Digital Realty Trust, Inc.
Form 10-K
February 28, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2012

¨ **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.) **(State or other jurisdiction of incorporation or organization)**	**20-2402955** **(IRS employer identification number)**
Four Embarcadero Center, Suite 3200	
San Francisco, CA **(Address of principal executive offices)**	**94111** **(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 E cumulative redeemable preferred stock, $0.01 par value per share	New York Stock Exchange
	Series F 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 ¨
Digital Realty Trust, L.P.	Yes ¨ 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 ¨ No x
Digital Realty Trust, L.P.	Yes ¨ 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 ¨
Digital Realty Trust, L.P.	Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Digital Realty Trust, Inc.	Yes x No ¨
Digital Realty Trust, L.P.	Yes x No ¨

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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Digital Realty Trust, Inc.:

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Digital Realty Trust, L.P.:

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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 ¨ No x
Digital Realty Trust, L.P.	Yes ¨ No x

The aggregate market value of the common equity held by non-affiliates of Digital Realty Trust, Inc. as of June 30, 2012 totaled approximately $8.3 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 30, 2012. The identification of 10% or greater stockholders as of June 30, 2012 is based on Schedule 13G and amended Schedule 13G reports publicly filed before June 30, 2012. 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 19, 2013
Common Stock, $.01 par value per share	125,226,031

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference portions of Digital Realty Trust, Inc. s Proxy Statement for its 2013 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, 2012 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, 2012, Digital Realty Trust, Inc. owned an approximate 97.8% common general partnership interest in Digital Realty Trust, L.P. The remaining approximate 2.2% common limited partnership interests are owned by non-affiliated investors and certain directors and officers of Digital Realty Trust, Inc. As of December 31, 2012, 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, 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.

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 the Chief Financial Officer of each entity have made the requisite certifications 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.

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

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2012

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PART I

ITEM 1. BUSINESS

General

We own, acquire, develop and manage technology-related real estate. We target high-quality, strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate enterprise datacenter users, including the information technology, or IT, departments of Fortune 100 and financial services companies. Our tenant base is diversified within the technology industry and reflects a broad spectrum of regional, national and international tenants that are leaders in their respective areas. Digital Realty Trust, L.P., a Maryland limited partnership, is the entity through which Digital Realty Trust, Inc., a Maryland corporation, conducts its business and owns its assets. Digital Realty Trust, Inc. operates as a REIT for federal income tax purposes.

At December 31, 2012, we owned 117 properties, excluding three properties held as investments in unconsolidated joint ventures, of which 92 are located throughout North America, 21 are located in Europe, three are located in Australia and one is located in Asia. Our portfolio is diversified in major markets where corporate datacenter and technology tenants are concentrated, including the Boston, Chicago, Dallas, Los Angeles, New York Metro, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the United States, Amsterdam, Dublin, London and Paris markets in Europe and Singapore, Sydney and Melbourne markets in the Asia Pacific region. Our properties contain a total of approximately 21.9 million net rentable square feet, including approximately 2.4 million square feet of space held for development. A significant component of our current and future internal growth is anticipated through the development of our existing space held for development and through acquisitions of new properties. As of December 31, 2012, our portfolio, excluding space held for development, was approximately 94.4% leased. The types of properties within our focus include:

- Internet gateway datacenters, which serve as hubs for Internet and data communications within and between major metropolitan areas;

- Corporate datacenters, which provide secure, continuously available environments for the storage and processing of critical electronic information. Data centers are used for disaster recovery purposes, transaction processing and to house corporate IT operations;

- Technology manufacturing properties, which contain highly specialized manufacturing environments for such purposes as semiconductor manufacturing and specialty pharmaceutical manufacturing; and

- Regional or national offices of technology companies that are located in our target markets.

Unlike traditional office and flex/research and development space, the location of and improvements to our facilities are generally essential to our tenants businesses, which we believe results in high occupancy levels, long lease terms and low tenant turnover. In addition, many of our properties have tenant improvements that have been installed at our tenants expense. The tenant improvements in our facilities are generally readily adaptable for use by similar tenants.

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 at that location is (415) 738-6500. Our website is located at www.digitalrealty.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this annual report or any other report or document we file with or furnish to the U.S. Securities and Exchange Commission, or the SEC.

Recent Developments

On November 1, 2012, we completed the acquisition of a 271,000 square foot development property located on 34.31 acres of land in Totowa, New Jersey for a purchase price of approximately $16.8 million. The acquisition was financed with borrowings under our global revolving credit facility.

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On December 19, 2012, we completed the acquisition of an approximately 52,000 square foot data center in the Sydney market area for a purchase price of A$11.8 million (equivalent to $12.3 million based on the December 19, 2012 exchange rate of A$1.00 to $1.05). The acquisition was financed with borrowings under our global revolving credit facility.

On December 27, 2012, we completed the acquisition of three data centers that total approximately 186,000 square feet in the Paris market area for a purchase price of 60 million (equivalent to $79.4 million based on the December 27, 2012 exchange rate of 1.00 to $1.32). The acquisition was financed with borrowings under our global revolving credit facility.

On January 18, 2013, Digital Stout Holding, LLC, a wholly-owned subsidiary of Digital Realty Trust, L.P, issued £400.0 million (or approximately $634.8 million based on the January 18, 2013 exchange rate of £1.00 to $1.59) aggregate principal amount of its 4.250% Guaranteed Notes due 2025, or the 2025 notes. The 2025 notes are senior unsecured obligations of Digital Stout Holding, LLC and are fully and unconditionally guaranteed by us and Digital Realty Trust, L.P. Interest on the 2025 notes is payable semiannually in arrears at a rate of 4.250% per annum. We intend to use the net proceeds from the offering of the 2025 notes to temporarily repay borrowings under our global revolving credit facility, to acquire additional properties, to fund development opportunities, for general working capital purposes or a combination of the foregoing.

On January 28, 2013, we completed the acquisition of two properties for an aggregate purchase price of $32.5 million. One property is a 61,750 square foot datacenter and is located in the Dallas metropolitan area. The other property consists of three buildings totaling approximately 245,000 square feet and is located in the Phoenix metropolitan area. Two of the buildings are non-technical single tenant sale-leasebacks and the third building will be developed. The acquisitions were financed with borrowings under our global revolving credit facility.

On February 12, 2013, we declared the following dividends per share. The operating partnership will make an equivalent distribution per unit.

Share Class	Series D Preferred Stock and Unit	Series E Preferred Stock and Unit	Series F Preferred Stock and Unit	Common stock and common unit
Dividend and distribution amount	$0.343750	$0.437500	$0.414063	$0.780000
Dividend and distribution payable date	March 29, 2013	March 29, 2013	March 29, 2013	March 29, 2013
Dividend and distribution payable to holders of record on	March 15, 2013	March 15, 2013	March 15, 2013	March 15, 2013
Annual equivalent rate of dividend and distribution	$1.375	$1.750	$1.65625	$3.120

Effective February 26, 2013, Digital Realty Trust, Inc. converted all outstanding shares of its series D preferred stock into shares of its common stock in accordance with the terms of the series D preferred stock. Each share of series D preferred stock was converted into 0.6360 shares of common stock of Digital Realty Trust, Inc.

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirors and managers of technology-related real estate through our competitive strengths, which include:

High-Quality Portfolio that is Difficult to Replicate. Our portfolio contains state-of-the-art data center facilities with extensive tenant improvements. Based on current market rents and the estimated replacement costs of our properties and their improvements, we believe that they could not be replicated today on a cost-competitive basis. Our portfolio of corporate and Internet gateway data center facilities is equipped to meet the power and cooling requirements for the most demanding corporate IT

applications. Many of the properties in our portfolio are located on major aggregation points formed by the physical presence of multiple major telecommunications service providers, which reduces our tenants costs and operational risks and increases the attractiveness of our buildings.

Presence in Key Markets. Our portfolio is located in 32 metropolitan areas, including the Boston, Chicago, Dallas, Los Angeles, New York Metro, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the United States, the Amsterdam, Dublin, London and Paris markets in Europe and the Singapore, Sydney and Melbourne markets in the Asia Pacific region, and is diversified so that no one market represented more than 12.1% of the aggregate annualized rent of our portfolio as of December 31, 2012. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Revenue Base.

Proven Experience Executing New Leases. We have considerable experience in identifying and leasing to new tenants. The combination of our specialized data center leasing team and customer referrals continues to provide a robust pipeline of new tenants. During the year ended December 31, 2012, we commenced new leases totaling approximately 1.0 million square feet, which represent approximately $134.9 million in annualized GAAP rent. These leases were comprised of Powered Base Buildings®, Turn-Key Flex℠, Custom Solutions (formerly referred to as Build-to-Suit) and ancillary office and other uses.

Demonstrated Acquisition Capability. As of December 31, 2012, our portfolio consisted of 117 technology-related real estate properties, excluding three properties held as investments in unconsolidated joint ventures and developable land, for an aggregate of 21.9 million net rentable square feet, including approximately 2.4 million square feet of space held for development. We have developed detailed, standardized procedures for evaluating acquisitions, including income producing assets and vacant properties suitable for development, to ensure that they meet our financial, technical and other criteria. These procedures and our in-depth knowledge of the technology and data center industries allow us to identify strategically located properties and evaluate investment opportunities efficiently and, as appropriate, commit and close quickly. Our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate enables us to capitalize on acquisition opportunities. As a result, we acquired a substantial portion of our properties before they were broadly marketed by real estate brokers.

Flexible Datacenter Solutions. We provide flexible, customer oriented solutions designed to meet the needs of technology and corporate data center users, including Turn-Key Flex℠, Powered Base Building® and Custom Solutions options. Our Turn-Key Flex℠ datacenters are move-in ready, physically secure facilities with the power and cooling capabilities to support mission-critical IT enterprise applications. We believe our Turn-Key Flex℠ facilities are effective solutions for tenants that lack the expertise, capital budget or desire to provide their own extensive data center infrastructure, management and security. For tenants that possess the ability to build and operate their own facility, our Powered Base Building® solution provides the physical location, required power and network access necessary to support a state-of-the-art data center. Our in-house engineering and design and construction professionals can also provide tenants with our Custom Solutions product to meet their unique specifications. Our Critical Facilities Management® services and team of technical engineers and data center operations experts provide 24/7 support for these mission-critical facilities.

Differentiating Development Advantages. Our extensive development activity, operating scale and process-based approach to data center design, construction and operations result in significant cost savings and added value for our tenants. 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 referred to as POD Architecture®, 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 are able to deliver a fully commissioned

facility in just under 30 weeks. Finally, our access to capital allows us to provide data center solutions for tenants that do not want to invest their own capital.

Diverse Tenant Base Across a Variety of Industry Sectors. We use our in-depth knowledge of the requirements and trends for Internet and data communications and corporate data center users to market our properties to domestic and international tenants with specific technology needs. At December 31, 2012, we had 595 tenants across a variety of industry sectors, ranging from information technology and Internet enterprises to financial services, energy and manufacturing companies. Our largest tenant, comprised of subsidiaries of CenturyLink, Inc., accounted for approximately 9.1% of the aggregate annualized rent of our portfolio as of December 31, 2012 and no other single tenant accounted for more than approximately 4% of the aggregate annualized rent of our portfolio.

Experienced and Committed Management Team and Organization. Our senior management team has an average of over 30 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team s extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. At December 31, 2012, our senior management team and directors collectively owned common equity interests in our company of approximately 0.5%, which aligns their interests with those of our stockholders.

Business and Growth Strategies

Our primary business objectives are to maximize sustainable long-term growth in earnings and funds from operations per share and unit and to maximize cash flow and returns to our stockholders and our operating partnership s unitholders, including through the payment of distributions. Our business strategies to achieve these objectives are:

Achieve Superior Returns on Development Inventory. At December 31, 2012, we had approximately 2.4 million square feet of space held for development. At December 31, 2012, approximately 1,372,000 square feet was under construction for Turn-Key Flex℠, Powered Base Building® and Custom Solutions products, all of which are expected to be income producing when complete in 10 U.S. markets, one European market and one Australian market, consisting of approximately 413,000 square feet of space under development projects and approximately 959,000 square feet of land under development projects. We will continue to build-out our development portfolio when justified by anticipated returns.

Capitalize on Acquisition Opportunities. We believe that acquisitions enable us to increase cash flow and create long-term stockholder value. Our relationships with corporate information technology groups, technology tenants and real estate brokers who are dedicated to serving these tenants provide us with ongoing access to potential acquisitions and often enable us to avoid competitive bidding. Furthermore, the specialized nature of technology-related real estate makes it more difficult for traditional real estate investors to understand, which results in reduced competition for acquisitions relative to other property types. We believe this dynamic creates an opportunity for us to obtain better risk-adjusted returns on our capital.

Access and Use Capital Efficiently. We believe we can increase stockholder returns by effectively accessing and deploying capital. Since Digital Realty Trust, Inc. s initial public offering in 2004, our company has raised approximately $11.2 billion of capital through common, preferred and convertible preferred equity offerings, exchangeable debt offerings, non-exchangeable bond offerings, our global revolving credit facility, our term loan facility, the Amended and Restated Note Purchase and Private Shelf Agreement dated November 3, 2011, which we refer to as our Prudential shelf facility, among Prudential Investment Management, Inc., us, certain of our subsidiaries and the purchasers set forth therein, secured mortgage financings and refinancings and sales of non-core assets. We will endeavor to maintain financial flexibility while using our liquidity and access to capital to support operations, including our acquisition, leasing and development programs, which are important sources of our growth.

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Maximize the Cash Flow of Our Properties. We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout that may result in higher rents when leased to tenants seeking these improvements. We control our costs by negotiating expense pass-through provisions in tenant leases for operating expenses, including power costs and certain capital expenditures. Leases covering approximately 72% of the leased net rentable square feet in our portfolio as of December 31, 2012 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses.

Leverage Strong Industry Relationships. We use our strong industry relationships with national and regional corporate enterprise information technology groups and technology-intensive companies to identify and comprehensively respond to their real estate needs. Our company s leasing and sales professionals are real estate and technology industry specialists who can develop complex facility solutions for the most demanding corporate data center and other technology tenants.

