PIONEER TAX ADVANTAGED BALANCED TRUST
Form N-CSR
July 26, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21448

Pioneer Tax Advantaged Balanced Trust
(Exact name of registrant as specified in charter)

60 State Street, Boston, MA 02109
(Address of principal executive offices) (ZIP code)

Dorothy E. Bourassa, Pioneer Investment Management, Inc.,
60 State Street, Boston, MA 02109
(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 742-7825

Date of fiscal year end: November 30

Date of reporting period: December 1, 2005 through May 31, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO SHAREOWNERS.

PIONEER

TAX ADVANTAGED BALANCED TRUST

Semiannual Report

5/31/06

[LOGO]PIONEER Investments(R)

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President's

Dear Shareowner,

We believe a desirable, moderate slowing of U.S. economic growth appears likely, with beneficial impacts on inflation and interest rates, while global growth prospects remain strong. We base this on the events of the six and 12 month periods ending May 31, 2006 that have been characterized by strong global growth, rising commodity and stock prices, and rising interest rates. While markets reversed in May (U.S. Treasury bond yields, stock markets, and commodity prices all turned down), we believe the basic fundamental pattern of steady global economic growth remains intact.

According to the International Monetary Fund, global economic growth in 2004-5 was the fastest of any two-year period in more than 30 years, and 2006 growth is projected to match the healthy growth of 2005. This growth has been broad-based, with Europe, Japan, and emerging market economies all showing strength. The result has been rising prices across a broad range of commodities, rising corporate profits, and rising interest rates. These basic ingredients are fueling the equity bull market and the relatively weak bond market over the six months ending May 31, 2006.

The bond markets' concern has been that strong economic growth would spark inflation - we have already seen commodity prices rise, and U.S. labor costs are threatening to increase since we are close to full employment. An

environment of strong economic growth, rising commodity prices and labor demands may lead to inflation and higher interest rates; therefore a slower growing economy would be welcomed by the markets.

While first quarter economic growth was strong, it looks as if the slowdown in the U.S. economy for the second half of the year may be starting to unfold. The positive unemployment figures, which reached a five-year low of 4.6 percent in April, may have peaked as the number of new jobs fell in this period, the smallest increase since the Katrina-distorted result of October 2005. The cooling of housing market sales so far this year is another indicator of a slowing economy.

The U.S. Federal Reserve ("Fed") has continued its measured short-term interest rate increases. With global commodity prices continuing to rise, the Fed warned in May that it remains vigilant in wanting to

keep inflation low. This determination puts short-term pressure on markets, but such action has a positive effect for consumers over the intermediate-to-longer term. By restraining inflation, the Fed may also limit upward pressure on longer-maturity bond yields and downward pressure on stocks' price/earnings ratios.

In summary, we think security market valuations remain reasonable. However, there are no guarantees in investing. We know from a long view of history that sudden shifts in investor sentiment can occur with little warning. This unpredictability reinforces the importance of Pioneer's message that investors should remain diversified, take a long-term view, and base investment decisions on economic and market fundamentals, rather than on emotion. Our investment philosophy and approach continue to be based on the use of fundamental research to identify a range of opportunities that offer an attractive balance of risk and reward to help Trust shareowners work toward their long-term goals.

Respectfully,

/s/ Osbert M. Hood

Osbert M. Hood, President
Pioneer Investment Management, Inc.

Any information in this shareowner report regarding market or economic trends or the factors influencing the Trust's historical or future performance are statements of the opinion of Trust management as of the date of this report. These statements should not be relied upon for any other purposes. Past performance is no guarantee of future results, and there is no guarantee that market forecasts discussed will be realized.

Please consider the Trust's investment objectives, risks, charges and expenses. Contact your advisor or Pioneer investments for a prospectus containing this information. Please read the information carefully.

PORTFOLIO SUMMARY 5/31/06

Portfolio Maturity

(As a percentage of total debt holdings)
[The following table was depicted as a pie chart in the printed material.]

0-1 Year	1.9%
1-3 Years	3.9%
3-6 Years	41.7%
6-8 Years	32.8%
8-10 Years	0.6%
10+ Years	19.1%

Portfolio Diversification

(As a percentage of total investment portfolio)
[The following table was depicted as a pie chart in the printed material.]

Tax Exempt Obligations	53.2%
Common Stocks	24.3%
Non-Convertible Preferred Stocks	20.9%
Convertible Preferred Stocks	1.3%
Temporary Cash Investment	0.3%

The portfolio is actively managed, and current holdings may be different.

10 Largest Holdings

(As a percentage of total long-term holdings)*

1.	Georgia Municipal Electric Authority Power Revenue, RIB, 7.988 1/1/20, 144A	1.93%
2.	AT&T, Inc.	1.86
3.	Golden State Tobacco Securitization Corp., RIB, 7.742%, 6/1/45 (144A)	1.68
4.	Atmos Energy Corp.	1.56
5.	Garden State Preservation Trust, RIB 10.94%, 11/1/22 (144A)	1.51
6.	Tobacco Settlement Financing Corp., 5.875%, 5/15/39	1.48
7.	Fannie Mae, Series L, 5.125%	1.44
8.	King County Washington Sewer Revenue, 5.0%, 1/1/35	1.38
9.	Bristol-Myers Sqibb Co.	1.37
10.	Duke Energy Corp.	1.36

* This list excludes money market and derivative instruments. Portfolio holdings will vary for other periods.

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Pioneer Tax Advantaged Balanced Trust

PRICES AND DISTRIBUTIONS

Share Prices and Distributions

Market Value per Common Share	5/31/06	11/30/05
	$12.38	$12.18

Net Asset Value per Common Share	5/31/06	11/30/05
	$14.77	$14.65

Distributions per Common Share (12/1/05 - 5/31/06)	Income Dividends	Short-Term Capital Gains	Long-Term Capital Gains
	$0.3342	$ -	$0.0807

PERFORMANCE UPDATE 5/31/06

Investment Returns

The mountain chart on the right shows the change in market value, including reinvestment of dividends and distributions, of a $10,000 investment made in common shares of Pioneer Tax Advantaged Balanced Trust at public offering price, compared to that of the Lehman Brothers Municipal Bond Index and the S&P 500 Index.

Cumulative Total Returns
(As of May 31, 2006)

Period	Net Asset Value (NAV)	Market Price
Life-of-Trust (1/28/04)	8.12%	-5.41%
1 Year	3.99	-0.29

[THE FOLLOWING DATA IS A REPRESENTATION OF A MOUNTAIN CHART IN THE PRINTED MATERIAL]

Pioneer Tax Advantaged Balanced Trust	Lehman Brothers Municipal Bond Index	Standard & Poor's 500

1/04	10000	10000	10000
5/04	8110	9840	9964
5/05	9405	10623	10784
5/06	9459	10824	11715

Call 1-800-225-6292 or visit www.pioneerinvestments.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

Performance data shown represents past performance. Past performance is no guarantee of future results. Investment return and market price will fluctuate, and your shares may trade below NAV, due to such factors as interest rate changes, and the perceived credit quality of borrowers.

Total investment return does not reflect broker sales charges or commissions. All performance is for common shares of the Trust.

Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange and frequently trade at prices lower than their NAV. NAV is total assets less total liabilities, which includes preferred shares, divided by the number of common shares outstanding.

When NAV is lower than market price, dividends are assumed to be reinvested at the greater of NAV or 95% of the market price. When NAV is higher, dividends are assumed to be reinvested at market price.

The performance table and graph do not reflect the deduction of fees and taxes that a shareowner would pay on Trust distributions or the redemption of Trust shares.

Index comparison begins January 31, 2004. The Lehman Brothers Municipal Bond Index is a broad measure of the municipal bond market. The Standard & Poor's 500 Stock Index (the S&P 500) is a commonly used measure of the broad U.S. stock market. Index returns are calculated monthly, assume reinvestment of dividends and, unlike Trust returns, do not reflect any fees, expenses or charges. You cannot invest directly in an Index.

PORTFOLIO MANAGEMENT DISCUSSION 5/31/06

During the six-month period ended May 31, 2006, shareowners in Pioneer Tax Advantaged Balanced Trust received a relatively high level of tax-advantaged income from two lower-risk asset classes - municipal bonds and high dividend-paying equities. In the following interview, David Eurkus who is responsible for the Trust's fixed-income portion, and Walter Hunnewell, Jr., who is responsible for the Trust's equity portion, discuss the Trust's investment strategy and outlook.

Q: How did the Trust perform during the period?

A: For the six-month period ended May 31, 2006, Pioneer Tax Advantaged Balanced Trust returned 4.16% at net asset value and 5.01% at market price. As of May 31, 2006, the Trust was selling at a discount of market price to

net asset value of 16.2%. For the same six-month period, the Lehman Brothers Municipal Bond Index returned 1.52%, and the S&P 500 Index returned 2.61%. Unlike open-ended funds, a closed-end fund's price goes up and down based on supply and demand, independent of a fund's net asset value, or NAV per share. It isn't unusual to find closed-end funds trading at a discount. At the end of the period, closed-end funds on average were trading at a discount to their actual underlying value. As the markets become more efficient and liquid, and more investors have begun to recognize legitimate value, the trend of funds trading at large discounts to their NAVs may subside.

Call 1-800-225-6292 or visit www.pioneerinvestments.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

The performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

Information regarding the Trust's principal investment risks is contained in the Trust's prospectus. Please refer to those documents when considering the Trust's risks.

There can be no assurance as to the portion of the Trust's dividends that will be tax-exempt or tax-qualified.

A portion of income may be subject to state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax. When interest rates rise, the prices of fixed-

income securities in the Trust will generally fall. Conversely, when interest rates fall the prices of fixed-income securities in the Trust will generally rise. By concentrating in municipal securities, the portfolio is more susceptible to adverse economic, political or regulatory developments than is a portfolio that invests more broadly. Investments in the Trust are subject to possible loss due to the financial failure of underlying securities and their inability to meet their debt obligations.

The Trust may invest in derivative securities, which may include futures and options. These types of instruments can increase price fluctuation.

The Trust may use leverage through the issuance of preferred shares with an aggregate liquidation preference of up to 331/3% of the Trust's total assets after such issuance. Leverage creates significant risks, including the risk that the Trust's income or capital appreciation will not be sufficient to cover the cost of leverage, which may adversely affect the return for the holders of common shares.

Q: What were the principal strategies used in managing the Trust during the six months?

A: We did not make any large changes to the Trust. We continued to focus on providing income with about a 55%/45% mix of municipal bonds and dividend-paying equity securities.

In the fixed-income portion of the Trust, we maintained our emphasis on sectors that are vital to the growth of the economy. These included health care/hospitals, energy, power and education. Less than 10% of the fixed-income securities were invested in below investment-grade bonds. At the end of the period, the average credit quality of the fixed-income holdings was AA.

In managing the equity portion of the Trust, we gravitate toward sectors that tend to pay the biggest dividends, and we select those equities that offer the most potential in terms of future dividend growth. Financials, utilities and telecommunications accounted for the three biggest sector weights. In addition to owning common equities, we balance our dividend income mandate by owning higher-yielding preferred stocks. We made some small changes in individual holdings. For example, we reduced our commitment to Consolidated Edison and Duke Energy because we felt there were better opportunities elsewhere. We eliminated our

position in Lance, a manufacturer of snack products, taking profits when it reached our target valuation. We added to our Bristol Myers Squibb position, which has paid a healthy dividend and which we believe has an underappreciated pipeline of new drugs that will be coming to market. We also added to Atmos Energy, a natural gas utility with several opportunities to further develop its non-regulated businesses.

Q: What contributed to performance?

A: Aided by a contraction in supply, most of the municipal bonds in the portfolio enhanced performance. While investor demand for municipal securities remained robust, supply declined as municipalities were reluctant to issue new higher-yielding debt in a rising interest-rate environment. This demand/supply dynamic helped boost the value of the municipal bonds in the portfolio.

Telecommunications companies were the biggest drivers of equity performance. We owned AT&T and BellSouth, and the Trust benefited from the announced and pending merger of these two companies. While we have trimmed the AT&T position, it remains our largest single equity holding. Our position in Citizen's Communications, a rural wire line telephone company, was a significant contributor because of its high dividend. Keyspan, a northeast natural gas and electric utility, rose on news of its pending acquisition by National Grid. Carolina Group, the tracking stock for Loews tobacco subsidiary, also helped boost return. In the financial sector, our Fannie Mae preferred positions contributed.

Q: What detracted from performance?

A: The performance in the municipal bond portion of the Trust was positive; however, higher quality securities modestly underperformed their lower quality counterparts. Because we maintain a high quality portfolio, we had a relatively small position (less than 10% of assets) in lower quality bonds.

Tupperware lost value because of a negative earnings forecast and concerns

about a recent acquisition. Uncertainty surrounding changes in top management led to poor stock performance at FirstMerit, a regional bank, and ServiceMaster, a consumer service provider better known for its TruGreen lawn care and Terminix pest control brands. Southern Co., a major electric utility, saw some moderate weakness in its stock price as well. All of these

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Pioneer Tax Advantaged Balanced Trust

PORTFOLIO MANAGEMENT DISCUSSION 5/31/06 (continued)

stocks remain in the portfolio, because we believe their long-term business prospects are attractive.

Q: What is your outlook?

A: We are encouraged by the resiliency of the economy in an environment of higher interest rates and oil prices, and we have a favorable outlook for both municipal bonds and dividend-paying stocks. We think the economy will continue to grow but at a more modest rate than in previous months. It appears that inflation is at a manageable level and the Federal Reserve may be at the end of its rate-raising cycle. The Trust is structured to take advantage of this type of environment, as both the municipal bond and equity portions are focused on sectors that support economic growth and that should do well when interest rates are more stable. As in the past, we will continue to seek relatively high levels of current income from fixed-income and dividend-producing preferred and common stocks, while maintaining our strong emphasis on quality.

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Pioneer Tax Advantaged Balanced Trust

SCHEDULE OF INVESTMENTS 5/31/06 (unaudited)

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		TAX EXEMPT OBLIGATIONS - 74.5% of Net Assets	
		Alabama - 2.0%	
$6,990,000	AAA/Aaa	Birmingham Waterworks & Sewer Revenue, 5.0%, 1/1/43	$ 7,085,553
1,500,000	NR/NR	Sylacauga Health Care Authority Revenue, 6.0%, 8/1/35	1,535,940
			$ 8,621,493
		Arizona - 1.0%	

1,000,000	BBB/Baa1	Maricopa County Hospital Revenue, 5.0%, 4/1/35	$ 993,580
1,000,000	NR/Baa3	Pima County Industrial Development Authority, 6.375%, 7/1/31	1,033,540
1,000,000	NR/Baa3	Pima County Industrial Development Authority, 6.75%, 7/1/31	1,041,690
1,000,000	NR/NR	Pima County Industrial Development Authority, 7.5%, 7/1/34	1,030,380
			$ 4,099,190
		California - 3.6%	
1,000,000	A-/A3	California Health Facilities Authority Revenue, 5.25%, 7/1/23	$ 1,036,250
4,000,000	BBB/Baa3	Golden State Tobacco Securitization Corp., 6.75%, 6/1/39	4,471,720
9,655,000(a)	NR/A3	Golden State Tobacco Securitization Corp., RIB, 7.742%, 6/1/45 (144A)	9,914,237
			$ 15,422,207
		Connecticut - 1.4%	
4,190,000	BBB-/Baa1	Connecticut State Development Authority Pollution Control Revenue, 5.85%, 9/1/28	$ 4,403,816
1,500,000	BB+/NR	Mohegan Tribe Indians Gaming Authority, 5.25%, 1/1/33 (144A)	1,505,040
			$ 5,908,856
		District of Columbia - 1.0%	
4,000,000	BBB/Baa3	District of Columbia Tobacco Settlement Financing Corp., 6.75%, 5/15/40	$ 4,298,680
		Florida - 3.2%	
5,000,000	A+/A2	Highlands County Health Facilities Authority Revenue, 6.0%, 11/15/25	$ 5,341,300
1,100,000	NR/NR	Madison County First Mortgage Revenue, 6.0%, 7/1/25	1,129,513

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Florida - (continued)	
$2,025,000	BB+/NR	Miami Beach Health Facilities Authority, 5.375%, 11/15/28	$ 2,019,715
500,000	BB+/Ba1	Miami Beach Health Facilities Authority, 6.7%, 11/15/19	547,935
3,970,000(a)	NR/Aaa	Tampa-Hillsborough County Expressway Authority Revenue, RIB, 8.591%, 7/1/23 (144A)	4,593,211

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
			$ 13,631,674
		Georgia - 5.1%	
5,000,000	AAA/Aaa	Burke County Development Authority Revenue, 4.75%, 5/1/34	$ 4,969,200
9,580,000(a)	NR/Aaa	Georgia Municipal Electric Authority Power Revenue, RIB, 7.988%, 1/1/20 (144A)	11,444,555
2,500,000	BBB/NR	Milledgeville-Baldwin County Development Authority Revenue, 5.5%, 9/1/24	2,597,675
2,500,000	BBB/NR	Milledgeville-Baldwin County Development Authority Revenue, 5.625%, 9/1/30	2,609,450
			$ 21,620,880
		Illinois - 4.1%	
3,000,000	AAA/Aaa	Chicago Illinois General Obligation, 5.0%, 1/1/28	$ 3,077,910
4,580,000	NR/Baa1	Illinois Development Finance Authority Revenue, 5.25%, 10/1/24	4,707,828
5,000,000	AA+/Aa1	Illinois Educational Facilities Authority Revenue, 5.0%, 12/1/38	5,093,900
2,000,000	AA+/Aa2	Illinois Finance Authority Revenue, 5.5%, 8/15/43	2,106,080
2,055,000(a)	NR/Aa2	Illinois Finance Authority Revenue, RIB, 10.357%, 8/15/43 (144A)	2,425,599
			$ 17,411,317
		Indiana - 1.0%	
4,135,000	BBB-/Ba1	Indiana State Development Finance Authority Revenue, 5.75%, 10/1/11	$ 4,271,455
		Louisiana - 2.1%	
8,335,000	BBB/Baa3	Tobacco Settlement Financing Corp., 5.875%, 5/15/39	$ 8,740,498

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Maryland - 1.3%	
$3,000,000	BBB-/Baa3	Frederick County Educational Facilities Revenue, 5.625%, 9/1/38	$ 3,120,600
2,500,000	A/A3	Maryland State Health & Higher Educational Facilities Authority Revenue, 5.125%, 7/1/34	2,542,900
			$ 5,663,500
		Massachusetts - 3.8%	
2,000,000	AA+/Aa1	Massachusetts Health & Educational Facilities	

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Authority Revenue, 5.0%, 7/1/33	$ 2,052,680
1,550,000	BBB-/Baa3	Massachusetts Health & Educational Facilities Authority Revenue, 5.25%, 7/15/18	1,538,112
1,600,000	BBB/NR	Massachusetts Health & Educational Facilities Authority Revenue, 5.45%, 11/15/23	1,630,768
2,120,000	BBB/Baa3	Massachusetts Health & Educational Facilities Authority Revenue, 5.625%, 7/1/20	2,165,304
900,000	BBB/Baa3	Massachusetts Health & Educational Facilities Authority Revenue, 6.25%, 7/1/22	961,101
2,750,000	BBB/Baa2	Massachusetts Health & Educational Facilities Authority Revenue, 6.625%, 7/1/32	2,975,803
500,000	BBB-/NR	Massachusetts State Development Finance Agency, 5.5%, 1/1/35	497,830
1,100,000	BBB/Baa2	Massachusetts State Development Finance Agency, 5.625%, 10/1/24	1,159,334
1,000,000	BBB/Baa2	Massachusetts State Development Finance Agency, 5.7%, 10/1/34	1,044,660
2,000,000+	AAA/Aaa	University of Massachusetts Building Authority Project Revenue, 5.25%, 11/1/29	2,179,480
			$ 16,205,072
		Michigan - 2.1%	
5,000,000	BB/NR	Macomb County Hospital Finance Authority Revenue, 5.875%, 11/15/34	$ 5,278,900
2,000,000	NR/NR	Michigan State Hospital Finance Authority Revenue, 5.25%, 11/15/25	2,022,880
1,000,000	NR/NR	Michigan State Hospital Finance Authority Revenue, 5.5%, 11/15/35	1,029,240
695,000	BB-/Ba2	Pontiac Hospital Finance Authority Revenue, 6.0%, 8/1/07	694,625
			$ 9,025,645

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Minnesota - 0.9%	
$2,000,000	A-/NR	Duluth Economic Development Authority Health Care Facilities Revenue, 5.25%, 2/15/28	$ 2,035,340
1,500,000	A-/NR	Duluth Economic Development Authority Health Care Facilities Revenue, 5.25%, 2/15/33	1,526,505
			$ 3,561,845
		Missouri - 0.4%	
1,720,000	AA/Aa3	Missouri State Health & Educational Authority Health Facilities Revenue, 5.25%, 8/15/28	$ 1,790,795

		Montana - 0.2%	
1,000,000	NR/A3	Montana Finance Authority Hospital Facilities Revenue, 5.0%, 6/1/24	$ 1,001,700
		Nebraska - 1.3%	
4,980,000(a)	NR/Aaa	Nebraska Public Power District Revenue, RIB, 8.58%, 1/1/41 (144A)	$ 5,407,284
		Nevada - 1.7%	
3,000,000	B-/NR	Clark County Industrial Development Revenue, 5.5%, 10/1/30	$ 2,955,060
1,500,000	A-/A3	Henderson Nevada Health Care Facilities Revenue, 5.625%, 7/1/24	1,579,470
2,500,000	BB/Ba1	Washoe County Water Facility Revenue, 5.0%, 3/1/36	2,514,450
			$ 7,048,980
		New Hampshire - 0.7%	
1,900,000	NR/NR	New Hampshire Business Finance Authority Revenue, 6.05%, 9/1/29 (144A)	$ 1,868,840
1,000,000	A+/A2	New Hampshire Health & Education Facilities Authority Revenue, 5.75%, 10/1/31	1,054,340
			$ 2,923,180
		New Jersey - 6.0%	
1,250,000	BBB/Baa3	Camden County Improvement Authority Revenue, 5.75%, 2/15/34	$ 1,310,563
5,920,000(a)	NR/Aaa	Garden State Preservation Trust, RIB, 10.94%, 11/1/22 (144A)	8,902,024
710,000	NR/NR	New Jersey Economic Development Authority Revenue, 5.75%, 1/1/25	722,950
1,230,000	NR/NR	New Jersey Economic Development Authority Revenue, 5.875%, 1/1/37	1,255,080

 The accompanying notes are an integral part of these financial statements.

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		New Jersey - (continued)	
$1,500,000	BB/Ba2	New Jersey Health Care Facilities Financing Authority Revenue, 5.125%, 7/1/14	$1,395,450
5,000,000	BBB/Baa1	New Jersey Health Care Facilities Financing Authority Revenue, 5.375%, 7/1/33	5,108,950
3,500,000	NR/NR	New Jersey Health Care Facilities Financing Authority Revenue, 7.25%, 7/1/27	3,584,000
3,000,000	BBB/Baa3	Tobacco Settlement Financing Corp., 6.25%, 6/1/43	3,246,780
			$ 25,525,797

		New Mexico - 0.6%	
1,000,000	AA/NR	Dona Ana County PILT Revenue, 5.25%, 12/1/25	$ 1,046,020
1,500,000	NR/A3	Farmington New Mexico Hospital Revenue, 5.0%, 6/1/23	1,511,415
			$ 2,557,435
		New York - 5.1%	
2,000,000	NR/NR	Dutchess County Industrial Development Agency Revenue, 7.5%, 3/1/29	$ 2,173,220
1,000,000	NR/Aa2	New York City Industrial Development Agency, 5.0%, 7/1/27	1,032,160
1,000,000	NR/Aa2	New York City Industrial Development Agency, 5.25%, 7/1/24	1,064,250
8,820,000(b)	AAA/Aa1	New York City Transitional Finance Authority Revenue, 0.0%, 11/1/29	7,101,158
5,000,000	AA-/A1	Port Authority of New York & New Jersey Revenue, 5.0%, 9/1/38	5,111,100
4,900,000	AAA/Aaa	Triborough Bridge & Tunnel Authority, 5.25%, 11/15/30	5,159,014
			$ 21,640,902
		North Carolina - 1.5%	
3,000,000	AA+/Aa1	North Carolina Capital Facilities Finance Agency Revenue, 5.125%, 7/1/42	$ 3,073,080
1,000,000	AA/Aa3	North Carolina Capital Facilities Finance Agency Student Revenue, 5.0%, 6/1/27	1,017,140
1,000,000	AA/Aa3	North Carolina Capital Facilities Finance Agency Student Revenue, 5.0%, 6/1/32	1,010,640
1,000,000	NR/NR	North Carolina Medical Care Commission Health Care Facilities Revenue, 5.0%, 11/1/23	1,004,190
			$ 6,105,050

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Ohio - 1.4%	
$2,000,000	B-/Caa2	Cleveland Airport Special Revenue, 5.7%, 12/1/19	$ 1,867,860
3,000,000	AAA/Aaa	Columbus City School District, 5.0%, 12/1/32	3,096,420
1,000,000	AAA/Aaa	Hamilton County Hospital Facilities Revenue, 5.125%, 5/15/28	1,036,650
			$ 6,000,930

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Oregon - 0.7%	
2,935,000	NR/Aaa	Oregon State Housing & Community Services Department Multi-Family Revenue, 6.0%, 7/1/31	$ 3,005,968
		Pennsylvania - 2.8%	
5,000,000	AAA/Aaa	Pennsylvania State Turnpike Commission Oil Franchise Tax Revenue, 5.0%, 12/1/31	$ 5,154,450
3,000,000	A-/NR	Sayre Health Care Facilities Authority Revenue, 5.875%, 12/1/31	3,184,110
280,000	B-/NR	Scranton-Lackawanna Health and Welfare Authority Hospital Revenue, 5.9%, 7/1/08	278,849
700,000	B-/NR	Scranton-Lackawanna Health and Welfare Authority Hospital Revenue, 6.0%, 7/1/09	697,242
460,000	B-/NR	Scranton-Lackawanna Health and Welfare Authority Hospital Revenue, 6.05%, 7/1/10	458,169
2,165,000	AA+/Aa1	Swarthmore Borough Authority College Revenue, 5.0%, 9/15/31	2,204,078
			$ 11,976,898
		Puerto Rico - 3.4%	
8,000,000	BBB+/Baa3	Puerto Rico Commonwealth Highway & Transportation Authority Revenue, 5.125%, 7/1/43	$ 8,054,400
5,000,000	BBB/Baa3	Puerto Rico Public Buildings Authority Revenue, 5.25%, 7/1/33	5,128,850
1,000,000	BBB-/Ba1	Puerto Rico Public Finance Corp., 5.75%, 8/1/27	1,065,960
			$ 14,249,210
		Rhode Island - 1.2%	
1,640,000	BBB/Baa3	Tobacco Settlement Financing Corp., 6.125%, 6/1/32	$ 1,725,952
3,100,000	BBB/Baa3	Tobacco Settlement Financing Corp., 6.25%, 6/1/42	3,246,444
			$ 4,972,396

 The accompanying notes are an integral part of these financial statements.

