Digital Realty Trust, Inc.
Form S-11/A
January 26, 2005
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As filed with the Securities and Exchange Commission on January 26, 2005

Registration No. 333-122099

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

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)

2730 Sand Hill Road, Suite 280, Menlo Park, California 94025, (650) 233-3600

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

Michael F. Foust

Chief Executive Officer

Digital Realty Trust, Inc.

2730 Sand Hill Road, Suite 280, Menlo Park, California 94025, (650) 233-3600

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

Copies to:

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Los Angeles, California 90071	**Exchange Place, 53 State Street**
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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. ¨

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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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 JANUARY 26, 2005

P R O S P E C T U S

Shares

% Series A Cumulative Redeemable Preferred Stock

(Liquidation Preference $ per share)

We are offering shares of our % series A cumulative redeemable preferred stock, which we refer to in this prospectus as our series A preferred stock. We have granted the underwriters an option to purchase up to additional shares of our series A preferred stock to cover over-allotments. We will pay cumulative dividends on our series A preferred stock from the date of original issuance in the amount of approximately $ per share each year, which is equivalent to % of the $ liquidation preference per share. Dividends on our series A preferred stock will be payable quarterly in arrears, beginning on , 2005. Our series A preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, our series A preferred stock will rank senior to our common stock with respect to the payment of distributions and other amounts. We are not allowed to redeem our series A preferred stock before , 2010, except in limited circumstances to preserve our status as a real estate investment trust. On or after , 2010, we may, at our option, redeem our series A preferred stock, in whole or from time to time in part, for cash at a redemption price of $ per share, plus all accumulated and unpaid dividends on such series A preferred stock up to but excluding the redemption date. Holders of our series A preferred stock will generally have no voting rights except for limited voting rights if we fail to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other events. Our series A preferred stock will not be convertible into or exchangeable for any other property or securities of our company.

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

No market currently exists for our series A preferred stock. Our common stock currently trades on the New York Stock Exchange, or NYSE, under the symbol DLR . We have applied to list our series A preferred stock on the NYSE under the symbol DLR Pr A . If the application is approved, trading of the series A preferred stock is expected to commence within 30 days after the initial delivery of the series A preferred stock.

See Risk Factors beginning on page 19 for certain risk factors relevant to an investment in our series A preferred stock, including, among others:

Our properties depend upon the technology industry and demand for 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 more diversified real estate portfolio.

We are dependent 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 for payment of dividends on our series A preferred stock.

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 for payment of dividends on our series A preferred stock.

	Per Share	Total
Public Offering Price(1)	$	$
Underwriting Discount	$	$
Proceeds, before expenses, to us	$	$

(1) Plus accrued dividends, if any, from the original date of issue.

Shares of our series A preferred stock will be ready for delivery in book-entry form through The Depository Trust Company 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.

Citigroup **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 ACQUISITION PROPERTIES

We are under contract to acquire three properties, 833 Chestnut Street, Philadelphia, Pennsylvania, MAPP Building, Minneapolis/St. Paul, Minnesota, and Miami Data Center, Miami, Florida. We refer to these properties as the acquisition properties. While we believe that we will consummate the acquisitions of the acquisition properties, we cannot assure you that we will, because consummation of the acquisitions remains subject to the completion of our due diligence and satisfaction of customary closing conditions, including assumption of indebtedness. 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 sellers of such properties and, although we believe such information to be accurate, because we are still in the process of conducting acquisition diligence, we cannot assure you that such information is not inaccurate or incomplete.

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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 which we refer to in this prospectus as our operating partnership. Unless otherwise indicated, the information contained in this prospectus (including debt balances) is as of September 30, 2004 and assumes that the underwriters over-allotment option is not exercised. Additionally, unless otherwise indicated, portfolio property data as of September 30, 2004 relating to square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations includes such data for (i) 200 Paul Avenue, 1100 Space Park Drive, and eBay Data Center, all of which were acquired subsequent to September 30, 2004 in connection with our initial public offering, (ii) Burbank Data Center, which was acquired in December 2004, and (iii) 833 Chestnut Street, MAPP Building and Miami Data Center, which we are under contract to acquire and which we refer to in this prospectus as the acquisition properties.

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. 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 24 properties and are under contract to acquire an additional three properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.6 million net rentable square feet. Our operations and acquisition activities are focused on a limited number of markets where technology tenants are concentrated, including the Atlanta, Boston, Dallas, Denver, Los Angeles, Miami, Minneapolis/St. Paul, New York, Philadelphia, Phoenix, Sacramento, San Francisco and Silicon Valley metropolitan areas. As of September 30, 2004, our portfolio, including the acquisition properties, was approximately 83.7% leased at an average annualized rent per leased square foot of $19.53. The property types within our focus include:

- telecommunications infrastructure properties, which provide the infrastructure required by companies in the data, voice and wireless communications industries;

- information technology, or IT, infrastructure properties, which provide the physical environment required for disaster recovery, IT outsourcing and collocation;

- 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.

Many 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.

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Our portfolio consists primarily of 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 Employee Retirement System, or CalPERS, the largest U.S. pension fund. Upon GI Partners selection, 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.

Our principal executive offices are located at 2730 Sand Hill Road, Suite 280, Menlo Park, California 94025. Our telephone number at that location is (650) 233-3600. Our website is located at www.digitalrealtytrust.com. The information found on, or otherwise 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. Our portfolio contains state-of-the-art facilities with extensive tenant improvements. Based on current market rents and estimated costs to construct such 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 primarily located in 14 major metropolitan areas, including the Boston, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas, and is diversified so that no one market represents more than 26.1% of the aggregate annualized rent of our portfolio as of September 30, 2004.

Long-Term Leases. We have long-term leases with stable cash flows. As of September 30, 2004, our average lease term was in excess of 12.4 years, with an average of 7.6 years remaining. Through 2007, leases representing only 6.2% of our net rentable square feet, or 6.6% of our aggregate annualized rent, are scheduled to expire. Moreover, through 2005, only 1.0% of our net rentable square feet is scheduled to expire.

Specialized Focus in Dynamic and Growing Industry. We focus solely on technology-related real estate because we believe that the growth in the technology industry 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 industry to identify strategically located properties, 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 an aggregate of 24 technology-related real estate properties with 5.6 million net rentable square feet. We have also entered into contracts for the acquisition of three additional technology-related real estate properties with approximately 1.0 million net rentable square feet. Our acquisition capability is driven by our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial and other criteria, which allows us to efficiently evaluate investment opportunities and, as appropriate, commit and close quickly. More than half of our acquisitions were acquired before they

were broadly marketed by real estate brokers. We intend to continue to acquire additional technology-related real estate as a key component of our growth strategy.

Experienced and Committed Management Team. Our senior management team, including our Executive Chairman, collectively have an average of over 23 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. Our senior management team collectively owns an approximate 3.3% common equity interest in our company 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, and accordingly, we anticipate that they will continue to play an active role in our future success. We expect that CBRE and other brokers will assist us with obtaining property deal flow that has not been widely marketed, and GI Partners private equity investment professionals will provide additional technology industry expertise and access to proprietary deal flow. In addition, 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.

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 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 situations. Furthermore, technology-related real estate is specialized, which makes it more difficult for traditional real estate investors to understand and 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 was approximately 83.7% leased as of September 30, 2004, leaving approximately 1.1 million 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 have also implemented cost control measures 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 September 30, 2004 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses.

Convert Improved Space to Collocation Use. We own approximately 184,000 net rentable square feet of data center space with extensive installed tenant improvements that is currently, or will shortly be, available for lease. Rather than leasing such space to large single tenants, we have and intend to continue to convert these spaces to multi-tenant collocation use, with each tenant averaging between 100 and 1,000 square feet of net rentable space. Multi-tenant collocation is a cost-effective solution for smaller tenants who cannot afford their own extensive infrastructure and security. Because we can provide such features, we are able to lease space to these smaller tenants at a significant premium to other uses.

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Leverage Strong Industry Relationships. We use our strong industry relationships with national and regional technology intensive companies to comprehensively identify and 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 technology tenants.

Use Capital Efficiently. We have and will continue to opportunistically sell assets. 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 re-invest our capital.

Summary Risk Factors

You should carefully consider the following important risks as well as the additional risks described in Risk Factors beginning on page 19:

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 more diversified real estate portfolio.

We are dependent 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 for payment of dividends on our series A preferred stock.

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 for payment of dividends on our series A preferred stock.

Under a contribution agreement with the third-party contributors who contributed the direct and indirect interests in the 200 Paul Avenue and 1100 Space Park Drive properties 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 13.3% of our portfolio s annualized rent as of September 30, 2004. 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.

We are under contract to acquire three new technology-related properties, totaling 1.0 million net rentable square feet, for an aggregate price of approximately $97.8 million. Our ability to complete these acquisitions depends on many factors, including the completion of our due diligence and satisfaction of customary closing conditions, such as assumption of indebtedness. The inability to complete any of these acquisitions within our anticipated time frames may harm our financial condition and ability to pay distributions, including dividends on our series A preferred stock.

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We have owned our properties for a limited time and therefore our properties may have characteristics or deficiencies unknown to us that could affect such properties 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 as such 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 the tenant s 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 tenant.

As of September 30, 2004, our pro forma total consolidated indebtedness was approximately $551.2 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have a $200 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and UBS Securities LLC, our joint bookrunning managers. The credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties. We estimate that approximately $53.2 million of this facility will be available to us upon consummation of this offering and application of the proceeds therefrom, assuming 833 Chestnut Street qualifies as an eligible unsecured property under our credit facility. Our debt service obligations with respect to such indebtedness will reduce cash available for distribution, including cash available to pay dividends on our series A preferred stock, 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 cash available to pay dividends on our series A preferred stock, 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 and 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 and the partnership agreement of our operating partnership contain provisions 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, including a 9.8% limit on ownership of our series A preferred stock and a 9.8% limit on ownership of the value of our outstanding capital stock.

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 to promptly sell one or more properties in our portfolio in response to adverse changes in the performance of such properties may be limited, thus harming our financial condition.

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The Properties

Our Portfolio

The following table presents an overview of our portfolio of properties, including the acquisition properties, based on information as of September 30, 2004:

Property[1]	Metropolitan Area	Percent Ownership	Year Built/ Renovated	Net Rentable Square Feet[2]	Percent Leased	Annualized Rent[3]	Annualized Rent Per Leased Square Foot[4]	Annualized Net Effective Rent Per Leased Square Foot[5]
Telecommunications Infrastructure								
200 Paul Avenue	San Francisco	100.0%	1955/1999&2001	532,238	82.9%	$ 10,817,714	$ 24.50	$ 28.02
Univision Tower	Dallas	100.0	1983	477,107	79.8	8,059,284	21.17	19.85
Carrier Center	Los Angeles	100.0	1922/1999	449,254	80.5	7,583,463	20.97	24.61
Camperdown House[6]	London, UK	100.0	1983/1999	63,233	100.0	4,016,624	63.52	63.52
1100 Space Park Drive	Silicon Valley	100.0	2001	167,951	46.6	3,520,547	45.01	52.35
36 Northeast Second Street	Miami	100.0	1927/1999	162,140	81.2	3,007,472	22.85	25.66
Burbank Data Center	Los Angeles	100.0	1991	82,911	100.0	1,373,106	16.56	18.41
VarTec Building	Dallas	100.0	1999	135,250	100.0	1,352,500	10.00	10.45
				2,070,084	**80.9**	**39,730,710**	**23.72**	**25.82**
Information Technology Infrastructure								
Hudson Corporate Center	New York	100.0	1989/2000	311,950	88.7	6,911,301	24.98	24.46
833 Chestnut Street	Philadelphia	100.0(7)	1927/1998	654,758	71.7(8)	6,857,034	14.61	15.72
Savvis Data Center	Silicon Valley	100.0	2000	300,000	100.0	5,580,000	18.60	22.09
Webb at LBJ	Dallas	100.0	1966/2000	365,449	89.0	4,484,570	13.79	14.95
AboveNet Data Center	Silicon Valley	100.0	1987/1999	179,489	97.1	4,291,595	24.63	35.63
NTT/Verio Premier Data Center	Silicon Valley	100.0	1982-83/2001	130,752	100.0	3,781,200	28.92	31.11
MAPP Building	Minneapolis/ St. Paul	100.0(7)	1947/1999	88,134	100.0	1,339,637	15.20	16.78
Brea Data Center	Los Angeles	100.0	1981/2000	68,807	100.0	1,176,600	17.10	19.78
eBay Data Center	Sacramento	75.0(9)	1983/2000	62,957	100.0	1,133,226	18.00	19.20
AT&T Web Hosting Facility	Atlanta	100.0	1998	250,191	50.0	1,098,036	8.78	10.59
Miami Data Center	Miami	100.0(7)	1999-2000	197,281				
				2,609,768	**77.4**	**36,653,199**	**18.13**	**20.43**
Technology Manufacturing								
Ardenwood Corporate Park	Silicon Valley	100.0	1985-86	307,657	100.0	7,624,739	24.78	25.16
Maxtor Manufacturing Facility	Silicon Valley	100.0	1991 & 1997[10]	183,050	100.0	3,272,934	17.88	19.92
ASM Lithography Facility[11]	Phoenix	100.0	2002	113,405	100.0	2,549,165	22.48	25.52
				604,112	**100.0**	**13,446,838**	**22.26**	**23.64**
Technology Office/Corporate Headquarters								
Comverse Technology Building	Boston	100.0	1957 & 1999[12]	388,000	99.7	5,891,393	15.22	16.14
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	240,151	95.5	3,431,956	14.97	15.08

Stanford Place II	Denver	98.0(13)	1982	348,573	78.6	2,865,251	10.45	9.68
Siemens Building	Dallas	100.0	1999	125,538	100.0	1,917,505	15.27	17.57
				1,299,262	**93.4**	**17,849,105**	**14.72**	**15.29**
Portfolio Total/Weighted Average				**6,583,226**	**83.7%**	**$ 107,679,852**	**$ 19.53**	**$ 21.29**

(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.

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(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.

(3) Annualized rent represents the annualized monthly contractual rent under existing leases as of September 30, 2004. 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 September 30, 2004 for the 12 months ending September 30, 2005 were $739,346.

(4) 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.

(5) For properties owned as of September 30, 2004, annualized net effective rent per leased square foot represents the contractual rent for leases in place as of September 30, 2004, 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 September 30, 2004, the same approach is used, except that the straight line rent calculation is as of the acquisition date or the projected acquisition date.

(6) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on September 30, 2004 of $1.8093 per £1.00.

(7) Our operating partnership has entered into contracts to acquire these properties. While we believe that we will consummate these acquisitions, we cannot assure you that they will close because they remain subject to the completion of our due diligence and satisfaction of customary closing conditions.

(8) An affiliate of the Thomas Jefferson University Hospital entered into an agreement to lease 28,503 square feet commencing May 1, 2005 for a term of ten years. Based on leases in place as of September 30, 2004, this new lease would increase the occupancy of the property to approximately 76%.

(9) We own a 75% tenancy-in-common interest in this property. On January 7, 2005, the third-party owner of the remaining 25% interest in this property exercised its option to require us to purchase its 25% interest.

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

(11) 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.

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

(13) 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.

Right of First Offer Properties

GI Partners owns interests in two technology-related properties which were not contributed to us in connection with our initial public offering. The first is a data center located in Englewood, Colorado (Denver metropolitan area) with 82,229 of net rentable square feet. GI Partners has informed us that effective November 15, 2004 Ameriquest Mortgage Company has entered into a lease for 100.0% of the net rentable square feet of this property that commences on February 1, 2005 for a term of seven years at an annualized net rent of approximately $1.5 million. The second is a 129,366 square foot vacant data center located in Frankfurt, Germany. We do not have an option to purchase either of these properties. However, we do have rights of first offer with respect to the sale of either of them by GI Partners. In January 2005, we commissioned an appraisal of the Englewood, Colorado property with a view towards negotiating the purchase of this property from GI Partners.

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The Offering

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of our series A preferred stock, see Description of Series A Preferred Stock. We will contribute the net proceeds of the sale of our series A preferred stock to our operating partnership and our operating partnership will issue to us series A preferred units.

Issuer	Digital Realty Trust, Inc., a Maryland corporation.
Securities Offered	shares of our % series A cumulative redeemable preferred stock (shares if the underwriters option to purchase additional shares is exercised in full).
Ranking	The series A preferred stock will rank, with respect to dividend rights and rights upon our liquidation, dissolution or winding-up:
	senior to all classes or series of our common stock, and to any other class or series of our capital stock expressly designated as ranking junior to the series A preferred stock;
	on parity with any class or series of our capital stock expressly designated as ranking on parity with the series A preferred stock; and
	junior to any other class or series of our capital stock expressly designated as ranking senior to the series A preferred stock.
Dividend Rate and Payment Date	Investors will be entitled to receive cumulative cash dividends on the series A preferred stock from and including the date of original issue, payable quarterly in arrears on or about the day of , , , and of each year, commencing , 2005, at the rate of % per annum of the $ liquidation preference per share (equivalent to an annual rate of $ per annum per share). The first dividend payable on the series A preferred stock on , 2005 will be a pro rata dividend from and including the original issue date to but excluding , 2005 in the amount of $ per share. Dividends on the series A preferred stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

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	As a result of recent changes in the tax law, dividends paid by regular C corporations to persons or entities that are taxed as United States individuals now are generally taxed at the rate applicable to long-term capital gains, which is a maximum of 15%, subject to certain limitations. Because we are a REIT, however, our dividends, including dividends paid on our series A preferred stock, generally will continue to be taxed at regular ordinary income tax rates, except to the extent that the special rules relating to qualified dividend income and capital gains dividends paid by a REIT apply. See Federal Income Tax Considerations.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of the series A preferred stock will have the right to receive $ per share, plus accrued and unpaid dividends (whether or not earned or declared) up to but excluding the date of payment, before any payment is made to holders of our common stock and any other class or series of capital stock ranking junior to the series A preferred stock as to liquidation rights. The rights of holders of series A preferred stock to receive their liquidation preference will be subject to the proportionate rights of any other class or series of our capital stock ranking on parity with the series A preferred stock as to liquidation.
Optional Redemption	We may not redeem the series A preferred stock prior to , 2010, except in limited circumstances to preserve our status as a REIT. On and after , 2010, the series A preferred stock will be redeemable at our option, in whole or in part at any time or from time to time, for cash at a redemption price of $ per share, plus accrued and unpaid dividends up to but excluding the redemption date. Any partial redemption will be on a pro rata basis.
No Maturity, Sinking Fund or Mandatory Redemption	
	The series A preferred stock has no maturity date and we are not required to redeem the series A preferred stock at any time. Accordingly, the series A preferred stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our redemption right. The series A preferred stock is not subject to any sinking fund.

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Voting Rights	Holders of series A preferred stock will generally have no voting rights. However, if we are in arrears on dividends on the series A preferred stock for six or more quarterly periods, whether or not consecutive, holders of the series A preferred stock (voting together as a class with the holders of all other classes or series of parity preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote at a special meeting called by at least 10% of such holders or at our next annual meeting and each subsequent annual meeting of stockholders for the election of two additional directors to serve on our board of directors until all unpaid dividends with respect to the series A preferred stock and any other class or series of parity preferred stock have been paid or declared and a sum sufficient for the payment thereof set aside for payment. In addition, we may not make certain material and adverse changes to the terms of the series A preferred stock without the affirmative vote of the holders of at least two-thirds of the outstanding shares of series A preferred stock and the holders of all other shares of any class or series of preferred stock ranking on parity with the series A preferred stock with respect to the payment of dividends and distribution of assets upon our liquidation that are entitled to similar voting rights (voting together as a single class).
Listing	We have applied to list the series A preferred stock on the NYSE. We will use commercially reasonable efforts to have our listing application for the series A preferred stock approved. If the application is approved, trading of the series A preferred stock on the NYSE is expected to commence within 30 days after the date of initial delivery of the series A preferred stock. The underwriters have advised us that they intend to make a market in the series A preferred stock prior to commencement of any trading on the NYSE. However, the underwriters will have no obligation to do so, and no assurance can be given that a market for the series A preferred stock will develop prior or subsequent to commencement of trading on the NYSE or, if developed, will be maintained.

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Restrictions on Ownership and Transfer	For us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, the transfer of our capital stock, which includes the series A preferred stock, is restricted and not more than 50% in value of our outstanding capital stock may be owned, directly or constructively, by five or fewer individuals, as defined in the Code. In order to assist us in meeting these requirements, no person or persons acting as a group may own, or be deemed to own by virtue of the constructive ownership rules of the Code, subject to limited exceptions, more than 9.8% of the outstanding shares of the series A preferred stock. See Description of Series A Preferred Stock Restrictions on Ownership and Transfer.
Conversion	The series A preferred stock is not convertible into or exchangeable for any of our other property or securities.
Use of Proceeds	We expect that the net proceeds from this offering will be approximately $71.7 million after deducting underwriting discounts and commissions and our expenses (or approximately $82.6 million if the underwriters exercise their option to purchase additional shares in full). We will contribute the net proceeds from this offering to our operating partnership in exchange for series A preferred units, the economic terms of which are substantially similar to those of the series A preferred stock. Our operating partnership will subsequently use the net proceeds received from us to repay borrowings under our unsecured revolving credit facility, and also potentially to acquire the acquisition properties and additional properties and for other general corporate purposes. See Use of Proceeds.
Risk Factors	An investment in the series A preferred stock involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors beginning on page 19 of this prospectus before making a decision to invest in the series A preferred stock.
Form	The series A preferred stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except under limited circumstances.

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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 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. 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 financial and operating data on a combined historical basis for the Digital Realty Predecessor. The Digital Realty Predecessor is comprised of 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. because we did not have any corporate activity through September 30, 2004 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 combined historical financial information includes:

- 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 relate 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 are 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 combined historical consolidated financial statements and the related notes and with Management s Discussion and Analysis of Financial Conditions and Results of Operations, which are 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 period from 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, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical combined balance sheet information as of September 30, 2004 and December 31, 2001 and the combined statements of operations information for the nine months ended September 30, 2004 and 2003 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 combined balance sheet information as of September 30, 2004 and the historical combined statements of operations for the nine months ended September 30, 2004 and 2003 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 September 30, 2004 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited summary selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2004 and for the year ended December 31, 2003 assume completion of this offering and our intended use of the proceeds therefrom as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. Our unaudited summary selected pro forma consolidated financial statements 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 periods presented for the operating data and as of the stated date for the balance sheet data. Our unaudited summary selected pro forma consolidated financial statements also include the effects of the acquisition by us of the Burbank Data Center, the remaining 25% interest in the eBay Data Center and the expected acquisition by us of the acquisition properties, along with the related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the period presented for the operating data and as of the stated date for the balance sheet 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 date 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)

	Nine Months Ended September 30,			Year Ended December 31,			Period from February 28, 2001 (inception) through December 31,
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined		Historical Combined
	2004	2004	2003	2003	2003	2002	2001
	(Unaudited)	(Unaudited)		(Unaudited)			
Statement of Operations Data:							
Rental revenues	$ 101,780	$ 59,127	$ 34,263	$ 130,442	$ 50,099	$ 21,203	$
Tenant reimbursements	19,353	10,055	6,230	25,024	8,661	3,894	
Other revenues	2,591	1,734	4,314	6,058	4,328	458	12
Total revenues	123,724	70,916	44,807	161,524	63,088	25,555	12
Rental property operating and maintenance expenses	22,860	11,625	5,604	27,817	8,624	4,997	
Property taxes	9,474	6,250	3,146	11,976	4,688	2,755	
Insurance	2,304	1,179	329	2,670	626	83	
Interest expense	25,936	15,804	6,786	34,578	10,091	5,249	
Asset management fees to related party		2,389	2,389		3,185	3,185	2,663
Depreciation and amortization expense	37,291	20,822	11,031	49,257	16,295	7,659	
General and administrative expenses	21,496	243	74	22,688	329	249	
Other expenses	2,771	2,716	2,566	2,698	2,459	1,249	107
Total expenses	122,132	61,028	31,925	151,684	46,297	25,426	2,770
Income (loss) before minority interests (deficit)	1,592	9,888	12,882	9,840	16,791	129	(2,758)
Minority interests (deficit)	939	(28)	126	5,859	149	190	
Net income (loss)	653	9,916	12,756	3,981	16,642	(61)	(2,758)
Preferred dividends	4,641			6,188			
Net income (loss) available to common stockholders	$ (3,988)	$ 9,916	$ 12,756	$ (2,207)	$ 16,642	$ (61)	$ (2,758)
Balance Sheet Data (at period end)[(1)]							
Investments in real estate, after accumulated depreciation and amortization	$ 874,932	$ 650,207	$	$	$ 391,737	$ 217,009	$
Total assets	1,110,902	822,189			479,698	269,836	1,893
Notes payable under line of credit	64,313	6,117			44,436	53,000	
Notes payable under bridge loan	7,950	243,686					
Mortgages and other secured loans	478,984	297,496			253,429	103,560	
Total liabilities	606,073	593,699			328,303	183,524	903
Minority interests	257,927	3,127			3,444	3,135	
Stockholders /owner s equity	246,902	225,363			147,951	83,177	990
Total liabilities and stockholders /owner s equity	1,110,902	822,189			479,698	269,836	1,893

Per Share Data:							
Pro forma earnings (loss) per share available to common shareholders basic and diluted	$ (0.19)	$	$	$ (0.10)	$	$	$
Pro forma weighted average common shares outstanding basic and diluted	21,421			21,421			
Cash flows from (used in):							
Operating activities	$	$ 31,551	$ 20,901	$	$ 28,986	$ 9,645	$ (1,867)
Investing activities		(321,737)	(179,140)		(215,263)	(164,755)	(1,881)
Financing activities		287,641	156,568		187,873	158,688	3,748
Other Data:							
Funds from operations[2]	$ 38,906	$	$	$ 59,097	$	$	$
Funds from operations available to common stockholders[2][3]	34,265			52,909			
EBITDA[4]	64,842	46,542	30,573	93,675	43,028	12,847	(2,758)
EBITDA available to common stockholders[4][5]	60,201	46,542	30,573	87,487	43,028	12,847	(2,758)

(1) Balance sheet data as of December 31, 2001 is unaudited.

(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 equity 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 and has been reduced by the amount of pro forma preferred stock dividends. See the reconciliation of pro forma net income to pro forma 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 equity 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 be considered only as a supplement to cash flows from operating activities (computed in accordance with GAAP) as a measure of our liquidity. Other equity 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 16.

(5) EBITDA available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock and has been reduced by the amount of pro forma preferred stock dividends. See the reconciliation of net income to EBITDA available to common stockholders on page 16.

The following table reconciles our pro forma net income to our pro forma FFO and pro forma FFO available to common stockholders for the nine months ended September 30, 2004 and the year ended December 31, 2003:

	Pro Forma Nine Months Ended September 30, 2004	Pro Forma Year Ended December 31, 2003
Reconciliation of pro forma net income to pro forma FFO and pro forma FFO available to common stockholders:		
Pro forma net income before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 1,615	$ 9,840
Plus pro forma real estate depreciation and amortization	37,291	49,257
Pro forma FFO	38,906	59,097
Less pro forma preferred stock dividends	4,641	6,188
Pro forma FFO available to common stockholders[(1)]	$ 34,265	$ 52,909

(1) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock and has been reduced by the amount of pro forma preferred dividends.

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

	Nine Months Ended September 30,			Year Ended December 31,			Period from February 28, 2001 (inception) through December 31,
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined		Historical Combined
	2004	2004	2003	2003	2003	2002	2001
Reconciliation of net income to EBITDA:							
Net income (loss)	$ 653	$ 9,916	$ 12,756	$ 3,981	$ 16,642	$ (61)	$ (2,758)
Adjustments:							
Minority interest in operating partnership	962			5,859			
Interest expense	25,936	15,804	6,786	34,578	10,091	5,249	
Depreciation and amortization	37,291	20,822	11,031	49,257	16,295	7,659	
EBITDA	64,842	46,542	30,573	93,675	43,028	12,847	(2,758)
Less preferred stock dividends	4,641			6,188			
EBITDA available to common stockholders[(1)]	$ 60,201	$ 46,542	$ 30,573	$ 87,487	$ 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 and has been reduced by the amount of pro forma preferred dividends.

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Ratios of Earnings and EBITDA to Fixed Charges and Preferred Dividends

Our ratios of earnings to fixed charges, earnings to fixed charges and preferred dividends, EBITDA to fixed charges and EBITDA to fixed charges and preferred dividends for the periods indicated are as follows:

	Nine Months Ended September 30, 2004		Year Ended December 31, 2003		Year Ended December 31, 2002	Period from February 28, 2001 (inception) through December 31, 2001
	Pro Forma Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined	Historical Combined
Ratio of earnings to fixed charges	1.06x	1.62x	1.28x	2.64x	.99x	
Ratio of earnings to fixed charges and preferred dividends	0.90x		1.09x			
Ratio of EBITDA to fixed charges	2.49x	2.93x	2.70x	4.24x	2.45x	
Ratio of EBITDA to fixed charges and preferred dividends	2.11x		2.29x			

Our ratios of earnings to fixed charges and EBITDA to fixed charges are computed by dividing earnings or EBITDA, as applicable, by fixed charges. Our ratios of earnings to fixed charges and preferred dividends and EBITDA to fixed charges and preferred dividends are computed by dividing earnings or EBITDA, as applicable, by the sum of fixed charges and preferred dividends. For these purposes, earnings consist of net income (loss) before minority interests and fixed charges. EBITDA consists of net income (loss) from continuing operations before minority interest in our operating partnership, interest expense and depreciation and amortization. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees, whether expensed or capitalized, and interest within rental expense. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on the series A preferred stock. Our pro forma ratios are prepared on the basis of our pro forma financial statements. See Digital Realty Trust, Inc. Pro Forma Condensed Consolidated Financial Statements.

Since our inception, we have neither issued any shares of, nor paid any dividends on, preferred stock. Accordingly, the ratio of earnings to fixed charges and preferred stock dividends and the ratio of EBITDA to fixed charges and preferred stock dividends are not presented for historical periods. In addition, from February 28, 2001 to December 31, 2001, we had no fixed charges.

For the nine months ended September 30, 2004, pro forma earnings were insufficient to cover pro forma fixed charges and pro forma preferred dividends by $3,026,000. For the year ended December 31, 2002, earnings were insufficient to cover fixed charges by $61,000. Pro forma earnings for the nine months ended September 30, 2004 and the year ended December 31, 2004 were impacted by $17.9 million of compensation expense resulting from awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman.

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Presented below are the components used to calculate the ratios of earnings and EBITDA to fixed charges and earnings and EBITDA to fixed charges and preferred dividends:

	Nine Months Ended September 30, 2004		Year Ended December 31, 2003		Year Ended December 31, 2002	Period from February 28, 2001 (inception) through December 31, 2001
	Pro Forma Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined	Historical Combined
Earnings	$ 27,636	$ 25,805	$ 44,484	$ 26,799	$ 5,188	$ (2,758)
EBITDA	64,842	46,542	93,675	43,028	12,847	(2,758)
Fixed charges:						
Interest expense	25,936	15,804	34,578	10,091	5,249	
Interest within rental expense	85	85	66	66		
	26,021	15,889	34,644	10,157	5,249	
Preferred dividends	4,641		6,188			

Our pro forma earnings were impacted by $17.9 million of compensation expense resulting from awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman. For a reconciliation of EBITDA to net income, see page 16.

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RISK FACTORS

Investment in our series A preferred stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of our series A preferred stock offered by this prospectus. The occurrence of 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 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 more diversified real estate portfolio. We are susceptible to adverse developments in the technology industry (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 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, increasing the likelihood of a default under their leases or that they 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 September 30, 2004, the 20 largest tenants in our property portfolio represented approximately 69.5% of the total annualized rent generated by our properties. Our largest tenants by annualized rent are Savvis Communications and Qwest Communications. Savvis Communications leased 588,359 square feet of net rentable space as of September 30, 2004, representing approximately 12.0% of the total annualized rent generated by our properties. Qwest Communications leased 343,383 square feet of net rentable space as of September 30, 2004, representing approximately 8.6% of the total annualized rent generated by our properties. In addition, 12 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. In the event of any tenant default, 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 143,882 square feet of net rentable space, and Universal Access Inc., leasing approximately 11,680 square feet of net rentable space, 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 474,000 square feet of net rentable space concluded bankruptcy proceedings. Of the 14 tenants, eight tenants leasing approximately 370,000 square feet of net rentable space paid rent to us on an uninterrupted basis and affirmed their leases. Of the approximately 104,000 square feet of net rentable space that was rejected and terminated, we had re-leased approximately 21,000 square feet as of the date of this prospectus.

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Our revenue and cash available for distribution, including cash available for payment of dividends on our series A preferred stock, could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in their business, or fail to renew their leases at all or renew on terms less favorable to us than their 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, Dallas, Denver, London, Los Angeles, Miami, Minneapolis/St. Paul, New York, Philadelphia, Phoenix, Sacramento, San Francisco and Silicon Valley metropolitan areas. We are dependent upon the local economic conditions in these markets, including local real estate conditions. Many of these markets have experienced downturns during the recent recession. 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 for payment of dividends on our series A preferred stock, 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, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan markets. These markets comprised 8.9%, 17.9%, 9.4%, 6.4%, 6.4%, 10.0% and 26.1%, respectively, of annualized rent as of September 30, 2004 of the properties comprising our portfolio. As such, positive or negative changes in conditions in these markets in particular will impact our overall performance.

Our planned property acquisitions are subject to due diligence and closing conditions that may prevent us from acquiring those properties.

We are under contract to acquire three new technology-related properties, totaling 1.0 million net rentable square feet, for an aggregate price of approximately $97.8 million. Our ability to complete these acquisitions depends on many factors, including the completion of our due diligence and satisfaction of customary closing conditions, such as assumption of indebtedness. We are still in the process of conducting acquisition diligence and therefore, although we believe that the information in the prospectus with respect to the acquisition properties that has been provided to us by the sellers of such properties, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations is accurate, we cannot assure you that this information is accurate or complete. If we are unable to complete any of these acquisitions within our anticipated time frames, or at all, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A preferred stock and ability to satisfy our debt service obligations could be materially adversely affected.

We have owned our properties for a limited time.

We own 24 properties and are under contract to acquire three properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.6 million net rentable square feet. All the properties have been under our management for less than three years, and 13 of the properties have been owned for less than one year. The properties may have characteristics or deficiencies unknown to us that could affect such properties valuation or revenue potential. There can be no assurance that the operating performance of the properties will not decline under our management.

We may have difficulty internalizing our asset management and accounting functions.

