**PROLOGIS**

**Moderator: Melissa Marsden**
**April 30, 2009**
**8:30 am ET**

Melissa Marsden: Good morning and welcome to ProLogis' First Quarter Results meeting and webcast. I'm Melissa Marsden, Managing Director of Investor Relations and Corporate Communications for the company.

Last evening we issued our press release and our supplemental for the first quarter of 2009, but if you did not have a chance to print it, there are copies available out at the registration desk. This document, as well as the link to today's webcast presentation, are available on our website at prologis.com under investor relations. And I apologize that we do not have hard copies of today's presentation for you; however, they will be available from the website at the conclusion of today's meeting.

And for those of you participating remotely, I would like to remind you that if you plan to participate in today's Q&A session, you will need to log into the webcast in order to send us your questions as the phone line is in listen only mode. Following prepared remarks, we will alternate between questions from the audience and those participating by webcast. And we know that there are, I think, 18 companies reporting today so we appreciate your attendance and know that there may be some of you who have commitments related to other calls. We appreciate you being here.

This morning we're first going to hear from Walt Rakowich, CEO, to comment on our focus and our progress related to current initiatives and the market environment. And then Bill Sullivan, CFO, will cover results, guidance, and refinancing activity.  Additionally, we're joined today by Ted

Antenucci, President and Chief Investment Officer, and Chuck Sullivan, Head of Global Operations.

Before we begin prepared remarks, I'd like to quickly state that this conference call will contain forward-looking statements under Federal Securities laws. These statements are based on current expectations, estimates and projections about the market and the industry in which ProLogis operates as well as management's beliefs and assumptions. Forward-looking statements are not guaranteed to performance and actual operating results may be affected by a variety of factors. For a list of those factors, please refer to the forward-looking statement notice in our 10-K. I'd also like to add that our first quarter results press release and supplemental and presentation do contain financial measures such as FFO and EBITDA that are non-GAAP measures.

And as we've done in the past to give a broader range of investors and analysts an opportunity to ask us questions, we would ask you to please limit your questions to one a time. Walt, would you please begin?

Walt Rakowich: Thank you, Melissa. Good morning everyone. Folks, today we're going to hit you with a lot of data in the next half hour to 40 minutes. But through it all I want you to keep in mind a few takeaways.

First, we are making great progress on our financial goals. Second, our operating property performance metrics are down but within our expectations. Third, our development pipeline is leasing up and represents in our view a powerful tool for future earnings growth. Fourth, we have a great global business with one of the only truly global franchises, where we've got operations throughout the world, in the real estate industry. And fifth, we have high-quality, state-of-the-art assets with some of the most talented people in the industry. Without question we are succeeding in this challenging environment.

Now, on November 13 - I'm sorry, excuse me - in our presentation today, first we're going to cover our focus and our progress, our operating fundamentals, and then I'm going to ask Bill to come up to talk about the financial review and then, of course, I will summarize and recap.

Now, on November 13, Bill and I came here to New York and basically outlined how we were going to move the company forward in this environment. Our goals were to first and foremost preserve capital. Second, we were to simplify our overall business to communicate more effectively. Third, de-risk our operations and fourth de-lever our balance sheet. Now, since then I think many of you know we've taken significant steps toward the achievement of that or those goals and I'm going to outline a few of those steps right now.

First, in terms of preserving capital, we eliminated virtually all of our development starts, as you know, and our land acquisitions. At that time and into the first quarter, we shut down approximately $580 million of developments in progress.

We also reduced our dividends, saving $290 million in cash, and we initiated the right sizing of our G&A, initially saving $100 million in cash, which is roughly 25%.  Now, we will continue to see cost savings type efforts throughout the year and throughout the company, and I would say that we will have more to report on that in the future.

We've also been working very, very hard to, basically, simplify the business and communicate more effectively for the marketplace. As many of you know, we eliminated our CDFS segment. Frankly, in this environment, merchant building is not a focus of ours.  We also simplified our financial reporting, completely revamping our quarterly supplemental reports with more focus on our balance sheet and more focus on our debt covenants.

We increased communications with our shareholders, with the rating agencies and with bankers. I think many of you have actually commented to us that, favorably at least, that we are communicating better and also the frequency of the press releases has been very, very helpful. We will continue these efforts going forward.

And we've stepped up our internal employee communications. Look, during tough times, you've got to over communicate we've found. We've tried to do this through a series of regular town hall meetings, webcast meetings, face-to-face coverage throughout the world, intranet emails, which I try to send out every other week, and senior management calls. I think we've made great progress internally as well.

We've also taken some major steps to reduce the overall level of risk in our operations. Since 9/30 of last year, we reduced our development portfolio by $3.2 billion – roughly 40%.

Probably more importantly as we're going to talk about it more in the future, we've reduced the unleashed portion that development portfolio. As we hold that development portfolio on our balance sheet, the key thing is reducing the "at-risk" piece of that. We've reduced the "at risk" piece of that by $1.8 billion in essence in two quarters.

In Q4, we renegotiated certain equity agreements with our partners, which gave them more comfort on the market pricing that they were going to get and gave us more funding certainty and probably better long-term relationships in a turbulent time.

We terminated land purchase agreements where possible. We've closed our operations in the GCC, India and Brazil. Now is not the time for expansion. We reorganized our management team internally to enhance our operational controls and focus more on risk.

And as a result of our sales of our balance sheet assets, we'll be retaining more of our developments internally. And actually, as a result of that, we'll enhance the geographical diversity of our wholly owned pool as well as reduce its average age over time.

Of course, we've also been focused on deleveraging the balance sheet. From 10/1/08 through 3/31/09, we completed fund contributions of $1.4 billion, $1.1 billion net of our co-investment.

We sold our China operation as well as our Japan fund interest for $1.3 billion. We put a billion dollars of US properties on the market for sale. Bill will have more to talk about there. And, we repurchased $358 million of our bonds at a 32.5% discount to par value.

Now, as result of all these activities, you can see on this chart, we've reduced our leverage right now by $1.77 billion in six months despite having to fund $900 million in development and a little over $300 million that we had in contractual obligations.

After March 31, we only have about $570 million left to fund in the development pipeline and a very, very small amount of contractual acquisitions to go.

Now, what have we done since then? Since 3/31, I think we've accomplished a great deal more. On April 8, we raised $1.1 billion for the follow on equity offering. Bill will have more to talk about there.

We repurchased debt, basically delivering the company by another $112 million. We've rate locked on $344 million of new secured on balance sheet financing, and we closed on contributions to our European fund as well as we sold ProLogis Park Misato generating another $170 million there. And we closed on $50 million in third asset sales. Bill will talk more about the asset sales in a moment.

But I would say this, if you look at our sources and uses - and again, Bill will talk about the sources and uses and talk about all the things we've got going still this year - but I think you're going to find out that we are actually in a very, very strong financial position, not just today but moving into the end of the year.  And, I think a very good position to weather whatever future economics storms that we still have ahead of us.

Now, let me cover our operating fundamentals and in doing so, I'm going to touch on first our operating portfolio, second, our development portfolio, third, the overall industrial market and then some risks and opportunities.

As expected, leasing was down for the quarter. But in analyzing this, I think there are three key factors to consider. The first thing is when we took our Japan properties out, which were 98%, 99% leased, the overall leasing went down by 30 basis points as a result of that and that's because of the sale of those properties that took place. The second thing is that there is - every single year if we go back and take a look at our results, you'll see the occupancies tend to be the lowest in the first quarter. Why is that? Because there's seasonal demand for companies to sign month-to-month leases in the fourth quarter because of the Christmas season. We think roughly 25 to 30 basis points of the decline is typical seasonal demand that you have in the fourth quarter that goes away in Q1.