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		South Carolina - 4.1%	
$6,000,000	A-/A3	Berkeley County School District Installment Lease, 5.0%, 12/1/28	$ 6,029,820
5,000,000	AAA/Aaa	Florence County Hospital Revenue, 5.25%, 11/1/34	5,228,750
3,500,000	A/A2	Lexington County Health Services District,	

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Inc., Hospital Revenue, 5.5%, 11/1/32	3,624,705
2,500,000	A-/A3	South Carolina Jobs Economic Development Authority Revenue, 5.5%, 11/15/23	2,610,325
			$ 17,493,600
		Tennessee - 0.6%	
2,500,000	NR/Baa3	Knox County Health Educational & Housing Facilities Board Hospital Revenue, 6.5%, 4/15/31	$ 2,645,650
		Texas - 3.7%	
1,552,000	NR/Aaa	Houston Housing Financing Corp., 6.25%, 9/20/31	$ 1,651,266
2,885,000(a)	NR/Aaa	Houston Utility System Revenue, RIB, 9.535%, 5/15/24 (144A)	3,467,366
2,750,000	AAA/Aaa	Lower Colorado River Authority, 5.0%, 5/15/31	2,799,500
1,711,000	NR/Aaa	Panhandle Regional Housing Finance Corp., 6.6%, 7/20/31	1,857,718
3,000,000	BBB/Baa2	Richardson Hospital Authority, 6.0%, 12/1/34	3,191,700
1,000,000	BBB-/NR	Seguin Higher Education Facilities Corp. Revenue, 5.0%, 9/1/23	1,003,950
1,500,000	NR/Baa3	Texas State Student Housing Revenue, 6.5%, 9/1/34	1,614,525
			$ 15,586,025
		Vermont - 0.3%	
1,295,000	AA/Aa3	Vermont Educational & Health Buildings Financing Agency Revenue, 5.0%, 7/1/24	$ 1,322,571
		Virginia - 1.3%	
1,500,000	NR/A3	Prince William County Industrial Development Hospital Revenue, 5.2%, 10/1/26	$ 1,541,430
3,925,000	NR/A3	Prince William County Industrial Development Hospital Revenue, 5.35%, 10/1/36	4,062,885
			$ 5,604,315

Principal Amount	S&P/Moody's Ratings (unaudited)		Value
		Washington - 3.7%	
$8,000,000	AAA/Aaa	King County Washington Sewer Revenue, 5.0%, 1/1/35	$ 8,162,160
7,000,000	BBB/Baa3	Tobacco Settlement Authority Revenue, 6.625%, 6/1/32	7,631,750
			$ 15,793,910

		West Virginia - 0.3%	
1,000,000	A-/NR	Monongalia County Building Commission Hospital Revenue, 5.25%, 7/1/35	$ 1,015,470
		Wisconsin - 0.9%	
3,500,000	BBB+/NR	Wisconsin State Health & Educational Facilities Authority Revenue, 5.6%, 2/15/29	$ 3,623,480
		TOTAL TAX-EXEMPT OBLIGATIONS (Cost $303,934,564) (c)	$315,773,858

Shares		Value
	COMMON STOCKS - 34.0% of Net Assets	
	Materials - 0.4%	
	Diversified Chemicals - 0.4%	
94,000	Olin Corp.	$ 1,664,740
	Construction Materials - 0.0%	
3,950	Monarch Cement Co.	$ 114,550
	Steel - 0.0%	
200	Worthington Industries, Inc.	$ 3,406
	Total Materials	$ 1,782,696
	Consumer Durables & Apparel - 1.3%	
	Home Furnishings - 0.5%	
50,000	Bassett Furniture Industries, Inc.	$ 849,500
48,386	Kimball International, Inc.	725,790
33,700	Knape & Vogt Manufacturing Co.	633,223
		$ 2,208,513
	Housewares & Specialties - 0.8%	
166,444	Tupperware Corp.	$ 3,423,753
	Total Consumer Durables & Apparel	$ 5,632,266
	Consumer Services - 0.5%	
	Specialized Consumer Services - 0.5%	
200,227	ServiceMaster Co.	$ 2,162,452
	Total Consumer Services	$ 2,162,452
	Media - 1.0%	
	Movies & Entertainment - 1.0%	
206,487	Regal Entertainment Group	$ 3,999,653
	Total Media	$ 3,999,653

Shares		Value
	Food, Beverage & Tobacco - 4.4%	
	Tobacco - 4.4%	
76,000	Altria Group, Inc.	$ 5,498,600
172,872	Loews Corp. - Carolina Group	8,028,176
120,356	UST, Inc.	5,296,868
	Total Food, Beverage & Tobacco	$ 18,823,644
	Pharmaceuticals, Biotechnology & Life Sciences - 3.6%	
	Pharmaceuticals - 3.6%	
329,758	Bristol-Myers Squibb Co.	$ 8,095,559
216,536	Merck & Co., Inc.	7,208,483
	Total Pharmaceuticals, Biotechnology & Life Sciences	$ 15,304,042

Shares		Value
	Banks - 3.9%	
	Diversified Banks - 0.4%	
28,642	Wachovia Corp.	$ 1,532,347
	Regional Banks - 2.4%	
78,200	FirstMerit Corp.	$ 1,799,382
81,550	KeyCorp	2,912,966
90,000	National City Corp.	3,319,200
67,800	Regions Financial Corp.	2,295,030
		$ 10,326,578
	Thrifts & Mortgage Finance - 1.1%	
222,700	TrustCo Bank Corp., NY	$ 2,447,473
50,000	Washington Mutual, Inc.	2,295,500
		$ 4,742,973
	Total Banks	$ 16,601,898
	Diversified Financials - 0.5%	
	Other Diversified Financial Services - 0.5%	
42,500	Bank of America Corp.	$ 2,057,000
	Total Diversified Financials	$ 2,057,000
	Telecommunication Services - 5.6%	
	Integrated Telecommunication Services - 5.6%	
421,497	AT&T, Inc.	$ 10,984,212
182,750	BellSouth Corp.	6,171,468
529,946	Citizens Communications Co.	6,719,715

	Total Telecommunication Services	$ 23,875,395
	Utilities - 12.8%	
	Electric Utilities - 2.6%	
138,400	Empire District Electric Co.	$ 3,017,120
74,383	Great Plains Energy, Inc.	2,073,054
179,000	Southern Co.	5,722,630
		$ 10,812,804
	Gas Utilities - 2.2%	
343,128	Atmos Energy Corp.	$ 9,209,555
	Multi-Utilities - 8.0%	
137,135	Ameren Corp.	$ 6,786,811
100,000	Consolidated Edison, Inc.	4,410,000
26,367	Dominion Resources, Inc.,	1,913,717
285,753	Duke Energy Corp.	8,063,950
167,249	KeySpan Corp.	6,694,977

20 The accompanying notes are an integral part of these financial statements.

Pioneer Tax Advantaged Balanced Trust

Shares		Value
	Multi-Utilities - (continued)	
134,112	NSTAR	$ 3,709,538
64,000	PG&E Corp.	2,539,520
		$ 34,118,513
	Total Utilities	$ 54,140,872
	TOTAL COMMON STOCKS (Cost $136,376,504)	$144,379,918
	NON-CONVERTIBLE PREFERRED STOCKS - 29.2% of Net Assets	
	Energy - 1.1%	
	Oil & Gas Exploration & Production - 1.1%	
49,300	Apache Corp., Series B, 5.68%	$ 4,834,481
	Total Energy	$ 4,834,481
	Automobiles & Components - 0.1%	
	Automobile Manufacturers - 0.1%	
19,608	Ford Motor Co. Capital Trust II, 6.5%	$ 560,535
	Total Automobiles & Components	$ 560,535
	Banks - 9.3%	
	Diversified Banks - 3.4%	
94,000	Bank of America Corp., Series VI, 6.75%	$ 4,817,500
105,000	Bank One Capital VI, 7.2%	2,607,946
27,000	Fleet Capital Trust VII, 7.2%	672,259
200,000	Royal Bank of Scotland Group Plc,	

Shares		Value
	Series L, 5.75%	4,378,000
71,000	Wachovia Preferred Funding Corp., Series A, 7.25%	1,895,700
		$ 14,371,405
	Thrifts & Mortgage Finance - 5.9%	
21,500	Countrywide Capital IV, 6.75%	$ 513,158
201,000	Fannie Mae, Series L, 5.125%	8,492,250
114,000	Fannie Mae, Series M, 4.75%	4,485,900
100,000	Fannie Mae, Series N, 5.5%	4,440,000
57,000	Freddie Mac, 5.81%	2,793,000
39,000	Freddie Mac, Series F, 5.0%	1,540,500
58,000	Freddie Mac, Series K, 5.79%	2,784,000
		$ 25,048,808
	Total Banks	$ 39,420,213

The accompanying notes are an integral part of these financial statements. 21

Pioneer Tax Advantaged Balanced Trust

SCHEDULE OF INVESTMENTS 5/31/06 (continued)

Shares		Value
	Diversified Financials - 6.5%	
	Other Diversified Financial Services - 2.4%	
55,000	Citigroup Inc., Series G, 6.213%	$ 2,750,550
81,500	Citigroup Inc., Series M, 5.864%	3,940,525
150,000	JP Morgan Chase Capital Trust XVI, 6.35%	3,517,500
		$ 10,208,575
	Consumer Finance - 1.0%	
18,000	MBNA Capital, Series D, 8.125%	$ 461,310
70,000	SLM Holdings Corp., Series A, 6.97%	3,745,000
		$ 4,206,310
	Investment Banking & Brokerage - 3.1%	
57,000	Bear Stearns Companies, Inc., Series F, 5.72%	$ 2,650,500
40,000	Bear Stearns Companies, Inc., Series G, 5.49%	1,776,000
100,000	Lehman Brothers Holdings, Inc., 6.5%	2,528,000
19,000	Lehman Brothers Holdings, Inc., Series C, 5.94%	908,200
30,000	Lehman Brothers Holdings, Inc., Series D, 5.67%	1,410,000
65,000	Merrill Lynch Preferred Capital Trust IV, 7.12%	1,628,600
87,000	Merrill Lynch Preferred Capital Trust V, 7.28%	2,207,913
		$ 13,109,213
	Total Diversified Financials	$ 27,524,098
	Insurance - 4.4%	
	Life & Health Insurance - 0.9%	
159,000	Scottish Re Group Ltd., 7.25%	$ 3,967,050

Shares		Value
	Property & Casualty Insurance - 2.6%	
110,000	ACE, Ltd., Series C, 7.8%	$ 2,827,000
161,000	Berkley W.R. Capital Trust II, 6.75%	3,736,656
70,000	St. Paul Capital Trust I, 7.6%	1,746,866
109,000	XL Capital, Ltd., Series B, 7.625%	2,758,790
		$ 11,069,312
	Reinsurance - 0.9%	
170,500	RenaissanceRe Holdings, Ltd., Series C, 6.08%	$ 3,614,600
	Total Insurance	$ 18,650,962
	Real Estate - 3.9%	
	Real Estate Investment Trusts - 3.9%	
15,000	Brandywine Realty Trust, Series C, 7.5%	$ 372,750
34,500	Brandywine Realty Trust, Series D, 7.375%	857,325
27,000	Equity Office Properties Trust, Series G, 7.75%	676,890
92,000	Home Properties New York, Inc., Series F, 9.0%	2,359,800
40,000	Prologis Trust, Series G, 6.75%	958,000

 The accompanying notes are an integral part of these financial statements.

Shares		Value
	Real Estate Investment Trusts - (continued)	
128,000	PS Business Parks, Inc., Series H, 7.0%	$ 3,078,400
32,440	PS Business Parks, Inc., Series I, 6.875%	760,718
124,000	Public Storage, Inc., Series F, 6.45%	2,818,520
35,480	Public Storage, Inc., Series T, 7.625%	888,064
53,500	Regency Centers Corp., 6.7%	1,234,245
94,000	Regency Centers Corp., Series C, 7.45%	2,350,940
	Total Real Estate	$ 16,355,652
	Utilities - 3.9%	
	Electric Utilities - 3.0%	
98,000	Alabama Power Co., 5.3%	$ 2,281,567
113,000	Alabama Power Co., 5.83%	2,728,950
78,000	Interstate Power and Light Co., Series B, 8.375%	2,418,000
40,000	Mississippi Power Co., 5.25%	936,252
7,700	PPL Electric Utilities Corp., 4.5%	608,685
73,000	Southern California Edison Co., 4.32%	1,408,900
94,000	Virginia Power Capital Trust II, 7.375%	2,344,599
		$ 12,726,953
	Gas Utilities - 0.4%	
62,000	Southern Union Co., Series C, 7.55%	$ 1,605,800
	Multi-Utilities - 0.5%	
80,000	Energy East Capital Trust I, 8.25%	$ 2,003,320

Shares		Value
	Total Utilities	$ 16,336,073
	TOTAL NON-CONVERTIBLE PREFERRED STOCKS (Cost $132,594,204)	$123,682,014
	CONVERTIBLE PREFERRED STOCKS - 1.8% of Net Assets	
	Capital Goods - 0.5%	
	Aerospace & Defense - 0.5%	
15,000	Northrop Grumman Corp., 7.0%	$ 1,950,000
	Total Capital Goods	$ 1,950,000
	Diversified Financials - 1.3%	
	Other Diversified Financial Services - 1.3%	
161,000	Lazard, Ltd., 6.625%	$ 5,696,180
	Total Diversified Financials	$ 5,696,180
	TOTAL CONVERTIBLE PREFERRED STOCKS (Cost $5,971,340)	$ 7,646,180

Shares		Value
	TAX-EXEMPT MONEY MARKET MUTUAL FUND - 0.4% of Net Assets	
1,730,718	BlackRock Provident Institutional Municipal Fund	$ 1,730,718
	TOTAL TAX-EXEMPT MONEY MARKET MUTUAL FUND (Cost $1,730,718)	$ 1,730,718
	TOTAL INVESTMENTS IN SECURITIES - 139.9% (Cost $580,607,330)(d)	$ 593,212,688
	OTHER ASSETS AND LIABILITIES - 1.7%	$ 7,113,374
	PREFERRED SHARES AT REDEMPTION VALUE, INCLUDING DIVIDENDS PAYABLE - (41.6)%	$(176,427,525
	NET ASSETS APPLICABLE TO COMMON SHAREOWNERS - 100.0%	$ 423,898,537

(144A) Security is exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold normally to qualified institutional buyers in a transaction exempt from registration. At May 31, 2006, the value of these securities amounted $49,528,156, or 11.7% of total net assets.

NR Security not rated by S&P or Moody's.

+ Prerefunded bonds have been collateralized by U.S. Treasury securities which are held in escrow to pay interest and principal on the tax exempt issue and to retire the bonds in full at the earliest refunding date.

(a) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate at May 31, 2006.

(b) Debt obligation initially issued at one coupon which converts to a higher coupon at a specific date. The rate shown is the rate at period end.

(c) The concentration of tax-exempt investments by type of obligation/market sector is as follows:

Insured	25.6%
Revenue Bonds:	
Health Revenue	26.1
Tobacco Revenue	13.6
Development Revenue	9.0
Education Revenue	6.7
Transportation Revenue	5.6
Other	3.9
Housing Revenue	2.1
School District Revenue	1.9
Facilities Revenue	1.6
Pollution Control Revenue	1.4
Water Revenue	0.8
Student Loan Revenue	0.6
Airport Revenue	0.6
Gaming Revenue	0.5
	100.0%

 The accompanying notes are an integral part of these financial statements.

(d) At May 31, 2006, the net unrealized gain on investments based on cost for federal income tax purposes of $580,462,719 was as follows:

Aggregate gross unrealized gain for all investments in which there is an excess of value over tax cost	$27,839,981
Aggregate gross unrealized loss for all investments in which there is an excess of tax cost over value	(15,090,012)
Net unrealized gain	$12,749,969

For financial reporting purposes net unrealized gain on investments was $12,605,358 and cost of investments aggregated $580,607,330.

Portfolio Abbreviations
RIB Residual Interest Bonds

Purchases and sales of securities (excluding temporary cash investments) for the period ended May 31, 2006, aggregated $64,476,233 and $62,941,269, respectively.

The accompanying notes are an integral part of these financial statements.

Pioneer Tax Advantaged Balanced Trust

STATEMENT OF ASSETS AND LIABILITIES 5/31/06 (unaudited)

ASSETS:	
Investments in securities, at value (cost $580,607,330)	$593,212,688
Receivables -	
Dividends and interest	6,238,485
Unrealized appreciation on interest rate swaps	2,840,343
Prepaid expenses	12,580
Total assets	$602,304,096
LIABILITIES:	
Payables -	
Due to custodian	$ 1,570,833
Due to affiliate	306,537
Administration fee payable	32,313
Accrued expenses	68,351
Total liabilities	$ 1,978,034
PREFERRED SHARES AT REDEMPTION VALUE:	
$25,000 liquidation value per share applicable to 7,050 shares, including dividends payable of $177,525 from net investment income	$176,427,525
NET ASSETS APPLICABLE TO COMMON SHAREOWNERS:	
Paid-in capital	$408,360,057
Undistribution net investment income	678,931
Accumulated net realized loss on investments and interest rate swaps	(586,152)
Net unrealized gain on investments	12,605,358
Net unrealized gain on interest rate swaps	2,840,343
Net assets applicable to common shareowners	$423,898,537
NET ASSET VALUE PER SHARE:	
No par value, (unlimited number of shares authorized)	
Based on $423,898,537/28,706,981 common shares	$ 14.77

 The accompanying notes are an integral part of these financial statements.

Pioneer Tax Advantaged Balanced Trust

STATEMENT OF OPERATIONS (unaudited)

For the Six Months Ended 5/31/06

INVESTMENT INCOME:		
Dividends	$ 7,063,197	
Interest	9,348,827	
		$ 16,4
EXPENSES:		
Management fees	$ 1,811,275	
Administration fees and reimbursements	207,479	
Transfer agent fees and expenses	26,409	
Auction agent fees	232,233	
Custodian fees	16,482	
Registration fees	6,925	
Professional fees	38,144	
Printing expense	14,402	
Trustees' fees	7,249	
Pricing fees	8,611	
Insurance Fee	9,073	
Miscellaneous	7,344	
Total expenses		$ 2,3
Net investment income		$ 14,0
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND INTEREST RATE SWAPS:		
Net realized gain (loss) from:		
Investments	$ (714,215)	
Interest rate swaps	128,107	$ (5
Change in net unrealized gain from:		
Investments	$ 5,264,866	
Interest rate swaps	410,972	$ 5,6
Net gain on investments and interest rate swaps		$ 5,0
DIVIDENDS AND DISTRIBUTIONS TO PREFERRED SHAREOWNERS FROM:		
Net investment income	$ (3,213,016)	
Net realized gains	(571,728)	
Total distributions		$ (3,7
Net increase in net assets applicable to common shareowners resulting from operations		$ 15,3

The accompanying notes are an integral part of these financial statements. 27

Pioneer Tax Advantaged Balanced Trust

STATEMENTS OF CHANGES IN NET ASSETS

For the Six Months Ended 5/31/06 and the Year Ended 11/30/05

	Six Months Ended 5/31/06 (unaudited)	
FROM OPERATIONS:		
Net investment income	$ 14,026,398	$ 2
Net realized gain (loss) on investments and interest rate swaps	(586,108)	
Change in net unrealized gain on investments and interest rate swaps	5,675,838	(
Dividends and distributions to preferred shareowners from:		
Net investment income	(3,213,016)	(
Net realized gains	(571,728)	
Net increase in net assets applicable to common shareowners	$ 15,331,384	$ 2
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREOWNERS:		
Net investment income ($0.33 and $0.79 per share, respectively)	$ (9,593,873)	$ (2
Net realized capital gains ($0.08 and $0.00 per share, respectively)	(2,315,448)	
Total dividends to common shareowners	$ (11,909,321)	$ (2
Net increase in net assets applicable to common shareowners	$ 3,422,063	$
NET ASSETS APPLICABLE TO COMMON SHAREOWNERS:		
Beginning of period	420,476,474	41
End of period (including undistributed (distributions in excess of) net investment income of $678,931 and ($540,578), respectively)	$ 423,898,537	$ 42

 The accompanying notes are an integral part of these financial statements.

Pioneer Tax Advantaged Balanced Trust

FINANCIAL HIGHLIGHTS 5/31/06

	Six Months Ended 5/31/06 (unaudited)	Yea End 11/30
Per Common Share Operating Performance		
Net asset value, beginning of period	$ 14.65	$ 14

Increase (decrease) from investment operations:(a)		
Net investment income	$ 0.49	$ 0
Net realized and unrealized gain on investments and interest rate swaps	0.17	0
Dividends and distributions to preferred shareowners from:		
Net investment income	(0.11)	(0
Net realized gain	(0.02)	
Net increase from investment operations	$ 0.53	$ 0
Dividends and distributions to common shareowners from:		
Net investment income	(0.33)	(0
Net realized gains	(0.08)	
Capital charge with respect to issuance of:		
Common shares	-	
Preferred shares	-	
Net increase in net asset value	$ 0.12	$ 0
Net asset value, end of period(e)	$ 14.77	$ 14
Market value, end of period(e)	$ 12.38	$ 12
Total return(f)	5.01%	1
Ratios to average net assets of common shareowners		
Net expenses(g)	1.11%(h)	1
Net investment income before preferred share dividends(g)	6.55%(h)	6
Preferred share dividends	1.50%(h)	1
Net investment income available to common shareowners	5.05%(h)	5
Portfolio turnover	11%	
Net assets of common shareowners, end of period (in thousands)	$423,899	$420,
Preferred shares outstanding (in thousands)	$176,250	$176,
Asset coverage per preferred share, end of period	$85,153	$84,
Average market value per preferred share	$25,000	$25,
Liquidation value, including dividends payable, per preferred share	$25,025	$25,
Ratios to average net assets of common shareowners before reimbursement of organization expenses and expense reductions		
Net expenses(g)		
Net investment income before preferred share dividends(g)		
Preferred share dividends		
Net investment income available to common shareowners		

(a) The per common share data presented above is based upon the average common shares outstanding for the periods presented.

(b) Trust shares were first publicly offered on January 28, 2004.

(c) Net asset value immediately after the closing of the first public offering was $14.30.
(d) Amount is less than $0.01 per common share.
(e) Net asset value and market value are published in Barron's on Saturday, The Wall Street Journal on Monday and The New York Times on Monday and Saturday.
(f) Total investment return is calculated assuming a purchase of common shares at the current market value on the first day and a sale at the current market value on the last day of the periods reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment return does not reflect brokerage commissions. Total investment return less than a full period is not annualized. Past performance is not a guarantee of future results.
(g) Expense ratios do not reflect the effect of dividend payments to preferred shareowners.
(h) Annualized.

The information above represents the operating performance data for a share of common stock outstanding, total investment return, ratios to average net assets of common shareowners and other supplemental data for the periods indicated. This information has been determined based upon financial information provided in the financial statements and market value data for the Trust's common shares.

NOTES TO FINANCIAL STATEMENTS 5/31/06 (unaudited)

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1. Organization and Significant Accounting Policies
Pioneer Tax Advantaged Balanced Trust (the "Trust") was organized as a Delaware business trust on October 16, 2003. Prior to commencing operations on January 28, 2004, the Trust had no operations other than matters relating to its organization and registration as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended.

The Trust may invest in municipal securities with a broad range of maturities and credit ratings, including both investment grade and below investment grade municipal securities. By concentrating in municipal securities, the portfolio is more susceptible to adverse economic, political or regulatory developments than is a portfolio that invests more broadly. Investments in the Trust are subject to possible loss due to the financial failure of underlying securities and their inability to meet their debt obligations. The Trust may also invest in common stocks and preferred securities that pay tax-qualified dividends. In addition, the Trust may invest in other securities, including debt instruments, real estate investment trusts ("REITS") and equity securities, that generate income taxable at ordinary income rates, rather than long-term capital gain rates.

There can be no assurance as to the portion of the Trust's dividends that will be tax-exempt or tax-qualified.

A portion of income may be subject to state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax. When interest rates rise, the prices of fixed-income securities in the Trust will generally fall. Conversely, when interest rates fall the prices of fixed-income securities in the Trust will generally rise.

The Trust may invest in derivative securities, which may include futures and

options. These types of instruments can increase price fluctuation.

Information regarding the Trust's principal risks is contained in the Trust's original offering prospectus. Please refer to that document when considering the Trust's risks. At times, the Trust's investments may represent industries or industry sectors that are interrelated or have common risks, making it more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

The Trust's financial statements have been prepared in conformity with U.S. generally accepted accounting principles that require the management of the Trust to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of income, expenses and gains and losses on investments during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies followed by the Trust in preparation of its financial statements, which are consistent with those policies generally accepted in the investment company industry:

A. Security Valuation

Security transactions are recorded as of trade date. Debt securities are valued at prices supplied by independent pricing services, which consider such factors as Treasury spreads, yields, maturities and ratings. Valuations may be supplemented by dealers and other sources, as required. Equity securities are valued at the last sale price on the principal exchange where they are traded. The values of interest rate swaps are determined by obtaining dealer quotations. Securities for which market quotations are not readily available are valued at their fair values as determined by, or under the direction of, the Board of Trustees. The Trust may also use the fair value of a security, including a non U.S. security, when the closing market price on the principal exchange where the security is traded no longer accurately reflects the value of the security as of the close of the exchange. As of May 31, 2006, there were no securities fair valued. Temporary cash investments are valued at amortized cost.

Dividend income is recorded on the ex-dividend date, except that certain dividends from foreign securities where the ex-dividend date may have passed are recorded as soon as the Trust becomes aware of the ex-dividend data in the exercise of reasonable diligence. Discount and premium on debt securities are accreted or amortized, respectively, daily, on an effective yield to maturity basis and are included in interest income. Interest income, including income on interest bearing cash accounts, is recorded on an accrual basis.

Gains and losses on sales of investments are calculated on the identified cost method for both financial reporting and federal income tax purposes.

B. Federal Income Taxes

It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income and net realized capital gains, if any, to its shareowners. Therefore, no federal income tax provision is required.

The amounts and characterizations of distributions to shareowners for financial reporting purposes are determined in accordance with federal income tax rules. Therefore, the source of the Trust's distributions may be shown in the accompanying financial statements as either from or in excess of net investment income or net realized gain on investment transactions, or from paid-in capital, depending on the type of book/tax differences that may exist.

The tax character of current year distributions paid to common and preferred shareowners will be determined at the end of the fiscal year. Distributions during the year ended November 30, 2005 were as follows:

	2005
Distributions paid from:	
Tax-Exempt income	$15,382,197
Ordinary income	12,667,945
Long-term capital gain	37,697
	$28,087,839

The following shows the components of distributable earnings on a federal income tax basis at November 30, 2005.

	2005
Undistributed tax-exempt income	$ 486,802
Undistributed ordinary income	383,388
Undistributed long term gain	2,924,829
Dividends payable	(1,661,895)
Unrealized appreciation	9,983,293
Total	$12,116,417

The difference between book basis and tax basis unrealized appreciation is primarily attributable to the difference between book and tax amortization methods for premiums and discounts on fixed income securities.

C. Automatic Dividend Reinvestment Plan

All common shareowners automatically participate in the Automatic Dividend Reinvestment Plan (the "Plan"), under which participants receive all dividends and capital gain distributions (collectively, "dividends") in full and fractional common shares of the Trust in lieu of cash. Shareowners may elect not to participate in the Plan. Shareowners not participating in the Plan receive all dividends and capital gain distributions in cash. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notifying Mellon Investor Services LLC, the agent for shareowners in administering the Plan (the "Plan Agent"), in writing prior to any dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution.

