Digital Realty Trust, Inc.
Form S-11/A
January 31, 2005
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**As filed with the Securities and Exchange Commission on January 31, 2005**

**Registration No. 333-122099**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# AMENDMENT NO. 2

# TO

# FORM S-11

**FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933**

**OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES**

# Digital Realty Trust, Inc.

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

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

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

**Michael F. Foust**

**Chief Executive Officer**

**Digital Realty Trust, Inc.**

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

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

***Copies to:***

| | |
|---|---|
| **Julian T.H. Kleindorfer** | **Gilbert G. Menna** |
| **Latham & Watkins LLP** | **Ettore A. Santucci** |
| **633 West Fifth Street, Suite 4000** | **Goodwin Procter LLP** |
| **Los Angeles, California 90071** | **Exchange Place, 53 State Street** |
| **(213) 485-1234** | **Boston, Massachusetts 02109** |
| | **(617) 570-1000** |

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

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

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

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

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

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities To Be Registered | Proposed Maximum Aggregate | Amount of Registration Fee(2) |
|---|---|---|

| | Offering Price(1) | |
|---|---|---|
| % series A cumulative redeemable preferred stock, par value $.01 per share | $103,500,000 | $12,181.95 |

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.
(2) $10,151.63 previously paid.

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

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

**SUBJECT TO COMPLETION, DATED JANUARY 31, 2005**

**P R O S P E C T U S**

# 3,000,000 Shares

# % Series A Cumulative Redeemable Preferred Stock

# (Liquidation Preference $25.00 per share)

We are offering 3,000,000 shares of our % series A cumulative redeemable preferred stock, which we refer to in this prospectus as our series A preferred stock. We have granted the underwriters an option to purchase up to 450,000 additional shares of our series A preferred stock to cover over-allotments. We will pay cumulative dividends on our series A preferred stock from the date of original issuance in the amount of approximately $ per share each year, which is equivalent to % of the $25.00 liquidation preference per share. Dividends on our series A preferred stock will be payable quarterly in arrears, beginning on , 2005. Our series A preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, our series A preferred stock will rank senior to our common stock with respect to the payment of distributions and other amounts. We are not allowed to redeem our series A preferred stock before , 2010, except in limited circumstances to preserve our status as a real estate investment trust. On or after , 2010, we may, at our option, redeem our series A preferred stock, in whole or from time to time in part, for cash at a redemption price of $25.00 per share, plus all accumulated and unpaid dividends on such series A preferred stock up to but excluding the redemption date. Holders of our series A preferred stock will generally have no voting rights except for limited voting rights if we fail to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other events. Our series A preferred stock will not be convertible into or exchangeable for any other property or securities of our company.

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

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

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

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

We are dependent on significant tenants that may be costly or difficult to replace, and many of our properties are occupied by single tenants. The loss of significant tenants could cause a material decrease in cash available for distribution, including cash available for payment of dividends on our series A preferred stock.

If we fail to qualify as a REIT for federal income tax purposes, we will be taxed as a corporation and our liability for certain federal, state and local income taxes may significantly increase, which could result in a material decrease in cash available for distribution, including cash available for payment of dividends on our series A preferred stock.

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

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

Shares of our series A preferred stock will be ready for delivery in book-entry form through The Depository Trust Company on or about , 2005.

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

Joint Book-Running Managers

**Citigroup** **UBS Investment Bank**

**Merrill Lynch & Co.**

**Credit Suisse First Boston**

**KeyBanc Capital Markets**

**Stifel, Nicolaus & Company**

Incorporated

The date of this prospectus is , 2005.

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

## NOTE REGARDING ACQUISITION PROPERTIES

*We are under contract to acquire two properties, 833 Chestnut Street, Philadelphia, Pennsylvania and MAPP Building, Minneapolis/St. Paul, Minnesota. We refer to these properties as the acquisition properties. While we believe that we will consummate the acquisitions of the acquisition properties, we cannot assure you that we will, because consummation of the acquisitions remains subject to the completion of our due diligence and satisfaction of customary closing conditions, including assumption of indebtedness. Information in this prospectus with respect to the acquisition properties, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations, has been provided by the sellers of such properties and, although we believe such information to be accurate, because we are still in the process of conducting acquisition diligence, we cannot assure you that such information is accurate or complete.*

