PROLOGIS TRUST
Form 10-K
March 26, 2001

1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000.

OR

[ ] 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 TRUST
(Exact name of registrant as specified in its charter)

MARYLAND	74-2604728
(State or other jurisdiction of 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 A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange

Series B Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Preferred Share Purchase Rights	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 [X] No [ ]

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.

Based on the closing price of the registrant's shares on March 16, 2001, the aggregate market value of the voting shares held by non-affiliates of the registrant was $2,455,192,440.

At March 16, 2001, there were outstanding approximately 173,560,729 common shares of beneficial interest of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2001 annual meeting of its shareholders are incorporated by reference in Part III of this report.

==

2

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

PROLOGIS TRUST

ProLogis Trust ("ProLogis") is a real estate investment trust ("REIT") that operates a global network of industrial distribution facilities. ProLogis owns (directly, through consolidated entities or through investments in other real estate entities accounted for under the equity method) 171.7 million square feet of industrial distribution facilities operating or under development in North America and Europe. Additionally, ProLogis owns, operates under lease agreements or has under development 369.9 million cubic feet of temperature-controlled distribution facilities (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) located in the United States and Europe. This network of distribution facilities makes ProLogis the largest publicly held U.S.-based global owner and lessor of industrial distribution and temperature-controlled distribution facilities. The ProLogis Operating System(TM), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the Integrated Solutions Group, combined with ProLogis' international network of distribution facilities, enables ProLogis to meet its customers' distribution space needs globally. ProLogis believes it has distinguished itself from its competition by developing an organizational structure and service delivery system built around its customers. ProLogis believes that its service approach, which combines international scope and expertise and a strong local presence in each of its target markets, makes it attractive to its targeted customer base that includes the largest global users of distribution facilities. 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' business strategy is designed to: (i) achieve long-term sustainable growth in cash flow; (ii) minimize the need to issue direct public debt or public equity capital; and (iii) increase the overall return on equity for shareholders. ProLogis has organized its business into three operating segments in order to achieve its objectives. For a discussion of certain financial information regarding each segment see Note 10 to ProLogis' Consolidated Financial Statements in Item 8. ProLogis' three operating segments are:

- Property Operations -- The long-term ownership, management and leasing of industrial distribution facilities in North America and Europe, primarily distribution space that is adaptable for both distribution and light manufacturing or assembly uses. This operating segment generates income from rents and reimbursement of property operating expenses from unaffiliated customers and earns management fees from entities in which ProLogis has an ownership interest. As of December 31, 2000, in this operating segment ProLogis owned and operated (directly or through its consolidated and unconsolidated entities) 161.5 million square feet of operating facilities at an investment of $6.0 billion. Of the total, 126.3 million square feet at an investment of $4.3 billion are owned directly by ProLogis and its consolidated entities. Facilities in this operating segment located in North America aggregate 145.4 million square feet of the total with the remaining 16.1 million square feet located in Europe.

- Corporate Distribution Facilities Services Business ("CDFS Business") -- The development of industrial distribution facilities to be disposed of to unaffiliated customers or entities in which ProLogis has an ownership interest in North America and Europe or for a development fee for unaffiliated customers in North America and Europe. Income from this operating segment is derived from the profit resulting from the disposition of the facilities developed and from fees paid by customers for the development of facilities on their behalf. The development activities in this segment are performed directly by ProLogis, directly by a consolidated entity in which ProLogis recognizes substantially all of the economic benefits or through an unconsolidated entity, accounted for under the equity method, in which ProLogis recognizes substantially all of the economic benefits. Once an entity in which ProLogis has an ownership interest acquires the facilities from ProLogis or its consolidated and unconsolidated entities, the operations of these facilities and the management fees earned by ProLogis related to these facilities are reflected in ProLogis' property operations segment. As of December 31, 2000, ProLogis had (directly or through its consolidated and unconsolidated entities) 10.2 million square feet of distribution facilities under development with a total budgeted cost of $491.4 million. Of the total, 8.7 million square feet at

a total budgeted development cost of $355.2 million were owned directly by ProLogis and its consolidated entity. Also, as of December 31, 2000, ProLogis owned or controlled (directly or through its consolidated and unconsolidated entities) 5,126 acres of land with the capacity for developing approximately 85.7 million square feet of distribution facilities. Of the total, 3,279 acres of land with the capacity for developing approximately 57.4 million square feet million square feet of distribution facilities were owned directly by ProLogis and its consolidated entity. Land positions in North America aggregated 2,385 acres with the remaining 2,741 acres located in Europe. Upon completion, ProLogis expects to dispose of the facilities developed to unaffiliated customers or to entities in which ProLogis has an ownership interest.

- Temperature-Controlled Distribution Operations -- The operation of temperature-controlled distribution facilities earning revenues from unaffiliated customers for various services associated with a temperature-controlled distribution environment. Such services include: (i) total supply chain management; (ii) management of customer inventory and related services, (i.e. case picking, sorting, labeling, shrink-wrapping and blast freezing); (iii) temperature-controlled product consolidation and transportation services; and (iv) third-party logistics services and facility management for leading grocery retailers. In this operating segment, ProLogis recognizes substantially all of the economic benefits of two companies that are accounted for under the equity method. As of December 31, 2000, ProLogis' unconsolidated entities owned or operated under lease agreements 363.6 million cubic feet of temperature-controlled distribution space (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) and had 6.3 million cubic feet of temperature-controlled distribution facilities under development. Of the total cubic feet in operation, 175.9 million cubic feet are located in the United States and 187.7 million cubic feet are located in Europe. The facilities under development are located in Anaheim (4.0 million cubic feet) and Houston (2.3 million cubic feet).

2000 Operating Performance

Total funds from operations increased by $56.5 million from $320.2 million in 1999 to $376.7 million in 2000. This increase was driven by ProLogis' successful operating and investment strategies. The contribution to total funds from operations by ProLogis' operating segments for 2000 and 1999 is as follows (see Note 10 to ProLogis' Consolidated Financial Statements in Item 8):

- 69.6% and 70.6% of total funds from operations is attributable to the property operations segment in 2000 and 1999, respectively;

- 27.5% and 20.3% of total funds from operations is attributable to the CDFS business segment in 2000 and 1999, respectively; and

- 2.9% and 9.1% of total funds from operations is attributable to the temperature-controlled distribution operations segment in 2000 and 1999, respectively.

Funds from operations is a performance measure used by REITs and it is defined and discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity of Capital Resources -- Funds from Operations".

ProLogis' net earnings attributable to Common Shares increased to $157.7 million in 2000 from $124.0 million in 1999. ProLogis generated earnings from operations of $241.8 million in 2000, an increase of $75.3 million over 1999. ProLogis' cash flow provided by operating activities for 2000 was $336.8 million, an increase of $65.4 million over 1999. See ProLogis' Consolidated Financial Statements in Item 8.

BUSINESS STRATEGY AND OPERATING SEGMENTS

Business Strategy

ProLogis was originally formed in 1991 with the objective of building a distribution and light manufacturing asset base at costs significantly below replacement cost and a land inventory for the future development of industrial distribution facilities. Additionally, ProLogis intended to create a national operating company that

would differentiate itself from its competition through its ability to meet a corporate customer's distribution facility requirements on a national, regional and local basis. In 1997, ProLogis expanded its property operations into Mexico and Europe to meet the needs of its targeted national and international customers as they expanded and reconfigured their distribution facility requirements globally. In December 1998, ProLogis added 54 operating facilities aggregating 5.2 million square feet in France to its European portfolio. To enhance its North American property operations and service platform, ProLogis completed a merger with Meridian Industrial Trust Inc. ("Meridian"), a publicly held REIT, in 1999 adding 32.2 million square feet of operating facilities and 228 acres of land for future development to ProLogis' holdings. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Having established its core property operations business, in 1997 and 1998 ProLogis expanded its service platform by acquiring an international temperature-controlled distribution network. Additionally, the merger with Meridian added 15.2 million cubic feet of temperature-controlled distribution facilities to ProLogis' holdings in 1999. Also, to enhance its corporate distribution facilities services business, ProLogis acquired an industrial distribution facility development company with extensive holdings in the United Kingdom in August 1998.

To further its objective of increasing cash flows without raising additional capital through direct public debt and public equity offerings, ProLogis formed four ventures in 1999 and 2000. Each of the ventures owns operating facilities acquired primarily from ProLogis with equity contributed by third party investors. ProLogis maintains an ownership interest (from 20.0% to 50.0% as of December 31, 2000) in each of the ventures. ProLogis utilizes the ProLogis Operating System(TM) to provide asset and property management services to the ventures for a fee. In North America, ProLogis has an ownership interest in three ventures. These ventures own, on a combined basis, 20.9 million square feet of operating facilities at a combined investment of $927.0 million as of December 31, 2000. ProLogis European Properties Fund, formed in 1999, has enabled ProLogis to take advantage of the growth opportunities in the European industrial distribution market by allowing ProLogis to access over 1.06 billion euros (the currency equivalent of approximately $986.3 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) of third party equity capital that has been committed by a group of institutional investors to ProLogis European Properties Fund through 2002. ProLogis European Properties Fund owns 14.4 million square feet of operating facilities at an investment of $792.3 million as of December 31, 2000. See "Item 2. Properties -- Unconsolidated Entities -- Property Operations" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Also in 1999, ProLogis formed the Integrated Solutions Group (see " -- ProLogis Operating System(TM) -- Integrated Solutions Group") with the objective of increasing ProLogis' service income thereby growing cash flows in a less capital intensive manner. In 2000, ProLogis made investments in two logistics technology companies and began earning license fees for the non-exclusive use of the ProLogis Operating System(TM) by these companies.

ProLogis believes that its network of distribution facilities along with the ProLogis Operating System(TM) have positioned it to become the global leader in the industrial distribution facility industry. ProLogis' three operating segments are discussed in further detail below.

