

DCT Industrial Trust Inc.  
Form S-11  
October 19, 2006  
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As filed with the Securities and Exchange Commission on October 18, 2006

Registration No. 333-

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

\_\_\_\_\_

**FORM S-11**

**FOR REGISTRATION UNDER**

**THE SECURITIES ACT OF 1933**

**OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES**

\_\_\_\_\_

**DCT INDUSTRIAL TRUST INC.**

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

\_\_\_\_\_

518 Seventeenth Street, Suite 1700

Denver, Colorado 80202

Telephone (303) 597-2400

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

\_\_\_\_\_

Philip L. Hawkins

Chief Executive Officer

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518 Seventeenth Street, Suite 1700

Denver, Colorado 80202

Telephone (303) 597-2400

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

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**Approximate Date of Commencement of Proposed Sale to the Public:**

**As soon as practicable after the effective date of this Registration Statement.**

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

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

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

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

**CALCULATION OF REGISTRATION FEE**

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<b>Title of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price<sup>(1)</sup></b>	<b>Amount of Registration Fee</b>
Common Stock, \$0.01 par value per share	\$175,000,000	\$18,725

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<sup>(1)</sup> Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. **The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**



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

**Subject to Completion, Dated October 18, 2006**

**PROSPECTUS**

## Shares

### Common Stock

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DCT Industrial Trust Inc. is a leading real estate company specializing in the ownership, acquisition, development and management of bulk distribution and light industrial properties located in 24 of the highest volume distribution markets in the United States. In addition, we manage, and own interests in, industrial properties through our institutional capital management program.

We are offering \_\_\_\_\_ shares of our common stock and expect the public offering price to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol \_\_\_\_\_. Between 2002 and 2006, we raised equity capital primarily through four consecutive continuous public offerings of our common stock for aggregate gross proceeds of approximately \$1.6 billion, including shares issued pursuant to our distribution reinvestment plan. As of October 13, 2006, there were 151,960,873 shares of common stock issued and outstanding owned by approximately 36,000 stockholders. Currently, no public market exists for our shares and therefore this will be our first listed public offering.

We are a Maryland corporation and have elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2003. Our charter contains a restriction on ownership of the common stock that prevents any person or entity from owning directly or indirectly more than 9.8% of the outstanding shares of any class or series of our stock, by number or value, whichever is more restrictive, subject to certain possible exceptions. These restrictions, as well as other share ownership and transfer restrictions contained in our charter, are designed to enable us to comply with share accumulation and other restrictions imposed on REITs by the Internal Revenue Code. For a more complete description of the common stock, including restrictions on the ownership of common stock, please see the Description of Capital Stock section of this prospectus.

**Investing in our common stock involves risks. Before buying any shares, you should carefully consider the risk factors described in Risk Factors beginning on page 23.**

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	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ _____	\$ _____
Underwriting discount	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____

The underwriters may also purchase up to an additional \_\_\_\_\_ shares of common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus solely to cover over-allotments.

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

The underwriters expect to deliver the shares to purchasers on or about \_\_\_\_\_, 2006.

**Merrill Lynch & Co.**

**Wachovia Securities**

\_\_\_\_\_  
The date of this prospectus is \_\_\_\_\_, 2006

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[Inside Cover / Graphics/ Charts Text]

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**You should rely on the information contained in this prospectus. Neither we nor the underwriters have authorized anyone to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.**

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We use market data and industry forecasts and projections throughout this prospectus. We have obtained substantially all of this information from CoStar Group, Inc., or CoStar, a nationally recognized real estate consulting firm, and Property and Portfolio Research, Inc., or PPR, a nationally recognized real estate consulting firm. In addition, we have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

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The term "fully-diluted basis" when used in reference to our shares of common stock means all outstanding shares of common stock at such time plus all outstanding shares of restricted stock, shares of common stock issuable upon the exercise of outstanding options or warrants and shares of common stock exchangeable, at our discretion, for units of limited partnership interest in our operating partnership, or "OP units," on a one-for-one basis, which is not the same as the meaning of "fully-diluted" under generally accepted accounting principles, or "GAAP." In addition, "pro forma" or "on a pro forma basis" means that the information presented gives effect to this offering, as well as the internalization transaction and certain property acquisitions (each as described herein under "Selected Consolidated Financial and Pro Forma Data"), in each case as if such transactions had occurred on January 1, 2005.

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We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any document that we file at the public reference facilities of the SEC at 450 Fifth Street, N.W., Washington, D.C. 25049. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's electronic data gathering, analysis and retrieval system, or EDGAR via electronic means, including the SEC's home page on the Internet ([www.sec.gov](http://www.sec.gov)).

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**PROSPECTUS SUMMARY**

*You should read the following summary together with the more detailed information regarding our company, including under the caption Risk Factors, and our historical and pro forma consolidated financial statements and related notes appearing elsewhere in this prospectus for a more complete understanding of this offering before deciding to invest in our common stock. Except where the context suggests otherwise, the terms we, us, our and our company refer to DCT Industrial Trust Inc. (f/k/a Dividend Capital Trust Inc.) together with its subsidiaries, including DCT Industrial Operating Partnership LP (f/k/a Dividend Capital Operating Partnership LP), which we refer to as our operating partnership. Unless otherwise indicated, the information in this prospectus assumes and reflects: (i) the effectiveness of our third articles of amendment and restatement, or our charter, and our amended and restated bylaws, or our bylaws, upon the completion of this offering; (ii) the common stock to be sold in this offering is sold at \$ \_\_\_\_\_ per share, which is the mid-point of the range of prices indicated on the front cover of this prospectus; and (iii) no exercise by the underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wachovia Capital Markets, LLC are acting as representatives, of their option to purchase up to an additional \_\_\_\_\_ shares of our common stock solely to cover over-allotments, if any.*

**DCT Industrial Trust Inc.**

***Overview***

We are a leading real estate company specializing in the ownership, acquisition, development and management of bulk distribution and light industrial properties located in 24 of the highest volume distribution markets in the United States. In addition, we manage, and own interests in, industrial properties through our institutional capital management program. Our properties primarily consist of high-quality, generic bulk distribution warehouses and light industrial properties. The properties we target for acquisition or development are generally characterized by convenient access to major transportation arteries, proximity to densely populated markets and quality design standards that allow for easy reconfiguration of space. In the future, we intend to continue to focus on properties that exhibit these characteristics, to expand our operations into other target markets in the United States and to add additional properties in our existing markets as well as acquire and develop properties in select international markets, including Mexico, where we believe we can achieve favorable returns and leverage our management expertise. We have elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2003.

As of June 30, 2006, we owned interests in 385 industrial real estate buildings consisting of 230 bulk distribution properties, 113 light industrial properties and 42 service center or flex properties totaling 59.1 million rentable square feet. Our portfolio of consolidated operating properties consists of interests in 373 industrial properties totaling 54.5 million rentable square feet that were 92.1% occupied as of June 30, 2006. In addition, we have a 20% interest in six unconsolidated properties in an institutional capital management joint venture, three consolidated development properties and three development joint venture properties. We currently own approximately 127 acres of land as well as options to acquire approximately 46 acres of land that we believe can support, in the aggregate, approximately 2.0 million rentable square feet of new industrial development. Additionally, through our recently established SCLA joint venture described herein, we control up to 4,350 acres of land located in the Inland Empire submarket of the Southern California industrial real estate market through master development agreements with a term of up to 13 years. Phase one of the SCLA project involves 344 acres we plan to acquire in 2006 that we believe can accommodate up to 6.5 million rentable square feet of industrial development. We anticipate starting construction of between 1.5 million and 2.0 million rentable square feet within the next 12 to 18 months.

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We have a stable, broadly diversified tenant base. As of June 30, 2006, we had approximately 775 tenants with no single tenant accounting for more than 1.9% of our annualized base rents. Our ten largest tenants occupy 15.3% of our leased portfolio, including our pro rata interest of our joint ventures. We intend to maintain a well-diversified mix of creditworthy tenants to limit our exposure to any single tenant or industry. We believe that our broad national presence in 24 of the top U.S. distribution and logistics markets is attractive to large users of distribution space and allows us to build strong relationships with our tenants. Furthermore, we are actively engaged in meeting our tenants' expansion, consolidation and relocation requirements. In 2006, we have completed or begun development of over 1.2 million rentable square feet of expansions of bulk distribution facilities for certain of our tenants.

Our primary business objectives are to maximize sustainable long-term growth in earnings and funds from operations, or FFO, and to maximize total return to our stockholders. In our pursuit of these objectives, we will:

acquire high-quality industrial properties;

pursue development opportunities, including through joint ventures;

expand our institutional capital management business;

actively manage our existing portfolio to maximize operating cash flow;

sell non-core assets that no longer fit our investment criteria; and

expand our operations into select domestic and international markets, including Mexico.

Our executive management team possesses substantial expertise in all aspects of industrial real estate management, marketing, leasing, acquisition, development and finance. Tom Wattles, one of our company's co-founders and our Executive Chairman, has been actively involved in the real estate business since 1978. Phil Hawkins, our Chief Executive Officer, has extensive public REIT operating experience and 24 years of commercial real estate experience. Jim Cochran, our President and Chief Investment Officer, joined our company in 2004 and has been involved in the industrial real estate sector for over 20 years. Stuart Brown, our Chief Financial Officer, has 17 years of public company accounting and capital markets experience, including most recently three years of public REIT experience. As of October 13, 2006, we employed approximately 60 individuals. Upon completion of this offering, our officers and directors will beneficially own approximately % of our shares of common stock on a fully-diluted basis.

Our principal executive office is located at 518 Seventeenth Street, Suite 1700, Denver, Colorado 80202; our telephone number is (303) 597-2400. We also maintain regional offices in Dallas, Texas and Atlanta, Georgia. Our website address is [www.dctindustrial.com](http://www.dctindustrial.com). The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the SEC.

### *Our Competitive Strengths*

We believe that we distinguish ourselves from other owners, operators, acquirers and developers of industrial properties through the following competitive strengths:

**High-Quality Industrial Property Portfolio.** Our portfolio of industrial properties primarily consists of high-quality bulk distribution facilities specifically designed to meet the needs of our distribution tenants. Approximately 87.1% of our portfolio based on rentable square footage is comprised of bulk distribution properties while approximately 10.4% of our portfolio is comprised of light industrial properties. The majority of our properties are specifically designed for use by major



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distribution and third party logistics tenants and are readily divisible to meet re-tenanting opportunities. We believe that our concentration of high-quality bulk distribution properties provides us with a competitive advantage in attracting and retaining distribution users and tenants across the major and regional markets in which we operate.

**Proven Acquisition Capabilities.** Beginning with our first acquisition in June 2003, we have completed approximately \$2.9 billion in industrial real estate acquisitions. Excluding our three major portfolio acquisitions that were each in excess of \$200 million, our average acquisition transaction cost was approximately \$22.7 million, which demonstrates our ability to access a steady pipeline of smaller acquisitions. Our acquisition capability is driven by our extensive network of industry relationships within the brokerage, development and investor community. Approximately 58% of the acquisitions we completed, based on total purchase price, have been sourced in off-market transactions where there has been no formal sales process.

**Focused Development Strategy.** Our extensive network of industry relationships has provided us with a consistent source of development opportunities. Most of our development projects have taken the form of partnerships or fee for service relationships with leading local, regional or national developers. In our development partnerships, we may control the tenant relationship or the land, and we typically provide the majority of the equity capital. These partnerships are structured to provide us with attractive returns while aligning our interests with those of our development partner. We believe these structures allow us to operate more efficiently and with greater flexibility than if we were to maintain an internal development infrastructure.

**Experienced and Committed Management Team.** Our executive management team, including our Executive Chairman, collectively has an average of over 17 years commercial real estate experience and an average of over ten years focused on the industrial real estate sector. Additionally, our executive management team has extensive public company operating experience with all of our senior executives having held senior positions at publicly-traded REITs for an average of over ten years. Upon completion of this offering, our executive management team is expected to collectively own an approximate % equity interest in our company on a fully-diluted basis, which aligns executive management s interests with those of our stockholders.

**Strong Industry Relationships.** We believe that our extensive network of industry relationships with the brokerage, development and investor communities will allow us to execute successfully our acquisition and development growth strategies and our institutional capital management strategy. These relationships augment our ability to source acquisitions in off-market transactions outside of competitive marketing processes, capitalize on development opportunities and capture repeat business and transaction activity. Beginning with our first acquisition in June 2003, approximately 57% of our acquisitions, based on total purchase price, have been purchases from sellers with whom we have had repeat business and transaction activities. Our strong relationship with the tenant and leasing brokerage communities aids in attracting and retaining tenants. Additionally, we believe that our relationship with Black Creek Capital, LLC, or Black Creek, a Denver based real estate investment firm and an affiliate of our former advisor, provides us with unique investment opportunities and will assist us in our international growth strategy, particularly our strategy to acquire and develop industrial real estate assets in Mexico. Our Executive Chairman, Tom Wattles, and one of our directors, James Mulvihill, are principals of Black Creek.

**Access to Institutional Co-Investment Capital.** Our senior management team has broad long-term relationships within the institutional investor community that provide access to capital for both traditional joint ventures and funds or other commingled investment vehicles. These institutions include domestic pension plans, insurance companies, private trusts and international investors. We believe these relationships allow us to identify pockets of institutional demand and appropriately

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match institutional capital with investment opportunities in our target markets to maximize returns for our stockholders.

**Growth Oriented Capital Structure.** Our capital structure provides us with significant financial capacity to fund future growth. As of June 30, 2006, our pro forma debt to total market capitalization ratio would have been %, assuming a price per share in this offering at the mid-point of the range set forth on the cover page of this prospectus. Upon consummation of this offering, and giving effect to the use of proceeds as set forth under Use of Proceeds, we will have \$ million available under our \$250.0 million senior unsecured revolving credit facility, assuming that this offering prices at the mid-point of the range of prices set forth on the cover page of this prospectus. As of the consummation of this offering, 181 of our properties with a gross book value of \$1.3 billion will be unencumbered.

***Business and Growth Strategies***

Our primary business objectives are to maximize sustainable long-term growth in earnings and FFO and to maximize total return to our stockholders. The strategies we intend to execute to achieve these objectives include:

**Capitalizing on Acquisition Opportunities.** We intend to continue to expand our portfolio through the acquisition of high-quality industrial properties in our target markets, which include our existing markets as well as select new domestic and international markets, including Mexico. We will generally acquire high-quality bulk distribution and light industrial facilities and/or industrial assets located in irreplaceable locations where we believe there are significant growth and/or return opportunities. We intend to continue to focus on off-market acquisition opportunities through our extensive network of industry relationships in the brokerage, development and investor community and by utilizing our experience in identifying, evaluating and acquiring industrial properties in both single asset and portfolio transactions.

**Continuing to Grow Our Development Pipeline.** We intend to utilize our strong relationships with leading local, regional and national developers to continue to grow our development pipeline. We believe that development, redevelopment and expansion of well-located, high-quality industrial properties should continue to provide us with attractive risk-adjusted returns. Furthermore, we believe that our control of a substantial inventory of developable land and extensive relationships with industrial tenants will make us an attractive strategic partner for established national, regional and local developers in our markets.

**Expanding Our Institutional Capital Management Platform.** We believe that joint ventures, funds or other commingled investment vehicles with institutional partners will enable us to increase our overall return on invested capital, augment our acquisition activity and penetration of new markets and increase our access to capital for continued growth. We intend to continue to co-invest in properties with institutional investors through partnerships, limited liability companies or other joint venture structures. Typically we will own a 10% 30% interest in these joint ventures and seek to earn transaction-based fees and asset management fees as well as promoted interests or incentive distributions based on the performance of the joint venture.

**Maximizing Cash Flow From Existing Properties.** We intend to maximize the cash flow from our existing properties by increasing rents, increasing occupancy levels, managing operating expenses and expanding and improving our properties. As of June 30, 2006, our consolidated operating portfolio was 92.1% occupied leaving approximately 4.2 million square feet of rentable space available for lease-up. Additionally, we believe there is embedded rent growth potential in our properties. As of June 30, 2006, on a weighted-average portfolio basis, the in-place rents of our



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consolidated properties were \$3.91 per rentable square foot, or approximately 3.0% below the weighted-average market rents for our properties on a rentable square foot basis. Further, our average cash rental rate growth per rentable square foot (based on expiring leases which were re-leased) for the six months ended June 30, 2006 was 2.9%.

**Recycling Capital Efficiently.** We intend to selectively sell non-core assets in order to maximize total return to our stockholders by redeploying asset sales proceeds into new acquisition and development opportunities. We believe industrial real estate assets are in strong demand from institutional investors and we will seek to selectively identify asset sale opportunities in order to achieve our total return objectives.

**Pursuing International Growth Opportunities.** We intend to seek international growth opportunities through the acquisition and development of industrial properties in selected new international markets, including Mexico. This strategy will focus on addressing the needs of both international and local corporations as they seek to expand and reconfigure their industrial distribution facilities. We believe that there are significant growth opportunities in Mexico, where members of our senior management and directors have significant experience in the acquisition and development of commercial properties.

## **Background**

We were founded in 2002 by Black Creek as an externally-advised REIT to focus on the acquisition, development and operation of bulk distribution and light industrial properties located in major distribution and logistics markets in the United States. Our day-to-day business and operations continued to be managed by Dividend Capital Advisors LLC, our former advisor and an affiliate of Black Creek, under the supervision of our board of directors until October 10, 2006, when we completed the internalization transaction with our former advisor described herein, which we refer to as the Internalization. We are now a fully-integrated, self-administered and self-advised REIT.

Between 2002 and 2006 we raised equity capital to finance our real estate investment activities primarily through four consecutive continuous public offerings of our common stock for aggregate gross proceeds of approximately \$1.6 billion, including shares issued pursuant to our distribution reinvestment plan. Accordingly, we have been filing periodic reports with, and have been subject to the rules and regulations of, the SEC since July 2002. Upon consummation of this offering, our common stock will become listed on the New York Stock Exchange, or NYSE. As of October 13, 2006, there are 151,960,873 shares of our common stock issued and outstanding owned by approximately 36,000 stockholders.

In addition, since 2003 we have raised an aggregate of approximately \$299.3 million through our operating partnership's private placement of undivided tenancy-in-common interests, or TIC Interests, in our properties. These TIC Interests served as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Internal Revenue Code of 1986, as amended, or the Code, and were 100% leased by our operating partnership pursuant to master leases. The leases contained purchase options whereby our operating partnership had the right, but not the obligation, to acquire the TIC Interests from the investors at a later point in time in exchange for OP units. On October 10, 2006, we discontinued our operating partnership's private placement, although we may decide to recommence it in the future.

During the period that began January 1, 2006 and ended October 6, 2006, our operating partnership exercised purchase options pursuant to eight individual master lease agreements to buy certain TIC Interests it had previously sold in eight industrial properties located in Atlanta, Indianapolis, Louisville, Phoenix and Southern California. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 5.6 million OP units valued at approximately \$58.7 million to acquire such TIC Interests.

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As of the date of this prospectus, our operating partnership has options to purchase 232 TIC Interests in 26 properties. With regard to three of these properties, our operating partnership will exercise its purchase options and close on the purchases in October and November 2006 and issue an aggregate of 1.3 million OP units valued at approximately \$14.4 million. With regard to the remaining 23 properties, our operating partnership provided notice of exercise of its purchase options to the holders of the TIC Interests in early October. However, for the exercise to be effective for each of these 23 properties, all of the TIC Interest holders in such property must consent to amend the related master lease. The amendment would fix the number of OP units to be paid and accelerate the date of closing of the purchase of the TIC Interests in each property to the earlier of: (1) a date selected by our operating partnership that is within 60 days after the completion of this offering; or (2) a date selected by our operating partnership that is within the stipulated closing period in the original master lease. The fixed purchase price for the TIC Interests was determined based on the value of the underlying real estate asset and the price per OP unit paid in the Internalization. If all leases relating to these 23 properties are so amended, our operating partnership will have the right to purchase all remaining TIC Interests for an aggregate of 15.4 million OP units valued at \$173.4 million during the accelerated closing period. However, there can be no assurance that we will obtain the necessary consents of the TIC Interest holders. If unanimous consent for the amendment is not obtained on any property, that property will continue to be subject to our operating partnership's purchase option under the terms of the original master lease. If there are no amendments, the closing periods for our operating partnership's purchase options begin on January 1, 2007 and end on February 29, 2008.

Excluding financing obligations related to our operating partnership's private placement, as of June 30, 2006, we had total outstanding debt of approximately \$1.2 billion consisting primarily of unsecured debt and secured, fixed-rate, non-recourse mortgage notes.

**Industrial Market Overview**

The industrial real estate market in the United States consists of approximately 12.6 billion square feet of rentable building area as of June 30, 2006 according to CoStar. Of this total, approximately 11.1 billion square feet is warehouse space, which consists of bulk distribution and light industrial properties, and approximately 1.5 billion is flex space. Warehouse properties, which represent the substantial majority of our assets, are characterized by their generic design and are generally leased to regional or national distribution tenants or tenants engaged in light manufacturing activities and are rented on a triple-net-lease basis. In contrast, flex space typically has been designed or configured to a specialized use such as research and development, with comparatively higher re-tenanting costs as compared to warehouse properties due to higher office finish.

We believe that the industrial real estate industry exhibits a number of positive characteristics, including:

Short development lead times;

Low vacancy volatility;

Modest re-tenanting costs;

Comparatively modest maintenance costs; and

Triple-net leases.

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### **Summary Risk Factors**

You should carefully consider the matters discussed in the section **Risk Factors** beginning on page 24, including the following, before you invest in our stock:

Our investments in real estate assets are primarily concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

Our growth will partially depend upon our ability to successfully acquire and develop future properties, and we may be unable to enter into and consummate acquisitions or development projects on advantageous terms or acquisitions or development projects may not perform as we expect.

We depend on key personnel, including Tom Wattles, Phil Hawkins, Jim Cochran, Stuart Brown, Daryl Mechem, Matt Murphy and Michael Ruen, and the loss of services from key members of the management group or a limitation in their availability could adversely affect us.

Our acquisition and development activities, as well as our institutional capital management business, are largely dependent on external capital, and our operating results and financial condition could be adversely affected if we do not continue to have access to capital on favorable terms.

We intend to continue to acquire and develop certain properties through joint ventures with third parties, and our joint venture partners could default on their obligations, cause us to be liable for their actions under certain circumstances or take other actions contrary to our business and economic interests and goals or that could otherwise negatively impact our performance.

Your investment in us may be subject to additional risks if we make international investments as a result of factors peculiar to the laws and business practices of the jurisdictions in which the properties are located.

Our net income per share and FFO per share in the near term may decrease as a result of the Internalization in connection with the one-time, non-recurring non-cash charge to earnings we will incur for the portion of the Internalization consideration that is allocated as the cost for terminating our advisory agreement with our former advisor.

We are structured as an umbrella partnership REIT, or UPREIT, which means that we own our properties through our operating partnership and its subsidiaries. Our UPREIT structure may result in potential conflicts of interest. Upon the consummation of this offering, we will own % of the OP units in our operating partnership, and circumstances may arise in the future when the interests of the other limited partners in our operating partnership may conflict with the interests of our stockholders.

We are dependent on tenants for our revenue, and defaults by our tenants, as a result of bankruptcy, insolvency or otherwise, could cause us to reduce the amount of distributions to stockholders. In addition, our ability to renew leases or re-lease space on favorable terms as leases expire significantly affects our business. Furthermore, a property that incurs a vacancy could be difficult to sell or re-lease.

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Uninsured losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, relating to real property may adversely affect your returns. Similarly, contingent or unknown liabilities with respect to our properties, including environmentally hazardous conditions, could adversely affect our financial condition.

Our operating results and financial condition could be adversely affected if we are unable to make required principal and interest payments on our outstanding indebtedness, comply with the other covenants contained in our indebtedness or refinance our indebtedness at maturity on favorable terms.

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Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this prospectus.

As of October 13, 2006, we had approximately 152.0 million shares of common stock issued and outstanding, all of which are freely tradable and substantially all of which are not subject to any volume limitations on trading under the federal securities laws, and neither we nor any third party have any control over the timing or volume of the potential sale of these shares. Prior to this offering, the shares were not listed on any national exchange, and the ability of stockholders to liquidate their investments was limited. Subsequent to the completion of this offering and our listing on the NYSE, a large volume of sales of these shares, or the perception that such sales could occur, could decrease the prevailing market prices of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future.

Our distributions to stockholders may change depending on a number of factors, including cash available for distribution, our results of operations, our financial condition, the distribution requirements for REITs under the Code, and our operating expenses.

Our qualification as a REIT will depend on our satisfaction of numerous requirements established under highly technical and complex provisions of the Code and our failure to so qualify could adversely affect our operations and our ability to make distributions.

**Table of Contents****Our Properties**

The following tables present an overview of our existing portfolio of industrial properties sorted by our target markets based on information as of June 30, 2006 (dollar amounts are in thousands).

**Consolidated Properties**

Markets	Number of Buildings	Percent Owned <sup>(1)</sup>	Rentable Square Feet	Percentage of Total Rentable Square Feet	Occupancy Percentage <sup>(2)</sup>	Percentage of Total Annualized Base Rent <sup>(3)</sup>		Number of Leases	Annualized Base Rent per Square Foot <sup>(4)</sup>
						Annualized Base Rent <sup>(3)</sup>	Annualized Base Rent <sup>(3)</sup>		
<b>Target Markets</b>									
Atlanta	56	100.0%	6,550,271	12.1%	88.9%	\$ 21,224	10.8%	116	\$ 3.65
Baltimore/ Washington D.C.	13	100.0%	1,585,087	2.9%	90.7%	8,887	4.5%	31	6.18
Central Pennsylvania	5	100.0%	899,157	1.6%	100.0%	3,457	1.8%	8	3.84
Charlotte	11	100.0%	1,477,548	2.7%	79.1%	3,919	2.0%	19	3.35
Chicago	14	100.0%	2,877,988	5.3%	94.8%	10,251	5.2%	22	3.76
Cincinnati	39	100.0%	4,982,215	9.1%	86.5%	15,504	7.9%	91	3.60
Columbus	15	100.0%	4,401,797	8.1%	92.7%	12,649	6.4%	29	3.10
Dallas <sup>(5)</sup>	54	100.0%	6,810,543	12.5%	90.3%	23,169	11.8%	143	3.74
Denver	1	100.0%	160,232	0.3%	77.0%	619	0.3%	5	5.01
Houston	34	100.0%	2,452,711	4.5%	93.0%	11,467	5.8%	89	5.06
Indianapolis	8	100.0%	3,326,864	6.1%	95.5%	9,138	4.6%	18	2.88
Louisville	2	100.0%	521,000	1.0%	100.0%	1,696	0.9%	3	3.25
Memphis	10	100.0%	4,333,018	7.9%	93.8%	12,336	6.3%	15	3.04
Miami	6	100.0%	727,461	1.3%	92.7%	5,142	2.6%	20	7.56
Minneapolis	6	100.0%	828,466	1.5%	100.0%	3,897	2.0%	12	4.70
Nashville	5	100.0%	2,712,373	5.0%	91.7%	7,674	3.9%	6	3.09
New Jersey	10	100.0%	1,189,533	2.2%	96.2%	6,226	3.2%	29	5.44
Northern California	29	100.0%	2,410,960	4.4%	97.4%	12,089	6.1%	62	5.15
Orlando	12	100.0%	1,226,231	2.3%	93.4%	5,000	2.5%	35	4.28
Phoenix	15	100.0%	1,733,078	3.2%	96.5%	7,616	3.9%	34	4.41
San Antonio	2	100.0%	172,050	0.3%	67.6%	456	0.2%	4	3.92
Seattle	8	100.0%	1,198,617	2.2%	96.5%	5,423	2.8%	15	4.69
Southern California	12	100.0%	1,391,534	2.6%	99.6%	5,935	3.0%	26	4.28
Subtotal/Weighted Average Target Market <sup>(6)</sup>	367	100.0%	53,968,754	99.0%	92.1%	193,774	98.5%	832	3.89
<b>Non-Target Market</b>									
Boston	6	100.0%	567,441	1.0%	89.1%	3,196	1.5%	12	6.32
<b>Total/Weighted Average Operating Properties</b>	<b>373</b>	<b>100.0%</b>	<b>54,536,195</b>	<b>100.0%</b>	<b>92.1%</b>	<b>\$ 196,970</b>	<b>100.0%</b>	<b>844</b>	<b>\$ 3.91</b>
<b>Consolidated Properties Under Development</b>									
Atlanta	2	100.0%	688,067	78.4%	4.6%	\$		1	\$
Chicago	1	95.1%	189,134	21.6%	32.9%	274	100.0%	1	4.40
Subtotal/Weighted Average Properties Under Development	3	98.9%	877,201	100.0%	10.7%	274	100.0%	2	2.92
<b>Total/Weighted Average Consolidated</b>	<b>376<sup>(7)</sup></b>	<b>100.0%</b>	<b>55,413,396</b>	<b>N/A</b>	<b>90.8%</b>	<b>\$ 197,244</b>	<b>N/A</b>	<b>846</b>	<b>\$ 3.91</b>



**Table of Contents****Unconsolidated Properties**

Markets	Number of Buildings	Percent Owned <sup>(1)</sup>	Rentable Square Feet	Percentage of Total Rentable Square Feet	Occupancy Percentage <sup>(2)</sup>	Annualized Base Rent <sup>(3)</sup>	Percentage of Total Annualized Base Rent <sup>(3)</sup>	Number of Leases	Annualized Base Rent per Square Foot <sup>(4)</sup>
<b>Fund Properties</b>									
Atlanta	1	20.0%	577,500	21.8%	100.0%	\$ 1,460	17.2%	2	\$ 2.53
Central Pennsylvania	1	20.0%	100,000	3.8%	100.0%	403	4.8%	1	4.03
Chicago	1	20.0%	303,192	11.5%	100.0%	1,491	17.6%	2	4.92
Dallas	1	20.0%	540,000	20.4%	100.0%	1,638	19.3%	1	3.03
Memphis	1	20.0%	1,039,000	39.2%	100.0%	2,857	33.7%	2	2.75
New Jersey	1	20.0%	87,500	3.3%	100.0%	630	7.4%	1	7.20
	6	20.0%	2,647,192	100.0%	100.0%	8,479	100.0%	9	3.20
<b>Unconsolidated Properties Under Development</b>									
Atlanta	1	97.1%	556,800	52.0%	0.0%				
Southern California <sup>(8)</sup>	2	91.1%	514,463	48.0%	0.0%				
	3	94.2%	1,071,263	100.0%	0.0%				
<b>Total/Weighted Average Unconsolidated Properties</b>									
	9 <sup>(7)</sup>	41.4%	3,718,455	N/A	71.2%	\$ 8,479	N/A	9	\$ 3.20

(1) Weighted average ownership is based on rentable square feet.

(2) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(3) Annualized Base Rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of June 30, 2006, multiplied by 12.

(4) Calculated as Annualized Base Rent divided by rentable square feet under lease as of June 30, 2006.

(5) Three of our buildings in this market totaling approximately 743,000 rentable square feet are under ground leases.

(6) As described in more detail below, seven properties will be either contributed by us to our DCTRT joint venture or sold to an affiliate of DCTRT in the beginning of the fourth quarter of 2006. (See Significant Transactions Institutional Capital Management Joint Ventures DCTRT Joint Venture.)

(7) Occasionally our leases contain provisions giving the tenant rights to purchase the property, which can take the form of a fixed price purchase option, a fair market value option, a right of first refusal option or a right of first offer option. The following chart summarizes such rights:

	Number of Leases	Rentable Square Feet	Annualized Base Rent (000s)
Fixed Price Purchase Options	6	2,516,034	\$ 7,648
Fair Market Value Options	3	282,986	\$ 1,323
Right of First Refusal Options	5	874,068	\$ 2,499
Right of First Offer Options	4	873,904	\$ 3,292

(8) Includes one vacant 55,000 rentable square foot building that is not currently under development.

**Significant Transactions****Advisor Internalization**

On October 10, 2006, pursuant to a contribution agreement, our operating partnership acquired our former affiliated external advisor, Dividend Capital Advisors LLC, or our former advisor, from Dividend Capital Advisors Group LLC, the parent company of our former advisor, or DCAG, for an aggregate of 15,111,111 OP units, which included the modification of a special series of units, or the special units, of limited partnership interest in our operating partnership held by DCAG into OP units. We refer to this transaction as the Internalization. In connection with the Internalization, our former advisor became a wholly-owned subsidiary of our operating partnership, and certain employees of, or consultants to, our former advisor or its affiliates became our employees. As a result of these transactions, we have become a fully-integrated,



self-administered and self-advised REIT.

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We also entered into several related agreements in connection with the Internalization including:

a pledge and security agreement whereby DCAG pledged the OP units received as consideration in the Internalization and certain other assets for certain periods to secure its indemnification obligations to us under the contribution agreement;

a registration rights agreement whereby we granted registration rights to DCAG and its permitted transferees in respect of any shares of our common stock issued in exchange for the OP units issued in the Internalization;

a non-competition agreement with each of Evan Zucker, our former Chief Executive Officer, President and Secretary and a former director, and James Mulvihill, our former Chief Financial Officer and Treasurer and one of our directors;

a license agreement with an affiliate of DCAG granting us the right to continue to use the Dividend Capital name without payment of any fees for one year;

a transition services agreement with DCAG whereby we receive enumerated services, including IT services, human resources, payroll and accounts payable services, necessary to operate our business for a one-year period; and

a joint venture agreement with Divided Capital Total Realty Trust Inc., or DCTRT, a Maryland corporation which qualifies as a REIT for U.S. federal income tax purposes and which is externally advised by an affiliate of DCAG, and a wholly-owned subsidiary of DCTRT, which established a series of joint ventures that, subject to certain exceptions and conditions, will be the exclusive vehicles used by DCTRT and such subsidiary to invest in industrial real estate assets in our current major markets through the end of 2008.

Additionally, upon consummation of the Internalization, Phil Hawkins became our Chief Executive Officer and a director, Stuart Brown became our Chief Financial Officer and Jim Cochran became our President. Simultaneously, Evan Zucker resigned as our Chief Executive Officer, President, Secretary and director and James Mulvihill resigned as our Chief Financial Officer and Treasurer.