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## PROSPECTUS SUMMARY

*You should read the following summary together with the more detailed information regarding our company and the historical and pro forma financial statements appearing elsewhere in this prospectus, including under the caption Risk Factors. References in this prospectus to we, our, us and our company refer to Digital Realty Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Digital Realty Trust, L.P., a Maryland limited partnership of which we are the sole general partner and which we refer to in this prospectus as our operating partnership. Unless otherwise indicated, the information contained in this prospectus (including debt balances) is as of September 30, 2004 and assumes that the underwriters over-allotment option is not exercised. Additionally, unless otherwise indicated, portfolio property data as of September 30, 2004 relating to square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations includes such data for (i) 200 Paul Avenue, 1100 Space Park Drive, and eBay Data Center, all of which were acquired subsequent to September 30, 2004 in connection with our initial public offering, (ii) Burbank Data Center, which was acquired in December 2004, and (iii) 833 Chestnut Street and MAPP Building, which we are under contract to acquire and which we refer to in this prospectus as the acquisition properties.*

## Digital Realty Trust, Inc.

### Overview

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

Through our operating partnership, we own 24 properties and are under contract to acquire an additional two properties. These properties are located throughout the U.S., with one property located in London, England, and contain a total of approximately 6.4 million net rentable square feet. Our operations and acquisition activities are focused on a limited number of markets where technology tenants are concentrated, including the Atlanta, Boston, Dallas, Denver, Los Angeles, Miami, Minneapolis/St. Paul, New York, Philadelphia, Phoenix, Sacramento, San Francisco and Silicon Valley metropolitan areas. As of September 30, 2004, our portfolio, including the acquisition properties, was approximately 86.3% leased at an average annualized rent per leased square foot of $19.48. The property types within our focus include:

- telecommunications infrastructure properties, which provide the infrastructure required by companies in the data, voice and wireless communications industries;
- information technology, or IT, infrastructure properties, which provide the physical environment required for disaster recovery, IT outsourcing and collocation;
- technology manufacturing properties, which contain highly specialized manufacturing environments for such purposes as disk drive manufacturing, semiconductor manufacturing and specialty pharmaceutical manufacturing; and
- regional or national headquarters of technology companies that are located in our target markets.

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

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Our portfolio consists primarily of properties contributed to us by Global Innovation Partners, LLC, or GI Partners, in connection with our initial public offering in November 2004. GI Partners is a private equity fund that was formed to pursue investment opportunities that intersect the real estate and technology industries. GI Partners was formed in February 2001 after a competitive six-month selection process conducted by the California Public Employee Retirement System, or CalPERS, the largest U.S. pension fund. Upon GI Partners selection, CalPERS provided a $500 million equity commitment to GI Partners to invest in technology-related real estate and technology operating businesses. In addition, CB Richard Ellis Investors, a subsidiary of CB Richard Ellis, or CBRE, the largest global real estate services firm, and members of GI Partners management provided a commitment of $26.3 million.

Our principal executive offices are located at 2730 Sand Hill Road, Suite 280, Menlo Park, California 94025. Our telephone number at that location is (650) 233-3600. Our website is located at www.digitalrealtytrust.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission.

**Our Competitive Strengths**

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

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

**Presence in Key Markets.** Our portfolio is primarily located in 14 major metropolitan areas, including the Boston, Dallas, Los Angeles, New York, Philadelphia, San Francisco and Silicon Valley metropolitan areas, and is diversified so that no one market represents more than 26.1% of the aggregate annualized rent of our portfolio as of September 30, 2004.

**Long-Term Leases.** We have long-term leases with stable cash flows. As of September 30, 2004, our average lease term was in excess of 12.4 years, with an average of 7.6 years remaining. Through 2007, leases representing only 6.4% of our net rentable square feet, or 6.6% of our aggregate annualized rent, are scheduled to expire. Moreover, through 2005, only 1.0% of our net rentable square feet is scheduled to expire.

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

**Proven Acquisition Capability.** Since 2002, we have acquired an aggregate of 24 technology-related real estate properties with 5.6 million net rentable square feet. We have also entered into contracts for the acquisition of two additional technology-related real estate properties with approximately 743,000 net rentable square feet. Our acquisition capability is driven by our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial and other criteria, which allows us to efficiently evaluate investment opportunities and, as appropriate,

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commit and close quickly. More than half of our acquisitions were acquired before they were broadly marketed by real estate brokers. We intend to continue to acquire additional technology-related real estate as a key component of our growth strategy.

**Experienced and Committed Management Team.** Our senior management team, including our Executive Chairman, collectively have an average of over 23 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team s extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. Our senior management team collectively owns an approximate 3.3% common equity interest in our company on a fully diluted basis, which aligns management s interests with those of our stockholders.

