PROLOGIS
Form 10-K/A
March 17, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A #1

(Mark One)
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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004.
OR

o

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number 1-12846

PROLOGIS
(Exact name of registrant as specified in its charter)

Maryland	**74-2604728**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

14100 East 35th Place
Aurora, Colorado 80011
(Address of principal executive offices and zip code)
(303) 375-9292
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Series G Cumulative Redeemable Preferred Shares of Beneficial Interest par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes þ No o

Based on the closing price of the registrant s shares on June 30, 2004, the aggregate market value of the voting common equity held by non-affiliates of the registrant was $5,957,143,121.

At March 11, 2005, there were outstanding approximately 186,306,321 common shares of beneficial interest of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portion of the registrant s definitive proxy statement for the 2005 annual meeting of its shareholders are incorporated by reference in Part III of this report.

The purpose of this Form 10-K/A is to amend certain disclosures in Item 6. Selected Financial Data and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations of ProLogis originally filed Annual Report on Form 10-K.

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PART I

ITEM 1. Business

ProLogis

ProLogis (collectively with its consolidated subsidiaries and partnerships, ProLogis) is a real estate investment trust (REIT) that operates a global network of industrial distribution properties. ProLogis business strategy is designed to achieve long-term sustainable growth in cash flow and sustain its return on equity at a high level for its shareholders. ProLogis manages its business by utilizing the ProLogis Operating System®, an organizational structure and service delivery system that ProLogis built around its customers. When combined with ProLogis international network of distribution properties, the ProLogis Operating System enables ProLogis to meet its customers distribution space needs on a global basis. ProLogis believes that, by integrating international scope and expertise with a strong local presence in its markets, it has become an attractive choice for its targeted customer base, the largest global users of distribution space.

ProLogis is organized under Maryland law and has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code). ProLogis world headquarters are located in Aurora, Colorado. ProLogis European headquarters are located in the Grand Duchy of Luxembourg while its European customer service headquarters are located in Amsterdam, The Netherlands. ProLogis has offices in Asia in Tokyo, Japan and Shanghai, China. ProLogis common shares of beneficial interest, par value $0.01 per share (Common Shares) were first listed on the New York Stock Exchange (NYSE) in March 1994.

This report on Form 10-K includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global economic, business, competitive, market and regulatory factors. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Factors.

A copy of this Annual Report on Form 10-K, as well as ProLogis Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to such reports are available, free of charge, on the Internet in the Investor Relations section of ProLogis website (www.prologis.com). All required reports are made available on the website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the SEC). Any references to ProLogis website address does not constitute incorporation by reference of the information contained in the website and such information should not be considered to be part of this document.

Business Strategy and Global Presence

ProLogis business strategy has evolved over time in response to changes in the environment in which it operates. Throughout this evolution, ProLogis focus has continued to be on its customers needs. ProLogis was formed in 1991 as an industrial distribution operating company in the United States with a primary objective of differentiating itself from its competition. To do this, ProLogis needed to be able to meet a corporate customer s distribution space requirements on a national, regional and local basis while providing customers with consistent levels of service throughout the country. As such, ProLogis initial business strategy involved the acquisition and development of industrial distribution properties across the United States and the building of a management team that would operate throughout the United States. These operating properties represented one operating segment the property operations segment as ProLogis intent was, and continues to be, to hold certain investments on a long-term basis while generating income from leasing the properties to customers.

As ProLogis customers needs expanded to markets outside the United States, so did ProLogis portfolio and its management team. ProLogis expanded its operations to Mexico in 1996 and to Europe in 1997, and now has operations in 11 European countries. In 2001, ProLogis again expanded its operations, this time to Asia with the initiation of operations in Japan. ProLogis opened a representative office in China in 2003 and, in 2004, acquired its first real estate assets in China. Further expansion in 2004 included ProLogis entry into Singapore, with the acquisition of an operating property, and Canada, with the acquisition of land for future development.

In 1995, ProLogis expanded its business to include the corporate distribution facilities services (CDFS business) operating segment. The CDFS business segment began utilizing ProLogis existing development capabilities, which had been primarily focused on the development of properties for direct, long-term investment, to develop properties for sale to third parties. As a REIT, ProLogis must distribute rather than reinvest substantial amounts of its internally generated capital. Accordingly, the CDFS business segment s sales to third parties provided ProLogis with funds that it could use as an alternative to public capital (debt and equity markets).

The ability to recycle funds in the CDFS business segment became a more integral part of ProLogis business strategy in early 1999 when the public equity markets became an increasingly costly method of raising capital. As such, it was necessary for ProLogis to increase the volume of its CDFS business segment transactions so that it could self-fund its development activities. Therefore, ProLogis shifted the focus of its CDFS business segment from developing and selling properties to third parties to developing properties that would be contributed to property funds property funds that would be formed by ProLogis with private equity capital sources, in which ProLogis would maintain an ownership position and that would each be managed by ProLogis. And, to supplement the private equity investments in each property fund, the property funds were positioned to obtain secured debt financing by using their properties as security. Today, the property funds leverage ratios typically range from 40% to 75%. As ProLogis property funds grew, ProLogis expanded its CDFS business segment activities to also include the acquisition of properties that would be rehabilitated and/or repositioned within the CDFS business segment prior to contribution to a property fund.

ProLogis property fund strategy:

- Allows ProLogis to realize, for financial reporting purposes, a portion of the development profits from its CDFS business activities by contributing its stabilized development properties to property funds (profits are recognized to the extent of third party investment in the property fund);

- Provides diversified sources of private capital to ProLogis thereby allowing ProLogis to have less overall capital invested;

- Allows ProLogis to earn fees for providing services to the property funds;

- Allows ProLogis to maintain a long-term ownership position in the properties; and

- Allows ProLogis, as the manager of the property funds, to maintain the market presence and customer relationships that are the key drivers of the ProLogis Operating System (see ProLogis Management ProLogis Operating System).

ProLogis first property fund was formed in August 1999 primarily with operating properties from ProLogis property operations segment, however subsequent property funds formed by ProLogis have primarily included properties developed by ProLogis in the CDFS business segment. ProLogis fifteen property funds have been formed in several ways illustrating the flexibility that this business strategy affords ProLogis:

- Five of ProLogis property funds, all in the United States, were formed with an initial amount of private capital that allowed the property fund to generally make one portfolio acquisition from ProLogis;

- ProLogis European Properties Fund, ProLogis Japan Properties Fund and ProLogis North American Properties Fund V were all formed with partners who have provided capital commitments to acquire properties on a continuing basis after formation;

ProLogis and affiliates of four investment funds formed five property funds with the objective of acquiring properties from an established REIT in a business combination. These property funds also acquired properties from ProLogis; and

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Interests in two established property funds were acquired by ProLogis as part of a business combination.

As ProLogis business strategy has evolved, the primary driver in this evolution has been ProLogis focus on its customers global needs for distribution space. After 13 years in operation, that focus has enabled ProLogis to become a leading global provider of distribution space operating on three continents.

ProLogis Operating Segments

ProLogis business is organized into two operating segments: property operations and the CDFS business.

Property Operations

Investments

The property operations segment represents the long-term ownership, management and leasing of industrial distribution properties. ProLogis property operations segment at December 31, 2004 (including assets owned by 15 property funds in which ProLogis has ownership interests) consisted of 1,936 operating properties aggregating 282.8 million square feet in North America (the United States and Mexico), 11 countries in Europe and in Asia (Japan and Singapore). Of the total operating properties, ProLogis directly owned 1,228 operating properties aggregating 133.6 million square feet and its property funds owned 708 properties aggregating 149.2 million square feet. ProLogis presents its investments in the property funds under the equity method. ProLogis ownership interests in its 15 property funds ranged from 11.5% to 50% at December 31, 2004. ProLogis investment strategy in the property operations segment focuses primarily on generic industrial distribution properties in key distribution markets.

ProLogis develops distribution properties in its other operating segment, the CDFS business segment, with the intent to contribute the properties to property funds or to sell the properties to third parties. ProLogis also acquires properties in the CDFS business segment, with the intent to contribute them to a property fund, generally after rehabilitation and/or repositioning activities have been completed. These CDFS business properties, along with their operations, are included in the property operations segment after they are completed or acquired through the date they are contributed or sold. The gains and losses realized from the contributions or sales of these properties are included in the CDFS business segment s income because they were developed or acquired in that segment. At December 31, 2004, there were 90 CDFS business segment operating properties aggregating 18.0 million square feet at a total investment of $897.9 million that were included in the property operations segment s investments pending contribution or sale.

Property operations segment investment activities in 2004 included:

Formation of five new United States property funds in which ProLogis has a 20% ownership interest (125 properties; 25.5 million square feet; $1.51 billion total investment).

Disposition of 14 properties that were direct, long-term investments in the property operations segment aggregating 1.1 million square feet generating aggregate net proceeds of $40.6 million.

In North America, ProLogis North American Properties Fund V acquired 32 properties aggregating 7.6 million square feet at a total investment of $313.8 million, including 25 properties aggregating 4.9 million square feet at a total investment of $215.0 million that were acquired from ProLogis.

In Europe, ProLogis European Properties Fund acquired 33 properties aggregating 7.4 million square feet at a total investment of $599.3 million, all of which were acquired from ProLogis except for one 0.2 million square foot property at a total investment of $9.5 million.

ProLogis Japan Properties Fund acquired eight properties aggregating 2.3 million square feet at a total investment of $359.1 million, including three properties aggregating 1.2 million square feet at a total investment of $220.2 million that were acquired from ProLogis.

Acquired 20% ownership interests in two property funds as part of the Keystone Transaction (26 properties; 7.7 million square feet; $496.4 million total investment).

Acquisition of nine properties aggregating 2.3 million square feet at a total investment of $126.6 million as part of the keystone Transaction with the intent to own these properties directly in the property operations segment rather than to contribute these properties to property funds.

See Item 2. Properties Properties, Item 2. Properties Unconsolidated Investees Property Operations , Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Keystone Transaction and Notes 5 and 12 to ProLogis Consolidated Financial Statements in Item 8.

Operations

The property operations segment generates income from rents and reimbursements of property operating expenses from unaffiliated customers who lease ProLogis distribution space. Also, the operating income of the property operations segment includes ProLogis proportionate share of the net earnings or losses each of the property funds recognized under the equity method, along with the fee income that ProLogis earns for managing the properties owned by the property funds. In addition to property and asset management fees, ProLogis also earns fees for performing other services for the property funds, including, but not limited to, development, leasing and acquisition activities.

The net earnings or losses generated by operating properties developed or acquired in the CDFS business segment that are included in the property operations segment on an interim basis prior to their contribution or sale are also included in the net operating income of the property operations segment. The gains or losses from the contributions or sales of these properties are included in the net operating income of the CDFS business segment.

In 2004, 2003 and 2002, the property operations segment s net operating income was $496.1 million, $478.5 million and $475.7 million, respectively. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Property Operations and Note 12 to ProLogis Consolidated Financial Statements in Item 8.

Operational information about this operating segment for 2004 includes:

ProLogis stabilized operating portfolio of 276.2 million square feet (including properties owned by the property funds) was 92.3% leased and 91.4% occupied at December 31, 2004. ProLogis total operating portfolio of 282.8 million square feet (including properties owned by the property funds) was 91.0% leased and 89.8% occupied at December 31, 2004. ProLogis defines its stabilized properties as those properties where the capital improvements, repositioning efforts, new management and new marketing programs for acquisitions, or the marketing programs in the case of newly developed properties, have been in effect for a sufficient period of time. A property enters the stabilized pool at the earlier of 12 months or when it is substantially leased, which is defined by ProLogis generally as 93%. Overall occupancy levels increased in 2004 from 2003. ProLogis leased percentage for the stabilized portfolio at December 31, 2004 increased to 92.3% from 90.2% at December 31, 2003.

ProLogis leased 66.0 million square feet of distribution space in 1,614 leasing transactions in its properties and in the properties owned by the property funds. Rental rates decreased by 4.7% for 2004 transactions involving previously leased space (49.5 million square feet). ProLogis weighted average customer retention rate was 68.7% for all properties in 2004. In 2003, ProLogis rental rates decreased by 4.8% for transactions involving previously leased space and its weighted average customer retention rate was 71.4%.

ProLogis same store portfolio of operating properties (properties owned by ProLogis and the property funds that were operating throughout all of 2004 and 2003) aggregated 206.3 million square feet. Rental income, excluding termination and renegotiation fees, less rental expenses of the same store portfolio increased by 0.15% in 2004 from 2003. For the same store portfolio applicable to 2003, rental income, excluding termination and renegotiation fees, less rental expenses increased by 0.09% in 2003 from 2002. See the discussion of ProLogis same store portfolio at Item 7. Management s Discussion

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and Analysis of Financial Condition and Results of Operations   Results of Operations   Property Operations.

ProLogis earned termination and renegotiation fees of $2.5 million related to leases in its directly owned properties in 2004. Such fees in 2003 were $5.6 million. In certain leasing situations, ProLogis finds it advantageous to negotiate lease terminations with a customer, particularly when the customer is experiencing financial difficulties or when ProLogis believes that it can re-lease the space at rates that, when combined with the termination fee, provide a total return to ProLogis in excess of that which was being earned under the original lease terms.

ProLogis earned various fees from the property funds, primarily from property management and asset management services, of $50.8 million in 2004 as compared to $44.2 million in 2003.

Market Presence

At December 31, 2004, the 1,228 properties aggregating 133.6 million square feet in the property operations segment that are owned directly by ProLogis are located in 39 markets in the United States, four markets in Mexico, 12 markets in five countries in Europe, in Osaka, Japan (one property that was developed in the CDFS business segment that is approximately 27% leased at December 31, 2004) and in Singapore (one property acquired in 2004). ProLogis largest property operations segment markets in the United States (based on investment in directly owned properties) are Atlanta, Chicago, Dallas/ Fort Worth, Houston and San Francisco (Central Valley, East Bay and South Bay markets). ProLogis largest holdings in the property operations segment in Europe are in the United Kingdom, primarily the London and Southeast market. Property operations segment properties in Europe are primarily properties that were developed or acquired in the CDFS business segment that have not yet been contributed or sold. See CDFS Business and Item 2. Properties Geographic Distribution and Item 2. Properties Properties.

The operating properties owned by the property funds at December 31, 2004 were as follows (square feet in thousands):

	Number	Square Feet
ProLogis California(1)	81	14,204
ProLogis North American Properties Fund I(2)	36	9,406
ProLogis North American Properties Fund II(3)	27	4,477
ProLogis North American Properties Fund III(4)	34	4,380
ProLogis North American Properties Fund IV(5)	17	3,475
ProLogis North American Properties Fund V(6)	119	28,267
ProLogis North American Properties Fund VI(7)	22	8,648
ProLogis North American Properties Fund VII(8)	29	6,055
ProLogis North American Properties Fund VIII(9)	24	3,065
ProLogis North American Properties Fund IX(10)	21	3,504
ProLogis North American Properties Fund X(11)	29	4,191
ProLogis North American Properties Fund XI(12)	14	4,315
ProLogis North American Properties Fund XII(13)	12	3,364
ProLogis European Properties Fund(14)	230	47,921
ProLogis Japan Properties Fund(15)	13	3,869
Totals	708	149,141

(1) All properties are located in the Los Angeles/ Orange County market.

(2) Properties are located in 17 markets in the United States.

(3) Properties are located in 13 markets in the United States.

(4) Properties are located in 15 markets in the United States.

(5) Properties are located in 10 markets in the United States.

(6) Properties are located in 24 markets in the United States and in four markets in Mexico.

(7) Properties are located in eight markets in the United States (property fund was formed in 2004).

(8) Properties are located in nine markets in the United States (property fund was formed in 2004).

(9) Properties are located in 10 markets in the United States (property fund was formed in 2004).

(10) Properties are located in eight markets in the United States (property fund was formed in 2004).

(11) Properties are located in 11 markets in the United States (property fund was formed in 2004).

(12) Properties are located in three markets in the United States (ProLogis acquired an ownership interest in this existing property Fund in 2004).

(13) Properties are located in two New Jersey markets (ProLogis acquired an ownership interest in this existing property Fund in 2004).

(14) Properties are located in 26 markets in 11 countries in Europe (70 properties, 12.6 million square feet located in the Central France market, primarily in Paris).

(15) Properties are located in the Tokyo, Nagoya and Osaka markets in Japan.

See Item 2. Properties Geographic Distribution for a discussion of ProLogis defined markets and Item 2. Properties Unconsolidated Investees Property Operations for additional information on the operating properties owned by the property funds.

Competition

In general, numerous other industrial distribution properties are located in close proximity to ProLogis properties. The amount of rentable distribution space available in any market could have a material effect on ProLogis ability to rent space and on the rents that ProLogis can charge. In addition, in many of ProLogis submarkets, institutional investors and owners and developers of industrial distribution properties (including other REITs) compete for the acquisition, development and leasing of distribution space. Many of these entities have substantial resources and experience. Competition in acquiring existing distribution properties and land, both from institutional capital sources and from other REITs, has been very strong over the past several years.

Property Management

ProLogis business strategy includes a customer service focus that requires ProLogis to provide responsive, professional and effective property management services at the local level. To enhance its management services, ProLogis has developed and implemented proprietary operating and training systems to achieve consistent levels of performance and professionalism in all markets and to enable its property management team members to give the proper level of attention to ProLogis customers throughout its network. ProLogis manages substantially all of its directly owned operating properties and all of the operating properties owned by the property funds.

Customers

ProLogis has developed a customer base that is diverse in terms of industry concentration and that represents a broad spectrum of international, national, regional and local distribution space users. At December 31, 2004, ProLogis and the property funds had 4,114 customers occupying 254.0 million square feet of distribution space. Including customers leasing space in properties owned by the property funds, the largest customer and the 25 largest customers accounted for 2.25% and 22.1%, respectively, of the annualized collected base rents of ProLogis and the property funds at December 31, 2004. When the customers leasing space in the properties owned by the property funds are excluded, ProLogis largest customer and its 25 largest customers accounted for 1.35% and 15.6%, respectively, of ProLogis annualized collected base rents at December 31, 2004.

