Digital Realty Trust, Inc.
Form 10-K
February 25, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From to .
Commission file number 001-32336 (Digital Realty Trust, Inc.)
000-54023 (Digital Realty Trust, L.P.)

DIGITAL REALTY TRUST, INC.
DIGITAL REALTY TRUST, L.P.
(Exact name of registrant as specified in its charter)

Maryland (Digital Realty Trust, Inc.)	26-0081711
Maryland (Digital Realty Trust, L.P.)	20-2402955
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)
Four Embarcadero Center, Suite 3200 San Francisco, CA	94111
(Address of principal executive offices)	(Zip Code)
(415) 738-6500	
(Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(b) of the Act:

	Title of each class	Name of each exchange on which registered
Digital Realty Trust, Inc.	Common Stock, $0.01 par value per share	New York Stock Exchange
	Series C Cumulative Redeemable Perpetual Preferred Stock, $0.01 par value per share	New York Stock Exchange
	Series G Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange
	Series H Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange
	Series I Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange
	Series J Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange
Digital Realty Trust, L.P.	None	None

Securities registered pursuant to Section 12(g) of the Act:

Digital Realty Trust, Inc.	None
Digital Realty Trust, L.P.	Common Units of Partnership Interest

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Digital Realty Trust, Inc. Yes x No o
Digital Realty Trust, L.P. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Digital Realty Trust, Inc. Yes o No x
Digital Realty Trust, L.P. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Digital Realty Trust, Inc. Yes x No o
Digital Realty Trust, L.P. Yes x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Digital Realty Trust, Inc. Yes x No o
Digital Realty Trust, L.P. Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Digital Realty Trust, Inc.:

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

Digital Realty Trust, L.P.:

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Digital Realty Trust, Inc. o
Digital Realty Trust, L.P. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Digital Realty Trust, Inc. Yes o No x
Digital Realty Trust, L.P. Yes o No x
The aggregate market value of the common equity held by non-affiliates of Digital Realty Trust, Inc. as of June 29, 2018 totaled approximately $23 billion based on the closing price for Digital Realty Trust, Inc.'s common stock on that day as reported by the New York Stock Exchange. Such value excludes common stock held by executive officers, directors and 10% or greater stockholders as of June 29, 2018. The identification of 10% or greater stockholders as of June 29, 2018 is based on Schedule 13G and amended Schedule 13G reports publicly filed before June 29, 2018. This

calculation does not reflect a determination that such parties are affiliates for any other purposes.
There is no public trading market for the common units of Digital Realty Trust, L.P. As a result, the aggregate market value of the common units held by non-affiliates of Digital Realty Trust, L.P. cannot be determined.
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.
Digital Realty Trust, Inc.:

Class	Outstanding at February 21, 2019
Common Stock, $.01 par value per share	207,823,842

DOCUMENTS INCORPORATED BY REFERENCE
Part III incorporates by reference portions of Digital Realty Trust, Inc.'s Proxy Statement for its 2019 Annual Meeting of Stockholders which the registrants anticipate will be filed no later than 120 days after the end of its fiscal year pursuant to Regulation 14A.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 of Digital Realty Trust, Inc., a Maryland corporation, and Digital Realty Trust, L.P., a Maryland limited partnership, of which Digital Realty Trust, Inc. is the sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our Company” or “the Company” refer to Digital Realty Trust, Inc. together with its consolidated subsidiaries, including Digital Realty Trust, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our Operating Partnership” or “the Operating Partnership” refer to Digital Realty Trust, L.P. together with its consolidated subsidiaries.

Digital Realty Trust, Inc. is a real estate investment trust, or REIT, and the sole general partner of Digital Realty Trust, L.P. As of December 31, 2018, Digital Realty Trust, Inc. owned an approximate 95.1% common general partnership interest in Digital Realty Trust, L.P. The remaining approximate 4.9% of the common limited partnership interests of Digital Realty Trust, L.P. are owned by non-affiliated third parties and certain directors and officers of Digital Realty Trust, Inc. As of December 31, 2018, Digital Realty Trust, Inc. owned all of the preferred limited partnership interests of Digital Realty Trust, L.P. As the sole general partner of Digital Realty Trust, L.P., Digital Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership’s day-to-day management and control.

We believe combining the annual reports on Form 10-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. into this single report results in the following benefits:

- enhancing investors’ understanding of our Company and our Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both our Company and our Operating Partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between our Company and our Operating Partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between our Company and our Operating Partnership in the context of how we operate as an interrelated consolidated company. Digital Realty Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of Digital Realty Trust, L.P. As a result, Digital Realty Trust, Inc. does not conduct business itself, other than acting as the sole general partner of Digital Realty Trust, L.P., issuing public equity from time to time and guaranteeing certain unsecured debt of Digital Realty Trust, L.P. and certain of its subsidiaries. Digital Realty Trust, Inc. itself does not issue any indebtedness but guarantees the unsecured debt of Digital Realty Trust, L.P. and certain of its subsidiaries and affiliates, as disclosed in this report. Digital Realty Trust, L.P. holds substantially all the assets of the Company and holds the ownership interests in the Company’s joint ventures. Digital Realty Trust, L.P. conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by Digital Realty Trust, Inc., which are generally contributed to Digital Realty Trust, L.P. in exchange for partnership units, Digital Realty Trust, L.P. generates the capital required by the Company’s business through Digital Realty Trust, L.P.’s operations, by Digital Realty Trust, L.P.’s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

The presentation of noncontrolling interests in operating partnership, stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of Digital Realty Trust, Inc. and those of Digital Realty Trust, L.P. The common limited partnership interests held by the limited partners in Digital Realty Trust, L.P. are presented as limited partners’ capital within partners’ capital in Digital Realty Trust, L.P.’s consolidated financial statements and as noncontrolling interests in operating partnership within equity in Digital Realty Trust, Inc.’s consolidated financial statements. The common and preferred partnership interests held by Digital Realty Trust, Inc.

in Digital Realty Trust, L.P. are presented as general partner's capital within partners' capital in Digital Realty Trust, L.P.'s consolidated financial statements and as preferred stock, common stock, additional paid-in capital and accumulated dividends in excess of earnings within stockholders' equity in Digital Realty Trust, Inc.'s consolidated financial statements. The differences in the presentations between stockholders' equity and partners' capital result from the differences in the equity issued at the Digital Realty Trust, Inc. and the Digital Realty Trust, L.P. levels.

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To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
  - "Debt of the Company" and "Debt of the Operating Partnership";
  - "Income per Share" and "Income per Unit";
  - "Equity and Accumulated Other Comprehensive Loss, Net of the Company" and "Capital and Accumulated Other Comprehensive Loss of the Operating Partnership"; and
  - "Quarterly Financial Information";
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities; and
- Selected Financial Data.

This report also includes separate Item 9A. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the Chief Executive Officer and Chief Financial Officer of each entity has made the requisite certification and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company operates the business through the Operating Partnership.

As general partner with control of the Operating Partnership, Digital Realty Trust, Inc. consolidates the Operating Partnership for financial reporting purposes, and it does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. are the same on their respective consolidated financial statements. The separate discussions of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

In this report, “properties” and “buildings” refer to all or any of the buildings in our portfolio, including data centers and non-data centers, and “data centers” refers only to the properties or buildings in our portfolio that contain data center space.

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DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, L.P.
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PART I

ITEM 1. BUSINESS

The Company

Digital Realty Trust, Inc., through its controlling interest in Digital Realty Trust, L.P. and its subsidiaries, delivers comprehensive space, power, and interconnection solutions that enable its customers and partners to connect with each other and service their own customers on a global technology and real estate platform. We are a leading global provider of data center, colocation and interconnection solutions for customers across a variety of industry verticals ranging from cloud and information technology services, social networking and communications to financial services, manufacturing, energy, healthcare, and consumer products. Digital Realty Trust, Inc. operates as a real estate investment trust, or REIT, for federal income tax purposes.

As of December 31, 2018, our portfolio consisted of 214 data centers (including 18 data centers held as investments in unconsolidated joint ventures), of which 145 are located in the United States, 38 are located in Europe, 16 are located in Latin America, seven are located in Asia, five are located in Australia and three are located in Canada.

Digital Realty Trust, L.P., a Maryland limited partnership, is the entity through which Digital Realty Trust, Inc., a Maryland corporation, conducts its business of acquiring, developing, owning and operating data centers. Digital Realty Trust, Inc. was incorporated in the state of Maryland on March 9, 2004. Digital Realty Trust, L.P. was organized in the state of Maryland on July 21, 2004. Our principal executive offices are located at Four Embarcadero Center, Suite 3200, San Francisco, California 94111. Our telephone number is (415) 738-6500. Our website is www.digitalrealty.com.

Recent Acquisitions

On December 20, 2018, our Brazilian subsidiary, Stellar Participações Ltda., completed the acquisition of Ascenty, a leading data center provider in Brazil, from private equity firm Great Hill Partners in a transaction valued at approximately $1.8 billion, net of cash purchased. We believe this transaction, which we refer to as the Ascenty Acquisition, represented a significant extension of our global platform and established us as the premier data center solutions provider in the Latin America region. Separately, we entered into an independent bilateral equity commitment letter with Brookfield Infrastructure, an affiliate of Brookfield Asset Management, one of the largest owners and operators of infrastructure assets globally, under which Brookfield has committed to fund approximately $700 million, excluding Brookfield's share of transaction costs, in exchange for 49% of the total equity interests in a joint venture entity expected to ultimately own Ascenty. The agreement with Brookfield is subject to certain closing conditions and is expected to close in the first quarter of 2019.

On September 14, 2017, we completed the acquisition of DuPont Fabros Technology, Inc., or DFT, in an all-stock merger, which we refer to as the DFT Merger, for equity consideration of approximately $6.2 billion. We believe this transaction expanded our reach with a complementary portfolio in top U.S. metropolitan areas while enhancing our ability to meet the growing demand for hyper-scale and public cloud solutions and solidifying our blue-chip customer base.

On July 5, 2016, we completed the acquisition of a portfolio of eight high-quality, carrier-neutral data centers in Europe, which we refer to as the European Portfolio Acquisition, for a total purchase price of $818.9 million (based on the exchange rate at the date of acquisition). We believe the acquisition of these highly strategic assets in

Amsterdam, Frankfurt and London enhanced our global colocation and interconnection platform.

On October 9, 2015, we acquired Telx Holdings, Inc., or Telx, a leading U.S. provider of data center colocation, interconnection and cloud enablement solutions, which we refer to as the Telx Acquisition, for approximately $1.9 billion. We believe this was a transformational transaction that established us as a leading provider of colocation and interconnection solutions in the U.S., and was highly complementary to our existing data center solutions.

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Industry Background

We believe the data center industry is poised for sustainable growth. The demand for data center infrastructure is being driven by many factors, including the explosive growth of data, rapid growth of cloud adoption and greater demand for IT outsourcing. Computational processing power requirements continue to advance, data traffic is growing, and the volume of data that enterprises generate, transmit, process, analyze, monitor and manage is expanding dramatically. The Internet of Things, 5G, autonomous vehicles and artificial intelligence, among other technological advancements, are driving unprecedented growth of the digital economy, and data centers play an important role. The power requirements and financial costs to support this growth in data, traffic and storage are substantial and growing accordingly.

We believe cloud adoption represents the next generation of corporate IT outsourcing and remains a significant driver of demand for data infrastructure. The cloud is gaining traction because it enables corporate enterprises to achieve efficiencies and contain costs. In addition, the leading cloud service providers are generally mature, well-capitalized technology companies, and cloud platforms are among their fastest growing business segments. Large data centers that deploy computational resources and accompanying power, security and other services at significantly lower cost per unit than smaller ones, and coordinate and aggregate diverse customer, geographic and application demand, are poised to benefit from these cloud-specific industry drivers.

These diverse and secular industry dynamics are driving greater demand for data center capacity not only from global cloud service providers, but also from businesses as diverse as disaster recovery firms and IT service firms. As companies focus on their core competencies and rely on outsourcing to meet their needs, they are also prioritizing colocation for their data center solutions to reduce latency in data transfer. New technologies need a fast, reliable and flexible foundation to operate, and the importance of offering a full spectrum of power, space and connectivity solutions continues to grow.

Our Business

By providing a global real estate and technology platform that enables our customers and partners to connect with each other and service their own customers, we represent an important part of the digital economy that we believe will benefit from powerful, long-term growth drivers. Our platform brings together foundational real estate and innovative technology expertise to deliver a comprehensive, highly specialized product suite to meet customers’ scale, colocation, and connectivity needs. Our solutions help enable the global cloud revolution and provide the infrastructure for today’s growing digital economy.

We believe that the growth trends in the data center market, the cloud, Internet traffic and Internet-based services, combined with cost advantages in outsourcing data center requirements, provide attractive growth opportunities for us as a service provider and are only beginning to penetrate the data center market. Leveraging deep expertise in technology and real estate, we have an expansive global footprint, impressive scale and a full-spectrum product offering in key metropolitan areas around the world. These advantages simplify the contracting process for multinational enterprises, eliminating their need to contract with multiple local data center solutions providers. In addition, in areas where high data center construction and operating costs and long time-to-market prohibit many of our customers from building their own data centers, our global footprint and scale allow us to quickly and efficiently meet our customers' needs.

Digital Realty Pillars

Technology-Enabled Solutions Provider

Our global real estate and technology platform provides comprehensive, customizable solutions and global scale to meet customers' constantly evolving and expanding data center needs. We provide the trusted foundation for the digital economy, powering our customers' digital ambitions and supporting their growth.

Global, Local and Interconnected

Our data centers are hyper-connected-hubs, strategically located in 35 key metro areas around the world. Our global strength is matched by the expertise of our local teams on the ground. Our data centers provide high-performance access to one of the largest ecosystem of interconnected networks, critical data center and cloud services, customers and partners.

Resiliency

Our record of resiliency, 12 consecutive years of "five-nines" (99.999%) uptime for facilities owned and operated by us, and our award-winning sustainability program ensure our customers' high-performance networks are effective and

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environmentally conscious. We design, own and manage data centers and are trusted with the critical IT infrastructures of companies globally, from small businesses to large multinational enterprises. We provide the critical digital foundations to store, manage, and connect our customers' data, allowing them to focus on performance, innovation and accelerating their business growth.

Trusted Partner

We are a trusted partner for many of the most digitally ambitious companies in the world, helping safeguard their digital capital and driving their growth. Whether designing and delivering dedicated data center facilities, or solving cloud connectivity issues, our dedicated team of technical experts strives to ensure customer success through consistency in operations, customer care and ease of doing business.

Our Data Center Portfolio

Our portfolio of high-quality data centers provides secure, highly-connected and continuously available environments for the exchange, processing and storage of critical electronic information. Data centers are used for digital communication, disaster recovery purposes, transaction processing and housing mission-critical corporate IT applications. Our internet gateway data centers are highly interconnected, network-dense facilities that serve as hubs for internet and data communications within and between major metropolitan areas. We believe internet gateways are extremely valuable and a high-quality, highly interconnected global portfolio such as ours could not be easily replicated today on a cost-competitive basis.

Our global real estate and technology platform provides access to a network of 214 state-of-the-art, interconnected data centers, concentrated in 35 major metropolitan areas across 12 countries on five continents. We are diversified across major metropolitan areas characterized by a high concentration of connected end-users and technology companies. Northern Virginia represented 22% of total revenue for the year ended December 31, 2018, followed by Chicago with 13% of total revenue.

Through strategic investments, we have grown our presence in key metropolitan areas throughout North America, Europe, Latin America, Asia and Australia. Recent acquisitions have expanded our footprint into Latin America, enhanced our data center offerings in strategic and complementary U.S. metropolitan areas, established our colocation and interconnection platform in the U.S. and expanded our colocation and interconnection platform in Europe, each transaction enhancing our presence in top-tier locations throughout the U.S., Europe and Latin America.

The locations of and improvements to our data centers, the network density, interconnection infrastructure and connectivity-centric customers in certain of our facilities, and our comprehensive product offerings are critical to our customers’ businesses, which we believe results in high occupancy levels, longer average lease terms and customer relationships, as well as lower turnover. In addition, many of our data centers contain significant improvements that have been installed at our customers’ expense. The tenant improvements in our data centers are generally readily adaptable for use by similar customers.

Our data centers are physically secure, network-rich and equipped to meet the power and cooling requirements of smaller footprints up to the most demanding IT applications. Many of our data centers are located on major aggregation points formed by the physical presence of multiple major telecommunications service providers, which reduces our customers’ costs and operational risks and enhances the attractiveness of our properties. In addition, our strategically located global data center campuses offer our customers the ability to expand their global footprint as their businesses grow, while our connectivity offerings on our campuses enhance the capabilities and attractiveness of these facilities. Further, the network density, interconnection infrastructure and connectivity-centric customers in certain of our data centers has led to the organic formation of densely interconnected ecosystems that are difficult for others to replicate and deliver added value to our customers.

Our portfolio contains a total of approximately 34.5 million square feet, including approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for future development. The 18 data centers held as investments in unconsolidated joint ventures have an aggregate of approximately 2.5 million rentable square feet. The 26 parcels of developable land we own comprise approximately 959 acres. A significant component of our current and future growth is expected to be generated through the development of our existing space held for development and acquisition of new properties. As of December 31, 2018, our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures and excluding space under active development and space held for future development, was approximately 89.0% leased.

Our Diversified Product Offerings

We provide flexible, customer-centric data center solutions designed to meet the needs of companies of all sizes across multiple industry verticals around the world. Our data centers and comprehensive suite of product offerings are scalable to meet our customers’ needs, from a single rack or cabinet, up to multi-megawatt deployments, along with connectivity, interconnection and solutions to support their hybrid cloud architecture requirements. Over the past few years, we have expanded our product mix to appeal to a broader spectrum of data center customers, especially those seeking to support a greater portion of their data center requirements through a single provider. We are now one of the only data center providers with a comprehensive global product offering that covers the spectrum from single rack colocation to multiple megawatt deployments and connectivity around the world to suit our customers’ current needs and to enable their future growth. Our Critical Facilities Management® services and team of technical engineers and data center operations experts provide 24/7 support for these mission-critical facilities.

Colocation, Scale and Hyper-Scale Platform.

Product Types & Names	Description
Colocation	Small (one cabinet) to medium (75 cabinets) deployments Provides agility to quickly deploy in days Contract length generally 2-3 years Consistent designs, operational environment, power expenses
Scale & Hyperscale Powered Base Building® Turn-Key Flex®	Scale from medium (300+ kW) to very large deployments Solution can be executed in weeks Contract length generally 5-10+ years

Customized data center environment for specific deployment needs

Our colocation and Turn-Key Flex® data centers are move-in ready, physically secure facilities with the power and cooling capabilities to support customers requiring a single rack or cabinet up to mission-critical IT enterprise applications. We believe our colocation and Turn-Key Flex® facilities are effective solutions for customers who may lack the bandwidth, capital budget, expertise or desire to provide their own extensive data center infrastructure, management and security. For customers who possess the ability to build and operate their own facility, our Powered Base Building® solution provides the physical location, requisite power and network access necessary to support a state-of-the-art data center.

Additionally, our data center campuses offer our customers the opportunity to expand in or near their existing deployments within our data center campuses.

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Interconnection and Cloud-Enablement Platform

Product	Description
Cross Connect	A Layer 1 connection between two customer defined end points in a Digital Realty facility
Campus Connect	Local, dedicated connectivity solution within Digital Realty campus environments located in hyperconnected metros around the world
Metro Connect	Dedicated connection between multiple Digital Realty facilities located in the same metro area
Internet Exchange	Peering with major carrier, content, and wireless networks on a single, highly-availability service platform
Service Exchange	Access to multiple connections through multiple service providers all from one portal
IP Bandwidth	Blended bandwidth upstream connectivity with routing to provide a fast, resilient, dedicated Internet connection
Pathway	Point-of-entry access for carriers, terminating into the POP or Meet Me Room within a given facility

Through our recent investments and strategic partnerships, we have significantly expanded our capabilities as a leading provider of interconnection and cloud-enablement services globally. We believe interconnection is an attractive line of business that would be difficult to build organically and enhances the overall value proposition of our colocation, scale and hyper-scale data center product offerings. Furthermore, through product offerings such as our Service Exchange and partnerships with cloud service providers, we are able to support our customers' hybrid cloud architecture requirements.

