Digital Realty Trust, Inc.
Form 424B4
February 04, 2005
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-122099

P R O S P E C T U S

3,600,000 Shares

8.50% Series A Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 per share)

We are offering 3,600,000 shares of our 8.50% 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 540,000 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 $2.125 per share each year, which is equivalent to 8.50% of the $25.00 liquidation preference per share. Dividends on our series A preferred stock will be payable quarterly in arrears, beginning on March 31, 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 February 9, 2010, except in limited circumstances to preserve our status as a real estate investment trust. On or after February 9, 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 $25.00 per share, plus all accrued 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]	$25.00	$ 90,000,000
Underwriting Discount	$ 0.7875	$ 2,835,000
Proceeds, before expenses, to us	$24.2125	$ 87,165,000

(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 February 9, 2005.

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

Joint Book-Running Managers

Citigroup **UBS Investment Bank**

Merrill Lynch & Co.

Credit Suisse First Boston

KeyBanc Capital Markets

Stifel, Nicolaus & Company

Incorporated

The date of this prospectus is February 3, 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 two properties, 833 Chestnut Street, Philadelphia, Pennsylvania and MAPP Building, Minneapolis/St. Paul, Minnesota. 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 accurate or complete.

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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 and MAPP Building, 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 two properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.4 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 86.3% leased at an average annualized rent per leased square foot of $19.48. 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 6.4% 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 two additional technology-related real estate properties with approximately 743,000 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,

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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 86.3% leased as of September 30, 2004, leaving approximately 873,000 square feet of net rentable space available for lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout which may result in higher rents when leased to tenants seeking these improvements. We 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 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 13.4% 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 two new technology-related properties, totaling 743,000 net rentable square feet, for an aggregate price of approximately $75.3 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 either 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 $514.2 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, Merrill Lynch, Pierce, Fenner & Smith Incorporated and other underwriters for this offering. The credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties. We estimate that approximately $93.8 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)	6,558,540	13.97	14.92
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
				2,412,487	**83.8**	**36,354,705**	**17.99**	**20.24**
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				**6,385,945**	**86.3%**	**$ 107,381,358**	**$ 19.48**	**$ 21.22**

(1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses. Since September 30, 2004, we have leased approximately 50,000 additional square feet of net rentable space for a total annualized rent of approximately $1.0 million as of January 27, 2005. Rent abatements for these leases for the 12 months ending January 27, 2006 total approximately $214,000.

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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) As of September 30, 2004, we owned a 75% tenancy-in-common interest in this property. On January 21, 2005, we purchased the remaining 25% interest in this property.

(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	3,600,000 shares of our 8.50% series A cumulative redeemable preferred stock (4,140,000 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 last day of March, June, September and December of each year, commencing March 2005, at the rate of 8.50% per annum of the $25.00 liquidation preference per share (equivalent to an annual rate of $2.125 per annum per share). The first dividend payable on the series A preferred stock on March 31, 2005 will be a pro rata dividend from and including the original issue date to and including March 31, 2005 in the amount of $0.30694 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 $25.00 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 February 9, 2010, except in limited circumstances to preserve our status as a REIT. On and after February 9, 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 $25.00 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 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.

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 $86.3 million after deducting underwriting discounts and commissions and our expenses (or approximately $99.3 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	9,179	6,250	3,146	11,583	4,688	2,755	
Insurance	2,245	1,179	329	2,591	626	83	
Interest expense	24,776	15,804	6,786	33,031	10,091	5,249	
Asset management fees to related party		2,389	2,389		3,185	3,185	2,663
Depreciation and amortization expense	37,000	20,822	11,031	48,870	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	120,327	61,028	31,925	149,278	46,297	25,426	2,770
Income (loss) before minority interests (deficit)	3,397	9,888	12,882	12,246	16,791	129	(2,758)
Minority interests (deficit)	2,013	(28)	126	7,291	149	190	
Net income (loss)	1,384	9,916	12,756	4,955	16,642	(61)	(2,758)
Preferred dividends	5,738			7,650			
Net income (loss) available to common stockholders	$ (4,354)	$ 9,916	$ 12,756	$ (2,695)	$ 16,642	$ (61)	$ (2,758)
Balance Sheet Data (at period end)[1]							
Investments in real estate, after accumulated depreciation and amortization	$ 852,432	$ 650,207	$	$	$ 391,737	$ 217,009	$
Total assets	1,088,402	822,189			479,698	269,836	1,893
Notes payable under line of credit	27,285	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	569,045	593,699			328,303	183,524	903
Minority interests	257,927	3,127			3,444	3,135	
Stockholders /owner s equity	261,430	225,363			147,951	83,177	990
Total liabilities and stockholders /owner s equity	1,088,402	822,189			479,698	269,836	1,893

