COLUMBIA SPORTSWEAR CO
Form 4
June 09, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BABSON STEPHEN E

(Last) (First) (Middle)

C/O COLUMBIA SPORTSWEAR COMPANY, 14375 NW SCIENCE PARK DRIVE

(Street)

PORTLAND, OR 97229

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COLUMBIA SPORTSWEAR CO [COLM]

3. Date of Earliest Transaction (Month/Day/Year)
06/08/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/08/2015		M		716	A	$ 0	108,984	D	
Common Stock								2,000	I	By Wife
Common Stock								4,500	I	By LP (1)
Common Stock								11,000	I	By Family Trust (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8.
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Units	$ 0	06/08/2015		M			716 (3)	06/07/2013 (4)	(5)	Common Stock	716	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BABSON STEPHEN E C/O COLUMBIA SPORTSWEAR COMPANY 14375 NW SCIENCE PARK DRIVE PORTLAND, OR 97229	X			

Signatures

Peter J. Bragdon, Attorney-in-Fact	06/09/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 4,500 shares held by Babson Capital Partners, LP, for which Mr. Babson is general partner.

(2) Includes 11,000 shares held by the Jean McCall Babson Trust, for which Mr. Babson is trustee and whose beneficiares include members of Mr. Babson's family.

(3) On September 26, 2014 the RSUs were adjusted to reflect COLM 2-for-1 stock split.

(4) Restricted stock units vest in three equal annual installments beginning on the Date Exercisable indicated. One share of Common Stock will be automatically delivered to the reporting person for each restricted stock unit that vests. If a vesting date falls on a weekend or any other day on which the Nasdaq Stock Market ("NSM") or any national securities exchange on which the Common Stock then is principally traded (the "Exchange") is not open, affected RSUs shall vest on the next following NSM or Exchange business day, as the case may be.

(5) N/A

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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	Digital Realty Trust Predecessor Historical	**Properties Acquired in 2004 and Expected to be Acquired in 2005**	**Properties Acquired in 2003**	**Financing Transactions**	**Other Pro Forma Adjustments**	**Company Pro Forma**
	(AA)	**(BB)**	**(CC)**	**(DD)**		
Revenues:						
Rental	$ 50,099	69,822	10,521			130,442
Tenant reimbursements	8,661	15,741	622			25,024
Other	4,328	1,662	68			6,058
	63,088	87,225	11,211			161,524
Expenses:						
Rental property operating and maintenance	8,624	17,330	1,863			27,817
Property taxes	4,688	5,472	1,423			11,583
Insurance	626	1,721	244			2,591
Interest	10,091	5,218		17,722		33,031
Asset management fees to related party	3,185				(3,185)(FF)	
Depreciation and amortization	16,295	27,510	5,065			48,870
General and administrative	329				18,064 (EE)	22,688
					2,701 (FF)	
					1,594 (GG)	
Other	2,459	56	183			2,698
	46,297	57,307	8,778	17,722	19,174	149,278
Income before minority interests	16,791	29,918	2,433	(17,722)	(19,174)	12,246
Minority interests	149	(149)			7,291 (HH)	7,291
Net income	16,642	30,067	2,433	(17,722)	(26,465)	4,955
Less Preferred Dividends					7,650 (II)	7,650
Net income (loss) available to common stockholders	$ 16,642	30,067	2,433	(17,722)	(34,115)	(2,695)
Pro Forma earnings per share available to common stockholders basic and diluted						$ (.13)(JJ)
Pro Forma weighted average common shares outstanding basic and diluted						21,421

See accompanying notes to pro forma condensed consolidated financial statements.

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements

(unaudited)

(Dollar amounts in thousands, except per share amounts)

1. Adjustments to the Pro Forma Condensed Consolidated Balance Sheet

The adjustments to the pro forma condensed consolidated balance sheet as of September 30, 2004 are as follows:

(A) Reflects the Digital Realty Trust, Inc. Predecessor (the Predecessor) historical condensed combined balance sheet as of September 30, 2004. Pursuant to the contribution agreement between the owner of the Predecessor and the Operating Partnership, which was executed in July 2004, the Operating Partnership received a contribution of direct and indirect interests in the properties in our portfolio in exchange for limited partnership interests in the Operating Partnership. The contribution was made in anticipation of the Company s initial public offering.

As of September 30, 2004, Global Innovation Partners, LLC (GI Partners) was the ultimate owner of 100% of the Company and the Predecessor. Upon completion of our initial public offering, GI Partners owns 44.76% of the common units of the Operating Partnership, as a limited partner, and no shares of the Company s common stock. The exchange of the interests contributed by GI Partners was accounted for as a reorganization of entities under common control; accordingly, the contributed assets and assumed liabilities were recorded at the Predecessor s historical cost basis.

Upon completion of our initial public offering and the formation transactions, the Company, as general partner, owns 40.46% of the common units of the Operating Partnership and has control over major decisions of the Operating Partnership. Additionally, the limited partners do not have rights to replace the general partner, approve the sale or refinancing of the Operating Partnership s assets or approve the acquisition of Operating Partnership assets, although they do have certain protective rights. Accordingly, the Company consolidated the assets and liabilities of the Operating Partnership in accordance with AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* (SOP 78-9).

There are also third parties that contributed their ownership interests in two properties, 200 Paul Avenue and 1100 Space Park Drive, to the Operating Partnership pursuant to the contribution agreements executed in July 2004. These contributors own common units in the Operating Partnership and no shares of the Company s common stock upon completion of our initial public offering. These two properties are not included in the Predecessor s combined financial statements. The exchanges of these ownership interests were accounted for as a purchase by the Company and were recorded at fair value, which is equal to the sum of the cash, debt assumed and units exchanged. See pro forma adjustment (B).

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(B) Reflects the acquisition of eBay Data Center, the purchase of 75% of which was consummated on October 14, 2004 and 25% of which was acquired on January 21, 2005, the acquisition of 200 Paul Avenue and 1100 Space Park Drive from third parties in exchange for cash, debt assumed and Operating Partnership common units and the acquisition of our joint venture partner s 10% interest in Univision Tower in exchange for Operating Partnership common units, all consummated upon completion of our initial public offering. These exchanges were accounted for as purchases based on the sum of cash paid and the fair value of the 6,331,511 Operating Partnership common units issued valued at the public offering price of our common stock. Also reflects the acquisition of Burbank Data Center, consummated on December 21, 2004, and the acquisitions of 833 Chestnut Street and MAPP Building, both of which are currently under purchase contracts. Also reflects a distribution to GI Partners upon completion of our initial public offering intended to approximate a normal real estate proration related to the properties that GI Partners contributed to the Operating Partnership.

The pro forma adjustments are comprised of the following:

	eBay Data Center	200 Paul Avenue	1100 Space Park Drive	10% Interest in Univision Tower	Burbank Data Center	833 Chestnut Street	MAPP Building	Proration	Total
Assets acquired:									
Investments in real estate, net	12,572	89,346	23,299	1,780	14,751	47,094	13,383		202,225
Acquired above market leases, net		14,194	6,131			2,447			22,772
Acquired in place lease value and deferred leasing costs, net	2,333	23,443	1,235		3,377	12,274	3,358		46,020
Subtract liabilities assumed:									
Mortgage loans including debt premium		46,908	15,913				10,576		73,397
Acquired below market leases, net	625	8,488	109		1,493	2,315	82		13,112
Add reversal of minority interest in consolidated joint venture				2,968					2,968
Net assets acquired	14,280	71,587	14,643	4,748	16,635	59,500	6,083		187,476
Subtract:									
Units issued in connection with acquisitions		70,837	393	4,748					75,978
Cash paid to acquire the properties	14,280	750	14,250		16,635	59,500	6,083		111,498
Cash distributed to GI Partners upon completion of the initial public offering to approximate a normal real estate proration								(4,620)	(4,620)

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(C) Reflects proceeds and related financing costs related to additional borrowings under the bridge facility with an affiliate of Citigroup Global Markets Inc. by the Predecessor subsequent to September 30, 2004, in connection with the acquisition of the 75% interest in eBay Data Center, the secured term debt funded upon completion of our initial public offering and borrowings under our unsecured credit facility in connection with our initial public offering and to acquire the properties acquired after our initial public offering and expected to be acquired in 2005. Also reflects refinancing of the Carrier Center mortgage and mezzanine loan and the Univision Tower mortgage loan with new mortgage loans in November 2004. The financing costs include loan assumption fees related to assuming certain of the Predecessor s loans. Finally, reflects repayment upon completion of our initial public offering of the 1100 Space Park Drive, ASM Lithography Facility and 36 Northeast Second Street mortgage loans, the Univision Tower mezzanine loan, a portion of the bridge facility (see pro forma adjustment (I) for repayment of the remaining portion), and the outstanding advances allocated to the Predecessor under GI Partners line of credit:

New Debt	Bridge Facility	Carrier Center Mortgage	Univision Tower Mortgage	Secured Term Debt	Unsecured Credit Facility	Loan Assumption Fees	Total
Borrowings	$ 7,950	26,001	58,000	155,000	113,550		360,501
Loan costs	(480)	(370)	(825)	(710)	(2,900)	(1,590)	(6,875)
Loan costs due at a later date					500		500
Net proceeds	$ 7,470	25,631	57,175	154,290	111,150	(1,590)	354,126

Repayment of Debt	1100 Space Park Drive Mortgage	ASM Lithography Facility Mortgage	36 Northeast Second Street Mortgage	Univision Tower Mortgage and Mezzanine	Carrier Center Mortgage and Mezzanine	Bridge Facility	GI Partners Line of Credit	Total
Notes payable under line of credit	$						6,117	6,117
Notes payable under bridge loan						105,486		105,486
Mortgage loans	15,913	13,984	17,826	39,148	14,264			101,135
Other secured loans				17,500	11,792			29,292
Prepayment costs	10	10	55	10	152			237
Accrued interest payable		55	59	476		544		1,134
Total payments	$ 15,923	14,049	17,940	57,134	26,208	106,030	6,117	243,401
Write-off of remaining loan premium	$			323	160			483

Write-off of unamortized deferred loan costs	$	191	62	36	66	1,379	1,734

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(D) Reflects the sale of 21,421,300 shares of common stock in the Company s initial public offering:

Proceeds from the initial public offering		$ 257,056
Less costs of the initial public offering:		
Underwriters discounts and commissions and financial advisory fees	17,994	
Other costs	9,500*	
		27,494
Net cash proceeds		$ 229,562
Common stock, 21,421,300 shares at $.01 per share		$ 214
Additional paid in capital		229,348
		$ 229,562

* A portion of the other offering costs had already been incurred as of September 30, 2004 and the owner of the Predecessor had loaned the Company funds to pay for such costs. The loan was non-interest bearing. The loan along with any unpaid costs was paid with proceeds from our initial public offering. See Pro forma adjustment (J).

(E) Reflects purchase from the investors in GI Partners of 8,231,336 limited partnership units in the Operating Partnership having an aggregate value of $98,776, based on the initial public offering price of our common stock, at a purchase price equal to the initial public offering price of our common stock, net of underwriting discounts and commissions and financial advisory fees	$ 91,862

(F) Reflects reclassification of owner s equity to common stock and additional paid in capital and accumulated other comprehensive income:

Additional paid in capital	$ 201,030
Accumulated other comprehensive income	338

Owner s equity	$ 201,368

(G) Reflects awards of 1,490,561 fully-vested long-term incentive units granted in connection with our initial public offering to employees and our executive chairman, based on the number of units specified by employment agreements and our executive chairman s agreement, valued at the initial public offering price of our common stock	$ 17,887

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(H) Reflects recording of minority interests in the Operating Partnership as a result of an aggregate of 30,030,870 limited partnership common units in the Operating Partnership held by the owner of the Predecessor, the owners of 200 Paul Avenue and 1100 Space Park Drive and the Predecessor s joint venture partner in Univision Tower and 1,490,561 fully-vested long-term incentive units held by our employees and our executive chairman:

Sum of pro forma common equity and pro forma minority interests in the Operating Partnership before allocation	$ 432,933
Percentage allocable to minority interests	59.54%
Minority interests in operating partnership	257,768
Pro forma aggregate adjustments to minority interests in operating partnership excluding this adjustment	2,003
	$ 255,765

(I) Repayment of the remaining balance of the bridge loan facility, see pro forma adjustment (C)	$ 138,200	
(J) Represents reversal of prepaid initial public offering costs that had been incurred as of September 30, 2004 and the related note payable to affiliate since pro forma adjustment (D) reflects payment of all costs of our initial public offering.	$ 4,052	
(K) Reflects the sale of 3,600,000 shares of preferred stock for $25.00 per share in this offering		
Proceeds from this offering		$ 90,000
Less costs of this offering:		
Underwriters discounts and commissions	2,835	
Other costs	900	
Net Cash Proceeds		3,735
		$ 86,265
(L) Represents paydown of unsecured credit facility with proceeds from this offering.	$ 86,265	

2. Adjustments to Pro Forma Condensed Consolidated Statements of Operations

The adjustments to the pro forma condensed consolidated statements of operations for the nine months ended September 30, 2004, and the year ended December 31, 2003 are as follows:

(AA) Reflects the Predecessor s historical condensed combined statements of operations for the nine months ended September 30, 2004 and the year ended December 31, 2003. As discussed in note (A), the real estate properties and interests therein contributed by the owner of the Predecessor to the Operating Partnership in exchange for common units in the Operating Partnership were recorded at the Predecessor s historical cost. Expenses such as depreciation and amortization to be recognized by the Operating Partnership related to the contributed interests are based on the Predecessor s historical cost of related assets.

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

As discussed in note (A), upon completion of the initial public offering and the formation transactions, the Company, as general partner, owns 40.46% of the common units of the Operating Partnership; however the Company has control over all major decisions of the Operating Partnership. Accordingly, the Company consolidates the revenues and expenses of the Operating Partnership. See note (HH) for the pro forma adjustment to allocate 59.54% of the income (loss) of the Operating Partnership to the limited partners of the Operating Partnership.

(BB) Reflects the acquisition of eBay Data Center, 75% of which was acquired on October 14, 2004 and the remaining 25% of which was acquired on January 21, 2005. Reflects the Company s acquisitions of 200 Paul Avenue and 1100 Space Park Drive from third parties in exchange for cash, debt assumed and Operating Partnership common units and our joint venture partner s 10% interest in Univision Tower in exchange for Operating Partnership common units, all upon completion of our initial public offering. Also reflects the acquisition of Burbank Data Center consummated on December 21, 2004, and the acquisition of 833 Chestnut Street and MAPP Building, both of which are under purchase contracts.