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. Such

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affiliate also provided all of our accounting and financial reporting services. Since the consummation of our initial public offering, we have begun to internalize our asset management function and our accounting and financial reporting functions so that we can carry out the majority of our general and administrative functions directly. We cannot assure you that we will successfully internalize these functions on the anticipated timetable or without incurring unanticipated costs. We have entered into a transition services agreement with CB Richard Ellis Investors, pursuant to which CB Richard Ellis Investors will provide us with transitional accounting and other services for an interim period that we anticipate will last through the first fiscal quarter of 2005.

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 a public company. Failure to maintain REIT status would have an adverse effect on our cash available for distribution, including cash available for payment of dividends on our series A preferred stock.

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 13.3% of our portfolio s annualized rent as of September 30, 2004. 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.

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 46.6% of our portfolio s annualized rent as of September 30, 2004. 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 the

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tenant s 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 tenant.

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 for payment of dividends on our series A preferred stock, and may expose us to the risk of default under our debt obligations.

Upon completion of this offering, we anticipate that our pro forma total consolidated indebtedness will be approximately $551.2 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have a $200 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and UBS Securities LLC, our joint bookrunning managers. The credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties. We estimate that approximately $53.2 million of additional borrowings under this facility will be available to us upon consummation of this offering, assuming 833 Chestnut Street qualifies as an eligible unsecured property under our credit facility. 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 on our series A preferred stock or make distributions on our common stock 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 for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A 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.

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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:

- potential inability 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 the acquisition 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 quickly and efficiently integrate new acquisitions, 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 to you, per share trading price of our common stock or series A 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 a competitive bidding environment, which could potentially lead to higher prices. We obtain access to off-market deal flow from numerous sources, including CalPERS and CBRE. CBRE has assisted us in acquiring three of our properties in off-market transactions. CalPERS and CBRE reduced their indirect interests in us in connection with our initial public offering, and CalPERs and/or CBRE may further dispose of their interests in us in the future. We cannot assure you that CalPERs or CBRE will continue to assist us with obtaining off-market deal flow in the future. 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.

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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 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 for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A 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 September 30, 2004, leases representing 0.1% and 0.9% of the square footage of the properties in our portfolio were scheduled to expire in the remainder of 2004 and 2005, respectively, and an additional 16.3% of the square footage of the properties in our portfolio was available. 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 for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A 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 series A 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.

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

Our unsecured credit facility contains customary 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 make distributions to our stockholders, including holders of our series A preferred stock.

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 such 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 were a third party 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 have the potential risk of impasses on decisions, such as a sale, 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 business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting 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. We will seek to maintain sufficient control of such entities to permit them to achieve our business objectives.

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. Among the reasons that they are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with 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 diminish.

Many of our other senior executives also have strong technology and real estate industry reputations, which aid us in identifying opportunities, having opportunities brought to us, and negotiating with tenants and build-to-suit prospects. While we believe that we could find replacements for all of these key personnel, the loss of their services could materially and adversely affect our operations because of diminished relationships with lenders, existing and prospective tenants and industry personnel.

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 agreements 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. We have adopted a policy relating to the use of derivative financial instruments to hedge interest rate risks related to our borrowings. This policy governs our use of derivative financial instruments to manage the interest rates on our variable rate borrowings. Our policy states that we will not use derivatives for speculative or trading purposes and intend only to enter into contracts with major financial institutions based on their credit rating and other factors, but we may choose to change these policies in the future. We entered into interest rate swap agreements for $140.3 million of our variable rate debt with an effective date as of November 26, 2004. As a result, approximately 74.9% of our total pro forma indebtedness as of September 30, 2004 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 traditional 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 technology industry tenant and could require modification in order for us to re-lease vacant space to another technology industry tenant. Generally, 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 and other risks which may adversely impact our ability to make distributions.

We own one property located outside of the U.S. and we have a right of first offer with respect to a second property. The ownership of properties located outside of the U.S. subjects us to foreign currency risk from potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. We expect that our principal foreign currency exposures will be to the Pound Sterling (U.K.). As a result, changes in the relation of any such foreign currency 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 for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A 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 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 also involve certain risks not generally associated with investments in the United States. These risks include unexpected changes in regulatory requirements, political and economic instability in certain geographic locations, potential imposition of adverse or confiscatory taxes, possible currency transfer restrictions, expropriation, difficulty in enforcing obligations in other countries and the burden of complying with a wide variety of foreign laws.

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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 expected dividends to our common and series A preferred 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 for payment of dividends on our series A preferred stock, and the value of our properties. These events 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 for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A 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 to promptly sell one or more properties in our portfolio in response to adverse changes in the performance of such properties may be limited, thus harming 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 governmental 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

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substances at that property, and may be required to investigate and clean up such contamination at that property 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 these 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, Univision Tower, 833 Chestnut Street, Miami Data Center and MAPP Building. 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; and future laws, ordinances or regulations may impose material additional environmental liability.

We cannot assure you that costs of future environmental compliance will not affect our ability to make distributions to you 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 growth may occur, 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. Although we believe that the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of the properties in our portfolio is not in compliance 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 amount of the 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 for payment of dividends on our series A preferred stock, per share trading price of our common stock or series A 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 regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. We believe that the properties in our portfolio are currently in material compliance with all applicable regulatory requirements. However, we do not know whether existing requirements will change or whether future requirements 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 for payment of dividends on our series A preferred stock, the per share trading price of our common stock or series A preferred stock and our ability to satisfy our debt service obligations.

Risks Related to Our Organizational Structure

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

Conflicts of interest 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 applicable Maryland law in connection with their management of our company. At the same time, we, as general partner, have fiduciary duties to our operating partnership and to the limited partners under Maryland law 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. 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.

Unless otherwise provided for in the relevant partnership agreement, Maryland law generally requires a general partner of a Maryland limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the duties of good faith, fairness and loyalty.

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 such officer, director, agent or employee 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

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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 resolved 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 that would be in effect were it not for the partnership agreement.

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 terms of contribution and other agreements because of conflicts of interest with 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 properties on which we have rights 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 engage in certain business activities in competition with us. 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, as well as 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 on an arm s-length basis. 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 have different effects on holders of units in our operating partnership than on our stockholders. 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 units in our operating partnership, including John O. Wilson, our Executive Vice President, Technology Infrastructure, 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 and the articles supplementary with respect to the series A preferred stock contain 9.8% ownership limits. Our charter and the articles supplementary with respect to the series A preferred stock, 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 our series A 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 in excess of 9.8% of the outstanding shares of our common stock, in excess of 9.8% of the outstanding shares of our series A preferred stock or in excess of 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 series A 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 series A preferred stockholder voting rights, 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 unclassified 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 series A preferred stockholders.

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting 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 series A 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 series A 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 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.

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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 for payment of dividends on our series A preferred stock. 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 a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes 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 such 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 the 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 for payment of dividends on our series A preferred stock, 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.

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In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax as ordinary dividend income to the extent of our current and accumulated earnings and profits. 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. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. 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.

Risks Related to this Offering

Our series A preferred stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; our series A preferred stock has no stated maturity date.

The shares of series A preferred stock are a new issue of securities with no established trading market. Since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the series A preferred stock on the NYSE. If approved, however, an active trading market on the NYSE for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of series A preferred stock will be limited.

We have been advised by the underwriters that they intend to make a market in the shares of our series A preferred stock, but they are not obligated to do so and may discontinue market-making at any time without notice. The series A preferred stock has not been rated by any nationally recognized statistical rating organization, and will be subordinated to all of our existing and future debt.

Market interest rates and other factors may affect the value of our series A preferred stock.

One of the factors that will influence the price of our series A preferred stock will be the dividend yield on the series A preferred 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 series A preferred stock to go down. The trading price of the shares of series A preferred stock would also depend on many other factors, which may change from time to time, including:

- prevailing interest rates;
- 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 prohibits us from redeeming the series A preferred stock and may limit our ability to pay dividends on the series A preferred stock.

Our unsecured credit facility prohibits us from redeeming or otherwise repurchasing any shares of our capital stock, including the series A preferred stock. Our unsecured credit facility also 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. As a result, if we do not generate sufficient funds from operations (as defined in our unsecured credit facility) during the twelve months preceding any series A preferred stock dividend payment date, we would not be able to pay all or a portion of the accumulated dividends payable to our series A preferred stockholders on such 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.

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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 economic conditions;
- 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;
- 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, of 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 we will receive gross proceeds from this offering of $75.0 million and approximately $86.3 million if the underwriters over-allotment option is exercised in full. After deducting underwriting discounts and commissions and the estimated expenses of this offering, we expect net proceeds from this offering of approximately $71.7 million and approximately $82.6 million if the underwriters over-allotment option is exercised in full.

We will contribute the net proceeds of this offering to our operating partnership in exchange for series A preferred units, the economic terms of which will be substantially similar to those of the series A preferred stock. Our operating partnership will subsequently use the net proceeds received from us to reduce borrowings under our unsecured credit facility, to acquire the acquisition properties and for general corporate purposes. At January 14, 2005 our unsecured credit facility had an outstanding balance of $49.0 million, which was drawn to refinance acquired indebtedness in connection with the formation transactions consummated concurrently with our initial public offering, to acquire the Burbank Data Center, and for working capital. If the underwriters exercise their over-allotment option in full, we expect to use the additional net proceeds in the same manner. Our unsecured credit facility currently bears interest at LIBOR plus 1.75% per annum, which equaled a rate of 3.59% at September 30, 2004, and 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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RATIOS OF EARNINGS AND EBITDA TO FIXED CHARGES AND PREFERRED DIVIDENDS

Our ratios of earnings to fixed charges, earnings to fixed charges and preferred dividends, EBITDA to fixed charges and EBITDA to fixed charges and preferred dividends for the periods indicated are as follows:

	Nine Months Ended September 30, 2004		Year Ended December 31, 2003		Year Ended December 31, 2002	Period from February 28, 2001 (inception) through December 31, 2001
	Pro Forma Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined	Historical Combined
Ratio of Earnings to Fixed Charges	1.06x	1.62x	1.28x	2.64x	.99x	
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.90x		1.09x			
Ratio of EBITDA to Fixed Charges	2.49x	2.93x	2.70x	4.24x	2.45x	
Ratio of EBITDA to Fixed Charges and Preferred Dividends	2.11x		2.29x			

Our ratios of earnings to fixed charges and EBITDA to fixed charges are computed by dividing earnings or EBITDA, as applicable, by fixed charges. Our ratios of earnings to fixed charges and preferred dividends and EBITDA to fixed charges and preferred dividends are computed by dividing earnings or EBITDA, as applicable, by the sum of fixed charges and preferred dividends. For these purposes, earnings consist of net income (loss) before minority interests and fixed charges. EBITDA consists of net income (loss) from continuing operations before minority interest in our operating partnership, interest expense and depreciation and amortization. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees, whether expensed or capitalized, and interest within rental expense. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on the series A preferred stock. Our pro forma ratios are prepared on the basis of our pro forma financial statements. See Digital Realty Trust, Inc. Pro Forma Condensed Consolidated Financial Statements.

Since our inception, we have neither issued any shares of, nor paid any dividends on, preferred stock. Accordingly, the ratio of earnings to fixed charges and preferred stock dividends and the ratio of EBITDA to fixed charges and preferred stock dividends are not presented for historical periods. In addition, from February 28, 2001 to December 31, 2001, we had no fixed charges.

For the nine months ended September 30, 2004, pro forma earnings were insufficient to cover pro forma fixed charges and pro forma preferred dividends by $3,026,000. For the year ended December 31, 2002, earnings were insufficient to cover fixed charges by $61,000. Pro forma earnings for the nine months ended September 30, 2004 and the year ended December 31, 2004 were impacted by $17.9 million of compensation expense resulting from awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman.

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Presented below are the components used to calculate the ratios of earnings and EBITDA to fixed charges and earnings and EBITDA to fixed charges and preferred dividends:

	Nine Months Ended September 30, 2004		Year Ended December 31, 2003		Year Ended December 31, 2002	Period from February 28, 2001 (inception) through December 31,
	Pro Forma Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined	Historical Combined
Earnings	$ 27,636	$ 25,805	$ 44,484	$ 26,799	$ 5,188	$ (2,758)
EBITDA	64,842	46,542	93,675	43,028	12,847	(2,758)
Fixed charges:						
Interest expense	25,936	15,804	34,578	10,091	5,249	
Interest within rental expense	85	85	66	66		
	26,021	15,889	34,644	10,157	5,249	
Preferred dividends	4,641		6,188			

Our pro forma earnings were impacted by $17.9 million of compensation expense resulting from awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman. For a reconciliation of EBITDA to net income, see page 16.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock has been listed and is traded on the NYSE under the symbol DLR since October 29, 2004. 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
Period January 1, 2005 to January 14, 2005	13.65	13.20	13.59	

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.

On January 14, 2005, the closing sale price for our common stock, as reported on the NYSE, was $13.59. As of January 13, 2005, there were six record holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

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CAPITALIZATION

The following table sets forth the historical combined capitalization of the Digital Realty Predecessor as of September 30, 2004 and our consolidated capitalization on a pro forma basis as of September 30, 2004. 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.

	Historical Combined	Pro Forma Consolidated
	(In thousands)	
Mortgages and other loans	$ 551,351	$ 551,247
Minority interests in our operating partnership		257,768
Stockholders equity:		
% series A cumulative redeemable preferred stock, $.01 par value per share, 6,000,000 shares authorized and shares issued and outstanding on a pro forma basis[1]		71,737
Preferred stock, $0.1 par value per share, 14,000,000 shares authorized, none issued or outstanding		
Common stock, $.01 par value per share, 100,000,000 shares authorized, 21,421,300 shares issued and outstanding[2]		214
Additional paid in capital		174,613
Accumulated other comprehensive income		338
Owner s equity, including accumulated other comprehensive income	225,363	
Total stockholders /owner s equity	225,363	246,902
Total capitalization	$ 776,714	1,055,917

(1) The preferred stock outstanding as shown includes series A preferred stock to be issued in this offering and excludes shares of series A preferred stock issuable upon exercise of the underwriters over-allotment option.

(2) The common stock outstanding as shown excludes (i) 2,058,639 additional shares available for future issuance under our incentive award plan, (ii) 924,902 shares issuable under options granted under our incentive award plan, (iii) 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 14 months after the date of issuance, and (iv) 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 14 months after the date of issuance.

SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data on a combined historical basis for the Digital Realty Predecessor. The Digital Realty Predecessor is comprised of 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. because we did not have any corporate activity through September 30, 2004 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 combined historical financial information includes:

- 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 relate to (1) borrowings to 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 are unpaid as of the date of the financial statements and an allocation of GI Partners general and administrative expenses.

You should read the following selected financial data in conjunction with our combined historical consolidated financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are 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 period from 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, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical combined balance sheet information as of September 30, 2004 and December 31, 2001 and the combined statements of operations information for the nine months ended September 30, 2004 and 2003 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 combined balance sheet information as of September 30, 2004 and the historical combined statements of operations for the nine months ended September 30, 2004 and 2003 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 September 30, 2004 are not necessarily indicative of the result to be obtained for the full fiscal year.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2004 and for the year ended December 31, 2003 assumes completion of this offering and our intended use of the proceeds therefrom as of the beginning of the period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements 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 periods presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of the acquisition by us of Burbank Data Center, the remaining 25% interest in the eBay Data Center and the expected acquisition by us of the acquisition properties, along with the related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the period presented for the operating data and as of the stated date for the balance sheet 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 date 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)

	Nine Months Ended September 30,			Year ended December 31,			Period from February 28, 2001 (inception) through December 31,
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined		Historical Combined
	2004	2004	2003	2003	2003	2002	2001
	(Unaudited)	(Unaudited)		(Unaudited)			
Statement of Operations Data:							
Rental revenues	$ 101,780	$ 59,127	$ 34,263	$ 130,442	$ 50,099	$ 21,203	$
Tenant reimbursements	19,353	10,055	6,230	25,024	8,661	3,894	
Other revenues	2,591	1,734	4,314	6,058	4,328	458	12
Total revenues	123,724	70,916	44,807	161,524	63,088	25,555	12
Rental property operating and maintenance expenses	22,860	11,625	5,604	27,817	8,624	4,997	
Property taxes	9,474	6,250	3,146	11,976	4,688	2,755	
Insurance	2,304	1,179	329	2,670	626	83	
Interest expense	25,936	15,804	6,786	34,578	10,091	5,249	
Asset management fees to related party		2,389	2,389		3,185	3,185	2,663
Depreciation and amortization expense	37,291	20,822	11,031	49,257	16,295	7,659	
General and administrative expenses	21,496	243	74	22,688	329	249	
Other expenses	2,771	2,716	2,566	2,698	2,459	1,249	107
Total expenses	122,132	61,028	31,925	151,684	46,297	25,426	2,770
Income (loss) before minority interests (deficit)	1,592	9,888	12,882	9,840	16,791	129	(2,758)
Minority interests (deficits)	939	(28)	126	5,859	149	190	
Net income (loss)	$ 653	$ 9,916	$ 12,756	$ 3,981	$ 16,642	$ (61)	$ (2,758)
Preferred dividends	4,641			6,188			
Net income (loss) available to common stockholders	$ (3,988)	$ 9,916	$ 12,756	$ (2,207)	$ 16,642	$ (61)	$ (2,758)
Balance Sheet Data (at period end)[1]							
Investments in real estate, after accumulated depreciation and amortization	$ 874,932	$ 650,207	$	$	$ 391,737	$ 217,009	$
Total assets	1,110,902	822,189			479,698	269,836	1,893
Notes payable under line of credit	64,313	6,117			44,436	53,000	
Notes payable under bridge loan	7,950	243,686					
Mortgages and other secured loans	478,984	297,486			253,429	103,560	
Total liabilities	606,073	593,699			328,303	183,524	903
Minority interests	257,927	3,127			3,444	3,135	
Stockholders /owner s equity	246,902	225,363			147,951	83,177	990
Total liabilities and stockholders /owner s equity	1,110,902	822,189			479,698	269,836	1,893

Per Share Data:							
Pro forma earnings (loss) per share available to common stockholders basic and diluted	$ (0.19)	$	$	$ (0.10)	$	$	$
Pro forma weighted average common shares outstanding basic and diluted	21,421			21,421			
Cash flows from (used in):							
Operating activities	$	$ 31,551	$ 20,901	$	$ 28,986	$ 9,645	$ (1,867)
Investing activities		(321,737)	(179,140)		(215,263)	(164,755)	(1,881)
Financing activities		287,641	156,568		187,873	158,688	3,748
Other Data:							
Funds from operations(2)	$ 38,906	$	$	$ 59,097	$	$	$
Funds from operations available to common stockholders(2)(3)	34,265			52,909			
EBITDA(4)	64,842	46,542	30,573	93,675	43,028	12,847	(2,758)
EBITDA available to common stockholders(4)(5)	60,201	46,542	30,573	87,487	43,028	12,847	(2,758)

(1) Balance sheet data as of December 31, 2001 is unaudited.

(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 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 equity 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.

(3) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock and has been reduced by the amount of pro forma preferred stock dividends.

(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 equity 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 be considered only as a supplement to cash flows from operating activities (computed in accordance with GAAP) as a measure of our liquidity. Other equity REITs may calculate EBITDA differently than we do; accordingly, our EBITDA may not be comparable to such other REITs EBITDA.

(5) EBITDA available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock and has been reduced by the amount of pro forma preferred stock dividends.

The following table reconciles our pro forma net income to our pro forma FFO and pro forma FFO available to common stockholders for the nine months ended September 30, 2004 and the year ended December 31, 2003:

	Pro Forma Nine Months Ended September 30, 2004	Pro Forma Year Ended December 31, 2003
Reconciliation of pro forma net income to pro forma FFO and pro forma FFO available to common stockholders:		
Pro forma net income before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 1,615	$ 9,840
Plus pro forma real estate depreciation and amortization	37,291	49,257
Pro forma FFO	38,906	59,097
Less pro forma preferred stock dividends	4,641	6,188
Pro forma FFO available to common stockholders[1]	$ 34,265	$ 52,909

(1) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock and has been reduced by the amount of pro forma preferred stock dividends.

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

	Nine Months Ended September 30,	Year Ended December 31,	Period from February 28, 2001 (inception) through December 31,

	Pro Forma Consolidated	Historical	Combined	Pro Forma Consolidated	Historical	Combined	Historical Combined
	2004	2004	2003	2003	2003	2002	2001
Reconciliation of net income to EBITDA:							
Net income (loss)	$ 653	$ 9,916	$ 12,756	$ 3,981	$ 16,642	$ (61)	$ (2,758)
Adjustments:							
Minority interest in operating partnership	962			5,859			
Interest expense	25,936	15,804	6,786	34,578	10,091	5,249	
Depreciation and amortization	37,291	20,822	11,031	49,257	16,295	7,659	
EBITDA	64,842	46,542	30,573	93,675	43,028	12,847	(2,758)
Less preferred stock dividends	4,641			6,188			
EBITDA available to common stockholders[(1)]	$ 60,201	$ 46,542	$ 30,573	$ 87,487	$ 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 and has been reduced by the amount of pro forma preferred stock dividends.

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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 includes analysis of the effects of our initial public offering and the related formation transactions, certain other transactions and this offering. These effects are reflected in the pro forma combined financial statements located elsewhere in this prospectus.

Overview

Our company. We completed our initial public offering of common stock on November 3, 2004. We own, acquire, reposition and manage technology-related real estate. We expect to qualify as a REIT for federal income tax purposes beginning with our initial taxable year ended December 31, 2004. Our company was formed on March 9, 2004. Through September 30, 2004, 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 Digital Realty Trust, Inc. would not be meaningful, we have set forth below a discussion of the historical operations of the Digital Realty Predecessor, and as such, any reference to our, we and us includes the Digital Realty Predecessor. The Digital Realty Predecessor is comprised of the real estate activities and holdings of GI Partners related to the properties in our portfolio. The Digital Realty Predecessor was engaged in the business of acquiring, owning, operating, repositioning and eventually selling real estate in the United States and internationally. The consolidated pro forma financial information includes financial information related to (1) the Digital Realty Predecessor, (2) properties in our portfolio acquired by us after September 30, 2004 and (3) the acquisition of the 833 Chestnut Street, MAPP Building and Miami Data Center properties, which we refer to below as the acquisition properties.

Business and strategy. Our primary business objectives are to maximize sustainable long-term growth in earnings, funds from operations and cash flow per share and 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. We focus on regional, national and international tenants within the technology industry that 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 in the technology industry will be superior to that of the overall economy.

Since the acquisition of our first property in 2002, we have acquired an aggregate of 24 technology-related real estate properties with 5.6 million net rentable square feet, and we are under contract to acquire an additional three properties with an aggregate of approximately 1.0 million net rentable square feet. 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 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. See Business and Properties.

We may acquire properties subject to existing mortgage financing and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these investments. Debt service on such indebtedness will have a priority over any dividends with respect to our common stock and our series A preferred stock. We intend to limit our indebtedness to 60% of our total market capitalization and, based on the closing price of our common stock on January 14, 2005 of $13.59, we expect that our pro forma ratio of debt to total market capitalization upon completion of this offering will be approximately 41.0%.

Revenue base. We own 24 properties and are under contract to acquire an additional three properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.6 million net rentable square feet. We acquired our first portfolio property in January 2002, an additional four properties through December 31, 2002, eight properties during the year ended December 31, 2003 and eleven properties during the year ended December 31, 2004 and are under contract to acquire three properties during the current fiscal year. As of September 30, 2004, the properties in our portfolio were approximately 83.7% leased at an average annualized rent per leased square foot of $19.53. Since our tenants generally fund capital improvements, our lease terms are generally longer than standard commercial leases. Our average lease term is 12.4 years, with an average of 7.6 years remaining, and lease expirations through 2007 are only 6.2% of net rentable square feet or 6.6% of aggregate annualized rent as of September 30, 2004.

Operating expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs, as well as 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 consummation of our initial public offering, our asset management function has been in the process of being internalized and we are incurring the majority of our general and administrative expenses directly. We have entered into a transition services agreement with CB Richard Ellis Investors with respect to transitional accounting and other services. 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.

Formation Transactions. Upon completion of our initial public offering, our operating partnership received contributions of direct and indirect interests in the properties in our portfolio in exchange for consideration that included cash, assumption of debt, and an aggregate of 38,262,206 units in our operating partnership (with an aggregate value of $1,097.7 million based on the initial public offering price per share of $12.00).

We accounted for the ownership interests contributed to us by GI Partners in exchange for a partnership interest 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 the operating partnership at GI Partners historical cost. We accounted for the ownership interests in 200 Paul Avenue and 1100 Space Park Drive contributed to us by third parties and the 10% minority ownership interest in Univision Tower contributed to us by our joint venture partner under the purchase method of accounting. Accordingly, the purchase price for these interests, which are equal to the value of the operating partnership units that we issued in exchange, 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. As of September 30, 2004, the occupancy rate in the properties in our portfolio, including the acquisition properties, was approximately 83.7% of our rentable square feet. The amount of rental income generated by us also depends on our ability to maintain or increase rental rates at our properties. In addition, one of our strategies is to convert approximately 184,000 net rentable square feet of data center space with extensive installed tenant improvements that is, or shortly will be, available for lease to multi-tenant collocation use in order to allow us to lease small spaces at rates that are significantly higher than prevailing market rates for other uses. Negative trends in one or more of these factors 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 occupies 135,000 rentable square feet at our Carrollton, Texas property and 8,632 rentable square feet at our Univision Tower property in Dallas, Texas. 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, 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 1.1 million square feet of currently available space in our portfolio as of September 30, 2004, leases representing approximately 0.9% and 1.9% of the square footage of our portfolio are scheduled to expire during the 12-month periods ending September 30, 2005 and 2006, respectively. The leases scheduled to expire in the 12-month periods ending September 30, 2005 and 2006 represent approximately 1.0% and 1.7%, respectively, of our total annualized base rent.

Conditions in significant markets. Our portfolio is geographically concentrated in the Boston, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan markets. These markets comprised 8.9%, 17.9%, 9.4%, 6.4%, 6.4%, 10.0% and 26.1%, respectively, of annualized rent as of September 30, 2004 of the properties comprising our portfolio. 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 recent downturn in the technology industry and continue to stabilize as the technology industry and broader economy rebound. Of the 2.8% of the net rentable square feet of our portfolio subject to expiration in the 24 months ending September 30, 2006, the majority of the space is in Denver. The Denver metropolitan real estate market was also adversely affected by the recent downturn in the technology industry. We believe that the Denver leasing market appears to be stabilizing, with recent positive absorption of space.

Operating expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs, as well as rental expenses on our ground lease. We are also incurring general and administrative expenses, including expenses relating to the internalization of our asset management function, as well as 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. As a newly public company, we will incur additional operating expenses as we internalize our asset management function and begin to incur the majority of our expenses directly.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our combined financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these financial statements in conformity with GAAP requires us to 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 combined 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 impacted 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, above or below market ground leases and numerous other factors. 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 determining 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 calculation methodology is summarized in Note 2 to our 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 allocating to the value of tenant leases, this amount would be recognized as an expense over a much longer period of time. This potential effect occurs 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 value (or negative value) assigned to above or below market rate leases is recorded as an adjustment to rental revenue as compared to amortization of the value of in-place leases and tenant relationships, which is included in depreciation and amortization in our combined statements of operations.

Useful lives of assets. We are required to make subjective assessments as to the useful lives of our properties for purposes of determining 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 real estate investment s use and eventual disposition. We consider factors such as future operating income, trends and prospects, as well as 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 in future periods. 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 utilizing a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs, similar to the income approach that is commonly utilized 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 combined 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 property operating expenses and real estate taxes incurred by us. Such reimbursements are recognized in the period that the expenses are incurred. Lease termination fees are recognized when the related leases are canceled and we have no continuing

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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 nine months ended September 30, 2004 and 2003, for the years ended December 31, 2003 and 2002 and for the period from the formation of the Digital Realty Predecessor on February 28, 2001 through December 31, 2001.

The following table identifies each of the properties in our portfolio acquired through September 30, 2004. Our property portfolio has experienced consistent and significant growth since the first property acquisition in January 2002. As a result of such growth, a period-to-period comparison of the Digital Realty Predecessor s financial performance focuses primarily on the impact on our revenues and expenses resulting from the new property additions to our portfolio. On an existing 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**	**September 30, 2004**	**December 31, 2003**	**December 31, 2002**
Year Ended December 31, 2002					
36 Northeast Second Street	Jan. 2002	162,140	81.2%	95.7%	95.7%
Univision Tower	Jan. 2002	477,107	79.8	84.1	82.2
Camperdown House	July 2002	63,233	100.0	100.0	100.0
Hudson Corporate Center	Nov. 2002	311,950	88.7	88.7	100.0
NTT/Verio Premier Data Center	Dec. 2002	130,752	100.0	100.0	100.0
Subtotal		1,145,182			
Year Ended December 31, 2003					
Ardenwood Corporate Park	Jan. 2003	307,657	100.0	80.7	
VarTec Building	Jan. 2003	135,250	100.0	100.0	
ASM Lithography Facility	May 2003	113,405	100.0	100.0	
AT&T Web Hosting Facility	June 2003	250,191	50.0	50.0	
Brea Data Center	Aug. 2003	68,807	100.0	100.0	
Granite Tower	Sept. 2003	240,151	95.5	98.9	
Maxtor Manufacturing Facility	Sept. 2003	183,050	100.0	100.0	
Stanford Place II	Oct. 2003	348,573	78.6	79.8	

Subtotal		1,647,084	
Nine Months Ended September 30, 2004			
100 Technology Center Drive	Feb. 2004	197,000	100.0
Siemens Building	April 2004	125,538	100.0
Carrier Center	May 2004	449,254	80.5
Savvis Data Center	May 2004	300,000	100.0
Comverse Technologies Building	June 2004	388,000	99.7
Webb at LBJ	Aug. 2004	365,449	89.0
AboveNet Data Center	Sept. 2004	179,489	97.1
Subtotal		2,004,730	
Total		4,796,996	

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Comparison of Nine Months Ended September 30, 2004 to Nine Months Ended September 30, 2003

Total revenues increased $26.1 million, or 58%, to $70.9 million for the nine months ended September 30, 2004 compared to $44.8 million for the nine months ended September 30, 2003. Rental revenue increased $24.8 million, or 72%, to $59.1 million for the nine months ended September 30, 2004 compared to $34.3 million for the nine months ended September 30, 2003. Revenues from tenant reimbursements increased $3.9 million, or 63%, to $10.1 million for the nine months ended September 30, 2004 compared to $6.2 million for the nine months ended September 30, 2003. The increase in rental and tenant reimbursement revenues was primarily due to the properties added to our portfolio. The decrease in other revenue of $2.6 million, or 60%, to $1.7 million for the nine months ended September 30, 2004 compared to $4.3 million for the nine months ended September 30, 2003 was primarily due to a decrease in early lease termination fees.

Total expenses increased $29.1 million, or 91%, to $61.0 million for the nine months ended September 30, 2004 compared to $31.9 million for the nine months ended September 30, 2003. The increase in total expenses was primarily due to the properties added to our portfolio. The increase in total expenses includes an increase in interest expense of $9.0 million to $15.8 million for the nine months ended September 30, 2004 compared to $6.8 million for the nine months ended September 30, 2003 associated with new mortgage and other secured debt incurred primarily in connection with the properties added to our portfolio. Interest expense for the nine months ended September 30, 2004 includes $2.3 million of amortization of deferred financing costs related to notes payable under our bridge loan. Other expenses are primarily comprised 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 nine months ended September 30, 2004 is comparable to the total for the nine months ended September 30, 2003 despite the decrease in lease termination revenue. During the nine months ended September 30, 2004 and 2003, 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 Company Predecessor.

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

As of December 31, 2003, our portfolio was comprised of 13 properties with an aggregate of approximately 2.8 million net rentable square feet compared to a portfolio comprised 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 1.6 million net rentable square feet.

Total revenue increased $37,533,000, or 146.9%, to $63,088,000 for the year ended December 31, 2003 compared to $25,555,000 for the year ended December 31, 2002. Rental revenue increased $28,896,000, or 136.3%, to $50,099,000 for the year ended December 31, 2003 compared to $21,203,000 for the year ended December 31, 2002. Revenues from tenant reimbursements increased $4,767,000, or 122.4%, to $8,661,000 for the year ended December 31, 2003 compared to $3,894,000 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 $3,870,000 to $4,328,000 for the year ended December 31, 2003 compared to $458,000 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 $20,871,000, or 82.1%, to $46,297,000 for the year ended December 31, 2003 compared to $25,426,000 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 December 31, 2003. The increase in total expenses includes an increase in interest expense of $4,842,000 to $10,091,000 for the year ended December 31, 2003 compared to $5,249,000 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 $2,459,000 and $1,249,000 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 year 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.

Comparison of Year Ended December 31, 2002 to the Period from February 28, 2001 (inception) through December 31, 2001

Our predecessor acquired the first property in our portfolio in January 2002. As of December 31, 2002, our portfolio was comprised of five properties generating total revenues of $25,555,000 for the year then ended. Our revenues of $12,000 for the year ended December 31, 2001 consisted of interest income.

Total expenses increased $22,656,000 to $25,426,000 for the year ended December 31, 2002 primarily due to the expenses incurred in connection with the new properties added to our portfolio. Total expenses of $2,770,000 for the period from February 28, 2001 (inception) through December 31, 2001 primarily consisted of the asset management fee to a related party that were based on a fixed percentage of capital commitments of the investors in GI Partners, a portion of which have been allocated to the Digital Realty Predecessor.

Pro Forma Operating Results

Our pro forma condensed consolidated statements of operations reflect the real estate, other assets and liabilities contributed to us by GI Partners in exchange for limited partnership units in our operating partnership, which was accounted for as a reorganization of entities under common control. Accordingly, the assets and liabilities assumed were recorded at the Digital Realty Predecessor s historical cost. Expenses such as depreciation and amortization included in our pro forma operating results are based on the Digital Realty Predecessor s historical costs of the related contributed assets. In addition, the ownership interests in 200 Paul Avenue and 1100 Space Park Drive contributed to us by third parties and the 10% minority interest in Univision Tower contributed to us by our joint venture partner were accounted for under the purchase method of accounting based on the fair value of the assets acquired and liabilities assumed.

The pro forma adjustments reflect a reclassification of asset management fees to general and administrative expenses and removal of the asset manager s estimated profit included in these fees. This adjustment reflects that asset management fees were not payable subsequent to the completion of our initial public offering and the asset management fees incurred historically have been replaced with direct payments of compensation expense, rent and other general and administrative expenses.

Comparison of Pro Forma Nine Months Ended September 30, 2004 to Historical Nine Months Ended September 30, 2004

The pro forma condensed consolidated statement of operations for the nine months ended September 30, 2004 is presented as if this offering, our initial public offering, the acquisitions of 100 Technology Center Drive, Siemens Building, Savvis Data Center, Comverse Technology Building, AboveNet Data Center, Webb at LBJ, 200 Paul Avenue, 1100 Space Park Drive, Carrier Center, Burbank Data Center, a 75% interest in the eBay Data Center, which are collectively referred to below as the 2004 properties, the acquisition properties and the purchase of the remaining 25% interest in the eBay Data Center from a third party all had occurred on January 1, 2004. In addition, the pro forma statement reflects the effects of the acquisition of all of the minority interests in Univision Tower held by a joint venture partner in exchange for units in our operating partnership.

