Digital Realty Trust, Inc.
Form 424B1
July 22, 2005
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Registration No. 333-126396

P R O S P E C T U S

2,200,000 Shares

7.875% Series B Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 per share)

We are offering 2,200,000 shares of our 7.875% series B cumulative redeemable preferred stock, par value $.01 per share, to which we refer in this prospectus as our series B preferred stock. We have granted the underwriters an option to purchase up to 330,000 additional shares of our series B preferred stock to cover over-allotments. We will pay cumulative dividends on our series B preferred stock from the date of original issuance in the amount of $1.96875 per share each year, which is equivalent to 7.875% of the $25.00 liquidation preference per share. Dividends on our series B preferred stock will be payable quarterly in arrears, beginning on September 30, 2005. Our series B preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Our series B preferred stock will rank on parity with our outstanding 8.50% series A cumulative redeemable preferred stock, to which we refer in this prospectus as our series A preferred stock, and senior to our common stock, with respect to dividend rights and rights upon our liquidation, dissolution or winding-up. We are not allowed to redeem our series B preferred stock before July 26, 2010, except in limited circumstances to preserve our status as a real estate investment trust, or REIT. On or after July 26, 2010, we may, at our option, redeem our series B preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends on such series B preferred stock up to but excluding the redemption date. Holders of our series B 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 circumstances. Our series B preferred stock will not be convertible into or exchangeable for any other property or securities of our company.

Concurrently with this offering, we are also conducting an offering of 5,105,123 shares of common stock, par value $.01 per share. We have granted the underwriters of the common stock offering an option to purchase up to 765,768 additional shares of our common stock to cover over-allotments.

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

No market currently exists for our series B 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 B preferred stock on the NYSE under the symbol DLR Pr B . If the application is approved, trading of the series B preferred stock is expected to commence within 30 days after the initial delivery of the series B preferred stock.

See Risk Factors beginning on page 21 for certain risk factors relevant to an investment in our series B preferred stock, including, among others:

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

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

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

	Per Share	Total
Public Offering Price(1)	$ 25.00	$ 55,000,000
Underwriting Discount	$ 0.7875	$ 1,732,500
Proceeds, before expenses, to us	$ 24.2125	$ 53,267,500

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

Shares of our series B preferred stock will be ready for delivery in book-entry form through The Depository Trust Company on or about July 26, 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.

Book-Running Managers

Citigroup **Merrill Lynch & Co.** **UBS Investment Bank**

KeyBanc Capital Markets

RBC Capital Markets

Credit Suisse First Boston

Stifel, Nicolaus & Company

Incorporated

The date of this prospectus is July 20, 2005.

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

NOTE REGARDING THE ACQUISITION PROPERTIES

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

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PROSPECTUS SUMMARY

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

Digital Realty Trust, Inc.

Overview

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

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

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

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

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

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

Our Competitive Strengths

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

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

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

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

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

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

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

Experienced and Committed Management Team. Our senior management team, including our Executive Chairman, has an average of over 21 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team s extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. Following the completion of the concurrent offerings, our senior management team will collectively own a common equity interest in our company of approximately 3.0% on a fully diluted basis, which aligns management s interests with those of our stockholders.

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

Business and Growth Strategies

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

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

Maximize the Cash Flow of our Properties. We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Our portfolio, excluding space held for redevelopment, was approximately 90.1% leased as of March 31, 2005, leaving approximately 779,000 square feet of net rentable space available for lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout which may result in higher rents when leased to tenants seeking these improvements. We control our costs by negotiating expense pass-through provisions in tenant leases for operating expenses and certain capital expenditures. Leases covering more than 95% of the leased net rentable square feet in our portfolio as of March 31, 2005 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses. Since our initial public offering in November 2004, we have executed leases for 36,044 square feet of technical space at an average annualized rent of $95.80 per square foot and 209,592 square feet of nontechnical space at an average annualized rent of $19.48 per square foot, in each case including lease renewals and expansions commencing in 2004 through 2009.

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

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

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

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Summary Risk Factors

You should carefully consider the following important risks as well as the additional risks described in Risk Factors beginning on page 21:

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

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

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

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

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

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

Upon completion of the concurrent offerings, we anticipate that our pro forma total consolidated indebtedness will be approximately $646.1 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have an unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the joint bookrunning managers for our common stock offering, and together with UBS Securities LLC, the bookrunning managers for our series B preferred stock offering, and other underwriters for the concurrent offerings. Our credit facility has a borrowing limit

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based upon a percentage of the value of our unsecured properties. We estimate that approximately $156.0 million of this facility will be available to us upon consummation of the concurrent offerings and application of the proceeds therefrom. Our debt service obligations with respect to such indebtedness will reduce cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, and expose us to the risk of default.