Whenever the Trust declares a dividend on common shares payable in cash, participants in the Plan will receive the equivalent in common shares acquired by the Plan Agent either (i) through receipt of additional unissued but authorized common shares from the Trust or (ii) by purchase of outstanding common shares on the New York Stock Exchange or elsewhere. If, on the payment date for any dividend, the net asset value per common share is equal to or less than the market price per share plus estimated brokerage trading fees ("market premium"), the Plan Agent will invest the dividend amount in newly issued common shares. The number of newly issued common shares to be credited to each account will be determined by dividing the dollar amount of the dividend by the net asset value per common share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance does not exceed 5%. If, on the payment date for any dividend, the net asset value per common share is greater than the market value ("market discount"), the Plan Agent will invest the dividend amount in common shares acquired in open-market purchases. There are no brokerage charges with respect to newly issued common shares. However, each participant will pay a pro rata share of brokerage trading fees

incurred with respect to the Plan Agent's open-market purchases. Participating in the Plan does not relieve shareowners from any federal, state or local taxes which may be due on dividends paid in any taxable year. Shareowners holding Plan shares in a brokerage account may not be able to transfer the shares to another broker and continue to participate in the Plan.

2. Management Agreement

Pioneer Investment Management, Inc. ("PIM"), a wholly owned indirect subsidiary of Unicredito Italiano S.p.A. ("Unicredito Italiano") manages the Trust's

portfolio. Management fees are calculated daily at the annual rate of 0.60% of the Trust's average daily managed assets. "Managed assets" is the average daily value of the Trust's total assets minus the sum of the Trust's liabilities, which liabilities exclude debt related to leverage, short-term debt and the aggregate liquidation preference of any outstanding preferred shares. At May 31, 2006, $306,537 was payable to PIM related to management fees.

In addition, under PIM's management and administration agreements, certain other services and costs are paid by PIM and reimbursed by the Trust. For the six months ended, the Trust recorded $17,189 in reimbursements, which is included in "Administration fees and reimbursement" on the Statement of Operations.

The Trust has retained Princeton Administrators, L.P., ("Princeton") to provide certain administrative services to the Trust on its behalf. The Trust pays Princeton a monthly fee at an annual rate of 0.07% of the average daily value of the Trust's managed assets up to $500 million and 0.03% for average daily managed assets in excess of $500 million, subject to a minimum monthly fee of $10,000.

Also, PIM has agreed for the first three years of the Trust's investment operations to limit the Trust's total annual expenses [excluding offering costs for common and preferred shares, interest expense, the cost of defending or prosecuting any claim or litigation to which the Trust is a party (together with any amount in judgment or settlement), indemnification expenses or taxes incurred due to the failure of the Trust to qualify as a regulated investment company under the Code or any other non-recurring or non-operating expenses] to 0.80% of the Trust's average daily managed assets. The dividend on any preferred shares is not an expense for this purpose. For the six months

ended, May 31, 2006, the Trust's expenses were not reduced under such arrangements.

3. Transfer Agents

Pioneer Investment Management Shareholder Services, Inc. ("PIMSS"), a wholly owned indirect subsidiary of UniCredito Italiano, through a sub-transfer agency agreement with Mellon Investor Services LLC, provides substantially all transfer agent and shareowner services related to the Trust's common shares at negotiated rates. Deutsche Bank Trust Company Americas is the transfer agent, registrar, dividend paying agent and redemption agent with respect to the Trust's Auction Market Preferred Shares ("AMPS"). The Trust pays Deutsche Bank Trust Company Americas an annual fee, as is agreed to from time to time by the Trust and Deutsche Bank Trust Company Americas, for providing such services.

4. Interest Rate Swaps

The Trust may enter into interest rate swap transactions to attempt to protect itself from increasing dividend or interest expense on its leverage resulting from increasing short-term interest rates. The cost of leverage may rise with an increase in interest rates, generally having the effect of lower yields and potentially lower dividends to common shareowners. Interest rate swaps can be used to "lock in" the cost of leverage and reduce the negative impact that rising short-term interest rates would have on the Trust's leveraging costs.

An interest rate swap is an agreement between two parties, which involves exchanging a floating rate and fixed rate interest payments for a specified period of time. Interest rate swaps involve the accrual of the net interest payments between the parties on a daily basis, with the net amount recorded within the unrealized appreciation/depreciation of interest rate swaps on the Statement of Assets and Liabilities. Once the interim payments are settled in cash, at the pre-determined dates specified in the agreement, the net amount is recorded as realized gain or loss from interest rate swaps on the Statement of Operations. During the term of the swap, changes in the value of the swap are recognized as unrealized gains and losses by "marking-to market" the market value of the swap based on values obtained from dealer quotations. When the swap is terminated, the Trust will record a realized gain or loss equal to the difference, if any, between the proceeds from (or cost of) closing the contract and the

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cost basis of the contract. The Trust is exposed to credit risk in the event of non-performance by the other party to the interest rate swap. However, at May 31, 2006 the Trust does not anticipate non-performance by any counterparty. Risk may also arise with regard to market movements in the value of the swap arrangement that do not exactly offset the changes in the related dividend requirement or interest expense on the Trust's leverage.

Under the terms of the agreement entered into by the Trust, the Trust receives a floating rate of interest and pays a fixed rate of interest for the term. Details of the swap agreement outstanding as of May 31, 2006 were as follows:

Counterparty	Termination Date	Notional Amount (000)	Fixed Rate	Floating Rate	Unrealized Appreciation
UBS AG	Sept. 1, 2009	$106,000	2.855%	1 month BMA	$2,840,343

5. Trust Shares

There are an unlimited number of common shares of beneficial interest authorized. Of the 28,706,981 common shares of beneficial interest outstanding at May 31, 2006, PIM owned 6,981 shares.

During the six months ended May 31, 2006 and the year ended November 30, 2005, there were no share transactions by the Trust. All reinvested distributions were satisfied with previously issued shares purchased in the open market and by the Plan Agent and credited to shareowner accounts.

The Trust may classify and reclassify any unissued common shares of beneficial interest into one or more series of preferred shares of beneficial interest. As of May 31, 2006, there were 7,050 AMPS as follows: Series T7-2,350, Series F7-2,350 and Series TH28-2,350.

Dividends on Series T7 and Series F7 are cumulative at a rate which is reset every seven days based on the results of an auction. Dividends on Series TH28

are also cumulative at a rate reset every 28 days based on the results of an auction. Dividend rates ranged from 3.75% to 4.50% during the six months ended May 31, 2006.

The Trust may not declare dividends or make other distributions on its common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred shares would be less than 200%.

The AMPS are redeemable at the option of the Trust, in whole or in part, on any dividend payment date at $25,000 per share plus any accumulated or unpaid dividends, whether or not declared. The AMPS are also subject to mandatory redemption at $25,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Trust as set forth in the Agreement and Declaration of Trust are not satisfied.

The holders of AMPS have voting rights equal to the holders of the Trust's common shares (one vote per share) and will vote together with holders of the common shares as a single class. However, holders of AMPS are also entitled to elect two of the Trust's Trustees. In addition, the Investment Company Act of 1940, as amended, requires that along with approval by shareowners that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares and (b) take any action requiring a vote of security holders, including, among other things, changes in the Trust's subclassification as a closed-end investment company or changes in its fundamental investment restrictions.

6. Subsequent Events

Subsequent to May 31, 2006, the Board of Trustees of the Trust declared a dividend from undistributed net investment income of $0.0557 per common share payable June 30, 2006, to common shareowners of record on June 15, 2006.

For the period June 1, 2006 to June 30, 2006, dividends and distributions declared on preferred shares totaled $687,3994%">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 o

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 shareholders 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.

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. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. In addition, the presence of hazardous 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 customers operations, the existing condition of land upon acquisition, operations in the vicinity of our properties, such as the presence of 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 our shareholders investments.

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 shareholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our shareholders, 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.

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 our shareholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

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We may be unable to sell a property if or when we decide to do so.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our shareholders 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.

If a sale and leaseback transaction is recharacterized, our financial condition could be adversely affected.

We may enter into sale and leaseback transactions, where we would purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a customer, a transaction structured as a sale and leaseback may be recharacterized as either a financing or a joint venture, either of which outcomes could adversely affect our business.

If the sale and leaseback was recharacterized as a financing, we might not be considered the owner of the property, and as a result we would have the status of a creditor in relation to the customer. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the customer for the amounts owed under the lease, with the claim arguably secured by the property. The customer/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing our lien on the property. These outcomes could adversely affect our cash flow and the amount available for distributions to our shareholders.

If the sale and leaseback were recharacterized as a joint venture, we and our customer could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the customer relating to the property. The imposition of liability on us could adversely affect our cash flow and the amount available for distributions to our shareholders.

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

Of our customers 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 customer 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 shareholders. We may have highly leveraged customers in the future.

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 our shareholders. 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 shareholders and, therefore, may have an adverse impact on the value of our shares, relative to the value that would result if the lock-out provisions did not exist.

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RISKS ASSOCIATED WITH OUR PARTNERSHIP S PRIVATE PLACEMENT

Our partnership s private placement subjects us to liabilities.

Affiliates of our advisor have developed certain transaction structures that are designed to provide investors that own real property, either directly or indirectly through a limited liability company or a limited partnership, with the opportunity to receive limited partnership units in our partnership in exchange for their direct or indirect interests in such real property on a tax-deferred basis. These transactions depend on the interpretation of, and compliance with, extremely technical tax laws and regulations. As the general partner of our partnership, we may be subject to liability, from litigation or otherwise, as a result of these transactions, including in the event an investor in these transactions fails to qualify for the desired tax advantage.

We have and may continue to acquire co-ownership interests in real property that are subject to certain co-ownership agreements which may affect our ability to operate or dispose of the property or our co-ownership interest.

We have and may continue to acquire co-ownership interests, especially in connection with our partnership s private placement, such as tenancy-in-common interests in real property, that are subject to certain co-ownership agreements. The co-ownership agreements may limit our ability to encumber, lease, or dispose or our co-ownership interest. Such agreements could affect our ability to turn our investments into cash and could affect cash available for distributions to our shareholders. The co-ownership agreements could also impair our ability to take actions that would otherwise be in the best interest of our shareholders and, therefore, may have an adverse impact on the value of our shares, relative to the value that would result if the co-ownership agreements did not exist.

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 federal income tax purposes commencing with our taxable year ending December 31, 2003. Although we do not intend to request a ruling from the Internal Revenue Service as to our REIT status, we have received the opinion of our special tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP, with respect to our qualification as a REIT. This opinion was issued in connection with our fourth public offering. Investors should be aware, however, that opinions of counsel are not binding on the Internal Revenue Service 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 Internal Revenue 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 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.

If we 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 distributions paid to our shareholders 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 entitled to 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 shareholders because of the additional tax liability to us for the years involved. As a result of the additional tax liability, we

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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 Internal Revenue 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 shareholders at least 90% of our REIT taxable income, determined without regard to the deduction for distributions 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 would 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. These requirements could cause us to distribute amounts that otherwise would be spent on acquisitions or development of properties and it is possible that we might be required to borrow funds or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid corporate income taxation on the earnings that we distribute, it is possible that we might not always be able to do so.

Legislative or regulatory action could adversely affect our shareholders.

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 to continue to occur in the future, and we cannot assure our shareholders that any such changes will not adversely affect the taxation of a shareholder. Any such changes could have an adverse effect on an investment in our common stock. Our shareholders are urged to consult with their 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.

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

The Internal Revenue Service could recharacterize transactions under our partnership s private placement such that our 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 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 shareholders will be adversely affected.

Our shareholders may have current tax liability on distributions they elect to reinvest in our common stock.

If our shareholders participate in our distribution reinvestment plan, they will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, our shareholders may have to use funds from other sources to pay their tax liability on the value of the common stock received.

In certain circumstances, we may be subject to federal and state income taxes as a REIT, which would reduce our cash available for distribution to our shareholders.

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 shareholders 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 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 taxable REIT subsidiary we utilize to hold fractional tenancy-in-common 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 our shareholders.

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, rendered its opinion upon commencement of our fourth public 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, shareholder 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 our fourth public offering, is not binding on the Internal Revenue Service, 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.

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

Our partnership is organized as a partnership for federal income tax purposes. Even though our 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 partnership should not be classified as a publicly traded partnership because interests in our partnership are not traded on an established securities market, and our 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 Internal Revenue Service would not assert that our partnership constitutes a publicly traded partnership, or that facts and circumstances will not develop which could result in our partnership being treated as a publicly traded partnership. If the Internal Revenue Service were to assert successfully that our partnership is a publicly traded partnership, and substantially all of our partnership s gross income did not consist of the specified types of passive income, our 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 partnership would reduce the amount of cash available for distribution to our shareholders.

Foreign investors may be subject to Foreign Investment Real Property Tax Act (FIRPTA) tax on sale of common shares if we are unable to qualify as a domestically controlled REIT.

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, 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 REIT. A domestically controlled REIT is 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

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non-U.S. holders. We cannot assure our shareholders that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, gain realized by a foreign investor on a sale of our common stock would be subject to FIRPTA tax unless our common stock was traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 5% of the value of our outstanding common stock.

RETIREMENT PLAN RISKS

There are special considerations that apply to pension or profit sharing trusts or IRAs investing in common stock.

If shareholders are investing the assets of an IRA, pension, profit sharing, 401(k), Keogh or other qualified retirement plan, they should satisfy themselves that:

- They have analyzed to their satisfaction the question of whether their investment will not produce unrelated business taxable income for the plan or IRA;

- Their investment is consistent with their fiduciary obligations under ERISA and the Internal Revenue Code;

- Their investment is made in accordance with the documents and instruments governing your plan or IRA, including their plan s investment policy;

- Their investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;

- Their investment will not impair the liquidity of the plan or IRA;

- Their investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code; and

- They will be able to value the assets of the plan annually in accordance with ERISA requirements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Consistent with our investment strategy previously outlined (See Item 1. Business), as of December 31, 2005, we have assembled a portfolio of industrial real estate consisting of 264 operating properties and we have entered into joint ventures to develop an additional three properties. Our operating properties are located in 23 distribution markets throughout the United States and have a combined total gross leasable space of 40.3 million square feet. As of December 31, 2005, our properties were subject to mortgage debt which has an aggregate carrying value of approximately $642.2 million (see Note 5 Debt to the consolidated financial statements). The following series of tables illustrates the makeup of our properties in terms of: 1) target market presence and geographic diversification; 2) property types; 3) lease expirations; and 4) customer diversification.

Target Market Presence and Geographic Diversification

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 (1)	Gross Leasable Area (Sq. Ft.)	Occupancy (2)	Number of Buildings	Historical Cost (1)	Gross Leasable Area (Sq. Ft.)	Occupancy (2)
Target Markets:								
Atlanta	48	$ 263,604	5,981,602	88.5%	18	$ 147,660	3,946,931	82.8%
Baltimore	10	97,422	1,306,568	91.2%				
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%
Harrisburg/Lehigh Valley	5	45,852	895,157	100.0%				
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%
Los Angeles Basin	11	85,602	1,169,498	76.5%	4	32,744	444,066	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%				
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%
San Francisco Bay Area	5	36,337	474,636	92.4%	5	35,371	474,636	100.0%
Seattle	8	88,214	1,198,617	100.0%				
Non-Target Market:								
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
Grand Total	265	$ 1,994,925	40,826,734	93.1%	106	$ 754,064	17,182,086	91.6%

(1) Represents historical undepreciated costs pursuant to U.S. generally accepted accounting principles (GAAP) as of the period indicated including acquisition fees paid to our advisor. Acquisition fees paid to our 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 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 customer. The total percentage of 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.

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See Note 18 Segment Information to the consolidated financial statements for detailed market segment information including rental revenues, property net operating income and total assets by market segment.

Property Types

The following table reflects our portfolio by property type, in terms of cost and square footage, as of December 31, 2005 and 2004, respectively (dollar amounts are in thousands).

	As of December 31,							
	2005				2004			
	Historical Cost (1)		Gross Leasable Area (Sq. Ft.)		Historical Cost (1)		Gross Leasable Area (Sq. Ft.)	
Bulk Distribution	$ 1,522,694	77.0%	34,389,095	85.3%	$ 600,166	79.6%	15,094,935	87.8%
Light Industrial	296,843	15.0%	4,285,699	10.6%	132,241	17.5%	1,768,507	10.3%
Service Center	158,938	8.0%	1,632,549	4.1%	21,657	2.9%	318,644	1.9%
Total	$ 1,978,475	100.0%	40,307,343	100.0%	$ 754,064	100.0%	17,182,086	100.0%

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

Lease Expirations

Our industrial properties are typically net leased to corporate customers for terms typically ranging from three to ten years with a weighted average remaining term of 4.3 years as of December 31, 2005. A net lease is a lease whereby the customer 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 by square feet and by annual minimum rents (dollar amounts are in thousands):

Year	Square Feet Expiring	Percent of Portfolio	Annual Minimum Rents of Expiring Leases(2)	Percent of Portfolio
2006(1)	5,446,726	13.5%	$ 21,435	13.8%
2007	4,322,013	10.7%	19,002	12.2%
2008	6,898,922	17.1%	26,550	17.1%
2009	3,716,845	9.2%	16,302	10.5%
2010	5,555,061	13.8%	20,883	13.4%
Thereafter	11,584,301	28.8%	51,285	33.0%
Total	37,523,868	93.1%	$ 155,457	100.0%

(1) Excludes 69,061 square feet and $120,228 of rental payments associated with a master lease with a seller whereby the seller is obligated to pay monthly rent until the earlier of the expiration of the master lease agreement or commencement of rent from a new customer. Under GAAP, rental payments under a master lease agreement are reflected as a reduction of the basis of the underlying

property rather than revenues.

(2) These amounts represent the minimum rents due under non-cancelable leases for the last month of the lease multiplied by 12 months but excluding amounts paid by customers for the reimbursement of operating expenses.

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Customer Diversification

As of December 31, 2005, there were no customers that occupied more than five percent of our total portfolio based on gross leasable square feet. The following table describes our ten largest customers based on square footage occupied (dollars are in thousands).

Customer	No. Leases	Market	2006 Scheduled Rents	Square Feet Occupied	% of Portfolio	Lease Expiration
Technicolor Videocassette, Inc.	2	Memphis	$ 2,345	806,000	2.15%	09/30/2014
			770	648,750	1.73%	05/31/2006
Bridgestone/Firestone	1	Nashville	2,425	987,873	2.63%	05/31/2013
Whirlpool Corporation	1	Indianapolis	2,253	804,586	2.14%	12/31/2008
Exel, Inc.	5	Cincinnati, Columbus, Orlando, Atlanta	83	26,250	0.07%	03/31/2007
			451	200,352	0.53%	09/20/2008
			13	33,600	0.09%	02/28/2006
			1,425	500,000	1.33%	12/31/2008
			389	108,394	0.29%	01/31/2008
International Truck and Engine	2	Dallas, Atlanta	996	352,170	0.94%	02/28/2013
			1,112	360,000	0.96%	12/31/2015
United Parcel Service (UPS)	2	Cincinnati, Memphis	2,138	710,400	1.89%	12/01/2013
			74	52,500	0.14%	04/30/2006
United Stationers Supply Co.	1	Memphis	2,077	654,080	1.74%	06/30/2010
APL Logistics	2	Nashville	1,294	325,000	0.87%	12/31/2008
			63	225,500	0.60%	01/14/2006
Binney & Smith, Inc.	1	Harrisburg	1,934	550,000	1.47%	04/20/2013
The Clorox Sales Company	1	Dallas	1,639	540,000	1.44%	02/28/2015
Total ten largest customers leases	18		$ 21,481	7,885,455	21.01%	
All other customers leases	614		$ 122,279	29,638,413	78.99%	
Total portfolio	632		$ 143,760	37,523,868	100.0%	

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be party to a variety of legal proceedings arising in the ordinary course of our business. We are not a party to any material litigation or legal proceedings, or to the best of our knowledge, any threatened litigation or legal proceedings which, in the opinion of management, individually or in the aggregate, would have a material adverse effect on our results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT S EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

There is no established public trading market for our common stock. Our fourth and most recent public offering provided for the sale of our common stock at a price per share of $10.50. On January 23, 2006, we closed the primary offering component of this offering of common stock. Although we closed the primary offering for the foreseeable future, we have retained the right to recommence the primary offering at any time during the effectiveness of our public offering. In addition, we will continue to offer shares of our common stock through our distribution reinvestment plan. As of March 7, 2006, there were approximately 36,000 shareholders of record.

In order for NASD members and their associated persons to have participated in the offering and sale of shares of common stock pursuant to our public offering or to participate in any future offering of our shares, we are required pursuant to NASD Rule 2710(c)(6) to disclose in each annual report distributed to shareholders a per share estimated value of the shares, the method by which it was developed and the date of the data used to develop the estimated value. In addition, our advisor must prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares. For these purposes, the estimated value of the shares was deemed to be $10.50 per share as of December 31, 2005. The basis for this valuation is the fact that, as of December 31, 2005, we were conducting our fourth public offering of our shares at the price of $10.50 per share to third-party investors through arms-length transactions and we continued to offer shares in this offering at that price through January 23, 2006, the date on which we closed the primary component of the offering. However, there is no significant public trading market for the shares at this time, and there can be no assurance that shareholders could receive $10.50 per share if such a market did exist and they sold their shares or that they will be able to receive such amount for their shares in the future. Moreover, we have not performed an appraisal of our properties; as such, this valuation is not necessarily based upon the appraised value of our properties, nor does it necessarily represent the amount shareholders would receive if our properties were sold and the proceeds distributed to our shareholders in a liquidation, which amount may be less than $10.50 per share, because at the time we were purchasing our properties, the amount of funds available for investment in properties was reduced by selling commissions and dealer manager fees, organization and offering costs and acquisition and advisory fees and expenses, as described in more detail in the notes to our consolidated financial statements included in this report. As a result, it would be expected that, in the absence of other factors affecting property values, our aggregate net asset value may be less than the proceeds of our offerings and may not be the best indicator of the value of shares purchased as a long term income producing investment. In addition, we may conduct additional public offerings of our common stock. Prior to providing a liquidity event for our shareholders, our board of directors will determine the public offering price of our shares of common stock for future public offerings, which may or may not be the same as the public offering price of our past and current public offerings.

Distribution Reinvestment Plan

We maintain a distribution reinvestment plan for our investors to help facilitate investments in our shares. Our distribution reinvestment plan, subject to certain share ownership restrictions, allows investors to automatically reinvest regular distributions by purchasing additional shares from us at a discount purchase price equal to the current or most recent offering price of our common stock less a five percent (5%) discount. Until there is more than a de minimus amount of trading in our common stock, the fair market value of our common stock purchased from us under the distribution reinvestment plan will be the same as the price of a share in the current or most recent offering. As of the date of this filing, the purchase price, as determined using the most recent offering price, was $10.50 and therefore participants of the distribution reinvestment plan are able to purchase shares at $9.975 per share.

Our board of directors may by majority vote (including a majority of our independent directors) amend or terminate the distribution reinvestment plan for any reason upon 10 days written notice to plan participants.

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Share Redemption Program

We have also established a share redemption program that provides investors with limited interim liquidity. As long as our common stock is not listed on a national securities exchange or traded on an over-the-counter market, shareholders of Dividend Capital Trust or limited partner unit holders of our partnership who have held their shares or units for at least one year may be able to redeem all or any portion of their shares or units in accordance with the procedures outlined in the prospectus relating to the shares or units they purchased. At that time, we may, subject to certain conditions and limitations, redeem the shares or units presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption. The amount received by investors from the redemption of shares or units will be equal to the lesser of the price actually paid for the shares or units or the redemption price, which is dependent on the number of years the shares or units are held. For shares purchased in our fourth public offering and for units obtained through our partnership s private placement, the redemption price is as described in the following table.

Share Purchase Anniversary	Redemption Price as a Percentage of Purchase Price (1)
Less than 1	No Redemption Allowed
1	92.5%
2	95.0%
3	97.5%
4	100.0%

(1) This plan is subject to change at the discretion of our board of directors and in no event will the redemption price exceed the then current offering price of our common stock (excluding sales from our distribution reinvestment plan).

We expect to continue to fund the redemption of our shares or units pursuant to our share redemption program with proceeds received from the sale of shares pursuant to our distribution reinvestment plan. The table below sets forth information regarding our redemption of common stock from our shareholders for the quarter ended December 31, 2005.

Period	Total Number of Shares Repurchased (1)	Average Price per Share
October 2005	13,938	$ 9.34
November 2005	2,500	10.00
December 2005	415,323	9.48
Total	431,761	$ 9.48

(1) These shares were redeemed pursuant to our share redemption program.

During any calendar year we presently intend to limit the number of shares redeemed pursuant to our share redemption program to the lesser of: (1) three percent (3.0%) of the weighted average number of shares outstanding during the prior calendar year and (2) that number of shares we can redeem with the proceeds we receive from the sale of shares under our distribution reinvestment plan. In either case, the aggregate amount of redemptions under our share redemption program is not expected to exceed aggregate proceeds received from the sale of shares pursuant to our distribution reinvestment plan. The board of directors, in its sole discretion, may choose to use other sources of funds to redeem shares.

Distributions

We qualified as a REIT for federal tax purposes commencing with our taxable year ending December 31, 2003. In order to qualify and remain qualified as a REIT, among other things, we are required to distribute at least 90% of our annual taxable income to our shareholders.

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Our board of directors declares the following quarter s annualized distribution before the first day of the quarter. We will calculate our distributions based upon daily record and distribution declaration dates so investors will be eligible to earn distributions immediately upon purchasing their investment. We intend to declare and pay distributions on a quarterly basis. The following table sets forth the distributions that have been paid and/or declared to date by our board of directors.

Quarter	Amount Declared per Share/Unit (1)	Annualized Amount Per Share/Unit (1)	Date Paid
2nd Quarter 2003	$ 0.1558	$ 0.625	July 15, 2003
3rd Quarter 2003	$ 0.1575	$ 0.625	October 15, 2003
4th Quarter 2003	$ 0.1575	$ 0.625	January 15, 2004
1st Quarter 2004	$ 0.1591	$ 0.640	April 15, 2004
2nd Quarter 2004	$ 0.1591	$ 0.640	July 15, 2004
3rd Quarter 2004	$ 0.1609	$ 0.640	October 15, 2004
4th Quarter 2004	$ 0.1609	$ 0.640	January 18, 2005
1st Quarter 2005	$ 0.1578	$ 0.640	April 15, 2005
2nd Quarter 2005	$ 0.1596	$ 0.640	July 15, 2005
3rd Quarter 2005	$ 0.1613	$ 0.640	October 17, 2005
4th Quarter 2005	$ 0.1613	$ 0.640	January 17, 2006
1st Quarter 2006	$ 0.1578	$ 0.640	April 17, 2006(2)

(1) Assumes share/unit was owned for the entire quarter.
(2) Anticipated payment date.

Our distributions to shareholders are characterized for federal income tax purposes as ordinary income or non-taxable return of capital. Distributions that exceed our current and accumulated earning and profits after depreciation (as calculated for tax purposes) constitute a return of capital for tax purposes rather than a dividend and reduce the shareholders basis in the common shares. We notify shareholders of the taxability of distributions paid during the preceding year on an annual basis. The following summarizes the taxability of distributions on common shares for the years ended December 31, 2005, 2004 and 2003:

	For the Year Ended December 31,					
	2005		2004		2003	
Distribution Taxability	Per Share Amount	Percentage	Per Share Amount	Percentage	Per Share Amount	Percentage
Ordinary Income	$ 0.408	63.8%	$ 0.378	59.1%	$ 0.249	39.8%
Return of Capital	0.232	36.2%	0.262	40.9%	0.376	60.2%
Total	$ 0.640	100.0%	$ 0.640	100.0%	$ 0.625	100.0%

Partnership Units

Dividend Capital Trust serves as the general partner of our partnership and currently owns 200 general partnership units for which we contributed $2,000. As of December 31, 2005 and 2004, we held 133,206,784 and 67,719,683 partnership units, respectively, and owned, as of each such date, approximately 99% of our partnership.