The consolidation of the operating results of the 2004 properties and the acquisition properties in our pro forma income statement for the nine months ended September 30, 2004 resulted in significant increases in various components of our statement of operations. In addition, our pro forma adjustments also reflect significant increases in general and administrative expenses largely as a result of compensation expense related to awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman. See Management 2004 Incentive Award Plan and Employment Agreements. This increase is partially offset by a significant increase in net income related to acquisitions of the 2004 properties and the acquisition properties.

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The components of the significant changes that would have been reflected in our financial statements on a pro forma basis for the nine months ended September 30, 2004 compared to the historical results are as follows:

On a pro forma basis, total revenues would have increased $52,808,000, or 74.5%, to $123,724,000 for the nine months ended September 30, 2004 compared to $70,916,000 reported historically for the same period. This increase is primarily the result of increases in rental revenue and tenant reimbursements resulting from the consolidation of the 2004 properties and the acquisition properties.

On a pro forma basis, total expenses would have increased $61,104,000, or 100.1%, to $122,132,000 for the nine months ended September 30, 2004 compared to $61,028,000 reported historically for the same period. The increase in pro forma total expenses reflects significant increases resulting from acquiring the 2004 properties and the acquisition properties. Pro forma interest expense reflects a net increase of $10,132,000, or 64.1%, resulting from increases in indebtedness resulting from acquisition of the 2004 properties and the acquisition properties and borrowings under our unsecured credit facility and new secured debt partially offset by decreases resulting from repayment of mortgage, mezzanine and bridge loans and advances allocated to us under GI Partners line of credit. Pro forma total expenses also reflect $18,019,000 of additional general and administrative expenses that is comprised of increases in compensation expense resulting from awards of stock options that vest over a four-year period and fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman.

On a pro forma basis, minority interests for the nine months ended September 30, 2004 increased to $939,000 compared to a deficit of $(28,000) of minority interests reported historically for the same period. The pro forma minority interests primarily consist of an allocation of the pro forma income (loss) before minority interests of our operating partnership as a result of issuing limited partnership units in our operating partnership to GI Partners and the third parties, and the historical minority interests related to our joint venture partners share of our historical net income.

Comparison of Pro Forma Year Ended December 31, 2003 to Historical Year Ended December 31, 2003

The pro forma condensed consolidated statement of operations for the year ended December 31, 2003 is presented as if this offering, our initial public offering, the acquisitions of the 2004 properties and the acquisition properties, the purchase of the remaining 25% interest in the eBay Data Center property from a third party and the acquisitions of Ardenwood Corporate Park, VarTec Building, ASM Lithography Facility, AT&T Web Hosting Facility, Brea Data Center, Granite Tower, Maxtor Manufacturing Facility and Stanford Place II, which are collectively referred to as the 2003 properties, all had occurred on January 1, 2003. In addition, the pro forma statement reflects the effects of acquisition of the all of the minority interests in Univision Tower held by a joint venture partner in exchange for units in our operating partnership.

The consolidation of the operating results of the 2003 properties, the 2004 properties and the acquisition properties in our pro forma income statement for the year ended December 31, 2003 resulted in significant increases in various components of our statement of operations. In addition, our pro forma adjustments also reflect significant increases in general and administrative expenses largely as a result of increased compensation expense related to awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman. See Management 2004 Incentive Award Plan and Employment Agreements. The net effect of all of our pro forma adjustments is a reduction in our net income, primarily as a result of additional pro forma general and administrative expenses, which is partially offset by a significant increase in net income related to acquisitions of the 2003 properties, the 2004 properties and the acquisition properties.

The components of the significant changes that would have been reflected in our financial statements on a pro forma basis for the year ended December 31, 2003 compared to the historical results are as follows:

On a pro forma basis, total revenues would have increased $98,436,000, or 156.0%, to $161,524,000 for the year ended December 31, 2003 compared to $63,088,000 reported historically for the same period. This increase

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is primarily the result of increases in rental revenue and tenant reimbursements resulting from the consolidation of the 2003 properties, the 2004 properties and the acquisition properties.

On a pro forma basis, total expenses would have increased $105,387,000, or 227.6%, to $151,684,000 for the year ended December 31, 2003 compared to $46,297,000 reported historically for the same period. The increase in pro forma total expenses reflects significant increases resulting from the consolidation of the 2003 properties, the 2004 properties and the acquisition properties. Pro forma interest expense reflects a net increase of $24,487,000, or 242.7%, resulting from increases in indebtedness resulting from the acquisition of the 2004 properties and the acquisition properties and borrowings under our unsecured credit facility and new secured debt and a full year of interest related to indebtedness for the 2003 properties partially offset by decreases in indebtedness resulting from repayment of mortgage and mezzanine loans and advances allocated to us under GI Partners line of credit. Pro forma total expenses also reflect $18,064,000 of additional general and administrative expenses that is comprised of increases in compensation expense resulting from awards of stock options that vest over a four-year period and fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman.

On a pro forma basis, minority interests for the year ended December 31, 2003 increased to $5,859,000 compared to $149,000 of minority interests reported historically for the same period. The pro forma minority interests consist of an allocation of the pro forma income before minority interests of our operating partnership as a result of issuing limited partnership units in our operating partnership to GI Partners and the third parties, and the historical minority interests related to our joint venture partners share of our historical net income.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

As of September 30, 2004, we had $2.6 million of cash and equivalents, excluding $10.2 million of restricted cash. Restricted cash primarily consists of interest bearing cash deposits required by the terms of our bridge and mortgage loans and cash impound accounts for real estate taxes, insurance and anticipated or contractually obligated tenant improvements as required by several of our mortgage loans.

Our short term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, dividend payments to our stockholders required to maintain our REIT status, 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 of this offering and, if necessary, 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 September 30, 2004, we had commitments under leases in effect for $2.4 million of tenant improvement costs and leasing commissions, including $1.5 million during the remainder of 2004, $657,000 in 2005 and $250,000 in 2006. We also expect to incur costs of recurring capital improvements for our properties. Our nonrecurring capital expenditures are discretionary and vary substantially from period to period. We currently own approximately 184,000 net rentable square feet of data center space (22,747 of which relates to 200 Paul Avenue, acquired on November 3, 2004) with extensive installed tenant improvements that we may convert to multi-tenant collocation use during the next two years rather than lease such space to large single tenants. We estimate that the cost to convert this space will be approximately $10 - $15 per square foot, on average. We may also spend additional amounts in the next two years related to the build-out of unimproved space for collocation use, depending on tenant demand; however, we currently have no commitments to do so. The cost to build out such unimproved space will vary based on the size and condition of the space.

In connection with the consummation of our initial public offering on November 3, 2004, our operating partnership entered into a new $200 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets, Inc. and UBS Securities LLC. Borrowings under the facility 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 facility matures in November 2007, subject to a one-year extension option. We intend to use available borrowings under the unsecured credit facility to, among other things, finance the acquisition of other properties (including the right of first offer properties), to provide funds for tenant improvements and capital expenditures, and to provide for working capital and other corporate purposes.

We expect to meet our long-term liquidity requirements to pay for scheduled debt maturities and to fund property acquisitions and non-recurring capital improvements with net cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property acquisitions and non-recurring 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, which are consistent with our intention to qualify as a REIT.

On December 14, 2004, we declared a dividend to common stockholders of record and our operating partnership declared a distribution to common unit holders of record, in each case as of December 31, 2004, totaling $8,275,902, or $0.156318 per common share, common unit and long-term incentive unit, covering the period from the consummation of our initial public offering on November 3, 2004 through December 31, 2004. The dividend and distribution were paid on January 14, 2005. The dividend was equivalent to an annual rate of $0.975 per common share, common unit and long-term incentive unit.

Commitments and Contingencies

Upon completion of this offering and application of the proceeds therefrom, we will have long-term indebtedness totaling $551.2 million. The following table summarizes our contractual obligations as of September 30, 2004, including the maturities and scheduled principal repayments of our pro forma secured debt and unsecured credit facility debt, and provides information about the commitments due in connection with our ground lease, tenant improvement and leasing commission obligations during the remainder of 2004 and for each of the five years thereafter (in thousands):

The following table outlines the timing of required payments related to our commitments on a pro forma basis as of September 30, 2004 (in thousands):

Obligation	Through Remainder of	2005	2006	2007	2008	2009	Thereafter	Total

	2004							
Long-term debt principal payments[1]	$ 1,729	$ 16,080	$ 142,120	$ 95,323	$ 6,353	$ 136,955	$ 151,828	$ 550,388
Ground lease[2]	60	241	241	241	241	241	9,581	10,846
Tenant improvements and leasing commissions	1,510	657	250					2,417
Total	**$ 3,299**	**$ 16,978**	**$ 142,611**	**$ 95,564**	**$ 6,594**	**$ 137,196**	**$ 161,409**	**$ 563,651**

(1) Includes $64.3 million of borrowings under our unsecured credit facility which matures in November 2007.

(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.

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Consolidated Indebtedness to be Outstanding After this Offering

Upon completion of this offering and the anticipated application of the use of proceeds therefrom, we expect to have approximately $551.2 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 41.0% (based on the closing price of our common stock on January 14, 2005 of $13.59). Upon completion of this offering and application of the use of proceeds therefrom, we expect that approximately $278.6 million of our outstanding long-term debt will be variable rate debt; however, we have entered into interest rate swap agreements for approximately $140.3 million of our variable rate debt. As a result, we expect that approximately 74.9% of our total indebtedness, upon completion of the offering and the anticipated application of the use of proceeds therefrom, will be subject to fixed interest rates.

The following table sets forth information with respect to the indebtedness that we expect will be outstanding after this offering and the anticipated application of the proceeds therefrom on a pro forma basis as of September 30, 2004, but does not give effect to the approximately $140.3 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	$ 862	Apr. 1, 2009	$ 20,000
200 Paul Avenue Mortgage	LIBOR + 3.17%	46,908	4,496	Jul. 1, 2006[3]	43,794
Ardenwood Corporate Park, NTT/Verio Premier Data Center, VarTec Building Mortgage	LIBOR + 1.59%	43,000	1,729	Aug. 9, 2006[4]	43,000
Ardenwood Corporate Park, NTT/Verio Premier Data Center, VarTec Building Mezzanine	LIBOR + 5.75%	22,000	1,800	Aug. 9, 2006[4]	22,000
AT&T Web Hosting Facility Mortgage	LIBOR + 1.85%	8,775	391	Dec. 1, 2006[3]	8,775
Camperdown House Mortgage	6.85%	23,079(5)	3,658	Oct. 31, 2009	14,040
Carrier Center Mortgage	LIBOR + 4.25%[6]	26,001	2,183	Nov. 11, 2007[7]	24,787
Granite Tower Mortgage	LIBOR + 1.20%	21,645	1,181	Jan. 1, 2009	19,530
MAPP Building Mortgage	7.62%[9]	9,717(8)	849	Mar. 1, 2032[9]	8,748
Maxtor Manufacturing Facility Mortgage	LIBOR + 2.25%	18,000	1,229	Dec. 31, 2006[3]	17,186
Stanford Place II Mortgage	5.14%	26,000	1,336	Jan. 10, 2009	26,000
Univision Tower Mortgage	6.04%	58,000	4,191	Nov. 6, 2009	54,228
eBay Bridge Loan	LIBOR + 2.00%	7,950	352	Aug. 11, 2005	7,950
Secured Term Debt[10]	5.65%	155,000	10,736	Nov. 3, 2014	128,765
Unsecured Credit Facility[11]	LIBOR + 1.75%	64,313	2,688	Nov. 3, 2007	64,313
Subtotal		550,388	$ 37,681		$ 503,116
Loan premium[8]		859			
Total		**$ 551,247**			

(1) Annual debt service for floating rate loans is calculated based on the 1-month, 3-month and 6-month LIBOR rates at January 7, 2005, which were 2.43%, 2.61% and 2.84%, respectively. Annual Debt service excludes the impact of interest rate swaps entered into effective November 26, 2004 to swap variable rate debt to fixed rate debt.
(2) Assuming no payment has been made on the principal in advance of its due date.
(3) Two one-year extensions are available.
(4) A 13-month extension and a one-year extension are available.
(5) Based on our hedged exchange rate of $1.6083 to £1.00.
(6) Subject to a 2.5% LIBOR floor.

(7) A one-year extension option is available.
(8) Represents principal balance or premium, as applicable, pertaining to debt that we plan to assume in connection with the acquisition of the MAPP Building, which is currently under a purchase contract.
(9) Although the maturity date is March 1, 2032, if the loan is not repaid by March 1, 2012, the interest rate increases to the greater of 9.62% or the then-current treasury rate plus 2%.
(10) This amount represents mortgage debt that we incurred in connection with our initial public offering secured by our interests in 36 Northeast Second Street, Brea Data Center, Comverse Technology Building, Hudson Corporate Center, Siemens Building, and Webb at LBJ to secure new mortgage loans.
(11) The interest rate under our unsecured credit facility equals LIBOR plus a margin of between 1.375% to 1.750% based on our leverage ratio.

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Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering

100 Technology Center Drive Mortgage Indebtedness. The subsidiary that directly holds the fee interests in 100 Technology Center Drive is the borrower under a $20.0 million mortgage loan with Transamerica Occidental Life Insurance Company, as lender. The loan is required to be secured by:

- a mortgage, security agreement and fixture filing conveying 100 Technology Center and granting a security interest in certain fixtures and personal property; 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 April 1, 2009. The mortgage loan bears interest at a rate of 3-month LIBOR plus 1.70% per annum and requires monthly interest-only payments until the maturity date. During the first 24 full months of the loan, which will expire on March 31, 2006, the borrower may not prepay the loan. Thereafter the borrower may prepay the loan upon not less than sixty days prior written notice. Any such voluntary prepayments must be for at least $500,000. The term loan contains affirmative covenants such as financial reporting, and negative covenants, including, among others, certain restrictions or prohibitions on the borrower s ability to merge into or consolidate with any other person, dissolve, terminate, liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets, change its legal structure or organizational documents, own any subsidiary, sell or transfer any interest in the borrower or the property, modify or terminate any leases, commingle its assets, or create or incur additional liens or indebtedness. A one-time transfer or sale of the property is allowed upon the lender s review and approval of customary information regarding the transaction and the transferee, assumption of the loan by the transferee, and payment of the lender s expenses and an assumption fee of 1% of the outstanding balance of the loan. 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.

200 Paul Avenue Mortgage Indebtedness. The subsidiary that directly holds the fee interests in 200 Paul Avenue is the borrower under a $46.9 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 $1.9 million balance as of September 30, 2004, 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 is 44.76% as of the date hereof) 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 is 44.76% as of the date hereof) 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.

AT&T Web Hosting Facility Mortgage Indebtedness. The subsidiary that directly holds the fee interests in the AT&T Web Hosting Facility is the borrower under an $8.8 million loan agreement with Jackson National Life Insurance Company, as lender. The loan is required to be secured by:

- a first mortgage deed to secure debt on the AT&T Web Hosting Facility;
- a first priority assignment of all present and future leases, all guaranties thereof and all rents and other sums payable thereunder; and
- a security interest in all related personal property, tangible and intangible, including bank accounts, accounts receivable, all escrow, impound or reserve accounts, and other intangible property.

The maturity date for this loan is December 1, 2006. The loan bears interest at a rate of 3-month LIBOR plus 1.85% per annum and requires monthly interest-only payments until the maturity date. The loan has two one-year extensions at our option, subject to meeting certain conditions and accepting a new floating interest rate based upon a spread to be determined at the time of the extension. During the first 12 months of the term, which will expire in November 2004, the borrower may not prepay the loan. During the second 12 months of the term, the borrower may prepay the loan, in full but not in part, upon 30 days written notice, with payment of a yield maintenance premium equal to 1% of the outstanding principal balance. During the third 12 months of the term and any extension periods, the borrower may prepay the loan, in full but not in part, without premium or penalty upon 30 days written notice. The loan contains affirmative covenants such as financial reporting and maintenance of certain escrow accounts, and negative covenants, including, among others, certain restrictions or prohibitions on the borrower s ability to make cash distributions, sell or transfer an interest in the borrower, create or incur additional liens or indebtedness, and assign the loan. The loan is nonrecourse to the borrower, subject to certain recourse carveouts.

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.

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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 10 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.

Carrier Center Mortgage Indebtedness. The subsidiary that directly holds the fee interests in Carrier Center is the borrower under a $26.0 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%.

Granite Tower Mortgage Indebtedness. The subsidiary that directly holds the fee interests in the Granite Tower is the borrower under a $21.6 million mortgage note issued to Allstate Life Insurance Company, as lender. The mortgage loan is required to be secured by:

- a first mortgage lien on Granite Tower 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, books and records and intangibles;

an assignment of leases, rents, security deposits and contracts for such properties; and

all proceeds, products and profits from the foregoing.

The maturity date of the mortgage note is January 1, 2009. The mortgage note bears interest at a rate of 3-month LIBOR plus 1.20% per annum. Beginning on January 1, 2006 with 60 days prior notice to the lender, the borrower has the option of converting the variable rate into a fixed rate determined by the lender subject to a conversion fee of 1% of the outstanding principal balance. The mortgage note requires monthly interest-only payments until February 1, 2005 when principal and interest will be due monthly until the maturity date. The borrower may not prepay the loan during a lockout period that ends on January 1, 2006. The borrower may prepay the loan in full on any quarterly payment date after this lockout period with notice to lender of not less

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than 30 days subject to a prepayment penalty of 1% of the outstanding principal balance, or if the loan has been converted to a fixed rate, the greater of 1% of the outstanding principal balance or a yield maintenance payment. The loan contains affirmative covenants such as financial reporting requirements and negative covenants, including, among others, certain prohibitions or 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 loan is nonrecourse to the borrower, subject to certain recourse carveouts. The borrower and one of our subsidiaries that indirectly owns an interest in the property entity provide an unsecured environmental indemnity and the subsidiary guarantees recourse carveouts under the loan.

MAPP Building Mortgage Indebtedness. The subsidiary that will hold the fee interest in MAPP Building will be the borrower under a $9.7 million mortgage loan with CIBC Inc., as lender.

The mortgage loan is required to be secured by:

- a first lien on MAPP Building;
- a first priority assignment of leases and rents with respect to MAPP Building; and
- a security interest in all of the other property and assets of the borrower.

The maturity date of the mortgage loan is March 1, 2032 and the loan bears interest at an initial rate of 7.62% per annum. However, if the borrower fails to pay the outstanding principal balance of the mortgage loan by March 1, 2012, the mortgage loan will bear interest at a rate equal to the greater of 9.62% or the then-current treasury rate plus 2%. The mortgage is not prepayable in whole or in part until December 1, 2011. 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, income generated by the MAPP Building 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 seller of the MAPP Building property currently provides an unsecured environmental indemnity and a guaranty of certain of the obligations of the borrower, which our operating partnership may assume upon assumption of this loan.

Maxtor Manufacturing Facility Mortgage Indebtedness. Our subsidiary that owns the fee interest in the Maxtor Manufacturing Facility is the borrower under an $18.0 million mortgage loan agreement with Fleet National Bank, as agent and lender. The mortgage loan is required to be secured by:

- a first priority deed of trust, security agreement and fixture filing on the Maxtor Manufacturing Facility, all land, improvements, furniture, fixtures, goods, equipment and other assets, all insurance proceeds and other proceeds therefrom and all other assets of the borrower;
- a first priority assignment of leases and rents, and all income and profits to be derived from the operation and leasing of the property;
- a first priority security interest in all tax, collateral and reserve accounts and all tenant letters of credit; and

a first priority assignment of any interest rate protection agreements entered into by the borrower.

The maturity date for this mortgage loan is December 31, 2006. The mortgage loan bears interest at a rate of 6-month LIBOR plus 2.25% per annum and requires monthly interest-only payments through December 31, 2004, and thereafter also requires monthly payments of principal. In the event that LIBOR rate loans are not available, interest will be calculated at the lender s prime rate. The mortgage loan has two one-year extensions at our option, subject to meeting certain conditions and the payment of an extension fee in the amount of 0.35% of the then outstanding loan balance. The borrower may prepay the mortgage loan upon three business days notice, provided that we will be required to pay a yield maintenance fee to reimburse the lender for any losses or expenses. The mortgage loan contains affirmative covenants such as financial reporting and maintenance of certain coverage ratios, and 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. In the event that the debt service coverage ratio falls below certain thresholds, the borrower may be required to either pay down the loan or fund a cash reserve account.

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 $58.0 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

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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.

eBay Data Center Bridge Loan. The eBay Data Center is subject to an $8.0 million secured bridge loan with Citigroup Global Markets Realty Corp. as lender and agent to certain other lenders. The bridge loan is required to be secured by:

- a first mortgage lien on eBay 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 and contracts; and
- all proceeds, products and profits from the foregoing.

The maturity date of the loan is August 11, 2005. The loan bears interest at the one-month LIBOR plus 2.00% per annum.

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 $155 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. In connection with our initial public offering, we entered into a three-year, $200 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global

Markets Inc. and UBS Securities LLC. Upon completion of this offering and the anticipated application of the proceeds therefrom, we expect approximately $64.3 million to be drawn under this facility and that approximately $53.2 million of this credit facility will remain available to us pursuant to the terms of this facility, assuming 833 Chestnut Street qualifies as an eligible unsecured property. This credit facility is guaranteed by certain of our subsidiaries whose governance agreements and loan documents do not otherwise prohibit such guaranties. The unsecured credit facility has a one-year extension option. The credit facility contains covenants common for credit facilities of this type, 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 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 the Camperdown House property in London, England and interest rate swap agreements for $140.3 million of our variable rate debt. We currently have no other off-balance sheet arrangements. See Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering and Quantitative and Qualitative Disclosure about Market Risk.

Cash Flows

Comparison of Nine Months Ended September 30, 2004 to Nine Months Ended September 30, 2003

Cash and cash equivalents were $2.6 million and $1.9 million, respectively, at September 30, 2004 and 2003.

Net cash provided by operating activities increased $10.7 million to $31.6 million for the nine months ended September 30, 2004 compared to $20.9 million for the nine months ended September 30, 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.

Net cash used in investing activities increased $142.6 million to $321.7 million for the nine months ended September 30, 2004 compared to $179.1 million for the nine months ended September 30, 2003. The increase was primarily the result of the acquisition of seven properties during the nine months ended September 30, 2004, which required a larger investment than the acquisitions of seven properties during the nine months ended September 30, 2003 and an increase in restricted cash as a result of the bridge loan obtained during 2004.

Net cash provided by financing activities increased $131.0 million to $287.6 million, for the nine months ended September 30, 2004 compared to $156.6 million for the nine months ended September 30, 2003. The increase was primarily due to increased capital contributions, net of distributions, and borrowings made in connection with the acquisition of properties during the nine months ended September 30, 2004 than the capital contributions and debt required for the acquisitions of four properties during the nine months ended September 30, 2003.

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

Cash and cash equivalents were $5,174,000 and $3,578,000, respectively, at December 31, 2003 and 2002.

Net cash provided by operating activities increased $19,341,000 to $28,986,000 for the year ended December 31, 2003 compared to $9,645,000 for the year ended December 31, 2002. The increase was primarily due to the properties added to our portfolio during the year ended December 31, 2003 and the receipt of a $4,200,000 early lease termination fee in April 2003 related to a lease termination that occurred in March 2003. This increase 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 $50,508,000 to $215,263,000 for the year ended December 31, 2003 compared to $164,755,000 for the year ended December 31, 2002. The increase was primarily the result of the amount of cash used to acquire the portfolio properties acquired during the year ended December 31, 2003 compared to the amount of cash used to acquire the properties acquired during the year ended December 31, 2002. Approximately $78,648,000 of the acquisition costs of the properties acquired during the year ended December 31, 2002 is attributable to the assumption of existing mortgage loans on the property and to seller financing of a portion of the property purchase price. There were no such debt assumptions or seller financings for the properties acquired in the year ended December 31, 2003.

Net cash provided by financing activities increased $29,185,000 to $187,873,000 for the year ended December 31, 2003 compared to $158,688,000 for the year ended December 31, 2002. The increase was partially the result of the higher level of debt financing obtained from non-seller lenders for the properties acquired during the year ended December 31, 2003 compared to the properties acquired during the year ended December 31, 2002. Approximately $78,648,000 of the acquisition costs of the properties acquired during the year ended December 31, 2002 is attributable to the assumption of existing mortgage loans on the property and to seller financing of a portion of the property purchase price. The increase in cash flows from debt obtained was partially offset by the decrease in net capital contributions received from owner during the year ended December 31, 2003. The amount of capital versus debt used to acquire our properties is discretionary.

Comparison of Year Ended December 31, 2002 to the Period from February 28, 2001 (inception) through December 31, 2001

Cash and cash equivalents were $3,578,000 and $0, respectively, at December 31, 2002 and 2001.

The net cash provided by (used in) operating activities, used in investing activities and provided by financing activities for the year ended December 31, 2002 increased compared to the period from February 28, 2001 (inception) through December 31, 2001 as a result of the acquisition of properties in our portfolio during the year ended December 31, 2002. We acquired our first portfolio property in January 2002 and had limited activity during the period from February 28, 2001 (inception) through December 31, 2001.

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 equity 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.

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

	Pro Forma Nine Months Ended September 30, 2004	Pro Forma Year Ended December 31, 2003
Pro forma income (loss) before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 1,615	$ 9,840
Plus pro forma real estate depreciation and amortization	37,291	49,257
Pro forma FFO	38,906	59,097
Less pro forma preferred stock dividends	4,641	6,188
Pro forma FFO available to common stockholders[1]	$ 34,265	$ 52,909

(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. Statement 123(R), which is effective for our company beginning with the third quarter of 2005, 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 Statement 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 for approximately $140.3 million of our variable rate debt. As a result, we expect that approximately 74.9% of our total indebtedness, upon completion of this offering and the anticipated application of the proceeds therefrom, will be subject to fixed interest rates. The table below summarizes the terms of these interest rate swaps and their fair values as of December 31, 2004 (in thousands):

Notional Amount	Strike Rate	Effective Date	Expiration Date	Fair Value
$ 46,908	3.18%	11/26/04	7/1/06	$ (33)
43,000	3.25	11/26/04	9/15/06	(16)
21,645	3.75	11/26/04	1/1/09	40
20,000	3.82	11/26/04	4/1/09	(48)
8,775	3.33	11/26/04	12/1/06	(8)
$ 140,328				$ (65)

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If, after consideration of the interest rate swaps described above, LIBOR were to increase by 10%, or approximately 24.1 basis points, the increase in interest expense on the unhedged variable rate debt would decrease future earnings and cash flows by approximately $335,000 annually. If fixed interest rates were to increase by 10%, the fair value of our $412.1 million principal amount of outstanding fixed rate debt would decrease by approximately $7.2 million. If LIBOR were to decrease by 10%, or approximately 24.1 basis points, the decrease in interest expense on the unhedged variable rate debt would be approximately $270,000 annually. If fixed interest rates were to decrease by 10%, the fair value of our $412.1 million principal amount of outstanding fixed rate debt would increase by approximately $7.4 million.

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 may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

As of September 30, 2004, our total outstanding debt was approximately $547.3 million, which was comprised of $246.2 million of mortgage loans, $243.7 million of notes payable under a bridge loan, $51.3 million of other secured loans and an allocation to it of $6.1 million of amounts outstanding under the GI Partners line of credit. We also had an unsecured, non-interest bearing loan payable to GI Partners related to funds advanced to us to prepay offering costs related to our initial public offering. This loan had an outstanding balance of $4.1 million as of September 30, 2004. Approximately $441.1 million, or 80.6%, of our total outstanding debt was variable rate debt. As of September 30, 2004, the fair value of our outstanding fixed-rate debt approximated $108.3 million compared to the carrying value of $106.2 million.

We are also party to a foreign currency hedging contract with a notional value of £7,850,000, which was used to convert the balance of our investment in the Camperdown House property into U.S. dollars. The fair value of this forward contract was $(1,861,403) as of September 30, 2004, using the currency exchange rate in effect as of that date. If the exchange rate of United States Dollars to Great Britain Pounds were to increase by 10%, the fair value of our forward contract would decrease by $1,400,535 to $(3,261,938). If the exchange rate of United States Dollars to Great Britain Pounds were to decrease by 10%, the fair value of our forward contract would increase by $1,400,535 to $(460,869). On January 24, 2005, we settled our obligations under this arrangement and entered into a new contract at the same notional amount.

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INDUSTRY BACKGROUND/MARKET OPPORTUNITY

The technology industry has played a prominent role in the development of the global economy. Technological innovations, such as the Internet, have led to dramatic improvements in the ability to communicate and transact business worldwide, expanded the reach of products and services and created electronic bonds that enhance the ability of businesses to interact with customers. As a result, the technology industry has achieved extraordinary growth. According to Forrester Research, Inc., a leading technology research firm, between 1996 and 2000, technology expenditures in the U.S. grew from $397.3 billion to $709.8 billion, representing a 15.6% annualized growth rate, which was more than double the growth rate of the overall economy over the same period, as measured by GDP.(1)

This rapid growth in technology expenditures was followed by an overall reduction in sector spending from 2001 through 2003. Despite this reduction in spending, however, technology usage continued to expand during the same period, as evidenced by the increase in electronic commerce which grew from $598.0 billion in 2001 to $1.6 trillion in 2003 (or 64.6% compounded annual growth), and the increase in worldwide Internet users which grew from 506.6 million in 2001 to 702.4 million in 2003 (or 17.7% compounded annual growth), both according to IDC Research Inc., a leading IT and telecommunications market intelligence firm.(2) U.S. technology spending has now stabilized and, according to Forrester Research, Inc., is expected to increase by 6.9% annually from $763.1 billion in 2004 to $995.5 billion in 2008.(1)

As technology has become a more significant component of the overall economy, the importance of high quality, strategically located, technology-related real estate has grown. During the growth of the 1990 s, the investment opportunity in technology-related real estate was fueled by heavy tenant demand. From 2001 through 2003, investment in technology-related real estate became more opportunistic as a result of the disequilibrium in the overall technology industry. Now, in light of improving trends in the technology industry, we believe demand for technology-related real estate is increasing, as technology companies require more space and complex infrastructure to support their growth.

Within technology-related real estate, we focus on technology industry facilities that are difficult to replicate and critical to the operations of tenants, which we believe represent the best long-term real estate investment opportunities. Many of these facilities have fully redundant electrical supply systems, multiple power feeds, above-standard electrical HVAC systems, raised-floor areas that accommodate computer cables and below-floor cooling systems, extensive in-building communications cabling, and high level security systems. Since inception, our predecessor has made selective acquisitions of these types of facilities at prices which are at or below the replacement cost. Our ability to do so has been driven by our capacity to fully assess the strategic value of specific properties, the creditworthiness and business potential of technology tenants and local market conditions. Going forward, our in depth knowledge of the technology industry, acquisition experience and specialist focus position us to benefit from continued growth in the technology industry. The property types within our focus include:

- telecommunications infrastructure properties, which provide the infrastructure required by companies in the data, voice, and wireless communication industries;
- information technology, or IT, infrastructure properties, which provide the physical environment required for disaster recovery, IT outsourcing and collocation;
- 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.

(1) IT Spending Outlook: 2004-2008 and Beyond, Forrester Research, Inc., July 2004
(2) Worldwide Internet Usage & Commerce 2004-2007 Forecast (#30949), IDC Research, Inc., March 2004

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Telecommunications Infrastructure

Our telecommunications infrastructure buildings serve as access and interconnection points for the voice and data networks of telecommunications companies. From our buildings, our telecommunications tenants provide services which include transporting wireline and wireless voice communications, transmitting data in multiple protocols (including the Internet protocol), and providing services that optimize communications applications to meet specific business and technical requirements. Many of these services are considered critical to our tenants and their customers operations.

As participants in the global economy have become increasingly dependent on networks such as the Internet in order to reliably and efficiently transfer data over long distances, the need for an organized approach to network interconnection that can support the rapid growth of data traffic has grown. As a result, the industry has constructed telecommunications network facilities that accommodate increased rates of data flow over networks, or bandwidth. These facilities are typically characterized by the physical presence of Internet service providers, regional incumbent phone companies and media providers, all of whom interconnect within our buildings by placing private connections between each other. In our target metropolitan markets, we believe that there are typically only a few buildings that have the sufficient critical mass of multiple high-speed optical connections to major network carriers to be characterized as network access points. These network access points are critical to telecommunications infrastructure tenants because they provide secure, direct access to the point at which traffic is exchanged. This reduces their costs by eliminating local access charges, reduces their points of failure and increases their efficiency. According to PriMetrica, Inc., an independent research firm which tracks Internet service providers and facilities, there are 340 Internet gateway and collocation facilities comprising 38 million square feet located in ten major U.S. cities.(3)

We own approximately 2.1 million square feet of net rentable space in eight facilities that principally provide the real estate infrastructure for tenants in the telecommunications infrastructure services sector. Our telecommunications tenants include AT&T, Cingular, Level 3, Qwest, SBC, Sprint, T-Mobile, Verizon, XO Communications and 360 Networks.

In addition, we are pursuing the opportunity to lease collocation space in five of our buildings. Collocation facilities provide customers with the opportunity to lease a small footprint of space in secure and reliable operating environments that allows our customers Internet and telecommunications equipment to run 24 hours a day, seven days a week. This is a cost-effective solution for the tenants, and allows for the leasing of small spaces at significant premiums to prevailing market rents. According to Tier1 Research, an independent research firm which regularly tracks statistics on multi-tenant data centers, there are 511 multi-tenant data centers in the United States, which comprise a total of 23 million gross square feet. Tier1 Research estimates that the average annual rent charged to customers within these data centers is approximately $300 per square foot, or more depending on the quality of the data center. At our Univision Tower property collocation space, we have achieved rental rates as high as $200 per net rentable square foot for smaller spaces of 50 to 200 square feet and rents of approximately $50 to $100 per net rentable square foot for 500 to 1,000 square feet spaces. At our 36 Northeast Second Street collocation space, we have achieved rents of over $40 per net rentable square foot for large spaces of over 5,000 square feet.