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Employees

ProLogis directly employs approximately 830 persons. ProLogis employees work in North America (approximately 560 persons), in nine countries in Europe (approximately 210 persons) and in three countries in Asia (approximately 60 persons). Of the total, approximately 360 employees are assigned to the property operations segment. ProLogis other employees may assist with property operations segment activities. ProLogis believes that its relationships with its employees are good. ProLogis employees are not represented by a collective bargaining agreement.

Seasonal Nature of the Business

The demand for industrial distribution space is not seasonal.

Future Plans

The growth in ProLogis property operations segment in 2004 was primarily through ProLogis property fund portfolios, rather than in ProLogis direct investments. ProLogis current business plan with respect to direct investments in the property operations segment allows for the expansion of its network of operating properties as necessary to: (i) facilitate larger transactions completed by property funds; (ii) address the specific expansion needs of a customer; (iii) initiate or enhance its market presence in a specific country, market or submarket; or (iv) take advantage of opportunities where ProLogis believes it has the ability to achieve favorable returns.

ProLogis expects to continue to increase the assets held by its property funds. ProLogis expects to achieve this growth through the property funds acquisition of properties that have been developed or acquired by ProLogis in the CDFS business segment, but also by the property funds direct acquisition of properties from third parties as was done in 2004 with the formation of five new property funds. ProLogis expects that the fee income it earns from the property funds will increase in 2005 over the 2004 level as the sizes of the portfolios of operating properties in the property funds increase. And, depending on capital availability, ProLogis could also form new property funds in 2005.

ProLogis intends to fund its investment activities in the property operations segment in 2005 primarily with operating cash flow from this operating segment, its lines of credit and short-term borrowing facilities and the proceeds from contributions and sales of properties (properties that have been directly owned, long-term investments in the property operations segment, as well as CDFS business segment properties that are included in the property operations segment on an interim basis prior to their contribution or sale).

See the discussion of factors that could affect the future plans of ProLogis and the property funds in the property operations segment at Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Factors.

CDFS Business

The CDFS business segment encompasses those activities that ProLogis engages in that are not primarily associated with the long-term ownership, management and leasing of industrial distribution properties. Within this operating segment, ProLogis develops distribution properties that are either contributed to property funds or sold to third parties and acquires distribution properties that are contributed to property funds. ProLogis maintains an ownership in, and acts as manager of the property funds. Properties that are acquired by ProLogis in this segment are generally rehabilitated and/or repositioned prior to their contribution to a property fund.

Investments

At December 31, 2004, ProLogis had 58 distribution properties aggregating 15.1 million square feet under development at a total expected cost at completion of $1.08 billion. These properties are all being developed with the objective that they will be contributed to a property fund or sold to a third party. ProLogis properties under development at December 31, 2004 include:

- North America: 20 properties; 5.7 million square feet; $228.2 million total expected cost (approximately 21% of the total);
- Europe: 30 properties in nine countries; 5.7 million square feet; $448.6 million total expected cost (approximately 41% of the total); and
- Asia: eight properties; 3.7 million square feet; $407.8 million total expected cost (approximately 38% of the total).

In addition to the properties under development that ProLogis owns directly, CDFS joint ventures in which ProLogis has 50% ownership interests had three properties under development aggregating 1.0 million square feet at a total expected cost at completion of $30.5 million (one property in the United States and two properties in China).

At December 31, 2004 ProLogis and its unconsolidated investees had land positions, including land controlled through contracts, options or letters of intent, aggregating 4,954 acres with the capacity for the development of approximately 84.5 million square feet of distribution properties. Of these land positions, ProLogis directly owned 2,991 acres with the capacity for the development of approximately 52.0 million square feet of distribution properties. ProLogis land positions owned at December 31, 2004 included:

- North America: 1,952 acres with the capacity for the development of approximately 33.7 million square feet of distribution properties (1,719 acres, 29.4 million buildable square feet in the United States, 99 acres, 1.9 million buildable square feet in Mexico and 134 acres, 2.4 million buildable square feet in Canada) and
- Europe: 1,039 acres in 10 countries with the capacity for the development of approximately 18.3 million square feet of distribution properties.

CDFS business segment investment activities in 2004 included the following:

- ProLogis began development on three properties aggregating 0.5 million square feet in Shanghai, China at a total expected cost at completion of $18.1 million. Also, a joint venture in which ProLogis has a 50% ownership interest, acquired four operating properties aggregating 0.2 million square feet at a total acquisition cost of $7.3 million in Shanghai and began development on two properties aggregating 0.2 million square feet at a total expected cost at completion of $7.8 million in Shanghai. This joint venture s future activities will include both the acquisition of properties that will be rehabilitated and/ or positioned as well as the development of properties that will be operated in this joint venture or in a property fund. This joint venture operates solely in the Suzhou province of the Shanghai market.
- ProLogis acquired land in Toronto for development of its first property in Canada.
- Direct development starts by ProLogis aggregated 18.9 million square feet at a total expected cost at completion of $1.21 billion including:
  - North America: 8.0 million square feet at a total expected cost of $313.4 million;
  - Europe: 7.2 million square feet at a total expected cost of $493.2 million; and
  - Asia: 3.7 million square feet at a total expected cost of $407.8 million (including the three direct development starts in China).
- Direct development completions by ProLogis aggregated 13.6 million square feet at a total cost of $862.8 million including:
  - North America: 5.4 million square feet at a total cost of $186.2 million;

Europe: 5.6 million square feet at a total cost of $345.4 million; and

Asia: 2.6 million square feet at a total cost of $331.2 million.

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Direct acquisition of 21 operating properties by ProLogis aggregating 4.6 million square feet at a total acquisition cost of $196.2 million with the intent to contribute the properties to a property fund (including properties where rehabilitation and/or repositioning efforts are needed prior to contribution).

Contributions and sales of 91 properties aggregating 19.5 million square feet that were developed or acquired by ProLogis in the CDFS business segment. These transactions along with dispositions of land parcels that no longer fit in ProLogis development plans generated net proceeds to ProLogis of $1.56 billion.

Direct acquisitions of land by ProLogis included 1,313 acres of land: 521 acres in North America (387 acres in the United States and 134 acres in Canada), 717 acres in eight countries in Europe and 75 acres in Asia (including 26 acres in China acquired under ground lease). This land can be used for the development of approximately 25.7 million square feet of distribution properties.

Operations

The operating income of the CDFS business segment consists primarily of the net gains and losses recognized from the contributions and sales of developed properties to property funds and third parties and from the contributions to property funds of operating properties that were acquired with that intent. ProLogis uses its development and leasing expertise to rehabilitate and/ or reposition certain of the properties that it acquires such that the subsequent contribution of the property is expected to generate a profit to ProLogis. ProLogis also earns fees from customers for development activities performed on their behalf and recognizes gains and losses from sales of land parcels when ProLogis development plans no longer include these parcels.

In 2004, 2003 and 2002, the CDFS business segment s net operating income was $174.3 million, $124.8 million and $152.3 million, respectively. In 2004, 27% of the net operating income of this operating segment was generated in North America, 53% was generated in Europe and 20% was generated in Asia. In 2003, 39% of the net operating income of this operating segment was generated in North America, 39% was generated in Europe and 22% was generated in Asia (all in Japan). For 2002, 37% of the net operating income of this operating segment was generated in North America, 59% was generated in Europe and 4% was generated in Asia (all in Japan).

Operational information about this operating segment for 2004 includes:

Recognition of net gains of $177.0 million (including amounts that had been previously deferred and contingent proceeds); $130.7 million related to sales and contributions of developed properties, $20.1 million related to contributions of acquired properties and $26.2 million related to dispositions of land parcels.

Earned $2.7 million of fees from the development activities performed for customers and other income.

Incurred expenses and other charges of $5.5 million

See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations CDFS Business and Note 12 to ProLogis Consolidated Financial Statements in Item 8.

Market Presence

ProLogis CDFS business segment operates in substantially all of ProLogis property operations segment s markets. At December 31, 2004, ProLogis had properties under development in 14 markets in North America (12 markets in the United States and two markets in Mexico), 12 markets in nine countries in Europe and three markets in Asia (Tokyo and Osaka in Japan and in Shanghai, China). At December 31, 2004, the land positions owned by ProLogis were located in 31 markets in North America (27 markets in the United States, three markets in Mexico and in Toronto, Canada) and 18 markets in 10 countries in Europe. At December 31, 2004, ProLogis had begun development on all of its land holdings in Japan and China.

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Competition

ProLogis believes it has differentiated itself from its competitors as it is the only owner of distribution properties and provider of services with significant global operations and holdings in many key global distribution markets that allow it to operate on a consistent basis in many global markets.

North America There are a number of other national, regional and local developers engaged in the industrial distribution property development markets where ProLogis conducts business. ProLogis competes with these developers for land acquisition and development opportunities. The disposition market in North America is very competitive and is driven by the supply of new developments, access to capital and interest rate levels. A key component of ProLogis success in the CDFS business segment in North America will continue to be its ability to develop and timely lease properties that will generate profits when contributed or sold and its ability to continue to access private capital that allows for the continued acquisition of ProLogis properties by the property funds.

Europe ProLogis competition in the CDFS business segment in Europe generally comes from local and regional developers in its target markets as opposed to pan-European real estate companies. As in North America, the disposition market in Europe is very competitive and is driven by the supply of new developments, access to capital and interest rate levels. With respect to its development activities in Europe, ProLogis believes that it has additional competitive advantages due to the strategic locations of its land positions owned or under control in Europe and due to its personnel who are experienced in the land entitlement process.

Asia ProLogis competition in the CDFS business segment in Asia generally comes from local and regional developers as opposed to real estate companies operating in several countries, as does ProLogis. ProLogis believes that it has additional competitive advantages over the local development companies in Japan and China due to its global experience in the development of distribution properties, its relationships with key customers established by its local personnel and its global customer base.

Customers

ProLogis uses the customer relationships that it has developed through its property operations segment activities and the ProLogis Operating System in marketing its CDFS business. See Property Operations Customers and ProLogis Management. In 2004, approximately 49% of the customers that leased distribution space in ProLogis CDFS business segment properties were repeat customers of ProLogis.

Employees

ProLogis directly employs approximately 830 persons. ProLogis employees work in North America (approximately 560 persons), in nine countries in Europe (approximately 210 persons) and in three countries in Asia (approximately 60 persons). Of the total, approximately 145 employees are assigned to the CDFS business segment. ProLogis other employees may assist with CDFS business segment activities. ProLogis believes that its relationships with its employees are good. ProLogis employees are not represented by a collective bargaining agreement.

Seasonal Nature of the Business

The demand for industrial distribution properties that are developed or acquired in the CDFS business segment is not seasonal in nature. However, the development process can be impeded by weather in certain markets, particularly during the winter months, affecting the scheduling of development activities and potentially delaying construction starts and completions.

Future Plans

ProLogis intends to continue to conduct the business of the CDFS business segment as it has in the past. To be successful in the CDFS business segment, ProLogis must be able to: (i) develop, acquire and rehabilitate or reposition and timely lease properties and (ii) access private capital through third party transactions or that can be used by a property fund to acquire CDFS business properties. With respect to the first requirement for success, ProLogis has demonstrated that it has the ability to develop and acquire properties that can be disposed of in this operating segment and generate profits. The ability to lease its properties is dependent on the demand for industrial distribution space. Properties contributed to property funds must generally meet specified leasing criteria. ProLogis experienced stronger leasing activity in 2004 than in 2003 and 2002. ProLogis expects some improvement in leasing for 2005 based on its expectations for economic conditions in it target markets. ProLogis market research and customer feedback indicate that consolidation and reconfiguration of supply chains driven by the need for distribution space users to add efficiencies within their distribution networks will continue to favorably impact the demand for distribution properties and the distribution-related services that ProLogis offers in the CDFS business segment in 2005. Also, the limited supply of state-of-the-art distribution space in Europe and Asia and ProLogis position of being a single-source provider of distribution space could also provide opportunities within this operating segment. ProLogis believes that it has differentiated itself from its competitors by providing high quality customer service which can partially mitigate the impact of declines in market leasing activities over time. For the past two years, approximately 49% of the customers that leased distribution space in ProLogis CDFS business segment properties were repeat customers of ProLogis.

ProLogis intends to utilize the capital generated through the contributions and sales of properties, the proceeds from public debt and equity offerings that take advantage of favorable market conditions and its short-term borrowing facilities to fund its future CDFS business activities. Further, ProLogis intends to actively pursue other sources of committed capital to form new property funds that will acquire ProLogis CDFS business properties.

ProLogis is committed to offer to contribute all of its stabilized development properties available in specific markets in Europe to ProLogis European Properties Fund through September 2019 and all of its stabilized development properties available in Japan to ProLogis Japan Properties Fund through June 2006. These property funds are committed to acquire such properties, subject to the property meeting certain specified criteria, including leasing criteria, and having available capital. ProLogis believes that, while the current capital commitments and borrowing capacities of these property funds may be expended prior to the expiration dates of these commitments, each property fund does have sufficient capital to acquire the properties that ProLogis expects to have available during 2005.

ProLogis North American Properties Fund V has the right of first offer to all of ProLogis stabilized development properties that ProLogis desires to sell in North America (except those properties that are subject to an agreement with ProLogis California) through the end of 2005. Properties subject to the right of first offer must meet certain specified criteria, including leasing criteria. While ProLogis North American Properties Fund V s majority owner is a listed property trust in Australia that is able to raise capital in the public market, there can be no assurance that ProLogis North American Properties Fund V will have the available capital to acquire additional properties from ProLogis in 2005 or, if capital is available, that ProLogis North American Properties Fund V will want to use its capital to acquire properties from ProLogis. Should ProLogis North American Properties Fund V choose not to acquire, or not have sufficient capital available to acquire, a property that meets the specified criteria, its rights under the agreement will terminate.

There can be no assurance that if existing property funds do not continue to acquire the properties that ProLogis has available, that ProLogis will be able to secure other sources of private equity capital such that it can contribute or sell these properties in a timely manner and allow ProLogis to continue to generate profits from its development activities in a particular reporting period.

See the discussion of factors that could affect the future plans of ProLogis, in the CDFS business segment at Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Factors.

ProLogis Management

ProLogis management team is headed by its Chief Executive Officer, Jeffrey H. Schwartz and its President, Chief Operating Officer and Chief Financial Officer, Walter C. Rakowich. Mr. Schwartz and

Mr. Rakowich also serve as Trustees on ProLogis Board of Trustees (the Board). On December 31, 2004, K. Dane Brooksher relinquished his role as Chief Executive Officer of ProLogis. Mr. Brooksher remains ProLogis Chairman and he continues to serve ProLogis as a Trustee. Also on December 31, 2004, Irving F. Lyons III relinquished his role as Chief Investment Officer of ProLogis. Mr. Lyons remains ProLogis Vice Chairman and he continues to serve ProLogis as a Trustee and as Chairman of the Board s Investment Committee.

In addition to the leadership and oversight provided by Mr. Schwartz and Mr. Rakowich, ProLogis investments and operations are overseen by John W. Seiple, Jr., President and Chief Executive Officer North America, Robert J. Watson, President of North America Operations and Steven K. Meyer, President and Chief Operating Officer Europe. Further, in North America, each of ProLogis five regions (Northeast, Mid-West, Southeast, Central/ Mexico and Pacific) is led by two senior members of the management team one who is responsible for capital management and one who is responsible for capital deployment. The three regions in Europe (Northern and Central Europe, Southern Europe and the United Kingdom) are each led by a senior officer who has both capital management and capital deployment responsibilities. In Asia, ProLogis capital management and capital deployment responsibilities are handled by four senior officers (two in Japan and two in China).

ProLogis maintains a Code of Ethics and Business Conduct applicable to its Board and all of its officers and employees, including the principal executive officer, the principal financial officer, the principal accounting officer, the controller or persons performing similar functions. A copy of ProLogis Code of Ethics and Business Conduct is available on ProLogis website, www.prologis.com. In addition to being accessible through ProLogis website, copies of ProLogis Code of Ethics and Business Conduct can be obtained, free of charge, upon written request to Investor Relations, 14100 East 35th Place, Aurora, Colorado 80011. Any amendments to or waivers of ProLogis Code of Ethics and Business Conduct that apply to the principal executive officer, the principal financial officer, the principal accounting officer, the controller or persons performing similar functions and that relate to any matter enumerated in Item 406(b) of Regulation S-K, will be disclosed on ProLogis website.

The reference to ProLogis website address does not constitute incorporation by reference of the information contained in the website and such information should not be considered to be part of this document.

ProLogis Operating System

ProLogis management team is responsible for overseeing the use the ProLogis Operating System, the cornerstone of ProLogis business strategy, to allow ProLogis to achieve long-term sustainable growth in cash flow and sustain a high level of return on equity for its shareholders. The ProLogis Operating System is a proprietary property management and customer service delivery system that has been designed to assist ProLogis professional management team in providing a unique and disciplined approach to serving existing and prospective customers. ProLogis believes that, through the ProLogis Operating System, it is, and will continue to be, well positioned to leverage its customer relationships to generate additional business opportunities.

Capital Management and Capital Deployment

Within the ProLogis Operating System, ProLogis has a team of professionals who are responsible for managing and leasing the properties owned by ProLogis and the property funds. These capital management team members are part of the Market Services Group. ProLogis has 38 Market Officers who are primarily responsible for understanding and meeting the needs of existing and prospective customers in their respective markets. In addition, the Market Officers, along with their team of property management and leasing professionals, use their knowledge of local market conditions to assist the Global Services Group in identifying and accommodating those customers with multiple market requirements and assist in the marketing efforts directed at those customers. The Market Officers ability to serve customers in the local market is enhanced by their access to ProLogis national and international resources. The focus of the Market Officers has been, and

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continues to be, on: (i) managing the capital invested in their markets; (ii) creating and maintaining relationships with customers, potential customers and industrial brokers; (iii) leasing ProLogis properties; and (iv) identifying potential acquisition and development opportunities in their markets.