Competition

We compete with numerous developers, owners and operators of real estate and datacenters, many of which own properties similar to ours in the same markets in which our properties are located, including DuPont Fabros Technology, Inc., CoreSite Realty Corporation, CyrusOne Inc. and various local developers in the U.S., and Global Switch and various regional operators in Europe, Asia and Australia. If our competitors offer space that our tenants or potential tenants perceive to be superior to ours based on numerous factors, including available power, security considerations, location, or connectivity, or if they offer rental rates below current market rates, or below the rental rates we are offering, we may lose tenants or potential tenants or be required to incur costs to improve our properties or reduce our rental rates. In addition, recently many of our competitors have developed additional datacenter space. If the supply of datacenter 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. Finally, if tenants or potential tenants desire services that we do not offer, we may not be able to lease our space to those tenants. 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.

Geographic Information

Operating revenues from properties in the United States were $1,050.2 million, $946.0 million and $771.7 million and outside the United States were $228.9 million, $116.7 million and $93.7 million for the years ended December 31, 2012, 2011 and 2010, respectively. We had long-lived assets located in the United States of $5,009.6 million, $4,255.2 million and $3,806.3 million and outside the United States of $2,526.9 million, $963.3 million and $760.5 million as of December 31, 2012, 2011 and 2010, respectively.

Operating revenues from properties located in England were $117.2 million $43.6 million and $38.6 million, or 9.2%, 4.1% and 4.5% of total operating revenues for the years ended December 31, 2012, 2011 and 2010, respectively. No foreign country comprised more than 10% of total operating revenues. We had long-lived assets located in England of $1,679.5 million, $356.0 million and $288.2 million, or 22.3%, 6.8% and 6.3% of total long-lived assets as of December 31, 2012, 2011 and 2010, respectively, no other foreign country comprised more than 10% of total long-lived assets as of December 31, 2012, 2011 and 2010, respectively. See Risk Factors Ownership of properties 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 special 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 markets for risks relating to our foreign operations.

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Regulation

General

Office properties in our markets are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe that each of our properties as of December 31, 2012 has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

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. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

Under various laws relating to the protection of the environment, 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 that property, and may be required to investigate and clean up such contamination at or emanating from that 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. Previous owners used some of our properties for industrial and retail purposes, and those properties may contain some level of environmental contamination. Fuel storage tanks are present at many 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.

Some of the 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.

In addition, some of our tenants, 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, including chemical solvents, medical waste, hydrocarbons, batteries and pesticides. Environmental laws and regulations subject our tenants, and potentially us, to liability resulting from these activities or from previous industrial or retail uses of those properties. Environmental liabilities could also affect a tenant s ability to make rental payments to us. We require our tenants to comply with these environmental laws and regulations and to indemnify us for any related liabilities.

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. None of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, assets, results of operations or our competitive position. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental

conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

Our properties and their uses often require permits from various government agencies, including permits related to zoning and land use, such as permits to operate data center facilities. 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 some 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.

The environmental laws and regulations including 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 which provide our facilities with electricity to which our properties are subject may change in the future, and new laws and regulations may be created. 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, common stock s per share trading price, our competitive position and ability to satisfy our debt service obligations.

Insurance

We currently carry comprehensive 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. We carry limited earthquake insurance on our properties in an amount and with deductibles which we believe are commercially reasonable. Certain of the properties in our portfolio are located in areas known to be seismically active. See Risk Factors Risks Related to Our Business and Operations Potential losses may not be covered by insurance.

Employees

As of December 31, 2012, we had 702 employees. None of these employees are represented by a labor union.

How to Obtain Our SEC Filings

All reports we file with the SEC will be available free of charge via EDGAR through the SEC website at www.sec.gov. In addition, the public may read and copy materials we file with the SEC at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. We will also provide copies of our Forms 8-K, 10-K, 10-Q, Proxy Statement, Annual Report 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.

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Offices

Our headquarters are located in San Francisco. We have domestic offices in Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia and Phoenix and international offices in Dublin, London, Paris, Singapore and Sydney.

Reports to Security Holders

Digital Realty Trust, Inc. is required to send an annual report to its securityholders and to our operating partnership s unitholders.

ITEM 1A. RISK FACTORS

For purposes of this section, the term stockholders means the holders of shares of Digital Realty Trust, Inc. s common stock and preferred stock. Set forth below are the risks that we believe are material to Digital Realty Trust, Inc. s stockholders and Digital Realty Trust, L.P. s unitholders. You should carefully consider the following factors in evaluating our company, our properties and our business. The occurrence of any of the following risks might cause Digital Realty Trust, Inc. s stockholders and Digital Realty Trust, L.P. s unitholders to lose all or a part of their investment. Some statements in this report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements starting on page 33.

Risks Related to Our Business and Operations

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

In the United States and globally, market and economic conditions have been unprecedented over the past few years and challenging with tighter credit conditions and slower economic growth in all markets in which we own properties and conduct our operations. The U.S. and global economies have experienced a recession and face continued concerns about the systemic impact of adverse economic conditions, such as high energy costs, geopolitical issues, the availability and cost of credit, unstable global financial and mortgage markets, high corporate, consumer and governmental debt levels, ongoing sovereign debt and economic issues in European countries, concerns regarding the U.S. budget deficit, debt ceiling, spending cuts and the possibility of further downgrades to the U.S. government s credit rating, high unemployment and declining residential and commercial real estate markets.

As a result of these conditions, general economic conditions and the cost and availability of capital have been and may again be adversely affected in some or all of the markets in which we own properties and conduct our operations. Renewed or increased turbulence in the U.S., European and other international financial markets and economies may adversely affect our ability, and the ability of our tenants, 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 tenants , businesses, financial condition and results of operations.

In addition, our access to funds under our global revolving credit facility and other lines of credit depend 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.

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Our properties depend upon the demand for technology-related real estate.

Our portfolio of properties consists primarily of technology-related real estate and datacenter real estate in particular. A decrease in the demand for datacenter 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 tenant base or less specialized use. Our substantial development activities make us particularly susceptible to general economic slowdowns, including recessions, as well as adverse developments in the corporate datacenter, 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 datacenter space. Reduced demand could also result from business relocations, including to markets that we do not currently serve. Changes in industry practice or in technology, such as virtualization technology, more efficient or miniaturization of computing or networking devices, or devices that require higher power densities than today s devices, could also reduce demand for the physical datacenter 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 tenants 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.

We may be unable to lease vacant or development space or renew leases, or re-lease space as leases expire.

At December 31, 2012, we owned approximately 2.4 million square feet of space held for development. At December 31, 2012, approximately 1.4 million square feet was under construction for Turn-Key Flex℠, Powered Base Building® and Custom Solutions products. We intend to continue to add new space to our development inventory and to continue to develop additional space from this inventory. A substantial portion of the space that we develop is, and will continue to be, developed on a speculative basis, meaning that we do not have a signed lease for the space when we begin the development process. We also develop space specifically for tenants pursuant to leases signed prior to beginning the development process. In those cases, if we fail to meet our development obligations under those leases, these tenants may be able to terminate the leases and we would be required to find a new tenant 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 tenant may be entitled to terminate its lease, seek damages or penalties against us or pursue other remedies and we may be required to find a new tenant 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. If we are not able to 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 revenue and operating results could be adversely affected.

In addition, as of December 31, 2012, leases representing 11.2% of the square footage of the properties in our portfolio, excluding space held for development, were scheduled to expire through 2014, and an additional 5.6% 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 today s advanced data centers, or may no longer be suitable for this use. In addition, we cannot assure you that leases 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 tenants do not renew their leases, we do not re-lease our available space, including newly developed space and space for which leases 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.

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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 income tax at regular corporate rates 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 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 and growth thereof, 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 properties 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 rental rates, a significant adverse change in the extent or manner the property is being used, a significant adverse change in the expected use 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, or a history of operating or cash flow losses. When such impairment indicators exist, we review an estimate of future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment s use and eventual disposition compared 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. Impairment charges could adversely affect our financial condition, results of operations and cash available for distribution.

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

As of December 31, 2012, the 20 largest tenants in our property portfolio represented approximately 47% of the total annualized rent generated by our properties. Our largest tenants by annualized rent are subsidiaries of

CenturyLink, Inc. (Savvis/Qwest), SoftLayer Technologies, Inc. and telx Group, Inc. In 2011, CenturyLink, Inc. acquired Savvis Communications Corporation, or Savvis, and Qwest Communications International, Inc., or Qwest, which are our direct tenants. Savvis and Qwest are now wholly-owned subsidiaries of CenturyLink, Inc. CenturyLink, Inc. (Savvis/Qwest) leased approximately 2.8 million square feet of net rentable space as of December 31, 2012, representing approximately 9.1% of the total annualized rent generated by our properties. SoftLayer Technologies, Inc. leased approximately 373,000 square feet of net rentable space as of December 31, 2012, representing approximately 4.0% of the total annualized rent generated by our properties. telx Group, Inc. leased approximately 289,000 square feet of net rentable space as of December 31, 2012, representing approximately 3.9% of the total annualized rent generated by our properties. In addition, 43 of our 117 properties are occupied by single tenants, including properties occupied solely by CenturyLink, Inc. (Savvis/Qwest) and SoftLayer Technologies, Inc. Many factors, including global economic conditions, may cause our tenants 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 payments or their default under their leases. If any tenant defaults or fails to make timely rent payments, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment.

Our tenants may choose to develop new data centers or expand their own existing data centers, which could result in the loss of one or more key tenants or reduce demand for our newly developed data centers, which could have a material adverse effect on our revenues and results of operations.

Our tenants may choose to develop new data centers or expand or consolidate into data centers that we do not own in the future. In the event that any of our key tenants were to do so, it could result in a loss of business to us or put pressure on our pricing. If we lose a tenant, we cannot assure you that we would be able to replace that tenant at a competitive rate or at all, which could have a material adverse effect on our revenues and results of operations.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties.

If any tenant becomes a debtor in a case under the federal Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate its lease with us. Our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In either case, our claim for unpaid rent would likely not be paid in full. As of December 31, 2012, we had no material tenants in bankruptcy.

Our revenue and cash available for distribution could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in its business, or fail to renew its lease or renew on terms less favorable to us than its current terms.

Our portfolio of properties depends upon local economic conditions and is geographically concentrated in certain locations.

Our portfolio is located in 32 metropolitan areas. Many of these markets experienced downturns in recent years and are currently experiencing downturns as a result of the global economic crisis or other factors. We depend upon the local economic conditions in these markets, including local real estate conditions, and our operations, revenue and cash available for distribution could be materially adversely affected by local economic conditions in these markets. Our operations may also be affected if too many competing properties are built in any of these markets or supply otherwise increases or exceeds demand. We cannot assure you that these markets will grow or will remain favorable to technology-related real estate.

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As of December 31, 2012, our portfolio was geographically concentrated in the following metropolitan markets.

Metropolitan Market	Percentage of December 31, 2012 total annualized rent[(1)]
London, England	12.1%
Silicon Valley	10.7%
Dallas	10.7%
Northern Virginia	9.4%
New York Metro	8.7%
San Francisco	7.7%
Chicago	7.6%
Phoenix	6.8%
Boston	4.5%
Los Angeles	4.1%
Paris, France	2.7%
Dublin, Ireland	2.0%
Other	13.0%
	100.0%

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2012, multiplied by 12. The aggregate amount of abatements for the year ended December 31, 2012 was approximately $19.0 million. Total annualized rent excludes annualized rent from unconsolidated joint ventures.

In addition, we are currently developing properties in certain of these markets. Any negative changes in real estate, technology or economic conditions in these markets in particular could negatively impact our performance.

Our growth depends upon the successful development of our existing space and land held for development 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, 2012, we had approximately 2.4 million square feet of space held for development, including four vacant properties. We are and intend to continue building 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;
- budget overruns;
- changes to the plans or specifications;
- construction site accidents and other casualties;
- increased prices for raw materials or building supplies;

lack of availability and/or increased costs for specialized data center components, including long lead time items such as generators;

financing availability, including our ability to obtain construction financing and permanent financing;

increases in interest rates or credit spreads;

labor availability and costs;

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- labor 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;
- timing of the commencement of rental payments;
- access to sufficient power and related costs of providing such power to our tenants;
- environmental issues;
- 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 our dependence on the cooperation of public agencies and utility companies.

In addition, while we intend to develop data center properties primarily in markets we are familiar with, we may in the future develop properties in new geographic regions where we expect the development of property to result in favorable risk-adjusted returns on our investment. We may not possess the same level of familiarity with the development of other property types or other markets, which could adversely affect our ability to develop such properties 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.

We may be unable to identify and complete acquisitions on favorable terms or at all.

We continually evaluate the market of available properties and businesses and may acquire additional technology-related real estate when opportunities exist. Our ability to acquire properties or businesses on favorable terms may be exposed 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 acquirors may significantly increase the purchase price or result in other less favorable terms;
- even if we enter into agreements for the acquisition of technology-related real estate or businesses, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction; and
- we may be unable to finance acquisitions on favorable terms or at all.

Additionally, we may acquire properties or businesses subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown or contingent liabilities, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties or businesses, tax liabilities, claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties or businesses, and other liabilities whether incurred in the ordinary course of business or otherwise. The total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties or businesses may exceed our expectations, which may adversely affect our business, financial condition and results of operations.

Further, we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the 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. 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.

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.

We may be unable to successfully integrate and operate acquired properties or businesses.

Even if we are able to make acquisitions on advantageous terms, our ability to successfully operate them may be exposed to the following significant risks:

- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to integrate new acquisitions quickly and efficiently, particularly acquisitions of operating businesses or portfolios of properties, into our existing operations, and our results of operations and financial condition could be adversely affected;
- acquired properties may be subject to reassessment, which may result in higher than expected property tax payments; and
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates.

If we cannot 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.

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

A component of our growth strategy is to continue to acquire additional technology-related real estate. To date, a substantial portion of our acquisitions were acquired before they were widely marketed by real estate brokers, or off-market. Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of 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.

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, 2012 was approximately $4.3 billion, and we may incur significant additional debt to finance future acquisition and development activities. We have a $1.8 billion global revolving credit facility, which has a borrowing limit that we may increase to up to $2.25 billion, subject to receipt of lender commitments and other conditions precedent. At December 31, 2012, approximately $1.0 billion was available under this facility, net of outstanding letters of credit. In addition, under our

contribution agreement with respect to the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties, we have agreed to make available for guarantee up to $17.8 million of indebtedness and may enter into similar agreements in the future.

Our substantial indebtedness has important consequences in that it 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 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 are described below.

