Digital Realty Trust, Inc.
Form 10-K
February 25, 2019


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<br>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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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

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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<br>Provides agility to quickly deploy in days<br>Contract length generally 2-3 years<br>Consistent designs, operational environment, power expenses |
| Scale & Hyperscale<br>Powered Base Building®<br>Turn-Key Flex® | Scale from medium (300+ kW) to very large deployments<br>Solution can be executed in weeks<br>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.

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## 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.

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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 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.

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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

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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 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.

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

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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 | % |

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(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 (2ndand 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.

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| | 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 | — |

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| 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.

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(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 |
| Colocation | 614,808 | $255.95 | $256.82 | 0.3 % | $ 0.06 | 1.8 |
| Non-technical | 250,503 | $14.48 | $16.68 | 15.2 % | $ 2.77 | 6.0 |
| New Leases Signed (5) | | | | | | |
| Turn-Key Flex ® | 1,402,579 | — | $137.55 | — | $ 28.49 | 8.3 |
| Powered Base Building ® | 290,989 | — | $32.66 | — | $ 13.82 | 11.6 |
| Colocation | 143,483 | — | $237.82 | — | $ 24.55 | 2.3 |
| Non-technical | 110,780 | — | $20.39 | — | $ 14.14 | 9.6 |
| Leasing Activity Summary | | | | | | |
| Turn-Key Flex ® | 2,310,151 | — | $150.57 | — | — | |
| Powered Base Building ® | 557,813 | — | $42.24 | — | — | |
| Colocation | 758,291 | — | $253.22 | — | — | |
| Non-technical | 361,283 | — | $17.82 | — | — | |
| | | | | | | |
| Total Renewals | 2,039,707 | | | | | |
| Total New | 1,947,831 | | | | | |

(1) For some of our properties, we calculate square footage based on factors in addition to contractually leased square feet, including power, required support space and common area.
(2) Rental rates represent annual estimated cash rent per rentable square foot adjusted for straight-line rents in accordance with GAAP. GAAP rental rates are inclusive of tenant concessions, if any.
(3) Excludes short-term leases.
(4) Commencement dates for the leases signed range from 2018 to 2019.
(5) Includes leases signed for new and re-leased space.

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. We continue to see strong demand in most of our key metropolitan areas for data center space and, subject to the supply of available data center space in these metropolitan areas, expect the rental rates we are likely to achieve on re-leased or renewed data center space leases for 2018 expirations on an average aggregate basis will generally be higher than the rates currently being paid for the same space on a GAAP basis and down high single digits on a cash basis. For the year ended December 31, 2018, rents on renewed space increased by an average of 7.2% on a GAAP basis on our Turn-Key Flex® space compared to the expiring rents and increased by an average of 25.2% on a GAAP basis on our Powered Base Building® space compared to the expiring rents. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our data centers will be re-leased at all or at rental rates equal to or above the current average rental rates. Further, re-leased/renewed rental rates in a particular metropolitan area may not be consistent with rental rates across our portfolio as a whole and may fluctuate from one period to another due to a number of factors, including local real estate conditions, local supply and demand for data center space, competition from other data center developers or operators, the condition of the property and whether the property, or space within the property, has been developed.

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Geographic concentration. We depend on the market for data centers in specific geographic regions and significant changes in these regional metropolitan areas can impact our future results. 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.

Operating expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, property management fees, insurance and site maintenance costs, as well as rental expenses on our ground and building leases. In particular, our buildings require significant power to support the data center operations contained in them. Many of our leases contain provisions under which the tenants reimburse us for all or a portion of property operating expenses and real estate taxes incurred by us. However, in some cases we are not entitled to reimbursement of property operating expenses, other than utility expense, and real estate taxes under our leases for Turn-Key Flex® facilities. We also incur general and administrative expenses, including expenses relating to our asset management function, as well as significant legal, accounting and other expenses related to corporate governance, Securities Exchange Commission, or the SEC, reporting and compliance with the various provisions of the Sarbanes-Oxley Act. Increases or decreases in such operating expenses will impact our overall performance. We expect to incur additional operating expenses as we continue to expand.

Climate change legislation. In June 2009, the U.S. House of Representatives approved comprehensive clean energy and climate change legislation intended to cut greenhouse gas, or GHG, emissions, via a cap-and-trade program. The U.S. Senate did not subsequently pass similar legislation. Significant opposition to federal climate change legislation exists.

In the absence of comprehensive federal climate change legislation, over the past several years, regulatory agencies, primarily the U.S. Environmental Protection Agency, or EPA, and states took the lead in regulating GHG emissions in the U.S. Under the Obama administration, the EPA moved aggressively to regulate GHG emissions from automobiles and large stationary sources, including electricity producers, using its own authority under the Clean Air Act. The Trump administration has moved to eliminate or modify certain of the EPA's GHG emissions regulations and refocus the EPA's mission away from such regulation.

The EPA made an endangerment finding in 2009 that allows it to create regulations imposing emissions reporting, permitting, control technology installation, and monitoring requirements applicable to certain emitters of GHGs, including facilities that provide electricity to our data centers, although the materiality of the impacts will not be fully known until all regulations are finalized and legal challenges are resolved. Under the Obama administration, the EPA finalized rules imposing permitting and control technology requirements upon certain newly-constructed or modified facilities which emit GHGs under the Clean Air Act New Source Review Prevention of Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, newly-issued NSR PSD and Title V permits for new or modified electricity generating units (EGUs) and other facilities may need to address GHG emissions, including by requiring the installation of "Best Available Control Technology." The EPA implemented in December 2015 the "Clean Power Plan" regulating carbon dioxide (CO2) emissions from new and existing coal-fired and natural gas EGUs. Existing EGUs are subject to statewide CO2 emissions reduction targets, an effort designed to achieve a thirty-two percent reduction in nationwide existing EGU CO2 emissions by 2030 (in comparison to 2005 levels). The Clean Power Plan would subject new, modified, and reconstructed EGUs to "New Source Performance Standards" that include both technological requirements and numeric emission limits. However, twenty-four states and a number of industry groups challenged the Clean Power Plan in federal court, and in February 2016 the U.S. Supreme Court issued a stay of the Clean Power Plan until the legal challenges have been decided. In March 2017, President Trump ordered the EPA to review and if appropriate revise or rescind the Clean Power Plan, and the EPA proposed to repeal the Clean Power Plan in October 2017. In August 2018, the EPA proposed the "Affordable Clean Energy Rule" to replace the Clean Power Plan. Separately, the EPA's GHG "reporting rule" requires that certain emitters, including electricity generators, monitor and report GHG emissions. The Trump administration may seek to revise or reverse these regulations.

As a result, states may drive near-term regulation to reduce GHG emissions in the United States. At the state level, California implemented a GHG cap-and-trade program that began imposing compliance obligations on industrial sectors, including electricity generators and importers, in January 2013. In September 2016, California adopted legislation calling for a further reduction in GHG emissions to 40% below 1990 levels by 2030, and in July 2017, California extended its cap-and-trade program through 2030. In September 2018, California adopted legislation that will require all of the state's electricity to come from carbon-free sources by 2045. As another example of state action, in January 2018, New Jersey announced that it would re-join nine other eastern states in the Regional Greenhouse Gas Initiative (RGGI), a market-based program aimed at reducing GHG emissions from power plants. Several other states have announced that they are actively pursuing new GHG reduction programs.

Outside the United States, the European Union, or EU (including the United Kingdom), has been operating since 2005 under a cap-and-trade program, which directly affects the largest emitters of GHGs, including electricity producers from whom we purchase power, and the EU has taken a number of other climate change-related initiatives, including a directive targeted at improving energy efficiency (which introduces energy efficiency auditing requirements). The Paris Agreement, which was adopted by the United States and 194 other countries and looks to prevent global average temperatures from increasing by more than 2 degrees Celsius above preindustrial levels officially went into force on November 4, 2016. President Trump announced in June 2017 that he will initiate the process to withdraw the United States from the Paris Agreement; however, a number of states have formed groups supporting the Paris Agreement and pledging to fulfill its goals at the state level. National legislation may also be implemented independently by members of the EU. For example, in the United Kingdom, the implementation of the CRC Energy Efficiency Scheme introduced a mandatory reporting and pricing scheme that is designed to incentivize energy efficiency and cut emissions by large energy users. It is not yet clear how Brexit will impact the United Kingdom's (or the EU's) approach to climate change regulation. In Canada, GHG cap and trade programs are in operation in Quebec and Nova Scotia. Climate change regulations are in various stages of implementation in other nations as well, including nations where we operate, such as Japan, Singapore, and Australia.

The cost of electric power comprises a significant component of our operating expenses. Any additional taxation or regulation of energy use, including as a result of (i) new legislation that Congress may pass, (ii) the regulations that the EPA has proposed or finalized, (iii) regulations under legislation that states have passed or may pass, or (iv) any further legislation or regulations in the EU or other regions where we operate could significantly increase our costs, and we may not be able to effectively pass all of these costs on to our customers. These matters could adversely impact our business, results of operations, or financial condition.

Interest rates. As of December 31, 2018, we had approximately $0.8 billion of variable rate debt subject to interest rate swap agreements, along with $1.4 billion, $435.9 million and $143.3 million of variable rate debt that was outstanding on the unswapped portions of the global revolving credit facilities and the unsecured term loans, along with floating rate notes due 2019, or the 2019 Notes, respectively. The availability of debt and equity capital may decrease or be on unfavorable terms as a result of the circumstances described above under “Global market and economic conditions” or other factors. The effects on commercial real estate mortgages, if available, include, but may not be limited to: higher loan spreads, tightened loan covenants, reduced loan-to-value ratios resulting in lower borrower proceeds and higher principal payments. Potential future increases in interest rates and credit spreads may increase our interest expense and fixed charges and negatively affect our financial condition and results of operations, potentially impacting our future access to the debt and equity capital markets. Increased interest rates may also increase the risk that the counterparties to our swap agreements will default on their obligations, which could further increase our interest expense. If we cannot obtain capital from third party sources, we may not

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be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or pay the cash dividends to Digital Realty Trust, Inc.'s stockholders necessary to maintain its qualification as a REIT.
Demand for data center space. Our portfolio consists primarily of data centers. A decrease in the demand for, or increase in supply of, data center space, Internet gateway facilities or other technology-related real estate 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. We have invested in building out additional inventory primarily in what we anticipate will be our active major metropolitan areas prior to having executed leases with respect to this space. We believe that demand in key metropolitan areas such as Northern Virginia, Dallas, Singapore and London is largely in line with supply. We also continue to see strong demand in other key metropolitan areas across our portfolio. However, until this inventory is leased up, which will depend on a number of factors, including available data center space in these metropolitan areas, our return on invested capital is negatively impacted. Our development activities make us particularly susceptible to general economic slowdowns, including recessions and the other circumstances described above under "Global market and economic conditions," as well as adverse developments in the corporate 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, such as virtualization technology, more efficient computing or networking devices, or devices that require higher power densities than today's devices, could also reduce demand for the physical data center space we provide or make the tenant improvements in our facilities obsolete or in need of significant upgrades to remain viable. In addition, 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. In addition, demand for data center space, or the rates at which we lease space, may be adversely impacted either across our portfolio or in specific metropolitan areas as a result of an increase in the number of competitors, or the amount of space being offered in our metropolitan areas and other metropolitan areas by our competitors.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Item 8, Note 2 "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and consolidated results of operations. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date on the front cover of this report.

Investments in Real Estate

Acquisition of real estate. The price that we pay to acquire a property is impacted by many factors including the condition of the property and improvements, the occupancy of the building, the term and rate of in-place leases, the creditworthiness of the customers, favorable or unfavorable financing, above- or below-market ground leases and numerous other factors.

Accordingly, we are required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the identifiable assets including intangibles and liabilities assumed based on our estimate of the fair value of such assets and liabilities. This includes determining the value of the property and improvements, land, ground leases, if any, and tenant improvements. Additionally, we evaluate the value of in-place leases on occupancy and market rent, the value of the tenant relationships, the value (or negative value) of above (or below) market leases, any debt or deferred taxes assumed from the seller or loans made by the seller to us and any building leases assumed from the seller. Each of these estimates requires a great deal of judgment and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations. For example, if we were to allocate more value to land, there would be no depreciation with respect to such amount. If we were to allocate more value to the property as opposed to allocating to the value of in-place tenant leases, this amount would be recognized as an expense over a much longer period of time. This potential effect occurs because the amounts allocated to property are depreciated over the estimated lives of the property whereas amounts allocated to in-place tenant leases are amortized over the estimated term (including renewal and extension assumptions) of the leases. Additionally, the amortization of the value (or negative value) assigned to above (or below) market rate leases is recorded as an adjustment to

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rental revenue as compared to amortization of the value of in-place tenant leases and tenant relationships, which is included in depreciation and amortization in our consolidated income statements.

From time to time, we will receive offers from third parties to purchase our properties, either solicited or unsolicited. For those offers that we accept, the prospective buyers will usually require a due diligence period before consummation of the transactions. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. We classify real estate as “held for sale” when all criteria under the GAAP guidance have been met.

Asset impairment evaluation. 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 of the property, a change in the expected holding period for the property, 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 of the property, or a history of operating or cash flow losses of the property. 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 that estimate 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. Since cash flows on properties considered to be long-lived assets to be held and used are considered on an undiscounted basis to determine whether the carrying value of a property is recoverable, our strategy of holding properties over the long-term directly decreases the likelihood of their carrying values not being recoverable and therefore requiring the recording of an impairment loss. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If we determine that the asset fails the recoverability test, the affected assets must be reduced to their fair value.

We generally estimate the fair value of rental properties utilizing a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs that a market participant would use based on the highest and best use of the asset, which is similar to the income approach that is commonly utilized by appraisers. In certain cases, we may supplement this analysis by obtaining outside broker opinions of value.

Goodwill impairment evaluation. We perform an annual impairment test for goodwill and between annual tests, we evaluate goodwill for impairment whenever events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. In our impairment tests of goodwill, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If based on this assessment, we determine that the fair value of the reporting unit is not less than its carrying value, then performing the additional two-step impairment test is unnecessary. If our qualitative assessment indicates that goodwill impairment is more likely than not, we perform a two-step impairment test. We test goodwill for impairment under the two-step impairment test by first comparing the book value of net assets including goodwill to the fair value of the reporting unit. If the fair value is determined to be less than the book value of the net assets, including goodwill, a second step is performed to compute the amount of impairment as the difference between the implied fair value of goodwill and its carrying value. We estimate the fair value of the reporting units using discounted cash flows. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recognized.

Revenue Recognition

The majority of our revenue is derived from lease arrangements, which we account for in accordance with "Leases (Topic 840)". We account for the non-lease components within our lease arrangements, as well as other sources of revenue, in accordance with "Revenue from Contracts with Customers (Topic 606)". Revenue recognized as a result of applying Topic 840 was 97% and Topic 606 was 3% of total operating revenue for the year ended December 31, 2018.

Our leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the leases, which may span multiple years. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in deferred rent in the accompanying consolidated balance sheets and contractually due but unpaid rents are included in accounts and other receivables.

Tenant reimbursements for real estate taxes, common area maintenance, and other recoverable costs under our leases are recognized in the period that the expenses are incurred. Lease termination fees are recognized over the remaining term of the lease, effective as of the date the lease modification is finalized, assuming collection is not considered doubtful. As discussed above, we recognize amortization of the value of acquired above or below-market tenant leases as a reduction of rental revenue in the case of above-market leases or an increase to rental revenue in the case of below-market leases.

We must make subjective estimates as to when our revenue is earned and the collectability of our accounts receivable related to minimum rent, deferred rent, expense reimbursements, lease termination fees and other income. We specifically analyze accounts receivable and historical bad debts, customer concentrations, customer creditworthiness and current economic trends when evaluating the adequacy of the allowance for bad debts. These estimates have a direct impact on our net revenue because a higher bad debt allowance would result in lower net revenue, and recognizing rental revenue as earned in one period versus another would result in higher or lower net revenue for a particular period.

