Digital Realty Trust, Inc.
Form S-11
July 05, 2005
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As filed with the Securities and Exchange Commission on July 5, 2005

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Digital Realty Trust, Inc.

(Exact Name of Registrant as Specified in Its Governing Instruments)

---

560 Mission Street, Suite 2900, San Francisco, California 94105, (415) 738-6500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Michael F. Foust

Chief Executive Officer

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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Aggregate Offering Price[1]	Amount of Registration Fee
Common Stock, Par Value $.01 Per Share	$86,250,000	$10,151.63
% Series B Cumulative Redeemable Preferred Stock, Par Value $.01 Per Share	$ 63,250,000	$ 7,444.53

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This registration statement contains a prospectus relating to an offering of our common stock (the common stock prospectus) and a prospectus relating to a concurrent offering of our % series B cumulative redeemable preferred stock (the preferred stock prospectus). The complete common stock prospectus follows immediately. Following the common stock prospectus are alternate pages for the preferred stock prospectus, including:

- the front and back cover pages;
- pages for the Prospectus Summary section, describing our preferred stock offering;
- pages containing risk factors applicable only to our preferred stock offering;
- pages constituting the sections entitled Ratios of Earnings and EBITDA to Fixed Charges and Preferred Dividends ; and
- pages constituting the section entitled Underwriting.

The complete prospectus for each of our preferred and common stock offerings will be filed with the Securities and Exchange Commission in accordance with Rule 424 under the Securities Act of 1933, as amended.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 5, 2005

PROSPECTUS

Shares

Common Stock

We are offering shares of our common stock, par value $.01 per share. We have granted the underwriters an option to purchase up to additional shares of our common stock to cover over-allotments.

Concurrently with this offering, we are also conducting an offering of shares of our series B preferred stock, par value $.01 per share. We have granted the underwriters of the preferred stock offering an option to purchase up to additional shares of our series B preferred stock to cover over-allotments.

We are organized and conduct our operations to qualify as a real estate investment trust, or REIT, for federal income tax purposes. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% on our common stock.

Our common stock currently trades on the New York Stock Exchange, or NYSE, under the symbol DLR . On June 30, 2005, the closing sale price of our common stock, as reported on the NYSE, was $17.38.

See Risk Factors beginning on page 16 for certain risk factors relevant to an investment in our common stock, including, among others:

Our properties depend upon the demand for technology-related real estate and the state of the technology industry generally. A decline in the technology industry could lead to a decrease in the demand for technology-related real estate, which may have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified tenant base.

We depend on significant tenants that may be costly or difficult to replace, and many of our properties are occupied by single tenants. The loss of significant tenants could cause a material decrease in cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders.

If we fail to qualify as a REIT for federal income tax purposes, we will be taxed as a corporation and our liability for certain federal, state and local income taxes may significantly increase, which could result in a material decrease in cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters expect to deliver the shares on or about , 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Citigroup **Merrill Lynch & Co.**

UBS Investment Bank

The date of this prospectus is , 2005.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

NOTE REGARDING THE ACQUISITION PROPERTIES

We are under contract to acquire three properties in Charlotte, North Carolina. We refer to these properties collectively as the Charlotte Internet Gateway properties, or the acquisition properties. While we believe that we will consummate the acquisition of the acquisition properties, we cannot assure you that we will because the consummation of the acquisition remains subject to the completion of our due diligence and satisfaction of customary closing conditions. Information in this prospectus with respect to the acquisition properties, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations, has been provided by the seller of the properties and, although we believe such information to be accurate, we cannot assure you that it is accurate or complete because we are still in the process of conducting acquisition diligence.

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the historical and pro forma financial statements appearing elsewhere in this prospectus, including under the caption Risk Factors. References in this prospectus to we, our, us and our company refer to Digital Realty Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Digital Realty Trust, L.P., a Maryland limited partnership of which we are the sole general partner and to which we refer in this prospectus as our operating partnership. We refer to the concurrent offerings of our common stock and our series B preferred stock as the concurrent offerings. Unless otherwise indicated, the information contained in this prospectus (including debt balances) is as of March 31, 2005, assumes the completion of the concurrent offerings, that the underwriters over-allotment options in the concurrent offerings are not exercised, and that the common stock to be sold in our common stock offering is sold at $17.38 per share, the closing price of our common stock on the NYSE on June 30, 2005. Additionally, unless otherwise indicated, portfolio property data as of March 31, 2005 relating to square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations includes such data for the acquisition properties and seven properties which we acquired subsequent to March 31, 2005. Those seven properties are Lakeside Technology Center, Ameriquest Data Center, Savvis Data Centers 2 through 5 and Savvis Office Building.

Digital Realty Trust, Inc.

Overview

We own, acquire, reposition and manage technology-related real estate. We target high-quality, strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate and institutional data center users, including the information technology, or IT, departments of Fortune 1000 and financial services companies. Our tenant base is diversified within the technology industry and reflects a broad spectrum of regional, national and international tenants that are leaders in their respective areas. We operate as a real estate investment trust, or REIT, for federal income tax purposes.

Through our operating partnership, we own 33 properties and are under contract to acquire three additional properties. Our properties are located throughout the U.S. and one property is in London, England. Our properties contain a total of approximately 7.8 million net rentable square feet, excluding space held for redevelopment. Our operations and acquisition activities are focused on a limited number of markets where technology industry tenants and corporate and institutional data center users are concentrated, including the Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas. As of March 31, 2005, our portfolio, excluding space held for redevelopment, was approximately 90.1% leased at an average annualized rent per leased square foot of $20.12. The types of properties within our focus include:

- Internet gateways, which serve as hubs for Internet and data communications within and between major metropolitan areas;
- Data centers, which provide secure, continuous environments for the storage of critical electronic information. Data centers are used for disaster recovery purposes, transaction processing and to house the IT operations of companies;
- Technology manufacturing properties, which contain highly specialized manufacturing environments for such purposes as disk drive manufacturing, semiconductor manufacturing and specialty pharmaceutical manufacturing; and

Regional or national headquarters of technology companies that are located in our target markets.

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Most of our properties have extensive tenant improvements that have been installed at our tenants expense. Unlike traditional office and flex/research and development space, the location of and improvements to our facilities are generally essential to our tenants businesses, which we believe results in high occupancy levels, long lease terms and low tenant turnover. The tenant-installed improvements in our facilities are readily adaptable for use by similar tenants.

Our portfolio includes 21 properties contributed to us by Global Innovation Partners, LLC, or GI Partners, in connection with our initial public offering in November 2004. GI Partners is a private equity fund that was formed to pursue investment opportunities that intersect the real estate and technology industries. GI Partners was formed in February 2001 after a competitive six-month selection process conducted by the California Public Employees Retirement System, or CalPERS, the largest U.S. pension fund.

Our principal executive offices are located at 560 Mission Street, Suite 2900, San Francisco, California 94105. Our telephone number is (415) 738-6500. Our website is located at www.digitalrealtytrust.com. The information found on or accessible through our website is not incorporated into and does not form a part of this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission.

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirors and managers of technology-related real estate through our competitive strengths, which include:

High-Quality Portfolio that is Difficult to Replicate. Our portfolio contains state-of-the-art facilities with extensive tenant improvements. Based on current market rents and the estimated replacement costs of our properties and their improvements, we believe that they could not be replicated today on a cost-competitive basis. Many of the properties in our portfolio are located on major aggregation points formed by the physical presence of multiple major telecommunications service providers, which reduces our tenants costs and operational risks and increases the attractiveness of our buildings.

Presence in Key Markets. Our portfolio is located in 16 metropolitan areas, including the Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas, and is diversified so that no one market represented more than 25.7% of the aggregate annualized rent of our portfolio as of March 31, 2005.

Long-Term Leases. We have long-term leases with stable cash flows. As of March 31, 2005, our average lease term was in excess of 12.6 years, with an average of 8.0 years remaining, excluding renewal options. Through 2008, leases representing only 9.2% of our net rentable square feet, or 8.3% of our aggregate annualized rent, are scheduled to expire. Moreover, through 2006, leases representing only 3.3% of our net rentable square feet are scheduled to expire.

Specialized Focus in Dynamic and Growing Industry. We focus solely on technology-related real estate because we believe that the growth of the technology industry, particularly Internet and data communications and corporate data center use, will be superior to that of the overall economy. We believe that our specialized understanding of both real estate and technology gives us a significant competitive advantage over less specialized investors. We use our in-depth knowledge of the technology, Internet and data communications and corporate data center industries to identify strategically located properties, market our properties to tenants with specific technology needs, evaluate tenants creditworthiness and business models and assess the long-term value of in-place technical improvements.

Proven Acquisition Capability. Since 2002, we have acquired 33 technology-related real estate properties (including ten properties containing over 2.1 million net rentable square feet since our initial public offering in November 2004), with another three under contract, for an aggregate of 7.8 million

net rentable square feet, excluding space held for redevelopment. Our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate enables us to capitalize on acquisition opportunities. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial and other criteria, which allows us to evaluate investment opportunities efficiently and, as appropriate, commit and close quickly. We acquired more than half of our properties before they were broadly marketed by real estate brokers.

Experienced and Committed Management Team. Our senior management team, including our Executive Chairman, has an average of over 21 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team s extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. Following the completion of the concurrent offerings, our senior management team will collectively own a common equity interest in our company of approximately % on a fully diluted basis, which aligns management s interests with those of our stockholders.

Unique Sourcing Relationships. The members of GI Partners hold a substantial indirect investment in our company. Accordingly, we anticipate that they will play an active role in our future success. We expect that CalPERS will provide us with introductions to potential sources of acquisitions and access to its technology industry experts and will be a potential source of co-investment capital. In addition, we expect that GI Partners private equity investment professionals will provide additional technology industry expertise and access to deal flow.

Business and Growth Strategies

Our primary business objectives are to maximize sustainable long-term growth in earnings, funds from operations and cash flow per share and to maximize returns to our stockholders. Our business strategies to achieve these objectives are:

Capitalize on Acquisition Opportunities. We believe that acquisitions enable us to increase cash flow and create long-term stockholder value. Our relationships with corporate and institutional information technology groups, technology tenants and real estate brokers who are dedicated to serving these tenants provide us with ongoing access to potential acquisitions and often enable us to avoid competitive bidding. Furthermore, the specialized nature of technology-related real estate makes it more difficult for traditional real estate investors to understand, which fosters reduced competition for acquisitions relative to other property types. We believe this dynamic creates an opportunity for us to obtain better risk-adjusted returns on our capital.

Maximize the Cash Flow of our Properties. We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Our portfolio, excluding space held for redevelopment, was approximately 90.1% leased as of March 31, 2005, leaving approximately 779,000 square feet of net rentable space available for lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout which may result in higher rents when leased to tenants seeking these improvements. We control our costs by negotiating expense pass-through provisions in tenant leases for operating expenses and certain capital expenditures. Leases covering more than 95% of the leased net rentable square feet in our portfolio as of March 31, 2005 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses. Since our initial public offering in November 2004, we have executed leases for 35,907 square feet of technical space at an average annualized rent of $89.21 per square foot and 210,046 square feet of nontechnical space at an average annualized rent of $18.73 per square foot, in each case including lease renewals and expansions commencing in 2005 through 2009.

Subdivide Improved Space for Turn-Key Data Center Use. We own approximately 230,000 net rentable square feet of space with extensive data center improvements that is currently, or will shortly be, available for lease. Rather than leasing all of this space to large single tenants, we are subdividing some of it for multi-tenant colocation use, with tenants averaging between 100 and 5,000 square feet of net rentable space. Multi-tenant colocation is a cost-effective solution for tenants who cannot afford or do not require their own extensive infrastructure and security. Because we can provide such features, we are able to lease space to these tenants at a significant premium over other uses.

Leverage Strong Industry Relationships. We use our strong industry relationships with national and regional corporate enterprise information technology groups and technology-intensive companies to identify and comprehensively respond to their real estate needs. Our leasing and sales professionals are real estate and technology industry specialists who can develop complex facility solutions for the most demanding Internet gateway and other technology tenants and corporate and institutional data center users.

Use Capital Efficiently. We intend to sell assets opportunistically. We believe that we can increase stockholder returns by effectively redeploying asset sales proceeds into new acquisition opportunities. Recently, data centers have been particularly attractive candidates for sale to owner/users, as the cost of acquisition is usually substantially lower than the cost to construct a new facility. We will seek such opportunities to realize profits and reinvest our capital.

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Summary Risk Factors

You should carefully consider the following important risks as well as the additional risks described in Risk Factors beginning on page 16:

Our portfolio of properties consists primarily of technology-related real estate. A decline in the technology industry could lead to a decrease in the demand for technology-related real estate, which may have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified tenant base.

We depend on significant tenants that may be costly or difficult to replace, and many of our properties are occupied by single tenants. The loss of significant tenants could cause a material decrease in cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders.

If we fail to qualify as a REIT for federal income tax purposes, we will be taxed as a corporation and our liability for certain federal, state and local income taxes may significantly increase, which could result in a material decrease in cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders.

Under a contribution agreement with the third-party contributors who contributed the direct and indirect interests in 200 Paul Avenue and 1100 Space Park Drive to our operating partnership in connection with the contribution and acquisition transactions consummated concurrently with our initial public offering, we agreed to indemnify them against adverse tax consequences if we were to sell, exchange or otherwise dispose of these properties in a taxable transaction until the earlier of November 3, 2013 and the date on which these contributors (or certain transferees) hold less than 25% of the units of our operating partnership issued to them in connection with the contribution of these properties to our operating partnership. These properties represented 10.1% of our portfolio s annualized rent as of March 31, 2005. In addition, under this contribution agreement, we agreed to make up to $20.0 million of indebtedness available for guaranty by these contributors which will, among other things, allow them to defer the recognition of gain in connection with the contribution of these properties. As a result, we may be required to incur and maintain more debt than we would otherwise.

We have owned our properties for a limited time and therefore our properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential.

Potential losses from fires, floods, earthquakes, terrorist attacks or other liabilities, including liabilities for environmental matters, may not be fully covered by our insurance policies or may be subject to significant deductibles. Our tenants generally retain title to the extensive and highly valuable technology-related improvements in many of our buildings, and therefore are generally required to insure them. In the event of a casualty or other loss involving one of our buildings with extensive installed tenant improvements, our tenants may have the right to terminate their leases if we do not rebuild the base building within prescribed times. In such cases, the proceeds from tenants insurance will not be available to us to restore the improvements, and our insurance coverage may be insufficient to replicate the technology-related improvements made by such tenants.

Upon completion of the concurrent offerings, we anticipate that our pro forma total consolidated indebtedness will be approximately $661.3 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have an unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the joint bookrunning managers for our common stock offering, and together with UBS Securities LLC, the bookrunning managers for our series B preferred stock offering, and other underwriters for the concurrent offerings. Our credit facility has a borrowing limit

based upon a percentage of the value of our unsecured properties. We estimate that approximately $140.0 million of this facility will be available to us upon consummation of the concurrent offerings and application of the proceeds therefrom. Our debt service obligations with respect to such indebtedness will reduce cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, and expose us to the risk of default.

We are party to debt agreements that contain lockbox and cash management provisions pursuant to which revenues generated by properties subject to such indebtedness are immediately swept into an account for the benefit of the lenders and are typically available to be distributed to us only after the funding of reserve accounts for, among other things, debt service, taxes, insurance, tenant improvements and leasing commissions. If our properties do not generate sufficient cash flow, we may be required to fund distributions, including dividends to our preferred stockholders or distributions to our common stockholders, from working capital or borrowings under our credit facility or reduce such distributions. It is our policy to limit our indebtedness to approximately 60% of our total market capitalization, which is the sum of the market values of all of our outstanding common stock, preferred stock, the common and long-term incentive units not owned by our company and the book value of our indebtedness; however, this policy is not a part of our governing documents and our board of directors can change it at any time.

Our charter and bylaws, the Maryland General Corporation Law, or MGCL, and the partnership agreement of our operating partnership contain provisions, including a 9.8% limit on ownership of our common stock, a 9.8% limit on ownership of each series of our preferred stock and a 9.8% limit on ownership of the value of our outstanding capital stock, that may delay or prevent a change of control transaction or limit the opportunity for stockholders to receive a premium for their stock in such a transaction.

Our performance and value are subject to risks associated with events and conditions generally applicable to owners and operators of real property that are beyond our control. Because real estate investments are relatively illiquid, our ability promptly to sell one or more properties in our portfolio in response to adverse changes in the performance of such properties may be limited, which may harm our financial condition.

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The Properties

Our Portfolio of Properties

The following table presents an overview of our portfolio of properties, including our acquisition properties, based on information as of March 31, 2005:

Property[1]	Metropolitan Area	Percent Ownership	Year Built/ Renovated	Net Rentable Square Feet[2]	Percent Leased[3]	Annualized Rent[4]	Annualized Rent Per Leased Square Foot[5]	Annualized Net Effective Rent Per Leased Square Foot[6]
Internet Gateway								
Lakeside Technology Center	Chicago	100.0%	1912-1929/2000	805,150[7]	94.2%[7]	$19,290,966	$25.44	$29.70
200 Paul Avenue	San Francisco	100.0	1955/1999&2001	532,238	83.4	10,897,301	24.54	27.94
Univision Tower	Dallas	100.0	1983	477,107	79.9	8,120,266	21.30	19.49
Carrier Center	Los Angeles	100.0	1922/1999	450,021	79.7	7,702,967	21.48	24.60
Camperdown House[8]	London, UK	100.0	1983/1999	63,233	100.0	4,193,136	66.31	66.31
1100 Space Park Drive	Silicon Valley	100.0	2001	167,951	46.6	3,525,347	45.07	52.41
36 Northeast Second Street	Miami	100.0	1927/1999	162,140	81.2	3,129,972	23.78	25.66
Charlotte Internet Gateway Properties[9]	Charlotte	100.0	1999/2000/2001	95,490	73.3	1,667,284	23.81	30.00
Burbank Data Center	Los Angeles	100.0	1991	82,911	100.0	1,414,300	17.06	18.41
				2,836,241	**83.5**	**59,941,539**	**25.31**	**28.07**
Data Center								
833 Chestnut Street	Philadelphia	100.0	1927/1998	547,195[10]	91.5[10]	7,039,201	14.06	14.52
Hudson Corporate Center	New York	100.0	1989/2000	311,950	87.4	6,853,399	25.14	24.66
Savvis Data Center 1	Silicon Valley	100.0	2000	300,000	100.0	5,760,000	19.20	22.09
Webb at LBJ	Dallas	100.0	1966/2000	365,449	89.6	4,499,282	13.74	14.87
AboveNet Data Center	Silicon Valley	100.0	1987/1999	187,085	96.2	4,431,834	24.64	34.52
NTT/Verio Premier Data Center	Silicon Valley	100.0	1982-83/2001	130,752	100.0	3,781,200	28.92	31.11
Savvis Data Center 2	Silicon Valley	100.0	1973/2000	167,932	100.0	3,027,814	18.03	22.08
Savvis Data Center 3	Los Angeles	100.0	1975/1998-99	113,606	100.0	2,048,316	18.03	22.08
Savvis Data Center 4	Silicon Valley	100.0	1972/1999	103,940	100.0	1,874,038	18.03	22.08
Savvis Data Center 5	Silicon Valley	100.0	1977/2000	90,139	100.0	1,625,206	18.03	22.08
Ameriquest Data Center	Denver	100.0	2001	82,229	100.0	1,521,240	18.50	20.34
eBay Data Center	Sacramento	100.0	1983/2000	62,957	100.0	1,479,943	23.51	24.05
VarTec Building	Dallas	100.0	1999	135,250	100.0	1,352,500	10.00	10.45
MAPP Building	Minneapolis/ St. Paul	100.0	1947/1999	88,134	100.0	1,339,637	15.20	16.02
Brea Data Center	Los Angeles	100.0	1981/2000	68,807	100.0	1,211,898	17.61	19.83
AT&T Web Hosting Facility	Atlanta	100.0	1998	250,191	50.5	1,098,036	8.69	10.50
				3,005,616	**91.5**	**48,943,544**	**17.79**	**19.99**
Technology Manufacturing								
Ardenwood Corporate Park	Silicon Valley	100.0	1985-86	307,657	100.0	7,691,292	25.00	25.04
Maxtor Manufacturing Facility	Silicon Valley	100.0	1991 & 1997[11]	183,050	100.0	3,371,122	18.42	19.92
ASM Lithography Facility[12]	Phoenix	100.0	2002	113,405	100.0	2,549,165	22.48	25.52

				604,112	**100.0**	**13,611,579**	**22.53**	**23.58**
Technology Office/ Corporate Headquarters								
Comverse Technology Building	Boston	100.0	1957 & 1999[13]	386,956	100.0	5,989,152	15.48	16.13
100 Technology Center Drive	Boston	100.0	1989/2001	197,000	100.0	3,743,000	19.00	20.20
Granite Tower	Dallas	100.0	1999	240,065	94.6	3,438,061	15.14	15.04
Stanford Place II	Denver	98.0[14]	1982	366,184	88.4	3,088,815	9.54	9.11
Siemens Building	Dallas	100.0	1999	125,538	100.0	1,917,505	15.27	17.54
Savvis Office Building	Silicon Valley	100.0	1977/2000	84,383	100.0	1,521,425	18.03	22.08
				1,400,126	**96.0**	**19,697,958**	**14.65**	**15.36**
Portfolio Total/Weighted Average				**7,846,095**	**90.1%**	**$142,194,620**	**$20.12**	**$22.12**
Square Feet of Space Held for Redevelopment				**397,563**				
Portfolio Total including Space Held for Redevelopment				**8,243,658**				

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(1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses. Since March 31, 2005 we have leased 181,009 rentable square feet (170,481 usable square feet) at an average annual rent of approximately $5.6 million, including leases executed prior to March 31, 2005 for which we were not receiving rent as of March 31, 2005. These leases commence between 2005 and 2009. Rent abatements for these leases for the 12 months ending March 31, 2006 total $260,278.