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

**Business and Growth Strategies**

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

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

**Maximize the Cash Flow of our Properties.** We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Our portfolio was approximately 86.3% leased as of September 30, 2004, leaving approximately 873,000 square feet of net rentable space available for lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout which may result in higher rents when leased to tenants seeking these improvements. We have also implemented cost control measures by negotiating expense pass-through provisions in tenant leases for operating expenses and certain capital expenditures. Leases covering more than 95% of the leased net rentable square feet in our portfolio as of September 30, 2004 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses.

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

**Leverage Strong Industry Relationships.** We use our strong industry relationships with national and regional technology intensive companies to comprehensively identify and respond to their real estate needs. Our leasing and sales professionals are real estate and technology industry specialists who can develop complex facility solutions for the most demanding technology tenants.

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

## Summary Risk Factors

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

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

We are dependent on significant tenants that may be costly or difficult to replace, and many of our properties are occupied by single tenants. The loss of significant tenants could cause a material decrease in cash available for distribution, including cash available for payment of dividends on our series A preferred stock.

If we fail to qualify as a REIT for federal income tax purposes, we will be taxed as a corporation and our liability for certain federal, state and local income taxes may significantly increase, which could result in a material decrease in cash available for distribution, including cash available for payment of dividends on our series A preferred stock.

Under a contribution agreement with the third-party contributors who contributed the direct and indirect interests in the 200 Paul Avenue and 1100 Space Park Drive properties to our operating partnership in connection with the contribution and acquisition transactions consummated concurrently with our initial public offering, we agreed to indemnify them against adverse tax consequences if we were to sell, exchange or otherwise dispose of these properties in a taxable transaction until the earlier of November 3, 2013 and the date on which these contributors (or certain transferees) hold less than 25% of the units of our operating partnership issued to them in connection with the contribution of these properties to our operating partnership. These properties represented 13.4% of our portfolio s annualized rent as of September 30, 2004. In addition, under this contribution agreement, we agreed to make up to $20.0 million of indebtedness available for guaranty by these contributors which will, among other things, allow them to defer the recognition of gain in connection with the contribution of these properties.

We are under contract to acquire two new technology-related properties, totaling 743,000 net rentable square feet, for an aggregate price of approximately $75.3 million. Our ability to complete these acquisitions depends on many factors, including the completion of our due diligence and satisfaction of customary closing conditions, such as assumption of indebtedness. The inability to complete either of these acquisitions within our anticipated time frames may harm our financial condition and ability to pay distributions, including dividends on our series A preferred stock.

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

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

As of September 30, 2004, our pro forma total consolidated indebtedness was approximately $528.8 million, and we may incur significant additional debt to finance future acquisition and development activities. We also have a $200 million unsecured revolving credit facility with a group of banks, including affiliates of Citigroup Global Markets Inc. and UBS Securities LLC, our joint bookrunning managers, Merrill Lynch, Pierce, Fenner & Smith Incorporated and other underwriters for this offering. The credit facility has a borrowing limit based upon a percentage of the value of our unsecured properties. We estimate that approximately $75.7 million of this facility will be available to us upon consummation of this offering and application of the proceeds therefrom, assuming 833 Chestnut Street qualifies as an eligible unsecured property under our credit facility. Our debt service obligations with respect to such indebtedness will reduce cash available for distribution, including cash available to pay dividends on our series A preferred stock, and expose us to the risk of default.

