




region spotlight: SOUTHWEST



Region Spotlight: Southwest

Jeremy Giles, Senior Vice President - Southwest Region

For the next four issues, Broker Update is touring the United States and Canada to talk with ProLogis' region heads about the dynamics and distinctives of the company's four regions. These spotlights are intended to give brokers perspective on a variety of markets, including their own, and greater insight into trends that influence customer decisions and drive deals.

This issue we converse with Jeremy Giles, senior vice president for the Southwest Region.

Broker Update: What are some of the unique characteristics of the Southwest Region?

Jeremy Giles: This region lagged behind the rest of the United States entering the recession, and it will likely lag recovering from it as well. The fate of the Texas markets, in particular, is closely tied to the condition of the energy markets. Strength in the oil & gas industry has helped the markets to outperform other regions, but a decrease in rig counts (more than 50%) over the last year gives reason for caution.

BU: How is ProLogis currently performing in this region?

JG: We had strong leasing activity in the third quarter-5.4 million square feet, which is about 60% higher than a typical third quarter. While this is an encouraging sign, it seems to indicate the start of a stabilization process within the markets, rather than the beginning of a V-shaped recovery. The slower than usual decision making process that we have all witnessed over the last 12 to 18 months has led to substantial pent-up demand and should lead to some lumpy leasing in certain quarters. ProLogis' portfolio is currently 92% leased in the Southwest Region, which continues to outperform the overall market.

BU: Who are your top customers, and how are their needs changing the dynamics of the market in the Southwest?

JG: Our top customers include Constar (bottling and packaging), Goodman Manufacturing (air conditioning equipment), Android Industries (automotive parts), and The Kohler Company (fixtures), as well as a leading natural foods supplier. APL, CEVA, Exel, and UTi number among our top 3PLs. Regarding their changing needs: our customers tell us they are struggling with "cracked crystal balls." Similar to ProLogis, many are starting to see encouraging signs, but it is very difficult to forecast growth in this environment. Most have managed their inventory levels for the tough times. They have sized their workforces, their distribution space, and really their whole supply chain for lower demand levels. In spite of these changes, most customers are still reluctant to allocate sizable capital and commit to long or large lease obligations.



Southwest Region Profile

Platform: 57,555,081 square feet

States and Markets:

- Arizona – Phoenix
- Colorado – Denver
- Texas – Austin, Dallas / Forth Worth, El Paso, Houston, San Antonio

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Featured Property



Olive Branch Distribution Center #2

11624 South Distribution Cove
Olive Branch, MS 38654

Description:

- 1,170,218 SF available
- 18,974 office space
- 36' min. clear height
- 247 dock doors
- ESFR sprinklers
- Security fencing

Location:

- Located in the DeSoto County
- Easy access to highway systems and close proximity to Memphis International Airport, and the BNSF intermodal yard.

Date Available: December 2009

Year Built: 2002

Min. Divisible: 390,000 SF

Contact:

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Featured Brokers

Phil Lombardo
Cushman & Wakefield
Ontario, California



John McMillan
Cushman & Wakefield
Los Angeles, California



Phil Lombardo, Executive Director and Managing Broker at Cushman & Wakefield's Inland Empire office, has nearly a quarter century of experience in real estate. He began his career with Cushman & Wakefield in 1985, then worked as a broker for Trammell Crow Company from 1994 to 2006 before returning to his original firm. In 2001 he was recognized as Trammell Crow's top producing broker, and in 2006 he was ranked among the top 25 industrial brokers globally for CB Richard Ellis (who purchased Trammell Crow). Phil received his B.S. degree from California State University at Long Beach. He, his wife and two sons make their home in Huntington Beach.

John McMillan, an Executive Director in Cushman & Wakefield's Los Angeles office and a member of its Global Supply Chain Solutions group, likewise brings 20 years of real estate experience to industrial clients. His transactions to date represent nearly \$1.5 billion in real estate value. He has been recognized as Cushman & Wakefield's top industrial broker in the Western U.S. four times since 2002, and a Chairman's Circle Award winner six times. He is also the recipient of his firm's coveted Client Service Excellence Award. John was graduated from the University of California in Santa Barbara with a B.S. degree in political science. He and his family reside in Manhattan Beach.