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 our variable rate debt is based upon. 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 or cap agreements for a significant portion of our floating rate debt other than the debt we incur under our global revolving credit facility. 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 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 our company 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 company s 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, term loan facility, *Prudential shelf facility, 5.875% notes due 2020, 4.50% notes due 2015, 5.250% notes due 2021, 3.625% notes due 2022 and 4.250% guaranteed notes due 2025 restrict our ability to engage in some business activities*. Our global revolving credit facility, term loan facility and Prudential shelf facility contain negative covenants and other financial and operating covenants that, among other things:

- 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, the term loan facility and the Prudential shelf 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 5.875% notes due 2020, or the 2020 notes, our 4.50% notes due 2015, or the 2015 notes, our 5.250% notes due 2021, or the 2021 notes, our 3.625% notes due 2022, or the 2022 notes, and the 2025 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, term loan facility, and Prudential shelf facility, could cause us to default on our 2020 notes, 2015 notes, 2021 notes, 2022 notes, 2025 notes, global revolving credit facility, term loan facility or Prudential shelf 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.

The exchange and repurchase rights of our exchangeable debentures may be detrimental to Digital Realty Trust, Inc. s stockholders or Digital Realty Trust, L.P. s unitholders. As of December 31, 2012, Digital Realty Trust, L.P. had outstanding $266.4 million aggregate principal amount of 5.50% Exchangeable Senior Debentures due 2029, or the 2029 debentures. The 2029 debentures are exchangeable for Digital Realty Trust, Inc. s common stock. The exchange rate of the 2029 debentures is subject to adjustment for certain events, including, but not limited to, certain dividends on Digital Realty Trust, Inc. s common stock in excess of $0.33 per share per quarter, the issuance of certain rights, options or warrants to holders of Digital Realty Trust, Inc. s common stock, subdivisions or combinations of Digital Realty Trust, Inc. s common stock, certain distributions of assets, debt securities, capital stock or cash to holders of Digital Realty Trust, Inc. s common stock and certain tender or exchange offers. The 2029 debentures are redeemable at our option for cash at any time on or after April 18, 2014 and are subject to repurchase for cash at the option of the holder on April 15 in the years 2014, 2019 and 2024, or upon the occurrence of certain events.

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If the 2029 debentures are not exchanged, the repurchase rights of holders of the exchangeable debentures may discourage or impede transactions that might otherwise be in the interest of Digital Realty Trust, Inc. s stockholders or Digital Realty Trust, L.P. s unitholders. Further, these exchange or repurchase rights might be triggered in situations where we need to conserve our cash reserves, in which event such repurchase might adversely affect us, Digital Realty Trust, Inc. s stockholders and Digital Realty Trust, L.P. s unitholders.

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 cap and interest rate swap 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 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 79% of our total indebtedness as of December 31, 2012 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.

Volatility in and regulation of the commercial mortgage-backed securities market has limited and may continue to impact the pricing of secured debt. As a result of the recent crisis in the residential mortgage-backed securities markets, the recent global recession, and concerns over the ability to refinance or repay existing commercial mortgage-backed securities as they come due, liquidity previously provided by the commercial mortgage-backed securities and collateralized debt obligations markets has significantly decreased. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act imposes significant new regulations related to the mortgage-backed securities industry and market participants, which has contributed to uncertainty in the market. The volatility in the commercial mortgage-backed securities market could result in the following adverse effects on our incurrence of secured debt, which could have a materially negative impact on our financial condition, results of operations, cash flow and cash available for distribution:

- higher loan spreads;
- tighter loan covenants;
- reduced loan to value ratios and resulting borrower proceeds; and
- higher amortization and reserve requirements.

We have owned certain of our properties for a limited time.

We owned 117 properties at December 31, 2012, excluding three properties held as investments in unconsolidated joint ventures and developable land. All of our properties have been under our management for less than nine years, and we have owned 13 of the properties for less than one year at December 31, 2012. The properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential. We cannot assure you that the operating performance of the properties will not decline under our management. In addition, we have a limited history operating Turn-Key Flex[SM] facilities that we have developed. Because we generally cannot pass operating expenses (other than energy costs) on to our tenants in Turn-Key Flex[SM] facilities, if we incur operating expenses greater than we anticipated based on our limited operating history, our results of operations could be negatively impacted.

We may have difficulty managing our growth.

We have significantly and rapidly expanded the size of our company. For example, during 2012, we acquired 13 properties and we increased the number and size of our development activities. 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 Exchange Act and the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The requirements of these rules and regulations will increase our 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 our cash available for distribution.

Tax protection provisions on certain properties could limit our operating flexibility.

We have agreed with the third-party contributors who contributed the direct and indirect interests in the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties to indemnify them against adverse tax consequences if we were to sell, convey, transfer or otherwise dispose of all or any portion of these interests, in a taxable transaction, in these properties. However, we can sell these properties in a taxable transaction if we pay the contributors cash in the amount of their tax liabilities arising from the transaction and tax payments. The 200 Paul Avenue 1-4 and 1100 Space Park Drive properties represented 3.8% of our portfolio s annualized rent as of December 31, 2012. These tax protection provisions apply for a period expiring on the earlier of November 3, 2013 and the date on which these contributors (or certain transferees) hold less than 25% of the units issued to them in connection with the contribution of these properties to us. Although it may be in the best interest of Digital Realty Trust, Inc. s stockholders and Digital Realty Trust, L.P. s unitholders that we sell a property, it may be economically disadvantageous for us to do so because of these obligations. We have also agreed to make available for guarantee up to $17.8 million of debt for these contributors. We agreed to these provisions in order to assist these contributors in preserving their tax position after their contributions.

Potential losses may not be covered by insurance.

We currently carry comprehensive 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. Although we purchase earthquake insurance, it is subject to high deductibles and a significant portion of our properties is located in seismically active zones such as California, which represents approximately 23% of our portfolio s annualized rent as of December 31, 2012. One catastrophic event, for example, in California, could significantly impact multiple properties, 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. In addition, 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, tenants 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 tenants 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 tenants 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 tenants. 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 tenants experiences 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 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 face significant competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate and datacenters, many of which own properties similar to ours in the same markets in which our properties are located, including DuPont Fabros Technology, Inc., CoreSite Realty Corporation, CyrusOne Inc. and various local developers in the U.S., and Global Switch and various regional operators in Europe, Asia and Australia. In addition, we may in the future face competition from new entrants into the datacenter 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 tenants or potential tenants perceive to be superior to ours based on numerous factors, including available power, security considerations, location, or connectivity, or if they offer rental rates below current market rates, or below the rental rates we are offering, we may lose tenants or potential tenants or be required to incur costs to improve our properties or reduce our rental rates. In addition, recently many of our competitors have developed additional datacenter space. If the supply of datacenter 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 tenants or potential tenants desire services that we do not offer, we may not be able to lease our space to those tenants. 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.

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

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, partnership, joint venture or other entity. In that event, we would not be in a position to exercise sole decision-making authority regarding the property, 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 or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers 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 the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our day-to-day business. Consequently, actions by or disputes with partners or co-venturers 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 or co-venturers. Finally, we may share information with our third-party partners or co-venturers. 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.

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Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel of our company, particularly Michael Foust, Digital Realty Trust, Inc. s Chief Executive Officer, A. William Stein, Digital Realty Trust, Inc. s Chief Financial Officer and Chief Investment Officer and Scott Peterson, Digital Realty Trust, Inc. s Chief Acquisitions Officer. 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 tenants 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 tenants 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 better able to negotiate with tenants. 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.

Our properties may not be suitable for lease to datacenter or traditional technology office tenants without significant expenditures or renovations.

Because many of our properties contain tenant improvements installed at our tenants expense, they may be better suited for a specific corporate enterprise datacenter user or technology industry tenant and could require significant modification in order for us to re-lease vacant space to another corporate enterprise datacenter user or technology industry tenant. 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 datacenter use. For the same reason, our properties also may not be suitable for lease to traditional office tenants without significant expenditures or renovations. As a result, we may be required to invest significant amounts or offer significant discounts to tenants in order to lease or re-lease that space, either of which could adversely affect our financial and operating results.

Our data center infrastructure may become obsolete, and we may not be able to upgrade our power and cooling systems cost-effectively, or at all.

Our data center infrastructure may become obsolete due to the development of new systems to deliver power to or eliminate heat in our facilities. Additionally, our data center infrastructure could become obsolete as a result of 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. 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 which could adversely impact our business, financial condition and results of operations.

Ownership of properties located outside of the United States subjects us to foreign currency and related risks which may adversely impact our ability to make distributions.

We owned 26 properties located outside of the United States at December 31, 2012. In addition, we are currently considering, and will in the future consider, additional international acquisitions.

The ownership of properties located outside of the United States subjects us to risk from fluctuations in exchange rates between foreign currencies and the U.S. dollar. We expect that our principal foreign currency exposure will be to the British Pound and the Euro. 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.

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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, although we cannot assure you that we will be able to do so or that this will be effective.

Our international activities are subject to special risks different than those faced by us in the United States and we may not be able to effectively manage our international business.

We have acquired and developed, and may continue to acquire and develop, properties outside the United States. Our foreign operations involve risks not generally associated with investments in the United States, including:

- our limited knowledge of and relationships with sellers, tenants, contractors, suppliers or other parties in these markets;
- 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;
- 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 tenants, suppliers or contractors;
- local business and cultural factors; and
- political and economic instability, including sovereign credit risk, in certain geographic regions.

Our inability to overcome these risks could adversely affect our foreign operations and could harm our business and results of operations.

We face risks with our international acquisitions associated with investing in unfamiliar markets.

We have acquired and may continue to acquire properties on a strategic and selective basis in international markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy 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 partners; however, we cannot assure you that all such risks will be eliminated.

Future consolidation in the technology industry could materially adversely affect our revenues by eliminating some of our potential tenants and could make us more dependent on a more limited number of tenants.

Mergers or consolidations of technology companies in the future could reduce the number of our tenants and potential tenants. If our tenants merge with or are acquired by other entities that are not our tenants, they may discontinue or reduce the use of our data centers in the future. Any of these developments could have a material adverse effect on our revenues and results of operations.

We depend on third parties to provide Internet connectivity to the tenants 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 tenants are responsible for providing their own network connectivity, we still depend upon the presence of telecommunications carriers fiber networks serving the locations of our data centers in order to attract and retain tenants. 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 Internet 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 tenants and, in turn, our own operating results.

Our new data centers 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. If the establishment of highly diverse Internet 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 tenants or retain existing tenants.

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 service, including with respect to power supply 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 and related conflicts or similar events worldwide, 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 leases include terms requiring us to meet certain service level commitments to our customers. Any failure to meet these 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, 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 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 significant or frequent service disruptions, equipment failures or physical or electronic security breaches in our data centers. Any such failures could adversely affect our business, financial condition and results of operations.

We are dependent upon third-party suppliers for power and certain other services, and we are vulnerable to service failures of our third-party suppliers and to price increases by such suppliers.

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.

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 facilities over time, the corresponding reduction in available power could limit our ability to increase occupancy rates or network density within our existing facilities. 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 leases. 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.

We may be vulnerable to security breaches which could disrupt our operations and have a material adverse effect on our revenues and results of operations.

A security breach could result in the misappropriation of our proprietary information and the information of our customers and cause interruptions or malfunctions in our or our customers operations. We may be required to expend significant financial resources to protect against such threats or to alleviate problems caused by 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, loss of existing or potential customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our revenues and results of operations.

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. In addition, our obligations under the tax protection agreements with the parties who contributed the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties to us could make it economically disadvantageous to us to sell these properties. 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. See Risks Related to Our Organizational Structure Tax consequences upon sale or refinancing. 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.

We could incur significant costs related to government regulation and private litigation over environmental matters.

Under various laws relating to the protection of the environment, 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 that property, and may be required to investigate and clean up such contamination at or emanating from that 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. Previous owners used some of our properties for industrial and retail purposes, so those properties may contain some level of environmental contamination. Fuel storage tanks are present at many 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.

Some of the 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.

In addition, some of our tenants, 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 tenants, and potentially us, to liability resulting from these activities or from previous industrial or retail uses of those properties. Environmental liabilities could also affect a tenant s ability to make rental payments to us.

Our properties and their uses often require permits from various government agencies, including permits related to zoning and land use, such as permits to operate data center facilities. 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 some 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.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

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. Future laws, ordinances or regulations may impose additional material environmental liability.

We cannot assure you that costs of future environmental compliance 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.

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 tenants, employees of our tenants and others if property damage or health concerns arise.

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

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. If one or more of the properties in our portfolio does not comply with the ADA, 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 legislation. If we incur substantial costs to comply with the ADA and any other similar legislation, 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.

We may incur significant costs complying with other regulations.

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 private damage awards. 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.

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 11,500,000 shares of 7.000% series E cumulative redeemable preferred stock outstanding and 7,300,000 shares of 6.625% series F 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 series E preferred stock or series F 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.

Our Digital Design Services® business is subject to risks particular to third-party construction projects.

Our Digital Design Services® business is new and we only have limited experience in providing design and construction services to third parties. By providing these design and construction services to third parties, we

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become subject to a variety of risks unique to these activities. If construction costs of a project exceed original estimates, such costs may have to be absorbed by us, which would make the project less profitable than originally estimated, or possibly not profitable at all. A construction project may be delayed due to government or regulatory approvals, supply shortages, or other events and circumstances beyond our control, or the time required to complete a construction project may be greater than originally anticipated. In addition, we may be liable for any injuries or damage that arise from worksite accidents, or from the design or construction of the datacenters we build. If any such excess costs, project delays or liabilities were to be material, such events may adversely affect our financial condition, results of operations and cash available for distribution.

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 affiliates, on the one hand, and our operating partnership or any partner thereof, 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. The parties who contributed the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties to our operating partnership would incur adverse income tax consequences upon the sale of these properties and on the repayment of related debt which differ from the income tax consequences to Digital Realty Trust, Inc. and its stockholders. 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 limited 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 would require the approval of Digital Realty Trust, Inc. s board of directors. 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.

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.

