



PROLOGIS INDUSTRIAL BUSINESS INDICATOR ILLUSTRATES STRENGTH OF U.S. EXPANSION

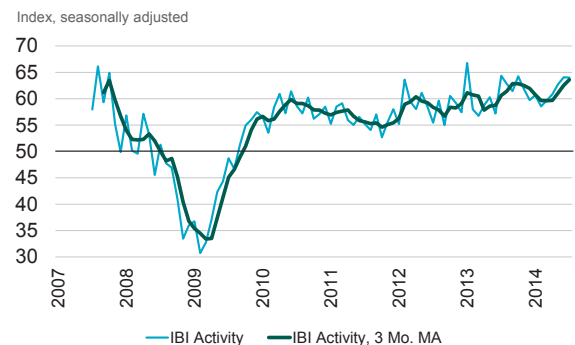
Prologis' Industrial Business Indicator (IBI), the company's proprietary survey of customer activity levels and facility utilization rates, reveals the logistics market is entering a new phase of acceleration. Our customers reported record levels of activity in July and note that their utilization of existing space remains above average. We anticipate net absorption of 215-220M sf and 110M sf of completions in 2014. We expect this favorable supply/demand imbalance will push vacancy to near-15-year lows.

IBI results indicate that our customers carried strong momentum into the third quarter. The activity index began a strong upward trend in the wake of the frigid winter earlier this year, which continued into the summer. After adjusting for seasonality, the index was 64.0 in July, and the three-month moving average rose to a new record of 63.6. The IBI is a diffusion index, where results above 50 indicate expansion. Our surveys also study facility utilization level, which reveals that our customers' spaces are being kept full. This combination of record business growth and low levels of unused space suggests that business expansion requires new demand for logistics space.

Analyzing the IBI activity index by geography, all regions continue to enjoy strength.

Results in the May-July period were led by growth in the Western markets, while the Central and East regions were healthy but stable. In addition, infill markets with a high concentration of small-space users are performing very well, with above-average IBI results in New York / New Jersey and San Francisco. The Texas markets are also very strong, including both Houston and Dallas. Also notable is Atlanta, where results have climbed above the national average in the past year. Those markets that are below the

**EXHIBIT 1:
IBI Activity Index**



**EXHIBIT 2:
IBI Utilization Rate**

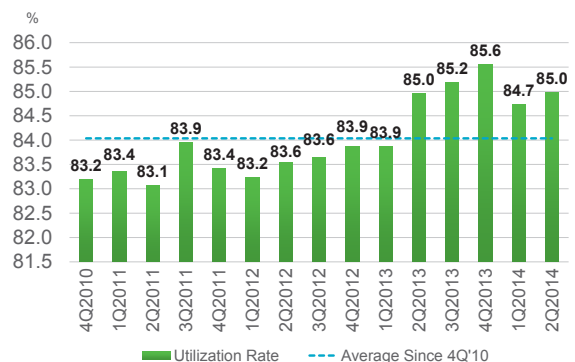
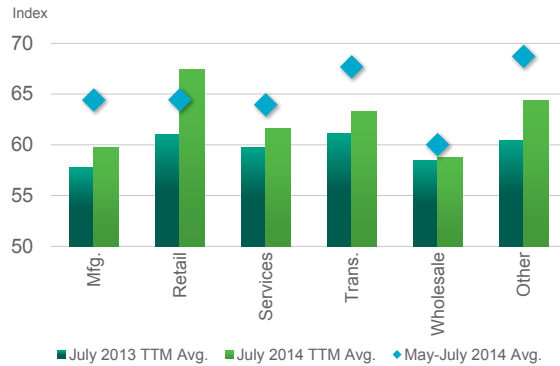


EXHIBIT 3:
IBI Activity Index By Sector



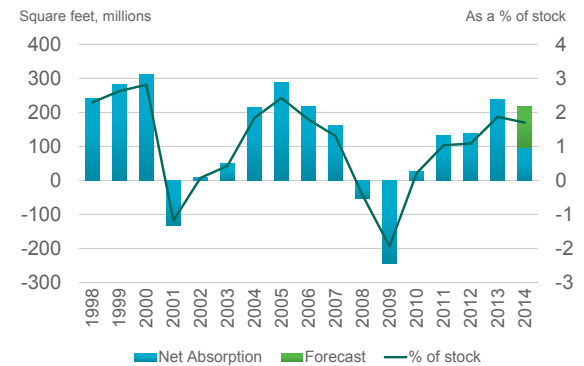
Source: Prologis Research

index average, although still above 50, include Chicago and a handful of smaller regional markets.

The IBI momentum is broad-based among customer industries. Activity levels have increased across all industries in the past year, led by retailers. On a short-term basis, customers in the transportation industry reported the strongest activity in the May-July period. This category includes third-party logistics providers, a large segment that, in turn, represents clients in a variety of industries. The health of the transportation sector, and third-party logistics providers in particular, is a good sign for diversified growth of logistics.