Since telecommunications infrastructure tenants provide services critical to the day-to-day operations of their customers on a continuous basis, these tenants require buildings which have 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. According to research published in 2002 by Gartner Inc., construction costs to build these high quality, specialized properties ranged from $300 to $1,000 per square foot of raised floor area.(4) Our tenants have generally funded capital improvements themselves. As such, leases for our telecommunications

(3) Colocation 2004, Telegeography, a division of PriMetrica, Inc.
(4) Data Center Opportunities Abound in Real Estate Market, Decision Framework (DP 18-7980) by M. Bell, L. Leong Research Note December 11, 2002

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infrastructure properties are typically longer in duration than standard commercial leases, with an average term of 13.2 years. Tenant-installed improvements generally remain at our property after termination of the lease. As many such tenant improvements are readily adaptable to similar types of uses, we expect to benefit from these improvements by reducing our re-tenanting costs. We have historically had success in re-tenanting vacant telecommunications space with minimal additional tenant improvement expenditures by us.

Information Technology Infrastructure

Tenants in our IT infrastructure buildings provide IT outsourcing, data storage and management, business continuance, disaster recovery, web hosting, and collocation. Trends that are fueling the growth of the IT services sector include recent regulatory requirements for financial services companies to maintain dual data production environments (where two geographically separated systems process simultaneously the same data to provide complete redundancy), increased demand for business continuance and disaster recovery solutions which enable companies to recover from unplanned service interruptions, and the sustained trend of businesses outsourcing their business processes and IT operations. Fueled by these positive trends, U.S. IT services spending reached $369.4 billion in 2003 and is expected to increase 4.3% in 2004 to approximately $385.3 billion, according to Forrester Research, Inc.[5] Forrester Research, Inc. also expects U.S. IT services spending to grow 4.6% annually through 2008.[6]

Following acquisition of the acquisition properties, we will own approximately 2.6 million square feet of net rentable space in 11 facilities which principally provide the real estate infrastructure for tenants in the IT services sector. Several of our IT infrastructure buildings are occupied by tenants that provide web hosting and other collocation services to numerous customers whose computer equipment is installed in the buildings. Our web hosting tenants include AT&T, Equinix, Layer One, Level 3, NTT/Verio, Savvis and SBC Services. Our web hosting tenants facilitate the delivery of content and services via the Internet by providing customers with physical space for their technical equipment, network connectivity and onsite systems management. Our webhosting tenants customers span a wide variety of industries and include AOL, IBM, Major League Baseball, Microsoft, NASA and Southwest Airlines.

IT infrastructure tenants seek to operate in secure, operationally resilient, continuous service data centers. These data centers must 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, high-level security systems and redundant ingress and egress Internet and data access across multiple providers. Similar to telecommunications infrastructure properties, we believe construction costs to build a combination of these physical requirements can range from $300 to $1,000 per square foot of raised floor area. As such, leases of our IT infrastructure properties are typically longer than standard commercial leases, with an average term of 12.9 years. Our tenants have generally funded capital improvements themselves. Tenant-installed improvements generally remain at our property after termination of the lease. As many such improvements are readily adaptable for similar types of uses, we expect to benefit from these improvements by reducing our re-tenanting costs. We have historically had success in re-tenanting vacant data center space with minimal additional tenant improvement expenditures by us.

Technology Manufacturing Infrastructure

Technology manufacturing properties are broadly characterized as those having tenants that require domestic, on-shore operations due to the highly technical nature of their activities. New products and advanced engineering techniques often require the close proximity of engineering and research to the manufacturing processes. As a result, companies seek to couple manufacturing programs directly with R&D/engineering activities that reside domestically, often in the same facility. Technology manufacturing tenants include

(5) Projected 2004 US IT Growth Edges Up To 6%, Forrester Research, Inc., June 2004
(6) IT Spending Outlook: 2004-2008, and Beyond, Forrester Research, Inc., July 2004

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manufacturers of specialized equipment and materials for such industries as computer hardware, semiconductors, life sciences, electronics and telecommunications.

We own approximately 604,000 square feet of net rentable space in three facilities that provide the real estate infrastructure primarily for tenants in technology manufacturing sectors. Our technology manufacturing tenants include Abgenix, ASM Lithography and Maxtor Corporation.

Technology manufacturing infrastructure tenants typically require facilities that contain both general office space and specialized space such as clean room assembly and electronic labs, biotechnology/life sciences labs and associated clean room facilities and technical equipment manufacturing facilities. Specialized spaces are extensively improved by tenants to include the addition of robust and redundant electrical distribution, above standard HVAC systems, clean room facilities, electronics assembly facilities, super-cold storage for biotechnology products and wet-lab research and testing areas. Specialized building improvements are made at costs which are many times greater than standard improvements to office space. As such, leases of our technology manufacturing properties are typically longer than standard commercial leases, with an average lease term of 11.1 years. Our tenants have generally funded capital improvements themselves. Tenant-installed improvements generally remain our property after termination of the lease. As many such improvements are readily adaptable for similar types of uses, we expect to benefit from these improvements by reducing our re-tenanting costs. We have historically had success in re-tenanting vacant manufacturing space with minimal additional tenant improvement expenditures by us.

Technology Office/Corporate Headquarters

Technology office/corporate headquarters buildings typically consist of general-purpose office and R&D/flex spaces in tech-centric markets. These properties often include facilities with extensive installed tenant improvements that are critical for the technology tenant s business such as data centers, telecommunications, and electronics assembly and testing spaces. Properties are typically located in markets that are home to a variety of technology industry sectors and companies. The most attractive markets are characterized by an ample, well-educated technology workforce, proximity to major universities and a critical mass of technology industry firms active in the area. Metropolitan markets currently represented in our portfolio for headquarter assets include the San Francisco Bay area, Dallas, Denver and Boston.

We own approximately 1.3 million square feet of net rentable space in five properties that serve as regional or national headquarters facilities for technology industry tenants. Our corporate headquarters tenants include Comverse Technology, Carreker Software, Siemens Subscriber Networks and Stone & Webster.

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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. 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 24 properties and are under contract to acquire an additional three properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.6 million net rentable square feet. 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. Our operations and acquisition activities are focused on a limited number of markets where technology tenants are concentrated, including the Atlanta, Boston, Dallas, Denver, Los Angeles, Miami, Minneapolis/St. Paul, New York, Philadelphia, Phoenix, Sacramento, San Francisco and Silicon Valley metropolitan areas. As of September 30, 2004, our portfolio, including the acquisition properties, was approximately 83.7% leased at an average annualized rent per leased square foot of $19.53.

Our senior management team and Executive Chairman have an average of over 23 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 property types within our focus include:

- telecommunications infrastructure properties, which provide the infrastructure required by companies in the data, voice and wireless communications industries;
- information technology, or IT, infrastructure properties, which provide the physical environment required for disaster recovery, IT outsourcing and collocation;
- 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.

Many of our properties have extensive tenant improvements that have been installed at our tenants expense. Unlike traditional office and flex/R&D 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.

Our portfolio consists primarily of 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 Employee Retirement System, or CalPERS, the largest U.S. pension fund. Upon GI Partners selection, 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 consummation of our initial public offering, GI Partners contributed substantially all of its technology-related real estate investments to our operating partnership. Thereafter, pursuant to our non-competition agreement with GI Partners, GI Partners manages its investments in other existing businesses, but does not, subject to limited exceptions, pursue new investments in technology-related real estate. CalPERS and CB Richard Ellis Investors, through their ownership of GI Partners, together have an approximate 44.8% common limited partner interest in our operating partnership, which would equal an approximate 44.0% beneficial interest in our common stock, on a fully diluted basis, and are valuable partners. 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 have 30 employees. 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. Our portfolio contains state-of-the-art facilities with extensive tenant improvements. Based on current market rents and estimated costs to construct such 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 primarily located in 14 major metropolitan areas, including the Boston, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas, and is diversified so that no one market represents more than 26.1% of the aggregate annualized rent of our portfolio as of September 30, 2004. We believe these markets are among the areas of major technology-related activities in the U.S. The following chart illustrates the geographic distribution of our tenants by annualized rent:

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Long-Term Leases. We have long-term leases with stable cash flows. As of September 30, 2004, our average lease term was in excess of 12.4 years, with an average of 7.6 years remaining. Through 2007, leases representing only 6.2% of our net rentable square feet, or 6.6% of our aggregate annualized rent, are scheduled to expire. Moreover, through 2005, only 1.0% of our net rentable square feet is scheduled to expire.

Specialized Focus in Dynamic and Growing Industry. We focus solely on technology-related real estate because we believe that the growth in the technology industry 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 industry to identify strategically located properties, 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 an aggregate of 24 technology-related real estate properties with 5.6 million net rentable square feet. We have also entered into contracts for the acquisition of three additional technology-related real estate properties with approximately 1.0 million net rentable square feet. Our acquisition capability is driven by our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial and other criteria, which allows us to efficiently evaluate investment opportunities and, as appropriate, commit and close quickly. More than half of our acquisitions were acquired before they were broadly marketed by real estate brokers. We intend to continue to acquire additional technology-related real estate as a key component of our growth strategy.

Experienced and Committed Management Team. Our senior management team, including our Executive Chairman, collectively have an average of over 23 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. Our senior management team collectively owns an approximate 3.3% common equity interest in our company on a fully diluted basis, which aligns management s interests with those of our stockholders.

Unique Sourcing Relationships. The members of our contributors hold a substantial indirect investment in our company, and accordingly, we anticipate that they will continue to play an active role in our future success. We expect that CBRE and other brokers will assist us with obtaining property deal flow that has not been widely marketed, and GI Partners private equity investment professionals will provide additional technology industry expertise and access to proprietary deal flow. In addition, 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.

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 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 situations. Furthermore, technology-related real estate is specialized, which makes it more difficult for traditional real estate investors to understand and 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.

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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 was approximately 83.7% leased as of September 30, 2004, leaving approximately 1.1 million 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 have also implemented cost control measures 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 September 30, 2004 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses.

Convert Improved Space to Collocation Use. We own approximately 184,000 net rentable square feet of data center space with extensive installed tenant improvements that is currently, or will shortly be, available for lease. Rather than leasing such space to large single tenants, we have and intend to continue to convert these spaces to multi-tenant collocation use, with each tenant averaging between 100 and 1,000 square feet of net rentable space. Multi-tenant collocation is a cost-effective solution for smaller tenants who cannot afford their own extensive infrastructure and security. Because we can provide such features, we are able to lease space to these smaller tenants at a significant premium to other uses.

Leverage Strong Industry Relationships. We use our strong industry relationships with national and regional technology intensive companies to comprehensively identify and 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 technology tenants.

Use Capital Efficiently. We have and will continue to opportunistically sell assets. 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 construction of a new facility. We will seek such opportunities to realize profits and re-invest our capital.

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Our Portfolio

The following table presents an overview of our portfolio of properties, including the acquisition properties, based on information as of September 30, 2004:

Property[1]	Metropolitan Area	Percent Ownership	Year Built/ Renovated	Net Rentable Square Feet[2]	Percent Leased	Annualized Rent[3]	Annualized Rent Per Leased Square Foot[4]	Annualized Net Effective Rent Per Leased Square Foot[5]
Telecommunications Infrastructure								
200 Paul Avenue	San Francisco	100.0%	1955/1999&2001	532,238	82.9%	$ 10,817,714	$ 24.50	$ 28.02
Univision Tower	Dallas	100.0	1983	477,107	79.8	8,059,284	21.17	19.85
Carrier Center	Los Angeles	100.0	1922/1999	449,254	80.5	7,583,463	20.97	24.61
Camperdown House[6]	London, UK	100.0	1983/1999	63,233	100.0	4,016,624	63.52	63.52
1100 Space Park Drive	Silicon Valley	100.0	2001	167,951	46.6	3,520,547	45.01	52.35
36 Northeast Second Street	Miami	100.0	1927/1999	162,140	81.2	3,007,472	22.85	25.66
Burbank Data Center	Los Angeles	100.0	1991	82,911	100.0	1,373,106	16.56	18.41
VarTec Building	Dallas	100.0	1999	135,250	100.0	1,352,500	10.00	10.45
				2,070,084	**80.9**	**39,730,710**	**23.72**	**25.82**
Information Technology Infrastructure								
Hudson Corporate Center	New York	100.0	1989/2000	311,950	88.7	6,911,301	24.98	24.46
833 Chestnut Street	Philadelphia	100.0(7)	1927/1998	654,758	71.7[8]	6,857,034	14.61	15.72
Savvis Data Center	Silicon Valley	100.0	2000	300,000	100.0	5,580,000	18.60	22.09
Webb at LBJ	Dallas	100.0	1966/2000	365,449	89.0	4,484,570	13.79	14.95
AboveNet Data Center	Silicon Valley	100.0	1987/1999	179,489	97.1	4,291,595	24.63	35.63
NTT/Verio Premier Data Center	Silicon Valley	100.0	1982-83/ 2001	130,752	100.0	3,781,200	28.92	31.11
MAPP Building	Minneapolis/ St. Paul	100.0(7)	1947/1999	88,134	100.0	1,339,637	15.20	16.78
Brea Data Center	Los Angeles	100.0	1981/2000	68,807	100.0	1,176,600	17.10	19.78
eBay Data Center	Sacramento	75.0(9)	1983/2000	62,957	100.0	1,133,226	18.00	19.20
AT&T Web Hosting Facility	Atlanta	100.0	1998	250,191	50.0	1,098,036	8.78	10.59
Miami Data Center	Miami	100.0(7)	1999-2000	197,281				
				2,609,768	**77.4**	**36,653,199**	**18.13**	**20.43**
Technology Manufacturing								
Ardenwood Corporate Park	Silicon Valley	100.0	1985-86	307,657	100.0	7,624,739	24.78	25.16
Maxtor Manufacturing Facility	Silicon Valley	100.0	1991 & 1997[10]	183,050	100.0	3,272,934	17.88	19.92
ASM Lithography Facility[11]	Phoenix	100.0	2002	113,405	100.0	2,549,165	22.48	25.52
				604,112	**100.0**	**13,446,838**	**22.26**	**23.64**
Technology Office/Corporate Headquarters								
Comverse Technology Building	Boston	100.0	1957 & 1999[12]	388,000	99.7	5,891,393	15.22	16.14
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	240,151	95.5	3,431,956	14.97	15.08
Stanford Place II	Denver	98.0(13)	1982	348,573	78.6	2,865,251	10.45	9.68
Siemens Building	Dallas	100.0	1999	125,538	100.0	1,917,505	15.27	17.57
				1,299,262	**93.4**	**17,849,105**	**14.72**	**15.29**

Portfolio Total/ Weighted Average	**6,583,226**	**83.7%**	**$ 107,679,852**	**$ 19.53**	**$ 21.29**

(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.
(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.

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(3) Annualized rent represents the annualized monthly contractual rent under existing leases as of September 30, 2004. 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 September 30, 2004 for the 12 months ending September 30, 2005 were $739,346.

(4) 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.

(5) For properties owned as of September 30, 2004, annualized net effective rent per leased square foot represents the contractual rent for leases in place as of September 30, 2004, calculated on a straight line basis from the date of acquisition by GI Partners 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 for such leases, and is then divided by the net rentable square footage under lease as of the same date. For properties acquired or to be acquired after September 30, 2004, the same approach is used, except that the straight line rent calculation is as of the acquisition date or the projected acquisition date.

(6) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on September 30, 2004 of 1.8093 per £1.00.

(7) Our operating partnership has entered into contracts to acquire these properties. While we believe that we will consummate these acquisitions, we cannot assure you that they will close because they remain subject to the completion of our due diligence and satisfaction of customary closing conditions.

(8) An affiliate of the Thomas Jefferson University Hospital entered into an agreement to lease 28,503 square feet commencing May 1, 2005 for a term of ten years. Based on leases in place as of September 30, 2004, this new lease would increase the occupancy of the property to approximately 76%.

(9) We own a 75% tenancy-in-common interest in this property. On January 7, 2005, the third-party owner of the remaining 25% interest in this property exercised its option to require us to purchase its 25% interest.

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

(11) 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. See Description of Our Portfolio Technology Manufacturing Properties ASM Lithography Facility.

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

(13) 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. See Description of Our Portfolio Technology Office/Corporate Headquarters Properties Stanford Place II.

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Tenant Diversification

Our portfolio is currently leased to more than 165 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 September 30, 2004:

Tenant	Property	Lease Expiration[1]	Total Leased Square Feet	Percentage of Portfolio Square Feet	Annualized Rent	Percentage of Portfolio Annualized Rent
Savvis Communications			**588,359**	**9.1%**	**$ 12,853,485**	**12.0**
	Hudson Corporate Center	Sep. 2011	234,570	3.6	6,098,820	5.7
	Savvis Data Center[2]	Sep. 2015	300,000	4.6	5,580,000	5.2
	36 Northeast Second Street	Aug. 2009	23,805	0.4	609,928	0.6
	Univision Tower	Sep. 2009	19,613(3)	0.3	363,525	0.3
	Univision Tower	Sep. 2009	10,371(3)	0.2	201,212	0.2
Qwest Communications			**343,383**	**5.3**	**9,195,206**	**8.6**
	200 Paul Avenue	Aug. 2015	65,622	1.0	2,986,143	2.8
	36 Northeast Second Street	Jan. 2014	78,540	1.2	1,586,153	1.5
	Carrier Center	Jan. 2020	68,000	1.0	1,429,855	1.3
	Burbank Data Center	Jan. 2011	82,911	1.3	1,373,106	1.3
	200 Paul Avenue	Jun. 2009	24,205	0.4	917,363	0.8
	Univision Tower	Apr. 2008	20,135	0.3	635,595	0.6
	Carrier Center	Jul. 2005	310(4)	0.0	165,450	0.2
	Univision Tower	Apr. 2008	3,650	0.1	81,412	0.1
	1100 Space Park Drive	Aug. 2011	10(4)	0.0	20,129	0.0
Comverse Technology			**367,033**	**5.6**	**5,592,548**	**5.2**
	Comverse Building	Feb. 2011	166,109	2.5	2,989,962	2.8
	Comverse Building	Feb. 2011	199,033	3.1	2,582,258	2.4
	Comverse Building	Feb. 2011	1,891	0.0	20,328	0.0
			131,386	**2.0**	**4,925,265**	**4.6**
Abgenix	Ardenwood Corporate Park	Apr. 2011	73,887	1.1	3,341,135	3.1
	Ardenwood Corporate Park	Apr. 2011	33,499	0.5	648,000	0.6
	Ardenwood Corporate Park	Apr. 2011	24,000	0.4	936,130	0.9
Leslie & Godwin[5][6]	Camperdown House	Dec. 2009	**63,233**	**1.0**	**4,016,624**	**3.7**(7)
Verio, Inc.[8]	NTT/Verio Premier Data Center	May 2010	**130,752**	**2.0**	**3,781,200**	**3.5**
Stone & Webster, Inc.[9]	100 Technology Center Drive	Mar. 2013	**197,000**	**3.0**	**3,743,000**	**3.5**
AboveNet			**131,556**	**2.0**	**3,499,536**	**3.2**
	AboveNet Data Center	Nov. 2019	128,184	1.9	3,435,187	3.1
	Univision Tower	Apr. 2014	3,372	0.1	64,349	0.1
Maxtor Corporation	Maxtor Manufacturing Facility	Sep. 2011	**183,050**	**2.8**	**3,272,934**	**3.0**
SBC Communications	Webb at LBJ	Nov. 2010	**141,663**	**2.2**	**2,773,762**	**2.6**
Tycom Networks, Inc.	1100 Space Park Drive	Jun. 2016	**59,289**	**0.9**	**2,721,041**	**2.5**
ASM Lithography	ASM Lithography Facility	Feb. 2017	**113,405**	**1.7**	**2,549,165**	**2.4**
XO Communications			**96,546**	**1.4**	**2,457,344**	**2.2**
	200 Paul Avenue	Mar. 2015	64,907	1.0	1,852,634	1.7
	Carrier Center	Aug. 2015	29,000	0.4	467,981	0.4
	Univision Tower	Oct. 2008	2,559	0.0	92,171	0.1
	Carrier Center	Sep. 2010	80(4)	0.0	44,558	0.0
Logitech			**144,271**	**2.2**	**2,307,794**	**2.1**
	Ardenwood Corporate Park	Mar. 2013	75,630	1.1	834,374	0.8
	Ardenwood Corporate Park	Mar. 2013	15,981	0.3	701,082	0.6
	Ardenwood Corporate Park	Mar. 2013	20,002	0.3	312,065	0.3
	Ardenwood Corporate Park	Mar. 2013	5,363	0.1	235,273	0.2
	Ardenwood Corporate Park	Mar. 2013	27,295	0.4	225,000	0.2
Equinix, Inc.	Carrier Center	Oct. 2015	**129,254**	**2.0**	**2,257,142**	**2.1**

Total	**2,820,180**	**43.2%**	**$ 65,946,046**	**61.2%**

(1) Assumes the exercise of no renewal options and the exercise of all early termination options.
(2) Microsoft Corporation subleases a portion of Savvis space in this building.
(3) We negotiated an early termination of this lease for October 2004. In connection with the early termination, Savvis executed a new lease for 1,008 net rentable square feet of collocation space at Univision Tower for a 10-year term commencing October 2004 at an annualized rent of $384,000 for the first four years and then increases to $403,200 in years five through seven and $423,360 in years eight through ten.
(4) Telecommunications collocation space.
(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.

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(7) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on September 30, 2004 at $1.8093 per £1.00.
(8) Verio, Inc. is a wholly owned subsidiary of Nippon Telegraph & Telephone.
(9) Stone & Webster, Inc. 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 September 30, 2004:

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		%	1,070,049	16.3%	$	%
2,500 or less	87	33.8	78,617	1.2	2,957,138	2.8
2,501-10,000	68	26.5	357,479	5.4	6,520,518	6.1
10,001-20,000	33	12.8	487,646	7.4	9,592,792	8.9
20,001-40,000	35	13.6	928,155	14.1	14,470,741	13.4
40,001-100,000	20	7.8	1,352,472	20.5	30,707,193	28.5
Greater than 100,000	14	5.5	2,308,808	35.1	43,431,470	40.3
Portfolio Total	**257**	**100.0%**	**6,583,226**	**100.0%**	**$ 107,679,852**	**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 September 30, 2004 plus available space, for each of the ten full calendar years and the partial year beginning October 1, 2004, 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		1,070,049	16.3%	$	%	$	$	$
2004	3	5,565	0.1	92,781	0.1	16.67	17.00	94,618
2005	21	59,386	0.9	1,172,255	1.1	19.74	21.53	1,278,597
2006	26	106,766	1.6	1,893,190	1.8	17.73	18.37	1,960,868
2007	26	235,516	3.6	3,900,933	3.6	16.56	18.42	4,339,141
2008	28	292,366	4.4	4,597,376	4.2	15.72	16.99	4,965,942
2009(1)	35	511,582	7.8	10,634,198	9.9	20.79	23.33	11,933,436
2010	25	777,126	11.8	13,823,361	12.8	17.79	20.49	15,923,104
2011	24	1,126,257	17.1	23,751,659	22.1	21.09	24.14	27,190,395
2012	7	42,673	0.6	889,453	0.8	20.84	23.30	994,171
2013	15	580,530	8.8	9,884,265	9.2	17.03	19.23	11,165,222
Thereafter(2)	47	1,775,410	27.0	37,040,381	34.4	20.86	29.52	52,402,360
Portfolio Total	**257**	**6,583,226**	**100.0%**	**$ 107,679,852**	**100.0%**	**$ 19.53**	**$ 23.99**	**$ 132,247,854**

(1) Includes 29,984 square feet of net rentable space leased to Savvis Communications in the Univision Tower that we agreed to terminate as of October 2004. In connection with the early termination, Savvis executed a new lease for 1,008 net rentable square feet of collocation space at Univision Tower for a 10-year term commencing October 2004 at an annualized annual rent of $384,000 for the first four years and then increases to $403,200 in years five through seven and $423,360 in years eight through ten.

(2) Includes 63,233 square feet of net rentable space in Camperdown House. Property is subleased by Level 3 Communications from Leslie & Godwin, a U.K. subsidiary of AON Corporation, through December 2009. Level 3 Communications has executed a lease that will commence upon expiration of the Leslie & Godwin lease and continue through December 2014. Leslie & Godwin remains liable to us for rents under its lease.

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Historical Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs per square foot for tenants at the properties in our portfolio from the date of acquisition by GI Partners through September 30, 2004:

	Year Ended December 31,		Nine Months Ended	Annual Weighted Average 2002
	2002[1]	2003[2]	September 30, 2004[3]	September 30, 2004
Expirations				
Number of leases expired during year	7	18	8	12
Aggregate net rentable square footage of expiring leases	32,870	216,659	122,925	135,438
Renewals[4]				
Number of leases/renewals	5	10	3	7
Square Feet	28,418	78,172	17,663	45,183
Tenant improvement costs per square foot[5]	$ 4.12	$ 1.83	$ 16.27	$ 4.40
Leasing commission costs per square foot[5]	5.08	6.09	7.08	6.00
Total tenant improvement and leasing commission costs per square foot[5]	$ 9.20	$ 7.92	$ 23.35	$ 10.40
New leases[6]				
Number of leases	4	18	28	18
Square Feet	34,794	229,211	184,762	163,188
Tenant improvement costs per square foot[5]	$ 14.34	$ 2.27	$ 15.58	$ 8.69
Leasing commission costs per square foot[5]	12.37	12.55	11.98	12.30
Total tenant improvement and leasing commission costs per square foot[5]	$ 26.71	$ 14.82	$ 27.56	$ 20.99
Total				
Number of leases	9	28	31	25
Square Feet	63,212	307,383	202,425	208,371
Tenant improvement costs per square foot[5]	$ 9.75	$ 2.16	$ 15.64	$ 7.76
Leasing commission costs per square foot[5]	9.09	10.91	11.55	10.93
Total tenant improvement and leasing commission costs per square foot[5]	$ 18.84	$ 13.07	$ 27.19	$ 18.69

(1) Includes the following properties acquired in 2002: 36 Northeast Second Street (from January 2002); Univision Tower (from January 2002); Camperdown House (from July 2002); Hudson Corporate Center (from November 2002); and NTT/Verio Premier Data Center (from December 2002).
(2) Includes the properties listed in footnote 1 above, and the following additional properties acquired in 2003: VarTec Building (from January 2003); Ardenwood Corporate Park (from January 2003); ASM Lithography Facility (from May 2003); AT&T Web Hosting Facility (from June 2003); Brea Data Center (from August 2003); Granite Tower (from September 2003); Maxtor Manufacturing Facility (from September 2003); and Stanford Place II (from October 2003).
(3) Includes properties listed in footnotes 1 and 2 above and 100 Technology Center Drive (from February 2004), Siemens Building (from April 2004), Carrier Center (from May 2004), Savvis Data Center (from May 2004), Comverse Technologies Building (from June 2004), Webb at LBJ (from August 2004) and AboveNet Data Center (from September 2004).
(4) Does not include retained tenants that have relocated to new space or expanded into new space.
(5) Assumes all tenant improvement and leasing commissions are paid in the calendar year in which the lease commences, which may be different than the year in which they were actually paid.
(6) Includes retained tenants that have relocated or expanded into new space within our portfolio.

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Historical Capital Expenditures

The following table sets forth certain information regarding historical recurring capital expenditures (excluding tenant improvements) at the properties in our portfolio from the date of acquisition by GI Partners through September 30, 2004:

	Year Ended December 31		Nine Months Ended	Annual Weighted Average 2002
	2002[(1)(2)]	2003[(2)(3)]	September 30, 2004[(4)]	September 30, 2004
Recurring capital expenditures	$ 208,758	$ 388,636	$ 420,810	
Total square feet at period end	1,145,182	2,792,266	4,796,996	
Recurring capital expenditures per square foot	$ 0.18	$ 0.14	$ 0.09	$ 0.15

(1) Includes the following properties acquired in 2002: 36 Northeast Second Street (from January 2002); Univision Tower (from January 2002); Camperdown House (from July 2002); Hudson Corporate Center (from November 2002); and NTT/Verio Premier Data Center (from December 2002).
(2) Recurring capital expenditures for properties acquired during the period are annualized.
(3) Includes the properties listed in footnote 1 above, and the following additional properties acquired in 2003: VarTec Building (from January 2003), Ardenwood Corporate Park (from January 2003); ASM Lithography Facility (from May 2003); AT&T Web Hosting Facility (from June 2003); Brea Data Center (from August 2003); Granite Tower (from September 2003); Maxtor Manufacturing Facility (from September 2003); and Stanford Place II (from October 2003).
(4) Includes properties listed in footnotes 1 and 3 above and 100 Technology Center Drive (from February 2004), Siemens Building (from April 2004), Carrier Center (from May 2004), Savvis Data Center (from May 2004), Comverse Technologies Building (from June 2004), Webb at LBJ (from August 2004) and AboveNet Data Center (from September 2004).

For the years ended December 31, 2002 and 2003 and the nine months ended September 30, 2004, nonrecurring capital expenditures for our properties, primarily for Univision Tower, were $430,183, $765,587 and $571,113, respectively. Nonrecurring capital expenditures are discretionary and vary substantially from period to period, based on management s view as to whether the incurrence of such expenses is merited by future income generation. Although we had no contractual commitments for the remainder of 2004 and currently have no contractual commitments for 2005, we expect nonrecurring capital expenditures at our properties will be approximately $1.3 million in 2005 due to the increase in size of our portfolio. We may spend additional amounts related to the build-out of unimproved space for collocation use, depending on tenant-demand; however, we currently have no commitments to do so.

Description of Our Portfolio

We own 24 properties and are under contract to acquire an additional three properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.6 million net rentable square feet. We are presenting additional data below for each property that comprises 10% or more of our total consolidated assets as of December 31, 2003 or that had gross revenues that amounted to 10% or more of our consolidated gross revenues for the year ended December 31, 2003.

Telecommunications Infrastructure Properties. The following eight properties are occupied primarily by tenants that focus on telecommunications infrastructure services.

200 Paul Avenue, San Francisco, California

The 200 Paul Avenue property consists of 532,238 square feet of net rentable space in four buildings on a 7.35-acre site located approximately four miles south of downtown San Francisco. Two interconnected buildings totaling 405,254 square feet are dedicated to telecommunications network and data center use. Over 40 telecommunications carriers plus other hosting and Internet companies providers are located in the 200 Paul Avenue property, including SBC, Verizon, Qwest, Level 3, MCI, Cingular, AboveNet, Time Warner Telecom, Global Crossing, XO Communications and WilTel Communications. Most of these tenants and licensees have invested significant amounts of their own capital to improve their spaces for telecommunications use.

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This aggregation of service providers in the 200 Paul Avenue property creates a cost effective operating environment for cross connections and passing traffic (voice, data and Internet) between networks without incurring costly local access charges. Both long-haul, backbone networks and local/regional metropolitan area networks operate in these buildings, all of whom have a point-of-presence in the building-managed collocation facility.

The facility offers tenants superior electrical and mechanical systems infrastructure, including abundant available electrical power and UPS/backup power generation, carrier-quality HVAC capacity and distribution, ample telecommunications and electrical riser and conduit capacity, and numerous telecommunications networks that provide service to, and interconnect within, the buildings. Both buildings comply with or exceed the city s seismic criteria in effect at the time of the 1999 renovation. The annex building exceeds the seismic design criteria in effect at the time of the 2001 construction, an important attribute for mission-critical facilities in this part of the country.

The main 200 Paul Avenue building was constructed in phases starting in 1955 and completed in 1962. The large floor plates, high ceilings and robust concrete frame structure are ideal for telecommunications and data center use. This building was substantially re-developed in 1999 as a multi-tenant facility to house numerous carrier networks, its own collocation operations, web hosting and data center operations. The annex building was completed in 2001.

We acquired a fee simple interest in this property in connection with our initial public offering from San Francisco Wave eXchange, LLC, an unrelated third party.

As of September 30, 2004, the 200 Paul Avenue property was approximately 82.9% leased to 15 tenants, primarily in the telecommunications network business. The following table summarizes information regarding the primary tenants of the 200 Paul Avenue property as of September 30, 2004:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Qwest Communications	Telecommunications	Aug. 2015	2 x 5 yrs	**89,827**	**16.9%**	**$ 3,903,506**	**36.1%**	**$ 43.46**
		Aug. 2015	2 x 5 yrs	65,622	12.3	2,986,143	27.6	45.51
				24,205	4.6	917,363	8.5	37.90
XO Communications	Telecommunications	Mar. 2015	2 x 5 yrs	**64,907**	**12.2**	**1,852,634**	**17.1**	**28.54**
RCN Telecom Services of Ca., Inc.	Telecommunications	Aug. 2014	3 x 5 yrs	**57,121**	**10.7**	**1,327,510**	**12.3**	**23.24**
Williams Communications	Telecommunications	Jun. 2009	3 x 5 yrs	**84,690**	**15.9**	**1,135,430**	**10.5**	**13.41**
Total/Weighted Average				**296,545**	**55.7%**	**$ 8,219,080**	**76.0%**	**$ 27.72**

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The following table sets forth the lease expirations for leases in place at the 200 Paul Avenue property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was eight years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		90,751	17.1%	$	%	$	$
2004							
2005	1	10		29,504	0.3	2,950.36	3,038.87
2006	1	10		51,564	0.5	5,156.40	5,803.57
2007							
2008	3	68,982	13.0	484,466	4.5	7.02	7.84
2009	4	132,720	24.9	2,308,239	21.3	17.39	19.64
2010	1	10		32,782	0.3	3,278.18	3,914.32
2011							
2012							
2013							
Thereafter	6	239,755	45.0	7,911,159	73.1	33.00	44.53
Total/Weighted Average	**16**	**532,238**	**100.0%**	**$ 10,817,714**	**100.0%**	**$ 24.50**	**$ 31.60**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the 200 Paul Avenue property as of the indicated date:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004	82.9%	$ 24.50	$ 28.02

(1) Because neither we nor GI Partners owned this property prior to 2004, we are unable to present information for years prior to 2004.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the 200 Paul Avenue property.

The 200 Paul Avenue property is subject to a $46.9 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for 200 Paul Avenue is $11.07 per $1,000 of assessed value. The total annual tax for 200 Paul Avenue at this rate for the 2003 tax year is $284,823 (at a taxable assessed value of $25,723,555). There were no direct assessments imposed on 200 Paul Avenue by the City and County of San Francisco for the 2003 tax year.

Univision Tower, Dallas, Texas

The Univision Tower is a 26-story, 477,107 square foot telecommunications carrier facility and office building located in downtown Dallas, Texas. Based on data from PriMetrica, Inc., we believe that the Dallas central business district, where this property is located, contains one of the largest aggregations of telecommunications carriers in the Southwest. The building is an important network site, located near both the SBC local central office and the regional AT&T long distance switch facility. Over 35 networks along with other collocation and web hosting providers, and over 70 service providers in total, are located in the building, including Verizon, AT&T, SBC, XO Communications, MCI, Telefonica, Qwest, Level 3 and Time Warner Communications. Most of these tenants have invested significant amounts of their own capital to improve their spaces for telecommunications use.