(2) Net rentable square feet at a building represents the current square feet at that building under lease as specified in the lease agreements plus management s estimate of space available for lease based on engineering drawings. Net rentable square feet includes tenants proportional share of common areas but excludes space held for redevelopment.

(3) Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of March 31, 2005 but for which we are not yet receiving rent.

(4) Annualized rent represents the annualized monthly contractual rent under existing leases as of March 31, 2005. This amount reflects total base rent before any one-time or non-recurring rent abatements but after annually recurring rent credits and is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. Total abatements for leases in effect as of March 31, 2005 for the 12 months ending March 31, 2006 were $136,334.

(5) Annualized rent per leased square foot represents annualized rent as computed above, divided by the total square footage under lease as of the same date.

(6) For properties owned as of March 31, 2005, annualized net effective rent per leased square foot represents the contractual rent for leases in place as of March 31, 2005, calculated on a straight line basis from the date of acquisition by GI Partners or us or the date the lease commenced, if later. This amount is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. This amount is further reduced by the annual amortization of any tenant improvement and leasing costs incurred by GI Partners or us for such leases, and is then divided by the net rentable square footage under lease as of the same date. For properties acquired after March 31, 2005, the same approach is used, except that the straight line rent calculation is as of the acquisition date or the projected acquisition date.

(7) Excludes 290,000 square feet of space held for redevelopment.

(8) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on March 31, 2005 of $1.89 per £1.00.

(9) Comprises three properties in Charlotte, North Carolina which we are under contract to acquire. The acquisition of these properties remains subject to the completion of our due diligence and satisfaction of customary closing conditions. Accordingly, we cannot assure you that we will be able to consummate the acquisition.

(10) Excludes 107,563 square feet of space held for redevelopment.

(11) This property consists of two buildings: 1055 Page Avenue was built in 1991, and 47700 Kato Road was built in 1997.

(12) We own the subsidiary that is party to a ground sublease covering this property. The term of the ground sublease expires on December 31, 2082.

(13) This property consists of two buildings: 100 Quannapowitt was built in 1999, and 200 Quannapowitt was built in 1957 and has subsequently been renovated.

(14) We indirectly own a 98% interest in a subsidiary that holds the fee simple interest in this property. An unrelated party holds the remaining 2% interest in this subsidiary.

Right of First Offer Property

We have a right of first offer with respect to a 129,366 square foot vacant data center owned by GI Partners in Frankfurt, Germany.

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This Offering

Issuer	Digital Realty Trust, Inc., a Maryland corporation.
Common Stock Offered by Us	shares
Common Stock to be Outstanding after this Offering	shares[1]
Common Stock and Operating Partnership Units to be Outstanding after this Offering	shares/units[1][2]
NYSE Symbol	DLR
Use of Proceeds	We expect that the net proceeds from our common stock offering will be approximately $ million after deducting underwriting discounts and commissions and our expenses (or approximately $ million if the underwriters exercise in full their option to purchase additional shares of our common stock). We expect that the proceeds from our concurrent offering of series B preferred stock will be approximately $ after deducting underwriting discounts and commissions and our expenses (or approximately $ if the underwriters exercise in full their option to purchase additional shares of our series B preferred stock). Our operating partnership will subsequently use the net proceeds from the concurrent offerings to repay borrowings under our unsecured revolving credit facility, potentially to acquire the acquisition properties and additional properties, and for general corporate purposes. See Use of Proceeds.
Risk Factors	An investment in our common stock involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors beginning on page 16 of this prospectus before making a decision to invest in our common stock.

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(1) Excludes shares issuable upon exercise of the underwriters over-allotment option, 2,068,046 shares available for future issuance under our incentive award plan and 915,495 shares underlying options granted under our incentive award plan.

(2) Includes 30,030,870 outstanding common units held by limited partners and 1,490,561 outstanding vested long-term incentive units granted under our incentive award plan that in each case may, subject to limits in the partnership agreement of our operating partnership, be exchanged for cash or, at our option, shares of our common stock on a one-for-one basis generally commencing on January 3, 2006.

Concurrent Preferred Stock Offering

We are also making a concurrent offering of shares of our series B preferred stock, par value $.01 per share. We have granted the underwriters in the preferred stock offering a 30-day option to purchase up to additional shares of our series B preferred stock to cover over-allotments. We will pay cumulative dividends on our series B preferred stock from the date of original issuance in the amount of approximately $ per share each year, which is equivalent to % of the $25.00 liquidation preference per share. Dividends on our series B preferred stock will be payable quarterly in arrears, beginning on September 30, 2005. On or after , 2010, we may, at our option, redeem our series B preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends on such series B preferred stock up to but excluding the redemption date. Our series B preferred stock will not be convertible into or exchangeable for any other property or securities of our company.

Our Tax Status

We are and intend to continue operating in a manner that will allow us to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as of amended, which we refer to as the Code, commencing with our taxable year ended December 31, 2004. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net taxable income to our stockholders, excluding net capital gains. As a REIT, we generally will not be subject to federal income tax on net taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates and may be precluded from electing REIT status for four years following the year of disqualification. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property and the income of our taxable REIT subsidiaries will be subject to taxation at normal corporate rates.

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Summary Selected Financial Data

The following table sets forth summary selected consolidated financial and operating data on a pro forma and historical basis for our company and on a combined historical basis for the Digital Realty Predecessor. The Digital Realty Predecessor comprises the real estate activities and holdings of GI Partners related to the properties in our portfolio. We have not presented historical information for Digital Realty Trust, Inc. for periods prior to the consummation of our initial public offering on November 3, 2004 because we did not have any corporate activity until the consummation of our initial public offering other than the issuance of shares of common stock in connection with the initial capitalization of our company, and because we believe that a discussion of the results of Digital Realty Trust, Inc. would not be meaningful. The Digital Realty Predecessor comprises:

- the wholly-owned real estate subsidiaries and majority-owned real estate joint ventures that GI Partners contributed to our operating partnership in connection with our initial public offering;

- an allocation of GI Partners line of credit to the extent that borrowings and related interest expense related to (1) borrowings to partially fund acquisitions of the properties in our portfolio and (2) borrowings to pay asset management fees paid by GI Partners that were allocated to the properties in our portfolio; and

- an allocation of the asset management fees paid to a related party and incurred by GI Partners, along with an allocation of the liability for any such fees that were unpaid as of the date of the financial statements, and an allocation of GI Partners general and administrative expenses.

You should read the following summary selected financial data in conjunction with our consolidated and combined historical and consolidated pro forma financial statements and notes thereto and Management s Discussion and Analysis of Financial Conditions and Results of Operations, which are included elsewhere in this prospectus.

The historical consolidated balance sheet information as of December 31, 2004 and the consolidated statement of operations information for the period from November 3, 2004 through December 31, 2004 have been derived from the historical consolidated financial statements of our company audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical combined balance sheet information as of December 31, 2003 and 2002 of the Digital Realty Predecessor and the combined statements of operations information for the years then ended and for the periods from January 1, 2004 through November 2, 2004 of the Digital Realty Predecessor have been derived from the historical combined financial statements audited by KPMG LLP. The historical consolidated balance sheet information as of March 31, 2005 and the consolidated statement of operations information for the three months ended March 31, 2005 have been derived from the unaudited consolidated financial statements of our company. The historical combined statements of operations information for the three months ended March 31, 2004 have been derived from the unaudited combined financial statements of the Digital Realty Predecessor. In the opinion of the management of our company, the historical consolidated balance sheet information as of March 31, 2005 and the historical consolidated and combined statements of operations for the three months ended March 31, 2005 and 2004 include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for the interim period ended March 31, 2005 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited pro forma consolidated financial statements and operating information as of and for the three months ended March 31, 2005 and for the year ended December 31, 2004 assume the completion of the concurrent offerings and our intended use of the proceeds therefrom as of January 1, 2004 for the operating data and as of the stated date for the balance sheet data. Our unaudited pro forma consolidated financial statements

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also include the effects of our series A preferred stock offering, which closed on February 9, 2005, as if the series A preferred stock offering had closed on January 1, 2004 for the operating data. Our unaudited pro forma consolidated financial statements also include the effects of the acquisition by us of Lakeside Technology Center, Ameriquest Data Center, Savvis Data Centers 2 through 5 and Savvis Office Building and the expected acquisition of the acquisition properties, along with the related financing transactions, as if those acquisitions and financing transactions had occurred as of January 1, 2004 for the operating data and as of the stated date for the balance sheet data. Our unaudited pro forma consolidated financial statements for the year ended December 31, 2004 also include the effects of our initial public offering, which closed on November 3, 2004, and the related formation and refinancing transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of January 1, 2004 for the operating data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the dates and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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The Company and the Digital Realty Predecessor

(Amounts in thousands, except per share data)

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor	
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined	
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,	
	2005	2005	2004	2004	2004	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Statement of Operations Data:							
Rental revenues	$ 45,197	$ 32,691	$ 16,028	$ 170,306	$ 89,108	$ 50,099	$ 21,203
Tenant reimbursements	9,494	6,520	2,728	36,282	16,229	8,661	3,894
Other revenues	474	432	14	2,680	1,784	4,328	458
Total revenues	55,165	39,643	18,770	209,268	107,121	63,088	25,555
Rental property operating and maintenance expenses	9,034	7,145	3,006	36,570	18,974	8,624	4,997
Property taxes	6,842	3,681	1,718	24,173	9,334	4,688	2,755
Insurance	994	599	241	4,342	1,875	626	83
Interest expense	10,470	8,121	3,813	41,903	24,461	10,091	5,249
Asset management fees to related party			796		2,655	3,185	3,185
Depreciation and amortization expense	16,379	12,143	5,507	62,316	31,398	16,295	7,659
General and administrative expenses	2,413	2,413	92	24,847	21,017	329	249
Net loss from early extinguishment of debt	125	125		283	283		
Other expenses	531	521	90	2,922	2,805	2,459	1,249
Total expenses	46,788	34,748	15,263	197,356	112,802	46,297	25,426
Income (loss) before minority interests (deficit)	8,377	4,895	3,507	11,912	(5,681)	16,791	129
Minority interests in consolidated joint ventures	(3)	(3)	46	(24)	(24)	149	190
Minority interests in operating partnership	4,613	2,159		6,571	(10,214)		
Net income (loss)	3,767	2,739	3,461	5,365	4,557	16,642	(61)
Preferred stock dividends	(3,317)	(1,271)		(13,267)			
Net income (loss) available to common stockholders/ owners	$ 450	$ 1,468	$ 3,461	$ (7,902)	$ 4,557	$ 16,642	$ (61)
Earnings (loss) per share available to common stockholders basic and diluted	$ 0.02	$ 0.07	$	$ (0.31)	$ (0.30)[1]	$	$
Weighted average common shares outstanding:							
Basic	25,737	21,421		25,737	20,771[1]		
Diluted	25,851	21,535		25,737	20,771[1]		
Balance Sheet Data (at period end)							
	$ 1,076,084	$ 852,112	$	$	$ 787,412	$ 391,737	$ 217,009

Investments in real estate, after accumulated depreciation and amortization							
Total assets	1,386,496	1,099,727			1,013,287	479,698	269,836
Notes payable under line of credit	73,950	36,000			44,000	44,436	53,000
Mortgages and other secured loans	587,369	479,701			475,498	253,429	103,560
Total liabilities	742,783	579,393			584,229	328,303	183,524
Minority interests in consolidated joint ventures	149	149			997	3,444	3,135
Minority interests in operating partnership	270,523	250,592			254,862		
Stockholders /owner s equity	373,041	269,593			173,199	147,951	83,177
Total liabilities and stockholders /owner s equity	1,386,496	1,099,727			1,013,287	479,698	269,836
Cash flows from (used in):							
Operating activities	$	$ 11,708	$ 6,627	$	$ 44,638	$ 27,628	$ 9,645
Investing activities		(71,645)	(40,571)		(371,277)	(213,905)	(164,755)
Financing activities		58,255	33,023		326,022	187,873	158,688
Other Data:							
Funds from operations[2]	$ 24,759	$ 17,041	$	$ 74,252	$ (9,010)[1]	$	$
Funds from operations available to common stockholders[2][3]	21,442	15,770		60,985	(9,010)[1]		
EBITDA[4]	35,229	25,162	12,781	116,155	50,202	43,028	12,847
EBITDA available to common stockholders of the company and owner of the Predecessor[4][5]	31,912	23,891	12,781	102,888	50,202	43,028	12,847

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(1) For period from November 3, 2004 through December 31, 2004.

(2) We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, or GAAP), excluding gains (or losses) from sales of property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. See the reconciliation of pro forma net income to pro forma FFO below.

(3) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock. See the reconciliation of net income to FFO available to common stockholders below.

(4) We believe that earnings before interest, taxes, depreciation and amortization, or EBITDA, is a useful supplemental performance measure. In addition, we believe EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. However, EBITDA should not be considered as an alternative to net income as an indicator of our operating performance. In addition, because EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of our business, its utility as a measure of our liquidity is limited. Accordingly, EBITDA should not be considered as a supplement to cash flows from operating activities (computed in accordance with GAAP) as a measure of our liquidity. Other REITs may calculate EBITDA differently than we do; accordingly, our EBITDA may not be comparable to such other REITs EBITDA. See the reconciliation of net income to EBITDA on page 15.

(5) EBITDA available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock. See the reconciliation of net income to EBITDA available to common stockholders on page 15.

The following table reconciles our net income to our FFO and FFO available to common stockholders for the periods indicated:

	Pro Forma Three Months Ended March 31, 2005	Historical Three Months Ended March 31, 2005	Pro Forma Year Ended December 31, 2004	Historical Consolidated Period from November 3, 2004 through December 31, 2004
Reconciliation of net income to FFO and FFO available to common stockholders:				
Net income before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 8,380	$ 4,898	$ 11,936	$ (16,383)
Plus real estate depreciation and amortization	16,379	12,143	62,316	7,373
FFO	24,759	17,041	74,252	(9,010)
Less preferred stock dividends	3,317	1,271	13,267	
FFO available to common stockholders[1]	$ 21,442	$ 15,770	$ 60,985	$ (9,010)

(1) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock.

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The following table reconciles our net income to our EBITDA and EBITDA available to common stockholders for the periods indicated:

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor	
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined		
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,	
	2005	2005	2004	2004	2004	2003	2002
Reconciliation of net income to EBITDA:							
Net income (loss)	$ 3,767	$ 2,739	$ 3,461	$ 5,365	$ 4,557	$ 16,642	$ (61)
Adjustments:							
Minority interest in operating partnership	4,613	2,159		6,571	(10,214)		
Interest expense	10,470	8,121	3,813	41,903	24,461	10,091	5,249
Depreciation and amortization	16,379	12,143	5,507	62,316	31,398	16,295	7,659
EBITDA	35,229	25,162	12,781	116,155	50,202	43,028	12,847
Less preferred stock dividends	3,317	1,271		13,267			
EBITDA available to common stockholders of the Company and to the owners of the Predecessor	$ 31,912	$ 23,891	$ 12,781	$ 102,888	$ 50,202	$ 43,028	$ 12,847

RISK FACTORS

Investment in our securities involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring the securities offered by this prospectus. Any of the following risks might cause you to lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements.

Risks Related to Our Business and Operations

Our properties depend upon the technology industry and the demand for technology-related real estate.

Our portfolio of properties consists primarily of technology-related real estate. A decline in the technology industry or a decrease in the adoption of data center space for corporate enterprises could lead to a decrease in the demand for technology-related real estate, which may have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified tenant base. We are susceptible to adverse developments in the corporate and institutional data center and broader technology industries (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, costs of complying with government regulations or increased regulation and other factors) and the technology-related real estate market (such as oversupply of or reduced demand for space). In addition, the rapid development of new technologies or the adoption of new industry standards could render many of our tenants current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy.

We depend on significant tenants, and many of our properties are single-tenant properties or are currently occupied by single tenants.

As of March 31, 2005, the 15 largest tenants in our property portfolio represented approximately 64.5% of the total annualized rent generated by our properties. Our largest tenants by annualized rent are Savvis Communications and Qwest Communications International. Savvis Communications leased approximately 1.1 million square feet of net rentable space as of March 31, 2005, representing approximately 15.9% of the total annualized rent generated by our properties. Qwest Communications International leased 654,866 square feet of net rentable space as of March 31, 2005, representing approximately 12.8% of the total annualized rent generated by our properties. In addition, 19 of our properties are occupied by single tenants. Our tenants may experience a downturn in their businesses, which may weaken their financial condition and result in their failure to make timely rental payments or their default under their leases. If any tenant defaults or fails to make timely rent payments, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment.

The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by our properties.

If any tenant becomes a debtor in a case under the federal Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate its lease with us. Our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In either case, our claim for unpaid rent would likely not be paid in full. Currently, two tenants, VarTec Telecom, Inc., leasing approximately 156,051 square feet of net rentable space, and Universal Access Inc., leasing approximately 15,641 net rentable square feet, are in bankruptcy. Both tenants are current on their rental obligations. Since we acquired our first building in January 2002, 14 tenants in our buildings leasing approximately

489,000 square feet of net rentable space concluded bankruptcy proceedings. Of the 14 tenants, eight tenants leasing approximately

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385,000 net rentable square feet paid rent to us on an uninterrupted basis and affirmed their leases. Of the approximately 104,000 net rentable square feet that was rejected and terminated, we had re-leased approximately 21,000 square feet as of the date of this prospectus.

Our revenue and cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in its business, or fail to renew its lease or renew on terms less favorable to us than its current terms.

Our portfolio of properties depends upon local economic conditions and is geographically concentrated in certain locations.

Our properties and acquisition properties are located only in the Atlanta, Boston, Charlotte, Chicago, Dallas, Denver, London, Los Angeles, Miami, Minneapolis/St. Paul, New York, Philadelphia, Phoenix, Sacramento, San Francisco and Silicon Valley metropolitan areas. We depend upon the local economic conditions in these markets, including local real estate conditions. Many of these markets experienced downturns within recent years. Our operations may also be affected if too many competing properties are built in any of these markets. If there is a downturn in the economy in any of these markets, our operations and our revenue and cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, could be materially adversely affected. We cannot assure you that these markets will grow or will remain favorable to the technology industry.

In addition, our portfolio is geographically concentrated in the Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan markets. These markets represented 6.8%, 13.6%, 13.6%, 8.7%, 4.8%, 5.0%, 7.7% and 25.7%, respectively, of annualized rent as of March 31, 2005 of the properties in our portfolio. Hence, positive or negative changes in conditions in these markets in particular will impact our overall performance.

We have owned our properties for a limited time.

We own 33 properties and are under contract to acquire three properties. These properties are located throughout the U.S. and one property is in London, England. The properties contain a total of approximately 7.8 million net rentable square feet. All the properties have been under our management for less than four years, and we have owned 15 of the properties for less than one year. The properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential. We cannot assure you that the operating performance of the properties will not decline under our management.

We may have difficulty internalizing our asset management and accounting functions, complying with the rules and regulations applicable to public companies and managing our growth.

A significant portion of the asset management and general and administrative functions of our predecessor were performed by GI Partners related-party asset manager, an affiliate of CB Richard Ellis Investors. This affiliate also provided all of our accounting and financial reporting services. In November 2004, we internalized our asset management function. In April 2005, we internalized our accounting and financial reporting functions. We are also experiencing rapid growth in the size of our portfolio through acquisitions. The growth in our portfolio and the demands placed on our company in connection with internalizing our asset management and accounting functions may significantly strain our management, operational and financial resources and systems. In addition, as a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the

rules and regulations of the NYSE. The requirements of these rules and regulations have increased our accounting, legal and financial compliance costs and may strain our management and operational resources and

systems. An inability to manage our growth effectively could result in deficiencies in our disclosure controls and procedures or our internal control over financial reporting.

We have limited operating history as a REIT and as a public company.

We were formed in March 2004 and have limited operating history as a REIT and as a public company. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or as a public company. Failure to maintain REIT status would have an adverse effect on our cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders.

Tax protection provisions on certain properties could limit our operating flexibility.

We have agreed with the third-party contributors who contributed the direct and indirect interests in the 200 Paul Avenue and 1100 Space Park Drive properties to indemnify them against adverse tax consequences if we were to sell, convey, transfer or otherwise dispose of all or any portion of these interests, in a taxable transaction, in these properties. However, we can sell these properties in a taxable transaction if we pay the contributors cash in the amount of their tax liabilities arising from the transaction and tax payments. The 200 Paul Avenue and 1100 Space Park Drive properties represented 10.1% of our portfolio s annualized rent as of March 31, 2005. These tax protection provisions apply for a period expiring on the earlier of November 3, 2013 and the date on which these contributors (or certain transferees) hold less than 25% of the units issued to them in connection with the contribution of these properties to our operating partnership. Although it may be in our stockholders best interest that we sell a property, it may be economically disadvantageous for us to do so because of these obligations. We have also agreed to make up to $20.0 million of debt available for these contributors to guarantee. We agreed to these provisions in order to assist these contributors in preserving their tax position after their contributions. As a result, we may be required to incur and maintain more debt than we would otherwise.

Potential losses may not be covered by insurance.

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under various insurance policies. We select policy specifications and insured limits which we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsured losses such as loss from riots, war or nuclear reaction. Some of our policies, like those covering losses due to floods, are insured subject to limitations involving large deductibles or co-payments and policy limits which may not be sufficient to cover losses. A substantial portion of the properties we own are located in California, an area especially subject to earthquakes. Together, these properties represented approximately 43.2% of our portfolio s annualized rent as of March 31, 2005. While we carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. In addition, we may discontinue earthquake or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage relative to the risk of loss.