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

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

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

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**The Properties**

**Our Portfolio**

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

| Property[1] | Metropolitan Area | Percent Ownership | Year Built/ Renovated | Net Rentable Square Feet[2] | Percent Leased | Annualized Rent[3] | Annualized Rent Per Leased Square Foot[4] | Annualized Net Effective Rent Per Leased Square Foot[5] |
|---|---|---|---|---|---|---|---|---|
| **Telecommunications Infrastructure** | | | | | | | | |
| 200 Paul Avenue | San Francisco | 100.0% | 1955/1999&2001 | 532,238 | 82.9% | $ 10,817,714 | $ 24.50 | $ 28.02 |
| Univision Tower | Dallas | 100.0 | 1983 | 477,107 | 79.8 | 8,059,284 | 21.17 | 19.85 |
| Carrier Center | Los Angeles | 100.0 | 1922/1999 | 449,254 | 80.5 | 7,583,463 | 20.97 | 24.61 |
| Camperdown House[6] | London, UK | 100.0 | 1983/1999 | 63,233 | 100.0 | 4,016,624 | 63.52 | 63.52 |
| 1100 Space Park Drive | Silicon Valley | 100.0 | 2001 | 167,951 | 46.6 | 3,520,547 | 45.01 | 52.35 |
| 36 Northeast Second Street | Miami | 100.0 | 1927/1999 | 162,140 | 81.2 | 3,007,472 | 22.85 | 25.66 |
| Burbank Data Center | Los Angeles | 100.0 | 1991 | 82,911 | 100.0 | 1,373,106 | 16.56 | 18.41 |
| VarTec Building | Dallas | 100.0 | 1999 | 135,250 | 100.0 | 1,352,500 | 10.00 | 10.45 |
| | | | | **2,070,084** | **80.9** | **39,730,710** | **23.72** | **25.82** |
| **Information Technology Infrastructure** | | | | | | | | |
| Hudson Corporate Center | New York | 100.0 | 1989/2000 | 311,950 | 88.7 | 6,911,301 | 24.98 | 24.46 |
| 833 Chestnut Street | Philadelphia | 100.0[7] | 1927/1998 | 654,758 | 71.7[8] | 6,558,540 | 13.97 | 14.92 |
| Savvis Data Center | Silicon Valley | 100.0 | 2000 | 300,000 | 100.0 | 5,580,000 | 18.60 | 22.09 |
| Webb at LBJ | Dallas | 100.0 | 1966/2000 | 365,449 | 89.0 | 4,484,570 | 13.79 | 14.95 |
| AboveNet Data Center | Silicon Valley | 100.0 | 1987/1999 | 179,489 | 97.1 | 4,291,595 | 24.63 | 35.63 |
| NTT/Verio Premier Data Center | Silicon Valley | 100.0 | 1982-83/2001 | 130,752 | 100.0 | 3,781,200 | 28.92 | 31.11 |
| MAPP Building | Minneapolis/ St. Paul | 100.0[7] | 1947/1999 | 88,134 | 100.0 | 1,339,637 | 15.20 | 16.78 |
| Brea Data Center | Los Angeles | 100.0 | 1981/2000 | 68,807 | 100.0 | 1,176,600 | 17.10 | 19.78 |
| eBay Data Center | Sacramento | 75.0[9] | 1983/2000 | 62,957 | 100.0 | 1,133,226 | 18.00 | 19.20 |
| AT&T Web Hosting Facility | Atlanta | 100.0 | 1998 | 250,191 | 50.0 | 1,098,036 | 8.78 | 10.59 |
| | | | | **2,412,487** | **83.8** | **36,354,705** | **17.99** | **20.24** |
| **Technology Manufacturing** | | | | | | | | |
| Ardenwood Corporate Park | Silicon Valley | 100.0 | 1985-86 | 307,657 | 100.0 | 7,624,739 | 24.78 | 25.16 |
| Maxtor Manufacturing Facility | Silicon Valley | 100.0 | 1991 & 1997[10] | 183,050 | 100.0 | 3,272,934 | 17.88 | 19.92 |
| ASM Lithography Facility[11] | Phoenix | 100.0 | 2002 | 113,405 | 100.0 | 2,549,165 | 22.48 | 25.52 |
| | | | | **604,112** | **100.0** | **13,446,838** | **22.26** | **23.64** |
| **Technology Office/Corporate Headquarters** | | | | | | | | |
| Comverse Technology Building | Boston | 100.0 | 1957 & 1999[12] | 388,000 | 99.7 | 5,891,393 | 15.22 | 16.14 |
| 100 Technology Center Drive | Boston | 100.0 | 1989/2001 | 197,000 | 100.0 | 3,743,000 | 19.00 | 20.20 |
| Granite Tower | Dallas | 100.0 | 1999 | 240,151 | 95.5 | 3,431,956 | 14.97 | 15.08 |
| Stanford Place II | Denver | 98.0[13] | 1982 | 348,573 | 78.6 | 2,865,251 | 10.45 | 9.68 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Siemens Building | Dallas | 100.0 | 1999 | 125,538 | 100.0 | 1,917,505 | 15.27 | 17.57 |
| | | | | **1,299,262** | **93.4** | **17,849,105** | **14.72** | **15.29** |
| **Portfolio Total/Weighted Average** | | | | **6,385,945** | **86.3%** | **$ 107,381,358** | **$ 19.48** | **$ 21.22** |