Capital deployment is the responsibility of a team of professionals who focus on ensuring that ProLogis capital resources are deployed in an efficient and productive manner that will best serve ProLogis long-term objective of increasing shareholder value. The team members responsible for capital deployment evaluate both acquisition and development opportunities in light of the market conditions in their respective regions and ProLogis overall goals and objectives. Capital deployment officers work closely with the Global Development Group to create master-planned distribution parks utilizing the extensive experience of the Global Development team members. The Global Development Group incorporates the latest technology with respect to building design and systems and has developed standards and procedures that it strictly adheres to in the development of all properties to ensure that properties developed by ProLogis are of a consistent quality.

Customer Service

The Global Services Group provides services to a group of the largest users of distribution space that ProLogis has identified as its targeted customer base. The Global Services Group s primary focus is to position ProLogis as the preferred provider of distribution space to these targeted customers. The professionals in the Global Services Group also seek to build long-term relationships with ProLogis existing customers by addressing their distribution and logistics needs. The Global Services Group provide ProLogis customers with network optimization tools, strategic site selection assistance, business location services (including tax incentive analysis and tax negotiation consulting), material handling equipment and design consulting services.

Trustees

K. Dane Brooksher 66 Mr. Brooksher has served as a Trustee since October 1993. Mr. Brooksher has been Chairman of ProLogis since March 1999 and he was Chief Executive Officer from March 1999 to December 2004. From November 1993 to March 1999, Mr. Brooksher was Co-Chairman and Chief Operating Officer of ProLogis. Prior to joining ProLogis, Mr. Brooksher was Area Managing Partner and Chicago Office Managing Partner of KPMG Peat Marwick (now KPMG LLP), independent public accountants, where he served on the Board of Directors and Management Committee and as International Development Partner for Belgium and The Netherlands. Mr. Brooksher is a Director of Pactiv Corporation and Qwest Communications International Inc. Mr. Brooksher serves as an Advisory Board Member of the J.L. Kellogg School of Management of Northwestern University. Mr. Brooksher s term as Trustee expires in 2005.

Irving F. Lyons, III 55 Mr. Lyons has served as a Trustee since March 1996. Mr. Lyons has been Vice Chairman of ProLogis since December 2001 and he was Chief Investment Officer of ProLogis from March 1997 to December 2004. Mr. Lyons was President of ProLogis from March 1999 to December 2001, Co-Chairman of ProLogis from March 1997 to March 1999 and Managing Director of ProLogis from December 1993 to March 1997. Prior to joining ProLogis, Mr. Lyons was the Managing Partner of King & Lyons, a San Francisco Bay Area industrial real estate development and management company, since its inception in 1979. Mr. Lyons term as Trustee expires in 2006.

Jeffrey H. Schwartz 45 Chief Executive Officer of ProLogis since January 2005. Mr. Schwartz was President of International Operations of ProLogis from March 2003 to December 2004 and he was President and Chief Operating Officer Asia from March 2002 to December 2004. Mr. Schwartz was President and Chief Executive Officer of Vizional Technologies, Inc. (Vizional Technologies), previously an unconsolidated investee of ProLogis from September 2000 to February 2002. From October 1994 to August 2000, Mr. Schwartz was with ProLogis, most recently as Vice Chairman for International Operations. Prior to originally joining ProLogis in October 1994, Mr. Schwartz was a founder and managing partner of The Krauss/ Schwartz Company, an industrial real estate developer in Florida. Mr. Schwartz was appointed to the

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Board in August 2004 and he will stand for election as a Trustee at ProLogis 2005 annual meeting of shareholders.

Walter C. Rakowich 47 President and Chief Operating Officer of ProLogis since January 2005 and Chief Financial Officer of ProLogis since December 1998. Mr. Rakowich was Managing Director of ProLogis from December 1998 to December 2004. Mr. Rakowich will relinquish his role as Chief Financial Officer at the time a new Chief Financial Officer is named (expected to be in the second quarter of 2005). Mr. Rakowich has been with ProLogis in various capacities since July 1994. Prior to joining ProLogis, Mr. Rakowich was a consultant to ProLogis in the area of due diligence and acquisitions and he was a Principal with Trammell Crow Company, a diversified commercial real estate company in North America. Mr. Rakowich was appointed to the Board in August 2004 and he will stand for election as a Trustee at ProLogis 2005 annual meeting of shareholders.

Stephen L. Feinberg 60 Mr. Feinberg has served as a Trustee since January 1993. Mr. Feinberg has been Chairman of the Board and Chief Executive Officer of Dorsar Investment Co., Inc., a diversified holding company with interests in real estate and venture capital, since 1970. Mr. Feinberg is also a Director of Security Capital Preferred Growth, an affiliate of Security Capital Group Incorporated (Security Capital), previously ProLogis largest shareholder, Continental Transmission Corporation, MetaMetrics, Inc., St. John s College and The Feinberg Foundation, Inc. He was formerly Chairman of the Board of St. John s College and a former Director of Farrar, Strauss and Giroux, Inc. (a private publishing company), Molecular Informatics, Inc., Border Steel Mills, Inc., Springer Building Materials Corporation, Circle K Corporation, EnerServ Products, Inc. and Texas Commerce Bank-First State. Mr. Feinberg s term as Trustee expires in 2007.

George L. Fotiades 51 Mr. Fotiades has served as a Trustee since December 2001. Mr. Fotiades is President and Chief Operating Officer of Cardinal Health, Inc., a provider of services supporting the health-care industry. Prior thereto, Mr. Fotiades was President and Chief Executive Officer of Life Services Products and Services, a unit of Cardinal Health Inc. Mr. Fotiades was President and Chief Operating Officer of R. P. Scherer Corporation (which was merged into Cardinal Health, Inc. in August 1998), Executive Vice President and Group President from 1996 to 1998 and Group President of the Americas and Asia Pacific from 1996 to 1998. Mr. Fotiades term as Trustee expires in 2006.

Donald P. Jacobs 77 Mr. Jacobs has served as a Trustee since February 1996. Mr. Jacobs has been a faculty member of the J.L. Kellogg School of Management of Northwestern University since 1957 and Mr. Jacobs is currently Dean Emeritus, having served as Dean from 1975 until 2001. Mr. Jacobs is a Director of Terex Corporation and CDW Computer Centers. Mr. Jacobs was formerly a Director of Commonwealth Edison and its parent company, Unicom and he was formerly the Chairman of the Public Review Board of Andersen Worldwide. Mr. Jacobs was Chairman of the Advisory Committee of the Oversight Board of the Resolution Trust Corporation for the third region from 1990 to 1992, Chairman of the Board of AMTRAK from 1975 to 1979, Co-Staff Director of the Presidential Commission on Financial Structure and Regulation from 1970 to 1971 and Senior Economist for the Banking and Currency Committee of the U.S. House of Representatives from 1963 to 1964. Mr. Jacobs term as Trustee expires in 2007.

Kenneth N. Stensby 65 Mr. Stensby has served as a Trustee since March 1999. Mr. Stensby was Senior Vice President, Mortgage Origination, with Heitman Real Estate Investment Management from September 2003 to August 2004. Mr. Stensby was a Director of Meridian Industrial Trust Inc. from 1996 to March 1999, when it was merged with and into ProLogis. Mr. Stensby was President and Chief Executive Officer of United Properties, a Minneapolis-based diversified real estate company, from 1974 until his retirement in January 1995. Mr. Stensby is past President of the National Association of Industrial and Office Parks and was a Director of First Asset Realty Advisors, a pension advisory subsidiary of First Bank of Minneapolis. Mr. Stensby s term as Trustee expires in 2005.

D. Michael Steuert 56 Mr. Steuert has served as a Trustee since September 2003. Mr. Steuert has been Senior Vice President and Chief Financial Officer of Fluor Corporation, a publicly owned engineering and construction firm, since 2001. Mr. Steuert was Senior Vice President and Chief Financial Officer of Litton Industries, Inc. from 1999 to 2001. Prior thereto, Mr. Steuert was Senior Vice President and Chief Financial Officer for GenCorp, Inc. Mr. Steuert has served as a Trustee of the Mental Health Association of Summit

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County (Ohio), regional director of the Financial Executive s Institute and Director of GenCorp, Inc. board of directors. Mr. Steuert is a Director of Weyerhaeuser Corporation. Mr. Steuert s term as Trustee expires in 2007.

J. André Teixeira 52 Mr. Teixeira has served as a Trustee since February 1999. Mr. Teixeira was Vice President, Global Innovation and Development of InBev, formerly Interbrew, a publicly traded brewer in Belgium, from February 2003 to October 2004. He was Chairman and Senior Partner with BBL Partners LLC, Moscow, Russia, a consulting and trading company specializing in the food and food ingredient industry, from 2001 to 2002 and he was the President of Coca-Cola for the Russia and Ukraine region, General Manager of Coca-Cola Russia, Ukraine and Belarus and Head of Representation for the Coca-Cola Export Corporation, Moscow from 2000 to 2001. Mr. Teixeira was General Manager/ President of the Coca-Cola Ukraine and Belarus region, Kiev from 1998 to 2000 and was with Coca-Cola in various capacities since 1978. Mr. Teixeira s term as Trustee expires in 2007.

William D. Zollars 57 Mr. Zollars has served as a Trustee since June 2001. Mr. Zollars has been Chairman, President and Chief Executive Officer of Yellow Roadway Corporation, a holding company specializing in transportation of industrial, commercial and retail goods, since 1999. From 1996 to 1999, Mr. Zollars was President of Yellow Freight System Inc., Yellow Roadway Corporation s principal operating subsidiary, and he was a Senior Vice President of Ryder Integrated Logistics, Inc. from 1994 to 1996. Mr. Zollars is a Director of CIGNA Corporation. Mr. Zollars term as Trustee expires in 2006.

Senior Officers

John W. Seiple, Jr. 45 President North America since December 2001 and Chief Executive Officer North America since August 2004. Mr. Seiple was ProLogis Chief Investment Officer North America from February 2004 to August 2004 and he was ProLogis Chief Operating Officer North America from December 1998 to February 2004. Mr. Seiple has been with ProLogis in various capacities since October 1993. Mr. Seiple is a Director of Insight Inc. (an unconsolidated investee of ProLogis see Note 5 to ProLogis Consolidated Financial Statements in Item 8). Prior to joining ProLogis, Mr. Seiple was a Senior Vice President with Trammell Crow Company, a diversified commercial real estate company in North America.

Robert J. Watson 55 President of North America Operations since January 2004. Mr. Watson was President and Chief Operating Officer Europe of ProLogis from December 1998 to January 2004 and has been with ProLogis in various capacities since November 1992. Prior to joining ProLogis, Mr. Watson was the Regional Partner for Southwest United States Real Estate with Trammell Crow Company, a diversified commercial real estate company in North America.

Steven K. Meyer 56 President and Chief Operating Officer Europe since January 2004. Mr. Meyer was Managing Director of ProLogis from December 1998 to January 2004, where he had capital deployment responsibilities for the Central/ Mexico region and has been with ProLogis in various capacities since September 1994. Prior to joining ProLogis, Mr. Meyer was an Executive Vice President with Trammell Crow Company, a diversified commercial real estate company in North America.

Paul C. Congleton 50 Managing Director North American Fund Management and Real Estate Research of ProLogis since September 1999, where he has fund management and research responsibilities in North America. Mr. Congleton has been with ProLogis in various capacities since January 1995. Prior to joining ProLogis, Mr. Congleton was Managing Principal with Overland Company, a property management, leasing and consulting company based in Arizona.

Alan J. Curtis 57 Managing Director Market Services and Global Development United Kingdom of ProLogis since December 2002, where he has capital management and deployment responsibilities for the United Kingdom. Mr. Curtis has been with ProLogis or an investee of ProLogis in various capacities since June 1997. Prior thereto, Mr. Curtis was with Gazely Properties as a Senior Development Surveyor with responsibilities for the Midlands market of the United Kingdom.

Ranald A. Hahn 49 Managing Director Southern Europe of ProLogis since December 2002, where he has capital management and deployment responsibilities for Southern Europe. Mr. Hahn has been with ProLogis in various capacities since March 1999. Prior to joining ProLogis, Mr. Hahn was the International Business Development Director of GSE, a French logistics construction company.

Luke A. Lands 48 Managing Director since December 2004 and Controller of ProLogis since August 2000. Mr. Lands was Senior Vice President of ProLogis from August 2000 to December 2004. As Controller, Mr. Lands supervises ProLogis accounting, financial reporting and financial forecasting functions. Mr. Lands will relinquish his role as Controller at the time a new Controller is named (expected to occur in the second quarter of 2005) and will become ProLogis Chief Financial Officer for Europe. Mr. Lands has been with ProLogis in various capacities since January 1996. Prior to joining ProLogis, Mr. Lands was Vice President of SCG Realty Services, an affiliate of Security Capital. Prior thereto, Mr. Lands was Vice President and Controller for Lincoln Property Company, a diversified national real estate operating company. Mr. Lands is a Certified Public Accountant.

Masato Miki 40 Managing Director Japan of ProLogis since December 2004, where he is responsible for acquisitions, finance operations and fund management in Japan. Mr. Miki was Senior Vice President of ProLogis from January 2004 to December 2004 with similar responsibilities in Japan and he has been with ProLogis since August 2002. Prior to joining ProLogis, Mr. Miki was Vice President of Mitsui Fudosan Investment Advisors, Inc., an affiliate of Mitsui Fudosa Co., Ltd., a comprehensive real estate company in Japan.

Edward S. Nekritz 39 Managing Director of ProLogis since December 2002, General Counsel of ProLogis since December 1998 and Secretary of ProLogis since March 1999, where he oversees the provision of all legal services for ProLogis and is responsible for ProLogis Risk Management and Asset Services departments. Mr. Nekritz has been with ProLogis in various capacities since September 1995. Prior to joining ProLogis, Mr. Nekritz was an attorney with Mayer, Brown & Platt (now Mayer, Brown, Rowe & Maw LLP).

John R. Rizzo 55 Managing Director Global Development North America/Asia of ProLogis since December 2000, where he is responsible for the Global Development Group in North America and Asia. Mr. Rizzo has been with ProLogis in various capacities since January 1999. Prior to joining ProLogis, Mr. Rizzo was Senior Vice President and Chief Operating Officer of Perini Management Services Incorporated, an affiliate of Perini Corporation which is a construction management and general contracting firm.

Robin P. R. von Weiler 48 Managing Director Market Services and Global Development Northern and Central Europe of ProLogis since December 1999, where he has capital management and deployment responsibilities for Northern and Central Europe. Mr. von Weiler has been with ProLogis in various capacities since October 1997. Prior to joining ProLogis, Mr. von Weiler was with DTZ Zadelhoff V.O.F., part of DTZ Debenham Tie Lung, in Rotterdam, The Netherlands, most recently as Vice Managing Director, Real Estate Agent and Corporate Advisor.

Mike Yamada 51 Managing Director Japan of ProLogis since December 2004, where he is responsible for development and leasing activities in Japan. Mr. Yamada was a Senior Vice President of ProLogis from January 2004 to December 2004 with similar responsibilities in Japan and he has been with ProLogis since April 2002. Prior to joining ProLogis, Mr. Yamada was a Senior Officer of Fujita Corporation, a construction company in Japan.

Gary E. Anderson 39 Senior Vice President of ProLogis since May 2003, where he has capital deployment responsibilities for the Central/ Mexico region. Previously, Mr. Anderson was a Market Officer for ProLogis New Jersey markets and he has been with ProLogis in various capacities since August 1994. Prior to joining ProLogis, Mr. Anderson was with Security Capital, previously ProLogis largest shareholder, as a member of its Management Development Program.

Bert Angel 47 Senior Vice President of ProLogis since December 2003, where he oversees the Global Solutions Group in Europe. Mr. Angel has been with ProLogis in various capacities since May 1998. Prior to joining ProLogis, Mr. Angel was the International Marketing and Sales Director for the Port of Rotterdam, one of the largest ports in the world.

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Gregory J. Arnold 49 Senior Vice President of ProLogis since December 2001, where he oversees the Global Solutions Group in North America. Mr. Arnold has been with ProLogis in various capacities since May 1994. Prior to joining ProLogis, Mr. Arnold was an Equity Vice President with LaSalle Partners (now Jones Lang LaSalle), a corporate real estate advisory firm.

Patrick J. Boot 40 Senior Vice President of ProLogis since January 2003, where he has responsibility for real estate research in Asia and has certain responsibilities for ProLogis China operations. Mr. Boot was responsible for establishing ProLogis office in Shanghai, China. Prior to joining ProLogis, Mr. Boot was Executive Vice President and Executive Director of Property Investment Advisors Indonesia/ P.T. Sanggraha Daksamitra, a real estate development and leasing company in Indonesia.

Eric D. Brown 44 Senior Vice President of ProLogis since January 2004, where he has capital management responsibilities for the Central/ Mexico region. Mr. Brown has been with ProLogis in capacities since May 1994. Prior to joining ProLogis, Mr. Brown was a Partner and Vice President of Crow Barshop Properties, Inc., an industrial real estate management and leasing company in San Antonio, Texas.

Ken R. Hall 54 Senior Vice President of ProLogis since December 2002, where he oversees the Global Development Group in Europe. Mr. Hall has been with ProLogis or an investee of ProLogis in various capacities since July 1998. Prior thereto, Mr. Hall was a Managing Director of Birse Construction, a development company in the United Kingdom.

Larry H. Harmsen 44 Senior Vice President of ProLogis since December 2001, where he has capital deployment responsibilities for the Pacific region. Mr. Harmsen has been with ProLogis in various capacities since February 1995. Prior to joining ProLogis, Mr. Harmsen was a Vice President and General Partner with Lincoln Property Company, a diversified national real estate operating company.

M. Gordon Keiser, Jr. 60 Senior Vice President of ProLogis since October 1995 and Treasurer of ProLogis since December 1998, where he is responsible for relationships with ProLogis lenders. Mr. Keiser has been with ProLogis in various capacities since October 1995. Prior to joining ProLogis, Mr. Keiser was Senior Vice President of JMB Realty Corporation with responsibilities for corporate finance and capital markets financing.

Douglas A. Kiersey, Jr. 44 Senior Vice President of ProLogis since December 2001, where he has capital deployment responsibilities for the Mid-West region. Mr. Kiersey has been with ProLogis in various capacities since May 1994. Prior to joining ProLogis, Mr. Kiersey was a member of the Industrial/ Technology Group at Cushman & Wakefield of Oregon, Inc., a real estate brokerage and services company.