The purchase method of accounting is used to reflect the acquisition of these properties and the 10% interest. For the pro forma condensed consolidated income statement for the year ended December 31, 2003, also reflects the Predecessor s acquisition of 100 Technology Center Drive, consummated on February 17, 2004, Siemens Building, consummated on April 23, 2004, Savvis Data Center, consummated on May 24, 2004, Carrier Center, consummated on May 25, 2004, Comverse Technology Building, consummated on June 16, 2004, Webb at LBJ consummated on August 25, 2004, and Abovenet consummated on September 17, 2004. The pro forma adjustments are comprised of the following:

Nine Months Ended September 30, 2004

	Combined Historical Revenues and Certain Expenses(1)	Adjustments Resulting from Purchasing the Properties	Pro Forma Adjustments
Revenues:			
Rental	$ 21,366	1,711(2)	23,077
Tenant reimbursements	4,899		4,899
Other	125		125
	26,390	1,711	28,101
Expenses:			
Rental property operating and maintenance	6,447		6,447
Property taxes	1,016		1,016
Insurance	507		507

Interest	2,760		2,760
Depreciation and amortization		9,139(3)	9,139
Other	9		9
	10,739	9,139	19,878
Income before minority interests	15,651	(7,428)	8,223
Minority interests in consolidated joint ventures		5	5
Net income	$ 15,651	(7,433)	8,218

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

Year Ended December 31, 2003

	Combined Historical Revenues and Certain Expenses[(1)]	Adjustments Resulting from Purchasing the Properties	Pro Forma Adjustments
Revenues:			
Rental	$ 67,309	2,513(2)	69,822
Tenant reimbursements	15,741		15,741
Other	1,662		1,662
	84,712	2,513	87,225
Expenses:			
Rental property operating and maintenance	17,330		17,330
Property taxes	5,472		5,472
Insurance	1,721		1,721
Interest	5,218		5,218
Depreciation and amortization		27,510(3)	27,510
Other	56		56
	29,797	27,510	57,307
Income before minority interests	54,915	(24,997)	29,918
Minority interests in consolidated joint ventures		(149)	(149)
Net income	$ 54,915	(24,848)	30,067

(1) The combined properties historical revenues and expenses are as follows:

Nine Months Ended September 30, 2004

	200 Paul Avenue	1100 Space Park Drive	eBay Data Center	Burbank Data Center	833 Chestnut Street	MAPP Building	Combined Historical Revenues and Certain Expenses
Revenues:							
Rental	9,257	2,853	909	1,117	6,225	1,005	21,366
Tenant reimbursements	2,236	458			1,280	925	4,899
Other					125		125

	11,493	3,311	909	1,117	7,630	1,930	26,390
Expenses:							
Rental property operating and maintenance	2,344	467			3,098	538	6,447
Property taxes	216	148			343	309	1,016
Insurance	219	34			217	37	507
Interest	1,501	699				560	2,760
Other	3	6					9
	4,283	1,354			3,658	1,444	10,739
Net income	7,210	1,957	909	1,117	3,972	486	15,651

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

	Year Ended December 31, 2003													
	100 Technology Center Drive	Siemens Building	Savvis Data Center	Carrier Center	Comverse Technology Building	AboveNet Data Center	Webb at LBJ	200 Paul Avenue	1100 Space Park Drive	eBay Data Center	Burbank Data Center	833 Chestnut Street	MAPP Building	Combined Historical Revenues and Certain Expenses
Revenues:														
Rental	$ 3,795	2,510	6,341	9,688	7,048	5,994	5,000	11,980	3,753	942	1,460	7,458	1,340	67,309
Tenant reimbursements	368	266	901	2,768	3,269	1,394	369	3,095	575			1,687	1,049	15,741
Other	2	2	52	948	5	532	79					42		1,662
	4,165	2,778	7,294	13,404	10,322	7,920	5,448	15,075	4,328	942	1,460	9,187	2,389	84,712
Expenses:														
Rental property operating and maintenance	102	335	149	3,161	2,945	1,136	904	3,081	654			4,136	727	17,330
Property taxes	384	418	495	683	1,209	528	602	204	379			297	273	5,472
Insurance		26	257	453	101	239	44	254	34			264	49	1,721
Interest				1,077				2,530	857				754	5,218
Other					46			5	5					56
	486	779	901	5,374	4,301	1,903	1,550	6,074	1,929			4,697	1,803	29,797
Net income	$ 3,679	1,999	6,393	8,030	6,021	6,017	3,898	9,001	2,399	942	1,460	4,490	586	54,915

(2) Reflects increase in rental revenues for straight line rent amounts and amortization of acquired below market leases, net of amortization of acquired above market leases, all resulting from purchase accounting.

(3) Reflects depreciation and amortization of the buildings and improvements, tenant improvements and acquired in-place lease values.

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(CC) For the pro forma condensed consolidated income statement for the nine months ended September 30, 2004, reflects pro forma revenues and expenses for the period from January 1, 2004 through the date of acquisition of the applicable properties by the Predecessor for all properties acquired during the nine months ended September 30, 2004 based on historical revenues and expenses, as adjusted for purchase accounting. For the pro forma condensed consolidated income statement for the year ended December 31, 2003, reflects pro forma revenues and expenses for the period from January 1, 2003 to the date of acquisition of the applicable property by the Predecessor for all properties acquired during 2003 based on historical revenues and expenses, as adjusted for purchase accounting:

Nine Months Ended September 30, 2004

	100 Technology Center Drive	Siemens Building	Savvis Data Center	Carrier Center	Comverse Technology Building	Webb at LBJ	AboveNet Data Center	Pro Forma Adjustments
Revenues:								
Rental	$ 431	970	2,890	4,001	3,232	3,648	4,404	19,576
Tenant reimbursements	47	35	301	1,110	1,691	218	997	4,399
Other			1	297	10	63	361	732
	478	1,005	3,192	5,408	4,933	3,929	5,762	24,707
Expenses:								
Rental property operating and maintenance	14	104	31	1,510	1,489	744	896	4,788
Property taxes	47	129	160	211	585	412	369	1,913
Insurance		8	110	180	48	27	186	559
Interest				736				736
Depreciation and amortization	310	346	1,188	907	1,988	1,637	663	7,039
Other					46			46
	371	587	1,489	3,544	4,156	2,820	2,114	15,081
Net income	$ 107	418	1,703	1,864	777	1,109	3,648	9,626

Year Ended December 31, 2003

	VarTec Building	Ardenwood Corporate Park	ASM Lithography Facility	AT&T Web Hosting Facility	Brea Data Center	Granite Tower	Maxtor Manufacturing Facility	Stanford Place II	Pro Forma Adjustments
Revenues:									

Rental	$	340	1,154	667	846	3,675		3,839	10,521
Tenant reimbursements	9	39	5	75	62	356		76	622
Other								68	68
	9	379	1,159	742	908	4,031		3,983	11,211
Expenses:									
Rental property operating and maintenance	1	16	10	29	21	752	26	1,008	1,863
Property taxes	7	20		75	35	439	223	624	1,423
Insurance		2	9	10	3	45	107	68	244
Interest									
Depreciation and amortization		130	299	196	268	1,601	599	1,972	5,065
Other			130			36	17		183
	8	168	448	310	327	2,873	972	3,672	8,778
Net income (loss)	$ 1	211	711	432	581	1,158	(972)	311	2,433

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(DD) Reflects the net increase in interest expense as a result of the financing related pro forma adjustments. The following outlines the loans to be outstanding upon completion of this offering and the acquisition of 833 Chestnut Street, MAPP Building and the remaining 25% interest in eBay Data Center and the corresponding interest expense that would have been recorded had these loans been outstanding as of the beginning of the periods presented:

	Loans Payable as of September 30, 2004	Interest Rate[1]	Interest Expense: Nine Months Ended September 30, 2004	Interest Expense: Year Ended December 31, 2003
100 Technology Center Drive Mortgage	$ 20,000	LIBOR + 1.70%	$ 647	862
200 Paul Avenue Mortgage	46,908	LIBOR + 3.17%	1,970	2,627
Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building Mortgage	43,000	LIBOR + 1.59%	1,297	1,729
Ardenwood Corporate Park, NTT/Verio Premier Data Center and VarTec Building Mezzanine	22,000	LIBOR + 5.75%	1,349	1,799
AT&T Web Hosting Facility Mortgage	8,775	LIBOR + 1.85%	293	391
Camperdown House Mortgage	23,079(2)	6.85%	1,352	1,802(2)
Carrier Center Mortgage	26,001	LIBOR + 4.25%(3)	1,316	1,755
Granite Tower Mortgage	21,645	LIBOR + 1.20%	619	825
MAPP Building Mortgage(5)	9,717	7.62%	555	740
Maxtor Manufacturing Facility Mortgage	18,000	LIBOR + 2.25%	687	916
Stanford Place II Mortgage	26,000	5.14%	1,002	1,336
Univision Tower Mortgage	58,000	6.04%	2,627	3,503
eBay Bridge Loan	7,950	LIBOR + 2.00%	264	352
Secured Term Debt	155,000	5.65%	6,567	8,756
Unsecured credit facility	27,285	LIBOR + 1.75%	856	1,141
Additional interest from interest rate swaps(4)			946	1,261
Amortization of loan costs			2,525	3,365
Amortization of loan premiums			(96)	(129)
Total Pro Forma Principal Outstanding	513,360		24,776	33,031
Loan Premium(5)	859			
Total	$ 514,219			
Historical interest expense for the Predecessor, Carrier Center, 200 Paul Avenue, 1100 Space Park Drive, and the MAPP Building			(19,300)	(15,309)
			$ 5,476	$ 17,722

(1) We calculated pro forma interest expense for loans with variable interest rates using current LIBOR rates (2.43% for one-month LIBOR to 2.84% for six-month LIBOR as of January 7, 2005).

(2) The Camperdown House mortgage is denominated in pounds sterling. The loan payable has been converted to U.S. dollars using the exchange rates of our foreign currency forward contract whereas current exchange rate has been used for the interest expense.

(3) The interest rate on the Carrier Center mortgage loan is subject to a 2.50% LIBOR floor.

(4) We entered into swap agreements to swap variable interest rates for fixed rates for a notional amount of principal totaling approximately $140.3 million. The strike rates on the swap agreements range from 3.18% to 3.82%.

(5) Represents principal balance or premium, as applicable, pertaining to debt that we plan to assume in connection with the acquisition of the MAPP Building, which is currently under purchase contract.

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(EE) Reflects compensation expense related to awards of 1,490,561 fully-vested long-term incentive units granted in connection with the initial public offering to employees and our executive chairman, based on the number of units specified by employment agreements and our executive chairman s agreement and utilizing the initial public offering price of our common stock as the value of such units. Also reflects compensation expense related to awards of an aggregate of 783,902 stock options, which vest over a four-year period, granted to employees and our executive chairman upon completion of the initial public offering:

	Nine Months Ended September 30, 2004	Year Ended. December 31, 2003
Long-term incentive units	$ 17,887	$ 17,887
Stock options	132	177
	$ 18,019	$ 18,064

(FF) Reflects reclassification of asset management fees to general and administrative expense. Although such asset management fees are not payable subsequent to the completion of the initial public offering, the asset management fees incurred historically have been replaced with direct payments of compensation expense, rent and other general and administrative expenses that were paid for indirectly prior to the completion of the initial public offering by paying the asset management fees. Also reflects removing the asset manager s estimated profit that was included in the asset management fee:

Asset management fees	$ 2,389	$ 3,185
Remove asset manager s estimated profit	(363)	(484)
	$ 2,026	$ 2,701

(GG) Reflects increases in general and administrative expense as a result of becoming a public company:

Director fees	$ 90	$ 120
Compensation for our chief financial officer, executive vice president of telecommunications infrastructure and others who were hired upon completion of the initial public offering	694	925
Directors and officers insurance	305	406
Other	119	143
	$ 1,208	$ 1,594

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DIGITAL REALTY TRUST, INC.

Notes to Pro Forma Condensed Consolidated Financial Statements (Continued)

(unaudited)

(Dollar amounts in thousands, except per share amounts)

(HH) Reflects allocation of minority interests in net income (loss) of the Operating Partnership as a result of common units in the Operating Partnership held by the previous owner of the Predecessor (44.76%), the previous owners of 200 Paul Avenue and 1100 Space Park Drive (collectively 11.21%), management (2.82%) and the previous owner of the 10% interest in Univision Tower (0.75%):

		Nine Months Ended September 30, 2004	Year Ended December 31, 2003
	Total income (loss) after minority interests in consolidated joint ventures but before allocation to minority interest in operating partnership	$ 3,420	$ 12,246
	Percentage allocable to minority interest	59.54%	59.54%
		$ 2,036	$ 7,291
(II)	Reflects dividends for the preferred stock in this offering based on a dividend rate of 8.5%	$ 5,738	$ 7,650

(JJ) Pro forma earnings (loss) per share basic and diluted are calculated by dividing pro forma consolidated net income (loss) by the number of shares of common stock issued in our initial public offering. The stock options issued by the Company do not have a dilutive effect on earnings per share because the market value of the stock for pro forma purposes is equal to the initial public offering price which is equal to the exercise price for the stock options.

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Report of Independent Registered

Public Accounting Firm

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying balance sheet of Digital Realty Trust, Inc. and subsidiary (the Company) as of March 31, 2004. This financial statement is the responsibility of the Company s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Digital Realty Trust, Inc. as of March 31, 2004 in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Los Angeles, California

July 22, 2004

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DIGITAL REALTY TRUST, INC.

BALANCE SHEETS

	September 30, 2004	March 31, 2004
	(Unaudited)	
ASSETS		
Cash	$ 2,000	2,000
Deferred offering costs	4,052	
Total assets	$ 6,052	2,000
LIABILITIES AND STOCKHOLDER S EQUITY		
Non-interest bearing note payable to an affiliate and total liabilities	$ 4,052	
Stockholder s Equity:		
Common stock, $.01 par value, 100,000,000 shares authorized; 200 shares issued and outstanding	2	2
Additional paid-in capital	1,998	1,998
Total stockholder s equity	2,000	2,000
Total liabilities and stockholder s equity	$ 6,052	2,000

See accompanying notes to balance sheet.