The aggregation of service providers in this building creates a cost effective operating environment for cross connections and passing traffic (voice, data and Internet) between networks without incurring costly local access charges. Both long-haul, backbone networks and local/regional metro area networks operate in the building, several of which have a point-of-presence in the building-managed collocation facility. In addition, the building contains the regional headquarters and production studios for Univision, the largest Spanish language television broadcaster in the United States.

The facility offers tenants superior electrical and mechanical systems infrastructure, including abundant available electrical power and UPS/backup power generation, telecommunications quality HVAC capacity and distribution, ample telecommunications and electrical riser and conduit capacity, and multiple telecommunications networks that provide service to, and interconnect within, the building. The building structure has been enhanced to accommodate heavier floor loads and power availability and distribution for the telecommunications/collocation tenants. Electric power is provided by two independent grids operated by TXU Energy, ensuring a high degree of availability to the building. This level of electrical service is a significant benefit for our telecommunications tenants, all of which are heavy power consumers.

The Univision Tower property was acquired by GI Partners in January 2002. We became the fee simple owner of this property upon consummation of our initial public offering.

As of September 30, 2004, the Univision Tower property was approximately 79.8% leased to 50 tenants. Approximately 72.8% of the property is leased to telecommunications service providers and to Univision. The balance of the tenancy represents typical office users ranging in size from a few thousand square feet up to a full floor (20,000 square feet). No single tenant occupies more than 5% of the square footage. The following table summarizes information regarding the primary tenants of the Univision Tower property as of September 30, 2004:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Qwest Communications	Telecommunications			**23,785**	**5.0%**	**$ 717,007**	**8.9%**	**$ 30.15**
		Apr. 2008	2 x 5 yrs	20,135	4.2	635,595	7.9	31.57
		Apr. 2008	None	3,650	0.8	81,412	1.0	22.30
LayerOne, Inc.	Telecommunications	Nov. 2015	3 x 5 yrs	**16,557**	**3.5**	**656,396**	**8.2**	**39.64**
Univision Television Group	Media/			**35,917**	**7.5**	**640,324**	**7.9**	**17.83**
	Telecommunications	Apr. 2017	2 x 5 yrs	20,254	4.2	357,976	4.4	17.67
		Apr. 2017	None	15,663	3.3	282,348	3.5	18.03
Savvis Communications	IT Services			**29,984**	**6.3**	**564,737**	**7.0**	**18.83**
		Sep. 2009(1)	None	19,613	4.1	363,525	4.5	18.53
		Sep. 2009(1)	1 x 5 yrs	10,371	2.2	201,212	2.5	19.40
Global Crossing	Telecommunications			**33,467**	**7.0**	**560,658**	**7.0**	**16.75**
		Feb. 2007	None	19,613	4.1	349,764	4.4	17.83
		Feb. 2007	1 x 5 yrs	11,904	2.5	181,276	2.2	15.23
		Feb. 2007	1 x 5 yrs	1,950	0.4	29,618	0.4	15.19
Total/Weighted Average				**139,710**	**29.3%**	**$ 3,139,122**	**39.0%**	**$ 22.47**

(1) We negotiated an early termination of this lease for October 2004. In connection with the early termination, Savvis executed a new lease for 1,008 net rentable square feet of collocation space at Univision Tower for a 10-year term commencing October 2004 at an annualized rent of $384,000 for the first four years which then increases to $403,200 in years five through seven and $423,360 in years eight through ten.

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The following table sets forth the lease expirations for leases in place at the Univision Tower property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 5.4 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		96,429	20.2	$	%	$	$
2004							
2005	4	14,924	3.1	361,730	4.5	24.24	24.24
2006	8	17,629	3.7	383,545	4.8	21.76	21.79
2007	14	99,958	21.1	1,646,452	20.4	16.47	17.65
2008	13	64,359	13.5	1,647,494	20.5	25.60	26.53
2009(1)	9	59,872	12.6	1,406,363	17.5	23.49	34.57
2010	3	4,042	0.8	164,924	2.0	40.80	40.51
2011	4	4,971	1.0	138,421	1.7	27.85	50.55
2012	1	19,780	4.1	364,990	4.5	18.45	18.45
2013	2	30,114	6.3	366,237	4.5	12.16	16.71
Thereafter	9	65,029	13.6	1,579,128	19.6	24.28	26.76
Total/Weighted Average	**67**	**477,107**	**100.0%**	**$ 8,059,284**	**100.0%**	**$ 21.17**	**$ 24.46**

(1) Includes the 29,984 square feet of net rentable space leased to Savvis Communications in the Univision Tower that we agreed to terminate as of October 2004.

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the Univision Tower property as of the indicated dates:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004	79.8%	$ 21.17	$ 19.85
December 31, 2003	84.1	20.41	20.47
December 31, 2002(1)	82.2	19.86	21.03

(1) Because neither we nor GI Partners owned this property prior to 2002, we are unable to present information for years prior to 2002.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Univision Tower property.

The Univision Tower is subject to a $58.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the Univision Tower property is $29.76 per $1,000 of assessed value. The total annual tax for the Univision Tower property at this rate for the 2003 tax year is $1,637,023 (at a taxable assessed value of $55,012,340). There were no direct assessments imposed on the Univision Tower property by the City of Dallas for the 2003 tax year.

Carrier Center, Los Angeles, California

The Carrier Center property is a seven-story, 449,254 square foot telecommunications network carrier and data center facility located in downtown Los Angeles, California. Based on data from PriMetrica, Inc., we believe that the central business district of Los Angeles, where the Carrier Center property is located, contains

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one of the largest aggregations of telecommunications carriers on the West Coast. Over 25 carriers, collocation and web hosting providers are located in the building, including AT&T, SBC, XO Communications, Deutsche Telecom, Qwest, Level 3 Communications, and Equinix and its collocation customers. Most of these tenants have invested significant amounts of their own capital to improve their spaces for telecommunications use.

This aggregation of service providers in this building creates a cost effective operating environment for cross connections and passing traffic (voice, data and Internet) between networks without incurring costly local access charges. Both long haul, backbone networks and local/regional metropolitan area networks operate in the building, several of which have a point-of-presence in the building-managed collocation facility.

The facility offers tenants superior electrical and mechanical systems infrastructure, including abundant available electrical power and UPS/backup power generation, telecommunications quality HVAC capacity and distribution, ample telecommunications and electrical riser and conduit capacity, and multiple telecommunications networks that provide service to, and interconnect within, the building. The building has high seismic integrity, an important attribute for mission-critical facilities in California. Electrical power is provided by the Los Angeles Department of Water and Power, or DWP, a significant benefit for our tenants, all of which are heavy power consumers. DWP electricity rates have historically been lower than the regional utility and its track record for power availability is superior. DWP did not suffer the brown-outs of the recent past and potential tenants at the property consider DWP to be a significant factor in their site selection process.

The Carrier Center building was originally completed in 1922, with periodic refurbishments thereafter. Its large floor plates and robust concrete frame engineering made the structure ideal for adaptation to data center usage. The Carrier Center was substantially re-developed in 1999 by 360 Networks as a multi-tenant facility to house its own operations along with numerous other network collocation, web hosting and data center operations.

GI Partners acquired the property in May 2004. We became the fee simple owner upon exercise of our option to acquire this property in November 2004.

As of September 30, 2004, the Carrier Center property was approximately 80.5% leased to 19 tenants, primarily in the telecommunications network and collocation businesses. The following table summarizes information regarding the primary tenants of the Carrier Center property as of September 30, 2004:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Equinix, Inc.	Data centers	Oct. 2015	2 x 5 yrs	**129,254**	**28.8%**	**$ 2,257,142**	**29.8%**	**$ 17.46**
Qwest Communications	Telecommunications			**68,310**	**15.2**	**1,595,305**	**21.0**	**23.35**
		Jan. 2020	2 x 5 yrs	68,000	15.1	1,429,855	18.8	21.03
		Jul. 2005	2 x 5 yrs	310(1)	0.1	165,450	2.2	533.71
360 Networks (USA), Inc.	Web hosting and collocation			**68,120**	**15.1**	**1,249,602**	**16.5**	**18.34**
		Oct. 2007	4 x 5 yrs	68,000	15.1	1,184,712	15.6	17.42
		Oct. 2007	4 x 5 yrs	120(1)	0.0	64,890	0.9	540.75
Total/Weighted Average				**265,684(1)**	**59.1%**	**$ 5,102,049**	**67.3%**	**$ 19.20**

(1) Indicates telecommunications collocation space.

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The following table sets forth the lease expirations for leases in place at the Carrier Center property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 10.2 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		87,690	19.5%	$	%	$	$
2004	1	40		18,000	0.2	450.00	450.00
2005	3	383	0.1	193,197	2.5	504.43	619.96
2006	2	120		62,285	0.8	519.05	737.59
2007	2	68,120	15.2	1,249,602	16.6	18.34	20.53
2008	1	80		49,440	0.7	618.00	1,081.80
2009	1	40		24,000	0.3	600.00	701.91
2010	3	400	0.1	228,136	3.0	570.34	809.43
2011	1	4,750	1.1	52,058	0.7	10.96	13.83
2012							
2013	1	6,552	1.5	116,611	1.5	17.80	16.45
Thereafter	10	281,079	62.5	5,590,134	73.7	19.89	29.74
Total/Weighted Average	**25**	**449,254**	**100.0%**	**$ 7,583,463**	**100.0%**	**$ 20.97**	**$ 29.63**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the Carrier Center property as of the indicated date:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004[(1)]	80.5%	$ 20.97	$ 24.61

(1) Because neither we nor GI Partners owned this property prior to 2004, we are unable to present information for years prior to 2004.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Carrier Center property.

The Carrier Center property is subject to a $26.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the Carrier Center property is $19.62 per $1,000 of assessed value. The total annual tax for the Carrier Center property at this rate for the 2003 tax year is $529,699 (at a taxable assessed value of $27,000,000). There were no direct assessments imposed on the Carrier Center property by the City of Los Angeles for the 2003 tax year.

Camperdown House, London, United Kingdom

The Camperdown House is a six-story building located in the insurance district in the City of London (Central London), containing a total of 63,233 square feet of net rentable space. In addition to its history as the center of the financial industry in the United Kingdom and Europe, the area where this building is located is a major aggregation point for telecommunications networks. The building is an important network collocation and switching facility for Level 3 Communications, where it interconnects its trans-Atlantic and European networks and distributes traffic to other carriers. Approximately 46,233 square feet is improved telecommunications/data center space featuring enhanced and redundant electrical capacity and backup power generation, specialized

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HVAC systems, customized fire suppression equipment and raised data center flooring to accommodate cabling and air flow distribution. The remaining 17,000 square feet is utilized as office space for network engineers and administrative staff. The property was originally constructed in 1983 as an office building and was substantially re-developed by Level 3 in the late 1990 s. GI Partners acquired the Camperdown House property in July 2002. We became the fee simple owner of this property upon consummation of our initial public offering.

As of September 30, 2004, the Camperdown House was 100.0% leased to Leslie & Godwin, a United Kingdom subsidiary of the AON Corporation, at an annualized rent of $4,016,624, or $63.52 per leased square foot. The lease expires in December 2009 and has one five-year renewal option. Leslie & Godwin is no longer in occupation but still has an obligation to pay rent for the term of the lease. Leslie & Godwin has subleased its entire space to Level 3 Communications. Level 3 is obligated, subject to a payment which we can waive, to take a further lease of this property for a term expiring in 2015, subject to one five-year extension option. The annualized rent under this new lease will be $5,156,477, or $81.55 per leased square foot at commencement in December 2009 subject to annual increases of 3% commencing in December 2010. Annualized rents for the Camperdown House were calculated using the exchange rate in effect on September 30, 2004 of $1.8093 per £1.00.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Camperdown House property.

The Camperdown House is subject to a £14.4 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The Camperdown House is currently owned by Asbury Park Holdings Limited (U.K.), a Jersey company. A transfer of Camperdown House by Asbury Park Holdings Limited could result in the imposition of a substantial tax in the United Kingdom. In order to avoid this tax, our operating partnership indirectly acquired 100% of the interests in Asbury Park Holdings Limited in connection with our initial public offering , and the Camperdown House property continues to be owned by Asbury Park Holdings Limited. Asbury Park Holdings Limited is presently classified as a corporation for United States federal income tax purposes, and the requirements for qualification as a REIT limit our ability to own stock of a corporation, subject to certain exceptions. One such exception relates to stock of a taxable REIT subsidiary. As a result, we and Asbury Park Holdings Limited plan to make an election for Asbury Park Holdings Limited to be treated as a taxable REIT subsidiary.

1100 Space Park Drive, Santa Clara, California (Silicon Valley metropolitan area)

The 1100 Space Park Drive property consists of 167,951 square feet of net rentable space in one three-story building on a 3.34-acre site strategically located near many of Santa Clara s telecommunications network gateways, including SBC s main central office, WilTel Communications, Qwest and Equinix. Built in 2001, the 1100 Space Park Drive structure consists of a cast-in-place concrete frame with concrete exterior walls. The building was specifically built to house telecommunications networks and data center operations and is therefore designed with many pre-installed features to allow tenants to quickly and economically install their improvements. We estimate that one tenant, Tyco Networks, invested over $20 million in improvements to its premises.

The Santa Clara location is attractive because it is in the heart of the Silicon Valley technology and telecommunications markets and because users benefit by using Silicon Valley Power for electrical service. Similar to DWP in Los Angeles, Silicon Valley Power is generally less expensive and more reliable than the regional utility. Silicon Valley Power is the local, municipal utility for the City of Santa Clara and has two separate substations and a major power generation plant situated within one-quarter mile of 1100 Space Park Drive.

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There are nine telecommunications carriers located in the 1100 Space Park Drive property, including SBC, Verizon, Qwest, Tyco, and AT&T and another seven carriers have extensive fiber networks within two blocks of the property.

The aggregation of service providers at 1100 Space Park Drive creates a cost effective operating environment for cross connections and passing traffic (voice, data and Internet) between networks without incurring costly local access charges. Both long-haul, backbone networks and local/regional metropolitan area networks operate in the 1100 Space Park Drive property, all of whom have a point-of-presence in the building managed collocation facility.

The facility offers tenants superior electrical and mechanical systems infrastructure, including abundant available electrical power and UPS/backup power generation, carrier-quality HVAC capacity and distribution, ample telecommunications and electrical riser and conduit capacity, and numerous telecommunications networks that provide service to, and interconnect within, the building. The building exceeds the seismic design criteria in effect at the time of the 2001 construction, an important attribute for mission-critical facilities in California.

We acquired this property upon consummation of our initial public offering from Santa Clara Wave eXchange, LLC, an unrelated third party.

As of September 30, 2004, the 1100 Space Park Drive property was 46.6% leased to three telecommunications tenants and holds license agreements with another four carriers to occupy space in the building s collocation space.

The following table sets forth the lease expirations for leases in place at the 1100 Space Park Drive property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 11.3 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		89,742	53.4%	$	%	$	$
2004							
2005							
2006	2	20		13,650	0.4	682.50	682.50
2007							
2008	1	10		11,124	0.3	1,112.40	1,215.55
2009							
2010							
2011	2	14,045	8.4	646,656	18.4	46.04	58.27
2012							
2013							
Thereafter	2	64,134	38.2	2,849,117	80.9	44.42	60.97
Total/Weighted Average	**7**	**167,951**	**100.0%**	**$ 3,520,547**	**100.0%**	**$ 45.01**	**$ 60.79**

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the 1100 Space Park Drive property.

The 1100 Space Park Drive property is not subject to any debt. However, our ability to incur debt secured by the 1100 Space Park Drive property is limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

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36 Northeast Second Street, Miami, Florida

The 36 Northeast Second Street property, a 162,140 square foot telecommunications network facility located in the Miami central business district is one of the most significant telecommunications properties in the region. This central business district location is the main aggregation point of various telecommunications carriers in South Florida and is the gateway to Central and South American networks. The seven-story, poured in place concrete building was originally constructed in 1927 as the central office for the predecessor to BellSouth and was completely re-developed in 1999 to meet the high engineering standards required for telecommunications and data center operations. The building shell is engineered to withstand severe weather conditions providing a secure environment for critical telecommunications network operations. The facility offers tenants superior electrical and mechanical systems infrastructure including abundant available electrical power and full uninterruptible power supply, or UPS/backup power generation, telecommunications quality HVAC capacity and distribution, ample telecommunications and electrical riser and conduit capacity, and multiple telecommunications networks that provide service to, and interconnect within, the building. In the aggregate, including tenants, customers of tenants, and services providers, over 60 carriers and ISPs are located in the building including over 25 carrier networks such as AT&T, Verizon, Qwest, BellSouth, Telefonica, Savvis and Level 3. Most of our tenants invest significant amounts of their own capital to improve their spaces for telecommunications use.

This aggregation of carriers in our building creates a cost effective operating environment for cross connections and passing traffic (voice, data and Internet) between networks without incurring costly local access charges. This property is strategically located for many service providers who either lease space directly from the building or are customers of our tenants. GI Partners acquired this facility in January 2002. We became the fee simple owner of the 36 Northeast Second Street property upon consummation of our initial public offering.

The 36 Northeast Second Street property is approximately 81.2% leased to seven tenants, the majority of which are telecommunications infrastructure network providers. The following table summarizes information regarding the primary tenants of the 36 Northeast Second Street property as of September 30, 2004:

Tenant	Principal Nature Of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Qwest Communications	Telecommunications	Jan. 2014	2 x 5 yrs	**78,540**	**48.4%**	**$ 1,586,153**	**52.7%**	**$ 20.20**
Savvis Communications	IT Services	Aug. 2009	2 x 5 yrs	**23,805**	**14.7**	**609,928**	**20.3**	**25.62**
LayerOne Miami, Inc.	Telecommunications			**17,545**	**10.8**	**421,685**	**14.0**	**24.03**
		Nov. 2013	3 x 5 yrs	12,186	7.5	245,388	8.1	20.14
		Sep. 2011	3 x 5 yrs	5,359	3.3	176,297	5.9	32.90
Total/Weighted Average				**119,890**	**73.9%**	**$ 2,617,766**	**87.0%**	**$ 21.83**

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The following table schedules the lease expirations for leases in place at the 36 Northeast Second Street property as of September 30, 2004 plus available space for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 8.3 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		30,528	18.8%	$	%	$	$
2004							
2005							
2006							
2007							
2008							
2009	2	24,859	15.4	639,400	21.3	25.72	29.09
2010							
2011	1	5,359	3.3	176,297	5.8	32.90	41.61
2012	1	5,226	3.2	215,909	7.2	41.31	52.34
2013	1	12,186	7.5	245,388	8.2	20.14	38.48
Thereafter	3	83,982	51.8	1,730,478	57.5	20.61	27.71
Total/Weighted Average	**8**	**162,140**	**100.0%**	**$ 3,007,472**	**100.0%**	**$ 22.85**	**$ 30.51**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the 36 Northeast Second Street property as of the indicated dates:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004	81.2%	$ 22.85	$ 25.66
December 31, 2003	95.7	21.63	24.86
December 31, 2002(1)	95.7	22.46	25.62

(1) Because neither we nor GI Partners owned this property prior to 2002, we are unable to present information for years prior to 2002.

Other than normally recurring capital expenditures, we have no plans with respect to significant renovation, improvement or redevelopment of the 36 Northeast Second Street property.

The 36 Northeast Second Street property is one of the properties that secures the $155.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the 36 Northeast Second Street property is $29.46 per $1,000 of assessed value. The total annual tax for the 36 Northeast Second Street property at this rate for the 2003 tax year is $291,779 (at a taxable assessed value of $9,903,002). There were no direct assessments imposed on the 36 Northeast Second Street property by the City of Miami for the 2003 tax year.

Burbank Data Center

The Burbank Data Center is an 82,911 square foot, two-story data center and telecommunications property located in Burbank, California. The property was built in 1991 and features 26,000 square feet of raised floor space. The property offers superior electrical and mechanical systems infrastructure, including abundant available electrical power and UPS/backup power generation, telecommunications quality HVAC capacity and distribution, ample telecommunications and electrical riser and conduit capacity, and multiple

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telecommunications networks that provide service to, and interconnect within, the building. In December 2004, we acquired a fee simple interest in this property from an unrelated third party.

The property is 100% leased to Qwest Communications through January 2011 at an annualized rent of $1,373,106, or $16.56 per leased square foot. There are two five-year renewal options. The facility serves as one of only eight Qwest CyberCenter facilities in North America handling voice, data, wireless and web hosting as part of Qwest s national fiber optic network. We estimate that Qwest Communications has invested approximately $22 million to improve the property into a telecommunications/data center facility. The property is well located in the desirable Burbank, CA market and benefits from access to a large number of telecommunications service providers in the immediate area.

Other than normal recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Burbank Data Center.

Upon completion of this offering, the Burbank Data Center will not be subject to any debt. However our ability to incur debt secured by the Burbank Data Center will be limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

VarTec Building, Carrollton, Texas (Dallas metropolitan area)

The VarTec Building is a 135,250 square foot single story office property developed in 1999. Well-located in suburban Dallas, the building has an attractive brick and glass façade and features five distinct pods, each with its own common area and restrooms, that can be readily divided. This property was acquired by GI Partners in January 2003. We became the fee simple owner of this property upon consummation of our initial public offering.

The property is 100% leased to VarTec Telecom, Inc. through January 2014 at an annualized rent of $1,352,500, or $10.00 per leased square foot. There is one five-year renewal option. The company provides voice and data services to business and residential customers. The facility houses the network operations center that manages VarTec s nationwide network, their corporate data center operations including customer billing, and administrative offices. VarTec Telecom filed for Chapter 11 bankruptcy protection on November 1, 2004. We are closely monitoring their status and we believe the VarTec Building provides a favorable opportunity for consolidation of their operations. VarTec is current in their rental obligations.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the VarTec Building.

The VarTec Building is one of three properties that secures a $43.0 million securitized first mortgage and a $22.0 million securitized mezzanine mortgage described in Management s Discussion and Analysis of Financial Conditions and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Information Technology Infrastructure Properties. The following eleven properties are occupied primarily by tenants that focus on information technology infrastructure services.

Hudson Corporate Center, Weehawken, New Jersey (New York City metropolitan area)

The Hudson Corporate Center is a three-story, 311,950 square foot data center and back office facility located directly across the Hudson River from midtown Manhattan in Weehawken, New Jersey. This location is attractive to a wide variety of users as it is easily accessed via light rail and Hudson River ferries, and is adjacent to the Lincoln Tunnel. The New York City metropolitan location is the source of a large number of financial

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industry and other enterprise customers for our tenants, in addition to telecommunications collocation opportunities. The property was re-developed in 1989 as a back office bank operations center and was substantially improved to data center and telecommunications use in the late 1990 s. A large investment was made to improve the property by Exodus Communications, the predecessor to Savvis, and by Level 3 Communications, to satisfy their data center requirements. We estimate that existing tenants have invested over $100 million in this building and improvements. Improvements to the property include redundant power, extensive HVAC systems, backup UPS/generator power and specialized fire suppression systems. In addition, large flexible floor plates, high floor load capacity and ample floor-to-ceiling slab heights make the facility attractive to tenants such as Savvis and Level 3 Communications. A number of carrier networks serve the property providing attractive collocation opportunities. Carriers include Verizon, AT&T, MCI, Level 3, and ConEd Communications, a metropolitan area fiber network.

The property was acquired by GI Partners in November 2002. We became the fee simple owner of the Hudson Corporate Center property upon consummation of our initial public offering.

As of September 30, 2004, the Hudson Corporate Center property was 88.7% leased to three tenants in the telecommunications and IT services businesses, including Savvis web hosting and managed services operations and Level 3 Communications, which operates a telecommunications and collocation gateway at the facility. The following table summarizes information regarding the primary tenants of the Hudson Corporate Center property as of September 30, 2004:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Savvis Communications	IT services	Sep. 2011	2 x 7 yrs	**234,570**	**75.2%**	**$ 6,098,820**	**88.3%**	**$ 26.00**
Level 3 Communications	Telecommunications	Oct. 2013	1 x 5 yrs	**38,017**	**12.2**	**754,579**	**10.9**	**19.85**
Total/Weighted Average				**272,587**	**87.4%**	**$ 6,853,399**	**99.2%**	**$ 25.14**

The following table sets forth the lease expirations for leases in place at the Hudson Corporate Center property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 7.2 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		35,254	11.3%	$	%	$	$
2004	1	4,109	1.3	57,902	0.8	14.09	14.09
2005							
2006							
2007							
2008							
2009							
2010							

2011	1	234,570	75.2	6,098,820	88.3	26.00	26.00
2012							
2013	1	38,017	12.2	754,579	10.9	19.85	21.85
Thereafter							
Total/Weighted Average	**3**	**311,950**	**100.0%**	**$ 6,911,301**	**100.0%**	**$ 24.98**	**$ 25.25**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the Hudson Corporate Center property as of the indicated dates:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004	88.7%	$ 24.98	$ 24.46
December 31, 2003	88.7	22.43	24.58
December 31, 2002(1)	100.0	21.48	23.62

(1) Because neither we nor GI Partners owned this property prior to 2002, we are unable to present information for years prior to 2002.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Hudson Corporate Center property.

Savvis has a right of first offer with respect to the sale of the underlying premises. This right will not be triggered by this offering or by a subsequent sale by us of the subsidiary that owns this property.

The Hudson Corporate Center property is one of the properties that secures the $155.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the Hudson Corporate Center property is $30.58 per $1,000 of assessed value. The total annual tax for the Hudson Corporate Center property at this rate for the 2003 tax year is $1,541,232 (at a taxable assessed value of $50,400,000). There were no direct assessments imposed on the Hudson Corporate Center property by the City of Weehawken and Hudson County for the 2003 tax year.

833 Chestnut Street, Philadelphia, Pennsylvania

The 833 Chestnut Street property is a 15-story re-developed historic building with 654,758 net rentable square feet located in downtown Philadelphia, Pennsylvania. The property, originally constructed in 1927, was completely re-developed in 1998. The renovation included installing new elevators, extensive electrical and ventilation systems to accommodate data center users, and improvements to the lobbies and the exterior. We estimate that the cost of the renovation was approximately $42.0 million. The property also includes web hosting and corporate data backup operations that lease over 57,000 square feet of space that includes substantial data center improvements.

We are currently under contract to purchase a fee simple interest in this property from an unrelated third party for a purchase price of approximately $59.5 million. The acquisition of this property under the purchase agreement is subject to numerous closing conditions, including the satisfactory conclusion of our due diligence review during an inspection period ending on February 21, 2005. We expect to close on the purchase of this property in March, 2005. During the inspection period, we have the right to terminate the purchase agreement for any reason or for no reason.

We have committed to make total deposits of $1.0 million, $500,000 of which has been deposited and the remainder of which will be deposited within three business days of the expiration of the inspection period, pursuant to the terms of the purchase agreement. If we elect to terminate the purchase agreement after the end of the inspection period but prior to closing, the seller of this property will be entitled to receive the deposits (except under circumstances set forth in the purchase agreement). If we do not elect to terminate the purchase agreement on or before February 21, 2005, the deposits will be credited toward the purchase price of the property.

The property is served by several major telecommunications networks, making it an attractive location for potential data center users. In addition, it has direct access to major mass transit routes and a wide variety of

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retail amenities that appeal to potential office tenants. The site is located two blocks from the Thomas Jefferson University medical center, and affiliated medical groups are major tenants in the property.

As of September 30, 2004, the property was 71.7% leased to 14 tenants. Thomas Jefferson University, Health Partners of Philadelphia, Inc., Inflow, Inc., and the United States General Services Administration are among the property s major tenants. The following table summarizes information regarding the primary tenants of the 833 Chestnut Street property as of September 30, 2004 based on rent roll information provided by the seller:

Tenant	Principal Nature Of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Thomas Jefferson University Hospital[1]	Medical			**157,204**	**24.0%**	**$ 2,255,064**	**32.9%**	**$ 14.34**
		Jul. 2008	None	38,245	5.8	504,757	7.4	13.20
		Oct. 2010	None	18,568	2.8	265,766	3.9	14.31
		Dec. 2011	None	16,638	2.5	261,662	3.8	15.73
		Jul. 2008	None	15,708	2.4	231,519	3.4	14.74
		Feb. 2011	None	12,787	1.9	188,619	2.7	14.75
		Aug. 2009	None	12,132	1.9	185,610	2.7	15.30
		Jul. 2008	None	13,514	2.1	184,358	2.7	13.64
		Jun. 2012	None	7,693	1.2	112,150	1.6	14.58
		Nov. 2012	None	5,177	0.8	88,512	1.3	17.10
		Dec. 2008	None	6,437	1.0	87,464	1.3	13.59
		Nov. 2009	None	5,366	0.8	72,310	1.1	13.48
		Mar. 2008	None	2,427	0.4	32,713	0.5	13.48
		Feb. 2009	None	1,506	0.2	22,901	0.3	15.21
		Mar. 2012	None	1,006	0.2	16,723	0.2	16.62
Health Partners of Philadelphia, Inc.	Insurance			**99,145**	**15.1**	**1,222,137**	**17.8**	**12.33**
		Jan. 2009(2)	2 x 5 yrs	55,229	8.4	676,199	9.9	12.24
		Jan. 2009(2)	2 x 5 yrs	25,925	4.0	329,370	4.8	12.70
		Jan. 2009(2)	2 x 5 yrs	11,351	1.7	185,063	2.7	16.30
		Jan. 2009(2)	2 x 5 yrs	5,143	0.8	16,983	0.2	3.30
		Jan. 2009(2)	2 x 5 yrs	1,497	0.2	14,522	0.2	9.70
General Services Administration	Government			**56,286**	**8.6**	**1,212,292**	**17.7**	**21.54**
		Jul. 2013(3)	None	22,435	3.4	558,450	8.2	24.89
		Mar. 2014(3)	None	22,902	3.5	377,487	5.5	16.48
		May. 2014(3)	None	10,949	1.7	276,355	4.0	25.24
Inflow, Inc.	IT Services	Nov. 2010	2 x 5 yrs	**40,555**	**6.2**	**678,175**	**9.9**	**16.72**
Total/Weighted Average				**353,190**	**53.9%**	**$ 5,367,668**	**78.3%**	**$ 15.20**

(1) Represents leases to various affiliates of the Thomas Jefferson University Hospital and Jefferson University Physicians. An affiliate of the Thomas Jefferson University Hospital entered into an agreement to lease 28,503 square feet commencing May 1, 2005 and expiring on April 30, 2015.

(2) Health Partners has the right to terminate this lease at any time between February 1, 2006 and May 1, 2006. If it exercises this right, Health Partners will be required to pay us the unamortized costs of tenant improvements, leasing commissions, and certain other expenses.

(3) General Services Administration has the right to terminate this lease at any time within five years prior to its expiration.

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The following table sets forth the lease expirations for leases in place at the 833 Chestnut Street property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 6.8 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		185,368	28.3%	$	%	$	$
2004							
2005	4	2,631	0.4	40,475	0.6	15.38	15.38
2006							
2007							
2008	5	76,331	11.7	1,040,811	15.2	13.64	13.64
2009	9	121,324	18.5	1,539,093	22.4	12.69	13.93
2010	2	59,123	9.0	943,941	13.8	15.97	19.92
2011	3	43,646	6.7	646,796	9.4	14.82	16.96
2012	4	14,483	2.2	225,770	3.3	15.59	18.40
2013	3	64,256	9.8	1,011,020	14.7	15.73	17.23
Thereafter	5	87,596	13.4	1,409,128	20.6	16.09	19.60
Total/Weighted Average	**35**	**654,758**	**100.0%**	**$ 6,857,034**	**100.0%**	**$ 14.61**	**$ 16.57**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the 833 Chestnut Street property as of the indicated date.

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004	71.7%	$ 14.61	$ 15.72

Other than normal recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the 833 Chestnut Street property.

Upon completion of this offering, the 833 Chestnut Street property will not be subject to any debt. However our ability to incur debt secured by 833 Chestnut Street will be limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the 833 Chestnut Street property is $0.08 per $1,000 of assessed value. The total annual tax for the 833 Chestnut Street property for the 2003 tax year is $277,670 (at a taxable assessed value of $3,360,000). There were no direct assessments imposed on the 833 Chestnut Street property by the city of Philadelphia for the 2003 tax year.

Savvis Data Center, Santa Clara, California (Silicon Valley metropolitan area)

The Savvis Data Center is a two building, 300,000 square foot data center facility located in Santa Clara, California. Built in 2000, the 2045 Lafayette and the 2055 Lafayette buildings are each 150,000 square foot, two-story steel frame structures with precast concrete exterior walls, featuring 135,000 square feet of raised floor space in each building. The property was built specifically for Exodus, the predecessor to Savvis, as a state-of-the-art data center. We estimate that Exodus invested approximately $150 million in the electrical systems, including high capacity, redundant service and UPS/generator systems, enhanced HVAC and fire suppression systems and robust security systems. The Santa Clara location is attractive because it is in the heart of the Silicon Valley technology and telecommunications markets and because users benefit by using Silicon

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Valley Power for electrical service. Similar to DWP in Los Angeles, Silicon Valley Power is generally less expensive and more reliable than the regional utility. It is the local, municipal utility for Santa Clara, with a substation on site providing high quality power delivery that is important for data center users.

GI Partners purchased the property from the developer in May 2004. We became the fee simple owner of the Savvis Data Center property upon consummation of our initial public offering.

As of September 30, 2004, the Savvis Data Center property was 100.0% leased to Savvis Communications. Savvis is a leading company in the web hosting, network, and application services sector. Savvis subleases a portion of the facility to Microsoft Corporation, which uses the property as its primary Bay Area data center for customer-facing infrastructure. Microsoft has the ability to expand further in the facility.

The following table summarizes information regarding Savvis Communications and its lease as of September 30 2004:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Savvis Communications	IT Services	Sep. 2015	3 x 5 yrs	**300,000**	**100.0%**	**$ 5,580,000**	**100.0%**	**$ 18.60**	**$ 25.20**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the Savvis Data Center property as of the indicated date:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004(1)	100.0%	$ 18.60	$ 22.09

(1) Because neither we nor GI Partners owned this property prior to 2004, we are unable to present information for years prior to 2004.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Savvis Data Center property.

The Savvis Data Center is not subject to any debt. However, our ability to incur debt secured by the Savvis Data Center is limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the Savvis Data Center property is $10.93 per $1,000 of assessed value. The total annual tax for the Savvis Data Center property at this rate for the 2003 tax year is $398,768 (at a taxable assessed value of $26,474,299). There were no direct assessments imposed on the Savvis Data Center property by the City of Santa Clara for the 2003 tax year.