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

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

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

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The Properties

Our Portfolio of Properties

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

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

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

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(1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses. Since March 31, 2005 we have leased 183,477 rentable square feet (172,641 usable square feet) at an average annualized rent of approximately $32.32 per square foot, including leases executed prior to March 31, 2005 for which we were not receiving rent as of March 31, 2005. These leases commence between 2005 and 2009. Rent abatements for these leases for the 12 months ending March 31, 2006 total $260,278.

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

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

(4) Annualized rent represents the annualized monthly contractual rent under existing leases as of March 31, 2005. This amount reflects total base rent before any one-time or nonrecurring rent abatements but after annually recurring rent credits and is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. Total abatements for leases in effect as of March 31, 2005 for the 12 months ending March 31, 2006 were $136,344.

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

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

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

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

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

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

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

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

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

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

Right of First Offer Property

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

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This Offering

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of our series B preferred stock, see Description of Preferred Stock 7.875% Series B Cumulative Redeemable Preferred Stock.

Issuer	Digital Realty Trust, Inc., a Maryland corporation.
Securities Offered	2,200,000 shares of our 7.875% series B cumulative redeemable preferred stock (2,530,000 shares if the underwriters option to purchase additional shares is exercised in full).
Ranking	The series B 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 B preferred stock; on parity with any class or series of our capital stock expressly designated as ranking on parity with the series B preferred stock, including our series A preferred stock; and junior to any other class or series of our capital stock expressly designated as ranking senior to the series B preferred stock. We will contribute all of the net proceeds from our series B preferred stock offering to our operating partnership in exchange for 7.875% series B cumulative redeemable partnership units, to which we refer in this prospectus as the series B preferred units. The series B preferred units will rank on parity with our operating partnership s 8.50% series A cumulative redeemable partnership units.
Dividend Rate and Payment Date	Investors will be entitled to receive cumulative cash dividends on the series B 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 September 2005, at the rate of 7.875% per annum of the $25.00 liquidation preference per share (equivalent to an annual rate of $1.96875 per share). The first dividend payable on the series B preferred stock on September 30, 2005 will be a pro rata dividend from and including the original issue date to and including September 30, 2005 in the amount of $0.35547 share. Dividends on the series B 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. As a result of recent changes in the federal income 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

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	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 B 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 B 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 B preferred stock as to liquidation rights. The rights of holders of series B 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 B preferred stock as to liquidation, including our series A preferred stock, and junior to the rights of any class or series of our capital stock expressly designated as ranking senior to the series B preferred stock.
Optional Redemption	We may not redeem the series B preferred stock prior to July 26, 2010, except in limited circumstances to preserve our status as a REIT. On and after July 26, 2010, the series B 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 B preferred stock has no maturity date and we are not required to redeem the series B preferred stock at any time. Accordingly, the series B preferred stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our redemption right. The series B preferred stock is not subject to any sinking fund.
Voting Rights	Holders of series B preferred stock will generally have no voting rights. However, if we are in arrears on dividends on the series B preferred stock for six or more quarterly periods, whether or not consecutive, holders of the series B 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, including our series A preferred stock, 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 B 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 B preferred stock without the affirmative vote of the holders of at least two-thirds of the outstanding shares of series B preferred stock and the holders of all other shares of any class or series of preferred stock ranking on parity with the series B preferred stock with respect to the payment of dividends and distribution of assets upon our liquidation that are entitled to similar voting rights, including our series A preferred stock (voting together as a single class).
Listing	We have applied to list the series B preferred stock on the NYSE. We will use commercially reasonable efforts to have our listing application for the series B preferred stock approved. If the application is approved, trading of the series B preferred stock on the NYSE is expected to commence within 30 days after the date of initial delivery of the series B preferred stock. The underwriters have advised us that they intend to make a market in the series B preferred stock prior to commencement of any trading on the NYSE. However, the underwriters will have no obligation to do so, and we cannot assure you that a market for the series B preferred stock will develop or be maintained prior or subsequent to commencement of trading on the NYSE.
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 B 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 B preferred stock.
Conversion	The series B 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 our series B preferred stock offering will be approximately $52.9 million after deducting underwriting discounts and commissions and our expenses (or approximately $60.9 million if the underwriters exercise in full their option to purchase additional shares of our series B preferred stock). We expect that the proceeds from our concurrent offering of common stock will be approximately $85.7 million after deducting underwriting

