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ProLogis Forms North American Properties Fund I

DENVER, July 24 /PRNewswire/ -- ProLogis (NYSE: PLD), a leading global provider of distribution services and facilities, today announced that it has closed the first funding of the ProLogis North American Properties Fund I (the Fund), which will own recently developed, state-of-the-art properties in ProLogis' targeted distribution markets throughout the U.S.

The State Teachers Retirement System of Ohio (STRS Ohio), a major pension fund with \$57 billion of assets under management, has agreed to contribute \$75 million in equity and will be the lead investor in the Fund. The total committed capitalization for the first closing of the Fund, including STRS Ohio's commitment, ProLogis' equity contribution and targeted leverage of 50 to 60%, will be approximately \$230 million. ProLogis will retain an ownership in the Fund of not less than 20%. The company also stated that its intent is to fund a substantial portion of its ongoing North American development business through this type of fund structure.

K. Dane Brooksher, chairman and chief executive officer of ProLogis, said, "The benefits of this North American fund are very similar to those of the ProLogis European Properties Fund we formed last year. It allows us to maintain our strong customer relationships and continue to grow our operating platform with less overall capital deployed, thereby increasing our returns on invested capital. The Fund also enhances shareholder returns in several other ways. First, we will receive ongoing profits from the transfer of newly developed properties to the Fund and generate returns from the reinvestment of those development profits. Second, we will generate cash flow from our ownership interest in the Fund. Lastly, we will earn fee income from the ongoing management of the properties with very little additional overhead expense due to the breadth of our North American presence."

Irving F. Lyons, III, ProLogis president and chief investment officer, added, "ProLogis' overall operating strategy has always been to partner with our customers to help them achieve supply chain efficiencies. This growing need for efficiency continues to fuel the reconfiguration of customers' distribution networks and the demand for state-of-the-art, well-located facilities throughout North America. In addition, institutional demand for our product type remains very strong. The Fund allows us to continue to capture these opportunities while recycling our capital and ensures a stable, predictable source of funds for our capital redeployment efforts. In addition, the Fund enables ProLogis to earn an attractive current return on our capital, with the potential to earn an incentive return based upon future performance."

"We are pleased to be investing alongside ProLogis in this Fund, which fits well with our long-term investment objectives," said Mary Ellen Grant, Director of Real Estate Assets for STRS Ohio. "We will generate solid returns by participating in the ownership of ProLogis' recently developed, stable, high quality distribution facilities located in key logistics markets across the U.S. Going forward, we expect to benefit from ProLogis' position as a leading developer of industrial properties, its solid relationships with high quality, strong credit customers and ProLogis' ongoing management of the Fund's properties through its unique operating system."

ProLogis is a leading global provider of integrated distribution facilities and services, with more than 1,664 distribution facilities owned, operating and managed throughout North America and Europe. ProLogis has built the industry's first and only global network of distribution facilities with the primary objective to build shareholder value by becoming the leading provider of distribution services. The company expects to achieve this objective through the ProLogis Operating System(TM), and its commitment to be "The Global Distribution Solution" by providing exceptional corporate distribution services and facilities to meet customer expansion and reconfiguration needs globally. As of June 30, 2000, ProLogis had 185.2 million square feet of distribution facilities owned, operating or under development in 98 global markets.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the securities of North American Properties Fund I.

In addition to historical information, this press release contains forward-looking statements under the federal securities laws. These statements are based on current expectations, estimates and projections about the industry and markets in which ProLogis operates, management's beliefs and assumptions made by management. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties which are difficult to predict. Actual operating results may be affected by changes in global, national and local economic conditions, competitive market conditions, changes in financial markets or interest rates that could adversely affect ProLogis' ability to meet its financing needs and obligations, weather, obtaining governmental approvals and meeting development schedules, and therefore, may differ materially from what is expressed or forecasted in this press release.