Now, the remainder of it, call it roughly 100 basis points, was from softening market conditions. And let's face it, the '08 financial crisis that we saw in the third and fourth quarter is now creeping its way into mainstream. We understood that and we predicted that in the beginning of the year. And so we expected - our guidance was that occupancies - average occupancies would go down roughly 150 to 200 basis points on average. Okay?

So if you sort of project that out and say okay, well we started the year at 94%, where would you end up the year if your average occupancies were down 150 to 200 basis points? It'd be roughly 90.5 to 91.5 % leased. And, we still believe that this will be the case based on being, if you will, down roughly a 100 basis points after you strip out Japan and strip out the seasonal demands.

Now as for our other operating portfolio metrics, I think actually they've held up reasonably well in the face of the tough market. Average tenant retention was, whether you look at the investment management business or you look at the direct own portfolio, roughly 70% to 71% on average between the two. Why so high? Because companies generally aren't moving and this is what we expected to happen.

TIs and commissions at $0.84 and $0.70, respectively, are very low, extremely low. Why is that? Companies aren't moving. They're not asking for TIs and, as a result, and in addition to that, contractors frankly are being very, very competitive today, and so our overall TI costs are lower.

Leasing activity is down 13 million square feet, 9.3 million square feet relative to last year. Some of that has to do with the overall markets just simply being down. And, you know, that's what we expected to happen into this year.

Our same store portfolio results also pretty much mirror the occupancy declines that we saw in Q1. If you take a look at average leasing down 1.84% in the operating pool, net operating income down 1.85%. What we did, just so you know, on the far right side of this page, we have historically talked about our same store results with our development lease-ups in the numbers. And we thought it would be more effective to basically break that out because as we lease our pipeline up, it does mask whatever declines you have going on in your non-development operating portfolio. To the left side is without developments. The right side as we leased our developments interesting enough are going to see same store up because we have development portfolio to lease. So there you will see a positive 0.78%.

Rental growth is down, at 4.19%. You have probably heard mentioned, there are a lots of rags and things talking about how rents, depending on the product type, were down 10 to 15%. I think that is true in certain markets. One think I want to say though is, bear in mind that moving into 2008, a year ago, the rents in place were probably 5% to 10% below market. And so while market rents have fallen, the in-place rents we don't expect to fall 10% to 15%, maybe more of a modest fall, which you could see in the first quarter roughly 4%.

In terms of our development portfolio, I think we're making very, very good progress. From the peak point of 6/30 of last year where we had an $8.4 billion pipeline, our pipeline now is down to $4.8 billion, or a reduction of $3.6 billion from the high.

Now again, since we're going to hold a majority of these developments on our balance sheet moving forward, we will contribute some into our European fund and Mexico fund, but a lot them we'll hold. The key thing we are going to talk about moving forward is the leasing in the pipeline since as you contribute properties into your funds, which are 95% or 98% leased, the leasing could look like it is going down. So what we're going to do is hold the portfolio static at $5.1 billion portfolio, okay, which was 41.6% leased at the end of the fourth quarter. That same portfolio at the end of the first quarter was 46.4% leased, i.e., they leased basically 500 basis - or had a 500 basis point increase in the overall occupancy of that portfolio.

So if you go to the next page, looking forward, if we take our development pipeline at 12/30/08, of 60 million square feet and we assume that there will be some target vacancy in that portfolio - I'd love to say that we'll lease it to 100% but I don't think that we would achieve that, even in good times – we targeted a 93% lease rate. And, then deduct out 28 million square feet that's already leased in the portfolio. Our target square footage in terms of leasing is basically 28 million, 28.1 million square feet. So the task at hand is to basically lease that 28 million square feet of space.

Now if you take a look at our historical leasing, again, first quarter is always low. But going from 4 million to 6.6 million, 4.8 million, of course the pipeline was bigger back then but nonetheless, the average leasing over five quarter period of time is roughly 4.5 million square feet. And you can look at it a lot of different ways. At 4.5 million square feet, you'd say, well you've got six quarters to lease it. If you just took the run rate at 3.2 million square feet, which is, you know a tough quarter, obviously. But still that - we leased it over an eight to nine quarter period of time.

But the last earnings call that we had, we said look we think it's going to take - that it would be substantially leased by the end of 2010, which would be seven quarters. Both those assumptions pretty much straddled that. So I think, right now, we're still at a reasonable position to say that we believe, based on first quarter results, that we should be substantially leased by the end of 2010 and that's how we're kind of thinking about the business today.

As it relates to the overall industrial markets, current conditions, no surprise, operating fundamentals mirror economic conditions - they're weak. Market occupancies have declined. Market absorption is negative. There is some shadow space, although not as much as we would have thought to be candid with you. Some sublease space is creeping into the market. Uncertainty is leading to lengthier negotiations. Customers continue to balance relocation costs or downsizing to moving - most of them are just staying put. And, there is limited new development.

Now nearer to longer term, we're actually more optimistic for a couple of reasons. First, let's not forget that there is significant obsolescence and ownership shifts that are taking place abroad. And I'll talk a little bit more about this in a couple slides from now. But that continues to drive demand.

And secondarily, demand in the US will improve, we believe, as GDP growth returns. Most experts are talking about positive GDP in the third and fourth quarter. Look, we'll see, nobody knows in this room, I don't know. But I do know this, as GDP does come back, real GDP, so does demand for industrial space. It's not in my slide program, but it is in an attachment when you go back and print these, we have tracked real GDP growth to the growth in the development - in the overall growth and demand of industrial space over a 25 year period time, and I think you're going to find that there is an amazing correlation between the two.

Now let's have a look at a few charts, which I think helps put things into perspective. On the negative side, we've seen absorption in the top 30 markets go from a 158 million square feet to 23.9 million square feet last year.

If you broke down last year into four quarters, you'd see that the absorption went from positive to negative - no surprise there. And that the absorption in the first quarter in the bulk industrial space is roughly negative 18.8 million square feet.

The good news is that over a 25 year period of time, we have never had, ever, a full year where there's been negative bulk industrial space absorption, never. Now could this be the first year? Absolutely. All bets are off, you can't look always look back 25 years and say that's going to continue.

But why has that been? Okay. The reason is because GDP has grown those years because the population has grown. If you look at the population, projected population through 2020, 2025, we are going to go to 340 million, 350 million people in the US.

And we've only had four periods of time where we've had negative consumption growth since 1950 - four periods. Okay. We are in one of those periods today. Will that continue? Hard to say but eventually I don't think so. And the proliferation of SKUs - we choose a lot more products today than we did way back then and we're likely to choose more in the future. All of those things complicate and grow the supply chain. And we believe that all of those things will continue. And again in the Appendix, we put in some statistics on consumption and we put some statistics in on population growth, which we think in the US will drive our business long term.

We've also seen declining occupancies. It's a tad above 90% today. Is it heading in the wrong direction? Absolutely. The flip side of that is if you look at a 25 year chart, there's only been two times in 25 years where it's gone below 89%. Could we go below 89% this year? Of course. Are we expecting to? Don't know. But why is it? Why is it that the occupancies haven’t gone below 90% generally speaking? Because not only has there been demand growth, but the interesting thing about the industrial business is that you can cut off supply within a very, very short period of time. It only takes six months to build a building, therefore you're not out there that long when the market turns down. And that's exactly what we're seeing. If you go to the next page, into '06 and '07, things are pretty much in balance.