W. Scott Lamson 42 Senior Vice President of ProLogis since February 2003, where he has capital management responsibilities for the Pacific region. Mr. Lamson has been with ProLogis in various capacities since June 1995. Prior to joining ProLogis, Mr. Lamson was a Vice President with Commercial Property Services, a commercial real estate company with responsibilities in the San Francisco market.

Brian N. Marsh 40 Senior Vice President of ProLogis since January 2004, where he has capital management responsibilities for the Mid-West region. Mr. Marsh has been with ProLogis in various capacities since January 1995. Prior to joining ProLogis, Mr. Marsh was an Associate with The Pizzuti Companies, an industrial real estate company in Columbus, Ohio.

Debra A. McRight 45 Senior Vice President of ProLogis since December 1999, where she is responsible for client services and property management operations in North America. Ms. McRight has been with ProLogis in various capacities since September 1995. Prior to joining ProLogis, Ms. McRight was with Paragon Group, Inc., a full service real estate company, where she was responsible for property management operations in St. Louis, Missouri.

Ming Z. Mei 32 Senior Vice President of ProLogis since December 2004, where he is responsible for capital management and development activities in China. Previously, Mr. Mei was First Vice President of ProLogis with similar responsibilities. Prior to joining ProLogis in March 2003, Mr. Mei was Director of Finance and Business Development for the Asia Pacific Region of Owens Corning, a global building materials manufacturing company.

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Richard H. Strader 45 Senior Vice President of ProLogis since March 2004, where he has capital deployment responsibilities for the Southeast region. Mr. Strader was a Vice President and Market Officer for ProLogis from June 1994 to February 1999. Prior to re-joining ProLogis in 2004, Mr. Strader was Co-Managing Partner with Craig Davis Properties, a commercial real estate company in North Carolina.

Charles E. Sullivan 47 Senior Vice President of ProLogis since December 2001, where he has capital management responsibilities for the Southeast and Northeast regions. Mr. Sullivan has been with ProLogis in various capacities since October 1994. Prior to joining ProLogis, Mr. Sullivan was an Industrial Broker with Cushman & Wakefield of Florida, a real estate brokerage and services company.

Neville D. E. Teagarden 41 Senior Vice President and Chief Information Officer of ProLogis since September 2003, where he is responsible for development and implementation of ProLogis global business technology systems. Prior to joining ProLogis, Mr. Teagarden was the Chief Information Officer of Navigant International, a provider of travel management services.

Peter R. S. Wittendorp 39 Senior Vice President of ProLogis since December 2003 where he has Global Capital and Fund Management responsibilities in Europe. Mr. Wittendorp has been with ProLogis since September 2001. Prior to joining ProLogis, Mr. Wittendorp was an independent real estate consultant and he also served as Coordinating Fund Manager and Executive Vice President of the real estate investment group of ABP Investments.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. The presence of such substances may adversely affect the owner s ability to sell such real estate or to borrow funds by using such real estate as collateral. ProLogis has not been notified by any governmental authority of any non-compliance, liability or other claim in connection with any of the properties owned (directly or through investments in unconsolidated entities), or being acquired, as of December 31, 2004, and ProLogis is not aware of any environmental condition with respect to any of its properties that is likely to have a material adverse effect on ProLogis business, financial condition or results of operations. ProLogis or the predecessor owners have subjected each of its properties to an environmental assessment (which may not involve invasive procedures such as soil sampling or ground water analysis) by independent consultants. While some of these assessments have led to further investigation and sampling, none of these environmental assessments have revealed, nor is ProLogis aware of, any environmental liability (including asbestos-related liability) that ProLogis believes would have a material adverse effect on its business, financial condition or results of operations. No assurance can be given, however, that these assessments and investigations have revealed or will reveal all potential environmental liabilities, that no prior owner or operator created any material environmental condition not known to ProLogis or the independent consultants or that future uses or conditions (including, without limitation, customer actions or changes in applicable environmental laws and regulations) will not result in unreimbursed costs relating to environmental liabilities. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Factors.

Insurance Coverage

ProLogis and its unconsolidated investees carry comprehensive insurance coverage. ProLogis determines the type of coverage and the policy specifications and limits based on what it deems to be the risks associated with its ownership of properties and other of its business operations in specific markets. Such coverage includes property, liability, fire, flood, earthquake, environmental, terrorism, extended coverage and rental loss. ProLogis believes that its insurance coverage contains policy specifications and insured limits that are customary for similar properties, business activities and markets and ProLogis believes its properties and the properties of its unconsolidated investees are adequately insured. However, an uninsured loss could result in loss of capital investment and anticipated profits. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Risk Factors.

ITEM 2. Properties

Industrial Distribution Properties

ProLogis has directly invested in real estate assets that are primarily generic industrial distribution properties. Due to the costs associated with retrofitting service center space for new customers, ProLogis has acquired properties containing service center space on a very limited basis. Generally, service center space has been acquired as part of portfolio acquisitions in which the majority of the properties being acquired were generic industrial distribution properties. In Japan, ProLogis distribution properties will generally be multi-level centers, which is common in Japan due to the high cost and limited availability of land. ProLogis properties are typically used for storage, packaging, assembly, distribution and light manufacturing of consumer and industrial products. Based on the square footage of operating properties directly owned by ProLogis at December 31, 2004, 86% of ProLogis properties are used for bulk distribution with the remaining properties used for light manufacturing and assembly (11%) and for other purposes, primarily service centers (3%).

Geographic Distribution

ProLogis has direct ownership of 1,286 distribution properties (operating and under development) in North America, Europe and Asia at December 31, 2004. In North America, properties that are owned directly by ProLogis are located in 39 markets in 22 states and the District of Columbia in the United States and in four markets in Mexico. In Europe, the properties that are owned directly by ProLogis are located in 17 markets in nine countries. In Asia, the properties that are owned directly by ProLogis are located in Japan (Tokyo and Osaka), in Shanghai, China and in Singapore.

ProLogis defines its markets based on the concentration of properties in a specific area. A market, as defined by ProLogis, can be a metropolitan area, a city, a subsection of a metropolitan area, a subsection of a city or a region of a state or country. Accordingly, the actual location of each market may not be easily identifiable by the name given to the market by ProLogis. Such markets are identified below along with the major metropolitan areas or cities located in that market to assist in understanding the information presented in the tables that follow in Item 2.

United States:	
Northern Ohio	Akron, Bellevue, Fremont and Green
I-81 Corridor, Pennsylvania	Allentown, Bethlehem, Harrisburg
Central New Jersey	Cranbury, Edison, Trenton
I-95 Corridor, New Jersey	Newark and Secaucus
Los Angeles/ Orange County, California	Los Angeles metropolitan area, Orange County, San Bernardino County and Riverside County
Europe:	
France:	
Central	Orleans, Paris, Vatry
East	Metz
North	Lille, Le Havre
South	Lyon, Marseille

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Germany:	
North	Hamburg, Hanover
Rhine/ Main	Frankfurt
Rhine/ Ruhr	Cologne, Dortmund, Dusseldorf
South	Munich
Netherlands:	
South	Haaften, Tilburg, Veghel, Venlo
Poland:	
Central	Piotrkow
South	Bedzin
West	Poznan
United Kingdom:	
East Midlands	Bedfordshire, Coalville, Corby, Daventry, Leicester, Northampton
London and Southeast	London, Hemel Hempstead, Thurrock
North	Leeds, Wakefield, Crewe
West Midlands	Banbury, Birmingham, Coventry, Rugby

The table below illustrates the geographic distribution of ProLogis portfolio of directly owned operating properties and properties under development. The table excludes land held for future development. The table includes properties owned by ProLogis and its consolidated subsidiaries and partnerships, which may not be 100% owned by ProLogis (see Real Estate Partnerships). The table does not include properties that are owned by the property funds or ProLogis other unconsolidated investees which are discussed under Unconsolidated Investees.

	December 31,			
	2004		2003	
	Number of Properties	Percentage of Assets Based on Cost(1)	Number of Properties	Percentage of Assets Based on Cost(1)
North American Markets(2)(3):				
United States:				
Atlanta, Georgia	81	4.79%	80	4.89%
Austin, Texas	27	1.12	27	1.24
Central New Jersey(4)	18	1.66		
Charlotte, North Carolina	30	1.94	33	2.58
Chattanooga, Tennessee	5	0.28	5	0.29
Chicago, Illinois	64	5.88	61	6.26
Cincinnati, Ohio	43	2.39	42	2.19
Columbus, Ohio	28	2.68	32	3.38
Dallas/ Ft. Worth, Texas	120	7.10	125	8.09
Denver, Colorado	25	1.47	25	1.46
El Paso, Texas	16	1.02	18	1.34
Ft. Lauderdale/ Miami, Florida	12	0.87	14	1.19

Houston, Texas	91	4.17	91	4.58
I-81 Corridor, Pennsylvania	11	2.49	3	0.87
I-95 Corridor, New Jersey(3)	10	1.35	26	2.50
Indianapolis, Indiana	43	2.59	43	2.45
Kansas City, Kansas/ Missouri	29	1.06	29	1.15

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	December 31,			
	2004		2003	
	Number of Properties	Percentage of Assets Based on Cost(1)	Number of Properties	Percentage of Assets Based on Cost(1)
Las Vegas, Nevada	18	1.72	17	1.72
Los Angeles/ Orange County, California(2)	3	1.24	2	0.70
Louisville, Kentucky	8	0.81	7	0.66
Memphis, Tennessee	48	3.50	47	3.48
Nashville, Tennessee	38	1.72	41	2.06
Northern Ohio	1	0.02	1	0.02
Oklahoma City, Oklahoma	6	0.20	6	0.22
Orlando, Florida	21	1.27	19	1.25
Phoenix, Arizona	29	1.14	30	1.25
Portland, Oregon	21	0.89	20	0.88
Reno, Nevada	23	1.61	23	1.77
Salt Lake City, Utah	7	0.77	7	0.84
San Antonio, Texas	51	1.96	53	2.29
San Francisco (Central Valley), California(4)	14	1.84		
San Francisco (East Bay), California(4)	40	2.03	54	4.23
San Francisco (South Bay), California	71	3.88	71	4.25
Seattle, Washington	14	0.96	14	1.05
St. Louis, Missouri	13	0.65	13	0.71
Tampa, Florida	60	2.50	61	2.54
Tulsa, Oklahoma	9	0.22	9	0.23
Washington D.C./ Baltimore, Maryland	38	2.66	38	2.92
Other(5)	1	0.07	2	0.24
Mexico:				
Juarez	11	0.61	12	0.67
Monterrey	8	0.54	8	0.59
Reynosa	14	1.10	12	0.77
Tijuana	3	0.21	3	0.25
Subtotal North America	1,223	76.98	1,224	80.05
European Markets(6):				
Czech Republic:				
Prague	2	0.26		
France:				
Central	3	0.74	3	0.58
East	1	0.13	1	0.23

North	1	0.26	1	0.26
South	4	0.93	4	0.77
Germany:				
Rhine/ Main	1	0.38	2	0.58
Rhine/ Ruhr	1	0.22	2	0.49
South	3	0.34	2	0.30

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	December 31,			
	2004		2003	
	Number of Properties	Percentage of Assets Based on Cost(1)	Number of Properties	Percentage of Assets Based on Cost(1)
Hungary:				
Budapest	1	0.29	2	0.24
Italy:				
Milan	3	0.71	1	0.27
Netherlands:				
South			2	0.87
Poland:				
Central			1	0.29
South	3	0.43	1	0.06
Warsaw	3	0.63	2	0.33
West			2	0.13
Spain:				
Madrid	3	0.84	2	0.64
Sweden:				
Stockholm	2	0.73		
United Kingdom:				
East Midlands	2	0.60	6	2.10
London and Southeast	11	3.87	9	3.07
North			2	0.31
West Midlands	9	2.07	6	2.46
Subtotal Europe	53	13.43	51	13.98
Asian Markets:				
China:				
Shanghai	3	0.29		
Japan(7):				
Nagoya			1	0.62
Osaka	2	4.27	2	3.33
Tokyo	4	4.84	1	2.02
Singapore	1	0.19		
Subtotal Asia	10	9.59	4	5.97
Total(8)	**1,286**	**100.00%**	**1,279**	**100.00%**

(1) Properties under development are reflected at their total expected cost at completion, rather than at the cost incurred as of the dates presented.

(2) ProLogis California has the right of first offer with respect to properties that ProLogis develops, excluding properties developed under build to suit agreements, in certain counties included in ProLogis Los Angeles/ Orange County market, subject to the property meeting certain specified criteria, including leasing criteria.

(3) ProLogis North American Properties Fund V has the right of first offer to all of ProLogis stabilized development properties that ProLogis desires to sell in North America (except those properties that are subject to an agreement with ProLogis California) through December 31, 2005. Properties subject to the

right of first offer must meet certain specified criteria, including leasing criteria. Rights under the agreement will terminate if ProLogis North American Properties Fund V does not acquire a property that meets the specified criteria.

(4) Previously, ProLogis considered all of its properties in New Jersey to be in one market. For 2004, ProLogis reflects two New Jersey markets, I-95 Corridor and Central New Jersey. Also, for 2004, ProLogis has divided the properties previously presented in the San Francisco (East Bay) market between that market and the San Francisco (Central Valley) market.

(5) For 2004, includes on property in the Brownsville, Texas market. For 2003, includes one property in each of the Birmingham, Alabama and Brownsville, Texas markets. Neither of these markets are considered to be target markets of ProLogis.

(6) ProLogis is committed to offer to contribute all of its stabilized development properties in specific markets in Europe to ProLogis European Properties Fund through September 2019, and ProLogis European Properties Fund is committed to acquire such properties, subject to the property meeting certain specified criteria, including leasing criteria.

(7) ProLogis is committed to offer to contribute all of its stabilized development properties in Japan to ProLogis Japan Properties Fund through June 2006, and ProLogis Japan Properties Fund is committed to acquire such properties, subject to the property meeting certain specified criteria, including leasing criteria.

(8) Includes 58 properties under development at December 31, 2004 with a total expected cost at completion of $1.08 billion and 27 properties under development at December 31, 2003 with a total expected cost at completion of $678.5 million.

Properties

The information in the following tables is as of December 31, 2004 for the operating properties, properties under development and land directly owned by ProLogis and its consolidated subsidiaries and partnerships, which may not be 100% owned by ProLogis (see Real Estate Partnerships). No individual property or group of properties operated as a single business unit amounted to 10% or more of ProLogis consolidated total assets at December 31, 2004 or generated income equal to 10% or more of ProLogis consolidated gross revenues or total income for the year ended December 31, 2004. The table does not include properties that are owned by property funds or by ProLogis other unconsolidated investees which are discussed under Unconsolidated Investees.

	No. of Bldgs.	Percentage Occupancy(1)	Rentable Square Footage	Investment(2)	Encumbrances(3)
Operating Properties Owned at December 31, 2004(4):					
North American Markets(5):					
United States:					
Atlanta, Georgia	80	88.43%	8,504,171	$ 276,569,274	$ 35,061,297
Austin, Texas	27	86.71	1,759,309	68,888,270	
Central New Jersey	17	95.33	2,013,741	62,659,234	10,256,804
	30	93.26	3,801,070	119,117,964	40,702,305

Charlotte, North Carolina					
Chattanooga, Tennessee	5	97.58	1,147,872	17,312,734	
Chicago, Illinois	62	84.15	8,358,896	345,414,680	43,863,054
Cincinnati, Ohio	42	77.98	4,742,763	130,163,906	40,016,846
Columbus, Ohio	28	81.04	5,062,250	164,317,252	25,395,015
Dallas/ Fort Worth, Texas	120	86.34	12,960,122	436,023,103	62,364,972
Denver, Colorado	24	93.06	2,760,534	78,699,003	
El Paso, Texas	16	74.31	2,166,169	62,586,842	1,495,567

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	No. of Bldgs.	Percentage Occupancy(1)	Rentable Square Footage	Investment(2)	Encumbrances(3)
Ft. Lauderdale/ Miami, Florida	12	100.00	945,689	53,520,288	7,336,327
Houston, Texas	88	88.63	7,674,522	237,534,629	44,435,918
I-81 Corridor, Pennsylvania	11	78.66	2,799,148	152,956,453	12,847,461
I-95 Corridor, New Jersey	10	100.00	1,729,312	82,865,793	17,376,194
Indianapolis, Indiana	43	88.07	4,716,151	158,914,326	
Kansas City, Kansas/ Missouri	29	97.19	1,578,487	64,896,371	5,281,254
Las Vegas, Nevada	17	100.00	2,061,291	95,490,974	12,336,148
Los Angeles/ Orange County, California	2	22.03	1,131,513	38,744,504	
Louisville, Kentucky	8	69.21	1,907,488	49,632,843	6,266,529
Memphis, Tennessee	46	81.76	7,209,879	192,376,060	9,434,141
Nashville, Tennessee	38	88.67	4,093,240	105,778,654	6,821,477
Northern Ohio	1	100.00	71,723	1,085,819	
Oklahoma City, Oklahoma	6	75.39	639,942	12,542,345	
Orlando, Florida	21	87.84	1,937,151	78,157,661	6,748,344
Phoenix, Arizona	29	95.47	1,983,856	70,161,519	
Portland, Oregon	20	93.87	1,330,215	49,553,937	278,132
Reno, Nevada	23	93.83	2,702,923	98,969,884	10,155,504
Salt Lake City, Utah	7	98.08	1,643,468	47,014,900	
San Antonio, Texas	50	88.40	4,044,441	117,660,285	
San Francisco (Central Valley), California	14	86.64	2,948,792	112,974,450	74,262
San Francisco (East Bay), California	40	91.83	3,015,829	124,628,424	31,000,000
San Francisco (South Bay), California	71	85.76	3,695,747	238,573,019	6,007,570
Seattle Washington	14	98.27	1,272,827	59,142,977	4,442,873
St. Louis, Missouri	13	84.70	1,251,825	40,166,842	6,331,945
Tampa, Florida	58	94.34	3,640,856	140,389,591	9,479,358
Tulsa, Oklahoma	9	91.72	523,623	13,386,508	
Washington D.C./ Baltimore, Maryland	38	96.32	3,938,023	163,457,125	35,737,167
Other(6)	1	66.67	144,000	4,004,652	
Mexico:					
Juarez	10	100.00	835,380	32,569,066	
Monterrey	8	75.53	825,001	33,111,337	
Reynosa	12	88.61	1,299,091	55,038,684	
Tijuana	3	63.80	365,110	12,681,475	