Certain of our directors and officers had material financial interests in the Internalization. (See Certain Relationships and Related Transactions. ) To address these potential conflicts of interest, a special committee of our board of directors comprised of all of our independent directors was formed to review, consider and negotiate the terms and conditions of the Internalization and to make a recommendation to our entire board regarding the transaction. The special committee engaged and consulted with its own legal and financial advisors.

In connection with the Internalization, our stockholders approved an amendment and restatement of our charter that will become effective upon the closing of this offering. The purpose of this amendment is to conform our charter more closely with the charters of other companies that qualify as REITs for U.S. federal income tax purposes and whose securities are publicly traded and listed on the NYSE. In addition, we adopted our 2006 Long-Term Incentive Plan, or our long-term incentive plan, and our 2006 Incentive Compensation Plan. These plans were established by our board of directors, which worked with its legal advisors and with employment compensation consultants to survey and study the market compensation ranges of our competitors, were approved by our stockholders and are designed to help us to attract, retain and motivate highly qualified individuals and more directly align the interests of our management with those of our stockholders.

**Table of Contents****Significant Portfolio Acquisitions***Cal-TIA Acquisition*

On June 9, 2006, we acquired a fee interest in a portfolio of 78 bulk distribution, light industrial and service center buildings comprising approximately 7.9 million rentable square feet located in eight markets (Atlanta, Baltimore, Charlotte, Cincinnati, Dallas, Miami, Northern California and Orlando), which we collectively refer to as Cal-TIA, and a land parcel comprising 9.2 acres located in the Orlando market, for a total estimated cost of approximately \$500.7 million (which includes an acquisition fee of \$4.9 million that was paid to our former advisor). This portfolio was acquired from an unrelated third party. We funded this purchase using our existing cash balances, net proceeds from prior public offerings and our operating partnership's private placement and debt proceeds of approximately \$387.0 million. These debt proceeds consisted of borrowings from our existing senior unsecured revolving credit facility in the amount of \$112.0 million and the issuance of \$275.0 million of unsecured debt.

The table below provides the number of buildings and rentable square feet by market with respect to the acquired portfolio of buildings as of June 9, 2006.

Market	Buildings	Rentable
		Square Feet
Atlanta	9	1,146,169
Baltimore	3	278,519
Charlotte	7	1,051,144
Cincinnati	18	796,413
Dallas	5	1,828,183
Miami	3	411,009
Northern California	23	1,499,524
Orlando	10	859,094
<b>Total Portfolio</b>	<b>78</b>	<b>7,870,055</b>

As of June 9, 2006, the acquired buildings were 92.2% leased.

**Table of Contents***Cabot Acquisition*

On July 21, 2005, we completed a merger with Cabot Industrial Value Fund, Inc., or Cabot, an unrelated third-party, whereby we acquired all of the outstanding shares of Cabot's common stock for approximately \$312.6 million in cash and the assumption of debt and certain other net liabilities (which includes an acquisition fee of \$5.6 million that was paid to our former advisor). Through our ownership of Cabot, we initially acquired an approximate 87.0% interest in Cabot Industrial Value Fund, LP which, as of December 31, 2005, owned a portfolio of 104 buildings located in 12 markets throughout the United States with a total historical cost of approximately \$654.5 million and approximately \$308.8 million of mortgage debt outstanding. The following table provides additional information about the portfolio as of December 31, 2005.

<b>Market</b>	<b>Buildings</b>	<b>Rentable Square Feet</b>
Atlanta	29	1,457,171
Baltimore	3	432,113
Boston	1	164,900
Charlotte	3	345,956
Chicago	6	1,073,830
Cincinnati	11	1,496,773
Columbus	3	1,213,486
Dallas	29	2,249,496
Miami	1	65,669
New Jersey	3	483,338
Seattle	8	1,198,617
Southern California	7	725,432
<b>Total Portfolio</b>	<b>104</b>	<b>10,906,781</b>

As of December 31, 2005, this portfolio was 89.6% leased. On April 21, 2006, we purchased the remaining interests in the Cabot Industrial Value Fund, LP for approximately \$40.4 million (which includes an acquisition fee of \$0.9 million that was paid to our former advisor).

*RN Portfolio Acquisition*

On October 1, 2004, we acquired a fee interest in a portfolio of 53 buildings totaling approximately 4.9 million rentable square feet located in the following six markets: Atlanta, Boston, Dallas, Houston, Northern California and Phoenix. The total cost of this portfolio was approximately \$238.9 million (which includes an acquisition fee of \$2.3 million that was paid to our former advisor).

The following table provides additional information about the portfolio as of October 1, 2004:

<b>Market</b>	<b>Buildings</b>	<b>Rentable Square Feet</b>
Atlanta	10	1,272,471
Boston	5	405,741
Dallas	14	942,494
Houston	9	806,441
Northern California	3	133,871
Phoenix	12	1,329,735
<b>Total Portfolio</b>	<b>53</b>	<b>4,890,753</b>

As of October 1, 2004, this portfolio was 85.2% leased.



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***Institutional Capital Management Joint Ventures***

***BBK Joint Venture***

On February 21, 2006, we entered into a joint venture with affiliates of Boubyan Bank of Kuwait, which we refer to as BBK, an unrelated party, to create an institutional fund, DCT Fund I LLC, which we refer to as Fund I, that owns and operates industrial properties located in the United States. We contributed six industrial properties to Fund I totaling approximately 2.6 million rentable square feet after completion of a 330,000 square foot expansion project. The contribution value of the six buildings upon completion of the expansion was approximately \$122.8 million. Contemporaneously with our contribution, Fund I issued \$84.4 million of secured non-recourse debt to a third party and BBK contributed \$19.7 million of equity to Fund I. Upon receipt of these proceeds, Fund I made a special distribution to us of approximately \$102.7 million. The expansion was completed during June 2006, and, contemporaneously with the completion of the expansion, Fund I issued \$11.1 million of additional secured non-recourse debt to a third party and BBK contributed \$2.6 million of equity to Fund I. Upon receipt of these proceeds, Fund I made a special distribution to us of approximately \$13.7 million. With the completion of these transactions, our ownership of Fund I is 20%, and BBK's ownership of Fund I is 80%.

Pursuant to our joint venture agreement, we act as asset manager for Fund I and earn certain fees, including asset management fees, related to the properties we manage. Such fees totaled approximately \$126,000 and \$178,000 for the three and six months ended June 30, 2006, respectively. In addition to these fees, after we and BBK are repaid our respective capital contributions plus a preferred return, we have the right to receive a promoted interest in Fund I based on performance. Although Fund I's day-to-day business affairs are managed by us, all major decisions are determined by both us and BBK.

***DCTRT Joint Venture***

We have entered into a joint venture agreement with DCTRT and TRT Industrial Fund I LLC, or TRT LLC, one of DCTRT's wholly-owned subsidiaries. The joint venture agreement provides that one or more additional affiliated entities of DCTRT may also become parties to the agreement and established a series of joint ventures that, subject to certain exceptions, will serve as the exclusive vehicles through which DCTRT, TRT LLC and, if applicable, such affiliated entities will acquire industrial real estate assets in certain major markets in which we currently operate until the end of 2008 so long as we introduce a certain minimum amount of potential acquisition opportunities and do not otherwise materially breach this agreement. In the event that (and only for so long as) these exclusivity provisions are not in effect for any reason prior to the end of 2008, Evan Zucker, our former Chief Executive Officer, President, Secretary and director and James Mulvihill, our former Chief Financial Officer and Treasurer will be prohibited under their respective non-competition agreements with us from directly or indirectly participating in certain activities in respect of industrial real estate on behalf of either DCTRT or other related entities. We will act as the managing member of the entities created under the joint venture agreement, subject to the approval of major decisions by TRT LLC and, if applicable, such affiliated entities, and will earn certain market-based asset management, acquisition and disposition fees and, after the return of capital to us and TRT LLC, an incentive distribution.

Pursuant to this joint venture agreement, it is expected that the initial joint venture will own and/or operate approximately \$150.0 million of industrial properties by December 31, 2006. The 2006 portfolio operated by the initial joint venture will be comprised of (i) approximately \$64.8 million in assets to be sold by us to an affiliate of DCTRT; the joint venture will manage these assets, receive a market-based asset management fee and retain a purchase option on these assets under certain circumstances; (ii) an additional \$14.8 million in assets to be contributed by us to the initial joint venture; and (iii) an additional \$70.4 million in assets that will

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either be contributed by us to the initial joint venture, sold by us to an affiliate of DCTRT with the associated asset management fee and purchase option or acquired through third party purchases.

The following table provides certain information about the properties to be contributed or sold:

Property	Market	Number of Leases	Rentable Square Feet	Occupancy Percentage <sup>(1)</sup>	Annualized Base Rent <sup>(2)</sup>
Park West L1 <sup>(4)</sup>	Cincinnati	1	150,100	76.9%	\$ 421,575
Park West Q <sup>(3)</sup>	Cincinnati	3	198,600	100.0%	755,190
Rickenbacker IV <sup>(3)</sup>	Columbus	3	330,179	100.0%	1,163,743
Coasters Distribution Center <sup>(5)</sup>	Dallas	1	405,636	100.0%	1,014,090
Eagle Creek East <sup>(3)</sup>	Minneapolis	2	107,451	100.0%	630,537
Eagle Creek West <sup>(4)</sup>	Minneapolis	2	132,068	100.0%	747,995
Minnesota Valley III <sup>(4)</sup>	Minneapolis	1	232,804	100.0%	821,798
<b>Total Portfolio</b>		<b>13</b>	<b>1,556,838</b>	<b>97.8%</b>	<b>\$ 5,554,928</b>

(1) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized Base Rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of June 30, 2006, multiplied by 12.

(3) Represents a property sold by us to an affiliate of DCTRT as of October 18, 2006.

(4) Represents a property to be sold by us to an affiliate of DCTRT as of December 31, 2006.

(5) Represents a property to be contributed by us to the initial joint venture as of December 31, 2006.

The joint venture portfolios will be funded as follows: (i) an equity contribution from TRT LLC to the joint venture (which will be not less than approximately 90% of the joint venture's required equity capitalization), (ii) an equity contribution from us to the joint venture (which will be up to 10% of the joint venture's required equity capitalization) and (iii) secured debt financing to be obtained by the joint venture with a targeted loan-to-value of no less than 55% and no more than 75%.

**SCLA Joint Venture**

In July 2005, we entered into a joint venture agreement, which was amended and restated in October 2006, with Stirling Airports International, LLC, or Stirling, to be the master developer of up to 4,350 acres in Victorville, California, part of the Inland Empire submarket of the Southern California industrial real estate market. We refer to this joint venture as the SCLA joint venture. While our exact interest in the joint venture will depend on the amount of capital we contribute and the timing of contributions and distributions, the SCLA joint venture contemplates an equal sharing between us and Stirling of residual profits after all priority distributions. The development project resulted from the closure of George Air Force Base in 1992 and is known as Southern California Logistics Airport, or SCLA. SCLA is controlled by two development authorities: the Southern California Logistics Airport Authority and the Southern California Logistics Rail Authority, which we refer to collectively as the Authorities. SCLA is part of the approximately 60,000 acre Victor Valley Economic Development Authority. Stirling entered into two master development agreements to be the exclusive developer of SCLA for the next 13 years (including extensions) and assigned to the SCLA joint venture its rights related to the 4,350 acres designated primarily for industrial development.

The Southern California industrial real estate market is one of the largest and fastest growing industrial real estate markets in the United States and is supported by leading seaport and airport hubs, as well as extensive road and rail systems. Southern California is home to the Los Angeles/Long Beach container ports, the busiest seaport system in North America and the eighth busiest in the world as measured by annual volume. Industrial land prices in the Inland Empire currently range between \$6 and \$17 per square foot. The SCLA development

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project has logistical advantages for the movement of goods by air, truck and rail. SCLA is situated 47 miles north of the Ontario California International Airport in close proximity to Interstate 15, the main west-east artery for goods moving from the Ports of Los Angeles and Long Beach. The project also surrounds an existing logistics airport which can accommodate the largest commercial aircraft and is controlled by the Southern California Logistics Airport Authority. In addition to the two existing airport runways at the logistics airport, the main transcontinental lines for Burlington Northern Santa Fe and Union Pacific Railroads run parallel to I-15.

The SCLA joint venture contemplates acquiring tracts of land over time as opportunities arise for development or for resale of parcels to end users for whom the joint venture may participate in build-to-suit projects. As the exclusive master developer of the industrial portion of SCLA for up to 13 years, the joint venture has the right to develop bulk distribution and light industrial properties in what we believe to be the industrial market that has experienced the highest average annual net absorption in the United States for the last five years. The SCLA joint venture anticipates executing a disposition development agreement to acquire 344 acres at SCLA before the end of 2006 as part of the phase one development plan. We believe that this first phase can accommodate up to 6.5 million rentable square feet of industrial development. Subject to the receipt of required building permits, we currently anticipate starting construction of between 1.5 million and 2.0 million rentable square feet of space within the next 12 to 18 months. The Authorities have committed an initial \$18 million in funding of the infrastructure improvements and have indicated that, subject to availability of tax increment financing, they intend to fund remaining infrastructure improvements needed for the joint venture's phase one development plan. We cannot predict at this time when or to what extent the joint venture will purchase additional land beyond phase one that it has the right to develop under the master agreements. If the SCLA joint venture developed all of the 4,350 acres, we believe the project could ultimately accommodate up to 60 million rentable square feet of industrial space, though there can be no guarantee that we can achieve such development within the 13 year term.

## **Our Corporate Structure**

We were organized in April 2002 as a Maryland corporation and have continually qualified as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2003. We are fully-integrated, self-administered and self-advised. We own our properties through our operating partnership and its subsidiaries. We are the sole general partner of our operating partnership and owned approximately 97% of the outstanding equity interests of our operating partnership as of June 30, 2006.

We and our wholly-owned subsidiary DCT Industrial TRS Inc., or DCT TRS, have jointly elected to treat DCT TRS as a taxable REIT subsidiary, or TRS. DCT TRS undertakes certain activities that we (and our pass-through subsidiaries) might otherwise be precluded from undertaking under the REIT qualification rules of the Code. As a TRS, DCT TRS is generally subject to corporate income tax on its earnings, which has the effect of reducing the cash flow available to make distributions to our stockholders.



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The following chart reflects an overview of our corporate organization following completion of this offering:

- 
- (1) Includes % representing stockholders prior to this offering.
  - (2) Subsidiary that acts as payroll master and has other overhead functions.
  - (3) REIT subsidiary.
  - (4) TRS.

**Our REIT Status**

We elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2003. As a REIT, we generally will not be subject to U.S. federal income tax on income that we distribute to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they annually distribute at least 90% of their taxable income. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, we will not be allowed a deduction for distributions to our stockholders in computing our taxable income and we may be precluded from qualifying for treatment as a REIT for the four-year period following the year of our failure to qualify. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to state and local taxes on our income and property and to U.S. federal income and excise taxes on our undistributed income.

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### **Restrictions on Transfer**

We and our executive officers and directors have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other individuals have agreed not to directly or indirectly offer, pledge, sell or contract to sell any common stock, sell any option or contract to purchase any common stock, purchase any option or contract to sell any common stock, grant any option, right or warrant for the sale of any common stock, lend or otherwise dispose of or transfer any common stock, request or demand that we file a registration statement related to the common stock, or enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

### **Restrictions on Share Ownership**

Our charter contains a restriction on ownership of the common stock that prevents any person or entity from owning directly or indirectly more than 9.8% of the outstanding shares of any class or series of our stock, by number or value, whichever is more restrictive, subject to certain possible exceptions. These restrictions, as well as other share ownership and transfer restrictions contained in our charter, are designed to enable us to comply with share accumulation and other restrictions imposed on REITs by the Code. For a more complete description of the common stock, including restrictions on the ownership of common stock, please see the [Description of Capital Stock](#) section of this prospectus.

### **Distribution Policy**

U.S. federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain.

In order to maintain our REIT qualification and to generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our net taxable income to holders of our common stock. Any future distributions we make will be at the discretion of our board of directors and will depend upon, among other things, our actual results of operations. These results and our ability to pay distributions will be affected by various factors, including the income from our portfolio, our operating expenses and any other expenditures.

We cannot assure you that we will have sufficient cash available for future quarterly distributions. See [Risk Factors](#) [Risks Related to Our Business and Operations](#) We may have difficulty funding our distributions with our available cash flow.

To the extent that our cash available for distribution is less than 90% of our REIT taxable income, we may consider various funding sources to cover any such shortfall, including borrowing under our credit facility, selling certain of our assets or using a portion of the net proceeds we receive in this offering or future offerings. Our distribution policy enables us to review the alternative funding sources available to us from time to time.

### **Conflicts of Interest**

Following the completion of the Internalization, there are conflicts of interest with respect to certain of our officers and directors, on the one hand, and us and our stockholders, on the other. Tom Wattles, Jim Cochran, Daryl Mechem, Michael Ruen and Matt Murphy hold membership interests in and/or are entitled to receive a portion of the net cash flow of DCAG. DCAG, or an affiliate thereof, is a party to the contribution agreement with us, as well as the pledge and security agreement, the registration rights agreement, the license agreement

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and the transition services agreement. In addition, we recently entered into employment agreements with each of our executive officers and a non-competition agreement with James Mulvihill, one of our directors. We may not seek to enforce these agreements as vigorously as we otherwise might because of our desire to maintain our relationships with such officers and directors.

Tom Wattles, our Executive Chairman, owns a portion of, and serves as a manager to, the parent company of DCTRT's external advisor and has similar ownership of, and serves as a manager for, other affiliates of DCAG. He will devote a majority of his time to us but will not work full time for us. (See Risk Factors Risks Related to Conflicts of Interest. )

We have invested, and may in the future invest, in joint ventures or other programs sponsored by affiliates of Messrs. Wattles and Mulvihill, including those pursuant to our joint venture agreement with DCTRT, or conduct other business activities with these affiliates. Messrs. Wattles and Mulvihill will each abstain from voting as directors on any transactions we enter into with these affiliates. In addition, we may compete with our affiliates for investments.

We have adopted policies that are designed to eliminate or minimize certain potential conflicts of interest by requiring the consent of a majority of our independent directors with respect to actions in connection with the foregoing agreements or circumstances.

**Senior Unsecured Revolving Credit Facility**

We have a \$250.0 million senior unsecured revolving credit facility with a syndicated group of banks led by JP Morgan Securities. The facility matures in December 2008 and has provisions to increase its total capacity to \$400.0 million. At our election, the facility bears interest either at LIBOR plus between 0.875% and 1.375%, depending upon our consolidated leverage, or at prime and is subject to an annual 0.25% facility fee. The facility contains various covenants including financial covenants with respect to consolidated leverage, net worth, unencumbered assets, interest and fixed charge coverage and secured debt to total asset value. As of June 30, 2006, we were in compliance with all these financial covenants. As of June 30, 2006, there was \$132.0 million outstanding on this facility and on a pro forma basis there will be \$ million outstanding.

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**The Offering**

Common stock offered by us	shares <sup>(1)</sup>
Common stock to be outstanding after this offering	shares <sup>(2)</sup>
Common stock and OP units to be outstanding after this offering	shares/units <sup>(2) (3)</sup>
Use of proceeds	We intend to use \$ _____ million of the net proceeds of this offering to repay outstanding indebtedness under our senior unsecured revolving credit facility.

**Proposed New York Stock Exchange symbol**

- (1) Excludes up to \_\_\_\_\_ shares of our common stock that may be issued by us upon exercise of the underwriters' over-allotment option.  
 (2) Includes the following:

151,960,873 shares of our common stock outstanding as of October 13, 2006; and

88,889 shares of our common stock purchased by Phil Hawkins subsequent to the closing of the Internalization at \$11.25 per share.

Excludes the following:

up to \_\_\_\_\_ shares of our common stock that may be issued by us upon exercise of the underwriters' over-allotment option;

421,000 shares of our common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$11.19 per share;

2,060,514 shares of our common stock issuable upon the exercise of 2,060,514 outstanding warrants at an exercise price of \$12.00 per share;

450,795 shares of restricted stock (or equivalent full value awards) to be awarded to Phil Hawkins and 51,111 shares of restricted stock (or equivalent full value awards) to be awarded to Stuart Brown subsequent to the closing of the Internalization; and

7,498,094 shares of our common stock reserved for future issuance under our long-term incentive plan.

(3) Includes 22,451,598 shares of common stock issuable upon the exchange, in our sole discretion, of 22,451,598 outstanding OP units as of October 13, 2006 on an one-for-one basis, including the 15,111,111 OP units issued upon completion of the Internalization.  
 In addition, as discussed in more detail in "Background" above, we are in the process of soliciting the consent of the holders of certain outstanding TIC Interests that were issued in connection with our operating partnership's private placement to amend the leases relating to their interests. These leases provide our operating partnership with purchase options respecting these TIC Interests, and the lease amendments would fix the number of OP units to be paid and accelerate the date of closing of the purchase of the TIC Interests to the earlier of: (1) a date selected by our operating partnership that is within 60 days after the completion of this offering, or (2) a date selected by our operating partnership that is within the stipulated closing period in the original lease. If all the leases are so amended, our operating partnership will have the right to purchase these TIC Interests for an aggregate of 15.4 million OP units valued at \$173.4 million during the accelerated closing period. However, there can be no assurance that we will obtain the necessary consents of the TIC Interest holders.

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**Summary Selected Consolidated Financial and Pro Forma Data**

The following table sets forth selected summary financial data relating to our historical results of operations for the years ended December 31, 2005, 2004 and 2003, as well as for the six months ended June 30, 2006 and 2005, and selected summary pro forma financial data relating to our results of operations for the year ended December 31, 2005 and the six months ended June 30, 2006. The table also sets forth selected summary financial data relating to the historical balance sheets as of December 31, 2005, 2004 and 2003 and as of June 30, 2006 and 2005, and selected summary pro forma financial data relating to the balance sheets as of December 31, 2005 and June 30, 2006.

The summary historical consolidated financial information for the periods ended December 31, 2005, 2004 and 2003 and as of December 31, 2005, 2004 and 2003 presented below have been derived from our historical consolidated financial statements which were audited by KPMG LLP, an independent registered public accounting firm. The summary historical consolidated financial information for the six-month periods ended, and as of, June 30, 2006 and 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in the prospectus. Certain amounts presented for the fiscal years ended December 31, 2004 and 2003 and for the six-month period ended June 30, 2005 have been reclassified to conform to the presentation for the fiscal year ended December 31, 2005 and the six-month period ended June 30, 2006.

The summary unaudited pro forma financial information as of June 30, 2006 and for the six months then ended has been prepared to reflect adjustments to the historical financial statements to illustrate the estimated effect of the following transactions as if they had occurred on January 1, 2005:

our acquisition in 2006 of 117 properties located in 17 markets for a total cost of approximately \$926.8 million, which includes acquisition fees paid to our former advisor. These properties were acquired using net proceeds from our public offerings, our operating partnership's private placement and debt issuances and existing cash balances;

the acquisition on October 10, 2006 by our operating partnership of our former advisor from DCAG for an aggregate of 15,111,111 OP units, which included the modification of the special units held by DCAG into OP units;

this offering of \_\_\_\_\_ shares of our common stock; and

the application of the proceeds from this offering to repay \$ \_\_\_\_\_ million of outstanding indebtedness under our senior unsecured revolving credit facility.

The summary unaudited pro forma financial information as of December 31, 2005 and for the year then ended has been prepared to illustrate the estimated effect of the following transactions as if they had occurred on January 1, 2005:

the transactions described above; and

our acquisition in 2005 of 158 properties located in 18 markets for a total cost of approximately \$1.2 billion, which includes acquisition fees paid to our former advisor. These properties were acquired using net proceeds from our public offerings, our operating partnership's private placement and debt issuances and existing cash balances.

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Since the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements and pro forma condensed consolidated financial statements, including the related notes, you should read it in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and pro forma condensed consolidated financial statements, including the related notes, included elsewhere in this prospectus. The amounts in the table are in thousands except for per-share information.

	For the Six Months Ended June 30,			For the Year Ended December 31,			
	Pro Forma 2006	Historical 2006	2005	Pro Forma 2005	2005	Historical 2004	2003
<b>Operating Data:</b>							
Rental revenue	\$	\$ 97,974	\$ 45,977	\$	\$ 122,446	\$ 34,690	\$ 2,645
Institutional capital management fees		178					
Total revenue		98,152	45,977		122,446	34,690	2,645
Real estate taxes		13,068	5,328		15,315	3,830	231
Rental expenses		9,321	4,850		13,455	3,375	136
Depreciation and amortization expense		51,691	26,542		71,023	19,273	1,195
General and administrative expense		2,182	1,429		3,004	2,372	412
Asset management fees, related party		7,815	2,703		8,901	1,525	
Total expenses		84,077	40,852		111,698	30,375	1,974
Equity in losses of unconsolidated joint ventures, net		(182)					
Gain from disposition of real estate interests		8,032			2,285		
Interest expense, including amortization		(26,436)	(8,545)		(28,712)	(5,978)	(385)
Interest and other income		4,522	1,589		3,193	1,408	61
Total other income and expenses		(14,064)	(6,956)		(23,234)	(4,570)	(324)
Income (loss) before minority interests		11	(1,831)		(12,486)	(255)	347
Minority interests		298	(3)		526		
Net income (loss)	\$	\$ 309	\$ (1,834)	\$	\$ (11,960)	\$ (255)	\$ 347
<b>Common Share Distributions:</b>							
Common share cash distributions declared	\$	\$ 46,893	\$ 25,811	\$	\$ 62,292	\$ 24,263	\$ 2,452
Common share cash distributions declared per share	\$	\$ 0.320	\$ 0.320	\$	\$ 0.640	\$ 0.640	\$ 0.625
<b>Per Share Data:</b>							
Basic earnings (loss) per common share	\$	\$ 0.00	\$ (0.02)	\$	\$ (0.12)	\$ (0.01)	\$ 0.09
Diluted earnings (loss) per common share	\$	\$ 0.00	\$ (0.02)	\$	\$ (0.12)	\$ (0.01)	\$ 0.09
<b>Other Data:</b>							
FFO attributable to common shares <sup>(1)</sup>	\$	\$ 46,429	\$ 24,645	\$	\$ 57,173	\$ 19,018	\$ 1,542
Basic FFO per common share <sup>(1)</sup>	\$	\$ 0.31	\$ 0.30	\$	\$ 0.59	\$ 0.50	\$ 0.39
Diluted FFO per common share <sup>(1)</sup>	\$	\$ 0.31	\$ 0.30	\$	\$ 0.59	\$ 0.50	\$ 0.38
<b>Weighted average common shares outstanding:</b>							
Basic		147,812	81,331		97,333	37,908	3,987
Diluted		150,315	81,545		97,774	37,928	4,007
Net cash provided by operating activities	\$	\$ 48,737	\$ 27,347	\$	\$ 66,295	\$ 21,452	\$ 1,700
Net cash used by investing activities		(847,135)	(205,557)		(750,877)	(560,036)	(149,948)
Net cash provided by financing activities		748,329	328,711		755,980	558,027	152,314

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	As of June 30,			As of December 31,			
	Pro Forma 2006	Historical 2006	2005	Pro Forma 2005	Historical 2005	2004	2003
<b>Balance Sheet Data:</b>							
Net investment in real estate	\$	\$ 2,693,308	\$ 999,244	\$	\$ 1,904,411	\$ 732,202	\$ 150,633
Total assets		2,804,639	1,230,257		2,057,695	784,808	156,608
Lines of credit		132,016	12		16	4	1,000
Mortgage notes		650,941	295,288		642,242	142,755	40,500
Total liabilities		1,524,588	402,501		869,307	203,593	49,782
Total shareholders' equity (deficit)		1,245,035	823,866		1,132,811	581,214	106,824
Minority interests		35,016	3,890		55,577	1	1
Number of common shares outstanding		149,598	96,685		133,207	67,720	12,470

(1) We believe that FFO, as defined by the National Association of Real Estate Investment Trusts, or NAREIT, is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation and amortization expenses. However, since real estate values have historically risen or fallen with market and other conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. We believe that the use of FFO, combined with the required GAAP presentations, has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of operating results among such companies more meaningful. We consider FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding gains or losses related to sales of previously depreciated operating real estate assets and real estate depreciation and amortization, FFO can help the investing public compare the operating performance of a company's real estate between periods or as compared to other companies. However, you should note that FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance.

The following table presents the calculation of our FFO reconciled from net income (loss) for the periods indicated below on a historical and pro forma basis (unaudited, amounts in thousands):

	For the Six Months Ended June 30,			For the Year Ended December 31,			
	Pro Forma 2006	Historical 2006	2005	Pro Forma 2005	Historical 2005	2004	2003
<b>Reconciliation of net income (loss) to FFO:</b>							
Net income (loss) attributable to common shares	\$	\$ 309	\$ (1,834)	\$	\$ (11,960)	\$ (255)	\$ 347
<b>Adjustments:</b>							
Real estate related depreciation and amortization		51,691	26,542		71,023	19,273	1,195
Equity in losses of unconsolidated joint ventures		182					
Equity in FFO of unconsolidated joint ventures		150					
Minority interests		(298)	3		(526)		
FFO attributable to minority interests		(1,638)	(66)		(1,364)		
Gain recognized on disposition of real estate interests		(3,967)					
FFO attributable to common shares	\$	\$ 46,429	\$ 24,645	\$	\$ 57,173	\$ 19,018	\$ 1,542

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**RISK FACTORS**

*Investment in our common stock involves risks. You should carefully consider the following risk factors in addition to other information contained in this prospectus before purchasing the common stock we are offering. The occurrence of any of the following risks might cause you to lose all or part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled *Forward-Looking Statements*.*

**RISKS RELATED TO OUR BUSINESS AND OPERATIONS**

*Our investments are concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.*

Our investments in real estate assets are primarily concentrated in the industrial real estate sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

*Our growth will partially depend upon future acquisitions of properties, and we may be unable to consummate acquisitions on advantageous terms or acquisitions may not perform as we expect.*

We acquire and intend to continue to acquire primarily high-quality generic bulk distribution warehouses and light industrial properties. The acquisition of properties entails various risks, including the risks that our investments may not perform as we expect, that we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private institutional investment funds, and these competitors may have greater financial resources than us and a greater ability to borrow funds to acquire properties. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. In addition, we expect to finance future acquisitions through a combination of borrowings under our senior unsecured credit facility, proceeds from equity or debt offerings by us or our operating partnership or its subsidiaries and proceeds from property contributions and divestitures which may not be available and which could adversely affect our cash flow. Any of the above risks could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

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

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

*Our real estate development strategies may not be successful.*

We have completed the development and/or expansion of 3,987,854 rentable square feet of industrial warehouse/distribution buildings since 2005 and intend to continue to pursue development and renovation activities as opportunities arise. Currently, 1,875,987 completed rentable square feet are in the lease-up phase and we are currently developing 1,434,351 rentable square feet of warehouse/distribution space in four buildings in four separate markets. In addition, we have entered into joint ventures to develop, or will self-develop, an



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additional 15 warehouse/distribution buildings on land we already own or control, and we have rights under master development agreements to acquire approximately 4,350 acres of land for future development activities primarily in Southern California. Such development activities generally require various government and other approvals, and we may not receive such approvals. We will be subject to risks associated with our development and renovation activities that could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock, including, but not limited to:

the risk that development projects in which we have invested may be abandoned and the related investment will be impaired;

the risk that we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;

the risk that we may not be able to obtain additional land on which to develop, especially in the most desirable industrial markets such as the Inland Empire submarket of the Southern California industrial real estate market, Chicago and Northern New Jersey;

the risk that we may not be able to obtain financing for development projects on favorable terms;

the risk that construction costs of a project may exceed the original estimates or that construction may not be concluded on schedule, making the project less profitable than originally estimated or not profitable at all (including the possibility of contract default, the effects of local weather conditions, the possibility of local or national strikes and the possibility of shortages in materials, building supplies or energy and fuel for equipment);

the risk that, upon completion of construction, we may not be able to obtain, or obtain on advantageous terms, permanent financing for activities that we have financed through construction loans; and

the risk that occupancy levels and the rents that can be charged for a completed project will not be met, making the project unprofitable.

Moreover, substantial renovation and development activities, regardless of their ultimate success, typically require a significant amount of management's time and attention, diverting their attention from our other operations.

***Our institutional capital management strategy of contributing properties to joint ventures we manage may not allow us to expand our business and operations as quickly or as profitably as we desire.***

In February 2006, we contributed six industrial properties to our first joint venture with an institutional partner, and we intend to continue to contribute properties to these kinds of joint ventures as opportunities arise. In particular, we recently entered into a joint venture agreement with DCTRT which provides for the creation of a series of industrial property joint ventures into which we will contribute to such joint ventures, or sell to certain affiliates of DCTRT, certain of our properties. (See Certain Relationships and Related Transactions New Agreements with Affiliates of DCAG. ) The joint venture agreement requires us to provide certain minimum amounts of investment opportunities to these joint ventures from our assets or, in certain cases, assets sold on the open market, and we may be unable to identify assets that are acceptable to DCTRT or that will be contributed to the ventures on terms that are advantageous to us.

In general, our ability to contribute properties on advantageous terms will be dependent upon competition from other managers of similar joint ventures, current capital market conditions, including the yield expectations for industrial properties, and other factors beyond our control. Our ability to develop and timely lease properties will impact our ability to contribute these properties. Continued access to private and public debt and equity capital by these joint ventures is necessary in order for us to pursue our strategy of contributing properties to the joint ventures. Should we not have sufficient properties available that meet the investment



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criteria of current or future joint ventures, or should the joint ventures have limited or no access to capital on favorable terms, then these contributions could be delayed resulting in adverse effects on our liquidity and on our ability to meet projected earnings levels in a particular reporting period. Failure to meet our projected earnings levels in a particular reporting period could have an adverse effect on our results of operations, distributable cash flow and on the value of our common stock. Further, our inability to redeploy the proceeds from our divestitures in accordance with our investment strategy could have an adverse effect on our results of operations, distributable cash flow, our ability to meet our debt obligations in a timely manner and the value of our common stock in subsequent periods.