Per Share Data:							
Pro forma earnings (loss) per share available to common shareholders basic and diluted	$ (0.20)	$	$	$ (0.13)	$	$	$
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]	$ 40,420	$	$	$ 61,116	$	$	$
Funds from operations available to common stockholders[2][3]	34,682			53,466			
EBITDA[4]	65,196	46,542	30,573	94,147	43,028	12,847	(2,758)
EBITDA available to common stockholders[4][5]	59,458	46,542	30,573	86,497	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.

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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	$ 3,420	$ 12,246
Plus pro forma real estate depreciation and amortization	37,000	48,870
Pro forma FFO	40,420	61,116
Less pro forma preferred stock dividends	5,738	7,650
Pro forma FFO available to common stockholders[1]	$ 34,682	$ 53,466

(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)	$ 1,384	$ 9,916	$ 12,756	$ 4,955	$ 16,642	$ (61)	$ (2,758)
Adjustments:							
Minority interest in operating partnership	2,036			7,291			
Interest expense	24,776	15,804	6,786	33,031	10,091	5,249	
Depreciation and amortization	37,000	20,822	11,031	48,870	16,295	7,659	
EBITDA	65,196	46,542	30,573	94,147	43,028	12,847	(2,758)
Less preferred stock dividends	5,738			7,650			
EBITDA available to common stockholders[1]	$ 59,458	$ 46,542	$ 30,573	$ 86,497	$ 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	1.14x	1.62x	1.37x	2.64x	.99x	
Ratio of earnings to fixed charges and preferred dividends	0.92x		1.11x			
Ratio of EBITDA to fixed charges	2.62x	2.93x	2.84x	4.24x	2.45x	
Ratio of EBITDA to fixed charges and preferred dividends	2.13x		2.31x			

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 $2,318,000. 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.

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	$ 28,281	$ 25,805	$ 45,343	$ 26,799	$ 5,188	$ (2,758)
EBITDA	65,196	46,542	94,147	43,028	12,847	(2,758)
Fixed charges:						
Interest expense	24,776	15,804	33,031	10,091	5,249	
Interest within rental expense	85	85	66	66		
	24,861	15,889	33,097	10,157	5,249	
Preferred dividends	5,738		7,650			

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.

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 15 largest tenants in our property portfolio represented approximately 61.4% 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.

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 9.0%, 17.9%, 9.4%, 6.4%, 6.1%, 10.1% 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 two new technology-related properties, totaling 743,000 net rentable square feet, for an aggregate price of approximately $75.3 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 either 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 two properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.4 million net rentable square feet. All the properties have been under our management for less than three years, and 12 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 13.4% 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 46.7% 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 $514.2 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, Merrill Lynch, Pierce, Fenner & Smith Incorporated and other underwriters for this offering. The credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties. We estimate that approximately $93.8 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 two 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 13.7% 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

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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 80.3% 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 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 common 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 common 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 $90.0 million and approximately $103.5 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 $86.3 million and approximately $99.3 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	1.14x	1.62x	1.37x	2.64x	.99x	
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.92x		1.11x			
Ratio of EBITDA to Fixed Charges	2.62x	2.93x	2.84x	4.24x	2.45x	
Ratio of EBITDA to Fixed Charges and Preferred Dividends	2.13x		2.31x			

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 $2,318,000. 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	$ 28,281	$ 25,805	$ 45,343	$ 26,799	$ 5,188	$ (2,758)
EBITDA	65,196	46,542	94,147	43,028	12,847	(2,758)
Fixed charges:						
Interest expense	24,776	15,804	33,031	10,091	5,249	
Interest within rental expense	85	85	66	66		
	24,861	15,889	33,097	10,157	5,249	
Preferred dividends	5,738		7,650			

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 February 3, 2005	14.05	12.50	13.98	

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 February 3, 2005, the closing sale price for our common stock, as reported on the NYSE, was $13.98. As of January 26, 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	$ 514,219
Minority interests in our operating partnership		257,768
Stockholders equity:		
8.50% series A cumulative redeemable preferred stock, $.01 par value per share, 4,140,000 shares authorized and 3,600,000 shares issued and outstanding on a pro forma basis(1)		86,265
Preferred stock, $0.1 par value per share, 15,860,000 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	261,430
Total capitalization	$ 776,714	1,033,417

(1) The preferred stock outstanding as shown includes series A preferred stock to be issued in this offering and excludes 540,000 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.