Working together, Phil and John recently helped Victory Packaging (dba Golden State Container), secure 215,000 square feet in ProLogis Park Ontario Airport #3, a newly constructed 369,000-square-foot facility in the Inland Empire market. This international company, which provides packaging and storage solutions, had a narrow window of opportunity to relocate its Santa Fe Springs operation. Phil and John, in conjunction with Todd Mason and his team from McDade, Gould, Smith, Johnston & Mason of Houston, were able to execute quickly on a deal that met all customer requirements, including completing tenant improvements, in just over 100 days. Golden State signed the lease on July 31 and began operating from the new facility by November 17.

"It's great to see how Phil and John's teamwork helped meet the needs of a customer with an extremely tight deadline," says Tyson Chave, vice president and market officer for ProLogis' Inland Empire office. "Victory Packaging and its related companies now lease a total of 324,000 square feet from us in the United States and Mexico. We're pleased that all parties were able to work closely under a very tight timeframe. This allowed ProLogis to deliver the improvements and the facility in time to meet the customer's requirements, while expanding our multi-market relationship. It's a great example of a three-way win: for the customer, for the brokers, and for ProLogis."

Region Spotlight: Southwest *[continued]*

BU: What are your most active markets, and which are best-kept secrets?

JG: Houston is the Southwest Region's most active market, with 106 transactions year-to-date, and is 97.65 percent occupied. Success in Houston can be attributed to a number of factors: relative strength in the oil & gas industry, unemployment staying about 2% lower than the national average, and a residential housing market that did not get as overheated as other comparable markets. Additionally, unlike many big-box markets, Houston has also fared better because of the makeup of the market, with spaces sized for local consumption.

As far as best-kept secrets go: El Paso, Texas, could be considered a diamond in the rough. With the slowdown in automotive and international trade, you'd think that El Paso would slump, but we have actually found it quite resilient. Over the course of the year, it has remained 97% leased or higher. Juarez / El Paso trade remains very relevant, and technology is becoming a larger factor in the market, as evidenced by the new Foxconn facility in San Jeronimo, Chihuahua, just a few miles from El Paso.

BU: What recent success have you had serving customers in your region?

JG: On September 16, 2009, a severe hailstorm hit El Paso, causing over \$150 million in widespread damage. We had significant damage to the roofs and skylights of 14 buildings. While we never hope to have occasion to use our training for this type of situation, our team rose to the occasion. We immediately contacted all local customer contacts, called primary contacts with major accounts and also updated many of their brokers.



Because of our great relationship with our vendors, we were able to have crews on-site immediately, even flying in extra roofing crews to handle the damaged roofs. Customers often comment on the responsiveness of our people; we're very proud of this hallmark and strive to

make it the reason customers choose us as their distribution space partner, in every market, time and time again.

Featured Properties

For a full listing of our availabilities, please visit www.prologis.com and select Property Search.

Market	Property Name	Space Available	ProLogis Contact	Phone Number
Pennsylvania	I-81 Distribution Center #1	1,400,000	Meg Buffington	(717) 790-5102
Mississippi	Olive Branch Distribution Center #2	1,170,218	Jacob Milligan	(901) 547-2143
Indianapolis	N Plainfield Park Distribution Center #10	812,000	Elizabeth Kauchak	(317) 228-6200
Pennsylvania	Pottsville Distribution Center #1	800,000	Meg Buffington	(717) 790-5102
Los Angeles	Tejon Ranch Industrial Center #1	651,909	Pat Maloney	(310) 416-8688
Salt Lake City	Clearfield Distribution Center #1	615,000	Matt McAfee	(801) 887-9292
Inland Empire	Ontario Airport Building #2	562,089	Tyson Chave	(909) 673-8700
Pennsylvania	Harrisburg Distribution Center #3	558,700	John McLaughlin	(717) 790-5104
Atlanta	New Manchester Distribution Center #1	542,491	Rodney Davidson	(770) 246-6600
Columbus	Etna Distribution Center #3	523,964	Brian Marsh	(614) 274-9292
Pennsylvania	ProLogis Park 33 Building #1	510,000	Meg Buffington	(717) 790-5102
Pennsylvania	Harrisburg Distribution Center #4	504,321	John McLaughlin	(717) 790-5104
Pennsylvania	Middleton Distribution Center #3	490,140	John McLaughlin	(717) 790-5104