Our Global Customers

Our portfolio has attracted a high-quality, diversified mix of customers. We have more than 2,300 customers, and no single customer represented more than approximately 6.8% of the aggregate annualized rent of our portfolio as of December 31, 2018. We provide each customer access to a choice of highly customized solutions based on their scale, colocation, and interconnection needs.

Global Customer Base across a Wide Variety of Industry Sectors. We use our in-depth knowledge of requirements for and trends impacting cloud and information technology service providers, content providers, network and communications providers, and other data center users, including enterprise customers, to market our data centers to meet these customers' specific technology needs. Our customers are increasingly launching multi-regional deployments and growing with us internationally. Our largest customer, Facebook, accounted for approximately 6.8% of the aggregate annualized rent as of December 31, 2018 and no other single customer accounted for more than approximately 6.4% of the aggregate annualized rent of our portfolio. At December 31, 2018, our customers represented a variety of industry verticals, ranging from cloud and information technology services, communications and social networking to financial services, manufacturing, energy, gaming, life sciences and consumer products.

Cloud and IT Services	Digital Content Providers and Financial Companies	Network and Mobile Services
IBM	Facebook, Inc.	Verizon
Fortune 50 Software Company	Fortune 25 Investment Grade-Rated Company	AT&T
Cyxtera Technologies	LinkedIn	Comcast Corporation
Oracle America, Inc.	JPMorgan Chase & Co.	CenturyLink
Equinix		China Telecommunications Corporation

Proven Experience Attracting and Retaining Customers. Our specialized data center salesforce, which is aligned t o meet our customers’ needs for global, enterprise and network solutions, provides a robust pipeline of new customers, while

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existing customers continue to grow and expand their utilization of our technology-enabled services to support a greater portion of their IT needs.

Below is a summary of our leasing activity for the year ended December 31, 2018 (in millions):

	Year Ended December 31, 2018			
	Commenced		Signed	
	Square Feet	Annualized GAAP Rent	Square Feet	Annualized GAAP Rent
New	1.9	$ 255	1.9 (1)	$ 240 (1)
Renewals	2.0	$ 312	2.0	$ 330

(1) Includes signed new leases with existing customers totaling approximately 1.9 million square feet, which represent approximately $223 million in annualized GAAP rent.

Our Design and Construction Program

Our extensive development activity, operating scale and process-based approach to data center design and construction result in significant cost savings and added value for our customers. We have leveraged our purchasing power by securing global purchasing agreements and developing relationships with major equipment manufacturers, reducing costs and shortening delivery timeframes on key components, including major mechanical and electrical equipment. Utilizing our innovative modular data center design, we deliver what we believe to be a technically superior data center environment at significant cost savings. In addition, by utilizing our POD Architecture® to develop new Turn-Key Flex® facilities in our existing Powered Base Building® facilities, on average we can deliver a fully commissioned facility in under 30 weeks. Finally, our access to capital and investment-grade ratings allow us to provide data center solutions for customers who do not want to invest their own capital.

Our Investment Approach

We have developed detailed, standardized procedures for evaluating acquisitions and investments, including income-producing properties as well as vacant buildings and land suitable for development, to ensure that they meet our strategic, financial, technical and other criteria. These procedures, together with our in-depth knowledge of the technology, data center and real estate industries, allow us to identify strategically located properties and evaluate investment opportunities efficiently and, as appropriate, commit and close quickly. Our investment-grade ratings, along with our broad network of contacts within the data center industry, enable us to effectively capitalize on acquisition and investment opportunities.

Our Management Team and Organization

Our senior management team has many years of experience in the technology and/or real estate industries, including experience as investors in and advisors to technology companies. We believe that our senior management team's extensive knowledge of both the technology and the real estate industries provides us with a key competitive advantage. Further, a significant portion of compensation for our senior management team and directors is in the form of common equity interests in our Company. We also maintain minimum stock ownership requirements for our senior management team and directors, further aligning their interests with those of external stockholders, as well as an employee stock purchase plan, which encourages our employees to increase their ownership in the Company.

Our Business and Growth Strategies

Our primary business objectives are to maximize: (i) sustainable long-term growth in earnings and funds from operations per share and unit, (ii) cash flow and returns to our stockholders and our Operating Partnership's unitholders through the payment of dividends and distributions and (iii) return on invested capital. We expect to accomplish these objectives by achieving superior risk-adjusted returns, prudently allocating capital, diversifying our product offerings, accelerating our global reach and scale, and driving revenue growth and operating efficiencies.

Superior Risk-Adjusted Returns. We believe that achieving appropriate risk-adjusted returns on our business, including on our development pipeline and leasing transactions, will deliver superior stockholder returns. At December 31, 2018, we had approximately 3.4 million square feet of space under active development. We may continue to build out our development pipeline when justified by anticipated returns. We have established robust internal guidelines for reviewing and approving leasing transactions, which we believe will drive risk-adjusted returns. We also believe that providing an even stronger value proposition to our customers, including through new and more comprehensive product offerings, as well as continuing to improve operational efficiencies, will further drive improved returns for our business.

Prudently Allocate Capital. We believe that the accretive deployment of capital at sufficiently positive spreads above our cost of capital enables us to increase cash flow and create long-term stockholder value.

Strategic and Complementary Investments. We have developed significant expertise at underwriting, financing and executing data center investment opportunities. We employ a collaborative approach to deal analysis, risk management and asset allocation, focusing on key elements, such as market fundamentals, accessibility to fiber and power, and the local regulatory environment. In addition, the specialized nature of data centers makes these investment opportunities more difficult for traditional real estate investors to underwrite, resulting in reduced competition for investments relative to other property types. We believe this dynamic creates an opportunity for us to generate attractive risk-adjusted returns on our capital.

Preserve the Flexibility of Our Balance Sheet. We are committed to maintaining a conservative capital structure. We target a debt-to-adjusted EBITDA ratio at or less than 5.5x, fixed charge coverage of greater than three times, and floating rate debt at less than 20% of total outstanding debt. In addition, we strive to maintain a well-laddered debt maturity schedule, and we seek to maximize the menu of our available sources of capital, while minimizing the related cost. Since Digital Realty Trust Inc.'s initial public offering in 2004, we have raised approximately $30.6 billion of capital through common (excluding forward contracts), preferred and convertible preferred equity offerings, exchangeable debt offerings, non-exchangeable bond offerings, our global revolving credit facility, our term loan facility, a senior notes shelf facility, secured mortgage financings and re-financings, joint venture partnerships and the sale of non-core assets. We endeavor to maintain financial flexibility while using our liquidity and access to capital to support operations, our acquisition, investment, leasing and development programs and global campus expansion, which are important sources of our growth.

Leverage Technology to Develop Comprehensive and Diverse Products. We have diversified our product offering, through acquisitions and organically through leveraging innovative technologies, and believe that we have one of the most comprehensive suites of global data center solutions available to customers from a single provider.

Global Service Infrastructure Platform. With our recent acquisitions, which extended our footprint into Latin America, enhanced our portfolio of scale and hyper-scale data centers in the U.S. and established us as a leading provider of colocation, interconnection and cloud-enablement services globally, we are able to offer a broader range of data center solutions to meet our customers' needs, from a single rack or cabinet to multi-megawatt deployments. We believe our products like Service Exchange and our partnerships with managed services and cloud service providers further enhance the attractiveness of our data centers.

Provide Foundational Services to Enable Customers and Partners. We believe that the real estate platform, through which we offer the foundational services of space, power and connectivity, will enable our customers and partners to serve their customers and grow their businesses. We believe our Internet gateway data centers, individual data centers and data center campuses are attractive to a wide variety of customers and partners of all sizes. Furthermore, we believe our colocation and interconnection offerings, as well as the densely connected ecosystems that have developed within our facilities, and the availability and scalability of our comprehensive suite of products are valuable and critical to our customers and partners.

Accelerate Global Reach and Scale. We have strategically pursued international expansion since our IPO in 2004 and now operate across five continents. We believe that our global multi-product data center portfolio is a foundational element of our strategy and our scale and global platform represent key competitive advantages difficult to replicate. Customers and competitors are recognizing the value of interconnected scale, which aligns with our connected campus strategy that enables customers to “land and expand” with us. We expect to continue to source and execute strategic and complementary transactions to strengthen our data center portfolio, expand our global footprint and product mix, and enhance our scale. In December 2018, we completed the acquisition of Ascenty, a leading data center provider in Brazil, immediately establishing Digital Realty as the premier data center solutions provider in the Latin America region.

Drive Revenue Growth and Operating Efficiencies. We aggressively manage our properties to maximize cash flow and control costs by leveraging our scale to drive operating efficiencies.

Leverage Strong Industry Relationships. We use our strong industry relationships with international, national and regional corporate enterprise information technology groups and technology-intensive companies to identify and solve their

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data center needs. Our sales professionals are technology and real estate industry specialists who can develop complex facility solutions for the most demanding data center and other technology customers.

Maximize Cash Flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. We control our costs by negotiating expense pass-through provisions in customer agreements for operating expenses, including power costs and certain capital expenditure. We have also focused on centralizing functions and optimizing operations as well as improving processes and technologies. We believe that expanding our global data center campuses will also contribute to operating efficiencies because we expect to achieve economies of scale on our campus environments.

Sustainability

We believe that addressing sustainability by driving environmental efficiency through the implementation of cost-effective design and use of renewable energy serves as a key differentiator enabling us to deliver products that help attract and retain customers, generate cash flow, and manage operational risks. Ninety percent of our top 20 customers have publicly stated sustainability goals, further highlighting the competitive importance of our sustainability initiatives. Our sustainability platform includes the following:

- We manage our data centers so that they offer high degrees of operational efficiencies for our customers. We benchmark and certify certain data centers in accordance with the U.S. Environmental Protection Agency, or EPA, Energy Star program, LEED™, BREEAM, as well as other recognized third-party rating standards. A portion of our U.S. portfolio is enrolled in the U.S. Department of Energy's Better Buildings Challenge for Data Centers.
- We have developed solutions to help our customers efficiently utilize energy and water, and to help them procure renewable energy.

In 2018, we received the Nareit "Leader in the Light" award for data centers, recognizing our sustainability and energy-efficiency achievements.

Energy and resource management considerations are integrated into our business decisions. For the operating portfolio, annual capital expense investment planning identifies and evaluates resource efficiency project opportunities in a parallel but distinct process from non-resource-impacting capital investments. For acquisitions and new development activity, resiliency risks, resource availability, and renewable energy access are considered. Our design and construction process incorporates sustainable features that support resource efficiency during both construction as well as during eventual operational activity at the sites. We consider water availability, cost, and alternate supply solutions to potable water such as municipally supplied reclaimed water. We also consider cooling system designs to maximize 'free cooling' and reduce or eliminate the site's reliance on access to water for cooling.

Sustainable Data Center Ratings

Data centers receiving third-party sustainable ratings in 2018 totaled approximately 1.4 million square feet, or approximately 44% of our total shell completions in 2018. We received the following sustainable data center ratings for all, or a portion of, the following sites:

- 44274 Round Table Plaza, Ashburn, VA USA
- 2220 De La Cruz Blvd Phase 3, Santa Clara, CA USA
- 1400 Devon Ave, Elk Grove Village, IL USA
- Jan Wijsmullerdreef 10, Hoofddorp, Netherlands

We also received an operational phase recertification that totaled 370,500 square feet for 29A International Business Park, Jurong, Singapore.

In 2018, we achieved Energy Star for Data Centers recognition for all, or a portion of, the following sites, representing approximately 35% of our U.S. operating portfolio. [1]

(1) Percentage is based on U.S. stabilized assets, excluding Powered Base Building space, space under active development, space held for development, and space held in unconsolidated joint ventures.

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Resource Conservation

We seek to proactively identify and support opportunities to efficiently utilize resources, such as energy and water, throughout our operating portfolio. In 2018, we completed 43 conservation projects primarily focusing on energy and water conservation.

Renewable Energy

In 2018, we entered into power purchase agreements to secure the renewable energy attributes from a solar farm in North Carolina to support the renewable energy needs of a customer in Virginia. We secured additional capacity from our previously announced solar farm contract in North Carolina, and we announced that our Chandler, Arizona portfolio has been enrolled in a utility solar program expected to supply a portion of the site's energy requirements from utility-supplied solar energy. Our previously disclosed Texas wind farm and Virginia solar farm power purchase agreements produced a total of 428,470 MWh of renewable energy credits in 2018.

SASB

The Sustainability Accounting Standards Board ("SASB") issued the Real Estate Owners, Developers & Investment Trusts Sustainability Accounting Standard guidance, which outlines proposed disclosure topics and accounting metrics for the real estate industry. We provide data on energy and water management metrics that best correlate with our business and industry as indicated in the following sections. The energy and water data we use is primarily collected and reviewed by third parties who compile the data from property utility statements. These metrics enable us to better manage our portfolio, track our progress on resource efficiency improvements, and track renewable energy sourcing.

Energy Data

Year [1]	Energy Consumption Data Coverage as % of Floor Area		Total Energy Consumed by Portfolio Area with Data Coverage (MWh) [2]	Grid Electricity Consumption as a % of Energy Consumption	% of Energy Generated from Renewable Resources [3]		Like-for-Like Change in Energy Consumption of Portfolio Area with Data Coverage [4]	MWh per Occupied kW [5]	MWh per Occupied kW Year over Year % Change
2017 [6]	81	%	5,813,940	96%	12.6%	[7]	3.7%	6.31	(3.0)%
2016	84	%	3,699,472	95%	23.4%		2.5%	6.50	(5.8)%
2015	77	%	3,252,836	95%	9.5%		n/a	6.90	n/a

(1) Full-year 2018 energy data is not currently available. The most recent full year for which energy data is available is 2017.

(2) The scope of energy includes: energy purchased from sources external to the Company and its customers; energy produced by the Company and its customers (i.e., self-generated); and energy from all other sources, including direct fuel usage, purchased electricity, and purchased chilled water.

(3) Excludes renewable energy supplied by standard baseline utility fuel mix. Includes above-baseline utility renewables (e.g., green tariffs), Renewable Energy Credit (REC) purchases and RECs generated by the Company.

(4)

Data reported in MWh on a like-for-like comparison excludes properties which were acquired, disposed of, under development or redeveloped during the reported year.

(5) We provide a “MWh per occupied kW” metric to assess relative resource use intensity. Excludes kW associated with Powered Base Building space.

(6) Includes full-year data for properties acquired in the DFT Merger in 2017.

(7) Reflects the growth of the portfolio due to the DFT Merger in 2017 as well as the conclusion of the Clean Start REC program at the end of 2016.

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Water Data

Year (1)	Water Consumption Data Coverage as % of Floor Area		Total Water Consumed by Portfolio Area with Data Coverage (kGal) (2)		Like-for-Like Change in Water Consumption of Portfolio Area with Data Coverage (3)	kGal per Occupied kW (4)	Gal per Occupied kW Year over Year % Change
2017 (5)	72	%	1,258,493	(6)	5.8%	1.37	69.2%
2016	64	%	459,127		(2.0)%	0.81	(5.8)%
2015	60	%	403,373		n/a	0.86	n/a

(1) Full-year 2018 water data is not currently available. The most recent full year for which water data is available is 2017.
(2) Data reported in kilo-gallons (kGal). The scope of water consumed includes potable and non-potable water purchased from third-party suppliers.
(3) The like-for-like comparison excludes properties which were acquired, disposed, under development or redeveloped during the reported year.
(4) We provide a “kGal per occupied kW” metric to assess relative resource use intensity. Excludes kGal associated with Powered Base Building space.
(5) Includes full-year data for properties acquired in the DFT Merger in 2017.
(6) This change is primarily attributable to the properties acquired in the DFT Merger in 2017, which predominantly utilize water-based cooling solutions.

Competition

We compete with numerous data center providers, many of whom own or operate properties similar to ours in some of the same metropolitan areas where our data centers are located, including CoreSite Realty Corporation, CyrusOne Inc., Equinix, Inc., QTS Realty Trust, Inc., Switch, Inc. and various local developers in the U.S., as well as Global Switch Holdings Limited and various regional operators in Europe, Asia, Latin America and Australia. See "We face significant competition, which may adversely affect the occupancy and rental rates of our data centers." in Item 1A. Risk Factors.

Geographic Information

Operating revenues from properties in the United States were $2,482.1 million, $1,942.7 million and $1,670.2 million and outside the United States were $564.4 million, $515.2 million and $442.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. We had investments in real estate located in the United States of $11.1 billion, $10.5 billion and $6.3 billion and outside the United States of $3.8 billion, $3.1 billion and $2.6 billion as of December 31, 2018, 2017 and 2016, respectively.

Operating revenues from properties located in the United Kingdom were $295.3 million, $275.1 million and $234.3 million, or 9.7%, 11.2% and 11.1% of total operating revenues, for the years ended December 31, 2018, 2017 and 2016, respectively. No other foreign country comprised more than 10% of total operating revenues for each of these years. We had investments in real estate located in the United Kingdom of $1.6 billion, $1.7 billion and $1.5 billion, or 10.9%, 12.1% and 16.6% of total investments in real estate, as of December 31, 2018, 2017 and 2016, respectively. No other foreign country comprised more than 10% of total investments in real estate as of each of December 31, 2018, 2017 and 2016. See “Ownership of data centers located outside of the United States subjects us to foreign currency and related risks which may adversely impact our ability to make distributions”, “Our international activities are subject to unique risks different than those faced by us in the United States and we may not be able to effectively manage our international business” and “We face risks with our international acquisitions associated with investing in unfamiliar metropolitan areas” in Item 1A. Risk Factors for risks relating to our international operations.

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Regulation

General

Our properties are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe each of our properties as of December 31, 2018 has the necessary permits and approvals to operate. Our properties must comply with Title III of the Americans with Disabilities Act of 1990, or the ADA, to the extent that such properties are “public accommodations” as defined by the ADA. We believe our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, non-compliance with the ADA could result in imposition of fines or an award of damages to private litigants. See “We may incur significant costs complying with the Americans with Disabilities Act and similar laws.” in Item 1A. Risk Factors.

Environmental Matters

We are exposed to various environmental risks that may result in unanticipated losses and could affect our operating results and financial condition. Either the previous owners or we have conducted environmental reviews on a majority of the properties we have acquired, including land. While some of these assessments have led to further investigation and sampling, none of the environmental assessments have revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations. See "We could incur significant costs related to environmental matters, including from government regulation, private litigation, and existing conditions at some of our properties." in Item 1A. Risk Factors for further discussion.

Insurance

We carry commercial general liability, property, and business interruption insurance, including rental income loss coverage on all of the properties in our portfolio under a blanket program. We select policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of coverage, and industry practice. We believe the properties in our portfolio are adequately insured. We do not carry insurance for generally uninsured exposures such as loss from war or nuclear reaction. In addition, we carry earthquake insurance on our properties in an amount and with deductibles we believe are commercially reasonable. We intend to partially fund the earthquake insurance deductibles through a captive insurance company we established in May 2014. Certain of the properties in our portfolio are located in areas known to be seismically active. See “Potential losses may not be covered by insurance.” in Item 1A. Risk Factors.

Employees

The geographic distribution of our global employee base as of December 31, 2018 is summarized in the following table.