In addition, many of our buildings contain extensive and highly valuable technology-related improvements. Under the terms of our leases, tenants generally retain title to such improvements and are obligated to maintain adequate insurance coverage applicable to such improvements and under most circumstances use their insurance proceeds to restore such improvements after a casualty. In the event of a casualty or other loss involving one of our buildings with extensive installed tenant improvements, our tenants may have the right to terminate their leases if we do not rebuild the base building within prescribed times. In such cases, the proceeds from tenants insurance will not be available to us to restore the

improvements, and our insurance coverage may be insufficient to replicate the technology-related improvements made by such tenants.

If we or one or more of our tenants experiences a loss which is uninsured or which exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those

properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Payments on our debt reduce cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, and may expose us to the risk of default under our debt obligations.

Upon completion of the concurrent offerings, we anticipate that our pro forma total consolidated indebtedness will be approximately $661.3 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have an unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the joint bookrunning managers for our common stock offering, and together with UBS Securities LLC, the bookrunning managers for our series B preferred stock offering, and other underwriters for the concurrent offerings. Our credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties included in the facility s borrowing base. We estimate that approximately $140.0 million of additional borrowings under this facility will be available to us upon consummation of the concurrent offerings. In addition, under our contribution agreement with respect to the 200 Paul Avenue and 1100 Space Park Drive properties, we have agreed to make available for guarantee up to $20.0 million of indebtedness and may enter into similar agreements in the future.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, pay the dividends to our preferred stockholders or pay distributions to our common stockholders necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a significant portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties or our interests in the entities that own the properties that secure their loans and receive an assignment of rents and leases;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any one of our mortgage loans with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock, and our ability to satisfy our debt service obligations could be materially adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, a circumstance which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We are currently under contract to acquire three technology-related properties. In addition, we continually evaluate the market of available properties and may acquire additional technology-related real estate when opportunities exist. Our ability to acquire properties on favorable terms and successfully operate them may be exposed to the following significant risks:

- we may be unable to acquire a desired property because of competition from other real estate investors with significant capital, including both publicly traded REITs and institutional investment funds;
- even if we are able to acquire a desired property, competition from other potential acquirors may significantly increase the purchase price;
- even if we enter into agreements for the acquisition of technology-related real estate, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;
- we may be unable to finance acquisitions on favorable terms or at all;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to integrate new acquisitions quickly and efficiently, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- acquired properties may be subject to reassessment, which may result in higher than expected tax payments;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock, and ability to satisfy our debt service obligations could be materially adversely affected.

We may be unable to source off-market deal flow in the future.

A key component of our growth strategy is to continue to acquire additional technology-related real estate. To date, more than half of our acquisitions were acquired before they were widely marketed by real estate brokers, or off-market. Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of competitive bidding, which could lead to higher prices. If we cannot obtain off-market deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be adversely affected.

We face significant competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental

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rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants leases expire. As a result, our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock, and ability to satisfy our debt service obligations could be materially adversely affected.

We may be unable to renew leases, lease vacant space or re-lease space as leases expire.

As of March 31, 2005, leases representing 0.7% and 2.6% of the square footage of the properties in our portfolio were scheduled to expire in 2005 and 2006, respectively, and an additional 9.9% of the square footage of the properties in our portfolio was available to be leased. We cannot assure you that leases will be renewed or that our properties will be re-leased at net effective rental rates equal to or above the current average net effective rental rates. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space and space for which leases are scheduled to expire, our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock, and our ability to satisfy our debt service obligations could be materially adversely affected.

Our growth depends on external sources of capital which are outside of our control.

In order to maintain our qualification as a REIT, we are required under the Code to annually distribute at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we rely on third-party sources to fund our capital needs. We may not be able to obtain the financing on favorable terms or at all. Any additional debt we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock and preferred stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

Our unsecured credit facility restricts our ability to engage in some business activities.

Our unsecured credit facility contains negative covenants and other financial and operating covenants that, among other things:

restrict our and our subsidiaries ability to incur additional indebtedness;

restrict our and our subsidiaries ability to make certain investments;

restrict our and our subsidiaries ability to merge with another company;

- restrict our and our subsidiaries ability to create, incur or assume liens;
- restrict our ability to make distributions to our stockholders;
- require us to maintain financial coverage ratios; and
- require us to maintain a pool of unencumbered assets approved by the lenders.

These restrictions could cause us to default on our unsecured credit facility or negatively affect our operations and our ability to pay dividends to our preferred stockholders or distributions to our common stockholders.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between us and our co-venturers.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In that event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our day-to-day business. Consequently, actions by or disputes with partners or co-venturers may subject properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel, particularly Michael Foust, our Chief Executive Officer, A. William Stein, our Chief Financial Officer and Chief Investment Officer, and Scott Peterson, our Senior Vice President, Acquisitions. They are important to our success for many reasons, including that each has a national or regional reputation in our industry and the investment community that attracts investors and business and investment opportunities and assists us in negotiations with investors, lenders, existing and potential tenants and industry personnel. If we lost their services, our business and investment opportunities and our relationships with lenders, existing and prospective tenants and industry personnel could suffer. Many of our other senior executives also have strong technology and real estate industry reputations. As a result, we have greater access to potential acquisitions and leasing and other opportunities, and are better able to negotiate with tenants. The loss of any of these key personnel would result in the loss of these and other benefits and could materially and adversely affect our results of operations.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

We seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest cap and interest rate swap agreements. These agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such an agreement is not legally enforceable. Our policy is to use derivatives only to hedge interest rate risks related to our borrowings, not for speculative or trading purposes, and to enter into contracts only with major financial institutions based on their credit ratings and other factors. However, we may choose to change this policy in the future. Effective November 26, 2004, we entered into interest rate swap agreements with KeyBank National Association and Bank of America for $140.3 million of our variable rate debt, of which $139.6 million was

outstanding as of March 31, 2005, and effective May 26, 2005, we entered into a $100.0 million interest rate swap agreement with Bank of America. As a result, approximately 78.8% of our total pro forma indebtedness as of March 31, 2005 was subject to fixed interest rates. Hedging may reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

Our properties may not be suitable for lease to certain data center, technology or office tenants without significant expenditures or renovations.

Because many of our properties contain extensive tenant improvements installed at our tenants expense, they may be better suited for a specific corporate enterprise data center user or technology industry tenant and could require modification in order for us to re-lease vacant space to another corporate enterprise data center user or technology industry tenant. For the same reason, our properties also may not be suitable for lease to traditional office tenants without significant expenditures or renovations.

Ownership of properties located outside of the United States subjects us to foreign currency, business, operational and other risks which may adversely impact our ability to make distributions.

We own one property located outside of the U.S. and have a right of first offer with respect to a second property. In addition, we are currently considering, and will in the future consider, additional international acquisitions.

The ownership of properties located outside of the U.S. subjects us to risk from fluctuations in exchange rates between foreign currencies and the U.S. dollar. We expect that our principal foreign currency exposure will be to the British pound and the euro. Changes in the relation of these currencies to U.S. dollars will affect our revenues and operating margins, may materially adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock, and ability to satisfy our debt obligations.

We intend to attempt to mitigate the risk of currency fluctuation by financing our properties in the local currency denominations, although we cannot assure you that we will be able to do so or that this will be effective. We may also engage in direct hedging activities to mitigate the risks of exchange rate fluctuations. If we do engage in foreign currency exchange rate hedging activities, any income recognized with respect to these hedges (as well as any foreign currency gain recognized with respect to changes in exchange rates) may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT.

Foreign real estate investments generally involve certain risks not generally associated with investments in the United States. Our international acquisitions and operations are subject to a number of risks, including:

- acquisition risk resulting from our lack of knowledge of local real estate markets, economies and business practices and customs;
- our limited knowledge of and relationships with sellers and tenants in these markets;

due diligence, transaction and structuring costs higher than those we may face in the U.S.;

complexity and costs associated with managing international operations;

difficulty in hiring qualified management, sales personnel and service providers in a timely fashion;

multiple, conflicting and changing legal, regulatory, tax and treaty environments;

exposure to increased taxation, confiscation or expropriation;

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- currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the U.S.;
- difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions or in the event of a default by one or more of our tenants; and
- political and economic instability in certain geographic regions.

Our inability to overcome these risks could adversely affect our foreign operations and could harm our business and results of operations.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to pay dividends to our preferred stockholders or pay distributions to our common stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, and the value of our properties. These events and conditions include:

- local oversupply, increased competition or reduction in demand for technology-related space;
- inability to collect rent from tenants;
- vacancies or our inability to rent space on favorable terms;
- inability to finance property development and acquisitions on favorable terms;
- increased operating costs, including insurance premiums, utilities and real estate taxes;
- costs of complying with changes in governmental regulations;
- the relative illiquidity of real estate investments; and
- changing submarket demographics.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would materially adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock and ability to satisfy our debt service obligations.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid, our ability promptly to sell properties in our portfolio in response to adverse changes in their performance may be limited, which may harm our financial condition. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in national and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in laws and regulations, fiscal policies and zoning ordinances and costs of compliance with laws and regulations, fiscal policies and ordinances;

- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured and underinsured losses.

We could incur significant costs related to government regulation and private litigation over environmental matters.

Under various laws relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property, and may be required to investigate and clean up such contamination at or emanating from that property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. Previous owners used some of our properties for industrial and retail purposes, so those properties may contain some level of environmental contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral.

Some of the properties may contain asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. These laws may also allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

In addition, some of our tenants, particularly those in the biotechnology and life sciences industry and those in the technology manufacturing industry, routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our tenants, and potentially us, to liability resulting from these activities or from previous industrial or retail uses of those properties. Environmental liabilities could also affect a tenant s ability to make rental payments to us. We require our tenants to comply with environmental laws and regulations and to indemnify us for any related liabilities.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of the properties in our portfolio. Each of the site assessments has been either completed or updated since January 1, 2002, except 36 Northeast Second Street and Univision Tower. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey. None of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, assets or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future. Future laws, ordinances or regulations may impose additional material environmental liability.

We cannot assure you that costs of future environmental compliance will not affect our ability to pay dividends to our preferred stockholders or pay distributions to our common stockholders or that such costs or other remedial measures will not have a material adverse effect on our

business, assets or results of operations.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediating the problem.

When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants and others if property damage or health concerns arise.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. We have not conducted an audit or investigation of all of our properties to determine our compliance with the ADA. If one or more of the properties in our portfolio does not comply with the ADA, then we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other similar legislation, our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock and our ability to satisfy our debt service obligations could be materially adversely affected.

We may incur significant costs complying with other regulations.

The properties in our portfolio are subject to various federal, state and local regulations, such as state and local fire and life safety regulations. If we fail to comply with these various regulations, we may have to pay fines or private damage awards. In addition, we do not know whether existing regulations will change or whether future regulations will require us to make significant unanticipated expenditures that will materially adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, per share trading price of our common stock or preferred stock and our ability to satisfy our debt service obligations.

Risks Related to Our Organizational Structure

Conflicts of interest may exist or could arise in the future with holders of units in our operating partnership.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under Maryland law in connection with their management of our company. At the same time, we, as general partner, have fiduciary duties under

Maryland law to our operating partnership and to the limited partners in connection with the management of our operating partnership. Our duties as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. Under Maryland law, a general partner of a Maryland limited partnership owes its limited partners the duties of good faith, fairness and loyalty, unless the partnership agreement provides otherwise. The partnership agreement of our operating partnership provides that for

so long as we own a controlling interest in our operating partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners will be resolved in favor of our stockholders.

Additionally, the partnership agreement expressly limits our liability by providing that we and our officers, directors, agents and employees, will not be liable or accountable to our operating partnership for losses sustained, liabilities incurred or benefits not derived if we or our officers, directors, agents or employees acted in good faith. In addition, our operating partnership is required to indemnify us and our officers, directors, employees, agents and designees to the extent permitted by applicable law from and against any and all claims arising from operations of our operating partnership, unless it is established that (1) the act or omission was committed in bad faith, was fraudulent or was the result of active and deliberate dishonesty, (2) the indemnified party received an improper personal benefit in money, property or services or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful.

The provisions of Maryland law that allow the fiduciary duties of a general partner to be modified by a partnership agreement have not been tested in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties.

We are also subject to the following additional conflicts of interest with holders of units in our operating partnership:

We may pursue less vigorous enforcement of the terms of contribution and other agreements because of conflicts of interest among GI Partners and certain of our officers. GI Partners and certain other contributors had ownership interests in the properties and in the other assets and liabilities contributed to our operating partnership in our formation and have interests in the property on which we have a right of first offer. We, under the agreements relating to the contribution of such interests, have contractual rights to indemnification in the event of breaches of representations or warranties made by GI Partners and other contributors. In addition, GI Partners has entered into a non-competition agreement with us pursuant to which it agreed, among other things, not to compete with us in certain business activities. Richard Magnuson, the Executive Chairman of our board of directors, is also, and will continue to be, the chief executive officer of the advisor to GI Partners. He and certain of our other senior executives have entered into employment agreements with us containing non-competition provisions. None of these contribution, option, right of first offer, employment and non-competition agreements was negotiated at arm s-length. We may choose not to enforce, or to enforce less vigorously, our rights under these contribution, option, right of first offer, employment and non-competition agreements because of our desire to maintain our ongoing relationship with GI Partners and the other individuals involved.

Tax consequences upon sale or refinancing. Sales of properties and repayment of related indebtedness will affect holders of common units in our operating partnership and our stockholders differently. The parties who contributed the 200 Paul Avenue and 1100 Space Park Drive properties to our operating partnership would incur adverse tax consequences upon the sale of these properties and on the repayment of related debt which differ from the tax consequences to us and our stockholders. Consequently, these holders of common units in our operating partnership may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of debt. While we have exclusive authority under the limited partnership agreement of our operating partnership to determine when to refinance or repay debt or whether, when, and on what terms to sell a property, any such decision would require the approval of our board of directors. Certain of our directors and executive officers could exercise their influence in a manner inconsistent with the interests of some, or a majority, of our stockholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.

Our charter contains 9.8% ownership limits with respect to our capital stock. Our charter, subject to certain exceptions, authorize our directors to take such actions as are necessary and desirable to preserve our

qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our common stock, 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of any series of preferred stock and 9.8% of the value of our outstanding capital stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership of more than 9.8% of the outstanding shares of our common stock, more than of 9.8% of the outstanding shares of any series of preferred stock or more than 9.8% of the value of our outstanding capital stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay, defer or prevent a transaction or a change of control that might be in the best interest of our common or preferred stockholders.

We could increase the number of authorized shares of stock and issue stock without stockholder approval. Our charter authorizes our board of directors, without stockholder approval, to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to issue authorized but unissued shares of our common stock or preferred stock and, subject to the voting rights of holders of preferred stock, to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or reclassified shares. Although our board of directors has no such intention at the present time, it could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might be in the best interest of our common or preferred stockholders.

Certain provisions of Maryland law could impede changes in control. Certain provisions of the MGCL may have the effect of impeding a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could be in the best interests of our common or preferred stockholders, including:

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and

- control share provisions that provide that control shares of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

The provisions of our charter on removal of directors and the advance notice provisions of the bylaws could delay, defer or prevent a transaction or a change of control of our company that might be in the best interest of our common or preferred stockholders. Likewise, if our company s board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded, these

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provisions of the MGCL could have similar anti-takeover effects. Further, our partnership agreement provides that our company may not engage in any merger, consolidation or other combination with or into another person, sale of all or substantially all of our assets or any reclassification or any recapitalization or change in outstanding shares of our common stock, unless in connection with such transaction we obtain the consent of the holders of at least 35% of our operating partnership s common and long-term incentive units (including units held by us), and certain other conditions are met.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our board of directors adopted a policy of limiting our indebtedness to 60% of our total market capitalization. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), excluding options issued under our incentive award plan, plus the aggregate value of the units not held by us, plus the book value of our total consolidated indebtedness. However, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service and which could materially adversely affect our cash flow and our ability to make distributions, including cash available to pay dividends to our preferred stockholders or pay distribution to our common stockholders. Higher leverage also increases the risk of default on our obligations.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that our directors and officers have no liability in their capacities as directors or officers if they perform their duties in good faith, in a manner they reasonably believe to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or

- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from that director or officer will be limited.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

We believe we have operated and intend to continue operating in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Code. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. If we lose our REIT status, we will face serious tax consequences that would substantially reduce our cash

available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would materially adversely affect the value of our capital stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that, like us, holds its assets through a partnership. Our ability to qualify as a REIT may be affected by facts and circumstances that are not entirely within our control. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions in which they operate, including, in the case of the entity holding Camperdown House, the United Kingdom.

To maintain our REIT status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments.

The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and we would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our common or preferred stockholders.

Risks Related to this Offering

Market interest rates and other factors may affect the value of our common stock.

One of the factors that will influence the price of our common stock will be the dividend yield on the common stock relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, could cause the market price of our common stock to go down. The trading price of the shares of common stock will also depend on many other factors, which may change from time to time, including:

- the market for similar securities;
- the attractiveness of REIT securities in comparison to the securities of other companies, taking into account, among other things, the higher tax rates imposed on dividends paid by REITs;
- government action or regulation;
- general economic conditions; and
- our financial condition, performance and prospects.

Our unsecured credit facility may limit our ability to pay distributions to our common stockholders.

Our unsecured credit facility prohibits us from distributing to our stockholders more than 95% of our funds from operations (as defined in our unsecured credit facility) during any four consecutive fiscal quarters, except as necessary to enable us to qualify as a REIT for federal income tax purposes. Consequently, if we do not generate sufficient funds from operations (as defined in our unsecured credit facility) during the twelve months preceding any dividend payment date for our common stock or preferred stock, we will not be able to pay all or a portion of the accumulated dividends payable to our stockholders on that payment date without causing a default under our unsecured credit facility. In the event of a default under our unsecured credit facility, we would be unable to borrow under our unsecured credit facility and any amounts we have borrowed thereunder could become due and payable.

The number of shares available for future sale could adversely affect the market price of our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, or upon exchange of units, or the perception that such sales might occur could materially adversely affect the market price of the shares of our common stock.

We have granted those persons who received units in the formation transactions related to our initial public offering, including GI Partners, certain registration rights with respect to the shares of our common stock for which their units may be redeemed or exchanged pursuant to the partnership agreement of our operating partnership. These registration rights require us to seek to file a shelf registration statement covering all such shares of common stock by January 3, 2006. In addition, commencing on March 3, 2006, each of GI Partners and another third party who received units in the initial public offering formation transactions have the right, on one occasion, to require us to register all such shares of our common stock. Our officers and directors have agreed not to sell or otherwise transfer any of the 1,490,561 long-term incentive units granted to them in connection with our initial public offering for a period of three years from the date of grant. Our directors and executive officers have agreed with the underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of any shares of common stock or other securities convertible or exchangeable into our common stock for a period of 90 days after the date of this prospectus. If any or all of these holders cause a large number of their shares to be sold in the public market, the sales could reduce the trading price of our common stock and could impede our ability to raise future capital.

The exercise of the underwriters over-allotment option, the exchange of units for common stock, the exercise of any options granted to directors, executive officers and other employees under our incentive award

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plan, the issuance of our common stock or units in connection with property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of the shares of our common stock, and the existence of units, options, shares of our common stock reserved for issuance as restricted shares of our common stock or upon exchange of units may materially adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales of shares of our common stock may be dilutive to existing stockholders. We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, or upon exchange of units, or the perception that such sales might occur could materially adversely affect the market price of the shares of our common stock.

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us, the real estate industry or the technology industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus; and

general market and economic conditions.

Future offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our series A preferred stock has, and the series B preferred stock will have, a preference on liquidating distributions and a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

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FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, e anticipates or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets or the technology industry;
- general and local economic conditions;
- our inability to manage our growth effectively;
- defaults on or non-renewal of leases by tenants;
- increased interest rates and operating costs;
- our failure to obtain necessary outside financing;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying properties to acquire and completing acquisitions;
- our failure to successfully operate acquired properties and operations;
- our failure to maintain our status as a REIT;
- possible adverse changes to tax laws;

- environmental uncertainties and risks related to natural disasters;
- financial market fluctuations;
- changes in foreign currency exchange rates; and
- changes in real estate and zoning laws and increases in real property tax rates.

While forward-looking statements reflect our good faith beliefs, they are not guaranties of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors.

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USE OF PROCEEDS

We estimate that we will receive gross proceeds from our common stock offering of $ million, or approximately $ million if the underwriters over-allotment option is exercised in full. After deducting underwriting discounts and commissions and the estimated expenses of our common stock offering, we expect net proceeds of approximately $ million, or approximately $ million if the underwriters over-allotment option is exercised in full.

We estimate that we will receive gross proceeds from our series B preferred stock offering of $ million, or approximately $ if the underwriters over-allotment option is exercised in full. After deducting underwriting discounts and commissions and the estimated expenses of our series B preferred stock offering, we expect net proceeds of approximately $ million, or approximately $ if the underwriters option is exercised in full.

We will contribute the net proceeds of the concurrent offerings to our operating partnership. Our operating partnership will subsequently use the net proceeds received from us to repay borrowings under our unsecured credit facility, potentially to acquire the acquisition properties and additional properties, and for general corporate purposes. If the underwriters exercise in full or in part, their over-allotment options on either of the concurrent offerings, we expect to use the additional net proceeds in the same manner. At March 31, 2005 our unsecured credit facility had an outstanding balance of $36.0 million. At June 30, 2005, the outstanding balance was $188.0 million. The increase relates to our acquisitions of Lakeside Technology Center, Ameriquest Data Center, Savvis Data Centers 2 through 5 and Savvis Office Building. As of June 30, 2005, our unsecured credit facility bore interest at LIBOR plus 1.75% per annum, which equaled a rate of 5.09%. The credit facility expires in November 2007, subject to a one-year extension option.