Property Operations Segment

Investments

In the property operations segment, ProLogis owned and operated (directly or through its consolidated and unconsolidated entities) 1,461 operating facilities aggregating 161.5 million square feet as of December 31, 2000. ProLogis' investment strategy with respect to the property operations segment is to focus primarily on generic distribution facilities with an average office finish level of less than 10%. ProLogis' distribution facilities are adaptable for both distribution and light manufacturing or assembly uses. ProLogis has invested in selected distribution markets in North America and Europe where it believes the distribution dynamics are strong and supply and demand factors allow for high occupancy levels and increasing rental rates. In making its investment decisions, ProLogis evaluates market conditions that would indicate favorable distribution growth prospects. Such conditions include: (i) growth in imports and exports; (ii) long-term cost and quality of labor advantages for domestic and international manufacturers (such as markets benefiting from the U.S./Mexico twin plant program);

(iii) proximity to large regional and local population centers with good access to transportation networks; and (iv) a high ratio of distribution space per capita.

Property operations segment investment activities in 2000 included:

- During 2000, ProLogis European Properties Fund acquired operating facilities aggregating 11.2 million square feet and disposed of a 161,000 square foot operating facility. Of the operating facilities acquired in 2000, 9.6 million square feet were acquired from ProLogis or its consolidated and unconsolidated entities. These acquisitions include 60 facilities aggregating 6.6 million square feet owned by ProLogis European Properties S.a.r.l., a wholly owned entity of ProLogis until January 7, 2000 when ProLogis contributed 50.1% of its common stock to ProLogis European Properties Fund for an equity interest. The remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. was contributed to ProLogis European Properties Fund by ProLogis for an additional equity interest on January 7, 2001. As of December 31, 2000, ProLogis' ownership in ProLogis European Properties Fund was 34.4% (increasing to 45.6% as of January 7, 2001). See "Item 2. Properties -- Unconsolidated Entities -- Property Operations Segment" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

- In North America, ProLogis North American Properties Fund I LLC and ProLogis Iowa I LLC ("ProLogis Principal") were formed in 2000. These ventures own 8.0 million and 0.4 million square feet of operating facilities, respectively, that were all previously owned by ProLogis or its consolidated entities. ProLogis California I LLC ("ProLogis California"), which was formed in 1999, grew from 11.5 million square feet of operating facilities as of December 31, 1999 to 12.4 million square feet of operating facilities as of December 31, 2000. The increase in 2000 is the net result of the acquisition of an additional operating facility from ProLogis, the completion of two developments and the disposition of three operating facilities.

- ProLogis acquired five operating facilities in 2000, four facilities aggregating 138,000 square feet located in Dallas and a 125,000 square foot facility located in Juarez, Mexico for a total investment of $8.7

million. The four facilities in Dallas were acquired to complete a tax-deferred exchange transaction.

Operations

The property operations segment generated approximately 81% of ProLogis' total income in 2000 (including amounts recognized under the equity method with respect to ProLogis' unconsolidated entities). This operating segment generated approximately 85% and 94% of ProLogis' total income in 1999 and 1998, respectively, (including amounts recognized under the equity method with respect to ProLogis' unconsolidated entities). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Property Operations" and Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8.

Operational achievements in this operating segment in 2000 included:

- ProLogis' stabilized operating facilities aggregating 155.0 million square feet (including facilities owned by ProLogis and its consolidated and unconsolidated entities) was 96.2% leased (95.4% occupied) as of December 31, 2000. Also, as of December 31, 2000, ProLogis' total operating portfolio of 161.5 million square feet (including facilities owned by ProLogis and its consolidated and unconsolidated entities) was 94.1% leased (92.9% occupied). Stabilized facilities are those in which capital improvements, repositioning, new management and new marketing programs (or development and marketing, in the case of newly developed facilities) have been in effect for a sufficient period of time (generally 12 months) to achieve stabilized occupancy (typically 93%, but ranging from 90% to 95%, depending on the submarket and product type).

- During 2000, ProLogis and its consolidated and unconsolidated entities leased 36.3 million square feet of distribution space in 1,137 transactions. Rental rates on both new and renewed leases of previously leased space increased 15.5% in 2000 and ProLogis' weighted average customer retention rate was 65.7% in 2000.

- ProLogis' "same store" portfolio of operating facilities (facilities owned by ProLogis and its consolidated and unconsolidated entities that were in operation throughout both 2000 and 1999) aggregated 105.6 million square feet. The net operating income (rental revenues less net rental expenses) of the "same store" portfolio increased by 5.94% in 2000 over 1999.

Market Presence

As of December 31, 2000, the operating facilities in the property operations segment that are owned by ProLogis (directly or through its consolidated entities) are located in 42 cities in 24 states and the District of Columbia in the United States, 4 cities in Mexico and 6 cities in 4 countries in Europe. No individual market represents more than 10% of ProLogis' total real estate assets. ProLogis' largest markets (based on cost) are Dallas/Fort Worth (9.2%), Chicago (7.3%), Atlanta (6.5%), San Francisco (South Bay) (5.4%), San Francisco (East Bay) (5.2%) and Houston (5.1%).

The 77 operating facilities owned by ProLogis California as of December 31, 2000 are all located in the Los Angeles/Orange County market. The 33 operating facilities owned by ProLogis North American Properties Fund I as of December 31, 2000 are located in 17 cities in 12 states. The three operating facilities owned by ProLogis Principal as of December 31, 2000 are all located in the Dallas/Ft.

Worth market. The 104 operating facilities owned by ProLogis European Properties Fund (including facilities owned by ProLogis European Properties S.a.r.l.) as of December 31, 2000 are located in 15 cities in 6 countries in Europe (including 55 buildings in Paris, France). See "Item 2. Properties -- Facilities" and "Item 2. Properties -- Unconsolidated Entities -- Property Operations".

ProLogis has sought to achieve significant market presence through the development and acquisition of distribution facilities and master-planned distribution parks in its target market cities and selected submarkets of those cities. The target market cities and submarkets are selected when ProLogis' market research indicates that the long-term demand for distribution and light manufacturing space is stable to strong. ProLogis defines market presence not only in terms of square feet of facilities and acres of development land owned, but also by the extent ProLogis has developed relationships with customers in such markets. ProLogis' operating strategy is designed to meet the needs of today's distribution space users, which means providing functional, cost-effective facilities with a comprehensive level of service. ProLogis believes that by being a significant local owner and developer in a given market, it can generate high relative rental rates and occupancy levels, primarily because it has the ability to reduce turnover by meeting its customers' needs to either expand or contract. With its network of distribution facilities and land positions, ProLogis is able to either relocate customers within its existing inventory of distribution space or develop new facilities to meet the customer's needs.

A strong market presence provides ProLogis with increased access to potential leasing and CDFS business segment transactions. ProLogis' experience has been that many members of the industrial brokerage community and many corporate users are motivated to develop relationships with the significant owners and developers in a particular market to facilitate their respective distribution needs. Having the opportunity to compete for a large percentage of the distribution space requirements in each target market is a crucial factor in achieving ProLogis' operating objectives.

Competition

In general, there are numerous other industrial distribution facilities located in close proximity to ProLogis' facilities. 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 facilities (including other REITs) compete for the acquisition, development and leasing of distribution space. Many of these entities have substantial resources and experience. Competition for acquisition of existing distribution facilities and land, both from institutional capital sources and from other REITs, has increased over the past several years.

Property Management

ProLogis provides active and effective property management to directly serve its customers at the local level; a strategy that ProLogis believes will enhance the long-term economic performance of its operating facilities and increase cash flow. ProLogis' property management group seeks to provide exceptional customer service and attention to customer needs by developing and implementing proprietary operating, recruiting and training systems to achieve consistent levels of performance and professionalism throughout the ProLogis network. Of the operating facilities owned by ProLogis (directly or by its consolidated and unconsolidated entities) as of December 31, 2000, ProLogis' property management group was managing 97.5% of the North American operating facilities and 100.0% of the European operating facilities.

Customers

One of ProLogis' objectives is to develop a customer base in each market that is diverse in terms of industry concentration and represents a broad spectrum of international, national, regional and local distribution space users. As of December 31, 2000, ProLogis (including its consolidated and unconsolidated entities) had over 3,500 customers in 150.1 million square feet of occupied distribution space. ProLogis believes that having a large number of customers with generic space requirements in each submarket reduces its exposure to overall occupancy declines. ProLogis' largest customer (based on rental income) accounted for 1.5% of ProLogis' 2000 rental income (on an annualized basis) for the year ended December 31, 2000. The annualized base rent for ProLogis' 25 largest customers (based on rental income) accounted for 13.2% of ProLogis' 2000 rental income (on an annualized basis) for the year ended December 31, 2000.

Employees

ProLogis and its consolidated entities directly employ approximately 640 persons in North America and Europe. Of the total, approximately 350 employees are assigned directly to the property operations segment. ProLogis' other employees may provide assistance in this operating segment. ProLogis believes its relationship with its employees to be 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

ProLogis believes that its current level of investment in the property operations segment in North America enables it to serve its customers at a high level and increase returns to shareholders. ProLogis' business plan for the property operations segment in North America calls for the expansion of its network of operating facilities to: (i) address the specific expansion needs of its customers; (ii) enhance its market presence in specific submarkets; or (iii) take advantage of opportunities where ProLogis believes it has the ability to achieve favorable returns, including the formation of ventures such as ProLogis North American Properties Fund I that will acquire facilities developed within the CDFS business segment.

ProLogis' market research and customer feedback continue to reflect strong demand for distribution space in Europe as cross-border trade continues to increase and many companies continue to move toward consolidation and reconfiguration of their distribution networks. Consolidation and the emergence of dominant regional distribution centers have provided, and ProLogis believes will continue to provide, opportunities for ProLogis as a single-source pan-European provider of distribution facilities. Consequently, ProLogis' business plan for the property operations segment in Europe emphasizes growth in key distribution markets, primarily from the development of facilities within ProLogis' CDFS business segment that will be acquired by ProLogis European Properties Fund and then managed by ProLogis.

ProLogis intends to self-fund its future investment activities in the property operations segment in 2001 with operating cash flow and the proceeds from dispositions of facilities to third parties and real estate entities in which ProLogis maintains an ownership interest. See the discussion of factors that could affect the future plans of ProLogis and its consolidated and unconsolidated entities in the property operations segment at "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Risk Factors".