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DIGITAL REALTY TRUST, INC.

Notes to Balance Sheets

March 31, 2004

(1) Organization and Description of Business

Digital Realty Trust, Inc. (the Company) was incorporated in Maryland on March 9, 2004 under the name of Digital Properties Trust, at which time the Company issued 200 shares of its common stock to Global Properties Holdings, LLC in connection with the initial capitalization of the Company. On April 28, 2004, Global Properties Holdings, LLC sold its shares of the Company s common stock to Global Innovation Partners, LLC (GI Partners) for $2,000. On July 21, 2004, the Company changed its name to Digital Realty Trust, Inc. The Company expects to file a Registration Statement on Form S-11 with the Securities and Exchange Commission with respect to a proposed public offering (the Offering) of common stock. The Company is the sole owner and general partner of Digital Realty Trust, L.P. (the Operating Partnership), which was formed on July 21, 2004 in anticipation of the Offering. Upon completion of the Offering, the Company and the Operating Partnership will continue to operate and expand the business of the Digital Realty Predecessor (the Predecessor). The Predecessor is not a legal entity; rather it is a combination of certain of the real estate subsidiaries of GI Partners along with an allocation of certain assets, liabilities, revenues and expenses of GI Partners related to the real estate held by such subsidiaries. The Predecessor is engaged in the business of ownership, acquisition, repositioning and management of technology-related real estate. Operations of the Company and the Operating Partnership are planned to commence upon completion of the Offering.

The Company and the Operating Partnership together with the investors in GI Partners, the owner of the Predecessor and unrelated third parties (collectively, the Participants) will engage in certain formation transactions (the Formation Transactions). The Formation Transactions are designed to (i) continue the operations of the Predecessor, (ii) acquire additional properties or interests in properties from the Participants, (iii) enable the Company to raise the necessary capital to repay certain mortgage debt relating to certain of the properties and pay other indebtedness, (iv) fund costs, capital expenditures and working capital, (v) provide a vehicle for future acquisitions, (vi) enable the Company to comply with requirements under the federal income tax laws and regulations relating to real estate investment trusts and (vii) preserve tax advantages for certain Participants.

The operations of the Company will be carried on primarily through the Operating Partnership. It is the intent of the Company to elect the status of and qualify as a REIT under Section 856 through 860 of the Internal Revenue Code of 1986, as amended for the taxable year ending December 31, 2004. Pursuant to a contribution agreement among the owner of the Predecessor and the Operating Partnership, which was executed in July 2004, the Operating Partnership will receive a contribution of interests in certain of GI Partners properties in exchange for limited partnership interests in the Operating Partnership and the assumption of debt and other specified liabilities. Additionally, pursuant to contribution agreements between the Operating Partnership and third parties, which were also executed in July 2004, the Operating Partnership will receive contributions of interests in certain additional real estate properties in exchange for limited partnership interests in the Operating Partnership and the assumption of specified liabilities. The value of the units that the Operating Partnership will give for contributed property interests and other assets will increase or decrease based on the initial public offering price of the Company s common stock. The initial public offering price of the Company s common stock will be determined in consultation with the underwriters.

The Company has committed to purchase a portion of the limited partnership interests that will be issued to GI Partners immediately following the completion of the Offering. The purchase price will be equal to the value of the Operating Partnership units based on the initial public offering price of the Company s Stock, net of underwriting discounts and commissions and financial advisory fees. Additionally, if the underwriters exercise their over-allotment option, the Company has committed to purchase additional units having a value equal to the net proceeds to the Company from such exercise.

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DIGITAL REALTY TRUST, INC.

Notes to Balance Sheet (Continued)

March 31, 2004

(2) Income Taxes

As a REIT, the Company will be permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the Company level. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

(3) Offering Costs

In connection with the Offering, GI Partners will incur legal, accounting, and related costs, which will be reimbursed by the Company upon completion of the Offering. Such costs will be deducted from the gross proceeds of the Offering.

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

COMBINED BALANCE SHEETS

(In thousands)

	September 30, 2004	December 31, 2003
	(Unaudited)	
Assets		
Investments in real estate:		
Land	$ 103,981	$ 50,715
Acquired ground lease	1,477	1,477
Buildings and improvements	509,971	323,981
Tenant improvements	59,775	28,590
	675,204	404,763
Accumulated depreciation and amortization	(24,997)	(13,026)
	650,207	391,737
Cash and cash equivalents	2,629	5,174
Restricted cash	10,212	651
Accounts and other receivables	4,203	1,139
Deferred rent	9,616	5,178
Acquired above market leases, net	24,932	11,432
Acquired in place lease value and deferred leasing costs, net	111,422	59,477
Deferred financing costs, net	3,927	3,396
Prepaid offering costs	4,052	
Other assets	989	1,514
	$ 822,189	$ 479,698
Liabilities and Owner s Equity		
Notes payable under line of credit	$ 6,117	$ 44,436
Notes payable under bridge loan	243,686	
Mortgage loans	246,204	213,429
Other secured loans	51,292	40,000
Unsecured note payable to affiliate	4,052	
Accounts payable and accrued expenses	9,721	7,117
Acquired below market leases, net	28,139	19,258
Security deposits and prepaid rents	3,692	3,267
Asset management fees payable to related party	796	796
	593,699	328,303
Minority interests	3,127	3,444
Owner s equity	225,363	147,951
	$ 822,189	$ 479,698

See accompanying notes to combined financial statements

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

COMBINED STATEMENTS OF INCOME

(In thousands)

	Three months ended September 30,	
	2004	**2003**
	(Unaudited)	
Revenues:		
Rental	$ 24,666	$ 11,965
Tenant reimbursements	4,658	1,913
Other	22	92
	29,346	13,970
Expenses:		
Rental property operating and maintenance	5,336	1,966
Property taxes	2,417	730
Insurance	617	121
Interest	7,926	2,687
Asset management fees to related party	797	797
Depreciation and amortization	8,604	3,844
General and administrative	86	31
Other	176	86
	25,959	10,262
Income before minority interests	3,387	3,708
Minority interests	28	53
Net income	$ 3,359	$ 3,655

See accompanying notes to combined financial statements

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

COMBINED STATEMENTS OF INCOME

(In thousands)

	Nine months ended September 30,	
	2004	**2003**
	(Unaudited)	
Revenues:		
Rental	$ 59,127	$ 34,263
Tenant reimbursements	10,055	6,230
Other	1,734	4,314
	70,916	44,807
Expenses:		
Rental property operating and maintenance	11,625	5,604
Property taxes	6,250	3,146
Insurance	1,179	329
Interest	15,804	6,786
Asset management fees to related party	2,389	2,389
Depreciation and amortization	20,822	11,031
General and administrative	243	74
Other	2,716	2,566
	61,028	31,925
Income before minority interests	9,888	12,882
Minority interests	(28)	126
Net income	$ 9,916	$ 12,756

See accompanying notes to combined financial statements

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

COMBINED STATEMENT OF COMPREHENSIVE INCOME

(In thousands)

	Nine months ended September 30,	
	2004	**2003**
	(Unaudited)	
Net income	$ 9,916	$ 12,756
Other comprehensive income:		
Foreign currency translation adjustments	33	490
Comprehensive net income	$ 9,949	$ 13,246

See accompanying notes to the combined financial statements

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

COMBINED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2004	2003
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 9,916	$ 12,756
Adjustment to reconcile net income to net cash provided by operating activities:		
Minority interests	(28)	126
Distributions to joint venture partner	(289)	(198)
Write off of net assets due to early lease termination	2,371	2,393
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground lease	12,271	6,331
Amortization of deferred financing costs	3,515	267
Amortization of debt premium	(1,111)	(727)
Amortization of acquired in place lease value and deferred leasing costs	8,551	4,700
Amortization of acquired above market leases and acquired below market leases, net	(175)	(1,778)
Changes in assets and liabilities:		
Accounts and other receivables	(3,064)	(114)
Deferred rent	(4,445)	(2,497)
Other assets	525	(1,052)
Accounts payable and accrued expenses	3,089	(710)
Security deposits and prepaid rent	425	608
Asset management fee payable to related party		796
Net cash provided by operating activities	31,551	20,901
Cash flows from investing activities:		
Acquisitions of properties	(306,270)	(173,036)
Improvements to investments in real estate	(5,906)	(5,934)
Increase in restricted cash	(9,561)	(170)
Net cash used in investing activities	(321,737)	(179,140)
Cash flows from financing activities:		
Borrowings under line of credit	99,381	93,575
Repayments under line of credit	(137,700)	(65,000)
Borrowings under bridge loan	243,686	
Proceeds from mortgage loans	20,000	57,000
Principal payments on mortgage loans	(1,051)	(2,373)
Proceeds from other secured loans		22,000
Principal payments on other secured loans	(92)	
Borrowings under note payable to affiliate	4,052	
Prepayment of offering costs	(4,052)	
Payment of loan fees and costs	(4,046)	(2,319)
Contribution from joint venture partner		225
Contributions from owner	113,658	96,469
Distributions to owner	(46,195)	(43,009)

Net cash provided by financing activities	287,641	156,568
Net decrease in cash and cash equivalents	(2,545)	(1,671)
Cash and cash equivalents, beginning of period	5,174	3,578
Cash and cash equivalents, end of period	$ 2,629	$ 1,907
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 12,717	$ 7,170
Supplemental disclosure of noncash investing and financing activities:		
Increase in net assets related to foreign currency translation adjustments	33	490
Accrual for additions to investments in real estate included in accounts payable and accrued expenses	915	544
Reduction in loan balance from seller and related reduction in purchase price for the property	500	
Allocation of purchase of properties to:		
Investments in real estate	242,462	145,816
Acquired above market leases	16,381	8,573
Acquired below market leases	(12,214)	(5,369)
Acquired in place lease value	60,186	24,016
Loan premium	(545)	
Cash paid for acquisition of properties	306,270	173,036
Mortgage loans assumed in connection with the acquisition of a property	14,392	
Other secured loan assumed in connection with the acquisition of a property	11,884	
Purchase deposits applied to acquisitions of properties		600
Total purchase price	332,546	173,636

See accompanying notes to combined financial statements

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) Organization and Description of Business

Digital Realty Trust, Inc. (the Company) completed its initial public offering of common stock (the IPO) on November 3, 2004 and commenced operations on that date. The IPO resulted in sale of 20,000,000 shares of common stock at a price per share of $12, generating gross proceeds to the Company of $240 million. The aggregate proceeds to the Company, net of underwriters discounts, commissions and financial advisory fees and other offering costs were approximately $214.2 million. On November 30, 2004, an additional 1,421,300 shares of common stock were sold at $12 per share as a result of the underwriters exercising their over-allotment option. This resulted in net proceeds of $15.9 million to the Company.

Through its controlling interest in Digital Realty Trust, L.P. (the Operating Partnership), which was formed on July 21, 2004 in anticipation of the IPO, the Company is engaged in the business of ownership, acquisition, repositioning and management of technology-related real estate. Effective as of the completion of the IPO, including exercise of the underwriters over-allotment option, the Company, as sole general partner, owns a 40.5% interest in the Operating Partnership and has control over major decisions of the Operating Partnership. The limited partners of the Operating Partnership do not have rights to replace the general partner, approve the sale or refinancing of the Operating Partnership s assets, although they do have certain protective rights.

The Company continues to operate and expand the business of its predecessor (the Company Predecessor). The Company Predecessor is not a legal entity; rather it is a combination of certain of the real estate subsidiaries of Global Innovation Partners, LLC, a Delaware limited liability company (GI Partners) along with an allocation of certain assets, liabilities, revenues and expenses of GI Partners related to the real estate held by such subsidiaries.

Pursuant to a contribution agreement among the owner of the Company Predecessor and the Operating Partnership, which was executed in July 2004, on October 27, 2004, the Operating Partnership received a contribution of interests in certain of GI Partners properties in exchange for limited partnership interests in the Operating Partnership and the assumption of debt and other specified liabilities. Additionally, pursuant to contribution agreements between the Operating Partnership and third parties, which were also executed in July 2004, the Operating Partnership received contributions of interests in certain additional real estate properties in exchange for limited partnership interests in the Operating Partnership and the assumption of specified liabilities.

As of the completion of the IPO, the Company s portfolio consists of 23 properties; 22 are located throughout the United States and one is located in London, England. The Company s properties are located in a limited number of markets where technology tenants are concentrated, including the Atlanta, Boston, Dallas, Denver, Los Angeles, Miami, New York, Phoenix, Sacramento, San Francisco and Silicon Valley metropolitan areas. The portfolio consists of telecommunications infrastructure properties, information technology properties, technology manufacturing properties and regional or national headquarters of technology companies. As of September 30, 2004, the Company Predecessor s portfolio consisted of 20 properties.

The Company was incorporated in Maryland on March 9, 2004. Prior to the completion of the IPO, GI Partners owned the Company and the Company had no operations until the completion of the IPO. The Company Predecessor commenced operations on January 10, 2002 when it acquired its first investment in real estate. GI Partners was formed on February 28, 2001 by and between California Public Employees

Retirement System, Global Innovation Contributors, LLC, and Global Innovation Manager, LLC.

The Company and the Operating Partnership together with the investors in GI Partners and unrelated third parties (collectively, the Participants) engaged in certain formation transactions (the Formation Transactions) that were completed concurrently with the completion of the IPO. The Formation Transactions were designed to (i) continue the operations of the Company Predecessor, (ii) acquire additional properties or interests in properties from the Participants, (iii) enable the Company to raise the necessary capital to repay certain mortgage

DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

debt relating to certain of the properties and pay other indebtedness, (iv) fund costs, capital expenditures and working capital, (v) provide a vehicle for future acquisitions, (vi) enable the Company to comply with requirements under the federal income tax laws and regulations relating to real estate investment trusts and (vii) preserve tax advantages for certain Participants.

The operations of the Company are carried on primarily through the Operating Partnership. It is the intent of the Company to elect the status of and qualify as a REIT under Section 856 through 860 of the Internal Revenue Code of 1986, as amended for the taxable year ending December 31, 2004.

The Company purchased a portion of the limited partnership interests that were issued to GI Partners immediately following the completion of the IPO and upon exercise of the underwriters over-allotment option, the aggregate purchase of which was $91.9 million. The purchase price was equal to the value of the Operating Partnership units based on the initial public offering price of the Company s stock, net of underwriting discounts and commissions and financial advisory fees.