Recently Issued Accounting Pronouncements

Please refer to Item 8, Note 2(aa), “Recent Accounting Pronouncements” in the Notes to the Consolidated Financial Statements.

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Results of Operations

The discussion below relates to our financial condition and results of operations for the years ended December 31, 2018, 2017 and 2016. A summary of our operating results from continuing operations for the years ended December 31, 2018, 2017 and 2016 was as follows (in thousands).

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Income Statement Data: | | | |
| Total operating revenues | $3,046,478 | $2,457,928 | $2,142,213 |
| Total operating expenses | (2,496,691 ) | (2,006,633 ) | (1,644,927 ) |
| Operating income | 549,787 | 451,295 | 497,286 |
| Other expenses, net | (208,672 ) | (195,027 ) | (65,434 ) |
| Net income | $341,115 | $256,268 | $431,852 |

Our portfolio of properties has experienced consistent and significant growth since the first property acquisition in January 2002. As a result of this growth, our period-to-period comparison of our financial performance focuses on the impact on our revenues and expenses on a stabilized portfolio basis. Our stabilized portfolio includes properties owned as of December 31, 2016 with less than 5% of total rentable square feet under development and excludes properties that were undergoing, or were expected to undergo, development activities in 2017-2018 and properties sold or contributed to joint ventures. Our pre-stabilized pool includes the results of the operating properties acquired below, newly delivered properties that were previously under development and properties acquired as part of the DFT Merger in September 2017.

On December 20, 2018, our Brazilian subsidiary, Stellar Participações Ltda , completed the acquisition of Ascenty, a leading data center provider in Brazil. As part of the acquisition, we acquired 16 data centers, all located in Brazil. Due to the timing of the transaction, the acquisition of Ascenty did not have a substantial impact on our operating income in 2018.

In September 2017, 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. In addition, we acquired the following real estate properties during the year ended December 31, 2018:

| Property Type | Amount (in millions)[(2)] |
|---|---|
| Land Parcels [(1)] | $ 296.1 |
| Data Centers | 114.6 |
| | $ 410.7 |

(1) Represents currently vacant land which is not included in our operating property count.

(2) Purchase price in U.S. dollars and excludes capitalized closing costs.

2018 Dispositions

| Location | Metro Area | Date Sold | Gross Proceeds (in millions) | Gain (loss) on sale (in millions) |
|---|---|---|---|---|
| 200 Quannapowitt Parkway | Boston | Jan 25, 2018 | $ 15.0 | $ (0.4 ) |
| 34551 Ardenwood Boulevard | Silicon Valley | Feb 9, 2018 | 73.3 | 25.3 |

| | | | | |
|---|---|---|---|---|
| 3065 Gold Camp Drive | Sacramento | Mar 14, 2018 | 14.2 | 5.4 |
| 11085 Sun Center Drive | Sacramento | Mar 14, 2018 | 36.8 | 9.1 |
| Austin Portfolio | Austin | Apr 19, 2018 | 47.6 | 12.0 |
| 2010 East Centennial Circle | Phoenix | May 22, 2018 | 5.5 | (0.5 ) |
| 1125 Energy Park Drive | Minneapolis | May 31, 2018 | 7.0 | 2.8 |
| 360 Spear Street | San Francisco | Sep 21, 2018 | 92.3 | 26.7 |
| | | | $ 291.7 | $ 80.4 |

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None of the Company's property sales to date represented a significant component or significant shift in strategy that would require discontinued operations presentation.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017 and Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

Portfolio

As of December 31, 2018, our portfolio consisted of 214 data centers, including 18 data centers held as investments in unconsolidated joint ventures, with an aggregate 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, compared to a portfolio consisting of 205 data centers, including seven held-for-sale data centers and 18 data centers held as investments in unconsolidated joint ventures, with an aggregate of approximately 32.1 million rentable square feet, including 2.7 million square feet of space under active development and 1.7 million square feet of space held for development as of December 31, 2017, and compared to a portfolio consisting of 187 data centers, including three held-for-sale data centers and 15 data centers held as investments in unconsolidated joint ventures, with an aggregate of 26.1 million rentable square feet, including 2.0 million square feet of space under active development and 1.1 million square feet of space held for development as of December 31, 2016.

Revenues

Total operating revenues for the years ended December 31, 2018, 2017 and 2016 were as follows (in thousands):

| | Year Ended December 31, | | | Change | | Percentage Change | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs 2017 | 2017 vs 2016 | 2018 vs 2017 | 2017 vs 2016 |
| Rental and other services | $2,412,076 | $2,010,301 | $1,746,828 | $401,775 | $ 263,473 | 20.0% | 15.1 % |
| Tenant reimbursements | 624,637 | 440,224 | 355,903 | 184,413 | 84,321 | 41.9% | 23.7 % |
| Fee income and other | 9,765 | 7,403 | 39,482 | 2,362 | (32,079 ) | 31.9% | (81.2 )% |
| Total operating revenues | $3,046,478 | $2,457,928 | $2,142,213 | $588,550 | $ 347,481 | 23.9% | 14.7 % |

The following tables show revenues for the years ended December 31, 2018, 2017 and 2016 for stabilized properties and pre-stabilized properties and other (all other properties) (in thousands). Revenue totals for pre-stabilized and other include results from properties that have not yet met the definition of stabilized and properties that are classified as held for sale or were sold during the period.

| | Stabilized | | | | Pre-Stabilized and Other | | |
|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | | Year Ended December 31, | | |
| | 2018 | 2017 | Change | % Change | 2018 | 2017 | Change |
| Rental and other services | $1,397,953 | $1,388,427 | $9,526 | 0.7 % | $1,014,123 | $621,874 | $392,249 |
| Tenant reimbursements | 254,725 | 254,876 | (151 ) | (0.1 )% | 369,912 | 185,348 | 184,564 |
| Total operating revenues | $1,652,678 | $1,643,303 | $9,375 | 0.6 % | $1,384,035 | $807,222 | $576,813 |

Stabilized rental and other services revenue increased $9.5 million, or 0.7%, for the year ended December 31, 2018 compared to the same period in 2017 primarily as a result of an increase in revenues from colocation services and new leasing at our properties during the year ended December 31, 2018, the largest of which was for space at 350 E. Cermak Road, 2121 South Price Road and 29A International Business Park, partially offset by expiring leases at certain properties in the stabilized portfolio. Stabilized tenant reimbursement revenue decreased $0.2 million, or 0.1%, for the year ended December 31, 2018 compared to the same period in 2017 primarily as a result of reimbursement credits and property tax refunds to tenants at properties in the stabilized portfolio offset by higher utility reimbursements driven by increased power consumption and new leasing.

Pre-stabilized and other revenue increases during the year ended December 31, 2018 compared to the same period in 2017 were primarily a result of the properties acquired in the DFT Merger, which contributed approximately $311.4 million and $164.0 million to the rental and other services revenue and tenant reimbursement increases, respectively.

In addition, 505 North Railroad Avenue, which was acquired in December 2017, contributed $21.9 million and $5.1 million to the rental and other services revenue and tenant reimbursements increases, respectively, for the year ended December 31, 2018 compared to the same period in 2017. Also, there were contributions from new leases at our properties that were under development during

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the year ended December 31, 2018, offset partially by a decrease in revenues as a result of properties sold during the year ended December 31, 2018.

| | Stabilized | | | | Pre-Stabilized and Other | | |
|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | | Year Ended December 31, | | |
| | 2017 | 2016 | Change | % Change | 2017 | 2016 | Change |
| Rental and other services | $1,181,687 | $1,154,380 | $27,307 | 2.4 % | $828,614 | $592,448 | $236,166 |
| Tenant reimbursements | 217,068 | 218,644 | (1,576 ) | (0.7 )% | 223,156 | 137,259 | 85,897 |
| Total operating revenues | $1,398,755 | $1,373,024 | $25,731 | 1.9 % | $1,051,770 | $729,707 | $322,063 |

Stabilized rental and other services revenues increased $27.3 million, or 2.4%, for the year ended December 31, 2017 compared to the same period in 2016 primarily as a result of new leasing at our properties during the year ended December 31, 2017, the largest of which was for space at 1-11 Templar Road, 1725 Comstock Street and 200 Paul Avenue along with an increase in revenues from colocation services, offset by expiring leases at certain properties in the stabilized portfolio. Stabilized tenant reimbursement revenue decreased $1.6 million, or 0.7%, for the year ended December 31, 2017 compared to the same period in 2016 primarily as a result of increased property tax reimbursements due to one-time reductions in 2016 at two properties in the stabilized portfolio as well as lower utility reimbursements due to decreased usage and vacancies at certain properties.

Pre-stabilized and other revenue increases during the year ended December 31, 2017 compared to the same period in 2016 were primarily a result of the properties acquired in the DFT Merger, which contributed approximately $115.4 million and $62.3 million to the rental revenue and tenant reimbursement increases, respectively. In addition, the European Portfolio Acquisition contributed approximately $44.9 million and $7.0 million to the rental revenue and interconnection revenue increases, respectively. The remainder of the increases was related to new leases at our properties during the year ended December 31, 2017, offset partially by a decrease in revenues as a result of properties sold during the year ended December 31, 2017.

Fee Income and Other

Occasionally, customers engage the Company for certain services. The nature of these services historically involves property management, construction management, and assistance with financing. The proper revenue recognition of these services can be different, depending on whether the arrangements are service revenue or contractor type revenue. Service revenues are typically recognized on an equal monthly basis based on the minimum fee to be earned. The monthly amounts could be adjusted depending on if certain performance milestones are met.

Fee income also includes management fees. These fees arise from contractual agreements with entities in which we have a noncontrolling interest. The management fees are recognized as earned under the respective agreements. Management and other fee income related to partially owned entities are recognized to the extent attributable to the unaffiliated interest.

During the year ended December 31, 2016, we recognized a non-cash gain on lease termination of approximately $29.2 million, as one of our customers, as part of a lease termination, conveyed substantially all of its colocation and turn-key improvements to the Company.

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Operating Expenses and Interest Expense

Operating expenses and interest expense during the years ended December 31, 2018, 2017 and 2016 were as follows (in thousands):

| | Year Ended December 31, | | | Change | | Percentage Change | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs 2017 | 2017 vs 2016 | 2018 vs 2017 | 2017 vs 2016 |
| Rental property operating and maintenance | $957,065 | $759,616 | $660,177 | $197,449 | $ 99,439 | 26.0 % | 15.1 % |
| Property taxes | 129,516 | 124,014 | 102,497 | 5,502 | 21,517 | 4.4 % | 21.0 % |
| Insurance | 11,402 | 10,981 | 9,492 | 421 | 1,489 | 3.8 % | 15.7 % |
| Depreciation and amortization | 1,186,896 | 842,464 | 699,324 | 344,432 | 143,140 | 40.9 % | 20.5 % |
| General and administrative | 163,667 | 161,441 | 152,733 | 2,226 | 8,708 | 1.4 % | 5.7 % |
| Transaction and integration expenses | 45,327 | 76,048 | 20,491 | (30,721 ) | 55,557 | (40.4 )% | 271.1 % |
| Impairment of investments in real estate | — | 28,992 | — | (28,992 ) | 28,992 | — | — |
| Other | 2,818 | 3,077 | 213 | (259 ) | 2,864 | (8.4 )% | 1,344.6 % |
| Total operating expenses | $2,496,691 | $2,006,633 | $1,644,927 | $490,058 | $ 361,706 | 24.4 % | 22.0 % |
| Interest expense | $321,529 | $258,642 | $236,480 | $62,887 | $ 22,162 | 24.3 % | 9.4 % |

The following tables show expenses for the years ended December 31, 2018, 2017 and 2016 for stabilized properties and pre-stabilized properties and other (all other properties) (in thousands). Expense totals for pre-stabilized and other include results from properties that have not yet met the definition of stabilized and properties that are classified as held for sale or were sold during the period.

| | Stabilized Year Ended December 31, | | | | Pre-Stabilized and Other Year Ended December 31, | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | Change | % Change | 2018 | 2017 | Change |
| Rental property operating and maintenance | $505,127 | $494,852 | $10,275 | 2.1 % | $451,938 | $264,764 | $187,174 |
| Property taxes | 73,349 | 78,059 | (4,710 ) | (6.0 )% | 56,167 | 45,955 | 10,212 |
| Insurance | 7,925 | 8,164 | (239 ) | (2.9 )% | 3,477 | 2,817 | 660 |

Stabilized rental property operating and maintenance expenses increased by approximately $10.3 million, or 2.1%, for the year ended December 31, 2018 compared to the same period in 2017. The increase was primarily related to higher utility costs offset by reduced labor costs and cost containment measures across the portfolio.

Stabilized property taxes decreased by approximately $4.7 million, or 6.0%, for the year ended December 31, 2018 compared to the same period in 2017. The decrease was primarily due to a refund at one of our properties in our stabilized portfolio.

Pre-stabilized and other rental property operating and maintenance expenses increased by approximately $187.2 million for the year ended December 31, 2018 compared to the same period in 2017, primarily as a result of the properties acquired in the DFT Merger, which contributed approximately $138.7 million.

Pre-stabilized and other property tax expense increased approximately $10.2 million for the year ended December 31, 2018 compared to the same period in 2017, primarily as a result of the properties acquired in the DFT Merger, which contributed approximately $16.1 million offset partially by a decrease in property taxes as a result of properties sold during the year ended December 31, 2018 and a reduction in property tax liabilities at certain properties in our pre-stabilized and other portfolio.

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| | Stabilized Year Ended December 31, | | | | Pre-Stabilized and Other Year Ended December 31, | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | % Change | 2017 | 2016 | Change |
| Rental property operating and maintenance | $409,614 | $412,358 | $(2,744) | (0.7 )% | $350,002 | $247,819 | $102,183 |
| Property taxes | 69,363 | 67,929 | 1,434 | 2.1 % | 54,651 | 34,568 | 20,083 |
| Insurance | 7,663 | 7,165 | 498 | 7.0 % | 3,318 | 2,327 | 991 |

Stabilized rental property operating and maintenance expenses decreased by approximately $2.7 million, or 0.7%, for the year ended December 31, 2017 compared to the same period in 2016 primarily as a result of reduced labor costs and cost containment measures across the portfolio.

Stabilized property taxes increased by approximately $1.4 million, or 2.1%, for the year ended December 31, 2017 compared to the same period in 2016, primarily as a result of increased assessed taxes at one of our properties in Illinois.

Pre-stabilized and other rental property operating and maintenance expenses increased by approximately $102.2 million for the year ended December 31, 2017 compared to the same period in 2016, primarily as a result of the properties acquired in the DFT Merger, which contributed approximately $51.2 million along with the European Portfolio Acquisition, which contributed approximately $20.4 million to the increase, and leasing of completed and delivered inventory.

Pre-stabilized and other property tax expense increased approximately $20.1 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to a tax refund received in 2016 at one property in Singapore related to a change in assessed value along with the properties acquired in the DFT Merger, which contributed approximately $5.3 million.

Depreciation and Amortization

Depreciation and amortization expense increased by approximately $344.4 million for the year ended December 31, 2018 compared to the same period in 2017, principally because of amortization of finite-lived intangibles associated with the DFT Merger, which contributed approximately $310.7 million to the increase.

Depreciation and amortization expense increased by approximately $143.1 million for the year ended December 31, 2017 compared to the same period in 2016, principally because of amortization of finite-lived intangibles associated with the DFT Merger, which contributed approximately $116.2 million to the increase along with the European Portfolio Acquisition, which contributed approximately $23.8 million, offset by an impairment charge on the Telx tradename of approximately $6.1 million recorded in the quarter ended June 30, 2016 along with fully depreciated building assets during the year ended December 31, 2017.

General and Administrative

General and administrative expenses increased by approximately $2.2 million for the year ended December 31, 2018 compared to the same period in 2017, primarily due to an increase in headcount from 2017 to 2018 to support the Company's continued growth.