Digital Realty Trust, Inc. s charter and the articles supplementary with respect to the preferred stock contain 9.8% ownership limits. Digital Realty Trust, Inc. s charter, subject to certain exceptions, authorizes the company s directors to take such actions as are necessary and desirable to preserve the company 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 the company s common stock, 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of any series of preferred stock and 9.8% of the value of the company 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 the company s common stock, more than 9.8% of the outstanding shares of any series of preferred stock or more than 9.8% of the value of the company s outstanding capital stock could jeopardize the company 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 the company 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 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 E preferred stock and series F 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 E or series F 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 E preferred stock and series F 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 E preferred stock and series F 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 the company 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 company 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 company s common stock or preferred 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 10% or more of the voting power of the company s outstanding shares of voting stock or an affiliate or associate of the company who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the company 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 imposes 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 the company 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 to the business combination provisions of the MGCL and the company 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 on removal of directors and the advance notice provisions of Digital Realty Trust, Inc. s bylaws could delay, defer or prevent a transaction or a change of control of the company that might be in the best interest 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 the company, or if the provision in the 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.

Digital Realty Trust, Inc. s board of directors may change our investment and financing policies without stockholder approval or approval of Digital Realty Trust, L.P. s other partners and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Digital Realty Trust, Inc. s board of directors adopted a policy limiting our indebtedness to 60% of our total enterprise value. 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 capitalization ratio), excluding options issued under our incentive award plan, plus the aggregate value of Digital Realty Trust, L.P. 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. common stock and excluding long-term incentive units and Class C units), plus the liquidation preference of Digital Realty Trust, Inc. s outstanding preferred stock, plus the book value of our total consolidated indebtedness. However, the organizational documents of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Digital Realty Trust, Inc. s board of directors may alter or eliminate our current policy on borrowing at any time without stockholder or unitholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service and which could materially adversely affect our cash flow and our ability to pay dividends to Digital Realty Trust, Inc. s stockholders or distributions to Digital Realty Trust, L.P. s unitholders. Higher leverage also increases the risk of default on our obligations.

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 the company 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 the company to obligate itself, and the company s bylaws require it, to indemnify the company 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 and Digital Realty Trust, Inc. has entered into indemnification agreements with its officers and directors. 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 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 income tax at regular corporate rates;

- Digital Realty Trust, Inc. also could be subject to the federal alternative minimum tax 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 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 also 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 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 and state taxes, and our foreign properties and companies are subject to tax in the jurisdictions in which they operate and are located. Any federal, state or other 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.

Income from qualified dividends payable to U.S. stockholders that are individuals, trusts and estates are generally subject to tax at preferential rates. Dividends payable by REITs, however, generally are not eligible for

the preferential tax rates applicable to qualified dividend income. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the preferential rates continue to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, 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 forego 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 forego 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.

Legislative or other actions affecting REITs could have a negative effect on us.

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/or us. We cannot predict how changes in the tax laws might affect our investors and/or 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 or the federal income tax consequences of such qualification.

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 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.

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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 including 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 anticipates or the neg 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:

- the impact of the recent deterioration in global economic, credit and market conditions, including the downgrade of the U.S. government s credit rating;
- current local economic conditions in our geographic markets;
- decreases in information technology spending, including as a result of economic slowdowns or recession;
- 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);
- our dependence upon significant tenants;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;
- defaults on or non-renewal of leases by tenants;
- our failure to obtain necessary debt and equity financing;
- increased interest rates and operating costs;
- 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;

financial market fluctuations;

changes in foreign currency exchange rates;

our inability to manage our growth effectively;

difficulty acquiring or operating properties in foreign jurisdictions;

our failure to successfully integrate and operate acquired or developed properties or businesses;

the suitability of our properties and data center infrastructure, delays or disruptions in connectivity, failure of our physical infrastructure or services or availability of power;

risks related to joint venture investments, including as a result of our lack of control of such investments;

delays or unexpected costs in development of properties;

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- decreased rental rates or increased vacancy rates;
- increased competition or available supply of data center space;
- our inability to successfully develop and lease new properties and space held for development;
- difficulties in identifying properties to acquire and completing acquisitions;
- our inability to acquire off-market properties;
- our inability to comply with the rules and regulations applicable to reporting companies;
- Digital Realty Trust, Inc. s failure to maintain its status as a REIT for federal income tax purposes;
- possible adverse changes to tax laws;
- restrictions on our ability to engage in certain business activities;
- environmental uncertainties and risks related to natural disasters;
- losses in excess of our insurance coverage;
- changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and
- changes in local, state and federal regulatory requirements, including changes in 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES
Our Portfolio

As of December 31, 2012, we owned 117 properties, excluding three properties held as investments in unconsolidated joint ventures and developable land. These properties are mainly located throughout the U.S., with 21 properties located in Europe, three properties in Australia, one property in Asia and one property in Canada, and contain a total of approximately 21.9 million rentable square feet, including 2.4 million square feet of space held for development. The following table presents an overview of our portfolio of properties, excluding the three properties held as investments in unconsolidated joint ventures and land held for development, based on information as of December 31, 2012. All properties are held in fee simple except as otherwise indicated. Please refer to note 7 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, 2012.

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Property[1]	Acquisition date	Net Rentable Square Feet Excluding Space Held for Development[2]	Square Feet of Space Held for Development[3]	Annualized Rent (in thousands)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot[6]
North America						
Silicon Valley						
1350 Duane & 3080 Raymond	Oct-09	185,000		$ 10,273	100.0%	$ 55.53
3011 Lafayette Street	Jan-07	90,780		10,246	100.0%	112.87
1100 Space Park Drive	Nov-04	165,297		9,597	100.0%	58.05
1500 Space Park Drive	Sep-07	51,615		9,325	100.0%	180.66
1525 Comstock Street	Sep-07	42,385		8,532	100.0%	201.30
3105 & 3115 Alfred Street	May-10	49,858		8,369	87.9%	190.88
2045 & 2055 LaFayette Street	May-04	300,000		7,200	100.0%	24.00
34551 Ardenwood Boulevard 1-4	Jan-03	307,657		7,000	100.0%	22.75
1725 Comstock Street	Apr-10	39,643		6,670	100.0%	168.25
150 South First Street	Sep-04	179,761		6,500	93.7%	38.61
1201 Comstock Street	Jun-08	24,000		4,598	100.0%	191.58
2334 Lundy Place	Dec-02	130,752		4,525	100.0%	34.61
4650 Old Ironsides Drive	Jun-05	124,383		3,954	100.0%	31.79
2401 Walsh Street	Jun-05	167,932		3,723	100.0%	22.17
2950 Zanker Road	Aug-10	69,700		3,060	100.0%	43.89
2403 Walsh Street	Jun-05	103,940		2,304	100.0%	22.17
4700 Old Ironsides Drive	Jun-05	90,139		1,998	100.0%	22.17
444 Toyama Drive	Sep-09	42,083		1,885	100.0%	44.79
2805 Lafayette Street	Aug-10	32,133	117,867		0.0%	
47700 Kato Road & 1055 Page Avenue	Sep-03	199,352			0.0%	
		2,396,410	**117,867**	**$ 109,759**	**89.6%**	**$ 51.11**
Dallas						
2323 Bryan Street	Jan-02	453,539	23,568	$ 15,545	77.7%	$ 44.11
Convergence Business Park	Feb-12	819,243		13,088	99.7%	16.02
1232 Alma Road	Sep-09	105,726		11,777	89.0%	125.16
2440 Marsh Lane	Jan-03	135,250		11,766	91.9%	94.66
4849 Alpha Road	Apr-04	125,538		11,138	100.0%	88.72
4025 Midway Road	Jan-06	100,590		9,919	98.4%	100.17
400 S. Akard Street	Jun-12	269,563		7,910	94.7%	30.99
11830 Webb Chapel Road	Aug-04	365,647		7,735	96.3%	21.97
900 Quality Way	Sep-09	33,680	81,242	6,278	100.0%	186.40

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Property[1]	Acquisition date	Net Rentable Square Feet Excluding Space Held for Development[2]	Square Feet of Space Held for Development[3]	Annualized Rent (in thousands)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot[6]
1215 Datacenter Park	Sep-09	56,124		$ 5,972	100.0%	$ 106.41
14901 FAA Boulevard	Jun-06	263,700		5,061	100.0%	19.19
900 Dorothy Drive	Aug-10	56,176		1,565	100.0%	27.86
904 Quality Way	Sep-09	46,750		972	100.0%	20.79
908 Quality Way	Sep-09	14,400		24	100.0%	1.67
905 Security Row	Sep-09		249,657		0.0%	
1400 N. Bowser Road	Sep-09		246,940		0.0%	
1301 International Pkwy	Sep-09		20,500		0.0%	
		2,845,926	**621,907**	**$ 108,750**	**94.5%**	**$ 40.42**
Northern Virginia						
43881 Devin Shafron Drive	Mar-07	180,000		$ 18,693	100.0%	$ 103.85
43915 Devin Shafron Drive	May-09	129,033	3,247	15,876	100.0%	123.04
43791 Devin Shafron Drive	Mar-07	132,806	2,194	9,653	77.4%	93.90
43830 Devin Shafron Drive	May-09	99,652	13,598	9,608	84.4%	114.28
4050 La Fayette Center Drive	Jul-10	42,374		6,655	99.0%	158.60
4030 La Fayette Center Drive	Jul-10	72,696		5,837	100.0%	80.29
45901 & 45845 Nokes Blvd	Dec-09	167,160		4,612	100.0%	27.59
44470 Chilum Place	Feb-07	95,440		4,419	100.0%	46.30
43790 Devin Shafron Drive	May-09	152,138		3,134	100.0%	20.60
21110 Ridgetop Circle	Jan-07	135,513		2,906	100.0%	21.44
21561 & 21571 Beaumeade Circle	Dec-09	164,453		2,846	100.0%	17.31
1506 Moran Road	Dec-11	78,295		2,365	100.0%	30.21
21551 Beaumeade Circle	Dec-09	152,504		2,027	100.0%	13.29
1807 Michael Faraday Court	Oct-06	19,237		1,861	100.0%	96.74
7505 Mason King Court	Nov-08	109,650		1,820	100.0%	16.60
251 Exchange Place	Nov-05	70,982		1,689	100.0%	23.79
43831 Devin Shafron Drive	Mar-07	117,071		1,538	100.0%	13.14
8100 Boone Boulevard[7]	Oct-06	17,015		860	24.4%	206.73
4040 La Fayette Center Drive	Jul-10		30,333		0.0%	
		1,936,019	**49,372**	**$ 96,399**	**97.0%**	**$ 51.35**

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Property[1]	Acquisition date	Net Rentable Square Feet Excluding Space Held for Development[2]	Square Feet of Space Held for Development[3]	Annualized Rent (in thousands)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot[6]
New York Metro						
111 Eighth Avenue[7]	Mar-07	116,843		$ 20,496	100.0%	$ 175.41
365 S. Randolphville Road	Feb-08	172,507	92,285	19,146	98.5%	112.63
3 Corporate Place	Dec-05	276,931		18,757	100.0%	67.73
300 Boulevard East	Nov-02	346,819	22,962	17,972	92.3%	56.12
60 & 80 Merritt Boulevard	Jan-10	169,540		12,858	100.0%	75.84
701 Union Boulevard	Nov-12		271,000		0.0%	
650 Randolph Road	Jun-08		127,790		0.0%	
		1,082,640	**514,037**	**$ 89,229**	**97.3%**	**$ 84.69**
San Francisco						
200 Paul Avenue 1-4	Nov-04	494,120	33,560	$ 29,028	99.3%	$ 59.18
365 Main Street	Jul-10	226,981		26,179	84.0%	137.28
720 2nd Street	Jul-10	121,220		15,456	89.5%	142.49
360 Spear Street	Dec-11	154,950		8,185	100.0%	52.82
		997,271	**33,560**	**$ 78,848**	**94.7%**	**$ 83.47**
Chicago						
350 East Cermak Road	May-05	1,129,226	4,513	$ 68,725	98.5%	$ 61.76
600-780 S. Federal	Sep-05	142,166	19,381	7,092	79.0%	63.11
9333, 9355, 9377 Grand Avenue	May-12	457,429	117,515	1,895	100.0%	4.14
		1,728,821	**141,409**	**$ 77,712**	**97.3%**	**$ 46.19**
Phoenix						
2121 South Price Road	Jul-10	367,665	151,814	$ 35,725	80.3%	$ 120.97
120 E. Van Buren Street	Jul-06	287,514		21,924	88.2%	86.41
2055 East Technology Circle[8]	Oct-06	76,350		8,245	100.0%	107.99
2010 East Centennial Circle[9]	May-03	113,405		3,194	100.0%	28.16
		844,934	**151,814**	**$ 69,088**	**87.4%**	**$ 93.51**
Boston						
128 First Avenue DCO	Jan-10	274,750		$ 22,535	97.3%	$ 84.28
55 Middlesex	Jan-10	106,000		12,859	96.2%	126.06
100 & 200 Quannapowitt Parkway	Jun-04	286,550	100,406	6,349	89.7%	24.70
115 Second Avenue	Oct-05	66,730		3,756	100.0%	56.29
600 Winter Street	Sep-06	30,400		842	100.0%	27.70
		764,430	**100,406**	**$ 46,341**	**94.7%**	**$ 64.05**

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Property[1]	Acquisition date	Net Rentable Square Feet Excluding Space Held for Development[2]	Square Feet of Space Held for Development[3]	Annualized Rent (in thousands)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot[6]
Los Angeles						
600 West Seventh Street	May-04	489,722		$ 22,936	98.4%	$ 47.58
2260 East El Segundo Boulevard	Jul-10	132,240		12,864	99.6%	97.69
200 North Nash Street	Jun-05	113,606		2,519	100.0%	22.17
3015 Winona Avenue	Dec-04	82,911		1,672	100.0%	20.17
3300 East Birch Street	Aug-03	68,807		1,547	100.0%	22.48
		887,286		**$ 41,538**	**99.1%**	**$ 47.25**
Atlanta						
375 Riverside Parkway	Jun-03	250,191		$ 8,417	100.0%	$ 33.64
760 Doug Davis Road	Dec-11	334,306		6,376	100.0%	19.07
101 Aquila Way	Apr-06	313,581		1,411	100.0%	4.50
		898,078		**$ 16,204**	**100.0%**	**$ 18.04**
Philadelphia						
833 Chestnut Street	Mar-05	**592,295**	**62,463**	**$ 13,021**	**92.0%**	**$ 23.89**
St. Louis						
900 Walnut Street	Aug-07	105,776	6,490	$ 4,423	99.9%	$ 41.87
210 N Tucker Boulevard	Aug-07	184,490	152,926	4,306	83.3%	28.03
1 Savvis Parkway	Aug-07	156,000		3,042	100.0%	19.50
		446,266	**159,416**	**$ 11,771**	**93.0%**	**$ 28.35**
Houston						
12001 North Freeway	Apr-06	**282,483**	**18,222**	**$ 10,392**	**91.9%**	**$ 40.02**
Denver						
11900 East Cornell Avenue		285,840		$ 5,878	94.3%	$ 21.81
8534 Concord Center Drive	Jun-05	85,660		3,674	100.0%	42.89
		371,500		**$ 9,552**	**95.6%**	**$ 26.89**
Portland						
3825 NW Aloclek Place	Aug-11	**48,574**		**$ 7,873**	**100.0%**	**$ 162.08**
Miami						
36 NE 2nd Street	Jan-02	162,140		$ 5,060	99.1%	$ 31.50
2300 NW 89th Place	Sep-06	64,174		673	100.0%	10.49
		226,314		**$ 5,733**	**99.3%**	**$ 25.50**