Pursuant to our partnership s private placement (as more fully described in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations), as of December 31, 2005, we had issued 1.7 million limited partnership units to third-party investors. No such partnership units had been issued to third-party investors prior to 2005. Pursuant to our partnership s private placement, these limited partnership units were issued in exchange for tenancy-in-common interests in our properties, at a price equal to the price per share of our common stock at the time of the exchange. Such limited partnership units are economically equivalent to our common stock including their participation in distributions and in the share redemption program.

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Our advisor currently owns 20,000 limited partnership units of our partnership, for which it contributed $200,000. Our advisor may not sell any of these units during the period it serves as our advisor. The parent of our advisor owns 10,000 limited partnership units referred to as Special Units , for which it contributed $1,000.

Amounts distributable to the holder of the Special Units will depend on operations and the amount of net sales proceeds received from property dispositions. In general, after holders of regular partnership interests have in the aggregate, received cumulative distributions equal to their capital contributions plus a 7% pre-tax cumulative non-compounded annual return on their net contributions, the holder of the Special Units and the holders of regular partnership interests will receive 15% and 85%, respectively, of the net sales proceeds received by our partnership upon the disposition of our partnership s assets.

The Special Units may be redeemed by our partnership for cash or shares of our common stock upon the occurrence of specified events that result in a termination or non-renewal of the Advisory Agreement. If the Advisory Agreement is terminated by Dividend Capital Trust for cause, the redemption price shall be $1. If our shares are listed for public trading or if the Advisory Agreement is terminated upon the occurrence of certain other events, the redemption price of the Special Units will be the amount which would have been distributed to the holder of the Special Units in accordance with the partnership agreement of our partnership out of the net sales proceeds. Net sales proceeds will be determined by the public market prices in the event of a listing of our shares or by the net sales proceeds received in the event of the disposition of our properties. In the case of certain other events, net sales proceeds will be determined by the then fair market value of our partnership s assets, as determined by an appraisal, less all of its liabilities.

Recent Sales of Unregistered Securities

Pursuant to our partnership s private placement, on October 27, 2005 and December 29, 2005, our partnership issued 570,950 and 751,751 limited partnership units, respectively, to certain accredited investors in conjunction with the exercise of certain purchase options pursuant to which our partnership had the right to acquire tenancy-in-common interests in certain industrial properties from such investors. Such investors had previously acquired such tenancy-in-common interests from our partnership primarily to serve as replacement property for such investors seeking to complete a like-kind exchange transaction under Section 1031 of the Internal Revenue Code. The limited partnership units issued in October 2005 had a collective issue price of approximately $6.0 million and the limited partnership units issued in December 2005 had a collective issue price of approximately $7.9 million. The securities were issued in reliance on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act, as amended. The investors received a confidential private placement memorandum containing information about our partnership and their investment therein and made certain written representations, including representations as to their accredited investor status.

Each of these investors will generally have the right to cause our partnership to redeem all or a portion of its limited partnership units for, at our sole discretion, shares of our common stock or cash, or a combination of both. If we elect to redeem limited partnership units for shares of our common stock, we will generally deliver one share of our common stock for each limited partnership unit redeemed. If we elect to redeem limited partnership units for cash, we will generally deliver cash to be paid in an amount equal to the most recent selling price of our common stock per redeemed partnership unit. In connection with the exercise of these redemption rights, the investor must make certain representations, including that the delivery of shares of our common stock upon redemption would not result in such investor owning shares in excess of our ownership limits in our articles of incorporation. Subject to the foregoing, the investor may exercise its redemption rights at any time after one year following the date of issuance of its limited partnership units; provided, however, that it may not deliver more than two redemption notices each calendar year and may not exercise a redemption right for less than 1,000 limited partnership units, unless it holds less than 1,000 units, in which case, it must exercise its redemption right for all of its units.

Equity Compensation Plans

Information about securities authorized for issuance under our equity compensation plans required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2006 annual meeting of shareholders.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data relating to our historical financial condition and results of operations for the periods ended 2005, 2004, 2003, and 2002, as well as our quarterly results of operations data for the year ended December 31, 2005. Certain amounts presented for the periods ended 2004, 2003 and 2002 have been reclassified to conform to the 2005 presentation. The financial data in the table is qualified in its entirety by, and should be read in conjunction with, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes in Item 8. Financial Statements and Supplementary Data . The amounts in the table are in thousands except for per share information.

	Year ended December 31,			For the Period From Inception (April 12, 2002) to December 31, 2002
	2005	2004	2003	
Operating Data:				
Rental revenue	$ 121,798	$ 34,677	$ 2,645	$
Interest and other real estate income	6,126	1,421	61	
Total revenue	127,924	36,098	2,706	
Rental expenses	28,770	7,205	367	
Depreciation and amortization	71,023	19,273	1,195	
Interest expense	28,712	5,978	385	
General and administrative expenses	3,004	2,372	412	213
Asset management fees, related-party	8,901	1,525		
Minority interest	(526)			200
Net income (loss)	$ (11,960)	$ (255)	$ 347	$ (13)
Common Share Distributions:				
Common share cash distributions declared	$ 62,292	$ 24,263	$ 2,452	$
Common share cash distributions declared per share	$ 0.640	$ 0.640	$ 0.625	$
Per Share Data:				
Basic earnings (loss) per common share	$ (0.12)	$ (0.01)	$ 0.09	$ (63.56)
Diluted earnings (loss) per common share	$ (0.12)	$ (0.01)	$ 0.09	$ (63.56)
Other Data:				
Reconciliation of net income (loss) to funds from operations (1):				
Net income (loss) attributable to common shares	$ (11,960)	$ (255)	$ 347	$ (13)
Add:				
Real estate related depreciation and amortization	71,023	19,273	1,195	
Subtract:				
Minority interest in net loss	526			
Minority interest in funds from operations	1,364			
Funds from operations attributable to common shares	$ 57,173	$ 19,018	$ 1,542	$ (13)
Basic funds from operations per common share	$ 0.59	$ 0.50	$ 0.39	$ (63.56)
Diluted funds from operations per common share	$ 0.59	$ 0.50	$ 0.38	$ (63.56)
Weighted average common shares outstanding:				
Basic	97,333	37,908	3,987	

Diluted	97,774	37,928	4,007	
Net cash provided by (used in) operating activities	$ 66,295	$ 21,452	$ 1,700	$ (139)
Net cash used in investing activities	$ (750,877)	$ (560,036)	$ (149,948)	$
Net cash provided by financing activities	$ 755,980	$ 558,027	$ 152,314	$ 150

	For the Quarter Ended			
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
Reconciliation of net income (loss) to funds from operations(1):				
Net Income (loss) attributable to common shares	$ (2,581)	$ 748	$ (6,198)	$ (3,929)
Add:				
Real estate related depreciation and amortization	12,350	14,192	21,178	23,303
Minority interest in net income (loss)		3	(287)	(242)
Subtract:				
Minority interest in funds from operations		66	518	780
Funds from operations attributable to common shares	$ 9,769	$ 14,877	$ 14,175	$ 18,352
Basic funds from operations per common share	$ 0.13	$ 0.17	$ 0.14	$ 0.15
Diluted funds from operations per common share	$ 0.13	$ 0.17	$ 0.14	$ 0.15
Weighted average common shares outstanding				
Basic	74,421	88,066	104,224	121,097
Diluted	74,441	88,473	104,668	121,975

	As of December 31,			
	2005	2004	2003	2002
Balance Sheet Data:				
Net investment in real estate	$ 1,904,411	$ 732,202	$ 150,633	$
Total assets	2,057,695	784,808	156,608	751
Line of credit	16	4	1,000	
Mortgage notes	642,242	142,755	40,500	
Total liabilities	869,307	203,593	49,782	761
Total shareholders equity (deficit)	1,132,811	581,214	106,824	(11)
Minority interest	55,577	1	1	1
Number of common shares outstanding	133,207	67,720	12,470	2

(1) We believe that funds from operations (FFO), as defined by the National Association of Real Estate Investment Trusts (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 real estate investment trusts 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 real estate investment trusts 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.

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ITEM 7. 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. This report on Form 10-K contains certain forward-looking statements. When used in this report, the words may , will , expect , anticipate , continue , estimate , project , intend , believe , and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. There are various factors that could cause actual results to differ materially from those which are expressed in, or implied by such forward-looking statements. Such factors include, but are not limited to, changes in general economic conditions, changes in real estate conditions, changes in interest rates, the amount of equity capital provided by our public offerings, the availability of debt financing on favorable terms, the ability to acquire and lease properties on favorable terms and the ability of customers to make payments under their respective leases. Readers of this report are cautioned to consider these uncertainties in connection with all forward-looking statements.

Overview

Dividend Capital Trust Inc. was formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. In order to provide capital for these investments, we have sold our common stock through four distinct public offerings, raised capital through our partnership s private placement (as more fully described below) and issued and assumed debt. As of January 23, 2006, we closed the primary component of our fourth public offering and, as a result, we have stopped raising capital through the sale of our common stock. However, we will continue to raise significant amounts of capital through our partnership s private placement and through the issuance of debt.

Our primary focus is to continue to build an industrial real estate operating company that owns, develops, and operates a high-quality diversified portfolio of bulk distribution and light industrial properties in the leading logistics and distribution markets in North America.

The following discussion first describes certain significant transactions that occurred during the year ended December 31, 2005 and certain recent developments, and then compares and contrasts our financial condition as of December 31, 2005, 2004 and 2003 as well as our results of operations for the years then ended. We acquired our first property in June of 2003 and have built a portfolio of 264 properties through December 31, 2005. As a result of these acquisitions, we have experienced significant changes in our operating and financing activities during the past three years.

Significant Transactions During 2005 and 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, we currently own or control 264 operating properties comprising 40.3 million square feet located in 23 markets, including 22 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 public offerings, our partnership s private placement and debt financings including the assumption of 19 secured, non-recourse notes totaling $434.1 million.

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

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On April 8, 2005, in connection with our partnership s private placement, we issued 424,352 limited partnership units valued at approximately $4.5 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Memphis, Tennessee.

On May 13, 2005, we entered into an agreement to purchase a distribution facility that is currently being developed in Memphis, Tennessee and will comprise approximately 885,000 square feet upon completion. We currently estimate that the facility will be completed early in 2006 with a minimum purchase price equal to actual development costs. The purchase price may vary depending on certain variables including the status of leasing on the date of acquisition.

On May 19, 2005, we entered into a joint venture agreement with SV Atlanta SouthCreek IV, L.P., an unrelated third-party, to acquire 37 acres of land and to develop a 556,800 square foot distribution facility located in Atlanta, Georgia. Pursuant to the joint venture agreement, SV Atlanta SouthCreek IV, L.P. and we will provide approximately 3% and 97%, respectively, of the required equity capital, which is estimated to be approximately $5.6 million, to fund the development project. Both parties will receive an 8.25% preferred return on their respective capital contributions. We have the right to purchase SV Atlanta SouthCreek IV, L.P. s interest in the venture at anytime after the later to occur of (i) stabilization of the project, and (ii) the date 18 months after completion of the project. We currently estimate that the facility will be completed early in 2006 for a total estimated cost of approximately $16.5 million.

On July 21, 2005, we completed a merger with Cabot Industrial Value Fund, Inc. (Cabot), an unrelated third-party, whereby we acquired all of the outstanding shares of Cabot s common stock for approximately $312.6 million. However, after certain equity contributions and distributions, as of December 31, 2005, our investment was approximately $302.4 million. Through our ownership of Cabot, we acquired an approximate 87% interest in Cabot Industrial Value Fund, LP, which, as of December 31, 2005, owned a portfolio of 104 properties with a total historical cost of approximately $654.5 million which is located in 12 markets throughout the United States and had 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 the consolidated financial statements).

On October 27, 2005, in connection with our partnership s private placement, we issued 570,950 limited partnership units valued at approximately $6.0 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Memphis, Tennessee.

On December 9, 2005, we amended our existing $225 million senior secured revolving credit facility such that it is now a $250 million unsecured facility that matures in December 2008.

On December 29, 2005, in connection with our partnership s private placement, we issued 751,751 limited partnership units valued at approximately $7.9 million in exchange for certain fractional tenancy-in-common interests we had previously sold in a property located in Atlanta, Georgia.

On January 4, 2006, we issued $50 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 million of additional unsecured debt to be issued by 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. Although we closed the primary offering for the foreseeable future, we have retained the right to recommence the primary offering at any time during the effectiveness of our public offering. In addition, we will continue to offer shares of our common stock through our distribution reinvestment plan.

On February 21, 2006, we entered into a joint venture agreement with affiliates of Boubyan Bank of Kuwait whereby we contributed six properties with an approximate value of $123 million to an institutional fund. We

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retained a 20% equity interest in the venture and our partner retained the other 80% equity interest. The fund s day-to-day business affairs are managed by us and all major decisions are determined by both partners. In connection with this transaction, we also issued approximately $95.5 million of secured non-recourse debt with a stated interest rate of 5.53% maturing in March 2012. Pursuant to our joint venture agreement, we act as asset manager for the joint venture and we will earn certain asset management fees related to the properties we manage.

Liquidity and Capital Resources

We are not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting real estate generally, which we anticipate may have a material impact on either capital resources or the revenues or income to be derived from the operation of real estate properties. We believe that capital will continue to flow into the real estate industry and industrial real estate in particular, which will continue to foster a competitive environment for the assets we are seeking to acquire. Consequently, we, through the activities of our advisor, have assembled a team of 38 professionals with over 450 years of aggregate experience who are dedicated to the acquisition and operation of properties that meet our investment criteria. The ability of our advisor to find and acquire these properties at a pace that is consistent with the capital that has been raised through our public offerings, and that has and will continue to be raised through our partnership s private placement and other financing activities, will directly impact our financial performance and the metrics that management uses to evaluate our performance, including funds from operations available to pay distributions.

Management expects that our principal sources of working capital and funding for acquisitions and potential capital requirements for expansion and renovation of properties will include:

- Borrowings under our unsecured credit facility;
- Other forms of secured or unsecured financing;
- Capital from co-investment partners;
- Additional proceeds from our fourth public offering of common stock;
- Proceeds from our partnership s private placement;
- Proceeds from our distribution reinvestment plan; and
- Cash flow from operations.

Over the short term, we believe that our sources of capital, specifically our cash flow from operations, borrowings under our unsecured credit facility, the remaining proceeds from our fourth public offering and our ability to raise capital through our partnership s private placement are adequate and will continue to be adequate to meet our liquidity requirements and capital commitments. These liquidity and capital requirements and commitments include the payment of debt service, regular quarterly investor distributions, capital expenditures at our properties, forward purchase commitments (as more fully described below), the purchase of 25 properties which are currently the subject of an executed letter of intent, under contract or have closed since December 31, 2005 and future acquisitions of unidentified properties. The properties that had been identified as of December 31, 2005 total 5.8 million square feet and have an aggregate purchase price of approximately $263.2 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 transpire.

Over the longer term, we anticipate that we will continue to utilize the same sources of capital, with the exception of the proceeds from our fourth public offering, that we rely on to meet our short term liquidity requirements. In addition, we may obtain capital through other secured and unsecured financings or from co-investment partners and we may also conduct additional public offerings or recommence our fourth public

offering. We expect these resources will be adequate to fund our operating activities, including debt service and distributions, which we anticipate will grow over time, and will be sufficient to fund our ongoing acquisition activities as well as providing capital for investment in future development and other joint ventures along with additional potential forward purchase commitments. Over the longer term, we also expect that our cash flow from operations will be sufficient to adequately fund our regular distributions. In addition, we intend to seek to enter into additional joint ventures similar to the one we entered into on February 21, 2006 (as described above), and expect that our cash flow from operations over the longer term will be comprised of both rents from our properties and fees earned for asset management and other services performed on behalf of such joint ventures.

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 public offerings and our 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. Management anticipates that over time, debt proceeds as well as cash provided by operating activities will represent an increasing percentage of our sources of capital as will capital from co-investment partners.

Public Offerings

On April 15, 2002, we filed an S-11 registration statement with the SEC covering our first 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 at a price of $10 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 the 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 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 offering began immediately following the completion of the initial offering. The second registration statement was filed on February 27, 2004, and was declared effective on April 16, 2004. The registration statement offered common stock at a price of $10 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 the Dealer Manager for a price of $.001 per share for every 25 shares sold. In October 2004, we completed our second 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 offering began immediately following the second 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 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 offering began immediately following the third 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 public offering, but we will continue to offer shares pursuant our distribution reinvestment plan. As of March 7, 2006, we had sold approximately 53.7 million shares pursuant to our fourth public offering for total gross proceeds of approximately $557.9 million, which includes shares issued pursuant to our distribution reinvestment plan.

As of December 31, 2005, 133,206,784 shares of common stock were issued and outstanding. The net proceeds from the sale of these securities were transferred to our partnership on a one-for-one basis for limited partnership units. 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 the purchase of industrial properties will include proceeds from debt financings, capital from co-investment partners, our partnership s private placement and cash flow from operations. We may also conduct additional public offerings or recommence our fourth public offering.

Pursuant to the Advisory Agreement, our advisor is 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 include but are 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 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 (see below). 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 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 advisor approximately $13.3 million, $10.9 million and $3.3 million, respectively. We did not reimburse our advisor for any such costs during 2002. As of December 31, 2005, the un-reimbursed amount of offering costs incurred by our advisor, since inception (April 12, 2002), was approximately $451,000. As described above, we closed the primary offering component of our fourth public offering on January 23, 2006 and we may fully reimburse our advisor for all remaining un-reimbursed offering costs.

Pursuant to the dealer manager agreements, we are obligated to pay the Dealer Manager a dealer manager fee and commissions up to 2.0% and 6.0%, respectively, of gross proceeds raised from our public offerings of common stock. During the years ended December 31, 2005, 2004 and 2003, we paid the 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 public offerings.

Our Partnership s Private Placement

Our partnership is currently offering undivided tenancy-in-common interests in our properties to accredited investors in a private placement exempt from registration under the Securities Act. We anticipate that these tenancy-in-common interests may serve as replacement properties for accredited investors seeking to complete like-kind exchange transactions under Section 1031 of the Internal Revenue Code. Additionally, the tenancy-in-common interests sold to investors will be 100% leased by our partnership, and such leases will contain purchase options whereby our partnership will have the right, but not the obligation, to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for limited partnership units in our partnership under Section 721 of the Internal Revenue Code.

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Our partnership pays certain up-front fees and reimburses certain related expenses to our advisor, the Dealer Manager and Dividend Capital Exchange Facilitators LLC (the Facilitator) for raising capital through our partnership s private placement. Our advisor is obligated to pay all of the offering and marketing related costs associated with the private placement. However, our partnership is obligated to pay our advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through the private placement. In addition, our partnership is obligated to pay the 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 proceeds raised through the private placement. The Dealer Manager may re-allow such commissions and a portion of such dealer manager fee to participating broker dealers. Our partnership is also obligated to pay a transaction facilitation fee to the Facilitator, an affiliate of our advisor, of up to 1.5% of the gross equity proceeds raised through the 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 tenancy-in-common interests in 27 buildings, which is included in financing obligations in the accompanying consolidated balance sheets pursuant to Statement of Financial Accounting Standards, or SFAS, No. 98 *Accounting for Leases* (SFAS No. 98). We have leased the undivided tenancy-in-common 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 consolidated financial statements. The various lease agreements in place as of December 31, 2005, contain expiration dates ranging from November 2013 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 ended December 31,	Future Minimum Rental Payments
2006	$ 12,148
2007	17,696
2008	19,114
2009	18,336
2010	17,629
Thereafter	113,698
Total	$ 198,621

During the years ended December 31, 2005, 2004 and 2003, our partnership incurred upfront costs of approximately $11.6 million, $2.6 million and $200,000 payable to our advisor and other affiliates for effecting these transactions which are accounted for as deferred loan costs. Such deferred loan costs are included on our consolidated balance sheets and amortized to interest expense over the life of the financing obligation. If our partnership elects to exercise any purchase option as described above and issue limited partnership units, the un-amortized portion of up-front fees and expense reimbursements paid to affiliates will be recorded against minority interest as a selling cost of the limited partnership units. If our 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.

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During the year ended December 31, 2005, our partnership exercised purchase options pursuant to three individual master lease agreements to buy certain tenancy-in-common 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 partnership issued an aggregate of approximately 1.7 million limited partnership units valued at approximately $18.3 million to acquire such tenancy-in-common interests (see Note 8 Our Partnership s Private Placement to the consolidated financial statements).

Financing

Lines of Credit In December 2005, we amended our existing $225 million senior secured revolving credit facility such that it is now a $250 million unsecured 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 million. At our election, the facility bears interest either at LIBOR plus 0.875% to 1.375%, depending upon our consolidated leverage, or at prime (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 secured asset value. As of December 31, 2005, we were in compliance with all these covenants. As of December 31, 2005, we did not have an outstanding balance on this facility.

Contemporaneously with the amendment of our secured credit facility, we entered into a $40 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 partnership and third-party investors in our partnership s private placement using undivided tenancy-in-common interests in our buildings as collateral. The facility matures in December 2008 and has provisions to increase its total capacity to $80 million. At our election, the facility bears interest either at LIBOR plus 1.25% to 1.75%, depending upon our consolidated leverage, or at prime (7.25% at December 31, 2005) 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 secured asset value. As of 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 partnership s private placement reduce the total capacity available from the facility. As of December 31, 2005, approximately $14.1 million of loans had been advanced to such third parties and we had an outstanding balance of $16,000.

Debt Issuances In September 2005, we issued $3.9 million of secured, non-recourse debt with a fixed interest rate of 4.97% which matures in October 2013. The underlying 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 debt with a stated fixed interest rate of 4.40% which matures in 2010. The underlying notes required monthly payments of interest only until January 1, 2006 at which time monthly payments of principal and interest are required. In December 2004, we issued $55.0 million of secured, non-recourse debt. The debt has a stated fixed interest rate of 5.31% and matures in 2015 and, prior to December 31, 2005, the underlying notes required monthly payments of interest only and thereafter monthly payments of principal and interest are required.

Debt Assumptions 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 the consolidated financial statements). 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 SFAS No. 141, *Business Combinations* (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.

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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 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.

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 management believes it was in compliance with all of these covenants at December 31, 2005.

The following table sets forth the scheduled maturities of our debt, excluding unamortized premiums, as of December 31, 2005 (amounts are in thousands).

Year	Fixed Rate Mortgage Debt	Senior Secured Revolving Credit Facility	Total
2006	$ 6,462	$	$ 6,462
2007	7,112		7,112
2008	69,240	16	69,256
2009	6,711		6,711
2010	57,224		57,224
2011	228,385		228,385
2012	182,658		182,658
2013	21,130		21,130
2014	2,486		2,486
2015	43,860		43,860
Thereafter	7,115		7,115
Total	$ 632,383	$ 16	$ 632,399

Debt Service Requirements

As of December 31, 2005, we had total outstanding debt, excluding premiums of $9.8 million and financing obligations of $154.7 million (see Note 8 Our Partnership s Private Placement to the consolidated financial statements), of approximately $632.4 million consisting primarily of secured, fixed-rate, non-recourse mortgage notes. 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 the consolidated financial statements). Currently, funds from our operations are sufficient to satisfy these monthly debt service requirements and we anticipate that funds from our operations will continue to be sufficient to satisfy our regular monthly debt service.

Forward Purchase Commitments

Deltapoint On March 28, 2005, a wholly-owned subsidiary of our partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unaffiliated third-party, to acquire 47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC (Deltapoint), a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to the operating agreement of Deltapoint, 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 partnership entered into a forward purchase commitment agreement whereby we are obligated to acquire the distribution facility from Deltapoint upon completion which can be satisfied under a variety of scenarios, mostly dependent upon leasing, with a minimum purchase price equal to actual development costs. We currently estimate that the facility will be completed early in 2006.

Buford Distribution Center In October 2004, we entered into a forward purchase commitment with Wachovia Bank National Association (Wachovia) in connection with our commitment to acquire two buildings, referred to as the Buford Distribution Center, totaling 677,667 square feet from an unrelated third-party developer. We have entered into a binding agreement with Wachovia, the construction lender, to purchase the buildings at a price of up to $29.0 million and thereby retire the related construction financing. Our obligation to acquire the buildings from the third-party developer upon completion can be satisfied under a variety of scenarios, mostly dependent upon leasing, with a minimum purchase price equal to actual development costs. We anticipate acquiring this property in March 2006 for approximately $20 million using our remaining net proceeds from our fourth public offering, capital from our co-investment partners and debt.

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 limited partnership unit. The distribution was set by our board of directors at a level we believe 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 the anticipated results of operations. 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. To fund total distributions in 2005, we utilized both funds from operations and debt proceeds. It is our objective to fund our distributions over time exclusively using funds from our operations.

Distribution Reinvestment Plan

Pursuant to our distribution reinvestment plan, $34.4 million, $12.9 million and $1.3 million 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.

Contractual Obligations

The following table reflects our contractual obligations as December 31, 2005, specifically our obligations under long-term debt agreements, operating lease agreements and purchase obligations (amounts are in thousands):

	Payments due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
Long-Term Debt	$ 823,811	$ 40,703	$ 175,783	$ 330,797	$ 276,528
Operating Leases(1)	198,621	12,148	36,810	35,965	113,698
Purchase Obligations(2)	55,700	55,700			
Total	$ 1,078,132	$ 108,551	$ 212,593	$ 366,762	$ 390,226

(1) As of December 31, 2005, we had 17 operating lease obligations, all of which were in connection with our partnership s private placement.
(2) As of December 31, 2005, we had entered into two agreements to acquire certain properties in the future upon completion by third-party developers as more fully described above.

Off-Balance Sheet Arrangements

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.

Results of Operations

Summary

In June 2003, we acquired our first property and, as of December 31 2005, we had assembled a portfolio of 264 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 public offerings, our partnership s private placement and 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. For more detailed information regarding the operating properties that we majority owned and/or controlled on a consolidated basis as of December 31, 2005 and 2004, respectively, see Item 2. Properties .

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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. A discussion of these changes follows the table (dollar amounts are in thousands).

	Year Ended December 31,		
	2005	2004	Change
Rental Revenue			
Same store	$ 15,219	$ 14,537	$ 682
2005 acquisitions	47,861		47,861
2004 acquisitions	58,718	20,140	38,578
Total rental revenue	121,798	34,677	87,121
Rental Expenses			
Same store	3,125	3,047	78
2005 acquisitions	10,479		10,479
2004 acquisitions	15,166	4,158	11,008
Total rental expenses	28,770	7,205	21,565
Net Operating Income (1)			
Same store	12,094	11,490	604
2005 acquisitions	37,382		37,382
2004 acquisitions	43,552	15,982	27,570
Total net operating income	93,028	27,472	65,556
Other Income			
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)
Total other income	6,126	1,421	4,705
Other Expenses			
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
Total other expenses	111,640	29,148	82,492
Minority Interest	526		526
Net loss	$ (11,960)	$ (255)	$ (11,705)

(1) See Note 18 Segment Information to the consolidated financial statements for further discussion of net operating income.

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 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 twelve 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 twelve 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 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 offset by a decrease in compliance costs associated with Sarbanes-Oxley. We pay our advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of properties we own in excess of $170 million (see Note 13 Related Party Transactions to the consolidated financial statements). 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.

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Comparison of Year Ended December 31, 2004 to 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).