General and administrative expenses increased by approximately $8.7 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to an increase in headcount from 2016 to 2017 to support the Company's continued growth.

Transactions and Integration Expense

Transactions and integration expense decreased by approximately $30.7 million for the year ended December 31, 2018 compared to the same period in 2017, principally due to expenses incurred for the DFT Merger, which was completed in September 2017 partially offset by costs incurred related to the Ascenty Acquisition.

Transactions and integration expense increased by approximately $55.6 million for the year ended December 31, 2017 compared to the same period in 2016, principally due to $43.0 million of transaction expenses for the year ended December 31, 2017 related to the DFT Merger along with integration expenses attributable to recently completed acquisitions.

Interest Expense

Interest expense increased by approximately $62.9 million for the year ended December 31, 2018 compared to the same period in 2017, primarily due to the issuance of the 2019 Notes in May 2017, the issuance of the 2.750% 2024 Notes and the 2029 Notes in July 2017, the issuance of the 2.750% 2023 Notes and the 2027 Notes in August 2017, the issuance of the 2028 Notes in June 2018 and the 2030 Notes in October 2018.

Interest expense increased by approximately $22.2 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to the issuance of the 2019 Notes in May 2017, the issuance of the 2.750% notes due 2024 and the 3.300% notes due 2029 in July 2017 and the issuance of the 2.750% notes due 2023 and the 3.700% notes due 2027 in August 2017.

Impairment of Investments in Real Estate

We evaluated the carrying value of the properties identified as held for sale to ensure the carrying value was recoverable in light of a potentially shorter holding period. As a result of our evaluation, during the year ended December 31, 2017, we recognized $29.0 million of impairment charges on three properties located in the United States to reduce the carrying values to the estimated fair values less costs to sell. The fair values of the three properties were based on comparable sales price data. There were no impairment charges for the years ended December 31, 2018 and 2016.

Gain on Sale of Properties

During the year ended December 31, 2018, we recognized a gain on sale of properties of $80.4 million primarily related to the disposition of (i) 200 Quannapowitt Parkway, which sold for $15.0 million in January 2018, (ii) 34551 Ardenwood Boulevard, which sold for $73.3 million in February 2018, (iii) 3065 Gold Camp Drive, which sold for $14.2 million in March 2018, (iv) 11085 Sun Center Drive, which sold for $36.8 million in March 2018, (v) the Austin Portfolio, which sold for $47.6 million in April 2018, (vi) 2010 East Centennial Circle, which sold for $5.5 million in May 2018, (vii) 1125 Energy Park Drive, which sold for $7.0 million in May 2018 and (viii) 360 Spear Street, which sold for $92.3 million in September 2018.

During the year ended December 31, 2017, we recognized a gain on sale of properties of $40.4 million primarily related to the disposition of (i) 8025 North Interstate 35, which sold for $20.2 million in August 2017, (ii) 44874 Moran Road, which sold for $34.0 million in October 2017, and (iii) 1 Solutions Parkway, which sold for $37.1 million in November 2017.

During the year ended December 31, 2016, we recognized a gain on sale of properties of $169.9 million primarily related to the disposition of (i) 47700 Kato Road and 1055 Page Avenue, which sold for $37.5 million in January 2016, (ii) a four-property portfolio composed of 210 N. Tucker Boulevard, 900 Walnut Street, 251 Exchange Place and 1807 Michael Faraday Court, which sold for $114.5 million in the aggregate in July 2016, and (iii) 114 Ambroise Croizat, which sold for $212.0 million in August 2016.

Liquidity and Capital Resources of the Parent Company

In this “Liquidity and Capital Resources of the Parent Company” section and in the “Liquidity and Capital Resources of the Operating Partnership” section below, the term, our “Parent Company”, refers to Digital Realty Trust, Inc. on an unconsolidated basis, excluding our Operating Partnership.

Analysis of Liquidity and Capital Resources

Our Parent Company's business is operated primarily through our Operating Partnership, of which our Parent Company is the sole general partner and which it consolidates for financial reporting purposes. Because our Parent Company operates on a consolidated basis with our Operating Partnership, the section entitled "Liquidity and Capital Resources of the Operating Partnership" should be read in conjunction with this section to understand the liquidity and capital resources of our Parent Company on a consolidated basis and how our Company is operated as a whole.

Our Parent Company issues public equity from time to time, but generally does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the Operating Partnership. Our Parent Company itself does not hold any indebtedness other than guarantees of the indebtedness of our Operating Partnership and certain of its subsidiaries, and its only material asset is its ownership of partnership interests of our

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Operating Partnership. Therefore, the consolidated assets and liabilities and the consolidated revenues and expenses of our Parent Company and our Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by our Parent Company. However, all debt is held directly or indirectly at the Operating Partnership level. Our Parent Company's principal funding requirement is the payment of dividends on its common and preferred stock. Our Parent Company's principal source of funding for its dividend payments is distributions it receives from our Operating Partnership.

As the sole general partner of our Operating Partnership, our Parent Company has the full, exclusive and complete responsibility for our Operating Partnership's day-to-day management and control. Our Parent Company causes our Operating Partnership to distribute such portion of its available cash as our Parent Company may in its discretion determine, in the manner provided in our Operating Partnership's partnership agreement. Our Parent Company receives proceeds from its equity issuances from time to time, but is generally required by our Operating Partnership's partnership agreement to contribute the proceeds from its equity issuances to our Operating Partnership in exchange for partnership units of our Operating Partnership.

Our Parent Company is a well-known seasoned issuer with an effective shelf registration statement filed on September 22, 2017, which allows our Parent Company to register an unspecified amount of various classes of equity securities. As circumstances warrant, our Parent Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would generally be contributed to our Operating Partnership in exchange for additional equity interests in our Operating Partnership. Our Operating Partnership may use the proceeds to acquire additional properties, to fund development opportunities and for general working capital purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities.

The liquidity of our Parent Company is dependent on our Operating Partnership's ability to make sufficient distributions to our Parent Company. The primary cash requirement of our Parent Company is its payment of dividends to its stockholders. Our Parent Company also guarantees our Operating Partnership's, as well as certain of its subsidiaries' and affiliates', unsecured debt. If our Operating Partnership or such subsidiaries fail to fulfill their debt requirements, which trigger Parent Company guarantee obligations, then our Parent Company will be required to fulfill its cash payment commitments under such guarantees. However, our Parent Company's only material asset is its investment in our Operating Partnership.

We believe our Operating Partnership's sources of working capital, specifically its cash flow from operations, and funds available under its global revolving credit facility are adequate for it to make its distribution payments to our Parent Company and, in turn, for our Parent Company to make its dividend payments to its stockholders. However, we cannot assure you that our Operating Partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including making distribution payments to our Parent Company. The lack of availability of capital could adversely affect our Operating Partnership's ability to pay its distributions to our Parent Company, which would in turn, adversely affect our Parent Company's ability to pay cash dividends to its stockholders.

Our Parent Company entered into equity distribution agreements in June 2011, which we refer to as the 2011 Equity Distribution Agreements, with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, or the Agents, under which it can issue and sell shares of its common stock having an aggregate offering price of up to $400.0 million from time to time through, at its discretion, any of the Agents as its sales agents. The sales of common stock made under the 2011 Equity Distribution Agreements will be made in “at the market” offerings as defined in Rule 415 of the Securities Act. Cumulatively through December 31, 2018, our Parent Company had generated net proceeds of approximately $342.7 million from the issuance of approximately 5.7 million common shares under the 2011 Equity Distribution Agreements at an average price of $60.35 per share after payment of approximately $3.5 million of commissions to the sales agents and before offering expenses. No sales were made under the program during the years ended December 31, 2018, 2017 and 2016. As of December 31, 2018, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program. The 2011 Equity Distribution Agreements were terminated in connection with the entry into the 2019 Equity Distribution Agreements (defined and discussed below) on January 4, 2019.

On January 4, 2019, our Parent Company entered into equity distribution agreements, which we refer to as the 2019 Equity Distribution Agreements, with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., BTIG, LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., PNC Capital Markets LLC, Raymond James & Associates, Inc., RBC Capital Markets, LLC, Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc., SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC, and Wells Fargo Securities, LLC, or the Agents, under which it could issue and sell shares of its common stock having an aggregate offering price of up to $1.0 billion from time to time through, at its discretion, any of the Agents as its sales agents or as principals. Sales may also be made on a forward basis pursuant to separate forward sale agreements. The sales of common stock made under the 2019 Equity Distribution Agreements will be made in “at the market” offerings as defined in Rule 415 of the Securities Act. To date, no sales have been made under the program.

On September 27, 2018, our Parent Company completed an underwritten public offering of 9,775,000 shares of its common stock (including 1,275,000 shares from the exercise in full of the underwriters' option to purchase additional shares), all of which were offered in connection with forward sale agreements it entered into with certain financial institutions acting as forward purchasers. The forward purchasers borrowed and sold an aggregate of 9,775,000 shares of our Parent Company’s common stock in the public offering. We did not receive any proceeds from the sale of our common stock by the forward purchasers in the public offering. We expect to receive net proceeds of approximately $1.1 billion (net of fees and estimated expenses) upon full physical settlement of the forward sale agreements, which is anticipated to be no later than September 27, 2019.

Ascenty Acquisition Financing

On December 20, 2018, we completed the acquisition of Ascenty for total cash and equity consideration of approximately $1.8 billion, net of cash purchased. The transaction was initially funded with $600.0 million of proceeds from a non-recourse, five-year secured term loan (see below); the issuance of approximately $254 million of Operating Partnership common units in exchange for the substantial majority of the Ascenty management's equity interests; and approximately $1.0 billion of unsecured corporate borrowings, comprised of a $375.0 million unsecured term loan (see below) and borrowings under the global revolving credit facility.

On December 19, 2018, the Operating Partnership entered into a term loan agreement, with Digital Realty Trust, Inc. as the parent guarantor, which we refer to as the Ascenty term loan agreement, which governs a $375.0 million 1-year senior unsecured term loan, which we refer to as the 2019 Term Loan. The 2019 Term Loan matures on December 19, 2019 with one six-month extension option. Interest rates equal the applicable index plus a margin of 100 basis points, which is based on the current credit ratings of our senior unsecured debt (effective rate of 3.47% as of December 31, 2018).

On December 20, 2018, our Brazilian subsidiary entered into a non-recourse credit agreement for up to $775.0 million in the aggregate, which consists of a $600.0 million 5-year secured term loan, which we refer to as the December 2023 Secured Loan, plus a $125.0 million delayed-draw term loan and a $50.0 million revolving credit facility. The December 2023 Secured Loan matures on December 20, 2023. The interest rate on the December 2023 Secured Loan equals the applicable index plus a margin of 425 basis points (effective rate of 7.04% as of December 31, 2018).

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.

Future Uses of Cash

Our Parent Company may from time to time seek to retire, redeem or repurchase its equity or the debt securities of our Operating Partnership or its subsidiaries through cash purchases and/or exchanges for equity securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases, redemptions or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions or other factors. The amounts involved may be material.

We are also subject to the commitments discussed below under “Dividends and Distributions.”

Dividends and Distributions

Our Parent Company is required to distribute 90% of its taxable income (excluding capital gains) on an annual basis in order for it to continue to qualify as a REIT for federal income tax purposes. Accordingly, our Parent Company intends to make, but is not contractually bound to make, regular quarterly distributions to its common stockholders from cash flow from our Operating Partnership’s operating activities. While historically our Parent Company has satisfied this distribution requirement by making cash distributions to its stockholders, it may choose to satisfy this requirement by making distributions of cash or other property. All such distributions are at the discretion of our Parent Company’s board of directors. Our Parent Company considers market factors and our Operating Partnership’s performance in addition to REIT requirements in determining distribution levels. Our Parent Company has distributed at least 100% of its taxable income annually since inception to minimize corporate level federal income taxes. Amounts accumulated for distribution to stockholders are invested primarily in interest-bearing accounts and short-term interest-bearing securities, which are consistent with our intention to maintain our Parent Company’s status as a REIT.

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As a result of this distribution requirement, our Operating Partnership cannot rely on retained earnings to fund its on-going operations to the same extent that other companies whose parent companies are not REITs can. Our Parent Company may need to continue to raise capital in the debt and equity markets to fund our Operating Partnership's working capital needs, as well as potential developments at new or existing properties, acquisitions or investments in existing or newly created joint ventures. In addition, our Parent Company may be required to use borrowings under our global revolving credit facility, if necessary, to meet REIT distribution requirements and maintain our Parent Company's REIT status.

Our Parent Company declared the following dividends on its common and preferred stock during the years ended December 31, 2018, 2017 and 2016 (in thousands, except per share amounts):

| Date dividend declared | Dividend payable date | Series C Preferred Stock | Series E Preferred Stock | Series F Preferred Stock | Series G Preferred Stock | Series H Preferred Stock | Series I Preferred Stock | Series J Preferred Stock | Common Stock |
|---|---|---|---|---|---|---|---|---|---|
| February 17, 2016 | March 31, 2016 | — | $5,031 | $3,023 | $3,672 | $6,730 | $3,969 | — | $131,587 ( |
| May 11, 2016 | June 30, 2016 | — | 5,031 | 3,023 | 3,672 | 6,730 | 3,969 | — | 131,607 ( |
| August 10, 2016 | September 30, 2016 | — | — (2) | 3,023 | 3,672 | 6,730 | 3,969 | — | 131,657 ( |
| November 9, 2016 | December 30, 2016 for Preferred Stock; January 13, 2017 for Common Stock | — | — | 3,023 | 3,672 | 6,730 | 3,969 | — | 141,882 ( |
| | | — | $10,062 | $12,092 | $14,688 | $26,920 | $15,876 | — | $536,733 |
| March 1, 2017 | March 31, 2017 | — | — | $3,023 | $3,672 | $6,730 | $3,969 | — | $148,358 ( |
| May 8, 2017 | June 30, 2017 | — | — | — (4) | 3,672 | 6,730 | 3,969 | — | 150,814 ( |
| August 7, 2017 | September 29, 2017 | — | — | — | 3,672 | 6,730 | 3,969 | — | 191,041 ( |
| November 2, 2017 | December 29, 2017 for Preferred Stock; January 12, 2018 for Common Stock | $3,963 (5) | — | — | 3,672 | 6,730 | 3,969 | $4,200 (5) | 191,067 ( |
| | | $3,963 | $— | $3,023 | $14,688 | $26,920 | $15,876 | $4,200 | $681,280 |
| March 1, 2018 | March 30, 2018 | $3,333 | — | — | $3,672 | $6,730 | $3,969 | $2,625 | $208,015 ( |
| May 8, 2018 | June 29, 2018 | 3,333 | — | — | 3,672 | 6,730 | 3,969 | 2,625 | 208,071 ( |
| August 14, 2018 | September 28, 2018 | 3,333 | — | — | 3,672 | 6,730 | 3,969 | 2,625 | 208,166 ( |
| | | 3,333 | — | — | 3,672 | 6,730 | 3,969 | 2,625 | 208,415 ( |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| November 12, 2018 | December 31, 2018 for Preferred Stock; January 15, 2019 for Common Stock | $13,332 | — | — | $14,688 | $26,920 | $15,876 | $10,500 | $832,667 |
| Annual rate of dividend per share | | $1.65625 | $1.75000 | $1.65625 | $1.46875 | $1.84375 | $1.58750 | $1.31250 | |

(1) $3.520 annual rate of dividend per share.

(2) Redeemed on September 15, 2016 for $25.35972 per share, or a redemption price of $25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date of approximately $4.1 million in the aggregate. In connection with the redemption, the previously incurred offering costs of approximately $10.3 million were recorded as a reduction to net income available to common stockholders.

(3) $3.720 annual rate of dividend per share.

(4) Redeemed on April 5, 2017 for $25.01840 per share, or a redemption price of $25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date of approximately $0.1 million in the aggregate. In connection with the redemption, the previously incurred offering costs of approximately $6.3 million were recorded as a reduction to net income available to common stockholders.

(5) Represents a pro rata dividend from and including the original issue date to and including December 31, 2017.