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

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(2) Net rentable square feet at a building represents the current square feet at that building under lease as specified in the lease agreements plus management s estimate of space available for lease based on engineering drawings. Net rentable square feet includes tenants proportional share of common areas.
(3) Annualized rent represents the annualized monthly contractual rent under existing leases as of September 30, 2004. This amount reflects total base rent before any one-time or non-recurring rent abatements but after annually recurring rent credits and is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. Total abatements for leases in effect as of September 30, 2004 for the 12 months ending September 30, 2005 were $739,346.
(4) Annualized rent per leased square foot represents annualized rent as computed above, divided by the total square footage under lease as of the same date.
(5) For properties owned as of September 30, 2004, annualized net effective rent per leased square foot represents the contractual rent for leases in place as of September 30, 2004, calculated on a straight line basis from the date of acquisition by GI Partners or us or the date the lease commenced, if later. This amount is shown on a net basis; thus, for any tenant under a partial gross lease, the expense stop, or under a full gross lease, the current year operating expenses (which may be estimates as of such date), are subtracted from gross rent. This amount is further reduced by the annual amortization of any tenant improvement and leasing costs incurred by GI Partners or us for such leases, and is then divided by the net rentable square footage under lease as of the same date. For properties acquired after September 30, 2004, the same approach is used, except that the straight line rent calculation is as of the acquisition date or the projected acquisition date.
(6) Rental amounts for Camperdown House were calculated based on the exchange rate in effect on September 30, 2004 of $1.8093 per £1.00.
(7) Our operating partnership has entered into contracts to acquire these properties. While we believe that we will consummate these acquisitions, we cannot assure you that they will close because they remain subject to the completion of our due diligence and satisfaction of customary closing conditions.
(8) An affiliate of the Thomas Jefferson University Hospital entered into an agreement to lease 28,503 square feet commencing May 1, 2005 for a term of ten years. Based on leases in place as of September 30, 2004, this new lease would increase the occupancy of the property to approximately 76%.
(9) As of September 30, 2004, we owned a 75% tenancy-in-common interest in this property. On January 21, 2005, we purchased the remaining 25% interest in this property.
(10) This property consists of two buildings: 1055 Page Avenue was built in 1991, and 47700 Kato Road was built in 1997.
(11) We own the subsidiary that is party to a ground sublease covering this property. The term of the ground sublease expires on December 31, 2082.
(12) This property consists of two buildings: 100 Quannapowitt was built in 1999, and 200 Quannapowitt was built in 1957 and has subsequently been renovated.
(13) We indirectly own a 98% interest in a subsidiary that holds the fee simple interest in this property. An unrelated third party holds the remaining 2% interest in this subsidiary.

**Right of First Offer Properties**

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

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## The Offering

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

| | |
|---|---|
| Issuer | Digital Realty Trust, Inc., a Maryland corporation. |
| Securities Offered | 3,000,000 shares of our % series A cumulative redeemable preferred stock (3,450,000 shares if the underwriters option to purchase additional shares is exercised in full). |
| Ranking | The series A preferred stock will rank, with respect to dividend rights and rights upon our liquidation, dissolution or winding-up: |
| | senior to all classes or series of our common stock, and to any other class or series of our capital stock expressly designated as ranking junior to the series A preferred stock; |
| | on parity with any class or series of our capital stock expressly designated as ranking on parity with the series A preferred stock; and |
| | junior to any other class or series of our capital stock expressly designated as ranking senior to the series A preferred stock. |
| Dividend Rate and Payment Date | Investors will be entitled to receive cumulative cash dividends on the series A preferred stock from and including the date of original issue, payable quarterly in arrears on or about the day of , , , and of each year, commencing , 2005, at the rate of % per annum of the $25.00 liquidation preference per share (equivalent to an annual rate of $ per annum per share). The first dividend payable on the series A preferred stock on , 2005 will be a pro rata dividend from and including the original issue date to but excluding , 2005 in the amount of $ per share. Dividends on the series A preferred stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared. |