### ***We depend on key personnel.***

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, Tom Wattles, Phil Hawkins, Jim Cochran, Stuart Brown, Daryl Mechem, Matt Murphy and Michael Ruen, each of whom would be difficult to replace. While we have entered into employment contracts with Messrs. Wattles, Hawkins, Cochran, Brown, Mechem, Murphy and Ruen, they may nevertheless cease to provide services to us at any time. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

We also believe that, as we expand, our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, investment, financing, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel.

### ***Our operating results and financial condition could be adversely affected if we do not continue to have access to capital on favorable terms.***

As a REIT, we must meet certain annual distribution requirements. Consequently, we are largely dependent on external capital to fund our development and acquisition activities. Further, in order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then-prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. We have been accessing public equity capital through our prior public offerings, the proceeds of which we have used to acquire and develop properties. Our ability to access capital in this manner, or at all, is dependent upon a number of factors, including general market conditions and competition from other real estate companies. To the extent that capital is not available to acquire or develop properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our common stock.

### ***Actions of our joint venture partners could negatively impact our performance.***

As of June 30, 2006, we owned approximately 1.5 million rentable square feet of our properties through several joint ventures, limited liability companies or partnerships with third parties. Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability

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companies or joint ventures, and we intend to continue to develop and acquire properties through joint ventures, limited liability companies and partnerships with other persons or entities when warranted by the circumstances. Such partners may share certain approval rights over major decisions. Such investments may involve risks not otherwise present with other methods of investment in real estate, including, but not limited to:

that our co-member, co-venturer or partner in an investment might become bankrupt, which would mean that we and any other remaining general partners, members or co-venturers would generally remain liable for the partnership's, limited liability company's or joint venture's liabilities;

that such co-member, co-venturer or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;

that such co-member, co-venturer or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our current policy with respect to maintaining our qualification as a REIT;

that, if our partners fail to fund their share of any required capital contributions, we may be required to contribute such capital;

that joint venture, limited liability company and partnership agreements often restrict the transfer of a co-venturer's, member's or partner's interest or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;

that our relationships with our partners, co-members or co-venturers are contractual in nature and may be terminated or dissolved under the terms of the agreements and, in such event, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase such interests or assets at an above-market price to continue ownership;

that disputes between us and our partners, co-members or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable partnership, limited liability company or joint venture to additional risk; and

that we may in certain circumstances be liable for the actions of our partners, co-members or co-venturers.

We generally seek to maintain sufficient control of our partnerships, limited liability companies and joint ventures to permit us to achieve our business objectives; however, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

### ***If we invest in a limited partnership as a general partner we could be responsible for all liabilities of such partnership.***

In some joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a portion of our interest in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionally, we may be required to take our interests in other investments as a non-managing general partner. Consequently, we would be potentially liable for all such liabilities without having the same rights of management or control over the operation of the partnership as the managing general partner or partners may have. Therefore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and our liability may far exceed the amount or value of the investment we initially made or then had in the partnership.



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*Your investment in us may be subject to additional risks if we make international investments.*

We intend to expand our operations into select international markets in the future, including Mexico. Any such investment could be affected by factors peculiar to the laws and business practices of the jurisdictions in which the properties are located. These laws may expose us to risks that are different from and in addition to those commonly found in the United States. Foreign investments could be subject to the following risks:

changing governmental rules and policies, including changes in land use and zoning laws;

enactment of laws relating to the foreign ownership of real property or mortgages and laws restricting the ability of foreign persons or companies to remove profits earned from activities within the country to the person's or company's country of origin;

variations in currency exchange rates;

adverse market conditions caused by terrorism, civil unrest and changes in national or local governmental or economic conditions;

the willingness of domestic or foreign lenders to make mortgage loans in certain countries and changes in the availability, cost and terms of mortgage funds resulting from varying national economic policies;

the imposition of unique tax structures and changes in real estate and other tax rates and other operating expenses in particular countries;

general political and economic instability;

our limited experience and expertise in foreign countries relative to our experience and expertise in the United States; and

more stringent environmental laws or changes in such laws, or environmental consequences of less stringent environmental management practices in foreign countries relative to the United States.

***Our net income per share and FFO per share in the near term may decrease as a result of the Internalization.***

Our net income and FFO in the near term may decrease as a result of the Internalization in connection with the one-time, non-recurring non-cash charge to earnings we will incur for the portion of the Internalization consideration that is allocated as the cost for terminating our advisory agreement with our former advisor. While we no longer bear the costs of the various fees and expenses previously paid to our former advisor as a result of becoming self-advised, our expenses will include the compensation and benefits of our officers and the other employees and consultants previously paid by our former advisor or its affiliates. Further, our net income per share and FFO per share may decrease in the near term due to the additional expenses recognized. In addition, upon consummation of the Internalization we issued 15,111,111 OP units, representing approximately % of our outstanding common stock, assuming all outstanding OP units were exchanged for shares of common stock on a one-for-one basis after completion of this offering, and expect to issue long-term incentive stock awards under the terms of our employment agreements with our executive officers which will have a dilutive effect on our current stockholders. If the Internalization had not been consummated, the amount of the fees payable to our former advisor would have depended on a number of factors, including the amount of additional equity, if any, that we were able to raise, our acquisition activity, disposition activity and total real estate under management. Therefore, the exact amount of future fees that we would have paid to our former advisor cannot reasonably be estimated. If the expenses we assume as a result of the Internalization are higher than we anticipate, our net income per share and FFO per share may be lower as a result of the Internalization than it otherwise would have been, potentially causing our net income per share and FFO per share to decrease.



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### ***We may be exposed to risks to which we have not historically been exposed.***

The Internalization will expose us to risks to which we have not historically been exposed. Excluding the effect of the eliminated asset management fees, our direct overhead, on a consolidated basis, will increase as a result of becoming self-advised. If we fail to raise and/or invest additional capital, or if the performance of our properties declines, we may not be able to cover this new overhead. Prior to the Internalization, the responsibility for such overhead was borne by our former advisor.

Prior to the Internalization, we did not directly employ any employees. As a result of the Internalization, we now directly employ persons who were associated with our former advisor or its affiliates. As of June 30, 2006, our former advisor and its affiliates who provided services to us had approximately 100 employees or consultants, 55 of whom became our employees in connection with the Internalization. The individuals that did not become our employees generally had roles dealing with capital raising activities and our operating partnership's private placement. As their employer, we will be subject to those potential liabilities that are commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances, and we will bear the costs of the establishment and maintenance of such plans.

### ***The availability and timing of cash distributions is uncertain.***

We expect to continue to pay quarterly distributions to our stockholders. However, we bear all expenses incurred by our operations, and our funds generated by operations, after deducting these expenses, may not be sufficient to cover desired levels of distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. We cannot assure you that sufficient funds will be available to pay distributions to you.

### ***We may have difficulty funding our distributions with our available cash flow.***

As a growing company, to date we have funded our quarterly distributions to investors with available cash flow and, to a lesser extent, with borrowings under our senior credit facility and other borrowings. Our corporate strategy is to fund the payment of quarterly distributions to our stockholders entirely from available cash flow. However, we may continue to fund our quarterly distributions to investors from a combination of available cash flow and financing proceeds. In the event we are unable to consistently fund future quarterly distributions to investors entirely from available cash flow, net of recurring capital expenditures, the value of your shares may be negatively impacted.

### ***We have owned our properties for a limited time.***

As of June 30, 2006, we owned or controlled 373 operating properties in our consolidated portfolio comprising 54.5 million rentable square feet, and we have since acquired or entered into contracts to acquire an additional 20 properties comprising 3.3 million rentable square feet. All the properties have been under our management for less than four years, and we have owned 244 of the properties for less than one year. The properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential. We cannot assure you that the operating performance of the properties will not decline under our management.

### ***Adverse economic and geopolitical conditions could negatively affect our returns and profitability.***

Among others, the following market and economic challenges may adversely affect our operating results:

poor economic times may result in tenant defaults under our leases and reduced demand for industrial space;



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overbuilding may increase vacancies; and

maintaining occupancy levels may require increased concessions, tenant improvement expenditures or reduced rental rates. Our operations could be negatively affected to the extent that an economic downturn is prolonged or becomes more severe.

***Events or occurrences that affect areas in which our properties are geographically concentrated may impact financial results.***

In addition to general, regional, national and international economic conditions, our operating performance is impacted by the economic conditions of the specific markets in which we have concentrations of properties. We have significant holdings in the following markets of our consolidated portfolio: Atlanta, Cincinnati, Columbus, Dallas and Memphis. Our operating performance could be adversely affected if conditions become less favorable in any of the markets in which we have a concentration of properties.

***Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.***

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

**RISKS RELATED TO CONFLICTS OF INTEREST**

***We may compete with our affiliates for properties.***

Although we became self-advised in connection with the Internalization, we are still subject to certain conflicts of interest. Certain of our affiliates could seek to acquire properties that could satisfy our acquisition criteria. As a result, we may decide not to pursue the acquisitions of properties we would otherwise seek to acquire in order to avoid bidding against an affiliate. While certain of our current and former affiliates have agreed not to engage in activities within North America relating to the ownership, acquisition, development or management of industrial properties until October 10, 2009, such agreements are subject to certain exceptions. (See Certain Relationships and Related Transactions Non-Competition Agreements. )

***Our Executive Chairman will have competing demands on his time and attention.***

Tom Wattles, our Executive Chairman, owns a portion of, and serves as a manager to, the parent company of DCTRT's external advisor and has similar ownership of, and serves as a manager for, other affiliates of DCAG. He will devote a majority of his time to us but will not work full time for us.

***We may invest in, or coinvest with, our affiliates.***

We may invest in, or coinvest with, joint ventures or other programs sponsored by affiliates of two of our directors, Tom Wattles and James Mulvihill, including those pursuant to our joint venture agreement with DCTRT. (See Certain Relationships and Related Transactions New Agreements with Affiliates of DCAG. ) Our independent directors must approve any such transaction and Messrs. Wattles and Mulvihill will each

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abstain from voting as directors on any transactions we enter into with their affiliates. Management's recommendation to our independent directors may be affected by its relationship with one or more of the co-venturers and may be more beneficial to the other programs than to us. In addition, we may not seek to enforce the agreements relating to such transactions as vigorously as we otherwise might because of our desire to maintain our relationships with these directors.

### ***Our UPREIT structure may result in potential conflicts of interest.***

Upon the consummation of this offering, we will own % of the OP units in our operating partnership, DCAG will own % of the OP units (and certain of our officers and directors, through their membership interests in and/or rights to receive a portion of the net cash flow, or cash flow interests, of DCAG, will indirectly beneficially own % of the OP units) and certain unaffiliated limited partners will own the remaining % of the OP units. Persons holding OP units in our operating partnership have the right to vote on certain amendments to the limited partnership agreement of our operating partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Furthermore, circumstances may arise in the future when the interest of limited partners in our operating partnership may conflict with the interests of our stockholders. For example, the timing and terms of dispositions of properties held by our operating partnership may result in tax consequences to certain limited partners and not to our stockholders. (See Policies With Respect to Certain Activities Interested Director and Officer Transactions. )

## **GENERAL REAL ESTATE RISKS**

### ***Our performance and value are subject to general economic conditions and risks associated with our real estate assets.***

The investment returns available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay distributions to our stockholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline when circumstances reduce the income from the property. Income from and the value of our properties may be adversely affected by:

changes in general or local economic climate;

the attractiveness of our properties to potential tenants;

changes in supply of or demand for similar or competing properties in an area;

bankruptcies, financial difficulties or lease defaults by our tenants;

changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive or otherwise reduce returns to stockholders;

changes in operating costs and expenses and our ability to control rents;

changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;

our ability to provide adequate maintenance and insurance;

changes in the cost or availability of insurance, including coverage for mold or asbestos;

unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;

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periods of high interest rates and tight money supply;

tenant turnover;

general overbuilding or excess supply in the market area; and

disruptions in the global supply chain caused by political, regulatory or other factors including terrorism.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would adversely affect our financial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demand for, and the value of, our properties. To the extent that future attacks impact our tenants, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

For these and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our real estate properties.

***Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties.***

We compete with other developers, owners and operators of real estate, some of which own properties similar to ours in the same markets and submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, cash flow, cash available for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

***We are dependent on tenants for our revenue.***

Our operating results and distributable cash flow would be adversely affected if a significant number of our tenants were unable to meet their lease obligations. In addition, certain of our properties are occupied by a single tenant. As a result, the success of those properties will depend on the financial stability of a single tenant. Lease payment defaults by tenants could cause us to reduce the amount of distributions to stockholders. A default by a tenant on its lease payments could force us to find an alternative source of revenue to pay any mortgage loan on the property. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting our investment and re-leasing our property. If a lease is terminated, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss. (See "Our Business and Properties - Tenant Diversification.")

***Our ability to renew leases or re-lease space on favorable terms as leases expire significantly affects our business.***

Our results of operations, distributable cash flow and the value of our common stock would be adversely affected if we are unable to lease, on economically favorable terms, a significant amount of space in our operating properties. We have approximately 3.5 million rentable square feet of space (out of a total of 53.0 million occupied rentable square feet) with leases that expire in 2006 in our consolidated properties. The number of vacant or partially vacant industrial properties in a market or submarket could adversely affect both our ability to re-lease the space and the rental rates that can be obtained.

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### ***A property that incurs a vacancy could be difficult to sell or re-lease.***

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. Certain of our properties may be specifically suited to the particular needs of a tenant. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

### ***We may not have funding for future tenant improvements.***

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract one or more new tenants, we will be required to expend funds to construct new tenant improvements in the vacated space. Although we intend to manage our cash position or financing availability to pay for any improvements required for re-leasing, we cannot assure you that we will have adequate sources of funding available to us for such purposes in the future.

### ***If our tenants are highly leveraged, they may have a higher possibility of filing for bankruptcy or insolvency.***

Of our tenants that experience downturns in their operating results due to adverse changes to their business or economic conditions, those that are highly leveraged may have a higher possibility of filing for bankruptcy or insolvency. In bankruptcy or insolvency, a tenant may have the option of vacating a property instead of paying rent. Until such a property is released from bankruptcy, our revenues would be reduced and could cause us to reduce distributions to stockholders. We may have highly leveraged tenants in the future. (See Our Business and Properties Tenant Diversification. )

### ***The fact that real estate investments are not as liquid as other types of assets may reduce economic returns to investors.***

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax bases and the costs of improvements made to these properties, and meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets or contribute assets to property funds or other entities in which we have an ownership interest may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flow and our ability to pay distributions on, and the market price of, our common stock.

### ***Delays in acquisition and development of properties may have adverse effects on your investment.***

Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns. Where properties are acquired prior to the start of construction, it will typically take 12 to 18 months to complete construction and lease available space. Therefore, you could suffer delays in the payment of cash distributions attributable to those particular properties.

### ***Development and construction of properties may result in delays and increased costs and risks.***

In connection with our development strategy, we may acquire raw land upon which we will develop and construct improvements at a fixed contract price. In any such projects we will be subject to risks relating to the

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builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. The builder's failure to perform may result in legal action by us to rescind the purchase or construction contract or to enforce the builder's obligations. Performance may also be affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. Each of these factors could result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects if they are not fully leased prior to the commencement of construction. Furthermore, the price we agree to for the land will be based on projections of rental income and expenses and estimates of construction costs as well as the fair market value of the property upon completion of construction. If our projections are inaccurate, we may pay too much for the land and fail to achieve our forecast of returns due to the factors discussed above.

*Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.*

We have acquired, and may continue to acquire, properties in markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced partners; however, there can be no guarantee that all such risks will be eliminated.

*Uninsured losses relating to real property may adversely affect your returns.*

We attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Moreover, as the general partner of our operating partnership, we generally will be liable for all of our operating partnership's unsatisfied recourse obligations, including any obligations incurred by our operating partnership as the general partner of joint ventures. Any such losses could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future. (See "Our Business and Properties - Insurance.")

A number of our properties are located in areas that are known to be subject to earthquake activity. Properties located in active seismic areas include properties in Northern California, Southern California, Memphis and Seattle. Our largest concentration of such properties is in California where, as of June 30, 2006, we had 41 buildings, aggregating approximately 3.8 million rentable square feet and representing approximately 7.0% of our operating properties based on aggregate rentable square footage and 9.1% based on annualized base rent. We also have a large concentration of properties in Memphis where, as of June 30, 2006, we had ten buildings, with approximately 4.3 million rentable square feet and representing approximately 7.9% of our operating properties based on aggregate rentable square footage and 6.3% based on annualized base rent. We carry replacement-cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles that we believe are commercially reasonable. We evaluate our earthquake insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

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A number of our properties are located in Miami and Orlando, which are areas that are known to be subject to hurricane and/or flood risk. We carry replacement-cost hurricane and flood hazard insurance on all of our properties located in areas historically subject to such activity, subject to coverage limitations and deductibles that we believe are commercially reasonable. We evaluate our insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

***Contingent or unknown liabilities could adversely affect our financial condition.***

We have acquired, and may in the future acquire, properties, or may have previously owned properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to entities or properties acquired might include:

liabilities for clean-up or remediation of adverse environmental conditions;

accrued but unpaid liabilities incurred in the ordinary course of business;

tax liabilities; and

claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of the properties.

***Environmentally hazardous conditions may adversely affect our operating results.***

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely effect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

Environmental laws in the U.S. also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain asbestos-containing building materials.

We invest in properties historically used for industrial, manufacturing and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of

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petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on or are adjacent to or near other properties upon which others, including former owners or tenants of our properties, have engaged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances.

We maintain a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations, for most of our properties. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

All of our properties were subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition. In addition, each of the properties that are currently under contract but have not yet been acquired by us has been subject to, or will be subject to, a Phase I or similar environmental assessment. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. While some of these assessments have led to further investigation and sampling, none of our environmental assessments of our properties has revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations taken as a whole. However, we cannot give any assurance that such conditions do not exist or may not arise in the future. In addition, no such assessments have been updated for purposes of this offering, and approximately 25.0% of our properties have environmental assessments which are more than two years old. Material environmental conditions, liabilities or compliance concerns may arise after the environmental assessment has been completed. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

### ***Costs of complying with governmental laws and regulations may adversely affect our income and the cash available for any distributions.***

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Tenants' ability to operate and to generate income to pay their lease obligations may be affected by permitting and compliance obligations arising under such laws and regulations. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Leasing properties to tenants that engage in industrial, manufacturing, and commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of



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underground storage tanks, or activities of unrelated third parties may affect our properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines or damages we must pay will reduce our ability to make distributions and may reduce the value of your investment.

In addition, changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur.

***Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.***

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, including removing access barriers, then our cash flow and the amounts available for distributions to our stockholders may be adversely affected. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flow and results of operations.

***We own several of our properties subject to ground leases that expose us to the loss of such properties upon breach or termination of the ground leases and may limit our ability to sell these properties.***

We own several of our properties through leasehold interests in the land underlying the buildings and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Our ground leases contain certain provisions that may limit our ability to sell certain of our properties. In order to assign or transfer our rights and obligations under certain of our ground leases, we generally must obtain the consent of the landlord which, in turn, could adversely impact the price realized from any such sale.

***We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adversely affect the return on your investment.***

We expect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate given our investment objectives. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.

In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

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*If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.*

If we decide to sell any of our properties, we presently intend to use our best efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

*We may acquire properties with lock-out provisions which may affect our ability to dispose of the properties.*

We may acquire properties through contracts that could restrict our ability to dispose of the property for a period of time. These lock-out provisions could affect our ability to turn our investments into cash and could affect cash available for distributions to you. Lock-out provisions could also impair our ability to take actions during the lock-out period that would otherwise be in the best interest of our stockholders and, therefore, may have an adverse impact on the value of our common stock relative to the value that would result if the lock-out provisions did not exist.

## **RISKS RELATED TO OUR DEBT FINANCINGS**

*Our operating results and financial condition could be adversely affected if we are unable to make required payments on our debt.*

Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur, and we are subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness or that we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

In particular, loans obtained to fund property acquisitions will generally be secured by first mortgages on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment, which in turn could cause the value of our common stock and distributions payable to stockholders to be reduced. Certain of our existing and future indebtedness is and may be cross-collateralized and, consequently, a default on this indebtedness could cause us to lose part or all of our investment in multiple properties. (See Policies With Respect to Certain Activities Financing Policies. )

*Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.*

As of June 30, 2006, we had total outstanding debt of approximately \$1.2 billion, and we expect that we will incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. Certain of our debt issuances bear interest at variable rates and, as of June 30, 2006, we had approximately \$432.3 million of variable rate debt outstanding. Since we have incurred and may continue to incur variable rate debt, increases in interest rates raise our interest costs, which reduces our cash flows and our ability to make distributions to you. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flow and our financial condition would be adversely affected, and we may lose the property securing such indebtedness. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

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### ***Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition.***

The terms of our senior credit facilities and other indebtedness require us to comply with a number of customary financial and other covenants, such as covenants with respect to consolidated leverage, net worth and unencumbered assets. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. As of June 30, 2006, we had certain non-recourse, secured loans which are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. In addition, our senior credit facilities contain certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the senior credit facilities in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flow and our financial condition would be adversely affected.

### ***If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions.***

Some of our financing arrangements require us to make a lump-sum or balloon payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

### ***High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.***

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance such debt when the loans come due or of being unable to refinance such debt on favorable terms. If interest rates are higher when we refinance such debt, our income could be reduced. We may be unable to refinance such debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us or could result in the foreclosure of such properties. If any of these events occur, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

### ***Our hedging strategies may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on your investment.***

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. These instruments involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

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**RISKS RELATED TO OUR CORPORATE STRUCTURE**

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

*Our charter contains a 9.8% ownership limit.*

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% by value or number of shares, whichever is more restrictive, of any class or series of our outstanding shares of our capital stock. Our board of directors, in its sole discretion, may exempt, subject to the satisfaction of certain conditions, any person from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any person whose ownership, direct or indirect, in excess of 9.8% by value or number of shares of any class or series of our outstanding shares of our capital stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

*We could authorize and issue stock without stockholder approval.*

Our board of directors could, without stockholder approval, issue authorized but unissued shares of our common stock or preferred stock and amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. In addition, our board of directors could, without stockholder approval, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares. Our board of directors could establish a series of stock that could, depending on the terms of such series, delay, defer or prevent a transaction or change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

*Majority stockholder vote may discourage changes of control.*

If declared advisable by our board of directors, our stockholders may take some actions, including approving amendments to our charter, by a vote of a majority or, in certain circumstances, two thirds of the shares outstanding and entitled to vote. If approved by the holders of the appropriate number of shares, all actions taken would be binding on all of our stockholders. Some of these provisions may discourage or make it more difficult for another party to acquire control of us or to effect a change in our operations.

*Provisions of Maryland law may limit the ability of a third-party to acquire control of our company.*

Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under certain circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then prevailing market price of such shares, including:

business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter would require the recommendation of our board of directors and impose special appraisal rights and special stockholder voting requirements on these combinations; and

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

We have opted out of these provisions of Maryland law with respect to any person, provided, in the case of business combinations, that the business combination is first approved by our board of directors. However, our board of directors may opt in to the business combination provisions and the control share provisions of Maryland law in the future.

Additionally, Title 8, Subtitle 3 of the Maryland General Corporation Law, or MGCL, permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not currently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then current market price.

Our charter, our bylaws, the limited partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

### ***Our board of directors can take many actions without stockholder approval.***

Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

within the limits provided in our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our stockholders;

issue additional shares without obtaining stockholder approval, which could dilute your ownership;

amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series, without obtaining stockholder approval;

classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;

employ and compensate affiliates;

direct our resources toward investments that do not ultimately appreciate over time;

change creditworthiness standards with respect to third-party tenants; and

determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving you, as a stockholder, the right to vote.

*We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may result in riskier investments than our current investments.*

We may change our investment and financing strategies and enter into new lines of business at any time without the consent of our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this prospectus. A change in our investment strategy or our entry into new lines of business may increase our exposure to interest rate and other risks of real estate market fluctuations.

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

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty, the director or officer actually received an improper personal benefit in money, property or services, or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

**RISKS RELATED TO THIS OFFERING*****The existence of a large number of outstanding shares and stockholders prior to our completion of this offering and our listing on the NYSE could negatively affect our stock price.***

As of October 13, 2006, we had approximately 152.0 million shares of common stock issued and outstanding. All of these shares are freely tradable, although our affiliates are subject to certain volume limitations on trading under the federal securities laws. Neither we nor any third party have any control over the timing or volume of these sales. Prior to this offering, the shares were not listed on any national exchange, and the ability of stockholders to liquidate their investments was limited. Subsequent to the completion of this offering and our listing on the NYSE, a large volume of sales of these shares could decrease the prevailing market prices of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales are not effected, the mere perception of the possibility of these sales could depress the market price of our common stock and have a negative effect on our ability to raise capital in the future. In addition, anticipated downward pressure on our common stock price due to actual or anticipated sales of common stock from this market overhang could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the price of our stock to decline.

***There is currently no public market for our common stock, and a market for our common stock may never develop, which could result in purchasers in this offering being unable to monetize their investment.***

Prior to this offering, there has been no public market for our common stock. The public offering price for our common stock will be determined by negotiations between the underwriters and us. We cannot assure you that the public offering price will correspond to the price at which our common stock will trade in the public market subsequent to this offering or that the price of our common stock available in the public market will reflect our actual financial performance.

We intend to apply to list our common stock on the NYSE under the symbol . Listing on the NYSE would not ensure that an actual market will develop for our common stock. Accordingly, no assurance can be given as to:

the likelihood that an active market for the stock will develop;

the liquidity of any such market;

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the ability of our stockholders to sell their common stock; or

the price that our stockholders may obtain for their common stock.

Even if an active trading market develops, the market price of our common stock may be highly volatile and could be subject to wide fluctuations after this offering. Some of the factors that could negatively affect our stock price include:

actual or anticipated variations in our quarterly operating results;

changes in our earnings estimates or publication of research reports about us or the real estate industry;

increases in market interest rates, which may lead purchasers of our stock to demand a higher yield;

changes in market valuations of similar companies;

adverse market reaction to any increased indebtedness we incur in the future;

additions or departures of key personnel;

actions by institutional stockholders;

speculation in the press or investment community; and

general market and economic conditions.

***Our use of a substantial portion of the net proceeds from this offering to repay existing indebtedness will reduce the cash proceeds from this offering available to us.***

We intend to use a substantial portion of the net proceeds from this offering to repay approximately \$ million of indebtedness owed under our senior unsecured revolving credit facility. (See Use of Proceeds. ) Because we will use a substantial portion of the proceeds of this offering to repay existing debt, less of the cash proceeds from this offering will be available to us. In addition, we do not anticipate that we will maintain any permanent working capital reserves. As a result, we will need to seek additional debt or equity financing to fund future growth. If financing is not available on acceptable terms, we may be unable to expand our business and operations as anticipated. If we are unable to expand, our business, financial condition and results of operations, and the price of our common stock, could be adversely affected.

***Our distributions to stockholders may change.***

On April 17, 2006, we paid a quarterly distribution of \$0.1578 per share of common stock for the quarter ending March 31, 2006, on July 17, 2006, we paid a quarterly distribution of \$0.1596 per share of common stock for the quarter ending June 30, 2006 and, on October 2, 2006, we paid a quarterly distribution of \$0.1613 per share of common stock for the quarter ending September 30, 2006. These quarterly distributions are equivalent to \$0.640 per share of common stock on an annualized basis. In addition, on October 6, 2006, our board of directors authorized, and we declared, a distribution of \$0.16 per share to stockholders of record as of the close of business on December 20, 2006 payable on January 8, 2007. Distributions will be authorized and determined by our board of directors in its sole discretion from time to time and will depend upon a number of factors, including:



cash available for distribution;

our results of operations;

our financial condition, especially in relation to our anticipated future capital needs of our properties;

the distribution requirements for REITs under the Code;

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our operating expenses; and

other factors our board of directors deems relevant.

Consequently, we may not continue our current level of distributions to stockholders, and our distribution levels may fluctuate.

***Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may adversely affect the market price of our common stock.***

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their proportionate ownership.

***Future sales of our common stock by DCAG or its members or other holders of cash flow interests may adversely affect the fair market value of our common stock.***

In the Internalization, the entire outstanding membership interest, and all economic interests, in our former advisor were contributed by DCAG to our operating partnership in exchange for aggregate consideration of 15,111,111 OP units, which included the modification of the special units held by DCAG into OP units. The 15,111,111 OP units represent approximately % of our outstanding common stock, assuming all outstanding OP units are exchanged for shares of common stock on a one-for-one basis, after completion of this offering. As a result of the Internalization, certain of our directors and officers received, through their membership interests and/or cash flow interests in DCAG, approximately 5.1 million of these OP units.

In addition, we have entered into a registration rights agreement with DCAG in respect of any shares of common stock acquired or otherwise owned by or issuable to DCAG or its permitted transferees upon exchange of the OP units issued in the Internalization. In addition, DCAG has agreed not to, without our prior written consent, offer, sell, contract to sell, pledge or otherwise transfer or dispose of any of the OP units issued in connection with the Internalization or securities convertible or exchangeable or exercisable for any such OP units or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the OP units issued in connection with the Internalization through January 10, 2008.

Sales of a substantial number of shares of our common stock by DCAG or its members or other holders of cash flow interests, or the perception that these sales could occur, could adversely affect prevailing prices for shares of our common stock. These sales might make it more difficult for us to sell equity securities in the future at a time and price we deem appropriate.

**FEDERAL INCOME TAX RISKS**

***Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.***

We operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. Although we do not intend to request a ruling from the Internal Revenue Service, or the IRS, as to our REIT status, we will

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receive the opinion of our special tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, with respect to our qualification as a REIT. This opinion will be issued in connection with this offering. Investors should be aware, however, that opinions of counsel are not binding on the IRS or on any court. The opinion of Skadden, Arps, Slate, Meagher & Flom LLP represents only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. Skadden, Arps, Slate, Meagher & Flom LLP has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP and our qualification as a REIT will depend on our satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. The fact that we hold substantially all of our assets through our operating partnership and its subsidiaries further complicates the application of the REIT requirements for us. No assurance can be given that we will qualify as a REIT for any particular year. (See Federal Income Tax Considerations General REIT Qualification and Requirements for Qualification as a REIT. )

If we were to fail to qualify as a REIT in any taxable year for which a REIT election has been made, we would not be allowed a deduction for dividends paid to our stockholders in computing our taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at corporate rates. Moreover, unless we were to obtain relief under certain statutory provisions, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce our net earnings available for investment or distribution to our stockholders because of the additional tax liability to us for the years involved. As a result of the additional tax liability, we might need to borrow funds or liquidate certain investments on terms that may be disadvantageous to us in order to pay the applicable tax, and therefore we would not be compelled to make distributions under the Code.

***To qualify as a REIT, we must meet annual distribution requirements.***

To obtain the favorable tax treatment accorded to REITs, among other requirements, we normally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and by excluding net capital gains. We will be subject to federal income tax on our undistributed taxable income and net capital gain. In addition, if we fail to distribute during each calendar year at least the sum of (a) 85% of our ordinary income for such year, (b) 95% of our capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed by us, plus (ii) retained amounts on which we pay income tax at the corporate level. We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation. However, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the distribution requirements of the Code. Certain types of assets generate substantial mismatches between taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with REIT requirements. Further, amounts distributed will not be available to fund our operations.

***Legislative or regulatory action could adversely affect our stockholders.***

In recent years, numerous legislative, judicial and administrative changes have been made to the federal income tax laws applicable to investments in REITs and similar entities. Additional changes to tax laws are likely

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to continue to occur in the future, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our common stock. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in common stock.

***Distributions payable by REITs do not qualify for the reduced tax rates that apply to certain other corporate distributions.***

Tax legislation enacted in 2003 and 2006 generally reduces the maximum tax rate for distributions payable by corporations to individuals to 15% through 2008. Distributions payable by REITs, however, generally continue to be taxed at the normal rate applicable to the individual recipient rather than the 15% preferential rate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate distributions could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock. (See Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders Distributions Generally. )

***Recharacterization of transactions under our operating partnership s private placement may result in a 100% tax on income from prohibited transactions, which would diminish our cash distributions to our stockholders.***

The IRS could recharacterize transactions under our operating partnership s private placement such that our operating partnership is treated as the bona fide owner, for tax purposes, of properties acquired and resold by the entity established to facilitate the transaction. Such recharacterization could result in the income realized on these transactions by our operating partnership being treated as gain on the sale of property that is held as inventory or otherwise held primarily for the sale to customers in the ordinary course of business. In such event, such gain would constitute income from a prohibited transaction and would be subject to a 100% tax. If this occurs, our ability to pay cash distributions to our stockholders will be adversely affected.

***In certain circumstances, we may be subject to federal and state income taxes, which would reduce our cash available for distribution to you.***

Even if we qualify and maintain our status as a REIT, we may be subject to federal income taxes or state taxes. For example, net income from a prohibited transaction will be subject to a 100% tax. In addition, we may not be able to make sufficient distributions to avoid excise taxes. We may also decide to retain certain gains from the sale or other disposition of our property and pay income tax directly on such gains. In that event, our stockholders would be required to include such gains in income and would receive a corresponding credit for their share of taxes paid by us. We may also be subject to state and local taxes on our income or property, either directly or at the level of our operating partnership or at the level of the other companies through which we indirectly own our assets. In addition, any net taxable income earned directly by the TRS we utilize to hold fractional TIC Interests in certain of our properties will be subject to federal and state corporate income tax. Any federal or state taxes we pay will reduce our cash available for distribution to you.

***The opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding our status as a REIT does not guarantee our ability to remain a REIT.***

Our special tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, will render its opinion upon commencement of this offering that, commencing with our taxable year ending December 31, 2003, we were organized in conformity with the requirements for qualification as a REIT and our actual and proposed method of operation has enabled and will enable us to meet the requirements for qualification and taxation as a REIT. This opinion is based upon our representations as to the manner in which we will be owned, invest in assets, and operate, among other things. The validity of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution,

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stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Skadden, Arps, Slate, Meagher & Flom LLP. Accordingly, no assurances can be given that we will satisfy the REIT requirements in any one taxable year. Also, the opinion of Skadden, Arps, Slate, Meagher & Flom LLP represents counsel's legal judgment based on the law in effect as of the date of the commencement of this offering, is not binding on the IRS or any court and could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to the federal income tax laws, any of which could be applied retroactively. Skadden, Arps, Slate, Meagher & Flom LLP has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law.