Pending application of cash proceeds, we will invest the net proceeds in interest bearing accounts and short-term, interest-bearing securities which are consistent with our intention to qualify as a REIT for federal income tax purposes.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock has been listed on the NYSE since October 29, 2004 and is traded under the symbol DLR . The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

	High	Low	Last	Distributions
Period October 29, 2004 to December 31, 2004	$ 14.10	$ 12.00	$ 13.47	$ 0.156318
January 1, 2005 to March 31, 2005	14.81	12.50	14.37	0.24375
Period April 1, 2005 to June 30, 2005	17.49	13.67	17.38	0.24375

On June 30, 2005, the closing sale price for our common stock, as reported on the NYSE, was $17.38. As of June 30, 2005, there were four holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

We intend to continue to declare quarterly distributions on our common stock. The actual amount and timing of distributions, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions.

Subject to the distribution requirements applicable to REITs under the Code, we intend, to the extent practicable, to invest substantially all of the proceeds from sales and refinancings of our assets in real estate-related assets and other assets. We may, however, under certain circumstances, make a distribution of capital or of assets. Such distributions, if any, will be made at the discretion of our board of directors. Distributions will be made in cash to the extent that cash is available for distribution.

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CAPITALIZATION

The following table sets forth our historical consolidated capitalization as of March 31, 2005 and our consolidated capitalization on a pro forma basis as of March 31, 2005. You should read this table in conjunction with Use of Proceeds, Selected Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and our consolidated financial statements and the notes to our financial statements appearing elsewhere in this prospectus.

	March 31, 2005	
	Historical Consolidated	Pro Forma Consolidated
	(In thousands)	
Mortgages and other loans	$ 515,701	$ 661,319
Minority interests in our operating partnership	250,592	270,523
Stockholders equity:		
8.50% series A cumulative redeemable preferred stock, $.01 par value per share, 4,140,000 shares authorized and outstanding on a pro forma basis	99,297	99,297
% series B cumulative redeemable preferred stock, $.01 par value per share, shares authorized and shares issued and outstanding on a pro forma basis[1]		52,867
Common stock, $.01 par value per share, 100,000,000 shares authorized, 21,421,300 shares issued and outstanding[2]	214	257
Additional paid in capital	182,095	232,633
Dividends in excess of earnings	(13,271)	(13,271)
Accumulated other comprehensive income	1,258	1,258
Total stockholders equity	269,593	373,041
Total capitalization	$ 1,035,886	$ 1,304,883

(1) The pro forma preferred stock outstanding includes series B preferred stock to be issued in our series B preferred stock offering and excludes shares of series B preferred stock issuable upon exercise of the underwriters over-allotment option.

(2) The pro forma common stock outstanding includes shares of common stock to be issued in our common stock offering and excludes (i) shares of common stock issuable upon exercise of the underwriters over-allotment option in the concurrent offering, (ii) 2,068,046 additional shares available for future issuance under our incentive award plan, (iii) 915,495 shares issuable under options granted under our incentive award plan, (iv) 1,490,561 shares reserved for long-term incentive units granted under our incentive award plan that may, subject to limits in the partnership agreement of our operating partnership, be exchanged for cash or, at our option, shares of our common stock on a one-for-one basis generally commencing on January 3, 2006, and (v) 30,030,870 shares reserved for issuance with respect to outstanding common units held by limited partners that may, subject to limits in the partnership agreement of our operating partnership, be exchanged for cash or, at our option, shares of our common stock on a one-for-one basis generally commencing on January 3, 2006.

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SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial and operating data on a pro forma and historical basis for our company and on a combined historical basis for the Digital Realty Predecessor. The Digital Realty Predecessor comprises the real estate activities and holdings of GI Partners related to the properties in our portfolio. We have not presented historical information for Digital Realty Trust, Inc. for periods prior to the consummation of our initial public offering on November 3, 2004 because we did not have any corporate activity until the consummation of our initial public offering other than the issuance of shares of common stock in connection with the initial capitalization of our company, and because we believe that a discussion of the results of Digital Realty Trust, Inc. would not be meaningful. The Digital Realty Predecessor comprises:

- the wholly-owned real estate subsidiaries and majority-owned real estate joint ventures that GI Partners contributed to our operating partnership in connection with our initial public offering;

- an allocation of GI Partners line of credit to the extent that borrowings and related interest expense related to (1) borrowings to partially fund acquisitions of the properties in our portfolio and (2) borrowings to pay asset management fees paid by GI Partners that were allocated to the properties in our portfolio; and

- an allocation of the asset management fees paid to a related party and incurred by GI Partners, along with an allocation of the liability for any such fees that were unpaid as of the date of the financial statements, and an allocation of GI Partners general and administrative expenses.

You should read the following summary selected financial data in conjunction with our consolidated and combined historical and consolidated pro forma financial statements and notes thereto and Management s Discussion and Analysis of Financial Conditions and Results of Operations, which are included elsewhere in this prospectus.

The historical consolidated balance sheet information as of December 31, 2004 and the consolidated statement of operations information for the period from November 3, 2004 through December 31, 2004 have been derived from the historical consolidated financial statements of our company audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical combined balance sheet information as of December 31, 2003, 2002 and 2001 of the Digital Realty Predecessor and the combined statements of operations information for the years then ended and for the periods from January 1, 2004 through November 2, 2004 and February 28, 2001 (inception) through December 31, 2001 of the Digital Realty Predecessor have been derived from the historical combined financial statements audited by KPMG LLP. The historical consolidated balance sheet information as of March 31, 2005 and the consolidated statements of operations information for the three months ended March 31, 2005 have been derived from the unaudited consolidated financial statements of our company. The historical combined balance sheet information as of December 31, 2001 and the combined statements of operations information for the three months ended March 31, 2004 have been derived from the unaudited combined financial statements of the Digital Realty Predecessor. In the opinion of the management of our company, the historical consolidated balance sheet information as of March 31, 2005 and the historical consolidated and combined statements of operations for the three months ended March 31, 2005 and 2004 include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for the interim period ended March 31, 2005 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited pro forma consolidated financial statements and operating information as of and for the three months ended March 31, 2005 and for the year ended December 31, 2004 assume the completion of the concurrent offerings and our intended use of the proceeds therefrom as of January 1, 2004 for the operating data and as of the stated date for the balance sheet data. Our unaudited pro forma consolidated financial statements

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also include the effects of our series A preferred stock offering, which closed on February 9, 2005, as if the series A preferred stock offering had closed on January 1, 2004 for the operating data. Our unaudited pro forma consolidated financial statements also include the effects of the acquisition by us of Lakeside Technology Center, Ameriquest Data Center, Savvis Data Centers 2 through 5 and Savvis Office Building and the expected acquisition of the acquisition properties, along with the related financing transactions, as if those acquisitions and financing transactions had occurred as of January 1, 2004 for the operating data and as of the stated dates for the balance sheet data. Our unaudited summary selected pro forma consolidated financial statements for the year ended December 31, 2004 also include the effects of our initial public offering, which closed on November 3, 2004, and the related formation and refinancing transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of the first day of the period presented for the operating data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the dates and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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The Company and the Digital Realty Predecessor

(Amounts in thousands, except per share data)

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor		
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined		Period from February 28, 2001 (inception) through December 31,
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,		Historical Combined
	2005	2005	2004	2004	2004	2003	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)				
Statement of Operations Data:								
Rental revenues	$ 45,197	$ 32,691	$ 16,028	$ 170,306	$ 89,108	$ 50,099	$ 21,203	$
Tenant reimbursements	9,494	6,520	2,728	36,282	16,229	8,661	3,894	
Other revenues	474	432	14	2,680	1,784	4,328	458	12
Total revenues	55,165	39,643	18,770	209,268	107,121	63,088	25,555	12
Rental property operating and maintenance expenses	9,034	7,145	3,006	36,570	18,974	8,624	4,997	
Property taxes	6,842	3,681	1,718	24,173	9,334	4,688	2,755	
Insurance	994	599	241	4,342	1,875	626	83	
Interest expense	10,470	8,121	3,813	41,903	24,461	10,091	5,249	
Asset management fees to related party			796		2,655	3,185	3,185	2,663
Depreciation and amortization expense	16,379	12,143	5,507	62,316	31,398	16,295	7,659	
General and administrative expenses	2,413	2,413	92	24,847	21,017	329	249	
Net loss from early extinguishment of debt	125	125		283	283			
Other expenses	531	521	90	2,922	2,805	2,459	1,249	107
Total expenses	46,788	34,748	15,263	197,356	112,802	46,297	25,426	2,770
Income (loss) before minority interests (deficit)	8,377	4,895	3,507	11,912	(5,681)	16,791	129	(2,758)
Minority interests in consolidated joint ventures	(3)	(3)	46	(24)	(24)	149	190	
Minority interests in operating partnership	4,613	2,159		6,571	(10,214)			
Net income (loss)	3,767	2,739	3,461	5,365	4,557	16,642	(61)	(2,758)
Preferred stock dividends	(3,317)	(1,271)		(13,267)				
Net income (loss) available to common stockholders/ owners	$ 450	$ 1,468	$ 3,461	$ (7,902)	$ 4,557	$ 16,642	$ (61)	$ (2,758)

Earnings (loss) per share available to common stockholders basic and diluted	$ 0.02	$ 0.07	$	$ (0.31)	$ (0.30)[1]	$	$	$
Weighted average common shares outstanding:								
Basic	25,737	21,421		25,737	20,771[1]			
Diluted	25,851	21,535		25,737	20,771[1]			
Balance Sheet Data (at period end)								
Investments in real estate, after accumulated depreciation and amortization	$ 1,076,084	$ 852,112	$	$	$ 787,412	$ 391,737	$ 217,009	$
Total assets	1,386,496	1,099,727			1,013,287	479,698	269,836	1,893
Notes payable under line of credit	73,950	36,000			44,000	44,436	53,000	
Mortgages and other secured loans	587,369	479,701			475,498	253,429	103,560	
Total liabilities	742,783	579,393			584,229	328,303	183,524	903
Minority interests in consolidated joint ventures	149	149			997	3,444	3,135	
Minority interests in operating partnership	270,523	250,592			254,862			
Stockholders /owner s equity	373,041	269,593			173,199	147,951	83,177	990
Total liabilities and stockholders /owner s equity	1,386,496	1,099,727			1,013,287	479,698	269,836	1,893
Cash flows from (used in):								
Operating activities	$	$ 11,708	$ 6,627	$	$ 44,638	$ 27,628	$ 9,645	$ (1,867)
Investing activities		(71,645)	(40,571)		(371,277)	(213,905)	(164,755)	(1,881)
Financing activities		58,255	33,023		326,022	187,873	158,688	3,748
Other Data:								
Funds from operations[2]	$ 24,759	$ 17,041	$	$ 74,252	$ (9,010)[1]	$	$	$
Funds from operations available to common stockholders[2][3]	21,442	15,770		60,985	(9,010)[1]			
EBITDA[4]	35,229	25,162	12,781	116,155	50,202	43,028	12,847	(2,758)
EBITDA available to common stockholders of the company and owners of the Predecessor[4][5]	31,912	23,891	12,781	102,888	50,202	43,028	12,847	(2,758)

(1) For period from November 3, 2004 through December 31, 2004.

(2) We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, or GAAP), excluding gains (or losses) from sales of property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. See the reconciliation of pro forma net income to pro forma FFO below.

(3) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock. See the reconciliation of net income to FFO available to common stockholders below.

(4) We believe that earnings before interest, taxes, depreciation and amortization, or EBITDA, is a useful supplemental performance measure. In addition, we believe EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. However, EBITDA should not be considered as an alternative to net income as an indicator of our operating performance. In addition, because EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of our business, its utility as a measure of our liquidity is limited. Accordingly, EBITDA should not be considered as a supplement to cash flows from operating activities (computed in accordance with GAAP) as a measure of our liquidity. Other REITs may calculate EBITDA differently than we do; accordingly, our EBITDA may not be comparable to such other REITs EBITDA. See the reconciliation of net income to EBITDA on page 41.

(5) EBITDA available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock. See the reconciliation of net income to EBITDA available to common stockholders on page 41.

The following table reconciles our net income to our FFO and FFO available to common stockholders for the periods indicated:

	Pro Forma Three Months Ended March 31, 2005	Historical Three Months Ended March 31, 2005	Pro Forma Year Ended December 31, 2004	Historical Consolidated Period from November 3, 2004 through December 31, 2004
Reconciliation of net income to FFO and FFO available to common stockholders:				
Net income before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 8,380	$ 4,898	$ 11,936	$ (16,383)
Plus real estate depreciation and amortization	16,379	12,143	62,316	7,373
FFO	24,759	17,041	74,252	(9,010)
Less preferred stock dividends	3,317	1,271	13,267	
FFO available to common stockholders[1]	$ 21,442	$ 15,770	$ 60,985	$ (9,010)

(1) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock.

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The following table reconciles our net income to our EBITDA and EBITDA available to common stockholders for the periods indicated:

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor		
								Period from February 28, 2001 (inception) through December 31,
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined		Historical Combined
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,		
	2005	2005	2004	2004	2004	2003	2002	2001
Reconciliation of net income to EBITDA:								
Net income (loss)	$ 3,767	$ 2,739	$ 3,461	$ 5,365	$ 4,557	$ 16,642	$ (61)	$ (2,758)
Adjustments:								
Minority interest in operating partnership	4,613	2,159		6,571	(10,214)			
Interest expense	10,470	8,121	3,813	41,903	24,461	10,091	5,249	
Depreciation and amortization	16,379	12,143	5,507	62,316	31,398	16,295	7,659	
EBITDA	35,229	25,162	12,781	116,155	50,202	43,028	12,847	(2,758)
Less preferred stock dividends	3,317	1,271		13,267				
EBITDA available to common stockholders of the Company and to the owners of the Predecessor[1]	$ 31,912	$ 23,891	$ 12,781	$ 102,888	$ 50,202	$ 43,028	$ 12,847	$ (2,758)

(1) EBITDA available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Selected Financial Data and the financial statements and notes thereto appearing elsewhere in this prospectus. Where appropriate, the following discussion analyzes the effects of our initial public offering and the related formation transactions, certain other transactions and the concurrent offerings. These effects are reflected in the pro forma combined financial statements located elsewhere in this prospectus. For a discussion of risk factors, see Risk Factors and Forward-Looking Statements.

Overview

Our company. We completed our initial public offering of common stock on November 3, 2004. We expect to qualify as a REIT for federal income tax purposes beginning with our initial taxable period ended December 31, 2004. Our company was formed on March 9, 2004. During the period from our formation until we commenced operations in connection with the completion of our initial public offering, we did not have any corporate activity other than the issuance of shares of common stock in connection with the initial capitalization of our company. Because we believe that a discussion of the results of our company prior to the completion of our initial public offering would not be meaningful, we have set forth below a discussion of historical consolidated operations for our company and the historical combined operations of the Digital Realty Predecessor, and all references in Management s Discussion and Analysis of Financial Condition and Results of Operations to our , we and us include our company and the Digital Realty Predecessor. The Digital Realty Predecessor comprises the real estate activities and holdings of GI Partners related to the properties in our portfolio. The Digital Realty Predecessor s combined historical financial information comprises:

- the wholly-owned real estate subsidiaries and majority-owned real estate joint ventures that GI Partners contributed to our operating partnership in connection with our initial public offering;
- an allocation of GI Partners line of credit to the extent that borrowings and related interest expense related to (1) borrowings to partially fund acquisitions of the properties in our portfolio and (2) borrowings to pay asset management fees paid by GI Partners that were allocated to the properties in our portfolio; and
- an allocation of the asset management fees paid to a related party and incurred by GI Partners, along with an allocation of the liability for any such fees that were unpaid as of the date of the financial statements, and an allocation of GI Partners general and administrative expenses.

Business and strategy. Our primary business objectives are to maximize sustainable long-term growth in cash flows, earnings per share, funds from operations per share and to maximize returns to our stockholders. We expect to achieve our objectives by focusing on our core business of investing in technology-related real estate. We target high-quality, strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate and institutional data center users, including the IT departments of Fortune 1000 and financial services companies. We focus on regional, national and international tenants that require technology real estate and are leaders in their respective areas. Most of our properties contain fully redundant electrical supply systems, multiple power feeds, above-standard electrical HVAC systems, raised floor areas to accommodate computer cables and below-floor cooling systems, extensive in-building communications cabling and high-level security systems. We focus solely on technology-related real estate because we believe that the growth of the technology industry, particularly Internet and data communications and corporate data center use, will be superior to that of the overall economy.

From the acquisition of our first property in 2002 through March 31, 2005, we acquired 26 technology-related real estate properties containing 6.3 million net rentable square feet. Since March 31, 2005 we have acquired seven properties containing approximately 1.4 million net rentable square feet. We are under contract to acquire three additional properties containing approximately 95,490 net rentable square feet. On March 14, 2005, we entered into a contract to acquire Printers Square in Chicago, Illinois. This contract terminated without our

completing the acquisition. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial and other criteria. We expect to continue to acquire additional assets as a key part of our growth strategy. We intend to manage and lease our assets aggressively to increase their cash flow. We often acquire properties with substantial in place cash flow and some vacancy, which enables us to create upside through lease-up. See Business and Properties.

We may acquire properties subject to existing mortgage financing and other indebtedness or we may incur new indebtedness in connection with acquiring or refinancing properties. Debt service on such indebtedness will have a priority over any dividends with respect to our common stock and our preferred stock. We have adopted a policy limiting our indebtedness to 60% of our total market capitalization. At March 31, 2005, based on the closing price of our common stock on that date of $14.37, our ratio of debt to total market capitalization was approximately 37.4%. Based on the closing price of our common stock on June 30, 2005 of $17.38 per share, we expect that our pro forma ratio of debt to total market capitalization upon the completion of the concurrent offerings will be approximately 36.4%. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total market capitalization ratio), excluding options issued under our incentive award plan, plus the aggregate value of the units not held by us (including long-term incentive units), plus the book value of our total consolidated indebtedness.

Revenue base. We own 33 properties directly or indirectly through our operating partnership, and are under contract to acquire three additional properties. These properties are located throughout the U.S. and one property is in London, England. The properties contain a total of approximately 7.8 million net rentable square feet, excluding space held for redevelopment. We acquired our first property in January 2002, four additional properties through December 31, 2002, eight properties during the year ended December 31, 2003, eleven properties during the year ended December 31, 2004 and nine properties between January 1, 2005 and June 30, 2005. We are under contract to acquire three additional properties. As of March 31, 2005, the properties in our portfolio, excluding space held for redevelopment, were approximately 90.1% leased at an average annualized rent per leased square foot of $20.12. Since our tenants generally fund a substantial portion of capital improvements, our lease terms are generally longer than standard commercial leases. At March 31, 2005, our average lease term was 12.6 years, with an average of 8.0 years remaining. Through 2008, leases representing only 9.3% of our net rentable square feet or 8.3% of our aggregate annualized rent as of March 31, 2005 are scheduled to expire.

Operating expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs, and rental expenses on our ground lease. For the Digital Realty Predecessor, a significant portion of the general and administrative type expenses have been reflected in the asset management fees that were paid to GI Partners related-party asset manager. The asset management fees were based on a fixed percentage of capital commitments made by the investors in GI Partners, a portion of which have been allocated to the Digital Realty Predecessor. Since the consummation of our initial public offering, we have internalized our asset management and accounting functions and are now incurring our general and administrative expenses directly. In addition, as a public company, we are incurring significant legal, accounting and other expenses related to corporate governance, Securities and Exchange Commission reporting and compliance with the various provisions of the Sarbanes-Oxley Act of 2002. In addition, we rely on third-party property managers for most of our properties. As of March 31, 2005, 14 of our properties were managed by affiliates of CB Richard Ellis, an affiliate of GI Partners.

Formation transactions. In connection with the completion of our initial public offering, our operating partnership received contributions from GI Partners and third parties of direct and indirect interests in the majority of the properties in our portfolio in exchange for consideration that included cash, assumption of debt, and common units in our operating partnership.

We accounted for the ownership interests contributed to us by GI Partners in exchange for common units in our operating partnership as a reorganization of entities under common control in a manner similar to a pooling of interests. Accordingly, the assets and liabilities contributed by GI Partners are accounted for by our operating

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partnership at GI Partners historical cost. We used purchase accounting to account for the acquisition of ownership interests in 200 Paul Avenue and 1100 Space Park Drive, which were contributed to us by third parties in exchange for interests in our operating partnership, cash and the assumption of debt and for the acquisition of the 10% minority ownership interest in Univision Tower, which was contributed to us by our joint venture partner in exchange for an interest in our operating partnership and the repayment of debt. Accordingly, the purchase price for these interests, which are equal to the value of the common units that we issued in exchange plus cash paid and debt assumed, were allocated to the assets acquired and liabilities assumed based on the fair value of the assets and liabilities.

Factors Which May Influence Future Results of Operations

Rental income. The amount of net rental income generated by the properties in our portfolio depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. Excluding space held for redevelopment, as of March 31, 2005, the occupancy rate in the properties in our portfolio was approximately 90.1% of our net rentable square feet, excluding space held for redevelopment. The amount of rental income we generate also depends on our ability to maintain or increase rental rates at our properties. In addition, one of our strategies is to subdivide approximately 230,000 net rentable square feet of space with extensive data center improvements for multi-tenant colocation use, allowing us to lease small spaces at rates that are significantly higher than prevailing market rates for other uses. Negative trends in our occupancy rates or rental rates could adversely affect our rental income in future periods. Future economic downturns or regional downturns affecting our submarkets or downturns in the technology industry that impair our ability to renew or re-lease space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. In addition, growth in rental income will also partially depend on our ability to acquire additional technology-related real estate that meets our investment criteria. One of our tenants, VarTec Telecom, Inc. filed for Chapter 11 bankruptcy protection on November 1, 2004. VarTec Telecom, Inc. occupies 135,250 rentable square feet at VarTec Building in Carrollton, Texas, 8,632 rentable square feet at Univision Tower in Dallas, Texas, and 14,959 rentable square feet at Lakeside Technology Center in Chicago, Illinois. We are closely monitoring their status and we believe our properties provide a favorable opportunity for consolidation of their operations. On August 3, 2004, prior to our acquisition of 200 Paul Avenue, Universal Access Inc. filed for Chapter 11 bankruptcy protection. Both tenants are current on their rental obligations.