Subtotal North America(5)	1,203	87.18	127,233,440	4,499,733,657	491,546,464

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	No. of Bldgs.	Percentage Occupancy(1)	Rentable Square Footage	Investment(2)	Encumbrances(3)
European Markets(7):					
France:					
Central	1	72.04	356,654	20,536,184	
East	1	100.00	190,643	7,977,894	
North	1		344,760	15,833,999	
South	2	14.30	560,718	29,132,732	
Germany:					
Rhine/ Main	1		223,536	23,289,153	
Rhine/ Ruhr	1		180,469	13,250,767	
Poland:					
South	1	93.47	123,000	4,350,388	
Warsaw	1		266,797	12,679,664	
Spain:					
Madrid	1	100.00	390,270	24,448,945	
United Kingdom:					
East Midlands	2	82.09	805,241	37,207,836	
London and Southeast	7		808,998	137,227,808	
West Midlands	4	60.33	630,164	50,403,972	
Subtotal Europe(7):	23	42.49	4,881,250	376,339,342	
Asian Markets(8):					
Japan:					
Osaka	1	27.25	1,365,116	169,534,679	
Singapore	1	100.00	150,000	11,599,592	
Subtotal Asia(8)	2	34.45	1,515,116	181,134,271	
Total Operating Properties Owned at December 31, 2004(4)	**1,228**	**84.95%**	**133,629,806**	**$ 5,057,207,270**	**$ 491,546,464**

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	No. of Bldgs.	Rentable Square Footage	Investment(2)	Total Expected Cost(9)
Properties Under Development at December 31, 2004(10)(11):				
North American Markets:				
United States:				
Atlanta, Georgia	1	678,000	$ 5,026,676	$ 17,765,983
Central New Jersey	1	750,005	20,578,181	39,085,752
Chicago, Illinois	2	398,800	10,408,887	16,004,082
Cincinnati, Ohio	1	483,000	6,555,344	16,608,128
Denver, Colorado	1	283,666	1,857,293	11,675,860
Houston, Texas	3	495,000	10,422,803	18,507,008
Las Vegas, Nevada	1	214,200	2,244,702	10,074,122
Los Angeles/ Orange County, California	1	849,054	14,524,433	37,651,370
Memphis, Tennessee	2	776,900	18,457,749	22,398,421
Portland, Oregon	1	100,350	4,299,823	5,098,893
San Antonio, Texas	1	54,000	1,890,537	2,536,861
Tampa, Florida	2	231,120	3,521,791	13,334,482
Mexico:				
Juarez	1	121,870	3,602,629	5,160,177
Reynosa	2	296,935	6,204,757	12,314,734
Subtotal North America	20	5,732,900	109,595,605	228,215,873
European Markets:				
Czech Republic:				
Prague	2	247,626	10,553,258	15,807,042
France:				
Central	2	434,694	19,318,193	25,066,429
South	2	508,004	10,915,013	27,812,143
Germany:				
South	3	268,637	17,884,268	20,656,265
Hungary:				
Budapest	1	250,338	16,650,419	17,609,499
Italy:				
Milan	3	691,972	22,954,971	43,592,619
Poland:				
South	2	504,089	4,421,237	21,943,891
Warsaw	2	553,485	3,981,493	26,263,955
Spain:				
Madrid	2	370,583	8,904,705	27,033,002

	No. of Bldgs.	Rentable Square Footage	Investment(2)	Total Expected Cost(9)
Sweden:				
Stockholm	2	491,129	28,281,030	44,868,402
United Kingdom:				
London and Southeast	4	601,600	69,056,363	100,671,450
West Midlands	5	775,629	53,328,952	77,302,193
Subtotal Europe	30	5,697,786	266,249,902	448,626,890
Asian Markets:				
China:				
Shanghai	3	520,416	4,832,195	18,065,468
Japan:				
Osaka	1	785,211	11,506,716	92,635,000
Tokyo	4	2,411,483	183,518,285	297,106,554
Subtotal Asia	8	3,717,110	199,857,196	407,807,022
Total Properties Under Development at December 31, 2004(10)(11)	**58**	**15,147,796**	**$ 575,702,703**	**$ 1,084,649,785**

	Acreage	Investment(2)	Encumbrances(3)
Land Held for Development at December 31, 2004(12):			
North American Markets:			
United States:			
Atlanta, Georgia	181.5	$ 13,524,081	$
Austin, Texas	7.2	918,357	
Central New Jersey	6.0	634,208	
Charlotte, North Carolina	35.2	3,844,666	
Chicago, Illinois	62.6	12,959,711	
Cincinnati, Ohio	63.7	5,583,848	
Columbus, Ohio	15.9	938,766	
Dallas/ Ft. Worth, Texas	119.6	12,375,011	
Denver, Colorado	110.4	7,413,867	
El Paso, Texas	85.1	5,462,246	
Houston, Texas	62.2	5,729,612	
I-81 Corridor, Pennsylvania	326.8	28,829,991	
Indianapolis, Indiana	92.7	7,440,169	
Kansas City, Kansas/ Missouri	16.6	1,526,602	

Las Vegas, Nevada	13.2	1,933,538	97,009
Los Angeles/ Orange County, California	91.1	22,316,372	
Louisville, Kentucky	60.6	4,898,604	
Memphis, Tennessee	78.1	5,014,491	
Orlando, Florida	16.1	1,628,533	
Portland, Oregon	7.2	1,641,574	
Reno, Nevada	26.2	3,914,690	
Salt Lake City, Utah	30.8	2,062,465	

	Acreage	Investment(2)	Encumbrances(3)
San Antonio, Texas	47.5	3,429,680	
San Francisco (East Bay) California	77.6	7,239,885	
Seattle, Washington	10.6	2,073,601	
Tampa, Florida	43.9	2,882,320	
Washington D.C./ Baltimore, Maryland	31.1	5,448,092	
Canada:			
Toronto, Canada	133.9	50,905,763	
Mexico:			
Juarez, Mexico	41.5	6,735,898	
Monterrey, Mexico	12.8	1,759,700	
Reynosa, Mexico	44.3	6,027,824	
Subtotal North America	1,952.0	237,094,165	97,009
European Markets:			
Belgium	34.2	12,762,876	
Czech Republic:			
Prague	17.0	5,942,493	
France:			
Central	168.6	26,169,786	
North	19.8	1,390,380	
South	20.8	3,827,368	
Germany:			
Rhine/ Main	12.4	9,996,934	
Rhine/ Ruhr	6.3	2,147,138	
Hungary:			
Budapest	57.7	10,266,723	
Italy:			
Milan	95.5	22,794,517	
Netherlands:			
Rotterdam	5.0	2,071,629	
Poland:			
Central	5.7	1,860,988	
South	100.1	18,471,008	
Warsaw	39.0	5,027,607	
Spain:			
Madrid	11.2	4,415,392	
United Kingdom:			
East Midlands	224.0	89,037,385	
London and Southeast	79.3	81,702,329	
North	70.6	17,119,084	
West Midlands	72.0	45,731,848	
Subtotal Europe	1,039.2	360,735,485	
	2,991.2	**$ 597,829,650**	**$ 97,009**

Total Land Held for Development at December 31, 2004(12)

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	No. of Bldgs.	Acreage	Rentable Square Footage	Investment(2)	Total Expected Cost(9)	Encumbrances(3)
Grand Totals at December 31, 2004:						
Operating properties(4)(5)(7)(8)	1,128	n/a	133,629,806	$ 5,057,207,270	n/a	$ 491,546,464
Properties under development(10)(11)	158	n/a	15,147,796	575,702,703	$ 1,084,649,785	n/a
Land held for development(12)	n/a	2,991.2	n/a	597,829,650	n/a	97,009
Other investments(13)	n/a	n/a	n/a	102,991,608	n/a	n/a
Totals	**1,286**	**2,991.2**	**148,777,602**	**$ 6,333,731,231(12)**	**$ 1,084,649,785**	**$ 491,643,473**

n/a Not Applicable

(1) The percentage occupancy presented is the physical occupancy at December 31, 2004. Operating properties at December 31, 2004 include recently completed development properties that may be in the initial lease-up phase, including properties aggregating 5.1 million square feet that were completed in 2004. The inclusion of properties in the initial lease-up phase can reduce the overall occupancy percentage.

(2) Investment represents ProLogis carrying value of the properties, before depreciation, at December 31, 2004.

(3) Certain properties are pledged as security under ProLogis secured debt and assessment bonds at December 31, 2004. For purposes of this table, the total principal balance of a debt issuance that is secured by a pool of properties is allocated among the properties in the pool based on each property s investment balance. See Schedule III Real Estate and Accumulated Depreciation to ProLogis Consolidated Financial Statements in Item 8 for additional identification of the properties pledged.

(4) All operating properties are included in the property operations segment. See Item 1. Business ProLogis Operating Segments Property Operations.

(5) Includes 70 properties aggregating 12.7 million square feet at total investment of $404.7 million that were developed in the CDFS business segment that are pending contribution to a property fund or sale to a third party or that were acquired in the CDFS business segment that are pending contribution to a property fund. See Item 1. Business ProLogis Operating Segments CDFS Business.

(6) Includes one property in Brownsville, Texas which is not considered to be a target market of ProLogis.

(7)

Includes 19 properties aggregating 3.9 million square feet at a total investment of $323.7 million that were developed in the CDFS business segment that are pending contribution to a property fund or sale to a third party. See Item 1. Business ProLogis Operating Segments CDFS Business.

(8) Includes a 1.4 million square foot property at a total investment of $169.5 million that was developed in the CDFS business segment that is pending contribution to ProLogis Japan Properties Fund. See Item 1. Business ProLogis Operating Segments CDFS Business.

(9) Represents the total expected cost at completion for properties under development, including the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during construction, rather than actual costs incurred to date.

(10) All of the properties under development are included in the CDFS business segment. See Item 1. Business ProLogis Operating Segments CDFS Business.

(11) Includes 16 properties aggregating 3.3 million square feet that are in the design and permit stage.

(12) All of the land held for future development is included in the CDFS business segment. The land owned can be used for the development of approximately 52.0 million square feet of distribution properties. See Item 1. Business ProLogis Operating Segments CDFS Business. Does not include 1,167 acres of land controlled directly by ProLogis under option, letter of intent or contingent contract with the

capacity for the development of approximately 20.8 million square feet of distribution properties. Does not include 796 acres of land owned or controlled by unconsolidated investees of ProLogis with the capacity for the development of approximately 11.7 million square feet of distribution properties. See Unconsolidated Investees CDFS Business.

(13) Other investments include: (i) earnest money deposits associated with potential acquisitions; (ii) costs incurred during the pre-acquisition due diligence process; and (iii) costs incurred during the pre-construction phase related to future development projects.

Real Estate Partnerships

At December 31, 2004, ProLogis held a majority ownership interest in and controlled five real estate partnerships (collectively, the Partnerships). For financial reporting purposes, the assets, liabilities, results of operations and cash flows of each of the Partnerships are included in ProLogis Consolidated Financial Statements and in the preceding real estate tables. The interests of the limited partners are reflected as minority interest in ProLogis Consolidated Balance Sheet.

Pursuant to the partnership agreements, ProLogis or a wholly owned subsidiary of ProLogis is the sole controlling general partner of each of the five real estate partnerships with all management powers over the business and affairs of the partnership. The limited partners of each of the partnerships generally do not have the authority to transact business for, or participate in the management decisions of, the partnerships. The general partner in each of the partnerships may not, without the written consent of all of the limited partners: (i) take any action that would prevent the partnership from conducting its business; (ii) possess the property of the partnership; (iii) admit an additional partner; or (iv) subject a limited partner to the liability of a general partner. In each partnership, ProLogis or a wholly owned subsidiary may not voluntarily withdraw from the partnership or transfer or assign its interests in the partnership without the consent of all of the limited partners. The limited partners may freely transfer their partnership units to their affiliates, provided that the transfer does not cause a termination of the partnership under the Code and does not cause ProLogis to cease to comply with the REIT requirements of the Code. The limited partners in each of the partnerships are entitled to redeem their partnership units for Common Shares.

See Note 8 to ProLogis Consolidated Financial Statements in Item 8.

The five real estate partnerships are as follows at December 31, 2004:

	Formation Date	Number of Operating Properties	Rentable Square Footage of Operating Properties	Real Estate Assets (in millions)(1)	ProLogis Ownership
ProLogis Limited Partnership-I(2)	1993	74	3,904,336	$ 220.4(3)(4)	68.65%
ProLogis Limited Partnership-III(5)	1994	16	993,730	36.2(6)	95.18%
ProLogis Limited Partnership-IV(5)(7)	1994	42	2,441,834	94.9(8)	98.98%
Meridian Realty Partners Limited Partnership	(9)	1	249,283	11.1(10)	91.33%
ProLogis Fraser L.P.(11)	2004	9	2,329,880	151.2(12)	87.46%
		142	9,919,063	$ 513.8	

(1) Real estate assets are presented before depreciation.

(2) Irving F. Lyons, III, ProLogis Vice Chairman and former Chief Investment Officer, had an effective ownership in ProLogis Limited Partnership-I of 1.8% at December 31, 2004.

(3) These properties cannot be sold, prior to the occurrence of certain events, without the consent of the limited partners, other than in tax-deferred exchanges. The applicable partnership agreement provides

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that a minimum level of debt must be maintained within this partnership, which can include intercompany debt to ProLogis.

(4) One operating property is located in the Tampa market; all other properties are located in San Francisco (the East Bay and South Bay markets).

(5) Jeffrey H. Schwartz, ProLogis Chief Executive Officer, owned all of the minority interest outstanding at December 31, 2004 (4.82% of ProLogis Limited Partnership-III and 1.02% of ProLogis Limited Partnership-IV).

(6) The operating properties are located in the Chicago, Orlando, San Antonio and Tampa markets. Real estate assets also include 16 acres of land held for future development located in the Tampa market with a book basis of $0.8 million.

(7) ProLogis Limited Partnership-IV was formed through a cash contribution from a wholly owned subsidiary of ProLogis, ProLogis IV, Inc., and through the contribution of properties from the limited partner. ProLogis Limited Partnership-IV and ProLogis IV, Inc. are legal entities that are separate and distinct from ProLogis, its affiliates and each other, and each has separate assets, liabilities, business functions and operations. At December 31, 2004, the sole asset of ProLogis IV, Inc. was its interest in ProLogis Limited Partnership-IV. At December 31, 2004, ProLogis IV, Inc. had outstanding borrowings from ProLogis of $0.6 million.

(8) The operating properties are located in the Cincinnati, Dallas/ Ft. Worth, Ft. Lauderdale/ Miami, I-95 Corridor (New Jersey), Northern Ohio, Orlando and Tampa markets. In addition, this partnership s real estate assets include $11.0 million of cash held in escrow pending the completion of a deferred tax exchange transaction.

(9) This partnership was formed by another REIT that was merged with and into ProLogis in 1999.

(10) This property is located in the Los Angeles/ Orange County market

(11) This limited partnership was formed on August 4, 2004 in connection with the Keystone Transaction to directly acquire certain net assets of Keystone. In addition to the real estate assets owned, this partnership owns interests in two property funds that own real estate assets (ProLogis North American Properties Funds XI and XII) and interests in two CDFS Joint Ventures (one that owns a recently completed 0.8 million square foot development property and one that has a 0.8 million square foot property under development). See Unconsolidated Investees Property Operations and Unconsolidated Investees CDFS Business . Also, see Note 3 to ProLogis Consolidated Financial Statements in Item 8.

(12) Real estate assets of this partnership include nine operating properties located in the I-81 Corridor (Pennsylvania) and Indianapolis markets with an undepreciated cost of $126.6 million, a 0.8 million square foot property under development in the Central New Jersey market with a total expected cost at completion of $39.1 million, and land parcels and land option rights primarily in the Indianapolis market.

Unconsolidated Investees

At December 31, 2004, ProLogis investments in and advances to unconsolidated investees (entities that ProLogis presents under the equity method rather than on a consolidated basis) totaled $908.5 million. ProLogis investments in and advances to property funds discussed below under Property Operations totaled $839.7 million at December 31, 2004. ProLogis investments in and advances to its entities operating in the CDFS business segment totaled $40.5 million at December 31, 2004 discussed below under CDFS Business . ProLogis investment in and advances to a temperature-controlled distribution company was $5.1 million at December 31, 2004. ProLogis investments in and advances to other companies totaled $23.2 million at December 31, 2004. ProLogis unconsolidated investees are discussed in Note 5 to ProLogis Consolidated Financial Statements in Item 8. See also Item 1. Business ProLogis

Operating Segments.

The property fund component of ProLogis business strategy allows ProLogis to: (i) realize, for financial reporting purposes, a portion of the profits from its CDFS business activities upon contribution of a property to

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a property fund; (ii) earn fees from the property funds; (iii) raise private capital to fund its future CDFS business activities; (iv) maintain an ownership interest in its developed properties; and (v) maintain relationships with its customers. See Item 1. Business ProLogis Business Strategy and Global Presence.

Property Operations

At December 31, 2004, ProLogis had ownership interests ranging from 11.5% to 50% in 15 property funds that are presented under the equity method. The property funds primarily own operating properties and ProLogis investments in the property funds are included in its property operations segment. The information provided in the table below is for the total entity in which ProLogis has an ownership interest, not ProLogis proportionate share of the entity. ProLogis acts as manager of each property fund. See Item 1. Business ProLogis Operating Segments Property Operations and Note 5 to ProLogis Consolidated Financial Statements in Item 8.