Region	Number of Employees
North America	1,148
Europe	284
Asia Pacific	98
Total	1,530

Available Information

All reports we file with the SEC are available free of charge via EDGAR through the SEC website at www.sec.gov. We will also provide copies of our Forms 8-K, 10-K, 10-Q, Proxy Statement and amendments to those documents at no charge to investors upon request and make electronic copies of such reports available through our website at www.digitalrealty.com as soon as reasonably practicable after filing such material with the SEC. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this report or any other document that we file with the SEC.

Offices

Our headquarters are located in San Francisco. We have regional U.S. offices in Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia and Phoenix and regional international offices in Amsterdam, Dublin, London, São Paulo, Singapore, Sydney, Tokyo and Hong Kong.

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Reports to Security Holders
Digital Realty Trust, Inc. is required to send an annual report to its securityholders and to our Operating Partnership's unitholders.

ITEM 1A. RISK FACTORS

For purposes of this section, the term “stockholders” means the holders of shares of Digital Realty Trust, Inc.’s common stock and preferred stock. Set forth below are the risks that we believe are material to Digital Realty Trust, Inc.’s stockholders and Digital Realty Trust, L.P.’s unitholders. You should carefully consider the following factors in evaluating our Company, our properties and our business. The occurrence of any of the following risks might cause Digital Realty Trust, Inc.’s stockholders and Digital Realty Trust, L.P.’s unitholders to lose all or a part of their investment. Some statements in this report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled “Forward-Looking Statements” starting on page 37.

Risks Related to Our Business and Operations

Our business depends upon the demand for data centers.

We are in the business of owning, acquiring, developing and operating data centers. A reduction in the demand for data center space, power or connectivity would have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified customer base or less specialized use. Our substantial development activities make us particularly susceptible to general economic slowdowns as well as adverse developments in the data center, Internet and data communications and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate IT spending or reduced demand for data center space. Reduced demand could also result from business relocations, including to metropolitan areas that we do not currently serve. Changes in industry practice or in technology could also reduce demand for the physical data center space we provide. In addition, our customers may choose to develop new data centers or expand their own existing data centers or consolidate into data centers that we do not own or operate, which could reduce demand for our newly developed data centers or result in the loss of one or more key customers. If any of our key customers were to do so, it could result in a loss of business to us or put pressure on our pricing. If we lose a customer, we cannot assure you that we would be able to replace that customer at a competitive rate or at all. Mergers or consolidations of technology companies could reduce further the number of our customers and potential customers and make us more dependent on a more limited number of customers. If our customers merge with or are acquired by other entities that are not our customers, they may discontinue or reduce the use of our data centers in the future. Our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

We face significant competition, which may adversely affect the occupancy and rental rates of our data centers.

We compete with numerous data center providers, many of whom own properties similar to ours in some of the same metropolitan areas where our data centers are located, including CoreSite Realty Corporation, CyrusOne Inc., Equinix, Inc., QTS Realty Trust, Inc., Switch, Inc. and various local developers in the U.S., as well as Global Switch Holdings Limited and various regional operators in Europe, Asia, Latin America and Australia. In addition, we may in the future face competition from new entrants into the data center market, including new entrants who may acquire our current competitors. Some of our competitors and potential competitors have significant advantages over us, including greater name recognition, longer operating histories, pre-existing relationships with current or potential customers, significantly greater financial, marketing and other resources and more ready access to capital which allow them to respond more quickly to new or changing opportunities.

If our competitors offer space that our customers or potential customers perceive to be superior to ours based on factors such as available power, security, location, or connectivity, or if they offer rental rates below current market rates, or below the rental rates we are offering, we may lose customers or potential customers or be required to incur costs to improve our data centers or reduce our rental rates. In addition, recently many of our competitors have developed and continue to develop additional data center space. If the supply of data center space continues to increase as a result of these activities or otherwise, rental rates may be reduced or we may face delays in leasing or be unable to lease our vacant space, including space that we develop. Further, if customers or potential customers desire services that we do not offer, we may not be able to lease our space to those customers. Our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

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Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could harm our business reputation and could adversely affect our earnings and financial condition.

Our business depends on providing customers with highly reliable services, including with respect to power supply, physical security and maintenance of environmental conditions. We may fail to provide such service as a result of numerous factors, including mechanical failure, power outage, human error, physical or electronic security breaches, war, terrorism, fire, earthquake, hurricane, flood and other natural disasters, sabotage and vandalism.

Problems at one or more of our data centers, whether or not within our control, could result in service interruptions or equipment damage. Substantially all of our customer leases include terms requiring us to meet certain service level commitments to our customers. Any failure to meet these or other commitments or any equipment damage in our data centers, including as a result of mechanical failure, power outage, human error or other reasons, could subject us to liability under our lease terms, including service level credits against customer rent payments, monetary damages, or, in certain cases of repeated failures, the right by the customer to terminate the lease. Service interruptions, equipment failures or security breaches may also expose us to additional legal liability and monetary damages and damage our brand and reputation, and could cause our customers to terminate or not renew their leases. In addition, we may be unable to attract new customers if we have a reputation for service disruptions, equipment failures or physical or electronic security breaches in our data centers. Any such failures could materially adversely affect our business, financial condition and results of operations.

We may be vulnerable to breaches, or unauthorized access to, or disruption of our physical and information security infrastructure and systems, any of which could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

Security breaches, or disruption, of our or our customers' physical or information technology infrastructure, networks and related management systems could result in, among other things, unauthorized access to our facilities, a breach of our and our customers' networks and information technology infrastructure, the misappropriation of our or our customers' or their customers' proprietary or confidential information, interruptions or malfunctions in our or our customers' operations, delays or interruptions to our ability to meet customer needs, breach of our legal, regulatory or contractual obligations, inability to access or rely upon critical business records or other disruptions in our operations. We may be required to expend significant financial resources to protect against or to remediate such security breaches. We may not be able to implement security measures in a timely manner or, if and when implemented, these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, material monetary damages, potential violations of applicable privacy and other laws, penalties and fines, loss of existing or potential customers, harm to our reputation and increases in our security and insurance costs, which could have a material adverse effect on our business, financial condition and results of operations.

Although our customers' computing equipment resides in our buildings, we do not have access to, nor do we have knowledge of, what data is being housed and processed on their equipment. In the event of a breach resulting in loss of data, such as personally identifiable information or other such data protected by data privacy or other laws, we may be liable for damages, fines and penalties for such losses under applicable regulatory frameworks despite not handling the data. Further, the regulatory framework around data custody, data privacy and breaches varies by jurisdiction and is an evolving area of law. Similarly, new regulations such as the EU General Data Protection Regulation (GDPR) may have significant operational impact on our operations. If we fail to comply with these various regulations, we may have to pay fines or damages. We may not be able to limit our liability or damages in the event of such a loss.

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

As of December 31, 2018, the 20 largest customers in our portfolio represented approximately 53.5% of the total annualized rent generated by our properties. Our top three customers leased approximately 4.0 million square feet of net rentable space as of December 31, 2018, representing approximately 19.4% of the total annualized rent generated by our properties. In addition, 63 of our 214 data centers are occupied by single customers, including data centers occupied solely by our top three customers. Many factors, including global economic conditions, may cause our customers to experience a downturn in their businesses or otherwise experience a lack of liquidity, which may weaken their financial condition and result in their failure to make timely rental and other payments or their default under their agreements with us. Further, the development of new technologies, the adoption of new industry standards or other factors could render many of our customers' current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy. If any customer defaults or fails to make timely rent or other payments, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment, which could adversely affect our financial condition and results of operations.

If any customer becomes a debtor in a case under the federal Bankruptcy Code, we cannot evict the customer solely because of the bankruptcy. In addition, the bankruptcy court might authorize the customer to reject and terminate its contracts with us. Our claim against the customer for unpaid, future rent and other payments would be subject to a statutory cap that might be substantially less than the remaining amounts actually owed under their agreements with us. In either case, our claim for unpaid rent and other amounts would likely not be paid in full. Our revenue and cash available for distribution could be materially adversely affected if any of our significant customers were to become bankrupt or insolvent, suffer a downturn in their businesses, fail to renew their contracts or renew on terms less favorable to us than their current terms. As of February 22, 2019, we had no material customers in bankruptcy.
Failure to attract, grow and retain a diverse and balanced customer base, including key magnet customers, could harm our business and operating results.

Our ability to attract, grow and retain a diverse and balanced customer base, consisting of a variety of enterprises, including cloud service providers, network service providers, and digital economy customers, some of which we consider to be key magnets drawing in other customers, may affect our ability to maximize our revenues. Dense and desirable customer concentrations within each facility enable us to better generate significant interconnection revenues, which in turn increases our overall revenues. Our ability to attract customers to our data centers will depend on a variety of factors, including our product offerings, the presence of carriers, the overall mix of customers, the presence of key customers attracting business through ecosystems, the data center’s operating reliability and security and our ability to effectively market our product offerings. Our inability to develop, provide or effectively execute any of these factors may hinder the development, growth and retention of a diverse and balanced customer base and adversely affect our business, financial condition and results of operations.

Our contracts with our customers could subject us to significant liability, which may adversely affect our business, results of operations and financial condition.

In the ordinary course of business, we enter into agreements with our customers pursuant to which we provide data center space, power and connectivity products to our customers. These contracts typically contain indemnification and liability provisions, in addition to service level commitments, which could potentially impose a significant cost on us in the event of losses arising out of certain breaches of such agreements, services to be provided by us or our subcontractors or from third-party claims. Customers increasingly are looking to pass through their regulatory obligations and other liabilities to their outsourced data center providers and we may not be able to limit our liability or damages in an event of loss suffered by such customers whether as a result of our breach of an agreement or otherwise. Further, liabilities and standards for damages and enforcement actions, including the regulatory framework applicable to different types of losses, vary by jurisdiction, and we may be subject to greater liability for certain losses in certain jurisdictions. Additionally, in connection with our acquisitions, we have assumed existing agreements with customers that may subject us to greater liability for such an event of loss. If such an event of loss occurred, we could be liable for material monetary damages and could incur significant legal fees in defending against such an action, which could adversely affect our financial condition and results of operations.
Certain of our customer agreements may include restrictions on the sale of our properties to certain third parties, which could have a material adverse effect on us, including our business, results of operations and financial condition.
Certain of our customer agreements may give the customer a right of first refusal to purchase certain properties if we propose to sell those properties to a third party or prohibit us from selling certain properties to a third party that is a competitor of the customer. The existence of such restrictions could hinder our ability to sell one or more of these properties, which could materially adversely affect our business, financial condition and results of operations.

Our data centers may not be suitable for re-leasing without significant expenditures or renovations.

Because many of our data centers contain tenant improvements installed at our customers' expense, they may be better suited for a specific data center user or technology industry customer and could require significant modification in order for us to re-lease vacant space to another data center user or technology industry customer. The tenant improvements may also become outdated or obsolete as the result of technological change, the passage of time or other factors. In addition, our development space will generally require substantial improvement to be suitable for data center use. For the same reason, our properties also may not be suitable for leasing to traditional office customers without significant expenditures or renovations.

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As a result, we may be required to invest significant amounts or offer significant discounts to customers in order to lease or re-lease that space, either of which could adversely affect our financial and operating results.
We may be unable to lease vacant or development space, renew leases, or re-lease space as leases expire.

At December 31, 2018, we owned approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for future development. We intend to continue to add new space to our development inventory and to continue to develop additional space from this inventory. A portion of the space that we develop has been, and may continue to be, developed on a speculative basis, meaning that we do not have a signed customer agreement for the space when we begin the development process. We also develop space specifically for customers pursuant to agreements signed prior to beginning the development process. In those cases, if we fail to meet our development obligations under those agreements, these customers may be able to terminate the agreements and we would be required to find a new customer for this space. In addition, in certain circumstances we lease data center facilities prior to their completion. If we fail to complete the facilities in a timely manner, the customer may be entitled to terminate its agreement, seek damages or penalties against us or pursue other remedies and we may be required to find a new customer for the space. We cannot assure you that once we have developed space or land we will be able to successfully lease it at all, or at rates we consider favorable or expected at the time we commenced development. Further, once development of a data center facility is complete, we incur certain operating expenses even if there are no customers occupying any space. If we are not able to complete development in a timely manner or successfully lease the space that we develop, if development costs are higher than we currently estimate, or if lease rates are lower than expected when we began the project or are otherwise undesirable, our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected.

In addition, as of December 31, 2018, customer agreements representing 22.1% of the square footage of the properties in our portfolio, excluding month-to-month leases and space held for development, were scheduled to expire through 2020, and an additional 11.6% of the net rentable square footage, excluding space held for development, was available to be leased. Some of this space may require substantial capital investment to meet the power and cooling requirements of our customers, or may no longer be suitable for their needs. In addition, we cannot assure you that customer agreements will be renewed or that our properties will be re-leased at all, or at net effective rental rates equal to or above the current average net effective rental rates. If the rental rates for our properties decrease, our existing customers do not renew their agreements, we do not lease or re-lease our available space, including newly developed space and space for which customer agreements are scheduled to expire, or it takes longer for us to lease or re-lease this space or for rents to commence on this space, our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected.

Additionally, a customer's decision to lease space and power in one of our data centers and to purchase additional products typically involves a significant commitment of resources and due diligence on the part of our customers regarding the adequacy of our facilities. As a result, the leasing of data center space can have a long sales cycle, and we may expend significant time and resources in pursuing a particular transaction that may not result in revenue. Economic conditions, including market downturns, may further impact this long sales cycle by making it difficult for customers to plan future business activities, which could cause customers to slow spending or delay decision making. Our inability to adequately manage the risks associated with the sales cycle may adversely affect our business, financial condition and results of operations.

Even if we have additional space available for lease at any one of our data centers, our ability to lease this space to existing or new customers could be constrained by our ability to provide sufficient electrical power.

As current and future customers increase their power footprint in our data centers over time, the corresponding reduction in available power could limit our ability to increase occupancy rates or network density within our existing data centers. Furthermore, at certain of our data centers, our aggregate maximum contractual obligation to provide power and cooling to our customers may exceed the physical capacity at such data centers if customers were to quickly increase their demand for power and cooling. If we are not able to increase the available power and/or cooling or move the customer to another location within our data centers with sufficient power and cooling to meet such demand, we could lose the customer as well as be exposed to liability under our customer agreements. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. Any such material loss of customers, liability or additional costs could adversely affect our business, financial condition and results of operations.

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Our portfolio depends upon local economic conditions and is geographically concentrated in certain locations.
Our portfolio is located in 35 metropolitan areas. As of December 31, 2018, our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures, was geographically concentrated in the following metropolitan areas:

Metropolitan Area	Percentage of December 31, 2018 total annualized rent (1)	
Northern Virginia	23.2	%
Chicago	11.8	%
Silicon Valley	9.0	%
New York	8.4	%
London, United Kingdom	8.4	%
Dallas	7.7	%
Singapore	3.6	%
Phoenix	3.6	%
San Francisco	2.6	%
Sao Paulo, Brazil	2.6	%
Seattle	2.3	%
Atlanta	2.1	%
Amsterdam, Netherlands	1.9	%
Other	12.8	%
Total	100.0	%

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2018, multiplied by 12. The aggregate amount of abatements for the year ended December 31, 2018 was approximately $47.4 million.

Some of these areas have experienced downturns in recent years. We depend upon the local economic conditions in these areas, including local real estate conditions, and our operations, revenue and cash available for distribution could be materially adversely affected by a downturn in local economic conditions in these areas. Our operations may also be affected if too many competing properties are built in any of these areas or supply otherwise increases or exceeds demand. We cannot assure you that these locations will grow or will remain favorable to data center investments or operations. In addition, we are currently developing data centers in certain of these metropolitan areas. Any negative changes in real estate, technology or economic conditions in these metropolitan areas in particular could negatively impact our performance.

We lease or sublease certain of our data center space from third parties and the ability to retain these leases or subleases could be a significant risk to our ongoing operations.
We do not own 16 buildings that account for approximately 1.3 million rentable square feet, or approximately 4% of our total rentable square feet. These leased buildings accounted for $160.6 million of our total annualized rent as of December 31, 2018. In addition, we may acquire additional leased data center space or businesses that lease facilities instead of owning them. Our business could be harmed if we are unable to renew the leases for these data

centers on favorable terms or at all. Additionally, in several of our smaller facilities we sublease our space, and our rights under these subleases are dependent on our sublandlord retaining its rights under the prime lease. When the primary terms of our existing leases expire, we generally have the right to extend the terms of our leases for one or more renewal periods, subject to, in the case of several of our subleases, our sublandlord renewing its term under the prime lease. If renewal rates are less favorable than those we currently have, we may be required to increase revenues within existing data centers to offset such increase in lease payments. Failure to increase revenues to sufficiently offset these projected higher costs could adversely impact our operating income. Upon the end of our renewal options, we would have to renegotiate our lease terms with the applicable landlords.

Additionally, if we are unable to renew the lease at any of our data centers, we could lose customers due to the disruptions in their operations caused by the relocation. We could also lose those customers that choose our data centers based on their locations. The costs of relocating data center infrastructure equipment, such as generators, power distribution units and cooling units, to different data centers could be prohibitive and, as such, we could lose the value of this equipment. For these reasons, any lease that cannot be renewed could adversely affect our business, financial condition and results of operations.

We may not be able to adapt to changing technologies and customer requirements and our data center infrastructure may become obsolete.

The technology industry generally and specific industries in which certain of our customers operate are characterized by rapidly changing technology, customer requirements and industry standards. New systems to deliver power to or eliminate heat in data centers or the development of new server technology that does not require the levels of critical load and heat removal that our facilities are designed to provide and could be run less expensively on a different platform could make our data center infrastructure obsolete. Our power and cooling systems are difficult and expensive to upgrade, and we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers which could adversely impact our business, financial condition and results of operations. In addition, the infrastructure that connects our data centers to the Internet and other external networks may become insufficient, including with respect to latency, reliability and connectivity. We may not be able to adapt to changing technologies or meet customer demands for new processes or technologies in a timely and cost-effective manner, if at all, which would adversely impact our ability to sustain and grow our business.

Further, our inability to adapt to changing customer requirements may make our data centers obsolete or unmarketable to such customers. Some of our customers operate at significant scale across numerous data center facilities and have designed cloud and computing networks with redundancies and fail-over capabilities across these facilities, which enhances the resiliency of their networks and applications. As a result, these customers may realize cost benefits by locating their data center operations in facilities with less electrical or mechanical infrastructure redundancy than is found in our existing data center facilities. Additionally, some of our customers have begun to operate their data centers using a wider range of humidity levels and at temperatures that are higher than servers customarily have operated at in the past, all of which may result in energy cost savings for these customers. We may not be able to operate our existing data centers under these environmental conditions, particularly in multi-tenant facilities with other customers who are not willing to operate under these conditions, and our data centers could be at a competitive disadvantage to facilities that satisfy such requirements. Because we may not be able to modify the redundancy levels or environmental systems of our existing data centers cost effectively, these or other changes in customer requirements could have a material adverse effect on our business, results of operations and financial condition.

Additionally, due to regulations that apply to our customers as well as industry standards, such as ISO and SOC certifications which customers may deem desirable, they may seek specific requirements from their data centers that we are unable to provide. If new or different regulations or standards are adopted or such extra requirements are demanded by our customers, we could lose some customers or be unable to attract new customers in certain industries, which could materially and adversely affect our operations.

We depend upon third-party suppliers for power, and we are vulnerable to service failures and to price increases by such suppliers and to volatility in the supply and price of power in the open market.

We rely on third parties to provide power to our data centers, and we cannot ensure that these third parties will deliver such power in adequate quantities or on a consistent basis. If the amount of power available to us is inadequate to support our customer requirements, we may be unable to satisfy our obligations to our customers or grow our business. In addition, our data centers may be susceptible to power shortages and planned or unplanned power outages caused by these shortages. Power outages may last beyond our backup and alternative power arrangements, which would harm our customers and our business. Any loss of services or equipment damage could adversely affect both our ability to generate revenues and our operating results, and harm our reputation.