Scheduled lease expirations. Our ability to re-lease expiring space will impact our results of operations. In addition to approximately 779,000 square feet of available space, excluding space held for redevelopment, in our portfolio as of March 31, 2005, leases representing approximately 0.7% and 2.6% of the square footage of our portfolio are scheduled to expire during the nine months ending December 31, 2005 and the year ending December 31, 2006, respectively. These leases represent approximately 0.6% and 2.2%, respectively, of our total annualized base rent.

Conditions in significant markets. As of March 31, 2005, our portfolio was geographically concentrated in the Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan markets; these markets provided 6.8%, 13.6%, 13.6%, 8.7%, 4.8%, 5.0%, 7.7% and 25.7%, respectively, of the annualized rent of the properties in our portfolio. Subsequent to March 31, 2005, we acquired or entered into contracts to acquire properties in the Chicago, Denver, Los Angeles and Silicon Valley metropolitan areas that will account for significant portions of our future annualized rent. Positive or negative changes in conditions in our significant markets will impact our overall performance. The Dallas, San Francisco and Silicon Valley metropolitan real estate markets were adversely affected by the most recent downturn in the technology industry, and continue to stabilize as the technology industry and broader economy rebound. The majority of the 3.3% of the net rentable square feet of our portfolio that, as of March 31, 2005, is scheduled to expire in the period ending December 31, 2006 is in Denver. The Denver metropolitan real estate market was also adversely affected by the most recent downturn in the technology industry. We believe that the Denver leasing market appears to be stabilizing, with recent positive absorption of space.

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Operating expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs, and rental expenses on our ground lease. We are also incurring general and administrative expenses, including expenses relating to our asset management function, and significant legal, accounting and other expenses related to corporate governance, Securities and Exchange Commission reporting and compliance with the various provisions of the Sarbanes-Oxley Act. Increases or decreases in such operating expenses will impact our overall performance.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our consolidated and combined financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). To prepare these financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Note 2 to our financial statements included elsewhere in this prospectus. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date on the front cover of this prospectus.

Investments in Real Estate

Acquisition of real estate. The price that we pay to acquire a property is determined by many factors, including the condition of the buildings and improvements, the occupancy of the building, the existence of above and below market tenant leases, the creditworthiness of the tenants, favorable or unfavorable financing and above or below market ground leases. Accordingly, we are required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the assets acquired and liabilities assumed based on our estimate of the fair values of such assets and liabilities. This includes assessing the value of the buildings and improvements, land, any ground leases, tenant improvements, in-place tenant leases, tenant relationships, the value (or negative value) of above (or below) market leases and any debt assumed from the seller or loans made by the seller to us. Each of these estimates requires a great deal of judgment and some of the estimates involve complex calculations. Our allocation methodology is summarized in Note 2 to our consolidated and combined financial statements. These allocation assessments have a direct impact on our results of operations. For example, if we were to allocate more value to land, there would be no depreciation with respect to such amount. If we were to allocate more value to the buildings as opposed to tenant leases, this amount would be recognized as an expense over a much longer period. This is because the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the terms of the leases. Additionally, the amortization of the value (or negative value) assigned to above (or below) market rate leases is recorded as an adjustment to rental revenue, whereas the amortization of the value of in-place leases and tenant relationships is included in depreciation and amortization in our combined statements of operations.

Useful lives of assets. We are required to make subjective assessments of the useful lives of our properties to determine the amount of depreciation to record on an annual basis with respect to our investments in real estate. These assessments have a direct impact on our net income because if we were to shorten the expected useful lives of our investments in real estate we would depreciate such investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

Asset impairment valuation. We review the carrying value of our properties when circumstances, such as adverse market conditions, indicate potential impairment may exist. We base our review on an estimate of the

future cash flows (excluding interest charges) expected to result from the property s use and eventual disposition. We consider factors such as future operating income, trends and prospects and the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Since cash flows on properties considered to be long-lived assets to be held and used are considered on an undiscounted basis to determine whether an asset has been impaired, our strategy of holding properties over the long-term directly decreases the likelihood of recording an impairment loss. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If we determine that impairment has occurred, the affected assets must be reduced to their fair value. No such impairment losses have been recognized to date.

We estimate the fair value of rental properties using a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs and is similar to the income approach that is commonly used by appraisers.

Revenue Recognition

Rental income is recognized using the straight-line method over the terms of the tenant leases. Deferred rents included in our balance sheets represent the aggregate excess of rental revenue recognized on a straight-line basis over the rental revenue that would be recognized under the terms of the leases. Our leases generally contain provisions under which the tenants reimburse us for a portion of the property operating expenses and real estate taxes that we incur. We recognize these reimbursements in the period during which we incur the expenses. Lease termination fees are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants. As discussed above, we recognize amortization of the value of acquired above or below market tenant leases as a reduction of rental income in the case of above market leases or an increase to rental revenue in the case of below market leases.

We must make subjective estimates as to when our revenue is earned and the collectibility of our accounts receivable related to minimum rent, deferred rent, expense reimbursements, lease termination fees and other income. We specifically analyze accounts receivable and historical bad debts, tenant concentrations, tenant creditworthiness, and current economic trends when evaluating the adequacy of the allowance for bad debts. These estimates have a direct impact on our net income because a higher bad debt allowance would result in lower net income, and recognizing rental revenue as earned in one period versus another would result in higher or lower net income for a particular period.

Results of Operations

The discussion below relates to our financial condition and results of operations for the three months ended March 31, 2005 and 2004 and the years ended December 31, 2004, 2003 and 2002. We have combined the results of operations for the period from November 3, 2004 through December 31, 2004 and the period from January 1, 2004 through November 2, 2004 to provide a meaningful comparison to the results of operations for the year ended December 31, 2003.

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The following table identifies each of the properties in our portfolio acquired through March 31, 2005. Our property portfolio has grown significantly since we acquired our first property in January 2002. Because of this growth, a period-to-period comparison of our financial performance focuses primarily on the impact on our revenues and expenses resulting from the new property additions to our portfolio. On a same store property basis, our revenues and expenses have remained substantially stable as a result of the generally consistent occupancy rates at our properties.

			Occupancy Rate			
Acquired Properties	**Acquisition Date**	**Net Rentable Square Feet**	**March 31, 2005**	**December 31, 2004**	**December 31, 2003**	**December 31, 2002**
Year Ended December 31, 2002						
36 Northeast Second Street	Jan 2002	162,140	81.2%	81.2%	95.7%	95.7%
Univision Tower	Jan 2002	477,107	79.9	80.5	84.1	82.2
Camperdown House	July 2002	63,233	100.0	100.0	100.0	100.0
Hudson Corporate Center	Nov 2002	311,950	87.4	88.7	88.7	100.0
NTT/Verio Premier Data Center	Dec 2002	130,752	100.0	100.0	100.0	100.0
Subtotal		1,145,182				
Year Ended December 31, 2003						
Ardenwood Corporate Park	Jan 2003	307,657	100.0	100.0	80.7	
VarTec Building	Jan 2003	135,250	100.0	100.0	100.0	
ASM Lithography Facility	May 2003	113,405	100.0	100.0	100.0	
AT&T Web Hosting Facility	June 2003	250,191	50.5	50.0	50.0	
Brea Data Center	Aug 2003	68,807	100.0	100.0	100.0	
Granite Tower	Sept 2003	240,065	94.6	95.5	98.9	
Maxtor Manufacturing Facility	Sept 2003	183,050	100.0	100.0	100.0	
Stanford Place II	Oct 2003	366,184	88.4	85.7	79.8	
Subtotal		1,664,609				
Year Ended December 31, 2004						
100 Technology Center Drive	Feb 2004	197,000	100.0	100.0		
Siemens Building	April 2004	125,538	100.0	100.0		
Carrier Center	May 2004	450,021	79.7	81.7		
Savvis Data Center 1	May 2004	300,000	100.0	100.0		
Comverse Technology Building	June 2004	386,956	100.0	100.0		
Webb at LBJ	Aug 2004	365,449	89.6	89.0		
AboveNet Data Center	Sept 2004	187,085	96.2	97.1		
eBay Data Center	Oct 2004	62,957	100.0	100.0		
200 Paul Avenue	Nov 2004	532,238	83.4	83.1		
1100 Space Park Drive	Nov 2004	167,951	46.6	46.6		
Burbank Data Center	Dec 2004	82,911	100.0	100.0		
Subtotal		2,858,106				
Quarter Ended March 31, 2005						
833 Chestnut Street	Mar 2005	547,195	91.5(1)			
MAPP Building	Mar 2005	88,134	100.0			
Subtotal		635,329				

Total	6,303,226

(1) Excludes 107,563 square feet of space held for redevelopment.

Comparison of the Three Months Ended March 31, 2005 to the Three Months Ended March 31, 2004

As of March 31, 2005, our portfolio consisted of 26 properties with an aggregate of 6.3 million net rentable square feet compared to a portfolio consisting of 14 properties with an aggregate of 3.0 million net rentable square feet as of March 31, 2004. The increase in our portfolio reflects the acquisition of twelve properties with an aggregate of approximately 3.3 million net rentable square feet during the twelve months ended March 31, 2005.

Total revenues increased $20.8 million, or 110.6%, to $39.6 million for the three months ended March 31, 2005 compared to $18.8 million for the three months ended March 31, 2004. Rental revenue increased $16.7 million, or 104.4%, to $32.7 million for the three months ended March 31, 2005 compared to $16.0 million for the three months ended March 31, 2004. Revenues from tenant reimbursements increased $3.8 million, or 140.7%, to $6.5 million for the three months ended March 31, 2005 compared to $2.7 million for the three months ended March 31, 2004. The increase in rental and tenant reimbursements revenue was primarily due to the twelve properties added to our portfolio during the twelve months ended March 31, 2005 along with a full three months of revenue earned in 2005 attributed to our acquisitions made during the three months ended March 31, 2004.

The increase in other revenue of $0.4 million for the three months ended March 31, 2005 compared to the three months ended March 31, 2004 was primarily due to an increase in early lease termination fees.

Total expenses increased $19.4 million, or 126.8%, to $34.7 million for the three months ended March 31, 2005 compared to $15.3 million for the three months ended March 31, 2004. The increase in total expenses was primarily due to twelve properties being added to our portfolio during the twelve months ended March 31, 2005 along with a full three months of expenses incurred in 2005 for our acquisitions made during the three months ended March 31, 2004, resulting in increases in rental property operating and maintenance expense, property taxes, insurance, interest expense, depreciation and amortization expense and general and administrative expense. The increase in total expenses was also due to expenses incurred in connection with being a public company after the completion of our initial public offering in November 2004.

Rental property operating and maintenance expense increased $4.1 million, or 136.7%, to $7.1 million for the three months ended March 31, 2005 compared to $3.0 million for the three months ended March 31, 2004. Rental property operating and maintenance expenses included $0.4 million and $0.2 million for the three months ended March 31, 2005 and 2004, respectively, paid to affiliates of CB Richard Ellis Investors for property management and other fees. The increase is primarily due to the twelve properties added to our portfolio during the twelve months ended March 31, 2005 along with a full three months of expenses incurred in 2005 attributed to our acquisition made during the three months ended March 31, 2004.

Interest expense increased $4.3 million, or 113.2%, to $8.1 million for the three months ended March 31, 2005 compared to $3.8 million for the three months ended March 31, 2004. The increase was associated with new mortgage debt incurred primarily in connection with the properties added to our portfolio. The increase in interest related to property acquisitions was partially offset by a reduction in interest related to loans repaid or refinanced in connection with the completion of our initial public offering.

Depreciation and amortization expense increased $6.6 million, or 120.0%, to $12.1 million for the three months ended March 31, 2005 compared to $5.5 million for the three months ended March 31, 2004. The increase is primarily due to the twelve properties added to our portfolio during the twelve months ended March 31, 2005 along with a full three months of depreciation and amortization in 2005 attributed to our acquisition made during the three months ended March 31, 2004.

General and administrative expense increased $2.3 million to $2.4 million for the three months ended March 31, 2005 compared to $0.1 million for the three months ended March 31, 2004. Prior to the completion of our initial public offering, general and administrative expenses were incurred by the Company Predecessor s related party asset manager and the Company Predecessor incurred an asset management fee, which is included

separately in our combined statement of operations. Additionally, as a public company, we are incurring significant legal, accounting and other costs related to corporate governance, Securities and Exchange Commission reporting and other public company overhead.

Other expenses are primarily comprised of write-offs of the carrying amounts for deferred rent, tenant improvements, acquired in-place lease value and acquired above and below market lease values as a result of the early termination of tenant leases. Other expenses increased $0.4 million for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, primarily due to no early lease terminations experienced during the three months ended March 31, 2004.

For the three months ended March 31, 2004, the monthly asset management fees to a related party were based on a fixed percentage of capital commitments by the investors in GI Partners, a portion of which was allocated to the Company Predecessor. Effective as of the completion of our initial public offering, no such fees are allocated to us.

Comparison of the Year Ended December 31, 2004 to the Year Ended December 31, 2003

As of December 31, 2004, our portfolio consisted of 24 properties with an aggregate of 5.7 million net rentable square feet compared to a portfolio consisting of 13 properties with an aggregate of 2.8 million net rentable square feet as of December 31, 2003. The increase in our portfolio reflects the acquisition of eleven properties with an aggregate of approximately 2.9 million net rentable square feet during 2004, bringing the total number of properties from 13 as of December 31, 2003 to 24 as of December 31, 2004.

Total revenues increased $44.0 million, or 69.7%, to $107.1 million for the year ended December 31, 2004 compared to $63.1 million for the year ended December 31, 2003. Rental revenue increased $39.0 million, or 77.8%, to $89.1 million for the year ended December 31, 2004 compared to $50.1 million for the year ended December 31, 2003. Revenues from tenant reimbursements increased $7.5 million, or 86.2%, to $16.2 million for the year ended December 31, 2004 compared to $8.7 million for the year ended December 31, 2003. The increase in rental and tenant reimbursements revenue was primarily due to the eleven properties added to our portfolio during 2004 along with a full year of revenue earned in 2004 attributed to our 2003 acquisitions.

The decrease in other revenue of $2.5 million, or 58.1%, to $1.8 million for the year ended December 31, 2004 compared to $4.3 million for the year ended December 31, 2003 was primarily due to a decrease in early lease termination fees.

Total expenses increased $66.5 million, or 143.6%, to $112.8 million for the year ended December 31, 2004 compared to $46.3 million for the year ended December 31, 2003. The increase in total expenses was primarily due to eleven properties being added to our portfolio during 2004 along with a full year of expenses incurred in 2004 for our 2003 acquisitions, which resulted in increases in rental property operating and maintenance expense, interest expense, depreciation and amortization expense and general and administrative expense. The increase in total expenses was also due to expenses incurred in connection with the completion of our initial public offering and the related formation transactions.

Rental property operating and maintenance expense increased $10.4 million, or 120.9%, to $19.0 million for the year ended December 31, 2004 compared to $8.6 million for the year ended December 31, 2003. Rental property operating and maintenance expenses included $1.1 million and $0.4 million in 2004 and 2003, respectively, paid to affiliates of CB Richard Ellis Investors for property management and other fees. The increase is primarily due to the acquisition of the eleven properties described above.

Interest expense increased $14.4 million, or 142.6%, to $24.5 million for the year ended December 31, 2004 compared to $10.1 million for the year ended December 31, 2003. The increase was associated with new mortgage and other secured debt incurred primarily in connection with the properties added to our portfolio. Interest expense also included $3.1 million of amortization of deferred financing costs related to notes payable

under our bridge loan. The increase in interest related to property acquisitions was partially offset by a reduction in interest related to loans repaid or refinanced in connection with the completion of our initial public offering.

Depreciation and amortization expense increased $15.1 million, or 92.6%, to $31.4 million for the year ended December 31, 2004 compared to $16.3 million for the year ended December 31, 2003. The increase was primarily due to the acquisition of the eleven properties along with a full year of depreciation and amortization incurred in 2004 for our 2003 acquisitions.

General and administrative expense increased $20.7 million to $21.0 million for the year ended December 31, 2004 compared to $0.3 million for the year ended December 31, 2003. The increase was primarily due to $17.9 million of compensation expense recorded upon completion of our initial public offering related to fully-vested long-term incentive units granted in connection with the initial public offering and due to general and administrative expenses incurred from November 3, 2004 through December 31, 2004. Prior to the completion of our initial public offering, Digital Realty Predecessor s related party asset manager incurred general and administrative expenses and, Digital Realty Predecessor incurred an asset management fee, which is included separately in our combined statement of operations. Additionally, as a public company, we are incurring significant legal, accounting and other costs related to corporate governance, Securities and Exchange Commission reporting and other public company overhead. In addition, in 2004, we also incurred title insurance and consulting costs related to our initial public offering that were not considered offering costs or costs that could be capitalized. Accordingly, they were expensed in full in 2004.

Other expenses primarily consist of write-offs of the carrying amounts for deferred tenant improvements, acquired in place lease value and acquired above and below market lease values as a result of the early termination of tenant leases. The total amount of such write-offs for the year ended December 31, 2004 is comparable to the total for the year ended December 31, 2003, despite the decrease in lease termination revenue, because not all 2004 early terminations resulted in termination fees.

For the years ended December 31, 2004 and 2003, the monthly asset management fee to a related party was based on a fixed percentage of capital commitments by the investors in GI Partners. A portion of these fees were allocated to the Digital Realty Predecessor. Effective as of the completion of our initial public offering, no such fees are allocated to us.

Comparison of Year Ended December 31, 2003 to Year Ended December 31, 2002

As of December 31, 2003, our portfolio consisted of 13 properties with an aggregate of approximately 2.8 million net rentable square feet compared to a portfolio consisting of five properties with an aggregate of approximately 1.1 million net rentable square feet as of December 31, 2002. The increase in our portfolio reflects the acquisition of eight properties with an aggregate of approximately 1.7 million net rentable square feet during 2003.

Total revenue increased $37.5 million, or 146.5%, to $63.1 million for the year ended December 31, 2003 compared to $25.6 million for the year ended December 31, 2002. Rental revenue increased $28.9 million, or 136.3%, to $50.1 million for the year ended December 31, 2003 compared to $21.2 million for the year ended December 31, 2002. Revenues from tenant reimbursements increased $4.8 million, or 123.1%, to $8.7 million for the year ended December 31, 2003 compared to $3.9 million for the year ended December 31, 2002. The increase in rental and tenant reimbursement revenues was primarily due to the properties added to our portfolio during the latter part of 2002 and the year ended December 31, 2003. Other revenues increased $3.8 million to $4.3 million for the year ended December 31, 2003 compared to $0.5 million for the year ended December 31, 2002. This increase was primarily due to an early lease termination fee recognized during the year ended December 31, 2003.

Total expenses increased $20.9 million, or 82.3%, to $46.3 million for the year ended December 31, 2003 compared to $25.4 million for the year ended December 31, 2002. The increase was primarily due to the increase in expenses related to properties added to our portfolio during the latter part of 2002 and the year ended

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December 31, 2003. The increase in total expenses includes an increase in interest expense of $4.9 million to $10.1 million for the year ended December 31, 2003 compared to $5.2 million for the year ended December 31, 2002 associated with new mortgage and other secured debt incurred in connection with the properties in our portfolio. Other expenses of $2.5 million and $1.2 million for the years ended December 31, 2003 and 2002, respectively, primarily consist of write-offs of the carrying amounts for deferred tenant improvements, acquired in place lease value and acquired above and below market lease values as a result of the early termination of tenant leases in each year. During the years ended December 31, 2003 and 2002, the asset management fee to a related party remained constant as this fee was based on a fixed percentage of capital commitments by the investors in GI Partners, a portion of which have been allocated to the Digital Realty Predecessor.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

As of March 31, 2005, we had $2.9 million of cash and cash equivalents, excluding $13.8 million of restricted cash. Restricted cash primarily consists of interest bearing cash deposits required by the terms of several of our mortgage loans for a variety of purposes, including real estate taxes, insurance, anticipated or contractually obligated tenant improvements and leasing reserves.

Our short term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, dividend payments on our series A preferred stock, which was issued on February 9, 2005, and our series B preferred stock being offered in the series B preferred stock offering, dividend payments to our common stockholders required to maintain our REIT status, distributions to the limited partners in the operating partnership, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, restricted cash accounts established for certain future payments, the proceeds from the concurrent offerings and by drawing upon our unsecured credit facility.

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. As of March 31, 2005, we had commitments under leases in effect for $2.4 million of tenant improvements and leasing commissions, including $2.2 million for the remainder of 2005 and $0.2 million in 2006. Although we are under no obligation to do so, and assuming we meet our lease-up targets, we anticipate spending up to an additional $12.8 million during the remainder of 2005 for tenant improvements and leasing commissions to build out or reposition existing space.

We also expect to incur costs of recurring and nonrecurring capital improvements for our properties. Our nonrecurring capital expenditures are discretionary and vary substantially from period to period. Although we have no contractual commitments for the remainder of 2005, we expect nonrecurring capital expenditures at our properties will be approximately $2.2 million in 2005, due to the growth of our portfolio. 833 Chestnut Street, which we acquired in March 2005, contains 107,563 square feet of space held for redevelopment and Lakeside Technology Center, which we acquired in May 2005, contains approximately 290,000 square feet of space held for redevelopment. Depending on demand in these buildings, we may incur significant costs to build out these spaces.

As of March 31, 2005, we owned approximately 230,000 net rentable square feet of space with extensive data center improvements that we may subdivide for multi-tenant colocation use during the next two years rather than lease such space to large single tenants. We estimate that the cost to subdivide this space will be approximately $10 to $20 per square foot, on average. We may also spend additional amounts in the next two years to build out unimproved space for colocation use, depending on tenant demand; however, we are not currently committed to do so. The cost to build out such unimproved space will vary based on the size and condition of the space.