Deliveries on the left and absorption on the right. Did they get out of balance last year? Of course. Was it because they built more space than we needed to? Not really, it’s because demand fell off the charts. And of course it's still out of balance because deliveries are finishing up into this year with 24.8 million square feet versus negative 18.8 in absorption.

The flip side of that and this may be hard to see, I don't know, but these are deliveries on the left side of warehouse space over the last 25 years. And you can see on the far right part of that chart, we actually think the deliveries will be less than 60 million square feet, which would make it one of the three smallest years in deliveries.  Notwithstanding the fact that the overall stock is double what is was way back then. But deliveries are extremely low. And so if you look at and you chart those deliveries on the right chart relative to the total stock, this would be - there's only one other time in history in the last five years where the deliveries have been less than 1% of the stock and so we are really, really undersupplied.

And if you go to the next page, even more profound, let's forget about deliveries, let's look at just starts. In the first quarter, we have this rounded to two but there were actually 1.6 million square feet in the first quarter. We annualize that, we're less than 10 million square feet. I'm going to tell you something, never in modern history have we ever seen since the 1950s, in the US, a point where starts were this low, never.

And so why are we positive about the overall sort of prospects of the business? First - in the US and Canada - what drives the business here in the US, Canada and the UK? It is GDP growth, without question. But in addition to that, it's product obsolescence. We expect 1 to 2% product obsolescence to drive the demand. There is 6 billion to 7 billion square feet of space in the marketplace. That creates demand of 60 million to 120 million square feet per year just to cover product obsolescence. We are at zero this year, virtually zero. Longer term, this will catch up.

But the other interesting thing is in Western Europe and Japan, they're not even focused on GDP growth. What's driven our business in Japan with no real GDP growth in seven years? How did we build a $7 billion business? We built it there because there is a huge shift from ownership to leasing. And, there is huge product obsolescence there. That will continue in the future. We think this obsolescence abroad is two to three times what it is in the U.S. And third, is GDP growth. Okay? Have we taken a pause? Yes, we've taken a pause. Have these trends stopped? Absolutely not.

In Central Europe and Mexico, we've got to remember that in those markets, new companies are expanding into the markets and that is driving growth. An increase in domestic consumption with the wealth effect, that's driving growth. And, a lack of existing product, that's driving growth. Forget about growth in the economy, these are things that drove our business in the last 15 years. These are things that will continue to drive our business moving forward.

As we look ahead, there are risks and there are opportunities. Near term, on the risk side, overall market conditions may deteriorate more. Might they? Of course they might. This is a very tough market to predict without question. But I will say this; I think we've predicted this year so far what we see in the first quarter pretty well.

Lease up in our development pipeline, could it be slower? Absolutely. Do we think it will materially slower from being substantially leased at least at the end of 2010? Not at the moment.

The flip side of that is we do have near-term opportunities. We will lease the $2.6 billion that we have in our pipeline that's not leased today. And when we do, you guys can put a number on it - 6%, 7%, some return on it. Okay, you're going to generate anywhere from $150 million to $200 million, depending on your numbers, of additional FFO. That's tremendous growth in and of itself for us. And that's paid for and it's on our balance sheet.

We'll also see new fund formation because the opportunities that I just described throughout the world are beyond our capital capabilities.

Longer term, we see the sustainability that I just mentioned of the demand drivers – they will reemerge.

And we see that our global platform today, and it is still there, will capture a more and more significant share of the market as we believe some of our competitors won't be around tomorrow.

And let's not forget the monetization of the $2.5 billion of land that we have on our balance sheet. The bad news is that we've got $2.5 billion of land. The good news is that it's paid for on our balance sheet. We are capitalizing no interest on this land today. And interestingly enough, we're beginning to see opportunities where we are working on transactions today. I believe that by the end of the year, there will be at least $100 to $200 million of this land that will be put in place and actually returning a reasonable return on the investment by the end of the year. We'll also look to monetize some of this land over time. But it is clearly an opportunity.

With that, I'm going to turn it over to Bill to talk a little bit about our financial results.

Bill Sullivan: Thanks, Walt. I'm Bill Sullivan, Chief Financial Officer. Before I begin, I'd just like to thank Ted for wearing a tie today, and we might give him a round of applause.

I'm going to cover three aspects of the company's financial position, a summary of our Q1 results and our guidance for the year with an emphasis on the impact of our recent equity raise. Number two, our financing activities since the end of Q1 as well as review the progress on both our balance sheet and fund debt maturities in 2009 and 2010. And three, an overview of our targeted asset contribution and sales activity for 2009.

Two thousand nine is going to be a confusing reporting year due to the change in our business model, compounded by our recent equity offering. First let me try to provide some insight to our Q1 results.

We reported $0.86 in FFO after adjusting for $0.04 of net non-cash gains, very much in line with our internal expectations. After taking out CDFS gains and various non-ongoing costs, our core FFO per share was $0.32 equal to Q1 2008.

On a pro forma basis taking our recent $1.1 billion equity offering into account from both an interest expense reduction standpoint and a total share count of approximately 440 million shares, the core FFO per share would be approximately $0.23 for the quarter or $0.92 on an annualized basis. Bear with me and I will try to get you back to the core run rate in another fashion in a minute.

First let me try to level set full year 2009 guidance. Our original guidance for 2009 was a range of $1.85 to $2.05 per share based on approximately 270 million shares outstanding and a total range for FFO of $495 million to $550 million.

The underlying expectations utilized to arrive at that range have not changed in any material respect. We need to now adjust this guidance for the equity offering, which will increase FFO by an estimated $26 to $40 million through deleveraging, increasing total FFO to a range of $521 million to $590 million for full year 2009.

The weighted average shares for 2009 will be approximately 398 million resulting in a revised range of $1.31 to a $1.48 per share for the year.

Turning back to the pro forma core run rate, if we subtract the net gain of approximately $160 million from the Japan fund interest sale from the revised 2009 FFO range, we get the pro forma FFO of $361 million to $430 million. Taking into account the 440 million shares, this results in an annual pro forma FFO run rate of $0.82 to $0.98 cents per share or $0.90 per share at the mid point. This core FFO run rate does not reflect potential FFO from further lease up of the development portfolio or other growth initiatives that we will pursue.

Let me turn to our balance sheet and liquidity position for a few minutes. We were very busy from last November through March 31 as Walt described earlier. Our focus on liquidity and deleveraging did not stop there. Since April 1st, we raised $1.1 billion through our equity offering. We retired $280 million of debt at a discount, de-levering by over $110 million, lined up $344 million in US Life Co financing and just signed a term sheet on an additional $45 million plus dollar secured financing in Japan.

Turning to a summary of sources and uses, this slide is way too busy to walk through this morning in detail, but let me try to simplify it a little and cut to the chase. We generated well over $1 billion of liquidity in Q1, reducing our global line of credit by $1.3 billion since year end. We believe we will generate an additional $1.6 billion of liquidity during the remaining three quarters of 2009, providing us with sufficient liquidity to repay all the $226 million of the debt maturity through 2012.

Two important points to bear in mind, this assumes no incremental asset sales, contributions or secured debt financing beyond what I've talked about earlier. The $226 million would equal just 1.9% of our unencumbered asset pool.

Let me walk quickly through our near term balance sheet and fund debt maturity. On balance sheet, we have $311 million maturing in 2009 and $2.2 billion maturing in 2010, inclusive of the $1.9 billion outstanding under our global line of credit.

The $311 million maturing later this year is more than covered by the $344 million of secured financing we are in documentation on, not even taking into account the TMK bond financing underway.