	discounts and commissions and our expenses (or approximately $98.7 million if the underwriters exercise in full their option to purchase additional shares of our common stock). Our operating partnership will subsequently use the net proceeds from the concurrent offerings to repay borrowings under our unsecured revolving credit facility, potentially to acquire the acquisition properties and additional properties, and for general corporate purposes. See Use of Proceeds.
Risk Factors	An investment in the series B preferred stock involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors beginning on page 21 of this prospectus before making a decision to invest in the series B preferred stock.
Form	The series B 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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Concurrent Common Stock Offering

We are also making a concurrent offering of 5,105,123 shares of our common stock, par value $.01 per share. We have granted the underwriters in our concurrent offering of common stock a 30-day option to purchase up to 765,768 additional shares of our common stock to cover over-allotments.

Our Tax Status

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

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Summary Selected Financial Data

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

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

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

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

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

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

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The Company and the Digital Realty Predecessor

(Amounts in thousands, except per share data)

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor	
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined	Historical Combined	
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,	
	2005	2005	2004	2004	2004	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Statement of Operations Data:							
Rental revenues	$ 45,197	$ 32,691	$ 16,028	$ 170,306	$ 89,108	$ 50,099	$ 21,203
Tenant reimbursements	9,494	6,520	2,728	36,282	16,229	8,661	3,894
Other revenues	474	432	14	2,680	1,784	4,328	458
Total revenues	55,165	39,643	18,770	209,268	107,121	63,088	25,555
Rental property operating and maintenance expenses	9,034	7,145	3,006	36,570	18,974	8,624	4,997
Property taxes	6,842	3,681	1,718	24,173	9,334	4,688	2,755
Insurance	994	599	241	4,342	1,875	626	83
Interest expense	10,281	8,121	3,813	41,147	24,461	10,091	5,249
Asset management fees to related party			796		2,655	3,185	3,185
Depreciation and amortization expense	16,379	12,143	5,507	62,316	31,398	16,295	7,659
General and administrative expenses	2,413	2,413	92	24,847	21,017	329	249
Net loss from early extinguishment of debt	125	125		283	283		
Other expenses	531	521	90	2,922	2,805	2,459	1,249
Total expenses	46,599	34,748	15,263	196,600	112,802	46,297	25,426
Income (loss) before minority interests (deficit)	8,566	4,895	3,507	12,668	(5,681)	16,791	129
Minority interests in consolidated joint ventures	(3)	(3)	46	(24)	(24)	149	190
Minority interests in operating partnership	4,653	2,159		6,892	(10,214)		
Net income (loss)	3,916	2,739	3,461	5,800	4,557	16,642	(61)
Preferred stock dividends	(3,283)	(1,271)		(13,129)			
Net income (loss) available to common stockholders/ owners	$ 633	$ 1,468	$ 3,461	$ (7,329)	$ 4,557	$ 16,642	$ (61)
Earnings (loss) per share available to common stockholders basic and diluted	$ 0.02	$ 0.07	$	$ (0.28)	$ (0.30)[1]	$	$
Weighted average common shares outstanding:							
Basic	26,526	21,421		26,526	20,771[1]		
Diluted	26,640	21,535		26,526	20,771[1]		
Balance Sheet Data (at period end)							
	$ 1,076,084	$ 852,112	$	$	$ 787,412	$ 391,737	$ 217,009

Investments in real estate, after accumulated depreciation and amortization							
Total assets	1,386,496	1,099,727			1,013,287	479,698	269,836
Notes payable under line of credit	58,685	36,000			44,000	44,436	53,000
Mortgages and other secured loans	587,369	479,701			475,498	253,429	103,560
Total liabilities	727,518	579,393			584,229	328,303	183,524
Minority interests in consolidated joint ventures	149	149			997	3,444	3,135
Minority interests in operating partnership	275,097	250,592			254,862		
Stockholders /owner s equity	383,732	269,593			173,199	147,951	83,177
Total liabilities and stockholders /owner s equity	1,386,496	1,099,727			1,013,287	479,698	269,836
Cash flows from (used in):							
Operating activities	$	$ 11,708	$ 6,627	$	$ 44,638	$ 27,628	$ 9,645
Investing activities		(71,645)	(40,571)		(371,277)	(213,905)	(164,755)
Financing activities		58,255	33,023		326,022	187,873	158,688
Other Data:							
Funds from operations(2)	$ 24,948	$ 17,041	$	$ 75,008	$ (9,010)(1)	$	$
Funds from operations available to common stockholders(2)(3)	21,665	15,770		61,879	(9,010)(1)		
EBITDA(4)	35,229	25,162	12,781	116,155	50,202	43,028	12,847
EBITDA available to common stockholders of the company and owner of the Predecessor(4)(5)	31,946	23,891	12,781	103,026	50,202	43,028	12,847

