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ProLogis

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Introduction

ProLogis stands today as an emblem of American entrepreneurship, resilience, and innovation in the industrial real estate sector. From humble beginnings in the early 1980s, the company has grown into a global powerhouse, shaping how logistics, warehousing, and supply chain networks operate across continents. As the world's largest industrial real estate company and a key member of the S&P 500, ProLogis's rise has mirrored the evolution of global commerce—and at times, led it.

This book, "ProLogis: The Story of An American Company," traces the journey of a company that began as two separate entities—AMB Property Corporation and Security Capital Industrial Trust. Their parallel stories of vision, adaptability, and relentless ambition set the stage for a transformation that would forever alter the landscape of logistics real estate. Through cycles of expansion, market downturns, and reinvention, ProLogis has maintained its position at the forefront of the industry, navigating challenges and capitalizing on opportunities in North America, Europe, Asia, and Latin America.

At the heart of ProLogis's remarkable journey is a thirst for innovation and a deep understanding of the global forces driving change. The company's focus on strategic locations, technological advancements, and sustainability initiatives has enabled it to not just meet, but anticipate, the demands of a rapidly evolving market. Today, ProLogis properties are pivotal nodes in the world's supply chains, enabling the flow of trillions of dollars' worth of goods and providing critical infrastructure for e-commerce, manufacturing, and retail.

Yet, the ProLogis story is not just one of financial achievement and real estate expansion. It is a testament to visionary leadership, from the founding partners who set bold goals to the current executives steering the company through a complex, uncertain world. The ability to adapt—whether by merging with a competitor, launching new business lines, or embracing green building principles—has secured ProLogis's relevance and resilience in a competitive industry.

As we explore the history, business model, leadership, and global impact of ProLogis, we will also examine the challenges that lie ahead. From rising interest rates and uncertain economic landscapes to the opportunities offered by new technologies and evolving supply chain needs, the coming years will test and shape the company in new ways. Through it all, ProLogis's commitment to sustainability, innovation, and stakeholder value continues to set a standard for the entire sector.

This book is both a chronicle of a company and a lens through which to view the

transformation of logistics and industrial real estate worldwide. By delving into ProLogis's past, assessing its present, and considering its future prospects, we can better understand what it takes to build, scale, and sustain a leading American company in an ever-changing global landscape.

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CHAPTER ONE: The Genesis of Giants: AMB Property Corporation and Security Capital Industrial Trust

The story of Prologis, the global leader in logistics real estate, is not a tale with a single beginning, but rather a compelling narrative woven from the threads of two distinct enterprises: AMB Property Corporation and Security Capital Industrial Trust (SCI). These two companies, born of different visions and led by tenacious entrepreneurs, would eventually converge to form the industrial real estate behemoth we know today. Their individual journeys, however, laid the essential groundwork, shaping the expertise, strategic thinking, and market understanding that would define the future Prologis.

AMB Property Corporation's origins stretch back to 1983, when Hamid Moghadam and Douglas Abbey co-founded Abbey, Moghadam and Company in San Francisco, California. Their initial ambition was to serve as an investment manager for institutions, offering real estate advisory services to prominent pension funds, endowments, and foundations. A year later, in 1984, T. Robert Burke joined the duo, solidifying the leadership team and establishing AMB Institutional Realty Advisors. Moghadam, born in Tehran, Iran, and educated at MIT and Stanford, brought a sharp intellect and a keen eye for market dynamics to the nascent firm. Burke, a Stanford Law School graduate and former senior real estate partner, provided crucial legal and operational expertise.

Initially, AMB's investment portfolio was diverse, spanning office, industrial, and community shopping centers. However, the economic landscape of the late 1980s, particularly the savings and loan crisis, prompted a strategic pivot. Recognizing the shifting tides, AMB began to exit the office market in 1987, a process that would refine its investment focus over the next two years. This decisive move helped the company navigate the collapsing office building market with minimal financial repercussions. By 1989, AMB launched its first private equity fund, channeling its investments primarily into industrial and retail properties.