(6) $4.040 annual rate of dividend per share.

Distributions out of our Parent Company's current or accumulated earnings and profits are generally classified as ordinary income whereas distributions in excess of our Parent Company's current and accumulated earnings and profits, to the extent of a stockholder's U.S. federal income tax basis in our Parent Company's stock, are generally classified as a return of capital.

Distributions in excess of a stockholder's U.S. federal income tax basis in our Parent Company's stock are generally characterized as capital gain. Cash provided by operating activities has been generally sufficient to fund distributions on an annual basis, however, we may also need to utilize borrowings under the global revolving credit facility to fund distributions.

The expected tax treatment of distributions on our Parent Company's common stock paid in 2018 is as follows: approximately 80% ordinary income and 20% return of capital. Our preferred dividends will be treated as 100% ordinary income. The tax treatment of distributions on our Parent Company's common and preferred stock paid in 2017 was as follows: approximately 95% ordinary income and 5% capital gain distribution. The tax treatment of distributions on our Parent Company's common and preferred stock paid in 2016 was as follows: approximately 98% ordinary income and 2% capital gain distribution.

Liquidity and Capital Resources of the Operating Partnership

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we", "our" and "us" refer to our Operating Partnership together with its consolidated subsidiaries or our Operating Partnership and our Parent Company together with their consolidated subsidiaries, as the context requires.

Analysis of Liquidity and Capital Resources

Our Parent Company is our sole general partner and consolidates our results of operations for financial reporting purposes. Because we operate on a consolidated basis with our Parent Company, the section entitled "Liquidity and Capital Resources of the Parent Company" should be read in conjunction with this section to understand our liquidity and capital resources on a consolidated basis.

As of December 31, 2018, we had $126.7 million of cash and cash equivalents, excluding $8.5 million of restricted cash. Restricted cash primarily consists of contractual capital expenditures plus other deposits.

Our short-term liquidity requirements primarily consist of operating expenses, development costs and other expenditures associated with our properties, distributions to our Parent Company in order for it to make dividend payments on its preferred stock, distributions to our Parent Company in order for it to make dividend payments to its stockholders required to maintain its REIT status, distributions to the unitholders of common limited partnership interests in Digital Realty Trust, L.P., capital expenditures, debt service on our loans and senior notes, and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, restricted cash accounts established for certain future payments and by drawing upon our global revolving credit facilities.

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.

On June 21, 2018, we issued $650.0 million in aggregate principal amount of notes, maturing on July 15, 2028 with an interest rate of 4.450% per annum, which we refer to as the 2028 Notes. The purchase price paid by the initial purchasers was 99.852% of the principal amount. The 2028 Notes are our general unsecured senior obligations, rank equally in right of payment with all our other senior unsecured indebtedness and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. Interest on the 2028 Notes is payable on January 15 and July 15 of each year, beginning on January 15, 2019. The net proceeds from the offering after deducting the original issue discount of approximately $1.0 million and underwriting commissions and expenses of approximately $5.7 million was approximately $643.3 million. We used the net proceeds from this offering to temporarily repay borrowings under our global revolving credit facility and for general corporate purposes.

On October 17, 2018, Digital Stout Holding, LLC, a wholly owned subsidiary of the Operating Partnership, issued and sold £400.0 million (approximately $524.6 million based on the exchange rate on October 17, 2018) aggregate principal amount of 3.750% Guaranteed Notes due 2030, or the 2030 Notes. The 2030 Notes are senior unsecured obligations of Digital Stout Holding, LLC and are fully and unconditionally guaranteed by the Parent Company and the Operating Partnership. Net proceeds from the offering were approximately £393.5 million (approximately $516.1 million based on the exchange rate on October 17, 2018) after deducting managers' discounts and estimated offering expenses. We used the net proceeds from the offering of the 2030 Notes primarily to repay borrowings outstanding under the Operating Partnership's global credit facility and term loan.

On October 24, 2018, we refinanced our global revolving credit facility and entered into a global senior credit agreement for a $2.35 billion senior unsecured revolving credit facility, which we refer to as the 2018 global revolving credit facility, that replaced the $2.0 billion revolving credit facility executed on January 15, 2016. In addition, 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 the receipt of lender commitments and other conditions precedent. The 2018 global revolving credit facility matures on January 24, 2023, with two six-month extension options available. The interest rate for borrowings under the 2018 global revolving credit facility equals the applicable index plus a margin which is based on the credit ratings of our long-term debt and is currently 90 basis points. An annual facility fee on the total commitment amount of the facility, based on the credit ratings of our long-term debt, currently 20 basis points, is payable quarterly. The 2018 global revolving credit facility provides for borrowings in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen and includes the ability to add additional currencies in the future. As of December 31, 2018, interest rates are based on 1-month LIBOR, 1-month GBP LIBOR, 1-month EURIBOR, 1-month HIBOR, 1-month JPY LIBOR, 1-month SOR and 1-month CDOR, plus a margin of 0.90%. We have used and intend to use available borrowings under the 2018 global revolving credit facility to acquire additional properties, fund development opportunities and for general working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities. The 2018 global revolving credit facility contains various restrictive covenants, including limitations on our ability to incur additional indebtedness, make certain investments or merge with another company, and requirements to maintain financial coverage ratios, including with respect to unencumbered assets. In addition, the 2018 global revolving credit facility restricts 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 minimize the payment of income or excise tax. As of December 31, 2018, we were in compliance with all of such covenants. As of December 31, 2018, approximately $1.5 billion was drawn under this facility and $44.5 million of letters of credit were issued, leaving approximately $0.8 billion available for use.

On October 24, 2018, we entered into a credit agreement for a ¥33.3 billion (approximately $296.5 million based on the exchange rate on October 24, 2018) senior unsecured revolving credit facility, which we refer to as the Yen revolving credit facility. The Yen revolving credit facility provides for borrowings in Japanese yen. In addition, we have the ability from time to time to increase the size of the Yen revolving credit facility to up to ¥93.3 billion (approximately $831.1 million based on the exchange rate on October 24, 2018), subject to receipt of lender commitments and other conditions precedent. The Yen revolving credit facility matures on January 24, 2024. The interest rate for borrowings under the Yen revolving credit facility equals the applicable index plus a margin which is based on the credit ratings of our long-term debt and is currently 50 basis points. A quarterly unused commitment fee, which is calculated using the average daily unused revolving credit commitment, is based on the credit ratings of our long-term debt, and is currently 10 basis points. The Yen revolving credit facility contains various restrictive covenants, including limitations on our ability to incur additional indebtedness, make certain investments or merge with another company, and requirements to maintain financial coverage ratios, including with respect to unencumbered assets. In addition, the Yen revolving credit facility restricts 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 minimize the payment of income or excise tax. As of December 31, 2018, we were in compliance with all of such covenants. As of December 31, 2018, approximately $134.6 million was drawn under this facility, leaving approximately $158.7 million available for use.

As of December 31, 2018, we have capitalized approximately $15.4 million of financing costs, net of accumulated amortization, related to the 2018 global revolving credit facility and the Yen facility in the aggregate.

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On October 24, 2018, we refinanced our senior unsecured multi-currency term loan facility and entered into an amended and restated term loan agreement, which we refer to as the 2018 term loan agreement, which governs (i) a $300.0 million 5-year senior unsecured term loan, which we refer to as the 2023 Term Loan, and (ii) an approximately $512 million 5-year senior unsecured term loan, which we refer to as the 2024 Term Loan. The 2018 term loan agreement replaced the $1.55 billion term loan agreement executed on January 15, 2016. The 2023 Term Loan matures on January 15, 2023 and the 2024 Term Loan matures on January 24, 2023 with two six-month extension options. In addition, we have the ability from time to time to increase the aggregate size of lending under the 2018 term loan agreement and the 2018 global revolving credit facility (discussed above), in any combination, by up to $1.25 billion, subject to receipt of lender commitments and other conditions precedent. Interest rates are based on our senior unsecured debt ratings and are currently 100 basis points over the applicable index for floating rate advances for the 2023 Term Loan and the 2024 Term Loan. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars. Based on exchange rates in effect at December 31, 2018, the balance outstanding is approximately $0.8 billion, excluding deferred financing costs. We have used borrowings under the term loans for acquisitions, repayment of indebtedness, development, working capital and general corporate purposes. The covenants under the 2023 Term Loan and 2024 Term Loan are consistent with our 2018 global revolving credit facility and, as of December 31, 2018, we were in compliance with all of such covenants. As of December 31, 2018, we have capitalized approximately $4.2 million of financing costs, net of accumulated amortization, related to the unsecured term loans.

For a discussion of the potential impact of current global economic and market conditions on our liquidity and capital resources, see "—Factors Which May Influence Future Results of Operations—Global market and economic conditions" above.

Our Parent Company commenced its at-the-market equity distribution program in June 2011, which is discussed under "Liquidity and Capital Resources of the Parent Company" above. To date, our Parent Company has generated net proceeds of approximately $342.7 million from the issuance of approximately 5.7 million shares of common stock under the program at an average price of $60.35 per share after payment of approximately $3.5 million of commissions to the sales agents and before offering expenses. The proceeds from the issuances were contributed to us in exchange for the issuance of approximately 5.7 million common units to our Parent Company. No sales were made under the program during the years ended December 31, 2018, 2017 and 2016. As of December 31, 2018, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program. The 2011 Equity Distribution Agreements were terminated in connection with the entry into the 2019 Equity Distribution Agreements on January 4, 2019.

On January 4, 2019, our Parent Company entered into new equity distribution agreements, which is discussed under "Liquidity and Capital Resources of the Parent Company" above. To date, no sales have been made under the program.

The Operating Partnership sold the following real estate properties during the year ended December 31, 2018:

| Location | Metro Area | Date Sold | Gross Proceeds (in millions) | Gain (loss) on sale (in millions) |
|---|---|---|---|---|
| 200 Quannapowitt Parkway | Boston | Jan 25, 2018 | $ 15.0 | $ (0.4 ) |
| 34551 Ardenwood Boulevard | Silicon Valley | Feb 9, 2018 | 73.3 | 25.3 |
| 3065 Gold Camp Drive | Sacramento | Mar 14, 2018 | 14.2 | 5.4 |
| 11085 Sun Center Drive | Sacramento | Mar 14, 2018 | 36.8 | 9.1 |
| Austin Portfolio | Austin | Apr 19, 2018 | 47.6 | 12.0 |
| 2010 East Centennial Circle | Phoenix | May 22, 2018 | 5.5 | (0.5 ) |
| 1125 Energy Park Drive | Minneapolis | May 31, 2018 | 7.0 | 2.8 |
| 360 Spear Street | San Francisco | Sep 21, 2018 | 92.3 | 26.7 |

| | |
|---|---|
| $ 291.7 | $ 80.4 |

None of our property sales to date represented a significant component or significant shift in strategy that would require discontinued operations presentation.

The growing acceptance by private institutional investors of the data center asset class has generally pushed capitalization rates lower, as such private investors may often have lower return expectations than us. As a result, we anticipate near-term single asset acquisitions activity to comprise a smaller percentage of our growth while this market dynamic persists.

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Construction ($ in thousands)

| | As of December 31, 2018 | | | | As of December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Rentable Square Feet (1) | Current Investment (2) | Future Investment (3) | Total Cost | Net Rentable Square Feet (1) | Current Investment (4) | Future Investment (3) | Total Cost |
| Development Lifecycle | | | | | | | | |
| Land | (6) | 548,833 | — | 548,833 | (6) | 352,406 | — | 352,406 |
| Development Construction in Progress | | | | | | | | |
| Space Held for Development (5) | 1,805,844 | 396,440 | — | 396,440 | 1,573,758 | $416,553 | — | $416,553 |
| Base Building Construction | 1,724,740 | 214,634 | $ 223,360 | 437,994 | 1,333,763 | 222,093 | $ 149,507 | 371,600 |
| Data Center Construction | 1,103,465 | 586,995 | 521,387 | 1,108,382 | 1,366,393 | 748,006 | 500,674 | 1,248,680 |
| Equipment Pool & Other Inventory | N/A | 14,558 | — | 14,558 | | 7,245 | — | 7,245 |
| Campus, Tenant Improvements & Other | N/A | 23,408 | 16,228 | 39,636 | | 5,787 | 8,360 | 14,147 |
| Total Development Construction in Progress | 4,634,049 | 1,236,035 | 760,975 | 1,997,010 | 4,273,914 | 1,399,684 | 658,541 | 2,058,225 |
| Enhancement & Other | | 6,918 | 11,495 | 18,413 | | 8,416 | 27,209 | 35,625 |
| Recurring | | 16,102 | 21,373 | 37,475 | | 23,985 | 29,184 | 53,169 |
| Total Construction in Progress | | $1,807,888 | $ 793,843 | $2,601,731 | | $1,784,491 | $ 714,934 | $2,499,425 |

(1) Square footage is based on current estimates and project plans, and may change upon completion of the project or due to remeasurement.

(2) Represents balances incurred through December 31, 2018 and included in building and improvements in the consolidated balance sheets.

(3) Represents estimated cost to complete specific scope of work pursuant to contract, budget or approved capital plan.

(4) Represents balances incurred through December 31, 2017 and included in building and improvements in the consolidated balance sheets.

(5) Excludes space held for development related to the Ascenty Acquisition, unconsolidated joint ventures and properties held for sale.

(6) Represents approximately 959 acres as of December 31, 2018 and approximately 539 acres as of December 31, 2017.

Land inventory and space held for development reflect cumulative cost spent pending future development. Base building construction consists of ongoing improvements to building infrastructure in preparation for future data center fit-out. Datacenter construction includes 1.1 million square feet of Turn Key Flex®, colocation and Powered Base

Building® products. Generally, we expect to deliver the space within 12 months; however, lease commencement dates may significantly impact final delivery schedules. Equipment pool and other inventory represent the value of long-lead time equipment and materials required for timely deployment and delivery of data center construction fit-out. Campus, tenant improvements and other costs include the value of development work which benefits space recently converted to our operating portfolio and is composed primarily of shared infrastructure projects and first-generation tenant improvements.

Future Uses of Cash

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. 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. Turn-Key Flex® space is move-in-ready space for the placement of computer and network equipment required to provide a data center environment. Depending on demand for additional Turn-Key Flex® space, we expect to incur significant tenant improvement costs to build out and develop these types of spaces. At December 31, 2018, 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

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five U.S. metropolitan areas, four European metropolitan areas, one Australian metropolitan areas, 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. At December 31, 2018, we had open commitments, including amounts reimbursable of approximately $13.4 million, related to construction contracts of approximately $401.4 million.

We currently expect to incur approximately $1.2 billion to $1.4 billion of capital expenditures for our development programs during the year ending December 31, 2019, although this amount may increase or decrease, potentially materially, based on numerous factors, including changes in demand, leasing results and availability of debt or equity capital.

Historical Capital Expenditures

| | Year Ended December 31, | |
|---|---|---|
| (in thousands) | 2018 | 2017 |
| Development projects | $1,115,149 | $912,217 |
| Enhancement and improvements | 14,240 | 6,340 |
| Recurring capital expenditures | 132,226 | 136,290 |
| Total capital expenditures (excluding indirect costs) | $1,261,615 | $1,054,847 |

For the year ended December 31, 2018, total capital expenditures increased $206.8 million to approximately $1.3 billion from $1.1 billion for the same period in 2017. Capital expenditures on our development projects plus our enhancement and improvements projects for the year ended December 31, 2018 were approximately $1.1 billion, which reflects an increase of approximately 23% from the same period in 2017. This increase was primarily due to increased spending for ground-up development projects (including development projects acquired in the DFT Merger), Turn-Key Flex space development and base building improvements. Our development capital expenditures are generally funded by our available cash and equity and debt capital. See "—Future Uses of Cash" above for a discussion of the amount of capital expenditures we expect to incur during the year ending December 31, 2019.

We are also subject to the commitments discussed below under "Commitments and Contingencies," "Off-Balance Sheet Arrangements" and "Distributions."