(2) Summary of Significant Accounting Policies

(a) Principles of Combination and Basis of Presentation

The accompanying combined financial statements include the wholly owned real estate subsidiaries and two majority owned real estate joint ventures that GI Partners contributed to the Operating Partnership on October 27, 2004 in connection with the IPO. The interests of the joint venture partners, all of whom are third parties, are reflected in minority interests in the accompanying combined financial statements. The accompanying combined financial statements also include the accounts of Digital Realty Trust, Inc., which, as of September 30, 2004, consist primarily of prepaid offering costs and a loan payable to an affiliate in the same amount.

The accompanying combined financial statements do not include the real estate subsidiaries for two properties owned by GI Partners that are subject to right of first offer agreements, whereby the Operating Partnership has the right to make the first offer to purchase these properties if GI Partners decides to sell them. The accompanying combined financial statements also do not include any of GI Partners investments in privately held companies, which GI Partners did not contribute to the Operating Partnership.

The accompanying combined statements include an allocation of GI Partners line of credit to the extent that such borrowings and the related interest expense relate to acquisitions of the real estate owned by the subsidiaries and joint ventures that GI Partners contributed to the Operating Partnership. Additionally, the accompanying combined financial statements include an allocation of asset management fees to a related party incurred by GI Partners along with an allocation of the liability for any such fees that are unpaid as of the balance sheet dates and an allocation of GI Partners general and administrative expenses. Although neither the Company nor the Operating Partnership are or will be parties to the agreement requiring the payment of the asset management fees, an allocation of such fees has been included in the accompanying combined financial statements since such fees were essentially the Company Predecessor s historical general and administrative expense. The Company Predecessor did not directly incur personnel costs, home office space rent or other general and administrative expenses that subsequent to the completion of the IPO are incurred directly by the Company and the Operating Partnership. These types of expenses were historically incurred by the asset manager and were passed through to GI Partners via the asset management fee.

The Company will continue to account for the properties contributed by GI Partners upon the completion of the IPO using their historical basis of accounting. The Company and the Company Predecessor account for properties purchased from third parties, including properties acquired in exchange for Operating Partnership units upon completion of the IPO, using purchase accounting.

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

The accompanying interim combined financial statements are unaudited; but have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for the full fiscal year. These financial statements should be read in conjunction with the Company s prospectus dated October 28, 2004 and the combined financial statements and notes thereto of the Company Predecessor included therein.

(b) Income Taxes

No provision has been made in the Company Predecessor combined financial statements for income taxes, as any such taxes are the responsibility of GI Partners members, as GI Partners is a limited liability company. To the extent that any United Kingdom taxes are incurred by the subsidiary invested in real estate located in London, England, a provision is made for such taxes.

As a REIT, the Company will be permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the Company level. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

(c) Reclassifications

Certain prior year amounts have been reclassified to conform to the current period presentation.

(3) Debt

(a) Lines of Credit

Borrowings under GI Partners $100,000,000 revolving credit facility were allocated to the Company Predecessor to the extent that the borrowings related to the Company s Predecessor s real estate investments. Upon completion of the IPO, the Company assumed and repaid $6.1 million of such borrowings. Outstanding advances under GI Partners line of credit bore interest at variable rates based on LIBOR plus 0.875%.

Upon completion of the IPO, the Operating Partnership entered into an unsecured revolving credit facility with a group of banks led by affiliates of Citigroup Global Markets, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. The credit facility provides for borrowings up to $200 million and bears interest at a rate ranging between LIBOR + 1.375% and LIBOR + 1.750% depending on the Operating Partnership s overall leverage. This credit facility matures on November 3, 2007, with an option to extend the term for one year.

The terms of the credit facility includes certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness and of liens and the disposition of assets, and which require compliance with financial ratios relating to the minimum amounts of tangible net worth, debt service coverage (both on a combined and unencumbered asset-only basis), and fixed charge coverage and unencumbered property debt service coverage, the maximum amount of unsecured indebtedness, and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT for federal income tax purposes, we will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations for such period, subject to certain other adjustments.

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

(b) Bridge Loan

As of September 30, 2004, the Company Predecessor borrowed an aggregate of $243.7 million under a bridge loan facility, which was secured by certain of the properties. Upon completion of the IPO, these borrowings were assumed by the Company and repaid with the proceeds of the IPO. An additional $7.95 million was borrowed subsequent to September 30, 2004, related to the acquisition of eBay Data Center and such amount was assumed by the Company and remains outstanding. The borrowings under the bridge loan bear interest at one-month LIBOR plus 2%, payable monthly and any outstanding principal is due at maturity on August 11, 2005.

(c) Mortgage and Other Secured Loans

Mortgage and other secured loans consist of the following as of September 30, 2004 (dollar amounts in thousands):

	Interest Rate	Maturity Date	Principal Amount
100 Technology Center Drive Mortgage	LIBOR + 1.70%	April 1, 2009	$ 20,000
36 Northeast Second Street Mortgage (1)	Greater of 4.00% or one of the two variable rates as defined in the loan agreement	May 1, 2005	17,826
Ardenwood Corporate Park, VarTec Building and NTT /Verio Premier Data Center Mortgage	LIBOR +1.59%	August 9, 2006 (6)	43,000
Ardenwood Corporate Park, VarTec Building and NTT /Verio Premier Data Center Mezzanine	LIBOR + 5.75%	August 9, 2006 (6)	22,000
ASM Lithography Facility Mortgage (1)	Greater of 4.75% or LIBOR +2.75%	June 30, 2006	13,984
AT&T Web Hosting Facility Mortgage	LIBOR +1.85%	December 1, 2006	8,775
Camperdown House Mortgage	6.845%	October 31, 2009	23,079 (8)
Carrier Center Mortgage (2)	LIBOR +4.00% (4)	October 4, 2007	14,264
Carrier Center Mezzanine (2)	LIBOR +5.25% (5)	July 1, 2005	11,792
Granite Tower Mortgage	LIBOR +1.20%	January 1, 2009	21,645
Maxtor Manufacturing Facility Mortgage	LIBOR +2.25%	December 31, 2006 (7)	18,000
Stanford Place II Mortgage	5.14%	January 10, 2009	26,000
Univision Tower Mortgage (1)(3)	7.52%	January 1, 2005	39,148
Univision Tower Mezzanine (1)(3)	8.00%	January 1, 2007	17,500
Total principal outstanding			297,013
Loan premium			483
Total mortgage and other secured loans			$ 297,496

(1) These loans were repaid upon completion of the IPO.

(2)

The Carrier Center loans were refinanced shortly after the completion of the IPO into a single mortgage loan bearing interest at LIBOR + 4.25%.

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, INC. PREDECESSOR

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

(3) The Univision loans were refinanced shortly after the completion of the IPO into a single mortgage loan of $58 million bearing interest at 6.04% and maturing on November 6, 2009.
(4) Subject to a 2.5% LIBOR floor.
(5) Subject to a 2.0% LIBOR floor.
(6) A 13 month extension and a one-year extension are available.
(7) Two one-year extensions are available.
(8) Based on our hedged exchange rate of $1.6083 to £1.00.

Upon the completion of the IPO, the Company obtained new mortgage debt totaling $155.0 million with an interest rate of 5.65% and a maturity date of November 3, 2014 and assumed debt related to properties acquired from third parties upon completion of the IPO. The amount of this assumed debt that was not repaid upon completion of the IPO was $209.0 million.

(d) Unsecured Note Payable to Affiliate

As of September 30, 2004, the Company had borrowed $4.1 million from GI Partners to prepay offering costs. Such loan was non-interest bearing, unsecured and was repaid upon completion of the IPO.

(4) Investments in Real Estate Acquired During the Three Months Ended September 30, 2004

The Company Predecessor acquired Webb at LBJ for $46.1 million on August 25, 2004 and AboveNet Data Center for $36.8 million on September 17, 2004.

(5) Commitments and Contingencies

As of September 30, 2004, the Company had entered into agreements to acquire a 75% interest in eBay Data Center for $4.5 million in cash and 200 Paul Avenue and 1100 Space Park Drive in exchange for an aggregate of 5.9 million Operating Partnership units, assumption of debt and cash for a total purchase price of $149.1 million. Additionally, the Company had a commitment to acquire the 10% Univision Tower joint venture interest owned by a third party and an option to acquire the Carrier Center property from GI Partners. The Company exercised the option simultaneously with the IPO and acquired the property for $90.1 million. GI Partners received 2,868,846 units and the Company assumed $56 million of debt, of which $30.1 million was repaid upon completion of the IPO. The third party received 395,665 units as of the IPO in connection with the acquisition. The eBay purchase was consummated on October 14, 2004 and the remaining purchases were consummated upon completion of the IPO.

As of September 30, 2004, the Company was committed to award 1,490,560 fully vested special long-term incentive units and an aggregate of 783,902 stock options to certain individuals who became employees of the Operating Partnership upon completion of the IPO and to the executive chairman of the Company.

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Report of Independent

Registered Public Accounting Firm

The Owner

Digital Realty Predecessor:

We have audited the accompanying combined balance sheets of Digital Realty Predecessor (the Predecessor), as defined in Note 1, as of December 31, 2003 and 2002 and the related combined statements of operations, owner s equity and comprehensive income (loss), and cash flows for the years then ended and for the period from February 28, 2001 (inception) through December 31, 2001. In connection with our audits of the combined financial statements, we also have audited the financial statement schedule III, Properties and Accumulated Depreciation. These combined financial statements and financial statement schedule are the responsibility of the Predecessor s management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Digital Realty Predecessor as of December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended and for the period from February 28, 2001 (inception) through December 31, 2001 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule III, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Los Angeles, California

July 22, 2004

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DIGITAL REALTY PREDECESSOR

Combined Balance Sheets

(In thousands)

	December 31, 2003	December 31, 2002
Assets		
Investments in real estate:		
Land	50,715	16,304
Acquired ground lease	1,477	
Buildings and improvements	323,981	190,299
Tenant improvements	28,590	14,027
	404,763	220,630
Accumulated depreciation and amortization	(13,026)	(3,621)
	391,737	217,009
Cash and cash equivalents	5,174	3,578
Accounts and other receivables	1,139	2,240
Deferred rent	5,178	1,409
Acquired above market leases, net of accumulated amortization of $2,016 in 2003 and $401 in 2002	11,432	3,538
Acquired in place lease value and deferred leasing costs, net of accumulated amortization of $10,560 in 2003 and $4,038 in 2002	59,477	40,057
Deferred financing costs, net of accumulated amortization of $1,157 in 2003 and $345 in 2002	3,396	1,212
Other assets	2,165	793
	479,698	269,836
Liabilities and Owner s Equity		
Notes payable under line of credit	44,436	53,000
Notes payable under bridge loan		
Mortgage loans	213,429	85,560
Other secured loans	40,000	18,000
Accounts payable and accrued expenses	7,117	7,589
Acquired below market leases, net of accumulated amortization of $5,768 in 2003 and $2,452 in 2002	19,258	16,891
Security deposits and prepaid rents	3,267	1,688
Asset management fees payable to related party	796	796
	328,303	183,524
Minority interests	3,444	3,135
Owner s equity, including $305 and $463 of accumulated other comprehensive income in 2003 and 2002, respectively	147,951	83,177
	479,698	269,836

See accompanying notes to combined financial statements.

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DIGITAL REALTY PREDECESSOR

Combined Statements of Operations

(In thousands)

	Years Ended December 31, 2003	Years Ended December 31, 2002	Period from February 28, 2001 (inception) through December 31, 2001
Revenues:			
Rental	50,099	21,203	
Tenant reimbursements	8,661	3,894	
Other	4,328	458	12
	63,088	25,555	12
Expenses:			
Rental property operating and maintenance	8,624	4,997	
Property taxes	4,688	2,755	
Insurance	626	83	
Interest	10,091	5,249	
Asset management fees to related party	3,185	3,185	2,663
Depreciation and amortization	16,295	7,659	
General and administrative	329	249	
Other	2,459	1,249	107
	46,297	25,426	2,770
Income (loss) before minority interests	16,791	129	(2,758)
Minority interests	149	190	
Net income (loss)	16,642	(61)	(2,758)

See accompanying notes to combined financial statements.

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DIGITAL REALTY PREDECESSOR

Combined Statements of Owner s Equity and Comprehensive Income (Loss)

Years ended December 31, 2003 and 2002 and period from

February 28, 2001 (inception) through December 31, 2001

(In thousands)

Contributions	$ 3,748
Net loss	(2,758)
Balance, December 31, 2001	990
Contributions	86,090
Distributions	(4,305)
Net loss	(61)
Other comprehensive income foreign currency translation adjustments	463
Comprehensive income	402
Balance, December 31, 2002	83,177
Contributions	131,181
Distributions	(82,891)
Net income	16,642
Other comprehensive loss foreign currency translation adjustments	(158)
Comprehensive income	16,484
Balance, December 31, 2003	$ 147,951

See accompanying notes to combined financial statements.