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| | As a result of recent changes in the tax law, dividends paid by regular C corporations to persons or entities that are taxed as United States individuals now are generally taxed at the rate applicable to long-term capital gains, which is a maximum of 15%, subject to certain limitations. Because we are a REIT, however, our dividends, including dividends paid on our series A preferred stock, generally will continue to be taxed at regular ordinary income tax rates, except to the extent that the special rules relating to qualified dividend income and capital gains dividends paid by a REIT apply. See Federal Income Tax Considerations. |
| Liquidation Preference | If we liquidate, dissolve or wind up, holders of the series A preferred stock will have the right to receive $25.00 per share, plus accrued and unpaid dividends (whether or not earned or declared) up to but excluding the date of payment, before any payment is made to holders of our common stock and any other class or series of capital stock ranking junior to the series A preferred stock as to liquidation rights. The rights of holders of series A preferred stock to receive their liquidation preference will be subject to the proportionate rights of any other class or series of our capital stock ranking on parity with the series A preferred stock as to liquidation. |
| Optional Redemption | We may not redeem the series A preferred stock prior to , 2010, except in limited circumstances to preserve our status as a REIT. On and after , 2010, the series A preferred stock will be redeemable at our option, in whole or in part at any time or from time to time, for cash at a redemption price of $25.00 per share, plus accrued and unpaid dividends up to but excluding the redemption date. Any partial redemption will be on a pro rata basis. |
| No Maturity, Sinking Fund or Mandatory Redemption | The series A preferred stock has no maturity date and we are not required to redeem the series A preferred stock at any time. Accordingly, the series A preferred stock will remain outstanding indefinitely, unless we decide, at our option, to exercise our redemption right. The series A preferred stock is not subject to any sinking fund. |

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

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

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## Our Tax Status

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

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## Summary Selected Financial Data

The following table sets forth summary selected financial and operating data on a combined historical basis for the Digital Realty Predecessor. The Digital Realty Predecessor is comprised of the real estate activities and holdings of GI Partners related to the properties in our portfolio. We have not presented historical information for Digital Realty Trust, Inc. because we did not have any corporate activity through September 30, 2004 other than the issuance of shares of common stock in connection with the initial capitalization of our company and because we believe that a discussion of the results of Digital Realty Trust, Inc. would not be meaningful. The Digital Realty Predecessor combined historical financial information includes:

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

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

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

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

The historical combined balance sheet information as of December 31, 2003 and 2002 of the Digital Realty Predecessor and the combined statements of operations information for the years then ended and for the period from February 28, 2001 (inception) through December 31, 2001 of the Digital Realty Predecessor have been derived from the historical combined financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical combined balance sheet information as of September 30, 2004 and December 31, 2001 and the combined statements of operations information for the nine months ended September 30, 2004 and 2003 have been derived from the unaudited combined financial statements of the Digital Realty Predecessor. In the opinion of the management of our company, the historical combined balance sheet information as of September 30, 2004 and the historical combined statements of operations for the nine months ended September 30, 2004 and 2003 include all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. Our results of operations for the interim period ended September 30, 2004 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited summary selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2004 and for the year ended December 31, 2003 assume completion of this offering and our intended use of the proceeds therefrom as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. Our unaudited summary selected pro forma consolidated financial statements also include the effects of our initial public offering, which closed on November 3, 2004, and the related formation and refinancing transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of the first day of the periods presented for the operating data and as of the stated date for the balance sheet data. Our unaudited summary selected pro forma consolidated financial statements also include the effects of the acquisition by us of the Burbank Data Center, the remaining 25% interest in the eBay Data Center and the expected acquisition by us of the acquisition properties, along with the related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the period presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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**The Company and the Digital Realty Predecessor**