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(1) For period from November 3, 2004 through December 31, 2004.
(2) We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, or GAAP), excluding gains (or losses) from sales of property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. See the reconciliation of pro forma net income to pro forma FFO below.
(3) FFO available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock. See the reconciliation of net income to FFO available to common stockholders below.
(4) We believe that earnings before interest, taxes, depreciation and amortization, or EBITDA, is a useful supplemental performance measure. In addition, we believe EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. However, EBITDA should not be considered as an alternative to net income as an indicator of our operating performance. In addition, because EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of our business, its utility as a measure of our liquidity is limited. Accordingly, EBITDA should not be considered as a supplement to cash flows from operating activities (computed in accordance with GAAP) as a measure of our liquidity. Other REITs may calculate EBITDA differently than we do; accordingly, our EBITDA may not be comparable to such other REITs EBITDA. See the reconciliation of net income to EBITDA on page 18.
(5) EBITDA available to common stockholders has been calculated assuming that the common units in our operating partnership are exchanged for common stock. See the reconciliation of net income to EBITDA available to common stockholders on page 18.

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

	Pro Forma Three Months Ended March 31, 2005	Historical Three Months Ended March 31, 2005	Pro Forma Year Ended December 31, 2004	Historical Consolidated Period from November 3, 2004 through December 31, 2004
Reconciliation of net income to FFO and FFO available to common stockholders:				
Net income before minority interest in operating partnership but after minority interest in consolidated joint ventures	$ 8,569	$ 4,898	$ 12,692	$ (16,383)
Plus real estate depreciation and amortization	16,379	12,143	62,316	7,373
FFO	24,948	17,041	75,008	(9,010)
Less preferred stock dividends	3,283	1,271	13,129	
FFO available to common stockholders(1)	$ 21,665	$ 15,770	$ 61,879	$ (9,010)

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

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

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor	
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Combined		
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,	
	2005	2005	2004	2004	2004	2003	2002
Reconciliation of net income to EBITDA:							
Net income (loss)	$ 3,916	$ 2,739	$ 3,461	$ 5,800	$ 4,557	$ 16,642	$ (61)
Adjustments:							
Minority interest in operating partnership	4,653	2,159		6,892	(10,214)		
Interest expense	10,281	8,121	3,813	41,147	24,461	10,091	5,249
Depreciation and amortization	16,379	12,143	5,507	62,316	31,398	16,295	7,659
EBITDA	35,229	25,162	12,781	116,155	50,202	43,028	12,847
Less preferred stock dividends	3,283	1,271		13,129			
EBITDA available to common stockholders of the Company and to the owners of the Predecessor	$ 31,946	$ 23,891	$ 12,781	$ 103,026	$ 50,202	$ 43,028	$ 12,847

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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:

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor	
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Historical Consolidated and Combined	Historical Combined	
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31	
	2005	2005	2004	2004	2004	2003	2002
Ratio of earnings to fixed charges	1.83x	1.60x	1.90x	1.31x	0.77x	2.64x	0.99x
Ratio of earnings to fixed charges and preferred dividends	1.39x	1.39x		0.99x			
Ratio of EBITDA to fixed charges	3.42x	3.09x	3.33x	2.82x	2.04x	4.24x	2.45x
Ratio of EBITDA to fixed charges and preferred dividends	2.59x	2.67x		2.14x			

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 and series B 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.

Prior to February 9, 2005, we had 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 ending on or prior to December 31, 2004.

For the year ended December 31, 2004, pro forma earnings were insufficient to cover pro forma fixed charges and preferred dividends by $0.4 million and historical consolidated and combined earnings were insufficient to cover historical consolidated and combined fixed charges by $5.7 million. For the year ended December 31, 2002, historical combined earnings were insufficient to cover historical combined fixed charges by $61,000.