For 2010, we have $250 million maturing exclusive of the global line of credit. This would be paid through either incremental secured debt financing or existing balance sheet liquidity.

Relative the global line of credit, we have engaged with our lead banks to recast and extend this line with the intent to reduce the overall $4.4 billion commitment to approximately $2.5 billion, extend the maturity to 2012 and potentially 2013 and bring the covenants more in line with our bond covenant. We're hopeful to conclude this effort before the end of Q2.

Relative to the fund debt maturities at March 31, we had remaining maturities of $1.07 billion for 2009 and $3.1 billion for 2010. Looking at 2009, in the past 30 days, our funds have paid off or refinanced $700 million of this debt, leaving the $411 million NAIF II as the only sizable maturities as of April 30. We have been in discussions with Citi on this debt over the past 60 days or so and have reached an agreement on a five-year extension of this facility subject yet to documentation.

In looking at 2010, the two big funds I want to focus on are PEPF II and PEPR, which have $1.1 billion and $1.6 billion maturing respectively. Taking PEPF II first, this maturity is the warehouse line. PEPF II has nearly $2.9 billion of unencumbered assets at 3/31/09. We have executed term sheets on over $300 million of secured financing, another $800 million of financing packages out to various European banks, over $500 million of uncalled equity above and beyond our contribution capital expectations for 2009, and have engaged the banks in discussions to extend the facility for two years as a belt and suspenders approach.

PEPR is a little more difficult. But we are highly focused on resolving PEPR's 2010 maturity this year. We are in documentation on extending the Hypo Real Estate facility to three years. We have engaged the lead banks to extend the bank line for a two year period. And we intend to pay off the CMBS debt through a combination of retaining cash flow, realization of an existing FX hedge, asset sales and secured financing.

The cash flow and FX hedge will generate over $200 million and is totally in our control. While the asset sales and secured financing are both in process and are targeted to generate over $600 million of proceeds, $300 million of which is either under contract or under an executed term sheet.

Finally, it is important to note that PEPR has over $2.8 billion of unencumbered assets. We have some wood to chop here but are just as focused here as we have been on PLD's balance sheet.

Let me quickly run through our asset contribution and sales targets for 2009. We are guiding total growth sales and contributions of $1.5 billion to $1.7 billion for the year. This breaks down as follows, $900 to $950 million of assets to be contributed or sold to our third-party funds, of which $725 million, plus or minus is targeted for PEPF II. Of that, we closed $131 million in the first quarter. We have $538 million of assets within our development pipeline that were greater than 93% plus leased at March 31. And of that, we have contributed $42 million in April.

We're targeting $75 million of contributions for the Mexico fund for 2009, of which, at this point, $47 million is greater than 93% leased. And we closed on a $128 million sale of ProLogis Park Misato II to GIC just about a week about a week ago.

We're also targeting asset sales of between $650 to $700 million for the year. We closed on $5 million of that in Q1. At March 31, we had 80%+ of that either under contract or LOI. And of that, we've closed $50 million since the end of Q1.

Relative to our expected contributions, we have more than sufficient unfunded equity in each of the PEPF II and Mexico funds.

Finally, let me conclude by summarizing what we have accomplished from a deleveraging perspective. At 12/31/08, our total funded debt to total un-depreciated asset ratio was 52.4%. On a pro forma basis today, this ratio is down to 43.3%. And given our continued 2009 liquidity activities, we are hopeful to reduce this to around 41% by year end.

Thank you. Let me turn it back over to Walt to wrap up.

Walt Rakowich: Thank you, Bill. In summary, we think we're making great progress, great progress on the financial front. I hope you all agree that we've chopped a lot of wood in the last six months. We still have a little more to go, but we've made a lot of progress.

The operating property performance again is down but clearly within our expectations. We're not surprised by anything we saw in the first quarter.

Our development pipeline and our land bank for that matter, but our development pipeline is leasing up. Our land bank and our development pipeline without question represent a powerful tool for future earnings growth.

And I think we've got a great global business. Let's not forget what we have out there. We've got terrific assets. We've got high-quality customers. And we've got the most talented people in the business and that will continue.

As Bill and I said in November, don't trust us just watch us. Hopefully you all have watched us, and you're pleased with that progress. With that, we can open this up for questions. Thank you.

Melissa Marsden: Thanks. This question is submitted by Sloan Bohlen of Goldman Sachs. You mentioned in your release that you were reevaluating how you approach asset sales following the equity raise. Can you give us a sense of what that means both for the $700 million of wholly owned and the $585 million of stabilized developed that is either being marketed or is available through contribution? Is it a matter of cap rate or margin? And how do competing assets for sale in the market affect your timing?

Bill Sullivan: Let me - is this on? Let me take a quick shot at that. I walked through in one of my last slides the asset sales. Our expectations for the year have actually increased since the beginning of the year. I think we had originally guided to $1.3 billion to $1.5 billion gross. We've talked in the last 30 to 45 days about a slightly larger number and in fact we're still targeting that number, which is $1.5 to $1.7 billion.

However, we raised more in the equity offering than was originally planned. And so from our perspective, we have the opportunity to take a look at things as the year progresses and cut back on some of that if in fact a deal or two tries to get re-traded, or valuations go against us from the contribution standpoint. However, we're still targeting at the midpoint of about $1.6 billion. I walked through the pieces of that a minute ago, and we are on track to make that happen.

Michael Bilerman, Citi: I was wondering if you can talk about sort of FFO trajectory. You put this whole slide of core FFO of $0.82 to $0.98 and there was some talk about it increasing it as you bring on the developments and other sort of initiatives. But I'm wondering if you can talk a little about the potential downside from that. You know, you've got $11 billion of debt at 4.8%, obviously the refinancing of that debt over time, put aside the deleveraging impact, but just the refinancing of the debt's going to be coming at a much higher rate.

And then there's going to be further deleveraging, can you talk a little bit about what that impact's going to have to core FFO? But also, on development pipeline, as you lease that up I assume the cap interest is also going to come onto the income statement, so that's going to depress - you won't get the full benefit of it into earnings.

Walt Rakowich: It's funny, when we were putting this slide together, the danger of putting that slide together is that you can't extrapolate that and say well that's what it's going to be because there's a lot of moving pieces. I mean as you said, there are positives and negatives. On the flip side - one thing you didn't mention is G&A because actually if you look at G&A next year, the run rate will be lower than it is this year, even without regard to a little bit of capitalization in the numbers this year.

And frankly, we believe that based on some of the things we've got going on that actually there will be some development next year. It may not be with our own capital but we've got meaningful progress in customers that want us to build them some buildings. So I think you'll see either a capitalized portion or you'll see a fee portion that begins to flow in that you don't see in the numbers this year. So there's - it's really dangerous to take a look at it and just look at the downside associated with it and say geez, there's no capitalized interest and the like. I think to be balanced about it, there will be things moving on one side and then there will be other things that perhaps either you know about or you don't know about today that will go the other way or that we haven't articulated. And we'll just have to see how that all shakes out into next year and when we give guidance for 2010.

Melisa Marsden: Please wait for the microphone.

Michael Bilerman, Citi: Just the magnitude of the debt, I would assume is a big drag because it's such a low rate. And eventually when you recast the line, I assume it's not going to be LIBOR plus 50, it's going to go up LIBOR plus 300 to 400. Just refinancing all this debt is going to carry much higher interest rates than a weighted average of 4.8 and certainly when you buy back the converts it's going to be - you're not going to get convert pricing.