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DIGITAL REALTY PREDECESSOR

Combined Statements of Cash Flows

(In thousands)

	Years Ended December 31, 2003	Years Ended December 31, 2002	Period from February 28, 2001 (inception)/ through December 31, 2001
Cash flows from operating activities:			
Net income (loss)	16,642	(61)	(2,758)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Minority interests	149	190	
Distributions to joint venture partner	(240)	(395)	
Write off of net assets due to early lease termination	2,094	1,210	
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground lease	9,480	3,621	
Amortization of deferred financing costs	816	341	
Amortization of debt premium	(970)	(889)	
Amortization of acquired in place lease value and deferred leasing costs	6,815	4,038	
Amortization of acquired above market leases and acquired below market leases, net	(1,892)	(2,051)	
Changes in assets and liabilities:			
Accounts and other receivables	1,101	(2,228)	(12)
Deferred rent	(3,769)	(1,409)	
Other assets	(2,337)	(43)	
Accounts payable and accrued expenses	(482)	5,633	107
Security deposits and prepaid rent	1,579	1,688	
Asset management fee payable to related party			796
Net cash provided by (used in) operating activities	28,986	9,645	(1,867)
Cash flows from investing activities:			
Acquisitions of properties	(210,318)	(163,363)	
Deposits paid for acquisitions of properties		(750)	(1,881)
Improvements to investments in real estate	(4,945)	(642)	
Net cash used in investing activities	(215,263)	(164,755)	(1,881)
Cash flows from financing activities:			
Borrowings under line of credit	91,436	53,000	
Repayments under line of credit	(100,000)		
Borrowings under bridge loan			
Proceeds from mortgage loans	131,420	23,173	
Principal payments on mortgage loans	(2,673)	(1,057)	
Proceeds from other secured loans	22,000		
Principal payments on other secured loans			
Payment of loan fees and costs	(3,000)	(1,553)	
Contribution from joint venture partner	400	3,340	
Contributions from owner	131,181	86,090	3,748
Distributions to owner	(82,891)	(4,305)	

Net cash provided by financing activities	187,873	158,688	3,748
Net increase (decrease) in cash and cash equivalents	1,596	3,578	
Cash and cash equivalents, beginning of period	3,578		
Cash and cash equivalents, end of period	5,174	3,578	
Supplemental disclosure of cash flow information			
Cash paid during the period for interest	10,088	4,945	
Supplemental disclosure of noncash investing and financing activities:			
Increase (decrease) in net assets related to foreign currency translation adjustments	(158)	463	
Accrual for additions to investments in real estate included in accounts payable and accrued expenses	1,859	1,849	
Allocation of purchase of properties to:			
Investments in real estate	180,546	137,319	
Acquired above market leases	10,614	4,281	
Acquired below market leases	(6,964)	(19,343)	
Acquired in place lease value	26,122	44,015	
Loan premium		(2,909)	
Cash paid for acquisition of properties	210,318	163,363	
Mortgage loans assumed in connection with the acquisition of a property		60,648	
Other secured loan assumed in connection with the acquisition of a property			
Other secured loan obtained from seller of real estate		18,000	
Purchase deposits applied to acquisitions of properties	750	1,881	
Total purchase price	211,068	243,892	

See accompanying notes to combined financial statements.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements

December 31, 2003 and 2002

(1) Organization

Digital Realty Predecessor (the Predecessor) is owned by Global Innovation Partners, LLC, a Delaware limited liability company (GI Partners). The Predecessor is not a legal entity; rather it is a combination of certain of the real estate subsidiaries of GI Partners along with an allocation of certain assets, liabilities, revenues and expenses of GI Partners related to the real estate held by such subsidiaries, as described below in Note (2)(a). The Predecessor is engaged in the business of ownership, acquisition, repositioning, and management of technology-related real estate.

The Predecessor commenced operations on January 10, 2002 when it acquired its first investment in real estate. GI Partners was formed on February 28, 2001 by and between California Public Employees Retirement System (CalPERS), Global Innovation Contributors, LLC (GIC), and Global Innovation Manager, LLC (the Manager) (collectively, the Members).

In anticipation of an initial public offering (the Offering) of the common stock of Digital Realty Trust, Inc. (the REIT), which is expected to be completed in 2004, the REIT and a majority owned limited partnership that the REIT formed on July 21, 2004, Digital Realty Trust, L.P. (the Operating Partnership), together with GI Partners and unrelated third parties (collectively, the Participants), will engage in certain formation transactions (the Formation Transactions). The Formation Transactions are designed to (i) continue the operations of the Predecessor, (ii) acquire additional properties or interests from third parties, (iii) enable the REIT to raise necessary capital to repay certain mortgage debt relating to certain of the properties and pay other indebtedness, (iv) fund costs, capital expenditures and working capital, (v) provide a vehicle for future acquisitions, (vi) enable the REIT to comply with requirements under the federal income tax laws and regulations relating to real estate investment trusts and (vii) preserve tax advantages for certain Participants.

The operations of the REIT will be carried on primarily through the Operating Partnership. It is the intent of the REIT to elect the status of and qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended for the taxable year ending December 31, 2004. The REIT will be the sole general partner in the Operating Partnership. Pursuant to a contribution agreement among the owner of the Predecessor and the Operating Partnership, which was executed in July 2004, the Operating Partnership will receive a contribution of interests in the real estate properties in exchange for limited partnership interests in the Operating Partnership and the assumption of debt and other specified liabilities.

The REIT has committed to purchase a portion of the limited partnership interests that will be issued to GI Partners immediately following the completion of the Offering. The purchase price will be equal to the value of the Operating Partnership units based on the initial public offering price of the REIT s stock, net of underwriting discounts and commissions and financial advisory fees. Additionally, if the underwriters exercise their over-allotment option, the REIT has committed to purchase additional units from these members having a value equal to the net proceeds from such exercise.

(2) Summary of Significant Accounting Policies

(a) Principles of Combination

The accompanying combined financial statements include the wholly owned real estate subsidiaries and majority owned real estate joint ventures that GI Partners intends to contribute to the Operating Partnership in connection with the Offering, including Carrier Center (unaudited) beginning May 25, 2004 upon acquisition of the property. The Operating Partnership has an option to acquire Carrier Center and management believes that it is probable that the Operating Partnership will acquire Carrier Center as of the consummation of the Formation Transactions and completion of the Offering. The interests of the joint venture partners, all of whom are third parties, are reflected in minority interests in the accompanying combined financial statements.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

The accompanying combined financial statements do not include the real estate subsidiaries for the properties owned by GI Partners that are subject to right of first offer agreements, whereby the Operating Partnership has the right to make the first offer to purchase these properties if GI Partners decides to sell them, since management believes that it is not currently probable that the Operating Partnership will acquire these properties as the properties are presently vacant. The accompanying combined financial statements also do not include any of GI Partners investments in privately held companies, which GI Partners also does not intend to contribute to the Operating Partnership.

The accompanying combined statements include an allocation of GI Partners line of credit to the extent that such borrowings and the related interest expense relate to acquisitions of the real estate owned by the subsidiaries and joint ventures that GI Partners intends to contribute to the Operating Partnership. Additionally, the accompanying combined financial statements include an allocation of asset management fees to a related party incurred by GI Partners along with an allocation of the liability for any such fees that are unpaid as of the balance sheet dates and an allocation of GI Partners general and administrative expenses.

(b) Cash Equivalents

For purpose of the combined statements of cash flows, the Predecessor considers short-term investments with maturities of 90 days or less when purchased to be cash equivalents. As of December 31, 2003 and 2002, cash equivalents consist of investments in a money market fund.

(c) Investments in Real Estate

Investments in real estate are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight line basis over the estimated useful lives as follows:

Acquired ground lease	99 years
Buildings and improvements	39 years
Tenant improvements	Shorter of the useful lives or the terms of the related leases

Improvements and replacements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. Repairs and maintenance are charged to expense as incurred.

(d) Impairment of Long-Lived Assets

The Predecessor assesses whether there has been impairment in the value of its long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management believes no impairment in the net carrying values of the investments in real estate has occurred.

(e) Purchase Accounting for Acquisition of Investments in Real Estate

Purchase accounting is applied to the assets and liabilities related to all real estate investments acquired by the Predecessor. In accordance with Statement of Financial Accounting Standards No. 141, *Business*

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

Combinations, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, value of tenant relationships and acquired ground leases, based in each case on their fair values. Loan premiums, in the case of above market rate loans, or loan discounts, in the case of below market loans, are recorded based on the fair value of any loans assumed in connection with acquiring the real estate.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land (or acquired ground lease if the land is subject to a ground lease), building and tenant improvements based on management s determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions, legal and other related costs.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease and, for below-market leases, over a period equal to the initial term plus any below market fixed rate renewal periods. The leases do not currently include any below market fixed rate renewal periods. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values, also referred to as acquired lease obligations, are amortized as an increase to rental income over the initial terms of the respective leases and any below market fixed rate renewal periods.

In addition to the intangible value for above market leases and the intangible negative value for below market leases, there is intangible value related to having tenants leasing space in the purchased property, which is referred to as in-place lease value and tenant relationship value. Such value results primarily from the buyer of a leased property avoiding the costs associated with leasing the property including tenant improvement allowances and leasing commissions and also avoiding rent losses and unreimbursed operating expenses during the lease up period. The aggregate fair value of in-place leases and tenant relationships is equal to the excess of (i) the fair value of a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in-place lease value and tenant relationships based on management s evaluation of the specific characteristics of each tenant s lease; however, the value of tenant relationships has not been separated from in-place lease value for the real estate acquired by the Predecessor because such value and its consequence to amortization expense is immaterial for these particular acquisitions. Should future acquisitions of properties result in allocating material amounts to the value of tenant relationships, an amount would be separately allocated and amortized over the estimated life of the relationship. The value of in-place leases exclusive of the value of above-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

(f) Deferred Leasing Costs

Deferred leasing commissions and other direct costs associated with the acquisition of tenants are capitalized and amortized on a straight line basis over the terms of the related leases.

(g) Foreign Currency Translation

Assets and liabilities of the subsidiary that owns a real estate investment located in London, England are translated into U.S. dollars using year-end exchange rates except for the portion subject to a foreign currency forward contract discussed in Note (2)(h); income and expenses are translated using the average exchange rates for the reporting period. The functional currency of this subsidiary is the British pound. Translation adjustments are recorded as a component of accumulated other comprehensive income.

(h) Foreign Currency Forward Contract

The Predecessor accounts for its foreign currency hedging activities in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*, and FASB Statement No. 52, *Foreign Currency Translation*.

Changes in the fair value of foreign currency forward contracts that are highly effective as hedges are designated and qualify as foreign currency hedges, and are used as a hedge of a net investment in a foreign operation, are recorded as a component of accumulated other comprehensive income.

The terms of the foreign currency forward contract held as of December 31, 2003, which has a notional amount denominated in British pounds, of £7,850,000, was used to convert the balances of the investment in real estate located in London, England into U.S. dollars. The fair value of such forward contract was $(1,350,000) as of December 31, 2003 and this is included in other comprehensive loss included in owner s equity. The Predecessor had no forward contracts at December 31, 2002.

(i) Deferred Financing Costs

Loan fees and costs related to the Predecessor s loans are capitalized and amortized over the life of the related loans on a straight line basis, which approximates the effective interest method. Such amortization is included as a component of interest expense.

(j) Income Taxes

No provision has been made in the combined financial statements for income taxes, as any such taxes are the responsibility of GI Partners Members, as GI Partners is a limited liability company. To the extent that any United Kingdom taxes are incurred by the subsidiary invested in real estate located in London, England, a provision is made for such taxes. There were no such taxes for the years ended December 31, 2003 and 2002 and the period from February 28, 2001 (inception) to December 31, 2001.

(k) Revenue Recognition

All leases are classified as operating leases and minimum rents are recognized on a straight line basis over the terms of the leases. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in deferred rent in the accompanying combined balance sheets and contractually due but unpaid rents are included in accounts and other receivables.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

Tenant reimbursements for real estate taxes, common area maintenance, and other recoverable costs are recognized in the period that the expenses are incurred. Lease termination fees, which are included in other income in the accompanying combined statements of operations, are recognized when the related leases are canceled and the Predecessor has no continuing obligation to provide services to such former tenants.

A provision for possible loss is made if the receivable balances related to contractual rent, rent recorded on a straight line basis, and tenant reimbursements are considered to be uncollectible.

(l) Management s Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates made.

Management has identified certain critical accounting policies that affect management s more significant judgments and estimates used in the preparation of the Predecessor s combined financial statements. On an on going basis, management evaluates estimates related to critical accounting policies, including those related to revenue recognition and the allowance for doubtful accounts receivable and investments in real estate and asset impairment. The estimates are based on information that is currently available to management and on various other assumptions that management believes are reasonable under the circumstances.

Management must make estimates related to the collectibility of accounts receivable related to minimum rent, deferred rent, expense reimbursements, lease termination fees and other income. Management specifically analyzes accounts receivable and historical bad debts, tenant concentrations, tenant creditworthiness, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts receivable. These estimates have a direct impact on the Predecessor s net income, because a higher bad debt allowance would result in lower net income.

Management is required to make subjective assessments as to the useful lives of the properties for purposes of determining the amount of depreciation to record on an annual basis with respect to the Predecessor s investments in real estate. These assessments have a direct impact on the Predecessor s net income because if management were to shorten the expected useful lives of the Predecessor s investments in real estate, the Predecessor would depreciate such investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

Management is required to make subjective assessments as to whether there are impairments in the values of the Predecessor s investments in real estate. These assessments have a direct impact on the Predecessor s net income because recording an impairment loss results in an immediate negative adjustment to net income.

Management is required to make subjective assessments as to the fair value of assets and liabilities in connection with purchase accounting related to real estate acquired by the Predecessor. These assessments have a direct impact on the Predecessor s net income subsequent to the acquisition of the additional interests as a result of depreciation and amortization being recorded on these assets and liabilities over the expected lives of the related assets and liabilities.

Management estimates the fair value of rental properties utilizing a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs, similar to the income approach that is commonly utilized by appraisers.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

(3) Investments in Real Estate

The Predecessor s investments in real estate consist of equity investments in technology-related properties. The properties include telecommunications infrastructure, information technology infrastructure, technology manufacturing, and technology office/corporate headquarters facilities. As of December 31, 2003, the Predecessor held 13 properties; 12 located in seven states within the United States and one located in London, England, with 29% and 27% of the carrying value of the investments in real estate comprised of properties located in Texas and California, respectively. As of December 31, 2002, the Predecessor held five properties located in four states within the United States and one located in London, England, with 36% and 25% of the carrying value of the investments in real estate comprised of properties located in Texas and New Jersey, respectively.

The Predecessor has a 90% ownership interest in a property known as Univision Tower, located in Texas. The minority partner s 10% share is reflected in minority interests in the accompanying combined financial statements.

The Predecessor has a 98% ownership interest in a property known as Stanford Place II, located in Colorado. The minority partner s 2% share is reflected in minority interests in the accompanying combined financial statements. Distributions from this joint venture are allocated based on the stated percentage interests until distributions exceed the amount required to return all capital plus a 15% return. After that, disproportionate allocations are made based on the formulas described in the joint venture agreement whereby the 2% joint venture partner is allocated a larger share.

(4) Debt

(a) Line of Credit

GI Partners has a $100,000,000 revolving credit facility with several banks and a financial services company, which expires on December 31, 2004. GI Partners is currently negotiating with the lenders to obtain a 12-month extension for this facility. Advances under the facility are secured by unfunded capital commitments of GI Partners. Outstanding advances totaled $60,000,000 and $57,000,000 as of December 31, 2003 and 2002, respectively, of which $44,436,000 and $53,000,000 has been allocated to the Predecessor since these borrowings relate to the Predecessor s real estate investments. Available credit under the line is reduced by amounts set aside for GI Partners obligations under outstanding letters of credit. There were no outstanding letters of credit as of December 31, 2003 and 2002.