***If our operating partnership was classified as a publicly traded partnership under the Code, our status as a REIT and our ability to pay distributions to our stockholders could be adversely affected.***

Our operating partnership is organized as a partnership for U.S. federal income tax purposes. Even though our operating partnership will not elect to be treated as an association taxable as a corporation, it may be taxed as a corporation if it is deemed to be a publicly traded partnership. A publicly traded partnership is a partnership whose interests are traded on an established securities market or are considered readily tradable on a secondary market or the substantial equivalent thereof. We believe and currently intend to take the position that our operating partnership should not be classified as a publicly traded partnership because interests in our operating partnership are not traded on an established securities market, and our operating partnership should satisfy certain safe harbors which prevent a partnership's interests from being treated as readily tradable on an established securities market or substantial equivalent thereof. No assurance can be given, however, that the IRS would not assert that our operating partnership constitutes a publicly traded partnership or that facts and circumstances will not develop which could result in our operating partnership being treated as a publicly traded partnership. If the IRS were to assert successfully that our operating partnership is a publicly traded partnership, and substantially all of our operating partnership's gross income did not consist of the specified types of passive income, our operating partnership would be treated as an association taxable as a corporation and would be subject to corporate tax at the entity level. In such event, the character of our assets and items of gross income would change and would result in a termination of our status as a REIT. In addition, the imposition of a corporate tax on our operating partnership would reduce the amount of cash available for distribution to you. (See Federal Income Tax Considerations Federal Income Tax Aspects of Our Partnership. )

***Foreign investors may be subject to Foreign Investment Real Property Tax Act, or FIRPTA, tax on sale of common stock if we are unable to qualify as a domestically controlled REIT or if our stock is not considered to be regularly traded on an established securities market.***

A foreign person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests or USRPIs, is generally subject to a tax, known as FIRPTA tax, on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is a domestically controlled qualified investment entity. A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. In the event that we do not constitute a domestically controlled qualified investment entity, a person's sale of stock nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (1) the stock owned is of a class that is regularly traded, as defined by applicable Treasury regulations, on an established securities market, and (2) the selling non-U.S. holder held 5% or less of our outstanding stock of that class at all times during a specified testing period. We believe that, following this offering, our stock will be regularly traded on an established securities market. (See Federal Income Tax Considerations Special Tax Considerations for Non-U.S. Stockholders Non-Dividend Distributions. ) If we were to fail to so qualify as a domestically controlled qualified investment entity, and our common stock were to fail to be regularly traded, gain realized by a foreign investor on a sale of our common stock would be subject to FIRPTA tax. No assurance can be given that we will be a domestically controlled qualified investment entity.

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**FORWARD-LOOKING STATEMENTS**

We make statements in this prospectus that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are usually identified by the use of words such as anticipates, believes, estimates, expects, intends, may, plans, projects, seeks, variations of such words or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation:

natural disasters such as hurricanes;

national, international, regional and local economic conditions;

the general level of interest rates;

energy costs;

the terms of governmental regulations that affect us and interpretations of those regulations, including changes in real estate and zoning laws and increases in real property tax rates;

the competitive environment in which we operate;

financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal and interest;

real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;

lack of or insufficient amounts of insurance;

decreased rental rates or increasing vacancy rates;

defaults on or non-renewal of leases by tenants;

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acquisition and development risks, including failure of such acquisitions and development projects to perform in accordance with projections;

the timing of acquisitions and dispositions;

litigation, including costs associated with prosecuting or defending claims and any adverse outcomes;

the consequences of future terrorist attacks; and

possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

In addition, our current and continuing qualification as a REIT involves the application of highly technical and complex provisions of the Code and depends on our ability to meet the various requirements imposed by the Code through actual operating results, distribution levels and diversity of stock ownership. We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. You should carefully review our financial statements and the notes thereto, as well as the section entitled Risk Factors in this prospectus.

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**USE OF PROCEEDS**

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately \$            million (or approximately \$            million if the underwriters exercise their over-allotment option in full), in each case assuming a public offering price of \$            per share, which is the mid-point of the range set forth on the cover of this prospectus, and after deducting underwriting discounts and commissions of approximately \$            million (or approximately \$            million if the underwriters exercise their over-allotment option in full) and estimated offering expenses of approximately \$            million payable by us. A \$1.00 increase (decrease) in the assumed public offering price of \$            per share would increase (decrease) net proceeds to us from this offering by approximately \$            million, assuming the number of shares offered by us as set forth on the cover page of this prospectus remains the same, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We will contribute the net proceeds of this offering to our operating partnership in exchange for OP units. Our operating partnership will subsequently use approximately \$            million of the net proceeds received from us to repay outstanding indebtedness under our senior unsecured revolving credit facility, which may be reborrowed. This facility matures in 2008 and bears interest either at LIBOR plus between 0.875% and 1.375%, depending upon our consolidated leverage, or at prime (8.25% at June 30, 2006). The indebtedness being repaid was used to acquire properties, including a portion of the Cal-TIA portfolio. Exact payment amounts may differ from estimates due to amortization of principal or accrual of additional interest. Our operating partnership will use the remaining \$            million of net proceeds received from us for future acquisition and development activity and for general corporate purposes. If the underwriters exercise their over-allotment option in full, we expect to use the additional net proceeds for future acquisition and development activity and for general corporate purposes.



**Table of Contents****DISTRIBUTION POLICY**

We intend to continue to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes. U.S. federal income tax law requires that a REIT distribute with respect to each year at least 90% of its annual REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. We will not be required to make distributions with respect to income derived from the activities conducted through DCT Industrial TRS Inc., our TRS, that are not distributed to us. To the extent our TRS's income is not distributed and is instead reinvested in the operations of our TRS, the value of our equity interest in our TRS will increase. The aggregate value of the securities that we hold in our TRS may not exceed 20% of the total value of our gross assets. Distributions from our TRS to us will qualify for the 95% gross income test but will not qualify for the 75% gross income test. Therefore, distributions from our TRS to us in no event will exceed 25% of our gross income with respect to any given taxable year. For more information, please see "Federal Income Tax Considerations" beginning on page 164.

To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our net income to holders of our common stock out of assets legally available therefor. Any future distributions we make will be at the discretion of our board of directors and will depend upon our earnings and financial condition, maintenance of REIT qualification, applicable provisions of the MGCL and such other factors as our board of directors deems relevant. For more information regarding risk factors that could materially adversely affect our earnings and financial condition, please see "Risk Factors" beginning on page 24.

We anticipate that our distributions generally will be taxable as ordinary income to our stockholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital for U.S. federal income tax purposes. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain.

The following table sets forth the distributions that have been paid and/or declared to date by our board of directors.

<b>Quarter</b>	<b>Amount Declared per Share/Unit<sup>(1)</sup></b>	<b>Date Paid</b>
<b>2003</b>		
2 <sup>nd</sup> Quarter	\$0.1558	July 15, 2003
3 <sup>rd</sup> Quarter	\$0.1575	October 15, 2003
4 <sup>th</sup> Quarter	\$0.1575	January 15, 2004
<b>2004</b>		
1 <sup>st</sup> Quarter	\$0.1591	April 15, 2004
2 <sup>nd</sup> Quarter	\$0.1591	July 15, 2004
3 <sup>rd</sup> Quarter	\$0.1609	October 15, 2004
4 <sup>th</sup> Quarter	\$0.1609	January 18, 2005
<b>2005</b>		
1 <sup>st</sup> Quarter	\$0.1578	April 15, 2005
2 <sup>nd</sup> Quarter	\$0.1596	July 15, 2005
3 <sup>rd</sup> Quarter	\$0.1613	October 17, 2005
4 <sup>th</sup> Quarter	\$0.1613	January 17, 2006
<b>2006</b>		
1 <sup>st</sup> Quarter	\$0.1578	April 17, 2006
2 <sup>nd</sup> Quarter	\$0.1596	July 17, 2006
3 <sup>rd</sup> Quarter	\$0.1613	October 2, 2006
4 <sup>th</sup> Quarter	\$0.1600	January 8, 2007 <sup>(2)</sup>

<sup>(1)</sup> Assumes with respect to all distributions paid through October 2, 2006 that the share/unit was owned for the entire quarter. The fourth quarter 2006 distribution to be paid on January 8, 2007 will be paid to holders of record as of the close of business on December 20, 2006.

(2) Anticipated payment date.

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Historically, we calculated our quarterly distributions based upon daily record and distribution declaration dates so that our stockholders would be entitled to be paid distributions beginning with the quarter in which their shares were purchased. As a result, the amounts of the quarterly distributions shown in the table above vary from quarter to quarter based on the number of days in the quarter. We intend to calculate and declare our future distributions on a quarterly basis.

We cannot assure you that we will have sufficient cash available for future quarterly distributions at this level, or at all. (See Risk Factors Risks Related to Our Business and Operations We may have difficulty funding our distributions with our available cash flow. )

To the extent that our cash available for distribution is less than 90% of our REIT taxable income, we may consider various funding sources to cover any such shortfall, including borrowing under our credit facility, selling certain of our assets or using a portion of the net proceeds we receive in this offering or future offerings. Our distribution policy enables us to review the alternative funding sources available to us from time to time.

Prior to this offering, there has been no established public trading market for our common stock. As of October 13, 2006, there were approximately 36,000 stockholders of record.

**Table of Contents****CAPITALIZATION**

The following table sets forth (1) our historical capitalization at June 30, 2006 and (2) our pro forma capitalization which gives effect to: (i) our acquisition of 117 properties for a total cost of approximately \$926.8 million; (ii) the Internalization; and (iii) the sale of our common stock in this offering at an assumed public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the use of proceeds thereof. You should read this table together with Use of Proceeds, Selected Consolidated Financial and Pro Forma Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated historical and pro forma financial statements and notes thereto included elsewhere in this prospectus.

	As of June 30, 2006	
	Historical	Pro Forma
	(in thousands, except share and per share information)	
Lines of credit	\$ 132,016	\$
Unsecured notes	425,000	
Mortgage notes	650,941	
Financing obligation	228,633	
Minority interests	35,016	
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 50,000,000 shares authorized, none outstanding, historical and pro forma		
Shares-in-trust, \$0.01 par value per share, 100,000,000 shares authorized, none outstanding, historical and pro forma		
Common stock, \$0.01 par value per share, 350,000,000 shares authorized, 149,598,403 shares issued and outstanding, historical, and _____ shares issued and outstanding, pro forma <sup>(1)</sup>	1,496	
Additional paid-in capital	1,387,485	
Distributions in excess of earnings	(147,472)	
Accumulated other comprehensive income (loss)	3,526	
<b>Total Stockholders' Equity</b>	<b>1,245,035</b>	
<b>Total Capitalization</b>	<b>\$ 2,716,641</b>	<b>\$</b>

<sup>(1)</sup> Excludes the following:

1,403,735 shares of our common stock issued pursuant to our distribution reinvestment plan on October 2, 2006;

1,367,213 shares of our common stock issued pursuant to our distribution reinvestment plan on July 17, 2006;

the redemption of 408,478 shares of our common stock pursuant to our share redemption program;

88,889 shares of our common stock purchased by Phil Hawkins subsequent to the closing of the Internalization at \$11.25 per share;

up to \_\_\_\_\_ shares of our common stock that may be issued by us upon exercise of the underwriters' over-allotment option;

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421,000 shares of our common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$11.19 per share;

2,060,514 shares of our common stock issuable upon the exercise of 2,060,514 outstanding warrants at an exercise price of \$12.00 per share;

450,795 shares of restricted stock (or equivalent full value awards) to be awarded to Phil Hawkins and 51,111 shares of restricted stock (or equivalent full value awards) to be awarded to Stuart Brown subsequent to the closing of the Internalization; and

7,498,094 shares of our restricted stock reserved for future issuance under our long-term incentive plan.

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**SELECTED CONSOLIDATED FINANCIAL AND PRO FORMA DATA**

The following table sets forth selected financial data relating to our historical results of operations for the periods ended December 31, 2005, 2004, 2003 and 2002, as well as for the six months ended June 30, 2006 and 2005, and selected pro forma financial data relating to our results of operations for the year ended December 31, 2005 and the six months ended June 30, 2006. The table also sets forth selected financial data relating to the historical balance sheets as of December 31, 2005, 2004 and 2003 and as of June 30, 2006 and 2005 and selected pro forma financial data relating to the balance sheets as of December 31, 2005 and June 30, 2006.

The historical consolidated financial information for the periods ended December 31, 2005, 2004, 2003 and 2002 and as of December 31, 2005, 2004 and 2003 presented below have been derived from our historical consolidated financial statements which were audited by KPMG LLP, an independent registered public accounting firm. The historical consolidated financial information for the six-month periods ended, and as of, June 30, 2006 and 2005 have been derived from our unaudited condensed consolidated financial statements included elsewhere in the prospectus. Certain amounts presented for the fiscal years ended December 31, 2004, 2003 and 2002 and for the six-month period ended June 30, 2005 have been reclassified to conform to the presentation for the fiscal year ended December 31, 2005 and the six-month period ended June 30, 2006.

The unaudited pro forma financial information as of June 30, 2006 and for the six months then ended has been prepared to reflect adjustments to the historical financial statements to illustrate the estimated effect of the following transactions as if they had occurred on January 1, 2005:

our acquisition in 2006 of 117 properties located in 17 markets for a total cost of approximately \$926.8 million, which includes acquisition fees paid to our former advisor. These properties were acquired using net proceeds from our public offerings, our operating partnership's private placement and debt issuances and existing cash balances;

the acquisition on October 10, 2006 by our operating partnership of our former advisor from DCAG for an aggregate of 15,111,111 OP units, which included the modification of the special units held by DCAG into OP units;

this offering of \_\_\_\_\_ shares of our common stock; and

the application of the proceeds from this offering to repay \$ \_\_\_\_\_ million of outstanding indebtedness under our senior unsecured revolving credit facility.

The unaudited pro forma financial information as of December 31, 2005 and for the year then ended has been prepared to illustrate the estimated effect of the following transactions as if they had occurred on January 1, 2005:

the transactions described above; and

our acquisition in 2005 of 158 properties located in 18 markets for a total cost of approximately \$1.2 billion, which includes acquisition fees paid to our former advisor. These properties were acquired using net proceeds from our public offerings, our operating partnership's private placement and debt issuances and existing cash balances.

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Since the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements and pro forma condensed consolidated financial statements, including the related notes, you should read it in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and pro forma condensed consolidated financial statements, including the related notes, included elsewhere in this prospectus. The amounts in the table are in thousands except for per-share information.

	For the Six Months Ended							For the Period
	June 30,		For the Year Ended December 31,					From Inception (April 12, 2002) to
	Pro Forma 2006	Historical 2006	2005	Pro Forma 2005	2005	Historical 2004	2003	December 31, Historical 2002
<b>Operating Data:</b>								
Rental revenue	\$	\$ 97,974	\$ 45,977	\$	\$ 122,446	\$ 34,690	\$ 2,645	\$
Institutional capital management fees		178						
Total revenue		98,152	45,977		122,446	34,690	2,645	
Real estate taxes		13,068	5,328		15,315	3,830	231	
Rental expenses		9,321	4,850		13,455	3,375	136	
Depreciation and amortization expense		51,691	26,542		71,023	19,273	1,195	
General and administrative expense		2,182	1,429		3,004	2,372	412	213
Asset management fees, related party		7,815	2,703		8,901	1,525		
Total expenses		84,077	40,852		111,698	30,375	1,974	213
Equity in losses of unconsolidated joint ventures, net		(182)						
Gain from disposition of real estate interests		8,032			2,285			
Interest expense, including amortization		(26,436)	(8,545)		(28,712)	(5,978)	(385)	
Interest and other income		4,522	1,589		3,193	1,408	61	
Total other income and expenses		(14,064)	(6,956)		(23,234)	(4,570)	(324)	
Income (loss) before minority interests		11	(1,831)		(12,486)	(255)	347	(213)
Minority interests		298	(3)		526			200
Net income (loss)	\$	\$ 309	\$ (1,834)	\$	\$ (11,960)	\$ (255)	\$ 347	\$ (13)
<b>Common Share Distributions:</b>								
Common share cash distributions declared	\$	\$ 46,893	\$ 25,811	\$	\$ 62,292	\$ 24,263	\$ 2,452	\$
Common share cash distributions declared per share	\$	\$ 0.320	\$ 0.320	\$	\$ 0.640	\$ 0.640	\$ 0.625	\$
<b>Per Share Data:</b>								
Basic earnings (loss) per common share	\$	\$ 0.00	\$ (0.02)	\$	\$ (0.12)	\$ (0.01)	\$ 0.09	\$ (63.56)
Diluted earnings (loss) per common share	\$	\$ 0.00	\$ (0.02)	\$	\$ (0.12)	\$ (0.01)	\$ 0.09	\$ (63.56)
<b>Other Data:</b>								
FFO attributable to common shares <sup>(1)</sup>	\$	\$ 46,429	\$ 24,645	\$	\$ 57,173	\$ 19,018	\$ 1,542	\$ (13)
Basic FFO per common share <sup>(1)</sup>	\$	\$ 0.31	\$ 0.30	\$	\$ 0.59	\$ 0.50	\$ 0.39	\$ (63.56)
Diluted FFO per common share <sup>(1)</sup>	\$	\$ 0.31	\$ 0.30	\$	\$ 0.59	\$ 0.50	\$ 0.38	\$ (63.56)
<b>Weighted average common shares outstanding:</b>								
Basic		147,812	81,331		97,333	37,908	3,987	
Diluted		150,315	81,545		97,774	37,928	4,007	
Net cash provided (used) by operating activities	\$	\$ 48,737	\$ 27,347	\$	\$ 66,295	\$ 21,452	\$ 1,700	\$ (139)
Net cash used by investing activities		(847,135)	(205,557)		(750,877)	(560,036)	(149,948)	
Net cash provided by financing activities		748,329	328,711		755,980	558,027	152,314	150

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	As of June 30,			As of December 31,				
	Pro Forma 2006	Historical 2006	2005	Pro Forma 2005	2005	Historical 2004	2003	2002
<b>Balance Sheet Data:</b>								
Net investment in real estate	\$	\$ 2,693,308	\$ 999,244	\$	\$ 1,904,411	\$ 732,202	\$ 150,633	\$
Total assets		2,804,639	1,230,257		2,057,695	784,808	156,608	751
Lines of credit		132,016	12		16	4	1,000	
Mortgage notes		650,941	295,288		642,242	142,755	40,500	
Total liabilities		1,524,588	402,501		869,307	203,593	49,782	761
Total shareholders' equity (deficit)		1,245,035	823,866		1,132,811	581,214	106,824	(11)
Minority interests		35,016	3,890		55,577	1	1	1
Number of common shares outstanding		149,598	96,685		133,207	67,720	12,470	

(1) We believe that FFO, as defined by NAREIT is a meaningful supplemental measure of our operating performance because historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation and amortization expenses. However, since real estate values have historically risen or fallen with market and other conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. We believe that the use of FFO, combined with the required GAAP presentations, has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of operating results among such companies more meaningful. We consider FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding gains or losses related to sales of previously depreciated operating real estate assets and real estate depreciation and amortization, FFO can help the investing public compare the operating performance of a company's real estate between periods or as compared to other companies. However, you should note that FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance.

The following table presents the calculation of our FFO reconciled from net income (loss) for the periods indicated below on a historical and pro forma basis (unaudited, amounts in thousands):

	For the Six Months Ended							For the Period
	June 30,			For the Year Ended December 31,				From Inception (April 12, 2002) to
	Pro Forma 2006	Historical 2006	2005	Pro Forma 2005	2005	Historical 2004	2003	December 31, Historical 2002
Reconciliation of net income (loss) to FFO:								
Net income (loss) attributable to common shares	\$	\$ 309	\$ (1,834)	\$	\$ (11,960)	\$ (255)	\$ 347	\$ (13)
Adjustments:								
Real estate related depreciation and amortization		51,691	26,542		71,023	19,273	1,195	
Equity in losses of unconsolidated joint ventures		182						
Equity in FFO of unconsolidated joint ventures		150						
Minority interests		(298)	3		(526)			
FFO attributable to minority interests		(1,638)	(66)		(1,364)			
Gain recognized on disposition of real estate interests		(3,967)						
FFO attributable to common shares	\$	\$ 46,429	\$ 24,645	\$	\$ 57,173	\$ 19,018	\$ 1,542	\$ (13)



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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003, as well as the unaudited consolidated financial statements and notes thereto as of June 30, 2006 and for the three and six months ended June 30, 2006 and 2005.

**Overview**

We are a leading real estate company specializing in the ownership, acquisition, development and management of bulk distribution and light industrial properties located in 24 of the highest volume distribution markets in the United States. In addition, we manage, and own interests in, industrial properties through our institutional capital management program. Our properties primarily consist of high-quality, generic bulk distribution warehouses and light industrial properties leased to corporate tenants.

Our primary business objectives are to maximize sustainable long-term growth in earnings and FFO and to maximize total return to our stockholders. In our pursuit of these objectives, we will:

acquire high-quality industrial properties;

pursue development opportunities, including through joint ventures;

expand our institutional capital management business;

actively manage our existing portfolio to maximize operating cash flow;

sell non-core assets that no longer fit our investment criteria; and

expand our operations into select domestic and international markets, including Mexico.

Prior to this offering, in order to provide capital for our real estate investments, we have sold our common stock through four distinct public offerings, raised capital through our operating partnership's private placement (as more fully described below) and issued and assumed debt. Prior to October 10, 2006, our day-to-day operations were managed by our former advisor under the supervision of our board of directors pursuant to the terms and conditions of an advisory agreement with our former advisor. As a result of the Internalization, our former advisor is now our wholly-owned subsidiary and we no longer bear the cost of the advisory fees and other amounts payable under the advisory agreement resulting in our being a self-administered and self-advised REIT.

We own our properties through our operating partnership and its subsidiaries. We are the sole general partner of our operating partnership and owned approximately 97% of the outstanding equity interests of our operating partnership as of June 30, 2006.

**Outlook**

Our primary source of our operating revenues and earnings is rents received from tenants under leases at our properties including reimbursements from tenants for certain operating costs. We seek earnings growth primarily through increasing rents and earnings at existing properties, acquiring and developing additional high-quality properties in major distribution markets, increasing fee revenue from our institutional capital management business, generating profits from our development activities and repositioning our portfolio including disposing of certain non-core assets and contributing assets to our joint ventures, funds or other commingled investment vehicles with institutional

partners.

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We believe that our near-term earnings in our existing properties will increase through increased rents on leases that are expiring as well as an increase in our occupancy rates as we lease properties which were vacant when acquired. We expect strong growth in operating earnings from development and acquisitions in our target markets and select new markets. We also believe our focus on our target distribution markets from which companies distribute nationally, regionally and/or locally mitigates the risk of any individual tenant reconfiguring distribution networks and changing the balance of supply and demand in a market. Finally, developing and maintaining excellent relationships with third party logistics companies facilitates our ability to lease them space in our portfolio.

The principal risks to our business outlook include:

an economic slowdown or softening of the U.S. economy and the local economies of our target markets;

the development of new distribution space in our target markets in excess of net new demand for such space;

our ability to attract institutional partners in our institutional capital management business on terms that we find acceptable;

our ability to acquire properties that meet our quantitative and qualitative criteria and whether we can successfully integrate such acquisitions; and

our ability to locate development opportunities and to successfully develop such properties on time and within budget and then successfully lease such properties.

We believe our investment focus on the largest and most active distribution markets in the United States and our monitoring of market and submarket demand and supply imbalances helps mitigate these risks.

We also expect the following key trends to positively affect our industry:

the continued restructuring of corporate supply chains which may impact local demand for distribution space as companies relocate their operations consistent with their particular requirements or needs;

the growth or continuing importance of industrial markets located near seaports, airports and major intermodal facilities; and

continuing advancements in technology and information systems which enhance companies' abilities to control their investment in inventories.

These key trends may gradually change the characteristics of the facilities needed by our tenants. However, we believe the buildings in our portfolio are designed to be flexible and can accommodate any gradual change that may occur.

For the financing of our capital needs, we are not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting real estate generally, that we anticipate will have a material impact on either capital resources or the revenues or income to be derived from the operation of real estate properties. Our financing needs will depend largely on our ability to acquire properties as the majority of our cash generated from operations will be used for payment of distributions and to finance other activities. We expect the funding of additional cash needs to come from existing cash balances, new borrowings and proceeds from the sale or contribution of assets. In addition, we may engage in future offerings of common stock or other securities, although we have no current expectation of doing so in the near term.



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**Significant Transactions During 2005 and Recent Developments**

The following discussion describes certain significant transactions that occurred during the year ended December 31, 2005 and certain recent developments.

We have experienced a substantial increase in acquisition activity since we acquired our first property in June 2003. As a result of our investment strategy, as of June 30, 2006, we owned or controlled 373 consolidated operating properties comprising 54.5 million rentable square feet located in 24 markets, including 23 of our target markets. We acquired 158 of these properties for a total estimated cost of approximately \$1.2 billion during 2005 using net proceeds from our prior public offerings, our operating partnership's private placement and debt financings, including the assumption of 19 secured, non-recourse notes totaling \$434.1 million. We acquired 117 properties for a total cost of approximately \$926.8 million during the six months ended June 30, 2006 using net proceeds from our prior public offerings, our operating partnership's private placement, debt issuances and existing cash balances.

Between February 2, 2005 and May 13, 2005, we acquired seven bulk distribution properties comprising approximately 3.6 million rentable square feet for a total estimated cost of approximately \$132.8 million in connection with our purchase agreement with Panattoni Development Company LLC, a national development company and an unrelated third-party. We assumed four secured, non-recourse mortgage notes totaling approximately \$30.6 million associated with the acquisition of these properties.

On July 21, 2005, we completed a merger with Cabot Industrial Value Fund, Inc., or Cabot, an unrelated third-party, whereby we acquired all of the outstanding shares of Cabot's common stock for approximately \$312.6 million in cash and assumption of debt and certain other net liabilities. Through our ownership of Cabot, we initially acquired an approximate 87% interest in Cabot Industrial Value Fund, LP which, as of December 31, 2005, owned a portfolio of 104 properties located in 12 markets throughout the United States with a total historical cost of approximately \$654.5 million and approximately \$308.8 million of mortgage debt outstanding. As of December 31, 2005, this portfolio was 89.6% leased (see Note 3 Real Estate to our audited consolidated financial statements as of and for the year ended December 31, 2005). On April 21, 2006, we purchased the remaining interests in the Cabot Industrial Value Fund, LP for approximately \$40.4 million.

On December 9, 2005, we amended our existing \$225.0 million senior secured revolving credit facility to increase its borrowing capacity to \$250.0 million and extended the maturity to December 2008.

On January 4, 2006, we issued \$50.0 million of unsecured, non-recourse debt with a fixed interest rate of 5.68% maturing in January 2014. In addition, we finalized the terms of \$100.0 million of additional unsecured debt issued on April 27, 2006. All the notes require quarterly payments of interest only.

On January 23, 2006, we closed the primary offering component of our fourth public offering of common stock. We will, however, continue to offer shares of our common stock through our distribution reinvestment plan.

On February 21, 2006, we entered into a joint venture with BBK to create an institutional fund that owns and operates industrial properties located in the United States. We contributed six industrial properties to Fund I totaling approximately 2.6 million rentable square feet after completion of a 330,000 square foot expansion project. The contribution value of the six buildings upon completion of the expansion was approximately \$122.8 million. Contemporaneously with our contribution, Fund I issued \$84.4 million of secured non-recourse debt and BBK contributed \$19.7 million of equity to Fund I. Upon receipt of these proceeds, Fund I made a special distribution to us of approximately \$102.7 million. The expansion was completed during June 2006, and, contemporaneously with the completion of the expansion, Fund I issued \$11.1 million of additional secured non-recourse debt and BBK contributed \$2.6 million of equity to Fund I. Upon receipt of these proceeds, Fund I made a special distribution to us of approximately \$13.7 million. With the completion of these transactions, our ownership of Fund I is 20%, and BBK's ownership of Fund I is 80%.

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Pursuant to our joint venture agreement, we act as asset manager for Fund I and earn certain fees, including asset management fees related to the properties we manage. Such fees totaled approximately \$126,000 and \$178,000 for the three and six months ended June 30, 2006. In addition to these fees, after we and BBK are repaid our respective capital contributions plus a preferred return, we have the right to receive a promoted interest in Fund I based on performance. Although Fund I's day-to-day business affairs are managed by us, all major decisions are determined by both us and BBK.

On May 19, 2006, we acquired a portfolio of ten buildings comprising approximately 2.7 million rentable square feet located in Columbus, Ohio, which we collectively refer to as the PC portfolio. Upon acquisition, this portfolio was 82.7% leased and occupied. The PC portfolio was acquired from unrelated third parties for a total investment of approximately \$107.8 million, which includes an acquisition fee of approximately \$1.1 million paid to our former advisor.

On June 9, 2006, we acquired a fee interest in a portfolio of 78 bulk distribution, light industrial and service center buildings comprising approximately 7.9 million rentable square feet located in eight markets (Atlanta, Baltimore, Charlotte, Cincinnati, Dallas, Miami, Northern California and Orlando), which we collectively refer to as Cal-TIA, and a land parcel comprising 9.2 acres located in the Orlando market, for a total estimated cost of approximately \$500.7 million (which includes an acquisition fee of \$4.9 million that was paid to our former advisor). This portfolio was acquired from an unrelated third party. We funded this purchase using our existing cash balances, net proceeds from prior public offerings and our operating partnership's private placement and debt proceeds of approximately \$387.0 million. These debt proceeds consisted of borrowings from our existing senior unsecured revolving credit facility in the amount of \$112.0 million and the issuance of \$275.0 million of unsecured debt.

On October 10, 2006, the Internalization was consummated through our operating partnership acquiring our former advisor from DCAG for an aggregate of 15,111,111 OP units, which included the modification of the special units held by DCAG into OP units.

In connection with the consummation of the Internalization, we closed our operating partnership's private placement on October 10, 2006.

## **Critical Accounting Policies**

### ***General***

Our discussion and analysis of financial condition and results of operations is based on our audited and unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discussion pertains to accounting policies management believes are most critical to the portrayal of our financial condition and results of operations which require management's most difficult, subjective or complex judgments.

### ***Revenue Recognition***

We record rental revenue for the full term of each lease on a straight-line basis. Certain properties have leases that provide for tenant occupancy during periods that no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record receivables from tenants that we expect to collect

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over the remaining lease term rather than currently, which will be recorded as straight-line rents receivable. When we acquire a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation.

In connection with property acquisitions, we may acquire leases with rental rates above and/or below the market rental rates. Such differences are recorded as an intangible asset or liability pursuant to Statement of Financial Accounting Standards, or SFAS, No. 141, Business Combinations, or SFAS No. 141, and amortized to rental revenues over the life of the respective leases.

In connection with certain property acquisitions, we have entered into master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new tenant. For financial reporting purposes, rental payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than rental revenue.

### ***Impairment of Long-Lived Assets***

Long-lived assets held and used are carried at cost and evaluated for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, or SFAS No. 144. SFAS No. 144 provides that such an evaluation should be performed when events or changes in circumstances indicate such an evaluation is warranted. Examples include the point at which we deem the long-lived asset to be held for sale, downturns in the economy, etc. Impairment of long-lived assets is considered a critical accounting estimate because the evaluation of impairment and the determination of fair values involve a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Such assumptions include, but are not limited to, projecting vacancy rates, rental rates, property operating expenses, capital expenditures and debt financing rates, among other things. The capitalization rate is also a significant driving factor in determining the property valuation which requires management's judgment of factors such as market knowledge, historical experience, lease terms, tenant financial strength, economy, demographics, environment, property location, visibility, age, physical condition and investor return requirements, among other things. All of the aforementioned factors are taken as a whole by management in determining the valuation of investment property. The valuation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our consolidated financial statements.

### ***Valuation and Allocation of Real Estate Acquisitions***

Upon acquisition, the purchase price of a property and other costs associated with the acquisition such as the acquisition fee paid to our former advisor are capitalized and allocated to land, building, land improvements, tenant improvements and other intangible assets and associated liabilities as required by SFAS No. 141. The allocation to land, building, land improvements and tenant improvements will be based on management's estimate of its fair value based on all available information. The allocation to intangible lease assets, as required by SFAS No. 141, represents the value associated with the in-place leases, including leasing commissions, legal and other related costs. Also, SFAS No. 141 requires the creation of an intangible asset or liability resulting from in-place leases being above or below the current market rental rates on the date of the acquisition. This asset or liability will be amortized over the life of the remaining in-place leases as an adjustment to revenue. Pursuant to SFAS No. 141, the difference between the fair value and the face value of debt assumed in an acquisition should be recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. Valuation and allocation of real estate acquisitions is considered a critical accounting policy because the determination of the value and allocation of the cost of a real estate acquisition involves a number of management's assumptions relating to the ability to lease vacant space, market rental rates, term of new leases, property operating expenses and leasing commissions, among other things. All of the

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aforementioned factors will be taken as a whole by management in determining the valuation and allocation of the costs of real estate acquisitions. The valuation and allocation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management's judgment, the valuation and allocation could be negatively affected and may result in a negative impact to the consolidated financial statements.

***Consolidation***

Our consolidated financial statements include the accounts of our company and our consolidated subsidiaries and partnerships which we control either through ownership of a majority voting interest, as the primary beneficiary, or otherwise. Investments in entities in which we do not own a majority voting interest but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities in which we do not own a majority voting interest and over which we do not have the ability to exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our management's judgments with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a variable interest entity as defined by Financial Accounting Standards Board, or FASB, Interpretation No. 46(R), Consolidation of Variable Interest Entities, involve consideration of various factors including the form of our ownership interest, our representation on the entity's board of directors, the size of our investment (including loans) and our ability to participate in policy making decisions. Our management's ability to correctly assess its influence or control over an entity affects the presentation of these investments in our consolidated financial statements and, consequently, our financial position and specific items in our results of operations that are used by our stockholders, lenders and others in their evaluation of us.