In addition, we may be subject to risks and unanticipated costs associated with obtaining power from various utility companies. Utilities that serve our data centers may be dependent on, and sensitive to price increases for, a particular type of fuel, such as coal, oil or natural gas. In addition, the price of these fuels and the electricity generated from them could increase as a result of proposed legislative measures related to climate change or efforts to regulate carbon emissions. Increases in the cost of power at any of our data centers would put those locations at a competitive disadvantage relative to data centers served by utilities that can provide less expensive power.

We have also entered into power purchase agreements with contract terms ranging from 10-15 years. These agreements require us to purchase renewable energy credits from producers at fixed prices over the terms of the contracts, subject to certain adjustments. In the event that the market price for energy decreases, we may be required to pay more under the power purchase agreements than we would otherwise if we were to purchase renewable energy credits on the open market, which could

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adversely affect our results of operations. Additionally, interruptions in the operations of one or more of the suppliers under these agreements, as a result of unpredictable weather, natural phenomena or otherwise, could negatively impact the quantity of renewable energy credits delivered to us.

We depend on third parties to provide network connectivity to the customers in our data centers and any delays or disruptions in connectivity may materially adversely affect our operating results and cash flow.

We are not a telecommunications carrier. Although our customers generally are responsible for providing their own network connectivity, we still depend upon the presence of telecommunications carriers' fiber networks serving our data centers in order to attract and retain customers. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. Any carrier may elect not to offer its services within our data centers. Any carrier that has decided to provide network connectivity to our data centers may not continue to do so for any period of time. Further, some carriers are experiencing business difficulties or have announced consolidations. As a result, some carriers may be forced to downsize or terminate connectivity within our data centers, which could have an adverse effect on the business of our customers and, in turn, our own operating results.

Our data centers may require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our data centers is complex and involves factors outside of our control, including regulatory requirements and the availability of construction resources. We have obtained the right to use network resources owned by other companies, including rights to use dark fiber, in order to attract telecommunications carriers and customers to our portfolio. If the establishment of highly diverse network connectivity to our data centers does not occur, is materially delayed or is discontinued, or is subject to failure, our operating results and cash flow may be materially adversely affected. Additionally, any hardware or fiber failures on this network may result in significant loss of connectivity to our data centers. This could negatively affect our ability to attract new customers or retain existing customers, which could have an adverse effect on our business, financial condition and results of operations.

Our international activities, including ownership, operation and acquisition of data centers located outside of the United States, subject us to risks different than those faced by us in the United States and we may not be able to effectively manage our international business.

Our portfolio included 69 data centers located outside of the United States at December 31, 2018. We have acquired and developed, and may continue to acquire and develop, and operate data centers outside the United States.

The ownership and operation of data centers located outside of the United States subjects us to risks from fluctuations in exchange rates between foreign currencies and the U.S. dollar. Changes in the relation of these currencies to the U.S. dollar will affect our revenues and operating margins, may materially adversely impact our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt obligations. We may attempt to mitigate some or all of the risk of currency fluctuation by financing our properties in the local currency denominations, although we cannot assure you that we will be able to do so or that this will be effective. We may also engage in direct hedging activities to mitigate the risks of exchange rate fluctuations in a manner consistent with our qualifications as a REIT, although we cannot assure you that we will be able to do so or that this will be effective.

Our foreign operations involve additional risks not generally associated with investments in the United States, including:

- our limited knowledge of and relationships with sellers, customers, contractors, suppliers or other parties in these metropolitan areas;
- complexity and costs associated with managing international development and operations;
- difficulty in hiring qualified management, sales and construction personnel and service providers in a timely fashion;
- the adoption and expansion of trade restrictions or the occurrence of trade wars;
- differing employment practices and labor issues;
- multiple, conflicting and changing legal, regulatory, entitlement and permitting, and tax and treaty environments;
- exposure to increased taxation, confiscation or expropriation;
-

currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the United States;

- difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions or in the event of a default by one or more of our customers, suppliers or contractors;
- local business and cultural factors; and
- political and economic instability, including sovereign credit risk, in certain geographic regions.

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We also face risks with investing in unfamiliar metropolitan areas. We have acquired and may continue to acquire properties in international metropolitan areas that are new to us. When we acquire properties located in these metropolitan areas, we may face risks associated with a lack of market knowledge or understanding of the local economy and culture, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. In addition, due diligence, transaction and structuring costs may be higher than those we may face in the United States. We work to mitigate such risks through extensive diligence and research and associations with experienced local partners; however, we cannot assure you that all such risks will be eliminated.
Our inability to overcome these risks could adversely affect our foreign operations and could harm our business and results of operations.
The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our results of operations.

We are a global company with worldwide operations, including material business operations in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum, referred to as Brexit. The referendum was advisory, and the terms of any withdrawal are subject to continuing negotiation. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal.
These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal could depress economic activity and restrict our access to capital in the United Kingdom. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace and replicate. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.
Our recent acquisitions may not achieve the intended benefits or may disrupt our plans and operations.

Acquisitions present many risks, and we may not realize the financial or strategic goals that were contemplated at the time of the transaction. We completed the Telx Acquisition in October 2015, the European Portfolio Acquisition in July 2016, the DFT Merger in September 2017 and the acquisition of Ascenty in December 2018. Our ability to realize the anticipated benefits of these and other acquisitions depends, to a large extent, on our ability to integrate each of them with our business. The combination of two independent businesses can be a complex, costly and time-consuming process, which requires significant time and focus from our management team and may divert attention from the day-to-day operations of our business. There can be no assurance that we will be able to successfully integrate acquired properties and businesses with our business or otherwise realize the expected benefits of these acquisitions. The expected synergies from the acquisitions may not be fully realized, which could result in increased costs and have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our common stock.
In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses and loss of customer relationships, among other potential adverse consequences. Actual integration costs may exceed those estimated and there may be further unanticipated costs and the assumption

of known and unknown liabilities. While we have assumed that we will incur certain integration expenses, there are factors beyond our control that could affect the total amount or the timing of such expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. If we cannot integrate and operate acquired properties or businesses to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected.

The risks of combining businesses include, among others:

- we may have underestimated the costs to make any necessary improvements to the acquired properties;
- the acquired properties may be subject to reassessment, which may result in higher than expected property tax payments;
- we may be unable to integrate new acquisitions quickly and efficiently, particularly acquisitions of operating businesses or portfolios of properties, into our existing operations;
- we may face difficulties in integrating employees and in retaining key personnel;
- we may face challenges in keeping existing customers, including key customers, which could adversely impact our revenue;
- we may be unable to effectively manage our expanded operations; and
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates on acquired properties.

Any one of these risks could result in increased costs, decreases in the amount of expected revenue and diversion of our management's time and energy, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, even if our operations are integrated successfully with the operations of our acquisitions, we may not realize the full benefits of the acquisitions, including the synergies, operating efficiencies, or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame or at all. All of these factors could decrease or delay any potential accretive effect of the acquisitions and negatively impact the price of our common stock.

Additionally, our portfolio consisted of 214 data centers at December 31, 2018, including 18 data centers held as investments in unconsolidated joint ventures. Several of our data centers, including the data centers which we have acquired in the past five years, have been under our management for a limited time. The data centers may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential. We cannot assure you that the operating performance of these data centers will not decline under our management.

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect us.

Ascenty's portfolio of data centers is concentrated in Brazil. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions designed to control inflation, stimulate growth and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imported goods and services. We cannot control or predict changes in policy or regulations that the Brazilian government might adopt in the future.

We may be adversely affected by the economic and political conditions in Brazil as well as changes in policy or regulations at the federal, state or municipal levels involving or affecting factors such as economic or social factors or political instability.

We may be subject to unknown or contingent liabilities related to our recent acquisitions, for which we may have no or limited recourse against the sellers.

Our recent and future acquisitions may be subject to unknown or contingent liabilities for which we may have no or limited recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities or the former owners of acquired properties or businesses, tax liabilities, claims for indemnification by general partners, directors, officers and others indemnified by the former owners of acquired properties or businesses, and other liabilities whether incurred in the ordinary course of business or otherwise. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with our acquisitions may exceed our expectations, which may adversely affect our business, financial condition and results of operations.

Further, we have entered, and may in the future enter, into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of such transactions, in which event we would have no or limited recourse against the sellers of such properties or businesses. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification is often limited and subject to various materiality

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thresholds, a significant deductible or an aggregate cap on losses. We may obtain insurance policies providing for coverage for breaches of certain representations and warranties in certain transactions, subject to certain exclusions and a deductible, however, there can be no assurance that we would be able to recover any amounts with respect to losses due to breaches of any such representations and warranties. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the properties or businesses acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

We may be unable to identify, including sourcing off-market deal flow, and complete acquisitions on favorable terms or at all.

A component of our growth strategy is to continue to acquire additional data centers, and we continually evaluate the market of available properties and businesses and may acquire additional properties or businesses when opportunities exist. To date, a substantial portion of our acquisitions were completed before they were widely marketed by real estate brokers, or “off-market.” Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of competitive bidding, which could potentially lead to higher prices. We obtain access to off-market deal flow from numerous sources. If we cannot obtain off-market deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be adversely affected.

Our ability to acquire properties or businesses on favorable terms may be subject to the following significant risks:

- we may be unable to acquire a desired property or business because of competition from other real estate investors with significant capital, including both publicly traded REITs and institutional investment funds;
- even if we are able to acquire a desired property or business, competition from other potential acquirers may significantly increase the purchase price or result in other less favorable terms;
- even if we enter into agreements for the acquisition of real estate or businesses, these agreements are subject to customary conditions to closing; and
- we may be unable to finance acquisitions on favorable terms or at all.

If we cannot complete property or business acquisitions on favorable terms or at all, our financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy our debt service obligations could be materially adversely affected.

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

We currently, and may in the future, co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property or portfolio of properties, partnership, joint venture or other entity. In these events, we are not in a position to exercise sole decision-making authority regarding the properties, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that partners might become bankrupt or fail to fund their share of required capital contributions. Partners may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Our joint venture partners may take actions that are not within our control, which would require us to dispose of the joint venture asset or transfer it to a taxable REIT subsidiary in order for Digital Realty Trust, Inc. to maintain its status as a REIT. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor our partner would have full control over the partnership or joint venture. Disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our management from focusing their time and effort on our day-to-day business. Consequently, actions by or disputes with our partners may subject properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners. Each of these factors may result in returns on these investments being less than we expect or in losses and our financial and operating results may be adversely affected. In addition, we cannot assure you that we will be able to close joint ventures, such as our anticipated joint venture with Brookfield related to the Ascenty Acquisition, on the anticipated schedule or at all. Failure to complete any such joint venture could have a negative impact on our business and the trading price of our common stock.

Our growth depends upon the successful development of our existing space and developable land and new properties acquired for development and any delays or unexpected costs in such development may delay and harm our growth prospects, future operating results and financial condition.

At December 31, 2018, we had approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for future development. We have built and may continue to build out a large portion of this space on a speculative basis at significant cost. Our successful development of these projects is subject to many risks, including those associated with:

- delays in construction, or changes to the plans or specifications;
- budget overruns, increased prices for raw materials or building supplies, or lack of availability and/or increased costs for specialized data center components, including long lead time items such as generators;
- construction site accidents and other casualties;
- financing availability, including our ability to obtain construction financing and permanent financing, or increases in interest rates or credit spreads;
- labor availability, costs, disputes and work stoppages with contractors, subcontractors or others that are constructing the project;
- failure of contractors to perform on a timely basis or at all, or other misconduct on the part of contractors;
- access to sufficient power and related costs of providing such power to our customers;
- environmental issues;
- supply chain constraints;
- fire, flooding, earthquakes and other natural disasters;
- geological, construction, excavation and equipment problems; and
- delays or denials of entitlements or permits, including zoning and related permits, or other delays resulting from requirements of public agencies and utility companies.

In addition, while we intend to develop data centers primarily in metropolitan areas we are familiar with, we may in the future develop data centers in new geographic regions where we expect the development to result in favorable risk-adjusted returns on our investment. We may not possess the same level of familiarity with the development of data centers in other metropolitan areas, which could adversely affect our ability to develop such data centers successfully or at all or to achieve expected performance.

Development activities, regardless of whether they are ultimately successful, also typically require a substantial portion of our management's time and attention. This may distract our management from focusing on other operational activities of our business. If we are unable to complete development projects successfully, our business may be adversely affected.

Global economic conditions could adversely affect our liquidity and financial condition.

General economic conditions and the cost and availability of capital may be adversely affected in some or all of the metropolitan areas in which we own properties and conduct our operations. Instability in the U.S., European, Asian, Latin American and other economies and international financial markets may adversely affect our ability, and the ability of our customers, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our, and our customers', businesses, financial condition and results of operations.

In addition, our access to funds under our global revolving credit facility depends on the ability of the lenders that are parties to such facilities to meet their funding commitments to us. We cannot assure you that long-term disruptions in the global economy and tighter credit conditions among, and potential failures or nationalizations of, third party financial institutions as a result of such disruptions will not have an adverse effect on our lenders. If our lenders are not able to meet their funding commitments to us, our business, results of operation, cash flows and financial condition could be adversely affected.

If we do not have sufficient cash flow to continue operating our business and are unable to borrow additional funds, access our existing lines of credit or raise equity or debt capital, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development activity, disposing of one or more of our properties possibly on disadvantageous terms or entering into or renewing leases on less favorable terms than we otherwise would.

We have substantial debt and face risks associated with the use of debt to fund our business activities, including refinancing and interest rate risks.

Our total consolidated indebtedness at December 31, 2018 was approximately $11.1 billion, and we may incur significant additional debt to finance future acquisition, investment and development activities. As of December 31, 2018, we have a $2.35

billion global revolving credit facility. We have the ability from time to time to increase the size of the global revolving credit facility and the unsecured term loans (discussed below), in any combination, by up to $1.25 billion, subject to receipt of lender commitments and other conditions precedent. At December 31, 2018, approximately $0.9 billion was available under this facility, net of outstanding letters of credit. As of February 22, 2019, we had approximately $1.0 billion available under the global revolving credit facility, net of outstanding letters of credit.

Our substantial indebtedness currently requires us to dedicate a significant portion of our cash flow from operations to debt service payments, which reduces the availability of our cash flow to fund working capital, capital expenditures, expansion efforts, distributions and other general corporate purposes. Additionally, it could: make it more difficult for us to satisfy our obligations with respect to our indebtedness; limit our ability in the future to undertake refinancings of our debt or obtain financing for expenditures, acquisitions, development or other general corporate purposes on terms and conditions acceptable to us, if at all; or affect adversely our ability to compete effectively or operate successfully under adverse economic conditions.

In addition, we may violate restrictive covenants or fail to maintain financial ratios specified in our loan documents, which would entitle the lenders to accelerate our debt obligations, and our secured lenders or mortgagees may foreclose on our properties or our interests in the entities that own the properties that secure their loans and receive an assignment of rents and leases. A foreclosure on one or more of our properties could adversely affect our access to capital, financial condition, results of operations, cash flow and cash available for distribution. Further, our default under any one of our loans could result in a cross-default on other indebtedness. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, a circumstance which could hinder Digital Realty Trust, Inc.'s ability to meet the REIT distribution requirements imposed by the Code.

Additional risks related to our indebtedness include the following:

We may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness. It is likely that we will need to refinance at least a portion of our outstanding debt as it matures. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then our cash flow may not be sufficient in all years to repay all such maturing debt and to pay distributions. Further, if prevailing interest rates or other factors at the time of refinancing, such as the reluctance of lenders to make commercial real estate loans, result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase.

Fluctuations in interest rates could materially affect our financial results and may increase the risk our counterparty defaults on our interest rate hedges. Because a significant portion of our debt, including debt incurred under our global revolving credit facility, bears interest at variable rates, increases in interest rates could materially increase our interest expense. If the United States Federal Reserve increases short-term interest rates, this would have a significant upward impact on shorter-term interest rates, including the interest rates that apply to our variable rate debt. Potential future increases in interest rates and credit spreads may increase our interest expense and therefore negatively affect our financial condition and results of operations, and reduce our access to capital markets. We have entered into interest rate swap agreements to fix a significant portion of our floating rate debt. Increased interest rates may increase the risk that the counterparties to our swap agreements will default on their obligations, which could further increase our exposure to interest rate fluctuations. Conversely, if interest rates are lower than our swapped fixed rates, we will be required to pay more for our debt than we would have had we not entered into the swap agreements.

Adverse changes in our Company's credit ratings could negatively affect our financing activity. The credit ratings of our senior unsecured long-term debt and Digital Realty Trust, Inc.'s preferred stock are based on our Company's operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analyses of our Company. Our Company's credit ratings can affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. We cannot assure you that we will be able to maintain our current credit ratings, and in the event our current credit ratings are downgraded, we would likely incur higher borrowing costs and may encounter difficulty in obtaining additional financing. Also, a downgrade in our credit ratings may trigger additional payments or other negative consequences under our current and future credit facilities and debt instruments. For example, if the credit ratings of our senior unsecured long-term debt are downgraded to below investment grade levels, we may not be able to obtain or maintain extensions on certain of our existing debt. Adverse changes in our credit ratings could negatively impact our refinancing and other capital market activities, our ability to manage our debt maturities, our future growth, our financial condition, the market price of Digital Realty Trust, Inc.'s stock, and our development and acquisition activity.

Our global revolving credit facility, unsecured term loan facility and senior notes restrict our ability to engage in some business activities. Our global revolving credit facility and unsecured term loan facility contain negative covenants and other financial and operating covenants that, among other things:

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- restrict our ability to incur additional indebtedness;
- restrict our ability to make certain investments;
- restrict our ability to merge with another company;
- restrict our ability to create, incur or assume liens; and
- require us to maintain financial coverage ratios, including with respect to unencumbered assets.

In addition, the global revolving credit facility and the unsecured term loan facility restrict Digital Realty Trust, Inc. from making distributions to its stockholders, or redeeming or otherwise repurchasing shares of its capital stock, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable Digital Realty Trust, Inc. to maintain its qualification as a REIT and to avoid the payment of income or excise tax.

In addition, our unsecured senior notes are governed by indentures, which contain various restrictive covenants, including limitations on our ability to incur indebtedness and requirements to maintain a pool of unencumbered assets. These restrictions, and the restrictions in our global revolving credit facility and unsecured term loan facility, could cause us to default on our senior notes, global revolving credit facility or unsecured term loan facility, as applicable, or negatively affect our operations or our ability to pay dividends to Digital Realty Trust, Inc.'s stockholders or distributions to Digital Realty Trust, L.P.'s unitholders, which could have a material adverse effect on the market value of Digital Realty Trust, Inc.'s common stock and preferred stock.

Failure to hedge effectively against interest rate changes may adversely affect results of operations. We seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest rate cap, forward or swap lock agreements. These agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such an agreement is not legally enforceable. Our policy is to use these derivatives only to hedge interest rate risks related to our borrowings, not for speculative or trading purposes, and to enter into contracts only with major financial institutions based on their credit ratings and other factors. However, we may choose to change this policy in the future. Approximately 74% of our total indebtedness as of December 31, 2018 was subject to fixed interest rates or variable rates subject to interest rate swaps. We do not currently hedge our global revolving credit facility and as our borrowings under our global revolving credit facility increase, so will our percentage of indebtedness not subject to fixed rates and our exposure to interest rates increase. Hedging may reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

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

In order for Digital Realty Trust, Inc. to maintain its qualification as a REIT, it is required under the Internal Revenue Code of 1986, as amended, which we refer to as the Code, to annually distribute at least 90% of its net taxable income determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, Digital Realty Trust, Inc. will be subject to federal corporate income tax to the extent that it distributes less than 100% of its net taxable income, including any net capital gains. Digital Realty Trust, L.P. is required to make distributions to Digital Realty Trust, Inc. that will enable the latter to satisfy this distribution requirement and avoid income and excise tax liability. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition or development financing, from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs.