So I'm just trying to put a box around the refinancing and the deleveraging impact to FFO. I can appreciate the developing increases, but just trying to put everything together of where this core FFO go when we look out two or three years from an earnings growth prospective?

Bill Sullivan: Let me touch on a couple of things. And again, as Walt said, there's going to be a lot of moving pieces so bear with us on that. But in the grand scheme of things, we talked about the $0.32, keep in mind that was first quarter results, which carried much of that $11 billion in debt through the first quarter. And in terms of the convert interest, included in those numbers is the increased effect of the convert interest due to APB14. So it's not coming in at 2% it's coming in at 6%. So the weighted average interest cost went up and a lot of that is already in the numbers. The fact is that we're down to $9.3 billion of debt at the end of the first quarter. We think it'll be down to somewhere on the order of $7.5 or maybe slightly north of that at the end of the year.

And so the debt load is coming down substantially. I hope, if nothing else we've talked about in the past, I think we've sort of proven out we intend to de-lever our original target was $2 billion and we're going to beat the pants off that relative to year end 2009.

Walt Rakowich: Yes and I think the other thing I would add to that is if you are just focused on the interest cost in the numbers that Bill put up, you're basically assuming that the savings and interest would be anywhere from a 2% to 4% return, i.e., you pay down your line of credit.  I not sure in reality that that is where we will completely deploy all of our capital.  I mean I think if you look at it we would hope we would get a higher return on the equity raise than the 2% to 4% number. So I think you really got to be careful extrapolating everything from just the slide that we put up. We tried to put it up so that we could at least have this conversation. But there are, again we've added a lot of new moving pieces both plusses and minuses in the future.

I do think - one thing I'll say is I think the lease up of the pipeline, which if you think that it is $150 to $200 million of additional FFO) is going to dwarf a lot of the other moving pieces - substantially dwarf it from here.

Unidentified Man: Yes, hi. As the supply of credit had shifted over from like the CMBS market into the Life Cos, could you give us just a little bit of background about what you're finding from them? What the difference in terms are? It really seems to be - quite frankly, you know, three months ago people thought there was no credit available and now there seems to be a source of it. So it would be very interesting to know what you're seeing in that.

Bill Sullivan: Yes, let me just comment on that. First of all we never did any CMBS in the US. We did a couple of CMBS issuances in Europe through PEPR but focused on the U.S. Life Co market. If I try to put things in prospective if you, if you went back two years ago the sweet spot for Life Co deals in terms of size was probably $250 to $300 million per deal. If you went back to 2008 - and remember in 2008 throughout our funds et cetera we placed over $3 billion of financing within the system - so we have a fair amount of experience with it. But the average size that is sort of the sweet spot for the deals went down to about $150 to $200 million in 2008.

As we come into 2009, what we're finding is the sweet spot in terms of size for a deal in the US is somewhere around $100 million - so the absolute magnitude of any one deal has come down. It actually plays pretty well for the industrial sector because we can package up 15 or so assets and give people geographic diversity and credit tenant diversity in a secure pool so that's a relatively good thing.

In terms of overall terms on the three financing we have rate locked on, one is a $100 million deal a 5-year, interest only with a 6.5% coupon. The two $122 million deals are ten-year, interest only at 7.55%. The Japan financing is going to be well under 5%. It's a three year deal, which is sort of typical for the TMK bond financing.

I'm just going to take it across the pond to Europe. The average size of the deals in Europe, two years ago people were looking to put on 200 to 300 million euro deals. The absolute sweet spot today it's sort of 50 to 75 million euro. So unfortunately, we got to work a little harder in terms of each of the deals but what we're finding is that there's credit available.

I think that will shut off at some point during the year - it always does. In 2008, the market sort of went away in October and shut off for the year. So we are not wasting any time getting done what we want to get done in anticipation of maybe an earlier shutoff this year than in past years.

Melissa Marsden: We'll take a question from the web from Ki Bin. Kim of Macquarie. This quarter you separated out $10.6 million as investment management expenses. Did this come out of the G&A bucket or other line items? What is your expected 2009 G&A run rate?

Bill Sullivan: What we have tried to do, and hopefully you'll get better insight in our Q1 10-Q, is, as we talked about we've eliminated the CDFS business segment and we're re-segmenting the business in essence in the core operations and the investment management business. We will break out our core operations on a geographic basis and the investment management business separately. In that vein, what we hope to do, if not in the first quarter eventually, is to fully allocate all the expenses in that segment analysis. And so we've gone through the exercise of identifying the specific costs associated with the investment management business.

So, if you look at the roughly $10 million assigned to the investment management business in the first quarter, about $5 million of that came from what otherwise would have been classified as real estate expenses. In essence, expenses associated with managing the properties, and then about $5 million came out of G&A expenses on that line item, which is the direct cost of the investment management people focused on the asset management and oversight of portfolio.

Anne Anderson: Hi. Anne Anderson REIT Growth and Income Monitor. My question has to do with what is actually in the distribution centers. Can you break it down roughly between retail channels versus manufacturer's inventory and also give us a sense of how that differs between North America and Europe?

Chuck Sullivan: What is physically in the centers themselves? Essentially you're looking at a large portion of our customers are third-party logistics companies and they will have a myriad of product within their center. However then you get into consumer goods, food, apparel - all of that blends into retails. Very, very limited automotive and supply and building, furniture very limited in that regard. That's pretty much what makes it up. There is wholesale in there and particularly on the consumer goods and the food side, it breaks down between wholesale and retail.

Mark Biffert, Oppenheimer: Good morning. I was wondering, looking at the size of the development that you have left to lease up, I'm wondering what kind of conversations you're having with your existing tenants in terms of further expansion on their part. How much of that space do you think they're going to take versus new business that you're have to go out and try to either steal or raise given the economic environment where it's at right now?

Ted Antenucci: We're clearly always trying to expand existing customers in facilities. In this environment, there are relatively few companies that are actually expanding so that's not a huge area of opportunity for us. But because we've got customer relationships throughout the world, I think about half, maybe a little bit more than half, of the leasing that we will do we anticipate doing with customers that are already in ProLogis buildings elsewhere throughout the world or that we have relationships. We are probably going to end up being somewhere in the 50% to 70% repeat customers.

Mark Biffert, Oppenheimer: Are you giving any kind of discounted rents to try to attract them to take more or concessions to get that business?

Ted Antenucci: Absolutely. I mean the market is very competitive. We're very focused on collecting rents. I mean that's the business we're in – collecting rent. And today you need to be more aggressive certainly than we were last year or even six months ago to keep our buildings full.

Walt Rakowich: And actually I would just add to that the - I'd say the edict beginning late last year was solve for occupancy not rent, in general. I think that our people have done a remarkable job in doing just that. And the other thing that we've done is - it's interesting because most of the customers are looking for this today as wells - is go with shorter term. I mean, it used to be that you didn't want to do less than a five year deal in a new development building, maybe a four year deal. But today, if somebody wants to come in and come in at a reduced rent, perhaps it's a little bit less than market, you can get them to come in for two years. The good news is that eventually, you do believe that they're coming in at a pretty low rate and you can play that game to a certain degree. You get them in the door. You get the cash flow in the short run and then you've got some rent upside.

What we don't like to do these days is cut a deal at a deep discount on a long term basis. I mean that doesn't work all that well. If we have to, we will, but it is better to do a shorter term lease if you've got a bigger discount.

Melissa Marsden: Our next question comes from Mike Mueller of JP Morgan. I believe you said average occupancy for the year would be about 91.5% - please correct me if that's wrong. Are you operating under the assumption at this point that 2010 occupancies will be flat, lower or higher than '09? Also, please speak louder into the microphone.