**(Amounts in thousands, except per share data)**

| | Nine Months Ended September 30, | | | Year Ended December 31, | | | Period from February 28, 2001 (inception) through December 31, |
|---|---|---|---|---|---|---|---|
| | Pro Forma Consolidated | Historical Combined | | Pro Forma Consolidated | Historical Combined | | Historical Combined |
| | 2004 | 2004 | 2003 | 2003 | 2003 | 2002 | 2001 |
| | (Unaudited) | (Unaudited) | | (Unaudited) | | | |
| **Statement of Operations Data:** | | | | | | | |
| Rental revenues | $ 101,780 | $ 59,127 | $ 34,263 | $ 130,442 | $ 50,099 | $ 21,203 | $ |
| Tenant reimbursements | 19,353 | 10,055 | 6,230 | 25,024 | 8,661 | 3,894 | |
| Other revenues | 2,591 | 1,734 | 4,314 | 6,058 | 4,328 | 458 | 12 |
| Total revenues | 123,724 | 70,916 | 44,807 | 161,524 | 63,088 | 25,555 | 12 |
| Rental property operating and maintenance expenses | 22,860 | 11,625 | 5,604 | 27,817 | 8,624 | 4,997 | |
| Property taxes | 9,179 | 6,250 | 3,146 | 11,583 | 4,688 | 2,755 | |
| Insurance | 2,245 | 1,179 | 329 | 2,591 | 626 | 83 | |
| Interest expense | 25,231 | 15,804 | 6,786 | 33,638 | 10,091 | 5,249 | |
| Asset management fees to related party | | 2,389 | 2,389 | | 3,185 | 3,185 | 2,663 |
| Depreciation and amortization expense | 37,000 | 20,822 | 11,031 | 48,870 | 16,295 | 7,659 | |
| General and administrative expenses | 21,496 | 243 | 74 | 22,688 | 329 | 249 | |
| Other expenses | 2,771 | 2,716 | 2,566 | 2,698 | 2,459 | 1,249 | 107 |
| Total expenses | 120,782 | 61,028 | 31,925 | 149,885 | 46,297 | 25,426 | 2,770 |
| Income (loss) before minority interests (deficit) | 2,942 | 9,888 | 12,882 | 11,639 | 16,791 | 129 | (2,758) |
| Minority interests (deficit) | 1,743 | (28) | 126 | 6,930 | 149 | 190 | |
| Net income (loss) | 1,199 | 9,916 | 12,756 | 4,709 | 16,642 | (61) | (2,758) |
| Preferred dividends | 4,641 | | | 6,188 | | | |
| Net income (loss) available to common stockholders | $ (3,442) | $ 9,916 | $ 12,756 | $ (1,479) | $ 16,642 | $ (61) | $ (2,758) |
| **Balance Sheet Data (at period end)[(1)]** | | | | | | | |
| Investments in real estate, after accumulated depreciation and amortization | $ 852,432 | $ 650,207 | $ | $ | $ 391,737 | $ 217,009 | $ |
| Total assets | 1,088,402 | 822,189 | | | 479,698 | 269,836 | 1,893 |
| Notes payable under line of credit | 41,813 | 6,117 | | | 44,436 | 53,000 | |
| Notes payable under bridge loan | 7,950 | 243,686 | | | | | |
| Mortgages and other secured loans | 478,984 | 297,496 | | | 253,429 | 103,560 | |
| Total liabilities | 583,573 | 593,699 | | | 328,303 | 183,524 | 903 |
| Minority interests | 257,927 | 3,127 | | | 3,444 | 3,135 | |
| Stockholders /owner s equity | 246,902 | 225,363 | | | 147,951 | 83,177 | 990 |
| Total liabilities and stockholders /owner s equity | 1,088,402 | 822,189 | | | 479,698 | 269,836 | 1,893 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Per Share Data:** | | | | | | | |
| Pro forma earnings (loss) per share available to common shareholders  basic and diluted | $ (0.16) | $ | $ | $ (0.07) | $ | $ | $ |
| Pro forma weighted average common shares outstanding  basic and diluted | 21,421 | | | 21,421 | | | |
| **Cash flows from (used in):** | | | | | | | |
| Operating activities | $ | $ 31,551 | $ 20,901 | $ | $ 28,986 | $ 9,645 | $ (1,867) |
| Investing activities | | (321,737) | (179,140) | | (215,263) | (164,755) | (1,881) |
| Financing activities | | 287,641 | 156,568 | | 187,873 | 158,688 | 3,748 |
| **Other Data:** | | | | | | | |
| Funds from operations(2) | $ 39,965 | $ | $ | $ 60,509 | $ | $ | $ |
| Funds from operations available to common stockholders(2)(3) | 35,324 | | | 54,321 | | | |
| EBITDA(4) | 65,196 | 46,542 | 30,573 | 94,147 | 43,028 | 12,847 | (2,758) |
| EBITDA available to common stockholders(4)(5) | 60,555 | 46,542 | 30,573 | 87,959 | 43,028 | 12,847 | (2,758) |

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

(2) We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, or GAAP), excluding gains (or losses) from sales of property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

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

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

(4) We believe that earnings before interest, taxes, depreciation and amortization, or EBITDA, is a useful supplemental performance measure. In addition, we believe EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of equity REITs. However, EBITDA should not be considered as an alternative to net income as an indicator of our operating performance. In addition, because EBITDA is calculated before recurring cash charges including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of our business, its utility as a measure of our liquidity is limited. Accordingly, EBITDA should be considered only as a supplement to cash flows from operating activities (computed in accordance with GAAP) as a measure of our liquidity. Other equity REITs may calculate EBITDA differently than we do; accordingly, our EBITDA may not be comparable to such other REITs EBITDA. See the reconciliation of net income to EBITDA on page 16.