CDFS Business Segment

Investments

ProLogis operates its CDFS business segment in North America directly and through ProLogis Development Services Incorporated ("ProLogis Development Services"), a consolidated entity in which ProLogis realizes substantially all of the economic benefits. See "Item 2. Properties -- Consolidated Entities -- ProLogis Development Services". In Europe (excluding the United Kingdom), ProLogis directly operates the CDFS business segment. In the United Kingdom, the CDFS business segment is operated by Kingspark S.A. and its wholly owned subsidiary, Kingspark Group Holdings Limited ("ProLogis Kingspark") (collectively "the Kingspark entities"). Kingspark S.A. is an unconsolidated entity in which ProLogis recognizes substantially all of the economic benefits under the equity method through its ownership of 100% of Kingspark S.A.'s preferred stock. On January 2, 2001, ProLogis acquired an ownership interest in the common stock of Kingspark S.A. This transaction resulted in ProLogis having control of Kingspark S.A. Accordingly, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships as of that date. See "Item 2. Properties -- Unconsolidated Entities -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Within this operating segment, ProLogis, ProLogis Development Services and the Kingspark entities develop distribution facilities with the intent to dispose of the facilities to customers, third parties or entities in which ProLogis maintains an ownership interest. Also within this operating segment, ProLogis, ProLogis Development Services and the Kingspark entities develop facilities for customers or third parties for a development fee. Proceeds from the disposition of these facilities are redeployed into land acquisitions and other development opportunities. ProLogis addresses specific needs of customers with respect to a specialized facility or the need to have a facility in a market that ProLogis does not consider to have favorable dynamics by developing the facility on a fee development basis or through a pre-sale agreement within this operating segment.

As of December 31, 2000, all of ProLogis' development activities were part of the CDFS business segment. As of December 31, 2000, ProLogis, ProLogis Development Services and the Kingspark entities had 10.2 million square feet of facilities under development with a total budgeted development cost of $491.4 million. Of the total, 8.7 million square feet with a total budgeted development cost of $355.2 million are owned directly by ProLogis and ProLogis Development Services. Facilities under development in North America aggregated 6.3 million square feet at a total budgeted cost of $257.5 million and facilities under development in Europe aggregated 3.9 million square feet at a total budgeted cost of $233.9 million. These facilities are being developed with the objective of disposing of the facility to a third party or to an entity in which ProLogis has an ownership interest. To the extent the facilities are acquired by entities in which ProLogis has an ownership interest, ProLogis' continuing interest in the operations of these facilities will be included in its property operations segment (see "-- Property Operations Segment"). ProLogis Development Services and the Kingspark entities also earn fees under development management agreements. During 2000, 2.7 million square feet were developed under such agreements generating development fees of $11.5 million.

ProLogis, ProLogis Development Services and the Kingspark entities have land positions (land owned or controlled through option, letter of intent, development rights agreement or contingent contract) aggregating 5,126 acres with the capacity for developing approximately 85.7 million square feet of distribution facilities. Of the total land positions, 3,279 acres, with the capacity for developing approximately 57.4 million square feet of distribution facilities, are owned or controlled by ProLogis and ProLogis Development Services. Land positions in North America total 2,385 acres with the capacity for developing approximately 42.3 million square feet of distribution facilities and land positions in Europe total 2,741 acres with the capacity for developing approximately 43.4 million square feet of distribution facilities.

CDFS business segment investment activities in 2000 included:

- Development starts aggregated 13.7 million square feet at a total budgeted cost of $651.6 million. Of the total, 12.6 million square feet at a total budgeted cost of $509.8 million were started by ProLogis and ProLogis Development Services. Development starts in North America in 2000 aggregated 8.0 million square feet at a total budgeted cost of $329.6 million and development starts in Europe aggregated 5.7 million square feet at a total budgeted cost of $322.0 million.

- Development completions aggregated 15.2 million square feet at a total budgeted cost of $736.9 million. Of the total, 13.1 million square feet at a total budgeted cost of $512.0 million were completed by ProLogis and ProLogis Development Services. Development completions in North America in 2000 aggregated 9.8 million square feet at a total budgeted cost of $360.2 million and development completions in Europe aggregated 5.4 million square feet at a total budgeted cost of $376.7 million.

- Land acquisitions in 2000 aggregated 1,158 acres, 846 acres in North America and 312 acres in Europe. This land can be used for the development of approximately 24.3 million square feet of distribution facilities.

Operations

The primary source of income in the CDFS business segment is the profits from dispositions of facilities developed and development management fees earned by ProLogis Development Services and the Kingspark entities. In 2000, the CDFS business generated $121.9 million of ProLogis' total income as compared to 1999 and 1998 when the CDFS business generated $70.5 million and $20.5 million of ProLogis' total income, respectively. As a percentage of total income, this operating segment has increased in each of the last three years (to 18.9% in 2000 from 12.4% and 5.6% in 1999 and 1998, respectively). ProLogis' share of the net earnings of the Kingspark entities recognized under the equity method is included in this segment's total income ($43.8 million in 2000, $23.9 million in 1999 and $2.9 million for the period from acquisition on August 14, 1998 to December 31, 1998).

The CDFS business segment generated funds from operations of $126.8 million in 2000 ($60.4 million in North America and $66.4 million in Europe); $76.5 million in 1999 ($28.9 million in North America and $47.6 million in Europe); and $22.2 million in 1998 ($17.3 million in North America and $4.9 million in Europe). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- CDFS Business", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations" and Notes 4 and 10 to ProLogis'

Consolidated Financial Statements in Item 8.

Operational achievements in this operating segment in 2000 included:

- ProLogis, ProLogis Development Services and the Kingspark entities disposed of 11.8 million square feet of distribution facilities developed and land parcels generating net proceeds of $672.4 million.

- ProLogis Development Services and the Kingspark entities developed 2.7 million square feet of distribution facilities on behalf of customers under development management agreements. Fees and other miscellaneous income in the CDFS business segment aggregated $18.7 million in 2000.

Market Presence

ProLogis' CDFS business spans substantially all of ProLogis' property operations markets. As of December 31, 2000, ProLogis had facilities under development in 16 cities in 11 states and the District of Columbia in the United States, 2 cities in Mexico and 8 cities in 4 countries in Europe. As of December 31, 2000, ProLogis' land positions were located in 30 cities in 19 states and the District of Columbia in the United States, 4 cities in Mexico and 8 cities in 7 countries in Europe.

8

11

Competition

There are a number of other national, regional and local developers engaged in industrial distribution facility development in the same North American markets that ProLogis conducts business. Competition for land acquisitions, from both institutional capital sources and other REITs, has increased over the past several years. The disposition market in North America is competitive and is driven by the supply of new developments, access to capital and interest rate levels.

ProLogis believes that there are no other REITs or pan-European real estate operating companies in direct competition with its operations in Europe. However, there are a number of local and regional developers in ProLogis' target markets. As in North America, the disposition market in Europe is competitive and driven by the supply of new developments, access to capital and interest rate levels. However, the formation of ProLogis European Properties Fund provides ProLogis and the Kingspark entities with a source of capital that will allow them to dispose of the facilities they develop in the CDFS business segment at independently appraised values.

ProLogis believes that it, ProLogis Development Services and the Kingspark entities have a significant competitive advantage based upon the strategic locations of the extensive land positions owned or under control. Also, as the only distribution facilities and services provider operating on a national and pan-European basis, ProLogis believes it has differentiated itself from many of its competitors.

Customers

ProLogis leverages off its existing customer relationships, primarily within the property operations segment and utilizes the ProLogis Operating System(TM) in identifying and marketing its CDFS business. See "-- Property Operations -- Customers" and "-- ProLogis Operating System(TM)".

Employees

ProLogis and its consolidated entities directly employ approximately 640 persons in North America and Europe. Of the total, approximately 90 employees are assigned directly to the CDFS business segment. ProLogis' other employees may provide assistance in this operating segment. ProLogis believes its relationship with its employees to be good. ProLogis' employees are not represented by a collective bargaining agreement.

The Kingspark entities employ approximately 60 persons and these employees do not participate in a collective bargaining agreement. The Kingspark entities believe their relationship with their employees to be good.

Seasonal Nature of the Business

The demand for the industrial distribution facilities that are developed by ProLogis' CDFS business is not impacted on a seasonal basis. However, the development process can be impeded by weather, particularly during the winter months in certain markets, which can potentially delay construction completions.

Future Plans

ProLogis' objective is to utilize the capital generated in the CDFS business to self-fund future CDFS business activities in North America and Europe. In addition, proceeds from the disposition of operating facilities in the property operations segment to third parties can also be re-invested in new development facilities within the CDFS business segment. ProLogis believes that the reconfiguration of supply chains, necessitated by the need for customers to add efficiencies within their distribution networks, in both North America and Europe could favorably impact demand for the distribution facilities and distribution-related services provided by ProLogis within its CDFS business segment. Additionally, a limited supply of new state-of-the-art distribution space in Europe could also provide opportunities within this operating segment. See the discussion of factors that could affect the future plans of ProLogis, ProLogis Development Services and the Kingspark entities in the CDFS business segment at "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Risk Factors".