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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	9,179	6,250	3,146	11,583	4,688	2,755	
Insurance	2,245	1,179	329	2,591	626	83	
Interest expense	24,776	15,804	6,786	33,031	10,091	5,249	
Asset management fees to related party		2,389	2,389		3,185	3,185	2,663
Depreciation and amortization expense	37,000	20,822	11,031	48,870	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	120,327	61,028	31,925	149,278	46,297	25,426	2,770
Income (loss) before minority interests (deficit)	3,397	9,888	12,882	12,246	16,791	129	(2,758)
Minority interests (deficits)	2,013	(28)	126	7,291	149	190	
Net income (loss)	1,384	$ 9,916	$ 12,756	4,955	$ 16,642	$ (61)	$ (2,758)
Preferred dividends	5,738			7,650			
Net income (loss) available to common stockholders	$ (4,354)	$ 9,916	$ 12,756	$ (2,695)	$ 16,642	$ (61)	$ (2,758)
Balance Sheet Data (at period end)[1]							
Investments in real estate, after accumulated depreciation and amortization	$ 852,432	$ 650,207	$	$	$ 391,737	$ 217,009	$
Total assets	1,088,402	822,189			479,698	269,836	1,893
Notes payable under line of credit	27,285	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	569,045	593,699			328,303	183,524	903
Minority interests	257,927	3,127			3,444	3,135	
Stockholders /owner s equity	261,430	225,363			147,951	83,177	990
Total liabilities and stockholders /owner s equity	1,088,402	822,189			479,698	269,836	1,893

Per Share Data:							
Pro forma earnings (loss) per share available to common stockholders basic and diluted	$ (0.20)	$	$	$ (0.13)	$	$	$
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]	$ 40,420	$	$	$ 61,116	$	$	$
Funds from operations available to common stockholders[2][3]	34,682			53,466			
EBITDA[4]	65,196	46,542	30,573	94,147	43,028	12,847	(2,758)
EBITDA available to common stockholders[4][5]	59,458	46,542	30,573	86,497	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	$ 3,420	$ 12,246
Plus pro forma real estate depreciation and amortization	37,000	48,870
Pro forma FFO	40,420	61,116
Less pro forma preferred stock dividends	5,738	7,650
Pro forma FFO available to common stockholders[1]	$ 34,682	$ 53,466

(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)	$ 1,384	$ 9,916	$ 12,756	$ 4,955	$ 16,642	$ (61)	$(2,758)
Adjustments:							
Minority interest in operating partnership	2,036			7,291			
Interest expense	24,776	15,804	6,786	33,031	10,091	5,249	
Depreciation and amortization	37,000	20,822	11,031	48,870	16,295	7,659	
EBITDA	65,196	46,542	30,573	94,147	43,028	12,847	(2,758)
Less preferred stock dividends	5,738			7,650			
EBITDA available to common stockholders(1)	$ 59,458	$ 46,542	$ 30,573	$ 86,497	$ 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 833 Chestnut Street and MAPP Building, 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 two properties with an aggregate of approximately 743,000 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 February 3, 2005 of $13.98, we expect that our pro forma ratio of debt to total market capitalization upon completion of this offering will be approximately 38.3%.

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Revenue base. We own 24 properties and are under contract to acquire an additional two properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.4 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 two properties during the current fiscal year. As of September 30, 2004, the properties in our portfolio were approximately 86.3% leased at an average annualized rent per leased square foot of $19.48. 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 6.4% 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 86.3% 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 873,000 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 9.0%, 17.9%, 9.4%, 6.4%, 6.1%, 10.1% 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

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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

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 $59,299,000, or 97.2%, to $120,327,000 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 $8,972,000, or 56.8%, 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 $2,013,000 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

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 $102,981,000, or 222.4%, to $149,278,000 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 $22,940,000, or 227.3%, 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 $7,291,000 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, our joint bookrunning managers, Merrill Lynch, Pierce, Fenner & Smith Incorporated and other underwriters for this offering. 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 $514.2 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	$ 58,295	$ 6,353	$ 136,955	$ 151,828	$ 513,360
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**	**$ 58,536**	**$ 6,594**	**$ 137,196**	**$ 161,409**	**$ 526,623**

(1) Includes $27.3 million of borrowings under our unsecured credit facility which matures in November 2007 and excludes $859,000 of loan premium.