Webb at LBJ, Dallas, Texas

The Webb at LBJ building is a 365,449 square foot single story web hosting, telecommunications and office property. The property is very well located with immediate access and high visibility from the LBJ Freeway at Webb Chapel Road. In addition, the site is located near several major telecommunications networks, including SBC, MCI, AT&T, and T-Mobile. The property was originally developed as a retail center and was substantially re-developed for telecommunications and data center users in 1998-99. The major tenant at this building is SBC Communications. The T-Mobile wireless division of Deutsche Telecom, formerly Voicestream also leases approximately 30,000 square feet in the building. Both of these companies have made extensive improvements to their spaces with robust electrical service and UPS/generator back-up, extensive HVAC systems, and specialized fire suppression and security systems. This site is one of two national SBC web-hosting and managed services facilities for corporate customers and telecommunications collocation, with the other in Irvine, California. The T-Mobile facility is one of the primary wireless service switch facilities in North Texas. In addition, approximately 83,000 square feet of the property is leased to retail tenants.

As of September 30, 2004, the Webb at LBJ property was approximately 89.0% leased. SBC Communications leases 141,663 square feet of the property pursuant to a lease that expires in November 2010 and is subject to two five-year renewal options. Annualized rent under SBC Communications lease is $2,773,762, or $19.58 per leased square foot.

The following table sets forth the lease expirations for leases in place at the Webb at LBJ property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 6.2 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		40,216	11.0%	$	%	$	$
2004							
2005							
2006							
2007	1	3,000	0.8	48,000	1.1	16.00	16.00
2008							
2009	2	86,258	23.6	464,351	10.4	5.38	5.71
2010	2	175,629	48.1	3,154,181	70.3	17.96	18.42
2011	1	29,883	8.2	529,228	11.8	17.71	17.71
2012							
2013							
Thereafter	2	30,463	8.3	288,810	6.4	9.48	29.71
Total/Weighted Average	**8**	**365,449**	**100.0%**	**$ 4,484,570**	**100.0%**	**$ 13.79**	**$ 16.02**

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Webb at LBJ property.

The Webb at LBJ property is one of the properties that secures the $155.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

AboveNet Data Center, San Jose, California (Silicon Valley metropolitan area)

The AboveNet Data Center building is a 179,489 square foot facility, centrally located in downtown San Jose, California. The building contains a major web hosting and telecommunications collocation facility for AboveNet Communications, including over 65,000 square feet of data center and collocation facilities. The remainder of their space consists of extensively improved conference and training facilities and a network operations center. AboveNet provides its customers with web hosting, managed services and telecommunications network services. The central business district location is one of the densest aggregations of carriers on the West Coast making the property a desirable site for collocation and hosting businesses. Carriers serving the facility include SBC, MCI, AT&T, and MFN, which is AboveNet s network.

This property was re-developed in 1999 for AboveNet s data center occupancy. The facility was improved to provide superior electrical and mechanical systems infrastructure, including abundant available electrical power and specialized UPS/backup power generation, telecommunications quality HVAC capacity and

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distribution, ample telecommunications and electrical riser and conduit capacity, and multiple telecommunications networks that provide service to, and interconnect within, the building. Data center quality enhanced fire/life/safety systems and security systems were installed. The building structure has been enhanced to robust seismic specifications and to accommodate heavier floor loads and power availability and distribution for AboveNet and its customers. We estimate that AboveNet invested over $30 million in the improvements.

The property was acquired by GI Partners in September 2004. We became the fee simple owner of the AboveNet Data Center property upon consummation of our initial public offering.

As of September 30, 2004, the AboveNet Data Center property was approximately 97.1% leased to nine tenants. AboveNet, the primary tenant of this property, leases approximately 128,184 square feet at an annualized rent of $3,435,187, or $26.80 per square foot. AboveNet s lease expires in November 2019 and is subject to two ten-year renewal options.

The following table sets forth the lease expirations for leases in place at the AboveNet Data Center property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 13.4 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		5,265	2.9%	$	%	$	$
2004							
2005	1	9,650	5.4	223,766	5.3	23.19	23.19
2006							
2007	1	904	0.5	20,880	0.5	23.10	23.10
2008							
2009							
2010	1	4,145	2.3	40,027	0.9	9.66	9.66
2011	2	3,094	1.7	107,869	2.5	34.86	40.56
2012	1	3,184	1.8	82,784	1.9	26.00	28.00
2013							
Thereafter	3	153,247	85.4	3,816,269	88.9	24.90	44.59
Total/Weighted Average	**9**	**179,489**	**100.0%**	**4,291,595**	**100.0%**	**$ 24.63**	**$ 42.08**

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the AboveNet Data Center property.

The AboveNet Data Center is not subject to any debt. However, our ability to incur debt secured by the AboveNet Data Center is limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

NTT/Verio Premier Data Center, San Jose, California (Silicon Valley metropolitan area)

The NTT/Verio Premier Data Center is a two-story 130,752 square foot data center 100% leased to Verio, Inc., a wholly owned subsidiary of Nippon Telegraph & Telephone. The building was designed as one of Verio s two premier data centers in the United States, into which the great majority of Verio s customer operations for web hosting and collocation are being consolidated. In 2001, Verio completed significant improvements to the property, which we estimate cost over $60 million, to create a critical use data center infrastructure containing over 90,000 square feet of raised floor space, with substantial mission-critical infrastructure such as large electrical capacity and distribution, UPS/backup generator systems, robust HVAC systems and state-of-the-art fire suppression and security systems. In addition, the structure was significantly re-developed to meet very high seismic specifications. The property also serves as an important telecommunications node connecting NTT s network to a major west coast Internet peering facility, also located in San Jose, California, a primary Internet peering and interconnection point on the West Coast. The property was acquired by GI Partners in December 2002. We became the fee simple owner of the NTT/Verio Data Center property upon consummation of our initial public offering.

Verio s lease expires in May 2010 and is subject to three five-year renewal options. Annualized rent under the Verio lease is $3,781,200, or $28.92 per leased square foot. Verio has a right of first offer with respect to the sale of the underlying premises. This right will not be triggered by this offering or a subsequent sale by us of the subsidiary that owns this property.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the NTT/Verio Data Center property.

The NTT/Verio Data Center is one of three properties that secures a $43.0 million securitized first mortgage and a $22.0 million securitized mezzanine mortgage described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

MAPP Building, Minneapolis/St. Paul, Minnesota

The MAPP Building is an 88,134 square foot single-story property located in St. Paul, Minnesota. The property was built in 1947 and fully re-developed in 1999 for the current tenant operations. The building contains a data center facility, consisting of approximately 20,000 square feet of raised floor data center space and related infrastructure.

We are currently under contract to purchase a fee simple interest in this property from an unrelated third party for a purchase price of approximately $15.8 million. The acquisition of this property under the purchase agreement is subject to numerous closing conditions, including the satisfactory conclusion of our due diligence review during a feasibility period ending on February 3, 2005. We currently expect to close on the purchase of this property in February 2005. During the feasibility period, we have the right to terminate the purchase agreement for any reason or for no reason.

We have made a total deposit of $200,000 pursuant to the terms of the purchase agreement. If we elect to terminate the purchase agreement prior to February 3, 2005, we will be entitled to the return of our deposit, less any sums that the seller of this property is entitled to receive under the terms of the purchase agreement. If we do not elect to terminate the purchase agreement prior to February 3, 2005, the deposit will be credited toward the purchase price of the property.

The property is 100% leased to the Midwest Independent Transmission System Operator, Inc., or MISO, through December 2013 at an annualized rent of $1,339,637, or $15.20 per leased square foot. There is one five-year renewal option. MISO oversees the Mid-Continent Area Power Pool, or MAPP the electrical power grid for much of the upper Midwest, Michigan, Ohio and parts of Canada. This facility is MISO s main network operations center for power grid management.

Other than normal recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the MAPP Building.

The MAPP Building is subject to a $9.7 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

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Brea Data Center, Brea, California (Los Angeles metropolitan area)

The Brea Data Center is a 68,807 square foot single story office building built in 1981 as a data center for Beckman Coulter Engineering. The building contains 30,000 square feet of data center space improved with redundant, robust infrastructure improvements including UPS and backup generators, enhanced HVAC systems, fire suppression and security systems. The remainder of the facility is improved for office use. The property was acquired by GI Partners in August 2003. We became the fee simple owner of the Brea Data Center property upon consummation of our initial public offering.

As of September 30, 2004, the Brea Data Center property was 100% leased to Systems Management Specialists, Inc., or SMS, which operates its IT outsourcing business in the facility. SMS manages business applications and other mission-critical operations for its customers. SMS was acquired in April 2004 by Infocrossing, a larger, publicly traded company, also focused on corporate enterprises and institutional customers. SMS made significant infrastructure improvements to the Brea Data Center in 2000, which we estimate to be over $10 million, improving the electrical and HVAC infrastructure in the facility. SMS s lease expires in December 2014, and is subject to two five-year renewal options. The annualized rent under the SMS lease is $1,176,600, or $17.10 per leased square foot.

GI Partners made a significant equity investment in SMS in 2003 that was sold as part of the Infocrossing transaction in April 2004.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Brea Data Center property.

The Brea Data Center property is one of the properties that secures the $155.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

eBay Data Center, Rancho Cordova, California (Sacramento metropolitan area)

The eBay Data Center is a 62,957 square foot data center facility strategically located in Rancho Cordova, a technology-oriented suburb of Sacramento. Built in 1983, the building underwent significant improvements from 1999 to 2000, including its development as a data center for its current tenant, Sprint Communications Company. eBay, Inc. has been operating out of the facility for over five years under a web-hosting collocation agreement with Sprint, and has recently entered into a direct lease. The building includes approximately 30,000 square feet of data center space with raised floors. The property contains redundant UPS and backup generators, large electrical capacity, robust HVAC systems and state-of-the-art security systems and fire detection and suppression systems. Tenants benefit from redundant electrical feeds from the Sacramento Municipal Utility district.

We own a 75% tenancy-in-common interest in the eBay Data Center property and an unrelated third party holds the remaining 25% of the tenancy-in-common. On January 7, 2005, the third-party owner of the remaining 25% interest in this property exercised its option to require us to purchase its 25% interest. The purchase price for the remaining 25% interest will be based on a formula set forth in a co-tenancy agreement. The purchase price under the co-tenancy agreement will be an amount equal to the lesser of (1) $4.7 million plus the seller s pro rata share of undistributed cash flow from the property and certain other reserves, and less an amount equal to the aggregate of all distributions received by it with respect to any third-party financing, or (2) the amount equal to the property value (as defined in the co-tenancy agreement) less

$10.6 million and certain interim and transaction costs, plus the sum of $1.5 million and the seller s pro rata share of undistributed cash flow from the property and certain other reserves, and less an amount equal to the aggregate of all distributions received by it with respect to any third-party financing.

As of September 30, 2004, the eBay Data Center property was 100% leased to Sprint. Pursuant to leases entered into on June 1, 2004, the eBay Data Center property will be 100% leased by two tenants, eBay and

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Sprint. eBay s lease for 49,648 square feet, or 78.86% of the facility, which will expire on September 30, 2009. Annualized rent under eBay s lease was $1,245,168, or $25.08 per square foot as of October 1, 2004. Sprint s new lease for 13,309 square feet, or 21.14% of the facility, will expire on September 30, 2014. Annualized rent under Sprint s new lease was approximately $234,771, or $17.64 per square foot as of October 1, 2004. Both leases are subject to three five-year extension options.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the eBay Data Center property.

The eBay Data Center property is subject to an $8.0 million secured bridge loan, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

AT&T Web Hosting Facility, Lithia Springs, Georgia (Atlanta metropolitan area)

The AT&T Web Hosting Facility is a 250,191 square foot building located in suburban Atlanta, Georgia. The building was constructed in 1998 as a warehouse distribution facility, and AT&T subsequently leased 50% of the building for its web hosting/managed services and collocation business. We estimate that AT&T invested over $50 million to improve 113,225 square feet of the space into a state-of-the-art data center for their web-based businesses and corporate data center customers. AT&T invested heavily in the electrical systems including redundant service and UPS/generator systems, enhanced HVAC and fire suppression systems, and robust security systems. The property benefits from its proximity to several telecommunications networks including AT&T, Savvis, and BellSouth. The property was acquired by GI Partners in June 2003. We became the fee simple owner of the AT&T Web Hosting Facility property upon consummation of our initial public offering.

As of September 30, 2004, the property was 50% leased to AT&T; the balance of the building consists of industrial warehouse space that is presently unoccupied. AT&T s lease expires in March 2016 and has four five-year renewal options. The annualized rent under AT&T s lease is $1,098,036, or $8.78 per leased square foot. AT&T has a right of first refusal with respect to the sale of the underlying premises. This right will not be triggered by this offering or by the subsequent sale by us of the subsidiary that owns this property.

We have begun certain ordinary course capital improvement projects in the vacant half of the building. We do not expect the costs of these improvements to be material.

The AT&T Web Hosting Facility property is subject to a mortgage loan, which totaled $8.8 million at September 30, 2004, described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Miami Data Center, Miami, Florida

The Miami Data Center building is a 197,281 square foot two-story property located in the Airport West sub-market in Miami, Florida. The property was developed in 1999-2000 as a mission critical data center designed to withstand Category 5 hurricanes. The property benefits from its access to a variety of fiber based telecommunications networks. The facility contains approximately 100,000 square feet of raised floor data center space with redundant, robust infrastructure improvements including UPS and backup generators, enhanced HVAC systems, fire suppression and security systems. The remainder of the space is largely unimproved shell space available for additional data center build-out. The facility is currently vacant, and we are in active discussions with certain third parties to lease the building.

We are currently under contract to purchase a fee simple interest in this property from an unrelated third party for a purchase price of approximately $22.5 million. The acquisition of this property under the purchase

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agreement is subject to numerous closing conditions, including the satisfactory conclusion of our due diligence review during an inspection period ending on February 2, 2005. We currently expect to close on the purchase of this property in February 2005. During the inspection period, we have the right to terminate the purchase agreement for any reason or for no reason.

We have made a total deposit of $200,000 pursuant to the terms of the purchase agreement. If we elect to terminate the purchase agreement prior to the date of closing, the escrow agent will refund our deposit within one business day, less $100 retained by the seller of this property as independent consideration for its performance under the purchase agreement. If we do not elect to terminate the purchase agreement prior to date of closing, the deposit will be credited toward the purchase price of the property.

Due to the high level of data center improvements, we have no plans with respect to renovation, improvement or redevelopment of the Miami Data Center, other than normal recurring capital expenditures. We anticipate that we will, however, incur costs associated with leasing the property, potentially including tenant improvements allowances and leasing commissions.

Upon completion of this offering, the Miami Data Center will not be subject to any debt. However our ability to incur debt secured by the Miami Data Center will be limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Technology Manufacturing Properties. The following three properties are occupied primarily by tenants that focus on technology manufacturing.

Ardenwood Corporate Park, Fremont, California (Silicon Valley metropolitan area)

The Ardenwood Corporate Park property is a comprised of two one-story and one two-story office and biotechnology R&D buildings with a total of 307,657 square feet of net rentable space. Biotechnology labs, clean room, quality control and labeling facilities, cold storage space for biotechnology materials and administrative space occupies 131,386 square feet. The remaining 176,271 square feet is used as office space. GI Partners acquired this property in January 2003. We became the fee simple owner of the Ardenwood Corporate Park property upon consummation of our initial public offering.

As of September 30, 2004, the Ardenwood Corporate Park property was 100% leased by three tenants. Abgenix, a biopharmaceutical company focused on the research, development and manufacturing of therapeutic human antibodies, occupies a newly completed biotechnology lab and quality control facility. This facility operates as part of Abgenix s corporate campus environment in conjunction with its corporate headquarters and manufacturing facility located adjacent to the facility. Logitech, a leading global manufacturer of personal computer hardware peripherals (e.g. keyboards, computer mice, web cameras, etc.), uses the property as its North American headquarters. Infosys Technologies, a global information technology services and consulting firm, uses the property as its Western United States headquarters.

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The following table summarizes information regarding the primary tenants of the Ardenwood Corporate Park property as of September 30, 2004:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Abgenix	Biotech			**131,386**	**42.7%**	**$ 4,925,265**	**64.6%**	**$ 37.49**
		Apr. 2011	2 x 5 yrs	73,887	24.0	3,341,135	43.8	45.22
		Apr. 2011	2 x 5 yrs	24,000	7.8	648,000	8.5	27.00
		Apr. 2011	2 x 5 yrs	33,499	10.9	936,130	12.3	27.95
Logitech	Computer interface products			**144,271**	**46.9**	**2,307,794**	**30.3**	**16.00**
		Mar. 2013	1 x 5 yrs	75,630	24.6	834,374	10.9	11.03
		Mar. 2013	1 x 5 yrs	15,981	5.2	701,082	9.2	43.87
		Mar. 2013	1 x 5 yrs	20,002	6.5	312,065	4.1	15.60
		Mar. 2013	1 x 5 yrs	5,363	1.7	235,273	3.1	43.87
		Mar. 2013	1 x 5 yrs	27,295	8.9	225,000	3.0	8.24
Infosys		Jan. 2010	None	**32,000**	**10.4**	**391,680**	**5.1**	**12.24**
Total/Weighted Average				**307,657**	**100.0%**	**$ 7,624,739**	**100%**	**$ 24.78**

The following table sets forth the lease expirations for leases in place at the Ardenwood Corporate Park property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 7.3 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available			%	$	%	$	$
2004							
2005							
2006							
2007							
2008							
2009							
2010	1	32,000	10.4	391,680	5.1	12.24	13.66
2011	3	131,386	42.7	4,925,265	64.6	37.49	47.51
2012							
2013	5	144,271	46.9	2,307,794	30.3	16.00	17.16
Thereafter							
Total/Weighted Average	**9**	**307,657**	**100.0%**	**$ 7,624,739**	**100.0%**	**$ 24.78**	**$ 29.76**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the Ardenwood Corporate Park property as of the indicated dates:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004	100.0%	$ 24.78	$ 25.16
December 31, 2003[1]	80.7	26.84	29.48

(1) Because neither we nor GI Partners owned this property prior to 2003, we are unable to present information for years prior to 2003.

Other than normally recurring capital expenditures and certain tenant improvements in connection with the Infosys lease, we have no plans with respect to significant renovation, improvement or redevelopment of the Ardenwood Corporate Park property.

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The Ardenwood Corporate Park is one of three properties that secures a $43.0 million securitized first mortgage and a $22.0 million securitized mezzanine mortgage described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the Ardenwood Corporate Park property is $10.88 per $1,000 of assessed value. The total annual tax for the Ardenwood Corporate Park property at this rate for the 2003 tax year is $364,171 (at a taxable assessed value of $33,480,874). In addition, there were $220,588 in various direct assessments imposed on the Ardenwood Corporate Park property by the City of Fremont for the 2003 tax year.

Maxtor Manufacturing Facility, Fremont, California (Silicon Valley metropolitan area)

The Maxtor Manufacturing property is a two-building, 183,050 square foot facility located in Fremont, California. The property contains 65,000 square feet of clean room manufacturing space with extensive tenant improvements, and was originally built as a computer disk manufacturing facility. The 1055 Page Avenue building (59,040 square feet) is a single-story office and light manufacturing facility built in 1991, and the 47700 Kato Road building (124,010 square feet) is a two-story steel frame with glass curtain wall clean room and office facility constructed in 1997. The building contains substantial electrical and HVAC improvements, and we estimate that over $100 million was invested by the previous owner to improve the property. GI Partners acquired the space vacant in September 2003 and simultaneously leased it to Maxtor Inc. for a term of eight years. We became the fee simple owner of the Maxtor Manufacturing property upon consummation of our initial public offering.

Maxtor Corporation leases 100.0% of the property. The term of Maxtor s lease expires in September 2011 and is subject to one three-year extension option. Annualized rent under Maxtor s lease is $3,272,934, or $17.88 per leased square foot.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Maxtor Manufacturing property.

The Maxtor Manufacturing property is subject to a mortgage loan, which totaled $18.0 million at September 30, 2004, described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

ASM Lithography Facility, Tempe, Arizona (Phoenix metropolitan area)

The ASM Lithography Facility is a 113,405 square foot two-story technical training and office facility for ASML US, Inc., the U.S. subsidiary of ASM Lithography Inc., one of the largest suppliers of lithography equipment to the semiconductor industry. The facility, which was completed in 2002 and has been improved with electrical and HVAC upgrades, contains an 11,200 square foot clean room environment for customer training with ASM Lithography s photolithography equipment, which is used for wafer production in the computer chip industry.

The property is in the Arizona state-sponsored Arizona State University Research Park adjacent to ASM Lithography s U.S. headquarters. The ASU Research Park is subject to a ground lease between the Arizona Board of Regents and Price-Elliot Research Park, Inc., a non-profit organization established by the State of Arizona. GI Partners acquired a ground sublease interest in the land on which the ASM Lithography facility is located from Price-Elliot Research Park, Inc. in May 2003. This ground sublease expires on December 31, 2082. The rent payment amount due annually through 2016 under the ground sublease is approximately $241,399. Thereafter, the rent increases every ten years as set forth in the sublease agreement. In addition, GI Partners is required under the ground sublease to be assessed and pay a municipal service fee to the City of Tempe to

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reimburse the City for the cost of providing municipal services to the ASU Research Park. We have the right to terminate this lease at any time during the first 30 years of the term, and thereafter upon every ten-year anniversary. We became the holder of this ground sublease upon consummation of our initial public offering.

As of September 30, 2004, the ASM Lithography Facility was 100.0% leased to ASM Lithography. ASM Lithography s lease does not expire until February 2017 and is subject to two five-year renewal options. Annualized rent under ASM Lithography s lease is $2,549,165, or $22.48 per leased square foot, and is guaranteed by ASM Lithography s parent company.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the ASM Lithography Facility.

The ASM Lithography Facility is not subject to any debt. However, our ability to incur debt secured by the ASM Lithography Facility is limited by the terms of our unsecured credit facility, as described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

***Technology Office/Corporate Headquarters Properties*.** The following five properties are primarily leased as technology office/corporate headquarters.

Comverse Technology Building, Wakefield, Massachusetts (Boston metropolitan area)

The Comverse Technology Building is a two-building, 388,000 square foot facility located in Wakefield, Massachusetts. The property is well located on the Route 128 technology corridor with almost one-half mile of freeway frontage and access from two highway exits. The 168,000 square foot 100 Quannapowitt building is a four-story, suburban office facility built in 1999, consisting of a steel frame structure and concrete framing and exterior walls. The facility also includes a parking structure providing 455 parking spaces. The 220,000 square foot 200 Quannapowitt building, is a two-story, office and research and development facility built in 1957 with periodic upgrades, consisting of concrete frame and floors. The building was originally developed and served as the headquarters for American Mutual Insurance until the late 1980s.

As of September 30, 2004, the Comverse Technology Building was 99.7% leased. 94.6% of the property is leased to the Comverse business unit of Comverse Technology, Inc., a provider of enhanced telecommunications systems for major carriers such as Verizon and Verizon Wireless. The Comverse Technology Building serves as the division s United States headquarters, providing sales and customer training labs, corporate data center, electronics and software testing and assembly facilities, and executive offices for the CEO and senior management of the division. This division is one of the largest business units within the parent company.

The property was purchased by GI Partners in June 2004. We became the fee simple owner of the Comverse Technology Building upon consummation of our initial public offering.

The following table summarizes information regarding the Comverse Technology lease as of September 30, 2004:

Tenant	Principal Nature Of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot
Comverse Technology	Software			**367,033**	**94.6%**	**$ 5,592,548**	**94.9%**	**$ 15.24**
		Feb. 2011	2 x 5 yrs	166,109	42.8	2,989,962	50.8	18.00
		Feb. 2011	2 x 5 yrs	199,033	51.3	2,582,258	43.8	12.97
		Feb. 2011	2 x 5 yrs	1,891	0.5	20,328	0.3	10.75

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The following table sets forth the lease expirations for leases in place at the Comverse Technology Building as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 6.1 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		1,044	0.3%	$	%	$	$
2004							
2005							
2006	1	19,923	5.1	298,845	5.1	15.00	15.00
2007							
2008							
2009							
2010							
2011	3	367,033	94.6	5,592,548	94.9	15.24	16.83
2012							
2013							
Thereafter							
Total/Weighted Average	**4**	**388,000**	**100.0%**	**$ 5,891,393**	**100.0%**	**$ 15.22**	**$ 16.73**

The following table sets forth the percentage leased, annualized rent per leased square foot and annualized net effective rent per leased square foot for the Comverse Technology Building as of the indicated date:

Date	Percent Leased	Annualized Rent Per Leased Square Foot	Annualized Net Effective Rent Per Leased Square Foot
September 30, 2004[(1)]	99.7%	$ 15.22	$ 16.14

(1) Because neither we nor GI Partners owned this property prior to 2004, we are unable to present information for years prior to 2004.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Comverse Technology Building.

The Comverse Technology Building is one of the properties that secures the $155.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

The current real estate tax rate for the Comverse Technology Building is $23.30 per $1,000 of assessed value. The total annual tax for the Comverse Technology Building at this rate for the 2003 tax year is $1,198,226 (at a taxable assessed value of $51,426,000). There were no direct assessments imposed on the Comverse Technology Building by the City of Wakefield for the 2003 tax year.

100 Technology Center Drive, Stoughton, Massachusetts (Boston metropolitan area)

The 100 Technology Center Drive property is a six-story 197,000 square foot office building with a brick and granite exterior located in Stoughton, Massachusetts. The property is well located in the Route 128 South suburban sub-market and was originally developed as the headquarters for Reebok.

The property is currently the regional headquarters for Stone & Webster, Inc., a primary operating division of The Shaw Group Inc., which guarantees the lease. Stone & Webster leases 100.0% of the property and operates its environmental and energy engineering and construction management services from this site. In addition, the facility is the primary corporate data center of Stone & Webster and a data back-up site for The

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Shaw Group. Stone & Webster s lease expires in March 2013 and is subject to two five-year renewal options. Annualized rent under Stone & Webster s lease is $3,743,000, or $19.00 per leased square foot. GI Partners acquired this property in February 2004. We became the fee simple owner of the 100 Technology Center Drive property upon consummation of our initial public offering.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the 100 Technology Center Drive property.

The 100 Technology Center Drive property is subject to a mortgage loan which totaled $20.0 million at September 30, 2004, described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Granite Tower, Farmers Branch, Texas (Dallas metropolitan area)

The Granite Tower is a ten-story, 240,151 square foot office tower located in suburban Dallas, Texas. The property was developed in 1999 and represents one of the newest properties in its sub-market. The property also contains a four-story parking structure providing 900 parking spaces. The property is well located with high visibility and easy access from the LBJ Freeway and is less than five minutes from the Galleria sub-market. The Granite Tower property was acquired by GI Partners in September 2003. We became the fee simple owner of the Granite Tower property upon consummation of our initial public offering.

As of September 30, 2004, the Granite Tower property was 95.5% leased to 16 tenants operating in various businesses, including software services. The primary tenants are Home Interiors & Gifts, Inc. and Carreker Corp. Home Interiors leases 74,139 square feet under a lease that expires on January 2010. Annualized rent under Home Interiors lease is $1,092,067, or $14.73 per leased square foot. Monster Worldwide, Inc. subleases 43,661 square feet of net rentable space at the property from Home Interiors. USF Processors, Inc. sub-subleases 18,948 square feet of net rentable space at the property from Monster Worldwide, Inc. Carreker leases an aggregate of 72,433 square feet on three floors with terms expiring in May 2010 with two five-year renewal options. The annualized rent under these leases is an aggregate of $1,153,858, or $15.93 per leased square foot.

The following table sets forth the lease expirations for leases in place at the Granite Tower property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 4.6 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		10,852	4.5%	$	%	$	$
2004							
2005	3	10,857	4.5	162,231	4.7	14.94	14.94
2006	7	35,007	14.6	557,391	16.2	15.92	15.92
2007	1	6,612	2.8	76,700	2.2	11.60	16.20

2008	2	16,054	6.7	191,171	5.6	11.91	15.20
2009	3	8,093	3.4	97,090	2.8	12.00	16.00
2010	4	146,572	61.0	2,245,925	65.5	15.32	15.83
2011							
2012							
2013							
Thereafter	1	6,104	2.5	101,448	3.0	16.62	17.12
Total/Weighted Average	**21**	**240,151**	**100.0%**	**$ 3,431,956**	**100.0%**	**$ 14.97**	**$ 15.81**

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Granite Tower property.

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The Granite Tower property is subject to a mortgage loan which totaled $21.6 million as of September 30, 2004, described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Stanford Place II, Englewood, Colorado (Denver metropolitan area)

Stanford Place II is a 17-story, 348,573 square foot office building in the Denver Tech Center. The building and associated parking structure were developed in 1982 with the latest lobby and HVAC upgrades completed in 2003. The building is well located with exceptional highway (I-25 and I-225) and surface street access and ample covered parking. GI Partners acquired this property in October 2003. We became the owner of 98% of the entity that is the fee simple owner of the Stanford Place II property upon consummation of our initial public offering and an unrelated third party continues to hold the remaining 2% interest in the entity that owns this property. After we and our 2% joint venture partner receive a return of capital plus a 15% return on investment, our joint venture partner will be allocated a larger share of subsequent distributions.

As of September 30, 2004, the Stanford Place II property was 78.6% leased. The following table sets forth the lease expirations for leases in place at the Stanford Place II property as of September 30, 2004 plus available space, for each of the ten full and partial calendar years beginning October 1, 2004, assuming that tenants exercise no renewal options and all early termination options. As of September 30, 2004, the weighted average remaining lease term for this building was 4.6 years.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Rent	Percentage of Property Annualized Rent	Annualized Rent Per Leased Square Foot	Annualized Rent Per Leased Square Foot at Expiration
Available		74,438	21.4%	$	%	$	$
2004	1	1,416	0.4	16,879	0.6	11.92	13.22
2005	5	20,931	6.0	161,353	5.6	7.71	10.63
2006	5	34,057	9.8	525,909	18.3	15.44	16.45
2007	7	56,922	16.3	859,299	30.0	15.10	17.58
2008	2	3,593	1.0	39,644	1.4	11.03	13.80
2009	4	15,183	4.3	139,039	4.9	9.16	11.61
2010	6	98,915	28.4	923,060	32.2	9.33	13.39
2011	1	21,559	6.2	191,660	6.7	8.89	11.89
2012							
2013							
Thereafter	1	21,559	6.2	8,408	0.3	0.39	17.89
Total/Weighted Average	**32**	**348,573**	**100.0%**	**$ 2,865,251**	**100.0%**	**$ 10.45**	**$ 14.57**

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Stanford Place II property.

The Stanford Place II property is subject to two secured notes which total of $26.0 million as of September 30, 2004, described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Siemens Building, Farmers Branch, Texas (Dallas metropolitan area)

The Siemens Building is a two-story 125,538 square foot office building completed in 1999. The building, while presently 100.0% leased to Siemens Subscriber Networks, is readily divisible, consisting of three individual pods connected via two glass atrium lobbies. The property is well located adjacent to the desirable Galleria complex with easy access to the Dallas Toll Road and the LBJ Freeway. Siemens Subscriber Networks is an independent business unit of Siemens Information and Communication Networks, a division of Siemens AG. Siemens Subscriber Networks uses the property as its headquarters as well as one of its main research

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facilities. Siemens Subscriber Networks is a major provider of DSL modems and networking technology for major telecommunications carriers such as SBC. Siemens Subscriber Networks lease expires in May 2010 and is subject to two five-year renewal options. The annualized rent under the Siemens Subscriber Networks lease is $1,917,505, or $15.27 per leased square foot. GI Partners acquired the property in April 2004. We became the fee simple owner of the Siemens Building upon consummation of our initial public offering.

Other than normally recurring capital expenditures, we have no plans with respect to renovation, improvement or redevelopment of the Siemens Building.

The Siemens Building is one of the properties that secures the $155.0 million mortgage loan described in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Material Provisions of Consolidated Indebtedness to be Outstanding After this Offering.

Right of First Offer Properties

GI Partners owns interests in two technology-related properties which were not contributed to us in connection with our initial public offering. The first is a data center located in Englewood, Colorado (Denver metropolitan area) with 82,229 of net rentable square feet. GI Partners has informed us that effective November 15, 2004 Ameriquest Mortgage Company has entered into a lease for 100.0% of the net rentable square feet of this property that commences on February 1, 2005 for a term of seven years at an annualized net rent of approximately $1.5 million. The second is a 129,366 square foot vacant data center located in Frankfurt, Germany. We do not have an option to purchase either of these properties. However, we do have rights of first offer with respect to the sale of either of them by GI Partners. In January 2005, we commissioned an appraisal of the Englewood, Colorado property with a view towards negotiating the purchase of this property from GI Partners.

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Depreciation

The following table sets forth for each property in our portfolio and component thereof upon which depreciation is taken, the (i) federal tax basis as of the consummation of the formation transactions in connection with our initial public offering, or with respect to the properties that we have acquired or will acquire subsequent to the consummation of our initial public offering, (ii) rate, (iii) method, and (iv) life claimed with respect to such property or component thereof for purposes of depreciation.

Property	Federal Tax Basis(1)	Rate	Method(2)	Life Claimed(2)
36 Northeast Second Street	$ 27,412,882	2.56%	Straight line	39 years
100 Technology Center Drive	34,987,814	2.56	Straight line	39 years
200 Paul Avenue	14,592,288	2.56	Straight line	39 years
833 Chestnut Street	53,800,000	2.56	Straight line	39 years
1100 Space Park Drive	27,077,854	2.56	Straight line	39 years
AboveNet Data Center	34,441,793	2.56	Straight line	39 years
Ardenwood Corporate Park	41,796,121	2.56	Straight line	39 years
ASM Lithography Facility	21,909,311	2.56	Straight line	39 years
AT&T Web Hosting Facility	12,050,479	2.56	Straight line	39 years
Brea Data Center	6,207,632	2.56	Straight line	39 years
Burbank Data Center	10,101,000	2.56	Straight line	39 years
Camperdown House	37,167,133	2.56	Straight line	39 years
Carrier Center	56,182,148	2.56	Straight line	39 years
Comverse Technology Building	45,458,349	2.56	Straight line	39 years
eBay Data Center	9,551,168	2.56	Straight line	39 years
Granite Tower	21,093,886	2.56	Straight line	39 years
Hudson Corporate Center	50,477,446	2.56	Straight line	39 years
MAPP Building	22,250,000	2.56	Straight line	39 years
Maxtor Manufacturing Facility	21,027,321	2.56	Straight line	39 years
Miami Data Center	14,849,600	2.56	Straight line	39 years
NTT/Verio Premier Data Center	30,913,350	2.56	Straight line	39 years
Savvis Data Center	53,632,219	2.56	Straight line	39 years
Siemens Building	14,148,144	2.56	Straight line	39 years
Stanford Place II	40,383,405	2.56	Straight line	39 years
Univision Tower	91,122,401	2.56	Straight line	39 years
VarTec Building	10,431,686	2.56	Straight line	39 years
Webb at LBJ	39,898,970	2.56	Straight line	39 years

(1) Upon the consummation of the formation transactions in connection with our initial public offering, the entity that owns Univision Tower terminated for tax purposes and the entity that owns Stanford Place II technically terminated for tax purposes under Section 708(b)(1)(B) of the Code. Consequently, under Section 168(i)(7) of the Code, each of these properties were treated as a newly acquired asset placed in service on the day following the consummation of the formation transactions, the federal tax basis of which will be depreciated over its claimed life. Federal tax basis numbers assume that 95% of the basis adjustments resulting from the formation transactions are allocated to the real property and 5% to land.