We actively pursue opportunities for potential acquisitions, with due diligence and negotiations often at different stages at different times. The dollar value of acquisitions for the year ending December 31, 2019 will be based on numerous factors, including customer demand, leasing results, availability of debt or equity capital and acquisition opportunities.

We may from time to time seek to retire or repurchase our outstanding debt or the equity of our Parent Company through cash purchases and/or exchanges for equity securities of our Parent Company in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions or other factors. The amounts involved may be material.

We expect to meet our short-term and long-term liquidity requirements, including to pay for scheduled debt maturities and to fund acquisitions and non-recurring capital improvements, with net cash from operations, future long-term secured and unsecured indebtedness and the issuance of equity and debt securities and the proceeds of equity issuances by our Parent Company. We also may fund future short-term and long-term liquidity requirements, including acquisitions and non-recurring capital improvements, using our global revolving credit facility pending permanent financing. If we are not able to obtain additional financing on terms attractive to us, or at all, including as a result of the circumstances described above under "Factors Which May Influence Future Results of Operations—Global market and economic conditions", we may be required to reduce our acquisition or capital expenditure plans, which could have a material adverse effect upon our business and results of operations.

Distributions

All distributions on our units are at the discretion of our Parent Company's board of directors. In 2018, 2017 and 2016, our Operating Partnership declared the following distributions (in thousands):

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| Date distribution declared | Distribution payable date | Series C Preferred Units | Series E Preferred Units | Series F Preferred Units | Series G Preferred Units | Series H Preferred Units | Series I Preferred Units | Series J Preferred Units | Common Units |
|---|---|---|---|---|---|---|---|---|---|
| Feb 17, 2016 | March 31, 2016 | — | $5,031 | $3,023 | $3,672 | $6,730 | $3,969 | — | $131,587 |
| May 11, 2016 | June 30, 2016 | — | 5,031 | 3,023 | 3,672 | 6,730 | 3,969 | — | 131,607 |
| Aug 10, 2016 | September 30, 2016 | — | — (2) | 3,023 | 3,672 | 6,730 | 3,969 | — | 131,657 |
| Nov 9, 2016 | December 31, 2016 for Preferred Units; January 13, 2017 for Common Units | — | — | 3,023 | 3,672 | 6,730 | 3,969 | — | 144,193 |
| | | — | $10,062 | $12,092 | $14,688 | $26,920 | $15,876 | — | $539,044 |
| Mar 1, 2017 | March 31, 2017 | — | — | $3,023 | $3,672 | $6,730 | $3,969 | — | $150,968 |
| May 8, 2017 | June 30, 2017 | — | — | — (4) | 3,672 | 6,730 | 3,969 | — | 153,176 |
| Aug 7, 2017 | September 29, 2017 | — | — | — | 3,672 | 6,730 | 3,969 | — | 199,049 |
| Nov 2, 2017 | December 29, 2017 for Preferred Units; January 12, 2018 for Common Units | $3,963 (5) | — | — | 3,672 | 6,730 | 3,969 | $4,200 (5) | 199,061 |
| | | $3,963 | — | $3,023 | $14,688 | $26,920 | $15,876 | $4,200 | $702,254 |
| Mar 1, 2018 | March 30, 2018 | $3,333 | — | — | $3,672 | $6,730 | $3,969 | $2,625 | $216,953 |
| May 8, 2018 | June 29, 2018 | 3,333 | — | — | 3,672 | 6,730 | 3,969 | 2,625 | 216,789 |
| Aug 14, 2018 | September 28, 2018 | 3,333 | — | — | 3,672 | 6,730 | 3,969 | 2,625 | 216,825 |
| Nov 12, 2018 | December 31, 2018 for Preferred Units; January 15, 2019 for Common Units | 3,333 | — | — | 3,672 | 6,730 | 3,969 | 2,625 | 216,838 |
| | | $13,332 | — | — | $14,688 | $26,920 | $15,876 | $10,500 | $867,405 |
| | | $1.65625 | $1.75000 | $1.65625 | $1.46875 | $1.84375 | $1.58750 | $1.31250 | |

Annual rate of distribution per unit

(1) $3.520 annual rate of distribution per unit.

(2) Redeemed on September 15, 2016 for $25.35972 per unit, or a redemption price of $25.00 per unit, plus accrued and unpaid distributions up to but not including the redemption date of approximately $4.1 million in the aggregate. In connection with the redemption, the previously incurred offering costs of approximately $10.3 million were recorded as a reduction to net income available to common unitholders.

(3) $3.720 annual rate of distribution per unit.

(4) Redeemed on April 5, 2017 for $25.01840 per unit, or a redemption price of $25.00 per unit, plus accrued and unpaid distributions up to but not including the redemption date of approximately $0.1 million in the aggregate. In connection with the redemption, the previously incurred offering costs of approximately $6.3 million were recorded as a reduction to net income available to common unitholders.

(5) Represents a pro rata distribution from and including the original issue date to and including December 31, 2017.

(6) $4.040 annual rate of distribution per unit.

As of December 31, 2018, we were a party to interest rate swap agreements which hedge variability in cash flows related the U.S. LIBOR and CDOR-based tranches of the unsecured term loans. Under these swaps, we pay variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amounts. See Item 7A. “Quantitative and Qualitative Disclosures about Market Risk.”

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The following table summarizes our debt, interest, lease and construction contract payments due by period as of December 31, 2018 (dollars in thousands):

| Obligation | 2019 | 2020-2021 | 2022-2023 | Thereafter | Total |
|---|---|---|---|---|---|
| Long-term debt principal payments (1) | $518,982 | $1,521,132 | $4,453,332 | $4,708,144 | $11,201,590 |
| Interest payable (2) | 416,474 | 709,058 | 534,210 | 561,621 | 2,221,363 |
| Operating leases | 84,712 | 173,608 | 162,683 | 539,047 | 960,050 |
| Construction contracts (3) | 401,410 | — | — | — | 401,410 |
| | $1,421,578 | $2,403,798 | $5,150,225 | $5,808,812 | $14,784,413 |

(1) Includes $1.7 billion of borrowings under our global revolving credit facilities and $0.8 billion of borrowings under our unsecured term loan and excludes $0.1 million of loan premiums related to assumed mortgage loans, $1.2 million discount on the 5.875% 2020 notes, $0.4 million discount on the 3.400% 2020 notes, $0.2 million discount on the 5.250% 2021 notes, $1.7 million discount on the 3.625% 2022 notes, $2.0 million discount on the 3.950% 2022 notes, $1.3 million on the 4.750% 2023 notes, $1.0 million on the 2.625% 2024 notes, $0.9 million on the 2.750% 2024 notes, $2.2 million on the 4.250% 2025 notes, $0.2 million on the 2.750% 2023 notes, $0.7 million on the 3.700% 2027 notes, $0.9 million on the 4.450% 2028 Notes, $2.7 million on the 3.300% 2029 notes and $4.4 million on the 3.750% 2030 Notes. All amounts exclude deferred financing costs.

(2) Interest payable is based on the interest rate in effect on December 31, 2018, including the effect of interest rate swaps. Interest payable excluding the effect of interest rate swaps is as follows (in thousands):

| | |
|---|---|
| 2019 | $418,864 |
| 2020-2021 | 713,837 |
| 2022-2023 | 538,050 |
| Thereafter | 565,908 |
| | $2,236,659 |

(3) From time to time in the normal course of our business, we enter into various construction contracts with third parties that may obligate us to make payments. At December 31, 2018, we had open commitments, including amounts reimbursable of approximately $13.4 million, related to construction contracts of approximately $401.4 million.

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Outstanding Consolidated Indebtedness

The table below summarizes our debt maturities and principal payments as of December 31, 2018 (in thousands):

| | Global Revolving Credit Facilities (1) | Unsecured Term Loans | Senior Notes | Secured Debt | Total Debt |
|---|---|---|---|---|---|
| 2019 | $ — | $375,000 | $143,338 | $644 | $518,982 |
| 2020 | — | — | 1,000,000 | 1,132 | 1,001,132 |
| 2021 | — | — | 400,000 | 120,000 | 520,000 |
| 2022 | — | — | 800,000 | 150,000 | 950,000 |
| 2023 | 1,528,592 | 808,120 | 732,620 | 434,000 | 3,503,332 |
| Thereafter | 134,564 | — | 4,573,580 | — | 4,708,144 |
| Subtotal | $ 1,663,156 | $1,183,120 | $7,649,538 | $705,776 | $11,201,590 |
| Unamortized discount | — | — | (19,859 ) | — | (19,859 ) |
| Unamortized premium | — | — | — | 148 | 148 |
| Total | $ 1,663,156 | $1,183,120 | $7,629,679 | $705,924 | $11,181,879 |

(1) Subject to two six-month extension options exercisable by us. The bank group is obligated to grant the extension options provided we give proper notice, we make certain representations and warranties and no default exists under the global revolving credit facility, as applicable.

The table below summarizes our debt, as of December 31, 2018 (in millions):

| | | |
|---|---|---|
| Debt Summary: | | |
| Fixed rate | $7,487.4 | |
| Variable rate debt subject to interest rate swaps | 783.1 | |
| Total fixed rate debt (including interest rate swaps) | 8,270.5 | |
| Variable rate—unhedged | 2,911.4 | |
| Total | $11,181.9 | |
| Percent of Total Debt: | | |
| Fixed rate (including hedged variable rate debt) | 74.0 | % |
| Variable rate | 26.0 | % |
| Total | 100.0 | % |
| Weighted Average Interest Rate as of December 31, 2018 (1): | | |
| Fixed rate (including hedged variable rate debt) | 3.79 | % |
| Variable rate | 3.37 | % |
| Total interest rate | 3.68 | % |

(1) Excludes impact of deferred financing cost amortization.

As of December 31, 2018, we had approximately $11.2 billion of outstanding consolidated long-term debt as set forth in the table above. Our ratio of debt to total enterprise value was approximately 31% (based on the closing price of Digital Realty Trust, Inc.'s common stock on December 31, 2018 of $106.55). For this purpose, our total enterprise value is defined as the sum of the market value of Digital Realty Trust, Inc.'s outstanding common stock (which may decrease, thereby increasing our debt to total enterprise value ratio), plus the liquidation value of Digital Realty Trust, Inc.'s preferred stock, plus the aggregate value of our Operating Partnership's units not held by Digital Realty Trust, Inc. (with the per unit value equal to the market value of one share of Digital Realty Trust, Inc.'s common stock and excluding long-term incentive units, Class C units and Class D units), plus the book value of our total consolidated indebtedness.

The variable rate debt shown above bore interest at interest rates based on various one-month LIBOR, EURIBOR, GBP LIBOR, SOR, BBR, HIBOR, JPY LIBOR, CDOR and U.S. Prime rates, depending on the respective agreement governing the

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debt, including our global revolving credit facility and unsecured term loans. As of December 31, 2018, our debt had a weighted average term to initial maturity of approximately 5.3 years (or approximately 5.5 years assuming exercise of extension options).

Off-Balance Sheet Arrangements

As of December 31, 2018, we were party to interest rate swap agreements related to $783.1 million of outstanding principal amount on our variable rate debt. See Item 7A. "Quantitative and Qualitative Disclosures about Market Risk." As of December 31, 2018, our pro-rata share of mortgage debt of unconsolidated joint ventures was approximately $268.7 million, of which $10.2 million is subject to interest rate swap agreements.

Cash Flows

The following summary discussion of our cash flows is based on the consolidated statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Comparison of Year Ended December 31, 2018 to Year Ended December 31, 2017 and Comparison of Year Ended December 31, 2017 to Year Ended December 31, 2016

The following table shows cash flows and ending cash, cash equivalent and restricted cash balances for the years ended December 31, 2018, 2017 and 2016 (in thousands).

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net cash provided by operating activities | $1,385,324 | $1,023,305 | $911,242 |
| Net cash used in investing activities | (3,035,993) | (1,357,153) | (1,303,597) |
| Net cash provided by financing activities | 1,757,269 | 321,200 | 350,617 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $106,600 | $(12,648) | $(41,738) |

Cash provided by operating activities in 2018 increased approximately $362.0 million over 2017 and cash provided by operating activities in 2017 increased approximately $112.1 million over 2016. The 2018 increase was driven by year-over-year increase in the cash flow from properties acquired in the September 2017 DFT Merger. The increases in cash flow were offset by properties sold in 2017 and 2018 and an increase in interest expense. The 2017 increase was driven by year-over-year increase in the cash flow from properties acquired in the July 2016 European Portfolio Acquisition and the cash flow from properties acquired in the September 2017 DFT Merger. The increases in cash flow were offset by properties sold in 2016 and 2017 and an increase in interest expense.

Net cash used in investing activities consisted of the following amounts (in thousands).

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | Change |
| Ascenty acquisition | $(1,563,830) | $— | $(1,563,830) |
| Improvements to investments in real estate | (1,325,162) | (1,150,619) | (174,543) |
| Acquisitions of real estate | (410,712) | (415,764) | 5,052 |
| Prepaid construction costs and other investments | (13,254) | — | (13,254) |
| Proceeds from sale of properties, net of sales costs | 286,204 | 89,333 | 196,871 |
| Distribution from debt proceeds from closing of joint venture | — | 135,973 | (135,973) |
| Investment in unconsolidated joint ventures | (673) | (93,405) | 92,732 |
| Excess proceeds from forward contracts | — | 63,956 | (63,956) |
| Other | (8,566) | 13,373 | (21,939) |
| Net cash used in investing activities | $(3,035,993) | $(1,357,153) | $(1,678,840) |

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| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | Change |
| Improvements to investments in real estate | $(1,150,619) | $(758,081) | (392,538) |
| Acquisitions of real estate | (415,764) | (873,285) | 457,521 |
| Prepaid construction costs and other investments | — | (32,095) | 32,095 |
| Proceeds from sale of properties, net of sales costs | 89,333 | 359,319 | (269,986) |
| Distribution from debt proceeds from closing of joint venture | 135,973 | — | 135,973 |
| Investment in unconsolidated joint ventures | (93,405) | — | (93,405) |
| Excess proceeds from forward contracts | 63,956 | — | 63,956 |
| Other | 13,371 | 545 | 12,826 |
| Net cash used in investing activities | $(1,357,155) | $(1,303,597) | $(53,558) |

Net cash flows provided by financing activities for the Company consisted of the following amounts (in thousands).

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Proceeds from borrowings, net of repayments | $849,348 | $(1,448,867) | $(498,515) |
| Net proceeds from issuance of common and preferred stock, including equity plans | 7,068 | 411,309 | 1,090,171 |
| Redemption of preferred stock | — | (182,500) | (287,500) |
| Net proceeds from unsecured senior notes and secured debt | 1,769,006 | 2,265,060 | 675,591 |
| Dividend and distribution payments | (930,782) | (715,209) | (605,390) |
| Capital contributions from (distributions to) noncontrolling interests in consolidated joint ventures, net | 66,124 | (8,593) | (527) |
| Other | (3,495) | — | (23,213) |
| Net cash provided by financing activities | $1,757,269 | $321,200 | $350,617 |

The increase in cash provided by financing activities was due to proceeds from borrowings, net of repayments increasing during the year ended December 31, 2018 as compared to 2017 offset by higher proceeds in 2017 from the issuance of the 2019 Notes, 2.750% 2024 Notes, 2029 Notes, 2.750% 2023 Notes and 2027 Notes as compared to the proceeds in 2018 from the issuance of the 2028 Notes and 2030 Notes. The increase in dividend and distribution payments for the year ended December 31, 2018 as compared to 2017, which was a result of an increase in the number of shares outstanding due to the DFT Merger and increased dividend amount per share of common stock in 2018 as compared to 2017. The 2018 borrowing activity was used in part to fund a portion of the Ascenty Acquisition.