	Year Ended December 31,		
	2004	**2003**	**Change**
Rental Revenue			
2004 acquisitions	$ 20,140	$	$ 20,140
2003 acquisitions	14,537	2,645	11,892
Total rental revenue	34,677	2,645	32,032
Rental Expenses			
2004 acquisitions	4,158		4,158
2003 acquisitions	3,047	367	2,680
Total rental expenses	7,205	367	6,838
Net Operating Income(1)			
2004 acquisitions	15,982		15,982
2003 acquisitions	11,490	2,278	9,212
Total net operating income	27,472	2,278	25,194
Other Income			
Interest and other income	876	61	815
Gain on hedges	545		545
Total other income	1,421	61	1,360
Other Expenses			
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
Net income (loss)	$ (255)	$ 347	$ (602)

(1) See Note 18 Segment Information to the consolidated financial statements for further discussion of net operating income.

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 twelve 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 (ii) rental

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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 twelve 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 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 advisor the aforementioned 0.75% asset management fee in March 2004 (see Note 13 Related Party Transactions to the consolidated financial statements). The increase in asset management fees during 2004 was attributable to all 93 properties that were acquired during 2004 being subject to this fee.

Critical Accounting Policies

General

Our discussion and analysis of financial condition and results of operations is based on our 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 on-going 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.

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* (SFAS No. 144). SFAS No. 144

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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, customer 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 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 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 Dividend Capital Trust and its 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 FIN 46(R) (discussed below) 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 shareholders, lenders and others in their evaluation of us.

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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.

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46(R)). FIN 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. FIN 46(R) requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements apply to existing public entities as of March 31, 2004. We do not believe that any of our consolidated or unconsolidated joint ventures are variable interest entities under the provisions of FIN 46(R).

In December 2004, FASB issued SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)). This statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation.* SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for public companies for the annual period beginning after December 15, 2005. The adoption of SFAS No. 123(R) requires the unamortized portion of any options issued prior to 2002 to be amortized over the remaining life of those options. We do not anticipate that the adoption of SFAS No. 123(R) will have a material impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (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. Currently, we are under no legal obligation to retire any of our assets. We adopted FIN 47 during the fourth quarter of 2005 and there was no material impact on our financial position, results of operations or cash flows.

In May, 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (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 financial position, results of operations or cash flows.

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 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 consolidation requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

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 financial position, results of operations or cash flows.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 shareholders and unitholders, 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. 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 as part of our cash flow hedging strategy. A treasury lock is 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 2005, such derivatives were used to hedge the variable cash flows associated with $150 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.

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 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 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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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DIVIDEND CAPITAL TRUST INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Dividend Capital Trust Inc.:

We have audited the accompanying consolidated balance sheets of Dividend Capital Trust Inc. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders equity (deficit) and other comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dividend Capital Trust Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Denver, Colorado

March 7, 2006

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share information)

	As of December 31, 2005	2004
ASSETS		
Land	$ 327,428	$ 120,055
Buildings and improvements	1,499,414	572,089
Intangible lease assets	155,276	61,725
Construction in progress	12,807	195
Total Investment in Properties	1,994,925	754,064
Less accumulated depreciation and amortization	(96,604)	(21,862)
Net Investment in Properties	1,898,321	732,202
Investments in and advances to unconsolidated investees	6,090	
Net Investment in Real Estate	1,904,411	732,202
Cash and cash equivalents	94,918	23,520
Restricted cash	5,027	5,414
Notes receivable	9,661	4,239
Deferred loan costs, net	6,498	4,355
Deferred loan costs financing obligation, net	12,270	2,801
Deferred acquisition costs and deposits	2,855	5,407
Straight line rent and other receivables	18,347	5,704
Other assets, net	3,708	1,166
Total Assets	$ 2,057,695	$ 784,808
LIABILITIES & SHAREHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 26,139	$ 6,301
Distributions payable	19,787	9,737
Tenant prepaids and security deposits	9,321	4,039
Other liabilities	6,769	2,843
Intangible lease liability, net	10,320	5,519
Line of credit	16	4
Mortgage notes	642,242	142,755
Financing obligations	154,713	32,395
Total Liabilities	869,307	203,593
Minority Interest	55,577	1
Shareholders Equity:		
Preferred shares, 50,000,000 shares authorized, none outstanding		
Shares-in-trust, 100,000,000 shares authorized, none outstanding		
Common shares $0.01 par value, 350,000,000 shares authorized, 133,206,784 and 67,719,883 shares issued and outstanding as of December 31, 2005 and 2004, respectively	1,332	677
Additional paid-in capital	1,235,156	611,441
Distributions in excess of earnings	(100,888)	(26,636)

Accumulated other comprehensive loss	(2,789)	(4,268)
Total Shareholders Equity	1,132,811	581,214
Total Liabilities and Shareholders Equity	$ 2,057,695	$ 784,808

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share information)

	For the Year Ended December 31,		
	2005	**2004**	**2003**
REVENUE:			
Rental revenue	$ 121,798	$ 34,677	$ 2,645
Interest and other real estate income	6,126	1,421	61
Total Revenue	127,924	36,098	2,706
EXPENSES:			
Rental expense	13,455	3,375	136
Real estate taxes	15,315	3,830	231
Depreciation and amortization expense	71,023	19,273	1,195
Interest expense	28,712	5,978	385
General and administrative expense	3,004	2,372	412
Asset management fees, related party	8,901	1,525	
Total Expenses	140,410	36,353	2,359
Net Income Before Minority Interest	(12,486)	(255)	347
Minority Interest	(526)		
NET INCOME (LOSS)	$ (11,960)	$ (255)	$ 347
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	97,333	37,908	3,987
Diluted	97,774	37,928	4,007
NET INCOME (LOSS) PER COMMON SHARE			
Basic	$ (0.12)	$ (0.01)	$ 0.09
Diluted	$ (0.12)	$ (0.01)	$ 0.09

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Shareholders Equity (Deficit)

and Other Comprehensive Income (Loss)

For the Years Ended December 31, 2005, 2004 and 2003

(In thousands)

	Common Shares				Accumulated	
	Shares	Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Other Comprehensive Loss	Total Shareholders Equity (Deficit)
Balances at December 31, 2002		$	$ 2	$ (13)	$	$ (11)
Comprehensive income:						
Net income				347		347
Issuance of common shares, net of offering costs	12,470	125	108,812			108,937
Amortization of stock options			3			3
Dividends on common shares				(2,452)		(2,452)
Balances at December 31, 2003	12,470	$ 125	$ 108,817	$ (2,118)	$	$ 106,824
Comprehensive loss:						
Net loss				(255)		(255)
Net unrealized loss from cash flow hedging derivatives					(4,268)	(4,268)
Comprehensive loss						(4,523)
Issuance of common shares, net of offering costs	55,464	554	504,699			505,253
Redemption of common shares	(214)	(2)	(2,081)			(2,083)
Amortization of stock options			6			6
Dividends on common shares				(24,263)		(24,263)
Balances at December 31, 2004	67,720	$ 677	$ 611,441	$ (26,636)	$ (4,268)	$ 581,214
Comprehensive loss:						
Net loss				(11,960)		(11,960)
Net unrealized gain from cash flow hedging derivatives					965	965
Amortization of cash flow hedging derivatives					514	514
Comprehensive loss						(10,481)
Issuance of common shares, net of offering costs	66,457	665	632,954			633,619
Redemption of common shares	(970)	(10)	(9,268)			(9,278)
Amortization of stock options			29			29
Dividends on common shares				(62,292)		(62,292)
Balances at December 31, 2005	133,207	$ 1,332	$ 1,235,156	$ (100,888)	$ (2,789)	$ 1,132,811

The accompanying notes are an integral part of these consolidated financial statements.

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Dividend Capital Trust Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	For the Year Ended December 31, 2005	2004	2003
OPERATING ACTIVITIES:			
Net income (loss)	$ (11,960)	$ (255)	$ 347
Minority interest share of net loss	(526)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Real estate depreciation and amortization	71,023	19,273	1,221
Other depreciation and amortization	3,229	1,365	
Increase in other assets	(10,750)	(2,925)	(222)
Gain on hedging activities	(108)	(545)	
Increase in accounts payable, accrued expenses and other liabilities	15,387	4,539	354
Net cash provided by operating activities	66,295	21,452	1,700
INVESTING ACTIVITIES:			
Real estate investments	(750,322)	(548,478)	(149,602)
Increase in restricted cash	(413)	(4,854)	
(Increase) decrease in deferred acquisition costs	2,552	(4,922)	(485)
Increase in notes receivable	(5,585)	(4,314)	
Master lease payments	2,891	2,532	139
Net cash used in investing activities	(750,877)	(560,036)	(149,948)
FINANCING ACTIVITIES:			
Proceeds from (payments on) line of credit, net	12	(996)	1,000
Proceeds from mortgage notes	60,926	55,000	51,850
Principal payments on mortgage notes	(2,852)	(883)	(11,350)
Proceeds from financing obligations	145,332	29,940	2,696
Principal payments on financing obligations	(5,287)	(139)	
Increase in deferred loan costs	(3,893)	(4,866)	(250)
Increase in deferred loan costs financing obligation	(11,419)	(2,845)	
Proceeds from sale of common shares	664,200	547,752	124,139
Offering costs for issuance of common shares, related party	(60,874)	(52,601)	(14,794)
Redemption of common shares	(5,387)	(2,083)	
Increase in restricted cash		(560)	
Settlement of cash flow hedging derivative	(467)	(2,182)	
Distributions to common shareholders	(23,849)	(7,510)	(977)
Distributions to minority interest	(462)		
Net cash provided by financing activities	755,980	558,027	152,314
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 71,398	$ 19,443	$ 4,066
CASH AND CASH EQUIVALENTS, beginning of year	$ 23,520	$ 4,077	$ 11
CASH AND CASH EQUIVALENTS, end of year	$ 94,918	$ 23,520	$ 4,077
Supplemental Disclosures of Cash Flow Information			

Cash paid for interest expense	$ 22,751	$ 4,740	$ 344
Assumption of secured debt in connection with real estate acquired	$ 434,073	$ 45,619	$
Shares issued pursuant to the distribution reinvestment plan	$ 28,561	$ 8,491	$ 478

The accompanying notes are an integral part of these consolidated financial statements.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Organization

Dividend Capital Trust Inc. was formed as a Maryland corporation in April 2002 in order to invest in commercial real estate properties, consisting primarily of high-quality, generic distribution warehouses and light industrial properties leased to creditworthy corporate customers. We have qualified, and intend to continue to qualify, as a real estate investment trust (REIT) for federal tax purposes. We are structured as an umbrella partnership REIT (UPREIT) under which substantially all of our current and future business is, and will be conducted through a majority owned subsidiary, Dividend Capital Operating Partnership LP (our partnership), a Delaware limited partnership. As used herein, Dividend Capital Trust , we and us refer to Dividend Capital Trust Inc. and its consolidated subsidiaries except where the context otherwise requires.

Our day-to-day activities are managed by Dividend Capital Advisors LLC (our advisor), an affiliate, under the terms and conditions of an advisory agreement. Our advisor is currently majority owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. In addition, under the terms of certain dealer manager agreements, Dividend Capital Securities LLC (the Dealer Manager) serves as the dealer manager of our public and private equity offerings. The Dealer Manager is also majority owned and/or controlled by three of our directors and certain officers and/or their affiliates and other third parties. Our advisor and its affiliates, including the Dealer Manager, receive various forms of compensation, reimbursements and fees for services relating to our public and private equity offerings and for the investment and management of our real estate assets.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

Our financial statements and the financial statements of our subsidiaries are consolidated in the accompanying consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. In addition, we evaluate our relationships with other entities to identify whether they are variable interest entities as defined by Financial Accounting Standards Board (FASB) Interpretation No. 46(R) *Consolidation of Variable Interest Entities* (FIN 46(R)) and to assess whether we are the primary beneficiary of such entities. If the determination is made that we are the primary beneficiary, then that entity is included in our consolidated financial statements in accordance with FIN 46(R).

Reclassifications

Certain items in the consolidated financial statements for 2004 and 2003 have been reclassified to conform with the 2005 presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of revision are reflected in the period they are determined to be necessary.

Investment in Real Estate

We capitalize direct costs associated with the acquisition, development or improvement of real estate, including acquisition fees paid to our advisor. Costs associated with acquisition or development pursuits are

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

capitalized as incurred and if the pursuit is abandoned, these costs are expensed in the period in which the pursuit is abandoned. Costs associated with the improvement of our real estate assets are also capitalized as incurred. However, costs incurred in making repairs to and for maintaining our real estate assets are expensed as incurred.

Upon acquisition, the total cost of a property is allocated to land, building, land improvements, tenant improvements and intangible lease assets and liabilities pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS No. 141). The allocation of the total cost to land, building, land improvements and tenant improvements is based on our estimate of their fair value based on all available information such as the replacement cost of such assets, appraisals, property condition reports and other related information. Pursuant to SFAS No. 141, the difference between the fair value and the face value of debt assumed in an acquisition are to be recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The allocation of the total cost of a property to an intangible lease asset includes the value associated with the in-place leases which may include leasing commissions, legal and other costs. In addition, the allocation of the total cost of a property requires allocating costs to an intangible asset or liability resulting from in-place leases being above or below the market rental rates on the date of the acquisition. These assets or liabilities will be amortized over the life of the remaining in-place leases as an adjustment to revenue. Aggregate amortization expense for amortizing intangible assets was approximately $23.6 million, $6.4 million and $430,000 for the years ended December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005, such intangible assets had a weighted average amortization life of approximately of 5.8 years. The following table describes the estimated net amortization of such intangible assets for the next five years (dollar amounts are in thousands):

For the Year Ended	Estimated Amortization Expense
2006	$ 27,800
2007	23,600
2008	19,200
2009	13,000
2010	10,000
	$ 93,600

Real estate, including land, building, land improvements, tenant improvements and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization expense is computed on a straight-line basis over the estimated useful lives as follows:

Description	Depreciable Life
Land	Not depreciated
Buildings	40 years
Building and land improvements	20 years
Tenant improvements	Over lease term
Lease commissions	Over lease term
Intangible lease assets and liabilities	Average term of leases for property
Above/below market rent assets/liabilities	Over lease term

The table above reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The cost of assets sold or retired and the related accumulated depreciation and/or amortization is removed from the accounts and the resulting gain or loss is reflected in operations in the period in which

such sale or retirement occurs.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Equity Method

We present investments in certain unconsolidated entities under the equity method. The equity method is used when we have the ability to exercise significant influence over operating and financial policies of an investee but do not have control of the investee. Under the equity method, these investments (including advances to the investee) are initially recorded in our consolidated balance sheets at our cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of each of the investees, distributions received and certain other adjustments as appropriate. Such investments are included in investments in and advances to unconsolidated investees on the accompanying balance sheets to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less.

Restricted Cash

Restricted cash includes cash held in escrow in connection with property acquisitions, utility deposits, real estate tax payments and issuance of mortgage debt.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We periodically evaluate the recoverability of our long-lived assets based on estimated future cash flows and the estimated liquidation value of such long-lived assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset. If impaired, the long-lived asset will be written down to its estimated fair value.

Notes Receivable

Notes receivable consists of amounts loaned as part of a strategic relationship we entered into to acquire properties from a third-party national real estate developer. We have committed, but have no legal obligation, to lend up to $15.0 million in connection with various development projects. As of December 31, 2005 and 2004, we had $9.7 million and $4.2 million in notes receivable outstanding. In addition to the 9.5% to 10% interest earned on the notes, we also obtained certain acquisition rights to the properties being developed. These notes have maturity dates ranging from July 2007 to June 2008. For the years ended December 31, 2005 and 2004, we recognized interest income from these notes of approximately $779,000 and $267,000, respectively. No notes were outstanding in 2003 and as such no interest was earned on notes receivable in 2003. All costs associated with executing these notes have been capitalized as deferred loan costs and are included in other assets on the accompanying consolidated balance sheets. Such costs are amortized as a reduction in interest income over the term of the outstanding notes receivable.

Deferred Loan Costs

Deferred loan costs include fees and costs incurred to obtain long-term financing. These fees and costs are being amortized over the terms of the related loans. Accumulated amortization of deferred loan costs was approximately $2.9 million and $875,000 as of December 31, 2005 and 2004, respectively. Unamortized deferred loan costs are written-off when debt is retired before the maturity date.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

During the years ended December 31, 2005 and 2004, our partnership incurred upfront costs of approximately $11.6 million and $2.6 million payable to our advisor and other affiliates for affecting transactions pursuant to our partnership s private placement, which are accounted for as deferred loan costs. Such deferred loan costs are included on our consolidated balance sheets and amortized to interest expense over the life of the financing obligation (see Note 8 Our Partnership s Private Placement). As described in Note 8 Our Partnership s Private Placement, if our partnership elects to exercise any purchase option and issue limited partnership 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 limited partnership units. If our 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.

Costs of Raising Capital

Costs incurred in connection with the issuance of equity securities are deducted from shareholders equity. Such costs primarily include the up-front fees paid to related parties (see Note 13 Related Party Transactions).

Debt

Debt consists of fixed and variable rate secured mortgage debt, a senior unsecured revolving credit facility and a senior secured revolving credit facility. Our fixed rate secured mortgage debt that was assumed in connection with our acquisition activities includes premiums which, net of accumulated amortization, were $9.9 million and $2.5 million as of December 31, 2005 and 2004, respectively.

Comprehensive Loss

We report comprehensive income (loss) in the accompanying consolidated statements of shareholders equity (deficit) and other comprehensive income (loss). Amounts reported in accumulated other comprehensive income (loss) related to hedging transactions will be amortized to interest expense over the life of our hedged debt issuances. Any ineffectiveness, as defined by SFAS No. 133 (defined below), related to our hedging transactions are reported in the accompanying consolidated statements of operations. During the years ended December 31, 2005 and 2004, we recorded gains of approximately $108,000 and $545,000, respectively, related to ineffectiveness on our hedging activities (see Note 6 Financial Instruments and Hedging Activities). There were no such gains or losses recorded during the year ended December 31, 2003.

Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (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 December 31, 2005, 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

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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 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 as part of our cash flow hedging strategy. A treasury lock is 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 2005 and 2004, such derivatives were used to hedge the variability in future interest expense associated with forecasted issuances of debt. We did not employ any such derivatives during the year ended December 31, 2003.

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 customer occupancy during periods that no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record a receivable from customers that we expect to collect 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. For the years ended December 31, 2005, 2004 and 2003, the total increase to rental revenues due to straight-line rent adjustments were $5.3 million, $2.1 million and $85,000, respectively.

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 SFAS No. 141 and amortized to rental revenues over the life of the respective leases. For the years ended December 31, 2005, 2004, and 2003, the total net increase (decrease) to rental revenues due to the amortization of above and below market rents was $(2.1) million, $(840,000) and $5,000, respectively.

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 customer. 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. For the years ended December 31, 2005, 2004 and 2003, the total master lease payments received were approximately $2.9 million, $2.5 million and $139,000, respectively.

Stock-Based Compensation

We have a stock-based employee compensation plan and an independent director compensation plan (see Note 11 Stock Option Plans and Warrant Purchase Agreements). We account for these plans in accordance with SFAS No. 123, *Accounting for Stock-Based Payment* (SFAS No. 123) and its related interpretations. On both July 1, 2005 and July 1, 2004, we issued a total of 20,000 options to our independent directors. On July 19, 2005 and January 6, 2006, respectively, we received and accepted the resignations of two independent directors resulting in the forfeiture of all 20,000 options that had previously been issued to these directors. As of December 31, 2005,

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2004 and 2003, we had 60,000, 60,000 and 40,000 options outstanding, respectively, under the Independent Director Option Plan. As of December 31, 2005 and 2004, 107,500 options had been granted under the Employee Option Plan. There were no options outstanding under the Employee Option Plan during the year ended December 31, 2003.

Options granted under both the Independent Director Option Plan and the Employee Option Plan are valued using the Black-Scholes option-pricing model and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. Such expense is included in general and administrative expense on the accompanying consolidated statements of operations.

Interest and Other Income

Interest and other income consist primarily of interest income on cash balances and notes receivable and gains (losses) on hedging transactions.

Basic and Diluted Net Income per Common Share

Basic net income per common share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per common share includes the effects of potentially issuable common stock, but only if dilutive, including the presumed exchange of limited partnership units for common shares.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46(R)). FIN 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. FIN 46(R) requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements apply to existing public entities as of March 31, 2004. The adoption of FIN 46(R) did not have a material impact on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)). This statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation.* SFAS No. 123(R) establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) is effective for publicly listed companies for the annual period beginning after December 15, 2005. The adoption of SFAS No. 123(R) requires the unamortized portion of any options issued prior to 2002 to be amortized over the remaining life of those options. We do not anticipate that the adoption of SFAS No. 123(R) will have a material impact on our financial position, results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (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. Currently, we are under no legal obligation to retire any of our assets. We adopted FIN 47 during the fourth quarter of 2005 and there was no material impact on our financial position, results of operations or cash flows.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

In May, 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (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 financial position, results of operations or cash flows.

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 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 consolidation requirements of this consensus in the third quarter of 2005 and such adoption did not have a material impact on our financial position, results of operations or cash flows.

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 financial position, results of operations or cash flows.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 3 Real Estate

The following table describes the properties that are consolidated in our financial statements as of December 31, 2005 and 2004, respectively (dollar amounts in thousands).

	2005			2004		
	Number of Buildings	Historical Cost (1)	Percent of Total Cost	Number of Buildings	Historical Cost (1)	Percent of Total Cost
Target Markets:						
Atlanta	48	$ 263,604	13.21%	18	$ 147,660	19.58%
Baltimore	10	97,422	4.88%			
Charlotte	4	22,290	1.12%			
Chicago	14	169,839	8.51%	1	11,370	1.51%
Cincinnati	18	132,591	6.65%	7	78,925	10.47%
Columbus	3	49,246	2.47%			
Dallas	49	250,564	12.56%	18	93,033	12.34%
Denver	1	9,027	0.45%	1	8,949	1.19%
Harrisburg/Lehigh Valley	5	45,852	2.30%			
Houston	33	129,280	6.48%	21	83,957	11.13%
Indianapolis	3	57,239	2.87%	1	15,139	2.01%
Los Angeles Basin	11	85,602	4.29%	4	32,744	4.34%
Louisville	2	18,350	0.92%	2	18,351	2.43%
Memphis	11	184,259	9.24%	3	39,559	5.25%
Miami	3	26,025	1.30%			
Nashville	4	80,048	4.01%	3	59,340	7.87%
New Jersey	8	77,871	3.90%			
Orlando	2	15,718	0.79%	2	15,687	2.08%
Phoenix	14	89,226	4.47%	13	79,195	10.50%
San Antonio	2	7,699	0.39%	2	7,725	1.02%
San Francisco Bay Area	5	36,337	1.82%	5	35,371	4.69%
Seattle	8	88,214	4.42%			
Non-Target Market:						
Boston	6	42,172	2.11%	5	27,059	3.59%
Total operating properties	264	1,978,475	99.16%	106	754,064	100.00%
Properties under development	1	8,401	0.42%			
Land held for development	n/a	8,049	0.40%	n/a		
Grand Total	265	$ 1,994,925	100.00%	106	$ 754,064	100.00%

(1) Represents historical costs pursuant to U.S. generally accepted accounting principles (GAAP) as of the period indicated including acquisition fees paid to our advisor. Acquisition fees paid to our advisor totaled $11.1 million and $6.4 million in 2005 and 2004, respectively.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

We account for the acquisition of properties in accordance with SFAS No. 141 which requires that the total cost of property acquisitions be allocated to identifiable tangible and intangible assets. The following table describes the allocation of our portfolio to these assets and liabilities, which includes costs capitalized subsequent to our acquisition of such properties, as of December 31, 2005 (dollar amounts are in thousands).

	2005 Acquisitions		2004 Acquisitions		2003 Acquisitions		Total	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Land	$ 197,203	16.4%	$ 102,675	17.0%	$ 17,380	11.2%	$ 317,258	16.2%
Land Improvements	75,872	6.3%	46,915	7.8%	7,121	4.6%	129,908	6.6%
Building	709,580	59.2%	350,610	58.1%	110,449	71.0%	1,170,639	59.9%
Tenant Improvements	125,681	10.5%	60,311	9.9%	7,978	5.1%	193,970	9.9%
Tenant Leasing Costs	1,911	0.2%	2,233	0.4%	753	0.5%	4,897	0.2%
Intangible Assets	86,961	7.2%	37,255	6.2%	11,017	7.1%	135,233	6.9%
Above Mkt. Rent	10,188	0.8%	7,704	1.3%	2,151	1.4%	20,043	1.0%
Below Mkt. Rent	(7,143)	(0.6)%	(4,456)	(0.7)%	(1,460)	(0.9)%	(13,059)	(0.7)%
Total	$ 1,200,253	100.0%	$ 603,247	100.0%	$ 155,389	100.0%	$ 1,958,889	100.0%

2005 Acquisition Activity

During the year ended December 31, 2005, we acquired 158 properties (104 of which were acquired in the Cabot merger discussed below) located in 18 different markets, including 17 of our target markets, for a total estimated cost of approximately $1.2 billion, including acquisition fees paid to our advisor. These properties were acquired using net proceeds from our public and private offerings, proceeds from our revolving credit facility and short-term, unsecured debt and the assumption of approximately $434.1 million in mortgage debt.

Merger with Cabot Industrial Value Fund, Inc. and Subsequent Acquisitions and Dispositions by Cabot Industrial Value Fund, LP

We entered into an agreement dated June 17, 2005 (the Agreement) with Cabot Industrial Value Fund, Inc. (Cabot), an unrelated, privately held third-party, to acquire by merger all of the outstanding shares of Cabot s common stock. Cabot is structured as an UPREIT whereby it is the sole general partner of the Cabot Partnership (defined below), the subsidiary through which all of the Cabot properties are owned and operated. Our advisor and its affiliates subsequently acquired a less than 0.1% interest in Cabot in August 2005 (see Note 10 Minority Interest).

Pursuant to the Agreement, on July 21, 2005, we completed the merger and acquired all of Cabot s common stock for approximately $312.6 million. However, after certain equity contributions and distributions, as of December 31, 2005, our investment was approximately $302.4 million. Through our ownership of Cabot, we acquired an approximate 87% interest in Cabot Industrial Value Fund, LP (the Cabot Partnership), which, as of December 31, 2005, owned a portfolio of 104 properties with a total historical cost of approximately $654.5 million which is located in 12 markets throughout the United States and had approximately $308.8 million of mortgage debt outstanding.

The remaining interest in the Cabot Partnership continues to be owned by Cabot Industrial Fund Manager, LLC, the previous general partner of the Cabot Partnership (the Manager), and other limited partners. At closing, we entered into an agreement whereby we have the option to acquire the remaining interests in the Cabot Partnership. Through this agreement, the remaining limited partners, including the Manager, have an initial

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

option to put the remaining interests to us beginning April 1, 2006 and ending July 1, 2006. In addition, we have an initial option to call the remaining interests beginning April 1, 2007 and ending July 1, 2007. Subsequent to these initial options, the limited partners and we will continue to have put and call options to purchase or sell the remaining interests and the price of such remaining interests would be based upon fair value.

On August 1, 2005, the Cabot Partnership, pursuant to a purchase and sale agreement dated August 27, 2004, completed the acquisition of a bulk distribution facility for total consideration of approximately $12.9 million. The facility is located in Kent, Washington, a sub-market of Seattle, and is comprised of 182,480 rentable square feet.