(2) After February 2036, rent for the remaining term of the ASM Lithography ground lease will be determined based on a fair market value appraisal of the asset and, as a result, is excluded from the above information.

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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 $514.2 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 38.3% (based on the closing price of our common stock on February 3, 2005 of $13.98). Upon completion of this offering and application of the use of proceeds therefrom, we expect that approximately $241.6 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 80.3% 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%	27,285	1,141	Nov. 3, 2007	27,285
Subtotal		513,360	$ 36,134		$ 466,088
Loan premium[(8)]		859			
Total		**$ 514,219**			

(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

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

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, our joint bookrunning managers, Merrill Lynch, Pierce, Fenner & Smith Incorporated and other underwriters for this offering. Upon completion of this offering and the anticipated application of the proceeds therefrom, we expect approximately $27.3 million to be drawn under this facility and that approximately $93.8 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.

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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	$ 3,420	$ 12,246
Plus pro forma real estate depreciation and amortization	37,000	48,870
Pro forma FFO	40,420	61,116
Less pro forma preferred stock dividends	5,738	7,650
Pro forma FFO available to common stockholders[1]	$ 34,682	$ 53,466

(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 80.3% 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 $245,000 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 $180,000 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.

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(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

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]

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(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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Our tenants have generally funded capital improvements themselves. As such, leases for our telecommunications 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 2.4 million square feet of net rentable space in ten 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

(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

activities that reside domestically, often in the same facility. Technology manufacturing tenants include 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 two properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.4 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 86.3% leased at an average annualized rent per leased square foot of $19.48.

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 6.4% 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 two additional technology-related real estate properties with approximately 743,000 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 86.3% leased as of September 30, 2004, leaving approximately 873,000 square feet of net rentable space available for lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout which may result in higher rents when leased to tenants seeking these improvements. We 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)]	6,558,540	13.97	14.92
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
				2,412,487	**83.8**	**36,354,705**	**17.99**	**20.24**
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**
				6,385,945	**86.3%**	**$ 107,381,358**	**$ 19.48**	**$ 21.22**

Portfolio Total/ Weighted Average		

(1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses. Since September 30, 2004, we have leased approximately 50,000 additional square feet of net rentable space for a total annualized rent of approximately $1.0 million as of January 27, 2005. Rent abatements for these leases for the 12 months ending January 27, 2006 total approximately $214,000.

(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 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) As of September 30, 2004, we owned a 75% tenancy-in-common interest in this property. On January 21, 2005, we purchased the remaining 25% interest in this property.

(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**	**9.2%**	**$ 12,853,485**	**12.0%**
	Hudson Corporate Center	Sep. 2011	234,570	3.7	6,098,820	5.7
	Savvis Data Center[2]	Sep. 2015	300,000	4.7	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)	0.1	201,212	0.2
Qwest Communications			**343,383**	**5.4**	**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	1.1	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**	**5.7**	**5,592,548**	**5.2**
	Comverse Building	Feb. 2011	166,109	2.6	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
Abgenix			**131,386**	**2.1**	**4,925,265**	**4.6**
	Ardenwood Corporate Park	Apr. 2011	73,887	1.2	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**	**3.1**	**3,743,000**	**3.5**
AboveNet			**131,556**	**2.1**	**3,499,536**	**3.3**
	AboveNet Data Center	Nov. 2019	128,184	2.0	3,435,187	3.2
	Univision Tower	Apr. 2014	3,372	0.1	64,349	0.1
Maxtor Corporation	Maxtor Manufacturing Facility	Sep. 2011	**183,050**	**2.9**	**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**	**1.8**	**2,549,165**	**2.4**
XO Communications			**96,546**	**1.5**	**2,457,344**	**2.3**
	200 Paul Avenue	Mar. 2015	64,907	1.0	1,852,634	1.7
	Carrier Center	Aug. 2015	29,000	0.5	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	0.1
Logitech			**144,271**	**2.3**	**2,307,794**	**2.1**
	Ardenwood Corporate Park	Mar. 2013	75,630	1.2	834,374	0.8
	Ardenwood Corporate Park	Mar. 2013	15,981	0.3	701,082	0.6
	Ardenwood Corporate Park	Mar. 2013	20,002			