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Property(1)	Acquisition date	Net Rentable Square Feet Excluding Space Held for Development(2)	Square Feet of Space Held for Development(3)	Annualized Rent (in thousands)(4)	Percent Leased(5)	Annualized Rent per Occupied Square Foot(6)
Sacramento						
11085 Sun Center Drive	Sep-11	69,048		$ 2,794	100.0%	$ 40.46
3065 Gold Camp Drive	Oct-04	40,394	23,397	1,912	100.0%	47.33
		109,442	**23,397**	**$ 4,706**	**100.0%**	**$ 43.00**
Charlotte						
125 North Myers	Aug-05	25,402		$ 1,392	100.0%	$ 54.80
731 East Trade Street	Aug-05	40,879		1,311	100.0%	32.07
113 North Myers	Aug-05	29,218		936	100.0%	32.04
		95,499		**$ 3,639**	**100.0%**	**$ 38.11**
Toronto, Canada						
6800 Millcreek Drive	Apr-06	**83,758**		**$ 2,034**	**100.0%**	**$ 24.28**
Minneapolis / St. Paul						
1125 Energy Park Drive	Mar-05	**112,827**		**$ 1,437**	**100.0%**	**$ 12.74**
Austin						
8025 North Interstate 35	May-12	62,237		$ 934	100.0%	$ 15.01
7620 Metro Center Drive	Dec-05	45,000		325	69.6%	10.38
7500 Metro Center Drive	Dec-05		74,962		0.0%	
		107,237	**74,962**	**$ 1,259**	**87.2%**	**$ 13.46**
Subtotal North America		**16,858,010**	**2,068,832**	**$ 805,285**	**94.8%**	**$ 50.40**
Europe						
London, England						
Unit 21 Goldworth Park Trading Estate(10)	Jul-12	340,325	139,917	$ 51,289	99.3%	$ 151.74
The Chess Building(10)	Jul-12	133,000		19,040	97.3%	147.20
Unit B Prologis Park(10)	Jul-12	120,000		16,392	100.0%	136.60
3 St. Anne s Boulevard(10)	Dec-07	96,147		12,368	73.2%	175.77
Mundells Roundabout(10)	Apr-07	113,464		8,047	100.0%	70.92
Cressex 1(10)	Dec-07	50,847		7,438	100.0%	146.28
6 Braham Street(10)	Jul-02	63,233		5,062	100.0%	80.05
2 St. Anne s Boulevard(10)	Dec-07	30,612		3,563	100.0%	116.39
1 St. Anne s Boulevard(10)	Dec-07	20,219		294	100.0%	14.54
Fountain Court(10)	Jul-11	42,764	89,814	136	16.8%	18.98
		1,010,611	**229,731**	**$ 123,629**	**93.3%**	**$ 131.07**

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Property[1]	Acquisition date	Net Rentable Square Feet Excluding Space Held for Development[2]	Square Feet of Space Held for Development[3]	Annualized Rent (in thousands)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot[6]
Paris, France						
114 Rue Ambroise Croizat[11]	Dec-06	332,795	19,351	$ 20,414	93.5%	$ 65.64
1 Rue Jean-Pierre[11]	Dec-12	104,666		4,618	100.0%	44.12
127 Rue de Paris[11]	Dec-12	59,991		1,979	100.0%	32.99
Liet-dit le Christ de Saclay[11]	Dec-12	21,337		660	100.0%	30.93
		518,789	**19,351**	**$ 27,671**	**95.8%**	**$ 55.68**
Dublin, Ireland						
Unit 9, Blanchardstown Corporate Park[11]	Dec-06	120,000		$ 10,371	98.4%	$ 87.79
Clonshaugh Industrial Estate II[11]	Feb-06	124,500		8,763	100.0%	70.39
Clonshaugh Industrial Estate I[11]	Feb-06	20,000		1,514	100.0%	75.70
		264,500		**$ 20,648**	**99.3%**	**$ 78.62**
Amsterdam, Netherlands						
Paul van Vlissingenstraat 16[11]	Aug-05	112,472		$ 7,310	81.4%	$ 79.84
Cateringweg 5[11]	Jun-10	55,972		5,522	100.0%	98.66
Naritaweg 52[11][12]	Dec-07	63,260		2,652	100.0%	41.92
Gyroscoopweg 2E-2F[11]	Jul-06	55,585		1,251	100.0%	22.51
		287,289		**$ 16,735**	**92.7%**	**$ 62.83**
Manchester, England						
Manchester Technopark, Plot C1[10]	Jun-08	**38,016**		**$ 1,915**	**100.0%**	**$ 50.37**
Geneva, Switzerland						
Chemin de l Epinglier 2[11]	Nov-05	**59,190**		**$ 1,721**	**100.0%**	**$ 29.08**
Subtotal Europe		**2,178,395**	**249,082**	**$ 192,319**	**94.9%**	**$ 93.07**
Asia / Pacific						
Singapore						
29A International Business Park[13]	Nov-10	**306,172**	**64,328**	**$ 12,816**	**77.2%**	**$ 54.19**
Melbourne, Australia						
98 Radnor Drive[14]	Aug-11	**52,988**		**$ 7,809**	**100.0%**	**$ 147.37**
Sydney, Australia						
1-23 Templar Road[14]	Jul-11	41,202	45,015	$ 1,588	16.8%	$ 230.08
23 Waterloo Rd[14]	Dec-12	51,990		1,307	100.0%	25.14
		93,192	**45,015**	**$ 2,895**	**63.2%**	**$ 49.16**
Subtotal Asia / Pacific		**452,352**	**109,343**	**$ 23,520**	**77.0%**	**$ 67.51**
Portfolio Total/Weighted Average		**19,488,757**	**2,427,257**	**$ 1,021,124**	**94.4%**	**$ 55.51**

(1) We have categorized the properties in our portfolio by metropolitan area based on annualized rent.
(2) 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 based on engineering drawings. Net rentable square feet includes tenants proportional share of common areas but excludes space held for development.
(3) Space held for development is unoccupied space that requires significant capital investment in order to develop datacenter facilities that are ready for use. Most often this is shell space. However, in certain circumstances this may include partially built datacenter space that was not completed by previous ownership or tenants and requires a large capital investment in order to build out the space.
(4) Annualized rent represents the monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2012 multiplied by 12.
(5) Excludes space held for development. Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of December 31, 2012, but for which we are not receiving rent. 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) Annualized rent per square foot represents annualized rent as computed above, divided by the total square footage under lease as of the same date.
(7) 111 Eighth Avenue (2nd and 6th floors), 8100 Boone Boulevard and 111 Eighth Avenue (3rd and 7th floors) are leased by us pursuant to leases that expire in June 2014, September 2017 and February 2022, respectively. The lease at 111 Eighth Avenue (2nd and 6th floors) has an option to extend the lease until June 2019 and the lease at 111 Eighth Avenue (3rd and 7th floors) has an option to extend the lease until February 2032.
(8) We are party to a ground sublease for this property. The term of the ground sublease expires in September 2083. All of the lease payments were prepaid by the prior owner of this property.
(9) We are party to a ground sublease for this property. The term of the ground sublease expires in the year 2082.
(10) Rental amounts were calculated based on the exchange rate in effect on December 31, 2012 of $1.63 to £1.00. Manchester Technopark is subject to a ground lease, which expires in the year 2125.
(11) Rental amounts were calculated based on the exchange rate in effect on December 31, 2012 of $1.32 to 1.00. Paul Van Vlissingenstraat 16, Chemin de l Epinglier 2, Clonshaugh Industrial Estate I and II and Cateringweg 5 are subject to ground leases, which expire in the years 2054, 2074, 2981 and 2059, respectively.
(12) We are party to a ground sublease for this property. This is a perpetual ground sublease. Lease payments were prepaid by the prior owner of this property through December 2036.
(13) Rental amounts were calculated based on the exchange rate in effect on December 31, 2012 of $0.82 to S$1.00. 29A International Business Park is subject to a ground lease, which expires in the year 2038.
(14) Rental amounts were calculated based on the exchange rate in effect on December 31, 2012 of $1.04 to A$1.00.

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Tenant Diversification

As of December 31, 2012, our portfolio was leased to approximately 595 companies, many of which are nationally recognized firms. The following table sets forth information regarding the 20 largest tenants in our portfolio based on annualized rent as of December 31, 2012 (dollar amounts in thousands).

	Tenant	Number of Locations	Total Occupied Square Feet(1)	Percentage of Net Rentable Square Feet	Annualized Rent(2)	Percentage of Annualized Rent	Weighted Average Remaining Lease Term in Months
1	CenturyLink, Inc.(3)	36	2,784,477	14.3%	$ 92,551	9.1%	87
2	Softlayer Technologies, Inc.	8	372,979	1.9%	41,278	4.0%	111
3	TelX Group, Inc.	12	288,940	1.5%	39,957	3.9%	172
4	Equinix Operating Company, Inc.	9	878,062	4.5%	34,059	3.3%	74
5	Facebook, Inc.	4	241,865	1.2%	31,704	3.1%	65
6	Morgan Stanley	5	182,592	0.9%	27,420	2.7%	21
7	AT & T	18	660,442	3.4%	26,352	2.6%	73
8	Deutsche Bank AG	2	112,961	0.6%	23,147	2.3%	69
9	Verizon Communications, Inc.	33	378,463	1.9%	22,230	2.2%	69
10	NTT Communications Company	6	321,061	1.6%	19,210	1.9%	79
11	Level 3 Communications, LLC	33	375,223	1.9%	15,509	1.5%	91
12	Amazon	7	457,135	2.3%	13,942	1.4%	97
13	SunGard Availability Services LP	6	315,427	1.6%	13,773	1.3%	77
14	Nomura International PLC	2	63,137	0.3%	12,467	1.2%	85
15	Pfizer, Inc.	1	97,069	0.5%	11,202	1.1%	60
16	Rackspace US, Inc.	3	96,139	0.5%	11,106	1.1%	132
17	TATA Communications (UK)	3	112,533	0.6%	10,995	1.1%	60
18	Yahoo! Inc.	2	110,847	0.6%	10,668	1.0%	58
19	BT Americas, Inc.	3	67,685	0.3%	9,866	1.0%	54
20	Sprint Communications Co., LP	6	173,319	0.9%	9,715	1.0%	21
	Total/Weighted Average		8,090,356	41.3%	$ 477,151	46.8%	83

(1) Occupied square footage is defined as leases that commenced on or before December 31, 2012. 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 base rent represents the monthly contractual base rent (defined as cash base rent before abatements) under existing leases as of December 31, 2012 multiplied by 12.

(3) Represents leases with Savvis Communications Corporation, or Savvis, and Qwest Communications International, Inc., or Qwest, (or affiliates thereof), which are our direct tenants. CenturyLink, Inc. acquired Qwest in the three months ended June 30, 2011 and Savvis in the three months ended September 30, 2011, and Qwest and Savvis are now wholly-owned subsidiaries of CenturyLink, Inc.

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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 2.4 million square feet of space held for development at December 31, 2012) under lease as of December 31, 2012 (dollar amounts in thousands).

Square Feet Under Lease	Number of Leases[1]	Percentage of All Leases	Total Net Rentable Square Feet[2]	Percentage of Net Rentable Square Feet[2]	Annualized Rent[3]	Percentage of Annualized Rent
Available			1,094,500	5.6%	$	0.0%
2,500 or less	1,265	62.8%	584,359	3.0%	53,589	5.2%
2,501 - 10,000	339	16.8%	1,982,758	10.2%	175,159	17.2%
10,001 - 20,000	191	9.5%	2,792,094	14.3%	249,435	24.4%
20,001 - 40,000	115	5.7%	3,287,538	16.9%	224,612	22.0%
40,001 - 100,000	73	3.6%	4,757,900	24.4%	198,635	19.5%
Greater than 100,000	33	1.6%	4,989,608	25.6%	119,694	11.7%
Portfolio Total	2,016	100.0%	19,488,757	100.0%	$ 1,021,124	100.0%

(1) Includes license and similar agreements that upon expiration will be automatically renewed, primarily on a month-to-month basis. Number of leases represents the leased-unit count; a lease could include multiple units.
(2) For some of our properties, we calculate total net rentable square feet available for lease based on factors in addition to contractually leased square feet, including available power, required support space and common area.
(3) Annualized rent represents the monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2012 multiplied by 12.

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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, 2012 plus available space for ten calendar years at the properties in our portfolio, excluding approximately 2.4 million square feet of space held for development at December 31, 2012. Unless otherwise stated in the footnotes, the information set forth in the table assumes that tenants exercise no renewal options and all early termination rights (dollar amounts in thousands).