***Depreciation and Useful Lives of Real Estate Assets***

We estimate the depreciable portion of our real estate assets and their related useful lives in order to record depreciation expense. Our management's ability to accurately estimate the depreciable portions of our real estate assets and their useful lives is critical to the determination of the appropriate amount of depreciation expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense we recognize.

***Derivative Instruments and Hedging Activities***

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, or SFAS No. 133, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, we record all derivatives on our consolidated balance sheets at fair value. Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative. Derivatives used to hedge our exposure to changes in the fair value of an asset, liability or firm commitments attributable to a particular risk are considered fair value hedges. Derivatives used to hedge our exposure to variability in expected future interest payments, or other types of forecasted transactions, are considered cash flow hedges.

As of June 30, 2006, all of the hedges entered into by us had been designated as cash flow hedges. For derivatives designated as cash flow hedges, the changes in the fair value of the derivative that represent changes in expected future cash flows that are effectively hedged by the derivative are initially reported in other comprehensive income on our consolidated statements of shareholders' equity (deficit) and other comprehensive income (loss) (*i.e.*, not included in earnings) until the derivative is settled. Upon settlement, the effective portion of the hedge is recognized in other comprehensive income (loss) and amortized over the term of the designated cash flow or transaction the derivative was intended to hedge. Any change in value of the derivative that is deemed to be ineffective is charged directly to earnings when the determination of ineffectiveness is made. We



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assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. We do not use derivatives for trading or speculative purposes.

Our objective in using derivatives is to add stability to future interest expense and to manage our exposure to interest rate movements associated with our forecasted debt issuances. To accomplish this objective, we primarily use treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited pre-determined period of time.

**Table of Contents****Results of Operations****Summary of the Three and Six Months Ended June 30, 2006 Compared to the Three and Six Months Ended June 30, 2005**

As of June 30, 2006, we owned 373 consolidated operating properties located in 24 markets throughout the United States. We acquired 248 of these properties after June 30, 2005. In addition, in February 2006, we contributed six of our properties, two of which were purchased before June 30, 2005, into a joint venture with an institutional partner. See Note 2 Real Estate to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006 for additional information regarding our dispositions. The net effect of these acquisitions and dispositions is the addition of 244 properties to our operating portfolio since June 30, 2005. As a result of these additional 244 properties, the revenues and expenses from our operations for the three and six months ended June 30, 2006 reflect a significant increase compared to the revenues and expenses from our operations for the three and six months ended June 30, 2005. The following table illustrates the changes in our portfolio as of June 30, 2006 and June 30, 2005, respectively (dollar amounts in thousands).

Market	2006				As of June 30, 2005			
	Number of Buildings	Historical Cost	Gross Rentable Area	Occupancy <sup>(1)</sup>	Number of Buildings	Historical Cost	Gross Rentable Area	Occupancy <sup>(1)</sup>
Atlanta	56	\$ 303,712	6,550,271	88.9%	18	\$ 146,128	3,946,931	85.3%
Baltimore/ Washington D.C.	13	121,261	1,585,087	90.7%	7	46,019	874,455	96.7%
Boston	6	42,879	567,441	89.1%	5	26,918	405,741	75.4%
Central Pennsylvania	5	46,662	899,157	100.0%	1	5,382	100,000	100.0%
Charlotte	11	66,660	1,477,548	79.1%				
Chicago	14	150,301	2,877,988	94.8%	7	80,644	1,740,445	89.1%
Cincinnati	39	214,060	4,982,215	86.5%	7	78,952	1,797,369	97.6%
Columbus	15	180,324	4,401,797	92.7%				
Dallas	54	331,600	6,810,543	90.3%	19	97,436	2,451,768	90.3%
Denver	1	9,093	160,232	77.0%	1	9,000	160,232	100.0%
Houston	34	135,635	2,452,711	93.0%	21	83,623	1,622,270	89.2%
Indianapolis	8	109,217	3,326,864	95.5%	1	15,186	442,127	68.3%
Louisville	2	18,350	521,000	100.0%	2	18,352	521,000	100.0%
Memphis	10	159,925	4,333,018	93.8%	11	184,283	5,042,018	94.9%
Miami	6	65,837	727,461	92.7%	2	18,740	250,783	94.6%
Minneapolis	6	58,762	828,466	100.0%				
Nashville	5	99,005	2,712,373	91.7%	3	59,385	1,699,530	100.0%
New Jersey	10	87,430	1,189,553	96.2%				
Northern California	29	206,413	2,410,960	97.4%	5	35,399	474,636	100.0%
Orlando	12	78,865	1,226,231	93.4%	2	15,692	367,137	100.0%
Phoenix	15	98,531	1,733,078	96.5%	13	79,375	1,474,963	90.0%
San Antonio	2	7,764	172,050	67.6%	2	7,699	172,050	100.0%
Seattle	8	88,497	1,198,617	96.5%				
Southern California	12	101,888	1,391,534	99.6%	4	32,744	444,066	100.0%
<b>Total operating properties</b>	<b>373</b>	<b>2,782,671</b>	<b>54,536,195</b>	<b>92.1%</b>	<b>131</b>	<b>1,040,957</b>	<b>23,987,521</b>	<b>92.0%</b>
Properties under development	3	31,963	877,201	10.7%				N/A
Land held for development	N/A	9,137	N/A	N/A	N/A		N/A	N/A
<b>Total</b>	<b>376</b>	<b>\$ 2,823,771</b>	<b>55,413,396</b>	<b>90.8%</b>	<b>131</b>	<b>\$ 1,040,957</b>	<b>23,987,521</b>	<b>92.0%</b>

(1) The total vacant square footage as of June 30, 2006, and 2005, was 5,100,156 and 1,917,332, respectively. Of the vacant space as of June 30, 2006 and 2005, we had 51,365 and 807,981 rentable square feet, respectively, under master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new tenant. The total percentage of operating rentable square feet leased, including space covered by master leases, was 92.2% and 95.4% as of June 30, 2006, and 2005, respectively. For financial reporting purposes under GAAP, rental and expense recovery payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than rental revenues.



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In addition to the significant increase in property operating activity for the three and six months ended June 30, 2006 compared to the three and six months ended June 30, 2005 resulting from the aforementioned acquisitions, the following describes other significant differences between the periods that are a result of our continued growth:

We have increased our debt by issuing or assuming an additional \$912.7 million of debt since June 30, 2005. This has resulted in higher interest expense of approximately \$17.9 million in the six months ended June 30, 2006 compared to the same period in 2005.

Asset management fees paid to our former advisor of 0.75% per annum of the undepreciated cost of our properties were higher by \$5.1 million in the six months ended June 30, 2006 compared to the same period in 2005 as a result of the additional 244 properties being subject to these fees during the 2006 period.

In February 2006, in connection with the above referenced disposition, we recorded a gain on the disposition of the real estate interests resulting in an increase to net income of approximately \$4.0 million.

In June 2006, we recorded a gain relating to the completion of an expansion that had been contributed to the above referenced joint venture with the institutional partner resulting in an increase to net income of approximately \$4.1 million. During the six months ended June 30, 2006, we recognized net income of approximately \$309,000 compared to a net loss of approximately \$1.8 million for the same period in 2005. The components of the increase in operating activities are reflected in the changes in rental revenues, rental expenses, other income and other expenses as more fully described below.

**Table of Contents****Comparison of the Three Months Ended June 30, 2006 to the Three Months Ended June 30, 2005**

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the three months ended June 30, 2006 compared to the three months ended June 30, 2005. Our same store properties include all properties that we owned during both the current and prior year reporting periods for which the operations have been stabilized and consolidated for the entire period presented. The same store assets for the three months ended June 30, 2006 include 110 buildings totaling 18.9 million rentable square feet. A discussion of these changes follows the table (dollar amounts are in thousands).

	Three Months Ended June 30,		\$ Change
	2006	2005	
<b>Rental Revenues</b>			
Same store	\$ 19,651	\$ 20,309	\$ (658)
2006 acquisitions and dispositions	8,563	694	7,869
2005 acquisitions	23,259	2,555	20,704
Development	87		87
Gains (losses) related to early lease terminations, net	(266)	2,817	(3,083)
<b>Total rental revenue</b>	<b>51,294</b>	<b>26,375</b>	<b>24,919</b>
<b>Rental Expenses</b>			
Same store	4,765	4,779	(14)
2006 acquisitions and dispositions	1,473	87	1,386
2005 acquisitions	5,157	493	4,664
Development	51		51
<b>Total property expenses</b>	<b>11,446</b>	<b>5,359</b>	<b>6,087</b>
<b>Net Operating Income<sup>(1)</sup></b>			
Same store	14,886	15,530	(644)
2006 acquisitions and dispositions	7,090	607	6,483
2005 acquisitions	18,102	2,062	16,040
Development	36		36
Gains (losses) related to early lease terminations, net	(266)	2,817	(3,083)
<b>Total property net operating income</b>	<b>39,848</b>	<b>21,016</b>	<b>18,832</b>
<b>Other Income</b>			
Institutional capital management fees	126		126
Gain (loss) recognized on disposition of real estate interests	(21)		(21)
Gain recognized on development activities	4,065		4,065
Interest income and other	2,060	979	1,081
<b>Total other income</b>	<b>6,230</b>	<b>979</b>	<b>5,251</b>
<b>Other Expenses</b>			
Depreciation and amortization	27,199	14,192	13,007
General and administrative	1,452	701	751
Asset management fees, related party	4,297	1,524	2,773
Equity in losses of unconsolidated joint ventures, net	129		129
Interest expense	14,755	4,827	9,928
<b>Total other expenses</b>	<b>47,832</b>	<b>21,244</b>	<b>26,588</b>
Minority interests	108	(3)	111
<b>Net income (loss)</b>	<b>\$ (1,646)</b>	<b>\$ 748</b>	<b>\$ (2,394)</b>

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- (1) For a discussion as to why we view net operating income to be an appropriate supplemental performance measure, and a reconciliation of our net operating income for the three months ended June 30, 2006 and 2005 to our reported net income for the three months ended June 30, 2006 and 2005, see Note 12 Segment Information to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006 beginning on page F-38.

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***Rental Revenues***

Rental revenues increased by approximately \$24.9 million for the three months ended June 30, 2006 compared to the same period in 2005, primarily as a result of the rental revenue generated from the additional operating properties acquired subsequent to June 30, 2005. Same store rental revenues decreased by approximately \$0.7 million for the three months ended June 30, 2006 compared to the same period in 2005 because of lower occupancy primarily due to early lease terminations. Additionally, net losses related to the write-off of intangible lease assets associated with terminated leases were \$0.3 million for the three months ended June 30, 2006 compared to net gains on early lease terminations recorded in June 2005 of approximately \$2.8 million primarily related to a payment of an early termination fee of \$3.7 million.

***Rental Expenses***

Rental expenses increased by approximately \$6.1 million for the three months ended June 30, 2006 compared to the same period in 2005, primarily as a result of the additional operating properties acquired subsequent to June 30, 2005. Same store rental expenses decreased by approximately \$14,000 for the three months ended June 30, 2006 compared to the same period in 2005, primarily due to general decreases in insurance, property management and non-recoverable expenses, which were partially offset by an increase in property taxes of approximately \$205,000 during the three months ended June 30, 2006 as compared to the same period in 2005.

***Other Income***

Other income increased by approximately \$5.3 million for the three months ended June 30, 2006 as compared to the same period in 2005, primarily as a result of a gain of approximately \$4.1 million recorded in connection with the completion of the aforementioned June 2006 building expansion and an increase in interest income of \$1.1 million due to higher average cash balances held in interest bearing bank accounts and such accounts yielding a higher rate of return during the three months ended June 30, 2006 as compared to the same period in 2005.

***Other Expenses***

Depreciation and amortization expense increased by approximately \$13.0 million for the three months ended June 30, 2006 as compared to the same period in 2005, primarily due to the additional properties acquired subsequent to June 30, 2005. The increase in asset management fees payable to our former advisor of approximately \$2.8 million was attributable to the aforementioned additional properties, all of which were subject to the 0.75% asset management fee referenced above. The increase in interest expense of approximately \$9.9 million is generally attributable to higher average outstanding debt balances and higher financing obligation balances that were outstanding during the three months ended June 30, 2006 compared to the same period in 2005.

**Table of Contents****Comparison of the Six Months Ended June 30, 2006 to the Six Months Ended June 30, 2005**

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. Our same store properties include all properties that we owned during both the current and prior year reporting periods for which the operations have been stabilized and consolidated for the entire period presented. The same store assets for the six months ended June 30, 2006 include 105 buildings totaling 16.5 million rentable square feet. A discussion of these changes follows the table (dollar amounts are in thousands).

	Six Months Ended June 30,		\$ Change
	2006	2005	
<b>Rental Revenue</b>			
Same store	\$ 35,482	\$ 36,032	\$ (550)
2006 acquisitions and dispositions	11,507	1,276	10,231
2005 acquisitions	51,023	5,852	45,171
Development	108		108
Gains (losses) related to early lease terminations, net	(146)	2,817	(2,963)
<b>Total rental revenue</b>	<b>97,974</b>	<b>45,977</b>	<b>51,997</b>
<b>Rental Expenses</b>			
Same store	8,967	9,188	(221)
2006 acquisitions and dispositions	1,993	155	1,838
2005 acquisitions	11,376	835	10,541
Development	53		53
<b>Total rental expenses</b>	<b>22,389</b>	<b>10,178</b>	<b>12,211</b>
<b>Net Operating Income<sup>(1)</sup></b>			
Same store	26,515	26,844	(329)
2006 acquisitions and dispositions	9,514	1,121	8,393
2005 acquisitions	39,647	5,017	34,630
Development	55		55
Gains (losses) related to early lease terminations, net	(146)	2,817	(2,963)
<b>Total property net operating income</b>	<b>75,585</b>	<b>35,799</b>	<b>39,786</b>
<b>Other Income</b>			
Institutional capital management fees	178		178
Gain (loss) recognized on disposition of real estate interests	3,967		3,967
Gain recognized on development activities	4,065		4,065
Interest income and other	4,522	1,589	2,933
<b>Total other income</b>	<b>12,732</b>	<b>1,589</b>	<b>11,143</b>
<b>Other Expenses</b>			
Depreciation and amortization	51,691	26,542	25,149
General and administrative	2,182	1,429	753
Asset management fees, related party	7,815	2,703	5,112
Equity in losses of unconsolidated joint ventures, net	182		182
Interest expense	26,436	8,545	17,891
<b>Total other expenses</b>	<b>88,306</b>	<b>39,219</b>	<b>49,087</b>
Minority interests	298	(3)	301
<b>Net income (loss)</b>	<b>\$ 309</b>	<b>\$ (1,834)</b>	<b>\$ 2,143</b>



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- (1) For a discussion as to why we view net operating income to be an appropriate supplemental performance measure, and a reconciliation of our net operating income for the six months ended June 30, 2006 and 2005 to our reported net income for the six months ended June 30, 2006 and 2005, see Note 12 Segment Information to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006 beginning on page F-38.

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**Table of Contents*****Rental Revenues***

Rental revenues increased by approximately \$52.0 million for the six months ended June 30, 2006 compared to the same period in 2005, primarily as a result of the rental revenue generated from the additional operating properties acquired subsequent to June 30, 2005. Same store rental revenues decreased by approximately \$0.6 million for the six months ended June 30, 2006 compared to the same period in 2005 related to lower occupancy primarily due to early lease terminations. Additionally, net losses related to the write off of intangible lease assets associated with terminated leases were \$0.1 million for the six months ended June 30, 2006 compared to net gains on early lease terminations recorded in June 2005 of approximately \$2.8 million primarily related to a payment of an early termination fee of \$3.7 million.

***Rental Expenses***

Rental expenses increased by approximately \$12.2 million for the six months ended June 30, 2006 compared to the same period in 2005, primarily as a result of the additional operating properties acquired subsequent to June 30, 2005. Same store rental expenses decreased by approximately \$221,000 for the six months ended June 30, 2006 compared to the same period in 2005, primarily due to the loss on an early lease termination recorded in 2005 of approximately \$170,000. These losses were generally a result of lease-related assets being written off.

***Other Income***

Other income increased by approximately \$11.1 million for the six months ended June 30, 2006 as compared to the same period in 2005, primarily as a result of a gain recorded on the disposition of real estate interests of approximately \$4.0 million, a gain of approximately \$4.1 million recorded in connection with the completion of the aforementioned June 2006 building expansion and an increase in interest income of \$2.9 million due to higher average cash balances held in interest bearing bank accounts and such accounts yielding a higher rate of return during the six months ended June 30, 2006 as compared to the same period in 2005.

***Other Expenses***

Depreciation and amortization expense increased by approximately \$25.1 million for the six months ended June 30, 2006 as compared to the same period in 2005, primarily due to the additional properties acquired subsequent to June 30, 2005. The increase in asset management fees payable to our former advisor of approximately \$5.1 million was attributable to the aforementioned additional properties, all of which were subject to the 0.75% asset management fee referenced above. The increase in interest expense of approximately \$17.9 million is generally attributable to higher average outstanding debt balances and higher financing obligation balances that were outstanding during the six months ended June 30, 2006 compared to the same period in 2005.

***Summary of the Year Ended December 31, 2005 Compared to the Years Ended December 31, 2004 and December 31, 2003***

In June 2003, we acquired our first property and, as of December 31, 2005, we had assembled a portfolio of 264 consolidated operating properties located in 23 markets. Specifically, we acquired 158 properties during the year ended December 31, 2005, 93 properties during the year ended December 31, 2004 and 13 properties during the year ended December 31, 2003. All of these properties were acquired using net proceeds from our prior public offerings, our operating partnership's private placement and/or debt proceeds. As a result of our significant acquisition activity during the years ended December 31, 2005 and 2004, the revenues and expenses from our operations increased significantly from year to year. During the year ended December 31, 2003, the revenues and expenses from our operations were relatively less when compared to the years ended December 31, 2005 and 2004 as a result of our limited operating history and a lower level of acquisition activity prior to 2004.

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The following table describes the geographic diversity of the operating properties that we majority-owned and/or controlled (*i.e.*, our consolidated properties) as of December 31, 2005 and 2004, respectively, by market (dollar amounts are in thousands).

	As of December 31,							
	2005				2004			
	Number of Buildings	Historical Cost <sup>(1)</sup>	Gross Rentable Area (Sq. Ft.)	Occupancy <sup>(2)</sup>	Number of Buildings	Historical Cost <sup>(1)</sup>	Gross Rentable Area (Sq. Ft.)	Occupancy <sup>(2)</sup>
<b>Target Markets:</b>								
Atlanta	48	\$ 263,604	5,981,602	88.5%	18	\$ 147,660	3,946,931	82.8%
Baltimore/ Washington D.C.	10	97,422	1,306,568	91.2%				
Central Pennsylvania	5	45,852	895,157	100.0%				
Charlotte	4	22,290	426,404	96.4%				
Chicago	14	169,839	3,117,467	94.5%	1	11,370	222,122	100.0%
Cincinnati	18	132,591	3,294,142	83.3%	7	78,925	1,797,369	97.6%
Columbus	3	49,246	1,213,486	100.0%				
Dallas	49	250,564	5,241,264	96.1%	18	93,033	2,330,906	91.1%
Denver	1	9,027	160,232	100.0%	1	8,949	160,232	82.8%
Houston	33	129,280	2,349,671	91.3%	21	83,957	1,622,270	90.5%
Indianapolis	3	57,239	1,626,873	100.0%	1	15,139	442,127	100.0%
Louisville	2	18,350	521,000	100.0%	2	18,351	521,000	100.0%
Memphis	11	184,259	5,042,018	95.4%	3	39,559	1,101,006	97.9%
Miami	3	26,025	316,452	96.3%				
Nashville	4	80,048	2,256,373	100.0%	3	59,340	1,699,530	100.0%
New Jersey	8	77,871	970,946	100.0%				
Northern California	5	36,337	474,636	92.4%	5	35,371	474,636	100.0%
Orlando	2	15,718	367,137	100.0%	2	15,687	367,137	100.0%
Phoenix	14	89,226	1,635,109	97.9%	13	79,195	1,474,963	85.7%
San Antonio	2	7,699	172,050	65.4%	2	7,725	172,050	100.0%
Seattle	8	88,214	1,198,617	100.0%				
Southern California	11	85,602	1,169,498	76.5%	4	32,744	444,066	100.0%
<b>Non-Target Market:</b>								
Boston	6	42,172	570,641	67.4%	5	27,059	405,741	78.2%
Total operating properties	264	1,978,475	40,307,343	93.1%	106	754,064	17,182,086	91.6%
Properties under development	1	8,401	519,391	N/A				N/A
Land held for development	N/A	8,049	N/A	N/A		N/A	N/A	N/A
<b>Grand Total</b>	<b>265</b>	<b>\$ 1,994,925</b>	<b>40,826,734</b>	<b>93.1%</b>	<b>106</b>	<b>\$ 754,064</b>	<b>17,182,086</b>	<b>91.6%</b>

(1) Represents historical undepreciated costs pursuant to GAAP as of the period indicated including acquisition fees paid to our former advisor. Acquisition fees paid to our former advisor totaled \$11.1 million and \$6.4 million in 2005 and 2004, respectively.

(2) The total vacant square footage as of December 31, 2005 and 2004 was 2,783,475 and 1,435,041, respectively. Of the vacant space, we had 69,061 and 947,356 rentable square feet, respectively, under master lease agreements with various sellers whereby the sellers are obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new tenant. The total percentage of rentable square feet leased, including space covered by master leases, was 93% and 97% as of December 31, 2005 and 2004, respectively. For financial reporting purposes under GAAP, rental and expense recovery payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than revenues.

**Table of Contents****Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004**

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the year ended December 31, 2005 compared to the year ended December 31, 2004. Our same store properties include all properties owned from January 1, 2004 through December 31, 2005. The same store assets for this period include 13 buildings totaling 3.7 million rentable square feet. A discussion of these changes follows the table (dollar amounts are in thousands).

	Year Ended December 31,		
	2005	2004	Change
<b>Rental Revenue</b>			
Same store	\$ 15,219	\$ 14,537	\$ 682
2005 acquisitions	47,861		47,861
2004 acquisitions	58,718	20,140	38,578
<b>Total rental revenue</b>	<b>121,798</b>	<b>34,677</b>	<b>87,121</b>
<b>Rental Expenses</b>			
Same store	3,125	3,047	78
2005 acquisitions	10,479		10,479
2004 acquisitions	15,166	4,158	11,008
<b>Total rental expenses</b>	<b>28,770</b>	<b>7,205</b>	<b>21,565</b>
<b>Net Operating Income<sup>(1)</sup></b>			
Same store	12,094	11,490	604
2005 acquisitions	37,382		37,382
2004 acquisitions	43,552	15,982	27,570
<b>Total net operating income</b>	<b>93,028</b>	<b>27,472</b>	<b>65,556</b>
<b>Other Income</b>			
Gain on the early termination of leases, net	2,285	1	2,284
Interest and other income	3,733	875	2,858
Gain on hedges	108	545	(437)
<b>Total other income</b>	<b>6,126</b>	<b>1,421</b>	<b>4,705</b>
<b>Other Expenses</b>			
Depreciation and amortization	71,023	19,273	51,750
Interest	28,712	5,978	22,734
General and administrative	3,004	2,372	632
Asset management fees, related party	8,901	1,525	7,376
<b>Total other expenses</b>	<b>111,640</b>	<b>29,148</b>	<b>82,492</b>
Minority Interests	526		526
<b>Net loss</b>	<b>\$ (11,960)</b>	<b>\$ (255)</b>	<b>\$ (11,705)</b>

(1) For a discussion as to why we view net operating income to be an appropriate supplemental performance increase, and a reconciliation of our net operating income for the years ended December 31, 2005 and 2004 to our reported net income for the years ended December 31, 2005 and 2004, see Note 18 Segment Information to our audited consolidated financial statements as of and for the year ended December 31, 2005 beginning on page F-75.

**Rental Revenue**

Rental revenue increased by approximately \$87.1 million for the year ended December 31, 2005 compared to the same period in 2004, primarily as a result of (i) the rental revenue generated from the 158 properties that were acquired during the year ended December 31, 2005 and (ii) rental revenue for the 93 properties that were acquired during the year ended December 31, 2004 being higher in 2005 than in 2004 as



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rental revenue associated with these properties during 2004 did not reflect an entire period of operations as compared to 2005 wherein these properties were operating for a full 12 months.

Same store rental revenue increased by approximately \$682,000 for the year ended December 31, 2005 compared to the same period in 2004 due to rental rate increases as well as an increase in occupancy that occurred subsequent to December 31, 2004.

***Rental Expenses***

Rental expenses increased by approximately \$21.6 million for the year ended December 31, 2005 compared to the same period in 2004, primarily as a result of (i) the acquisition of 158 properties during 2005 and (ii) rental expenses for the 93 properties acquired in 2004 being higher in 2005 than in 2004 as rental expenses associated with these properties during 2004 did not reflect an entire period of operations as compared to 2005 wherein these properties were operating for a full 12 months.

Same store rental expenses increased by approximately \$78,000 for the year ended December 31, 2005 compared to the same period in 2004 primarily due to increased real estate taxes and utilities expenses which was partially offset by a decrease in insurance premiums.

***Other Income***

Other income increased by approximately \$4.7 million for the year ended December 31, 2005 as compared to the same period in 2004 generally as a result of a net gain recognized in the amount of approximately \$2.3 million on the early termination of leases in 2005 and the increase in interest income of \$2.9 million due to higher average cash balances held in interest bearing bank accounts during the year ended December 31, 2005 as compared to the year ended December 31, 2004. As of December 31, 2005 and 2004, we had approximately \$94.9 million and \$23.5 million in cash and cash equivalents, respectively. In addition, we had \$9.7 million in notes receivable outstanding as of December 31, 2005, \$5.4 million of which were issued subsequent to December 31, 2004. For the years ended December 31, 2005 and 2004, we earned interest income of approximately \$779,000 and \$267,000 associated with these notes receivable, which reflects an increase in interest income of approximately \$512,000 from year to year. The decrease in gain on hedges is a result of hedge ineffectiveness recorded in the years ended December 31, 2005 and 2004.

***Other Expenses***

Other expenses increased \$82.5 million for the year ended December 31, 2005 compared to the same period in 2004 primarily because depreciation and amortization expense was higher by approximately \$51.8 million for the year ended December 31, 2005 as compared to the same period in 2004. This was primarily due to the acquisition of 158 additional properties during 2005 which had a gross book value of approximately \$1.2 billion as of December 31, 2005. The increase in interest expense of approximately \$22.7 million is attributable to higher mortgage note balances (approximately \$499.5 million) and higher financing obligation balances (approximately \$122.3 million) that were outstanding during the year ended December 31, 2005 compared to the mortgage note balances (approximately \$102.3 million) and financing obligation balances (approximately \$29.7 million) that were outstanding during the year ended December 31, 2004. General and administrative expenses were higher during the year ended December 31, 2005 than in the year ended December 31, 2004 by approximately \$632,000 as a result of an increase in general business activities partially offset by a decrease in compliance costs associated with Sarbanes-Oxley. We paid our former advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of properties we owned in excess of \$170.0 million in both 2004 and 2005 (see Note 13 Related Party Transactions to our audited consolidated financial statements as of and for the year ended December 31, 2005). The increase in asset management fees during 2005 of approximately \$7.4 million was attributable to the aforementioned acquisition of 158 additional properties, all of which were subject to this 0.75% asset management fee.

**Table of Contents****Comparison of the Year Ended December 31, 2004 to the Year Ended December 31, 2003**

The following table illustrates the changes in rental revenues, rental expenses, net operating income, other income and other expenses for the year ended December 31, 2004 compared to the year ended December 31, 2003. A discussion of these changes follows the table (dollar amounts are in thousands).

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>Change</b>
<b>Rental Revenue</b>			
2004 acquisitions	\$ 20,140	\$	\$ 20,140
2003 acquisitions	14,537	2,645	11,892
Total rental revenue	34,677	2,645	32,032
<b>Rental Expenses</b>			
2004 acquisitions	4,158		4,158
2003 acquisitions	3,047	367	2,680
Total rental expenses	7,205	367	6,838
<b>Net Operating Income<sup>(1)</sup></b>			
2004 acquisitions	15,982		15,982
2003 acquisitions	11,490	2,278	9,212
Total net operating income	27,472	2,278	25,194
<b>Other Income</b>			
Interest and other income	876	61	815
Gain on hedges	545		545
Total other income	1,421	61	1,360
<b>Other Expenses</b>			
Depreciation and amortization	19,273	1,195	18,078
Interest	5,978	385	5,593
General and administrative	2,372	412	1,960
Asset management fees, related party	1,525		1,525
Total other expenses	29,148	1,992	27,156
<b>Net Income (Loss)</b>	\$ (255)	\$ 347	\$ (602)

<sup>(1)</sup> For a discussion as to why we view net operating income to be an appropriate supplemental performance increase, and a reconciliation of our net operating income for the years ended December 31, 2004 and 2003 to our reported net income for the years ended December 31, 2004 and 2003, see Note 18 Segment Information to our audited consolidated financial statements as of and for the year ended December 31, 2005 beginning on page F-75.

**Rental Revenue**

Rental revenue increased by approximately \$32.0 million for the year ended December 31, 2004 compared to the same period in 2003, primarily as a result of (i) the rental revenue generated from the 93 properties that were acquired during the year ended December 31, 2004 and (ii) rental revenue for the 13 properties that were acquired during the year ended December 31, 2003 being higher in 2004 than in 2003 as rental revenue associated with these properties during 2003 did not reflect an entire period of operations as compared to 2004 wherein these properties were operating for a full 12 months.

**Rental Expenses**

Rental expenses increased by approximately \$6.8 million for the year ended December 31, 2004 compared to the same period in 2003, primarily as a result of (i) the acquisition of 93 properties during 2004 and





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(ii) rental expenses for the 13 properties acquired in 2003 being higher in 2004 than in 2003 as rental expenses associated with these properties during 2003 did not reflect an entire period of operations as compared to 2004 wherein these properties were operating for a full 12 months.

### ***Other Income***

Other income increased by approximately \$1.4 million for the year ended December 31, 2004 as compared to the same period in 2003. The increase in interest income of approximately \$800,000 is due to higher average cash balances held in interest bearing bank accounts during the year ended December 31, 2004 as compared to the year ended December 31, 2003. As of December 31, 2004 and 2003, we had approximately \$23.5 million and \$4.1 million in cash and cash equivalents, respectively. In addition, we had notes receivable outstanding of \$4.2 million as of December 31, 2004. For the year ended December 31, 2004, we earned interest income of approximately \$267,000 associated with these notes receivable. The increase in gain on hedges is primarily a result of the settlement of hedges with a resulting gain of approximately \$545,000 due to hedge ineffectiveness recorded in the year ended December 31, 2004.

### ***Other Expenses***

Other expenses increased \$27.2 million for the year ended December 31, 2004 compared to the same period in 2003 primarily because depreciation and amortization expense was higher by approximately \$18.1 million for the year ended December 31, 2004 as compared to the same period in 2003. This was primarily due to the acquisition of 93 additional properties during 2004 which had a gross book value of approximately \$603.4 million as of December 31, 2004. The increase in interest expense of approximately \$5.6 million is attributable to higher mortgage note balances (approximately \$102.3 million) and higher financing obligation balances (approximately \$29.7 million) that were outstanding during the year ended December 31, 2004, compared to the mortgage note balances (approximately \$40.5 million) and financing obligation balances (approximately \$2.7 million) that were outstanding during the year ended December 31, 2003. General and administrative expenses were higher during the year ended December 31, 2004 than in the year ended December 31, 2003 by approximately \$2.0 million as a result of an increase in general business activities as well as an increase in compliance costs associated with Sarbanes-Oxley. We became obligated to pay our former advisor the aforementioned 0.75% asset management fee in March 2004 (see Note 13 Related Party Transactions to our audited consolidated financial statements as of and for the year ended December 31, 2005). The increase in asset management fees during 2004 was attributable to all 93 properties that were acquired during 2004 being subject to this fee in 2004.

## **Liquidity and Capital Resources**

### ***Overview***

Management currently expects that our principal sources of working capital and funding for acquisitions and potential capital requirements for expansions and renovation of properties, developments, distributions to investors and debt service will include:

Cash flow from operations;

Borrowings under our senior unsecured credit facility;

Other forms of secured or unsecured financings;

Current cash balances;

Capital from our institutional capital management business;

Proceeds from capital recycling;



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Proceeds from our distribution reinvestment plan;

Net proceeds from this offering, after the repayment of certain outstanding debt; and

Proceeds from future offerings of our common stock or other securities;

We believe that our sources of capital, specifically our cash flow from operations, borrowings under our credit facility, other forms of secured or unsecured financings, capital from our institutional capital management business, proceeds from capital recycling, proceeds from our distribution reinvestment plan and the net proceeds from this offering, after the repayment of certain outstanding debt, are adequate and will continue to be adequate to meet our short-term liquidity requirements and capital commitments. These liquidity requirements and capital commitments include operating activities, debt service obligations, regular quarterly stockholder distributions, capital expenditures at our properties, forward purchase commitments (as more fully described below), the acquisition of one building that closed subsequent to June 30, 2006, 19 buildings which are currently under contract and future acquisitions of unidentified properties. The building that was acquired subsequent to June 30, 2006 was approximately 503,000 rentable square feet and had an aggregate purchase price of approximately \$27.7 million and the 19 buildings that are currently under contract total approximately 2.7 million rentable square feet and have an aggregate purchase price of approximately \$104.7 million. We anticipate that the acquisitions that have not yet closed will close over the next several months. However, the contracts related to these acquisitions are subject to a number of contingencies, and there can be no assurances that these acquisitions will be completed.

We expect to utilize the same sources of capital we rely on to meet our short-term liquidity requirements to meet our long-term liquidity requirements. We expect these resources will be adequate to fund our operating activities, debt service obligations and stockholder distributions and will be sufficient to fund our ongoing acquisition and development activities as well as providing capital for investment in future development and other joint ventures along with additional potential forward purchase commitments. In addition, we may engage in future offerings of common stock or other securities, although we have no current expectation of doing so in the near term, and may recommence our operating partnership's private placement.