Outstanding advances under the line of credit bear interest at variable rates based on LIBOR plus 0.875% or the reference rate, as defined in the revolving credit agreement, at the option of GI Partners. As of December 31, 2003 and 2002, all of the outstanding advances have been designated as LIBOR advances and the applicable borrowing rates from the various advances range from 2.025% to 2.045% as of December 31, 2003 and 2.275% to 2.635% as of December 31, 2002. Interest is payable monthly.

Commitment fees equal to 0.2% per annum of the unused maximum commitment under this line of credit are due quarterly if the unused maximum commitment is greater than or equal to one-half of the maximum commitment under the credit facility. However, commitment fees equal to 0.15% per annum of the unused maximum commitment are due quarterly if the unused maximum commitment is less than one-half of the maximum commitment. Additionally, a letter of credit fee equal to 1% per annum of the daily stated amount of each letter of credit issued under the credit facility is due quarterly.

Advances under the line of credit may be prepaid and reborrowed without penalty. The loan agreement includes certain covenants. Management believes that GI Partners has complied with these loan covenants.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

(b) Mortgage and Other Secured Loans

Mortgage and other secured loans consist of the following as of December 31, 2003 and 2002 (in thousands):

	2003	2002
Mortgage loans:		
Loan payable to a financial institution, secured by the Ardenwood Corporate Park, VarTec Building and NTT /Verio Premier Data Center properties. The loan bears interest, payable monthly, at the one-month LIBOR plus 1.59% (2.61% at December 31, 2003). Interest is due monthly. Principal is due at maturity on August 9, 2006. The loan may be extended at the Predecessor s option for one thirteen-month period and one one-year period if certain conditions exist and upon payment of a 0.125% extension fee.	$ 43,000	$
Loan payable to an insurance company, secured by the Univision Tower property. The loan bears interest at 7.52%. Monthly payments of principal and interest at $327. Outstanding principal is due at maturity on January 1, 2005.	39,856	40,747
Loans payable to an insurance and mortgage company, secured by the Stanford Place II property. The loans bear interest at 5.14%, payable monthly. Principal is due at maturity on January 10, 2009.	26,000	
Loan payable to Bank of Scotland, denominated in pounds sterling; secured by the Camperdown House property. The loan bears interest at 6.845%. Interest is due quarterly. Beginning November 2004, quarterly principal and interest payments based on a ten-year amortization schedule are due. Outstanding principal is due at maturity on October 31, 2009.	23,079	22,988
Loan payable to an insurance company, secured by the Granite Tower property. The loan bears interest, payable monthly, at 2.37% through December 2003, and at the three-month LIBOR plus 1.20% thereafter. Beginning February 2005, monthly principal payments of $45 are required. The loan matures on January 1, 2009. Beginning January 2006, the Predecessor has a one-time option to convert the interest rate to a fixed rate based on the then available fixed rates if certain conditions exist and upon payment of a 1% conversion fee. If the interest rate is converted, monthly principal and interest payments based on a 30-year amortization schedule are required.	21,645	
Loans payable to a bank, secured by the 36 Northeast Second Street property. The first mortgage bears interest, payable monthly, at the greater of 4% or one of the two variable rates as defined in the loan agreement. The applicable rate at December 31, 2003 and 2002 is 4%. Principal payments of $23 are due monthly. Outstanding principal is due at maturity on May 1, 2005. The second mortgage, which had a principal balance of $945 at December 31, 2002, was repaid during 2003.	18,024	19,805
Loan payable to a bank, secured by the Maxtor Manufacturing Facility property. The loan bears interest, payable monthly, at the one-month LIBOR plus 2.25% (3.37% at December 31, 2003) and monthly principal payments of $35 are due beginning in January 2005 and the remaining principal is due at maturity on December 31, 2006. The loan may be extended for two one-year periods at the Predecessor s option if certain conditions are met and upon prepayment of an extension fee of 0.35% .	18,000	

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

	2003	2002
Loan payable to a bank, secured by the ASM Lithography Facility property. The loan bears interest, payable monthly, at the greater of 4.75% or the one-month LIBOR plus 2.75% (the applicable rate is 4.75% at December 31, 2003). Beginning August 5, 2004, monthly principal payments are due based on a twenty-five year amortization period. The loan matures on June 30, 2006. The loan may be extended at the Predecessor s option for two one-year periods if certain conditions exist and upon payment of a 0.5% extension fee.	$ 14,000	$
Loan payable to an insurance company, secured by the AT&T Web Hosting Facility property. The loan bears interest, payable monthly, at the three-month LIBOR plus 1.85% (3.02% at December 31, 2003). Principal is due at maturity on December 1, 2006. The loan may be extended at the Predecessor s option for two one-year periods if certain conditions exist.	8,775	
Total principal outstanding	212,379	83,540
Loan premium	1,050	2,020
Total mortgage loans	$ 213,429	$ 85,560
Other secured loans:		
Loan payable to a financial institution, secured by the Predecessor s interests in the subsidiaries that own the Ardenwood Corporate Park, VarTec Building, and NTT/Verio Premier Data Center properties. The loan bears interest at 5.875% through September 2003, and at the one-month LIBOR plus 5.75% thereafter (6.77% at December 31, 2003). Interest is due monthly. Outstanding principal is due at maturity on August 9, 2006. The loan may be extended at the option of the borrower for one thirteen-month period and one one-year period if certain conditions exist and upon payment of a .125% extension fee.	$ 22,000	$
Loan payable to the former owner of the Univision Tower property. This loan is secured by all of the partnership interests in the majority-owned partnership that holds title to the real estate. The loan bears interest at 8%. Monthly payments of interest are due as described in the promissory note based, in part, on available cash flow. Principal and unpaid interest is due at maturity on January 31, 2007. The seller has made certain guaranties related to collectibility of rents from the tenants for a period of three years from the date of acquisition of the property. Any amounts due under such guaranties will be used to reduce amounts outstanding under this loan.	18,000	18,000
	$ 40,000	$ 18,000

The terms of loan agreements for most of the mortgage and other secured loans require prepayment penalties if the principal is prepaid. The loans secured by Ardenwood Corporate Park, VarTec Building and NTT/Verio Premier Data Center do not permit prepayment before October 8, 2005 and the loans secured by Granite Tower and AT&T Web Hosting Facility do not permit prepayment until January 1, 2006 and November 25, 2004, respectively.

GI Partners has made certain guaranties with respect to certain of the Predecessor s loans and expects that such guaranties will be released upon consummation of the formation transactions and the Offering.

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

The minimum principal payments due for the mortgage and other secured loans in each of the next five years and thereafter are as follows (in thousands):

2004	$ 1,739
2005	59,566
2006	107,305
2007	20,484
2008	2,620
Thereafter	60,665
	$ 252,379

On March 5, 2004, the Predecessor borrowed $20,000,000 under a mortgage loan secured by the property acquired in February 2004 (note 8). This mortgage loan bears interest, payable monthly, at an annual rate of LIBOR plus 1.7% and principal is due at maturity on April 1, 2009.

(5) Minimum Future Rentals

The following is a schedule of minimum future rentals to be received on noncancelable operating leases as of December 31, 2003 (in thousands):

2004	$ 55,232
2005	56,268
2006	55,195
2007	52,881
2008	50,212
Thereafter	185,956
	$ 455,744

The above future minimum rentals do not include amounts for tenant reimbursement revenue.

(6) Asset Management and Other Fees to Related Parties

Pursuant to the terms of GI Partners Limited Liability Company Agreement, dated February 28, 2001 (the Agreement), Global Innovation Advisor, LLC (the Asset Manager), an affiliate of the Manager, receives an asset management fee from GI Partners. During the Investment Period, as defined, the asset management fee is equal to 1.25% per annum of Capital Commitments, as defined, and after the Investment Period ends, the management fee is equal to 1% of the unreturned Capital Contributions. Management fees are paid quarterly, in arrears.

For the years ended December 31, 2003 and 2002 and the period from February 28, 2001 (inception) through December 31, 2001, asset management fees of $6,263,000, $6,579,000, and $5,500,000, respectively, were incurred by GI Partners based on the Investment Period formula. Asset management fees totaling $3,185,000, $3,185,000 and $2,663,000 have been allocated to the Predecessor for the years ended December 31, 2003 and 2002 and the period from February 28, 2001 (inception) through December 31, 2001, respectively. Although neither the REIT nor the Operating Partnership are or will be parties to the Agreement requiring the payment of the asset management fees, an allocation of such fees has been included in the accompanying combined financial statements since such fee is essentially the Predecessor s historical general

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

and administrative expense. The Predecessor does not directly incur personnel costs, home office space rent or other general and administrative expenses that are expected to be incurred directly by the REIT and the Operating Partnership subsequent to the completion of the Offering. These types of expenses were historically incurred by the Asset Manager and were passed through to GI Partners via the asset management fee.

The allocation of asset management fees to the Predecessor was made based on the ratio of (a) the sum of GI Partners Capital Contributions invested in real estate as of December 31, 2003, including the Predecessor s properties and the properties for which the Predecessor has rights of first offer, plus an estimate of future GI Partners Capital Contributions that will be utilized to acquire properties for the Predecessor during 2004 to (b) total Capital Commitments to GI Partners. Management expects the Investment Period to end during 2004 and thereafter asset management fees would be allocated to the Predecessor based on the ratio of unreturned Capital Contributions invested in the Predecessor s properties to total unreturned Capital Contributions for GI Partners. Management believes that the method used to allocate asset management fees is reasonable.

The Agreement also requires that the asset management fees payable by GI Partners for any quarter will be reduced by 50% of the amount of Creditable Fees, as defined, received during the immediately preceding quarter. Since Creditable Fees relate only to GI Partners private equity investments, no reduction of the asset management fee related to Creditable Fees has been allocated to the Predecessor.

Additionally, the Agreement provides for payment of additional compensation, not encompassed in the management fee, to the Asset Manager or its affiliates for related real estate services.

The following schedule presents fees incurred by GI Partners and earned by affiliates of the Asset Manager for the years ended December 31 (in thousands):

	2003	2002
Lease commissions	$ 1,092	$ 116
Brokerage fees	491	208
Property management fees	288	11
Property management salaries	114	
Construction management fees	4	
	$ 1,989	$ 335

(7) Fair Value of Financial Instruments

As of December 31, 2003 and 2002, the fair values of the Predecessor s variable rate loans, comprised of notes payable under a line of credit and certain mortgage loans and other secured loans are approximated by the carrying values as the terms are similar to those currently available to the Predecessor for debt with similar risk and the same remaining maturities. The fair value of the fixed rate mortgage and other secured loans aggregates $110,000,000 compared to the aggregate carrying amount of $106,935,000 as of December 31, 2003 and $87,000,000 compared to the aggregate carrying amount of $81,735,000 as of December 31, 2002.

The carrying amounts for cash equivalents, accounts and other receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of these instruments. The fair value of the forward currency forward contract is discussed in note 2 (h).

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DIGITAL REALTY PREDECESSOR

Notes to Combined Financial Statements (Continued)

December 31, 2003 and 2002

(8) Commitments and Contingencies

As of December 31, 2003, the Predecessor had entered into purchase agreements to acquire a property located in Massachusetts known as 100 Technology Drive for $38,100,000 and a property located in Texas known as the Siemens Building for $17,200,000. These purchases were consummated in February and April 2004, respectively.

The property known as ASM Lithography Facility is subject to an operating ground lease that expires in the year 2101. Rental expense for the period from acquisition of this property in May 2003 through December 31, 2003 totaled $198,000. The following is a schedule of minimum lease commitments for the ground lease as of December 31, 2003 (in thousands):

2004	$ 241
2005	241
2006	241
2007	241
2008	241
Thereafter	9,814
	$ 11,019

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DIGITAL REALTY PREDECESSOR

SCHEDULE III

PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2003

(In thousands)

		Initial Costs			Costs Capitalized Subsequent to Acquisition		Total Costs					
Description	**Encumbrances**	**Land**	**Acquired Ground Lease**	**Buildings and Improvements**	**Improvements**	**Carrying Costs**	**Land**	**Acquired Ground Lease**	**Buildings and Improvements**	**Total**	**Accumulated Depreciation and Amortization**	**Date of Acquis.(A) Constr.(C)**
PROPERTIES:												
Univision Tower Dallas, TX	$ 39,856	$ 1,838	$	$ 77,604	$ 2,315	$	$ 1,838	$	$ 79,919	$ 81,757	$ 4,757	2002(A)
36 Northeast Second Street Miami, FL	18,024	1,943		24,184	154		1,943		24,338	26,281	1,504	2002(A)
Camperdown House London, UK	23,079	3,776		28,166	1,410		3,776		29,576	33,352	1,154	2002(A)
Hudson Corporate Center Weehawken, NJ		5,140		48,526	271		5,140		48,797	53,937	1,876	2002(A)
NTT/Verio Premier Data Center San Jose, CA	13,000*	3,607		23,008			3,607		23,008	26,615	833	2002(A)
Ardenwood Corporate Park Fremont, CA	25,000*	15,330		32,419			15,330		32,419	47,749	1,121	2003(A)
VarTec Building Carrollton, TX	5,000*	1,477		10,330			1,477		10,330	11,807	365	2003(A)
ASM Lithography Facility Tempe, AZ	14,000		1,477	16,471				1,477	16,471	17,948	298	2003(A)
AT&T Web Hosting Facility Atlanta, GA	8,775	1,250		11,577	87		1,250		11,664	12,914	164	2003(A)
Granite Tower Dallas, TX	21,645	3,643		22,060	4		3,643		22,064	25,707	228	2003(A)
Brea Data Center Brea, CA		3,777		4,611			3,777		4,611	8,388	95	2003(A)
Maxtor Manufacturing Facility Fremont, CA	18,000	5,272		20,166			5,272		20,166	25,438	129	2003(A)
Stanford Place II Denver, CO	26,000	3,662		29,183	25		3,662		29,208	32,870	502	2003(A)

	$ 212,379	$ 50,715	$ 1,477	$ 348,305	$ 4,266	$	$ 50,715	$ 1,477	$ 352,571	$ 404,763	$ 13,026

* This is an allocation of a $43,000 loan secured by three properties.

See accompanying independent auditors report.