Net cash provided by financing activities decreased by $29.4 million in 2017 primarily as a result of an increase in net proceeds from the issuance of unsecured senior notes in 2017 as compared to 2016, offset by increased repayments of borrowings on the global revolving credit facility, a decrease in net equity issuances and an increase in dividends and distributions paid in 2017 as compared to 2016. The increase in dividend and distribution payments for the year ended December 31, 2017 as compared to the same period in 2016 was due to an increase in the number of shares outstanding and dividend amount per share of common stock in 2017 as compared to 2016 and the payment of dividends on our series J preferred stock during the year ended December 31, 2017, whereas this series of preferred stock was not outstanding in year ended December 31, 2016. The 2017 borrowing activity was used to fund a portion of the repayment, redemption and/or discharge of DFT debt and the payment of certain transaction fees and expenses incurred in connection with the DFT Merger. The 2016 equity issuance was driven primarily by the European Portfolio Acquisition.

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Net cash flows provided by financing activities for the Operating Partnership consisted of the following amounts (in thousands).

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Proceeds from borrowings, net of repayments | $849,348 | $(1,448,867) | $(498,515) |
| General partner contributions, net | 7,068 | 228,809 | 802,671 |
| Net proceeds from unsecured senior notes | 1,769,006 | 2,265,060 | 675,591 |
| Distribution payments | (930,782) | (715,209) | (605,390) |
| Capital contributions from (distributions to) noncontrolling interests in consolidated joint ventures, net | 66,124 | (8,593) | (527) |
| Other | (3,495) | — | (23,213) |
| Net cash provided by financing activities | $1,757,269 | $321,200 | $350,617 |

The increase in cash provided by financing activities was due to proceeds from borrowings, net of repayments increasing during the year ended December 31, 2018 as compared to 2017 offset by higher proceeds in 2017 from the issuance of the 2019 Notes, 2.750% 2024 Notes, 2029 Notes, 2.750% 2023 Notes and 2027 Notes as compared to the proceeds in 2018 from the issuance of the 2028 Notes and 2030 Notes. The increase in distribution payments for the year ended December 31, 2018 as compared to 2017, which was a result of an increase in the number of common units outstanding due to the DFT Merger and increased distribution amount per common unit in 2018 as compared to 2017. The 2018 borrowing activity was used in part to fund a portion of the Ascenty Acquisition.

Net cash provided by financing activities decreased by $29.4 million in 2017 primarily as a result of an increase in net proceeds from the issuance of unsecured senior notes in 2017 as compared to 2016, offset by increased repayments of borrowings on the global revolving credit facility, a decrease in net equity issuances and an increase in distributions paid in 2017 as compared to 2016. The increase in distribution payments for the year ended December 31, 2017 as compared to the same period in 2016 was due to an increase in the number of units outstanding and distribution amount per common unit in 2017 as compared to 2016 and the payment of distributions on our series J preferred units during the year ended December 31, 2017, whereas this series of preferred units was not outstanding in year ended December 31, 2016. The 2017 borrowing activity was used to fund a portion of the repayment, redemption and/or discharge of DFT debt and the payment of certain transaction fees and expenses incurred in connection with the DFT Merger. The 2016 equity issuance was driven primarily by the European Portfolio Acquisition.

Noncontrolling Interests in Operating Partnership

Noncontrolling interests relate to the common units in our Operating Partnership that are not owned by Digital Realty Trust, Inc., which, as of December 31, 2018, amounted to 4.9% of our Operating Partnership common units. Historically, our Operating Partnership has issued common units to third party sellers in connection with our acquisition of real estate interests from such third parties.

Limited partners have the right to require our Operating Partnership to redeem part or all of their common units for cash based upon the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of the redemption. Alternatively, we may elect to acquire those common units in exchange for shares of Digital Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. In connection with the DFT Merger, approximately 0.2 million common units of the Operating Partnership were issued to certain former unitholders in DuPont Fabros Technology, L.P., which are subject to certain restrictions and, accordingly, are not presented as permanent capital in the consolidated balance sheet.

Inflation

Many of our leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

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Funds From Operations

We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or Nareit. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, excluding a gain from a pre-existing relationship and after adjustments for impairment charges, real estate related depreciation and amortization (excluding amortization of deferred financing costs), non-controlling interests in operating partnership, unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization, gains and losses from property dispositions and certain other gains and after adjustments for unconsolidated partnerships, joint ventures and certain other items, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our data centers that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our data centers, all of which have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the Nareit definition and, accordingly, our FFO may not be comparable to other REITs' FFO. FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

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Reconciliation of Net Income Available to Common Stockholders to Funds From Operations (FFO)
(in thousands, except per share and unit data)
(unaudited)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net income available to common stockholders | $249,930 | $173,148 | $332,088 |
| Adjustments: | | | |
| Noncontrolling interests in operating partnership | 10,180 | 3,770 | 5,298 |
| Real estate related depreciation and amortization (1) | 1,173,917 | 830,252 | 682,810 |
| Real estate related depreciation and amortization related to investment in unconsolidated joint ventures | 14,587 | 11,566 | 11,246 |
| Impairment of investments in real estate | — | 28,992 | — |
| Impairment charge on Telx trade name | — | — | 6,122 |
| Gain on sale of properties | (80,049) | (40,354) | (169,902) |
| Noncontrolling interests share of gain on sale of property | — | 3,900 | — |
| FFO available to common stockholders and unitholders (2) | $1,368,565 | $1,011,274 | $867,662 |
| Basic FFO per share and unit | $6.39 | $5.68 | $5.69 |
| Diluted FFO per share and unit (2) | $6.37 | $5.65 | $5.67 |
| Weighted average common stock and units outstanding | | | |
| Basic | 214,313 | 178,056 | 152,360 |
| Diluted (2) | 214,951 | 178,892 | 153,086 |
| (1) Real estate related depreciation and amortization was computed as follows: | | | |
| Depreciation and amortization per income statement | 1,186,896 | 842,464 | 699,324 |
| Impairment charge on Telx trade name | — | — | (6,122) |
| Non-real estate depreciation | (12,979) | (12,212) | (10,392) |
| Real estate related depreciation and amortization | $1,173,917 | $830,252 | $682,810 |

(2) For all periods presented, we have excluded the effect of dilutive series C, series E, series F, series G, series H, series I and series J preferred stock, as applicable, that may be converted upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series C, series E, series F, series G, series H, series I and series J preferred stock, as applicable, which we consider highly improbable.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Weighted average common stock and units outstanding | 214,313 | 178,056 | 152,360 |
| Add: Effect of dilutive securities | 638 | 836 | 726 |
| Weighted average common stock and units outstanding—diluted | 214,951 | 178,892 | 153,086 |

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments depend upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit ratings and other factors.

Analysis of Debt between Fixed and Variable Rate

We use interest rate swap agreements and fixed rate debt to reduce our exposure to interest rate movements. As of December 31, 2018, our consolidated debt was as follows (in millions):

| | Carrying Value | Estimated Fair Value |
|---|---|---|
| Fixed rate debt | $ 7,487.4 | $ 7,542.2 |
| Variable rate debt subject to interest rate swaps | 783.1 | 783.1 |
| Total fixed rate debt (including interest rate swaps) | 8,270.5 | 8,325.3 |
| Variable rate debt | 2,911.4 | 2,911.4 |
| Total outstanding debt | $ 11,181.9 | $ 11,236.7 |

Interest rate derivatives and their fair values as of December 31, 2018 and December 31, 2017 were as follows (in thousands):

| Notional Amount | | | | | | Fair Value at Significant Other Observable Inputs (Level 2) | |
|---|---|---|---|---|---|---|---|
| As of December 31, 2018 | As of December 31, 2017 | Type of Derivative | Strike Rate | Effective Date | Expiration Date | As of December 31, 2018 | As of December 31, 2017 |
| Currently-paying contracts | | | | | | | |
| $ 206,000 (1) | $ 206,000 | Swap | 1.611 | Jun 15, 2017 | Jan 15, 2020 | $ 1,976 | $ 1,409 |
| 54,905 (1) | 54,905 | Swap | 1.605 | Jun 6, 2017 | Jan 6, 2020 | 517 | 374 |
| 75,000 (1) | 75,000 (1) | Swap | 1.016 | Apr 6, 2016 | Jan 6, 2021 | 2,169 | 2,260 |
| 75,000 (1) | 75,000 (1) | Swap | 1.164 | Jan 15, 2016 | Jan 15, 2021 | 1,970 | 1,947 |
| 300,000 (1) | 300,000 (1) | Swap | 1.435 | Jan 15, 2016 | Jan 15, 2023 | 11,463 | 9,978 |
| — | 229,012 (2) | Swap | 0.792 | Jan 15, 2016 | Jan 15, 2019 | — | (430) |
| 72,220 (3) | 78,357 (3) | Swap | 0.779 | Jan 15, 2016 | Jan 15, 2021 | 2,024 | 3,034 |
| $ 783,125 | $ 1,018,274 | | | | | $ 20,119 | $ 18,572 |

(1) Represents debt which bears interest based on one-month U.S. LIBOR.

(2) Represents debt which bears interest based on one-month GBP LIBOR. Translation to U.S. dollars is based on exchange rate of $1.35 to £1.00 as of December 31, 2017.

(3) Represents debt which bears interest based on one-month CDOR. Translation to U.S. dollars is based on exchange rates of $0.73 to 1.00 CAD as of December 31, 2018 and $0.80 to 1.00 CAD as of December 31, 2017.

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Sensitivity to Changes in Interest Rates

The following table shows the effects if assumed changes in interest rates occurred, based on fair values and interest expense as of December 31, 2018:

| Assumed event | Change ($ millions) |
|---|---|
| Increase in fair value of interest rate swaps following an assumed 10% increase in interest rates | $ 4.3 |
| Decrease in fair value of interest rate swaps following an assumed 10% decrease in interest rates | (4.3 ) |
| Increase in annual interest expense on our debt that is variable rate and not subject to swapped interest following a 10% increase in interest rates | 7.0 |
| Decrease in annual interest expense on our debt that is variable rate and not subject to swapped interest following a 10% decrease in interest rates | (7.0 ) |
| Increase in fair value of fixed rate debt following a 10% decrease in interest rates | 97.8 |
| Decrease in fair value of fixed rate debt following a 10% increase in interest rates | (90.7 ) |

Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

Foreign Currency Exchange Risk

For the years ended December 31, 2018, 2017 and 2016, we had foreign operations in the United Kingdom, Ireland, France, Germany, the Netherlands, Switzerland, Canada, Singapore, Australia, Japan and Hong Kong as well as Brazil in the year ended December 31, 2018. As such, we 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, Australian dollar, Singapore dollar, Canadian dollar, Hong Kong dollar, Brazilian real and the Japanese yen. Our primary currency exposures are to the British pound sterling, Euro and the Singapore dollar. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations and we may also hedge well-defined transactional exposures with foreign currency forwards or options, although there can be no assurances that these 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 and the amount of stockholders' equity. For the years ended December 31, 2018, 2017 and 2016, operating revenues from properties outside the United States contributed $564.4 million, $515.2 million and $442.9 million, respectively, which represented 18.5%, 21.0% and 21.0% of our operating revenues, respectively. Net investment in properties outside the United States was $3.8 billion and $3.1 billion as of December 31, 2018 and December 31, 2017, respectively. Net assets in foreign operations were approximately $0.2 billion and $0.3 billion as of December 31, 2018 and December 31, 2017, respectively.

Other

Certain operating costs incurred by us, such as electricity, are subject to price fluctuations caused by the volatility of underlying commodity prices. 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. In 2017, we entered into power purchase agreements to secure the renewable energy attributes from a wind farm in Illinois and a solar farm in North Carolina. In 2016, we entered into a power purchase agreement to secure the renewable energy attributes from a wind farm in Texas.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## Management’s Report on Internal Control over Financial Reporting

The management of Digital Realty Trust, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f). Our internal control system was designed to provide reasonable assurance to the Company’s management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). We acquired Ascenty on December 20, 2018. We have excluded from our overall assessment of the Company's internal control over financial reporting as of December 31, 2018, internal control over financial reporting associated with Ascenty's total assets of $2.0 billion and total revenues of $3 million. Based on our assessment, management concluded that as of December 31, 2018, the Company’s internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm has issued an audit report on the Company’s internal control over financial reporting. This report appears on pages 91 and 92.

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Management’s Report on Internal Control over Financial Reporting

The management of Digital Realty Trust, L.P. (the Operating Partnership) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f). Our internal control system was designed to provide reasonable assurance to the Operating Partnership’s management regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of our general partner, we assessed the effectiveness of the Operating Partnership’s internal control over financial reporting as of December 31, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). We acquired Ascenty on December 20, 2018. We have excluded from our overall assessment of the Operating Partnership's internal control over financial reporting as of December 31, 2018, internal control over financial reporting associated with Ascenty's total assets of $2.0 billion and total revenues of $3 million. Based on our assessment, management concluded that as of December 31, 2018, the Operating Partnership’s internal control over financial reporting was effective based on those criteria.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Digital Realty Trust, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Digital Realty Trust, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated income statements and consolidated statements of comprehensive income, equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement schedule III, properties and accumulated depreciation, (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2019 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2004.

San Francisco, California
February 25, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Digital Realty Trust, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Digital Realty Trust, Inc. and subsidiaries’ (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated income statements and statements of comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedules III, properties and accumulated depreciation, (collectively, the consolidated financial statements), and our report dated February 25, 2019 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Ascenty on December 20, 2018, and management excluded from its assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018, Ascenty's internal control over financial reporting associated with total assets of approximately $2 billion and total revenues of $3 million included in the consolidated financial statements of the Company as of and for the year-ended December 31, 2018. Our audit of internal control over financial reporting of the Company also excluded an evaluation of Ascenty's internal control over financial reporting.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

San Francisco, California
February 25, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of the General Partner and Partners
Digital Realty Trust, L.P.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Digital Realty Trust, L.P. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated income statements and consolidated statements of comprehensive income, capital, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement schedule III, properties and accumulated depreciation (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2004.