Year	Number of Leases Expiring(1)	Square Footage of Expiring Leases(2)	Percentage of Net Rentable Square Feet(2)	Annualized Rent(3)	Percentage of Annualized Rent	Annualized Rent Per Occupied Square Foot	Annualized Rent Per Occupied Square Foot at Expiration	Annualized Rent at Expiration
Available		1,094,500	5.6%	$	0.0%			$
2013	423	783,453	4.0%	65,908	6.5%	$ 84.12	$ 84.74	66,387
2014	269	1,394,839	7.2%	98,976	9.7%	70.96	73.29	102,226
2015	222	2,455,056	12.6%	93,116	9.1%	37.93	40.35	99,063
2016	180	1,748,147	9.0%	84,154	8.2%	48.14	51.88	90,691
2017	165	1,380,891	7.1%	71,782	7.0%	51.98	54.06	74,648
2018	107	1,228,803	6.3%	75,179	7.4%	61.18	69.27	85,116
2019	109	1,858,739	9.5%	135,730	13.3%	73.02	85.27	158,498
2020	81	907,612	4.6%	64,171	6.3%	70.70	86.48	78,492
2021	78	1,220,703	6.3%	72,076	7.1%	59.04	75.97	92,741
2022	80	1,367,707	7.0%	65,668	6.4%	48.01	59.46	81,325
Thereafter	302	4,048,307	20.8%	194,364	19.0%	48.01	61.57	249,238
Portfolio Total / Weighted Average	2,016	19,488,757	100.0%	$ 1,021,124	100.0%	$ 55.51	$ 64.06	$ 1,178,425

(1) Includes license and similar agreements that upon expiration will be automatically renewed, primarily on a month-to-month basis. Number of expiring leases represents the expiring leased-unit count; a lease could include multiple units.

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

(3) Annualized rent represents the monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2012 multiplied by 12.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are and may become involved in legal proceedings. As of December 31, 2012, we were not a party to any legal proceedings which we believe would have a material adverse effect on our business, financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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 (NYSE) under the symbol DLR since October 29, 2004. The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

	High	Low	Dividends Declared
First Quarter 2011	$ 59.34	$ 50.63	$ 0.68000
Second Quarter 2011	$ 64.25	$ 56.34	$ 0.68000
Third Quarter 2011	$ 64.09	$ 50.63	$ 0.68000
Fourth Quarter 2011	$ 67.83	$ 51.75	$ 0.68000
First Quarter 2012	$ 74.04	$ 65.00	$ 0.73000
Second Quarter 2012	$ 76.04	$ 67.84	$ 0.73000
Third Quarter 2012	$ 80.59	$ 66.70	$ 0.73000
Fourth Quarter 2012	$ 70.16	$ 59.25	$ 0.73000

Digital Realty Trust, Inc. intends to continue to declare quarterly dividends on its common stock. The actual amount, form and timing of dividends, however, will be at the discretion of the board of directors and will depend upon Digital Realty Trust, Inc. s financial condition in addition to the requirements for qualification as a REIT under the Code, and no assurance can be given as to the amounts, form or timing of future dividends. The exchange rate on the 2029 debentures is subject to adjustment for certain events, including, but not limited to, certain dividends on Digital Realty Trust, Inc. s common stock in excess of $0.33 per share per quarter. Therefore, the declaration and payment of quarterly dividends by Digital Realty Trust, Inc. in excess of this threshold may increase the dilutive impact of our operating partnership s exchangeable debentures on Digital Realty Trust, Inc. s common stockholders. See Part I, Item 1A, Risk Factors, Risks Related to Our Business and Operations We have substantial debt and face risks associated with the use of debt to fund our business activities, including refinancing and interest rate risks The exchange and repurchase rights of our exchangeable debentures may be detrimental to Digital Realty Trust, Inc. s stockholders or Digital Realty Trust, L.P. s unitholders and Risks Related to Our Business and Operations The conversion rights of Digital Realty Trust, Inc. s convertible preferred stock may be detrimental to holders of Digital Realty Trust, Inc. s common stock. In addition, our global revolving credit facility, our Prudential shelf facility and our term loan facility prohibit us from making distributions to our stockholders, or redeeming or otherwise repurchasing shares of our capital stock, including our common stock, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable us to maintain our qualification as a REIT and to avoid the payment of income or excise tax. Consequently, after the occurrence and during the continuance of an event of default under our global revolving credit facility, Prudential shelf facility or term loan facility, we may not be able to pay all or a portion of the dividends payable to the holders of our common stock.

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 the board of directors.

As of February 19, 2013, there were approximately 124 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.

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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 19, 2013, there were 34 holders of record of common units, including Digital Realty Trust, L.P. s general partner, Digital Realty Trust, Inc.

The following table sets forth, for the periods indicated, the distributions per common unit that our operating partnership declared with respect to the periods indicated.

	Distributions Declared
First Quarter 2011	$ 0.68000
Second Quarter 2011	$ 0.68000
Third Quarter 2011	$ 0.68000
Fourth Quarter 2011	$ 0.68000
First Quarter 2012	$ 0.73000
Second Quarter 2012	$ 0.73000
Third Quarter 2012	$ 0.73000
Fourth Quarter 2012	$ 0.73000

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, Digital Realty Trust, Inc. s annual distribution requirements under the REIT provisions of the Code, and such other factors as the board of directors may deem relevant.

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, 2007 through December 31, 2012, with the cumulative total return on the MSCI US REIT Index (RMS) and the S&P 500 Market Index. The comparison assumes that $100 was invested on December 31, 2007 in Digital Realty Trust, Inc. s common stock and in each of these indices and assumes reinvestment of dividends, if any.

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COMPARISON OF CUMULATIVE TOTAL RETURN

AMONG DIGITAL REALTY TRUST, INC., S&P 500 INDEX AND RMS INDEX

Assumes $100 invested on December 31, 2007

Assumes dividends reinvested

To fiscal year ending December 31, 2012

Pricing Date	DLR($)	S&P 500($)	RMS($)
December 31, 2007	100.0	100.0	100.0
December 31, 2008	88.8	63.0	62.0
December 31, 2009	140.9	79.7	79.8
December 31, 2010	149.6	91.7	102.5
December 31, 2011	202.5	93.6	111.4
December 31, 2012	214.8	108.6	131.2

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, 2007.

SALES OF UNREGISTERED EQUITY SECURITIES

Digital Realty Trust, Inc.

All sales of unregistered equity securities of Digital Realty Trust, Inc. during the year ended December 31, 2012 have previously been disclosed in filings with the SEC.

Digital Realty Trust, L.P.

During the year ended December 31, 2012, our operating partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the three months ended December 31, 2012, holders of 161,393 shares of Digital Realty Trust, Inc. s series D cumulative convertible preferred stock exercised their right to convert such series D preferred shares into Digital Realty Trust, Inc. s common stock and received 102,642 shares of Digital Realty Trust, Inc. s common stock. In connection with this conversion, our operating partnership issued 102,642 common units to Digital Realty Trust, Inc. upon conversion of 161,393 series D cumulative convertible preferred units held by Digital Realty Trust, Inc.

During the three months ended December 31, 2012, Digital Realty Trust, Inc. issued an aggregate of 650 shares of its common stock upon the exercise of stock options. Digital Realty Trust, Inc. contributed the proceeds from the option exercises of approximately $22,000 to our operating partnership in exchange for an aggregate of 650 common units, as required by our operating partnership s partnership agreement.

During the year ended December 31, 2012, Digital Realty Trust, Inc. issued an aggregate of 1,433 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 an award, our operating partnership issued a restricted common unit to Digital Realty Trust, Inc. as required by its partnership agreement, for an aggregate of 1,433 units during the year ended December 31, 2012.

All other issuances of unregistered equity securities of our operating partnership during the year ended December 31, 2012 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 $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(2) of the Securities Act.

REPURCHASES OF EQUITY SECURITIES

Digital Realty Trust, Inc.

None.

Digital Realty Trust, L.P.

None.

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.

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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 below in this Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(Amounts in thousands, except per share data)				
Statement of Operations Data:					
Operating Revenues:					
Rental	$ 990,715	$ 820,711	$ 682,026	$ 507,545	$ 401,401
Tenant reimbursements	272,309	211,811	178,081	125,136	106,754
Construction management	8,428	29,286	4,923	3,399	3,907
Other	7,615	902	371	1,062	15,383
Total operating revenues	1,279,067	1,062,710	865,401	637,142	527,445
Operating Expenses:					
Rental property operating and maintenance	380,176	307,922	250,225	174,038	150,054
Property taxes	69,475	49,946	44,432	36,004	31,102
Insurance	9,600	8,024	8,133	6,111	4,988
Construction management	1,596	22,715	1,542	2,200	1,093
Depreciation and amortization	382,553	310,425	263,903	198,052	172,378
General and administrative	57,209	53,624	47,196	39,988	37,652
Transactions	11,120	5,654	7,438	2,177	739
Other	1,260	90	226	783	1,084
Total operating expenses	912,989	758,400	623,095	459,353	399,090
Operating income	366,078	304,310	242,306	177,789	128,355
Other Income (Expenses):					
Equity in earnings of unconsolidated joint ventures	8,135	4,952	5,254	2,172	2,369
Interest and other income	1,892	3,260	616	753	2,106
Interest expense	(157,108)	(149,350)	(137,384)	(88,442)	(63,621)
Tax expense	(2,647)	42	(1,851)	(1,038)	(1,109)
Loss from early extinguishment of debt	(303)	(1,088)	(3,529)		(182)
Net income	216,047	162,126	105,412	91,234	67,918
Net income attributable to noncontrolling interests	(5,713)	(5,861)	(3,118)	(3,572)	(2,664)
Net income attributable to Digital Realty Trust, Inc.	210,334	156,265	102,294	87,662	65,254
Preferred stock dividends	(38,672)	(25,397)	(37,004)	(40,404)	(38,564)
Costs on redemption of preferred stock			(6,951)		
Net income available to common stockholders	$ 171,662	$ 130,868	$ 58,339	$ 47,258	$ 26,690
Per Share Data:					
Basic income per share available to common stockholders	$ 1.48	$ 1.33	$ 0.69	$ 0.62	$ 0.39
Diluted income per share available to common stockholders	$ 1.48	$ 1.32	$ 0.68	$ 0.61	$ 0.38

Cash dividend per common share	$ 2.92	$ 2.72	$ 2.02	$ 1.47	$ 1.26
Weighted average common shares outstanding:					
Basic	115,717,667	98,405,375	84,275,498	75,950,370	68,829,267
Diluted	116,006,577	99,169,749	86,013,471	77,020,890	70,435,760

	December 31,				
	2012	2011	2010	2009	2008
Balance Sheet Data:					
Net investments in real estate	$ 7,603,136	$ 5,242,515	$ 4,584,477	$ 3,157,193	$ 2,748,220
Total assets	8,819,214	6,098,566	5,329,483	3,745,059	3,281,045
Global revolving credit facility	723,729	275,106	333,534	205,547	138,579
Unsecured term loan	757,839				
Unsecured senior notes, net of discount	1,738,221	1,441,072	1,066,030	83,000	58,000
Exchangeable senior debentures, net of discount	266,400	266,400	353,702	432,234	161,901
Mortgages and other secured loans, net of premiums	792,376	947,132	1,043,188	1,063,663	1,026,594
Total liabilities	5,320,830	3,518,155	3,274,820	2,110,258	1,705,969
Total stockholders equity	3,468,305	2,522,917	1,962,518	1,558,995	1,503,921
Noncontrolling interests in operating partnership	24,135	45,057	52,436	58,192	66,797
Noncontrolling interests in consolidated joint ventures	5,944	12,437	39,709	17,614	4,358
Total liabilities and equity	$ 8,819,214	$ 6,098,566	$ 5,329,483	$ 3,745,059	$ 3,281,045

	Year ended December 31,				
	2012	2011	2010	2009	2008
Cash flows from (used in):					
Operating activities	$ 542,948	$ 400,956	$ 359,029	$ 283,809	$ 217,808
Investing activities	(2,475,933)	(830,802)	(1,737,700)	(519,909)	(647,751)
Financing activities	1,948,635	458,758	1,318,070	235,086	471,925

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

The following table sets forth selected consolidated financial and operating data on an historical basis for our operating partnership.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(Amounts in thousands, except per unit data)				
Statement of Operations Data:					
Operating Revenues:					
Rental	$ 990,715	$ 820,711	$ 682,026	$ 507,545	$ 401,401
Tenant reimbursements	272,309	211,811	178,081	125,136	106,754
Construction management	8,428	29,286	4,923	3,399	3,907
Other	7,615	902	371	1,062	15,383
Total operating revenues	1,279,067	1,062,710	865,401	637,142	527,445
Operating Expenses:					
Rental property operating and maintenance	380,176	307,922	250,225	174,038	150,054
Property taxes	69,475	49,946	44,432	36,004	31,102
Insurance	9,600	8,024	8,133	6,111	4,988
Construction management	1,596	22,715	1,542	2,200	1,093
Depreciation and amortization	382,553	310,425	263,903	198,052	172,378
General and administrative	57,209	53,624	47,196	39,988	37,652
Transactions	11,120	5,654	7,438	2,177	739
Other	1,260	90	226	783	1,084
Total operating expenses	912,989	758,400	623,095	459,353	399,090
Operating income	366,078	304,310	242,306	177,789	128,355
Other Income (Expenses):					
Equity in earnings of unconsolidated joint ventures	8,135	4,952	5,254	2,172	2,369
Interest and other income	1,892	3,260	616	753	2,106
Interest expense	(157,108)	(149,350)	(137,384)	(88,442)	(63,621)
Tax expense	(2,647)	42	(1,851)	(1,038)	(1,109)
Loss from early extinguishment of debt	(303)	(1,088)	(3,529)		(182)
Net income	216,047	162,126	105,412	91,234	67,918
Net (income) loss attributable to noncontrolling interests in consolidated joint ventures	444	324	288	(140)	(335)
Net income attributable to Digital Realty Trust, L.P.	216,491	162,450	105,700	91,094	67,583
Preferred units distributions	(38,672)	(25,397)	(37,004)	(40,404)	(38,564)
Costs on redemption of preferred units			(6,951)		
Net income available to common unitholders	$ 177,819	$ 137,053	$ 61,745	$ 50,690	$ 29,019
Per Unit Data:					
Basic income per unit available to common unitholders	$ 1.48	$ 1.33	$ 0.69	$ 0.62	$ 0.39
Diluted income per unit available to common unitholders	$ 1.48	$ 1.32	$ 0.68	$ 0.61	$ 0.38
Cash distributions per common unit	$ 2.92	$ 2.72	$ 2.02	$ 1.47	$ 1.26

Weighted average common units outstanding:					
Basic	119,861,380	103,053,004	89,261,172	81,715,226	75,160,263
Diluted	120,150,290	103,817,378	90,999,145	82,785,746	76,766,756

	December 31,				
	2012	2011	2010	2009	2008
Balance Sheet Data:					
Net investments in real estate	$ 7,603,136	$ 5,242,515	$ 4,584,477	$ 3,157,193	$ 2,748,220
Total assets	8,819,214	6,098,566	5,329,483	3,745,059	3,281,045
Global revolving credit facility	723,729	275,106	333,534	205,547	138,579
Unsecured term loan	757,839				
Unsecured senior notes, net of discount	1,738,221	1,441,072	1,066,030	83,000	58,000
Exchangeable senior debentures, net of discount	266,400	266,400	353,702	432,234	161,901
Mortgages and other secured loans, net of premiums	792,376	947,132	1,043,188	1,063,663	1,026,594
Total liabilities	5,320,830	3,518,155	3,274,820	2,110,258	1,705,969
General partner s capital	3,480,496	2,578,797	2,004,599	1,586,942	1,553,424
Limited partners capital	26,854	49,244	56,215	60,875	71,041
Accumulated other comprehensive loss	(14,910)	(60,067)	(45,860)	(30,630)	(53,747)
Noncontrolling interests in consolidated joint ventures	5,944	12,437	39,709	17,614	4,358
Total liabilities and capital	$ 8,819,214	$ 6,098,566	$ 5,329,483	$ 3,745,059	$ 3,281,045

	Year ended December 31,				
	2012	2011	2010	2009	2008
Cash flows from (used in):					
Operating activities	$ 542,948	$ 400,956	$ 359,029	$ 283,809	$ 217,808
Investing activities	(2,475,933)	(830,802)	(1,737,700)	(519,909)	(647,751)
Financing activities	1,948,635	458,758	1,318,070	235,086	471,925

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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.