Temperature-Controlled Distribution Operations

Investments

ProLogis recognizes substantially all of the economic benefits of ProLogis Logistics Services Incorporated ("ProLogis Logistics") through its ownership of 100% of ProLogis Logistics' preferred stock. ProLogis Logistics owns 100% of CS Integrated LLC ("CSI"), a temperature-controlled distribution company operating in the United States. As of December 31, 2000, CSI owned or operated under lease agreements 59 temperature-controlled distribution facilities aggregating 175.9 million cubic feet (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) and had 6.3 million cubic feet under development in Anaheim (4.0 million cubic feet) and Houston (2.3 million cubic feet). Additionally, ProLogis recognizes substantially all of the economic benefits of Frigoscandia S.A. through its ownership of 100% of Frigoscandia S.A.'s preferred stock. Frigoscandia S.A. owns, through its wholly owned subsidiaries, 100% of Frigoscandia AB ("Frigoscandia"), a temperature-controlled distribution company operating in Europe. As of December 31, 2000, Frigoscandia owned or operated under lease agreements 89 temperature-controlled distribution facilities aggregating 187.7 million cubic feet in 10 European countries. ProLogis accounts for its investments in ProLogis Logistics/CSI and Frigoscandia S.A./Frigoscandia under the equity method. See "Item 2. Properties -- Unconsolidated Entities -- Temperature-Controlled

Distribution Operations" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

In order to provide value-added supply chain management services to its customers, CSI and Frigoscandia leverage their existing temperature-controlled distribution facilities network with information technology investments that increase the velocity and visibility of inventory and information throughout the entire supply chain. CSI added 8.3 million cubic feet of operating capacity in 2000, including a 4.8 million cubic feet facility that was developed by CSI in Atlanta. Frigoscandia's operating capacity has remained virtually constant over the past three years (187.7 million as of December 31, 2000, 192.3 million as of December 31, 1999 and 192.0 million as of December 31, 1998). This trend reflects Frigoscandia's emphasis on serving its key customers through improvements and upgrades to technology systems and its existing facilities rather than increasing its operating capacity.

During 1999 and 2000, both CSI and Frigoscandia enhanced and improved their logistics information technology systems. These systems are being coordinated on a global basis which enables CSI and Frigoscandia to maximize synergies within and between the North American operations and European operations, while still maintaining operational independence. CSI's non-asset based retail dedicated business segment, where CSI provides all warehouse logistics services to supermarket retailers in distribution facilities not owned by CSI, has enabled CSI to increase its revenues without significantly increasing its invested capital. Retail-dedicated revenues are earned through fees charged to the retailer based on volume with no fixed costs attributable to the retail-dedicated operations.

Operations

ProLogis recognizes its share of the net earnings of ProLogis Logistics/CSI and Frigoscandia S.A/ Frigoscandia under the equity method as a component of its total income. ProLogis' share of the net earnings of ProLogis Logistics/CSI was $12.0 million in 2000, $10.8 million in 1999 and $7.3 million in 1998. In each year, 1998 to 2000, Frigoscandia S.A./Frigoscandia generated net losses with ProLogis' share aggregating $20.3 million in 2000, $4.4 million in 1999 and $7.5 million in 1998.

ProLogis' share of the combined funds from operations of ProLogis Logistics/CSI and Frigoscandia S.A./ Frigoscandia was $27.0 million in 2000 as compared to $46.1 million in 1999 and $45.7 million in 1998. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations -- Temperature-Controlled Distribution Operations", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds From Operations" and Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8.

Market Presence

Market presence in the temperature-controlled distribution industry is generally defined by the volume available for storage of frozen and chilled foods in addition to the transportation network in place to serve customers. ProLogis believes that CSI and Frigoscandia are well positioned to provide supply-chain management services to major food manufacturers and retailers across multiple markets. With 59 facilities aggregating 175.9 million cubic feet in operation (including 35.5 million cubic feet of dry distribution space operated in temperature-controlled distribution facilities), CSI has the third largest network in the United States (based on cubic feet in operation). CSI's largest markets (based on cubic feet in operation) are Phoenix (16.9%), Southern

California (16.2%), Southeastern Pennsylvania (14.5%) and Atlanta (12.2%). Frigoscandia is the largest temperature-controlled distribution company in Europe with 89 facilities aggregating 187.7 million cubic feet in operation in 10 countries. Frigoscandia's largest markets (based on cubic feet in operation) are France (34.1%), the United Kingdom (24.5%) and Germany (13.7%).

Competition

ProLogis believes that the temperature-controlled distribution industry has significant barriers to entry due to its capital-intensive nature, which limits competition. In the United States, CSI competes directly with several national temperature-controlled distribution companies. However, CSI's primary competition in many markets is from local, and considerably smaller, warehouse operators. In Europe, Frigoscandia has a distinct advantage over its competitors as few other European temperature-controlled distribution companies have operations in more than one country (as compared to the 10 countries in which Frigoscandia operates). Additionally, Frigoscandia is the largest operator of temperature-controlled distribution facilities in Europe (based on cubic feet in operation), with a temperature-controlled storage volume of approximately three times that of its closest competitor. Like CSI, Frigoscandia's primary competition in many markets is from local, and considerably smaller, warehouse operators.

Customers

CSI has approximately 950 customers including some of the nation's leading supermarket retailers in the United States. Of CSI's total revenues, approximately 69% were derived from is 25 largest customers and CSI's largest customer accounted for approximately 36% of its total revenues. Excluding the fees generated by CSI's retail-dedicated operations where CSI provides warehouse logistics services in the distribution facilities that are owned by the customer, the 25 largest customers accounted for approximately 48% of total revenues with the largest customer accounting for approximately 6% of total revenues. See "-- Investments".

Frigoscandia has approximately 7,000 customers. Of Frigoscandia's total revenues, approximately 49% were derived from its 25 largest customers and Frigoscandia's largest customer accounted for approximately 8% of its total revenues.

Employees

CSI and Frigoscandia directly employ all employees in the temperature-controlled distribution operations segment. CSI employs approximately 3,835 persons in the United States, of whom approximately 58% participate in collective bargaining agreements. Frigoscandia employs approximately 2,665 persons in 10 European countries, of whom approximately 80% participate in collective bargaining agreements. Both CSI and Frigoscandia believe their relationships with their employees to be good.

Seasonal Nature of the Business

Temperature-controlled distribution operations are seasonal, in that demand for temperature-controlled distribution facilities is stronger during the third quarter of the calendar year and is at its lowest level in the first quarter of the calendar year. The seasonal nature of temperature-controlled distribution operations coincides with the lower demand for frozen foods, such as ice cream, during the winter months and the timing of the harvests of various food crops in the third quarter of the year, which increases the demand for temperature-controlled storage capacity during that time.

Future Plans

There will be a continued strong emphasis in 2001 on the global marketing of the varied service offerings that CSI and Frigoscandia can provide to customers who can benefit from a single-source global temperature-controlled logistics provider. CSI and Frigoscandia will continue to leverage off their investments in information technology in 1999 and 2000 to increase their service offerings to customers, including integrated supply chain management and transportation services. Additionally, both companies will focus on operational issues to increase operating efficiencies in 2001. In particular, Frigoscandia is addressing occupancy issues and other operational issues including transportation services. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations -- Temperature-Controlled Distribution Operations" for a discussion of operating performance of this business segment and see the discussion of factors that could affect the future plans of ProLogis, CSI and Frigoscandia at "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Risk Factors".

ProLogis views its investments in CSI and Frigoscandia as a temperature-controlled distribution network delivering worldwide temperature-controlled logistics solutions to its United States and European customers. Expansion into new markets or within existing markets in the United States will be considered only to the extent that such expansion is necessary to enable CSI to expand its services to the major food manufacturers and retailers that operate across multiple markets. Expansion within the European operations will be considered on a limited basis to address specific customer needs. The funds for such expansions are expected to come principally from internally generated capital from this operating segment's operations.

FINANCING STRATEGY

In order to build its network of distribution facilities, ProLogis accessed the public debt and public equity markets through the second quarter of 1999. Since that time, ProLogis has funded its capital requirements primarily with internally generated funds from its operations and from the disposition of facilities to third parties and to entities in which ProLogis maintains an ownership interest. Additionally, ProLogis has utilized, and will continue to utilize, the borrowing capacity available through its unsecured lines of credit to finance investment opportunities pending completion of asset dispositions and, as needed, longer-term debt or equity financing arrangements.

ProLogis' financing activities in 2000 included:

- ProLogis, ProLogis Development Services and the Kingspark entities generated $806.0 million of proceeds from the disposition of facilities and land parcels in 2000. These dispositions were primarily within the CDFS business segment ($672.3 million of proceeds) but also included dispositions within the property operations segment ($133.7 million of proceeds). Of the total proceeds of $806.0 million, $55.7 million was received in the form of equity interests in the entities acquiring the facilities.

- ProLogis restructured its U.S. dollar denominated revolving credit facilities during 2000. ProLogis' previous $550.0 million unsecured line of credit was reduced to $475.0 million, with the ability to increase the borrowing capacity to $500.0 million. Additionally, provisions were included in the new agreement that allows for direct borrowings by ProLogis Development Services and ProLogis Logistics. Also, ProLogis increased its borrowing capacity under its U.S. dollar denominated discretionary line of credit from $25.0 million to $55.0 million (with the additional $30.0 million of borrowings available only in foreign currency equivalents).

- The formation of ProLogis North American Properties Fund I provided ProLogis the opportunity to access over $300.0 million of third party debt and equity capital, including 10-year secured, non-recourse debt financing of $232.6 million within the venture.

- From September 1999 to December 31, 2000, ProLogis has accessed 325.6 million euros (the currency equivalent of approximately $302.9 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) of third party equity capital provided by a group of institutional investors to ProLogis European Properties Fund through 2002. As of December 31, 2000, an additional 734.7 million euros (the currency equivalent of approximately $683.4 million as of December 31, 2000 based on currency

exchange rates quoted by Reuters) has been committed to ProLogis European Properties Fund by this investor group through 2002. This capital is to be used to fund acquisitions of operating facilities in Europe from ProLogis, the Kingspark entities or third parties.

ProLogis' revolving credit facilities (the U.S. dollar denominated unsecured borrowing arrangements aggregating $530.0 million of capacity and ProLogis' multi-currency borrowing arrangement that allows for the currency equivalent of 325.0 million euros of borrowings) provide ProLogis with significant financial flexibility. As of December 31, 2000, ProLogis' outstanding combined revolving credit facility borrowings of $439.8 million were at an average interest rate of 6.79% and ProLogis' total debt as a percentage of total undepreciated book capitalization (excluding accumulated comprehensive income adjustments) was 43.5%.

PROLOGIS OPERATING SYSTEM(TM)

The cornerstone of ProLogis' business strategy is the ProLogis Operating System(TM), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the Integrated Solutions Group. The ProLogis Operating System(TM) is a customer service delivery system that has been designed to provide substantial benefits to existing and prospective ProLogis customers. The customer focus of the ProLogis Operating System(TM) provides for a high-quality service level and a single point of contact for distribution solutions on a global basis and positions ProLogis to build customer relationships that will generate additional business opportunities.