This disciplined approach to investment, honed during its 15 years as a private investment manager, became a hallmark of AMB. By late 1997, AMB Property Corporation transitioned into a public company, completing an initial public offering (IPO) and managing over \$2.8 billion in assets. This significant step transformed AMB into one of the largest publicly traded real estate companies in the United States. The company continued to streamline its focus, and by 1999, it had divested its community shopping center investments, dedicating itself entirely to industrial properties in key markets. AMB's philosophy centered on acquiring properties in "infill

locations" within major markets, a strategy that would prove prescient with the later rise of e-commerce. T. Robert Burke, a co-founder, served as Chairman of the Board from November 1997 to December 1999, when he retired from that role, though he remained a director. Hamid Moghadam then stepped into the chairman role while continuing as CEO.

Meanwhile, on a parallel track, real estate entrepreneur William Sanders was forging another foundational pillar of what would become Prologis. Sanders, a visionary described by some as the "Warren Buffett of real estate," founded Security Capital Industrial Trust (SCI) in 1991. Sanders believed in the power of leverage through scale, arguing that larger companies could secure more favorable terms for borrowing money and charging rent. SCI was structured as a real estate investment trust (REIT), a corporate entity established by Congress in 1960 to allow shareholders to invest in diverse real estate portfolios, much like a mutual fund. The tax advantages of REITs, specifically the requirement to distribute 95 percent of net income to shareholders, made them an attractive investment vehicle.

SCI began actively acquiring properties in 1993, making an early entry into the Denver market in the wake of the late 1980s real estate crash. In April 1994, SCI successfully launched its initial public offering on the New York Stock Exchange. By the time of its IPO, SCI's portfolio encompassed 16.1 million square feet of industrial property across 16 cities. Under the leadership of K. Dane Brooksher, a former senior executive from KPMG, SCI began its rapid ascent. Brooksher joined SCI in 1993, initially as Chief Operating Officer, and later became Co-Chairman and CEO.

The mid to late 1990s were a period of aggressive expansion for SCI. In April 1997, SCI broadened its holdings by acquiring Christian Salvesen's U.S. refrigerated warehouse business, adding 17 warehouses for \$122.3 million. This acquisition significantly built up its refrigerated warehouse business in the United States and Europe. A pivotal moment arrived in July 1998, when Security Capital Industrial Trust officially changed its name to ProLogis Trust. This new name, intentionally capitalized with a "ProL," was a nod to the company's ambition and its growing dominance in logistics services globally. At this juncture, ProLogis Trust was active in 84 markets across 12 countries and boasted a market capitalization of nearly \$5 billion.

Further solidifying its position, ProLogis Trust acquired Meridian Industrial Trust in November 1998 for \$862.5 million in stock. This acquisition was a substantial move, adding 36 million square feet of distribution space to ProLogis's portfolio and making it the largest owner of industrial and warehouse properties in the U.S. The deal was valued at nearly \$1.5 billion, including assumed debt. Meridian, which had grown quickly since its formation in 1996 through the merger of four smaller companies, primarily held assets in core markets that aligned perfectly with ProLogis's strategy. This period saw a wave of mergers within the REIT industry, as companies sought to achieve economies of scale amidst lower stock prices and tighter credit.

In 1999, ProLogis continued its innovative approach to capital structure by forming its first property funds, including the ProLogis European Property Fund. This marked a new model for investing in industrial real estate, allowing for greater financial flexibility. The company's growth trajectory continued into the new millennium. In 2001, ProLogis entered the crucial Japanese market. The same year, it simplified its name to ProLogis, dropping "Trust." By 2002, ProLogis managed over \$10 billion in assets, encompassing more than 1,700 properties across North America, Europe, and Asia.

A significant milestone arrived in 2003 when ProLogis was added to the prestigious S&P 500 Index, a testament to its growing size and influence in the market. That same year, ProLogis ventured into the burgeoning Chinese market through a joint venture with Suzhou Logistics Center Co. Ltd. Acquisitions remained a key part of ProLogis's growth strategy. In 2004, the company acquired Keystone Industrial Trust for approximately \$1.6 billion. This acquisition added approximately 34 million square feet to ProLogis's global portfolio and significantly enhanced its presence in key logistics markets such as New Jersey, eastern Pennsylvania, Indianapolis, and the Miami airport area.

K. Dane Brooksher, a driving force behind ProLogis's rapid expansion and strategic acquisitions, retired as chairman and CEO on December 31, 2004, having led the company through significant global growth and capital innovation. He continued to serve as Chairman until May 2007. The stage was set for future growth and the eventual, dramatic convergence of these two formidable real estate entities.

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