On August 15, 2005, the Cabot Partnership completed the disposition of the Helen Street property, a distribution center located in New Jersey. The purchase and sale agreement was entered into on July 8, 2005, between the Cabot Partnership and an unrelated third-party. The selling price of approximately $43.0 million was negotiated between the Cabot Partnership s general partner at the time, and the third-party seller.

As of December 31, 2005, the Cabot Partnership portfolio was comprised of 104 operating industrial buildings located in 12 markets throughout the United States, representing 10.9 million rentable square feet. The following table provides additional information about the portfolio as of December 31, 2005:

Market	Buildings	Gross Leasable Area (in thousands)
Atlanta	29	1,457
Baltimore	3	432
Boston	1	165
Charlotte	3	346
Chicago	6	1,074
Cincinnati	11	1,497
Columbus	3	1,213
Dallas	29	2,249
Los Angeles	7	725
Miami	1	66
New Jersey	3	483
Seattle	8	1,199
Total	104	10,906

Other Notable Acquisitions

Memphis Portfolio On December 23, 2004 we entered into a purchase agreement to acquire seven bulk distribution and warehouse facilities comprising approximately 3.6 million square feet located in Memphis, Tennessee. Beginning on February 2, 2005, and ending on May 13, 2005, we acquired the following seven distribution facilities in connection with our purchase agreement with Panattoni Development Company LLC, an unrelated third-party: the Technicolor II Distribution Facility, the Shelby 4, 5, 18 and 19 Distribution Facilities and the Eastpark I and II Distribution Facilities. We purchased these facilities for a total cost of approximately $132.8 million, which includes the acquisition fees paid to our advisor. In addition to using net proceeds from our public and private offerings, we assumed mortgage debt of approximately $30.6 million, which includes a premium of approximately $2.4 million, associated with the acquisition of these properties.

Baltimore-Washington Portfolio On April 12, 2005, we purchased seven distribution facilities (the Baltimore-Washington portfolio) comprising 874,455 square feet located in Baltimore, Maryland. We

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

purchased the Baltimore-Washington portfolio for a total cost of approximately $45.6 million, including acquisition fees paid to our advisor. In addition to using net proceeds from our public and private offerings, we assumed mortgage debt of approximately $27.4 million, which includes a premium of approximately $1.8 million, associated with the acquisition of these properties.

Blackhawk Portfolio On June 13, 2005, we purchased six distribution facilities (Blackhawk) comprising 1,378,660 square feet. Five of the six distribution facilities comprise 1,078,660 square feet and are located in Chicago, Illinois. The other distribution facility comprising 300,000 square feet is located in Memphis, Tennessee. We purchased Blackhawk for a total cost of approximately $59.5 million, including acquisition fees paid to our advisor. In addition to using net proceeds from out public and private offerings, we assumed mortgage debt of approximately $24.7 million, which includes a premium of approximately $503,000 associated with the acquisition of these properties.

Joint Ventures and Development Projects

The following table describes our joint ventures and development projects as of December 31, 2005 (dollar amounts are in thousands):

Project	Location	Number of Buildings	Square Feet	Investment as of December 31, 2005
Development Projects:				
SouthCreek IV Distribution Facility (1)	Atlanta	1	556,800	$ 5,937
Veterans Parkway (2)	Chicago	1	189,135	8,401
Forward Purchase Commitments:				
Buford Distribution Center (3)	Atlanta	2	677,667	
Deltapoint Park (3)	Memphis	1	885,000	
Corporate Loans:				
Plainfield (4)	Plainfield,	2	1,033,566	4,290
Riverside (4)	Los Angeles	1	953,132	1,431
Goodson (4)	Atlanta	1	744,000	3,940
Total		**9**	**5,039,300**	**$ 23,999**

(1) This project is held by a joint venture with an unaffiliated third-party. Our investment in this project is included in investments in and advances to unconsolidated investees on the accompanying consolidated balance sheet for the year ended December 31, 2005.

(2) This project is held by a joint venture with an unaffiliated third-party. Our investment in this project is included in land and construction in progress on the accompanying consolidated balance sheet for the year ended December 31, 2005. In addition, this joint venture holds approximately $2.1 million of land held for development.

(3) For a description of this forward purchase commitment, see Note 15 Commitments and Contingencies.

(4) These loans were used to fund development projects. Pursuant to a strategic relationship we entered into with a third-party developer, we have committed, but have no legal obligation, to fund up to $15 million into various development projects including the Plainfield, Riverside and Goodson development projects. The principal balance of these loans is recorded as notes receivable on the accompanying consolidated balance sheets.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 4 Leasing Activity

Future minimum base rental payments due to the Company under non-cancelable operating leases in effect as of December 31, 2005, were as follows (dollar amounts are in thousands):

Year ending December 31,	Amount
2006	$ 136,679
2007	124,179
2008	105,336
2009	83,506
2010	68,123
Thereafter	173,761
Total	$ 691,584

The schedule does not reflect future rental revenues from the potential renewal or replacement of existing and future leases and excludes property operating expense reimbursements. This schedule includes payments to be received under master lease agreements; however the receipt of these payments will be recorded as an adjustment to the basis of the property rather than rental revenue.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 5 Debt

Our debt consisted of the following as of December 31, 2005 and 2004 (dollar amounts are in thousands):

	Assumption/ Issuance Date	Stated Interest Rate	Adjusted Interest Rate (6)	Maturity Date	Outstanding Balance as of December 31, 2005	2004
Secured Mortgage Debt:						
New York Life	December 2003	5.00%	5.00%	March 2011	$ 39,328	$ 39,953
ING Investment Management (1)	December 2004	5.31%	5.34%	January 2015	54,994	55,000
ING Investment Management (1)	January 2005	4.40%	5.42%	January 2010	56,997	
ING Investment Management	September 2005	4.97%	4.97%	October 2013	3,926	
Assumed Secured Mortgage Debt (2):						
Principal	June 2004	7.08%	4.81%	July 2008	16,711	17,174
Principal	June 2004	7.21%	4.81%	July 2008	11,371	11,570
Prudential	June 2004	6.40%	6.09%	November 2012	12,688	12,700
Principal	November 2004	6.22%	4.18%	September 2012	3,760	3,839
Legacy	February 2005	7.40%	5.21%	December 2017	1,426	
Prudential	March 2005	5.69%	5.22%	December 2013	8,050	
State Farm	March 2005	6.72%	5.62%	November 2022	12,413	
Column Financial, Inc.	April 2005	6.30%	5.18%	September 2012	27,146	
John Hancock	April 2005	6.91%	5.25%	September 2013	6,200	
TIAA	May 2005	8.50%	4.71%	October 2008	8,072	
Fortis Benefits Insurance Co.	May 2005	7.25%	4.70%	July 2008	2,496	
ING Investment Management	June 2005	4.89%	4.73%	February 2008	19,998	
Mass Mutual	June 2005	6.79%	4.91%	July 2011	4,689	
Key Bank	July 2005	6.44%	4.72%	October 2012	7,176	
Key Bank	July 2005	6.84%	4.72%	September 2012	8,314	
Transamerica	July 2005	6.97%	4.75%	June 2013	11,388	
Bear, Stearns Funding, Inc.	December 2005	7.22%	5.16%	March 2008	6,470	
Assumed Secured Mortgage Debt of Consolidated Investments:						
Nationwide	July 2005	5.06%	5.06%	January 2011	57,494	
Nationwide	July 2005	4.72%	4.72%	April 2011	50,150	
Jackson	July 2005	5.16%	5.16%	July 2012	62,740	
Jackson	July 2005	4.91%	4.91%	April 2012	62,600	
New York Life	July 2005	4.79%	4.79%	October 2011	50,549	
New York Life	July 2005	4.90%	4.90%	October 2011	25,237	
Weighted Avg./Totals (3)		5.36%			$ 632,383	$ 140,236
Premiums, Net of Amortization (2)					9,859	2,519
Carrying Value of Debt					642,242	
			5.05%		$	$ 142,755
	December 2005	(4)	n/a	December 2008	$	$

Senior Unsecured Revolving Credit Facility								
JP Morgan								
Senior Secured Revolving Credit Facility								
JP Morgan	October 2003	(5)	7.25%	December 2008	$	16	$	4

(1) We assigned certain treasury lock hedging transactions to these notes. Pursuant to SFAS No. 133 (see Note 2 Summary of Significant Accounting Policies), the assigned value of these hedging instruments is being amortized to interest expense over the life of the assigned notes.

(2) These mortgages were assumed in connection with the acquisition of properties and, pursuant to SFAS No. 141 (see Note 2 Summary of Significant Accounting Policies), 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 notes.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(3) Weighted-average interest rates are based upon outstanding balances as of December 31, 2005.
(4) Our senior unsecured revolving credit facility bears interest at either prime (7.25% at December 31, 2005) or, at our election, LIBOR plus 0.875% to 1.375%, depending upon our consolidated leverage, and has a current capacity of $250 million.
(5) Our senior secured revolving credit facility bears interest at either prime (7.25 % at December 31, 2005) or, at our election, LIBOR plus 1.25% to 1.750%, depending upon our consolidated leverage, and has a current capacity of $40 million.
(6) Reflects the impact to interest rates of GAAP adjustments for purchase price allocation and hedging transactions. These rates do not reflect the impact of other interest expense items such as fees and the amortization of loan costs.

Lines of Credit In December 2005, we amended our existing $225 million senior secured revolving credit facility such that it is now a $250 million unsecured 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 million. At our election, the facility bears interest either at LIBOR plus 0.875% to 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 secured asset value. As of December 31, 2005, we were in compliance with all these financial covenants. As of December 31, 2005, there was no outstanding balance on this facility.

Contemporaneously with the amendment of our secured credit facility, we entered into a $40 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 partnership and third-party investors in our partnership s private placement using undivided tenancy-in-common interests in our buildings as collateral. The facility matures in December 2008 and has provisions to increase its total capacity to $80 million. At our election, the facility bears interest either at LIBOR plus 1.25% to 1.75%, depending upon our consolidated leverage, 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 secured asset value. As of 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 partnership s private placement reduce the total capacity available from the facility. As of December 31, 2005, approximately $14.1 million of loans had been advanced to such third parties and we had an outstanding balance of $16,000.

Debt Issuances In September 2005, we issued $3.9 million of secured, non-recourse debt with a fixed interest rate of 4.97% which matures in October 2013. The underlying 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 debt with a stated fixed interest rate of 4.40% which matures in 2010. The underlying notes required monthly payments of interest only until January 1, 2006 at which time monthly payments of principal and interest are required. In December 2004, we issued $55.0 million of secured, non-recourse debt. The debt has a stated fixed interest rate of 5.31% and matures in 2015 and, prior to December 31, 2005, the underlying notes required monthly payments of interest only and thereafter monthly payments of principal and interest are required.

Debt Assumptions During the year ended December 31, 2005, we assumed nineteen secured, non-recourse notes, totaling $434.1 million, excluding premiums, in conjunction with the acquisition of certain properties (see Note 3 Real Estate). 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 SFAS No. 141, the difference between the

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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 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.

During the years ended December 31, 2005, 2004 and 2003, we incurred interest expense of approximately $28.7 million, 6.0 million and $385,000, respectively. We capitalized approximately $729,000 of interest in 2005 associated with certain development activities and did not capitalize any interest in 2004 or 2003. 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 financial covenants and we were in compliance with all of these covenants at December 31, 2005.

As of December 31, 2005, the scheduled maturities of our debt, excluding unamortized premiums, were as follows (amounts are in thousands):

Year	Fixed Rate Mortgage Debt	Senior Secured Revolving Credit Facility	Total
2006	$ 6,462	$	$ 6,462
2007	7,112		7,112
2008	69,240	16	69,256
2009	6,711		6,711
2010	57,224		57,224
2011	228,385		228,385
2012	182,658		182,658
2013	21,130		21,130
2014	2,486		2,486
2015	43,860		43,860
Thereafter	7,115		7,115
Total	$ 632,383	$ 16	$ 632,399

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6 Financial Instruments and Hedging Activities

Fair Value of Financial Instruments

As of December 31, 2005 and 2004, the fair values of cash and cash equivalents, restricted cash held in escrow, notes receivable, accounts receivable and accounts payable approximated their carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies believed to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, therefore, these estimates are not necessarily indicative of the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments:

	Balances at December 31, 2005		Balances at December 31, 2004	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings:				
Senior, secured revolving credit facility	$ 16	$ 16	$ 4	$ 4
Secured mortgage debt	$ 642,242	$ 627,288	$ 142,755	$ 142,967
Interest rate contracts:				
Treasury Locks	$	$	$ (1,539)	$ (1,539)

Hedging Activities

We enter into forward treasury locks in anticipation of issuing future fixed rate debt to fund future property acquisitions. We enter into such treasury locks to hedge our exposure to interest rate variability and mitigate our exposure to the risk of increases in future payments of interest for anticipated fixed rate debt issuances over a maximum period of 12 months (excluding forecasted transactions related to the payment of variable interest on our existing senior revolving credit facility). As required by SFAS No. 133, we record all derivatives on our consolidated balance sheets at fair value until settled. These forward treasury lock hedges have been designated as cash flow hedges for accounting purposes.

As of December 31, 2005, we had entered into a total of eight cash flow hedging transactions and all of these hedges have been settled for cash. Two of the settled hedges have been attributed to fixed rate debt and the balances of such hedges are being amortized to interest expense over the life of the assigned debt and the fair value of the other six settled hedges are recorded in other comprehensive loss until the anticipated future fixed rate debt is issued, at which time such values will be amortized over the life of the debt to interest expense.

As a result of ineffectiveness primarily due to changes in our estimated debt issuance dates, during the years ended December 31, 2005 and 2004, we recorded a gain of approximately $108,000 and $545,000, respectively, and did not record a gain or loss in 2003. Amounts reported in accumulated other comprehensive loss related to cash flow hedges will be amortized to interest expense as payments are made on our anticipated future debt issuance. During the next 12 months, we estimate that approximately $644,000 will be amortized from other comprehensive loss to interest expense resulting in an increase in our interest expense.

Note 7 Public Offerings

On April 15, 2002, we filed an S-11 registration statement with the Securities and Exchange Commission covering our first public offering of our common stock. The registration statement was declared effective by the SEC on July 17, 2002 and we received approval of our offering in all 50 states in December 2002. The common

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

stock was being offered at a price of $10 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 the 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 of 2004, we completed our first public offering and sold approximately 25.5 million shares of our common stock for gross proceeds of approximately $254.4 million.

Our second offering began immediately following the completion of our initial offering. The second registration statement was filed on February 27, 2004, and was declared effective by the SEC on April 16, 2004. The registration statement registered common stock at a price of $10 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 the Dealer Manager for a price of $.001 per share for every 25 shares sold. In October of 2004, we completed our second public offering and sold approximately 30.4 million shares of our common stock for gross proceeds of approximately $302.8 million

Our third offering began immediately following the completion of our second public offering. The third registration statement was filed on June 28, 2004, and was declared effective by the SEC on October 18, 2004. The third registration statement registered common stock 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. In June of 2005, we concluded our third public offering and sold approximately 40.7 million shares of our common stock for gross proceeds of approximately $424.7 million.

Our fourth offering began immediately following our third public offering. The fourth registration statement was filed on January 24, 2005 and was declared effective by the SEC on June 9, 2005. The registration statement covers a maximum of $1,000,000,000 in shares of our common stock to be sold, including proceeds from our distribution reinvestment plan. The registration statement offers up to 72,770,273 shares at a price of $10.50 per share and up to 23,650,339 shares to participants in our distribution reinvestment plan. As of December 31, 2005, we had sold approximately 37.8 million shares for gross proceeds of approximately $393.0 million in connection with our fourth public offering.

At the end of business on Monday, January 23, 2006, we closed the primary offering component of our fourth offering. Although we have closed the primary offering component of our public offering, we will continue to offer shares through our distribution reinvestment plan.

As of December 31, 2005, 133,206,784 shares of common stock were issued and outstanding. The net proceeds from the sale of these securities were transferred to our partnership on a one-for-one basis for limited partnership units.

Note 8 Our Partnership s Private Placement

Our partnership is currently offering undivided tenancy-in-common interests in our properties to accredited investors in a private placement exempt from registration under the Securities Act. We anticipate that these tenancy-in-common interests may serve as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Internal Revenue Code. Additionally, the tenancy-in-common interests sold to accredited investors will be 100% leased by our partnership, and such leases will contain

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Notes to Consolidated Financial Statements (Continued)

purchase options whereby our partnership will have the right, but not the obligation, to acquire the tenancy-in-common interests from the investors at a later point in time in exchange for limited partnership units in our partnership under Section 721 of the Internal Revenue Code.

Our partnership will pay certain up-front fees and reimburse certain related expenses to our advisor, the Dealer Manager and Dividend Capital Exchange Facilitators LLC (the Facilitator) for raising capital through the private placement. Our advisor is obligated to pay all of the offering and marketing related costs associated with the private placement. However, our partnership is obligated to pay our advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through the private placement. In addition, our partnership is obligated to pay the Dealer Manager a dealer manager fee of up to 1.5% of gross equity proceeds raised and a commission of up to 5% of gross equity proceeds raised through the private placement. The Dealer Manager may re-allow such commissions and a portion of such dealer manager fee to participating broker dealers. Our partnership is also obligated to pay a transaction facilitation fee to the Facilitator, an affiliate of our advisor, of up to 1.5% of gross equity proceeds raised through the 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 tenancy-in-common interests in 27 buildings, which is included in financing obligations in the accompanying consolidated balance sheets pursuant to SFAS No. 98 *Accounting for Leases* (SFAS No. 98). We have leased the undivided 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. In addition, the lease agreements each provide for a purchase option whereby our partnership may purchase each undivided tenancy-in-common interest after a certain period of time in exchange for limited partnership units.

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 third-party 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 consolidated financial statements. The various lease agreements in place as of December 31, 2005, contain expiration dates ranging from November 2013 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 Ended December 31,	Future Minimum Rental Payments
2006	$ 12,148
2007	17,696
2008	19,114
2009	18,336
2010	17,629
Thereafter	113,698
Total	$ 198,621

During the years ended December 31, 2005, 2004 and 2003, our partnership incurred upfront costs of approximately $11.6 million, $2.6 million and $0.2 million payable to our advisor and other affiliates for affecting these transactions which are accounted for as deferred loan costs. Such deferred loan costs are included in other assets in the consolidated balance sheets and amortized to interest expense over the life of the financing

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Notes to Consolidated Financial Statements (Continued)

obligation. If our partnership elects to exercise any purchase option as described above and issue limited partnership units, the unamortized up-front fees and expense reimbursements paid to affiliates will be recorded against shareholders equity as a selling cost of the limited partnership units. If our 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 sublease 100% of the properties and will therefore not meet the definition of active use set forth in SFAS No. 98.

During the year ended December 31, 2005, our partnership exercised purchase options to buy certain tenancy-in-common interests it had previously sold in three different properties. The following table reflects certain details regarding these transactions:

Exercise Date	Property	Location	Limited Partnership Units Issued (1)	Total Value (in thousands)
04/08/2005	Chickasaw A	Memphis	424,352	$ 4,456
10/27/2005	Chickasaw H	Memphis	570,950	5,995
12/29/2005	Newpoint I	Atlanta	751,751	7,893
Total			1,747,053	$ 18,344

(1) Holders of limited partnership units will have substantially the same economic interest as our common shareholders (see Note 10 Minority Interest).

Note 9 Shareholders Equity

Preferred Shares

Our board of directors, through the articles of incorporation, has the authority to authorize the issuance of 50,000,000 preferred shares of any class or series. The rights and terms of such preferred shares will be determined by our board of directors. However, the voting rights of preferred shareholders shall never exceed the voting rights of common shareholders. As of December 31, 2005, 2004 and 2003, we had no outstanding shares of preferred stock.

Shares-in-Trust

Our board of directors, through the articles of incorporation, has the authority to authorize the issuance of shares-in-trust which are shares that are automatically exchanged for common or preferred shares as a result of an event that would cause an investor to own, beneficially or constructively, a number of shares in excess of certain limitations. As of December 31, 2005, 2004 and 2003, we had no outstanding shares-in-trust.

Common Shares

The holders of our common stock are entitled to one vote per share on all matters voted on by shareholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of our directors. Therefore, the holders of the majority of the outstanding common shares can elect the entire board of directors. Subject to any preferential rights of any outstanding series of our preferred stock and to the distribution of specified amounts upon liquidation with respect to shares-in-trust, the holders of our common stock are entitled to such distributions as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to shareholders. All shares issued in our public offerings are fully paid and non-assessable shares of common stock. Holders of our common stock will not have preemptive rights. As of December 31, 2005, 2004 and 2003, we had 133,206,784, 67,719,883, and 12,470,400 shares of common stock outstanding, respectively.

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Notes to Consolidated Financial Statements (Continued)

Note 10 Minority Interest

Minority interest consists of the following as of December 31, 2005 and 2004 (dollar amounts are in thousands):

	2005	2004
Limited partnership units:		
Net investment	$ 16,366	$
Distributions	(303)	
Share of net loss	(49)	
Sub-total	16,014	
Cabot limited partnership units:		
Net investment	40,314	
Distributions	(338)	
Share of net loss	(477)	
Sub-total	39,499	
Cabot non-voting common stock:		
Net investment	63	
Sub-total	63	
Limited partnership Special Units	1	1
Total	$ 55,577	$ 1

Limited Partnership Units

At December 31, 2005, we owned approximately 99% of our partnership and the remaining approximate 1% interest in our partnership was owned by unaffiliated third-party investors and our advisor. After a period of one year, limited partnership units are redeemable at the option of the unit holder. We have the option of redeeming the limited partnership units with cash or with shares of common stock. At inception (April 12, 2002), our partnership issued 20,000 limited partnership units to our advisor for gross proceeds of $200,000, which currently represents less than a 0.1% ownership interest in our partnership. In addition, as of December 31, 2005, we had issued approximately 1.7 million limited partnership units to non-affiliated limited partners in connection with our partnership s private placement (see Note 8 Our Partnership s Private Placement). During the years ended December 31, 2004 and 2003, there was no minority interest reflected on our consolidated financial statements associated with these limited partnership units as the carrying amount of such minority interest had been reduced to zero due to the allocation of our net loss of approximately $213,000 during the year ended December 31, 2002.

Cabot Limited Partnership Units

Pursuant to the Cabot merger (see Note 3 Real Estate), the unaffiliated third-party investors that were limited partners in the Cabot Partnership prior to the Cabot merger remained limited partners after the merger. As of December 31, 2005, the limited partners owned approximately 13% of the Cabot Partnership. On July 21, 2005, we entered into a Put/Call Agreement whereby we have the option to acquire the limited partners remaining 13% interest in the Cabot Partnership. Through this agreement, the remaining limited partners have an initial option to put the remaining interests to us beginning April 1, 2006 and ending July 1, 2006 and we have an initial option to call the remaining interests beginning April 1, 2007 and ending July 1, 2007. Subsequent to these initial options, the limited partners and we will continue to have put and call options to purchase or sell the

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

remaining interests and the price of such remaining interests would be based upon the fair value of such interests at the time the options are exercised. Income and losses of the Cabot Partnership are allocated pro rata based on the partners ownership interests.

Cabot Non-Voting Common Stock

In August 2005, our advisor and its affiliates acquired 126 shares of Cabot s non-voting common stock for a purchase price of $500 each or $63,000 in the aggregate. Our advisor purchased these shares on behalf of its employees and other affiliates and the proceeds from the sale of these non-voting common shares were used to invest in the Cabot Partnership. Collectively, as of December 31, 2005, these non-voting shares of common stock represent less than a 0.1% ownership of Cabot and the holders of these shares will participate in the distributions of Cabot, which are based on the performance of the Cabot portfolio of properties, in proportion to their respective ownership percentages.

Limited Partnership Special Units

During 2002, our partnership issued 10,000 Special Units to an affiliate of our advisor for consideration of $1,000. The holder of the Special Units does not participate in the profits and losses of our partnership. Amounts distributable to the holder of the Special Units will depend on operations and the amount of net sales proceeds received from property dispositions or upon other events. In general, after holders of regular partnership interests in aggregate have received cumulative distributions equal to their capital contributions plus a 7% cumulative non-compounded annual pre-tax return on their net contributions, the holder of the Special Units and the holders of regular partnership interests will receive 15% and 85%, respectively, of the net sales proceeds received by our partnership upon the disposition of our partnership s assets.

Note 11 Stock Option Plans and Warrant Purchase Agreements

Stock Option Plans

We have adopted an independent director stock option plan which we use in an effort to attract and retain qualified independent directors (the Independent Director Option Plan). We granted non-qualified stock options to purchase 10,000 shares to each independent director pursuant to the Independent Director Option Plan upon the sale of 200,000 shares in our initial public offering. In addition, we have issued options to purchase 5,000 shares to each independent director then in office on the date of each annual shareholder s meeting. A total of 300,000 shares are authorized and reserved for issuance under the Independent Director Option Plan. Options may not be granted under the Independent Director Option Plan at any time when the grant would cause the total number of options outstanding under the Independent Director Option Plan and the Employee Option Plan (defined below) to exceed 10% of our issued and outstanding shares. The exercise price for options to be issued under the Independent Director Option Plan shall be the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. As of December 31, 2005 and 2004, we had 60,000 options outstanding under the Independent Director Option Plan and, as of December 31, 2003, we had 40,000 options outstanding.

These options were valued using the Black-Scholes option-pricing model (Black Scholes) with the following assumptions: 2005 expected dividend yield of 6.10%, risk-free interest rate of 4.190%, volatility factor of 20.01% and an expected life of 10 years; 2004 expected dividend yield of 6.40%, risk-free interest rate of 2.74%, volatility factor of 21.23% and an expected life of 10 years; 2003 expected dividend yield of 6.25%, risk free interest rate of 2.740%, volatility factor of 17.93%, and an expected life of 10 years. The value of options granted under the Independent Director Option Plan on the date of grant during 2005, 2004 and 2003 was approximately $16,000, $11,000 and $15,000. As of December 31, 2005, approximately 18,000 of these options were exercisable, and no options granted under the Independent Director Option Plan had been exercised.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

On July 19, 2005 and on January 6, 2006, respectively, we received and accepted the resignations of two independent directors of our board of directors. In connection with such resignations, the directors forfeited all 20,000 options that they had previously been awarded, effective 30 days from their resignation.

We have adopted an employee stock option plan (the Employee Option Plan). The Employee Option Plan is designed to enable us, our advisor and its affiliates to obtain or retain the services of employees (not to include any person who is an affiliate of ours as defined in the plan) considered essential to the our long-term success and the success of our advisor and its affiliates by offering such employees an opportunity to participate in our growth through ownership of the our shares. The Employee Option Plan will be administered by our compensation committee, which is authorized to grant non-qualified stock options (the Employee Options) to selected employees of our advisor and its affiliates. Employee Options may not be granted under the Employee Option Plan at any time when the grant would cause the total number of options outstanding under the Employee Option Plan and the Independent Director Option Plan to exceed 10% of the our issued and outstanding shares. The exercise price for the Employee Options shall be the greater of (1) $11.00 per share or (2) the fair market value of the shares on the date the Employee Option is granted. A total of 750,000 shares are authorized and reserved for issuance under the Employee Option Plan. The term of such employee options has been set by our compensation committee and shall not exceed the earlier of ten years from the date of grant or five years from the date of a listing of our common stock. Our compensation committee has set the period during which the right to exercise an Employee Option fully vests to three years from the date of grant. No Employee Option may be issued or exercised, however, if such issuance or exercise would jeopardize our status as a REIT under the Internal Revenue Code or otherwise violate the ownership and transfer restrictions imposed under the our articles of incorporation. In addition, no Employee Option may be sold, pledged, assigned or transferred by an employee in any manner other than by will or the laws of descent or distribution. As of December 31, 2005 and 2004, there were 107,500 options outstanding under the Employee Option Plan with a weighted average exercise price of $11.00. There were no options outstanding under the Employee Option Plan during 2003.