Market Services Group

The Market Services Group is comprised of approximately 350 property management and leasing employees including 20 market officers. ProLogis' market officers have extensive experience in marketing industrial distribution space and are responsible for understanding the needs of existing and prospective customers in their respective markets. To meet such needs, market officers utilize their extensive knowledge of local market conditions, including the cost and availability of alternative space, and are supported by their team of property management and leasing professionals. A key role of the market officers is assisting the Global Services Group in identifying ProLogis' customers with multiple market requirements. ProLogis believes that the market officers' access to national and pan-European ProLogis resources improves their ability to serve customers in the local market.

Market officers do not develop projects or borrow or commit capital. Their focus is strictly on managing the facilities in their markets, creating and maintaining relationships with distribution space users and industrial brokers, marketing ProLogis products and identifying potential acquisition, development and leasing opportunities in their target markets.

Global Services Group

The Global Services Group, comprised of 18 employees, is dedicated to providing service to the largest users of distribution space that ProLogis has identified as targeted customers, with the primary focus on making ProLogis the preferred provider of distribution space to these companies. The Global Services Group is headquartered in Denver and Amsterdam and has regional offices in Atlanta, Chicago and the New York City metropolitan area. ProLogis' multi-market presence permits it to accommodate the reconfiguration needs of its customers by relocating an existing customer within a market or between markets in North America or in Europe. ProLogis' development program, land inventory and existing facilities allow the Global Services Group to assist existing and prospective customers whose growing business needs require them to expand their distribution facilities. The expansion can result in relocating the customer to larger ProLogis spaces or in developing a facility specifically for the customer.

Global Services Group professionals build long-term relationships with ProLogis' customers and provide a single point of contact for multi-location global users of distribution facilities to simplify and streamline the execution of such customers' distribution space plans. ProLogis' experience to date suggests that many major corporate customers are limiting the number of services providers that they work with to meet their distribution

facility requirements. An ancillary benefit of this extensive contact with customers is the ability to be on the forefront of international and national distribution and logistics trends.

Global Development Group

The Global Development Group, comprised of approximately 90 employees, focuses substantial research and development efforts on creating industry-leading distribution facilities and master-planned distribution parks. Members of the Global Development Group have extensive experience in the development and construction of generic facilities that will appeal to a wide variety of customers and the development of facilities that will meet a specific customers needs. ProLogis incorporates the latest technology with respect to building design and building systems and has developed consistent standards and procedures that it strictly adheres to in the development of all facilities.

The Global Development Group is comprised principally of architects, engineers and construction professionals who oversee every aspect of the land planning and building design processes. These professionals also monitor the construction process and oversee the performance of third-party general contractors. The Global Development Group's development specialists and project managers operate regionally to better serve their markets. The project managers supervise each project with oversight from ProLogis' management, pursuant to uniform standards, procedures and specifications that have been carefully designed to achieve consistent quality.

ProLogis believes the depth and breadth of experience within the Global Development Group enhances the effectiveness of the Global Services Group and provides the market officers in the Market Services Group with a distinct competitive advantage for development opportunities in their respective markets.

Integrated Solutions Group

The Integrated Solutions Group, currently comprised of three employees, coordinates a menu of value-added distribution-related services to customers, including network optimization tools, strategic site selection, business location services (including tax incentive analysis and tax negotiation consulting) and design consulting services. The Integrated Solutions Group was formed in August 1999 to allow ProLogis to address all areas of its customers' distribution needs. ProLogis believes that by offering these additional services, ProLogis will be able to deepen its customer relationships and increase cash flows with relatively small additional capital requirements.

PROLOGIS MANAGEMENT

ProLogis' success depends upon its management's ability to provide strategic and day-to-day management, research, investment analysis, acquisition and due diligence, development, marketing, asset management, capital markets, asset disposition, management information systems support and legal and accounting services. ProLogis believes that the quality of its management should be assessed in light of the following factors:

- Management Depth -- ProLogis has several senior executives with the leadership, operational, investment and financial skills and experience to oversee the entire operation of the company. See " -- Executive Officers and Trustees" and " -- Senior Officers".

- Strategic Vision -- ProLogis' management has demonstrated a strategic vision in determining an operating and investment focus that has provided favorable initial yields and long-term growth prospects. ProLogis' business strategy has focused on acquiring (at prices below replacement cost) and developing an international distribution facility network and a land inventory at attractive prices in selected distribution markets. Through the ProLogis Operating System(TM), ProLogis believes it is the first international operating company that has been able to address and service a corporate customer's distribution space requirements on an international, national, regional and local basis. Additionally, since mid-1999, ProLogis has focused on self-funding its investment activities utilizing cash generated by operations and the proceeds from the disposition of facilities, primarily to entities in which ProLogis maintains an ownership interest.

- Research Capability -- ProLogis divides its target market cities into numerous submarkets for analysis purposes. ProLogis' management has emphasized a submarket by submarket research-based approach in determining appropriate investment opportunities.

- Investment Committee Process -- An internal investment committee provides ProLogis with discipline and guidance to allow ProLogis to achieve its investment goals. The members of ProLogis' investment committee have extensive experience in the real estate industry. The internal investment committee evaluates all prospective investments pursuant to uniform underwriting criteria prior to submission of investment recommendations to the investment committee of ProLogis' Board of Trustees (the "Board").

- Acquisitions Capability/Due Diligence Process/Asset Dispositions -- ProLogis has experienced senior personnel who perform disciplined and thorough due diligence in determining whether potential investments and divestitures meet ProLogis' long-term objectives. ProLogis has developed extensive uniform systems and procedures for analysis and due diligence to ensure that it maximizes its investment and divestiture opportunities.

- Development Capability -- By internally developing projects, ProLogis has captured additional value that normally escapes through sales premiums paid to third party developers. ProLogis' development employees have significant development experience. ProLogis has engaged in substantial development of distribution facilities since its inception in 1991 (64.0 million square feet at a total investment of $2.4 billion developed).

- Operating Capability -- ProLogis believes that management can substantially improve operating performance and achieve long-term sustainable growth in cash flow by actively and effectively managing assets. ProLogis conceived of and developed the ProLogis Operating System(TM) to effectively operate ProLogis' business and provide customers with an exceptional level of coordinated, comprehensive services, including property management, leasing and development management services. ProLogis also provides comprehensive asset management services to entities in which ProLogis has an ownership interest.

- Capital Markets Capability -- ProLogis has been able to effectively raise public debt and public equity capital that has allowed it to achieve strong growth in cash flows from its investments. ProLogis enhances its ability to raise capital by its ability to effectively communicate ProLogis' business strategy and performance to investors and the financial media.

Previously, certain of ProLogis' administrative functions were supplemented by or provided by Security Capital Group Incorporated ("Security Capital"), ProLogis' largest shareholder, pursuant to an administrative services agreement. These functions included payroll and human resources, cash management, accounts payable, specified information systems support, research and insurance services. ProLogis began transferring these functions from Security Capital to ProLogis personnel during 2000. As of December 31, 2000, all functions except the cash management and certain information systems support functions had been assumed by ProLogis. These remaining functions are expected to be assumed by ProLogis personnel during the first quarter of 2001.

Executive Officers and Trustees

K. Dane Brooksher -- 62 -- Mr. Brooksher has served as a Trustee since October 1993. Mr. Brooksher has been Chairman and Chief Executive Officer of ProLogis since March 1999 and he was Co-Chairman and Chief Operating Officer of ProLogis from November 1993 to March 1999 (through September 1997 he was employed by ProLogis' former management company). Prior thereto, 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 Vizional Technologies, Inc. (an entity in which ProLogis has invested) and Butler Manufacturing Company and he serves as an Advisory Board Member of the J.L. Kellogg Graduate School of Management of Northwestern University. Mr. Brooksher's term as Trustee expires in 2002.

Irving F. Lyons, III -- 51 -- Mr. Lyons has served as a Trustee since March 1996. Mr. Lyons has been President of ProLogis since March 1999 and Chief Investment Officer of ProLogis since March 1997. Mr. Lyons was Co-Chairman of ProLogis from March 1997 to March 1999 and from December 1993 to March 1997, he was a Managing Director with ProLogis (through September 1997 he was employed by ProLogis' former management company). Prior thereto, 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 2003.

C. Ronald Blankenship -- 51 -- Mr. Blankenship has served as a Trustee since June 2000. Mr. Blankenship has been Director, Vice Chairman and Chief Operating Officer of Security Capital since May 1998. Mr. Blankenship was Managing Director of Security Capital from 1991 until 1998 and he was Chairman of Archstone Communities Trust, (a REIT focused on apartment communities and a former affiliate of Security Capital) until June 1997. Mr. Blankenship was a Trustee of Archstone Communities Trust from March 2000 until February 2001. Since May 1999, Mr. Blankenship has also been Interim Chairman, Chief Executive Officer and Director of Homestead Village Incorporated (an affiliate of Security Capital). He is a Trustee of City Center Retail Trust and Urban Growth Property Trust (both affiliates of Security Capital). Mr. Blankenship is a Director of BelmontCorp, Carr America Realty Corporation, InterPark Holdings Inc., Macquarie Capital Partners LLC, Regency Centers Corporation and Storage USA, Inc. (all affiliates of Security Capital). Mr. Blankenship's term as Trustee expires in 2001.

Stephen L. Feinberg -- 56 -- 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 Incorporated (an affiliate of Security Capital), Continental Transmission Corporation, The Harvill Press Limited, MetaMetrics, Inc., St. John's College, The Santa Fe Institute, 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 2001.

Donald P. Jacobs -- 73 -- Mr. Jacobs has served as a Trustee since February 1996. Mr. Jacobs has been a faculty member of the J.L. Kellogg Graduate School of Management of Northwestern University since 1957, and Dean since 1975. Mr. Jacobs is a Director of Hartmarx Corporation, Terex Corporation, CDW Computer Centers and GP Strategies. Mr. Jacobs was formerly a Director of Commonwealth Edison and its parent company, Unicom and he was formerly 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 2001.