Walt Rakowich: What we said we thought that the average occupancies would be down 150 to 200 basis points. We started the year at 94.7%. The good news we started the year very, very well leased and so if you're down 150 to 200 basis points on average, by definition if you straight lined it down and you assumed that occupancies went down the entire year, you'd be, call it 300 to 400 basis points down from the 94.7% number. So you'd actually end the year at roughly 90.5 to 91.5 % leased.

Now again, one thing you've got to be careful looking at the numbers, which I mentioned in the presentation, was that 30 basis points of the decline was from taking Japan out of the numbers and another 25 to 30 basis points was seasonal demand, which we see always in the first quarter. If you strip those two numbers out, basically occupancies were down probably a little over 100 basis points. That's the way we think about it. So if that's right, pretty much of what we thought going into the year looks like it will pan out, meaning that the yearend occupancies would be sort of in the low 90's someplace, 90.5 to 91.5%. Again we're going to continue to look at it as time goes one. But that's kind of the way that we see it today. Did that answer Mike's full question, what was the second half?

Melissa Marsden: He wants us to speak more loudly.

Walt Rakowich: Oh, I'm sorry. Hopefully I spoke more loudly Mike.

Man: With respect to the Life Co financing, can you provide any color around loan-to-values and what's kind of underwriting valuations at this point on those?

William Sullivan: Yes, basically, I mean, we're doing deals anywhere from probably 48% to call it 58% loan-to-values on those. And the cap rates relative to valuations range from sort of 8% to 9%.

Dave Fick, Stifel Nicolas: Good morning Dave Fick, Stifel Nicolas. You basically just acknowledged that you're buying occupancy. Can you talk about how that's affecting the yields on your development and are you seeing tenants transfer out of existing properties into the new developed properties?

Walt Rakowich: I don't know that I'd describe it as buying occupancy. We're being competitive. I mean it's a competitive environment in a lot of industries and we're being competing. It's absolutely affecting our development yields, our yields aren't going to be high as we had underwritten or anticipated.

The contributions that we intend to make this year, we are projecting to make, we're still at a breakeven type level. We're certainly losing our profit and there are absolutely going to be some transactions where we'll do worse than that. But we think, what we will be a contributing this year should be at about breakeven.

In terms of tenants going from existing buildings to new development buildings, we're not seeing that yet. I don't know that we will necessarily see that. We certainly aren't targeting to pull our customers out of one building and putting them into another. We're trying to accommodate whatever makes sense for the customer. There are situations where customers want to get out of leases in one location in the world and move into a building somewhere else in the world. And it's just, their businesses are changing and we're trying to work with them and accommodating those changes. And I think we've got great customer relationships and we're able to capitalize on those opportunities when they come up.

Bill Sullivan: And I would add to that, I mean if we were planning for an 8% to 9% development yield in the US before, kind of pro forma, I think you could assume that that yield is going to be anywhere from 5% to 15% below what we originally thought, candidly, an 8% to 9% depending - you know, it depends on the city and all those things of course. And I think, Europe was probably the same thing. So to think about the lease up of the development at kind of a 7% number to 7½% number or something like that which would be closer as I said 5% to 15% below our original pro forma is probably not too outlandish in this market.

Bill Sullivan: Hang on David, we've got the microphone coming down.

Dave Fick: I didn't mean to mischaracterize the words “buying occupancy,” but you did specifically say, we're trading rates for occupancy. And so I think that’s fair.

Walt Rakowich: We did, that's fair.

Bill Sullivan: Would you rather we not do that?

Dave Fick: Well, I think it's a fair characterization. The issue is what could this mean in terms of additional impairments given that I think you just said sort of 7% yield against sale cap rates that are better substantially higher than that?

Walt Rakowich: Well, I don't think sale cap rates are substantially higher than that for new product, not at all as a matter of fact. If you look at first quarter contributions into the European fund, they were completely breakeven. And by the way that is with adding 75 basis points onto the appraised cap rates. And appraisals are beginning to catch up to reality. And so, no, at this point and time, the only data point is first quarter but we didn't lose any money on the contributions. We didn't make any money either.

Bill Sullivan: Let me just add to that. We do have partial data points in Q2 because we have had a Q2 contribution, but I mean candidly our appraisals came in for both the Q1 and Q2 contributions of Europe at just above 7.5%. And we added the 75 basis points that we agreed to with the fund partners to that, so we contributed at around 8.25, plus or minus, which in essence was at our development yield on those properties. And so we've had those contributions, we basically broke even, but we generated liquidity and utilized that so.

Brendan Maiorana, Wachovia: You talked about your capital sources for the year, how that kind of addresses your need through 2012, and how that would get you to a debt-to-gross asset value of in the low 40's pro forma by the end of the year. Is that where you see the business running on a long-term basis or should we expect additional deleveraging efforts next year? Or do you feel like by the end of the year you're at a point where you could start to spend some additional capital to try to realize some return on the non-income producing assets that you've now got on your balance sheet?

Walt Rakowich: We have conversations internally about this all the time. One of the long term questions you have to ask is, where do you want to be from a debt rating standpoint? We clearly would like to be higher than we are today. That triple B plus range would be a target. And, as the credit markets evolve, we'll have to see what it takes to get there and whether it makes sense to try to move that up into the A range and what it would take to get there. But on the grand scheme of things, that sort of 40% or thereabouts, in terms of just that metric, is probably what we are targeting on the long term. If there are opportunities that present themselves we'll try to take advantage of those. But that sort of 40 to low 40's, maybe high 30's is probably a good target over the long term.

Bill Sullivan: The other thing that I would say is that, a lot of the ratios are calculated off the book value, but in reality the whole market is over leveraged because the perceived values are less today than they were a year ago. Now, you could argue whether or not perceived value is less than our book value and every REIT is a little bit different. But I would say that if values over the course of the next 12 months continue to go down in a relatively precipitous fashion that would change the way that we look at it without question.

Forget about the fact that the book value didn't change, the real values did, and we would view ourselves as probably too highly leveraged at that point again and would have to take another look at it. Do I believe that's going to happen? I actually don't. I mean what we see a lot of in the markets today is stabilization.

I mean, when we went out with our package - we were shocked when we went out with our billion dollar package in the US we had 87 offers. Now they were all over the map, but there are people out there that want to buy this stuff. And, at the end of the day, quite frankly in what we think is a distressed time, the cap rates came in at single digit type numbers. And so the worst of everybody's fears I think were just that - fears. And, in reality I think one or two things are probably happen in the course of the next couple years, that is either cap rates stabilize and maybe even come down a little bit, or we will get back to a point where we see rental growth because you can't - if you look at the whole portfolio at an eight or nine cap, it's probably 30% below replacement cost. So nobody's going to build a doggone thing out in the market for anybody, if there's growth, until we see rental growth or we see something change in the marketplace. If that all does pan out over the course of next couple years, strangely enough, you might look at 42% and somebody might say boy these guys look underleveraged.

Will that change the way we look at it? Probably not. But I mean it depends on the market conditions that occur looking out, and we're just going to have to kind of move with the market. Right now, we feel a lot better about the number at 42 than we did where the number six to nine months ago.

Bill Sullivan: I'd just like to add to that because obviously fair amount of empirical evidence that we have is in the US relative to our own portfolio sales but to put things into prospective, we have had two sets of appraisals in Europe so far. And you may have seen PEPR released its data yesterday. We have an asset sale program for PEPR as well we have 115 million euro portfolio contract at a relatively attractive cap rate. And so in the grand scheme of things, we're seeing more and more empirical evidence.