San Francisco, California
February 25, 2019

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Investments in real estate: | | |
| Properties: | | |
| Land | $1,509,764 | $1,136,341 |
| Acquired ground leases | 10,575 | 11,150 |
| Buildings and improvements | 16,745,210 | 15,215,405 |
| Tenant improvements | 574,336 | 553,040 |
| Total investments in properties | 18,839,885 | 16,915,936 |
| Accumulated depreciation and amortization | (3,935,267) | (3,238,227) |
| Net investments in properties | 14,904,618 | 13,677,709 |
| Investments in unconsolidated joint ventures | 175,108 | 163,477 |
| Net investments in real estate | 15,079,726 | 13,841,186 |
| Cash and cash equivalents | 126,700 | 51 |
| Accounts and other receivables, net of allowance for doubtful accounts of $11,554 and $6,737 as of December 31, 2018 and December 31, 2017, respectively | 299,621 | 276,347 |
| Deferred rent | 463,248 | 430,026 |
| Acquired above-market leases, net of accumulated amortization of $158,037 and $110,139 as of December 31, 2018 and December 31, 2017, respectively | 119,759 | 184,375 |
| Goodwill | 4,348,007 | 3,389,595 |
| Acquired in-place lease value, deferred leasing costs and intangibles, net of accumulated amortization of $1,355,013 and $1,016,989 as of December 31, 2018 and December 31, 2017, respectively | 3,144,395 | 2,998,806 |
| Restricted cash | 8,522 | 13,130 |
| Assets held for sale | — | 139,538 |
| Other assets | 176,717 | 131,291 |
| Total assets | $23,766,695 | $21,404,345 |
| LIABILITIES AND EQUITY | | |
| Global revolving credit facilities | $1,647,735 | $550,946 |
| Unsecured term loan | 1,178,904 | 1,420,333 |
| Unsecured senior notes, net of discount | 7,589,126 | 6,570,757 |
| Secured debt, including premiums | 685,714 | 106,582 |
| Accounts payable and other accrued liabilities | 1,164,509 | 980,218 |
| Accrued dividends and distributions | 217,241 | 199,761 |
| Acquired below-market leases, net of accumulated amortization of $242,422 and $219,654 as of December 31, 2018 and December 31, 2017, respectively | 200,113 | 249,465 |
| Security deposits and prepaid rents | 209,311 | 217,898 |
| Obligations associated with assets held for sale | — | 5,033 |
| Total liabilities | 12,892,653 | 10,300,993 |

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(in thousands, except share and per share data)

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Redeemable noncontrolling interests – operating partnership | 15,832 | 53,902 |
| Commitments and contingencies | | |
| Stockholders' Equity: | | |
| Preferred Stock: $0.01 par value per share, 110,000,000 shares authorized, 50,650,000 shares issued and outstanding as of December 31, 2018 and December 31, 2017 | 1,249,560 | 1,249,560 |
| Common Stock: $0.01 par value, 315,000,000 shares authorized; 206,425,656 and 205,470,300 shares issued and outstanding as of December 31, 2018 and December 31, 2017, respectively | 2,051 | 2,044 |
| Additional paid-in capital | 11,355,751 | 11,261,461 |
| Accumulated dividends in excess of earnings | (2,633,071) | (2,055,552) |
| Accumulated other comprehensive loss, net | (115,647) | (108,432) |
| Total stockholders' equity | 9,858,644 | 10,349,081 |
| Noncontrolling interests: | | |
| Noncontrolling interests in operating partnership | 906,510 | 698,126 |
| Noncontrolling interests in consolidated joint ventures | 93,056 | 2,243 |
| Total noncontrolling interests | 999,566 | 700,369 |
| Total equity | 10,858,210 | 11,049,450 |
| Total liabilities and equity | $23,766,695 | $21,404,345 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(in thousands, except share and per share data)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Operating Revenues: | | | |
| Rental and other services | $2,412,076 | $2,010,301 | $1,746,828 |
| Tenant reimbursements | 624,637 | 440,224 | 355,903 |
| Fee income and other | 9,765 | 7,403 | 39,482 |
| Total operating revenues | 3,046,478 | 2,457,928 | 2,142,213 |
| Operating Expenses: | | | |
| Rental property operating and maintenance | 957,065 | 759,616 | 660,177 |
| Property taxes | 129,516 | 124,014 | 102,497 |
| Insurance | 11,402 | 10,981 | 9,492 |
| Depreciation and amortization | 1,186,896 | 842,464 | 699,324 |
| General and administrative | 163,667 | 161,441 | 152,733 |
| Transaction and integration expenses | 45,327 | 76,048 | 20,491 |
| Impairment of investments in real estate | — | 28,992 | — |
| Other | 2,818 | 3,077 | 213 |
| Total operating expenses | 2,496,691 | 2,006,633 | 1,644,927 |
| Operating income | 549,787 | 451,295 | 497,286 |
| Other Income (Expenses): | | | |
| Equity in earnings of unconsolidated joint ventures | 32,979 | 25,516 | 17,104 |
| Gain on sale of properties | 80,049 | 40,354 | 169,902 |
| Interest and other income | 3,481 | 3,655 | (4,564) |
| Interest expense | (321,529) | (258,642) | (236,480) |
| Tax expense | (2,084) | (7,901) | (10,385) |
| (Loss) gain from early extinguishment of debt | (1,568) | 1,990 | (1,011) |
| Net income | 341,115 | 256,267 | 431,852 |
| Net income attributable to noncontrolling interests | (9,869) | (8,008) | (5,665) |
| Net income attributable to Digital Realty Trust, Inc. | 331,246 | 248,259 | 426,187 |
| Preferred stock dividends | (81,316) | (68,802) | (83,771) |
| Issuance costs associated with redeemed preferred stock | — | (6,309) | (10,328) |
| Net income available to common stockholders | $249,930 | $173,148 | $332,088 |
| Net income per share available to common stockholders: | | | |
| Basic | $1.21 | $0.99 | $2.21 |
| Diluted | $1.21 | $0.99 | $2.20 |
| Weighted average common shares outstanding: | | | |
| Basic | 206,035,408 | 174,059,386 | 149,953,662 |
| Diluted | 206,673,471 | 174,895,098 | 150,679,688 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net income | $341,115 | $256,267 | $431,852 |
| Other comprehensive income: | | | |
| Foreign currency translation (loss) income adjustments | (11,736) | 28,709 | (86,621) |
| Increase (decrease) in fair value of interest rate swaps and foreign currency hedges | 8,197 | (3,434) | 41,998 |
| Reclassification to interest expense from interest rate swaps | (3,969) | 2,459 | 4,968 |
| Comprehensive income | 333,607 | 284,001 | 392,197 |
| Comprehensive income attributable to noncontrolling interests | (9,576) | (8,569) | (5,025) |
| Comprehensive income attributable to Digital Realty Trust, Inc. | $324,031 | $275,432 | $387,172 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except share data)

| | Redeemable Noncontrolling Interests — Operating Partnership | Preferred Stock | Number of Common Shares | Common Stock | Additional Paid-in Capital | Accumulated Dividends in Excess of Earnings | Accumulated Other Comprehensive Income (Loss), net | Total Stockholders' Equity | Noncontrolling Interests in Operating Partnership | Noncont Interests in Consolic Joint Ventures |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2015 | $— | $1,290,135 | 146,384,247 | $1,456 | $4,655,220 | $(1,350,089) | $(96,590 ) | $4,500,132 | $29,612 | $6,758 |
| Conversion of common units to common stock | — | — | 430,493 | 5 | 5,237 | — | — | 5,242 | (5,242 ) | — |
| Issuance of unvested restricted stock, net of forfeitures | — | — | 120,082 | — | — | — | — | — | — | — |
| Issuance of common stock in exchange for cash, net of offering costs | — | — | 12,000,000 | 120 | 1,085,324 | — | — | 1,085,444 | — | — |
| Exercise of stock options | — | — | 33,948 | — | 1,380 | — | — | 1,380 | — | — |
| Redemption of series E preferred stock | — | (277,172 ) | — | — | — | (10,328 ) | — | (287,500 ) | — | — |
| Preferred stock offering costs | — | (2 ) | — | — | — | — | — | (2 ) | — | — |
| Amortization of unearned compensation on share-based awards | — | — | — | — | 24,113 | — | — | 24,113 | — | — |
| Reclassification of vested share-based awards | — | — | — | — | (10,125 ) | — | — | (10,125 ) | 10,125 | — |
| Dividends declared on preferred stock | — | — | — | — | — | (83,771 ) | — | (83,771 ) | — | — |
| | — | — | — | — | — | (529,419 ) | — | (529,419 ) | (9,469 ) | — |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Dividends and distributions on common stock and common and incentive units | | | | | | | | | | |
| Distributions to noncontrolling interests in consolidated joint ventures, net of contributions | — | — | — | — | — | — | — | — | — | (527) |
| Net income | — | — | — | — | — | 426,187 | — | 426,187 | 5,298 | 367 |
| Other comprehensive income—foreign currency translation adjustments | — | — | — | — | — | — | (85,300) | (85,300) | (1,321) | — |
| Other comprehensive income—fair value of interest rate swaps | — | — | — | — | — | — | 41,395 | 41,395 | 603 | — |
| Other comprehensive income—reclassification of accumulated other comprehensive loss to interest expense | — | — | — | — | — | — | 4,890 | 4,890 | 78 | — |
| Balance as of December 31, 2016 | $— | $1,012,961 | 159,019,118 | $1,582 | $5,764,497 | $(1,547,420) | $(135,605) | $5,096,015 | $29,684 | $6,598 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (continued)
(in thousands, except share data)

| | Redeemable Noncontrolling Interests — Operating Partnership | Preferred Stock | Number of Common Shares | Common Stock | Additional Paid-in Capital | Accumulated Dividends in Excess of Earnings | Accumulated Other Comprehensive Income (Loss), net | Total Stockholders' Equity | Nonc Intere in Opera Partne |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2016 | $— | $1,012,961 | 159,019,118 | $1,582 | $5,764,497 | $(1,547,420) | $(135,605) | $5,096,015 | $29,6 |
| Conversion of common units to common stock | — | — | 562,582 | 6 | 10,003 | — | — | 10,009 | (10,00 |
| Issuance of unvested restricted stock, net of forfeitures | — | — | 249,050 | — | — | — | — | — | — |
| Common stock and units issued in connection with DFT merger | 66,259 | — | 43,175,629 | 432 | 5,247,126 | — | — | 5,247,558 | 676,5 |
| Issuance of common stock, net of offering costs | — | — | 2,375,000 | 24 | 211,873 | — | — | 211,897 | — |
| Exercise of stock options | — | — | 17,668 | — | 729 | — | — | 729 | — |
| Shares issued under employee stock purchase plan | — | — | 71,253 | — | 5,143 | — | — | 5,143 | — |
| Issuance of series C preferred stock in connection with DFT merger | — | 219,250 | — | — | — | — | — | 219,250 | — |
| Issuance of series J preferred stock, net of offering costs | — | 193,540 | — | — | — | — | — | 193,540 | — |
| Redemption of series F preferred stock | — | (176,191) | — | — | — | (6,309) | — | (182,500) | — |
| | — | — | — | — | 27,981 | — | — | 27,981 | — |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Amortization of unearned compensation on share-based awards | | | | | | | | | |
| Reclassification of vested share-based awards | — | — | — | — | (10,057) | — | — | (10,057) | 10,05 |
| Adjustment to redeemable noncontrolling interests—operating partnership | (12,357) | — | — | — | 4,166 | — | — | 4,166 | 8,191 |
| Dividends declared on preferred stock | — | — | — | — | — | (68,802) | — | (68,802) | — |
| Dividends and distributions on common stock and common and incentive units | — | — | — | — | — | (681,280) | — | (681,280) | (20,69 |
| Distributions to noncontrolling interests in consolidated joint ventures, net of contributions | — | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | — | 248,259 | — | 248,259 | 3,770 |
| Other comprehensive income—foreign currency translation adjustments | — | — | — | — | — | — | 28,272 | 28,272 | 437 |
| Other comprehensive income—fair value of interest rate swaps and foreign currency hedges | — | — | — | — | — | — | (3,513) | (3,513) | 79 |
| Other comprehensive income—reclassification of accumulated | — | — | — | — | — | — | 2,414 | 2,414 | 45 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| other comprehensive loss to interest expense | | | | | | | | | |
| Balance as of December 31, 2017 | $53,902 | $1,249,560 | 205,470,300 | $2,044 | $11,261,461 | $(2,055,552) | $(108,432) | $10,349,081 | $698, |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (continued)
(in thousands, except share data)

| | Redeemable Noncontrolling Interests — Operating Partnership | Preferred Stock | Number of Common Shares | Common Stock | Additional Paid-in Capital | Accumulated Dividends in Excess of Earnings | Accumulated Other Comprehensive Income (Loss), net | Total Stockholders' Equity | Nonc Inter in Oper Partr |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2017 | $53,902 | $1,249,560 | 205,470,300 | $2,044 | $11,261,461 | $(2,055,552) | $(108,432) | $10,349,081 | $698 |
| Conversion of common units to common stock | — | — | 711,892 | 7 | 61,997 | — | — | 62,004 | (62,0 |
| Issuance of unvested restricted stock, net of forfeitures | — | — | 220,765 | — | — | — | — | — | — |
| Common stock offering costs | — | — | — | — | 1,194 | — | — | 1,194 | — |
| Shares issued under employee stock purchase plan | — | — | 69,532 | 1 | 5,873 | — | — | 5,874 | — |
| Shares repurchased and retired to satisfy tax withholding upon vesting | | — | (46,833) | (1) | (5,054) | — | — | (5,055) | — |
| Units issued in connection with Ascenty Acquisition | — | — | — | — | — | — | — | — | 253,8 |
| Amortization of unearned compensation on share-based awards | — | — | — | — | 32,456 | — | — | 32,456 | — |
| Reclassification of vested share-based awards | — | — | — | — | (3,772) | — | — | (3,772) | 3,77 |
| Adjustment to redeemable noncontrolling | (37,274) | — | — | — | 1,596 | — | — | 1,596 | 35,6 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| interests—operating partnership | | | | | | | | | |
| Dividends declared on preferred stock | — | — | — | — | — | (81,316) | — | (81,316) | — |
| Dividends and distributions on common stock and common and incentive units | (1,271) | — | — | — | — | (833,364) | — | (833,364) | (32,3 |
| Contributions from noncontrolling interests in consolidated joint ventures, net of distributions | — | — | — | — | — | — | — | — | — |
| Cumulative effect adjustment from adoption of new accounting standard | — | — | — | — | — | 5,915 | — | 5,915 | — |
| Net income | 475 | — | — | — | — | 331,246 | — | 331,246 | 9,70 |
| Other comprehensive income—foreign currency translation adjustments | — | — | — | — | — | — | (11,279) | (11,279) | (457 |
| Other comprehensive income—fair value of interest rate swaps | — | — | — | — | — | — | 7,890 | 7,890 | 307 |
| Other comprehensive income—reclassification of accumulated other comprehensive income to interest expense | — | — | — | — | — | — | (3,826) | (3,826) | (143 |
| Balance as of December 31, 2018 | $15,832 | $1,249,560 | 206,425,656 | $2,051 | $11,355,751 | $(2,633,071) | $(115,647) | $9,858,644 | $906 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Cash flows from operating activities: | | | |
| Net income | $341,115 | $256,267 | $431,852 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Gain on sale of properties | (80,049) | (40,354) | (169,902) |
| Gain on lease termination | — | — | (29,205) |
| Unrealized gain on marketable equity security | (1,631) | — | — |
| Impairment of investments in real estate | — | 28,992 | — |
| Equity in earnings of unconsolidated joint ventures | (32,979) | (25,516) | (17,104) |
| Distributions from unconsolidated joint ventures | 21,905 | 31,747 | 16,755 |
| Write-off of net assets due to early lease terminations | 2,818 | 3,076 | 213 |
| Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases | 770,275 | 594,996 | 518,716 |
| Amortization of acquired in-place lease value, deferred leasing costs and intangibles | 416,621 | 247,468 | 180,608 |
| Amortization of share-based unearned compensation | 27,159 | 20,521 | 17,433 |
| Non-cash amortization of terminated interest rate swaps | 1,120 | 1,204 | — |
| Allowance for (recovery of) doubtful accounts | 6,304 | (776) | 1,602 |
| Amortization of deferred financing costs | 11,537 | 10,634 | 9,908 |
| Loss (gain) on early extinguishment of debt | 1,568 | (1,990) | 1,011 |
| Amortization of debt discount/premium | 3,538 | 2,992 | 2,616 |
| Amortization of acquired above-market leases and acquired below-market leases, net | 26,530 | 1,770 | (8,351) |
| Changes in assets and liabilities, net of impact of business combinations | | | |
| Accounts and other receivables | (21,318) | (73,717) | (13,754) |
| Deferred rent | (39,905) | (16,564) | (24,401) |
| Deferred leasing costs | (72,104) | (15,363) | 60 |
| Other assets | (9,145) | (1,800) | (69,924) |
| Accounts payable and other accrued liabilities | 39,192 | (16,384) | 38,432 |
| Security deposits and prepaid rents | (27,227) | 16,102 | 24,677 |
| Net cash provided by operating activities | 1,385,324 | 1,023,305 | 911,242 |
| Cash flows from investing activities: | | | |
| Improvements to and advances for investments in real estate | (1,325,162) | (1,150,619) | (758,081) |
| Ascenty acquisition | (1,679,830) | — | — |
| Cash assumed in business combinations | 116,000 | 20,650 | — |
| Acquisitions of real estate, net of cash acquired | (410,712) | (415,764) | (873,285) |
| Proceeds from sale of assets, net of sales costs | 286,204 | 89,333 | 359,319 |
| Distribution of debt proceeds from closing of joint venture | — | 135,793 | — |
| Investments in unconsolidated joint ventures | (673) | (93,405) | — |
| Excess proceeds from forward contract settlement | — | 63,956 | — |
| Prepaid construction costs and other investments | (13,254) | — | (32,095) |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Improvement advances to tenants | (48,502) | (50,857) | (16,239) |
| Collection of advances from tenants for improvements | 39,936 | 43,760 | 16,784 |
| Net cash used in investing activities | (3,035,993) | (1,357,153) | (1,303,597) |
| Cash flows from financing activities: | | | |
| Borrowings on global revolving credit facility | $3,046,245 | $2,180,556 | $2,533,507 |
| Repayments on global revolving credit facility | (1,945,594) | (2,304,686) | (3,283,087) |
| Borrowings on unsecured term loans | 467,922 | — | 766,201 |
| Repayments on unsecured term loans | (674,332) | (371,520) | (170,736) |
| Borrowings on unsecured senior notes | 1,169,006 | 2,265,060 | 675,591 |
| Principal payments on unsecured senior notes | — | (884,841) | — |
| Borrowings on secured debt | 600,000 | 104,000 | — |
| Principal payments on secured debt | (594) | (105,546) | (299,826) |
| Repayments on other secured loans | — | (50,000) | (25,000) |
| Earnout payments related to acquisitions | — | — | (23,213) |
| Payment of loan fees and costs | (44,299) | (16,830) | (19,574) |
| Capital contributions from (distributions to) noncontrolling interests in consolidated joint ventures, net | 66,124 | (8,593) | (527) |
| Taxes paid related to net settlement of stock-based compensation awards | (5,055) | — | — |
| Proceeds from common and preferred stock offerings, net | 1,194 | 405,437 | 1,085,442 |
| Proceeds from equity plans | 5,874 | 5,872 | 4,729 |
| Redemption of preferred stock | — | (182,500) | (287,500) |
| Proceeds from forward swap contract | 1,560 | — | — |
| Payment of dividends to preferred stockholders | (81,316) | (68,802) | (83,771) |
| Payment of dividends to common stockholders and distributions to noncontrolling interests in operating partnership | (849,466) | (646,407) | (521,619) |
| Net cash provided by financing activities | 1,757,269 | 321,200 | 350,617 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 106,600 | (12,648) | (41,738) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 15,441 | 3,793 | (11,288) |
| Cash, cash equivalents and restricted cash at beginning of year | 13,181 | 22,036 | 75,062 |
| Cash, cash equivalents and restricted cash at end of year | $135,222 | $13,181 | $22,036 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest, net of amounts capitalized | $288,643 | $211,549 | $216,713 |
| Cash paid for income taxes | 11,224 | 9,456 | 3,698 |
| Supplementary disclosure of noncash investing and financing activities: | | | |
| Change in net assets related to foreign currency translation adjustments | $(11,736 ) | $28,709 | $(86,621 ) |
| Accrual of dividends and distributions | 217,241 | 199,761 | 144,194 |
| Increase (decrease) in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps | 8,197 | (3,434 ) | 41,998 |
| Noncontrolling interests in operating partnership redeemed for or converted to shares of common stock | 62,004 | 10,009 | 5,242 |
| Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses | 189,508 | 149,548 | 128,531 |
| Assumption of capital lease obligations upon acquisition | 75,030 | — | 118,923 |
| Non-cash derecognition of capital lease obligation | 17,294 | — | — |
| | | | |
| Allocation of purchase price of real estate/investment in partnership to: | | | |
| Investments in real estate | $410,712 | $366,105 | $378,431 |
| Accounts receivable | — | — | 8,537 |
| Goodwill | — | — | 448,123 |
| Acquired above-market leases | — | 21,043 | — |
| Acquired in-place lease value and deferred leasing costs | — | 30,111 | 226,877 |
| Other assets | — | — | 9,011 |
| Capital lease obligations | — | — | (118,923 ) |
| Acquired below-market leases | — | (1,495 ) | (922 ) |
| Accounts payables and other accrued liabilities | — | — | (69,084 ) |
| Security deposits and prepaid rents | — | — | (8,765 ) |
| Cash paid for acquisition of real estate | $410,712 | $415,764 | $873,285 |
| | | | |
| Allocation of purchase price to business combinations: | | | |
| Cash and cash equivalents | $116,000 | $20,650 | $— |
| Land | — | 312,579 | — |
| Buildings and improvements | 425,000 | 3,677,497 | — |
| Accounts receivables and other assets | 30,000 | 10,978 | — |
| Acquired above-market leases | — | 162,333 | — |
| Tenant relationship and acquired in-place lease value | 495,000 | 1,582,385 | — |
| Goodwill | 982,667 | 2,592,181 | — |
| Revolving credit facility | — | (450,697 ) | — |
| Unsecured term loan | — | (250,000 ) | — |
| Unsecured notes | — | (886,831 ) | — |
| Mortgage notes payable and unsecured debt | — | (105,000 ) | — |