Management anticipates that, over time, debt proceeds and cash provided by operating activities will represent an increasing percentage of our sources of capital as will capital from our institutional capital management business. Furthermore, as we continue to increase the amount of capital raised from institutional partners through the creation of joint ventures, we expect revenues generated from institutional capital management fees to become a larger part of our cash flows.

***Cash Flows***

For the six months ended June 30, 2006 and 2005, our cash provided by operating activities generated approximately \$48.7 million and \$27.3 million, respectively. For the six months ended June 30, 2006 and 2005, our cash used by investing activities increased to approximately \$847.1 million from \$205.6 million, respectively, primarily related to investments in real estate of approximately \$965.6 million and \$202.1 million during such periods, respectively. For the six months ended June 30, 2006 and 2005, our cash provided by financing activities increased to approximately \$748.3 million from \$328.7 million, respectively, primarily related to increased debt balances.

During the years ended December 31, 2005, 2004 and 2003, our cash generated from financing activities increased year to year, and we generated approximately \$756.0 million, \$558.0 million, and \$152.3 million, respectively. During these years, we generated net proceeds of approximately \$737.2 million, \$522.2 million and \$112.0 million, respectively, through our prior public offerings and our operating partnership's private placement. In addition, we issued debt of approximately \$60.9 million, \$55.0 million and \$51.9 million, respectively. During the years ended December 31, 2005, 2004 and 2003, our cash provided by operating activities increased from year to year and we generated approximately \$66.3 million, \$21.5 million and \$1.7 million, respectively. These sources of capital were utilized to fund approximately \$750.3 million, \$548.5 million and \$149.6 million of cash invested in real estate during the years ended December 31, 2005, 2004 and 2003, respectively.

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**Table of Contents*****Prior Public Offerings***

On April 15, 2002, we filed an S-11 registration statement with the SEC covering our first continuous public offering of our common stock. The registration statement was declared effective on July 17, 2002 and we received approval of our offering in all 50 states in December 2002. The common stock was offered on a continuous basis at a price of \$10.00 per share on a 200,000 share minimum, 25,000,000 share maximum, best-efforts basis. The registration statement also covered up to 4,000,000 shares available pursuant to our distribution reinvestment plan and up to 1,000,000 shares issuable upon the exercise of warrants issued to our former dealer manager for a price of \$.001 per share for every 25 shares sold. Until we received subscriptions covering at least 200,000 shares from at least 100 non-affiliated investors, offering proceeds were required to be held in escrow. The escrow conditions were satisfied on February 10, 2003, at which time 226,567 shares of common stock were issued to investors. In April 2004, we completed our first continuous public offering and sold approximately 25.5 million shares of our common stock for gross proceeds of approximately \$254.4 million, which includes shares issued pursuant to our distribution reinvestment plan.

Our second continuous public offering began immediately following the completion of the initial continuous public offering. The second registration statement was filed on February 27, 2004 and was declared effective on April 16, 2004, and the offering commenced on April 16, 2004. The registration statement offered common stock at a price of \$10.00 per share for a maximum of 30,000,000 shares. The registration statement also covered up to 10,000,000 shares available pursuant to our distribution reinvestment plan as well as up to 1,200,000 shares issuable upon the exercise of warrants sold to our former dealer manager for a price of \$.001 per share for every 25 shares sold. In October 2004, we completed our second continuous public offering and sold approximately 30.4 million shares of our common stock for gross proceeds of approximately \$302.8 million, which includes shares issued pursuant to our distribution reinvestment plan.

Our third continuous public offering began immediately following the second continuous public offering. On June 28, 2004, we filed our third registration statement and this registration statement was declared effective by the SEC, and the offering commenced on October 18, 2004. The common stock was offered at a price of \$10.50 per share for a maximum of 40,000,000 shares. The registration statement also covered up to 13,000,000 shares available pursuant to our distribution reinvestment plan. On June 24, 2005, we concluded our third continuous public offering having sold approximately 40.7 million shares of our common stock for gross proceeds of approximately \$424.7 million, which includes shares issued pursuant to our distribution reinvestment plan.

Our fourth continuous public offering began immediately following the third continuous public offering. The fourth registration statement was filed on January 24, 2005 and was declared effective by the SEC on June 9, 2005, and we commenced the offering on June 27, 2005. The related prospectus covers a maximum of \$1,000,000,000 in shares of our common stock comprised of two components: (i) an offering of up to 72,770,273 shares to the public at a price of \$10.50 per share, which we refer to as our primary offering, and (ii) an offering of up to 23,650,339 shares to participants in our distribution reinvestment plan at \$9.975 per share. On January 23, 2006, we closed the primary offering component of our fourth continuous public offering. For the six months ended June 30, 2006 we raised approximately \$161.4 million of net proceeds from the sale of shares of our common stock, and for the six months ended June 30, 2005 we raised approximately \$277.3 million of net proceeds from the sale of shares of our common stock.

As of June 30, 2006, 149,598,403 shares of common stock were issued and outstanding. The net proceeds from the sale of these securities were transferred to our operating partnership for a number of OP units equal to the shares of common stock sold in our prior public offerings. Although we have closed the primary offering component of our fourth public offering, we will continue to offer shares through our distribution reinvestment plan. In the future, we anticipate that our principal sources of funding for our operating activities will include proceeds from debt financings, cash flow from operations and capital from our institutional capital management business. In addition, we may engage in future offerings of common stock or other securities,

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although we have no current expectation of doing so in the near term, and may recommence our operating partnership's private placement.

Prior to the Internalization, pursuant to the advisory agreement, our former advisor was obligated to advance all of our offering costs, subject to its right to be reimbursed for such costs by us in an amount up to 2% of the gross offering proceeds raised. Such offering costs included, but were not limited to, actual legal, accounting, printing and other expenses attributable to preparing the SEC registration statements, qualification of the shares for sale in the states and filing fees incurred by our former advisor, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares, other than selling commissions and the dealer manager fee, which is described below. We no longer bear the costs of these reimbursements as a result of our former advisor becoming our wholly-owned subsidiary in connection with the Internalization.

During the three and six months ended June 30, 2006, our former advisor incurred approximately \$0.5 million and \$1.4 million, respectively, of offering costs and, during the same periods, we reimbursed our former advisor approximately \$0.5 million and \$1.8 million, respectively, for such costs, which includes unreimbursed costs from prior periods. For the three and six months ended June 30, 2005, our former advisor incurred approximately \$1.8 million and \$3.9 million, respectively, of offering costs and, during the same periods, we reimbursed our former advisor approximately \$3.1 million and \$5.9 million, respectively, for such costs. As described above, we closed the primary offering component of our fourth public offering on January 23, 2006, and, as of June 30, 2006, we had reimbursed our former advisor for all of the then existing unreimbursed offering costs.

During the years ended December 31, 2005, 2004 and 2003 as well as from the period of our inception (April 12, 2002) to December 31, 2002, our former advisor incurred \$8.6 million, \$8.3 million, \$7.7 million and \$3.4 million, of offering costs, respectively. During the years ended December 31, 2005, 2004 and 2003, we reimbursed our former advisor approximately \$13.3 million, \$10.9 million and \$3.3 million, respectively. We did not reimburse our former advisor for any such costs during 2002.

Pursuant to a certain dealer manager agreement, we were obligated to pay Dividend Capital Securities LLC, or our former dealer manager, a dealer manager fee and commissions up to 2.0% and 6.0%, respectively, of gross proceeds raised from our prior public offerings of common stock. For the three and six months ended June 30, 2006, we incurred approximately \$0.1 million and \$11.0 million, respectively, payable to our former dealer manager for dealer manager fees and sales commissions. For the three and six months ended June 30, 2005, we incurred approximately \$11.9 million and \$22.6 million, respectively, payable to our former dealer manager for dealer manager fees and sales commissions. During the years ended December 31, 2005, 2004 and 2003, we paid our former dealer manager approximately \$49.9 million, \$41.9 million and \$11.0 million, respectively, of which \$36.6 million, \$31.0 million and \$8.2 million, respectively, had been re-allowed to broker-dealers participating in our prior public offerings. As of June 30, 2006, all sales commissions had been re-allowed to participating broker-dealers. We terminated this dealer manager agreement on October 10, 2006, in connection with the consummation of the Internalization.

***Our Operating Partnership's Private Placement***

Our operating partnership previously offered undivided TIC Interests in our properties to accredited investors in a private placement exempt from registration under the Securities Act. These TIC Interests may have served as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Code. Additionally, the TIC Interests sold to accredited investors are 100% leased by our operating partnership pursuant to master leases, and such leases contain purchase options whereby our operating partnership has the right, but not the obligation, to acquire the TIC Interests from the investors at a later point in time in exchange for OP units in our operating partnership under Section 721 of the Code.

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From November 26, 2003 through June 30, 2006, we raised \$276.4 million of gross proceeds (of which \$242.0 million was gross equity proceeds) from the sale of TIC Interests in 36 industrial buildings. Additionally, since April 8, 2005 through June 30, 2006, our operating partnership issued approximately \$40.8 million of OP units in our operating partnership in conjunction with the exercises of certain purchase options for certain industrial properties in which our operating partnership had sold TIC Interests. On October 10, 2006, we closed our operating partnership's private placement, although we may determine to recommence the private placement in the future.

During the six months ended June 30, 2006, we raised approximately \$98.5 million from the sale of undivided TIC Interests in our properties. During the six months ended June 30, 2005, we raised approximately \$36.3 million from the sale of undivided TIC Interests in our properties. As of June 30, 2006 and 2005, we had raised a total of approximately \$276.4 million and \$69.0 million, respectively, from the sale of undivided TIC Interests in our properties pursuant to our operating partnership's private placement. During the years ended December 31, 2005, 2004 and 2003, we raised \$145.3 million, \$29.9 million and \$2.7 million, respectively, from the sale of undivided TIC Interests in 27 buildings.

The sales of the TIC Interests are included in financing obligations in our accompanying audited consolidated balance sheets pursuant to SFAS No. 98, Accounting for Leases, or SFAS No. 98. We have leased the undivided TIC Interests sold to unrelated third parties, and in accordance with SFAS No. 98, a portion of the rental payments made to third parties under the lease agreements are recognized as interest expense using the interest method.

During the years ended December 31, 2005, 2004 and 2003, we incurred approximately \$3.9 million, \$750,000 and \$15,000, respectively, of rental expense under various lease agreements with these accredited investors. A portion of such amounts were accounted for as a reduction of the principal outstanding balance of the financing obligations, and a portion was accounted for as an increase to interest expense in the accompanying audited consolidated financial statements. The various lease agreements in place as of June 30, 2006 contain expiration dates ranging from February 2020 to December 2025. The following table sets forth the five-year, future minimum rental payments due to third parties under the various lease agreements (amounts are in thousands):

Year Ending December 31,	Future Minimum Rental Payments
2006	\$ 8,479
2007	21,797
2008	23,391
2009	22,764
2010	22,145
Thereafter	177,607
<b>Total</b>	<b>\$ 276,183</b>

Our operating partnership has paid certain up-front fees and reimbursed certain related expenses to our former advisor, our former dealer manager and Dividend Capital Exchange Facilitators LLC, or our former facilitator, for raising capital through our operating partnership's private placement. In the event we recommence our operating partnership's private placement, we may conduct it through the services of our former dealer manager and our former facilitator or through more cost-effective measures.

Our former advisor was obligated to pay all of the offering and marketing related costs associated with the private placement. However, our operating partnership was obligated to pay our former advisor a non-accountable expense allowance, which equaled 2% of the gross equity proceeds raised through the private placement. In addition, our operating partnership was obligated to pay our former dealer manager a dealer manager fee of up to 1.5% of the gross equity proceeds raised and a commission of up to 5% of the gross equity

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proceeds raised through the private placement. Our former dealer manager has re-allowed such commissions and a portion of such dealer manager fee to participating broker dealers. Our operating partnership was also obligated to pay a transaction facilitation fee to our former facilitator of up to 1.5% of the gross equity proceeds raised through the private placement. We terminated these arrangements with our former dealer manager and our former facilitator on October 10, 2006, in connection with the consummation of the Internalization.

During the years ended December 31, 2005, 2004 and 2003, our operating partnership incurred up-front costs of approximately \$11.6 million, \$2.6 million and \$200,000, respectively, payable to our former advisor and other affiliates for effecting these transactions which are accounted for as deferred loan costs. Such deferred loan costs are included on our audited consolidated balance sheets and amortized to interest expense over the life of the financing obligation. If our operating partnership elects to exercise any purchase option as described above and issue OP units, the unamortized portion of up-front fees and expense reimbursements paid to affiliates will be recorded against minority interest as a selling cost of the OP units. If our operating partnership does not elect to exercise any such purchase option, we will continue to account for these transactions as a financing obligation because we will continue to sub-lease 100% of the properties and will therefore not meet the definition of active use set forth in SFAS No. 98.

During the six months ended June 30, 2006, our operating partnership exercised purchase options to buy certain TIC Interests it had previously sold in two industrial properties located in Plainfield, Indiana and Atlanta, Georgia. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 2.1 million OP units worth approximately \$22.4 million to acquire such TIC Interests.

During the year ended December 31, 2005, our operating partnership exercised purchase options pursuant to three individual master lease agreements to buy certain TIC Interests it had previously sold in two properties located in Memphis, Tennessee and one property located in Atlanta, Georgia. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 1.7 million OP units valued at approximately \$18.3 million to acquire such TIC Interests.

As of the date of this prospectus, our operating partnership has options to purchase 232 TIC Interests in 26 properties. With regard to three of these properties, our operating partnership will exercise its purchase options and close on the purchases in October and November 2006 and issue an aggregate of 1.3 million OP units valued at approximately \$14.4 million. With regard to the remaining 23 properties, our operating partnership provided notice of exercise of its purchase options to the holders of the TIC Interests in early October. However, for the exercise to be effective for each of these 23 properties, all of the TIC Interest holders in such property must consent to amend the related master lease. The amendment would fix the number of OP units to be paid and accelerate the date of closing of the purchase of the TIC Interests in each property to the earlier of: (1) a date selected by our operating partnership that is within 60 days after the completion of this offering; or (2) a date selected by our operating partnership that is within the stipulated closing period in the original master lease. The fixed purchase price for the TIC Interests was determined based on the value of the underlying real estate asset and the price per OP unit paid in the Internalization. If all leases relating to these 23 properties are so amended, our operating partnership will have the right to purchase all remaining TIC Interests for an aggregate of 15.4 million OP units valued at \$173.4 million during the accelerated closing period. However, there can be no assurance that we will obtain the necessary consents of the TIC Interest holders. If unanimous consent for the amendment is not obtained on any property, that property will continue to be subject to our operating partnership's purchase option under the terms of the original master lease. If there are no amendments, the closing periods for our operating partnership's purchase options begin on January 1, 2007 and end on February 29, 2008.

***Institutional Capital Management***

As described in more detail above, on February 21, 2006, we entered into a joint venture with BBK to create Fund I. We contributed six industrial properties to Fund I totaling approximately 2.6 million rentable square feet after completion of a 330,000 square foot expansion project. The contribution value of the six

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buildings upon completion of the expansion was approximately \$122.8 million. Contemporaneously with our contribution, Fund I issued \$84.4 million of secured non-recourse debt, and BBK contributed \$19.7 million of equity to Fund I. Upon receipt of these proceeds, Fund I made a special distribution to us of approximately \$102.7 million. The expansion was completed during June 2006, and, contemporaneously with the completion of the expansion, Fund I issued \$11.1 million of additional secured non-recourse debt and BBK contributed \$2.6 million of equity to Fund I. Upon receipt of these proceeds, Fund I made a special distribution to us of approximately \$13.7 million. With the completion of these transactions, our ownership of Fund I is 20%, and BBK's ownership of Fund I is 80%.

Pursuant to our joint venture agreement, we act as asset manager for Fund I and earn certain fees, including asset management fees related to the properties we manage. Such fees totaled approximately \$126,000 and \$178,000 for the three and six months ended June 30, 2006. In addition to these fees, after we and BBK are repaid our respective capital contributions plus a preferred return, we have the right to receive a promoted interest in Fund I based upon performance.

In addition, we have entered into a joint venture agreement with DCTRT and TRT LLC, one of DCTRT's wholly-owned subsidiaries. The joint venture agreement provides that one or more additional affiliated entities of DCTRT may also become parties to the agreement and established a series of joint ventures that, subject to certain exceptions, will serve as the exclusive vehicles through which DCTRT, TRT LLC and, if applicable, such affiliated entities will acquire industrial real estate assets in certain major markets in which we currently operate until the end of 2008 so long as we introduce a certain minimum amount of potential acquisition opportunities and we do not otherwise materially breach this agreement. In the event that (and only for so long as) these exclusivity provisions are not in effect for any reason prior to the end of 2008, Evan Zucker and James Mulvihill will be prohibited under their respective non-competition agreements with us from directly or indirectly participating in certain activities in respect of industrial real estate on behalf of either DCTRT or other related entities. See "Certain Relationships and Related Transactions - Non-Competition Agreements" for a description of these agreements. We will act as the managing member of the entities created under the joint venture agreement, subject to the approval of major decisions by TRT LLC and, if applicable, such affiliated entities, and will earn certain market-based asset management, acquisition and disposition fees and, after the return of capital to us and TRT LLC, an incentive distribution.

Pursuant to this joint venture agreement, it is expected that the initial joint venture will own and/or operate approximately \$150.0 million of industrial properties by December 31, 2006. The 2006 portfolio operated by the initial joint venture will be comprised of (i) approximately \$64.8 million in assets to be sold by us to an affiliate of DCTRT; the joint venture will manage these assets, receive a market-based asset management fee and retain a purchase option on these assets under certain circumstances; (ii) an additional \$14.8 million in assets to be contributed by us to the initial joint venture; and (iii) an additional \$70.4 million in assets that will either be contributed by us to the initial joint venture, sold by us to an affiliate of DCTRT with the associated asset management fee and purchase option or acquired through third party purchases.



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The following table provides certain information about the properties to be contributed or sold:

<b>Property</b>	<b>Market</b>	<b>Number of Leases</b>	<b>Rentable Square Feet</b>	<b>Occupancy Percentage<sup>(1)</sup></b>	<b>Annualized Base Rent<sup>(2)</sup></b>
Park West L1 <sup>(4)</sup>	Cincinnati	1	150,100	76.9%	\$ 421,575
Park West Q <sup>(3)</sup>	Cincinnati	3	198,600	100.0%	755,190
Rickenbacker IV <sup>(3)</sup>	Columbus	3	330,179	100.0%	1,163,743
Coasters Distribution Center <sup>(5)</sup>	Dallas	1	405,636	100.0%	1,014,090
Eagle Creek East <sup>(3)</sup>	Minneapolis	2	107,451	100.0%	630,537
Eagle Creek West <sup>(4)</sup>	Minneapolis	2	132,068	100.0%	747,995
Minnesota Valley III <sup>(4)</sup>	Minneapolis	1	232,804	100.0%	821,798
<b>Subtotal</b>		<b>13</b>	<b>1,556,838</b>	<b>97.8%</b>	<b>\$ 5,554,928</b>

(1) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(2) Annualized Base Rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of June 30, 2006, multiplied by 12.

(3) Represents a property sold by us to an affiliate of DCTRT as of October 18, 2006.

(4) Represents a property to be sold by us to an affiliate of DCTRT as of December 31, 2006.

(5) Represents a property to be contributed by us to the initial joint venture as of December 31, 2006.

The joint venture portfolios will be funded as follows: (i) an equity contribution from TRT LLC to the joint venture (which will be not less than approximately 90% of the joint venture's required equity capitalization), (ii) an equity contribution from us to the joint venture (which will be up to 10% of the joint venture's required equity capitalization) and (iii) secured debt financing to be obtained by the joint venture with a targeted loan-to-value of no less than 55% and no more than 75%.

**Debt Service Requirements**

As of June 30, 2006, we had total outstanding debt, excluding premiums and financing obligations related to our operating partnership's private placement, of approximately \$1.2 billion consisting primarily of unsecured debt and secured, fixed-rate, non-recourse mortgage notes. All of these notes require monthly or quarterly payments of interest and many require, or will ultimately require, monthly or quarterly repayments of principal (see Note 3 Debt to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006). Currently, cash flows from our operations are sufficient to satisfy these monthly and quarterly debt service requirements and we anticipate that cash flows from operations will continue to be sufficient to satisfy our regular monthly and quarterly debt service. During the six months ended June 30, 2006, our debt service, including principal and interest, totaled \$24.1 million and, during the six months ended June 30, 2005, our debt service, including principal and interest, totaled \$7.3 million.

As of December 31, 2005, we had total outstanding debt of approximately \$632.4 million consisting primarily of secured, fixed-rate, non-recourse mortgage notes. This amount excludes premiums of \$9.8 million and financing obligations of \$154.7 million (see Note 8 Our Partnership's Private Placement to our audited consolidated financial statements as of and for the year ended December 31, 2005). All of these notes require monthly payments of interest and many require, or will ultimately require, monthly repayments of principal (see Note 5 Debt to our audited consolidated financial statements as of and for the year ended December 31, 2005).

**Forward Purchase Commitments**

*Deltapoint* On March 28, 2005, a wholly-owned subsidiary of our operating partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unrelated third-party developer, to acquire

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47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC, or Deltapoint, a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to Deltapoint's operating agreement, we were obligated to make the majority of the initial capital contributions and we received a preferred return on such capital contributions. Subsequent to the closing of a construction loan in May 2005, Deltapoint repaid us our initial capital contributions plus our preferred return, and we ceased to be a member of Deltapoint. Contemporaneously with the closing of the construction loan, our operating partnership entered into a forward purchase commitment agreement whereby we are obligated to acquire the distribution facility from Deltapoint upon the earlier to occur of (i) stabilization of the project, and (ii) May 9, 2007, at a purchase price, mostly dependent upon leasing, based on the originally budgeted development costs of approximately \$23.2 million. Construction of the facility was completed early in 2006 and the facility is currently in the leasing phase.

*Buford Distribution Center* In October 2004, we entered into certain agreements with Wachovia Bank National Association, or Wachovia, an affiliate or one of our underwriters, and an unrelated third-party developer in connection with our commitment to acquire two buildings, referred to as the Buford Distribution Center, totaling 677,667 rentable square feet. On March 31, 2006, we acquired this development project from the third-party developer and retired the debt with Wachovia for approximately \$20.0 million.

***Distributions***

The payment of distributions is determined by our board of directors and may be adjusted at its discretion at any time. In December 2005, our board of directors set the 2006 distribution level at an annualized \$0.64 per share or OP unit. The distribution was set by our board of directors at a level it believed to be appropriate and sustainable based upon the evaluation of existing assets within our portfolio, anticipated acquisitions, projected levels of additional capital to be raised, debt to be incurred in the future and our anticipated results of operations. For the three and six months ended June 30, 2006, our board of directors declared distributions to stockholders totaling approximately \$23.9 million and \$46.9 million, respectively. On April 17, 2006, we paid \$22.9 million for distributions declared in the first quarter of 2006 and, on January 16, 2006, we paid \$19.6 million for distributions declared in the fourth quarter of 2005. On April 15, 2005, we paid \$11.7 million for distributions declared in the first quarter of 2005 and, on January 17, 2005, we paid \$9.7 million for distributions declared in the fourth quarter of 2004.

Our board of directors declared the following distributions during the past three years: 2005 \$62.3 million; 2004 \$24.3 million; and 2003 \$2.5 million. During the year ended December 31, 2005, we paid the following distributions: (i) \$9.7 million on January 17, 2005, for distributions declared in the fourth quarter of 2004, (ii) \$11.7 million on April 15, 2005, for distributions declared in the first quarter of 2005, (iii) \$14.1 million on July 15, 2005, for distributions declared in the second quarter of 2005 and (iv) \$16.9 million on October 17, 2005, for distributions declared in the third quarter of 2005.

Portions of the aforementioned distributions were satisfied through the issuance of shares pursuant to our distribution reimbursement plan as described below. The remainder was funded from cash flow from operations.

***Distribution Reinvestment Plan***

Pursuant to our distribution reinvestment plan, \$13.6 million and \$26.7 million of the distributions declared during the three and six months ended June 30, 2006, respectively, were satisfied through the issuance of approximately 1.4 million and 2.7 million shares of our common stock, respectively, at a 5.0% discount from our then current public offering share price of \$10.50 for a discounted purchase price of \$9.975 per share. For the three and six months ended June 30, 2005, \$7.7 million and \$14.0 million of distributions declared, respectively, were satisfied through the issuance of approximately 0.8 million and 1.4 million shares of our common stock, respectively, pursuant to our distribution reinvestment plan at a 5.0% discount from our then current public offering share price of \$10.50 for a discounted purchase price of \$9.975 per share.

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Pursuant to our distribution reinvestment plan, \$34.4 million, \$12.9 million and \$1.3 million, respectively, of the distributions declared during the years ended December 31, 2005, 2004 and 2003, were satisfied through the issuance of approximately 3.5 million, 1.3 million and 132,000 shares of our common stock, respectively, at a 5.0% discount from our then current public offering share price. Prior to October 18, 2004, the discounted purchase price for such shares was \$9.50 per share, and thereafter the purchase price was \$9.975 per share.

Although we intend to continue a distribution reinvestment program, there can be no assurance that we will not change the terms by which the program operates.

***Share Redemption Program***

Prior to this offering, we maintained a share redemption program to provide liquidity for our stockholders and holders of OP units in our operating partnership until a secondary market developed for our shares. During the three and six months ended June 30, 2006, we redeemed approximately 674,000 and 922,000 shares of our common stock, respectively, for total consideration of approximately \$6.5 million and \$8.9 million, respectively, pursuant to this program. During years ended December 31, 2005 and 2004, we redeemed approximately 970,000 and 214,000 shares of our common stock, respectively, for total consideration of approximately \$9.3 million and \$2.1 million, respectively, pursuant to this program. No shares were redeemed during the year ended December 31, 2003. Our share redemption program will terminate upon the completion of this offering.

**Table of Contents****Outstanding Indebtedness**

Our outstanding indebtedness consists of secured mortgage debt, unsecured notes and secured and unsecured revolving credit facilities. As of June 30, 2006, outstanding indebtedness totaled approximately \$1.2 billion and is summarized in the table below (dollar amounts in thousands):

	<b>Assumption/ Issuance Date</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Outstanding Balance as of June 30, 2006</b>
<b>Originated Debt:</b>				
<i>Unsecured:</i>				
8 year, fixed rate <sup>(1)</sup>	January 2006	5.68%	January 2014	\$ 50,000
5 year, fixed rate <sup>(1)</sup>	April 2006	5.53%	January 2011	50,000
10 year, fixed rate <sup>(1)</sup>	April 2006	5.77%	January 2016	50,000
2 year, variable rate <sup>(1)</sup>	June 2006	6.21%	June 2008	275,000
<i>Secured Mortgage Debt:</i>				
7 year, fixed rate	December 2003	5.00%	March 2011	39,003
10 year, fixed rate <sup>(1)</sup>	December 2004	5.31%	January 2015	54,549
5 year, fixed rate <sup>(1)</sup>	January 2005	4.40%	January 2010	56,470
8 year, fixed rate	September 2005	4.97%	October 2013	3,926
<b>Assumed Secured Mortgage Debt<sup>(2)</sup>:</b>				
<i>Individual Property Acquisitions:</i>				
Park West G	June 2004	7.08%	July 2008	16,467
Mid South Logistics Center	June 2004	6.40%	November 2012	12,617
Sky Harbor Transit Center	November 2004	6.22%	September 2012	3,725
Shelby 4	February 2005	7.40%	December 2017	1,389
Shelby 5	March 2005	5.69%	December 2013	7,908
Shelby 19	March 2005	6.72%	November 2022	12,212
Miami Commerce Center	April 2005	6.91%	October 2018	6,047
Shelby 18	May 2005	8.50%	October 2008	8,024
1615 Diplomat Drive.	May 2005	7.25%	July 2008	2,460
Memphis Distriplex	June 2005	6.79%	July 2011	4,655
Binney & Smith Distribution Center	July 2005	6.97%	June 2013	11,097
Roosevelt Distribution Center.	May 2006	7.11%	December 2011	2,389
111 Lake Drive.	May 2006	5.79%	April 2013	5,423
<i>Portfolio Acquisitions:</i>				
Park West A and B	June 2004	7.21%	July 2008	11,265
Baltimore-Washington	April 2005	6.30%	September 2012	26,954
Blackhawk	June 2005	4.89%	February 2008	19,998
Greens Crossing	July 2005	6.44%	October 2012	7,117
Willowbrook	July 2005	6.84%	September 2012	8,263
Cabot	July 2005	5.06%	January 2011	57,494
Cabot	July 2005	4.72%	April 2011	50,150
Cabot	July 2005	5.16%	July 2012	62,740
Cabot	July 2005	4.91%	April 2012	62,600
Cabot	July 2005	4.79%	October 2011	50,549
Cabot	July 2005	6.35%	October 2011	25,237
Rockaway	December 2005	7.22%	March 2008	6,381
452 Business Center	June 2006	7.48%	August 2011	4,531
Weighted Avg./Totals <sup>(3)</sup>		5.67%		1,066,640
Premiums, Net of Amortization <sup>(2)</sup>				9,301
Carrying Value of Debt				1,075,941
<b>Secured and Unsecured Credit Facilities:</b>				
Senior Unsecured Revolving Credit Facility <sup>(4)</sup>	December 2005	6.48%	December 2008	132,000
Senior Secured Revolving Credit Facility <sup>(4)</sup>	October 2003	7.28%	December 2008	16

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Outstanding Balance on Credit Facilities	132,016
<b>Total Carrying Value of Debt</b>	<b>\$1,207,957</b>
Fixed Rate Debt	\$ 766,403
Variable Rate Debt	432,253
<b>Total Carrying Value of Debt (excluding premiums)</b>	<b>\$ 1,198,656</b>

*(footnotes on following page)*

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- (1) We assigned certain derivative instruments to these notes and pursuant to SFAS No. 133 (see Note 1 Organization and Summary of Significant Accounting Policies to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006), the fair value of these derivative instruments which will be amortized to interest expense over the life of the assigned notes.
  - (2) These mortgages were assumed in conjunction with the acquisition of properties and, pursuant to SFAS No. 141 (see Note 1 Organization and Summary of Significant Accounting Policies to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006), the difference between the fair value and the face value of these notes at the date of acquisition is reflected as a premium or discount which will be amortized to interest expense over the remaining life of the underlying note.
  - (3) Weighted-average interest rates are based upon outstanding balances as of June 30, 2006.
  - (4) Our senior unsecured revolving credit facility bears interest at LIBOR plus between 0.875% and 1.375% or at our election prime. Our senior secured revolving credit facility bears interest at either prime (8.250% at June 30, 2006) or, at our election, LIBOR plus 1.80%.

*Lines of Credit* We have a \$250.0 million senior unsecured revolving credit facility with a syndicated group of banks led by JP Morgan Securities. The facility matures in December 2008 and has provisions to increase its total capacity to \$400.0 million. At our election, the facility bears interest either at LIBOR plus between 0.875% and 1.375%, depending upon our consolidated leverage, or at prime (8.25% at June 30, 2006 and 7.25% at December 31, 2005) and is subject to an annual 0.25% facility fee. The facility contains various covenants, including financial covenants with respect to consolidated leverage, net worth, unencumbered assets, interest and fixed charge coverage and secured debt to total asset value. As of June 30, 2006 and December 31, 2005, we were in compliance with all these covenants. As of June 30, 2006, there was a \$132.0 million outstanding balance under this facility and, as of December 31, 2005, there was no outstanding balance under this facility.

In June 2006, we borrowed approximately \$132.0 million under our existing senior unsecured revolving credit facility to fund certain property acquisitions. Most notably, we borrowed \$112.0 million to fund our acquisition of the Cal-TIA portfolio.

We also have a \$40.0 million senior secured revolving credit facility with a separate syndicated bank group led by JP Morgan Securities pursuant to which the bank group has agreed to advance funds to our operating partnership and third-party investors in our operating partnership's private placement using undivided TIC Interests in our buildings as collateral. The facility matures in December 2008 and has provisions to increase its total capacity to \$80.0 million. At our election, the facility bears interest either at LIBOR plus 1.80% or at prime and is subject to an unused facility fee. The facility contains various covenants, including financial covenants with respect to consolidated leverage, net worth, interest and fixed charge coverage and secured debt to total asset value. As of June 30, 2006 and December 31, 2005, we were in compliance with all these financial covenants. According to the terms of the facility, in addition to our borrowings, any loans made to third-party investors in our operating partnership's private placement reduce the total capacity available from the facility. In addition, the obligations of the borrowers under the facility are several but not joint. As of June 30, 2006 and December 31, 2005, approximately \$14.2 million and \$14.1 million, respectively, of loans had been advanced to such third parties and we had an outstanding balance of \$16,000 at both dates.

*Debt Issuances* In June 2006, we issued, on a private basis, \$275.0 million of senior unsecured notes requiring monthly interest-only payments at a variable interest rate of LIBOR plus 0.73% which mature in June 2008. In conjunction with this transaction, we entered into a \$275.0 million swap to mitigate the effect of potential changes in LIBOR. In April 2006, we issued, on a private basis, \$50.0 million of senior unsecured notes with a fixed interest rate of 5.53% which mature in January 2011, and \$50.0 million of senior unsecured notes with a fixed interest rate of 5.77% which mature in January 2016. The notes require quarterly interest-only payments until maturity at which time a lump sum payment is due. In January 2006, we issued \$50.0 million of senior unsecured notes requiring quarterly interest-only payments at a fixed interest rate of 5.68% which mature in January 2014. The proceeds from these note issuances were used primarily to fund acquisitions of properties.