The U.S. economy is hitting a new stride, giving a positive impulse to logistics demand. Incoming data in the spring and summer months have put to rest questions about the health of the economic expansion that arose following weather-induced weakness early in the year. Looking ahead, the leading indicators of logistics demand continue to be bright, showing few signs of a summer activity slowdown. Exhibit 5 highlights key leading indicators and implied net absorption based upon our regression analyses. Inventory accumulation began to accelerate in the second half of 2013, amid continued economic growth and greater clarity in its direction. Inventory levels increased another \$129B annualized in the first half of this year and are now \$200B above

EXHIBIT 4:
Net Absorption Expansion is Advancing



Source: Prologis Research

EXHIBIT 5:
Summary of Net Absorption Indicators

	Latest Reading	as of	Est. Net Absorption, M sf		Regression Fit (R-sqr)
			Quarterly	Annualized	
IBI-Activity	64.0	July, 2014	57	228	0.86
Weighted Average of Econ Variables			56	224	
PMI (non-mfg)	57.0	July, 2014	61	244	0.79
Retail Sales	4.1%	July, 2014	45	182	0.72
Inventories	64.3	Q2 2014	57	227	0.68
Jobs (private)	232	July, 2014	60	240	0.74

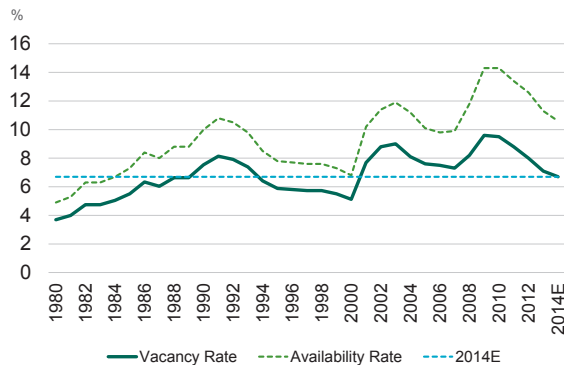
Source: Institute for Supply Management, Bureau of Economic Analysis, U.S. Census, Bureau of Labor Statistics, Prologis Research

Note: PMI series is the three-month moving average index level. Retail sales series is the yr/yr growth of the three-month moving average. Inventories series is the two-quarter moving average in billions of real dollars (2009 basis). Jobs series is the three-month average change in private employment in thousands. The weighted average is based upon R-squareds.

prior peak level. Notably, the labor market has become a tail wind to consumers. Job growth has exceeded 200K per month since February, the first six-month string of +200K gains since 1997.

We expect strong demand for full-year 2014. Net absorption of 53M sf (0.4% of stock) in the second quarter brings the total for the first half of the year to 97M sf (0.8%), according to CBRE-EA, which we annualize to 205M sf based on seasonality. Our full-year forecast of 215-220M

EXHIBIT 6: Vacancy Forecast to Fall to Lowest Since 2000



Source: CBRE-EA, Prologis Research

Note: 2014E is Prologis Research forecast. Historical vacancy and availability data comes from CBRE-EA. CBRE's vacancy series begins in 2001. Older historical levels have been estimated based on the ratio between vacancy/availability during 2001-2007, which averaged 0.75/1.00.

sf for 2014 is based on a moderately higher pace during the second half of the year, which is consistent with our leading indicators of demand.

The pace of net absorption continues to outstrip supply, and we expect vacancy declines to continue. Completions in the first half of the

year were 50M sf (0.4% of stock), according to CBRE-EA. We expect approximately 110M sf (0.9%) in total this year, half the pace of net absorption. An excess demand gap persists in key markets but is narrowing as strong rent growth and cap rate compression make more development feasible. However, growing construction costs are a limiting factor. Even in the most active development markets, conditions today are approaching balance rather than oversupply. Nationally, vacancy fell to just 6.9% in the second quarter, according to CBRE-EA, the lowest level since 2001. Our forecast implies that vacancy will continue to decline through the rest of the year to reach the lowest since 2000.

CONCLUSION

The U.S. economy is again a tail wind to logistics demand. The Prologis IBI survey, along with other leading indicators of demand, points to the ongoing expansion in the logistics market. Demand continues to outstrip supply nationally. We expect this trend of rising occupancy to continue as the logistics market has a strong finish to 2014 and builds positive momentum for 2015.

Forward-Looking Statements

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Prologis Research

Prologis' research department studies fundamental and investment trends and Prologis' customers' needs to assist in identifying opportunities and avoiding risk across four continents. The team contributes to investment decisions and long-term strategic initiatives, in addition to publishing white papers and other research reports. Prologis publishes research on the market dynamics impacting Prologis' customers' businesses, including global supply chain issues and developments in the logistics and real estate industries. Prologis' dedicated research team works collaboratively with all company departments to help guide Prologis' market entry, expansion, acquisition and development strategies.