Our operating partnership has a $210.0 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the joint bookrunning managers for our common stock offering, and together with UBS Securities LLC, the bookrunning managers for our series B preferred stock offering, and other underwriters for the concurrent

offerings. The facility may be expanded to up to $350.0 million at our request, subject to receipt of lender commitments and satisfaction of other conditions, and includes a $100.0 million sub-facility for foreign exchange advances in euros, British pounds and Canadian dollars. Borrowings under the facility currently bear interest at a rate based on LIBOR plus a premium ranging from 1.375% to 1.750%, depending on our operating partnership s overall leverage. The premium was 1.625% as of March 31, 2005. The facility matures in November 2007, subject to a one-year extension option. We intend to use available borrowings under the amended unsecured credit facility to, among other things, finance the acquisition of future properties (including, potentially, the right of first offer property), fund tenant improvements and capital expenditures, and provide for working capital and other corporate purposes.

In February 2005, we completed the offering of 4.14 million shares of our 8.50% series A preferred stock for total net proceeds, after underwriting discounts and estimated expenses, of $99.3 million, including the proceeds from the exercise of the underwriters over-allotment option. We used the net proceeds from the series A preferred stock offering to reduce borrowings under our unsecured credit facility, acquire two properties in March 2005 as described below and for investment and general corporate purposes.

In March 2005, we completed the acquisition of two properties, 833 Chestnut Street in Philadelphia, Pennsylvania and MAPP Building in Minneapolis, Minnesota. The aggregate purchase price for these properties was approximately $74.6 million, which was paid from the proceeds of our offering of series A preferred stock described above along with the assumption of a $9.7 million mortgage loan on MAPP Building.

In May 2005, we completed the acquisition of Lakeside Technology Center in Chicago, Illinois, for a purchase price of approximately $141.6 million, $35.0 million of which we borrowed under our unsecured credit facility. We are obligated to pay the seller a contingent fee of up to $20 million in the event a new real estate tax classification for the property is obtained prior to December 31, 2006. We have also agreed with the seller to share a portion, not to exceed $135,000 per month, of rental revenue, adjusted for our costs to lease the premises, from the lease of the 290,000 square feet of space held for redevelopment. This revenue sharing agreement will terminate in May 2013.

In June 2005, we completed the acquisition of Ameriquest Data Center in Englewood, Colorado, for a purchase price of approximately $16.5 million, which we borrowed under our unsecured credit facility.

In June 2005, we completed the acquisition of Savvis Data Centers 2 through 5 and Savvis Office Building for a combined purchase price of approximately $92.5 million, which we borrowed under our unsecured credit facility.

We have also entered into a purchase and sale agreement to acquire the Charlotte Internet Gateway properties for an aggregate purchase price of approximately $17.3 million.

We expect to meet our long-term liquidity requirements to pay for scheduled debt maturities and to fund property acquisitions and nonrecurring capital improvements with net cash from operations, future long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund future property acquisitions and nonrecurring capital improvements using our unsecured credit facility pending permanent financing.

Distributions

We are required to distribute 90% of our REIT taxable income (excluding capital gains) on an annual basis in order to qualify as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to preferred stockholders, common stockholders and unit holders from cash flow from operating activities. All such distributions are at the discretion of our board of directors. We may be required to use borrowings under the credit facility, if necessary, to meet REIT distribution requirements and maintain our REIT status. We consider market factors and our performance in addition to REIT requirements in determining distribution levels. Amounts accumulated for distribution to stockholders are invested primarily in interest-bearing accounts and short-term interest-bearing securities or are used to temporarily reduce borrowings under our unsecured credit facility, which are consistent with our intention to qualify as a REIT.

On February 14, 2005, we declared a dividend on our series A preferred stock of $0.30694 per share for the period from February 9, 2005 through March 31, 2005, which was paid on March 31, 2005 to the holders of record on March 15, 2005. The dividend is equivalent to an annual rate of $2.125 per preferred share.

On February 14, 2005, we also declared a dividend on our common stock and caused our operating partnership to declare a distribution on its common units and long-term incentive units of $0.24375 per share or unit, covering the period from January 1, 2005 through March 31, 2005, which was paid on March 31, 2005. The dividend was equivalent to an annual rate of $0.975 per common share and common unit.

On May 6, 2005, we declared a dividend on our series A preferred stock of $0.53125 per share for the period from April 1, 2005 through June 30, 2005, which was paid on June 30, 2005 to holders of record on June 15, 2005. The dividend is equivalent to an annual rate of $2.125 per share of series A preferred stock.

On May 6, 2005, we also declared a dividend on our common stock and caused our operating partnership to declare distributions on common units and long-term incentive units of $0.24375 per share, which was paid on June 30, 2005 to holders of record on June 15, 2005. The dividend and distribution is equivalent to an annual rate of $0.975 per common share and common unit.

Commitments and Contingencies

Upon completion of the concurrent offerings and application of the proceeds therefrom, we will have long-term indebtedness totaling $661.3 million. The following table summarizes our contractual obligations as of March 31, 2005, including the maturities and scheduled principal on our pro forma secured debt and unsecured credit facility debt, and provides information about the commitments due in connection with our ground lease and tenant improvements and leasing commissions (in thousands):

Obligation	Through Remainder of 2005	2006	2007	2008	2009	2010	Thereafter	Total
Long-term debt principal payments[1]	$ 6,068	$ 143,078	$ 106,270	$ 104,317	$ 140,481	$ 2,926	$ 155,678	$ 658,818
Ground lease[2]	181	241	241	241	241	241	9,340	10,726
Tenant improvements and leasing commissions	2,215	222						2,437
Total	**$ 8,464**	**$ 143,541**	**$ 106,511**	**$ 104,558**	**$ 140,722**	**$ 3,167**	**$ 165,018**	**$ 671,981**

(1) Includes $74.0 million of pro forma borrowings under our unsecured credit facility which matures in November 2007 and excludes $2.5 million of loan premium.
(2) After February 2036, rent for the remaining term of the ASM Lithography ground lease will be determined based on a fair market value appraisal of the asset and, as a result, is excluded from the above information.

We are party to interest rate swap agreements with KeyBank National Association and Bank of America for approximately $139.6 million of our variable rate debt that was outstanding as of March 31, 2005. Additionally, effective May 26, 2005 we entered into a $100.0 million interest rate

swap agreement with Bank of America. Under these swaps, we receive variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amounts. See Quantitative and Qualitative Disclosures about Market Risk.

Outstanding Consolidated Indebtedness

Upon completion of the concurrent offerings and the anticipated application of the use of proceeds therefrom, we expect to have approximately $661.3 million of outstanding consolidated long-term debt as set forth in the table below. We expect our ratio of debt to total market capitalization to be approximately 36.4% (based on the per share closing price of our common stock on June 30, 2005 of $17.38). Upon completion of the

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concurrent offerings and application of the use of proceeds therefrom, we expect that approximately $139.7 million of our outstanding long-term debt will be variable rate debt and approximately 78.8% of our total indebtedness will be subject to fixed interest rates, including the effect of outstanding interest rate swap agreements.

The following table sets forth information with respect to the indebtedness that we expect will be outstanding after the completion of the concurrent offerings and the anticipated application of the proceeds therefrom on a pro forma basis as of March 31, 2005, but does not give effect to the approximately $239.6 million in interest rate swap agreements (in thousands).

Properties	Interest Rate	Principal Amount	Annual Debt Service[1]	Maturity Date	Balance at Maturity[2]
100 Technology Center Drive Mortgage	LIBOR + 1.70%	$ 20,000	$ 1,040	Apr. 1, 2009	$ 20,000
200 Paul Avenue Mortgage	LIBOR + 3.12%[3]	46,268	5,012	Jul. 1, 2006[4]	43,794
Ardenwood Corporate Park, NTT/Verio Premier Data Center, VarTec Building Mortgage	LIBOR + 1.59%	43,000	2,116	Aug. 9, 2006[5]	43,000
Ardenwood Corporate Park, NTT/Verio Premier Data Center, VarTec Building Mezzanine	LIBOR + 5.75%	22,000	1,998	Aug. 9, 2006[5]	22,000
AT&T Web Hosting Facility Mortgage	LIBOR + 1.85%	8,775	484	Dec. 1, 2006[4]	8,775
Camperdown House Mortgage	6.85%	25,566[6]	3,682	Oct. 31, 2009	15,481
Carrier Center Mortgage	LIBOR + 4.25%[7]	25,854	2,386	Nov. 11, 2007[8]	24,750
Charlotte Internet Gateway 1[9] Mortgage	8.22%	6,105	651	Jul. 1, 2020	791
Granite Tower Mortgage	LIBOR + 1.20%	21,555	1,541	Jan. 1, 2009	19,530
Lakeside Technology Center Mortgage	LIBOR + 2.20%[10]	100,000	5,146	June 30, 2008[4]	97,463
MAPP Building Mortgage	7.62%[11]	9,746[11]	849	Mar. 1, 2032[11]	1,166
Maxtor Manufacturing Facility Mortgage	LIBOR + 2.25%	17,894	1,471	Dec. 31, 2006[4]	17,186
Stanford Place II Mortgage	5.14%	26,000	1,336	Jan. 10, 2009	26,000
Univision Tower Mortgage[12]	6.04%	57,769	4,191	Nov. 6, 2009	54,075
Secured Term Debt[13]	5.65%	154,336	10,735	Nov. 11, 2014	130,348
Unsecured Credit Facility[14]	LIBOR + 1.625%[14]	73,950	3,664	Nov. 3, 2007[8]	73,950
Subtotal		658,818	$ 46,302		$ 598,310
Loan premium		2,501			
Total		$ 661,319			

(1) Annual debt service for floating rate loans is calculated based on the 1-month, 3-month and 6-month LIBOR rates at June 29, 2005, which were 3.33%, 3.50% and 3.66%, respectively.
(2) Assuming no unscheduled payments have been made on the principal in advance of its due date.
(3) Weighted average interest rate. The first note, in a principal amount of $45.0 million, bears interest at a rate of LIBOR + 3.0% per annum and the second note, in a principal amount of $1.3 million, bears interest at a rate of LIBOR + 7.0% per annum.
(4) Two one-year extensions are available.
(5) A 13-month extension and a one-year extension are available.
(6) Based on our hedged exchange rate of $1.8472 to £1.00.
(7) Subject to a 2.5% LIBOR floor.
(8) A one-year extension option is available.
(9) One of the Charlotte Internet Gateway properties is secured by a mortgage which we will assume upon acquisition of this property.
(10) Weighted average interest rate. The first note, in a principal amount of $80.0 million, bears interest at a rate of LIBOR plus 1.375% per annum and the second note, in a principal amount of $20.0 million, bears interest at a rate of LIBOR plus 5.5% per annum.
(11) If this loan is not repaid by March 1, 2012, the interest rate increases to the greater of 9.62% or the then treasury rate plus 2%.
(12) The Univision Tower loan is also secured by a $5.0 million letter of credit issued under our unsecured credit facility.
(13) This amount represents six mortgage loans secured by our interests in 36 Northeast Second Street, Brea Data Center, Comverse Technology Building, Hudson Corporate Center, Siemens Building, and Webb at LBJ. Each of these loans are cross-collateralized by the six properties.
(14) The interest rate under our unsecured credit facility equals either (i) LIBOR plus a margin of between 1.375% and 1.750% (which option we currently use) or (ii) the greater of (x) the base rate announced by the lender and (y) the federal funds rate, plus a margin of between 0.375% and 0.750%. In each case, the margin is based on our leverage ratio.

Material Provisions of Consolidated Indebtedness to be Outstanding After the Concurrent Offerings

200 Paul Avenue Mortgage Indebtedness. The subsidiary that directly holds the fee interests in 200 Paul Avenue is the borrower under a $46.3 million mortgage loan comprised of two notes with Greenwich Capital Financial Products, Inc., as lender. The mortgage loan is required to be secured by:

- a first priority deed of trust, assignment of rents and security agreement on 200 Paul Avenue, all buildings and improvements, water, water rights, all fixtures, machinery, equipment and other assets, rights to insurance proceeds, together with all interest in any leases and all rents and profits arising from

- the property, reserve, deposit or escrow accounts, and contracts and agreements, intellectual property, and any and all proceeds from any of the foregoing; and

- an absolute assignment of leases and rents, assigning any interest in all present and future leases of all or any portion of the property encumbered by the mortgage and all of its right and title to, and interest in, the leases, including all rights under the leases, all benefits to be derived from them and all rents.

The maturity date for this mortgage loan is July 1, 2006, which date may be extended for up to two additional 12 month periods upon the request of the borrower and satisfaction of certain requirements. The first note, with a balance of $45.0 million, bears interest at a rate of 1-month LIBOR plus 3% during the current term and the second note, with a $1.3 million balance as of March 31, 2005, bears interest at a rate of 1-month LIBOR plus 7% during the current term. The first note requires monthly payments of principal and interest commencing in November 2005. The second note requires monthly payments of principal and interest until the maturity date. The loan may be repaid in whole or in part at any time upon 30 to 60 days prior written notice. Prepayment of the $45.0 million note is subject to a prepayment penalty of 1% of the outstanding principal balance (unless prepaid or repaid in full with loan proceeds from a loan made by the lender during the final 90 days of the initial term) plus the actual costs and expenses of the lender incurred in liquidating or reducing any Eurodollar or LIBOR based investment or obligation entered into by the lender to fund all or any portion of the loan or to provide for or protect the interest rate of the loan. Prepayment of the second note is subject to a prepayment penalty equaling the actual costs and expenses of the lender incurred in liquidating or reducing any Eurodollar or LIBOR based investment or obligation entered into by the lender to fund any or all portion of the loan or to provide for or protect the interest rate of the loan. If the loan is repaid or prepaid in full during the final 30 days of the initial term (with other than lender-loaned funds provided to refinance the loan), the prepayment penalty on the first note is reduced to 0.375% of the outstanding principal balance plus the aforementioned lender costs. The mortgage loan contains affirmative covenants such as financial reporting and maintenance of reserve accounts, and negative covenants, including, among others, limitations on changes to legal structure or organizational documents, ownership of subsidiaries, or creation or incurrence of additional liens or indebtedness. The loan is nonrecourse to the borrower, subject to certain customary recourse carveouts. Our operating partnership provides an unsecured environmental indemnity and guarantees the recourse carveouts under this loan. The borrower was required to enter into an interest rate cap agreement pursuant to the loan that limits the interest rate to 7.25% per annum during the term of this loan.

Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building Mortgage Indebtedness. The subsidiary that directly holds the fee interests in Ardenwood Corporate Park, the NTT/Verio Premier Data Center and the VarTec Building is the borrower under a $43.0 million mortgage loan with German American Capital Corporation as lender. The mortgage loan is required to be secured by:

- a first mortgage lien on Ardenwood Corporate Park, the NTT/Verio Premier Data Center and the VarTec Building and related improvements, fixtures and real property rights;

- a general first lien on all related personal property;

- a general first lien on all related accounts and intangibles;

- an assignment of leases, rents, security deposits and management agreements for such properties; and

- all proceeds, products and profits from the foregoing.

The maturity date of the mortgage loan is August 9, 2006 with one 13-month and one one-year extension option. The mortgage loan bears interest at a rate of 1-month LIBOR plus approximately 1.59% per annum. The mortgage loan requires monthly interest-only payments until the maturity date. The borrower may not prepay the loan during a lockout period that ends on October 8, 2005. The borrower may prepay the loan

without penalty on any monthly payment date after this lockout period with notice to lender of not less than 30 days and not more than 60 days. The loan contains affirmative covenants such as financial reporting and standard lease requirements and negative covenants, including, among others, certain restrictions on the borrower s ability to create or incur additional liens or indebtedness or transfer the property or an interest in the property. In connection with the mortgage loan, the borrower is subject to a lockbox agreement and cash management provisions of the loan

pursuant to which all income generated by the Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building properties is deposited directly into lockbox accounts and then swept into a cash management account for the benefit of the lender from which cash is distributed to us only after funding of tax, insurance, debt service, tenant improvement and leasing, and structural improvement reserve accounts and any payments then due under the Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building mezzanine loan. The loan is nonrecourse to the borrower, subject to certain recourse carveouts. Until November 3, 2005, GI Partners is not permitted to reduce its percentage of ownership in the common units of our operating partnership (which will be % after giving effect to the concurrent offerings) below 30% without the consent of the lender. Our operating partnership provides an unsecured environmental indemnity and guarantees the recourse carveouts under the loan. The borrower was required to enter into an interest rate cap agreement pursuant to the loan that limits the interest rate to 7.5% per annum in the term of this loan.

Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building Mezzanine Indebtedness. The subsidiaries that directly hold the fee interests in Ardenwood Corporate Park, the NTT/Verio Premier Data Center and the VarTec Building are the borrowers under a $22.0 million mezzanine loan with German American Capital Corporation (c/o Deutsche Bank Securities, Inc.) as lender. The mezzanine loan is required to be secured by a first priority pledge of the direct and indirect beneficial interests in our subsidiary that is the mortgage borrower. The maturity date of the mezzanine loan is August 9, 2006 with one 13 month and one one-year extension option. The mezzanine loan bears interest at a rate of 1-month LIBOR plus 5.75% per annum. The mezzanine loan requires monthly interest-only payments until the maturity date. The borrower may not prepay the mezzanine loan during a lockout period that ends on October 8, 2005. The borrower may prepay the mezzanine loan without penalty on any monthly payment date after this lockout period with notice to lender of no less than 30 days and no more than 60 days. The mezzanine loan contains affirmative covenants such as financial reporting and standard lease requirements and negative covenants, including, among others, certain restrictions on the borrowers ability to create or incur additional liens or indebtedness or transfer the property or an interest in the property. In connection with the mezzanine loan, we are subject to a lockbox agreement and cash management provisions which operate in connection with the lockbox and cash management provisions under the Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building mortgage loan. Until November 3, 2005, GI Partners is not permitted to reduce its percentage of ownership in the common units of our operating partnership (which will be % after giving effect to the concurrent offerings) below 30% without the consent of the lender. Our operating partnership provides an unsecured environmental indemnity and guarantees the recourse carveouts under the loan. The borrower was required to enter into an interest rate cap agreement pursuant to the mezzanine loan that limits the interest rate to 7.5% per annum in the term of the mezzanine loan.

Camperdown House Mortgage Indebtedness. The subsidiary that holds the fee interests in Camperdown House is the borrower under a £14.4 million (pound) mortgage loan with the Bank of Scotland, as lender.

The mortgage loan is required to be secured by:

- a first mortgage debenture on Camperdown House and related improvements, fixtures (including trade and tenant s fixtures), plant and machinery and real property rights;
- a general first lien on all belonging to the borrower;
- a general first lien on all related accounts and intangibles; and
- an assignment of all rental income for the property.

The maturity date of the mortgage loan is October 31, 2009. The mortgage loan bears interest at a rate of 6.845% per annum. The borrower bases quarterly principal and interest payments on a 10-year amortization schedule. The borrower may prepay the loan upon ten days notice to

the lender, subject to a prepayment penalty of one month s interest until July 31, 2005 and without penalty thereafter. The loan contains affirmative covenants such as financial reporting and maintenance of certain coverage ratios, and negative covenants, including, among others, certain restrictions on the borrower s ability to create or incur additional liens or indebtedness or transfer the property or an interest in the property. The borrower provides an environmental indemnity.

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Carrier Center Mortgage Indebtedness. The subsidiary that directly holds the fee interests in Carrier Center is the borrower under a $25.9 million mortgage loan with iStar Financial Inc., as lender.

The mortgage loan is required to be secured by:

- a first mortgage deed of trust on Carrier Center;
- a first priority security interest in all of the ownership interest in the borrower; and
- a first priority security interest in all assets of the borrower.

The maturity date of the mortgage loan is November 11, 2007. The mortgage loan bears interest at a rate of LIBOR (subject to a 2.5% floor) plus 4.25% per annum. The borrower has the option of extending the term of the loan by one year subject to a fee equal to 0.50% of the then outstanding principal balance. The mortgage loan is not prepayable until after October 27, 2005 and thereafter is prepayable in whole or in part with not less that 30 days notice. The loan requires monthly interest and principal payments until the maturity date with a balloon payment due at maturity. The loan is subject to affirmative covenants such as financial reporting and negative covenants, including, among others, certain restrictions on the borrower s ability to create or incur additional liens or indebtedness or transfer the property or any interest in the property. In connection with the mortgage loan, the borrower is subject to a lockbox arrangement and cash management provisions of the loan pursuant to which income generated by the Carrier Center property is swept into a cash management account for the benefit of the lender from which cash is distributed to us only after satisfying debt, operating and other reserve cash requirements. The loan is subject to an unsecured environmental indemnity and a guaranty of certain of the obligations of the borrower. The borrower is required to enter into an interest rate cap agreement if the LIBOR rate is at any time equal to or greater than 4.5%.

Lakeside Technology Center Mortgage Indebtedness. The subsidiary that directly holds the fee interests in Lakeside Technology Center is the borrower under a $100.0 million mortgage loan comprising two notes with Morgan Stanley Mortgage Capital Inc., as lender.

The mortgage loan is required to be secured by:

- a mortgage, security agreement and fixture filing on Lakeside Technology Center, all land, improvements, easements, equipment, fixtures, personal property, condemnation awards, insurance proceeds, interest rate protection agreement and all other assets and rights of the borrower; and
- an absolute assignment of leases and rents, assigning any interest in all present and future leases of all or any portion of the property encumbered by the mortgage and all right and title to, and interest in, the leases, including all rights under the leases, all benefits to be derived from them and all rents.