William G. Myers -- 73 -- Mr. Myers has served as a Trustee since January 1995. Mr. Myers is Chief Executive Officer of Ojai Ranch and Investment Company, Inc., Santa Barbara, California, an agri-business and investment company that Mr. Myers founded in 1963. Mr. Myers was formerly a Trustee of Archstone Communities Trust (a former affiliate of Security Capital) and a former Director of S.E.E. International, Itedek, Inc. and Bank of A. Levy. Mr. Myers serves as a Director of the Library of Congress, James Madison Council, California Historical Society Foundation and St. Joseph's Health & Retirement Foundation. He is also a Director of the Santa Barbara Botanic Gardens, Chalone Wine Group and The Nature Conservancy and he is Trustee of H.C. and R.C. Merritt Trusts. Mr. Myers' term as Trustee expires in 2003.

John E. Robson -- 70 -- Mr. Robson has served as a Trustee since April 1994. Mr. Robson has been Senior Advisor of Robertson Stephens and Company, a San Francisco based investment banking firm, since 1994. Mr. Robson was Deputy Secretary of the United States Treasury from 1989 to 1992, Dean and Professor of Management, Emory University School of Business Administration from 1986 to 1989, President and Chief Executive Officer and Executive Vice President and Chief Operating Officer of G.D. Searle & Co., a pharmaceutical and consumer products firm over the period 1978-1983. Mr. Robson is currently a Director of Pharmacia Corporation, Northrop Grumman Corporation, COR Solutions, Inc., SCRAM Technologies, Inc. He is also on the Business Advisory Board of Gilead Sciences, Inc. Mr. Robson's term as Trustee expires in 2003.

Kenneth N. Stensby -- 61 -- Mr. Stensby has served as a Trustee since March 1999. Mr. Stensby was a Director of Meridian from 1996 to March 1999. 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 and Corner House. Mr. Stensby's term as Trustee expires in 2002.

J. Andre Teixeira -- 48 -- Mr. Teixeira has served as a Trustee since February 1999. Mr. Teixeira is the President of Coca-Cola for the Russia/Ukraine region and General Manager of Coca-Cola Russia, Ukraine and Belarus. Mr. Teixeira also serves as Head of Representation for the Coca-Cola Export Corporation, Moscow. From 1995 to 1998, Mr. Teixeira was Director of the Development Center, Europe, Coca-Cola Greater Europe; Director, Brussels Operations, Coca-Cola Greater Europe and Managing Director, Coca-Cola Services S.A. Mr. Teixeira was the Africa Group Account Executive, Development, for Coca-Cola from 1994 to 1995 and Director, Research & Development, Coca-Cola Greater Europe from 1990 to 1995. Mr. Teixeira's term as Trustee expires in 2001.

Thomas G. Wattles -- 49 -- Mr. Wattles has served as a Trustee since January 1993. Mr. Wattles was a Director of ProLogis' predecessor since its formation in June 1991 until January 1993. Mr. Wattles was Non-Executive Chairman of ProLogis from March 1997 to May 1998 and Co-Chairman and Chief Investment Officer of ProLogis from November 1993 to March 1997 (through September 1997 he was employed by ProLogis' former management company). Mr. Wattles is a Managing Director of Security Capital and has been with Security Capital in various capacities since March 1991. Mr. Wattles is a Trustee of City Center Retail Trust, CWS Communities Trust and Urban Growth Property Trust (all affiliates of Security Capital). He is a Director of Access Self-Storage Holdings S.A., Akeler Holdings S.A., Bernheim-Comofi S.A., CWE Property Holdings S.A., Interpark Holdings Inc., London & Henley Holdings S.A., Millers Storage Holdings S.A., Regency Centers Corporation and Security Capital European Realty, (all affiliates of Security Capital). Mr. Wattles' term as Trustee expires in 2002.

Senior Officers

Ned K. Anderson -- 54 -- Managing Director of ProLogis since December 1998, where he is responsible for the Market Services Group in the Pacific Region of the United States. Mr. Anderson has been with ProLogis in varying capacities since December 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Anderson was a partner at King & Lyons, a San Francisco Bay Area industrial real estate development and management company.

Paul C. Congleton -- 46 -- Managing Director of ProLogis since September 1999, where he is responsible for coordinating investment and financing opportunities utilizing institutional capital. Mr. Congleton has been with ProLogis in varying capacities since January 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, he was Managing Principal with Overland Company, an Arizona based property management, leasing and consulting concern.

Tim M. Harvie -- 40 -- Managing Director and Chief Technology Officer of ProLogis since December 2000, where he is responsible for ProLogis' information technology operations. Mr. Harvie was with USFreightways Corporation, a provider of comprehensive supply chain management services from February 1989 to December 2000, most recently as Chief Information Officer.

Steven K. Meyer -- 52 -- Managing Director of ProLogis since December 1998, where he is responsible for the Market Services Group in the Central Region of the United States and in Mexico. Mr. Meyer has been with ProLogis in varying capacities since September 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Meyer was an Executive Vice President with Trammell Crow Company, a diversified commercial real estate services company in North America.

Walter C. Rakowich -- 43 -- Managing Director and Chief Financial Officer of ProLogis since December 1998, where he is responsible for worldwide corporate finance. Mr. Rakowich has been with ProLogis in varying capacities since July 1994 (through September 1997 he was employed by ProLogis' former management

company). Prior thereto, Mr. Rakowich was a consultant to ProLogis in the area of due diligence and acquisitions and also a Principal with Trammell Crow Company.

John R. Rizzo -- 51 -- Managing Director of ProLogis since December 2000, where he is responsible for the North American operations of the Global Development Group. Mr. Rizzo has been with ProLogis in varying 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, a construction management and general contracting firm.

John W. Seiple, Jr. -- 42 -- Managing Director of ProLogis since December 1997 and Chief Operating Officer for North American operations of ProLogis since December 1998. Mr. Seiple has been with ProLogis since October 1993 in varying capacities (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Seiple was a Senior Vice President with Trammell Crow Company.

Robert J. Watson -- 51 -- Managing Director of ProLogis since January 1993 and Chief Operating Officer for European Operations since December 1998. Mr. Watson has been with ProLogis in varying capacities since January 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Watson with Trammell Crow Company, most recently as the Regional Partner for Southwest United States Real Estate.

Robin P. R. von Weiler -- 44 -- Managing Director and Regional Head of ProLogis since December 1999, where he is responsible for the Market Services and Global Development Groups in Northern and Central Europe. Mr. von Weiler has been with ProLogis in varying 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. Mr. von Weiler is a registered Real

Estate Agent.

Frank H. Fallon -- 39 -- Senior Vice President of ProLogis since September 1999, where he is responsible for the Market Services Group in the Southeast Region of the United States. Mr. Fallon has been with ProLogis in varying capacities since January 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Fallon was with Trammell Crow Company.

Ranald Hahn -- 44 -- Senior Vice President and Regional Head of ProLogis since December 2000, where he is responsible for the Market Services and Global Development Groups in Southern Europe. Mr. Hahn has been with ProLogis in varying capacities since March 1999. Prior to joining ProLogis, Mr. Hahn was the International Business Development Director of GSE, a French logistics construction company.

M. Gordon Keiser, Jr. -- 56 -- Senior Vice President 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 varying capacities since October 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Keiser was Senior Vice President of JMB Realty Corporation with responsibilities for corporate finance and capital markets financing. Previously, Mr. Keiser was with KPMG Peat Marwick (now KPMG LLP).

Luke A. Lands -- 44 -- Senior Vice President and Controller of ProLogis since August 2000, where he supervises accounting, financial reporting and forecasting. Mr. Lands has been with ProLogis in varying capacities since January 1996 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Lands was Vice President of SCG Realty Services (an affiliate of Security Capital) from February 1995 to January 1996 and he was Vice President and Controller for Lincoln Property Company, a diversified national real estate operating company. Mr. Lands is a Certified Public Accountant.

Debra A. McRight -- 41 -- Senior Vice President of ProLogis since December 1999, where she is responsible for North American property management operations. Ms. McRight has been with ProLogis in varying capacities since September 1995 (through September 1997 she was employed by ProLogis' former management company). 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.

David S. Morze -- 40 -- Senior Vice President of ProLogis since March 1999, where he is responsible for the Market Services Group in the Mid-Atlantic Region of the United States. Mr. Morze has been with ProLogis in varying capacities since March 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Morze was the Director of Marketing for Northern California for The SARES REGIS Group.

Edward S. Nekritz -- 35 -- Senior Vice President and 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 he is also responsible for ProLogis' due diligence and risk management functions. Mr. Nekritz has been with ProLogis in varying capacities since September 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Nekritz was an attorney with Mayer, Brown & Platt.

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 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 or being acquired at December 31, 2000, and ProLogis is not aware of any environmental condition with respect to any of its properties that is likely to be material. ProLogis or the predecessor owners have subjected each of its properties to an environmental assessment (which does 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 the environmental assessments has 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 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.

INSURANCE COVERAGE

ProLogis and its consolidated and unconsolidated entities currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, environmental, extended coverage and rental loss, as appropriate for the markets where each entities facilities and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities. ProLogis believes its facilities and the facilities of its consolidated and unconsolidated entities are adequately insured; however, an uninsured loss could result in loss of capital investment and anticipated profits.

ITEM 2. PROPERTIES

INDUSTRIAL DISTRIBUTION FACILITIES

ProLogis and its consolidated entities (see -- "Consolidated Entities") have invested primarily in generic industrial distribution facilities with an average office finish level of less than 10%. Due to the costs associated

with retrofitting customer spaces, service center product has been acquired only on a very limited basis, generally as part of portfolio acquisitions in which the majority of product being acquired was bulk distribution. ProLogis' industrial distribution facilities is typically used for storage, packaging, assembly, distribution and light manufacturing of consumer and industrial products.

- Distribution. -- ProLogis' distribution facilities are adaptable for both bulk distribution and light manufacturing or assembly uses. Based upon square footage, ProLogis' operating portfolio was comprised of 88.5% bulk distribution and 10.4% light manufacturing facilities as of December 31, 2000.