Our access to third-party sources of capital depends on a number of factors, including general market conditions, the market's perception of our business prospects and growth potential, our current and expected future earnings, funds from operations, our cash flow and cash distributions, and the market price per share of Digital Realty Trust, Inc.'s common stock. We cannot assure you that we will be able to obtain equity or debt financing at all or on terms favorable or acceptable to us. Any additional debt we incur will increase our leverage. Further, equity markets have experienced high volatility recently and we cannot assure you that we will be able to raise capital through the sale of equity securities at all or on favorable terms. Sales of equity on unfavorable terms could result in substantial dilution to Digital Realty Trust, Inc.'s common stockholders and Digital Realty Trust, L.P.'s unitholders. In addition, we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop data centers when strategic opportunities exist, satisfy our debt service obligations, pay cash dividends to Digital Realty Trust, Inc.'s stockholders or make distributions to Digital Realty Trust, L.P.'s unitholders.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.
We review each of our properties for indicators that its carrying amount may not be recoverable. Examples of such indicators may include a significant decrease in the market price, a significant adverse change in how the property is being used or expected to be used based on the underwriting at the time of acquisition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development, a change in our intended holding period due to our intention to sell an asset, or a history of operating or cash flow losses. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition and compare it to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our future undiscounted net cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to reevaluate the assumptions used in our impairment analysis. These impairment charges could be significant and could adversely affect our financial condition, results of operations and cash available for distribution.
We may incur goodwill and other intangible asset impairment charges, which could adversely affect our earnings and financial condition.

In accordance with U.S. generally accepted accounting practices, or GAAP, we are required to assess our goodwill and other intangible assets, including goodwill and other intangible assets assumed in acquisition transactions, annually, or more frequently whenever events or changes in circumstances indicate potential impairment, such as changing market conditions or any changes in key assumptions. If the testing performed indicates that an asset may not be recoverable, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made. These impairment charges could be significant and could adversely affect our financial condition, results of operations and cash available for distribution.
Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.
Because real estate investments are relatively illiquid and because there may be even fewer buyers for our specialized real estate, our ability to promptly sell properties in our portfolio in response to adverse changes in their performance may be limited, which may harm our financial condition. Further, Digital Realty Trust, Inc. is subject to provisions in the Code that limit a REIT's ability to dispose of properties, which limitations are not applicable to other types of real estate companies. See "Risks Related to Our Organizational Structure—Digital Realty Trust, Inc.'s duty to its stockholders may conflict with the interests of Digital Realty Trust, L.P.'s unitholders—Tax consequences upon sale or refinancing." While Digital Realty Trust, Inc. has exclusive authority under Digital Realty Trust, L.P.'s limited partnership agreement to determine whether, when, and on what terms to sell a property, any such decision would require the approval of Digital Realty Trust, Inc.'s board of directors. These limitations may affect our ability to sell properties. This lack of liquidity and the Code restrictions may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flow, cash available for distribution and ability to access capital necessary to meet our debt payments and other obligations.
Our success depends on key personnel whose continued service is not guaranteed.
We depend on the efforts of key personnel of our Company, particularly A. William Stein, our Chief Executive Officer, Andrew P. Power, our Chief Financial Officer, Gregory S. Wright, our Chief Investment Officer, Chris Sharp,

our Chief Technology Officer, and Erich J. Sanchack, our Executive Vice President, Operations. They are important to our success for many reasons, including that each has a national or regional reputation in our industry and the investment community that attracts investors and business and investment opportunities and assists us in negotiations with investors, lenders, existing and potential customers and industry personnel. If we lost their services, our business and investment opportunities and our relationships with lenders and other capital markets participants, existing and prospective customers and industry personnel could suffer. Many of our Company's other senior employees also have strong technology, finance and real estate industry reputations. As a result, we have greater access to potential acquisitions, financing, leasing and other opportunities, and are

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better able to negotiate with customers. As the number of our competitors increases, it becomes more likely that a competitor would attempt to hire certain of these individuals away from our Company. The loss of any of these key personnel would result in the loss of these and other benefits and could materially and adversely affect our results of operations.

We also depend on the talents and efforts of highly skilled technical individuals. Our success depends on our continuing ability to identify, hire, develop, motivate, and retain highly skilled technical personnel for all areas of our organization. Competition in our industry for qualified technical employees is intense, the availability of qualified technical personnel is not guaranteed.

We may have difficulty managing our growth.

We have significantly and rapidly expanded the size of our Company. Our growth may significantly strain our management, operational and financial resources and systems. In addition, as a reporting company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The requirements of these rules and regulations subject us to certain accounting, legal and financial compliance costs and may strain our management and financial, legal and operational resources and systems. An inability to manage our growth effectively or the increased strain on our management of our resources and systems could result in deficiencies in our disclosure controls and procedures or our internal control over financial reporting and could negatively impact financial condition, results of operations and our cash available for distribution.

We may have difficulty implementing changes to our information technology systems.

We have made significant investments to update and improve our information technology systems and expect such investments to continue in order to meet our business needs, including for ongoing improvements for our customer experience. Transitioning to new or upgraded systems can create difficulties, including potential disruptions to current processes and security complexities. In addition, our information technology systems may require further modification as we grow and as our business needs change, which could prolong difficulties we experience with transitions. Such significant investments in our systems may take longer to deploy and cost more than originally planned. In addition, we may not realize the full benefits we hoped to achieve and we may need to expend significant attention, time and resources to correct problems or find alternative sources for performing various functions. Difficulties in implementing new or upgraded information technology systems or significant system failures or delays or the failure to successfully modify our systems and respond to changes in our business needs could adversely affect our business and results of operations.

Potential losses may not be covered by insurance.

We currently carry commercial general liability, property, business interruption, including loss of rental income, and other insurance policies to cover insurable risks to our Company. We select policy specifications, insured limits and deductibles which we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and standard industry practices. Our insurance policies contain industry standard exclusions and we do not carry insurance for generally uninsurable perils, such as loss from war or nuclear reaction. A significant portion of our properties are located in seismically active zones such as California, which represents approximately 13% of our portfolio's annualized rent as of December 31, 2018. One catastrophic event, for example, in California, could significantly impact multiple properties, the aggregate deductible amounts could be significant and the limits we purchase could prove to be insufficient, which could materially and adversely impact our business, financial condition and results of operations. Furthermore, a catastrophic regional event could also severely impact some of our insurers rendering them insolvent or unable to fully pay on claims despite their current financial strength. We may discontinue purchasing insurance against earthquake, flood or windstorm or other perils on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage relative to the risk of loss.

In addition, many of our buildings contain extensive and highly valuable technology-related improvements. Under the terms of our leases, customers are obligated to maintain adequate insurance coverage applicable to such improvements and under most circumstances use their insurance proceeds to restore such improvements after a casualty event. In the event of a casualty or other loss involving one of our buildings with extensive installed tenant improvements, our customers may have the right to terminate their leases if we do not rebuild the base building within prescribed times. In such cases, the proceeds from customers' insurance will not be available to us to restore the improvements, and our insurance coverage may be insufficient to replicate the technology-related improvements made by such customers. Furthermore, the terms of our mortgage indebtedness at certain of our properties may require us to pay insurance proceeds over to our lenders under certain circumstances, rather than use the proceeds to repair the property. If we or one or more of our customers experience a loss which is uninsured or which exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash

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

We may become subject to litigation or threatened litigation which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may become subject to disputes with parties with whom we conduct business, including as a result of any breach in our security systems or downtime in our critical power and cooling systems. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement with terms that restrict the operation of our business.

We could incur significant costs related to environmental matters, including from government regulation, private litigation, and existing conditions at some of our properties.

Under various laws relating to the protection of the environment in the United States, as well as in many jurisdictions in Europe, Asia and South America, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at a property, and may be required to investigate and clean up such contamination at or emanating from a property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. In the United States, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or CERCLA, established a regulatory and remedial program intended to provide for the investigation and clean-up of facilities where, or from which, a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for clean-up of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, any person who arranges for the transportation, disposal or treatment of the hazardous substances, and the transporters who select the disposal and treatment facilities, regardless of the care exercised by such persons. CERCLA also imposes liability for the cost of evaluating and remedying any damage to natural resources. The costs of CERCLA investigation and clean-up can be very substantial. CERCLA also authorizes the imposition of a lien in favor of the United States on all real property subject to, or affected by, a remedial action for all costs for which a party is liable. Subject to certain procedural restrictions, CERCLA gives a responsible party the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. Our ability to obtain reimbursement from others for their allocable shares of such costs would be limited by our ability to find other responsible parties and prove the extent of their responsibility, their financial resources, and other procedural requirements. Various state laws, as well as laws in Europe and Asia, also impose in certain cases strict joint and several liability for investigation, clean-up and other damages associated with hazardous substance releases.

Previous owners used some of our properties for industrial and retail purposes, so those properties may contain some level of environmental contamination. Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of the properties in our portfolio. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey and the assessments may fail to reveal all environmental conditions, liabilities or compliance concerns. In addition, material environmental conditions, liabilities or compliance concerns may have arisen after these reviews were completed or may arise in the future. We could be held jointly and severally liable under CERCLA and various state, local and national laws for the investigation and remediation of environmental contamination on our properties caused by previous owners or operators. Further, fuel storage tanks are present at most of our properties, and if releases were to occur, we may be liable for the costs of cleaning any resulting contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral.

In addition, some of our customers, particularly those in the biotechnology and life sciences industry and those in the technology manufacturing industry, routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our customers, and potentially us, to liability resulting from these activities or from previous industrial or retail uses of those properties. We could be held jointly and severally liable under CERCLA and various state, local and national laws for the investigation and remediation of hazardous substances released by our customers on our properties. Environmental liabilities could also affect a customer’s ability to make rental payments to us. We cannot assure you that costs of investigation and remediation of environmental matters will not affect our ability to pay

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dividends to Digital Realty Trust, Inc.'s stockholders and distributions to Digital Realty Trust, L.P.'s unitholders or that such costs or other remedial measures will not have a material adverse effect on our business, assets or results of operations.

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

Our properties and their uses often require permits from various government agencies, including permits related to zoning and land use. Certain permits from state or local environmental regulatory agencies, including regulators of air quality, are usually required to install and operate diesel-powered generators, which provide emergency back-up power at most of our facilities. These permits often set emissions limits for certain air pollutants, including oxides of nitrogen. In addition, various federal, state, and local environmental, health and safety requirements, such as fire requirements and treated and storm water discharge requirements, apply to some of our properties. Changes to applicable regulations, such as air quality regulations, or the permit requirements for equipment at our facilities, could hinder or prevent our construction or operation of data center facilities.

Also, drought conditions in certain markets have resulted in water usage restrictions and proposals to further restrict water usage. Our data center facilities could face restrictions on water usage, water efficiency mandates, or higher water prices. Climate change could also limit water availability. In addition, sea level rise and more frequent and severe weather events caused or contributed to by climate change pose physical risks to our facilities.

The environmental laws and regulations to which our properties are subject may change in the future, and new laws and regulations may be created. Future laws, ordinances or regulations may impose additional material environmental liability. Such laws include those directly regulating our climate change impacts and those which regulate the climate change impacts of companies with which we do business, such as utilities providing our facilities with electricity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Factors Which May Influence Future Results of Operations-Climate change legislation." We do not know if or how the requirements will change, but changes may require that we make significant unanticipated expenditures, and such expenditures may materially adversely impact our financial condition, cash flow, results, cash available for distributions, Digital Realty Trust, Inc.'s common stock's per share trading price, our competitive position and ability to satisfy our debt service obligations.

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

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

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

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

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

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

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Furthermore, our disclosure controls and procedures and internal control over financial reporting with respect to entities that we do not control or manage may be substantially more limited than those we maintain with respect to the subsidiaries that we have controlled or managed over the course of time. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in Digital Realty Trust, Inc.’s stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

Risks Related to Our Organizational Structure

Digital Realty Trust, Inc.’s duty to its stockholders may conflict with the interests of Digital Realty Trust, L.P.’s unitholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between Digital Realty Trust, Inc. and its stockholders, on the one hand, and our Operating Partnership and its partners, on the other. Digital Realty Trust, Inc.’s directors and officers have duties to Digital Realty Trust, Inc. and its stockholders under Maryland law in connection with their management of our Company. At the same time, Digital Realty Trust, Inc., as general partner, has fiduciary duties under Maryland law to our Operating Partnership and to the limited partners in connection with the management of our Operating Partnership. Digital Realty Trust, Inc.’s duties as general partner to our Operating Partnership and its partners may come into conflict with the duties of Digital Realty Trust, Inc.’s directors and officers to Digital Realty Trust, Inc. and its stockholders. Under Maryland law, a general partner of a Maryland limited partnership owes its limited partners the duties of loyalty and care, which must be discharged consistently with the obligation of good faith and fair dealing, unless the partnership agreement provides otherwise. The partnership agreement of our Operating Partnership provides that for so long as Digital Realty Trust, Inc. owns a controlling interest in our Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either Digital Realty Trust, Inc.’s stockholders or the limited partners will be resolved in favor of Digital Realty Trust, Inc.’s stockholders.

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

Digital Realty Trust, Inc.’s stockholders and Digital Realty Trust, L.P.’s unitholders are also subject to the following additional conflict of interest:

Tax consequences upon sale or refinancing. Sales of properties and repayment of certain indebtedness will affect holders of common units in our Operating Partnership and Digital Realty Trust, Inc.’s stockholders differently. Consequently, these holders of common units in our Operating Partnership may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of debt. While Digital Realty Trust, Inc. has exclusive authority under the partnership agreement of our Operating Partnership to determine when to refinance or repay debt or whether, when, and on what terms to sell a property, any such decision generally would require the approval of Digital Realty Trust, Inc.'s board of directors and Digital Realty Trust, Inc.'s ability to take such actions, to the extent that they may reduce the liabilities of the Operating Partnership, may be limited pursuant to the tax protection agreement that Digital Realty Trust, Inc. and the Operating Partnership entered into upon completion of the DFT Merger. Certain of Digital Realty Trust, Inc.'s directors and executive officers could exercise their influence in a manner inconsistent with the interests of some, or a majority, of Digital Realty Trust, L.P.'s unitholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

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Digital Realty Trust, Inc.'s charter, Digital Realty Trust, L.P.'s partnership agreement and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.

These provisions include the following:

Digital Realty Trust, Inc.'s charter and the articles supplementary governing its preferred stock contain 9.8% ownership limits. Digital Realty Trust, Inc.'s charter, subject to certain exceptions, authorizes Digital Realty Trust, Inc.'s board of directors to take such actions as are necessary and desirable to preserve Digital Realty Trust, Inc.'s qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of Digital Realty Trust, Inc.'s common stock, 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of any series of Digital Realty Trust, Inc.'s preferred stock and 9.8% of the value of Digital Realty Trust, Inc.'s outstanding capital stock. Digital Realty Trust, Inc.'s board of directors, in its sole discretion, may exempt (prospectively or retroactively) a proposed transferee from the ownership limit. However, Digital Realty Trust, Inc.'s board of directors may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership of more than 9.8% of the outstanding shares of Digital Realty Trust, Inc.'s common stock, more than 9.8% of the outstanding shares of any series of Digital Realty Trust, Inc.'s preferred stock or more than 9.8% of the value of Digital Realty Trust, Inc.'s outstanding capital stock could jeopardize Digital Realty Trust, Inc.'s status as a REIT. These restrictions on transferability and ownership will not apply if Digital Realty Trust, Inc.'s board of directors determines that it is no longer in Digital Realty Trust, Inc.'s best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance is no longer required for REIT qualification. The ownership limit may delay, defer or prevent a transaction or a change of control that might be in the best interest of Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders.

Digital Realty Trust, L.P.'s partnership agreement contains provisions that may delay, defer or prevent a change of control transaction. Digital Realty Trust, L.P.'s partnership agreement provides that Digital Realty Trust, Inc. may not engage in any merger, consolidation or other combination with or into another person, any sale of all or substantially all of its assets or any reclassification, recapitalization or change of its outstanding equity interests unless the transaction is approved by the holders of common units and long-term incentive units representing at least 35% of the aggregate percentage interests of all holders of common units and long-term incentive units and either:

- all limited partners will receive, or have the right to elect to receive, for each common unit an amount of cash, securities or other property equal to the product of the number of shares of Digital Realty Trust, Inc. common stock into which a common unit is then exchangeable and the greatest amount of cash, securities or other property paid in consideration of each share of Digital Realty Trust, Inc. common stock in connection with the transaction (provided that, if, in connection with the transaction, a purchase, tender or exchange offer is made to and accepted by the holders of more than 50% of the shares of Digital Realty Trust, Inc. common stock, each holder of common units will receive, or have the right to elect to receive, the greatest amount of cash, securities or other property which such holder would have received if it exercised its right to redemption and received shares of Digital Realty Trust, Inc. common stock in exchange for its common units immediately prior to the expiration of such purchase, tender or exchange offer and thereupon accepted such purchase, tender or exchange offer and the transaction was then consummated); or
- the following conditions are met:
- substantially all of the assets directly or indirectly owned by the surviving entity in the transaction are held directly or indirectly by Digital Realty Trust, L.P. or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with Digital Realty Trust, L.P., or the surviving partnership;
- the holders of common units and long-term incentive units own a percentage interest of the surviving partnership based on the relative fair market value of Digital Realty Trust, L.P.'s net assets and the other net assets of the surviving partnership immediately prior to the consummation of such transaction;
- the rights, preferences and privileges of the holders of interests in the surviving partnership are at least as favorable as those in effect immediately prior to the consummation of such transaction and as those applicable to any other limited

partners or non-managing members of the surviving partnership; and

- the rights of the limited partners or non-managing members of the surviving partnership include at least one of the following: (i) the right to redeem their interests in the surviving partnership for the consideration available to such persons pursuant to Digital Realty Trust, L.P.'s partnership agreement; or (ii) the right to redeem their interests for cash on terms equivalent to those in effect

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with respect to their common units immediately prior to the consummation of such transaction (or, if the ultimate controlling person of the surviving partnership has publicly traded common equity securities, for such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the shares of Digital Realty Trust, Inc. common stock).

These provisions may discourage others from trying to acquire control of Digital Realty Trust, Inc. and may delay, defer or prevent a change of control transaction that might be beneficial to Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders.

The change of control conversion features of Digital Realty Trust, Inc.'s preferred stock may make it more difficult for a party to take over our Company or discourage a party from taking over our Company. Upon the occurrence of specified change of control transactions, holders of our series C preferred stock, series G preferred stock, series H preferred stock, series I preferred stock and series J preferred stock will have the right (unless, prior to the change of control conversion date, we have provided or provide notice of our election to redeem such preferred stock) to convert some or all of their series C preferred stock, series G preferred stock, series H preferred stock, series I preferred stock or series J preferred stock, as applicable, into shares of our common stock (or equivalent value of alternative consideration), subject to caps set forth in the articles supplementary governing the applicable series of preferred stock. The change of control conversion features of the series C preferred stock, series G preferred stock, series H preferred stock, series I preferred stock and series J preferred stock may have the effect of discouraging a third party from making an acquisition proposal for our Company or of delaying, deferring or preventing certain change of control transactions of our Company under circumstances that otherwise could provide the holders of our common stock, series C preferred stock, series G preferred stock, series H preferred stock, series I preferred stock and series J preferred stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

Digital Realty Trust, Inc. could increase or decrease the number of authorized shares of stock and issue stock without stockholder approval. Digital Realty Trust, Inc.'s charter authorizes Digital Realty Trust, Inc.'s board of directors, without stockholder approval, to amend the charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to issue authorized but unissued shares of the Digital Realty Trust, Inc.'s common stock or preferred stock and, subject to the voting rights of holders of preferred stock, to classify or reclassify any unissued shares of the Digital Realty Trust, Inc.'s common stock or preferred stock into other classes of series of stock and to set the preferences, rights and other terms of such classified or reclassified shares. Although Digital Realty Trust, Inc.'s board of directors has no such intention at the present time, it could establish an additional class or series of preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might be in the best interest of Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders.