The maturity date for this mortgage loan is June 9, 2008, which date may be extended for up to two additional 12-month periods upon the request of the borrower and satisfaction of certain requirements. The first note, in a principal amount of $80.0 million, bears interest at a rate of LIBOR plus 1.375% per annum and the second note, in a principal amount of $20.0 million, bears interest at a rate of LIBOR plus 5.5% per annum. For the twelve months beginning July 2005, the loan requires monthly interest-only payments. Beginning in July 2006, the loan requires monthly payments of principal and interest until the maturity date. The borrower may not prepay the loan during a lockout period that ends in

May 2006. The borrower must pay a prepayment fee in an amount equal to 0.75% of the outstanding principal amount of the loan for any prepayment it makes after May 9, 2006 and prior to and including November 9, 2006. The mortgage loan contains affirmative covenants such as financial reporting and standardized lease requirements, and negative covenants, including, among others, limitations on changes to legal structure or organizational documents, or creation or incurrence of additional liens or indebtedness. In connection with the mortgage loan, the borrower is subject to a lockbox agreement and cash management agreement pursuant to which all income generated by the Lakeside Technology Center property is deposited directly into the lockbox account and then swept into a cash management account for the benefit of the lender from which cash is distributed to us only after funding of tax, insurance, debt service, any interest accruing at the default rate and late payment charges, and, under certain circumstances, other cash requirements.

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The loan is nonrecourse to the borrower, subject to certain customary recourse carveouts. Our operating partnership provides an unsecured environmental indemnity and guarantees the recourse carveouts under this loan. Pursuant to the loan, the borrower was required to enter into an interest rate cap agreement that limits the interest rate to 8.2% per annum during the term of this loan.

Stanford Place II Mortgage Indebtedness. The subsidiary holding a fee interest in Stanford Place II is the borrower under a $23.4 million mortgage note issued to Principal Life Insurance Company, as lender, and a $2.6 million mortgage note issued to PFG CTL Mortgage, LLC, as lender.

The mortgage loans are required to be secured by:

- a first priority deed of trust and security agreement on Stanford Place II and any right, title and interest therein and to the land, real property rights, buildings and improvements including their names and the right to manage and operate them, fixtures, personal property of the borrower used in the operation of the premises, insurance proceeds, settlement awards and damage claims, and any rights to strips of land adjacent to and used in connection with the premises and adjoining ways, streets, sidewalks and alleys;

- an assignment of leases and rents; and

- a $450,000 letter of credit issued pursuant to a property reserves agreement.

The maturity date for these mortgage notes is January 10, 2009. These notes bear interest at a rate of 5.14% per annum and require monthly interest-only payments. The borrower has the right upon 30 days written notice to each lender to pay both loans in full with a prepayment fee equal to the greater of 1% of the principal amount or an amount resulting from a reinvestment yield analysis. The note may be prepaid without such prepayment fee during the last 90 days prior to the maturity date. The security agreement contains negative covenants, including, among others, certain restrictions or prohibitions on the borrower s ability to create or incur additional liens or indebtedness, transfer the property or an interest in the property and merge or consolidate with or into, convey, transfer or dispose of all or substantially all of its assets to or in favor of any other person. The loan is nonrecourse to the borrower, subject to certain recourse carveouts. The subsidiary borrower provides an unsecured environmental indemnity. Our operating partnership guarantees the subsidiary borrower s obligations under the environmental indemnity and the recourse carveouts under the loan.

Univision Tower Mortgage Indebtedness. The subsidiary that directly holds the fee interests in Univision Tower is the borrower under a $57.8 million mortgage loan with Countrywide Commercial Real Estate Finance, Inc., as lender.

The mortgage loan is required to be secured by:

- a first priority mortgage/deed of trust on Univision Tower;

- a first priority assignment of leases and rents with respect to Univision Tower; and

a first priority security interest in all other property and assets of the borrower.

The maturity date of the mortgage loan is November 6, 2009. The mortgage loan bears interest at a rate of 6.04% per annum.

The mortgage loan is not prepayable in whole or in part until any time during the final three months of the term of the loan. The loan requires monthly payments calculated using the interest rate and a 30-year amortization schedule. The loan is subject to affirmative covenants such as financial reporting and negative covenants, including, among others, certain restrictions on the borrower s ability to create or incur additional liens or indebtedness or transfer the property or any interest in the property. In the event of a default or a decline in the debt service ratio below a specified level, income generated by the Univision Tower property will be swept into a cash management account for the benefit of the lender from which cash will be distributed to us only after satisfying debt, operating and other reserve cash requirements. The loan is nonrecourse to the borrower, subject to certain recourse carveouts. The subsidiary borrower under this loan is subject to an unsecured environmental indemnity. Our operating partnership guarantees the subsidiary borrower s obligations under the environmental indemnity and the recourse obligations under the loan.

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Comverse Technology Building, Hudson Corporate Center, Webb at LBJ, 36 Northeast Second Street, Siemens Building and Brea Data Center Mortgage Indebtedness. The subsidiaries that directly hold the fee interests in Comverse Technology Building, Hudson Corporate Center, Webb at LBJ, 36 Northeast Second Street, Siemens Building and Brea Data Center are borrowers under six separate loans in an aggregate principal amount of $154.3 million with Citigroup Global Markets Realty Corp. as lender. The loans are cross-defaulted and cross-collateralized.

The mortgage loans are required to be secured by:

- a first mortgage lien on Comverse Technology Building, Hudson Corporate Center, Webb at LBJ, 36 Northeast Second Street, Siemens Building and Brea Data Center and related improvements, fixtures and real property rights;
- a general first lien on all related personal property;
- a general first lien on all related accounts and intangibles;
- an assignment of leases, rents, security deposits and contracts; and
- all proceeds, products and profits from the foregoing.

Each of the mortgage loans is for a ten-year term with a maturity date in November 2014. The mortgage loans bear an interest rate at 5.649% per annum. The borrower may not prepay the mortgage loans until 60 days prior to the maturity date of such loan. Each mortgage loan contains affirmative covenants, such as financial reporting and maintenance of the property, and negative covenants, including, among others, certain restrictions on the borrower s ability to create or incur additional liens or indebtedness or transfer the property or interest in the property. In connection with the mortgage loans, the borrower is subject to a lockbox arrangement and cash management provisions pursuant to which all income generated by Comverse Technology Building, Hudson Corporate Center, Webb at LBJ, 36 Northeast Second Street, Siemens Building and Brea Data Center is deposited directly into lockbox accounts and then swept into a cash management account for the benefit of the lender for which cash is distributed to us only after funding of debt service, taxes, insurance, tenant improvement and leasing, capital improvement, and maintenance reserve accounts. The loans are nonrecourse to the borrowers, subject to recourse carveouts. We and our operating partnership provide on a joint and several basis an unsecured environmental indemnity and guaranty of recourse carveouts under the loans. In addition, each borrower guarantees the obligations of our other borrowing subsidiaries under the mortgage loans. The mortgage loans may be securitized by the lender at its option.

Unsecured Credit Facility. Our operating partnership has a $210.0 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the joint bookrunning managers for our common stock offering, and together with UBS Securities LLC, the bookrunning managers for our series B preferred stock offering, and other underwriters for the concurrent offerings. The facility may be expanded to up to $350.0 million at our request, subject to receipt of lender commitments and satisfaction of other conditions, and includes a $100.0 million sub-facility for foreign exchange advances in euros, British pounds and Canadian dollars. Our credit facility has a borrowing limit based upon a percentage of the value of the unsecured properties included in the facility s borrowing base. In May 2005, we added two properties to the unsecured borrowing base increasing our availability for future borrowings. At March 31, 2005 our unsecured credit facility had an outstanding balance of $36.0 million. At June 30, 2005, the outstanding balance was $188.0 million. The increase relates to our acquisitions of Lakeside Technology Center, Ameriquest Data Center, Savvis Data Centers 2 through 5 and Savvis Office Building. As of June 30, 2005, our unsecured credit facility bore interest at LIBOR plus 1.75% per annum, which equaled a rate of 5.09%. The unsecured credit facility has a one-year extension option. The credit facility contains covenants including limitations on our and our subsidiaries ability to incur additional indebtedness, make certain investments or merge with another company, limitations on our ability to make distributions to our stockholders and other restricted payments, and requirements for us to maintain

financial coverage ratios and maintain a pool of unencumbered assets.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of interest rate cap agreements in connection with certain of our indebtedness, a currency fluctuation hedge arrangement in connection with our ownership of Camperdown House in London, England and interest rate swap agreements with KeyBank National Association and Bank of America related to $239.6 million of outstanding principal on our variable rate debt. See Quantitative and Qualitative Disclosures about Market Risk.

As of March 31, 2005, GI Partners had $1.2 million of letters of credit outstanding that secure obligations relating to two of our properties, Carrier Center and Stanford Place II. These letters of credit were initially issued in lieu of making deposits required by a local utility and in lieu of establishing a restricted cash account on behalf of a lender. We are in the process of causing these letters of credit to be transferred to us. We are currently reimbursing GI Partners for the costs of maintaining the letters of credit, which costs are less than $5,000 per quarter. We currently have no other off-balance sheet arrangements.

Cash Flows

The following summary discussion of our cash flows is based on the consolidated and combined statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Comparison of Three Months Ended March 31, 2005 to Three Months Ended March 31, 2004

Cash and cash equivalents were $2.9 million and $4.3 million at March 31, 2005 and 2004, respectively.

Net cash provided by operating activities increased $5.1 million to $11.7 million for the three months ended March 31, 2005 compared to $6.6 million for the three months ended March 31, 2004. The increase was primarily due to revenues from the properties added to our portfolio which was partially offset by the increased interest expense incurred on the mortgage and other secured debt related to the acquired properties.

Net cash used in investing activities increased $31.0 million to $71.6 million for the three months ended March 31, 2005 compared to $40.6 million for the three months ended March 31, 2004. The increase was primarily the result of the acquisition of two properties during the three months ended March 31, 2005, which required a larger investment than the property acquired during the three months ended March 31, 2004.

Net cash provided by financing activities increased $25.3 million to $58.3 million, for the three months ended March 31, 2005 compared to $33.0 million for the three months ended March 31, 2004. The increase was primarily due to proceeds from the sale of preferred stock of $103.5 million during the three months ended March 31, 2005 offset by costs paid related to our preferred stock offering and our initial public offering totaling $4.4 million, payment of dividends and distribution totaling $22.5 million during the three months ended March 31, 2005, net repayments of debt totaling $17.8 million during the three months ended March 31, 2005 compared to net borrowings of $20.6 million during the three months ended March 31, 2004 and net contributions from the owner of the Company Predecessor of $12.5 million during the three months ended March 31, 2004.

Comparison of Year Ended December 31, 2004 to Year Ended December 31, 2003

Cash and cash equivalents were $4.6 million and $5.2 million at December 31, 2004 and 2003, respectively.

Net cash provided by operating activities increased $17.0 million to $44.6 million for the year ended December 31, 2004 compared to $27.6 million for the year ended December 31, 2003. The increase was primarily due to the properties added to our portfolio which was partially offset by the increased interest expense incurred on the mortgage and other secured debt related to the acquired properties.

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Net cash used in investing activities increased $157.4 million to $371.3 million for the year ended December 31, 2004 compared to $213.9 million for the year ended December 31, 2003. The increase was primarily the result of the acquisition of eleven properties during the year ended December 31, 2004, which required a larger investment than the acquisitions of eight properties during the year ended December 31, 2003, and an increase in restricted cash as a result of the mortgage loans obtained during 2004.

Net cash provided by financing activities increased $138.1 million to $326.0 million, for the year ended December 31, 2004 compared to $187.9 million for the year ended December 31, 2003. The increase was primarily due to $230.8 million of net proceeds from the sale of common stock partially offset by the purchase of units in our operating partnership for $91.9 million from the investors in GI Partners.

Funds From Operations

We calculate FFO in accordance with the standards established by NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth a reconciliation of our pro forma funds from operations for the periods presented (in thousands):

	Pro Forma Three Months Ended March 31, 2005	Historical Three Months Ended March 31, 2005	Pro Forma Year Ended December 31, 2004	Historical Consolidated Period from November 3, 2004 through

				December 31, 2004
Reconciliation of net income to FFO and FFO available to common stockholders:				
Net income before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 8,380	$ 4,898	$ 11,936	$ (16,383)
Plus real estate depreciation and amortization	16,379	12,143	62,316	7,373
FFO	24,759	17,041	74,252	(9,010)
Less preferred stock dividends	3,317	1,271	13,267	
FFO available to common stockholders[1]	$ 21,442	$ 15,770	$ 60,985	$ (9,010)

(1) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock.

Inflation

Substantially all of our leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

New Accounting Pronouncements

Financial Accounting Standards Board Statement No. 123 (revised 2004), *Share-Based Payment,* or SFAS 123(R), was issued in December 2004. SFAS 123(R), which is effective for our company beginning with the first quarter of 2006, requires an entity to recognize the grant-date fair value of stock options and other equity-based compensation issued to employees in the income statement, but expresses no preference for a type of valuation model. We do not believe the adoption of SFAS 123(R) will have a material impact on our results of operations, financial position or liquidity.

Quantitative and Qualitative Disclosures About Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

Effective November 26, 2004, we entered into interest rate swap agreements with KeyBank National Association and Bank of America for approximately $140.3 million of our variable rate debt, of which $139.6 million was outstanding as of March 31, 2005. The table below summarizes the terms of these interest rate swaps and their fair values as of March 31, 2005 (in thousands):

Notional Amount	Strike Rate	Effective Date	Expiration Date	Fair Value
$ 46,268	3.178%	Nov. 26, 2004	Jul. 1, 2006	$ 344
43,000	3.250	Nov. 26, 2004	Sep. 15, 2006	396
21,510	3.754	Nov. 26, 2004	Jan 1, 2009	429
20,000	3.824	Nov. 26, 2004	Apr. 1, 2009	431
8,775	3.331	Nov. 26, 2004	Dec. 1, 2006	93
$ 139,553				$ 1,693

At March 31, 2005, a hypothetical increase in interest rates of 10%, or approximately 40 basis points, would have decreased the fair value of our interest rate swaps by approximately $1.0 million. A hypothetical decrease in interest rates of 10%, or approximately 40 basis points, would have increased the fair value of our interest rate swaps by approximately $1.0 million.

At March 31, 2005, a hypothetical increase in interest rates of 10%, or approximately 40 basis points, would have increased the interest expense on our unhedged variable rate debt, and consequently would have reduced future earnings and cash flow by approximately $0.4 million annually. In addition, the fair value of our $273.4 million principal amount of outstanding fixed rate debt would have decreased by approximately $5.8 million.

At March 31, 2005, a hypothetical decrease in interest rates of 10%, or approximately 40 basis points, would have decreased the interest expense on our unhedged variable rate debt, and consequently would have increased future earnings and cash flows by approximately $0.4 million annually. In addition, the fair value of our $273.4 million principal amount of outstanding fixed rate debt would have increased by approximately $5.7 million.

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Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we might take actions to mitigate further our exposure to the change. However, because it is uncertain which specific actions we might take and their possible effects, these analyses assume no changes in our financial structure.

As of March 31, 2005, our total outstanding debt was approximately $515.7 million, which consisted of $456.8 million of principal outstanding for mortgage loans and $0.9 million for the debt premium on one of our mortgage loans, $36.0 million of notes payable under our line of credit and $22.0 million of other secured loans. Approximately $241.4 million of our total outstanding debt was variable rate debt and after considering that $139.6 million of such debt is hedged with interest rate swaps, our variable rate debt comprised 19.8% of our total outstanding debt. As of March 31, 2005, the fair value of our outstanding fixed-rate debt approximated $278.5 million compared to the carrying value of $274.3 million, comprised of $273.4 million of principal and $0.9 million of debt premium.

We are also party to a foreign currency hedging contract with a notional value of approximately £7.9 million, which we use to convert the balance of our investment in the Camperdown House property into U.S. dollars. The fair value of this forward contract was ($0.2) million as of March 31, 2005 using the currency exchange rate in effect as of that date. If the exchange rate of U.S. dollars to British pounds as of March 31, 2005 were to increase by 10%, the fair value of our forward contract would decrease by $1.4 million to ($1.6) million. If the exchange rate of U.S. dollars to British pounds as of March 31, 2005 were to decrease by 10%, the fair value of our forward contract would increase by $1.5 million to $1.3 million.

Effective May 26, 2005, we entered into an interest rate swap agreement with Bank of America for $100.0 million with a strike rate of 4.025% and an expiration date of June 15, 2008. Together with the $139.6 million in interest rate swaps outstanding as of March 31, 2005, we expect that approximately 78.8% of our total indebtedness, upon completion of the concurrent offerings and the anticipated application of the proceeds therefrom, will be subject to fixed interest rates.

BUSINESS AND PROPERTIES

Overview

We own, acquire, reposition and manage technology-related real estate. We target high-quality, strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate and institutional data center users, including the IT departments of Fortune 1000 and financial services companies. Our tenant base is diversified within the technology industry and reflects a broad spectrum of regional, national and international tenants that are leaders in their respective areas. We intend to operate as a REIT for federal income tax purposes.

Through our operating partnership, we own 33 properties and are under contract to acquire three additional properties. Our properties are located throughout the U.S. and one property is in London, England. Our properties contain a total of approximately 7.8 million net rentable square feet, excluding space held for redevelopment. To facilitate research and development, technology transfer and recruitment of technology professionals, companies in the technology industry often cluster near major scientific research institutions, universities and government agencies, all of which drive demand for properties combining office, communications infrastructure and data center space. Additionally, corporate data center users are primarily focused in the major markets where their information technology operations are most efficient. Our operations and acquisition activities are focused on a limited number of markets where technology industry tenants and corporate and institutional data center users are concentrated, including the Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas. As of March 31, 2005, our portfolio, excluding space held for redevelopment, was approximately 90.1% leased at an average annualized rent per leased square foot of $20.12.

Our senior management team and Executive Chairman have an average of over 21 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. Under our senior management team s direction, we focus on technology industry facilities that are difficult to replicate and critical to the operations of tenants, which we believe to be the best long-term real estate investment opportunities. The types of properties within our focus include:

- Internet gateways, which serve as hubs for Internet and data communications within and between major metropolitan areas;
- Data centers, which provide a secure, continuous environment for the storage of critical electronic information. Data centers are used for disaster recovery purposes, transaction processing and to house the information technology operations of companies;
- Technology manufacturing properties, which contain highly specialized manufacturing environments for such purposes as disk drive manufacturing, semiconductor manufacturing and specialty pharmaceutical manufacturing; and
- Regional or national headquarters of technology companies that are located in our target markets.

Most of our properties have extensive tenant improvements that have been installed at our tenants expense. Unlike traditional office and flex/research and development space, the location of and improvements to our facilities are generally essential to our tenants businesses, which we believe results in high occupancy levels, long lease terms and low tenant turnover. Based on our experience, properties leased to tenants in the communications and information technology industries typically offer fully redundant electrical supply systems, multiple power feeds, above-standard electrical HVAC systems, raised floor areas to accommodate computer cables and below-floor cooling systems, extensive in-building communications cabling and high-level security systems, while properties leased to technology manufacturing companies typically

offer fully redundant electrical supply systems, multiple power feeds, above-standard electrical HVAC systems, high-level security systems and clean room space. The tenant-installed improvements in our facilities are readily adaptable for use by similar tenants.

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Our portfolio includes 21 properties contributed to us by Global Innovation Partners, LLC, or GI Partners, in connection with our initial public offering in November 2004. GI Partners is a private equity fund that was formed to pursue investment opportunities that intersect the real estate and technology industries. GI Partners was formed in February 2001 after a competitive six-month selection process conducted by the California Public Employees Retirement System, or CalPERS, the largest U.S. pension fund. Upon selecting GI Partners, CalPERS provided a $500 million equity commitment to GI Partners to invest in technology-related real estate and technology operating businesses. In addition, CB Richard Ellis Investors, a subsidiary of CB Richard Ellis, or CBRE, the largest global real estate services firm, and members of GI Partners management provided a commitment of $26.3 million. Upon the consummation of our initial public offering, GI Partners contributed substantially all of its technology-related real estate investments to our operating partnership. Pursuant to our non-competition agreement with GI Partners, GI Partners manages its investments in other businesses, but does not, subject to limited exceptions, pursue new investments in technology-related real estate. See Our Competitive Strengths.

We were formed in March 2004 by Digital Properties Holdings LLC. The sole members of Digital Properties Holdings are Richard A. Magnuson, the Executive Chairman of our board of directors, and Michael F. Foust, our Chief Executive Officer. In April 2004, Digital Properties Holdings sold its interest in us to GI Partners for $2,000. Currently, we employ 44 people. In addition, we engage CBRE and other experienced property management companies to provide on-site property management services. We intend to pay regular quarterly dividends to our stockholders. Substantially all of our business is conducted through Digital Realty Trust, L.P., our operating partnership.

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirors and managers of technology-related real estate through our competitive strengths, which include:

High-Quality Portfolio that is Difficult to Replicate. Our portfolio contains state-of-the-art facilities with extensive tenant improvements. Based on current market rents and estimated replacement costs of such properties and their improvements, we believe that they could not be replicated today on a cost-competitive basis. Based on an analysis prepared by CCG Facilities Integration Incorporated, the estimated cost to construct data center space would range from $900 to $1200 per square foot of raised floor area. We currently own 29 properties which contain raised floor data center space. In addition, many of the properties in our portfolio are located on major aggregation points formed by the physical presence of multiple major telecommunications service providers, which reduces our tenants costs and operational risks and increases the attractiveness of our buildings.

Presence in Key Markets. Our portfolio is located in 16 metropolitan areas, including the Boston, Chicago, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas, and is diversified so that no one market represented more than 25.7% of the aggregate annualized rent of our portfolio as of March 31, 2005.

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Long-Term Leases. We have long-term leases with stable cash flows. As of March 31, 2005, our average lease term was in excess of 12.6 years, with an average of 8.0 years remaining, excluding renewal options. Through 2008, leases representing only 9.2% of our net rentable square feet, or 8.3% of our aggregate annualized rent, are scheduled to expire. Moreover, through 2006, leases representing only 3.3% of our net rentable square feet are scheduled to expire.