On the same side in Japan, every indication we've gotten from both sales as well as appraisals is sort of in that 5.7% cap range and so the sort of dramatic increase hasn't flowed through as expected.

Walt Rakowich: Yes and I would say one of the things that's interesting our asset sales that we are doing in the US today at the end of the day will generate probably somewhere in the neighborhood of a 10% to 15% premium to our book value, gross book value. And so some of what you see on the books is if you will undervalued even at today's prices.

Brendan Maiorana: Given that it's difficult to figure out where the values are, are you thinking about your capital ratios more maybe from a debt yield prospective and where that would get at by year end?

Walter Rakowich: Well you have to; I mean your covenants require that there be a certain amount of coverage, so you got to be cognizant of that as well. I mean you've got to look at all these things in the overall determination of where your levels ought to be on a long term basis.

Melissa Marsden: I have an additional question from the web. Your pro forma core 2009 assets of $0.82 to $0.98 obviously excludes the Japan gain. Does it include other gains? Your prior business drivers guidance for 2009 noted $220 million of gains, $180 of which was Japan, and excluded from the $0.80 to $0.98 range so is it correct that your pro forma core still anticipates about $40 million of annualized gains in it.

Bill Sullivan: We'll probably generate somewhere of the order of that in incremental. We talked about the sale of Misato II, which took place in April, we're going to generate a gain off of that. That is part of the empirical evidence on the cap rate environment in Japan. So we will in the future, which we said back at the fourth quarter call. And so clearly there are those opportunities, but that number also includes the development management fees, et cetera and so that is in our opinion largely recurring revenue sources.

Michael Bilerman: If we could just go back to leasing environment. Your rental growth number that you quoted, the negative 4.2%, just remind us is that that cash or GAAP? If it's cash, are you adjusting for free rent? Sort of your CAPEX and TI trend and just sort of the volume of leasing and what that represents - is that quarter or is that trend 12 months? I just could remember?

Walt Rakowich: Michael, that's a GAAP number not a cash number. I don't have the cash number; we can get that to you. I don't know that it's going to be materially different from that. But could you repeat the second part of it, I'm not sure I understood...

Michael Bilerman: If it's GAAP, does that represent the leasing that was done in the quarter or is that a trailing 12 month number?

Walt Rakowich: That's just the leases that turned in the quarter. Okay? So whatever new leases you did, whether it was a renewal or whether it was a new customer that came into a vacant space, that is the rent in place from a GAAP prospective, so it is rent leveled, divided by the old rent-leveled rent that was in place from either that same customer or the prior customer.

Michael Bilerman: So it's not leasing that was done in the quarter, it was leasing that was taking place in the quarter?

Walt Rakowich: It was leasing that was done in the quarter.

Michael Bilerman: Right, so it may affect future periods.

Walt Rakowich: It would affect - yes, that rental growth, or the lack thereof, will affect more future periods that it will that particular quarter.

Michael Bilerman: And just talk a little bit about the leases that you're signing. How much free rent, if any, are you having to give and how does that change between the core portfolio versus what you're signing in the development portfolio? Just circling back to David's question of how does that really affect your development yields in terms of the types of leases that you're signing there versus the types of leases that you're doing in the core?

Walt Rakowich: Can I just say one thing before Chuck answers that question? If there were rent concessions, free rent for example, that's baked into that 4.19% negative rental growth. Okay? So that's all, so it's just the rents that you did versus the rents that were in place taking into account rent concessions.

Charles Sullivan: Michael, how can I additionally answer that question for you?

Walt Rakowich: Oh I'm sorry I didn't realize...

Charles Sullivan: The concessions levels vary from market to market...

Walter Rakowich: Talk into the microphone.

Charles Sullivan I'm sorry. The concessions vary from market to market. There is free rent in both the operating portfolio and the development portfolio. You know, it really is a market specific level of concession. Ted, you want to allude to that or extrapolate on that?

Ted Antenucci: In the development portfolio there are extreme situations. Right? I mean there are some markets where there's no competing buildings and we are actually hitting our pro forma. Then there's some where there's a tremendous amount of competition - we're competing with five or six buildings all of them can accommodate it and it's the first customer that's come along in a while. And you can see as much as 6 to 12 months of free rent. I mean, we have been in environments where we are competing at that kind of level. But I would say that is the extreme far end - three months of free rent would not be uncommon.

Michael Bilerman: And if I could just have one quick follow up just related to the development yield. Is there a difference between the yields on the stuff that's being contributed versus the stuff that's eventually going to be held on balance sheets? So I assume at this point, all the U.S. stuff is being held and the Europe and Mexico stuff will be contributed. You guys talked about that's probably going to be sold at par, so there won't be any gains and you'll just get back your capital relative to your 20% stake. But I'm just trying to think about how that something's being held on balance sheets, how do those yields compare to what you were thinking about? How does that yield compare to where your cap interest is to really understand what that growth potential is as those assets come online and you lease them up?

Walt Rakowich: It's not easy to characterize in one number. I mean it really is all over the board. I would say across the board the lease rates should be accretive to cap interest. I mean I'm not - it's sort of an aggregate, we are not leasing buildings for less than what we were capitalizing interest at. So I think it's fair to say that there's clearly upside there. Some of the buildings, frankly, have been available more than 12 month and we quit capping interest. So that would be totally accretive.

It is a mixed bag. We spent some time yesterday talking about that. We anticipated these questions, and I think we will work hard toward coming up with all of the inflows and outflows that will occur this year and try to give a better break out of a run rate. We tried to give you an idea of a run rate, excluding some of these things, and I think we'll work hard toward giving you a run rate that incorporates the plusses and minuses.

But again, I'm going to get back to Dave question, Michael in the aggregate. I mean I would say that, if our average development portfolio in most places in the world with the exception in Japan was probably in the - oh I don't know - I'll just pick a number say the 8.5 to 9 type range, and the only exception to that again in Japan and maybe to a lesser degree, the UK, it wouldn't be beyond us to be 5% to 10%, maybe as much of 15%, off that number in terms of pro forma. But we were capitalizing interest at a much, much lower number than that. So I don't think that should be too much of a concern in terms of covering that.

Melissa Marsden: We'll take a question from the web from Cedrik Lachance of Green Street. You've made notable progress in deleveraging the balance sheet. What actions will you take to de-lever some of your co-investment funds? How can equity be added to these structures given that your fund partners are no longer required to commit capital in many cases?

Bill Sullivan: I think that we walk through the debt maturities coming due in the funds and for all intents and purposes, we've taken care of 2009. In 2011, there are a smattering of relatively modest financings in about four or five of the funds that are some of the older funds that quite candidly are well within reasonable loan-to-value ratios already and that's - I didn't sort of touch on those but I think we've demonstrated that we have the ability to refinance those types of things.

We focused on PEPR and PEPF II, which are the two biggest as it relates to 2010. PEPF II relative to its outstanding debt is about 2.8 times relative to unencumbered assets to total debt. We are pursuing secured financing on those assets. We've got three deals that we've got executed term sheets on already. We've got another five packages out. The whole intent in PEPF II was to put in place a warehouse line that over time would be taken out by secured debt financings, and we're in that process right now.

As I said before, there's clearly a little more wood to chop on PEPR and it's experiencing some of the same phenomena that PLD and others experienced last fall, which is, hey, you've got a bunch of debt maturities coming up, how are you going to handle it?

We are incredibly focused on it and we're handling it in a whole variety of ways by pulling the types of levers, in fact, that we were able to pull for ProLogis and pursuing it aggressively. And so we think - we're pretty confident that we'll get through that tunnel the same way that we got through our own, and so we're pretty confident.