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In September 2005, we issued, on a private basis, a \$3.9 million secured, non-recourse note with a fixed interest rate of 4.97% which matures in October 2013. The note requires interest-only payments until April 1, 2007 at which time monthly payments of principal and interest are required. In January 2005, we issued \$57.0 million of secured, non-recourse notes with a stated fixed interest rate of 4.40% which mature in 2010. Prior to January 1, 2006, the notes required monthly payments of interest-only and thereafter monthly payments of principal and interest are required. In December 2004, we issued, on a private basis, a \$55.0 million secured, non-recourse note. The note has a stated fixed interest rate of 5.31% and matures in 2015 and, prior to December 31, 2005, required monthly payments of interest only and thereafter requires monthly payments of principal and interest. The proceeds from these note issuances were used primarily to fund acquisitions of properties.

*Debt Assumptions* During the six months ended June 30, 2006, we assumed secured notes of approximately \$12.4 million in connection with three property acquisitions. These assumed notes bear interest at fixed and variable rates ranging from 5.79% to 7.48% and require monthly payments of either interest, or principal and interest. The maturity dates of the assumed notes range from August 2011 to April 2013. Pursuant to the application of SFAS No. 141, the difference between the fair value and face value of these assumed notes at the date of acquisition resulted in a premium of approximately \$455,000, which is amortized to interest expense over the remaining life of the underlying notes.

During the year ended December 31, 2005, we assumed nineteen secured, non-recourse notes, totaling \$434.1 million in conjunction with the acquisition of certain properties (see Note 3 Real Estate to our audited consolidated financial statements as of and for the year ended December 31, 2005). These assumed notes bear interest at fixed and variable rates ranging from 4.72% to 8.50% and require monthly payments of either interest, or principal and interest. The maturity dates of such assumed notes range from February 2008 to November 2022. We assumed six of these notes totaling \$308.8 million in connection with our merger with Cabot on July 21, 2005. Pursuant to the application of SFAS No. 141, the difference between the fair value and face value of these assumed notes at the date of acquisition resulted in a premium of approximately \$8.7 million, which is amortized to interest expense over the remaining life of the underlying notes.

During the year ended December 31, 2004, we assumed five secured, non-recourse notes totaling \$45.6 million in conjunction with the acquisition of five properties with stated interest rates ranging from 6.22% to 7.21%. All of these notes bear interest at a fixed rate and require monthly payments of principal and interest. They have maturity dates ranging from 2007 to 2012. Pursuant to the application of SFAS No. 141, the difference between the fair value and face value of these notes at the date of acquisition resulted in a premium of approximately \$2.9 million, which is amortized to interest expense over the remaining life of the underlying notes.

*General* As of June 30, 2006, the historical cost of all our consolidated properties was approximately \$2.8 billion, and the historical cost of all properties securing our fixed rate mortgage debt and senior secured credit facility was approximately \$1.2 billion and \$116.1 million, respectively. As of December 31, 2005, the total historical cost of our properties was approximately \$2.0 billion and the total historical cost of properties securing our fixed rate mortgage debt was approximately \$1.2 billion. Our debt has various covenants, and we were in compliance with all of these covenants at June 30, 2006 and December 31, 2005.

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The following table sets forth the scheduled maturities of our debt, excluding unamortized premiums, as of June 30, 2006 (amounts are in thousands).

Year	Secured	Unsecured	Senior Unsecured		Total
	Fixed Rate	Fixed Rate	Revolving Credit	Senior Secured	
	Mortgage Debt	Mortgage Debt	Facility	Facility	
2006	\$ 3,518	\$	\$	\$	\$ 3,518
2007	7,446				7,446
2008	69,597	275,000	132,000	16	476,613
2009	7,094				7,094
2010	57,636				57,636
2011	234,119	50,000			284,119
2012	182,754				182,754
2013	23,024				23,024
2014	3,026	50,000			53,026
2015	44,439				44,439
Thereafter	8,987	50,000			58,987
<b>Total</b>	<b>\$ 641,640</b>	<b>\$ 425,000</b>	<b>\$ 132,000</b>	<b>\$ 16</b>	<b>\$ 1,198,656</b>

*Financing Strategy* We do not have a policy limiting the amount of debt we incur, although we currently intend to operate so that our indebtedness will not exceed 60% of our total market capitalization at the time of incurrence. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including shares of restricted stock that we will issue to certain of our officers under our long-term incentive plan, plus the aggregate value of OP units not owned by us, plus the book value of our total consolidated indebtedness. Since this ratio is based, in part, upon market values of equity, it will fluctuate with changes in the price of our common stock; however, we believe that this ratio provides an appropriate indication of leverage for a company whose assets are primarily real estate. We expect that our ratio of debt to total market capitalization upon completion of this offering will be approximately %. Our charter and our bylaws do not limit the amount or percentage of indebtedness that we may incur. We are, however, subject to certain indebtedness limitations pursuant to the restrictive covenants of our outstanding indebtedness. For example, under our senior unsecured revolving credit facility, we have agreed that we will not permit our total indebtedness to be more than 55% of our total asset value and our total secured indebtedness to be more than 40% of our total asset value. Our board of directors may from time to time modify our debt policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors.

**Contractual Obligations**

The following table reflects our contractual obligations as of June 30, 2006, specifically our obligations under long-term debt agreements, operating lease agreements and purchase obligations (amounts are in thousands):

Contractual Obligations	Total	Payments due by Period			
		Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Long-Term Debt, Including Interest	\$ 1,495,293	\$ 76,123	\$ 593,546	\$ 326,134	\$ 499,490
Operating Leases <sup>(1)</sup>	276,183	18,439	46,631	44,295	166,818
Purchase Obligations <sup>(2)</sup>	47,796	47,796			
<b>Total</b>	<b>\$ 1,819,272</b>	<b>\$ 142,358</b>	<b>\$ 640,177</b>	<b>\$ 370,429</b>	<b>\$ 666,308</b>



*(footnotes on following page)*

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*(footnotes to previous page)*

- (1) As of June 30 2006, we had 21 operating lease obligations, all of which were in connection with our operating partnership's private placement.  
(2) As of June 30, 2006, we had entered into two agreements to acquire certain properties in the future upon completion by third-party developers.

### **Off-Balance Sheet Arrangements**

As of June 30, 2006 and 2005, respectively, and as of December 31, 2005, 2004 and 2003, respectively, we had no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We own interests in unconsolidated joint ventures. Based on the provisions of the relevant joint venture agreements, we are not deemed to have control of these joint ventures sufficient to require or permit consolidation for accounting purposes (see Note 1 Organization and Summary of Significant Accounting Policies to our unaudited consolidated financial statements as of and for the six months ended June 30, 2006). There are no lines of credit, side agreements, or any other derivative financial instruments related to or between our unconsolidated joint ventures and us, and we have no material exposure to financial guarantees. Accordingly, our maximum risk of loss related to these unconsolidated joint ventures is limited to the carrying amounts of our investments in the unconsolidated joint ventures, which were \$17.0 million and \$6.1 million at June 30, 2006 and December 31, 2005, respectively.

### **Funds From Operations**

We believe that net income, as defined by GAAP, is the most appropriate earnings measure. However, we consider FFO as defined by NAREIT, to be a useful supplemental measure of our operating performance. FFO is generally defined as net income, calculated in accordance with GAAP, plus real estate-related depreciation and amortization, less gains (or losses) from dispositions of real estate held for investment purposes and adjustments to derive our pro rata share of FFO of consolidated and unconsolidated joint ventures. We consider FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding all operating real estate depreciation and amortization and gains or losses related to sales of previously depreciated operating real estate, FFO can help the investing public compare the operating performance of a company's real estate between periods or to other companies. However, you should note that FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance.

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The following table presents the calculation of our FFO reconciled from net income (loss) for the periods indicated below on a historical basis (unaudited, amounts in thousands):

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
Reconciliation of net income (loss) to FFO:					
Net income (loss) attributable to common shares	\$ 309	\$ (1,834)	\$ (11,960)	\$ (255)	\$ 347
Adjustments:					
Real estate related depreciation and amortization	51,691	26,542	71,023	19,273	1,195
Equity in losses of unconsolidated joint ventures	182				
Equity in FFO of unconsolidated joint ventures	150				
Minority interests	(298)	3	(526)		
FFO attributable to minority interests	(1,638)	(66)	(1,364)		
Gain recognized on disposition of real estate interests	(3,967)				
FFO attributable to common shares	\$ 46,429	\$ 24,645	\$ 57,173	\$ 19,018	\$ 1,542

**Inflation**

For the last several years, inflation has not had a significant impact on us because of the relatively low inflation rates in our markets of operation. Most of our leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. In addition, many of the outstanding leases expire within six years which may enable us to replace existing leases with new leases at higher base rentals if rents of existing leases are below the then-existing market rate.

**New Accounting Pronouncements**

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, or FIN 47. FIN 47 requires the recognition of a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated, even if uncertainty exists about the timing and/or method of settlement. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement. We adopted FIN 47 during the fourth quarter of 2005 and there was no material impact on our consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, or SFAS No. 154, which supersedes Accounting Principles Board, or APB, Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. This statement amends the requirements for the accounting for and reporting of changes in accounting principle. It requires the retroactive application to prior periods financial statements of changes in accounting principles, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS No. 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in an accounting estimate. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted the requirements of SFAS No. 154 in the fourth quarter of 2005 and there was no material impact on our consolidated financial statements.

In June 2005, the Emerging Issues Task Force, or EITF, issued EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights. Under this consensus, a sole general partner is presumed to control a limited partnership (or similar entity) and should consolidate that entity unless the limited partners possess kick-out rights or other substantive participating rights as described in EITF Issue No. 96-16, Investor s

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Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights. As of June 29, 2005, this consensus was effective immediately for all new or modified agreements, and effective beginning in the first reporting period that ends after December 15, 2005 for all existing agreements. We adopted the requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our consolidated financial statements.

In June 2005, the EITF issued EITF Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements. This consensus requires that leasehold improvements acquired in a business combination, or purchased subsequent to the inception of a lease, be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. This consensus was effective for all reporting periods beginning after June 29, 2005. We adopted EITF Issue No. 05-6 during the second quarter of 2005 and such adoption did not have a material impact on our consolidated financial statements.

On July 13, 2006, FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, or FIN 48. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification of interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. We will be required to adopt this interpretation in the first quarter of 2007. We are currently evaluating the requirements of FIN 48. We do not believe such adoption will have a material impact on our consolidated financial statements.

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**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss from adverse changes in market prices such as rental rates and interest rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and OP unit holders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates.

Our exposure to market risk includes interest rate fluctuations in connection with our credit facilities and other variable rate borrowings and forecasted fixed rate debt issuances, including refinancing of existing fixed rate debt. Interest rate risk may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control. To manage interest rate risk for forecasted issuances of fixed rate debt, we primarily use treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited pre-determined period of time. During the six months ended June 30, 2006 and 2005, such derivatives were used to hedge the variable cash flows associated with forecasted issuances of debt and certain variable rate debt issuances and, during 2005, such derivatives were used to hedge the variable cash flows associated with \$150.0 million of forecasted issuances of debt. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

As of June 30, 2006, derivatives with a fair value of \$6.0 million were included in other assets. There was no ineffectiveness to be recorded during the three and six months ended June 30, 2006. The assets associated with these derivatives would decrease approximately \$9.6 million if the market interest rate of the referenced swap index were to decrease 10% (or 0.56%) based upon the prevailing market rate at June 30, 2006.

Similarly, our variable rate debt is subject to risk based upon prevailing market interest rates. If the prevailing market interest rates relevant to our variable rate debt as of June 30, 2006, were to increase 10%, our interest expense for the three and six months ended June 30, 2006 would have increased by \$181,000 and \$217,000, respectively, and our interest expense for the three and six months ended June 30, 2005 would have increased by \$14 and \$895, respectively. If the prevailing market interest rates relevant to our variable rate debt were 10% higher during the period, our interest expense for the years ended December 31, 2005 and 2004 would have increased by \$111,000 and \$92,000, respectively.

As of June 30, 2006, the estimated fair value of our debt was estimated to be approximately \$1.2 billion based on our estimate of the then current market interest rates. As of December 31, 2005, our debt had a carrying value of approximately \$642.2 million and the estimated fair value of such debt was approximately \$627.3 million based on our estimate of current market interest rates.

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**OUR BUSINESS AND PROPERTIES**

**Overview**

We are a leading real estate company specializing in the ownership, acquisition, development and management of bulk distribution and light industrial properties located in 24 of the highest volume distribution markets in the United States. In addition, we manage, and own interests in, industrial properties through our institutional capital management program. Our properties primarily consist of high-quality, generic bulk distribution warehouses and light industrial properties. The properties we target for acquisition or development are generally characterized by convenient access to major transportation arteries, proximity to densely populated markets and quality design standards that allow for easy reconfiguration of space. In the future, we intend to continue to focus on properties that exhibit these characteristics, to expand our operations into other target markets in the United States and to add additional properties in our existing markets as well as acquire and develop properties in select international markets, including Mexico, where we believe we can achieve favorable returns and leverage our management expertise.

Since June 2003, we have acquired over \$2.9 billion of industrial assets in 67 transactions. As of June 30, 2006, we owned interests in 385 industrial real estate buildings consisting of 230 bulk distribution properties, 113 light industrial properties and 42 service center or flex properties totaling 59.1 million rentable square feet. Our portfolio of consolidated operating properties consists of interests in 373 industrial properties totaling 54.5 million rentable square feet that were 92.1% occupied as of June 30, 2006. In addition, we have a 20% interest in six unconsolidated properties totaling 2.6 million rentable square feet that was 100.0% occupied as of June 30, 2006 in an institutional capital management joint venture. In addition, we own three consolidated development properties that total 877,201 rentable square feet and also have three development joint venture properties totaling 1,071,263 rentable square feet. We currently own approximately 127 acres of land as well as options to acquire approximately 46 acres of land that we believe can support in the aggregate approximately 2.0 million rentable square feet of new industrial development. Additionally, through our recently established SCLA joint venture described herein, we control up to 4,350 acres of land located in the Inland Empire submarket of the Southern California industrial real estate market through master development agreements with a term of up to 13 years. Phase one of the SCLA project involves 344 acres we plan to acquire in 2006 that we believe can accommodate up to 6.5 million rentable square feet of industrial development. We anticipate starting construction of between 1.5 million and 2.0 million rentable square feet within the next 12 to 18 months.

We have a stable, broadly diversified tenant base. As of June 30, 2006, we had approximately 775 tenants with no single tenant accounting for more than 1.9% of our annualized base rents. Our ten largest tenants occupy 15.3% of our leased portfolio, including our pro rata interest of our joint ventures. We intend to maintain a well-diversified mix of creditworthy tenants to limit our exposure to any single tenant or industry. We believe that our broad national presence in 24 of the top U.S. distribution and logistics markets is attractive to large users of distribution space and allows us to build strong relationships with our tenants. Furthermore, we are actively engaged in meeting our tenants' expansion, consolidation and relocation requirements. In 2006, we have completed a total of 561,843 rentable square feet of expansions for bulk distribution facilities for Johnson and Johnson Health Care Systems, Inc. and Bridgestone/Firestone North American Tire, LLC, and we are relocating Cummins Inc. into a 603,586 rentable square foot bulk distribution facility currently under development representing a 273,586 rentable square foot expansion.

Our primary business objectives are to maximize sustainable long-term growth in earnings and FFO and to maximize total return to our stockholders. In our pursuit of these objectives, we will:

acquire high-quality industrial properties;

pursue development opportunities, including through joint ventures;

expand our institutional capital management business;

actively manage our existing portfolio to maximize operating cash flow;

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sell non-core assets that no longer fit our investment criteria; and

expand our operations into select domestic and international markets, including Mexico.

Our executive management team possesses substantial expertise in all aspects of industrial real estate management, marketing, leasing, acquisition, development and finance. Tom Wattles, one of our company's co-founders and our Executive Chairman, has been actively involved in the real estate business since 1978. Phil Hawkins, our Chief Executive Officer, has extensive public REIT operating experience and 24 years of commercial real estate experience. Jim Cochran, our President and Chief Investment Officer, joined our company in 2004 and has been involved in the industrial real estate sector for over 20 years. Stuart Brown, our Chief Financial Officer, has 17 years of public company accounting and capital markets experience, including most recently three years of public REIT experience. As of October 13, 2006, we employed approximately 60 individuals. Upon completion of this offering, our officers and directors will beneficially own approximately % of our shares of common stock on a fully-diluted basis.

Our principal executive office is located at 518 Seventeenth Street, Suite 1700, Denver, Colorado 80202; our telephone number is (303) 597-2400. We also maintain regional offices in Dallas, Texas and Atlanta, Georgia. Our website address is [www.dctindustrial.com](http://www.dctindustrial.com). The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the SEC.

### **Our Competitive Strengths**

We believe that we distinguish ourselves from other owners, operators, acquirers and developers of industrial properties through the following competitive strengths:

**High-Quality Industrial Property Portfolio.** Our portfolio of industrial properties primarily consists of high-quality bulk distribution facilities specifically designed to meet the needs of our distribution tenants. Approximately 87.1% of our portfolio based on rentable square footage is comprised of bulk distribution properties while approximately 10.4% of our portfolio is comprised of light industrial properties. The majority of our properties are specifically designed for use by major distribution and third party logistics tenants and are readily divisible to meet re-tenanting opportunities. The table below illustrates the typical characteristics of the bulk distribution and light industrial properties in our portfolio.

	<b>Bulk Distribution</b>	<b>Light Industrial</b>
Building size (square feet)	75,000 - 1 million	50,000 to 150,000
Clear height (feet)	24 - 36	18 - 26
Loading	Dock high	Dock high
Truck court depth (feet)	90 - 200	90 - 120
Building depth (feet)	200 - 600	90 - 200
Percentage office space	2% - 10%	10% - 30%
Primary use	Distribution	Distribution/Light Assembly

We consider state-of-the-art bulk distribution properties to have the following features: average ceiling clear heights in excess of 24 feet, truck court depths in excess of 120 feet and with respect to bulk distribution buildings that are 200,000 rentable square feet or greater, early suppression fast response, or ESFR, sprinkler systems. Of our buildings larger than 200,000 rentable square feet, 83.0% are state-of-the-art as defined above. In addition, the average age of our bulk distribution portfolio is 10.6 years. We believe that our concentration of high-quality bulk distribution properties provides us with a competitive advantage in attracting and retaining distribution users and tenants across in the markets in which we operate.

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**Proven Acquisition Capabilities.** Beginning with our first acquisition in June 2003, we have completed approximately \$2.9 billion in industrial real estate acquisitions in 67 separate transactions involving 379 buildings totaling approximately 57.2 million rentable square feet. Excluding our three major portfolio acquisitions that were each in excess of \$200.0 million, our average acquisition purchase price was approximately \$22.7 million, which demonstrates our ability to access a steady pipeline of smaller acquisitions. Our acquisition capability is driven by our extensive network of industry relationships within the brokerage, development and investor community. Approximately 58% of the acquisitions we completed based on total purchase price have been sourced in off-market transactions where there has been no formal sales process.

**Focused Development Strategy.** Our extensive network of industry relationships has provided us with a consistent source of development opportunities. Since our first development project commenced construction in May 2005, these relationships have produced nine completed development projects with a total development cost of approximately \$153.4 million. In addition, we are currently developing approximately 1.4 million rentable square feet of bulk distribution facilities. Most of these development projects have taken the form of partnerships or fee for service relationships with leading local, regional or national developers. In our development partnerships, we may control the tenant relationship or the land, and we typically provide the majority of the equity capital. These partnerships are structured to provide us with attractive returns while aligning our interests with those of our development partner. We may also enter into forward purchase commitments pursuant to which we would purchase a property from the developer upon completion. We believe these structures allow us to operate more efficiently and with greater flexibility than if we were to maintain an internal development infrastructure.

**Experienced and Committed Management Team.** Our executive management team, including our Executive Chairman, collectively has an average of over 17 years commercial real estate experience and an average of over ten years focused on the industrial real estate sector. Additionally, our executive management team has extensive public company operating experience with all of our senior executives having held senior positions at publicly-traded REITs for an average of over ten years. Collectively, our executive management team has significant experience in all aspects of the commercial real estate industry including acquisitions, dispositions, financing, development, re-development, leasing and property and asset management and has operated in a variety of business and market cycles. Upon completion of this offering, our executive management team is expected to collectively own an approximate % equity interest in our company on a fully-diluted basis, which aligns executive management's interests with those of our stockholders.

**Strong Industry Relationships.** We believe that our extensive network of industry relationships with the brokerage, development and investor communities will allow us to execute successfully our acquisition and development growth strategies and our institutional capital management strategy. These relationships augment our ability to source acquisitions in off-market transactions outside of competitive marketing processes, capitalize on development opportunities and capture repeat business and transaction activity. Beginning with our first acquisition in June 2003, approximately 57% of our acquisitions, based on total purchase price, have been purchases from sellers with whom we have had repeat business and transaction activities. Our strong relationship with the tenant and leasing brokerage communities aids in attracting and retaining tenants. Additionally, we believe that our relationship with Black Creek provides us with unique investment opportunities and will assist us in our international growth strategy, particularly our strategy to acquire and develop industrial real estate assets in Mexico. Our Executive Chairman, Tom Wattles, and one of our directors, James Mulvihill, are principals of Black Creek.

**Access to Institutional Co-Investment Capital.** Our senior management team has broad long-term relationships within the institutional investor community that provide access to capital for both traditional joint ventures and funds or other commingled investment vehicles. These institutions include domestic pension plans, insurance companies, private trusts and international investors. We



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believe these relationships allow us to identify pockets of institutional demand and appropriately match institutional capital with investment opportunities in our target markets to maximize returns for our stockholders.

**Growth Oriented Capital Structure.** Our capital structure provides us with significant financial capacity to fund future growth. As of June 30, 2006, our pro forma debt to total market capitalization ratio would have been %, assuming a price per share in this offering at the mid-point of the range set forth on the cover page of this prospectus. As of June 30, 2006, on a pro forma basis, %, or \$ million, of our consolidated indebtedness either had a fixed interest rate or was hedged. As of June 30, 2006, the pro forma weighted average annual interest rate of our \$ million of indebtedness (excluding loan premiums) that will remain outstanding after this offering was % and the weighted average maturity of our pro forma indebtedness was years. Upon consummation of this offering, and giving effect to the use of proceeds as set forth under Use of Proceeds, we will have \$ million available under our \$250.0 million senior unsecured revolving credit facility assuming that this offering prices at the mid-point of the range of prices set forth on the cover page of this prospectus. As of the consummation of this offering, 181 of our properties with a gross book value of \$1.3 billion will be unencumbered and available as collateral for future financing.

**Business and Growth Strategies**

Our primary business objectives are to maximize sustainable long-term growth in earnings and FFO and to maximize total return to our stockholders. The strategies we intend to execute to achieve these objectives include:

**Capitalizing on Acquisition Opportunities.** We intend to continue to expand our portfolio through the acquisition of high-quality industrial properties in our target markets which include our existing markets as well as select new domestic and international markets, including Mexico. We will generally acquire state-of-the-art bulk distribution and light industrial facilities and/or industrial assets located in irreplaceable locations where we believe there are significant growth and/or return opportunities. We intend to continue to focus on off-market acquisition opportunities through our extensive network of industry relationships in the brokerage, development and investor community and by utilizing our experience in identifying, evaluating and acquiring industrial properties in both single asset and portfolio transactions. We currently have 19 properties under contract with a transaction value of approximately \$104.7 million and five properties under letter of intent with a transaction value of approximately \$62.0 million.

**Continuing to Grow Our Development Pipeline.** We intend to utilize our strong relationships with leading local, regional and national developers to continue to grow our development pipeline. We believe that development, redevelopment and expansion of well-located, high-quality industrial properties should continue to provide us with attractive risk-adjusted returns. Furthermore, we believe that our control of a substantial inventory of developable land and extensive relationships with industrial tenants will make us an attractive strategic partner for established national, regional and local developers in our markets. We currently own approximately 127 acres of land as well as options to acquire approximately 46 acres of land that we believe can support, in the aggregate, approximately 2.0 million rentable square feet of new industrial development. Additionally, through our recently established SCLA joint venture described herein, we control up to 4,350 acres of land located in the Inland Empire submarket of the Southern California industrial real estate market through master development agreements with a term of up to 13 years. Phase one of the SCLA project involves 344 acres we plan to acquire in 2006 that we believe can accommodate up to 6.5 million rentable square feet of industrial development. We anticipate starting construction of between 1.5 million and 2.0 million rentable square feet within the next 12 to 18 months.

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**Expanding Our Institutional Capital Management Platform.** We believe that joint ventures, funds or other commingled investment vehicles with institutional partners will enable us to increase our overall return on invested capital, augment our acquisition activity and penetration of new markets and increase our access to capital for continued growth. We intend to continue to co-invest in properties with institutional investors through partnerships, limited liability companies or other joint venture structures. These joint ventures generally operate under the same investment strategy that we apply to our other operations. Typically we will own a 10%-30% interest in these joint ventures. We generally seek to earn transaction-based fees and asset management fees, as well as promoted interests or incentive distributions based on the performance of the joint venture. In February 2006, we entered into a joint venture with BBK to create an institutional fund, DCT Fund I LLC, for the ownership of six industrial properties. In addition, in September 2006, we entered into a joint venture agreement with DCTRT that established a series of industrial real estate joint ventures that we will manage. As of October 18, 2006, we have sold three properties having a value of approximately \$33.3 million in connection with the first of the DCTRT joint ventures. In addition, we currently anticipate contributing or selling four more properties having a value of approximately \$46.3 million in connection with this joint venture through December 31, 2006.

**Maximizing Cash Flow From Existing Properties.** We intend to maximize the cash flow from our existing properties by increasing rents, increasing occupancy levels, managing operating expenses and expanding and improving our properties. As of June 30, 2006, our consolidated operating portfolio was 92.1% occupied, leaving approximately 4.2 million square feet of rentable space available for lease-up. Additionally, we believe there is embedded rent growth potential in our properties. As of June 30, 2006, on a weighted-average portfolio basis, the in-place rents of our consolidated properties were \$3.91 per rentable square foot, or approximately 3.0% below the weighted-average market rents for our properties on a rentable square foot basis. Further, our average cash rental rate growth per rentable square foot (based on expiring leases which were re-leased) for the six months ended June 30, 2006 was 2.9%.

**Recycling Capital Efficiently.** We intend to selectively sell non-core assets in order to maximize total return to our stockholders by redeploying asset sales proceeds into new acquisition and development opportunities. We believe industrial real estate assets are in strong demand from institutional investors and we will seek to selectively identify asset sale opportunities in order to achieve our total return objectives. As of the date of this prospectus, we have approximately \$43 million of non-core assets under contract or letter of intent to sell, which includes all of our assets located in Boston, a non-target market, that we previously acquired in a portfolio transaction.

**Pursuing International Growth Opportunities.** We intend to seek international growth opportunities through the acquisition and development of industrial properties in selected new international markets. This strategy will focus on addressing the needs of both international and local corporations as they seek to expand and reconfigure their industrial distribution facilities. Currently, we are analyzing opportunities in Mexico, including in the following markets: Guadalajara, Juarez, Mexico City, Monterrey, Queretaro, Reynosa and Tijuana. Within our targeted markets in Mexico, we believe that there are significant growth opportunities. Members of our senior management and directors have significant experience in the acquisition and development of commercial properties in Mexico. James Mulvihill, a director of our company, is a co-founder and former chairman of Corporate Properties of the Americas, or CPA, a fully-integrated industrial real estate company that acquires, develops and manages industrial properties throughout Mexico and that was sold by Black Creek to a U.S. institutional investor in September 2005. At the time of the sale, CPA had developed and acquired industrial properties totaling approximately 12.0 million square feet and had developed industrial business parks totaling approximately 800 acres.

**Background**

We were founded in 2002 by Black Creek as an externally-advised REIT to focus on the acquisition, development and operation of bulk distribution and light industrial properties located in major distribution and

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logistics markets in the United States. Our day-to-day business and operations continued to be managed by our former advisor, an affiliate of Black Creek, under the supervision of our board of directors until October 10, 2006, when we completed the Internalization. We are now a fully-integrated, self-administered and self-advised REIT. We are structured as a so called umbrella partnership REIT, or UPREIT, which means that we own our properties through our operating partnership and its subsidiaries. We are the sole general partner of our operating partnership and owned approximately 97% of the outstanding equity interests of our operating partnership as of June 30, 2006.

Between 2002 and 2006 we raised equity capital to finance our real estate investment activities primarily through four consecutive continuous public offerings of our common stock for aggregate gross proceeds of approximately \$1.6 billion, including shares issued pursuant to our distribution reinvestment plan. Accordingly, we have been filing periodic reports with, and have been subject to the rules and regulations of, the SEC since July 2002. Upon consummation of this offering, our common stock will become listed on the NYSE. Prior to this offering, we maintained a share redemption program to provide liquidity for our stockholders and holders of OP units until a secondary market developed for our shares. As of June 30, 2006 we had redeemed an aggregate of approximately 2.1 million shares of our common stock for total consideration of approximately \$20.3 million pursuant to this program. Our share redemption program will terminate upon the completion of this offering. As of October 13, 2006, there are 151,960,873 shares of common stock issued and outstanding owned by approximately 36,000 stockholders.

In addition, since 2003 we have raised an aggregate of approximately \$299.3 million through our operating partnership's private placement of undivided TIC Interests in our properties. These TIC Interests served as replacement properties for investors seeking to complete like kind exchange transactions under Section 1031 of the Internal Revenue Code of 1986, as amended, or the Code, and were 100% leased by our operating partnership pursuant to master leases. The leases contained purchase options whereby our operating partnership had the right, but not the obligation, to acquire the TIC Interests from the investors at a later point in time in exchange for OP units. On October 10, 2006, we discontinued our operating partnership's private placement, although we may decide to recommence it in the future.

During the period that began January 1, 2006 and ended October 6, 2006, our operating partnership exercised purchase options pursuant to eight individual master lease agreements to buy certain TIC Interests it had previously sold in eight industrial properties located in Atlanta, Indianapolis, Louisville, Phoenix and Southern California. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 5.6 million OP units valued at approximately \$58.7 million to acquire such TIC Interests.

As of the date of this prospectus, our operating partnership has options to purchase 232 TIC Interests in 26 properties. With regard to three of these properties, our operating partnership will exercise its purchase options and close on the purchases in October and November 2006 and issue an aggregate of 1.3 million OP units valued at approximately \$14.4 million. With regard to the remaining 23 properties, our operating partnership provided notice of exercise of its purchase options to the holders of the TIC Interests in early October. However, for the exercise to be effective for each of these 23 properties, all of the TIC Interest holders in such property must consent to amend the related master lease. The amendment would fix the number of OP units to be paid and accelerate the date of closing of the purchase of the TIC Interests in each property to the earlier of: (1) a date selected by our operating partnership that is within 60 days after the completion of this offering; or (2) a date selected by our operating partnership that is within the stipulated closing period in the original master lease. The fixed purchase price for the TIC Interests was determined based on the value of the underlying real estate asset and the price per OP unit paid in the Internalization. If all leases relating to these 23 properties are so amended, our operating partnership will have the right to purchase all remaining TIC Interests for an aggregate of 15.4 million OP units valued at \$173.4 million during the accelerated closing period. However, there can be no assurance that we will obtain the necessary consents of the TIC Interest holders. If unanimous consent for the amendment is not obtained on any property, that property will continue to be subject to our operating

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partnership's purchase option under the terms of the original master lease. If there are no amendments, the closing periods for our operating partnership's purchase options begin on January 1, 2007 and end on February 29, 2008.

We have experienced a substantial acceleration in our investment activity since we acquired our first property in June 2003. Of the 373 operating properties we owned as of June 30, 2006, 158 were acquired during 2005 for a total estimated cost of approximately \$1.2 billion and 117 were acquired during the six months ended June 30, 2006 for a total cost of approximately \$926.8 million. Our acquisitions since 2003 have included three significant portfolio transactions: (1) the purchase from an unrelated third party of 53 bulk distribution, light industrial and service center facilities comprising approximately 4.9 million rentable square feet for approximately \$238.9 million; (2) a merger with Cabot Industrial Value Fund, Inc., or Cabot, an unrelated third-party, and related transactions whereby we acquired Cabot's portfolio, which, as of December 31, 2005, consisted of 104 properties located in 12 markets throughout the United States with a total historical cost of approximately \$654.5 million and approximately \$308.8 million of mortgage debt outstanding, for approximately \$343.0 million; and (3) the purchase from an unrelated third party of 78 bulk distribution, light industrial and service center buildings comprising approximately 7.9 million rentable square feet located in eight markets, which we collectively refer to as Cal-TIA, for a total estimated cost of approximately \$501.0 million.

**Illustrative Transactions**

As described above in Business and Growth Strategies, we will continue to seek growth opportunities through the development and acquisition of industrial properties. The following examples describe three of our successful transactions that illustrate the following types of growth opportunities: Tenant Expansion, Existing Tenant Build-To-Suit and Development and that we believe to be representative transactions.

***Tenant Expansion Memphis Trade Center III***

In June 2004, we acquired Memphis Trade Center III, a 709,000 rentable square foot bulk distribution warehouse facility located in Memphis, Tennessee. At the time of the acquisition, approximately 440,000 rentable square feet of this facility were leased by a subsidiary of Johnson & Johnson, a Fortune 100 medical products company. Concurrent with our acquisition of this property, we also acquired a 17.4 acre contiguous expansion land parcel. In October 2005, we broke ground on a 330,000 rentable square foot expansion development project for Johnson & Johnson and completed the expansion in May 2006. Additionally, Johnson & Johnson agreed to a new coterminous ten year extension of the original 440,000 square feet. In February 2006, we contributed Memphis Trade Center III to our institutional capital management fund with BBK at a valuation reflecting an appreciation in the value of the property of \$5.1 million, \$4.0 million of which was recognized as a gain that corresponds to BBK's 80% interest in the fund.