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of impeding a third party from making a proposal to acquire Digital Realty Trust, Inc. or of impeding a change of control under circumstances that otherwise could be in the best interests of Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between Digital Realty Trust, Inc. and an "interested stockholder" (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of Digital Realty Trust, Inc.'s outstanding shares of voting stock or an affiliate or associate of Digital Realty Trust, Inc. who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of Digital Realty Trust, Inc.'s then outstanding shares of stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and supermajority voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of Digital Realty Trust, Inc. (defined as shares which, when aggregated with other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the

stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights except to the extent approved by Digital Realty Trust, Inc.'s stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares. Digital Realty Trust, Inc. has opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of its board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in its bylaws. However, Digital Realty Trust, Inc.'s board of directors may by resolution elect to opt in

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to the business combination provisions of the MGCL and Digital Realty Trust, Inc. may, by amendment to its bylaws, opt in to the control share provisions of the MGCL in the future.

The provisions of Digital Realty Trust, Inc.'s charter governing removal of directors and the advance notice provisions of Digital Realty Trust, Inc.'s bylaws could delay, defer or prevent a change of control or other transaction that might be in the best interests of Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders. Likewise, if Digital Realty Trust, Inc.'s board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL not currently applicable to Digital Realty Trust, Inc., or if the provision in Digital Realty Trust, Inc.'s bylaws opting out of the control share acquisition provisions of the MGCL were rescinded, these provisions of the MGCL could have similar anti-takeover effects.

The conversion rights of Digital Realty Trust, Inc.'s preferred stock may be detrimental to holders of Digital Realty Trust, Inc.'s common stock.

Digital Realty Trust, Inc. currently has 8,050,000 shares of 6.625% series C cumulative redeemable perpetual preferred stock outstanding, 10,000,000 shares of 5.875% series G cumulative redeemable preferred stock outstanding, 14,600,000 shares of 7.375% series H cumulative redeemable preferred stock outstanding, 10,000,000 shares of 6.350% series I cumulative redeemable preferred stock outstanding and 8,000,000 shares of 5.250% series J cumulative redeemable preferred stock outstanding, which may be converted into Digital Realty Trust, Inc. common stock upon the occurrence of limited specified change in control transactions. The conversion of the series C preferred stock, series G preferred stock, series H preferred stock, series I preferred stock or series J preferred stock for Digital Realty Trust, Inc. common stock would dilute stockholder ownership in Digital Realty Trust, Inc. and unitholder ownership in Digital Realty Trust, L.P., and could adversely affect the market price of Digital Realty Trust, Inc. common stock and could impair our ability to raise capital through the sale of additional equity securities.

Digital Realty Trust, Inc.'s rights and the rights of its stockholders to take action against its directors and officers are limited.

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

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, Digital Realty Trust, Inc.'s charter authorizes Digital Realty Trust, Inc. to obligate itself, and Digital Realty Trust, Inc.'s bylaws require it, to indemnify Digital Realty Trust, Inc.'s directors and officers for actions taken by them in those capacities and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law. Further, Digital Realty Trust, Inc. has entered into indemnification agreements with its directors and officers. As a result, Digital Realty Trust, Inc. and its stockholders may have more limited rights against its directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of Digital Realty Trust, Inc.'s directors or officers impede the performance of the Company, the Company's stockholders' ability to recover damages from that director or officer will be limited.

Risks Related to Taxes and Digital Realty Trust, Inc.'s Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to Digital Realty Trust, Inc. and its stockholders and to Digital Realty Trust, L.P. and its unitholders.

Digital Realty Trust, Inc. has operated and intends to continue operating in a manner that it believes will allow it to qualify as a REIT for federal income tax purposes under the Code. Digital Realty Trust, Inc. has not requested and does not plan to request a ruling from the IRS that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that, like Digital Realty Trust, Inc., holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within Digital Realty Trust, Inc.'s control may affect its ability to qualify as a REIT. In order to qualify as a REIT, Digital Realty Trust, Inc. must satisfy a number of requirements, including requirements regarding the ownership of its stock, requirements regarding the composition of its assets and a requirement that at least 95% of its gross

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income in any year must be derived from qualifying sources, such as “rents from real property.” Also, Digital Realty Trust, Inc. must make distributions to stockholders aggregating annually at least 90% of its net taxable income, excluding any net capital gains.

If Digital Realty Trust, Inc. loses its REIT status, it will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its stockholders, for each of the years involved because:

- Digital Realty Trust, Inc. would not be allowed a deduction for dividends paid to stockholders in computing its taxable income and would be subject to federal corporate income tax on its taxable income;
- Digital Realty Trust, Inc. also could be subject to the federal alternative minimum tax for taxable years prior to 2018 and possibly increased state and local taxes; and
- unless Digital Realty Trust, Inc. is entitled to relief under applicable statutory provisions, it could not elect to be taxed as a REIT for four taxable years following the year during which it was disqualified.

In addition, if Digital Realty Trust, Inc. fails to qualify as a REIT, it will not be required to make distributions to common stockholders, and accordingly, distributions Digital Realty Trust, L.P. makes to its unitholders could be similarly reduced. As a result of all these factors, Digital Realty Trust, Inc.’s failure to qualify as a REIT could impair our ability to expand our business and raise capital, and could materially adversely affect the value of Digital Realty Trust, Inc.’s stock and Digital Realty Trust, L.P.’s units.

In certain circumstances, Digital Realty Trust, Inc. may be subject to federal and state taxes as a REIT, which would reduce its cash available for distribution to its stockholders.

Even if Digital Realty Trust, Inc. qualifies as a REIT for federal income tax purposes, it may be subject to some federal, state and local taxes on its income or property and, in certain cases, a 100% penalty tax, in the event it sells property as a dealer. In addition, our domestic corporate subsidiary, Digital Services, Inc., which is a taxable REIT subsidiary of Digital Realty Trust, Inc., could be subject to federal, state and local taxes, and our foreign properties and companies are subject to tax in the jurisdictions in which they operate and are located. A domestic taxable REIT subsidiary is subject to U.S. federal income tax as a regular C corporation. In addition, a 100% excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm’s length basis. Any federal, state or foreign taxes Digital Realty Trust, Inc. pays will reduce its cash available for distribution to stockholders.

To maintain Digital Realty Trust, Inc.’s REIT status, we may be forced to borrow funds during unfavorable market conditions.

To qualify as a REIT, Digital Realty Trust, Inc. generally must distribute to its stockholders at least 90% of its net taxable income each year, excluding capital gains, and Digital Realty Trust, Inc. will be subject to regular corporate income taxes to the extent that it distributes less than 100% of its net taxable income each year. In addition, Digital Realty Trust, Inc. will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by Digital Realty Trust, Inc. in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. While historically Digital Realty Trust, Inc. has satisfied these distribution requirements by making cash distributions to its stockholders, a REIT is permitted to satisfy these requirements by making distributions of cash or other property. We may need to borrow funds for Digital Realty Trust, Inc. to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to “qualified dividend income” payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for these reduced rates. Under the federal tax legislation enacted in December 2017, commonly known as the Tax Cuts and Jobs Act (the “2017 Tax Legislation”), U.S. stockholders that are individuals, trusts and estates generally may deduct up to 20% of the ordinary dividends (i.e., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning after December 31, 2017 and before January 1, 2026. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs (generally to 29.6% assuming the shareholder is subject to the 37% maximum rate), such tax rate is still higher than the tax rate applicable to corporate dividends that constitute qualified dividend income. Accordingly, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends treated as qualified dividend income, which could materially and adversely affect the value of the shares of REITs, including the per share trading price of Digital Realty Trust, Inc.'s capital stock.

The tax imposed on REITs engaging in "prohibited transactions" may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, Digital Realty Trust, Inc. must continually satisfy tests concerning, among other things, its sources of income, the nature and diversification of its assets (including its proportionate share of Digital Realty Trust, L.P.'s assets), the amounts it distributes to its stockholders and the ownership of its capital stock. If Digital Realty Trust, Inc. fails to comply with one or more of the asset tests at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its REIT qualification and suffering adverse tax consequences. In order to meet these tests, we may be required to forgo investments we might otherwise make or to liquidate otherwise attractive investments. Thus, compliance with the REIT requirements may hinder our performance and reduce amounts available for distribution to Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders.

The power of Digital Realty Trust, Inc.'s board of directors to revoke Digital Realty Trust, Inc.'s REIT election without stockholder approval may cause adverse consequences to Digital Realty Trust, Inc.'s stockholders and Digital Realty Trust, L.P.'s unitholders.

Digital Realty Trust, Inc.'s charter provides that its board of directors may revoke or otherwise terminate its REIT election, without the approval of its stockholders, if it determines that it is no longer in Digital Realty Trust, Inc.'s best interests to continue to qualify as a REIT. If Digital Realty Trust, Inc. ceases to qualify as a REIT, it would become subject to U.S. federal corporate income tax on its taxable income and it would no longer be required to distribute most of its taxable income to its stockholders and, accordingly, distributions Digital Realty Trust, L.P. makes to its unitholders could be similarly reduced.

If the Operating Partnership fails to qualify as a partnership for federal income tax purposes, Digital Realty Trust, Inc. would fail to qualify as a REIT and suffer other adverse consequences.

We believe that the Operating Partnership has been organized and operated in a manner that will allow it to be treated as a partnership, and not an association or publicly traded partnership taxable as a corporation, for federal income tax purposes. As a partnership, the Operating Partnership is not subject to federal income tax on its income. Instead, each of its partners, including Digital Realty Trust, Inc., is allocated, and may be required to pay tax with respect to, that partner's share of the Operating Partnership's income. No assurance can be provided, however, that the IRS will not challenge the Operating Partnership's status as a partnership for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in treating the Operating Partnership as an association or publicly traded partnership taxable as a corporation for federal income tax purposes, Digital Realty Trust, Inc. would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, would cease to qualify as a REIT. Such REIT qualification failure could impair our ability to expand our business and raise capital, and would materially adversely affect the value of Digital Realty Trust, Inc.'s stock and the Operating Partnership's units. Also, the failure of the Operating Partnership to qualify as a partnership would cause it to become subject to federal corporate income tax, which would reduce significantly the amount of its cash available for debt service and for distribution to its partners, including Digital Realty Trust, Inc.

Our tax protection agreement may require the Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business.

In connection with the DFT Merger, we entered into a tax protection agreement with a number of limited partners of DuPont Fabros Technology, L.P. (the “Protected Partners”), all of whom became limited partners of the Operating Partnership. Pursuant to this tax protection agreement, the Protected Partners entered into a guarantee of certain debt of a subsidiary of the

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Operating Partnership. The Operating Partnership is required to offer the Protected Partners a new guarantee opportunity in the event any guaranteed debt is repaid prior to March 1, 2023. If the Operating Partnership fails to offer the guarantee opportunity or to allocate guaranteed debt to a Protected Partner as required under the tax protection agreement, the Operating Partnership generally would be required to indemnify each Protected Partner for the tax liability resulting from such failure, as determined under the tax protection agreement. These obligations may require the Operating Partnership to maintain more or different indebtedness than we would otherwise require for our business.

Changes in U.S. or foreign tax laws and regulations, including changes to tax rates, legislation and other actions may adversely affect our results of operations, our stockholders, Digital Realty Trust, L.P.'s unitholders and us.

We are headquartered in the United States with subsidiaries and operations globally and are subject to income taxes in these jurisdictions. Significant judgment is required in determining our provision for income taxes. Although we believe that we have adequately assessed and accounted for our potential tax liabilities, and that our tax estimates are reasonable, there can be no assurance that additional taxes will not be due upon audit of our tax returns or as a result of changes to applicable tax laws. The governments of many of the countries in which we operate may enact changes to the tax laws of such countries, including changes to the corporate recognition and taxation of worldwide income. The nature and timing of any changes to each jurisdiction's tax laws and the impact on our future tax liabilities cannot be predicted with any accuracy but could materially and adversely impact our results of operations and cash flows.

Additionally, each of our properties is subject to real property and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. Any increase in property taxes on our properties could have a material adverse effect on our revenues and results of operations.

Further, the rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could materially and adversely affect Digital Realty Trust, Inc.'s stockholders, Digital Realty Trust, L.P.'s unitholders and us. We cannot predict how changes in the tax laws might affect our investors and us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect Digital Realty Trust, Inc.'s ability to qualify as a REIT, the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Moreover, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT.

The 2017 Tax Legislation has significantly changed the U.S. federal income taxation of U.S. businesses and their owners, including REITs and their stockholders. Changes made by the 2017 Tax Legislation that could affect Digital Realty Trust, Inc. and its stockholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate has been reduced from 39.6% to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026;
- permanently eliminating the progressive corporate tax rate structure, which previously imposed a maximum corporate tax rate of 35%, and replacing it with a flat corporate tax rate of 21%;
- permitting a deduction for certain pass-through business income, including dividends received by our stockholders from us that are not designated by us as capital gain dividends or qualified dividend income, which will allow individuals, trusts, and estates to deduct up to 20% of such amounts for taxable years beginning after December 31, 2017 and before January 1, 2026;
- reducing the highest rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- limiting our deduction for net operating losses arising in taxable years beginning after December 31, 2017 to 80% of our REIT taxable income (determined without regard to the dividends paid deduction);
-

generally limiting the deduction for net business interest expense in excess of 30% of a business's "adjusted taxable income," except for taxpayers that engage in certain real estate businesses (including most equity REITs) and elect out of this rule (provided that such electing taxpayers must use an alternative depreciation system with longer depreciation periods); and

- eliminating the corporate alternative minimum tax.

Many of these changes that are applicable to us are effective beginning with our 2018 taxable year, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the IRS and the U.S. Department of the Treasury, any of which could lessen or increase the impact of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

Tax liabilities and attributes inherited in connection with acquisitions may adversely impact our business.

From time to time we may acquire other corporations or entities and, in connection with such acquisitions, we may succeed to the historic tax attributes and liabilities of such entities. For example, if we acquire a C corporation and subsequently dispose of its assets within five years of the acquisition, we could be required to pay tax on any built-in gain attributable to such assets determined as of the date on which we acquired the assets. In addition, in order to qualify as a REIT, at the end of any taxable year, we must not have any earnings and profits accumulated in a non-REIT year. As a result, if we acquire a C corporation, we must distribute the corporation's earnings and profits accumulated prior to the acquisition before the end of the taxable year in which we acquire the corporation. We also could be required to pay the acquired entity's unpaid taxes even though such liabilities arose prior to the time we acquired the entity. Telx was a C corporation at the time of the Telx Acquisition, which raises each of these issues.

Forward-Looking Statements

We make statements in this report that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance, our ability to lease vacant space and space under development, leverage policy and acquisition and capital expenditure plans, as well as our discussion of "Factors Which May Influence Future Results of Operations," contain forward-looking statements. Likewise, all of our statements regarding anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described or that they will happen at all. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- reduced demand for data centers or decreases in information technology spending;
- decreased rental rates, increased operating costs or increased vacancy rates;
- increased competition or available supply of data center space;
- the suitability of our data centers and data center infrastructure, delays or disruptions in connectivity or availability of power, or failures or breaches of our physical and information security infrastructure or services;
- our dependence upon significant customers, bankruptcy or insolvency of a major customer or a significant number of smaller customers, or defaults on or non-renewal of leases by customers;
- breaches of our obligations or restrictions under our contracts with our customers;
- our inability to successfully develop and lease new properties and development space, and delays or unexpected costs in development of properties;
- the impact of current global and local economic, credit and market conditions;
- our inability to retain data center space that we lease or sublease from third parties;
- difficulties managing an international business and acquiring or operating properties in foreign jurisdictions and unfamiliar metropolitan areas;
- our failure to realize the intended benefits from, or disruptions to our plans and operations or unknown or contingent liabilities related to, our recent acquisitions, including the Ascenty Acquisition;

- our failure to successfully integrate and operate acquired or developed properties or businesses;
- difficulties in identifying properties to acquire and completing acquisitions;
- risks related to joint venture investments, including as a result of our lack of control of such investments;
- risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements;
- our failure to obtain necessary debt and equity financing, and our dependence on external sources of capital;
- financial market fluctuations and changes in foreign currency exchange rates;

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- adverse economic or real estate developments in our industry or the industry sectors that we sell to, including risks relating to decreasing real estate valuations and impairment charges and goodwill and other intangible asset impairment charges;
- our inability to manage our growth effectively;
- losses in excess of our insurance coverage;
- environmental liabilities and risks related to natural disasters;
- our inability to comply with rules and regulations applicable to our Company;
- Digital Realty Trust, Inc.'s failure to maintain its status as a REIT for federal income tax purposes;
- Digital Realty Trust, L.P.'s failure to qualify as a partnership for federal income tax purposes;
- restrictions on our ability to engage in certain business activities; and
- changes in local, state, federal and international laws and regulations, including related to taxation, real estate and zoning laws, and increases in real property tax rates.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report, including under Part I, Item 1A, Risk Factors. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. While forward-looking statements reflect our good faith beliefs, they are not guaranties of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

General

In addition to the information in this Item 2, certain information regarding our portfolio is contained in Schedule III (Financial Statement Schedule) under Part IV, Item 15(a) (2) and which is included in Part II, Item 8. Information for Ascenty is only included in the Our Portfolio table in this Item, otherwise all other tables exclude tenant and leasing data related to Ascenty.

Our Portfolio

As of December 31, 2018, our portfolio consisted of 214 data centers, including 18 data centers held as investments in unconsolidated joint ventures, and contain a total of approximately 34.5 million rentable square feet, including 3.4 million square feet of space under active development and 2.1 million square feet of space held for development. The following table presents an overview of our portfolio of properties, including the 18 data centers held as investments in unconsolidated joint ventures and developable land, based on information as of December 31, 2018 (dollar amounts in thousands). All data centers are held in fee simple except as otherwise indicated. Please refer to Note 8 in the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a description of all applicable encumbrances as of December 31, 2018.