But in terms of some of the funds that may need incremental capital, you've got to look at that on a fund-by-fund basis. We have in the past in one instance for a debt maturity that's coming up this year - it's a $14.5 million maturity in

2009 - we're going to use cash flow from the existing fund to repay that maturity. It's a small maturity. And in other funds, we may call a smattering of capital here and there or use the distributions.

Clearly inside PEPF II if the world were to decline precipitously, we have over $500 million of uncalled capital inside PEPF II above and beyond our 2009 contribution expectations. So I think we have a variety of levers to deal with the fund financing environment.

I realize undoubtedly these sound like big numbers. The fact is it's over $20 billion of asset under management - it is a big number, okay. And so by the law of large numbers, we have to do a lot on an annual basis. And again, I think we've demonstrated that we've been able to do that in the past, that the depth and dearth of the financing environment is probably not as bad as some people think, and we've just got to attack it aggressively.

Walt Rakowich: And Cedric, I would make a comment and we've talked to you about this in the past. It seems like it comes up continuously and I understand it's an issue of concern in the market. But, let's put things into perspective hopefully once and for all. I mean these are not opportunity funds that were 80% and 90% levered, in which case a 10% to 20% movement in values completely wiped out the equity. These were funds that were roughly 50% levered that - and I know what you all do, you go to our supplemental and you put an 8 or an 8.5 cap, some of you depending on how draconian you want to get even more than that, and you say, oh my gosh, now these funds are 70% to 75% levered.

Well in reality, most of the debt doesn't come due, other than PEPF II, which Bill has already addressed, and PEPR, within the next four or five years. And so you look at it and you say wait a minute. What is the right cap rate that I should apply to this thing? And if you apply roughly an 8 cap, you're probably

65% levered. Could you get that deal done? Is that refinancable today? Yes, it probably is.

But then you cut through to it and you say, okay, what is the cost per square foot relative to replacement cost for that fund debt that expires in four years, or whatever it is? Cut through it and it's probably $45 a foot to $48 a foot in the US, 55 euro a foot in Europe. You say, wow, that's 30% below replacement cost or 20% below replacement cost.

So, what I don't want people to do is get to uptight about something that expires in two or three years that might take a little bit of equity from ProLogis and our partner to continue to go. You know what, it might, but we're not talking about something where the equity is completely wiped out. And if you really cut through and analyze the numbers, you're talking about refinancing something that's probably 20%, 30% below replacement cost in terms of its value.

So, let's take a long term perspective on this thing, which we're doing, and we're looking at it year by year and we feel like we've made a hell of a lot of progress not only this year, but towards our fund maturities next year. And we're going to deal with it.

Melissa Marsden: We have another question from the web. This one is from Michael Hanes at Beach Point Capital. Can you please address the fixed charge coverage test in your credit facility? What do your internal models show with respect to how close you could come to violating those particularly as in later quarters this year when you will have increasingly small contributions from trailing 12 months of development gains?

Bill Sullivan: Well, let me touch on that. Really, the fixed charge coverage test that if you look through our covenant disclosures in Q1, the one that might jump out at you is the Global Line, which is 1.88 versus a 1.75 coverage test.

And a couple of things relative to that - first of all, on the bond covenants, we don't anticipate any particular issues with the bond covenants. The fixed charge coverages that are at 1.5. We think through existing FFO and cash flow growth, et cetera, that's sort of a non event. On the Global Line, I think it came in at 1.88. It's sort of a - and we've talked about this in the past - these covenants are very difficult to understand and sort of get into. But in the grand scheme of things, the first thing you need to know on the global line is it's 1.88, however, there's a provision in the agreement that says if you were to break that covenant under current GAAP accounting then you go back to GAAP accounting that was in place at the time the line was put in and, in fact, the 1.88 includes the phantom interest expense associated with the converts. And so we have, on an annual basis an extra $60 million or $70 million of interest expense in that covenant. Call that on a quarterly basis, maybe $18 million of interest expense in the 1.88. If you went back to old GAAP, the 1.88 goes up to a 2.08, and so we feel a lot more comfortable in the grand scheme of things relative to the interest coverage ratio on that.

Additionally, I briefly mentioned it, clearly our intent is to bring the Global Line covenants more in line with the bond covenants. And so my desire and expectation is to bring the debt service coverage ratio to 1.5 in a revised bank deal, just to make sure that we have that room. That deal is not done yet, but we're working on it and focused on it. And that particular aspect of the discussions is not particularly controversial.

Melissa Marsden: I know it's about 10 o'clock and there are I think five or six other calls starting right about now. So we'll just take two more questions from the audience.

Scott O'Shea: Good morning. Scott O'Shea with North Star Realty. Quick question on monetization of the land bank. Are there steps you can take over the next 18, 24 months to work that down or is it effectively moth balled until the next up cycle?

Ted Antenucci: Actually there are steps we can take today, and we are taking them. There are still opportunities to sell land to users. There are opportunities to develop on a build-to-suit basis for users. We've done a few user sales already this year of existing building or pipeline buildings. I think we'll see more of that on a go-forward basis. There are joint venture opportunities on certain pieces of land, where we bring in an investor to work with us on developing a property.

There are build-to-suits for lease. One of which we just signed where you can build a building, bring in a take-out buyer and build it and effectively sell it at completion, where we wouldn't have the cap rate risk or financing risk associated with the transaction.

And there's some deals that we'll do where the land value is significant enough that we would put up the land, go out and borrow, you know, 50% loan to value, build a building, hold it on our balance sheet and collect the rent. All of those scenarios with the exception of a third-party investor would include some sort of a build-to-suit. At this point in time, we don't intend to take develop risks, speculative risks on leasing. But as build-to-suits come and there are actually several out there, we will try and monetize our land in one of those ways.

And as we sit here today, there are probably five or six opportunities that we're working on that we hope to announce throughout the year.

Walt Rakowich: You know, Scott, I mentioned $100 million to $200 million. I think that by the end of - sort of the latter part of this year - we'll have at least $100 million to $200 million of that $2.5 billion that either we will have sold or probably more likely, we would be generating a return on capital without putting our own capital in. And again, we'll make announcements as they happen, but - no, we are definitely working on it today. And I think that will accelerate into next year.

Walt Rakowich: Last question?

Melissa Marsden: Go ahead.

Unidentified Man: Hi. Along those lines of land inventory, how much of your debt is attributable to just land inventory? And also, last year, I thought you had $3 billion of land inventory in China, is that gone now?

Walter Rakowich: No. None of the debt is attributable to the land - the debt itself - the land is on our balance sheet and the debt is not attributable to any piece of land. And, no, we had about $254 million of land in China, which when we sold our Chinese operation, the land went with it, so we took that out of the land balance.

Ted Antenucci: And I think equally, or maybe even more important, we're not capping interest on the land. So as time goes on, that basis isn't going up. We're not taking any sort of phantom FFO off the land. We recognize the land is going to be a challenge for us in this environment - it's a big challenge. But it is geographically diverse. It is interesting to me to see when you're as diverse as we are, there are isolated opportunities with different customers in different locations around the world. And, as Walt mentioned, I think we're going to see that start and slowly accelerate over time. I think it's going to take us a while to get through this land, but it's not going to be nothing for the next two or three years. We'll start working our way through it really this year.

Walter Rakowich: We'd like to thank everybody for coming today and everybody that's on the Web cast. Thank you very much. We look forward to reporting our progress in three months. Thank you again.

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