***Existing Tenant Build-To-Suit Cummins Inc.-American Real Estate Partners Portfolio***

In June 2004, we acquired the American Real Estate Partners (AREP) portfolio for a purchase price of \$64.4 million. This portfolio consisted of three buildings in the Cincinnati market totaling approximately 1.2 million rentable square feet that are located in Park West International, a premier bulk distribution park located in close proximity to the Cincinnati/Northern Kentucky International Airport, and one building in the Nashville market totaling 520,000 rentable square feet. Cummins Inc. was one of the tenants in this portfolio at the time of our acquisition and occupied a 330,000 rentable square foot building. Based on our frequent discussions with Cummins, we learned of their need to expand their existing space. In October 2005, we commenced development on a new 603,586 rentable square foot state-of-the-art build-to-suit bulk distribution facility located approximately 20 miles south of Park West International on Interstate 71/75, a major north-south distribution corridor. In connection with this new development, effective as of October 16, 2006, we entered into a new 10-year lease for the build-to-suit property and terminated Cummins' existing lease.

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### ***Development Sycamore Canyon***

In April 2006, we entered into a joint venture agreement with a subsidiary of Panattoni Construction, Inc., or Panattoni, a national commercial real estate developer, to acquire approximately 35 acres of land and to develop two warehouse buildings comprising approximately 868,000 rentable square feet in the Inland Empire submarket of the Southern California industrial real estate market. We believe the Inland Empire has had the highest net absorption rate of all industrial warehouse markets in the United States with an annual average net absorption of 14.0 million square feet over the last five years. This project, known as the Sycamore Canyon Logistics Center, is located at the Interstate 215 and the 60 Freeway interchange in southeast Riverside and is within six miles of the 91 Freeway and four miles of the March Inland Port and Foreign Trade Zone No. 244. Pursuant to our joint venture agreement with Panattoni, we will provide approximately 90% of the required equity capital for the project and will receive a preferred return on our invested capital. The first building, which is currently under development and which will total approximately 460,000 rentable square feet, is expected to be completed in January 2007 at a total cost of approximately \$23.2 million, including land costs. Our involvement in this project is the result of our longstanding relationship with Panattoni, a partner that we have completed over \$300.0 million of transaction activity with over the past three years. Subsequent to our entering into the Sycamore Canyon joint venture agreement, we believe that land values and lease rates in the Inland Empire have increased significantly which we believe will increase our overall potential return on the project.

### **Industrial Market Overview**

*Market and industry data and forecasts used in this section have been obtained from CoStar, PPR and other industry sources where specifically noted. We have not independently verified the data obtained from these sources, and we cannot assure you of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the uncertainties as the other forward-looking statements in this prospectus.*

#### ***Overview***

The industrial real estate market in the United States consists of approximately 12.6 billion square feet of rentable building area as of June 30, 2006 according to CoStar. Of this total, approximately 11.1 billion square feet is warehouse space, which consists of bulk distribution and light industrial properties, and approximately 1.5 billion is flex space. Warehouse properties, which represent the substantial majority of our assets, are characterized by their generic design and are generally leased to regional or national distribution tenants or tenants engaged in light manufacturing activities and are rented on a triple-net-lease basis. In contrast, flex space typically has been designed or configured to a specialized use such as research and development, with comparatively higher re-tenanting costs as compared to warehouse properties due to higher office finish.

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The top 20 industrial warehouse markets in the United States comprise approximately 75.0% of the total national inventory as defined by CoStar. The table below summarizes the top 20 warehouse markets based on total inventory as of June 30, 2006.

**Top Twenty United States Industrial Warehouse**  
(Ranked by Rentable Building Area as of June 30, 2006)

Market	Inventory			YTD Net Absorption <sup>(1)</sup>	YTD Deliveries <sup>(2)</sup>	Under Const. SF	Quoted Annual Rates (\$ psf)
	RBA (Rentable Building Area)	% of Total RBA	Vacancy				
Los Angeles	959,011,390	8.7%	3.1%	4,884,475	3,126,814	2,229,455	\$ 7.05
Chicago	901,472,608	8.1%	10.6%	2,672,211	4,003,893	8,828,118	4.68
Northern New Jersey	734,387,082	6.6%	8.2%	(1,744,871)	2,515,063	5,397,255	5.73
Philadelphia	652,384,575	5.9%	10.8%	3,390,196	1,358,429	8,400,427	4.52
Dallas/Ft Worth	529,070,668	4.8%	10.4%	3,654,075	5,088,381	7,334,429	3.87
Atlanta	501,535,107	4.5%	11.5%	3,789,082	9,027,674	12,498,951	3.66
Detroit	453,062,878	4.1%	10.9%	490,637	822,451	1,250,143	4.83
Houston	385,548,933	3.5%	6.1%	2,887,301	1,670,251	3,303,661	4.77
Inland Empire (California)	359,801,997	3.2%	7.1%	9,683,113	13,871,149	19,954,936	5.47
Cleveland	342,257,020	3.1%	8.6%	1,137,640	221,000	100,000	3.84
Boston	283,367,440	2.6%	12.0%	1,172,547	521,250	1,286,179	5.84
Long Island (New York)	281,512,588	2.5%	4.0%	623,606	26,100	97,700	8.98
Cincinnati	271,159,892	2.4%	6.3%	312,128	50,449	529,420	3.59
Seattle/Puget Sound	253,376,342	2.3%	5.8%	1,633,461	2,447,687	4,335,636	6.33
St. Louis	235,501,297	2.1%	7.2%	1,703,961	1,975,670	2,880,274	4.31
Orange County (California)	228,407,809	2.1%	3.7%	534,992	746,575	1,450,771	8.17
Indianapolis	227,317,457	2.1%	10.6%	1,909,254	4,416,889	1,900,648	3.49
Kansas City	222,977,567	2.0%	7.5%	644,156	647,086	1,645,261	3.79
Sacramento	215,795,544	1.9%	16.2%	(6,253)	2,300,536	3,237,251	4.77
Columbus	213,302,222	1.9%	12.5%	225,045	2,365,446	2,185,166	3.11
<b>Top 20 Total / Weighted Average</b>	<b>8,251,250,416</b>	<b>74.5%</b>	<b>8.5%</b>	<b>39,596,756</b>	<b>57,202,793</b>	<b>88,845,681</b>	<b>\$ 5.13</b>
<b>U.S. Total / Weighted Average</b>	<b>11,071,997,841</b>	<b>100.0%</b>	<b>8.5%</b>	<b>61,841,970</b>	<b>72,524,408</b>	<b>114,891,981</b>	<b>\$ 5.03</b>

Source: CoStar

(1) Represents the net change in occupied space for the first six months of 2006. Includes direct and sublease space.

(2) Represents buildings that complete construction for the first six months of 2006. In order for the space to be considered delivered, a certificate of occupancy must have been issued for the property.

National industrial warehouse space rental rate growth trends continue to remain positive with an average quoted annual rate of \$5.03 per square foot at the end of the second quarter 2006 according to CoStar. This represents a 0.8% increase as compared to the first quarter 2006 (\$4.99 per square foot) and a 3.7% increase compared to the second quarter 2005 (\$4.85 per square foot). Vacancy levels for industrial warehouse properties remain low with a national average of 8.5% at the end of the second quarter 2006 compared with 8.6% and 8.7% for the first quarter 2006 and the second quarter 2005, respectively.

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Recent national industrial rental rate growth trends have been increasing since 2002 with steady increases in rental rates forecasted through the end of 2007. Rental rate growth is forecasted by PPR, an independent real estate research and portfolio strategy firm, to remain positive through 2007 albeit at a moderately slower pace than the robust 2005 levels as shown by the chart below.

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Source: PPR

As the chart below illustrates, recent national vacancy trends have been positive as compared with the higher levels of the 2002-2004 period with minimal increases in vacancy forecasted through the end of 2007.

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Source: PPR

The supply of new warehouse space across the United States is generally in line with demand with the new construction taking place in markets with significant demand drivers. Nationally, net absorption of industrial warehouse space was 61.8 million square feet for the first six months of 2006 and as of June 30, 2006 approximately 114.8 million square feet of new industrial warehouse space was under construction, representing approximately 1.0% of total existing inventory. Absorption is forecasted by PPR to remain positive through 2007.

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Source: PPR

The delivery of new industrial space has been relatively flat since the beginning of 2003 and is expected to remain so through the end of 2007.

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Source: PPR

We believe that the industrial sector of the real estate industry exhibits a number of positive characteristics, including:

**Short Development Lead Times:** The construction of industrial properties has shorter development lead times when compared to other real estate asset classes, averaging six to nine months. This enables companies to adjust their development exposure in response to economic changes. As a result, industrial real estate has generally exhibited much more moderate supply/demand cycles than other types of investment real estate.

**Low Vacancy Volatility:** Industrial properties have historically demonstrated more stable occupancy rates than other commercial real estate asset classes such as office assets. Due to its shorter development lead times, the industrial real estate sector responds more quickly to economic changes and is less susceptible to large, sustained increases in supply. Through economic cycles, the industrial



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real estate sector has exhibited relatively low volatility in vacancy rates. According to PPR, the vacancy rates for industrial properties in the United States have ranged from 7.1% to 10.7% over the last 15 years, with an average rate of 8.9% over this time period.

**Modest Re-Tenancing Costs:** Industrial building designs are generally generic with low levels of office finish, allowing ready use by a wide variety of potential tenants. As a result, the cost of re-tenancing facilities is relatively modest as compared to other commercial property types due to the low levels of office finish.

**Comparatively Modest Maintenance Costs:** Industrial properties have relatively lower maintenance requirements as compared to other real estate asset classes. The majority of recurring maintenance expenditures at industrial properties are related to the upkeep of parking lots and roofs.

**Triple-Net Leases:** Leases for industrial real estate assets are typically structured on a triple-net basis, limiting owners exposure to variable operating costs.

We believe that as a result of the above characteristics, that industrial real estate represents an attractive investment alternative to other real estate asset classes. As the table below illustrates, over the past 15 years, industrial properties in the United States have generated higher average annual returns than both office and retail properties, according to National Council of Real Estate Investment Fiduciaries (NCREIF):

### **NCREIF 15-Year Average Annual Return<sup>(1)</sup>**

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Source: NCREIF Property Index (NPI), 2nd Quarter 2006.

<sup>(1)</sup> Annual return represents unleveraged private real estate return tracked by NCREIF and includes income return and capital appreciation.

### ***Our Target Markets***

We presently intend to focus primarily on our 27 target industrial markets throughout the United States which we believe will continue to have growing demand for distribution space because of one or more of the following characteristics:

Key transportation hubs including major roadways, major seaports with large container volume and airports with significant international flight volume and/or large cargo volume;

Strategically located, regional distribution markets with excellent interstate highway and rail connections;

Markets with a large population base within a 500 mile radius; and

Strong economic fundamentals, including employment and population growth.

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The following tables present an overview of our existing portfolio of industrial properties sorted by our target markets based on information as of June 30, 2006 (dollar amounts are in thousands).

**Consolidated Properties**

Markets	Number of Buildings	Percent Owned <sup>(1)</sup>	Rentable Square Feet	Percentage of Total Rentable Square Feet	Occupancy Percentage <sup>(2)</sup>	Annualized Base Rent <sup>(3)</sup>	Percentage of Total Annualized Base Rent <sup>(3)</sup>	Number of Leases	Annualized Base Rent per Square Foot <sup>(4)</sup>
<b>Target Markets</b>									
Atlanta	56	100.0%	6,550,271	12.0%	88.9%	\$ 21,224	10.8%	116	\$ 3.65
Baltimore/ Washington D.C.	13	100.0%	1,585,087	2.9%	90.7%	8,887	4.5%	31	6.18
Central Pennsylvania	5	100.0%	899,157	1.6%	100.0%	3,457	1.8%	8	3.84
Charlotte	11	100.0%	1,477,548	2.7%	79.1%	3,919	2.0%	19	3.35
Chicago	14	100.0%	2,877,988	5.3%	94.8%	10,251	5.2%	22	3.76
Cincinnati	39	100.0%	4,982,215	9.1%	86.5%	15,504	7.9%	91	3.60
Columbus	15	100.0%	4,401,797	8.1%	92.7%	12,649	6.4%	29	3.10
Dallas <sup>(5)</sup>	54	100.0%	6,810,543	12.5%	90.3%	23,169	11.8%	143	3.74
Denver	1	100.0%	160,232	0.3%	77.0%	619	0.3%	5	5.01
Houston	34	100.0%	2,452,711	4.5%	93.0%	11,467	5.8%	89	5.06
Indianapolis	8	100.0%	3,326,864	6.1%	95.5%	9,138	4.6%	18	2.88
Louisville	2	100.0%	521,000	1.0%	100.0%	1,696	0.9%	3	3.25
Memphis	10	100.0%	4,333,018	7.9%	93.8%	12,336	6.3%	15	3.04
Miami	6	100.0%	727,461	1.3%	92.7%	5,142	2.6%	20	7.56
Minneapolis	6	100.0%	828,466	1.5%	100.0%	3,897	2.0%	12	4.70
Nashville	5	100.0%	2,712,373	5.0%	91.7%	7,674	3.9%	6	3.09
New Jersey	10	100.0%	1,189,553	2.2%	96.2%	6,226	3.2%	29	5.44
Northern California	29	100.0%	2,410,960	4.4%	97.4%	12,089	6.1%	62	5.15
Orlando	12	100.0%	1,226,231	2.3%	93.4%	5,000	2.5%	35	4.28
Phoenix	15	100.0%	1,733,078	3.2%	96.5%	7,616	3.9%	34	4.41
San Antonio	2	100.0%	172,050	0.3%	67.6%	456	0.2%	4	3.92
Seattle	8	100.0%	1,198,617	2.2%	96.5%	5,423	2.8%	15	4.69
Southern California	12	100.0%	1,391,534	2.6%	99.6%	5,935	3.0%	26	4.28
Subtotal/Weighted Average Target Market <sup>(6)</sup>	367	100.0%	53,968,754	99.0%	92.1%	193,774	98.5%	832	3.89
<b>Non-Target Market</b>									
Boston	6	100.0%	567,441	1.0%	89.1%	3,196	1.5%	12	6.32
<b>Total/Weighted Average Operating Properties</b>	<b>373</b>	<b>100.0%</b>	<b>54,536,195</b>	<b>100.0%</b>	<b>92.1%</b>	<b>\$ 196,970</b>	<b>100.0%</b>	<b>844</b>	<b>\$ 3.91</b>
<b>Consolidated Properties Under Development</b>									
Atlanta	2	100.0%	688,067	78.4%	4.6%	\$		1	\$
Chicago	1	95.1%	189,134	21.6%	32.9%	274	100.0%	1	4.40
Subtotal/Weighted Average Properties Under Development	3	98.9%	877,201	100.0%	10.7%	274	100.0%	2	2.92
<b>Total/Weighted Average Consolidated</b>	<b>376<sup>(7)</sup></b>	<b>100.0%</b>	<b>55,413,396</b>	<b>N/A</b>	<b>90.8%</b>	<b>\$ 197,244</b>	<b>N/A</b>	<b>846</b>	<b>\$ 3.91</b>



**Table of Contents****Unconsolidated Properties**

Markets	Number of Buildings	Percent Owned <sup>(1)</sup>	Rentable Square Feet	Percentage of Total Rentable Square Feet	Occupancy Percentage <sup>(2)</sup>	Annualized Base Rent <sup>(3)</sup>	Percentage of Total Annualized Base Rent <sup>(3)</sup>	Number of Leases	Annualized Base Rent per Square Foot <sup>(4)</sup>
<b>Fund Properties</b>									
Atlanta	1	20.0%	577,500	21.8%	100.0%	\$ 1,460	17.2%	2	\$ 2.53
Central Pennsylvania	1	20.0%	100,000	3.8%	100.0%	403	4.8%	1	4.03
Chicago	1	20.0%	303,192	11.5%	100.0%	1,491	17.6%	2	4.92
Dallas	1	20.0%	540,000	20.4%	100.0%	1,638	19.3%	1	3.03
Memphis	1	20.0%	1,039,000	39.2%	100.0%	2,857	33.7%	2	2.75
New Jersey	1	20.0%	87,500	3.3%	100.0%	630	7.4%	1	7.20
	6	20.0%	2,647,192	100.0%	100.0%	8,479	100.0%	9	3.20
<b>Unconsolidated Properties Under Development</b>									
Atlanta	1	97.1%	556,800	52.0%	0.0%				
Southern California <sup>(8)</sup>	2	91.1%	514,463	48.0%	0.0%				
	3	94.2%	1,071,263	100.0%	0.0%				
<b>Total/Weighted Average Unconsolidated Properties</b>									
	9 <sup>(7)</sup>	41.4%	3,718,455	N/A	71.2%	\$ 8,479	N/A	9	\$ 3.20

(1) Weighted average ownership is based on rentable square feet.

(2) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

(3) Annualized Base Rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of June 30, 2006, multiplied by 12.

(4) Calculated as Annualized Base Rent divided by rentable square feet under lease as of June 30, 2006.

(5) Three of our buildings in this market totaling approximately 743,000 rentable square feet are under ground leases.

(6) Seven properties will be either contributed by us to our DCTRT joint venture or sold to an affiliate of DCTRT in the beginning of the fourth quarter of 2006. (See Prospectus Summary Significant Transactions Institutional Capital Management Joint Ventures DCTRT Joint Venture. )

(7) Occasionally our leases contain provisions giving the tenant rights to purchase the property, which can take the form of a fixed price purchase option, a fair market value option, a right of first refusal option or a right of first offer option. The following chart summarizes such rights:

	Number of Leases	Rentable Square Feet	Annualized Base Rent (000s)
Fixed Price Purchase Options	6	2,516,034	\$ 7,648
Fair Market Value Options	3	282,986	\$ 1,323
Right of First Refusal Options	5	874,068	\$ 2,499
Right of First Offer Options	4	873,904	\$ 3,292

(8) Includes one vacant 55,000 rentable square foot building that is not currently under development.

**Table of Contents****Property Types**

The following table presents an overview of our existing portfolio of consolidated and unconsolidated properties, including properties under development, as categorized by property type and our target markets based on information as of June 30, 2006.

	Bulk Distribution			Light Industrial			Service Center			Total Portfolio		
	Num- ber			Num- ber			Num- ber			Num- ber		
	of Build- ings	Rentable Square Feet	Occ. % <sup>(1)</sup>	of Build- ings	Rentable Square Feet	Occ. % <sup>(1)</sup>	of Build- ings	Rentable Square Feet	Occ. % <sup>(1)</sup>	of Build- ings	Rentable Square Feet	Occ. % <sup>(1)</sup>
<b>Target Markets</b>												
Atlanta	30	5,950,558	93.7%	15	793,428	65.2%	12	383,785	78.9%	57	7,127,771	89.8%
Baltimore/ Washington D.C.	12	1,445,663	89.8%	1	139,424	100.0%			%	13	1,585,087	90.7%
Central Pennsylvania	6	999,157	100.0%			%			%	6	999,157	100.0%
Charlotte	6	1,186,948	78.2%	5	290,600	82.7%			%	11	1,477,548	79.1%
Chicago	12	2,680,740	95.4%	3	500,440	94.8%			%	15	3,181,180	95.3%
Cincinnati	18	4,149,918	84.9%	20	766,201	95.2%	1	66,096	81.2%	39	4,982,215	86.5%
Columbus	13	4,327,985	92.6%	2	73,812	100.0%			%	15	4,401,797	92.7%
Dallas	31	6,216,425	92.4%	8	472,820	91.0%	16	661,298	84.8%	55	7,350,543	88.1%
Denver	1	160,232	77.0%			%			%	1	160,232	77.0%
Houston	11	1,538,593	95.9%	12	630,298	88.4%	11	283,820	82.8%	34	2,452,711	92.4%
Indianapolis	8	3,326,864	95.5%			%			%	8	3,326,864	95.5%
Louisville	2	521,000	100.0%			%			%	2	521,000	100.0%
Memphis	11	5,372,018	95.0%			%			%	11	5,372,018	88.3%
Miami	3	521,408	92.1%	2	156,669	100.0%	1	49,384	88.1%	6	727,461	93.5%
Minneapolis	5	751,666	100.0%	1	76,800	100.0%			%	6	828,466	100.0%
Nashville	5	2,712,373	91.7%			%			%	5	2,712,373	48.0%
New Jersey	9	1,163,053	96.1%	2	114,000	100.0%			%	11	1,277,053	96.5%
Northern California	8	1,403,932	100.0%	21	1,007,028	93.9%			%	29	2,410,960	97.4%
Orlando	3	722,869	100.0%	9	503,362	88.4%			%	12	1,226,231	95.2%
Phoenix	8	1,491,023	99.6%	7	242,055	100.0%			%	15	1,733,078	99.7%
San Antonio	2	172,050	67.6%			%			%	2	172,050	67.6%
Seattle	8	1,198,617	96.5%			%			%	8	1,198,617	96.5%
Southern California	8	1,128,595	100.0%	3	242,573	100.0%	1	20,366	75.8%	12	1,391,534	99.6%
Subtotal/ Weighted Average	220	49,141,687	93.4%	111	6,009,510	89.6%	42	1,464,749	82.7%	373	56,615,946	92.7%
<b>Non-Target Market</b>												
Boston	4	440,341	93.3%	2	127,100	74.5%			%	6	567,441	89.1%
<b>Total/Weighted Average Operating Properties</b>												
	224	49,582,028	93.4%	113	6,136,610	89.3%	42	1,464,749	82.7%	379	57,183,387	92.6%
<b>Properties Under Development</b>												
	6	1,948,464							%	6	1,948,464	
<b>Total/Weighted Average</b>	<b>230</b>	<b>51,530,492</b>	<b>n/a</b>	<b>113</b>	<b>6,136,610</b>	<b>n/a</b>	<b>42</b>	<b>1,464,749</b>	<b>n/a</b>	<b>385</b>	<b>59,131,851</b>	<b>n/a</b>

(1) Based on leases signed as of June 30, 2006 and calculated as rentable square feet less available square feet divided by rentable square feet.

**Table of Contents****Lease Expirations**

Our industrial properties are typically net leased to corporate tenants for terms typically ranging from three to ten years with a weighted average remaining term of 4.1 years as of June 30, 2006. A net lease is a lease whereby the tenant is responsible for all operating expenses of, and to a limited extent certain capital expenditures for, the leased property. However, we do have certain leases that have specified limitations on the amount of such reimbursements. The following table sets forth a schedule of expiring leases for our operating properties including unconsolidated properties by rentable square feet and by annual minimum rents as of June 30, 2006 (dollar amounts are in thousands).

Year	Rentable Square Feet Related to Expiring Leases	Percentage of Portfolio	Annualized Base Rent of Expiring Leases	Percentage of Rented Portfolio
2006 <sup>(1)</sup>	3,524,447	6.0%	\$ 15,024	7.3%
2007	5,670,654	9.6%	26,725	13.0%
2008	8,866,476	15.0%	34,626	16.9%
2009	8,370,908	14.1%	31,540	15.4%
2010	8,822,632	14.9%	31,729	15.4%
Thereafter	17,724,292	30.0%	65,806	32.0%
<b>Subtotal</b>	<b>52,979,409</b>	<b>89.6%</b>	<b>\$ 205,450</b>	<b>100.0%</b>
Under development <sup>(2)</sup>	1,948,464	3.3%		
Available	4,203,978	7.1%		
<b>Total portfolio</b>	<b>59,131,851</b>	<b>100.0%</b>		

(1) Includes leases that are on month-to-month terms.

(2) Includes 93,883 square feet where leases have been executed.

**Table of Contents****Tenant Diversification**

As of June 30, 2006 there were no tenants that occupied more than 5.0% of our total portfolio based on gross leasable square feet. The following table describes our ten largest tenants based on rentable square footage occupied as of June 30, 2006 (dollars are in thousands).

Tenant	Number of Leases	Market	Annualized Base Rents <sup>(1)</sup>	Rentable Square Feet Occupied <sup>(2)</sup>	Percentage of Portfolio	Lease Expiration
Technicolor Videocassette, Inc.	2	Memphis	\$ 2,345	806,000	1.52%	09/30/2014
		Memphis	1,622	648,750	1.23%	05/31/2011
Bridgestone/Firestone	2	Nashville	2,425	987,873	1.87%	05/31/2013
		Cincinnati	1,056	352,000	0.66%	08/31/2015
Exel, Inc.	6	Cincinnati	101	34,666	0.07%	04/30/2009
		Atlanta	451	200,352	0.38%	09/20/2008
		Atlanta	76	33,600	0.06%	09/20/2008
		Columbus	1,425	500,000	0.94%	12/31/2008
		Orlando	390	108,394	0.20%	01/31/2008
		Orlando	43	5,600	0.01%	09/30/2008
The Clorox Sales Company	2	Dallas <sup>(4)</sup>	1,639	540,000	1.02%	02/28/2015
		Northern California	1,093	336,800	0.64%	01/31/2014
Whirlpool Corporation	1	Indianapolis	2,253	804,586	1.52%	12/31/2008
United Parcel Service (UPS)	4	Cincinnati	2,138	710,400	1.34%	12/01/2013
		Memphis	100	16,800	0.03%	4/30/2008
		Phoenix	248	48,418	0.09%	6/30/2009
		Orlando	122	21,968	0.04%	4/30/2009
Johnson & Johnson Health Care <sup>(4)</sup>	1	Memphis	2,118	770,000	1.45%	02/28/2016
International Truck and Engine	2	Atlanta	999	352,170	0.67%	02/28/2013
		Dallas	1,112	360,000	0.68%	12/31/2015
United Stationers Supply Co.	1	Memphis	2,077	654,080	1.23%	06/30/2010
Binney & Smith, Inc.	1	Central Pennsylvania	1,952	550,000	1.04%	04/20/2013
Total ten largest tenants leases	22		25,785	8,842,457	16.69%	
All other tenants leases	831		179,665	44,136,952	83.31%	
<b>Total portfolio<sup>(3)</sup></b>	<b>853</b>		<b>\$ 205,450</b>	<b>52,979,409</b>	<b>100.0%</b>	

(1) Annualized Base Rents are calculated as monthly contractual base rents (cash basis) per the terms of the leases, as of June 30, 2006, multiplied by 12.

(2) Based on leases signed as of June 30, 2006.

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- (3) Unconsolidated properties included are not adjusted for ownership. Excludes 93,883 square feet where leases have been executed in properties under development.
- (4) Ownership of building is 20.0%.



**Table of Contents****Industry Diversification**

The table below illustrates the diversification of our consolidated and unconsolidated portfolio by the industry classifications of our tenants as of June 30, 2006, excluding development properties (dollar amounts are in thousands).

Industry	Number of Leases	Leases as a Percent of Total	Annualized Base Rent <sup>(1)</sup>	Annualized Base Rent as a Percentage of Total <sup>(1)</sup>	Rentable Square Feet	Percentage of Total Rentable Square Feet
3PL/Warehousing/Transport Services	118	13.8%	\$ 41,994	20.4%	12,424,393	23.5%
Retail/Wholesale	88	10.3%	22,958	11.2%	6,356,254	12.0%
Computer/Electronics	48	5.6%	15,401	7.5%	3,073,404	5.8%
Paper/Packaging/Printing	46	5.4%	13,192	6.4%	3,440,496	6.5%
Industrial Durables	53	6.2%	13,019	6.3%	3,169,449	6.0%
Chemicals	26	3.1%	11,126	5.4%	3,302,395	6.2%
Building Supplies	50	5.9%	9,485	4.6%	2,301,165	4.3%
Furniture/Home Furnishings	28	3.3%	8,476	4.1%	2,162,488	4.1%
Electrical/Mechanical	40	4.7%	7,568	3.7%	1,919,356	3.6%
Food	26	3.1%	6,646	3.3%	1,494,119	2.8%
Consumer Packaged Goods	20	2.3%	6,347	3.1%	2,118,563	4.0%
Automotive	20	2.3%	5,558	2.7%	1,609,898	3.0%
Medical Products	26	3.1%	5,441	2.7%	1,194,536	2.3%
Pharmaceuticals	7	0.8%	3,966	1.9%	1,141,321	2.2%
Metals	10	1.2%	2,528	1.2%	640,683	1.2%
Apparel	7	0.8%	1,658	0.8%	411,799	0.8%
Other	240	28.1%	30,087	14.7%	6,219,090	11.7%
<b>Total/Weighted Average</b>	<b>853</b>	<b>100.0%</b>	<b>\$ 205,450</b>	<b>100.0%</b>	<b>52,979,409</b>	<b>100.0%</b>

<sup>(1)</sup> Annualized Base Rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of June 30, 2006, multiplied by 12.

**Table of Contents****Historical Tenant Improvements and Leasing Commissions**

The table below sets forth certain historical information regarding tenant improvement and leasing commission costs per square foot for tenants at the properties in our portfolio.

	Year Ended December 31,			Six Months Ended	Weighted Average 2003 -
	2003	2004 <sup>(1)</sup>	2005 <sup>(1)</sup>	June 30, 2006 <sup>(1)</sup>	June 30, 2006
<b>Renewals<sup>(2)</sup></b>					
Number of leases		1	30	42	29
Square feet		62,377	1,959,155	2,660,912	1,872,978
Tenant improvement costs per square foot			\$ 0.17	\$ 0.07	\$ 0.11
Leasing commission costs per square foot		\$ 0.60	\$ 0.57	\$ 0.41	\$ 0.48
Total tenant improvement and leasing commission costs per square foot		\$ 0.60	\$ 0.74	\$ 0.48	\$ 0.59
<b>New leases</b>					
Number of leases		8	49	38	38
Square feet		124,142	1,618,488	1,230,131	1,189,104
Tenant improvement costs per square foot		\$ 0.58	\$ 1.83	\$ 0.88	\$ 1.38
Leasing commission costs per square foot		\$ 0.42	\$ 1.23	\$ 1.20	\$ 1.18
Total tenant improvement and leasing commission costs per square foot		\$ 1.00	\$ 3.06	\$ 2.08	\$ 2.56
<b>Total</b>					
Number of leases		9	79	80	67
Square feet		186,519	3,577,643	3,891,043	3,062,082
Tenant improvement costs per square foot		\$ 0.39	\$ 0.92	\$ 0.33	\$ 0.61
Leasing commission costs per square foot		\$ 0.48	\$ 0.87	\$ 0.66	\$ 0.75
Total tenant improvement and leasing commission costs per square foot		\$ 0.86	\$ 1.79	\$ 0.99	\$ 1.36

<sup>(1)</sup> Recurring capital expenditures for properties acquired during the period are annualized.

<sup>(2)</sup> Represents existing tenants who, upon expiration of their lease, enter into a new lease for the same space. Month-to-month leases are not included in renewal statistics.

**Historical Capital Expenditures**

The following table sets forth certain information regarding historical recurring capital expenditures (excluding tenant improvements) at the properties in our portfolio through June 30, 2006.

	Year Ended December 31,			Six Months Ended	Weighted Average 2003 -
	2003	2004 <sup>(1)</sup>	2005 <sup>(1)</sup>	June 30, 2006 Annualized <sup>(1)(2)</sup>	June 30, 2006
Recurring capital expenditures	\$	\$ 155,208	\$ 2,471,139	\$ 3,507,974	
Total average square feet <sup>(3)</sup>	1,625,662	9,080,031	29,085,817	44,453,916	
Recurring capital expenditures per average square foot	\$	\$ 0.02	\$ 0.08	\$ 0.08	\$ 0.07

<sup>(1)</sup> Recurring capital expenditures for properties acquired during the period are annualized.

<sup>(2)</sup> Annual recurring capital expenditures were estimated by doubling actual expenditures for the six months ended June 30, 2006.

<sup>(3)</sup> Total average square feet was determined by averaging the ending total operating square footage for each month in the appropriate period.



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**Table of Contents****Regulation**

**General.** Many laws and governmental regulations are applicable to our properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently. We believe that each of our properties has the necessary permits and approvals to operate its business.

**Costs of Compliance with Americans with Disabilities Act.** Under the Americans with Disabilities Act of 1990, or the ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. Compliance with the ADA might require removal of structural barriers to handicapped access in certain public areas where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

**Environmental Matters.** Under Federal, state and local laws and regulations relating to the protection of the environment, which we collectively refer to as environmental laws, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at the property, and may be required to investigate and clean-up the contamination at the property or any contamination which has migrated from the property. These laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants, and the liability under these laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. Leasing properties to tenants that engage in industrial, manufacturing, and commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the owner or operator of a site may be subject to claims by third parties based on personal injury, natural resources or property damage and/or other costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from a site. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely effect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building material, or ACBM. These laws require that ACBM be properly managed and maintained, that those who may come into contact with ACBM be adequately apprised or trained and that special precautions, including removal or other abatement, be undertaken in the event ACBM is disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain ACBM.

We invest in properties historically used for industrial, manufacturing, and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on or are adjacent to or near other properties upon which others, including former owners or tenants of our properties, have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances.

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## **Table of Contents**

We maintain a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations, for most of our properties. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

All of our properties were subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition or shortly after acquisition. In addition, each of the properties that are currently under contract but have not yet been acquired by us has been subject to, or will be subject to, a Phase I or similar environmental assessment. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey.

While some of these assessments have led to further investigation and sampling, none of our environmental assessments of our properties has revealed any environmental liability that we believe would have a material adverse effect on our financial condition or results of operations taken as a whole. Nonetheless, it is possible that our assessments do not reveal all environmental liabilities or that there are material environmental liabilities of which we are unaware. In addition, no assessments have been updated for purposes of this offering, and approximately 25.0% of our properties have environmental assessments which are more than two years old. Material environmental conditions, liabilities or compliance concerns may arise after the environmental assessment has been completed. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of our properties will not be affected by tenants, by the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us. If the costs of defending against environmental claims, of compliance with the various environmental laws and regulations, now existing or hereafter adopted, or of remediating any contaminated property exceed our budgets for such items, our ability to make expected distributions to stockholders could be adversely affected.

***Other Regulations.*** Our properties are also subject to various federal, state and local regulatory requirements such as state and local fire and life safety requirements. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. We believe that our properties are currently in substantial compliance with all such regulatory requirements. However, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed which would require significant unanticipated expenditures by us, which expenditure could have an adverse effect on our results of operations and financial condition.

Except as described in this prospectus, there are no other laws or regulations which have a material effect on our operations, other than typical state and local laws affecting the development and operation of real property, such as zoning laws. (See Risk Factors General Real Estate Risks Costs of complying with governmental laws and regulations may adversely affect our income and the cash available for any distributions and Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs, Certain Provisions of The Maryland General Corporation Law and Our Charter and Bylaws, The Partnership Agreement and Federal Income Tax Considerations. )

## **Insurance**