- Service Center and Other -- Under ProLogis' definition, service centers are multi-customer buildings that have a higher percentage of office space than distribution facilities and only have grade-level loading as opposed to truck dock loading. As of December 31, 2000, service center product constituted approximately 0.9% of the square feet in ProLogis' operating portfolio and other miscellaneous facilities, primarily office facilities acquired as part of portfolio acquisitions, constituted 0.2% of the square feet in ProLogis' operating portfolio.

GEOGRAPHIC DISTRIBUTION

ProLogis and its consolidated entities (see -- "Consolidated Entities") have direct ownership of 1,285 industrial distribution facilities (operating and under development) in North America and Europe as of December 31, 2000. In the United States, ProLogis' facilities are located in 42 cities in 24 states and the District of Columbia. ProLogis' facilities in Mexico are located in four cities. In Europe, ProLogis' facilities are located in 11 cities in 5 countries. The table below demonstrates the geographic distribution of ProLogis' portfolio (operating facilities and facilities under development). The table excludes land held for future development, which is less than 5% of ProLogis' total investment, based on cost as of December 31, 2000 and 1999. The table does not include facilities that are owned by ProLogis' unconsolidated entities which are discussed under "--Unconsolidated Entities".

	DECEMBER 31,			
	2000		1999	
	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST(1)	NUMBER OF FACILITIES	PERCEN ASSETS ON CO
NORTH AMERICAN MARKETS(2)(3):				
Atlanta, Georgia......................	97	6.46%	103	6
Austin, Texas.........................	37	2.00	33	1
Birmingham, Alabama...................	6	0.75	6	0
Charlotte, North Carolina.............	32	2.57	32	2
Chattanooga, Tennessee................	5	0.33	5	0
Chicago, Illinois.....................	64	7.45	64	6
Cincinnati, Ohio......................	47	3.00	46	3
Columbus, Ohio........................	32	4.13	32	4
Dallas/Fort Worth, Texas..............	116	8.53	120	8
Denver, Colorado......................	26	1.80	28	1
El Paso, Texas........................	19	1.49	22	1
Fort Lauderdale/Miami, Florida.........	17	1.73	16	1
Houston, Texas........................	82	4.67	84	4
I-95 Corridor, New Jersey.............	31	4.89	35	4
Indianapolis, Indiana.................	43	2.79	45	2
Juarez, Mexico........................	7	0.37	6	0
Kansas City, Kansas/Missouri..........	29	1.28	29	1
Las Vegas, Nevada.....................	18	2.20	18	2
Los Angeles/Orange County, California.........................	6	1.62	4	0
Louisville, Kentucky..................	8	1.01	10	1

	DECEMBER 31,			
	2000		1999	
	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST(1)	NUMBER OF FACILITIES	PERCEN ASSETS ON CO
Memphis, Tennessee....................	40	3.25	40	2
Monterrey, Mexico.....................	10	0.97	10	0
Nashville, Tennessee..................	29	1.63	31	1
Oklahoma City, Oklahoma...............	6	0.24	6	0
Orlando, Florida......................	23	1.85	23	1
Phoenix, Arizona......................	31	1.67	32	1
Portland, Oregon......................	26	1.59	26	1
Reno, Nevada..........................	20	1.48	19	1
Reynosa, Mexico.......................	15	1.01	12	0
Rio Grande Valley (Brownsville), Texas.............................	14	0.54	14	0
Salt Lake City, Utah..................	7	0.93	10	1
San Antonio, Texas....................	46	2.16	47	2
Seattle, Washington...................	15	1.33	15	1
San Francisco (East Bay), California...	54	4.79	54	4
San Francisco (South Bay), California.........................	71	4.98	72	4
St. Louis, Missouri...................	15	1.05	15	0
Tampa, Florida........................	58	2.67	62	2
Tijuana, Mexico.......................	5	0.60	4	0
Tulsa, Oklahoma.......................	9	0.26	9	0
Washington D.C./Baltimore, Maryland....	48	4.13	40	3
Other(4)..............................	3	0.12	24	0
Subtotal North America(2)(3)...	1,267	96.32	1,303	90
EUROPEAN MARKETS(5)(6)(7)(8):				
Amsterdam, Netherlands................	--	--	1	0
Brabandt, Netherlands.................	1	0.27	--	
Cologne, Germany......................	1	0.28	1	0
Lille, France.........................	1	0.06	2	0
Lyon, France..........................	1	0.14	3	0
Marseille, France.....................	1	0.14	--	
Milan, Italy..........................	2	0.35	--	
Neustadt, Germany.....................	1	0.28	--	
Paris, France.........................	3	0.66	57	6
Rotterdam, Netherlands................	3	0.47	3	0
Soest, Germany........................	1	0.31	--	
Warsaw, Poland........................	3	0.72	9	1
Subtotal Europe(5)(6)(7)(8).......	18	3.68	76	9
Total.........................	1,285(9)	100.00%	1,379(9)	100

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(1) Facilities under development are reflected at their total budgeted development cost, rather than cost incurred to date.

(2) In January 2001, ProLogis acquired three operating facilities in Memphis, Tennessee aggregating 0.7 million square feet for $16.6 million. These facilities were acquired to complete a tax-deferred exchange transaction.

(3) In January 2001, ProLogis contributed three facilities to ProLogis North American Properties Fund I in exchange for an additional equity interest of $34.1 million. The three facilities, one located in Atlanta and two located in Dallas/Ft. Worth, aggregated 0.9 million square feet.

(4) In 2000, includes one facility each in Akron, Ohio, Detroit, Michigan and Norfolk, Virginia. In 1999, includes one facility each in Akron, Ohio, Boston, Massachusetts and Norfolk, Virginia and 21 facilities in Detroit, Michigan, 20 of which were disposed of during 2000.

(5) In January 2001, ProLogis contributed two additional facilities located in France (Lyon and Paris) to ProLogis European Properties Fund. These facilities aggregated 0.4 million square feet and generated net proceeds of $16.1 million.

(6) Does not include facilities owned by the Kingspark entities (13 operating facilities and 12 facilities under development as of December 31, 2000 and 15 operating facilities and 14 facilities under development as of December 31, 1999). Beginning January 2, 2001, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships. See "-- Unconsolidated Entities -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

(7) On January 7, 2000, ProLogis contributed 50.1% of the common stock of ProLogis European Properties S.a.r.l., one of its wholly owned European entities, to ProLogis European Properties Fund in exchange for an equity interest. ProLogis European Properties S.a.r.l. owned 60 facilities (54 facilities in Paris, four facilities in Warsaw, one facility in Lyon and one facility in Rotterdam) as of December 31, 2000. The remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. was contributed to ProLogis European Properties Fund by ProLogis on January 7, 2001 in exchange for an additional equity interest.

(8) ProLogis is committed to contribute substantially all of its stabilized facilities in Europe to ProLogis European Properties Fund, subject to meeting specified criteria.

(9) Includes 41 facilities under development as of December 31, 2000 and 51 facilities under development as of December 31, 1999.

FACILITIES

The information in the following table is as of December 31, 2000 for the facilities owned by ProLogis and its consolidated entities in North America and Europe. No individual facility or group of facilities operated as a single business unit amounted to 10% or more of ProLogis' consolidated total assets as of December 31, 2000 or generated gross revenue equal to 10% or more of ProLogis' consolidated gross revenues for the year ended December 31, 2000. The table does not include facilities that are owned by ProLogis' unconsolidated entities which are discussed under "-- Unconsolidated Entities".

	NO. OF BLDGS.	PERCENTAGE OCCUPANCY (1)	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	ENCUMBR (3)
OPERATING FACILITIES OWNED AS OF DECEMBER 31, 2000(4):					
NORTH AMERICAN MARKETS(5)(6):					
Atlanta, Georgia...........	95	88.04%	9,131,533	$ 277,710,625	$ 38,60
Austin, Texas..............	35	94.66	2,156,609	84,052,795	
Birmingham, Alabama........	6	100.00	1,135,278	34,416,812	
Charlotte, North Carolina.................	32	95.70	3,980,670	118,844,478	41,20
Chattanooga, Tennessee.....	5	100.00	1,147,872	15,441,941	
Chicago, Illinois..........	61	93.51	7,689,671	309,206,016	45,61
Cincinnati, Ohio...........	45	88.44	5,031,002	131,029,528	40,70
Columbus, Ohio.............	31	94.96	5,747,391	182,533,445	40,27
Dallas/Fort Worth, Texas...	116	86.64	11,805,472	393,707,124	67,74
Denver, Colorado...........	26	95.26	3,094,209	83,268,800	
El Paso, Texas.............	18	89.86	2,231,903	61,309,592	3,12
Fort Lauderdale/Miami, Florida..................	16	91.04	1,694,808	75,129,319	1,96
Houston, Texas.............	82	95.20	7,210,747	215,316,366	47,46
I-95 Corridor, New Jersey...................	30	95.31	4,836,537	212,130,095	28,33
Indianapolis, Indiana......	43	87.07	4,187,721	128,884,247	

22

25

	NO. OF BLDGS.	PERCENTAGE OCCUPANCY (1)	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	ENCUMBR (3)
Juarez, Mexico.............	7	84.98	487,152	16,921,649	
Kansas City, Kansas/Missouri..........	29	95.83	1,578,487	59,009,721	13,08
Las Vegas, Nevada..........	18	92.97	2,296,811	101,591,116	18,28
Los Angeles/Orange County, California...............	2	100.00	289,283	13,762,044	
Louisville, Kentucky.......	7	100.00	1,469,988	35,339,694	6,33
Memphis, Tennessee.........	39	90.54	5,415,819	140,240,324	14,48
Monterrey, Mexico..........	10	84.82	1,167,403	44,616,155	
Nashville, Tennessee.......	29	88.99	3,084,949	75,122,667	
Oklahoma City, Oklahoma....	6	98.73	639,942	11,000,738	
Orlando, Florida...........	23	91.22	2,112,100	85,507,117	12,45
Phoenix, Arizona...........	31	96.82	2,289,922	77,084,915	
Portland, Oregon...........	26	95.42	1,957,401	73,589,606	37
Reno, Nevada...............	19	91.57	2,327,917	60,326,214	
Reynosa, Mexico............	12	86.32	1,140,853	34,169,766	
Rio Grande Valley (Brownsville), Texas.....	14	99.65	916,746	24,829,871	2,68
Salt Lake City, Utah.......	7	98.19	1,643,468	43,068,889	
San Antonio, Texas.........	46	93.39	3,906,603	99,555,608	
Seattle, Washington........	15	100.00	1,390,447	61,507,597	4,89