	No. of Bldgs.	Rentable Square Footage	Percentage Occupancy(1)	Entity s Investment(2)
North America:				
ProLogis California(3):				
Los Angeles/ Orange County, California	81	14,203,899	99.42%	$ 685,971,094
ProLogis North American Properties Fund I(4):				
Atlanta, Georgia	5	1,615,688	98.40%	53,856,179
Central New Jersey	4	925,600	100.00	46,329,568
Chicago, Illinois	1	249,576	100.00	14,813,173
Cincinnati, Ohio	2	297,720	100.00	15,187,118
Columbus, Ohio	2	888,691	100.00	30,280,864
Dallas/ Ft. Worth, Texas	3	1,221,934	69.90	49,392,204
Denver, Colorado	2	198,892	100.00	9,186,376
El Paso, Texas	1	354,159	100.00	13,629,971
Houston, Texas	2	238,450	84.98	10,890,317
I-95 Corridor, New Jersey	1	174,720	100.00	12,952,203
Indianapolis, Indiana	2	719,829	100.00	21,487,540
Louisville, Kentucky	3	905,800	96.69	33,571,633
Nashville, Tennessee	1	412,800	100.00	14,988,729
Phoenix, Arizona	1	156,410	0.00	6,770,282
Salt Lake City, Utah	3	396,600	100.00	17,145,977
San Antonio, Texas	1	244,800	100.00	9,101,959
San Francisco (Central Valley), California	2	404,400	100.00	16,997,187
Total ProLogis North American Properties Fund I	36	9,406,069	93.45%	376,581,280
ProLogis North American Properties Fund II(5):				
Austin, Texas	4	324,800	100.00%	17,848,580

Central New Jersey	1	501,400	100.00	26,359,798
Charlotte, North Carolina	2	178,000	45.88	7,870,523
Chicago, Illinois	4	510,725	100.00	38,516,720
Dallas/ Ft. Worth, Texas	4	669,416	100.00	26,142,026

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	No. of Bldgs.	Rentable Square Footage	Percentage Occupancy(1)	Entity s Investment(2)
Denver, Colorado	1	104,400	100.00	5,435,610
El Paso, Texas	1	239,131	100.00	10,318,866
Ft. Lauderdale/ Miami, Florida	3	383,650	80.82	23,757,762
I-81 Corridor, Pennsylvania	1	528,670	100.00	25,427,547
Reno, Nevada	1	169,625	100.00	7,178,416
San Antonio, Texas	1	160,000	84.00	6,769,006
San Francisco (Central Valley), California	1	89,626	100.00	4,368,792
Washington D.C./ Baltimore, Maryland	3	617,225	100.00	35,577,510
Total ProLogis North American Properties Fund II	27	4,476,668	95.63%	235,571,156
ProLogis North American Properties Fund III(5):				
Atlanta, Georgia	2	151,600	85.49%	7,220,189
Austin, Texas	6	282,100	97.45	15,773,175
Central New Jersey	1	204,000	100.00	10,565,600
Charlotte, North Carolina	1	136,000	74.19	5,407,328
Cincinnati, Ohio	5	1,044,390	89.41	45,868,562
Columbus, Ohio	1	289,280	100.00	8,580,685
Denver, Colorado	1	104,400	100.00	5,365,810
Houston, Texas	1	140,000	58.57	5,776,303
Las Vegas, Nevada	1	235,520	100.00	9,874,422
Orlando, Florida	4	361,866	100.00	18,585,371
Portland, Oregon	2	200,600	86.89	10,762,036
San Francisco (Central Valley), California	1	351,788	100.00	15,395,249
Seattle, Washington	1	117,620	100.00	6,232,909
St. Louis, Missouri	2	370,000	91.84	15,296,361
Washington D.C./ Baltimore, Maryland	5	391,325	54.05	29,577,783
Total ProLogis North American Properties Fund III	34	4,380,489	89.29%	210,281,783
ProLogis North American Properties Fund IV(5):				
Atlanta, Georgia	3	252,800	74.21%	13,274,388
Central New Jersey	1	181,370	100.00	8,977,780
Columbus, Ohio	1	1,014,592	100.00	27,508,871
Dallas/ Ft. Worth, Texas	1	180,440	100.00	10,799,887
Denver, Colorado	2	357,400	100.00	15,041,195
El Paso, Texas	1	153,034	100.00	5,590,981

Ft. Lauderdale/ Miami, Florida	1	421,101	100.00	16,163,189
Phoenix, Arizona	1	273,586	100.00	9,627,468
Portland, Oregon	4	426,780	93.63	24,673,130
San Antonio, Texas	2	213,800	100.00	10,087,826
Total ProLogis North American Properties Fund IV	17	3,474,903	97.34%	141,744,715

	No. of Bldgs.	Rentable Square Footage	Percentage Occupancy(1)	Entity s Investment(2)
ProLogis North American Properties Fund V(6):				
United States:				
Atlanta, Georgia	14	1,966,183	98.68%	60,317,304
Central New Jersey	3	1,012,972	100.00	52,963,304
Charlotte, North Carolina	3	802,900	100.00	30,218,891
Chicago, Illinois	2	582,220	21.39	35,634,953
Cincinnati, Ohio	3	594,000	94.40	22,108,918
Columbus, Ohio	7	1,352,590	98.30	50,513,231
Dallas/ Fort Worth, Texas	10	2,587,545	94.90	93,323,493
Denver, Colorado	2	142,077	100.00	5,989,413
El Paso, Texas	7	848,548	100.00	33,746,323
Ft. Lauderdale/ Miami, Florida	3	354,151	94.64	21,861,364
Houston, Texas	6	1,333,229	100.00	46,148,561
I-81 Corridor, Pennsylvania	2	1,514,645	100.00	65,970,568
Los Angeles/ Orange County, California	4	2,738,029	100.00	138,855,220
Louisville, Kentucky	2	877,250	94.30	33,202,740
Memphis, Tennessee	5	2,329,468	100.00	63,651,644
Nashville, Tennessee	2	516,240	100.00	17,135,005
Orlando, Florida	3	492,801	100.00	17,095,334
Portland, Oregon	1	127,420	100.00	6,670,860
Reno, Nevada	2	820,006	100.00	35,121,878
San Antonio, Texas	9	1,213,020	100.00	50,475,946
San Francisco (Central Valley), California	1	401,536	100.00	15,980,582
St. Louis, Missouri	1	1,262,648	100.00	44,556,562
Tampa, Florida	2	172,000	100.00	10,652,702
Washington D.C./ Baltimore, Maryland	6	1,389,092	100.00	65,173,005
Mexico:				
Juarez	1	131,538	100.00	8,692,456
Monterrey	5	684,940	96.45	36,783,544
Reynosa	6	950,046	100.00	53,548,986
Tijuana	7	1,070,200	86.80	53,601,559
Total ProLogis North American Properties Fund V	119	28,267,294	96.79%	1,169,994,346
ProLogis North American Properties Fund VI(7):				
Central New Jersey	4	3,229,104	95.13%	236,151,097
Charlotte, North Carolina	2	600,960	83.34	24,014,348

Ft. Lauderdale/ Miami, Florida	6	926,568	79.91	57,901,451
Greenville, South Carolina	2	737,889	99.51	27,177,491
I-81 Corridor, Pennsylvania	4	2,470,610	64.41	133,492,983
I-95 Corridor, New Jersey	1	93,948	100.00	12,587,024
Northern Ohio	2	324,750	100.00	12,262,458

	No. of Bldgs.	Rentable Square Footage	Percentage Occupancy(1)	Entity s Investment(2)
San Francisco (Central Valley), California	1	264,418	100.00	9,852,273
Total ProLogis North American Properties Fund VI	22	8,648,247	84.66%	513,439,125
ProLogis North American Properties Fund VII(7):				
Central New Jersey	1	585,510	100.00%	36,384,785
Charlotte, North Carolina	3	500,800	96.01	20,962,980
Ft. Lauderdale/ Miami, Florida	4	683,482	95.75	60,401,112
Greenville, South Carolina	7	390,000	61.54	12,212,768
I-81 Corridor, Pennsylvania	5	1,631,311	85.29	90,375,360
I-95 Corridor, New Jersey	3	1,060,998	59.05	119,251,780
Indianapolis, Indiana	1	799,344	100.00	32,386,789
Nashville, Tennessee	1	70,000	100.00	2,544,638
Northern Ohio	4	333,136	90.95	13,703,639
Total ProLogis North American Properties Fund VII	29	6,054,581	85.07%	388,223,851
ProLogis North American Properties Fund VIII(7):				
Atlanta, Georgia	1	67,200	74.36%	3,840,817
Central New Jersey	2	537,433	100.00	41,494,503
Cincinnati, Ohio	1	167,270	91.18	5,850,958
Ft. Lauderdale/ Miami, Florida	4	360,474	100.00	33,368,848
Greenville, South Carolina	1	143,119	100.00	4,879,153
I-81 Corridor, Pennsylvania	6	934,945	83.02	43,159,617
I-95 Corridor, New Jersey	6	412,611	93.98	38,310,927
Nashville, Tennessee	1	88,000	100.00	2,869,559
Northern Ohio	1	255,000	58.82	10,699,695
San Antonio, Texas	1	98,400	100.00	6,797,618
Total ProLogis North American Properties Fund VIII	24	3,064,452	89.54%	191,271,695
ProLogis North American Properties Fund IX(7):				
Atlanta, Georgia	1	54,400	100.00%	3,886,090
Central New Jersey	2	385,000	96.06	34,232,359
Cincinnati, Ohio	2	196,434	93.47	7,318,861
Columbus, Ohio	1	200,000	100.00	6,393,264

Ft. Lauderdale/ Miami, Florida	2	348,600	100.00	31,875,394
Greenville, South Carolina	5	662,000	27.19	18,409,697
I-81 Corridor, Pennsylvania	6	1,255,475	75.47	61,106,427
I-95 Corridor, New Jersey	2	402,460	83.24	34,298,383
Total ProLogis North American Properties Fund IX	21	3,504,369	74.73%	197,520,475

	No. of Bldgs.	Rentable Square Footage	Percentage Occupancy(1)	Entity s Investment(2)
ProLogis North American Properties Fund X(7):				
Atlanta, Georgia	1	51,200	100.00%	3,322,878
Central New Jersey	1	40,000	0.00	3,862,727
Cincinnati, Ohio	1	136,184	100.00	5,080,241
Columbus, Ohio	1	237,500	100.00	5,386,600
Ft. Lauderdale/ Miami, Florida	3	340,143	100.00	30,116,012
Greenville, South Carolina	10	769,400	59.71	21,032,515
I-81 Corridor, Pennsylvania	6	1,554,074	96.67	75,090,740
I-95 Corridor, New Jersey	3	651,880	100.00	60,733,514
Nashville, Tennessee	1	187,930	100.00	6,429,042
Northern Ohio	1	181,838	100.00	7,254,504
San Antonio, Texas	1	40,800	100.00	1,713,823
Total ProLogis North American Properties Fund X	29	4,190,949	90.41%	220,022,596
ProLogis North American Properties Fund XI(8):				
Central New Jersey	1	203,404	100.00%	13,251,528
I-81 Corridor, Pennsylvania	5	1,267,956	87.95	74,673,232
Indianapolis, Indiana	8	2,843,601	98.54	139,346,518
Total ProLogis North American Properties Fund XI	14	4,314,961	95.50%	227,271,278
ProLogis North American Properties Fund XII(8):				
Central New Jersey	7	2,606,962	100.00%	191,561,859
I-95 Corridor, New Jersey	5	756,848	100.00	77,549,877
Total ProLogis North American Properties Fund XII	12	3,363,810	100.00%	269,111,736
Subtotal ProLogis North American	465	97,350,691	93.43%	4,827,005,130
Europe:				
ProLogis European Properties Fund(9):				
Belgium	2	468,535	100.00%	25,754,915
Czech Republic:				
Prague	7	1,342,066	100.00	102,969,187

France:				
Central	70	12,633,688	90.33	964,375,652
East	3	939,697	100.00	57,248,555
North	8	1,704,984	100.00	97,231,087
South	18	4,587,640	88.54	240,433,170

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	No. of Bldgs.	Rentable Square Footage	Percentage Occupancy(1)	Entity s Investment(2)
Germany:				
North	2	438,515	100.00	39,786,400
Rhine/ Main	3	405,847	100.00	39,947,740
Rhine/ Ruhr	5	1,026,863	99.57	98,891,366
South	4	581,590	100.00	51,578,113
Hungary:				
Budapest	3	527,047	90.60	35,468,772
Italy:				
Milan	15	4,820,031	100.00	291,363,724
Netherlands:				
Amsterdam	4	633,289	100.00	70,575,577
Rotterdam	9	1,785,424	99.16	122,340,656
South	8	2,510,013	100.00	174,041,555
Poland:				
Central	2	656,848	100.00	37,956,302
South	1	366,880	100.00	23,365,899
Warsaw	11	2,048,633	93.78	150,693,010
West	4	463,949	99.54	27,761,853
Spain:				
Barcelona	7	1,806,865	99.53	159,147,614
Madrid	2	342,951	85.68	33,234,217
Sweden:				
Stockholm	2	710,839	100.00	46,484,923
United Kingdom:				
East Midlands	17	3,443,970	100.00	414,525,500
London and Southeast	8	1,158,185	100.00	219,594,032
North	3	434,122	100.00	46,390,462
West Midlands	12	2,082,798	89.25	285,151,336
Total ProLogis European Properties Fund	230	47,921,269	95.35%	3,856,311,617
Asia:				
ProLogis Japan Properties Fund(5):				
Nagoya, Japan	1	346,069	100.00%	48,410,003
Osaka, Japan	2	468,931	100.00	41,815,381
Tokyo, Japan	10	3,054,469	98.85	641,494,379
Total ProLogis Japan Properties Fund	13	3,869,469	99.09%	731,719,763
Total Unconsolidated Investees	**708**	**149,141,429**	**94.19%**	**$ 9,415,036,510**

(1) The percentage occupancy presented is the physical occupancy at December 31, 2004.

(2) Investment represents 100% of the carrying value of the properties, before depreciation, of each entity at December 31, 2004, except with respect to ProLogis North American Properties Funds XI and XII. ProLogis acquired its ownership interest in these entities as part of the Keystone Transaction in August 2004. For this presentation, the investment represents 100% of the fair values of the operating properties owned by these entities that were determined as part of the associated purchase accounting adjustments,

not just ProLogis share of the fair values, as adjusted for subsequent activity. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Keystone Transaction .

(3) ProLogis had a 50% ownership interest in ProLogis California at December 31, 2004.

(4) ProLogis had a 41.3% ownership interest in ProLogis North American Properties Fund I at December 31, 2004.

(5) ProLogis had a 20% ownership interest in each of ProLogis North American Properties Fund II, ProLogis North American Properties Fund III, ProLogis North American Properties Fund IV and ProLogis Japan Properties Fund at December 31, 2004.

(6) ProLogis had an effective ownership interest of 11.5% in ProLogis North American Properties Fund V at December 31, 2004.

(7) ProLogis formed this property fund in 2004 as part of the Keystone Transaction (see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Keystone Transaction). ProLogis ownership interest in each of ProLogis North American Properties Funds VI through X was 20% at December 31, 2004.

(8) ProLogis acquired a 20% ownership interest in each of ProLogis North American Properties Fund XI and ProLogis North American Properties Fund XII as part of the Keystone Transaction (see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Keystone Transaction).

(9) ProLogis had a 21.8% ownership interest in ProLogis European Properties Fund at December 31, 2004.

CDFS Business

At December 31, 2004, ProLogis had ownership interests in six entities that perform CDFS business activities and are presented by ProLogis under the equity method. These entities are as follows at December 31, 2004:

United States: two entities in which ProLogis ownership interest is 50% in each; ownership interests were acquired as part of the Keystone Transaction (see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Keystone Transaction); one entity recently completed a 0.8 million square foot property in Indianapolis with a total investment of $39.1 million and one entity that began development of another 0.8 million square foot property in Indianapolis with a total expected cost at completion of $22.7 million.

Europe: three entities in the United Kingdom in which ProLogis ownership interest is 50% in each, including one entity in which ProLogis no longer actively participates and two entities that own land parcels (10 acres, 0.2 million buildable square feet) and control land parcels through contract, option or letter of intent (396 acres, 7.5 million buildable square feet) but do not have any projects currently under development.

Asia: one entity in China that has two properties under development aggregating 0.2 million square feet at a total expected cost at completion of $7.8 million; both properties are in Shanghai. This entity also owns four operating properties in Shanghai aggregating 0.2 million square feet at a total acquisition cost of $7.3 million.

See Item 1. Business ProLogis Operating Segments CDFS Business.

ITEM 3. Legal Proceedings

From time to time, ProLogis and its unconsolidated investees are parties to a variety of legal proceedings arising in the ordinary course of their businesses. ProLogis believes that, with respect to any such matters that it is currently a party to, the ultimate disposition of any such matters will not result in a material adverse effect on ProLogis business, financial position or results of operations.

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ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

ITEM 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

ProLogis Common Shares are listed on the NYSE under the symbol PLD . The following table sets forth the high and low sale prices of the Common Shares, as reported in the NYSE Composite Tape, and distributions per Common Share, for the periods indicated.

	High Sale Price	Low Sale Price	Per Common Share Distribution
2003:			
First Quarter	$ 26.60	$ 23.63	$ 0.36
Second Quarter	28.60	25.60	0.36
Third Quarter	30.39	26.97	0.36
Fourth Quarter	32.62	28.34	0.36
2004:			
First Quarter	36.00	30.80	0.365
Second Quarter	36.39	27.62	0.365
Third Quarter	36.95	32.74	0.365
Fourth Quarter	43.33	35.30	0.365
2005:			
First Quarter (through March 11)	$ 43.50	$ 37.40	$ 0.37

On March 11, 2005, ProLogis had approximately 186,306,321 Common Shares outstanding, which were held of record by approximately 9,300 shareholders.