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| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Accounts payable and other accrued liabilities | (90,000 ) | (248,259 ) | — |
| Acquired below-market leases | — | (185,543 ) | — |
| Other working capital, net | — | (22,640 ) | — |
| Redeemable noncontrolling interests -- operating partnership | — | (66,259 ) | — |
| Common stock issued in connection with merger | — | (5,247,558 ) | — |
| Noncontrolling interests in operating partnership | (253,837 ) | (676,566 ) | — |
| Noncontrolling interests in consolidated joint venture | (25,000 ) | — | — |
| Issuance of preferred stock in connection with merger | — | (219,250 ) | — |
| Cash consideration | $ 1,679,830 | $ — | $ — |
| | | | |
| Contribution of assets and liabilities to unconsolidated joint venture: | | | |
| Investments in real estate | $ — | $ 119,106 | $ — |
| Other assets | — | 16,700 | — |
| Other liabilities | — | (31,634 ) | — |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Investments in real estate: | | |
| Properties: | | |
| Land | $1,509,764 | $1,136,341 |
| Acquired ground leases | 10,575 | 11,150 |
| Buildings and improvements | 16,745,210 | 15,215,405 |
| Tenant improvements | 574,336 | 553,040 |
| Total investments in properties | 18,839,885 | 16,915,936 |
| Accumulated depreciation and amortization | (3,935,267) | (3,238,227) |
| Net investments in properties | 14,904,618 | 13,677,709 |
| Investments in unconsolidated joint ventures | 175,108 | 163,477 |
| Net investments in real estate | 15,079,726 | 13,841,186 |
| Cash and cash equivalents | 126,700 | 51 |
| Accounts and other receivables, net of allowance for doubtful accounts of $11,554 and $6,737 as of December 31, 2018 and December 31, 2017, respectively | 299,621 | 276,347 |
| Deferred rent | 463,248 | 430,026 |
| Acquired above-market leases, net of accumulated amortization of $158,037 and $110,139 as of December 31, 2018 and December 31, 2017, respectively | 119,759 | 184,375 |
| Goodwill | 4,348,007 | 3,389,595 |
| Acquired in-place lease value, deferred leasing costs and intangibles, net of accumulated amortization of $1,355,013 and $1,016,989 as of December 31, 2018 and December 31, 2017, respectively | 3,144,395 | 2,998,806 |
| Restricted cash | 8,522 | 13,130 |
| Assets held for sale | — | 139,538 |
| Other assets | 176,717 | 131,291 |
| Total assets | $23,766,695 | $21,404,345 |
| LIABILITIES AND CAPITAL | | |
| Global revolving credit facilities | $1,647,735 | $550,946 |
| Unsecured term loans | 1,178,904 | 1,420,333 |
| Unsecured senior notes, net of discount | 7,589,126 | 6,570,757 |
| Mortgage loans, including premiums | 685,714 | 106,582 |
| Accounts payable and other accrued liabilities | 1,164,509 | 980,218 |
| Accrued distributions | 217,241 | 199,761 |
| Acquired below-market leases, net of accumulated amortization of $242,422 and $219,654 as of December 31, 2018 and December 31, 2017, respectively | 200,113 | 249,465 |
| Security deposits and prepaid rents | 209,311 | 217,898 |
| Obligations associated with assets held for sale | — | 5,033 |
| Total liabilities | 12,892,653 | 10,300,993 |

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DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(in thousands, except unit data)

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Redeemable limited partner common units | 15,832 | 53,902 |
| Commitments and contingencies | | |
| Capital: | | |
| Partners' capital: | | |
| General Partner: | | |
| Preferred units, 50,650,000 units issued and outstanding as of December 31, 2018 and December 31, 2017 ($1,266,250 liquidation preference, $25.00 per unit) | 1,249,560 | 1,249,560 |
| Common units, 206,425,656 and 205,470,300 units issued and outstanding as of December 31, 2018 and December 31, 2017, respectively | 8,724,731 | 9,207,953 |
| Limited Partners, 10,580,884 and 8,489,095 units outstanding as of December 31, 2018 and December 31, 2017, respectively | 911,256 | 702,579 |
| Accumulated other comprehensive loss | (120,393) | (112,885) |
| Total partners' capital | 10,765,154 | 11,047,207 |
| Noncontrolling interests in consolidated joint ventures | 93,056 | 2,243 |
| Total capital | 10,858,210 | 11,049,450 |
| Total liabilities and capital | $23,766,695 | $21,404,345 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(in thousands, except unit and per unit data)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Operating Revenues: | | | |
| Rental and other services | $2,412,076 | $2,010,301 | $1,746,828 |
| Tenant reimbursements | 624,637 | 440,224 | 355,903 |
| Fee income and other | 9,765 | 7,403 | 39,482 |
| Total operating revenues | 3,046,478 | 2,457,928 | 2,142,213 |
| Operating Expenses: | | | |
| Rental property operating and maintenance | 957,065 | 759,616 | 660,177 |
| Property taxes | 129,516 | 124,014 | 102,497 |
| Insurance | 11,402 | 10,981 | 9,492 |
| Depreciation and amortization | 1,186,896 | 842,464 | 699,324 |
| General and administrative | 163,667 | 161,441 | 152,733 |
| Transaction and integration expenses | 45,327 | 76,048 | 20,491 |
| Impairment of investments in real estate | — | 28,992 | — |
| Other | 2,818 | 3,077 | 213 |
| Total operating expenses | 2,496,691 | 2,006,633 | 1,644,927 |
| Operating income | 549,787 | 451,295 | 497,286 |
| Other Income (Expenses): | | | |
| Equity in earnings of unconsolidated joint ventures | 32,979 | 25,516 | 17,104 |
| Gain on sale of property | 80,049 | 40,354 | 169,902 |
| Interest and other income | 3,481 | 3,655 | (4,564) |
| Interest expense | (321,529) | (258,642) | (236,480) |
| Tax expense | (2,084) | (7,901) | (10,385) |
| (Loss) gain from early extinguishment of debt | (1,568) | 1,990 | (1,011) |
| Net income | 341,115 | 256,267 | 431,852 |
| Net loss (income) attributable to noncontrolling interests in consolidated joint ventures | 311 | (4,238) | (367) |
| Net income attributable to Digital Realty Trust, L.P. | 341,426 | 252,029 | 431,485 |
| Preferred units distributions | (81,316) | (68,802) | (83,771) |
| Issuance costs associated with redeemed preferred units | — | (6,309) | (10,328) |
| Net income available to common unitholders | $260,110 | $176,918 | $337,386 |
| Net income per unit available to common unitholders: | | | |
| Basic | $1.21 | $0.99 | $2.21 |
| Diluted | $1.21 | $0.99 | $2.20 |
| Weighted average common units outstanding: | | | |
| Basic | 214,312,871 | 178,055,936 | 152,359,680 |
| Diluted | 214,950,934 | 178,891,648 | 153,085,706 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net income | $341,115 | $256,267 | $431,852 |
| Other comprehensive income: | | | |
| Foreign currency translation (loss) income adjustments | (11,736) | 28,709 | (86,621) |
| Increase (decrease) in fair value of interest rate swaps and foreign currency hedges | 8,197 | (3,434) | 41,998 |
| Reclassification to interest expense from interest rate swaps | (3,969) | 2,459 | 4,968 |
| Comprehensive income | $333,607 | $284,001 | $392,197 |
| Comprehensive loss (income) attributable to noncontrolling interests in consolidated joint ventures | 311 | (4,238) | (367) |
| Comprehensive income attributable to Digital Realty Trust, L.P. | $333,918 | $279,763 | $391,830 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL
(in thousands, except unit data)

| | Redeemable Limited Partner Common Units | General Partner Preferred Units | | Common Units | | Limited Partners Common Units | | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests in Consolidated Joint Ventures | Total Ca |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Units | Amount | Units | Amount | Units | Amount | | | |
| Balance as of December 31, 2015 | $— | 53,400,000 | $1,290,135 | 146,384,247 | $3,305,222 | 2,833,326 | $33,986 | $(100,964) | $6,758 | $4,535,1 |
| Conversion of limited partner common units to general partner common units | — | — | — | 430,493 | 5,242 | (430,493) | (5,242) | — | — | — |
| Issuance of unvested restricted common units, net of forfeitures | — | — | — | 120,082 | — | — | — | — | — | — |
| Issuance of common units, net of offering costs | — | — | — | 12,000,000 | 1,085,444 | — | — | — | — | 1,085,44 |
| Issuance of common units in connection with the exercise of stock options | — | — | — | 33,948 | 1,380 | — | — | — | — | 1,380 |
| Issuance of common units, net of forfeitures | — | — | — | — | — | 72,830 | — | — | — | — |
| Preferred unit offering costs | — | — | (2) | — | — | — | — | — | — | (2 |
| Units issued in connection with employee stock purchase plan | — | — | — | 50,348 | 3,349 | — | — | — | — | 3,349 |
| | — | (11,500,000) | (277,172) | — | (10,328) | — | — | — | — | (287,500 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Redemption of series E preferred units | | | | | | | | | |
| Amortization of unearned compensation on share-based awards | —— | — | — | 24,113 | — | — | — | — | 24,113 |
| Reclassification of vested share-based awards | —— | — | — | (10,125 ) | — | 10,125 | — | — | — |
| Distributions | —— | (83,771 ) | — | (528,054 ) | — | (9,469 ) | — | — | (621,294 |
| Distributions to noncontrolling interests in consolidated joint ventures, net of contributions | —— | — | — | — | — | — | — | (527 ) | (527 |
| Net income | —— | 83,771 | — | 342,416 | — | 5,298 | — | 367 | 431,852 |
| Other comprehensive loss - foreign currency translation adjustments | —— | — | — | — | — | — | (86,621 ) | — | (86,621 |
| Other comprehensive loss - fair value of interest rate swaps and foreign currency hedges | —— | — | — | — | — | — | 41,998 | — | 41,998 |
| Other comprehensive income - reclassification of accumulated other comprehensive loss to interest expense | —— | — | — | — | — | — | 4,968 | — | 4,968 |
| Balance as of December 31, 2016 | $–41,900,000 | $1,012,961 | 159,019,118 | $4,218,659 | 2,475,663 | $34,698 | $(140,619) | $6,598 | $5,132,2 |

See accompanying notes to the consolidated financial statements.

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Index to Financial Statements

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL (continued)
(in thousands, except unit data)

| | Redeemable Limited Partner Common Units | General Partner Preferred Units | | Common Units | | Limited Partners Common Units | | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests in Consolidated Joint Ventures | Total Capital |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Units | Amount | Units | Amount | Units | Amount | | | |
| Balance as of December 31, 2016 | $ — | 41,900,000 | $1,012,961 | 159,019,118 | $4,218,659 | 2,475,663 | $34,698 | $(140,619) | $6,598 | $5,132,297 |
| Conversion of limited partner common units to general partner common units | — | — | — | 562,582 | 10,009 | (562,582) | (10,009) | — | — | — |
| Issuance of unvested restricted common units, net of forfeitures | — | — | — | 249,050 | — | — | — | — | — | — |
| Issuance of common units in connection with DFT merger | 66,259 | — | — | 43,175,629 | 5,247,558 | 6,111,770 | 676,566 | — | — | 5,924,124 |
| Issuance of common units, net of offering costs | — | — | — | 2,375,000 | 211,897 | — | — | — | — | 211,897 |
| Issuance of common units in connection with the exercise of stock options | — | — | | | | | | | | |