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DIGITAL REALTY PREDECESSOR

NOTES TO SCHEDULE III

PROPERTIES AND ACCUMULATED DEPRECIATION

December 31, 2003

(In thousands)

(1) Tax Basis Cost

The aggregate gross cost of the Digital Realty Predecessor properties for federal income tax purposes approximated $493,758 (unaudited) as of December 31, 2003.

(2) Historical Cost and Accumulated Depreciation and Amortization

The following table reconciles the historical cost of the Digital Realty Predecessor properties for financial reporting purposes from February 28, 2001 (inception) through December 31, 2003:

	Years Ended December 31,		Period from February 28, 2001(inception) through December 31, 2001
	2003	2002	
Balance, beginning of period	$ 220,630	$	$
Additions during period (acquisitions and improvements)	184,673	220,630	
Deductions during period (write-off of tenant improvements)	(540)		
Balance, close of period	$ 404,763	$ 220,630	$

The following table reconciles the accumulated depreciation and amortization of the Digital Realty Predecessor properties for financial reporting purposes from February 28, 2001 (inception) through December 31, 2003:

	Years Ended December 31,		Period from February 28, 2001(inception) through December 31,
	2003	2002	2001
Balance, beginning of period	$ 3,621	$	$
Additions during period (depreciation and amortization expense)	9,480	3,621	
Deductions during period (write-off of tenant improvements)	(75)		
Balance, close of period	$ 13,026	$ 3,621	$

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Ardenwood Corporate Park (the Property) for the year ended December 31, 2002. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of the Property for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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ARDENWOOD CORPORATE PARK

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2003 through January 12, 2003	Year Ended December 31, 2002
	(unaudited)	
Revenue:		
Rental	$ 259	7,281
Tenant reimbursements	39	1,039
Other		47
	298	8,367
Certain expenses:		
Rental property operating and maintenance	16	449
Property taxes	20	567
Insurance	2	60
	38	1,076
Revenue in excess of certain expenses	$ 260	7,291

See accompanying notes to statements of revenue and certain expenses.

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ARDENWOOD CORPORATE PARK

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2003 through January 12, 2003 (unaudited)

and year ended December 31, 2002

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relates to the operations of the property known as Ardenwood Corporate Park (the Property). The Property is a biotechnology manufacturing and office property located in Fremont, California.

On January 13, 2003, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from AMB Property, L.P. for $57,000,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2002 or the period from January 1, 2003 through January 12, 2003 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2003 through January 12, 2003 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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ARDENWOOD CORPORATE PARK

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2003 through January 12, 2003 (unaudited)

and year ended December 31, 2002

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2002 are as follows (in thousands):

Year ending December 31:

2003	$ 7,176
2004	7,518
2005	7,882
2006	6,583
2007	6,302
Thereafter	23,004
	$ 58,465

(4) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2002 (in thousands):

Tenant	Rental Revenue
Abgenix	$ 4,243
Logitech	1,860

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of ASM Lithography Facility (the Property) for the year ended December 31, 2002. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of ASM Lithography Facility for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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ASM LITHOGRAPHY FACILITY

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2003 through May 19, 2003	Year Ended December 31, 2002
	(unaudited)	
Revenue:		
Rental	$ 1,112	2,387
Tenant reimbursements	5	48
Other		5
	1,117	2,440
Certain expenses:		
Rental property operating and maintenance	10	33
Insurance	9	24
Ground lease rent	130	336
	149	393
Revenue in excess of certain expenses	$ 968	2,047

See accompanying notes to statements of revenue and certain expenses.

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ASM LITHOGRAPHY FACILITY

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2003 through May 19, 2003 (unaudited)

and year ended December 31, 2002

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relates to the operations of the property known as ASM Lithography Facility (the Property). The Property is a research and development building located in Tempe, Arizona.

On May 20, 2003, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from Ryan Companies, US, Inc. for $22,400,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2002 or the period from January 1, 2003 through May 19, 2003 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Ground Lease

Rental expense under the ground lease is recognized on a straight line basis.

(c) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(d) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2003 through May 19, 2003 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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ASM LITHOGRAPHY FACILITY

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2003 through May 19, 2003 (unaudited)

and year ended December 31, 2002

(3) Minimum Future Lease Rentals

The Property is leased to a single tenant under a non-cancelable operating lease that provides for minimum rent and reimbursement of Property expenses excluding the ground lease rent. Future minimum rentals to be received under the lease in effect as of December 31, 2002 are as follows (in thousands):

Year ending December 31:

2003	$ 2,549
2004	2,549
2005	2,549
2006	2,549
2007	2,801
Thereafter	27,851
	$ 40,848

(4) Ground Lease

The property is subject to an operating ground lease that expires in 2101. The following is a schedule of minimum lease commitments for the ground lease as of December 31, 2002 (in thousands):

Year ending December 31:

2003	$ 241
2004	241
2005	241
2006	241

2007	241
Thereafter	10,055
	$ 11,260

(5) Tenant Concentrations

The Property s single tenant is ASM Lithography, a wholly owned subsidiary of ASML Holding NV.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of AT&T Web Hosting Facility (the Property) for the year ended December 31, 2002. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of AT&T Web Hosting Facility for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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AT&T WEB HOSTING FACILITY

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2003 through June 22, 2003	Year Ended December 31, 2002
	(unaudited)	
Revenue:		
Rental	$ 593	1,283
Tenant reimbursements	75	112
Other		10
	668	1,405
Certain expenses:		
Rental property operating and maintenance	29	75
Property taxes	75	123
Insurance	10	26
	114	224
Revenue in excess of certain expenses	$ 554	1,181

See accompanying notes to statements of revenue and certain expenses.

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AT&T WEB HOSTING FACILITY

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2003 through June 22, 2003 (unaudited)

and year ended December 31, 2002

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relates to the operations of the property known as AT&T Web Hosting Facility (the Property). The Property is an industrial warehouse located in Atlanta, Georgia.

On June 23, 2003, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from Global R for $13,500,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2002 or the period from January 1, 2003 through June 22, 2003 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2003 through June 22, 2003 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of normal recurring nature.

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AT&T WEB HOSTING FACILITY

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2003 through June 22, 2003 (unaudited)

and year ended December 31, 2002

(3) Minimum Future Lease Rentals

A portion of the Property is leased to a single tenant under a non-cancelable operating lease. The lease provides for minimum rent and reimbursement of the portion of Property expenses related to the leased space. Future minimum rentals to be received under the lease in effect as of December 31, 2002 are as follows (in thousands):

Year ending December 31:

2003	$ 1,051
2004	1,088
2005	1,128
2006	1,168
2007	1,210
Thereafter	11,788
	$ 17,433

(4) Tenant Concentrations

For the year ended December 31, 2002, approximately one half of the Property was leased to AT&T and the other portion was available for lease.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Granite Tower (the Property) for the year ended December 31, 2002. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of Granite Tower for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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GRANITE TOWER

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2003 through September 21, 2003	Year Ended December 31, 2002
	(unaudited)	
Revenue:		
Rental	$ 3,722	5,164
Tenant reimbursements	356	805
Other		57
	4,078	6,026
Certain expenses:		
Rental property operating and maintenance	752	1,412
Property taxes	439	598
Insurance	45	82
Other	36	
	1,272	2,092
Revenue in excess of certain expenses	$ 2,806	3,934

See accompanying notes to statements of revenue and certain expenses.

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GRANITE TOWER

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2003 through September 21, 2003 (unaudited)

and year ended December 31, 2002

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relates to the operations of the property known as Granite Tower (the Property). The Property is an office building located in Dallas, Texas.

On September 22, 2003, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from GPI Tower, Ltd. for $33,200,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2002 or the period from January 1, 2003 through September 21, 2003 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

- Depreciation and amortization
- Interest
- Federal and state income taxes
- Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2003 through September 21, 2003 is unaudited in the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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GRANITE TOWER

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2003 through September 21, 2003 (unaudited)

and year ended December 31, 2002

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2002 are as follows (in thousands):

Year ending December 31:

2003	$ 5,059
2004	5,049
2005	4,939
2006	4,671
2007	4,016
Thereafter	8,748
	$ 32,482

(4) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2002 (in thousands):

Tenant	Rental Revenue
Home Interiors	$ 1,652
Carreker	1,592

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Stanford Place II (the Property) for the year ended December 31, 2002. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of Stanford Place II for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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STANFORD PLACE II

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2003 through September 30, 2003	Year Ended December 31, 2002
	(unaudited)	
Revenue:		
Rental	$ 4,063	4,745
Tenant reimbursements	76	101
Other	68	91
	4,207	4,937
Certain expenses:		
Rental property operating and maintenance	1,008	1,344
Property taxes	624	832
Insurance	68	91
	1,700	2,267
Revenue in excess of certain expenses	$ 2,507	2,670

See accompanying notes to statements of revenue and certain expenses.

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STANFORD PLACE II

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2003 through September 30, 2003 (unaudited)

and year ended December 31, 2002

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relates to the operations of the property known as Stanford Place II (the Property). The Property is a suburban office building located in Denver, Colorado.

On October 1, 2003, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from QRP Limited Partnership and several minority sellers for $35,050,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2002 or the period from January 1, 2003 through September 30, 2003 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

- Depreciation and amortization
- Interest
- Federal and state income taxes
- Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2003 through September 30, 2003 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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STANFORD PLACE II

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2003 through September 30, 2003 (unaudited)

and year ended December 31, 2002

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2002 are as follows (in thousands):

Year ending December 31:

2003	$ 4,415
2004	5,332
2005	5,339
2006	4,208
2007	3,051
Thereafter	4,811
	$ 27,156

(4) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2002 (in thousands):

Tenant	Rental Revenue
Lucent Technologies	$ 1,401
EKS&H	779
AT&T	494

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of 100 Technology Center Drive (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of 100 Technology Center Drive for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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100 TECHNOLOGY CENTER DRIVE

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2004 through February 16, 2004	Year Ended December 31, 2003
Revenue:		
Rental	$ 491	3,795
Tenant reimbursements	47	368
Other		2
	538	4,165
Certain expenses:		
Rental property operating and maintenance	14	102
Property taxes	47	384
	61	486
Revenue in excess of certain expenses	$ 477	3,679

See accompanying notes to statements of revenue and certain expenses.

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100 TECHNOLOGY CENTER DRIVE

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2004 through

February 16, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as 100 Technology Center Drive (the Property). The Property is a suburban headquarters office building located in Stoughton, Massachusetts.

On February 17, 2004, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from Stoughton Technology Investors, LLC for $38,100,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the period from January 1, 2004 through February 16, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2004 through February 16, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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100 TECHNOLOGY CENTER DRIVE

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2004 through

February 16, 2004 (unaudited)

and year ended December 31, 2003

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 3,694
2005	3,743
2006	3,743
2007	3,965
2008	4,039
Thereafter	17,558
	$ 36,742

(4) Tenant Concentrations

The Property s single tenant is Stone & Webster, a wholly owned subsidiary of the Shaw Group.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Carrier Center (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of Carrier Center for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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CARRIER CENTER

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2004 through May 24, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 3,892	9,688
Tenant reimbursements	1,110	2,768
Other	297	948
	5,299	13,404
Certain expenses:		
Rental property operating and maintenance	1,510	3,161
Property taxes	211	683
Insurance	180	453
Interest	736	1,077
	2,637	5,374
Revenue in excess of certain expenses	$ 2,662	8,030

See accompanying notes to statements of revenue and certain expenses.

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CARRIER CENTER

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2004 through May 24, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as Carrier Center (the Property). The Property is a data center and telecommunications carrier hotel located in Los Angeles, California.

On May 25, 2004, a wholly owned subsidiary of Global Innovation Partners, L.L.C. (the Buyer) completed the acquisition of the Property from JMA Robinson Redevelopment, L.L.C. (the Seller) for $75,000,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the period from January 1, 2004 through May 24, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

- Depreciation and amortization
- Federal and state income taxes
- Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

Additionally, rental revenue is reduced by amortization of above market in-place lease values and increased by amortization of acquired lease obligations related to below market leases. Such above and below market lease values were recorded as of the date that the Seller acquired the Property based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease and, for below-market leases, over a period equal to the initial term plus any below market fixed rate renewal periods. The leases do not currently include any below market fixed rate renewal periods. The capitalized above and below-market lease values are amortized over the remaining non-cancelable terms of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

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CARRIER CENTER

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2004 through May 24, 2004 (unaudited)

and year ended December 31, 2003

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2004 through May 24, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 9,229
2005	9,427
2006	9,551
2007	9,354
2008	8,221
Thereafter	70,416
	$ 116,198

(4) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
Equinix, Inc.	$ 3,295
Qwest Communications	2,339
360 Networks (USA), Inc.	1,656

(5) Interest Expense

Interest expense has been included in the accompanying statements of revenue and certain expenses since the Buyer assumed the Seller s loans. A summary of outstanding loans for the Property as of December 31, 2003 is as follows:

Description	Maturity date	Interest rate	Principal outstanding (in thousands)
Mortgage	October 11, 2005	LIBOR (subject to a 2.5% floor) plus 4.0%.	$ 14,744
Mezzanine	October 11, 2005	LIBOR (subject to a 2.0% floor) plus 5.25% through October 4, 2004 and plus 7.75% thereafter.	12,000

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CARRIER CENTER

Notes to Statements of Revenue and Certain Expenses (Continued)

Three months ended March 31, 2004 (unaudited)

and year ended December 31, 2003

Additionally, the mezzanine loan requires payment of exit interest of $2,000,000 on the maturity date. Such fee will be waived by the lender if the borrower refinances both the mortgage and mezzanine loans pursuant to a letter of commitment with the lender. Since the intention is to refinance these loans under the terms of the letter of commitment, the exit interest has not been reflected in the accompanying statement of revenue and certain expenses. Assuming the refinanced loan was originated after the prepayment penalty period on the existing loans, the maturity date would be April 4, 2008. The refinanced loan would bear interest at LIBOR plus 4.25%, with a 2.5% LIBOR floor.

The mortgage and mezzanine loans may not be repaid prior to October 4, 2004. If the loans are repaid during the lockout period due to a default, a prepayment penalty of 10% of the principal amount of the loan repaid would be incurred. Additionally, there is a 1% prepayment penalty for prepayments of the mortgage loan for the six-month period following the expiration of the lockout period, October 4, 2004.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Comverse Technology Building (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of Comverse Technology Building for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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COMVERSE TECHNOLOGY BUILDING

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2004 through June 15, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 3,238	7,048
Tenant reimbursements	1,691	3,269
Other	10	5
	4,939	10,322
Certain expenses:		
Rental property operating and maintenance	1,489	2,945
Property taxes	585	1,209
Insurance	48	101
Other	46	46
	2,168	4,301
Revenue in excess of certain expenses	$ 2,771	6,021

See accompanying notes to statements of revenue and certain expenses.