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 and (ii) cash flow and returns to our stockholders and our operating partnership s unitholders through the payment of distributions. We expect to achieve our objectives by focusing on our core business of investing in and developing technology-related real estate. A significant component of our current and future internal growth is anticipated through the development of our existing space held for development and new properties. We target high quality, strategically located properties containing applications and operations critical to the day-to-day operations of corporate enterprise datacenter and technology industry tenants and properties that may be developed for such use. Most of our properties contain fully redundant electrical supply systems, multiple power feeds, above-standard precision cooling systems, raised floor areas, extensive in-building communications cabling and high-level security systems. We focus solely on technology-related real estate because we believe that the growth in corporate datacenter adoption and the technology-related real estate industry generally will continue to be superior to that of the overall economy.

As of December 31, 2012, we owned an aggregate of 117 technology-related real estate properties, excluding three properties held as investments in unconsolidated joint ventures and developable land, with approximately 21.9 million rentable square feet including approximately 2.4 million square feet of space held for development. At December 31, 2012, approximately 1,372,000 square feet was under construction for Turn-Key Flex℠, Powered Base Building® and Custom Solutions (formerly referred to as Build-to-Suit) product, all of which are expected to be income producing on or after completion, in 10 U.S. domestic markets, one European market and one Australian market, consisting of approximately 413,000 square feet of space under development projects and 959,000 square feet of land under development projects. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial, technical and other criteria. We expect to continue to acquire additional assets as a part of our growth strategy. We intend to aggressively manage and lease our assets to increase their cash flow. We intend to continue to build out our development portfolio when justified by anticipated 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 currently intend to limit our indebtedness to 60% of our total enterprise value and, based on the closing price of Digital Realty Trust, Inc. common stock on December 31, 2012 of $67.89, our ratio of debt to total enterprise value was approximately 32% as of December 31, 2012. 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), excluding options issued under our company s incentive award plan, 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 its common stock and excluding long-term incentive units and Class C units), plus the book value of our total consolidated indebtedness.

Revenue base. As of December 31, 2012, we owned 117 properties through our operating partnership, excluding three properties held as investments in unconsolidated joint ventures and developable land. These properties are mainly located throughout the U.S., with 21 properties located in Europe, three properties in Australia, one property in Asia and one property in Canada. We, through our predecessor, acquired our first portfolio property in January 2002 and have added properties as follows:

Year Ended December 31:	Properties Acquired[1]	Net Rentable Square Feet[2]	Square Feet of Space Held for Development as of December 31, 2012[3]
2002	5	1,156,483	46,530
2003	6	1,074,662	
2004	10	2,529,940	157,363
2005	20	3,388,978	161,319
2006	16	2,184,025	37,573
2007[4]	13	2,129,363	178,455
2008	5	344,173	220,075
2009[5]	6	1,010,265	598,339
2010	15	2,123,120	364,342
2011[6]	8	822,127	134,829
2012	13	2,725,621	528,432
Properties owned as of December 31, 2012	117	19,488,757	2,427,257

(1) Excludes properties sold in 2007 and 2006: 100 Technology Center Drive (March 2007), 4055 Valley View Lane (March 2007) and 7979 East Tufts Avenue (July 2006). Also excludes a leasehold interest acquired in March 2007 related to an acquisition made in 2006.

(2) Current net rentable square feet as of December 31, 2012, which represents the current square feet at buildings under lease as specified in the applicable lease agreements plus management s estimate of space available for lease based on engineering drawings. Includes tenants proportional share of common areas but excludes space held for development.

(3) Development space is unoccupied space that requires significant capital investment in order to develop datacenter facilities that are ready for use. Most often this is shell space. However, in certain circumstances this may include partially built datacenter space that was not completed by previous ownership and requires a large capital investment in order to build out the space. The amounts included in this table represent development space as of December 31, 2012 in the properties acquired during the relevant period.

(4) Includes three developed buildings (43915 Devin Shafron Drive, 43830 Devin Shafron Drive and 43790 Devin Shafron Drive) placed into service in 2010 and 2011 that are being included with a property (Devin Shafron buildings) that was acquired in 2007.

(5) Includes a developed building (21551 Beaumeade Circle) placed into service in 2011 that is being included with a property (21561 & 21571 Beaumeade Circle) that was acquired in 2009.

(6) Includes three developed buildings (3825 NW Aloclek Place in Portland, Oregon, 98 Radnor Drive in Melbourne, Australia and 1-23 Templar Road in Sydney, Australia) placed into service in 2012 that were acquired in 2011.

As of December 31, 2012, the properties in our portfolio were approximately 94.4% leased excluding 2.4 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, 2012, our original average lease term was approximately 14 years, with an average of approximately seven years remaining. The majority of our leasing since the completion of our IPO has been at lease terms shorter than 12 years. Our lease expirations through December 31, 2014 are 11.2% of rentable square feet excluding space held for development as of December 31, 2012.

Factors Which May Influence Future Results of Operations

Global market and economic conditions

In the United States and globally, market and economic conditions have been unprecedented over the past few years and challenging with tighter credit conditions and slower economic growth in all markets in which we own properties and conduct our operations. The U.S. and global economies have experienced a recession and face continued concerns about the systemic impact of adverse economic conditions, such as high energy costs, geopolitical issues, the availability and cost of credit, unstable global financial and mortgage markets, high corporate, consumer and governmental debt levels, ongoing sovereign debt and economic issues in European countries, concerns regarding the U.S. budget deficit, debt ceiling, spending cuts and the possibility of further downgrades to the U.S. government s credit rating, high unemployment and declining residential and commercial real estate markets. The current European debt crisis, particularly most recently in Greece, Italy, Ireland, Portugal and Spain, has raised concerns regarding the debt burden of certain countries using the euro as their currency and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual eurozone countries. These concerns could lead to the re-introduction of individual currencies in one or more eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro be dissolved entirely, the legal and contractual consequences for parties to euro-denominated contracts are uncertain and would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our leasing and financing activities, rents we receive, potential acquisitions and development projects in Europe.

As a result of these conditions, general economic conditions and the cost and availability of capital have been and may again be adversely affected in some or all of the markets in which we own properties and conduct our operations. Renewed or increased turbulence in the U.S., European, Asia Pacific and other international financial markets and economies may adversely affect our ability, and the ability of our tenants, 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 tenants , financial condition and results of operations.

In addition, our access to funds under our global revolving credit facility and other lines of credit depend 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 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.

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Rental income. The amount of rental income generated by the properties 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 2.4 million square feet of space held for development, as of December 31, 2012, the occupancy rate of the properties in our portfolio was approximately 94.4% of our net rentable square feet.

As of December 31, 2012, we had 2,016 leases with a total of 595 tenants. As of December 31, 2012, approximately 82% 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 generated by us also depends on our ability to maintain or increase rental rates at our properties. Included in our approximately 19.5 million net rentable square feet, excluding space held for development, at December 31, 2012 is approximately 390,000 net rentable square feet of space with extensive datacenter improvements that is currently, or will shortly be, available for lease. Since our IPO, we have leased approximately 3,115,000 square feet of similar space. These Turn-Key Flex[SM] facilities are effective solutions for tenants who prefer to utilize a partner with the expertise or capital budget to provide extensive datacenter infrastructure and security. Our expertise in datacenter construction and operations enables us to lease space to these tenants at a premium over other uses. In addition, as of December 31, 2012, we had approximately 2.4 million square feet of space held for development, or approximately 10% of the total rentable space in our portfolio, including four vacant properties comprising approximately 624,000 square feet. 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 datacenter 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.

Economic downturns, including as a result of the conditions described above under Global market and economic conditions, or regional downturns affecting our markets or downturns in the technology-related real estate 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 tenants 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 1.1 million square feet of available space in our portfolio, which excludes approximately 2.4 million square feet of space held for development as of December 31, 2012, leases representing approximately 4.0% and 7.2% of the net rentable square footage of our portfolio are scheduled to expire during the years ending December 31, 2013 and 2014, respectively.

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During the year ended December 31, 2012, we signed new leases totaling approximately 878,000 square feet of space and renewal leases totaling approximately 833,000 square feet of space. The following table summarizes our leasing activity in the year ended December 31, 2012:

	Number of Leases[1]	Rentable Square Feet[2]	Expiring Rates[3]	New Rates[3]	Rental Rate Changes	TI s/Lease Commissions Per Square Foot[4]	Weighted Average Lease Terms (months)
Leasing Activity[5]							
Renewals Signed							
Turn-Key Flex	23	212,432	$ 156.65	$ 164.85	5.2%	$ 27.00	89.6
Powered Base Building	14	408,453	$ 29.50	$ 35.50	20.3%	$ 16.25	105.0
Colocation	61	74,780	$ 161.73	$ 178.59	10.4%	$ 1.74	25.7
Non-technical	34	136,855	$ 24.98	$ 26.21	4.9%	$ 2.81	95.6
New Leases Signed							
Turn-Key Flex	63	536,683		$ 162.35		$ 57.34	124.6
Powered Base Building	5	68,273		$ 32.57		$ 9.08	175.4
Custom Solutions	2	86,691		$ 65.39		$ 33.08	116.3
Colocation	73	28,312		$ 256.08		$ 27.88	38.5
Non-technical	40	157,594		$ 21.91		$ 34.00	123.0
Leasing Activity Summary							
Turn-Key Flex	86	749,115		$ 163.06			
Powered Base Building	19	476,726		$ 35.08			
Custom Solutions	2	86,691		$ 65.39			
Colocation	134	103,092		$ 199.87			
Non-technical	74	294,449		$ 23.91			

(1) The number of leases represents the leased-unit count; a lease could include multiple units.
(2) 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.
(3) 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.
(4) Excludes short term leases.
(5) Commencement dates for the leases signed range from 2012 to 2014.

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 markets for datacenter space and expect the rental rates we are likely to achieve on any new (re-leased) or renewed datacenter space leases for 2013 expirations will generally be higher than the rates currently being paid for the same space. For the year ended December 31, 2012, rents on renewed space increased by an average of 5.2% on a GAAP basis on our Turn-Key Flex[SM] space compared to the expiring rents and increased by an average of 20.3% 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 properties 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 market may not be consistent with rental rates across our portfolio as a whole due to a number of factors, including local real estate conditions, local supply and demand for datacenter space, competition from other datacenter developers or operators, the condition of the property and whether the property, or space within the property, has been developed.

Market concentration. We depend on the market for technology-based real estate in specific geographic regions and significant changes in these regional markets can impact our future results. As of December 31, 2012, our portfolio was geographically concentrated in the following metropolitan markets:

Metropolitan Market	Percentage of December 31, 2012 total annualized rent[(1)]
London, England	12.1%
Silicon Valley	10.7%
Dallas	10.7%
Northern Virginia	9.4%
New York Metro	8.7%
San Francisco	7.7%
Chicago	7.6%
Phoenix	6.8%
Boston	4.5%
Los Angeles	4.1%
Paris, France	2.7%
Dublin, Ireland	2.0%
Other	13.0%
	100.0%

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of December 31, 2012 multiplied by 12. The aggregate amount of abatements for the year ended December 31, 2012 was approximately $19.0 million. Total annualized rent excludes annualized rent from unconsolidated joint ventures.

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 datacenter operations contained in them. Many of our leases contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes incurred by us. However, we generally are not entitled to reimbursement of property operating expenses, except energy costs, under our leases for Turn-Key Flex[SM] 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, 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, create new clean energy jobs and enhance the energy independence of the United States, which included a cap-and-trade program for GHG emissions. The U.S. Senate did not subsequently pass similar legislation. New climate change legislation was introduced in the U.S. Senate in 2013, but significant opposition to federal climate change legislation exists. As a result, action to reduce GHG emissions likely will be focused on regulatory agencies, primarily the U.S. Environmental Protection Agency, or EPA, and state actions. The EPA has been moving aggressively to regulate GHG emissions from automobiles and large stationary sources, including electricity producers, using its own authority under the Clean Air Act. The EPA made an endangerment finding in 2009 that allows it to create regulations imposing emission 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 known until all regulations are finalized. The EPA has already finalized its GHG reporting rule, which requires that certain emitters, including electricity

generators, monitor and report GHG emissions. The EPA has also finalized its tailoring rule, which imposes certain permitting and control technology requirements upon newly-constructed or modified facilities which emit GHGs over a certain threshold under the Clean Air Act New Source Review Prevention of Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, NSR PSD or Title V permits issued after January 2, 2011, for new or modified electricity generating and other facilities may need to address GHG emissions, including by requiring the installation of Best Available Control Technology. Some of those regulations have been finalized and currently are in litigation, and courts have rejected certain legal challenges to the endangerment findings, the tailoring rule, and other regulations. In addition, the EPA proposed in April 2012 a rule that would set a GHG emission standard applicable to new electricity generating units, and the EPA has discussed the possibility of setting a GHG emission standard applicable to existing electricty generating units. States have also taken actions to regulate GHG emissions. For example, California enacted AB 32, the Global Warming Solutions Act of 2006, which established the first statewide program in the United States to limit GHG emissions and impose penalties for non-compliance. The California Air Resources Board, or CARB, has taken, and plans to take, various actions to implement AB 32, including the approval in December 2008 of an AB 32 Scoping Plan summarizing a number of GHG-reduction strategies for California. CARB approved in December 2010 and revised in October 2011 a GHG cap-and-trade program, which began requiring certain generators and importers of electricity, as well as other entities, to obtain compliance instruments beginning in 2013. As another example of state action, the Western Climate Initiative, which once included seven states and four Canadian provinces, has developed GHG reduction strategies, among them a GHG cap-and-trade program. In addition, since 2005 the European Union (including the United Kingdom) has been operating under a cap-and-trade program, which directly affects the largest emitters of greenhouse gases, including electricity producers from whom we purchase power. 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 U.S. EPA has proposed or finalized, (iii) regulations under legislation that states have passed or may pass, or (iv) any further reductions in the EU greenhouse gas cap could significantly increase our costs, and we may not be able to effectively pass all of these costs on to our tenants.