Metropolitan Area	Data Center Buildings	Net Rentable Square Feet (1)	Space Under Active Development (2)	Space Held for Development (3)	Annualized Rent (4)	Occupancy Percentage (5)	
North America							
Northern Virginia	30	5,718,180	1,425,029	84,852	$ 549,446	95.4	%
Chicago	10	2,963,850	459,250	152,362	291,599	89.5	%
New York	12	1,980,040	—	240,157	206,251	83.5	%
Silicon Valley	19	2,251,021	—	—	208,195	97.1	%
Dallas	21	3,435,188	132,310	81,206	183,814	80.4	%
Phoenix	4	990,385	—	108,926	89,365	66.4	%
San Francisco	4	834,540	13,753	—	65,257	71.8	%
Atlanta	5	775,606	—	313,581	52,632	90.6	%
Los Angeles	4	806,934	11,545	—	41,231	90.7	%
Boston	5	534,249	—	50,649	31,272	66.8	%
Houston	6	392,816	—	13,969	19,537	84.6	%
Toronto, Canada (6)	3	326,591	60,506	511,969	18,022	75.0	%
Denver	2	371,500	—	—	11,665	99.8	%
Austin	1	85,688	—	—	8,539	65.1	%
Miami	2	226,314	—	—	7,172	87.2	%
Portland	1	48,574	—	—	6,337	85.3	%
Minneapolis/St. Paul	1	328,765	—	—	5,644	100.0	%
Charlotte	3	95,499	—	—	4,510	89.1	%

Seattle	1	40,564	—	75,382	2,609	77.1	%
North America Total / Weighted Average	134	22,206,304	2,102,393	1,633,053	1,803,097	87.6	%

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Metropolitan Area	Data Center Buildings	Net Rentable Square Feet (1)	Space Under Active Development (2)	Space Held for Development (3)	Annualized Rent (4)	Occupancy Percentage (5)
Europe						
London, United Kingdom (7)	16	1,430,107	92,560	104,606	209,634	91.3 %
Amsterdam, Netherlands (8)	9	474,303	91,859	68,185	46,372	92.9 %
Dublin, Ireland (8)	5	330,180	26,646	—	26,735	89.8 %
Frankfurt, Germany (8)	3	83,981	157,056	—	12,006	75.1 %
Paris, France (8)	3	185,994	—	—	7,077	100.0 %
Manchester, England (7)	1	38,016	—	—	1,754	100.0 %
Geneva, Switzerland (8)	1	59,190	—	—	1,772	100.0 %
Europe Total / Weighted Average	38	2,601,771	368,121	172,791	305,350	91.8 %
Asia Pacific						
Singapore (9)	2	540,638	—	—	89,629	91.5 %
Melbourne, Australia (10)	2	146,570	—	—	16,789	79.3 %
Sydney, Australia (10)	3	196,665	117,692	—	23,025	91.7 %
Osaka, Japan (11)	1	—	239,999	—	—	—
Asia Pacific Total / Weighted Average	8	883,873	357,691	—	129,443	89.5 %
Ascenty Acquisition (12)	16	473,251	522,643	243,160	73,538	95.3 %
Non-Data Center Properties	—	516,107	—	—	4,591	100.0 %
Managed Unconsolidated Joint Ventures						
Northern Virginia	4	546,572	—	—	27,488	99.5 %
Hong Kong (13)	1	178,505	—	7,795	27,399	80.7 %
Silicon Valley	4	326,305	—	—	12,942	100.0 %
Dallas	3	319,876	—	—	7,739	100.0 %
New York	1	108,336	—	—	3,460	100.0 %
	13	1,479,594	—	7,795	79,028	97.5 %
Non-Managed Unconsolidated Joint Ventures						
Seattle	2	451,369	—	—	55,779	97.9 %
Tokyo (11)	2	430,277	—	—	22,561	86.9 %
Osaka (11)	1	92,087	—	—	15,006	89.2 %
	5	973,733	—	—	93,346	92.2 %
Total	214	29,134,633	3,350,848	2,056,799	2,488,393	89.0 %

(1) Net rentable square feet at a building represents the current square feet at that building under lease as specified in the lease agreements plus management's estimate of space available for lease. We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area. Net rentable square feet includes tenants' proportional share of common areas but excludes space held for development.
(2) Space under active development includes current base building and data center projects in progress.
(3) Space held for development includes space held for future data center development, and excludes space under active development.
(4) Annualized rent represents the monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2018 multiplied by 12.
(5) Excludes space held for development and space under active development. We estimate the total square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area.
(6) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.73 to 1.00 CAD.
(7) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $1.27 to £1.00.
(8) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $1.14 to €1.00.
(9) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.73 to 1.00 SGD.
(10) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.70 to 1.00 AUD.
(11) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.01 to 1.00 JPY.
(12) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.26 to 1.00 BRL.
(13) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.13 to 1.00 HKD.

We have ground leases on Paul van Vlissingenstraat 16 that expires in 2054, Chemin de l'Epinglier 2 that expires in 2074, Clonshaugh Industrial Estate I and II that expires in 2981, Manchester Technopark that expires in 2125, 29A International Business Park that expires in 2038, Gyroscoopweg 2E-2F, which has a continuous ground lease and will be adjusted on January 1, 2042, and Naritaweg 52, which has a continuous ground lease. We have operating leases at 111 8th Avenue (2nd and 6th floors), 111 8th Avenue (3rd and 7th floors) and 410 Commerce Boulevard, which expire in June 2024, February 2022 and December 2026, respectively. The lease at 111 8th Avenue (2nd and 6th floors) has an option to extend the lease until June 2034 and the lease at 111 8th Avenue (3rd and 7th floors) has an option to extend the lease until February 2032. The lease at 410 Commerce Boulevard has no extension options. As part of the Telx Acquisition and European Portfolio Acquisition, leases relating to operating facilities, offices, and equipment under various lease agreements expire during the years ending December 2018 through June 2047.
We have a fully prepaid ground lease on 2055 E. Technology Circle that expires in 2083. We have a fully prepaid ground lease on Cateringweg 5 that expires in 2059. The ground lease at Naritaweg 52 has been prepaid through December 2036.

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Customer Diversification

As of December 31, 2018, our portfolio was leased to over 2,300 companies, many of which are internationally recognized firms. The following table sets forth information regarding the 20 largest customers in our portfolio based on annualized rent as of December 31, 2018 (dollar amounts in thousands).

	Tenant	Number of Locations	Total Occupied Square Feet (1)(4)	Percentage of Net Rentable Square Feet (4)		Annualized Rent (2)(4)	Percentage of Annualized Rent		Weighted Average Remaining Lease Term in Months
1	Facebook, Inc.	18	1,207,044	5.1	%	$154,426	6.8	%	5.3
2	IBM	28	1,061,195	4.5	%	145,987	6.4	%	3.2
3	Fortune 50 Software Company	17	1,714,762	7.3	%	139,947	6.2	%	5.2
4	Cyxtera Technologies, Inc. (3)	19	1,938,657	8.3	%	80,370	3.5	%	4.9
5	Fortune 25 Investment Grade-Rated Company	11	684,546	2.9	%	80,104	3.5	%	5.1
6	Oracle America, Inc.	20	593,250	2.5	%	72,758	3.2	%	2.9
7	Equinix	21	959,678	4.1	%	58,579	2.6	%	10.3
8	Rackspace	12	640,126	2.7	%	57,615	2.5	%	8.9
9	LinkedIn Corporation	7	441,450	1.9	%	54,376	2.4	%	5.7
10	Verizon	66	375,246	1.6	%	52,196	2.3	%	2.9
11	Fortune 500 SaaS Provider	8	496,704	2.1	%	44,121	1.9	%	6.9
12	AT&T	59	649,754	2.8	%	40,331	1.8	%	3.5
13	Comcast Corporation	26	182,744	0.8	%	34,941	1.5	%	6.9
14	JPMorgan Chase & Co.	16	264,652	1.1	%	33,410	1.5	%	3.3
15	DXC Technology Company (5)	11	244,488	1.0	%	33,270	1.5	%	3.5
16	Uber Technologies, Inc.	5	167,500	0.7	%	30,707	1.4	%	3.4
17	CenturyLink, Inc.	80	427,676	1.8	%	27,177	1.2	%	4.8
18	China Telecommunications Corporation	10	152,843	0.7	%	26,494	1.2	%	5.3
19	SunGard Availability Services LP	11	222,185	0.9	%	24,724	1.1	%	6.2
20	Charter Communications	18	144,982	0.6	%	23,790	1.0	%	5.7
	Total / Weighted Average		12,569,482	53.4	%	$1,215,323	53.5	%	5.3

Note: Our direct customers may be the entities named in the table above or their subsidiaries or affiliates.

(1) Occupied square footage is defined as leases that commenced on or before December 31, 2018. For some of our properties, we calculate occupancy based on factors in addition to contractually leased square feet, including available power, required support space and common area.

(2) Annualized rent represents the monthly contractual base rent (defined as cash base rent before abatements) under existing leases as of December 31, 2018 multiplied by 12.

(3) Represents leases with former CenturyLink, Inc. affiliates, which are our direct customers. Cyxtera Technologies, Inc. acquired the data center and colocation business, including such direct customers, of CenturyLink, Inc. in 2Q 2017.

(4) Represents consolidated portfolio plus our managed portfolio of unconsolidated joint ventures based on our ownership percentage.

(5) Represents leases with former Hewlett Packard Enterprises affiliates, which are our direct customers, DXC Technology Company was formed in 2Q 2017 from the merger of Computer Sciences Corporation (CSC) and the Enterprise Services business of Hewlett Packard Enterprise.

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Lease Distribution

The following table sets forth information relating to the distribution of leases in the properties in our portfolio, based on net rentable square feet (excluding approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development at December 31, 2018) under lease as of December 31, 2018 (dollar amounts in thousands).

Square Feet Under Lease	Total Net Rentable Square Feet(1)(3)	Percentage of Net Rentable Square Feet(1)		Annualized Rent(2)(3)	Percentage of Annualized Rent	
Available	3,081,816	11.6	%	—	—	
2,500 or less	1,688,707	6.4	%	$329,470	14.5	%
2,501 - 10,000	2,707,467	10.2	%	331,889	14.6	%
10,001 - 20,000	6,275,582	23.6	%	763,258	33.7	%
20,001 - 40,000	4,591,290	17.3	%	490,622	21.7	%
40,001 - 100,000	4,127,293	15.5	%	226,477	10.0	%
Greater than 100,000	4,085,370	15.4	%	124,788	5.5	%
Portfolio Total	26,557,525	100.0	%	$2,266,504	100.0	%

(1) For some of our properties, we calculate square footage based on factors in addition to contractually leased square feet, including available power, required support space and common area. We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area.

(2) Annualized rent represents the monthly contractual base rent (defined as cash base rent before abatements) under existing leases as of December 31, 2018 multiplied by 12.

(3) Represents consolidated portfolio plus our managed portfolio of unconsolidated joint ventures based on our ownership percentage.

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Lease Expirations

The following table sets forth a summary schedule of the lease expirations for leases in place as of December 31, 2018 plus available space for ten calendar years at the properties in our portfolio, excluding approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development at December 31, 2018. Unless otherwise stated in the footnotes to the table below, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights (dollar amounts in thousands).

Year	Square Footage of Expiring Leases (1)(4)	Percentage of Net Rentable Square Feet (4)		Annualized Rent (2)(4)	Percentage of Annualized Rent (4)		Annualized Rent Per Occupied Square Foot (4)	Annualized Rent Per Occupied Square Foot at Expiration (4)	Annualized Rent at Expiration
Available	3,081,816	11.6	%						
Month to Month (3)	262,033	1.0	%	$51,666	2.3	%	$ 197	$ 197	$51,666
2019	3,458,225	13.0	%	444,342	19.6	%	128	129	444,717
2020	2,408,318	9.1	%	294,888	13.0	%	122	124	298,743
2021	3,041,246	11.5	%	274,653	12.1	%	90	94	286,641
2022	2,821,051	10.6	%	268,461	11.8	%	95	103	290,077
2023	2,099,824	7.9	%	217,698	9.6	%	104	109	228,382
2024	1,809,409	6.8	%	166,031	7.3	%	92	97	176,145
2025	1,761,325	6.6	%	140,525	6.2	%	80	92	162,037
2026	1,247,119	4.7	%	120,386	5.3	%	97	113	140,570
2027	701,899	2.6	%	58,248	2.6	%	83	102	71,494
2028	724,138	2.7	%	53,112	2.3	%	73	89	64,335
Thereafter	3,141,122	11.9	%	176,494	7.9	%	56	75	236,338
Portfolio Total / Weighted Average	26,557,525	100.0	%	$2,266,504	100.0	%	$ 97	$ 104	$2,451,145

(1) For some of our properties, we calculate square footage based on factors in addition to contractually leased square feet, including available power, required support space and common area. We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area.

(2) Annualized rent represents the monthly contractual base rent (defined as cash base rent before abatements) under existing leases as of December 31, 2018 multiplied by 12.

(3) Includes leases, licenses and similar agreements that upon expiration have been automatically renewed on a month-to-month basis.

(4) Represents consolidated portfolio plus our managed portfolio of unconsolidated joint ventures based on our ownership percentage.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we may become subject to tort claims, breach of contract and other claims and administrative proceedings. As of December 31, 2018, we were not a party to any legal proceedings which we believe would have a material adverse effect on our operations or financial position.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Digital Realty Trust, Inc.
Digital Realty Trust, Inc.'s common stock has been listed, and is traded, on the New York Stock Exchange, or the NYSE, under the symbol "DLR" since October 29, 2004.
Subject to the distribution requirements applicable to REITs under the Code, Digital Realty Trust, Inc. intends, to the extent practicable, to invest substantially all of the proceeds from sales and refinancings of its assets in real estate-related assets and other assets. Digital Realty Trust, Inc. may, however, under certain circumstances, make a dividend of capital or of assets. Such dividends, if any, will be made at the discretion of Digital Realty Trust, Inc.'s board of directors.
As of February 21, 2019, there were approximately 520 holders of record of Digital Realty Trust, Inc.'s common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

Digital Realty Trust, L.P.
There is no established trading market for Digital Realty Trust, L.P.'s common units of limited partnership. As of February 21, 2019, there were 86 holders of record of common units, including Digital Realty Trust, L.P.'s general partner, Digital Realty Trust, Inc.

Digital Realty Trust, L.P. currently intends to continue to make regular quarterly distributions to holders of its common units. Any future distributions will be declared at the discretion of the board of directors of Digital Realty Trust, L.P.'s general partner, Digital Realty Trust, Inc., and will depend on our actual cash flow, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code, and such other factors as the board of directors may deem relevant.

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STOCK PERFORMANCE GRAPH

The following graph compares the yearly change in the cumulative total stockholder return on Digital Realty Trust, Inc.'s common stock during the period from December 31, 2013 through December 31, 2018, with the cumulative total returns on the MSCI US REIT Index (RMS) and the S&P 500 Market Index. The comparison assumes that $100 was invested on December 31, 2013 in Digital Realty Trust, Inc.'s common stock and in each of these indices and assumes reinvestment of dividends, if any.

COMPARISON OF CUMULATIVE TOTAL RETURNS
AMONG DIGITAL REALTY TRUST, INC., S&P 500 INDEX AND RMS INDEX
Assumes $100 invested on December 31, 2013
Assumes dividends reinvested
To fiscal year ending December 31, 2018

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Pricing Date	DLR($)	S&P 500($)	RMS($)
December 31, 2013	100.0	100.0	100.0
December 31, 2014	142.6	113.7	130.4
December 31, 2015	171.3	115.3	133.7
December 31, 2016	231.1	129.1	145.2
December 31, 2017	276.8	157.2	152.5
December 31, 2018	268.4	150.3	145.6

- This graph and the accompanying text are not "soliciting material," are not deemed filed with the SEC and are not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.
- The stock price performance shown on the graph is not necessarily indicative of future price performance.
- The hypothetical investment in Digital Realty Trust, Inc.'s common stock presented in the stock performance graph above is based on the closing price of the common stock on December 31, 2013.

SALES OF UNREGISTERED EQUITY SECURITIES

Digital Realty Trust, Inc.

None.

Digital Realty Trust, L.P.

During the year ended December 31, 2018, our Operating Partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the year ended December 31, 2018, Digital Realty Trust, Inc. issued an aggregate of 240,188 shares of its common stock in connection with restricted stock awards for no cash consideration. For each share of common stock issued by Digital Realty Trust, Inc. in connection with such awards, our Operating Partnership issued a restricted common unit to Digital Realty Trust, Inc. During the year ended December 31, 2018, our Operating Partnership issued an aggregate of 240,188 common units to Digital Realty Trust, Inc., as required by our Operating Partnership's partnership agreement. During the year ended December 31, 2018, an aggregate of 19,423 shares of its common stock were forfeited to Digital Realty Trust, Inc. in connection with restricted stock awards for a net issuance of 220,765 shares of common stock.

On December 20, 2018, our Operating Partnership issued 2,338,874 common units as partial consideration for the Ascenty Acquisition. The Operating Partnership's reliance upon the exemption provided by Section 4(a)(2) of the Securities Act, was based in part upon representations made by the sellers in the transaction documents related to the Ascenty Acquisition.

All other issuances of unregistered equity securities of our Operating Partnership during the year ended December 31, 2018 have previously been disclosed in filings with the SEC. For all issuances of units to Digital Realty Trust, Inc., our Operating Partnership relied on Digital Realty Trust, Inc.'s status as a publicly traded NYSE-listed company with over $23.8 billion in total consolidated assets and as our Operating Partnership's majority owner and general partner as the basis for the exemption under Section 4(a)(2) of the Securities Act.

REPURCHASES OF EQUITY SECURITIES

Digital Realty Trust, Inc.

None.

Digital Realty Trust, L.P.

None.

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ITEM 6. SELECTED FINANCIAL DATA

SELECTED COMPANY FINANCIAL AND OTHER DATA (Digital Realty Trust, Inc.)

The following table sets forth selected consolidated financial and operating data on an historical basis for Digital Realty Trust, Inc.

The following data should be read in conjunction with our financial statements and notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

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	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(Amounts in thousands, except share and per share data)				
Statement of Operations Data:					
Operating Revenues:					
Rental and other services	$2,412,076	$2,010,301	$1,746,828	$1,395,745	$1,256,086
Tenant reimbursements	624,637	440,224	355,903	359,875	350,234
Fee income and other	9,765	7,403	39,482	7,716	10,118
Total operating revenues	3,046,478	2,457,928	2,142,213	1,763,336	1,616,438
Operating Expenses:					
Rental property operating and maintenance	957,065	759,616	660,177	549,885	503,140
Property taxes	129,516	124,014	102,497	92,588	91,538
Insurance	11,402	10,981	9,492	8,809	8,643
Change in fair value of contingent consideration	—	—	—	(44,276)	(8,093)
Depreciation and amortization	1,186,896	842,464	699,324	570,527	538,513
General and administrative	163,667	161,441	152,733	105,549	93,188
Transaction and integration expenses	45,327	76,048	20,491	17,400	1,303
Impairment on investments in real estate	—	28,992	—	—	126,470
Other	2,818	3,077	213	60,943	3,070
Total operating expenses	2,496,691	2,006,633	1,644,927	1,361,425	1,357,772
Operating income	549,787	451,295	497,286	401,911	258,666
Other Income (Expenses):					
Equity in earnings of unconsolidated joint ventures	32,979	25,516	17,104	15,491	13,289
Gain on sale of properties	80,049	40,354	169,902	94,604	15,945
Gain on contribution of investment properties to unconsolidated joint ventures	—	—	—	—	95,404
Gain on sale of equity investment	—	—	—	—	14,551
Interest and other income (expense)	3,481	3,655	(4,564)	(2,381)	2,663
Interest expense	(321,529)	(258,642)	(236,480)	(201,435)	(191,085)
Tax expense	(2,084)	(7,901)	(10,385)	(6,451)	(5,238)
Gain (loss) from early extinguishment of debt	(1,568)	1,990	(1,011)	(148)	(780)
Net income	341,115	256,267	431,852	301,591	203,415
Net income attributable to noncontrolling interests	(9,869)	(8,008)	(5,665)	(4,902)	(3,232)
Net income attributable to Digital Realty Trust, Inc.	331,246	248,259	426,187	296,689	200,183
Preferred stock dividends	(81,316)	(68,802)	(83,771)	(79,423)	(67,465)
Issuance costs associated with redeemed preferred stock	—	(6,309)	(10,328)	—	—
Net income available to common stockholders	$249,930	$173,148	$332,088	$217,266	$132,718
Per Share Data:					
Basic income per share available to common stockholders	$1.21	$0.99	$2.21	$1.57	$1.00
Diluted income per share available to common stockholders	$1.21	$0.99	$2.20	$1.56	$0.99
Cash dividend per common share	$4.04	$3.72	$3.52	$3.40	$3.32
Weighted average common shares outstanding:					
Basic	206,035,408	174,059,386	149,953,662	138,247,606	133,369,047