(2) Unless otherwise noted, depreciation method and life claimed for each property and component thereof is determined by reference to the IRS-mandated method for depreciating assets placed into service after 1986, known as the Modified Accelerated Cost Recovery System.

In addition, we have an aggregate of approximately $2.0 million in additional tax basis of depreciable furniture, fixtures and equipment associated with the properties in our portfolio as of September 30, 2004. Depreciation on this furniture, fixtures and equipment is computed on the straight line and double declining balance methods over the claimed life of such property, which is either five or seven years.

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Regulation

General

Office properties in our submarkets are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe that each of the initial properties has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that the initial properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

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 that property 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 these environmental laws and regulations and to indemnify us for any related liabilities.

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, Univision Tower, 833 Chestnut Street and Miami Data Center. 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

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concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

Insurance

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We select policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our company s management, the properties in our portfolio are currently adequately insured. We do not carry insurance for generally uninsured losses such as loss from riots, war or nuclear reaction. In addition, we carry earthquake insurance on our properties in an amount and with deductibles which we believe are commercially reasonable. Certain of the properties in our portfolio will be located in areas known to be seismically active. See Risk Factors Risks Related to Our Business and Operations Potential losses may not be covered by insurance.

Competition

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

Employees

We currently employ 30 persons. None of these employees are represented by a labor union.

We have entered into an arrangement with a professional employer organization (PEO) pursuant to which the PEO provides personnel management services to us. The services are provided through a co-employment relationship between us and the PEO, under which all of our employees are treated as employed by both the PEO and us. The services and benefits provided by the PEO include payroll services, workers compensation insurance and certain employee benefits plan coverage. Our agreement with the PEO is terminable by either party upon 30 days prior written notice.

Offices

Our headquarters is located, in Menlo Park, California. Based on the anticipated growth of our company, we intend to relocate our corporate headquarters to a larger facility in the near future. In addition, we may add regional offices depending upon our future operational needs.

Legal Proceedings

In the ordinary course of our business, we are frequently subject to claims for negligence and other claims and administrative proceedings, none of which we believe would have a material adverse effect or are material.

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MANAGEMENT

Directors and Executive Officers

Our board of directors consists of six members, including a majority of directors who are independent within the meaning of the NYSE listing standards. Pursuant to our charter, our directors are elected by our stockholders to serve until the next annual meeting and until their successors are duly elected and qualify. See Material Provisions of Maryland Law and of Our Charter and Bylaws Our Board of Directors. The first annual meeting of our stockholders will be held in 2005. Subject to rights pursuant to any employment agreements, officers serve at the pleasure of our board of directors.

The following table sets forth certain information concerning the individuals who are our directors, executive officers and certain of our other senior officers upon completion of this offering:

Name	Age	Position
Richard A. Magnuson*	47	Executive Chairman of the Board
Michael F. Foust*	49	Chief Executive Officer and Director
Laurence A. Chapman	55	Director
Ruann F. Ernst, Ph.D.	58	Director
Kathleen Earley Reed	53	Director
Dennis E. Singleton	60	Director
A. William Stein*	51	Chief Financial Officer and Chief Investment Officer
Scott E. Peterson*	43	Senior Vice President, Acquisitions
John O. Wilson*	58	Executive Vice President, Technology Infrastructure

* Denotes our named executive officers.

The following is a biographical summary of the experience of our directors, executive officers and certain other senior officers.

Richard A. Magnuson serves as Executive Chairman of our Board of Directors. Mr. Magnuson is a founder of, and has served as Chief Executive Officer of the advisor to, GI Partners since February 2001. Since November 1999, Mr. Magnuson has served as Executive Managing Director of CB Richard Ellis Investors, where he formed and continues to manage the investments and activities of GI Partners. From 1994 through 1999 Mr. Magnuson held various positions with Nomura Securities, most recently as Deputy Managing Director of their London based Principal Finance Group. From 1989 until 1994, Mr. Magnuson was a Director in the Investment Banking division of Merrill Lynch. From 1981 until 1986, Mr. Magnuson worked for Digital Research, the company that developed the personal computer operating system, and founded and sold InterActive Software, a software services company. Mr. Magnuson serves on the board of directors of NYSE-listed Glenborough Realty Trust, a REIT focused on multi-tenant office properties, where he is a member of the Audit Committee and is Chairman of the Nomination and Governance Committee. Mr. Magnuson is also a director of two private companies. Mr. Magnuson holds a Bachelor of Arts degree from Dartmouth College and a Master of Business Administration degree from Stanford University Graduate School of Business.

Michael F. Foust has served as our Chief Executive Officer and as a Director since our inception. Mr. Foust is a founder of, and has served as a managing director of the advisor to, GI Partners since February 2001. During his tenure at GI Partners, Mr. Foust directed technical property acquisitions and portfolio management. Mr. Foust has over 19 years of experience in institutional real estate investments and portfolio management. Prior to GI Partners, from 1999 to 2001, he was a senior director at CB Richard Ellis Investors. From 1995 to 1999, Mr. Foust was a senior vice president at CB Richard Ellis, where he managed regional asset services operations. During the period from 1985 to 1995, Mr. Foust held senior portfolio management and investment positions at UBS Asset Management, Karsten Realty Advisors, and Trammell Crow Company. Prior to his real estate career, from 1979 to 1985, Mr. Foust participated in the origination of two related, international telecommunications

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companies, Consortium Communications International and Progressive Systems Inc. The companies provided message switching and turn-key networks for multinational corporations. Mr. Foust received a Bachelor of Arts degree from Harvard University and a Master of Business Administration degree from Harvard Business School.

Laurence A. Chapman served as Senior Vice President and Chief Financial Officer of Goodrich Corp. from 1999 to 2000. Mr. Chapman served as Senior Vice President and Chief Financial Officer of Rohr, Inc., a $1.2 billion aerospace company, from 1994 until 1999, when Rohr, Inc. merged with Goodrich Corp. His responsibilities at both companies included accounting, treasury, tax, insurance, investor relations, financial planning and information technology functions. Prior to his service at Rohr, Inc., Mr. Chapman was employed at Westinghouse Electric Corporation from 1981 through 1994. From 1992 through 1994, Mr. Chapman was the Vice President and Treasurer of Westinghouse Electric Corporation where he was responsible for the financing activities of Westinghouse Electric Corporation and Westinghouse Credit Corp. His responsibilities included supervising corporate finance, cash and short-term funding, project finance, bank relations and international treasury. Mr. Chapman received a Bachelor of Commerce degree with Distinction from McGill University and a Master of Business Administration degree from Harvard Business School. Mr. Chapman has been designated chair of our audit committee and is a member of our nominating and corporate governance committee.

Ruann F. Ernst, Ph.D. served as Chief Executive Officer of Digital Island, Inc., an e-business delivery network company, from June 1998 through January 2002. Ms. Ernst was Chairperson of the Board of Digital Island from December 1999 through July 2001, when the company was acquired by Cable & Wireless, Plc. From 1988 through 1998, Ms. Ernst worked for Hewlett Packard Company, an electronics equipment and computer company, in various management positions, most recently as General Manager, Financial Services Business Unit. Since 1998, Ms. Ernst has served as a director of Advanced Fibre Communications, where she is a member of the audit, nominating and governance committees. Ms. Ernst is also a director of one private and two not-for-profit companies. Ms. Ernst received a Bachelor of Science, a Master of Science and a Ph.D. from The Ohio State University. Ms. Ernst is a member of our audit, compensation and nominating and corporate governance committees.

Kathleen Earley Reed was employed at AT&T Corporation from 1994 through September 2001. While at AT&T Corporation, Ms. Earley Reed served as Senior Vice President of Enterprise Networking and Chief Marketing Officer where she oversaw all AT&T Corporation business-related brand, image and advertising and marketing strategy. One of Ms. Earley Reed s largest contributions was as President of AT&T Data & Internet Services, an $8 billion business unit that provided Internet Protocol (IP), web hosting, data and managed network services. Under her leadership, AT&T s network became one of the largest Internet backbones in the industry. Prior to joining AT&T Corporation, Ms. Earley Reed was employed by IBM Corporation for 17 years with positions in sales, marketing, planning and strategy development. Ms. Earley Reed is currently a member of the board of directors of two publicly held companies, Vignette Corp. and Computer Network Technology Corp. Ms. Earley Reed received a Bachelor of Science degree and a Master of Business Administration degree, both from the University of California, Berkeley. Ms. Earley Reed has been designated chair of our nominating and corporate governance committee and is a member of our compensation committee.

Dennis E. Singleton was a founding partner of Spieker Partners, the predecessor of Spieker Properties, Inc., one of the largest owners and operators of commercial property on the west coast prior to its $7.2 billion acquisition by Equity Office Properties Trust in 2001. Mr. Singleton served as Chief Financial Officer and Director of Spieker Properties, Inc. from 1993 to 1995, Chief Investment Officer and Director from 1995 to 1997 and Vice Chairman and Director from 1998 to 2001. During his tenure, Mr. Singleton was involved in identifying and analyzing strategic portfolio acquisition and operating opportunities and oversaw the acquisition and development of more than 20 million square feet of commercial property. From 2001 to present, Mr. Singleton has managed personal investments in real estate. Mr. Singleton received a Bachelor of Science degree from Lehigh University and a Master of Business Administration degree from Harvard Business School. Mr. Singleton has been designated chair of our compensation committee and is a member of our audit committee.

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A. William Stein joined GI Partners as a consultant in April 2004 and became our Chief Financial Officer and Chief Investment Officer in July 2004. Mr. Stein has over 20 years of investment, financial and operating management experience in both large company environments and small, rapidly growing companies. Prior to joining our company, Mr. Stein provided turnaround management advice to both public and private companies. From 2000 to 2001, Mr. Stein served as Co-Head of VentureBank@PNC and Media and Communications Finance at The PNC Financial Services Group where he was responsible for directing the delivery of PNC s products and services to VentureBank s high technology and emerging growth client base. Before joining PNC, Mr. Stein was President and Chief Operating Officer of TriNet Corporate Realty Trust, a $1.8 billion REIT that was acquired by Starwood Financial Trust (now called iStar Financial) in late 1999. Prior to being named President of TriNet, Mr. Stein was Executive Vice President, Chief Financial Officer and Secretary. TriNet s portfolio consisted of office, industrial and retail properties throughout the U.S. Before joining TriNet in 1995, Mr. Stein held a number of senior investment and financial management positions with Westinghouse Electric, Westinghouse Financial Services and Duquesne Light Company. Mr. Stein practiced law for eight years, specializing in financial transactions and litigation. Mr. Stein received a Bachelor of Arts degree from Princeton University, a Juris Doctor degree from the University of Pittsburgh and a Master of Science degree with Distinction from the Graduate School of Industrial Administration at Carnegie Mellon University.

Scott E. Peterson is our Senior Vice President responsible for acquisition activities upon completion of this offering. Mr. Peterson has been a managing director of GI Partners since August 2002. While at GI Partners, Mr. Peterson was responsible for property acquisitions with an emphasis on technical properties. Mr. Peterson has over 17 years of real estate experience and was most recently a Senior Vice President with GIC Real Estate, the real estate investment entity for the Government of Singapore Investment Corporation, from May 1994 to August 2002. Previously, Mr. Peterson was active in investments, development and asset management with LaSalle Partners, a real estate services company and Trammell Crow Company, a real estate developer. Mr. Peterson received a Bachelor of Arts degree from Northwestern University, and a Master of Business Administration from Northwestern University.

John O. Wilson is Executive Vice President of our technology infrastructure assets upon completion of this offering. Mr. Wilson has 32 years of real estate investment and development experience including extensive experience owning and managing technology related real estate. Prior to his current position, Mr. Wilson served as President and CEO of the telecommunications assets of The Cambay Group, Inc., the principal U.S. real estate subsidiary of British Isles based Somerston Holdings Limited. From 1990 through 1998, Mr. Wilson served as Vice President and Director of Cambay. Mr. Wilson has also held real estate positions at such firms as Richard Ellis, Inc., The First National Bank of Chicago and Real Estate Research Corporation. Mr. Wilson served as an officer in the U.S. Navy and holds a Bachelor of Science degree from Georgetown University and a Master of Business Administration degree from The University of Michigan.

Board Committees

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Under our bylaws, the composition of each committee must comply with the listing requirements and other rules and regulations of the New York Stock Exchange, as amended or modified from time to time. Each of these committees is comprised of three independent directors. Our bylaws define independent director by reference to the rules, regulations and listing qualifications of the New York Stock Exchange, or NYSE, which generally deem a director to be independent if the director has no relationship to us that may interfere with the exercise of the director s independence from management and our company.

Audit Committee. The audit committee helps ensure the integrity of our financial statements, the qualifications and independence of our independent auditor and the performance of our internal audit function and independent auditors. The audit committee selects, assists and meets with the independent auditor, oversees each annual audit and quarterly review, establishes and maintains our internal audit controls and prepares the

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report that federal securities laws require be included in our annual proxy statement. Mr. Chapman is chair and Ms. Ernst and Mr. Singleton are members of the audit committee.

Compensation Committee. The compensation committee reviews and approves the compensation and benefits of our executive officers, administers and makes recommendations to our board of directors regarding our compensation and stock incentive plans, produces an annual report on executive compensation for inclusion in our proxy statement and publishes an annual committee report for our stockholders. Mr. Singleton is chair and Ms. Ernst and Ms. Earley Reed are members of the compensation committee.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee develops and recommends to our board of directors a set of corporate governance principles, adopts a code of ethics, adopts policies with respect to conflicts of interest, monitors our compliance with corporate governance requirements of state and federal law and the rules and regulations of the NYSE, establishes criteria for prospective members of our board of directors, conducts candidate searches and interviews, oversees and evaluates our board of directors and management, evaluates from time to time the appropriate size and composition of our board of directors and recommends, as appropriate, increases, decreases and changes in the composition of our board of directors and formally proposes the slate of directors to be elected at each annual meeting of our stockholders. Ms. Earley Reed is chair and Ms. Ernst and Mr. Chapman are members of the nominating and corporate governance committee.

Our board of directors may from time to time establish certain other committees to facilitate the management of our company.

Compensation of Directors

Each of our directors who is not an employee of our company or our subsidiaries receives an annual retainer of $20,000 for services as a director and receives a fee of $1,500 for each meeting attended in person and $500 for each meeting attended telephonically. Directors who serve on our audit, nominating and corporate governance and/or compensation committees receive a fee of $1,000 for each meeting attended in person or $500 for each meeting attended telephonically. Directors who serve as the Chair of one of our committees receive an additional annual retainer of $3,000. Directors who are employees of our company or our subsidiaries do not receive compensation for their services as directors.

Our 2004 incentive award plan provides for formula grants of long-term incentive units to non-employee directors. In connection with the consummation of our initial public offering, each non-employee director was issued 6,448 long-term incentive units. On the date of each annual meeting of stockholders at which each non-employee director is reelected to our board of directors, commencing with the third such meeting following our initial public offering, such non-employee director will receive an additional 1,612 long-term incentive units. Similarly, each non-employee director who is initially elected to our board of directors after this offering will receive 6,448 long-term incentive units on the date of such initial election and an additional 1,612 long-term incentive units on the date of each annual meeting of stockholders at which the non-employee director is reelected to our board of directors, commencing with the third such meeting. If a non-employee director does not qualify as an accredited investor within the meaning of the federal securities laws on the date of any grant of long-term incentive units, the director will not receive that grant of long-term incentive units, but will instead receive an equivalent number of fully vested shares of restricted stock at a per share purchase price equal to the par value of our common stock.

Executive Officer Compensation

Because we were only recently organized, meaningful individual compensation information is not available for prior periods. The following table sets forth the annual base salary and other compensation expected to be paid in 2004 to our chief executive officer and our other executive officers. We have entered into

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employment-related arrangements with these executive officers which became effective in connection with the consummation of our initial public offering.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	Year	Base Salary($)(1)	Bonus($)	Other Annual Compensation ($)	Long-Term Incentive Unit Awards($)(3)	Securities Underlying Options (#)	All Other Compensation($)
Richard A. Magnuson, Executive Chairman	2004	150,000	(2)		9,697,788	125,263	
Michael F. Foust, Chief Executive Officer	2004	350,000	(2)		3,297,252	125,263	
A. William Stein, Chief Financial Officer and Chief Investment Officer	2004	290,000	(2)		1,697,112	80,815	
Scott E. Peterson, Senior Vice President, Acquisitions	2004	250,000	(2)		1,260,708	80,815	
John O. Wilson, Executive Vice President, Technology Infrastructure	2004	250,000	(2)			50,000	

(1) Amounts given are annualized projections for the year ending December 31, 2004 based on employment agreements which became effective in connection with our initial public offering. See Employment Agreements.

(2) Under the terms of Mr. Magnuson s Executive Chairman agreement, Mr. Magnuson will be eligible to receive an annual performance-based bonus with an initial target and maximum level equal to 100% and 150% of annual base compensation, respectively. Under the terms of Mr. Foust s, Mr. Stein s, Mr. Peterson s and Mr. Wilson s employment agreements, these executives will be eligible to receive annual performance-based bonuses with initial target and maximum levels equal to 50% and 75% of base salary, respectively.

(3) In connection with the consummation of our initial public offering, Messrs. Magnuson, Foust, Stein and Peterson were granted 808,149, 274,771, 141,426 and 105,059, respectively, vested long-term incentive units pursuant to our incentive award plan. These long-term incentive units will not be transferable for a period of three years from the date of grant and will receive the same quarterly per unit distributions as common units in our operating partnership, which equal per share distributions on our common stock. Initially, long-term incentive units will not have full parity with common units with respect to liquidating distributions. Upon the occurrence of specified events, long-term incentive units may over time achieve full parity with common units in our operating partnership for all purposes, and therefore accrete to an economic value equivalent to our common stock on a one-for-one basis. If such parity is reached, long-term incentive units may be converted into an equal number of common units of our operating partnership at any time, and thereafter enjoy all the rights of common units of our operating partnership. However, there are circumstances under which the long-term incentive units will not achieve full parity with common units of our operating partnership. Until and unless such parity is reached, the value that a holder will realize for a given number of long-term incentive units will be less than the value of an equal number of shares of our common stock.

Option Grants in 2004

					Potential Realizable Value at Assumed Annual Rates of Share Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees in 2004	Exercise Price per Common Share(1)	Expiration Date(2)	5%	10%
Richard A. Magnuson, Executive Chairman	125,263	13.5%	$12.60	10/28/14	$ 945,327	$ 2,395,644
Michael F. Foust, Chief Executive Officer	125,263	13.5	12.60	10/28/14	945,327	2,395,644
	80,815	8.7	12.60	10/28/14	609,889	1,545,580

A. William Stein, Chief Financial Officer and Chief Investment Officer						
Scott E. Peterson, Senior Vice President, Acquisitions	80,815	8.7	12.60	10/28/14	609,889	1,545,580
John O. Wilson, Executive Vice President, Technology Infrastructure	50,000	5.4	13.02	12/16/14	409,410	1,037,526

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2004 Incentive Award Plan

We have adopted the 2004 Incentive Award Plan of Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. The incentive award plan provides for the grant of incentive awards to our and their employees, directors and consultants (and our and their respective subsidiaries). Awards issuable under the incentive award plan include stock options, restricted stock, dividend equivalents, stock appreciation rights, long-term incentive units, cash performance bonuses and other incentive awards. Only our employees and employees of our qualifying subsidiaries are eligible to receive incentive stock options under the incentive award plan. We have reserved a total of 4,474,102 shares of our common stock for issuance pursuant to the incentive award plan, subject to certain adjustments set forth in the plan. Each long-term incentive unit issued under the incentive award plan will count as one share of stock for purposes of calculating the limit on shares that may be issued under the plan and the individual award limit discussed below.

With respect to stock option grants and other awards granted to our independent directors, the plan will be administered by our board. With respect to all other awards, the plan will be administered by our compensation committee or another committee designated by our board. Each member of the committee that administers the plan will be both a non-employee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and an outside director within the meaning of Section 162(m) of the Code. The incentive award plan provides that the plan administrator has the authority to designate recipients of awards and to determine the terms and provisions of awards, including the exercise or purchase price, expiration date, vesting schedule and terms of exercise.

The incentive award plan provides that the maximum number of shares which may be subject to awards granted any individual during any calendar year will not exceed 1,118,526 shares. However, this limit will not apply until the earliest of the first material modification of the plan, the issuance of all of the shares reserved for issuance under the plan, the expiration of the plan, or the first meeting of our stockholders at which directors are to be elected that occurs more than three years after November 3, 2004.

The exercise price of nonqualified stock options and incentive stock options granted under the incentive award plan must be at least 85% and 100%, respectively, of the fair market value of our common stock on the date of grant. Incentive stock options granted to optionees who own more than 10% of our outstanding common stock on the date of grant must have an exercise price that is at least 110% of fair market value of our common stock on the grant date. Stock options granted under the incentive award plan will expire no later than ten years after the date of grant, or five years after the date of grant with respect to incentive stock options granted to individuals who own more than 10% of our outstanding common stock on the grant date. The purchase price, if any, of other incentive awards will be determined by the plan administrator.

The incentive award plan also provides for the issuance of restricted stock awards and other incentive awards to eligible individuals. Restricted stock awards will generally be subject to such transferability and vesting restrictions as the plan administrator shall determine. With respect to other incentive awards under the plan, such as stock appreciation rights, performance-based awards, dividend equivalents, stock payments and other stock-based awards, the plan administrator will determine the terms and conditions of such awards, including the purchase or exercise price, if any, of such awards, vesting and other exercisability conditions, and whether the awards will be based on specified performance criteria.

Long-term incentive units may be issued to eligible participants for the performance of services to or for the benefit of our operating partnership. Long-term incentive units, whether vested or not, will receive the same quarterly per unit distributions as common units in our operating partnership, which equal per share distributions on our common stock. Initially, long-term incentive units will not have full parity with common units with respect to liquidating distributions. Upon the occurrence of specified events, long-term incentive units may over time achieve full parity with common units in our operating partnership for all purposes, and therefore accrete to an economic value for participants equivalent to our common stock on a one-for-one basis. If such parity is reached, vested long-term incentive units may be converted into an equal number of common units of our

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operating partnership at any time, and thereafter enjoy all the rights of common units of our operating partnership. Holders of common units in our operating partnership may elect to redeem their units for cash or, at our election, an equivalent number of shares of our common stock, at any time beginning after January 3, 2006. However, there are circumstances under which the long-term incentive units will not achieve full parity with common units of our operating partnership. Until and unless such parity is reached, the value that a participant will realize for a given number of vested long-term incentive units will be less than the value of an equal number of shares of our common stock. In connection with the consummation of our initial public offering, we caused our operating partnership to issue an aggregate of 1,490,561 long-term incentive units to our officers.

Cash performance bonuses payable under the incentive award plan may be based on the attainment of performance goals that are established by the plan administrator and relate to one or more performance criteria described in the plan. Cash performance bonuses paid to certain of our employees must be based upon objectively determinable bonus formulas established in accordance with the plan, and the maximum bonus payable to any such individual with respect to any fiscal year may not exceed $2,000,000.

The incentive award plan provides for formula grants of long-term incentive units to our independent directors. In connection with the consummation of our initial public offering, each independent director who is an accredited investor was granted 6,448 long-term incentive units. Commencing with the third annual meeting of stockholders following November 3, 2004, such independent director will receive 1,612 long-term incentive units on the date of each annual meeting of stockholders at which the independent director is reelected to the board. Similarly, each independent director who is initially elected to the board after November 3, 2004 will receive 6,448 long-term incentive units on the date of such initial election and, commencing with the third annual meeting of stockholders following such initial election, 1,612 long-term incentive units on the date of each annual meeting of stockholders at which the independent director is reelected to the board. If a non-employee director does not qualify as an accredited investor within the meaning of the federal securities laws on the date of any grant of long-term incentive units, the director will not receive that grant of long-term incentive units, but will instead receive an equivalent number of fully vested shares of restricted stock at a per share purchase price equal to the par value of our common stock.

In the event of certain corporate transactions and changes in our corporate structure or capitalization, the plan administrator may make appropriate adjustments to (i) the aggregate number and type of shares issuable under the incentive award plan, (ii) the terms and conditions of any outstanding awards, including the number and type of shares issuable thereunder, and (iii) the grant or exercise price of each outstanding award. In addition, in the event of a change in control (as defined in the plan), each outstanding award which is not converted, assumed or replaced by the successor corporation will become exercisable in full. The plan administrator also has the authority under the incentive award plan to take certain other actions with respect to outstanding awards in the event of a corporate transaction, including provision for the cash-out, termination, assumption or substitution of such awards. If a change in control occurs and outstanding awards are not converted, assumed, or replaced by a successor entity, then immediately prior to the change in control such awards will become fully exercisable and all forfeiture restrictions on such awards will lapse.

With the approval of our board, the plan administrator may at any time terminate, amend or modify the incentive award plan, provided that to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, we must obtain stockholder approval of any amendment in such a manner and to such a degree as required, and without the approval of our stockholders, no amendment may increase the maximum number of shares issuable under the incentive award plan, permit the plan administrator to grant options with an exercise price that is below the fair market value on the date of grant, or permit the plan administrator to extend the exercise period for an option beyond ten years from the date of grant. In addition, no stock option may be amended to reduce the exercise price of the shares subject thereto below the exercise price on the date on which the stock option is granted, and, subject to the plan s adjustment provisions, no stock option may be granted in connection with the cancellation or surrender of any stock option having a higher per share exercise price. Any termination, amendment or modification of the incentive award plan which materially adversely affects any outstanding award requires the prior written consent of the affected holder. The incentive award plan will terminate on the earlier of the expiration of ten years from the date that it is adopted by our board or the expiration of ten years from the date it is approved by our stockholders. No award may be granted under the plan after its termination, but awards that are outstanding at such time will remain in effect. The incentive award plan became effective as of October 24, 2004.

The incentive award plan provides that no participant in the plan will be permitted to acquire, or will have any right to acquire, shares thereunder if such acquisition would be prohibited by the stock ownership limits contained in our charter or would impair our status as a REIT.

On December 16, 2004, we filed with the Securities and Exchange Commission a Registration Statement on Form S-8 covering the shares of common stock issuable under the incentive award plan.

Employment Agreements

We have entered into employment agreements, effective as of October 27, 2004, with Messrs. Foust, Stein and Peterson. We have also entered into an employment agreement with Mr. Wilson which became effective on November 3, 2004. The employment agreements provide for Mr. Foust to serve as our Chief Executive Officer, Mr. Stein to serve as our Chief Financial Officer and Chief Investment Officer, Mr. Peterson to serve as our Senior Vice President, Acquisitions and Mr. Wilson to serve as our Executive Vice President, Technology Infrastructure.

The employment agreements with Messrs. Foust and Stein have a term ending on November 3, 2006. The employment agreements with Messrs. Peterson and Wilson provide that their employment with us is at-will and may be terminated by either the executive or us upon 30 days advance written notice.

The employment agreements provide for (i) an annual base salary of $350,000 for Mr. Foust, $290,000 for Mr. Stein, $250,000 for Mr. Peterson and $250,000 for Mr. Wilson, subject to increase in accordance with our policies as in effect from time to time, (ii) eligibility for an annual cash performance bonus under our incentive bonus plan based on the satisfaction of performance goals established in accordance with the terms of such plan, and (iii) medical and other group welfare plan coverage and fringe benefits provided to similarly-situated executives. Each executive s target and maximum annual bonus will initially be 50% and 75%, respectively, of his base salary. With respect to Messrs. Foust and Stein, these bonus provisions will apply until the earliest to occur of (i) the first material modification of the bonus plan (within the meaning of Section 162(m) of the Code), (ii) the expiration of the bonus plan, (iii) our first annual stockholders meeting that occurs after the close of the third calendar year following the calendar year in which our initial public offering occurs, or (iv) such other date required by Section 162(m) of the Code. Pursuant to the employment agreements, we have issued to each of Messrs. Foust, Stein and Peterson that number of long-term incentive units of our operating partnership which is equal to 17%, 8.75% and 6.5%, respectively, of a management pool consisting of 1,616,299 units. Pursuant to the grant agreements, these long-term incentive units are not be transferable for a period of three years from the date of grant and receive the same quarterly per unit distributions as common units in our operating partnership, which equal per share distributions on our common stock. Initially, long-term incentive units do not have full parity with common units with respect to liquidating distributions. Upon the occurrence of specified events, long-term incentive units may over time achieve full parity with common units in our operating partnership for all purposes, and therefore accrete to an economic value equivalent to our common stock on a one-for-one basis. If such parity is reached, long-term incentive units may be converted into an equal number of common units of our operating partnership at any time, and thereafter enjoy all the rights of common units of our operating partnership. However, there are circumstances under which the long-term incentive units will not achieve full parity with common units of our operating partnership. Until and unless such parity is reached, the value that a holder will realize for a given number of long-term incentive units will be less than the value of an equal number of shares of our common stock. The long-term incentive units were issued to each executive as part of his compensation for services rendered to or for the benefit of our operating partnership. In addition, in connection

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with the consummation of our initial public offering, each of Messrs. Foust, Stein and Peterson was granted an incentive stock option to purchase that number of shares of our common stock which is equal to 15.5%, 10.0% and 10.0%, respectively, of a management pool consisting of 808,149 options. The options were issued to each executive in his capacity as an employee of the REIT or its subsidiary corporations. The per share exercise price of such options is equal to $12.00. Subject to the executive s continued employment with us, the options will vest in equal annual installments of 25% on each of the first four anniversaries of the date of grant. In the event of a change in control of our company, the options will vest in full. The long-term incentive units and the stock options were awarded under our incentive award plan.

The employment agreements also provide that if an executive s employment is terminated by us without cause or, in the case of Messrs. Foust and Stein, by the executive for good reason (each as defined in the employment agreements), then, subject to the executive s execution and non-revocation of a general release of claims, the executive will be entitled to receive a lump-sum severance payment in an amount equal to 100% (in the case of Messrs. Foust and Stein) or 50% (in the case of Messrs. Peterson and Wilson) of the sum of his then current annual base salary plus target annual bonus. If, however, such termination occurs within one year after a change in control of our company or within the six month period immediately preceding a change in control in connection with the change in control, the amount of the executive s severance payment will be equal to 200% (in the case of Messrs. Foust and Stein) or 100% (in the case of Messrs. Peterson and Wilson) of the sum of his then current annual base salary and target annual bonus (or if greater, the executive s annual bonus for the preceding year). In addition, in such event, all outstanding stock options and other equity-based awards held by the executive will become fully vested and exercisable on the later to occur of the termination of employment or the change in control. The executive will not be entitled to any such payment or benefit if the termination of his employment results from his disability or death. Mr. Foust s and Mr. Stein s employment agreements provide that if their employment is terminated by us within the six months prior to, or twelve months after, a change in control, the termination will be presumed to be without cause.

In the event that Mr. Foust or Mr. Stein voluntarily terminates his employment without good reason prior to the end of the employment term, the employment agreement provides that we may elect to retain him as a consultant for a period ending not later than the earlier of the first anniversary of his termination of employment or November 3, 2006. Under this arrangement, the executive is obligated to perform up to 10 hours of consulting services per month and we pay him a consulting fee in an amount equal to the base salary that he would have received for the consulting period had he remained employed by us. Subject to the executive s compliance with the confidentiality, non-solicitation and non-compete covenants discussed below, the consulting fee is payable in full in a lump-sum upon completion of the consulting period.

Messrs. Foust and Stein are each entitled to an additional tax gross-up payment under their employment agreement if any amounts paid or payable to the executive would be subject to the excise tax on certain so-called excess parachute payments under Section 4999 of the Code. However, if a reduction in the payments of 10% or less would render the excise tax inapplicable, then the payments will be reduced by such amount and we will not be required to make the gross-up payment.

The employment agreements also contain standard confidentiality provisions which apply indefinitely and non-solicitation provisions which will apply during the term of the executive s employment and for a one year period thereafter (six months in the case of Messrs. Peterson and Wilson) or, in the case of Messrs. Foust and Stein, for the duration of the consulting period, if later. In addition, Messrs. Foust s and Stein s employment agreements provide that they generally may not compete with us through the acquisition or ownership of technology-related real estate properties in the United States or Europe during the term of their employment with us or the period during which they are providing consulting services to us. This covenant will not prohibit Messrs. Foust or Stein from making investments in which they own less than a 9.5% beneficial interest and have no active management role and, under limited circumstances, investments in which they own more than a 9.5% interest.

Mr. Wilson s employment agreement also provides that his continued involvement as a member or director of the Cambay Group, the eXchange parties and related entities during his employment will not in and of itself violate his employment agreement with us.

Executive Chairman Agreement

We have entered into an agreement with Mr. Magnuson, effective as of October 27, 2004, pursuant to which we and our operating partnership employ him as Executive Chairman of our board of directors. Mr. Magnuson s employment agreement has a term ending on November 3, 2006. The agreement subjects Mr. Magnuson to the confidentiality, non-solicitation and non-compete covenants discussed below. Under the agreement, Mr. Magnuson has agreed to waive his right to receive all cash compensation payable to him for serving as a member of our board of directors. This waiver will remain in effect until such time as GI Partners ceases to own at least a 10% beneficial interest in our operating partnership (on a fully diluted basis). Prior to that time, Mr. Magnuson will be entitled to base compensation during his employment equal to $150,000 per year and an annual bonus based on the satisfaction of performance goals established under our applicable bonus plan. During this period, Mr. Magnuson s target and maximum annual bonus will be 100% and 150%, respectively, of his annual base compensation. Effective at such time as GI Partners ceases to own such a 10% beneficial interest, and continuing during his employment, Mr. Magnuson will be entitled to base compensation equal to $300,000 per year and an annual bonus based on the satisfaction of performance goals established under our applicable bonus plan. Mr. Magnuson s target and maximum annual bonus during this period will be 50% and 75%, respectively, of his annual base compensation. Mr. Magnuson s target and maximum bonus amounts set forth above will apply until the earliest to occur of (i) the first material modification of the bonus plan (within the meaning of Section 162(m) of the Code), (ii) the expiration of the bonus plan, (iii) our first annual stockholders meeting that occurs after the close of the third calendar year following the calendar year in which our initial public offering occurs, or (iv) such other date required by Section 162(m) of the Code.