These options were valued using Black-Scholes with the following assumptions: expected dividend yield of 6.10%, risk-free interest rate of 2.74%, volatility factor of 19.42% and an expected life of 10 years. The value of options granted under the Employee Option Plan on the date of grant during 2004 was approximately $61,000. As of December 31, 2005, approximately 35,800 of these options were exercisable and no options granted under the Employee Option Plan had been exercised or forfeited.

Options granted under both the Independent Director Option Plan and the Employee Option Plan are valued using the Black-Scholes option-pricing model and are amortized to salary expense on a straight-line basis over the period during which the right to exercise such options fully vests. For the years ended December 31, 2005, 2004 and 2003, we incurred $29,167, $5,892 and $2,781 of such expense which is included in general and administrative expense on the accompanying consolidated statements of operations.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The following table describes all options issued and outstanding as of December 31, 2005, 2004 and 2003, as well as the option grants, exercises and expirations that occurred during 2005 and 2004.

	Independent Director Options	Employee Options
Issued and Outstanding at 12/31/03	40,000	
Grants	20,000	107,500
Exercises		
Expirations		
Issued and Outstanding at 12/31/04	60,000	107,500
Grants	20,000	
Exercises		
Expirations	(20,000)	
Issued and Outstanding at 12/31/05	60,000	107,500

Warrant Purchase Agreements

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold (see Note 13 Related Party Transactions). These warrants, as well as the shares issuable upon their exercise, were registered in connection with our first and second public offerings (see Note 7 Public Offerings). In September 2005, our board of directors approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with both of the aforementioned offerings. Pursuant to SFAS No. 123, we valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. The Dealer Manager may retain or re-allow these warrants to broker-dealers participating in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant is entitled to purchase one share of common stock from us at a price of $12 per share beginning on the first anniversary of the effective date of the offering in which such warrants are issued and ending five years after the effective date of such offering. Subject to certain exceptions, a soliciting dealer warrant may not be transferred, assigned, pledged or hypothecated for a period of one year following the effective date of the relevant public offering. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in the warrant purchase agreement.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 12 Distributions

Our board of directors declares the following quarter s annualized distribution before the first day of the quarter. We calculate our distributions based upon daily record and distribution declaration dates so investors will be eligible to earn distributions immediately upon purchasing shares of our common stock or upon purchasing limited partnership units of our partnership. We accrue and pay distributions on a quarterly basis. The following table sets forth the distributions that have been paid and/or declared to date by our board of directors.

Quarter	Amount Declared per Share/Unit (1)	Annualized Amount Per Share/Unit (1)	Date Paid
2nd Quarter 2003	$ 0.1558	$ 0.625	July 15, 2003
3rd Quarter 2003	$ 0.1575	$ 0.625	October 15, 2003
4th Quarter 2003	$ 0.1575	$ 0.625	January 15, 2004
1st Quarter 2004	$ 0.1591	$ 0.640	April 15, 2004
2nd Quarter 2004	$ 0.1591	$ 0.640	July 15, 2004
3rd Quarter 2004	$ 0.1609	$ 0.640	October 15, 2004
4th Quarter 2004	$ 0.1609	$ 0.640	January 18, 2005
1st Quarter 2005	$ 0.1578	$ 0.640	April 15, 2005
2nd Quarter 2005	$ 0.1596	$ 0.640	July 15, 2005
3rd Quarter 2005	$ 0.1613	$ 0.640	October 17, 2005
4th Quarter 2005	$ 0.1613	$ 0.640	January 17, 2006
1st Quarter 2006	$ 0.1578	$ 0.640	April 17, 2006(2)

(1) Assumes share or unit was owned for the entire quarter.
(2) Anticipated payment date.

Our distributions to shareholders are characterized for federal income tax purposes as ordinary income or a non-taxable return of capital. Distributions that exceed our current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital for tax purposes rather than a dividend and reduce the shareholders basis in the common shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the shareholders basis in the common shares, it will generally be treated as a gain from the sale or exchange of that shareholder s common shares. We notify shareholders of the taxability of distributions paid during the preceding year on an annual basis. The following summarizes the taxability of distributions on common shares for the years ended December 31, 2005, 2004 and 2003:

	2005		2004		2003	
Per Common Share:	Per Share Amount	Percentage	Per Share Amount	Percentage	Per Share Amount	Percentage
Ordinary Income	$ 0.408	63.80%	$ 0.378	59.10%	$ 0.249	39.80%
Return of Capital	0.232	36.20%	0.262	40.90%	0.376	60.20%
Total	$ 0.640	100.00%	$ 0.640	100.00%	$ 0.625	100.00%

Note 13 Related Party Transactions

Our Advisor

Our day-to-day activities are managed by our advisor, an affiliate, under the terms and conditions of an advisory agreement. Our advisor is considered a related party as certain indirect owners and employees of our advisor serve as our executives. The responsibilities of our advisor include the selection of our investment properties, the negotiations for these investments and the property management and leasing of these properties.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

We have entered into an advisory agreement with our advisor pursuant to which we pay certain acquisition and asset management fees to our advisor. The amount of such acquisition fees was previously equal to 3% of the aggregate purchase price of all properties we acquired up to a cumulative purchase price of $170 million. In March 2004, we reached the cumulative threshold of $170 million in properties and all subsequent acquisitions have been and will continue to be subject to a reduced acquisition fee of 1.0%. During the years ended December 31, 2005, 2004 and 2003, our advisor earned approximately $11.1 million, $6.4 million and $4.4 million, respectively, for acquisition fees which are accounted for as part of the historical cost of the acquired properties.

We pay our advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of the properties we own in excess of $170 million. During the years ended December 31, 2005 and 2004, we incurred asset management fees of $8.9 million and $1.5 million, respectively. No asset management fees were paid in 2003 as we had not exceeded the aforementioned threshold of $170 million.

Pursuant to the advisory agreement, our advisor is 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 aggregate gross offering proceeds raised in our public offerings of common stock. Such offering costs include, but are 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 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.

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 advisor incurred approximately $8.6 million, $8.3 million, $7.7 million and $3.4 million, respectively, of offering costs. During the years ended December 31, 2005, 2004 and 2003, we reimbursed our advisor approximately $13.3 million, $10.9 million and $3.3 million, respectively, for such costs. These costs are reflected in equity as offering costs when such reimbursement obligations are incurred. As of December 31, 2005, the un-reimbursed amount of offering costs incurred by our advisor, since inception (April 12, 2002), was approximately $451,000. As described in Note 7 Public Offerings, we closed the primary offering component of our fourth public offering on January 23, 2006 and we may fully reimburse our advisor for all remaining un-reimbursed offering costs.

Our advisor is obligated to pay all of the offering and marketing related costs associated with our partnership s private placement. However, our partnership is obligated to pay our advisor a non-accountable expense allowance which equals 2% of the gross equity proceeds raised through our partnership s private placement. During the years ended December 31, 2005, 2004 and 2003, our partnership incurred approximately $2.3 million, $521,000 and $54,000, respectively, payable to our advisor for such expense allowance.

In accordance with the advisory agreement we are obligated, subject to certain limitations, to reimburse our advisor for certain other expenses incurred on our behalf for providing services contemplated in the advisory agreement, provided that our advisor does not receive a specific fee for the activities which generate the expenses to be reimbursed. For the years ended December 31, 2005, 2004 and 2003, we have reimbursed approximately $511,000, $327,000 and $96,000, respectively, for such costs.

As of December 31, 2005 and 2004, we owed our advisor approximately $624,000 and $576,000 respectively, for various fees and reimbursements as described above which is included in other liabilities on the accompanying consolidated balance sheets.

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The Dealer Manager

Our public and private offerings are managed by the Dealer Manager under the terms of certain dealer manager agreements. Our Dealer Manager is considered a related party as certain indirect owners and employees of the Dealer Manager serve as our executives.

We have entered into a Dealer Manager Agreement with the Dealer Manager pursuant to which we pay a dealer manager fee of up to 2.0% of gross offering proceeds raised pursuant to our public offerings of common stock to the Dealer Manager as compensation for managing the offering. The Dealer Manager may re-allow a portion of such fees to broker-dealers who participate in the offering. We also pay up to a 6% sales commission of gross offering proceeds raised pursuant to our public offerings of common stock. As of December 31, 2005, all sales commissions had been re-allowed to participating broker-dealers. For the years ended December 31, 2005, 2004 and 2003, we incurred approximately $49.9 million, $42.5 million and $11.2 million, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. Such amounts are considered a cost of raising capital and as such are included as a reduction of additional paid-in capital on the accompanying consolidated balance sheets.

We have also entered into a dealer manager agreement with the Dealer Manager pursuant to which we pay a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our partnership s private placement. We also pay the Dealer Manager a sales commission of up to 5.0% of the gross equity proceeds raised through our partnership s private placement. As of December 31, 2005, substantially all of the sales commissions were re-allowed to participating broker-dealers who are responsible for affecting sales. For the years ended December 31, 2005, 2004 and 2003, we incurred up front fees of approximately $7.6 million, $1.7 million and $175,000, respectively, payable to the Dealer Manager for dealer manager fees and sales commissions. Such amounts are included in deferred loan costs on the accompanying consolidated balance sheets.

Pursuant to our first and second public offerings, the Dealer Manager earned one soliciting dealer warrant for every 25 shares sold. The holder of a soliciting dealer warrant has the right to purchase one share of common stock for $12. In September 2005, our board of directors approved and we issued approximately 2.2 million soliciting dealer warrants to the Dealer Manager representing all of the warrants the Dealer Manager earned in connection with our first and second public offerings. Pursuant to SFAS No. 123, we valued these warrants using the Black-Scholes option-pricing model, and based on our historical volatility, these warrants had a nominal value. No warrants were offered in our third or fourth public offering. During the year ended December 31, 2005, the Dealer Manager did not earn any soliciting dealer warrants as all shares sold during such period were in connection with our third and fourth public offerings (see Note 7 Public Offerings).

As of December 31, 2005 and 2004, we owed the Dealer Manager approximately $1.4 million and $828,000, respectively, in relation to the fees described above which is included in other liabilities on the accompanying consolidated balance sheets.

The Facilitator

The Facilitator is responsible for the facilitation of transactions associated with our partnership s private placement. The Facilitator is considered a related party as certain indirect owners and employees of the Facilitator serve as our executives. We have entered into an agreement with the Facilitator whereby we pay a transaction facilitation fee associated with our partnership s private placement. We pay the Facilitator up to 1.5% of the gross equity proceeds raised through our partnership s private placement for transaction facilitation. For the years ended December 31, 2005, 2004 and 2003, we incurred approximately $1.8 million, $379,000 and $41,000, respectively, payable to the Facilitator for such fees. In accordance with SFAS No. 98, these fees, as well as the other fees associated with our partnership s private placement, are recorded as deferred loan costs and amortized over the life of the financing obligation (see Note 8 Our Partnership s Private Placement).

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14 Income Taxes

During 2005, we operated and expect to continue to operate in a manner to meet all the requirements to qualify for REIT status. We have made our REIT election under Internal Revenue Code Section 856 for the taxable year ended December 31, 2003. In order for a former C corporation to elect to be a REIT, it must distribute 100% of its C corporation earnings and profits and agree to be subject to federal tax at the corporate level to the extent of any subsequently recognized built-in gains within a ten year period. We did not have any built-in gains at the time of our conversion to REIT status. As a REIT, we generally will not be subject to federal income taxation at the corporate level to the extent we distribute 100% of our REIT taxable income annually, as defined in the Internal Revenue Code, to our shareholders and satisfy other requirements. To continue to qualify as a REIT for federal tax purposes, we must distribute at least 90% of our REIT taxable income annually. No material provisions have been made for federal income taxes in the accompanying consolidated financial statements.

Note 15 Commitments and Contingencies

Forward Purchase Commitments

Deltapoint On March 28, 2005, a wholly-owned subsidiary of our partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unaffiliated third-party, to acquire 47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC (Deltapoint), a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to the operating agreement of Deltapoint, 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 partnership entered into a forward purchase commitment agreement whereby we are obligated to acquire the distribution facility from Deltapoint upon completion which can be satisfied under a variety of scenarios, mostly dependent upon leasing, with a minimum purchase price equal to actual development costs.

Buford Distribution Center In October 2004, we entered into a forward purchase commitment with Wachovia Bank National Association (Wachovia) in connection with our commitment to acquire two buildings, referred to as the Buford Distribution Center, totaling 677,667 square feet from an unrelated third-party developer. We have entered into a binding agreement with Wachovia, the construction lender, to purchase the buildings at a price of up to $29.0 million and thereby retire the related construction financing. Our obligation to acquire the buildings from the third-party developer upon completion can be satisfied under a variety of scenarios, mostly dependent upon leasing, with a minimum purchase price equal to actual development costs. We anticipate acquiring this property in March 2006 for approximately $20 million using our remaining net proceeds from our fourth public offering, capital from our co-investment partners and debt.

Note 16 Subsequent Events

Closing of Our Fourth Public Offering

At the close of business on January 23, 2006, we closed the primary offering component of our fourth public offering of common stock. Although we closed the aforementioned primary offering for the foreseeable future, we have retained the right to recommence the primary offering at any time during the effectiveness of our offering. In addition, we will continue to offer shares of our common stock through our distribution reinvestment plan.

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Contribution of Properties to Institutional Fund

On February 21, 2006, we entered into a joint venture agreement with affiliates of Boubyan Bank of Kuwait whereby we contributed six properties with an approximate value of $123 million to an institutional fund. We retained a 20% equity interest in the venture and our partner retained the other 80% equity interest. The fund s day-to-day business affairs are managed by us and all major decisions are determined by both members. In connection with this transaction, we also issued approximately $95.5 million of secured non-recourse debt with a stated interest rate of 5.53% maturing in March 2012. Pursuant to our joint venture agreement, we act as asset manager for the joint venture and we will earn certain asset management fees related to the properties we manage.

Note 17 Quarterly Results (Unaudited)

The following table presents selected unaudited quarterly financial data for each quarter during the year ended December 31, 2005 (amounts in thousands except per share information):

	For the Quarter Ended				For the Year Ended
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	December 31, 2005
Rental revenue	$ 19,548	$ 23,498	$ 36,533	$ 42,219	$ 121,798
Other income	664	3,856	311	1,295	6,126
Total revenue	20,212	27,354	36,844	43,514	127,924
Rental expense	2,383	2,467	3,892	4,713	13,455
Real estate taxes	2,435	2,892	4,644	5,344	15,315
Depreciation and amortization	12,350	14,192	21,178	23,303	71,023
Interest expense	3,718	4,827	9,813	10,354	28,712
General and administrative expense	728	701	865	710	3,004
Asset management fees, related party	1,179	1,524	2,937	3,261	8,901
Net income (loss) before minority interest	(2,581)	751	(6,485)	(4,171)	(12,486)
Minority interest		3	(287)	(242)	(526)
Net income (loss)	$ (2,581)	$ 748	$ (6,198)	$ (3,929)	$ (11,960)
Earnings (loss) per common share:					
Basic and diluted	$ (0.03)	$ 0.01	$ (0.06)	$ (0.03)	$ (0.12)
Basic common shares outstanding	74,401	88,066	104,224	121,097	97,333
Diluted common shares outstanding	74,421	88,473	104,668	121,975	97,774

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The following table presents selected unaudited quarterly financial data for each quarter during the year ended December 31, 2004 (amounts in thousands except per share information):

	For the Quarter Ended				For the Year Ended
	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	December 31, 2004
Rental revenue	$ 3,582	$ 5,506	$ 8,935	$ 16,654	$ 34,677
Other income	13	228	933	247	1,421
Total revenue	3,595	5,734	9,868	16,901	36,098
Rental expense	401	490	850	1,634	3,375
Real estate taxes	397	626	950	1,857	3,830
Depreciation and amortization	1,646	2,765	4,888	9,974	19,273
Interest expense	651	894	1,650	2,783	5,978
General and administrative expense	328	311	1,026	707	2,372
Asset management fees, related party		145	398	982	1,525
Net income (loss)	$ 172	$ 503	$ 106	$ (1,036)	$ (255)
Earnings (loss) per common share:					
Basic and diluted	$ 0.01	$ 0.02	$ 0.00	$ (0.02)	$ (0.01)
Basic common shares outstanding	16,580	29,536	44,670	60,517	37,908
Diluted common shares outstanding	16,600	29,556	44,690	60,537	37,928

The following table presents selected unaudited quarterly financial data for each quarter during the period ended December 31, 2003 (amounts in thousands except per share information):

	For the Quarter Ended				For the Year Ended
	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	December 31, 2003
Rental revenue	$	$ 118	$ 842	$ 1,685	$ 2,645
Other income	1	39	11	10	61
Total revenue	1	157	853	1,695	2,706
Rental expense			38	98	136
Real estate taxes			51	180	231
Depreciation and amortization		69	360	766	1,195

Interest expense		26	138	221	385
General and administrative expense	73	33	118	188	412
Asset management fees, related party					
Net income (loss)	$ (72)	$ 29	$ 148	$ 242	$ 347
Earnings (loss) per common share:					
Basic and diluted	$ (0.27)	$ 0.02	$ 0.03	$ 0.03	$ 0.09
Basic common shares outstanding	261	1,809	4,393	9,357	3,987
Diluted common shares outstanding	261	1,829	4,413	9,377	4,007

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 18 Segment Information

We consider each operating property to be an individual operating segment that has similar economic characteristics with all our other operating properties and we combine our operating segments into reportable segments based upon their geographic location or market. For purposes of this disclosure, we report the revenue of our largest reportable market segments on an individual basis until the aggregate revenue of such individually reported market segments equals at least 75% of our total revenues and then aggregate all remaining reportable market segments into one category, Other Markets. These other markets include Baltimore, Boston, Charlotte, Columbus, Denver, Harrisburg/Lehigh Valley, Indianapolis, Louisville, Miami, New Jersey, Orlando, San Antonio, San Francisco and Seattle. The following table sets forth the rental revenues and property net operating income of our market segments for the years ended December 31, 2005, 2004 and 2003 (dollar amounts are in thousands).

	Rental Revenues			Property NOI(1)		
Segments	**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
Atlanta	$ 16,143	$ 4,522	$	$ 12,282	$ 3,658	$
Chicago	7,891	1,033	181	6,488	1,025	178
Cincinnati	8,942	5,323	114	7,356	4,488	105
Dallas	15,872	4,926	154	11,017	3,376	116
Houston	11,359	4,374	105	7,830	3,161	44
Los Angeles	4,700	1,185	129	3,409	929	92
Memphis	14,285	2,850	761	11,907	2,269	545
Nashville	5,738	4,318	1,138	5,076	3,908	1,135
Phoenix	8,550	1,757		5,770	1,244	
Other Markets	28,318	4,389	63	21,893	3,414	63
Total	$ 121,798	$ 34,677	$ 2,645	$ 93,028	$ 27,472	$ 2,278

(1) Net operating income (NOI) is defined as rental revenue, including reimbursements, less property operating expenses, which excludes depreciation, amortization, general and administrative expense and interest expense.

We consider NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as depreciation, interest expense, interest income and general and administrative expenses. However, NOI should not be viewed as an alternative measure of our financial performance as a whole since it does exclude such expenses which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance. The following table is a reconciliation of our NOI to our reported net income (dollar amounts are in thousands):

	2005	**2004**	**2003**
Property NOI	$ 93,028	$ 27,472	$ 2,278
Interest and other real estate income	6,126	1,421	61
Depreciation and amortization expense	(71,023)	(19,273)	(1,195)
Interest expense	(28,712)	(5,978)	(385)
General and administrative expense	(3,004)	(2,372)	(412)
Asset management fees, related-party	(8,901)	(1,525)	
Minority interest	526		

Net income (loss)	$ (11,960)	$ (255)	$ 347

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Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

The following table reflects our total assets by market segment (dollar amounts are in thousands).

	Total Assets as of December 31, 2005	2004
Market segments:		
Atlanta	$ 252,701	$ 146,261
Chicago	177,765	11,160
Cincinnati	117,381	76,605
Dallas	240,861	90,762
Houston	122,068	82,313
Los Angeles	82,547	32,095
Memphis	178,371	38,420
Nashville	76,256	57,873
Phoenix	84,820	80,263
Other markets	589,943	128,073
Total segment assets	1,922,713	743,825
Non-segment assets:		
Cash and cash equivalents	84,771	16,119
Other non-segment assets(1)	50,211	24,864
Total assets	$ 2,057,695	$ 784,808

(1) Other non-segment assets primarily consists of corporate assets including investments in unconsolidated joint ventures, notes receivable, certain loan costs, including loan costs associates with our financing obligations and deferred acquisition costs.

Note 19 Pro Forma Financial Information (Unaudited)

During the years ended December 31, 2005 and 2004, we acquired 251 properties, for a total investment of approximately $1.8 billion. The following unaudited pro forma information for the years ended December 31, 2005 and 2004 have been prepared to reflect the incremental effect of the acquisition of properties during 2005 and 2004 by us as if such transactions and adjustments had occurred on January 1, 2004, and were carried forward through December 31, 2005. As these acquisitions are assumed to have been made on January 1, 2004 the shares outstanding as of December 31, 2005 are assumed to have been sold and outstanding as of January 1, 2004 for purposes of calculating per share information (dollar amounts in thousands except per share information).

	2005	2004
Revenue	$ 182,392	$ 164,248
Depreciation and amortization	$ 92,081	$ 93,134
Net loss	$ (7,742)	$ (17,828)
Loss per share basic and diluted	$ (0.06)	$ (0.13)
Shares outstanding:		
Basic	133,206,784	133,206,784
Diluted	134,973,837	134,973,837

During the years ended December 31, 2004 and 2003, we acquired 106 properties, for a total investment of approximately $754.1 million. The following unaudited pro forma information for the years ended December 31, 2004 and 2003 have been prepared to reflect the incremental effect of the acquisition of properties during 2004 and 2003 by us as if such transactions and adjustments had occurred on January 1, 2003, and were

carried

Dividend Capital Trust Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

forward through December 31, 2004. As these acquisitions are assumed to have been made on January 1, 2003, the shares outstanding as of December 31, 2004 are assumed to have been sold as of January 1, 2003 for purposes of calculating per share information (dollar amounts in thousands except per share information).

	2004	2003
Revenue	$ 70,432	$ 53,071
Depreciation and amortization	$ 50,862	$ 47,875
Net loss	$ (11,273)	$ (16,966)
Loss per share basic and diluted	$ (0.17)	$ (0.25)
Shares outstanding:		
Basic	67,719,883	67,719,883
Diluted	67,739,883	67,739,883

This information is presented for illustrative purposes only and is not indicative of the results that actually would have occurred if the acquisitions had been in effect on the dates indicated or which may be obtained in the future.

Note 20 Net Income (Loss) per Common Share

Reconciliations of the numerator and denominator used to calculate basic net income (loss) per common share to the numerator and denominator used to calculate diluted net income (loss) per common share for the years ended December 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Net income (loss)	$ (11,960)	$ (255)	$ 347
Minority interest share in net loss	(49)		
Adjusted net income (loss)	$ (12,009)	$ (255)	$ 347
Weighted average common shares outstanding-Basic	97,333	37,908	3,987
Incremental weighted average effect of conversion of limited partnership units	441	20	20
Weighted average common shares outstanding-Diluted	97,774	37,928	4,007
Net income (loss) attributable per common share-Basic	$ (0.12)	$ (0.01)	$ 0.09
Net income (loss) attributable per common share-Diluted	$ (0.12)	$ (0.01)	$ 0.09

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Dividend Capital Trust Inc.:

Under date of March 7, 2006, we reported on the consolidated balance sheets of Dividend Capital Trust Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders equity (deficit) and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule, Schedule III Real Estate and Accumulated Depreciation (Schedule III). Schedule III is the responsibility of the Company s management. Our responsibility is to express an opinion on Schedule III based on our audits.