Diluted	206,673,471	174,895,098	150,679,688	138,865,421	133,637,235

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	December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data:					
Net investments in real estate	$15,079,726	$13,841,186	$8,996,362	$8,770,212	$8,203,287
Total assets	23,766,695	21,404,345	12,192,585	11,416,063	9,526,784
Global revolving credit facilities	1,647,735	550,946	199,209	960,271	525,951
Unsecured term loan	1,178,904	1,420,333	1,482,361	923,267	976,600
Unsecured senior notes, net of discount	7,589,126	6,570,757	4,153,797	3,712,569	2,791,758
Mortgages and other secured loans, net of premiums	685,714	106,582	3,240	302,930	378,818
Total liabilities	12,892,653	10,300,993	7,060,288	6,879,561	5,612,546
Redeemable noncontrolling interests in operating partnership	15,832	53,902	—	—	—
Total stockholders' equity	9,858,644	10,349,081	5,096,015	4,500,132	3,878,256
Noncontrolling interests in operating partnership	906,510	698,126	29,684	29,612	29,191
Noncontrolling interests in consolidated joint ventures	93,056	2,243	6,598	6,758	6,791
Total liabilities and equity	$23,766,695	$21,404,345	$12,192,585	$11,416,063	$9,526,784

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Cash flows from (used in):					
Operating activities	$1,385,324	$1,023,305	$911,242	$796,840	$655,888
Investing activities	(3,035,993)	(1,357,153)	(1,303,597)	(2,527,501)	(644,180)
Financing activities	1,757,269	321,200	350,617	1,750,531	(26,974)

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SELECTED COMPANY FINANCIAL AND OTHER DATA (Digital Realty Trust, L.P.)
The following table sets forth selected consolidated financial and operating data on an historical basis for our Operating Partnership.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(Amounts in thousands, except unit and per unit data)				
Statement of Operations Data:					
Operating Revenues:					
Rental and other services	$2,412,076	$2,010,301	$1,746,828	$1,395,745	$1,256,086
Tenant reimbursements	624,637	440,224	355,903	359,875	350,234
Fee income and other	9,765	7,403	39,482	7,716	10,118
Total operating revenues	3,046,478	2,457,928	2,142,213	1,763,336	1,616,438
Operating Expenses:					
Rental property operating and maintenance	957,065	759,616	660,177	549,885	503,140
Property taxes	129,516	124,014	102,497	92,588	91,538
Insurance	11,402	10,981	9,492	8,809	8,643
Change in fair value of contingent consideration	—	—	—	(44,276)	(8,093)
Depreciation and amortization	1,186,896	842,464	699,324	570,527	538,513
General and administrative	160,364	156,710	152,733	105,549	93,188
Transaction and integration expenses	45,327	76,048	20,491	17,400	1,303
Impairment on investments in real estate	—	28,992	—	—	126,470
Other	2,818	3,077	213	60,943	3,070
Total operating expenses	2,496,691	2,006,633	1,644,927	1,361,425	1,357,772
Operating income	549,787	451,295	497,286	401,911	258,666
Other Income (Expenses):					
Equity in earnings of unconsolidated joint ventures	32,979	25,516	17,104	15,491	13,289
Gain on sale of properties	80,049	40,354	169,902	94,604	15,945
Gain on contribution of investment properties to unconsolidated joint ventures	—	—	—	—	95,404
Gain on sale of equity investment	—	—	—	—	14,551
Interest and other income (expense)	3,481	3,655	(4,564)	(2,381)	2,663
Interest expense	(321,529)	(258,642)	(236,480)	(202,800)	(191,085)
Tax expense	(2,084)	(7,901)	(10,385)	(6,451)	(5,238)
Gain (loss) from early extinguishment of debt	(1,568)	1,990	(1,011)	(148)	(780)
Net income	341,115	256,267	431,852	300,226	203,415
Net loss (income) attributable to noncontrolling interests in consolidated joint ventures	311	(4,238)	(367)	(460)	(465)
Net income attributable to Digital Realty Trust, L.P.	341,426	252,029	431,485	299,766	202,950
Preferred units distributions	(81,316)	(68,802)	(83,771)	(79,423)	(67,465)
Issuance costs associated with redeemed preferred units	—	(6,309)	(10,328)	—	—
Net income available to common unitholders	$260,110	$176,918	$337,386	$220,343	$135,485
Per Unit Data:					
Basic income per unit available to common unitholders	$1.21	$0.99	$2.21	$1.56	$1.00
Diluted income per unit available to common unitholders	$1.21	$0.99	$2.20	$1.56	$0.99
Cash distributions per common unit	$4.04	$3.72	$3.52	$3.40	$3.32
Weighted average common units outstanding:					

Basic	214,312,871	178,055,936	152,359,680	140,905,897	136,122,661
Diluted	214,950,934	178,891,648	153,085,706	141,523,712	136,390,849

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	December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data:					
Net investments in real estate	$15,079,726	$13,841,186	$8,996,362	$8,770,212	$8,203,287
Total assets	23,766,695	21,404,345	12,192,585	11,416,063	9,526,784
Global revolving credit facilities	1,647,735	550,946	199,209	960,271	525,951
Unsecured term loan	1,178,904	1,420,333	1,482,361	923,267	976,600
Unsecured senior notes, net of discount	7,589,126	6,570,757	4,153,797	3,712,569	2,791,758
Secured debt, including premiums	685,714	106,582	3,240	302,930	378,818
Total liabilities	12,892,653	10,300,993	7,060,288	6,880,926	5,612,546
Redeemable limited partner common units	15,832	53,902	—	—	—
General partner’s capital	9,974,291	10,457,513	5,231,620	4,595,357	3,923,302
Limited partners’ capital	911,256	702,579	34,698	33,986	32,578
Accumulated other comprehensive loss	(120,393)	(112,885)	(140,619)	(100,964)	(48,433)
Noncontrolling interests in consolidated joint ventures	93,056	2,243	6,598	6,758	6,791
Total liabilities and capital	$23,766,695	$21,404,345	$12,192,585	$11,416,063	$9,526,784

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Cash flows from (used in):					
Operating activities	$1,385,324	$1,023,305	$911,242	$796,840	$655,888
Investing activities	(3,035,993)	(1,357,153)	(1,303,597)	(2,527,501)	(644,180)
Financing activities	1,757,269	321,200	350,617	1,750,531	(26,974)

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this report entitled "Forward-Looking Statements." Certain risk factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the sections in this report entitled "Risk Factors" and "Forward-Looking Statements."

Occupancy percentages included in the following discussion, for some of our properties, are calculated based on factors in addition to contractually leased square feet, including available power, required support space and common area.

Overview

Our Company. Digital Realty Trust, Inc. completed its initial public offering of common stock, or our IPO, on November 3, 2004. We believe that we have operated in a manner that has enabled us to qualify, and have elected to be treated, as a REIT under Sections 856 through 860 of the Code. Our Company was formed on March 9, 2004. During the period from our formation until we commenced operations in connection with the completion of our IPO, we did not have any corporate activity other than the issuance of shares of Digital Realty Trust, Inc. common stock in connection with the initial capitalization of the Company. Our Operating Partnership was formed on July 21, 2004.

On December 20, 2018, the Operating Partnership and Stellar Participações Ltda., a Brazilian subsidiary of the Operating Partnership ("Acquisition Sub"), completed the acquisition of Ascenty, a leading data center provider in Brazil, for cash and equity consideration of approximately $2.0 billion. We refer to this transaction as the Ascenty Acquisition.

On September 14, 2017, we completed the acquisition of DuPont Fabros Technology, Inc., in an all-stock merger, which we refer to as the DFT Merger, for equity consideration of approximately $6.2 billion. We believe this transaction expanded our reach with a complementary footprint in top U.S. metropolitan areas while enhancing our ability to meet the growing demand for hyper-scale and public cloud solutions and solidifying our blue-chip customer base. As part of the DFT Merger, we acquired 15 data centers, 14 of which are located in the United States and one is located in Canada.

Business and strategy. Our primary business objectives are to maximize: (i) sustainable long-term growth in earnings and funds from operations per share and unit, (ii) cash flow and returns to our stockholders and our operating partnership's unitholders through the payment of distributions and (iii) return on invested capital. We expect to accomplish our objectives by achieving superior risk-adjusted returns, prudently allocating capital, diversifying our product offerings, accelerating our global reach and scale and driving revenue growth and operating efficiencies. We plan to focus on our core business of investing in and developing and operating data centers. A significant component of our current and future internal growth is anticipated through the development of our existing space held for development, acquisition of land for future development and acquisition of new properties. We target high-quality, strategically located properties containing the physical and connectivity infrastructure that supports the applications and operations of data center and technology industry customers and properties that may be developed for such use. Most of our data center properties contain fully redundant electrical supply systems, multiple power feeds, above-standard cooling systems, raised floor areas, extensive in-building communications cabling and high-level security systems. We focus exclusively on owning, acquiring, developing and operating data centers because we believe that the growth in data center demand and the technology-related real estate industry generally will continue to outpace the overall economy.

As of December 31, 2018, our portfolio included 214 data centers, including 18 data centers held as investments in unconsolidated joint ventures, with approximately 34.5 million rentable square feet including approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development. The 18 data centers held as investments in unconsolidated joint ventures have an aggregate of approximately 2.5 million rentable square feet. The 26 parcels of developable land we own comprised approximately 959 acres. At December 31, 2018, excluding non-managed joint ventures, approximately 2.8 million square feet was under construction for Turn-Key Flex®, colocation and Powered Base Building® products, all of which are expected to be income producing on or after completion, in five U.S. metropolitan areas, four European metropolitan areas, one Australian metropolitan area, one Canadian metropolitan area and one Asian metropolitan area, consisting of approximately 1.7 million square feet of base building construction and 1.1 million square feet of data center construction.

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We have developed detailed, standardized procedures for evaluating new real estate investments to ensure that they meet our financial, technical and other criteria. We expect to continue to acquire additional assets as part of our growth strategy. We intend to aggressively manage and lease our assets to increase their cash flow. We may continue to build out our development portfolio when justified by anticipated demand and returns.

We may acquire properties subject to existing mortgage financing and other indebtedness or we may incur new indebtedness in connection with acquiring or refinancing these properties. Debt service on such indebtedness will have a priority over any cash dividends with respect to Digital Realty Trust, Inc.’s common stock and preferred stock. We are committed to maintaining a conservative capital structure. We target a debt-to-Adjusted EBITDA ratio at or less than 5.5x, fixed charge coverage of greater than three times, and floating rate debt at less than 20% of total outstanding debt. In addition, we strive to maintain a well-laddered debt maturity schedule, and we seek to maximize the menu of our available sources of capital, while minimizing the cost.
Revenue base. As of December 31, 2018, we operated 214 data centers through our Operating Partnership, including 18 data centers held as investments in unconsolidated joint ventures, and developable land. These data centers are mainly located throughout North America, with 38 located in Europe, 16 in Latin America, seven in Asia and five properties in Australia.

The following table presents an overview of our portfolio of data centers, including the 18 data centers held as investments in unconsolidated joint ventures, and developable land, based on information as of December 31, 2018.

Metropolitan Area	Data Center Buildings	Net Rentable Square Feet [1]	Space Under Active Development [2]	Space Held for Development [3]
North America				
Northern Virginia	30	5,718,180	1,425,029	84,852
Chicago	10	2,963,850	459,250	152,362
New York	12	1,980,040	—	240,157
Silicon Valley	19	2,251,021	—	—
Dallas	21	3,435,188	132,310	81,206
Phoenix	4	990,385	—	108,926
San Francisco	4	834,540	13,753	—
Atlanta	5	775,606	—	313,581
Los Angeles	4	806,934	11,545	—
Boston	5	534,249	—	50,649
Houston	6	392,816	—	13,969
Toronto, Canada [4]	3	326,591	60,506	511,969
Denver	2	371,500	—	—
Austin	1	85,688	—	—
Miami	2	226,314	—	—
Portland	1	48,574	—	—
Minneapolis/St. Paul	1	328,765	—	—
Charlotte	3	95,499	—	—
Seattle	1	40,564	—	75,382
North America Total / Weighted Average	134	22,206,304	2,102,393	1,633,053

Europe				
London, United Kingdom [5]	16	1,430,107	92,560	104,606
Amsterdam, Netherlands [6]	9	474,303	91,859	68,185
Dublin, Ireland [6]	5	330,180	26,646	—

Metropolitan Area	Data Center Buildings	Net Rentable Square Feet (1)	Space Under Active Development (2)	Space Held for Development (3)
Frankfurt, Germany (6)	3	83,981	157,056	—
Paris, France (6)	3	185,994	—	—
Manchester, England (5)	1	38,016	—	—
Geneva, Switzerland (6)	1	59,190	—	—
Europe Total / Weighted Average	38	2,601,771	368,121	172,791
Asia Pacific				
Singapore (7)	2	540,638	—	—
Melbourne, Australia (8)	2	146,570	—	—
Sydney, Australia (8)	3	196,665	117,692	—
Osaka, Japan (9)	1	—	239,999	—
Asia Pacific Total / Weighted Average	8	883,873	357,691	—
Ascenty Acquisition (10)	16	473,251	522,643	243,160
Non-Data Center Properties	—	516,107	—	—
Managed Unconsolidated Joint Ventures				
Northern Virginia	4	546,572	—	—
Hong Kong (11)	1	114,883	—	71,417
Silicon Valley	4	326,305	—	—
Dallas	3	319,876	—	—
New York	1	108,336	—	—
	13	1,479,594	—	7,795
Non-Managed Unconsolidated Joint Ventures				
Seattle	2	451,369	—	—
Tokyo (9)	2	430,277	—	—
Osaka (9)	1	92,087	—	—
	5	973,733	—	—
Total	214	29,134,633	3,350,848	2,056,799

(1) Current net rentable square feet as of December 31, 2018, which represents the current square feet under lease as specified in the applicable lease agreements plus management's estimate of space available for lease based on engineering drawings. Includes customers' proportional share of common areas and excludes space under active development and space held for development.
(2) Space under active development includes current base building and data center projects in progress.
(3) Space held for development includes space held for future data center development, and excludes space under active development.
(4) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.73 to 1.00 CAD.
(5) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $1.27 to £1.00.
(6) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $1.14 to €1.00.

(7) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.73 to 1.00 SGD.
(8) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.70 to 1.00 AUD.

(9) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.01 to 1.00 JPY.
(10) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.26 to 1.00 BRL.
(11) Rental amounts were calculated based on the exchange rate in effect on December 31, 2018 of $0.13 to 1.00 HKD.

As of December 31, 2018, our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures, were approximately 89.0% leased excluding approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development. Due to the capital-intensive and long-term nature of the operations being supported, our lease terms are generally longer than standard commercial leases. As of December 31, 2018, our average remaining lease term is approximately five years. Our scheduled lease expirations through December 31, 2020 are 22.1% of rentable square feet excluding month-to-month leases, space under active development and space held for development as of December 31, 2018.

Factors Which May Influence Future Results of Operations

Global market and economic conditions. General economic conditions and the cost and availability of capital may be adversely affected in some or all of the metropolitan areas in which we own properties and conduct our operations. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The terms of any withdrawal are subject to ongoing negotiations. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal. Instability in the U.S., European, Asia Pacific and other international financial markets and economies may adversely affect our ability, and the ability of our customers, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our, and our customers', financial condition and results of operations.

In addition, our access to funds under our global revolving credit facility depends on the ability of the lenders that are parties to such facilities to meet their funding commitments to us. We cannot assure you that long-term disruptions in the global economy and the return of tighter credit conditions among, and potential failures or nationalizations of, third party financial institutions as a result of such disruptions will not have an adverse effect on our lenders. If our lenders are not able to meet their funding commitments to us, our business, results of operations, cash flows and financial condition could be adversely affected.

If we do not have sufficient cash flow to continue operating our business and are unable to borrow additional funds, access our existing lines of credit or raise equity or debt capital, we may need to source alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development activity, disposing of one or more of our properties possibly on disadvantageous terms or entering into or renewing leases on less favorable terms than we otherwise would.

Foreign currency exchange risk. For the years ended December 31, 2018 and 2017, we had foreign operations in the United Kingdom, Ireland, France, the Netherlands, Germany, Switzerland, Canada, Singapore, Australia, Japan and Hong Kong as well as Brazil in the year ended December 31, 2018, and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Canadian dollar, Singapore dollar, Australian dollar, Brazilian real, Japanese Yen and the Hong Kong dollar. Our primary currency exposures are to the British pound sterling, the Euro and the Singapore dollar. The possible exit of the United Kingdom (or any other country) from the European Union, or prolonged periods of uncertainty relating to any of these possibilities, could result in increased foreign currency exchange volatility. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations, although there can be no assurance that this will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets, the book value of our debt and the amount of stockholders’ equity.

Rental income. The amount of rental income generated by the data centers in our portfolio depends on several factors, including our ability to maintain or improve the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. Excluding approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development as of December 31, 2018, the occupancy rate of our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures, was approximately 89.0% of our net rentable square feet.

As of December 31, 2018, we had over 2,300 tenants in our data center portfolio, including the 13 data centers held in our managed portfolio of unconsolidated joint ventures. As of December 31, 2018, approximately 88% of our leases (on a rentable square footage basis) contained base rent escalations that were either fixed (generally ranging from 2% to 4%) or indexed based on a consumer price index or other similar inflation related index. We cannot assure you that these escalations will cover any increases in our costs or will otherwise keep rental rates at or above market rates.

The amount of rental income we generate also depends on maintaining or increasing rental rates at our properties, which in turn depends on several factors, including supply and demand and market rates for data center space. Included in our approximately 26.7 million net rentable square feet, excluding space under active development and space held for development and 18 data centers held as investments in unconsolidated joint ventures, at December 31, 2018 is approximately 1.1 million square feet of data center space with extensive installed tenant improvements available for lease. Our Turn-Key Flex® product is an effective solution for customers who prefer to utilize a partner with the expertise or capital budget to provide extensive data center infrastructure and security. Our expertise in data center construction and operations enables us to lease space to these customers at a premium over other uses. In addition, as of December 31, 2018, we had approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development, or approximately 14% of the total rentable space in our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures. Our ability to grow earnings depends in part on our ability to develop space and lease development space at favorable rates, which we may not be able to obtain. Development space requires significant capital investment in order to develop data center facilities that are ready for use and, in addition, we may require additional time or encounter delays in securing tenants for development space. We may purchase additional vacant properties and properties with vacant development space in the future. We will require additional capital to finance our development activities, which may not be available or may not be available on terms acceptable to us, including as a result of the conditions described above under "Global market and economic conditions."

In addition, the timing between when we sign a new lease with a customer and when that lease commences and we begin to generate rental income may be significant and may not be easily predictable. Certain leases may provide for staggered commencement dates for additional space, the timing of which may be delayed significantly.

Economic downturns, including as a result of the conditions described above under "Global market and economic conditions," or regional downturns affecting our metropolitan areas or downturns in the data center industry that impair our ability to lease or renew or re-lease space, or otherwise reduce returns on our investments or the ability of our customers to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties.

Scheduled lease expirations. Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 3.1 million square feet of available space in our portfolio, which excludes approximately 3.4 million square feet of space under active development and approximately 2.1 million square feet of space held for development as of December 31, 2018 and the five data centers held as investments in our non-managed unconsolidated joint ventures, leases representing approximately 13.0% and 9.1% of the net rentable square footage of our portfolio are scheduled to expire during the years ending December 31, 2019 and 2020, respectively.

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During the year ended December 31, 2018, we signed new leases totaling approximately 1.9 million square feet of space and renewal leases totaling approximately 2.0 million square feet of space. The following table summarizes our leasing activity in the year ended December 31, 2018:

	Rentable Square Feet (1)	Expiring Rates (2)	New Rates (2)	Rental Rate Changes	TI's/Lease Commissions Per Square Foot	Weighted Average Lease Terms (years)
Leasing Activity (3)(4)						
Renewals Signed						
Turn-Key Flex ®	907,572	$159.17	$170.69	7.2 %	$ 4.73	5.7
Powered Base Building ®	266,824	$42.06	$52.68	25.2 %	$ 6.73	4.8