Distributions and Dividends

In order to comply with the REIT requirements of the Code, ProLogis is generally required to make Common Share distributions and Preferred Share dividends (other than capital gain distributions) to its shareholders in amounts that together at least equal to (i) the sum of (a) 90% of its REIT taxable income computed without regard to the dividends paid deduction and its net capital gains and (b) 90% of the net income (after tax), if any, from foreclosure property, minus (ii) certain excess noncash income. ProLogis Common Share distribution policy is to distribute a percentage of its cash flow that ensures that ProLogis will meet the distribution requirements of the Code and that allows ProLogis to maximize the cash retained to meet other cash needs, such as capital improvements and other investment activities.

ProLogis announces the following year s projected annual Common Share distribution level after the Board performs its annual budget review and approves a Common Share distribution level, generally in December of each year. In December 2004, the Board announced an increase in the annual distribution level for 2005 from $1.46 to $1.48 per Common Share. The payment of Common Share distributions is subject to the discretion of the Board, is dependent on ProLogis financial condition and operating results and may be adjusted at the discretion of the Board during the year. A distribution of $0.37 per Common Share for the first quarter of 2005 was declared on February 1, 2005. This distribution was paid on February 28, 2005 to holders of Common Shares on February 15, 2005.

Common Share distributions to shareholders are characterized for federal income tax purposes as ordinary income, capital gains, non-taxable return of capital or a combination of the three. Common Share distributions that exceed ProLogis current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital rather than a dividend and generally reduce the shareholders basis in the Common Shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the shareholder s basis in the Common Shares, it will generally be treated as a gain from the sale or exchange of that shareholder s Common Shares. At the beginning of each year, ProLogis notifies its shareholders of the taxability of the Common Share distributions paid during the preceding year. The following table summarizes the taxability of Common Share distributions for the periods indicated (in U.S. dollars; taxability for 2004 is estimated):

	Years Ended December 31,		
	2004	2003	2002
Per Common Share:			
Ordinary income	$ 0.94	$ 1.23	$ 0.95
Capital gains	0.17	0.05	0.06
Return of capital	0.35	0.16	0.41
Total	$ 1.46	$ 1.44	$ 1.42

In addition to Common Shares, ProLogis has issued cumulative redeemable preferred shares of beneficial interest (Preferred Shares). At December 31, 2004, ProLogis had three series of Preferred Shares outstanding (Series C Preferred Shares , Series F Preferred Shares and Series G Preferred Shares). Previously, ProLogis had three other series of Preferred Shares (Series A Preferred Shares , Series D Preferred Shares and Series E Preferred Shares) and one series of cumulative convertible redeemable preferred shares of beneficial interest (Series B Convertible Preferred Shares) outstanding, all of which have been redeemed. Holders of each series of Preferred Shares outstanding have, subject to certain conditions, limited voting rights, and are entitled to receive cumulative preferential dividends based upon each series respective liquidation preference. Such dividends are payable quarterly in arrears on the last day of March, June, September and December. Dividends on Preferred Shares are payable when, and if, they have been declared by the Board, out of funds legally available for payment of dividends. After the respective redemption dates, each series of Preferred Shares can be redeemed at ProLogis option. The cash redemption price (other than the portion consisting of accrued and unpaid dividends) with respect to Series C Preferred Shares is payable solely out of the cumulative sales proceeds of other capital shares of ProLogis, which may include shares of other series of Preferred Shares. With respect to the payment of dividends, each series of Preferred Shares ranks on parity with ProLogis other series of Preferred Shares. Annual per share dividends paid on each series of Preferred Shares were as follows for the periods indicated (in U.S. dollars):

	Years Ended December 31,		
	2004	2003	2002
Series C(1)	$ 4.27	$ 4.27	$ 4.27
Series D(2)(3)		1.98	1.98
Series E(4)		1.09	2.19
Series F(5)	1.69	0.15	
Series G (6)	1.69		

(1) For federal income tax purposes, \$3.62 of the 2004 dividend, \$4.11 of the 2003 dividend and \$4.04 of the 2002 dividend are estimated to represent ordinary income to the holders with the remaining portions of each dividend estimated to represent capital gains.

(2) For federal income tax purposes, of the \$1.98 per share dividend paid in 2003 on shares that were not redeemed, \$1.90 is estimated to represent ordinary income to the holders and of the total 2002 dividend,

$1.87 is estimated to represent ordinary income to the holders. The remaining portions in each year are estimated to represent capital gains.

(3) ProLogis redeemed all of its 10,000,000 outstanding Series D Preferred Shares (5,000,000 shares on January 12, 2004 and 5,000,000 shares on December 1, 2003). No Series D Preferred Share dividends were declared and paid in 2004, although the total redemption value included accrued and unpaid dividends of $0.066 per share. For 2003, the total dividends paid on the 5,000,000 shares redeemed in that year were $1.82 per share, of which $1.48 was declared and paid prior to the redemption and $0.34 represented accrued and unpaid dividends that were included in the redemption value. Of the dividend declared and paid in 2003 of $1.48 per share, $1.26 is estimated to be ordinary income to the holders, $0.16 is estimated to be qualified dividends and $0.06 is estimated to represent capital gains

(4) ProLogis redeemed all of its 2,000,000 outstanding Series E Preferred Shares on July 1, 2003. The total dividends paid on the redeemed shares in 2003 were $1.46 per share, of which $1.09 was declared and paid prior to the redemption and $0.37 represented accrued and unpaid dividends that were included in the redemption value. Of the dividend declared and paid in 2003 of $1.09 per share, $0.93 is estimated to represent ordinary income to the holders, $0.12 is estimated to be qualified dividends and $0.04 is estimated to represent capital gains.

(5) The Series F Preferred Shares were issued on November 28, 2003. For federal income tax purposes, $1.43 of the 2004 dividend and $0.14 of the 2003 dividend are estimated to represent ordinary income to the holders with the remainder estimated to represent capital gains.

(6) The Series G Preferred Shares were issued on December 30, 2003. For federal income tax purposes, $1.43 of the 2004 dividend is estimated to represent ordinary income to the holders with the remainder estimated to represent capital gains.

Pursuant to the terms of its Preferred Shares, ProLogis is restricted from declaring or paying any distribution with respect to its Common Shares unless and until all cumulative dividends with respect to the Preferred Shares have been paid and sufficient funds have been set aside for dividends that have been declared for the then-current dividend period with respect to the Preferred Shares.

ProLogis tax return for the year ended December 31, 2004 has not been filed. The taxability information presented for ProLogis distributions and dividends paid in 2004 is based upon the best available data. ProLogis tax returns for previous tax years have not been examined by the Internal Revenue Service. Consequently, the taxability of distributions and dividends is subject to change.

ProLogis earnings and profits are first allocated to the Preferred Shares, which increases the portion of the Common Share distribution that is characterized as return of capital. The portion of the Common Share distribution that is characterized as return of capital represents the excess of distributions over the earnings and profits, and primarily results because non-cash charges such as depreciation are not considered in determining distribution levels. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding securities authorized for issuance under ProLogis equity compensation plans see Note 15 to ProLogis Consolidated Financial Statements in Item 8. The other information required by this Item 5 is incorporated herein by reference to the description under the caption Equity Compensation Plan Information in ProLogis definitive proxy statement for its 2005 annual meeting of shareholders (2005 Proxy Statement).

Other Shareholder Matters

Other Issuances of Common Shares

In 2004, ProLogis issued 16,000 Common Shares upon exchange of limited partnership units in two of ProLogis majority-owned and controlled real estate partnerships. See Item 2. Properties Real Estate

Partnerships and Note 8 to ProLogis Consolidated Financial Statements in Item 8. These Common Shares were issued in transactions exempt from registration under Section 4(2) of the Securities Act of 1933.

On August 4, 2004, ProLogis issued 879,283 limited partnership units in a majority-owned and controlled real estate partnership. The units were issued, and the limited partnership was formed, as part of the Keystone Transaction. Each limited partnership unit is convertible into one Common Share and is entitled to receive quarterly distributions of available cash, as defined in the limited partnership agreement. See Item 2. Properties Real Estate Partnerships and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Keystone Transaction. The Keystone Transaction was exempt from registration under Section 4(2) of the Securities Act of 1933.

Common Share Repurchase Program

ProLogis may repurchase up to $215.0 million of Common Shares under a Common Share repurchase program that began in January 2001. Through December 31, 2004, a total of 5,571,100 Common Shares have been repurchased at a total cost, including fees and commissions paid, of $130.9 million. ProLogis did not repurchase any Common Shares during 2004 and has not made any Common Share repurchases through March 11, 2005. The Common Shares that have been repurchased to date were purchased through open market and privately negotiated transactions, depending on market prices and other conditions. Future repurchases, if any, are expected to be through similar transactions.

Common Share Plans

ProLogis sells Common Shares under various Common Share plans as follows:

1999 Dividend Reinvestment and Share Purchase Plan, amended in November 2002 (the 1999 Common Share Plan): Allows holders of Common Shares to automatically reinvest Common Share distributions and certain holders and persons who are not holders of Common Shares to purchase a limited number of additional Common Shares by making optional cash payments, without payment of any brokerage commission or service charge. Common Shares that are acquired under the 1999 Common Share Plan, either through reinvestment of distributions or through optional cash payments, are acquired at a price ranging from 98% to 100% of the market price of such Common Shares, as determined by ProLogis. ProLogis generated net proceeds of $35.2 million from the issuance of 1,021,000 Common Shares in 2004 under the 1999 Common Share Plan.

Continuous equity offering plan: Allows ProLogis to sell up to 7,400,000 Common Shares through two designated agents in at-the-market offerings who earn a fee of between 2.0% and 2.25% of the gross proceeds. In 2004, ProLogis sold 1,430,000 Common Shares under this plan generating net proceeds to ProLogis of $53.3 million.

ProLogis Trust Employee Share Purchase Plan (the Employee Share Plan): Employees of ProLogis and its participating entities may purchase Common Shares, through payroll deductions only, at a discounted price of 85% of the market price of the Common Shares. The aggregate fair value of Common Shares that an individual employee can acquire in a calendar year under the Employee Share Plan is $25,000. Subject to certain provisions, the aggregate number of Common Shares that may be issued under the Employee Share Plan may not exceed 5,000,000. ProLogis began issuing Common Shares under the Employee Share Plan in January 2002. In 2004, ProLogis generated net proceeds of $1.1 million from the sale of 43,000 Common shares under the Employee Share Plan.

Holders of Common Shares who do not participate in the 1999 Common Share Plan continue to receive Common Share distributions as declared and paid. The amount of Common Share distributions that can be reinvested is limited to those distributions earned on no more than 300,000 Common Shares per quarter. Purchases under the 1999 Common Share Plan can be made by holders of Common Shares that are registered on the share transfer books of ProLogis in the shareholder s name, as well as persons who are not holders of Common Shares.

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ITEM 6. Selected Financial Data

The following table sets forth selected financial data relating to the historical financial condition and results of operations of ProLogis for 2004 and the four preceding years. Certain amounts for the years prior to 2004 presented in the table below have been reclassified to conform to the 2004 financial statement presentation. The financial data in the tables is qualified in its entirety by, and should be read in conjunction with, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and ProLogis Consolidated Financial Statements and related notes in Item 8.

ProLogis began presenting its investments in previously unconsolidated investees on a consolidated basis when such presentation change was required under U.S. generally accepted accounting principles (GAAP) based on either changes in applicable GAAP, or changes in ProLogis ownership interest. Previously reported financial information is not required to be restated under GAAP when the reporting method is changed to consolidation from the equity method under these circumstances. ProLogis consolidated shareholders equity and its consolidated net earnings are the same under the two reporting methods. See Note 2 to ProLogis Consolidated Financial Statements in Item 8.

The amounts in the table below are in thousands of U.S. dollars, except for per share amounts.

	Years Ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
Operating Data:					
Rental income	$ 544,663	$ 542,840	$ 539,575	$ 560,052	$ 570,279
Property management and other property fund fees	50,778	44,184	34,536	18,075	9,442
Total revenues	598,139	589,373	578,620	581,170	584,009
Rental expenses	142,280	135,779	124,629	123,977	118,360
General and administrative expenses	82,147	65,907	53,893	50,274	44,954
Total expenses	408,984	373,585	335,487	321,113	320,121
Gains on certain dispositions of CDFS business assets, net	176,967	126,526	122,264	96,847	71,284
Operating income	366,122	342,314	365,397	356,904	335,172
Income from unconsolidated property funds	42,899	27,265	26,186	21,405	30,638
Income (losses) from other unconsolidated investees, net(1)	(801)	(12,231)	35,659	(89,124)	38,778
Interest expense	153,334	155,475	152,958	163,629	172,191
Earnings before certain net gains and net foreign currency exchange gains (expenses/losses)	253,018	198,797	271,144	125,260	234,901
Gains recognized on dispositions of certain non-CDFS business assets, net	6,072	1,638	6,648	10,008	1,314
Gains on partial dispositions of investments in property funds(2)	3,328	74,716			
Foreign currency exchange gains (expenses/losses), net	14,686	(10,587)	(2,031)	(3,721)	(17,927)
Total income tax expense	(43,562)	(15,374)	(28,169)	(4,725)	(5,130)
Earnings from continuing operations	233,542	249,190	247,592	126,822	213,158

Discontinued operations(3)	(747)	1,485	1,289	1,322	1,320
Net earnings	232,795	250,675	248,881	128,144	214,478

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	Years Ended December 31,				
	2004	2003	2002	2001	2000
Less preferred share dividends(4)	25,746	30,485	32,715	37,309	56,763
Less excess of redemption values over carrying values of Preferred Shares redeemed(5)	4,236	7,823		4,797	
Net earnings attributable to Common Shares	$ 202,813	$ 212,367	$ 216,166	$ 86,038	$ 157,715
Net earnings (loss) attributable to Common Shares per share Basic: Continuing operations	$ 1.12	$ 1.17	$ 1.21	$ 0.49	$ 0.95
Discontinued operations	$ (0.01)	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Net earnings attributable to Common Shares per share Basic	$ 1.11	$ 1.18	$ 1.22	$ 0.50	$ 0.96
Net earnings (loss) attributable to Common Shares per share Diluted: Continuing operations	$ 1.09	$ 1.15	$ 1.19	$ 0.48	$ 0.95
Discontinued operations	$ (0.01)	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Net earnings attributable to Common Shares per share Diluted	$ 1.08	$ 1.16	$ 1.20	$ 0.49	$ 0.96
Weighted average Common Shares outstanding:					
Basic	182,226	179,245	177,813	172,755	163,651
Diluted(6)	191,801	187,222	184,869	175,197	164,401
Common Share Distributions:					
Common Share cash distributions paid	$ 266,135	$ 258,187	$ 252,270	$ 237,691	$ 219,333
Common Share distributions paid per share	$ 1.46	$ 1.44	$ 1.42	$ 1.38	$ 1.34
Funds From Operations(7):					
Reconciliation of net earnings to funds from operations as defined by ProLogis:					
Net earnings attributable to Common Shares	$ 202,813	$ 212,367	$ 216,166	$ 86,038	$ 157,715
Add (Deduct) NAREIT defined adjustments:					
ProLogis direct adjustments	157,943	127,875	137,934	126,408	144,960
	(1,202)	678	651	617	585

Items attributable to discontinued operations					
ProLogis share of reconciling items of unconsolidated investees	39,738	30,228	39,531	68,367	56,622
Total NAREIT defined adjustments	196,479	158,781	178,116	195,392	202,167
Subtotal NAREIT defined funds from operations	399,292	371,148	394,282	281,430	359,882

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	Years Ended December 31,				
	2004	2003	2002	2001	2000
Add (Deduct) ProLogis defined adjustments:					
ProLogis direct adjustments	2,102	18,379	16,917	3,742	23,799
Items attributable to discontinued operations	(1,075)				
ProLogis share of reconciling items of unconsolidated investees	84	11,218	(18,150)	(3,969)	(6,963)
Total ProLogis defined adjustments	1,111	29,597	(1,233)	(227)	16,836
Funds from operations attributable to Common Shares as defined by ProLogis	$ 400,403	$ 400,745	$ 393,049	$ 281,203	$ 376,718
Weighted average Common Shares outstanding:					
Basic	182,226	179,245	177,813	172,755	163,651
Diluted(8)	191,801	187,222	184,869	180,284	178,166
Cash Flow Data:					
Net cash provided by operating activities	$ 481,332	$ 328,531	$ 377,235	$ 343,272	$ 321,091
Net cash provided by (used in) investing activities	(612,495)	(77,066)	(94,568)	103,952	(376,945)
Net cash provided by (used in) financing activities	$ 36,189	$ (30,771)	$ (199,847)	$ (477,105)	$ 44,386

	December 31,				
	2004	2003	2002	2001	2000
Financial Position:					
Real estate owned, excluding land held for development, before depreciation	$ 5,735,902	$ 5,342,884	$ 5,008,707	$ 4,387,456	$ 4,502,087
Land held for development	597,829	511,163	386,820	200,737	187,405
Investments in and advances to unconsolidated investees	908,513	677,293	809,286	1,308,856	1,453,148
Total assets	7,097,799	6,367,466	5,911,380	5,557,984	5,946,334
	960,002	699,468	545,906	375,875	439,822

Lines of credit and short-term borrowings (9)					
Senior unsecured debt	1,962,316	1,776,789	1,630,094	1,670,359	1,699,989
Secured debt and assessment bonds	491,643	514,412	555,978	532,106	537,925
Total liabilities	3,929,033	3,270,757	2,994,571	2,838,225	2,972,333
Minority interest	66,273	37,777	42,467	45,639	46,630
Redeemable preferred shares	350,000	475,000	400,000	400,000	691,403
Total shareholders equity	$ 3,102,493	$ 3,058,932	$ 2,874,342	$ 2,674,120	$ 2,927,371
Number of Common Shares outstanding	185,789	180,183	178,146	175,888	165,287

(1) Income (losses) from other unconsolidated investees includes, in addition to the operations of the investees, ProLogis proportionate share of these items:

2003: Impairment charge recognized by temperature-controlled distribution investee ($38.3 million); net gains recognized by temperature-controlled distribution investee ($5.2 million); a charge representing an adjustment to the amount recognized in 2002 as a result of the disposition of all of the operations and a significant portion of the assets of a temperature-controlled distribution investee ($2.3 million).