Pursuant to the agreement, we have issued Mr. Magnuson that number of long-term incentive units of our operating partnership equal to 50% of a management pool consisting of 1,616,299 units. The long-term incentive units were issued to Mr. Magnuson as part of his compensation for services rendered to or for the benefit of our operating partnership. These long-term incentive units will not be transferable for a period of three years from the date of grant and will receive the same quarterly per unit distributions as common units in our operating partnership, which equal per share distributions on our common stock. Initially, long-term incentive units will not have full parity with common units with respect to liquidating distributions. Upon the occurrence of specified events, long-term incentive units may over time achieve full parity with common units in our operating partnership for all purposes, and therefore accrete to an economic value equivalent to our common stock on a one-for-one basis. If such parity is reached, long-term incentive units may be converted into an equal number of common units of our operating partnership at any time, and thereafter enjoy all the rights of common units of our operating partnership. However, there are circumstances under which the long-term incentive units will not achieve full parity with common units of our operating partnership. Until and unless such parity is reached, the value that a holder will realize for a given number of long-term incentive units will be less than the value of an equal number of shares of our common stock. In addition, in connection with this offering, we have granted Mr. Magnuson an incentive stock option to purchase that number of shares of our common stock which is equal to 15.5% of a management pool consisting of 808,149 options. The option was issued to Mr. Magnuson in his capacity as an employee of the REIT or its subsidiary corporations. The per share exercise price of the options is $12.00. Subject to Mr. Magnuson s continued employment or directorship with us, the options will vest in equal annual installments of 25% on each of the first four anniversaries of the date of grant. In the event of a change in control of our company, the options will vest in full. The long-term incentive units and the stock options were awarded to Mr. Magnuson under our incentive award plan.

The agreement also provides that, subject to Mr. Magnuson s execution and non-revocation of a general release of claims, if he is not reelected to our board or if we remove or fail to nominate him (other than for cause, as defined in the agreement), we will pay him a lump-sum payment in an amount equal to the sum of (x) the greater of $300,000 or 100% of his then current annual base compensation as described above plus (y) his then current target annual bonus. If, however, such termination occurs within one year after a change in control of our company or within the six month period immediately before a change in control in connection with the change in control, the amount of this payment will be equal to 200% of the sum of (x) the greater of $300,000 or his then current annual compensation plus (y) his target annual bonus (or if greater, his annual bonus for the preceding year). In addition, in such event, all outstanding stock options and other equity-based awards held by Mr. Magnuson will become fully vested and exercisable on the later to occur of the termination of directorship or the change in control. If Mr. Magnuson remains employed by us after his directorship terminates, he will not be entitled to these payments or benefits until his employment terminates. Mr. Magnuson will not be entitled to these payments or benefits if the termination of his directorship results from his disability or death. Mr. Magnuson s employment agreement provides that if his directorship is terminated by us within the six months prior to, or twelve months after, a change in control, the termination will be presumed to be without cause.

In the event that Mr. Magnuson voluntarily terminates his employment prior to the end of the employment term, the employment agreement provides that we may elect to retain him as a consultant for a period ending not later than the earlier of the first anniversary of his termination of employment or the second anniversary of the completion of this offering. Under this arrangement, Mr. Magnuson will be obligated to perform up to 10 hours of consulting services per month and we will pay him a consulting fee in an amount equal to the base compensation that he would have received for the consulting period had he remained employed by us. Subject to Mr. Magnuson s compliance with the confidentiality, non-solicitation and non-compete covenants discussed below, the consulting fee is payable in full in a lump-sum upon completion of the consulting period.

Mr. Magnuson is also entitled to an additional tax gross-up payment under his agreement if any amounts paid or payable to him would be subject to the excise tax on certain so-called excess parachute payments under Section 4999 of the Code. However, if a reduction in the payments of 10% or less would render the excise tax inapplicable, then the payments will be reduced by such amount and we will not be required to make the gross-up payment.

The agreement provides that Mr. Magnuson s employment with us is not exclusive and, subject to the confidentiality, non-solicitation and non-compete covenants discussed below, will not limit Mr. Magnuson s ability to provide services to any other person or entity, including CB Richard Ellis Investors, where he remains employed, or its affiliates and GI Partners. Mr. Magnuson s agreement contains standard confidentiality provisions which apply indefinitely and non-solicitation provisions which will apply during the term of his employment or directorship and continue for the duration of the consulting period or a one year period after termination of his employment or directorship (whichever is later). In addition, Mr. Magnuson s employment agreement provides that he generally may not compete with us through the acquisition or ownership of technology-related real estate properties in the United States or Europe during the term of his employment with us or the period during which he is providing consulting services to us. This covenant will not prohibit Mr. Magnuson from providing management or other services in respect of real estate which does not involve the acquisition or ownership by him of technology real estate, or making investments in which he owns less than a 9.5% beneficial interest and has no active management role and, under limited circumstances, investments in which he owns more than a 9.5% interest.

401(k) Plan

Under the client services arrangement which we have entered into with the PEO, both we and the PEO are intended to be co-employers of our employees. Accordingly, our employees are eligible to participate in the PEO s 401(k) plan, a retirement savings plan that is intended to be tax-qualified under Section 401(a) of the Code.

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Indemnification Agreements

We have entered into indemnification agreements with each of our executive officers and directors that obligate us to indemnify them to the maximum extent permitted by Maryland law. The indemnification agreements provide that:

If a director or executive officer is a party or is threatened to be made a party to any proceeding, other than a proceeding by or in the right of our company, by reason of such director s or executive officer s status as a director, officer or employee of our company, we must indemnify such director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, unless it has been established that:

the act or omission of the director or executive officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

the director or executive officer actually received an improper personal benefit in money, property or other services; or

with respect to any criminal action or proceeding, the director or executive officer had reasonable cause to believe that his or her conduct was unlawful.

If a director or executive officer is a party or is threatened to be made a party to any proceeding by or in the right of our company to procure a judgment in our company s favor by reason of such director s or executive officer s status as a director, officer or employee of our company, we must indemnify such director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, unless it has been established that:

the act or omission of the director or executive officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; or

the director or executive officer actually received an improper personal benefit in money, property or other services;

provided, however, that we will have no obligation to indemnify such director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, if it has been adjudged that such director or executive officer is liable to us with respect to such proceeding.

Upon application of a director or executive officer of our company to a court of appropriate jurisdiction, the court may order indemnification of such director or executive officer if:

the court determines that such director or executive officer is entitled to indemnification under the applicable section of the MGCL, in which case the director or executive officer shall be entitled to recover from us the expenses of securing such indemnification; or

the court determines that such director or executive officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director or executive officer has met the standards of conduct set forth in the applicable section of the MGCL or has been adjudged liable for receipt of an improper personal benefit under the applicable section of MGCL; provided, however, that our indemnification obligations to such director or executive officer will be limited to the expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with any proceeding by or in the right of our company or in which the officer or director shall have been adjudged liable for receipt of an improper personal benefit under the applicable section of the MGCL.

Notwithstanding, and without limiting, any other provisions of the agreements, if a director or executive officer is a party or is threatened to be made a party to any proceeding by reason of such director s or executive officer s status as a director, officer or employee of our company, and such director or executive officer is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such proceeding, we must indemnify such director or executive officer for all

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expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with each successfully resolved claim, issue or matter, including any claim, issue or matter in such a proceeding that is terminated by dismissal, with or without prejudice.

We must pay all indemnifiable expenses in advance of the final disposition of any proceeding if the director or executive officer furnishes us with a written affirmation of the director s or executive officer s good faith belief that the standard of conduct necessary for indemnification by our company has been met and a written undertaking to reimburse us if a court of competent jurisdiction determines that the director or executive officer is not entitled to indemnification.

We must pay all indemnifiable expenses to the director or executive officer within 20 calendar days following the date the director or executive officer submits proof of the expenses to us.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks and none of our employees participate on the compensation committee.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Acquisition of Certain Properties by GI Partners Prior to our Initial Public Offering

Through various transactions during the two years prior to our initial public offering, GI Partners acquired the following properties (the aggregate purchase price paid by GI Partners for each property is indicated parenthetically): Camperdown House ($34,014,000); Hudson Corporate Center ($57,030,000); NTT/Verio Premier Data Center ($28,500,000); VarTec Building ($12,000,000); Ardenwood Corporate Park ($57,000,000); ASM Lithography Facility ($22,400,000); AT&T Web Hosting Facility ($13,500,000); Brea Data Center ($10,150,000); Granite Tower ($33,200,000); Maxtor Manufacturing Facility ($25,000,000); Stanford Place II ($35,050,000); 100 Technology Center Drive ($38,100,000); Siemens Building ($17,200,000); Carrier Center ($75,000,000); Savvis Data Center ($60,000,000); Comverse Technology Building ($58,000,000); Webb at LBJ ($45,850,000); AboveNet Data Center ($36,500,000) and eBay Data Center (75% interest for $9.6 million, with an option to purchase the remaining 25% interest for approximately $4.7 million).

GI Partners Contribution Agreement

In connection with the consummation of our initial public offering, our operating partnership entered into a contribution agreement with GI Partners pursuant to which GI Partners contributed its direct or indirect interests in a portfolio of properties to the operating partnership in exchange for units and the assumption of debt. Under GI Partners contribution agreement, GI Partners directly received 31,930,695 units and we assumed or repaid an aggregate of $548.8 million of debt. The aggregate value of the units issued to GI Partners was $383.2 million, based upon the initial public offering price of our common stock of $12.00 per share.

Pursuant to the GI Partners contribution agreement, we assumed or succeeded to all of the contributors rights, obligations and responsibilities with respect to the properties and the property entities contributed. GI Partners contribution agreement contains representations and warranties by GI Partners to our operating partnership with respect to the condition and operations of the properties and interests contributed to us and certain other matters. With some exceptions, GI Partners has agreed to indemnify our operating partnership for breach of these representations and warranties on or prior to February 15, 2006, subject to a $500,000 deductible and up to a maximum of $15.0 million. GI Partners pledged units to our operating partnership with a value, based on the initial public offering price of $12.00 per share of our common stock, equal to $15.0 million, in order to secure its indemnity obligations, and except in limited circumstances, these units will be the sole recourse of our operating partnership in the case of a breach of a representation or warranty or other claim for indemnification.

In connection with the consummation of our initial public offering, GI Partners caused the entities that own the properties contributed to us to make special distributions payable to GI Partners in an aggregate amount of approximately $4.6 million. These distributions were in an amount calculated to approximate customary commercial real estate prorations, whereby the buyer and seller apportion rents, taxes, utilities, escrowed or restricted funds and other operating expenses. Such distributions were contemplated by the parties in connection with determining the aggregate consideration to be received by GI Partners under its contribution agreement.

eBay Data Center Purchase Agreement

In connection with the consummation of our initial public offering, our operating partnership entered into a purchase and sale agreement with GI Partners pursuant to which GI Partners transfered its 75% direct or indirect interest in the entity that owns the eBay Data Center property for a purchase price in cash equal to the amount paid by GI Partners to acquire the property plus transaction costs and expenses, for a maximum aggregate price of approximately $10.3 million. The purchase and sale agreement contains representations and warranties by GI Partners to our operating partnership with respect to the interests transferred to us and certain other matters. GI Partners has agreed to indemnify us for breach of these representations and warranties on or prior to February 15, 2006.

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Purchase of Operating Partnership Units from CalPERS and Global Innovation Contributors

Immediately following the consummation of our initial public offering, GI Partners made a pro rata allocation, in accordance with their respective interests and with the terms of its constitutive documents, to its investors, CalPERS and Global Innovation Contributors, LLC, or GI Contributors, of a portion of the operating partnership units received by GI Partners in the formation transactions consummated concurrently with our initial public offering (having an aggregate value of approximately $81.7 million based on the initial public offering price of our common stock), and immediately thereafter, we purchased from these investors the operating partnership units allocated to them at a price per unit of $11.16, which is equal to the per share initial public offering price of our common stock, net of underwriting discounts and commissions and financial advisory fees paid to the underwriters for our initial public offering. In addition, since the underwriters exercised their over-allotment option in connection with our initial public offering, GI Partners made an additional pro rata allocation to CalPERS and GI Contributors of 1,421,300 operating partnership units (equal to the number of shares sold pursuant to such exercise), and we purchased such operating partnership units from CalPERS and GI Contributors at a price per unit equal to 11.16 per share. The units purchased by us from CalPERS and GI Contributors automatically converted from limited partner interests to general partner interests upon purchase by us.

Richard Magnuson, the Executive Chairman of our board of directors, Michael Foust, our Chief Executive Officer and a member of our board of directors, and Scott Peterson, our Senior Vice President, Acquisitions, are minority investors in GI Contributors, and received in the aggregate less than 0.1% of the total cash paid by us to CalPERS and GI Contributors, consistent with the percentage of their total capital commitment in GI Partners. See Other Benefits to Related Parties and Related Party Transactions.

200 Paul Avenue and 1100 Space Park Drive Contribution Agreement

In connection with the consummation of our initial public offering, our operating partnership entered into a contribution agreement with San Francisco Wave eXchange, LLC, Santa Clara Wave eXchange, LLC and eXchange colocation, LLC, referred to below as the eXchange parties, pursuant to which the eXchange parties contributed their interests in 200 Paul Avenue, 1100 Space Park Drive, the eXchange colocation business and other specified assets and liabilities to the operating partnership in exchange for cash, units and the assumption of debt. Under the eXchange parties contribution agreement, the eXchange parties directly received $15.0 million in cash, 5,935,846 units and we assumed or repaid an aggregate of $62.8 million of indebtedness encumbering the properties. The eXchange parties are unaffiliated with GI Partners; however John O. Wilson, our Executive Vice President, Technology Infrastructure, owns a 10% interest in the eXchange parties.

Pursuant to the eXchange parties contribution agreement, we assumed or succeeded to all of the contributors rights, obligations and responsibilities with respect to the properties and the property entities contributed. The eXchange parties contribution agreement contains representations and warranties by the eXchange parties to our operating partnership with respect to the condition and operations of the properties and interests to be contributed to us and certain other matters. The eXchange parties have agreed to indemnify our operating partnership for breach of these representations and warranties on or prior to February 15, 2006, subject to a $150,000 deductible and up to a maximum of $5.0 million. The eXchange parties pledged units to our operating partnership with a value, based on the initial public offering price of $12.00 per share of our common stock in our initial public offering, equal to $5.0 million, in order to secure its indemnity obligations, and, except in limited circumstances, these units will be the sole recourse of our operating partnership in the case of a breach of a representation or warranty or other claim for indemnification.

Under the eXchange parties contribution agreement, we have agreed to indemnify each eXchange party against adverse tax consequences in the event our operating partnership directly or indirectly, sells, exchanges or otherwise disposes of (whether by way of merger, sale of assets or otherwise) in a taxable transaction any interest in 200 Paul Avenue or 1100 Space Park Drive until the earlier of November 3, 2013 and the date on which these

contributors hold less than 25% of the units issued to them in the formation transactions consummated concurrently with our initial public offering. The 200 Paul Avenue and 1100 Space Park Drive properties represented 13.3% of our portfolio s annualized rent as of September 30, 2004. These tax indemnities do not apply to the disposition of a restricted property pursuant to a transaction described in Section 721, 1031 or 1033 of the Code, or other applicable non-recognition provision under the Code.

Under the eXchange parties contribution agreement, we agreed to make $20 million of indebtedness available for guaranty by these parties until 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 the formation transactions consummated concurrently with our initial public offering. Among other things, these guaranties of debt allow the eXchange parties to defer the recognition of gain in connection with the contribution of these properties.

200 Paul Avenue and 1100 Space Park Drive Property Management Agreement

Concurrent with the consummation of our initial public offering, we entered into a property management agreement with the eXchange parties. We entered into this agreement in order to maintain continuity of management until we internalize our property management function. Under the terms of the agreement, the eXchange parties will generally supervise the operation and management of the 200 Paul Avenue and 1100 Space Park Drive properties in exchange for a monthly management fee in the amount of 2% of the gross monthly rents and other revenues received from the properties. We are responsible for all leasing commissions and costs of on-site employees of the eXchange parties. We will pay the eXchange parties additional fees to supervise major rehabilitation, remodeling, repair, or construction projects. The initial term of this agreement runs until November 3, 2005, but automatically extends on a monthly basis subject to cancellation by either party.

Partnership Agreement

Concurrently with the consummation of our initial public offering, we entered into a partnership agreement with the various limited partners of our operating partnership, including GI Partners. Pursuant to the partnership agreement, persons holding units as a result of the formation transactions consummated concurrently with our initial public offering have rights beginning on January 3, 2006, to cause our operating partnership to redeem each of their units for cash equal to the then-current market value of one share of common stock, or, at our election, to exchange their units for shares of our common stock on a one-for-one basis. See Description of the Partnership Agreement of Digital Realty Trust, L.P.

Executive Chairman and Employment Agreements

We have entered into employment agreements with our executive officers as described in Management Employment Agreements and an agreement with the Executive Chairman of our board of directors as described in Management Executive Chairman Agreement, that became effective in connection with the consummation of our initial public offering and the related formation transactions. These agreements provide for salary, bonuses and other benefits, including, severance benefits upon a termination of employment, as well as vested long-term incentive units and option awards, among other matters.

We have also issued 6,448 long-term incentive units to each of our outside directors under our incentive award plan.

Indemnification of Officers and Directors

Effective upon the consummation of our initial public offering, we entered into an indemnification agreement with each of our executive officers and directors as described in Management Indemnification Agreements.

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Right of First Offer Agreements

We have right of first offer agreements with respect to each of the Englewood, Colorado property and the Frankfurt property, each of which is currently owned by GI Partners. Pursuant to these agreements, we have the right to make the first offer to purchase these properties if GI Partners decides to sell them. If we make an offer that is rejected, GI Partners may sell such property, but only to a third party within 180 days thereafter, on terms that are better than the terms of our offer or the unsolicited offer that we elected not to match. Any purchase by us of these properties may be paid by us with units, with each unit valued at the then-fair market value of a share of our common stock, or in cash. The right of first offer agreements will expire on the earlier of December 31, 2009, upon the completion of the dissolution of GI Partners or the date on which GI Partners no longer owns the subject properties. In January 2005, we commissioned an appraisal of the Englewood, Colorado property with a view towards exercising our right of first offer with respect to it.

Registration Rights

We have granted those persons who received units in the formation transactions, including GI Partners, certain registration rights with respect to the shares of our common stock that may be acquired by them in connection with the exercise of the redemption/exchange rights under 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 formation transaction each have the right, on one occasion, to require us to register all such shares of our common stock.

We have also granted registration rights to GI Partners with respect to any units issued, or to be issued, upon exercise of the Carrier Center option agreement or the Englewood, Colorado or Frankfurt right of first offer agreements, effective as of the date which is 14 months following the closing of the applicable property acquisition. In the event we fail to file this registration statement or if filed fail to maintain its effectiveness, holders will have the right (subject to certain limitations) to have their shares included in any registration statement we file for an underwritten public offering, and holders who individually or in the aggregate own more than $5 million of such shares will have the right to require us to register all such shares of our common stock, provided that we will not be required to effect more than one such demand registration in any twelve-month period.

Transition Services Agreement with CB Richard Ellis Investors

We have entered into a transition services agreement with CB Richard Ellis Investors pursuant to which CB Richard Ellis Investors will provide us with transitional accounting and other services for an interim period. We anticipate that this interim period will last approximately two fiscal quarters but in no event can extend beyond December 31, 2005. We paid CB Richard Ellis Investors a one-time fee of $58,500 for these services, and are also required to reimburse CB Richard Ellis Investors for reasonable travel and other out of pocket expenses.

Employment Relationships

Prior to the consummation of our initial public offering, Richard A. Magnuson, our Executive Chairman, Michael F. Foust, our Chief Executive Officer and Scott E. Peterson, our Senior Vice President, Acquisitions, were employees of CB Richard Ellis Investors. In addition, A. William Stein, our Chief Financial Officer and Chief Investment Officer, provided services to GI Partners under a consulting relationship. Mr. Magnuson remained an employee of CB Richard Ellis Investors following the consummation of the initial public offering. Effective upon the consummation of the initial public offering, the employment of Messrs. Foust and Peterson with CB Richard Ellis Investors terminated and they became our full-time employees and the consulting relationship between A. William Stein and GI Partners ceased. See Management Employment Agreements.

GI Partners Loan Agreement

In connection with our initial public offering, we borrowed funds from GI Partners on an interest-free basis in order to pay expenses (including accounting and legal fees) relating to our initial public offering and the related formation transactions. We repayed these borrowed funds, in a total amount of approximately $4.5 million, upon the consummation of our initial public offering.

Non-Competition Agreement with Global Innovation Partners, LLC

We have entered into a non-competition agreement with GI Partners pursuant to which GI Partners has agreed not to acquire or own interests in, directly or indirectly, technology-related real estate properties in the United States or Europe for the remainder of GI Partners investment period, which ends in February 2006. This agreement does not prohibit GI Partners from, among other things, providing management or other services in respect of non-owned real estate. It also does not prohibit the acquisition of any entity so long as the ownership of technology-related real estate does not comprise such entity s primary business, provided that the value of the technology-related real estate owned by such entity accounts for less than 35% of the entity s total enterprise value, as determined by GI Partners. In addition, this agreement does not prohibit GI Partners from owning the Englewood, Colorado and Frankfurt data centers. The sole remedy available to us for breach of this agreement is the right to purchase the property from GI Partners at GI Partners cost within 90 days of notice to us of the purchase by GI Partners.

Other Benefits to Related Parties and Related Party Transactions

CB Richard Ellis Investors, Richard Magnuson, the Executive Chairman of our board of directors, Michael Foust, our Chief Executive Officer and a member of our board of directors, and Scott Peterson, our Senior Vice President, Acquisitions, are investors in Global Innovation Manager, LLC, or GI Manager, the manager of GI Partners. GI Manager is entitled under certain circumstances to share in distributions made by GI Partners to its investors, including distributions related to GI Partners ownership interest in our operating partnership. Under the terms of GI Partners constitutive agreement, GI Manager is only entitled to share in distributions after the other investors in GI Partners - CalPERS and GI Contributor - receive a return of their invested capital and a specified rate of return from their capital investments. Distributions from GI Partners to GI Manager are distributed by GI Manager 50% to CB Richard Ellis Investors, and 50% to certain individuals presently or historically involved with GI Partners, including Mr. Magnuson, Mr. Foust and Mr. Peterson. To date, no distributions have been made to GI Manager.

CB Richard Ellis Investors is the sole member of Global Innovation Advisor, LLC, or GI Advisor. GI Advisor manages the investments of GI Partners on behalf of GI Manager. Mr. Magnuson is a member of the management and investment committees of GI Advisor, for which he is not separately compensated. Mr. Magnuson is the chief executive officer of GI Advisor, for which he is not separately compensated.

Pursuant to the terms of GI Partners constitutive agreement, GI Partners pays GI Advisor an asset management fee equal to a percentage of its investors capital commitments or, following the fund s investment period, its investors capital contributions, to GI Partners. Although we are not a party to this arrangement and are not obligated to pay this management fee in the future, $2,389,000, $3,185,000, $3,185,000 and $2,663,000 of these fees were allocated to the Digital Realty Predecessor for the nine months ended September 30, 2004, the years ended December 31, 2003 and 2002, and the period from inception on February 28, 2001 to December 31, 2001, respectively. These fees were allocated to the Digital Realty Predecessor because the asset management fee represented GI Partners general and administrative expenses.

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POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain of our investment, financing and other policies. These policies have been determined by our board of directors and, in general, may be amended or revised from time to time by our board of directors without a vote of our stockholders.

Investment Policies

Investment in Real Estate or Interests in Real Estate

We conduct all of our investment activities through our operating partnership and its subsidiaries. Our investment objectives are to maximize the cash flow of our properties, provide quarterly cash distributions and achieve long-term capital appreciation for our stockholders through increases in the value of our company. We have not established a specific policy regarding the relative priority of these investment objectives. For a discussion of the properties and our acquisition and other strategic objectives, see Business and Properties.

We expect to pursue our investment objectives primarily through the ownership by our operating partnership of the properties and other acquired properties and assets. We currently intend to invest primarily in technology-related real estate. Future investment or development activities will not be limited to any geographic area, property type or to a specified percentage of our assets. While we may diversify in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that may be invested in any one property or any one geographic area. We intend to engage in such future investment activities in a manner that is consistent with the maintenance of our status as a REIT for U.S. federal income tax purposes. In addition, we may purchase or lease income-producing technology-related and other types of properties for long-term investment, expand and improve the properties we presently own or other acquired properties, or sell such properties, in whole or in part, when circumstances warrant.

We may also participate with third parties in property ownership, through joint ventures or other types of co-ownership. These types of investments may permit us to own interests in larger assets without unduly restricting our diversification and, therefore, provide us with flexibility in structuring our portfolio. We will not, however, enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet our investment policies.

Equity investments in acquired properties may be subject to existing mortgage financing and other indebtedness or to new indebtedness which may be in acquired properties incurred in connection with acquiring or refinancing these investments. Debt service on such financing or indebtedness will have a priority over any dividends with respect to our common stock. Investments are also subject to our policy not to be treated as an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act.

Investments in Real Estate Mortgages

While our current portfolio consists of, and our business objectives emphasize, equity investments in technology-related real estate, we may, at the discretion of our board of directors, invest in mortgages and other types of real estate interests consistent with our qualification as a REIT.

We do not presently intend to invest in mortgages or deeds of trust, but may invest in participating or convertible mortgages if we conclude that we may benefit from the gross revenues or any appreciation in value of the property. Investments in real estate mortgages run the risk that one or more borrowers may default under the mortgages and that the collateral securing those mortgages may not be sufficient to enable us to recoup our full investment.

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

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Dispositions

We do not currently intend to dispose of any of our properties, although we reserve the right to do so if, based upon management s periodic review of our portfolio, our board of directors determines that such action would be in the best interest of our stockholders. Any decision to dispose of a property will be made by our board of directors. We may be obligated to indemnify certain contributors against adverse tax consequences to them in the event that we sell or dispose of certain properties in taxable transactions under the tax indemnification provisions of the contribution agreement related to the 200 Paul Avenue and 1100 Space Park Drive properties. See Conflict of Interest Policies.

Financing Policies

Our board of directors has 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 and preferred stock (which may decrease, thereby increasing our debt to total capitalization ratio), plus the aggregate value of units not owned by us, plus the book value of our total consolidated indebtedness. Since this ratio is based, in part, upon market values of equity, it will fluctuate with changes in the price of our common and preferred stock; however, we believe that this ratio provides an appropriate indication of leverage for a company whose assets are primarily real estate. We expect that our ratio of debt to total market capitalization upon completion of this offering will be approximately 41.0% (based on the closing price of our common stock on January 14, 2005 of $13.59 per share). Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur. We are, however, subject to certain indebtedness limitations pursuant to the restrictive covenants of our outstanding indebtedness. Our board of directors may from time to time modify our debt policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common and preferred stock, growth and acquisition opportunities and other factors. Accordingly, we may increase or decrease our ratio of debt to total market capitalization beyond the limits described above. If these policies were changed, we could become more highly leveraged, resulting in an increased risk of default on our obligations and a related increase in debt service requirements that could adversely affect our financial condition and results of operations and our ability to make distributions to our stockholders. We have adopted a policy that we will not use derivatives for speculative or trading purposes and will only enter into contracts with major financial institutions based on their credit rating and other factors. See Risk Factors Risks Related to Our Business and Operations Payments on our debt reduce cash available for distribution, including cash available for payment of dividends on our series A preferred stock, and may expose us to the risk of default under our debt obligations and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Conflict of Interest Policies

Sale or Refinancing of Properties. Upon the sale of certain of the properties to be owned by us and on the repayment of indebtedness, certain unitholders, including our Executive Vice President, Technology Infrastructure, could incur adverse tax consequences which are different from the tax consequences to us and to holders of our common stock. Consequently, unitholders may have differing objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness.

While we will have the exclusive authority under the partnership agreement to determine whether, when, and on what terms to sell a property or when to refinance or repay indebtedness, any such decision would require the approval of our board of directors. The limited partners of our operating partnership have agreed that in the event of a conflict in the fiduciary duties owed by us to our stockholders and, in our capacity as general partner of our operating partnership, to such limited partners, we will fulfill our fiduciary duties to our operating partnership by acting in the best interests of our stockholders. See Description of the Partnership Agreement of Digital Realty Trust, L.P.

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Policies Applicable to All Directors and Officers. We have adopted certain policies that are designed to eliminate or minimize certain potential conflicts of interest. We have also adopted a code of business conduct and ethics that prohibits conflicts of interest between our employees, officers and directors and our company without board approval. In addition, our board of directors is subject to certain provisions of Maryland law, which are also designed to eliminate or minimize conflicts. We have adopted a policy that, without the approval of a majority of the independent directors, we will not exercise our rights of first offer with respect to the excluded Denver and Frankfurt properties.

However, there can be no assurance that these policies or provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders.

Interested Director and Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director s vote in favor thereof, provided that:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board, and our board or committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction or contract is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm or other entity; or

- the transaction or contract is fair and reasonable to us.

Furthermore, under Maryland law (where our operating partnership is formed), we, as general partner, have a fiduciary duty to our operating partnership and, consequently, such transactions also are subject to the duties of care and loyalty that we, as general partner, owe to limited partners in our operating partnership (to the extent such duties have not been eliminated pursuant to the terms of the partnership agreement). We have adopted a policy which requires that all contracts and transactions between us, our operating partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of the disinterested directors even if less than a quorum. Where appropriate in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion or engage independent counsel to represent the interests of nonaffiliated securityholders, although our board of directors will have no obligation to do so.

Policies With Respect To Other Activities

We have authority to offer common stock, preferred stock or options to purchase stock in exchange for property and to repurchase or otherwise acquire our common stock or other securities in the open market or otherwise, and we may engage in such activities in the future. As described in Description of the Partnership Agreement of Digital Realty Trust, L.P., we expect, but are not obligated, to issue common stock to holders of units upon exercise of their redemption rights. Except in connection with our initial public offering and the related formation transactions and employment agreements, we have not issued common stock, units or any other securities in exchange for property or any other purpose, and our board of directors has no present intention of causing us to repurchase any common stock. Our board of directors has the power, without further stockholder approval, to increase the number of authorized shares of common stock or preferred stock and issue additional shares of common stock or preferred stock, in one or more series, in any manner, and on the terms and for the consideration, it deems appropriate. See Description of Securities. We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than our operating partnership and do not intend to do so. At all times, we intend to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code, or the Treasury regulations, our board of directors determines that it is no longer in our best interest to qualify as a REIT. We have not made any loans to third parties, although we may in the future make loans to third parties, including, without limitation, to joint ventures in which we participate. We intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act.

Reporting Policies

We intend to make available to our stockholders our annual reports, including our audited financial statements. We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. Pursuant to those requirements, we are required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the Securities and Exchange Commission.

STRUCTURE OF OUR COMPANY

Our Operating Partnership

Substantially all of our assets are held by, and our operations run through, our operating partnership. We will contribute the net proceeds of this offering to our operating partnership in exchange for series A preferred units, the economic terms of which will be substantially similar to those of the series A preferred stock. Our operating partnership will subsequently use the net proceeds received from us to repay amounts borrowed under our unsecured credit facility, to acquire the acquisition properties and for general corporate purposes. See Use of Proceeds. Our interest in our operating partnership s series A preferred units will entitle us to share in cash distributions from our operating partnership before distributions are made with respect to our operating partnership s common units, up to an amount per series A preferred unit equal to the dividend preference on a series A preferred share. Our interest in our operating partnership s common units will entitle us to share in any additional cash distributions from, and in the profits and losses of, our operating partnership in proportion to our percentage ownership of common units. As sole general partner of our operating partnership, we generally have the exclusive power under the partnership agreement to manage and conduct its business, subject to certain limited approval and voting rights of the other limited partners described more fully below in Description of the Partnership Agreement of Digital Realty Trust, L.P. Our board of directors manages the affairs of our company by directing the affairs of our operating partnership.

Beginning on January 3, 2006, certain limited partners of our operating partnership have the right to require our operating partnership to redeem part or all of their units for cash, or, at our election, shares of our common stock, based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption, subject to the ownership limits set forth in our charter and described under the section entitled Description of Securities Restrictions on Transfer. With each redemption of units, we increase our percentage ownership interest in our operating partnership and our share of our operating partnership s cash distributions and profits and losses. See Description of the Partnership Agreement of Digital Realty Trust, L.P.

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The following diagram depicts our ownership structure upon completion of this offering and acquisition of the acquisition properties. Our operating partnership owns or is under contract to acquire the various properties depicted below directly or indirectly, and in some cases through special purpose entities that were created in connection with various financings:

(1) Excludes shares issuable with respect to stock options that have been granted but are not yet exercisable.
(2) Reflects limited partnership interests held by our officers and directors in the form of vested long-term incentive units issued in connection with our initial public offering.
(3) This property is held through a taxable REIT subsidiary.
(4) We own a 75% tenancy-in-common interest in this property. On January 7, 2005, the third-party owner of the remaining 25% interest in this property exercised its option to require us to purchase its 25% interest.
(5) 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. See Business and Properties Description of Our Portfolio Technology Office/Corporate Headquarters Properties Stanford Place II.
(6) Our operating partnership has entered into contracts to acquire these properties. While we believe that we will consummate these acquisitions, we cannot assure you that they will close because they remain subject to the completion of our due diligence and satisfaction of customary closing conditions.

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DESCRIPTION OF THE

PARTNERSHIP AGREEMENT OF DIGITAL REALTY TRUST, L.P.

We have summarized the material terms and provisions of the Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P., which we refer to as the partnership agreement. This summary is not complete. For more detail, you should refer to the partnership agreement itself, a copy of which is filed as an exhibit to the registration statement of which this prospectus is part. For purposes of this section, references to we, our, us and our company refer to Digital Realty Trust, Inc.

Management of Our Operating Partnership

Our operating partnership, Digital Realty Trust, L.P., is a Maryland limited partnership that was formed on July 21, 2004. Our company is the sole general partner of our operating partnership and conducts substantially all of our business in or through it. As sole general partner of our operating partnership, we exercise exclusive and complete responsibility and discretion in its day-to-day management and control. We can cause our operating partnership to enter into major transactions including acquisitions, dispositions and refinancings, subject to certain limited exceptions. The limited partners of our operating partnership may not transact business for, or participate in the management activities or decisions of, our operating partnership, except as provided in the partnership agreement and as required by applicable law. We may not be removed as general partner by the limited partners. The partnership agreement restricts our ability to engage in a business combination as more fully described in Termination Transactions below.

The limited partners of our operating partnership expressly acknowledged that we, as general partner of our operating partnership, are acting for the benefit of the operating partnership, the limited partners and our stockholders collectively. Neither our company nor our board of directors is under any obligation to give priority to the separate interests of the limited partners or our stockholders in deciding whether to cause our operating partnership to take or decline to take any actions. If there is a conflict between t