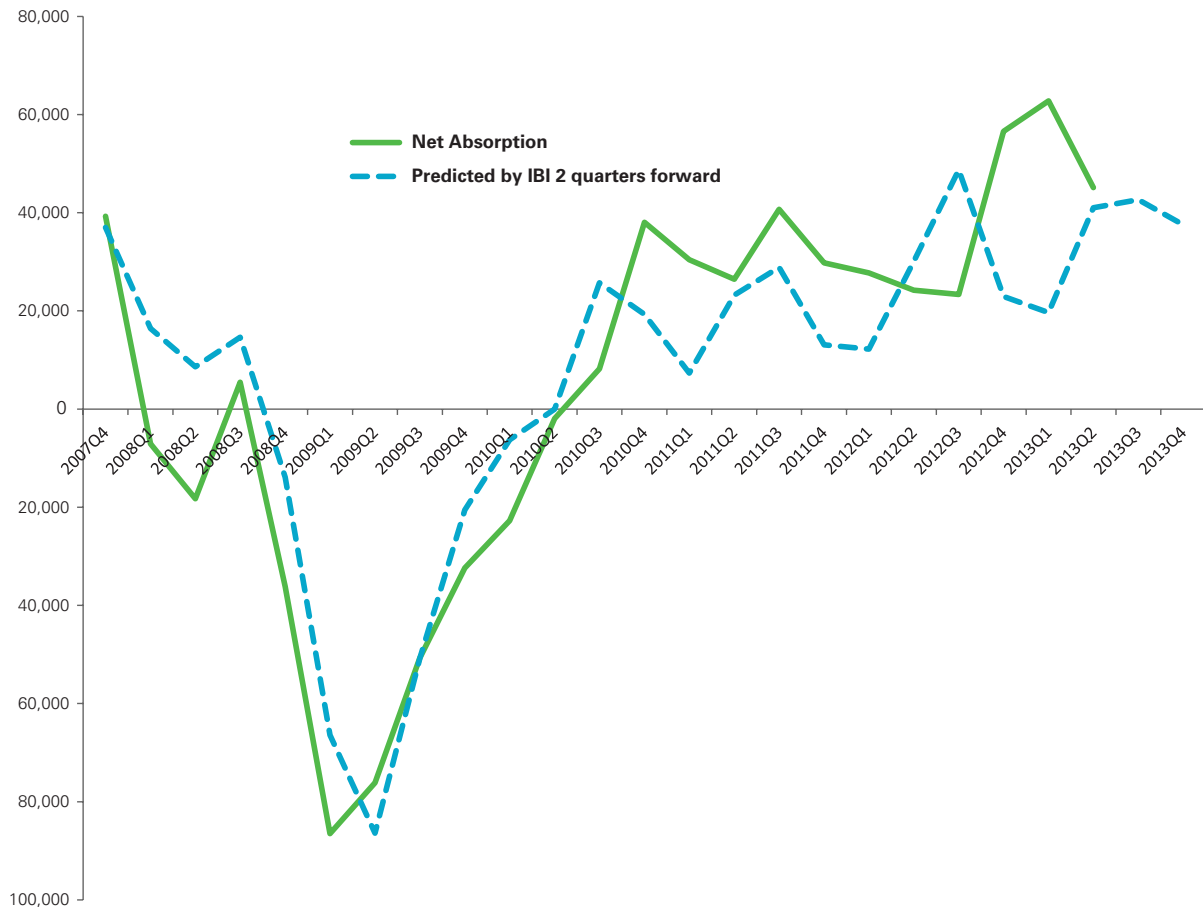
## NET ABSORPTION FORECAST

The IBI Business Activity Index has proven to be a reliable indicator of near-term trade and net absorption, with one-quarter forward correlations of roughly 0.9; thus, current high IBI business activity readings foretell healthy demand in the coming quarters. Exhibit 4 shows this relationship by plotting actually quarterly net absorption against the two quarter forward net absorption forecasts, as predicted by the IBI

continued on next page

(regression). We utilize this model in conjunction with forecasts of net absorption based upon consumption, retail sales, trade and inventory growth. These models predict that net absorption will remain robust through the remainder of the year, consistent with the strong levels realized over the past three quarters.

#### EXHIBIT 4: Strong Net Absorption Expected to Continue



#### Forward-Looking Statements

Copyright © 2013 by Prologis, Inc. All rights reserved.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security. We are not soliciting any action based on this material. It is for the general information of customers of Prologis.

This report is based, in part, on public information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. No representation is given with respect to the accuracy or completeness of the information herein. Opinions expressed are our current opinions as of the date appearing on this report only. Prologis disclaims any and all liability relating to this report, including, without limitation, any express or implied representations or warranties for statements or errors contained in, or omissions from, this report.

Any estimates, projections or predictions given in this report are intended to be forward-looking statements. Although we believe that the expectations in such forward-looking statements are reasonable, we can give no assurance that any forward-looking statements will prove to be correct. Such estimates are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date of this report. We expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in our expectations or any change in circumstances upon which such statement is based.

No part of this material may be (i) copied, photocopied, or duplicated in any form by any means or (ii) redistributed without the prior written consent of Prologis.

#### About Prologis

Prologis, Inc., is the leading owner, operator and developer of industrial real estate, focused on global and regional markets across the Americas, Europe and Asia. As of December 31, 2012, Prologis owned or had investments in, on a consolidated basis or through unconsolidated joint ventures, properties and development projects totaling approximately 554 million square feet (51.5 million square meters) in 21 countries. The company leases modern distribution facilities to more than 4,500 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises.

#### White Paper Contributors

**Chris Caton**, Vice President  
**Dave Twist**, Vice President  
**Audrey Symes**, Senior Associate  
**Michael Steingold**, Analyst