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COMVERSE TECHNOLOGY BUILDING

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2004 through June 15, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as Comverse Technology Building (the Property). The Property is located in Wakefield, Massachusetts and includes an office building and research and development building.

The Property is owned by SC Wakefield 100, Inc., and SC Wakefiled 200, Inc (collectively, the Owner). A wholly owned subsidiary of Global Innovation Partners, L.L.C., entered into an agreement with the Owner to purchase the Property for $58,000,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the period from January 1, 2004 through June 15, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2004 through June 15, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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COMVERSE TECHNOLOGY BUILDING

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2004 through June 15, 2004 (unaudited)

and year ended December 31, 2003

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 6,979
2005	7,077
2006	7,089
2007	7,027
2008	7,077
Thereafter	15,666
	$ 50,915

(4) Tenant Concentrations

The following tenant accounts for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
Comverse Technology	$ 6,859

(5) Subsequent Event (Unaudited)

On June 16, 2004, the purchase of the Property was consummated.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Savvis Data Center (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of Savvis Data Center for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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SAVVIS DATA CENTER

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2004 through May 24, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 2,542	6,341
Tenant reimbursements	301	901
Other	1	52
	2,844	7,294
Certain expenses:		
Rental property operating and maintenance	31	149
Property taxes	160	495
Insurance	110	257
	301	901
Revenue in excess of certain expenses	$ 2,543	6,393

See accompanying notes to statements of revenue and certain expenses.

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SAVVIS DATA CENTER

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2004 through May 24, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as Savvis Data Center (the Property). The Property is a data center located in Santa Clara, California.

On May 25, 2004, a wholly owned subsidiary of Global Innovation Partners, L.L.C. completed the acquisition of the Property from Sharp Lafayette, LLC (the Owner) for $60,000,000.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the period from January 1, 2004 through May 24, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2004 through May 24, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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SAVVIS DATA CENTER

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2004 through May 24, 2004 (unaudited)

and year ended December 31, 2003

(3) Minimum Future Lease Rentals

The Property is leased to a single tenant under a non-cancelable operating lease that provides for minimum rent and reimbursement of property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the lease in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 5,625
2005	5,805
2006	5,985
2007	6,165
2008	6,345
Thereafter	47,520
	$ 77,445

(4) Tenant Concentrations

The Property s single tenant is Savvis Communications.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of Webb at LBJ (the Property) for the year ended December 31, 2003. This statement is the responsibility of management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of Webb at LBJ for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

May 28, 2004

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WEBB AT LBJ

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2004 through August 24, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 3,350	5,000
Tenant reimbursements	218	369
Other	63	79
	3,631	5,448
Certain expenses:		
Rental property operating and maintenance	744	904
Property taxes	412	602
Insurance	27	44
	1,183	1,550
Revenue in excess of certain expenses	$ 2,448	3,898

See accompanying notes to statements of revenue and certain expenses.

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WEBB AT LBJ

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2004 through August 24, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as Webb at LBJ (the Property). The Property is a mixed-use/technical facility located in Dallas, Texas.

The Property is owned by AGB Northtown, L.P. (the Owner). A wholly owned subsidiary of Global Innovation Partners, L.L.C. (the Buyer), entered into an agreement with the Owner to purchase the Property for $46,500,000. The purchase is expected to be consummated during the third quarter of 2004.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the period from January 1, 2004 through August 24, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2004 through August 24, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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WEBB AT LBJ

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2004 through August 24, 2004 (unaudited)

and year ended December 31, 2003

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 4,964
2005	5,018
2006	5,059
2007	5,045
2008	5,013
Thereafter	9,161
	$ 34,260

(4) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
SBC Services	$ 3,254
Southwest Securities Group	657
Voicestream GSM	536

(5) Subsequent Event (Unaudited)

On August 25, 2004, the purchase of the majority of the Property was consummated for $45,850,000. An outparcel, which comprises $650,000 of the total purchase price, has not yet been purchased.

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Independent Auditors   Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of AboveNet Data Center (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property   s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property   s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of AboveNet Data Center for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

July 19, 2004

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ABOVENET DATA CENTER

Statements of Revenue and Certain Expenses

(In thousands)

	Period from January 1, 2004 through September 16, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 4,249	5,994
Tenant reimbursements	997	1,394
Other	361	532
	5,607	7,920
Certain expenses:		
Rental property operating and maintenance	896	1,136
Property taxes	369	528
Insurance	186	239
	1,451	1,903
Revenue in excess of certain expenses	$ 4,156	6,017

See accompanying notes to statements of revenue and certain expenses.

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ABOVENET DATA CENTER

Notes to Statements of Revenue and Certain Expenses

Period from January 1, 2004 through September 16, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as AboveNet Data Center (the Property). The Property is a data center located in San Jose, California.

The Property is owned by F.C. Pavillion, LLC (the Owner). A wholly owned subsidiary of Global Innovation Partners, L.L.C. (the Buyer) entered into an agreement with the Owner to purchase the Property for $36,500,000. The purchase is expected to be consummated during the third quarter of 2004.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the period from January 1, 2004 through September 16, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the period from January 1, 2004 through September 16, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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ABOVENET DATA CENTER

Notes to Statements of Revenue and Certain Expenses (Continued)

Period from January 1, 2004 through September 16, 2004 (unaudited)

and year ended December 31, 2003

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 4,309
2005	4,263
2006	4,378
2007	4,531
2008	4,846
Thereafter	68,614
	$ 90,941

(4) Tenant Concentrations

The following tenant accounted for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
AboveNet	$ 4,837

(5) Subsequent Event (unaudited)

On September 17, 2004, the purchase of the Property was consummated.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of 200 Paul Avenue (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of 200 Paul Avenue for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

June 23, 2004

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200 PAUL AVENUE

Statements of Revenue and Certain Expenses

(In thousands)

	Nine Months Ended September 30, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 9,257	11,980
Tenant reimbursements	2,236	3,095
	11,493	15,075
Certain expenses:		
Rental property operating and maintenance	2,344	3,081
Property taxes	216	204
Insurance	219	254
Interest	1,501	2,530
Other	3	5
	4,283	6,074
Revenue in excess of certain expenses	$ 7,210	9,001

See accompanying notes to statements of revenue and certain expenses.

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200 PAUL AVENUE

Notes to Statements of Revenue and Certain Expenses

Nine months ended September 30, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as 200 Paul Avenue (the Property). The Property is a telecom hotel that leases space to telecommunications carriers and internet service providers and is located in San Francisco, California.

The Property is owned by San Francisco Wave Exchange, LLC (the Owner). The Owner expects to contribute its ownership interests in the Property to Digital Realty Trust, Inc. s operating partnership (the Operating Partnership) in exchange for a combination of cash and a limited partnership interest in such operating partnership upon consummation of Digital Realty Trust, Inc. s initial public offering.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the nine months ended September 30, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the nine months ended September 30, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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200 PAUL AVENUE

Notes to Statements of Revenue and Certain Expenses (Continued)

Nine months ended September 30, 2004 (unaudited)

and year ended December 31, 2003

(3) Interest Expense

Interest expense has been included in the accompanying statements of revenue and certain expenses since the Operating Partnership expects to assume the Owner s loan. As of December 31, 2003, the Owner had a loan payable to a financial institution, secured by the Property, $45,000,000 bears interest at LIBOR plus 3% (4.12% as of December 31, 2003) and $3,700,000 bears interest at LIBOR plus 7% (8.12% as of December 31, 2003). Interest is due monthly and principal is due at maturity on July 1, 2006. The outstanding balance at December 31, 2003 is $48,700,000.

The minimum principal payments due in each of the next five years and thereafter is as follows (in thousands):

Year ending December 31:

2004	$ 1,951
2005	1,942
2006	2,538
2007	3,204
2008	39,065
	$ 48,700

(4) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 10,858
2005	11,407
2006	11,642
2007	11,880
2008	11,903
Thereafter	60,635
	$ 118,325

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200 PAUL AVENUE

Notes to Statements of Revenue and Certain Expenses (Continued)

Nine months ended September 30, 2004 (unaudited)

and year ended December 31, 2003

(5) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
XO Communications	$ 2,176
RCN Telecom Services of California, Inc.	1,453
Qwest Communications	4,437

(6) Related Party Transactions

The Property leases space to an affiliate under a lease that provides for annual lease payments of $823,000 on a straight line basis, from March 1, 2003 through February 28, 2009. In addition, the affiliate pays rent based on a percentage of revenue earned. Rental income from this affiliate was approximately $1,200,000 for the year ended December 31, 2003, of which $521,000 related to percentage rent.

The Property is managed by an affiliated entity, which charges a monthly property management fee based on 2.5% of the Property s revenue.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of 1100 Space Park Drive (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of 1100 Space Park Drive for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

June 23, 2004

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1100 SPACE PARK DRIVE

Statements of Revenue and Certain Expenses

(In thousands)

	Nine Months Ended September 30, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 2,853	3,753
Tenant reimbursements	458	575
	3,311	4,328
Certain expenses:		
Rental property operating and maintenance	467	654
Property taxes	148	379
Insurance	34	34
Interest	699	857
Other	6	5
	1,354	1,929
Revenue in excess of certain expenses	$ 1,957	2,399

See accompanying notes to statements of revenue and certain expenses.

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1100 SPACE PARK DRIVE

Notes to Statements of Revenue and Certain Expenses

Nine months ended September 30, 2004 (Unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as 1100 Space Park Drive (the Property). The Property is a telecom hotel that leases space to telecommunication companies and is located in Santa Clara, California.

The Property is owned by Santa Clara Wave Exchange, LLC (the Owner). The Owner expects to contribute its ownership interests in the Property to Digital Realty Trust, Inc. s operating partnership (the Operating Partnership) in exchange for a combination of cash and a limited partnership interest in such operating partnership upon consummation of Digital Realty Trust, Inc. s initial public offering.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the nine months ended September 30, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

- Depreciation and amortization
- Federal and state income taxes
- Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the nine months ended September 30, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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1100 SPACE PARK DRIVE

Notes to Statements of Revenue and Certain Expenses (Continued)

Nine months ended September 30, 2004 (Unaudited)

and year ended December 31, 2003

(3) Interest Expense

Interest expense has been included in the accompanying statements of revenue and certain expenses since the Operating Partnership expects to assume the Owner s loan. As of December 31, 2003, the Owner has a loan payable to a financial institution, secured by the Property, bearing interest at the prime rate plus 1% (5% as of December 31, 2003). As of December 31, 2003, the maturity date was June 5, 2004; however, during 2004, the maturity date was extended to June 5, 2006 and the interest rate was reduced to the prime rate plus 0.5%. The outstanding balance at December 31, 2003 is $16,298,000.

(4) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 3,431
2005	3,537
2006	3,642
2007	3,749
2008	3,880
Thereafter	28,106
	$ 46,345

(5) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
Tyco Networks, Inc.	$ 2,983
AT&T Corporation	670

(6) Related Party Transactions

The Property is managed by an affiliated entity, which charges a monthly property management fee based on 2.5% of the Property s revenue.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying statement of revenue and certain expenses of 833 Chestnut Street (the Property) for the year ended December 31, 2003. This statement is the responsibility of the Property s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in note 1 to the statement of revenue and certain expenses. It is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and certain expenses, as described in note 1, of 833 Chestnut Street for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

January 14, 2005

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833 CHESTNUT STREET

Statements of Revenue and Certain Expenses

(In thousands)

	Nine Months Ended September 30, 2004	Year Ended December 31, 2003
	(Unaudited)	
Revenue:		
Rental	$ 6,225	$ 7,458
Tenant reimbursements	1,280	1,687
Other	125	42
	7,630	9,187
Certain expenses:		
Rental property operating and maintenance	3,098	4,136
Property taxes	343	297
Insurance	217	264
	3,658	4,697
Revenue in excess of certain expenses	$ 3,972	$ 4,490

See accompanying notes to statements of revenue and certain expenses.

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833 CHESTNUT STREET

Notes to Statements of Revenue and Certain Expenses

Nine months ended September 30, 2004 (unaudited)

and year ended December 31, 2003

(1) Basis of Presentation

The accompanying statements of revenue and certain expenses relate to the operations of the property known as 833 Chestnut Street (the Property). The Property is a data center located in Philadelphia, Pennsylvania.

The Property is owned by LB 833 Chestnut, LLC (the Owner). A wholly owned subsidiary of Digital Realty Trust, Inc. (the Buyer) entered into an agreement with the Owner to purchase the Property for $59.5 million. The purchase is expected to be consummated during the first quarter of 2005.

The accompanying statements of revenue and certain expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the year ended December 31, 2003 or the nine months ended September 30, 2004 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Interest

Federal and state income taxes

Other costs not directly related to the proposed future operations of the Property

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight line basis over the term of the respective leases.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the statements of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(c) Unaudited Interim Information

The statement of revenue and certain expenses for the nine months ended September 30, 2004 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of the results of this interim period. All such adjustments are of a normal recurring nature.

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Notes to Statements of Revenue and Certain Expenses (Continued)

Nine months ended September 30, 2004 (unaudited)

and year ended December 31, 2003

(3) Minimum Future Lease Rentals

The Property s leases are non-cancelable operating leases and generally provide for minimum rent and reimbursement of a portion of Property expenses, including property taxes, insurance and operating and maintenance expenses. Future minimum rentals to be received under the leases in effect as of December 31, 2003 are as follows (in thousands):

Year ending December 31:

2004	$ 6,964
2005	7,008
2006	5,729
2007	5,757
2008	5,223
Thereafter	12,915
	$ 43,596

(4) Tenant Concentrations

The following tenants accounted for more than 10% of the Property s revenue for the year ended December 31, 2003 (in thousands):

Tenant	Rental Revenue
Jefferson University Physicians and Affiliates	$ 3,336
Health Partners of Philadelphia, Inc.	1,406
Inflow, Inc.	908
Ballinger Company	760

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3,600,000 Shares

8.50% Series A Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 per share)

PROSPECTUS

February 3, 2005

Citigroup
UBS Investment Bank

Merrill Lynch & Co.
Credit Suisse First Boston
KeyBanc Capital Markets
Stifel, Nicolaus & Company
Incorporated