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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:

	The Company		The Predecessor	The Company	The Company and the Predecessor	The Predecessor	
					Historical		
	Pro Forma Consolidated	Historical Consolidated	Historical Combined	Pro Forma Consolidated	Consolidated and Combined	Historical Combined	
	Three Months Ended March 31,			Year Ended December 31,	Year Ended December 31,	Year Ended December 31	
	2005	2005	2004	2004	2004	2003	2002
Earnings	$ 18,878	$ 13,047	7,302	$ 53,952	18,917	$ 26,799	$ 5,188
EBITDA	35,229	25,162	12,781	116,155	50,202	43,028	12,847
Fixed charges:							
Interest expense	10,281	8,121	3,813	41,147	24,461	10,091	5,249
Interest within rental expense	28	28	28	113	113	66	
	10,309	8,149	3,841	41,260	24,574	10,157	5,249
Preferred dividends	3,283	1,271		13,129			

Our earnings for 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. For a reconciliation of net income to EBITDA, see page 18.

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RISK FACTORS

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

Risks Related to Our Business and Operations

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

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

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

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

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

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

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

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

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

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

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

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

We have owned our properties for a limited time.

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

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

A significant portion of the asset management and general and administrative functions of our predecessor were performed by GI Partners related-party asset manager, an affiliate of CB Richard Ellis Investors. This affiliate also provided all of our accounting and financial reporting services. In November 2004, we internalized our asset management function. In April 2005, we internalized our accounting and financial reporting functions. We are also experiencing rapid growth in the size of our portfolio through acquisitions. The growth in our portfolio and the demands placed on our company in connection with internalizing our asset management and accounting functions may significantly strain our management, operational and financial resources and systems. In addition, as a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the NYSE. The requirements of these rules and regulations have increased our accounting, legal and financial compliance costs and may strain our management and operational resources and systems. An inability to manage our growth effectively could result in deficiencies in our disclosure controls and procedures or our internal control over financial reporting.

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

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

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

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

Potential losses may not be covered by insurance.

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

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

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

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

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

Upon completion of the concurrent offerings, we anticipate that our pro forma total consolidated indebtedness will be approximately $646.1 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have an unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the joint bookrunning managers for our common stock offering, and together with UBS Securities LLC, the bookrunning managers for our series B preferred stock offering, and other underwriters for the concurrent offerings. Our credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties included in the facility s borrowing base. We estimate that approximately $156.0 million of additional borrowings under this facility will be available to us upon consummation of the concurrent offerings. In addition, under our contribution agreement with respect to the 200 Paul Avenue and 1100 Space Park Drive properties, we have agreed to make available for guarantee up to $20.0 million of indebtedness and may enter into similar agreements in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- restrict our and our subsidiaries ability to incur additional indebtedness;
- restrict our and our subsidiaries ability to make certain investments;
- restrict our and our subsidiaries ability to merge with another company;

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

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

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

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

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

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

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

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

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outstanding as of March 31, 2005, and effective May 26, 2005, we entered into a $100.0 million interest rate swap agreement with Bank of America. As a result, approximately 80.7% of our total pro forma indebtedness as of March 31, 2005 was subject to fixed interest rates. Hedging may reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

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

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

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

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

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

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

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

- acquisition risk resulting from our lack of knowledge of local real estate markets, economies and business practices and customs;

- our limited knowledge of and relationships with sellers and tenants in these markets;

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

complexity and costs associated with managing international operations;

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

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

exposure to increased taxation, confiscation or expropriation;

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

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

Risks Related to the Real Estate Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may incur significant costs complying with other regulations.

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

Risks Related to Our Organizational Structure

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

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

Maryland law to our operating partnership and to the limited partners in connection with the management of our operating partnership. Our duties as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. Under Maryland law, a general partner of a Maryland limited partnership owes its limited partners the duties of good faith, fairness and loyalty, unless the partnership agreement provides otherwise. The partnership agreement of our operating partnership provides that for so long as we own a controlling interest in our operating partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners will be resolved in favor of our stockholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Status as a REIT

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

We believe we have operated and intend to continue operating in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Code. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. If we lose our REIT status, we will face serious tax consequences that would substantially reduce our cash available for distribution, including cash available to pay dividends to our preferred stockholders or pay distributions to our common stockholders, for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;

- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

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

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