San Francisco (East Bay), California...............	54	89.21	5,768,799	220,953,837	14,93
San Francisco (South Bay), California...............	71	99.87	3,694,781	229,646,338	19,19
St. Louis, Missouri........	15	85.97	1,621,825	48,473,098	9,29
Tampa, Florida.............	58	97.56	3,325,581	123,217,800	29,14
Tijuana, Mexico............	4	88.24	615,120	22,447,732	
Tulsa, Oklahoma............	9	100.00	523,623	11,894,023	
Washington D.C./Baltimore, Maryland.................	40	97.14	3,619,350	145,650,708	36,95
Other......................	3	100.00	160,998	5,529,529	43
Subtotal North America(5)(6).........	1,235	92.45	124,526,791	4,188,037,939	537,61
EUROPEAN MARKETS(7)(8)(9):					
Lille, France(10)..........	1	48.18	16,587	2,824,877	
Lyon, France...............	1	100.00	225,194	6,390,328	
Milan, Italy...............	2	--	444,122	16,197,430	
Paris, France..............	1	100.00	126,477	8,724,797	
Rotterdam, Netherlands.....	2	--	435,420	15,742,227	
Warsaw, Poland.............	2	57.26	500,655	22,358,816	
Subtotal Europe(7)(8)(9).......	9	36.97	1,748,455	72,238,475	
TOTAL OPERATING FACILITIES OWNED AS OF DECEMBER 31, 2000(4).............	1,244	91.68%	126,275,246	$4,260,276,414	$537,61

23

26

	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	BUDGETED DEVELOPMENT COSTS (11)
FACILITIES UNDER DEVELOPMENT AS OF DECEMBER 31, 2000(12)(13):				
NORTH AMERICAN MARKETS:				
Atlanta, Georgia.....................	2	702,000	$ 10,331,338	$ 20,880,728
Austin, Texas........................	2	209,600	5,339,880	8,401,120
Chicago, Illinois....................	3	725,072	19,699,727	34,551,156
Cincinnati, Ohio.....................	2	214,080	4,824,015	7,273,887
Columbus, Ohio.......................	1	289,280	6,763,336	8,017,382
El Paso, Texas.......................	1	239,131	5,368,005	7,414,958
Fort Lauderdale/Miami, Florida.......	1	94,500	3,923,087	4,815,121
I-95 Corridor, New Jersey............	1	299,000	9,499,837	13,473,972
Los Angeles/Orange County, California........................	4	1,084,192	43,248,515	60,824,068
Louisville, Kentucky.................	1	350,000	7,811,525	11,232,967
Memphis, Tennessee...................	1	360,000	8,486,140	9,790,347
Reno, Nevada.........................	1	218,500	2,233,218	8,133,784
Reynosa, Mexico......................	3	360,294	9,154,508	12,631,053
Tijuana, Mexico......................	1	141,290	3,334,101	5,164,760

Washington D.C./Baltimore, Maryland	8	1,037,261	16,963,318	44,862,321
Subtotal North America	32	6,324,200	156,980,550	257,467,624
EUROPEAN MARKETS:				
Brabant, Netherlands	1	307,700	6,911,138	12,405,285
Cologne, Germany	1	206,938	4,798,071	12,831,443
Marseille, France	1	230,576	1,247,178	6,537,121
Neustadt, Germany	1	212,266	903,551	12,986,249
Paris, France	2	675,129	4,709,040	21,932,720
Rotterdam, Netherlands	1	157,154	1,056,700	6,135,349
Soest, Germany	1	305,579	2,136,294	14,204,828
Warsaw, Poland	1	291,940	7,277,460	10,678,623
Subtotal Europe	9	2,387,282	29,039,432	97,711,618
TOTAL FACILITIES UNDER DEVELOPMENT AS OF DECEMBER 31, 2000(12)(13)	41	8,711,482	$186,019,982	$355,179,242

	ACREAGE	INVESTMENT (2)	ENCUMBRANCES (3)
LAND HELD FOR DEVELOPMENT AS OF DECEMBER 31, 2000(14)(15):			
NORTH AMERICAN MARKETS:			
Atlanta, Georgia	228.3	$ 14,624,463	$ --
Austin, Texas	7.2	763,323	--
Charlotte, North Carolina	25.3	2,554,060	--
Chicago, Illinois	245.0	32,623,248	--
Cincinnati, Ohio	90.2	6,658,637	--
Columbus, Ohio	56.5	2,242,658	--
Dallas/Fort Worth, Texas	182.6	11,390,734	--
Denver, Colorado	15.6	1,405,890	--
El Paso, Texas	108.3	6,448,009	--
Houston, Texas	64.9	5,299,734	--
I-95 Corridor, New Jersey	10.1	739,801	--
Indianapolis, Indiana	72.7	5,873,642	--

24

27

	ACREAGE	INVESTMENT (2)	ENCUMBRANCES (3)
Juarez, Mexico	21.4	3,812,547	--
Kansas City, Kansas/Missouri	16.6	1,511,000	--
Las Vegas, Nevada	61.8	6,937,917	312,974
Los Angeles/Orange County, California	27.8	5,892,455	--
Louisville, Kentucky	13.0	600,409	--
Memphis, Tennessee	47.9	3,631,205	--
Monterrey, Mexico	25.9	3,875,347	--

Orlando, Florida	28.1	2,788,623	--
Portland, Oregon	18.0	2,848,334	--
Reno, Nevada	30.1	4,196,675	--
Reynosa, Mexico	82.6	6,456,419	--
Rio Grande Valley (Brownsville), Texas	14.8	439,288	--
Salt Lake City, Utah	30.3	2,015,954	--
San Antonio, Texas	58.1	5,289,233	--
San Francisco (East Bay), California	77.6	5,953,538	--
Seattle, Washington	10.6	1,919,882	--
Tampa, Florida	53.2	3,758,156	--
Tijuana, Mexico	14.1	2,926,257	--
Washington D.C./Baltimore, Maryland	22.3	1,960,650	--
Subtotal North America	1,760.9	157,438,088	312,974
EUROPEAN MARKETS:			
Barcelona, Spain	70.8	19,971,847	--
Brabant, Netherlands	8.9	1,710,486	--
Cologne, Germany	13.4	613,824	--
La Havre, France	123.6	1,105,112	--
Lyon, France	17.6	2,014,115	--
Milan, Italy	16.2	1,223,960	--
Tongeren, Belgium	3.3	182,189	--
Warsaw, Poland	32.3	3,145,201	--
Subtotal Europe	286.1	29,966,734	--
TOTAL LAND HELD FOR DEVELOPMENT AS OF DECEMBER 31, 2000(14)(15)	2,047.0	$187,404,822	$312,974

	NO. OF BLDGS.	ACREAGE	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	BUDGETED DEVELOPMENT COST (11)
GRAND TOTALS AS OF DECEMBER 31, 2000:					
Operating Facilities	1,244	n/a	126,275,246	$4,260,276,414	$ n/
Facilities Under Development	41	n/a	8,711,482	186,019,982	355,179,24
Land Held for Development	n/a	2,047.0	n/a	187,404,822	n/
Totals	1,285	2,047.0	134,986,728	$4,633,701,218(16)	$355,179,2

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(1) Percentage Occupancy is physical occupancy for the facility as of December 31, 2000. Operating facilities as of December 31, 2000 include recently completed development facilities in initial lease-up (3.4 million square feet completed in the fourth quarter of 2000) which impacts the overall occupancy percentage as of December 31, 2000.

(2) Investment is as of December 31, 2000 and represents ProLogis' historical cost.

(3) Certain facilities are pledged as collateral under ProLogis' mortgage notes, securitized debt and assessment bonds as of December 31, 2000. See Schedule III -- Real Estate and Accumulated Depreciation to ProLogis' Consolidated Financial Statements in Item 8 for specific facilities pledged.

(4) All assets are utilized in the property operations segment. See "Item 1 -- Business -- ProLogis Trust".

(5) In January 2001, ProLogis acquired three operating facilities in Memphis, Tennessee aggregating 0.7 million square feet for $16.6 million. These facilities were acquired to complete a tax-deferred exchange transaction.

(6) In January 2001, ProLogis contributed three facilities to ProLogis North American Properties Fund I in exchange for an additional equity interest of $34.1 million. The three facilities, one located in Atlanta and two located in Dallas/Ft. Worth, aggregated 0.9 million square feet.

(7) In January 2001, ProLogis contributed two additional facilities located in France (Lyon and Paris) to ProLogis European Properties Fund. These facilities aggregated 0.4 million square feet and generated net proceeds of $16.1 million.

(8) ProLogis is committed to contribute substantially all of its stabilized facilities in Europe to ProLogis European Properties Fund, subject to meeting specified criteria.

(9) Does not include 13 operating facilities with an investment of $139.2 million and 12 facilities under development with a total budgeted cost of $136.2 million owned by the Kingspark entities in the United Kingdom as of December 31, 2000. Beginning January 2, 2001, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships. See "-- Unconsolidated Entities -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

(10) Represents an office building acquired as part of a portfolio acquisition.

(11) Represents the total budgeted development cost at completion for facilities under development, which includes 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 costs incurred to date.

(12) All of the facilities under development are expected to be utilized in the CDFS business segment. See "Item 1 -- Business -- ProLogis Trust".

(13) Includes 0.8 million square feet in the design and permitting stage.

(14) All of the land held for future development is expected to be utilized in the CDFS business segment for the development of approximately 36.2 million square feet of distribution facilities. See "Item 1 -- Business -- ProLogis Trust". Does not include 1,232 acres of land controlled under option, letter of intent or contingent contract with the capacity of developing approxim