In our opinion, Schedule III Real Estate and Accumulated Depreciation, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Denver, Colorado

March 7, 2006

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2005

(dollars in thousands)

			Initial Cost to Company			Costs Capitalized	Gross Amount Carried at 12/31/2005				
Property	**No. of Bldgs**	**Encumbrances (5)**	**Land**	**Building & Improvements (1)**	**Total Costs**	**Subsequent to Acquisition**	**Land**	**Building & Improvements (1)**	**Total Costs (3)(4)(6)**	**Accumulated Depreciation (6)**	
Newpoint I	1		2,143	12,908	15,051	42	2,143	12,950	15,093	(1,194)	
Southcreek	3	9,357	5,338	31,640	36,978	(714)(2)	5,338	30,926	36,264	(2,244)	6/8/
Eagles Landing	1	20,942	2,595	13,475	16,070	131	2,595	13,606	16,201	(1,288)	
Buford Industrial	1		1,475	7,021	8,496	153	1,475	7,174	8,649	(703)	
Breckinridge Industrial	2		1,950	10,159	12,109	133	1,950	10,292	12,242	(1,697)	
Westgate Industrial	1		2,140	4,801	6,941	86	2,140	4,887	7,027	(1,261)	
Westpark Industrial	2		2,176	6,719	8,895	336	2,176	7,055	9,231	(463)	
Cobb Industrial	2		1,120	5,249	6,369	74	1,120	5,323	6,443	(499)	
Cabot Parkway Industrial	2		2,275	13,982	16,257	(1,204)(2)	2,275	12,778	15,053	(1,074)	
Atlanta NE Portolio	2		2,817	14,892	17,709	107	2,817	14,999	17,816	(1,312)	
Lotus Cars USA	1		1,029	2,103	3,132		1,029	2,103	3,132	(154)	
Fulton Industrial Boulevard	3	7,450	1,850	13,480	15,330	113	1,850	13,593	15,443	(343)	
Penney Road	1	2,017	401	4,145	4,546	10	401	4,155	4,556	(83)	
Southfield Parkway	1	2,560	523	3,808	4,331	1	523	3,809	4,332	(88)	
Livingston Court	3	5,410	1,194	8,475	9,669	9	1,194	8,484	9,678	(246)	
Peterson Place	5	4,212	739	8,050	8,789	19	739	8,069	8,808	(199)	
Oakbrook Parkway	5	9,607	1,823	17,185	19,008	72	1,823	17,257	19,080	(396)	
Regency Parkway	7	9,433	1,521	16,084	17,605	409	1,521	16,493	18,014	(404)	
Jimmy Carter Boulevard	2	3,182	488	5,159	5,647	204	488	5,363	5,851	(151)	
McGinnis Ferry Road	1	4,165	700	6,855	7,555	2	700	6,857	7,557	(213)	
South Royal Atlanta Drive	1	1,000	174	1,896	2,070		174	1,896	2,070	(44)	
Interstate South	1		2,396	18,620	21,016	45	2,396	18,665	21,061	(234)	
TOTAL ATLANTA MARKET	**48**	**79,335**	**36,867**	**226,706**	**263,573**	**28**	**36,867**	**226,734**	**263,601**	**(14,290)**	
Delta Portfolio	7	27,146	8,762	36,806	45,568	297	8,762	37,103	45,865	(1,670)	

Charwood Road	1	5,296	1,960	10,261	12,221		1,960	10,261	12,221	(217)
Greenwood Place	1	5,260	1,596	7,844	9,440	236	1,596	8,080	9,676	(183)
Coca Cola Drive	1		4,290	25,371	29,661		4,290	25,371	29,661	(181)
TOTAL BALTIMORE MARKET	**10**	**37,702**	**16,608**	**80,282**	**96,890**	**533**	**16,608**	**80,815**	**97,423**	**(2,251)**
Progress Industrial	2		2,570	5,933	8,503	258	2,570	6,191	8,761	(696)
South Industrial	1		1,125	2,805	3,930	166	1,125	2,971	4,096	(74)
Technology Industrial	1		941	2,606	3,547	31	941	2,637	3,578	(389)
Sunnyslope Industrial	1		3,626	7,616	11,242	65	3,626	7,681	11,307	(968)
Wildwood Avenue	1	10,320	2,653	11,771	14,424	6	2,653	11,777	14,430	(288)
TOTAL BOSTON MARKET	**6**	**10,320**	**10,915**	**30,731**	**41,646**	**526**	**10,915**	**31,257**	**42,172**	**(2,415)**
Nevada Boulevard	1	3,023	1,360	4,840	6,200		1,360	4,840	6,200	(123)
Barringer Drive	1	1,760	507	4,549	5,056	(123)(2)	507	4,426	4,933	(106)

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2005

(dollars in thousands)

Property	No. of Bldgs	Encumbrances (5)	Initial Cost to Company: Land	Initial Cost to Company: Building & Improvements (1)	Initial Cost to Company: Total Costs	Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at 12/31/2005: Land	Gross Amount Carried at 12/31/2005: Building & Improvements (1)	Gross Amount Carried at 12/31/2005: Total Costs (3)(4)(6)	Accumulat Depreciati (6)
Nations Ford Road	1	2,840	1,603	5,277	6,880		1,603	5,277	6,880	(1
Empire Distribution Center	1		622	3,655	4,277		622	3,655	4,277	(
TOTAL CHARLOTTE MARKET	**4**	**7,623**	**4,092**	**18,321**	**22,413**	**(123)**	**4,092**	**18,198**	**22,290**	**(3**
Mallard Lake	1		2,561	8,809	11,370		2,561	8,809	11,370	(7
Wickes Distribution Center	1	11,399	3,191	18,505	21,696	30	3,191	18,535	21,726	(1,3
Blackhawk Portfolio	5	19,998	6,671	40,877	47,548	534	6,671	41,411	48,082	(1,1
East Fabyan Parkway	1	5,230	1,790	10,929	12,719	31	1,790	10,960	12,750	(3
Frontenac Road	1	3,920	1,647	5,849	7,496	26	1,647	5,875	7,522	(1
South Wolf Road	1	9,175	4,836	18,794	23,630	202	4,836	18,996	23,832	(4
Laramie Avenue	1	4,870	1,442	7,985	9,427	26	1,442	8,011	9,453	(2
West 123rd Place	1	2,875	644	5,935	6,579	20	644	5,955	6,599	(1
Stern Avenue	1	2,560	505	4,947	5,452	4	505	4,951	5,456	(1
McCook Industrial Center	1		5,541	17,601	23,142	(93)(2)	5,541	17,508	23,049	(
TOTAL CHICAGO MARKET	**14**	**60,027**	**28,828**	**140,231**	**169,059**	**780**	**28,828**	**141,011**	**169,839**	**(4,8**
Park West	6	43,550	10,441	63,682	74,123	163	10,441	63,845	74,286	(6,5
Northwest Business Center	1		299	4,486	4,785	39	299	4,525	4,824	(1,1
New Buffington Road	2	4,100	1,618	8,500	10,118	307	1,618	8,807	10,425	(1
Olympic Boulevard	3	7,350	2,096	11,788	13,884	221	2,096	12,009	14,105	(2
Mineola Pike	1	2,653	625	4,642	5,267		625	4,642	5,267	(1
Industrial Road	2	2,740	629	3,344	3,973	56	629	3,400	4,029	(
Dolwick Drive	1	2,857	579	4,670	5,249	31	579	4,701	5,280	(1
Best Place	1	3,540	1,131	5,516	6,647	6	1,131	5,522	6,653	(1
Distribution Circle	1	3,200	688	6,838	7,526	196	688	7,034	7,722	(1
TOTAL CINCINNATI MARKET	**18**	**69,990**	**18,106**	**113,466**	**131,572**	**1,019**	**18,106**	**114,485**	**132,591**	**(8,7**
Commodity Boulevard	2	20,849	3,891	36,799	40,690	737	3,891	37,536	41,427	(8
Industrial Drive	1	4,350	683	7,136	7,819		683	7,136	7,819	(1
TOTAL COLUMBUS MARKET	**3**	**25,199**	**4,574**	**43,935**	**48,509**	**737**	**4,574**	**44,672**	**49,246**	**(9**
DFW H	1	6,642	981	10,392	11,373	(105)(2)	981	10,287	11,268	(1,4
Pinnacle	2	17,218	1,588	27,853	29,441	(231)(2)	1,588	27,622	29,210	(2,9
Market Industrial	5		1,481	15,507	16,988	358	1,481	15,865	17,346	(1,8

Shiloh Industrial	2	878	5,957	6,835	662	878	6,619	7,497	(99
Perimeter Industrial	2	261	2,901	3,162	54	261	2,955	3,216	(32
Avenue R Industrial I	1	189	2,231	2,420	115	189	2,346	2,535	(3

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2005

(dollars in thousands)

			Initial Cost to Company			Costs Capitalized	Gross Amount Carried at 12/31/2005			
Property	No. of Bldgs	Encumbrances (5)	Land	Building & Improvements (1)	Total Costs	Subsequent to Acquisition	Land	Building & Improvements (1)	Total Costs (3)(4)(6)	Accumul Deprecia (6)
Avenue R Industrial II	1		271	1,139	1,410	455	271	1,594	1,865	(
Westfork Center Industrial	3		503	5,977	6,480	122	503	6,099	6,602	(
Coasters Distribution Center	1		1,380	14,504	15,884	(27)(2)	1,380	14,477	15,857	(1
Diplomat Drive	1	2,496	532	3,136	3,668	13	532	3,149	3,681	(
North 28th Street	1	3,254		6,145	6,145	11		6,156	6,156	(
Esters Boulevard	5	27,393	2,428	50,618	53,046	243	2,428	50,861	53,289	(1
Royal Lane	1	1,918		3,200	3,200	7		3,207	3,207	(
North Stemmons Freeway	1	2,400	585	2,576	3,161	221	585	2,797	3,382	
West Story Drive	1	2,700	777	4,646	5,423	108	777	4,754	5,531	(
Meridian Drive	1	2,535	410	4,135	4,545	128	410	4,263	4,673	(
Gateway Drive	1	1,472	463	2,152	2,615	233	463	2,385	2,848	
Valwood Parkway	3	8,875	2,271	15,351	17,622	329	2,271	15,680	17,951	(
108th Street	1	460	83	899	982	7	83	906	989	
Sanden Drive	1	1,138	207	2,258	2,465	1	207	2,259	2,466	
North Great Southwest Parkway	2	2,925	1,384	3,727	5,111	82	1,384	3,809	5,193	(
Webb Chapel Road	1	514	110	732	842	12	110	744	854	
Belt Line Road	6	4,766	1,167	7,811	8,978	256	1,167	8,067	9,234	(
Springlake Road	2	2,720	534	4,457	4,991	476	534	4,933	5,467	(
Hurd Drive	1	1,760	420	2,332	2,752	23	420	2,355	2,775	
Champion Drive	1	1,660	672	2,598	3,270	72	672	2,670	3,342	
Clorox Distribution Center	1		3,283	20,847	24,130		3,283	20,847	24,130	(
TOTAL DALLAS MARKET	**49**	**92,846**	**22,858**	**224,081**	**246,939**	**3,625**	**22,858**	**227,706**	**250,564**	**(13**
Interpark 70	1	5,359	1,383	7,566	8,949	78	1,383	7,644	9,027	(1
TOTAL DENVER MARKET	**1**	**5,359**	**1,383**	**7,566**	**8,949**	**78**	**1,383**	**7,644**	**9,027**	**(1**
Iron Run Corporate Center	1		1,531	3,632	5,163	219	1,531	3,851	5,382	(
Binney & Smith	1	11,388	5,183	20,100	25,283		5,183	20,100	25,283	(
High Street Portfolio	3		4,853	10,334	15,187		4,853	10,334	15,187	(
TOTAL HARRISBURG/ LEHIGH VALLEY MARKET	**5**	**11,388**	**11,567**	**34,066**	**45,633**	**219**	**11,567**	**34,285**	**45,852**	**(**
West by Northwest	1		1,033	7,564	8,597		1,033	7,564	8,597	(
Bondesen Business. Park	7		1,007	23,370	24,377	(564)(2)	1,007	22,806	23,813	(2
Beltway 8 Business Park	7		1,679	25,565	27,244	(315)(2)	1,679	25,250	26,929	(2
Corporate Industrial	2		613	3,989	4,602	(59)(2)	613	3,930	4,543	(
Reed Industrial	1		568	6,331	6,899	403	568	6,734	7,302	(

Julie Rivers Industrial	2	272	3,123	3,395	33	272	3,156	3,428	(
Wynwood Industrial	1	180	1,634	1,814	34	180	1,668	1,848	(

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2005

(dollars in thousands)

			Initial Cost to Company			Costs Capitalized	Gross Amount Carried at 12/31/2005			
Property	**No. of Bldgs**	**Encumbrances (5)**	**Land**	**Building & Improvements (1)**	**Total Costs**	**Subsequent to Acquisition**	**Land**	**Building & Improvements (1)**	**Total Costs (3)(4)(6)**	**Accumula Deprecia (6)**
Wynpark Industrial	1		154	1,404	1,558	36	154	1,440	1,594	(
Siber Industrial	1		742	4,644	5,386	21	742	4,665	5,407	(
Greenbriar Industrial	1		1,200	7,998	9,198	(67)(2)	1,200	7,931	9,131	(
Greens Crossing	3	7,176	1,225	10,202	11,427		1,225	10,202	11,427	(
Willowbrook	4	8,314	1,274	12,842	14,116	25	1,274	12,867	14,141	(
Gateway at Central Green	2		1,079	9,929	11,008	112	1,079	10,041	11,120	(
TOTAL HOUSTON MARKET	**33**	**15,490**	**11,026**	**118,595**	**129,621**	**(341)**	**11,026**	**118,254**	**129,280**	**(10,**
Plainfield I	1		1,394	14,269	15,663	(457)(2)	1,394	13,812	15,206	(1,
Handleman Building	1		2,200	11,239	13,439		2,200	11,239	13,439	
Whirlpool Airwest	1		3,817	24,777	28,594		3,817	24,777	28,594	
TOTAL INDIANA MARKET	**3**		**7,411**	**50,285**	**57,696**	**(457)**	**7,411**	**49,828**	**57,239**	**(1,**
Foothill Business Center	3		13,315	9,112	22,427	302	13,315	9,414	22,729	(1,
Rancho Technology Park	1		2,790	7,048	9,838	479	2,790	7,527	10,317	(1,
East Slauson Avenue	3	12,127	5,499	14,775	20,274	138	5,499	14,913	20,412	(
Airport Circle	1	5,490	3,098	8,368	11,466		3,098	8,368	11,466	(
Cota Street	1	4,453	2,802	7,624	10,426	583	2,802	8,207	11,009	(
Twin Oaks Valley Road	2	3,998	1,815	7,855	9,670		1,815	7,855	9,670	(
TOTAL LOS ANGELES MARKET	**11**	**26,068**	**29,319**	**54,782**	**84,101**	**1,502**	**29,319**	**56,284**	**85,603**	**(3,**
Trade Pointe III	1		1,020	7,240	8,260	(2)(2)	1,020	7,238	8,258	(
Riverport	1		1,279	8,812	10,091	1	1,279	8,813	10,092	(1,
TOTAL LOUISVILLE MARKET	**2**		**2,299**	**16,052**	**18,351**	**(1)**	**2,299**	**16,051**	**18,350**	**(1,**
Chickasaw	2		1,141	13,837	14,978	(249)(2)	1,141	13,588	14,729	(1,
Memphis Trade Center III	1	5,549	2,335	22,524	24,859	7	2,335	22,531	24,866	(1,
Panattoni Memphis Portfolio	7	33,888	18,088	114,739	132,827	(132)(2)	18,088	114,607	132,695	(5,
Memphis Distriplex	1	4,689	1,525	10,444	11,969		1,525	10,444	11,969	(
TOTAL MEMPHIS MARKET	**11**	**44,126**	**23,089**	**161,544**	**184,633**	**(374)**	**23,089**	**161,170**	**184,259**	**(8,**
Miami Service Center	1		1,110	3,811	4,921	1	1,110	3,812	4,922	(
Miami Commerce Center	1	6,200	3,050	10,769	13,819	27	3,050	10,796	13,846	(
Northeast 12 Terrace	1	2,500	1,169	6,088	7,257		1,169	6,088	7,257	(
	3	**8,700**	**5,329**	**20,668**	**25,997**	**28**	**5,329**	**20,696**	**26,025**	**(1,**

TOTAL MIAMI MARKET										
Bridgestone/Firestone	1	15,299	2,545	21,939	24,484	5,437	2,545	27,376	29,921	(2,
Mid South Logistics Center	1	12,688	1,772	18,288	20,060	38	1,772	18,326	20,098	(1,

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2005

(dollars in thousands)

			Initial Cost to Company			Costs Capitalized	Gross Amount Carried at 12/31/2005				
Property	**No. of Bldgs**	**Encumbrances (5)**	**Land**	**Building & Improvements (1)**	**Total Costs**	**Subsequent to Acquisition**	**Land**	**Building & Improvements (1)**	**Total Costs (3)(4)(6)**	**Accumulated Depreciation (6)**	**Acqu Da**
Eastgate	1	11,079	1,445	13,352	14,797	104	1,445	13,456	14,901	(1,647)	03/1
Rockdale Distribution Center	1		2,940	12,188	15,128		2,940	12,188	15,128	(26)	12/2
TOTAL NASHVILLE MARKET	**4**	**39,066**	**8,702**	**65,767**	**74,469**	**5,579**	**8,702**	**71,346**	**80,048**	**(5,266)**	
Brunswick Avenue	1	9,931	3,665	16,380	20,045		3,665	16,380	20,045	(400)	07/2
Campus Drive	1	2,714	1,366	4,841	6,207		1,366	4,841	6,207	(122)	07/2
Cottontail Lane	1	6,240	1,960	9,169	11,129	186	1,960	9,355	11,315	(224)	07/2
Mary Kay Building	1		2,993	5,944	8,937		2,993	5,944	8,937	(13)	12/2
Dendreon Building	1		4,940	8,026	12,966		4,940	8,026	12,966	(17)	12/2
Rockaway	3	6,470	5,881	12,521	18,402		5,881	12,521	18,402	(30)	12/2
TOTAL NEW JERSEY MARKET	**8**	**25,355**	**20,805**	**56,881**	**77,686**	**186**	**20,805**	**57,067**	**77,872**	**(806)**	
Cypress Park East	2	10,634	2,627	13,055	15,682	36	2,627	13,091	15,718	(1,711)	10/2
TOTAL ORLANDO MARKET	**2**	**10,634**	**2,627**	**13,055**	**15,682**	**36**	**2,627**	**13,091**	**15,718**	**(1,711)**	
North Industrial	2	5,786	4,566	15,899	20,465	1,367(2)	4,566	17,266	21,832	(1,245)	10/0
South Industrial I	2	4,828	2,876	14,120	16,996	505	2,876	14,625	17,501	(1,139)	10/0
South Industrial II	1		1,235	4,902	6,137	390	1,235	5,292	6,527	(603)	10/0
West Southern Industrial	1		555	3,376	3,931	(103)(2)	555	3,273	3,828	(332)	10/0
West Geneva Industrial	3		413	2,667	3,080	204	413	2,871	3,284	(240)	10/0
West 24th Industrial	2		870	4,575	5,445	186	870	4,761	5,631	(269)	10/0
East Watkins Industrial	1		2,219	10,945	13,164	4	2,219	10,949	13,168	(952)	10/0
Sky Harbor Transit Center	1	3,760	2,534	7,597	10,131	(9)(2)	2,534	7,588	10,122	(765)	11/2

States Logistics Center	1		1,690	5,643	7,333		1,690	5,643	7,333	(12)	12/0
TOTAL PHOENIX MARKET	**14**	**14,374**	**16,958**	**69,724**	**86,682**	**2,544**	**16,958**	**72,268**	**89,226**	**(5,557)**	
Rittiman Business Park	2		388	7,336	7,724	(25)(2)	388	7,311	7,699	(1,256)	06/0
TOTAL SAN ANTONIO MARKET	**2**		**388**	**7,336**	**7,724**	**(25)**	**388**	**7,311**	**7,699**	**(1,256)**	
Huntwood Industrial	1		1,892	4,662	6,554	728	1,892	5,390	7,282	(1,093)	10/0
Eden Rock Industrial	2		1,943	4,746	6,689	257	1,943	5,003	6,946	(1,344)	10/0
Bayside Distribution Center	2	11,759	6,875	15,254	22,129	(20)(2)	6,875	15,234	22,109	(1,085)	11/0
TOTAL SAN FRANCISCO MARKET	**5**	**11,759**	**10,710**	**24,662**	**35,372**	**965**	**10,710**	**25,627**	**36,337**	**(3,522)**	
Industry Drive North	2	9,730	5,753	16,039	21,792		5,753	16,039	21,792	(364)	07/2
South 228th Street	2	11,051	4,739	17,797	22,536		4,739	17,797	22,536	(383)	07/2
64th Avenue South	1	6,383	3,345	9,335	12,680		3,345	9,335	12,680	(234)	07/2

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

December 31, 2005

(dollars in thousands)

			Initial Cost to Company			Costs Capitalized	Gross Amount Carried at 12/31/2005				
Property	No. of Bldgs	Encumbrances (5)	Land	Building & Improvements (1)	Total Costs	Subsequent to Acquisition	Land	Building & Improvements (1)	Total Costs (3)(4)(6)	Accumulated Depreciation (6)	Acquisition Date
South 192nd Street	1	2,288	1,286	3,433	4,719	203	1,286	3,636	4,922	(85)	07/21/05
South 212th Street	1		3,095	10,253	13,348		3,095	10,253	13,348	(206)	08/01/05
Southwest 27th Street	1	7,570	4,579	8,357	12,936		4,579	8,357	12,936	(235)	07/21/05
TOTAL SEATTLE MARKET	**8**	**37,022**	**22,797**	**65,214**	**88,011**	**203**	**22,797**	**65,417**	**88,214**	**(1,507)**	
GRAND TOTAL	**264**	**632,383**	**317,258**	**1,643,950**	**1,961,208**	**17,267**	**317,258**	**1,661,217**	**1,978,475**	**(96,604)**	

(1) Included in Building & Improvements are intangible lease assets.

(2) Generally these reductions in basis include one or more of the following: i) payments received under master lease agreements and pursuant to 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; ii) writeoffs of fixed asset balances due to early lease terminations by contracted customers; and iii) other miscellaneous basis adjustments.

(3) Reconciliation of total cost to consolidated balance sheet caption as of December 31, 2005 (in thousands):

Total per Schedule III (6)	$ 1,978,475
Properties under development	
Land	2,121
Construction in progress	6,280
Land held for development	8,049
Total investment in properties	$ 1,994,925

(4) As of December 31, 2005, the aggregate cost for federal income tax purposes of investments in real estate was approximately $1.6 billion.

(5) Reconciliation of total debt to consolidated balance sheet caption as of December 31, 2005 (in thousands):

Total per Schedule III	$ 632,383
Premiums, net of amortization	9,859
Mortgage notes	$ 642,242

(6) A summary of activity for real estate and accumulated depreciation for the year ended December 31, 2005 is as follows (in thousands):

Investments in properties:	
Balance at beginning of year	$ 754,064
Acquisition of properties	1,212,538
Improvements, including development properties	81,830
Asset write offs	(2,985)
Divestiture of properties	(50,522)
Balance at end of year	$ 1,994,925
Accumulated depreciation:	
Balance at beginning of year	$ 21,862
Depreciation expense	75,282
Asset write offs	(540)
Balance at end of year	$ 96,604

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act, as of December 31, 2005, the end of the period covered by this annual report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that our disclosure controls and procedures will detect or uncover every situation involving the failure of persons within Dividend Capital Trust or its affiliates to disclose material information otherwise required to be set forth in our periodic reports. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2005.

Changes in Internal Control Over Financial Reporting

None.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information about directors and executive officers and compliance with Section 16(a) of the Exchange Act required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2006 annual meeting of shareholders.

Code of Business Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics and a Whistleblowing and Whistleblower Protection Policy which apply to all our directors and officers. A copy of the Code of Business Conduct and Ethics was included as Exhibit 14.1 of our Form 10-K, filed on March 22, 2004, and a copy of the Whistleblowing and Whistleblower Protection Policy was included as Exhibit 14.2 of our Form 10-K, filed on March 16, 2005.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2006 annual meeting of shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2006 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2006 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2006 annual meeting of shareholders.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules.

1. Financial Statements.

The consolidated financial statements listed in the accompanying Index to Financial Statements on Page F-1 are filed as a part of this report.

2. Financial Statement Schedules.

The financial statement schedule required by this Item is filed with this report and is listed in the accompanying Index to Financial Statements on Page F-1. All other financial statement schedules are not applicable.

B. Exhibits.

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EXHIBIT INDEX

Exhibit Number	Description
*2.1	Agreement and Plan of Merger, dated June 17, 2005, among Dividend Capital Trust Inc., DCT Acquisition Corporation, Cabot Industrial Value Fund Inc. and Cabot Industrial Value Fund Manager, LLC (Exhibit 2.1 to Form 10-Q filed on August 15, 2005)
*2.2	Put/Call Agreement, dated July 21, 2005, among Cabot Industrial Fund Manager, LLC, the limited partners named therein and Dividend Capital Trust Inc. (Exhibit 2.2 to Form 10-Q filed on August 15, 2005)
*3.1	Dividend Capital Trust Inc. Amended and Restated Articles of Incorporation (Exhibit 3.1 to Form 8-K filed on November 26, 2003)
*3.2	Dividend Capital Trust Inc. Bylaws (Exhibit 3.2 to Form S-11 Registration Statement, Commission File No. 333-86234)
*4.1	Amended and Restated Distribution Reinvestment Plan (Exhibit 4.2 to Form S-3 Registration Statement, as amended on Form S-11, Commission File No. 333-122260)
*10.1	Amended and Restated Advisory Agreement between Dividend Capital Trust Inc. and Dividend Capital Advisors LLC dated November 21, 2003 (Exhibit 10.1 to Form 8-K filed November 26, 2003)
*10.2	Management Agreement between Dividend Capital Trust Inc. and Dividend Property Management LLC dated July 12, 2002 (Exhibit 10.3 to Form S-11 Registration Statement, Commission File No. 333-86234)
*10.3	Amended and Restated Dealer Manager Agreement (Exhibit 1.1 to Form S-3 Registration Statement, as amended on Form S-11, Commission File No. 333-122260)
*10.4	Form of Warrant Purchase Agreement (Exhibit 1.3 to Form S-11 Registration Statement, Commission File No. 333-86234)
*10.5	Form of Indemnification Agreement between Dividend Capital Trust Inc. and the officers and directors of Dividend Capital Trust Inc. (Exhibit 10.4 to Form S-11 Registration Statement, Commission File No. 333-862341)
*10.6	Limited Partnership Agreement of Dividend Capital Operating Partnership LP. (Exhibit 10.5 to Form S-11 Registration Statement, Commission File No. 333-86234)
*10.7.1	Dividend Capital Trust Inc. Employee Stock Option Plan (Exhibit 10.6.1 to Form S-11 Registration Statement, Commission File No. 333-86234)
*10.7.2	Dividend Capital Trust Inc. Independent Director Stock Option Plan (Exhibit 10.6.2 to Form S-11 Registration Statement, Commission File No. 333-86234)
*10.8	Agreement of Purchase and Sale, dated August 11, 2004, among Cabot Industrial Venture A, LLC, Cabot Industrial Venture B, LLC, CW Industrial Venture A Texas, L.P., CW Industrial Venture B Texas, L.P. and Dividend Capital Operating Partnership LP (Exhibit 10.1 to Form 10-Q filed on November 15, 2004)
*10.9	First Amendment to Agreement for Purchase and Sale, dated August 16, 2004, among Cabot Industrial Venture A, LLC, Cabot Industrial Venture B, LLC, CW Industrial Venture A Texas, L.P., CW Industrial Venture B Texas, L.P. and Dividend Capital Operating Partnership LP (Exhibit 10.2 to Form 10-Q filed on November 15, 2004)
*10.10	Second Amendment to Agreement for Purchase and Sale, dated August 25, 2004, among Cabot Industrial Venture A, LLC, Cabot Industrial Venture B, LLC, CW Industrial Venture A Texas, L.P., CW Industrial Venture B Texas, L.P. and Dividend Capital Operating Partnership LP (Exhibit 10.3 to Form 10-Q filed on November 15, 2004)

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Exhibit Number	Description
*10.11	Third Amendment to Agreement for Purchase and Sale, dated August 30, 2004, among Cabot Industrial Venture A, LLC, Cabot Industrial Venture B, LLC, CW Industrial Venture A Texas, L.P., CW Industrial Venture B Texas, L.P. and Dividend Capital Operating Partnership LP (Exhibit 10.4 to Form 10-Q filed on November 15, 2004)
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*10.16	Fourth Amendment to Real Estate Contract, dated February 22, 2005, among Panattoni Development Company, LLC, the other Sellers listed therein and Dividend Capital Operating Partnership LP. (Exhibit 10.16 to Form 10-K filed on March 16, 2005)
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*10.19	Seventh Amendment to Real Estate Contract, dated March 4, 2005, among Panattoni Development Company, LLC, the other Sellers listed therein and Dividend Capital Operating Partnership LP. (Exhibit 10.19 to Form 10-K filed on March 16, 2005)
*10.20	Cabot Industrial Value Fund, L.P. Second Amended and Restated Limited Partnership Agreement, dated July 21, 2005 (Exhibit 10.2 to Form 10-Q filed on August 15, 2005)
*14.1	Code of Business Conduct and Ethics (Exhibit 14.1 to Form 10-K filed on March 22, 2004)
*14.2	Whistleblowing and Whistleblower Protection Policy (Exhibit 14.2 to Form 10-K filed on March 16, 2005)
+21.1	List of Subsidiaries
+23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm, dated March 14, 2006
+31.1	Rule 13a-14(a) Certification of Principal Executive Officer
+31.2	Rule 13a-14(a) Certification of Principal Financial Officer
+32.1	Section 1350 Certification of Principal Executive Officer
+32.2	Section 1350 Certification of Principal Financial Officer

+ Filed herewith.
* Previously filed.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIVIDEND CAPITAL TRUST INC.

By: /s/ EVAN H. ZUCKER
Evan H. Zucker,

Chief Executive Officer and President

Date: March 16, 2006

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS G. WATTLES **Thomas G. Wattles**	Chairman and Director	March 16, 2006
/s/ EVAN H. ZUCKER **Evan H. Zucker**	Chief Executive Officer, President, Secretary and Director	March 16, 2006
/s/ JAMES R. MULVIHILL **James R. Mulvihill**	Chief Financial Officer, Treasurer and Director	March 16, 2006
/s/ PHILLIP R. ALTINGER **Phillip R. Altinger**	Director	March 16, 2006
/s/ TRIPP H. HARDIN **Tripp H. Hardin**	Director	March 16, 2006
/s/ JOHN C. O KEEFFE **John C. O Keeffe**	Director	March 16, 2006
/s/ BRUCE L. WARWICK **Bruce L. Warwick**	Director	March 16, 2006

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