Specialized Focus in Dynamic and Growing Industry. We focus solely on technology-related real estate because we believe that the growth of the technology industry, particularly Internet and data communications and corporate data center use, will be superior to that of the overall economy. We believe that our specialized understanding of both real estate and technology gives us a significant competitive advantage over less specialized investors. We use our in-depth knowledge of the technology, Internet and data communications and corporate data center industries to identify strategically located properties, market our properties to tenants with specific technology needs, evaluate tenants creditworthiness and business models and assess the long-term value of in-place technical improvements.

Proven Acquisition Capability. Since 2002, we have acquired 33 technology-related real estate properties (including ten properties containing over 2.1 million net rentable square feet since our initial public offering in November 2004), with another three currently under contract, for an aggregate of 7.8 million net rentable square feet, excluding space held for redevelopment. Our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate enables us to capitalize on acquisition opportunities. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial and other criteria, which allows us to evaluate investment opportunities efficiently and, as appropriate, commit and close quickly. We acquired more than half of our properties before they were broadly marketed by real estate brokers.

Experienced and Committed Management Team. Our senior management team, including our Executive Chairman, has an average of over 21 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team s extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. Following the completion of the concurrent offerings, our senior management team will collectively own a common equity interest in our company of approximately % on a fully diluted basis, which aligns management s interests with those of our stockholders.

Unique Sourcing Relationships. The members of GI Partners hold a substantial indirect investment in our company. Accordingly, we anticipate that they will continue to play an active role in our future success. We expect that CalPERS will provide us with introductions to potential sources of acquisitions and access to its technology industry experts and will be a potential source of co-investment capital. In addition, we expect that GI Partners private equity investment professionals will provide additional technology industry expertise and access to deal flow.

Business and Growth Strategies

Our primary business objectives are to maximize sustainable long-term growth in earnings, funds from operations and cash flow per share and to maximize returns to our stockholders. Our business strategies to achieve these objectives are:

Capitalize on Acquisition Opportunities. We believe that acquisitions enable us to increase cash flow and create long-term stockholder value. Our relationships with corporate and institutional information technology groups, technology tenants and real estate brokers who are dedicated to serving these tenants provide us with ongoing access to potential acquisitions and often enable us to avoid competitive bidding. Furthermore, the specialized nature of technology-related real estate makes it more difficult for traditional real estate investors to understand, which fosters reduced competition for

acquisitions relative to other property types. We believe this dynamic creates an opportunity for us to obtain better risk-adjusted returns on our capital.

Maximize the Cash Flow of our Properties. We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Our portfolio, excluding space held for redevelopment, was approximately 90.1% leased as of March 31, 2005, leaving approximately 779,000 square feet of net rentable space available for lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout which may result in higher rents when leased to tenants seeking these improvements. We control our costs by negotiating expense pass-through provisions in tenant leases for operating expenses and certain capital expenditures. Leases covering more than 95% of the leased net rentable square feet in our portfolio as of March 31, 2005 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses. Since our initial public offering in November 2004, we have executed leases for 35,907 square feet of technical space at an average annualized rent of $89.21 per square foot and 210,046 square feet of nontechnical space at an average annualized rent of $18.73 per square foot, in each case including lease renewals and expansions commencing in 2005 through 2009.

Subdivide Improved Space for Turn-Key Data Center Use. We own approximately 230,000 net rentable square feet of space with extensive data center improvements that is currently, or will shortly be, available for lease. Rather than leasing all of this space to large single tenants, we are subdividing some of it for multi-tenant colocation use, with tenants averaging between 100 and 5,000 square feet of net rentable space. Multi-tenant colocation is a cost-effective solution for tenants who cannot afford or do not require their own extensive infrastructure and security. Because we can provide such features, we are able to lease space to these tenants at a significant premium over other uses.

Leverage Strong Industry Relationships. We use our strong industry relationships with national and regional corporate enterprise information technology groups and technology-intensive companies to identify and comprehensively respond to their real estate needs. Our leasing and sales professionals are real estate and technology industry specialists who can develop complex facility solutions for the most demanding Internet gateway and other technology tenants and corporate and institutional data center users.

Use Capital Efficiently. We intend to sell assets opportunistically. We believe that we can increase stockholder returns by effectively redeploying asset sales proceeds into new acquisition opportunities. Recently, data centers have been particularly attractive candidates for sale to owner/users, as the cost of acquisition is usually substantially lower than the cost to construct a new facility. We will seek such opportunities to realize profits and reinvest our capital.

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Our Portfolio of Properties

The following table presents an overview of our portfolio of properties, including our acquisition properties, based on information as of March 31, 2005:

Property[1]	Metropolitan Area	Percent Ownership	Year Built/ Renovated	Net Rentable Square Feet[2]	Percent Leased[3]	Annualized Rent[4]	Annualized Rent Per Leased Square Foot[5]	Annualized Net Effective Rent Per Leased Square Foot[6]
Internet Gateway								
Lakeside Technology Center	Chicago	100.0%	1912-1929/2000	805,150[7]	94.2%[7]	$ 19,290,966	$ 25.44	$ 29.70
200 Paul Avenue	San Francisco	100.0	1955/1999&2001	532,238	83.4	10,897,301	24.54	27.94
Univision Tower	Dallas	100.0	1983	477,107	79.9	8,120,266	21.30	19.49
Carrier Center	Los Angeles	100.0	1922/1999	450,021	79.7	7,702,967	21.48	24.60
Camperdown House[8]	London, UK	100.0	1983/1999	63,233	100.0	4,193,136	66.31	66.31
1100 Space Park Drive	Silicon Valley	100.0	2001	167,951	46.6	3,525,347	45.07	52.41
36 Northeast Second Street	Miami	100.0	1927/1999	162,140	81.2	3,129,972	23.78	25.66
Charlotte Internet Gateway Properties[9]	Charlotte	100.0	1999/2000/2001	95,490	73.3	1,667,284	23.81	30.00
Burbank Data Center	Los Angeles	100.0	1991	82,911	100.0	1,414,300	17.06	18.41
				2,836,241	**83.5**	**59,941,539**	**25.31**	**28.07**
Data Center								
833 Chestnut Street	Philadelphia	100.0	1927/1998	547,195[10]	91.5[10]	7,039,201	14.06	14.52
Hudson Corporate Center	New York	100.0	1989/2000	311,950	87.4	6,853,399	25.14	24.66
Savvis Data Center 1	Silicon Valley	100.0	2000	300,000	100.0	5,760,000	19.20	22.09
Webb at LBJ	Dallas	100.0	1966/2000	365,449	89.6	4,499,282	13.74	14.87
AboveNet Data Center	Silicon Valley	100.0	1987/1999	187,085	96.2	4,431,834	24.64	34.52
NTT/Verio Premier Data Center	Silicon Valley	100.0	1982-83/2001	130,752	100.0	3,781,200	28.92	31.11
Savvis Data Center 2	Silicon Valley	100.0	1973/2000	167,932	100.0	3,027,814	18.03	22.08
Savvis Data Center 3	Los Angeles	100.0	1975/1998-99	113,606	100.0	2,048,316	18.03	22.08
Savvis Data Center 4	Silicon Valley	100.0	1972/1999	103,940	100.0	1,874,038	18.03	22.08
Savvis Data Center 5	Silicon Valley	100.0	1977/2000	90,139	100.0	1,625,206	18.03	22.08
Ameriquest Data Center	Denver	100.0	2001	82,229	100.0	1,521,240	18.50	20.34
eBay Data Center	Sacramento	100.0	1983/2000	62,957	100.0	1,479,943	23.51	24.05
VarTec Building	Dallas	100.0	1999	135,250	100.0	1,352,500	10.00	10.45
MAPP Building	Minneapolis/ St. Paul	100.0	1947/1999	88,134	100.0	1,339,637	15.20	16.02
Brea Data Center	Los Angeles	100.0	1981/2000	68,807	100.0	1,211,898	17.61	19.83
AT&T Web Hosting Facility	Atlanta	100.0	1998	250,191	50.5	1,098,036	8.69	10.50
				3,005,616	**91.5**	**48,943,544**	**17.79**	**19.99**
Technology Manufacturing								
Ardenwood Corporate Park	Silicon Valley	100.0	1985-86	307,657	100.0	7,691,292	25.00	25.04
Maxtor Manufacturing Facility	Silicon Valley	100.0	1991 & 1997[11]	183,050	100.0	3,371,122	18.42	19.92
ASM Lithography Facility[12]	Phoenix	100.0	2002	113,405	100.0	2,549,165	22.48	25.52
				604,112	**100.0**	**13,611,579**	**22.53**	**23.58**
Technology Office/ Corporate Headquarters								
Comverse Technology Building	Boston	100.0	1957 & 1999[13]	386,956	100.0	5,989,152	15.48	16.13
100 Technology Center Drive	Boston	100.0	1989/2001	197,000	100.0	3,743,000	19.00	20.20
Granite Tower	Dallas	100.0	1999	240,065	94.6	3,438,061	15.14	15.04

Stanford Place II	Denver	98.0(14)	1982	366,184	88.4	3,088,815	9.54	9.11
Siemens Building	Dallas	100.0	1999	125,538	100.0	1,917,505	15.27	17.54
Savvis Office Building	Silicon Valley	100.0	1977/2000	84,383	100.0	1,521,425	18.03	22.08
				1,400,126	**96.0**	**19,697,958**	**14.65**	**15.36**
Portfolio Total/Weighted Average				**7,846,095**	**90.1%**	**$ 142,194,620**	**$ 20.12**	**$ 22.12**
Square Feet of Space Held for Redevelopment				**397,563**				
Portfolio Total including Space Held for Redevelopment				**8,243,658**				

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(1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses. Since March 31, 2005 we have leased 181,009 rentable square feet (170,481 usable square feet) at an average annual rent of approximately $5.6 million, including leases executed prior to March 31, 2005 for which we were not receiving rent as of March 31, 2005. These leases commence between 2005 and 2009. Rent abatements for these leases for the twelve months ending March 31, 2006 total $260,278.

(2) Net rentable square feet at a building represents the current square feet at that building under lease as specified in the lease agreements plus management s estimate of space available for lease based on engineering drawings. Net rentable square feet includes tenants proportional share of common areas but excludes space held for redevelopment.

(3) Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of March 31, 2005 but for which we are not yet receiving rent.

(4) Annualized rent represents the annualized monthly contractual rent under existing leases as of March 31, 2005. This amount reflects total base rent before any one-time or nonrecurring rent abatements but after annually recurring rent credits and is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. Total abatements for leases in effect as of March 31, 2005 for the twelve months ending March 31, 2006 were $136,334.

(5) Annualized rent per leased square foot represents annualized rent as computed above, divided by the total square footage under lease as of the same date.

(6) For properties owned as of March 31, 2005, annualized net effective rent per leased square foot represents the contractual rent for leases in place as of March 31, 2005, calculated on a straight line basis from the date of acquisition by GI Partners or us or the date the lease commenced, if later. This amount is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. This amount is further reduced by the annual amortization of any tenant improvement and leasing costs incurred by GI Partners or us for such leases, and is then divided by the net rentable square footage under lease as of the same date. For properties acquired after March 31, 2005, the same approach is used, except that the straight line rent calculation is as of the acquisition date or the projected acquisition date.

(7) Excludes 290,000 square feet of space held for redevelopment.

(8) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on March 31, 2005 of $1.89 per £1.00.

(9) Comprises three properties in Charlotte, North Carolina which we are under contract to acquire. The acquisition of these properties remains subject to the completion of our due diligence and satisfaction of customary closing conditions. Accordingly, we cannot assure you that we will be able to consummate the acquisition.

(10) Excludes 107,563 square feet of space held for redevelopment.

(11) This property consists of two buildings: 1055 Page Avenue was built in 1991, and 47700 Kato Road was built in 1997.

(12) We own the subsidiary that is party to a ground sublease covering this property. The term of the ground sublease expires on December 31, 2082.

(13) This property consists of two buildings: 100 Quannapowitt was built in 1999, and 200 Quannapowitt was built in 1957 and has subsequently been renovated.

(14) We indirectly own a 98% interest in a subsidiary that holds the fee simple interest in this property. An unrelated third party holds the remaining 2% interest in this subsidiary.

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Tenant Diversification

Our portfolio is currently leased to more than 180 companies, many of which are nationally recognized firms in the technology industry. The following table sets forth information regarding the 15 largest tenants in our portfolio based on annualized rent as of March 31, 2005:

Tenant	Property	Lease Expiration[1]	Total Leased Square Feet	Percentage of Portfolio Square Feet	Annualized Rent	Percentage of Portfolio Annualized Rent
Savvis Communications Corp.			**1,119,401**	**14.3%**	**$ 22,573,499**	**15.9%**
	Hudson Corporate Center	Sep. 2011	234,570	3.0	6,098,820	4.3
	Savvis Data Center 1[2]	Sep. 2015	300,000	3.8	5,760,000	4.1
	Savvis Data Center 2	Feb. 2019	167,932	2.1	3,027,814	2.1
	Savvis Data Center 3	Feb. 2019	113,606	1.4	2,048,316	1.4
	Savvis Data Center 4	Feb. 2019	103,940	1.3	1,874,038	1.3
	Savvis Data Center 5	Feb. 2019	90,139	1.1	1,625,206	1.1
	Savvis Office Building	Feb. 2019	84,383	1.1	1,521,425	1.1
	36 Northeast Second Street	Aug. 2009	23,805	0.3	609,928	0.4
	Univision Tower	Sep. 2009	1,026	0.0	7,952	0.0
Qwest Communications International, Inc.			**654,866**	**8.3**	**18,195,340**	**12.8**
	Lakeside Technology Center	Jun. 2015	142,346	1.8	4,423,553	3.1
	Lakeside Technology Center	Jun. 2015	74,412	0.9	3,120,629	2.2
	200 Paul Avenue	Aug. 2015	65,622	0.8	2,986,143	2.1
	36 Northeast Second Street	Feb. 2014	78,540	1.0	1,640,783	1.2
	Carrier Center	Jan. 2020	68,000	0.9	1,482,215	1.0
	Burbank Data Center	Jan. 2011	82,911	1.1	1,414,300	1.0
	Charlotte Internet Gateway Properties	Jun. 2020	40,879	0.5	1,007,000	0.7
	200 Paul Avenue	Aug. 2015	24,205	0.3	917,363	0.6
	Univision Tower	Apr. 2008	20,135	0.3	635,595	0.4
	Lakeside Technology Center	Jun. 2015	50,000	0.6	213,596	0.2
	Carrier Center	Jul. 2005	350[3]	0.0	165,450	0.1
	Charlotte Internet Gateway Properties	Sep. 2019	3,806	0.0	87,173	0.1
	Univision Tower	Apr. 2008	3,650	0.0	81,412	0.1
	1100 Space Park Drive	Aug. 2011	10[3]	0.0	20,128	0.0
Verio, Inc.[4]			**238,051**	**3.0**	**6,317,748**	**4.4**
	NTT/Verio Premier Data Center	May 2010	130,752	1.7	3,781,200	2.7
	Lakeside	Aug. 2015	107,299	1.4	2,536,548	1.8
Equinix, Inc.			**272,904**	**3.5**	**5,933,780**	**4.2**
	Lakeside Technology Center	Mar. 2015	143,630	1.8	3,591,330	2.5
	Carrier Center	Oct. 2015	129,274	1.6	2,342,450	1.6
Comverse Network Systems			**367,033**	**4.7**	**5,690,307**	**4.0**
	Comverse Technology Building	Feb. 2011	166,109	2.1	2,989,962	2.1
	Comverse Technology Building	Feb. 2011	199,033	2.5	2,680,017	1.9
	Comverse Technology Building	Feb. 2011	1,891	0.0	20,328	0.0
Abgenix, Inc.			**131,386**	**1.7**	**4,980,607**	**3.5**
	Ardenwood Corporate Park	Apr. 2011	73,887	0.9	3,341,136	2.3
	Ardenwood Corporate Park	Apr. 2011	33,499	0.4	968,791	0.7
	Ardenwood Corporate Park	Apr. 2011	24,000	0.3	670,680	0.5
Leslie & Godwin[5][6]	Camperdown House	Dec. 2009	**63,233**	**0.8**	**4,193,136[7]**	**2.9**
Stone & Webster, Inc.[8]	100 Technology Center Drive	Mar. 2013	**197,000**	**2.5**	**3,743,000**	**2.6**
AboveNet, Inc.			**135,093**	**1.7**	**3,640,767**	**2.6**
	AboveNet Data Center	Nov. 2019	131,721	1.7	3,576,418	2.5
	Univision Tower	Apr. 2014	3,372	0.0	64,349	0.0
Maxtor Corporation	Maxtor Manufacturing Facility	Sep. 2011	**183,050**	**2.3**	**3,371,122**	**2.4**
SBC Communications, Inc.	Webb at LBJ	Nov. 2010	**141,663**	**1.8**	**2,773,762**	**2.0**

VSNL Telecommunications (US) Inc.	1100 Space Park Drive	Nov. 2016	**59,289**	**0.8**	**2,721,041**	**1.9**

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Tenant	Property	Lease Expiration[1]	Total Leased Square Feet	Percentage of Portfolio Square Feet	Annualized Rent	Percentage of Portfolio Annualized Rent
Thomas Jefferson University			**185,707**	**2.4**	**2,594,812**	**1.8**
	833 Chestnut Street	Jul. 2008	38,245	0.5	504,757	0.4
	833 Chestnut Street	Apr. 2015	28,503	0.4	313,533	0.2
	833 Chestnut Street	Oct. 2010	18,568	0.2	265,766	0.2
	833 Chestnut Street	Dec. 2011	16,638	0.2	261,662	0.2
	833 Chestnut Street	Jul. 2008	15,708	0.2	248,526	0.2
	833 Chestnut Street	Feb. 2011	12,787	0.2	188,619	0.1
	833 Chestnut Street	Aug. 2009	12,132	0.2	185,610	0.1
	833 Chestnut Street	Jul. 2008	13,514	0.2	184,358	0.1
	833 Chestnut Street	Jun. 2012	7,693	0.1	112,150	0.1
	833 Chestnut Street	Nov. 2012	5,177	0.1	88,512	0.1
	833 Chestnut Street	Dec. 2008	6,437	0.1	87,465	0.1
	833 Chestnut Street	Nov. 2009	5,366	0.1	81,517	0.1
	833 Chestnut Street	Mar. 2008	2,427	0.0	32,713	0.0
	833 Chestnut Street	Feb. 2009	1,506	0.0	22,901	0.0
	833 Chestnut Street	Mar. 2012	1,006	0.0	16,723	0.0
ASM Lithography	ASM Lithography Facility	Feb. 2017	**113,405**	**1.4**	**2,549,165**	**1.8**
XO Communications			**96,546**	**1.2**	**2,458,680**	**1.7**
	200 Paul Avenue	Feb. 2015	64,907	0.8	1,852,634	1.3
	Carrier Center	Aug. 2015	29,000	0.4	467,981	0.3
	Univision Tower	Oct. 2008	2,559	0.0	92,171	0.1
	Carrier Center	Sep. 2010	80(3)	0.0	45,894	0.0
Total, Top 15 Tenants			**3,958,627**	**50.5%**	**$ 91,736,766**	**64.5%**

(1) Assumes the exercise of no renewal options and the exercise of all early termination options.
(2) Microsoft Corporation subleases a portion of Savvis Communications Corp. s space in this building.
(3) Telecommunications colocation space.
(4) Verio is a wholly-owned subsidiary of Nippon Telegraph & Telephone.
(5) Leslie & Godwin is a United Kingdom subsidiary of AON Corporation.
(6) 100% of the Camperdown House property is subleased by Level 3 Communications from Leslie & Godwin through December 2009. Leslie & Godwin remains liable to us for rents under its lease. Subject to a payment by Level 3 Communications, which we can waive, Level 3 Communications is obligated to take a further lease of this property for a term expiring in 2015, subject to one five-year extension option. Including the Camperdown House sublease, Level 3 Communications occupies a total of 104,676 square feet of net rentable space in our buildings.
(7) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on March 31, 2005 at $1.89 per £1.00.
(8) Stone & Webster is the primary operating unit of the Engineering, Construction and Maintenance segment of The Shaw Group Inc.

Lease Distribution

The following table sets forth information relating to the distribution of leases in the properties in our portfolio, based on net rentable square feet under lease as of March 31, 2005:

Square Feet Under Lease	Number of Leases	Percentage of All Leases	Total Leased Square Feet	Percentage of Portfolio Leased Square Feet	Annualized Rent	Percentage of Portfolio Annualized Rent
Available		%	778,631	9.9%	$	%
2,500 or less	107	35.3	97,036	1.2	3,768,470	2.6

2,501-10,000	70	23.1	373,200	4.8	6,985,423	4.9
10,001-20,000	40	13.2	598,067	7.6	11,256,431	7.9
20,001-40,000	37	12.2	1,000,895	12.8	15,457,941	10.9
40,001-100,000	29	9.6	1,905,848	24.3	43,190,797	30.4
Greater than 100,000	20	6.6	3,092,418	39.4	61,535,558	43.3
Portfolio Total	**303**	**100.0%**	**7,846,095**	**100.0%**	**$ 142,194,620**	**100.0%**

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Lease Expirations

The following table sets forth a summary schedule of the lease expirations for leases in place as of March 31, 2005 plus available space, for each of the ten full calendar years and the partial year beginning April 1, 2005, at the properties in our portfolio. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Portfolio Square Feet	Annualized Rent	Percentage of Portfolio Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration	Annualized Rent at Expiration
Available		778,631	9.9%	$	%	$	$	$
2005	17	54,110	0.7	878,808	0.6	16.24	18.00	973,750
2006	30	206,601	2.6	3,112,937	2.2	15.07	15.96	3,296,695
2007	31	232,725	3.0	4,066,721	2.9	17.47	19.34	4,500,327
2008	28							