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

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

| | Pro Forma Nine Months Ended September 30, 2004 | Pro Forma Year Ended December 31, 2003 |
|---|---|---|
| **Reconciliation of pro forma net income to pro forma FFO and pro forma FFO available to common stockholders:** | | |
| Pro forma net income before minority interest in operating partnership but after minority interest in consolidated joint ventures | $ 2,965 | $ 11,639 |
| Plus pro forma real estate depreciation and amortization | 37,000 | 48,870 |
| Pro forma FFO | 39,965 | 60,509 |
| Less pro forma preferred stock dividends | 4,641 | 6,188 |
| Pro forma FFO available to common stockholders[(1)] | $ 35,324 | $ 54,321 |

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

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

| | Nine Months Ended September 30, | | | Year Ended December 31, | | | Period from February 28, 2001 (inception) through December 31, |
|---|---|---|---|---|---|---|---|
| | Pro Forma Consolidated | Historical Combined | | Pro Forma Consolidated | Historical Combined | | Historical Combined |
| | 2004 | 2004 | 2003 | 2003 | 2003 | 2002 | 2001 |
| **Reconciliation of net income to EBITDA:** | | | | | | | |
| Net income (loss) | $ 1,199 | $ 9,916 | $ 12,756 | $ 4,709 | $ 16,642 | $ (61) | $ (2,758) |
| Adjustments: | | | | | | | |
| Minority interest in operating partnership | 1,766 | | | 6,930 | | | |
| Interest expense | 25,231 | 15,804 | 6,786 | 33,638 | 10,091 | 5,249 | |
| Depreciation and amortization | 37,000 | 20,822 | 11,031 | 48,870 | 16,295 | 7,659 | |
| EBITDA | 65,196 | 46,542 | 30,573 | 94,147 | 43,028 | 12,847 | (2,758) |
| Less preferred stock dividends | 4,641 | | | 6,188 | | | |
| EBITDA available to common stockholders(1) | $ 60,555 | $ 46,542 | $ 30,573 | $ 87,959 | $ 43,028 | $ 12,847 | $ (2,758) |

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

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**Ratios of Earnings and EBITDA to Fixed Charges and Preferred Dividends**

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

| | Nine Months Ended September 30, 2004 | | Year Ended December 31, 2003 | | Year Ended December 31, 2002 | Period from February 28, 2001 (inception) through December 31, 2001 |
|---|---|---|---|---|---|---|
| | Pro Forma Consolidated | Historical Combined | Pro Forma Consolidated | Historical Combined | Historical Combined | Historical Combined |
| Ratio of earnings to fixed charges | 1.12x | 1.62x | 1.35x | 2.64x | .99x | |
| Ratio of earnings to fixed charges and preferred dividends | 0.94x | | 1.14x | | | |
| Ratio of EBITDA to fixed charges | 2.58x | 2.93x | 2.79x | 4.24x | 2.45x | |
| Ratio of EBITDA to fixed charges and preferred dividends | 2.18x | | 2.36x | | | |

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

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

For the nine months ended September 30, 2004, pro forma earnings were insufficient to cover pro forma fixed charges and pro forma preferred dividends by $1,676,000. For the year ended December 31, 2002, earnings were insufficient to cover fixed charges by $61,000. Pro forma earnings for the nine months ended September 30, 2004 and the year ended December 31, 2004 were impacted by $17.9 million of compensation expense resulting from awards of fully-vested long-term incentive units granted in connection with our initial public offering to certain employees and our Executive Chairman.

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

| | Nine Months Ended September 30, 2004 | | Year Ended December 31, 2003 | | Year Ended December 31, 2002 | Period from February 28, 2001 (inception) through December 31, 2001 |
|---|---|---|---|---|---|---|
| | Pro Forma Consolidated | Historical Combined | Pro Forma Consolidated | Historical Combined | Historical Combined | Historical Combined |
| Earnings | $ 28,281 | $ 25,805 | $ 45,343 | $ 26,799 | $ 5,188 | $ (2,758) |
| EBITDA | 65,196 | 46,542 | 94,147 | 43,028 | 12,847 | (2,758) |
| Fixed charges: | | | | | | |
| Interest expense | 25,231 | 15,804 | 33,638 | 10,091 | 5,249 | |
| Interest within rental expense | 85 | 85 | 66 | 66 | | |
| | 25,316 | 15,889 | 33,704 | 10,157 | 5,249 | |
| Preferred dividends | 4,641 | | 6,188 | | | |

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

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## RISK FACTORS

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

### Risks Related to Our Business and Operations

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

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

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