2002: Impairment charge recognized by temperature-controlled distribution investees ($42.9 million), net gains recognized by its temperature-controlled distribution investees ($1.6 million) and charges recognized from the write-downs of technology related investments of unconsolidated investees ($2.1 million).

2001: Impairment charges recognized by temperature-controlled distribution investee ($88.4 million); net losses recognized by temperature-controlled distribution investee ($4.4 million), net losses resulting from the write-off of technology related investments of its two investees ($5.8 million) and charges recognized from the write-downs of technology related investments of unconsolidated investees ($37.0 million).

See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Other Components of Operating Income Income (Losses) from Other Unconsolidated Investees.

(2) In 2004, ProLogis recognized a $3.3 million gain from the partial disposition of its investment in ProLogis North American Properties Fund V. In 2003, ProLogis recognized a $74.7 million gain on the partial redemption of its investment in ProLogis European Properties Fund, including a foreign currency exchange gain of $47.9 million resulting from the repatriation of the cash redemption proceeds to the United States.

(3) In 2004, discontinued operations includes a loss from assets held for sale of $36.7 million (including an impairment charge of $50.6 million), operating income attributable to assets disposed of $1.7 million and net gains recognized on the disposition of assets of $34.3 million. Amounts for the years 2000 through 2003 represent the operating income attributable to assets disposed of in 2004 that are classified as discontinued operations. See Note 6 to ProLogis Consolidated Financial Statements in Item 8 and in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Other Components of Operating Income Discontinued Operations.

(4) In 2004, ProLogis redeemed $125.0 million of Preferred Shares (January 12, 2004). In 2003, ProLogis redeemed $175.0 million of Preferred Shares ($50.0 million on July 1, 2003 and $125.0 million on December 1, 2003). In 2001, ProLogis redeemed $139.6 million of Preferred Shares ($4.6 million on March 20, 2001 and $135.0 million on May 8, 2001) and $151.8 million of Preferred Shares were converted into Common Shares during the period from January 1, 2001 to March 20, 2001. In 2003, ProLogis issued $250.0 million of Preferred Shares ($125.0 million each on November 28, 2003 and December 30, 2003).

(5) The recognition of these charges is discussed in Note 2 to ProLogis Consolidated Financial Statements in Item 8 and in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Other Components of Operating Income Excess of Redemption Values over Carrying Values of Preferred Shares Redeemed.

(6) The calculations of basic and dilutive earnings per share for the years ended December 31, 2004, 2003 and 2002 are presented in Note 11 to ProLogis Consolidated Financial Statements in Item 8. For 2001, the weighted average effect of converting ProLogis outstanding limited partnership units was antidilutive. For 2000, the weighted average effects of converting ProLogis outstanding convertible preferred shares and outstanding limited

partnership units were antidilutive.

(7) Funds from operations is a non-GAAP measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to funds from operations is net earnings. Although the

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National Association of Real Estate Investment Trusts (NAREIT) has published a definition of funds from operations, modifications to the NAREIT calculation of funds from operations are common among REITs, as companies seek to provide financial measures that meaningfully reflect their business. Funds from operations, as defined by ProLogis, is presented as a supplemental financial measure. Funds from operations is not used by ProLogis as, nor should it be considered to be, an alternative to net earnings computed under GAAP as an indicator of ProLogis operating performance or as an alternative to cash from operating activities computed under GAAP as an indicator of ProLogis ability to fund its cash needs.

Funds from operations is not meant to represent a comprehensive system of financial reporting and does not present, nor does ProLogis intend it to present, a complete picture of its financial condition and operating performance. ProLogis believes that net earnings computed under GAAP remains the primary measure of performance and that funds from operations is only meaningful when it is used in conjunction with net earnings computed under GAAP. Further, ProLogis believes that its consolidated financial statements, prepared in accordance with GAAP, provide the most meaningful picture of its financial condition and its operating performance.

At the same time that NAREIT created and defined its funds from operations concept 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. ProLogis believes that financial analysts, potential investors and shareholders who review its operating results are best served by a defined funds from operations measure that includes other adjustments to net earnings computed under GAAP in addition to those included in the NAREIT defined measure of funds from operations. ProLogis funds from operations measure is discussed in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

(8) For purposes of calculating the weighted average Common Shares used for funds from operations purposes, the effects of converting ProLogis outstanding convertible preferred shares and outstanding weighted average limited partnership units were dilutive for each year. The weighted average convertible preferred shares (which were fully converted during 2001) applicable to this calculation are 1,544,000 and 8,417,000 for 2001 and 2000, respectively, and the applicable convertible preferred share dividends are $81,000 and $11,358,000 for 2001 and 2000, respectively. The weighted average limited partnership units applicable to this calculation are 5,035,000, 4,773,000, 4,938,000, 5,087,000 and 5,348,000 for 2004, 2003, 2002, 2001 and 2000, respectively. The minority interest shares in earnings associated with these limited partnership units are $4,875,000, $4,959,000, $5,508,000, $5,968,000 and $5,586,000 for 2004, 2003, 2002, 2001 and 2000, respectively.

(9) At March 11, 2005, ProLogis had $1.11 million of total borrowings outstanding under its revolving lines of credit resulting in $693.0 million of borrowing capacity available (total capacity of $1.84 billion reduced by $34.6 million of letters of credit outstanding with lending banks at March 11, 2005).

ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with ProLogis Consolidated Financial Statements and the related notes included in Item 8 of this report.

Some statements contained in this discussion are not historical facts but are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Because 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 , estin variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements include discussions of strategy, plans or intentions of management. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. The discussions concerning ProLogis expectations with respect to economic conditions in the geographic areas where it has operations

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and its ability to raise private capital and generate income in the CDFS business segment (including the discussions with respect to ProLogis expectations as to the availability of capital in its existing property funds such that these property funds will be able to acquire ProLogis stabilized developed properties that are expected to be available for contribution in the future) contain forward-looking statements. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that may affect outcomes and results include: (i) changes in general economic conditions in ProLogis markets that could adversely affect demand for ProLogis properties and the creditworthiness of ProLogis customers; (ii) changes in financial markets, interest rates and foreign currency exchange rates that could adversely affect ProLogis cost of capital, its ability to meet its financial needs and obligations and its results of operations; (iii) increased or unanticipated competition for distribution properties in ProLogis markets; (iv) the availability of private capital to ProLogis; (v) geopolitical concerns and uncertainties; and (vi) those additional factors discussed under Risk Factors.

Overview

A summary of the discussions that follow in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations is presented below.

Results of Operations:

ProLogis net earnings attributable to Common Shares were $202.8 million in 2004 and $212.4 million in 2003.

Net operating income of ProLogis property operations segment increased by $17.6 million in 2004 over 2003; stabilized leased percentage at December 31, 2004 (92.3%) was higher than at December 31, 2003 (90.2%); rental rates on new leases of previously leased space decreased 4.7% in 2004; and same store net operating income, as defined, was 0.15% higher than in 2003.

ProLogis income from property funds increased by $22.2 million in 2004, including an increase in fees earned from property funds of $6.6 million. Five new property funds were formed in 2004 and ProLogis acquired interests in two additional property funds in 2004.

Operating income of ProLogis CDFS business segment was $49.5 million higher in 2004 than in 2003 due to higher transaction volume in Europe and Asia in 2004, while transaction volume in North America decreased slightly. Transaction volume in Europe in 2003 was lower than previous years as a result of slower leasing activity in the CDFS business segment s properties.

ProLogis recognized an impairment loss of $50.6 million related to the French operations of its temperature-controlled company that are held for sale at December 31, 2004. In 2003, ProLogis recognized a net loss under the equity method (including an impairment loss recognized prior to the sale) of $10.7 million related to the United Kingdom operations of this same company that were sold in December 2003.

ProLogis recognized a gain of $3.3 million in 2004 from the partial disposition of its investment in ProLogis North American Properties Fund V. In 2003, ProLogis recognized a gain of $74.7 million on the partial redemption of its investment in ProLogis European Properties Fund, including a foreign currency exchange gain of $47.9 million resulting from the repatriation of the cash redemption proceeds to the United States.

ProLogis initiated operations in China in 2004 by acquiring properties (through an unconsolidated investee) and by beginning development activities (both direct starts and through an unconsolidated investee).

ProLogis acquired an operating property in Singapore and acquired land for future development in Canada in 2004.

Liquidity and Capital Resources:

Generated net cash flow from operating activities in 2004 of $481.3 million.

Used net cash in its investing activities of $612.5 million in 2004 (used $1.73 billion for real estate investments, used $333.5 million for the Keystone Transaction on a net basis and generated $1.41 billion from contributions and sales of properties and land parcels).

ProLogis issued 350.0 million euro of senior notes that are registered on the Luxembourg Stock Exchange (the currency equivalent of approximately $464.2 million at December 31, 2004). Cash proceeds to ProLogis were $420.6 million as of the issuance date in April 2004.

Sales and issuances of Common Shares under various Common Share plans generated net cash of $146.8 million.

Redeemed $125.0 million of Preferred Shares.

Distributed $1.46 per Common Share in 2004 for aggregate distributions paid of $266.1 million ; set the distribution level for 2005 at $1.48 per Common Share. ProLogis has increased its Common Share distribution level every year since its Common Shares became publicly traded in 1994.

Increased the total borrowing capacity under its lines of credit by 25.0 billion yen (approximately $241.1 million at December 31, 2003), total borrowing capacity was in excess of $1.8 billion at December 31, 2004.

Critical Accounting Policies

A critical accounting policy is one that is both important to the portrayal of an entity s financial condition and results of operations and requires judgment on the part of management. Generally, the judgment requires management to make estimates about the effect of matters that are inherently uncertain. Of the accounting policies discussed in Note 2 to ProLogis Consolidated Financial Statements in Item 8, those presented below have been identified by ProLogis as critical accounting policies.

Consolidation

ProLogis consolidated financial statements include the accounts of ProLogis and all entities that ProLogis controls, either through ownership of a majority voting interest, as the primary beneficiary, or otherwise. Investments in entities in which ProLogis does not own a majority voting interest but over which ProLogis does have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities in which ProLogis does not own a majority voting interest and over which ProLogis does not have the ability to exercise significant influence are carried at the lower of cost or fair value, as appropriate. Management s judgments with respect to its level of influence or control of an entity and whether it is the primary beneficiary of a variable interest entity involve consideration of various factors including the form of ProLogis ownership interest, its representation on the entity s board of directors, the size of its investment (including loans) and ProLogis ability to participate in policy making decisions. Management s ability to correctly assess its influence or control over an entity affects the presentation of these investments in ProLogis Consolidated Financial Statements and, consequently, its financial position and specific items in its results of operations that are used by its shareholders, potential investors, industry analysts and lenders in their evaluation of ProLogis.

Impairment of Long-Lived Assets

ProLogis and its unconsolidated investees assess the carrying values of their respective long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable and, with respect to goodwill, at least annually applying a fair-value-based test. The determination of the fair values of long-lived assets, including goodwill, involves significant judgment. This judgment is based on management s analysis and estimates of the future operating results and resulting cash flows of each long-lived asset. Management s ability to accurately predict future operating results and cash flows impacts the determination of fair value.

If there is a decline in the fair value of a long-lived asset combined with a history of the asset generating operating losses, ProLogis or its unconsolidated investees will be required to determine whether the operating losses associated with the asset will continue. Management s assessment as to the nature of a decline in fair value is primarily based on estimates of future operating results, the resulting cash flows and ProLogis intent to either hold or dispose of the long-lived asset. If an investment is considered impaired, a write-down is recognized based on these analyses.

Revenue Recognition

ProLogis recognizes gains and losses from the contributions and sales of real estate assets, generally at the time the title is transferred and ProLogis has no future involvement as a direct owner of the real estate asset contributed or sold. In many of its transactions, an entity in which ProLogis has an ownership interest will acquire a real estate asset from ProLogis. Management makes judgments based on the specific terms of each transaction as to the amount of the total profit from the transaction that ProLogis can recognize given its continuing ownership interest and its level of future involvement with the investee that acquires the assets. Management s ability to accurately assess the provisions of each transaction under the accounting guidelines for profit recognition could impact ProLogis financial position and specific items in its results of operations that are used by shareholders, potential investors, industry analysts and lenders in their evaluation of ProLogis.

Depreciation and Useful Lives of Real Estate Assets

ProLogis estimates the depreciable portion of its real estate assets and their related useful lives in order to record depreciation expense. Management s ability to accurately estimate the depreciable portions of its real estate assets and their useful lives is critical to the determination of the appropriate amount of depreciation expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense recognized by ProLogis.

Keystone Transaction

On May 3, 2004, ProLogis and affiliates of four investment funds managed by Eaton Vance Management (the Fund Affiliates) established five property funds (the Acquiring Property Funds and also referred to by ProLogis as ProLogis North American Properties Funds VI, VII, VIII, IX and X see Note 5 to ProLogis Consolidated Financial Statements in Item 8). ProLogis has a 20% ownership interest in each of the Acquiring Property Funds with the remainder owned by the Fund Affiliates. Also on May 3, 2004, ProLogis and the Acquiring Property Funds entered into an agreement to acquire the outstanding equity of Keystone Property Trust (Keystone), a publicly traded REIT, and the operating units of Keystone Operating Partnership, L.P., a subsidiary of Keystone (the Keystone Transaction). Keystone owned and leased industrial distribution properties located in New Jersey, Pennsylvania, Indiana, Florida, South Carolina and Ohio. The acquisition of Keystone by ProLogis and the Acquiring Property Funds was approved by Keystone s shareholders on July 30, 2004 and was closed on August 4, 2004. Prior to the closing of the Keystone Transaction, ProLogis contributed 21 operating properties aggregating 3.0 million square feet to the Acquiring Property Funds. Total proceeds from these contributions, which were completed on June 30, 2004, were $127.4 million. See Note 5 to ProLogis Consolidated Financial Statements in Item 8.

At closing, ProLogis and the Acquiring Property Funds paid $23.80 per Keystone common share outstanding and retired approximately $567 million of Keystone s outstanding debt. On September 3, 2004, ProLogis and the Acquiring Property Funds paid a cash liquidation distribution of approximately $125 million, including accrued dividends, to the holders of the outstanding preferred shares of Keystone and Keystone was liquidated. Including these payments, assumed liabilities (including the issuance of limited partnership units to certain of Keystone s limited partners) and estimated transaction costs, the total consideration for the Keystone Transaction was approximately $1.7 billion. ProLogis share of the total consideration was approximately $579 million, including its investment in the Acquiring Property Funds of approximately

$279 million and its direct acquisition of certain assets and direct assumption of certain liabilities aggregating on a net basis approximately $300 million.

ProLogis direct acquisition, completed through a limited partnership in which limited partnership units were issued, included:

nine operating properties aggregating 2.3 million square feet, one 0.8 million square foot property under development, 14 acres of land and land option rights that were valued on a combined basis at approximately $145 million;

ownership interests in two unconsolidated property funds (20% interest in each) that own on a combined basis 7.7 million square feet of operating properties that were valued at approximately $102 million (including the proportionate assumption of approximately $26 million of secured debt of the property funds);

ownership interests in two unconsolidated CDFS business joint ventures (50% interest in each); one entity owns a recently completed 0.8 million square foot operating property and one entity in the planning stage for the development of a 0.8 million square foot property that were valued on a combined basis at approximately $15 million (including the proportionate assumption of approximately $6 million of secured debt);

a preferred equity interest in an unconsolidated entity that owns office properties that was valued at approximately $21 million; and

certain other assets, net of certain other liabilities that were valued at approximately $7 million.

In addition to the net assets acquired through the limited partnership, ProLogis, through its wholly owned subsidiary ProLogis Logistics Services Incorporated (ProLogis Logistics), directly acquired an interest in a management company owned by Keystone. The management company has the contractual rights to earn fees for providing property management and other services to the unconsolidated entities directly acquired by ProLogis through the limited partnership. These contractual rights were valued at approximately $13 million, of which approximately $10 million is attributable to ProLogis ownership interest. The management company is a variable interest entity. Accordingly, ProLogis, as the primary beneficiary, presents the management company on a consolidated basis in its financial statements. The total value of the contractual rights is reflected as a part of other assets and the Acquiring Property Funds portion of these rights, approximately $3 million, is reflected as a minority interest liability.

ProLogis share of the total consideration of approximately $579 million was funded through:

the issuance of approximately 879,000 limited partnership units that are redeemable for cash or, at ProLogis election, into one share of Common Shares; valued at approximately $30 million;

the direct assumption of secured debt, valued at approximately $13 million;

the indirect assumption of secured debt of unconsolidated investees, valued at approximately $32 million; and

cash of approximately $504 million, including approximately $177 million that was funded on a short-term basis at closing pending the completion of long-term, secured financing arrangements by the Acquiring Property Funds.

In addition, both ProLogis and the Fund Affiliates advanced cash to the Acquiring Property Funds to meet their initial working capital and liquidity requirements, of which ProLogis share was approximately $6 million.

The allocation of the total consideration to the net assets acquired in the Keystone Transaction is based on a preliminary assessment and is subject to change as additional information becomes available.

The Acquiring Property Funds completed secured financing arrangements in the fourth quarter of 2004. The total proceeds from these financing arrangements of approximately $892 million were returned to the

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Fund Affiliates (approximately $715 million) and ProLogis (approximately $177 million). On a combined basis, the financing arrangements have an average term of eight years and provide for an average annual interest rate of 5.48%.

Results of Operations

ProLogis   net earnings attributable to Common Shares were $202.8 million in 2004, $212.4 million in 2003 and $216.2 million in 2002. Basic and diluted net earnings attributable to Common Shares were $1.11 and $1.08 per share, respectively, in 2004, $1.18 and $1.16 per share, respectively, in 2003 and $1.22 and $1.20 per share, respectively, in 2002.

Property Operations

In addition to its directly owned operating properties, ProLogis includes its investments in property funds that are presented under the equity method in its property operations segment. See Note 5 to ProLogis   Consolidated Financial Statements in Item 8. ProLogis owned operating properties directly or had ownership interests in operating properties through its investments in property funds as follows as of the dates indicated (square feet in thousands):

	December 31,		
	2004	**2003**	**2002**
	Square &n		