Interest rates. As of December 31, 2012, we had approximately $706.7 million of variable rate debt subject to interest rate swap agreements, including $140.7 million of mortgage debt and $566.0 million on our unsecured term loan, along with $723.7 million and $191.8 million of variable rate debt that was outstanding on the global revolving credit facility and the unswapped portion of the unsecured term loan, respectively. The availability of debt and equity capital may decrease as a result of the circumstances described above under Global market and economic conditions. 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 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 datacenter space. Our portfolio of properties consists primarily of technology-related real estate and datacenter real estate in particular. A decrease in the demand for, or increase in supply of, datacenter 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 tenant base or less specialized use. 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 datacenter, 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 datacenter space. Reduced demand could also result from business relocations,

including to markets 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 datacenter 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 tenants 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 datacenter space in our properties, or the rates at which we lease space, may be adversely impacted either across our portfolio or in specific markets as a result of an increase in the number of competitors, or the amount of space being offered in our markets and other markets 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 note 2 to our consolidated financial statements included elsewhere in this report. 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 tenants, 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 assets acquired and liabilities assumed based on our estimate of the fair values of such assets and liabilities. This includes determining the value of the property and improvements, land, any ground leases, tenant improvements, in-place tenant leases, tenant relationships, the value (or negative value) of in place 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 in place leases is recorded as an adjustment to 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 statements of operations.

Capitalization of Costs. Direct and indirect project costs that are clearly associated with the development of properties are capitalized as incurred. Project costs include all costs directly associated with the development of a property, including construction costs, interest, property taxes, insurance, legal fees and costs of personnel

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working on the project. Indirect costs that do not clearly relate to the projects under development are not capitalized and are charged to expense as incurred.

Capitalization of costs begins when activities, including development of plans, process of obtaining permits from governmental authorities and physical construction that are necessary to get the asset ready for its intended use are in progress and costs have been incurred. Capitalization of costs ceases when the development project is substantially complete and ready for its intended use. Determining when a development project commences, and when it is substantially complete and ready for its intended use involves a degree of judgment. We generally consider a development project to be substantially complete and ready for its intended use upon commissioning, which is when the developed project has been tested at full load, or receipt of a certificate of occupancy. We cease cost capitalization if activities necessary for the development of the property have been suspended. Capitalized costs are allocated to the specific components of a project that are benefited.

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

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 rental rates of the property, a significant adverse change in the extent or manner in which the property is being used, a significant adverse change in the expected use 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. No such impairment losses have been recognized to date.

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.

Revenue Recognition

Rental income is recognized using the straight-line method over the terms of the tenant leases. Deferred rents included in our consolidated balance sheets represent the aggregate excess of rental revenue recognized on a straight-line basis over the contractual rental payments under the terms of the leases. Many of our leases

contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes incurred by us. However, we generally are not entitled to reimbursement of property operating expenses, other than utility expense, and real estate taxes under our leases for Turn-Key Flex[SM] facilities. Such reimbursements 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 income 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, tenant concentrations, tenant creditworthiness and current economic trends when evaluating the adequacy of the allowance for bad debts. These estimates have a direct impact on our net income because a higher bad debt allowance would result in lower net income, and recognizing rental revenue as earned in one period versus another would result in higher or lower net income for a particular period.

Share-Based Awards

We recognize compensation expense related to share-based awards. We generally amortize this compensation expense over the vesting period of the award. The calculation of the fair value of share-based awards is subjective and requires several assumptions over such items as expected stock volatility, dividend payments and future company results. These assumptions have a direct impact on our net income because a higher share-based awards amount would result in lower net income for a particular period.

Results of Operations

The discussion below relates to our financial condition and results of operations for the years ended December 31, 2012, 2011 and 2010. A summary of our operating results from continuing operations for the years ended December 31, 2012, 2011 and 2010 was as follows (in thousands).

	Year Ended December 31,		
	2012	2011	2010
Income Statement Data:			
Total operating revenues	$ 1,279,067	$ 1,062,710	$ 865,401
Total operating expenses	(912,989)	(758,400)	(623,095)
Operating income	366,078	304,310	242,306
Other expenses, net	(150,031)	(142,184)	(136,894)
Net income	$ 216,047	$ 162,126	$ 105,412

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Our property portfolio 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 resulting both from the new property additions to our portfolio, as well as on a same store property basis (same store properties are properties that were owned and operated for the entire current period and the entire immediate preceding year). The following table identifies each of the properties in our portfolio acquired from January 1, 2010 through December 31, 2012.

Acquired Buildings	Acquisition Date	Space Held for Development as of December 31, 2012[1]	Net Rentable Square Feet Excluding Space Held for Development[2]	Square Feet Including Space Held for Development	Occupancy Rate as of December 31, 2012[3]
As of December 31, 2009 (81 properties)		1,382,809	13,284,562	14,667,371	94.5%
Year Ended December 31, 2010					
128 First Avenue	Jan-10		274,750	274,750	97.3
55 Middlesex	Jan-10		106,000	106,000	96.2
60 & 80 Merritt	Jan-10		169,540	169,540	100.0
43915 Devin Shafron Drive[4]	Jan-10	3,247	129,033	132,280	100.0
1725 Comstock Street	Apr-10		39,643	39,643	100.0
3105 and 3115 Alfred Street	May-10		49,858	49,858	87.9
Cateringweg 5	Jun-10		55,972	55,972	100.0
365 Main Street	Jul-10		226,981	226,981	84.0
720 2nd Street	Jul-10		121,220	121,220	89.5
2260 East El Segundo Boulevard	Jul-10		132,240	132,240	99.6
2121 South Price Road	Jul-10	151,814	367,665	519,479	80.3
4030-4050 La Fayette	Jul-10	30,333	115,070	145,403	99.6
800 Central Expressway	Aug-10	117,867	32,133	150,000	
2950 Zanker Road	Aug-10		69,700	69,700	100.0
900 Dorothy Drive	Aug-10		56,176	56,176	100.0
29A International Business Park	Nov-10	64,328	306,172	370,500	77.2
Subtotal		367,589	2,252,153	2,619,742	89.3%
Year Ended December 31, 2011					
43830 Devin Shafron Drive[4]	Mar-11	13,598	99,652	113,250	84.4
43790 Devin Shafron Drive[4]	Jun-11		152,138	152,138	100.0
1-23 Templar Road[5]	Jul-11	45,015	41,202	86,217	16.8
Fountain Court	Jul-11	89,814	42,764	132,578	16.8
98 Radnor Drive[5]	Aug-11		52,988	52,988	100.0
3825 NW Aloclek Place[5]	Aug-11		48,574	48,574	100.0
11085 Sun Center Drive	Sep-11		69,048	69,048	100.0
21551 Beaumeade Circle[6]	Dec-11		152,504	152,504	100.0
1506 Moran Road	Dec-11		78,295	78,295	100.0
760 Doug Davis Drive	Dec-11		334,306	334,306	100.0
360 Spear Street	Dec-11		154,950	154,950	100.0
Subtotal		148,427	1,226,421	1,374,848	93.0%
Year Ended December 31, 2012					
Convergence Business Park	Feb-12		819,243	819,243	99.7
9333, 9355, 9377 Grand Avenue	May-12	117,515	457,429	574,944	100.0
8025 North Interstate 35	May-12		62,237	62,237	100.0
400 S. Akard Street	Jun-12		269,563	269,563	94.7
Unit B Prologis Park	Jul-12		120,000	120,000	100.0
The Chess Building	Jul-12		133,000	133,000	97.3
Unit 21 Goldworth Park Trading Estate	Jul-12	139,917	340,325	480,242	99.3
11900 East Cornell Avenue	Sep-12		285,840	285,840	94.3
701 Union Boulevard	Nov-12	271,000		271,000	
23 Waterloo Rd	Dec-12		51,990	51,990	100.0

1 Rue Jean-Pierre	Dec-12		104,666	104,666	100.0
Liet-dit le Christ de Saclay	Dec-12		21,337	21,337	100.0
127 Rue de Paris	Dec-12		59,991	59,991	100.0
		528,432	2,725,621	3,254,053	98.6%
		2,427,257	19,488,757	21,916,014	94.4%

(1) Space held for development requires significant capital investment in order to develop datacenter facilities that are ready for use. Most often this is shell space. However, in certain circumstances this may include partially built datacenter space that was not completed by previous ownership and requires a large capital investment in order to build out the space.
(2) 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 based on engineering drawings. Net rentable square feet includes tenants proportional share of common areas but excludes space held for development.
(3) Occupancy rates exclude space held for development. 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.
(4) Includes three developed buildings (43915 Devin Shafron Drive, 43830 Devin Shafron Drive and 43790 Devin Shafron Drive) placed into service in 2010 and 2011 that are being included with a property (Devin Shafron buildings) that was acquired in 2007.
(5) Includes three developed buildings (1-23 Templar Road, 98 Radnor Drive and 3825 NW Aloclek Place) placed into service and included in our property count in 2012 that were acquired in 2011.
(6) Includes a developed building (21551 Beaumeade Circle) placed into service in 2011 that is being included with a property (21561 & 21571 Beaumeade Circle) that was acquired in 2009.

In May 2008, we acquired 701 & 717 Leonard Street, a parking garage in Dallas, Texas; however, we exclude the acquisition from our property count because it is located adjacent to our internet gateway datacenter located at 2323 Bryan Street and is not considered a separate property.

Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011 and Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010

Portfolio

As of December 31, 2012, our portfolio consisted of 117 properties, excluding three properties held as investments in unconsolidated joint ventures and developable land, with an aggregate of 21.9 million rentable square feet including 2.4 million square feet of space held for development compared to a portfolio consisting of 101 properties, excluding three properties held as investments in unconsolidated joint ventures and developable land, with an aggregate of 18.3 million rentable square feet including 2.4 million square feet of space held for development as of December 31, 2011 and a portfolio consisting of 96 properties, excluding two properties held as investments in an unconsolidated joint ventures and developable land, with an aggregate of 16.8 million rentable square feet including 2.2 million square feet of space held for development as of December 31, 2010. The increase in our portfolio reflects the acquisition of 15 properties in 2010, 5 properties in 2011 and 13 properties in 2012.

Revenues

Total operating revenues for the years ended December 31, 2012, 2011 and 2010 were as follows (in thousands):

	Years Ended December 31,			Change		Percentage Change	
	2012	2011	2010	2012 vs 2011	2011 vs 2010	2012 vs 2011	2011 vs 2010
Rental	$ 990,715	$ 820,711	$ 682,026	$ 170,004	$ 138,685	20.7%	20.3%
Tenant reimbursements	272,309	211,811	178,081	60,498	33,730	28.6%	18.9%
Construction management fee	8,428	29,286	4,923	(20,858)	24,363	(71.2%)	494.9%
Other	7,615	902	371	6,713	531	744.2%	143.1%
Total operating revenues	$ 1,279,067	$ 1,062,710	$ 865,401	$ 216,357	$ 197,309	20.4%	22.8%

As shown by the same store and new properties table below, the increases in rental revenues and tenant reimbursement revenues in the year ended December 31, 2012 compared to 2011 were due to new leasing at our same store properties, including completed and leased development space, and acquisitions of properties. These factors also caused the increases in rental revenues and tenant reimbursements in the year ended December 31, 2011 compared to 2010. Other revenues changes in the years presented were primarily due to the timing of varying tenant termination revenues. We acquired 13, 5 and 15 properties during the years ended December 31, 2012, 2011 and 2010, respectively.

The following tables show total operating revenues for same store properties and new properties (in thousands).

	Same Store Year Ended December 31,			New Properties Year Ended December 31,		
	2012	2011	Change	2012	2011	Change
Rental	$ 899,318	$ 819,251	$ 80,067	$ 91,397	$ 1,460	$ 89,937
Tenant reimbursements	235,202	211,425	23,777	37,107	386	36,721
Construction management fee				8,428	29,286	(20,858)
Other	7,615	902	6,713			
Total operating revenues	$ 1,142,135	$ 1,031,578	$ 110,557	$ 136,932	$ 31,132	$ 105,800

Same store rental revenues increased for the year ended December 31, 2012 compared to the same period in 2011 primarily as a result of new leases at our properties during 2012 due to strong demand for datacenter space, including leases of completed development space, the largest of which was for space in 29A International Business Park, 4030-4050 Lafayette and 4849 Alpha Road. Rental revenue included amounts earned from leases with The tel(x) Group, Inc., or tel(x), which was sold to an unrelated third party in 2011, of approximately $46.4 million and $42.5 million for the year ended December 31, 2012 and 2011, respectively. Same store tenant reimbursement revenues increased for the year ended December 31, 2012 as compared to the same period in 2011 primarily as a result of new leasing and higher utility and operating expenses being billed to our tenants, the largest occurrences of which were at 29A International Business Park, 350 East Cermak Road, 1100 Space Park Drive and Paul van Vlissingenstraat 16.

New properties revenue increases were caused by properties acquired during the period from January 1, 2011 to December 31, 2012. For the year ended December 31, 2012, the Sentrum Portfolio, Convergence Business Park, 760 Doug Davis Drive and 360 Spear Street contributed $109.3 million, or approximately 86%, of the new properties increase in rental revenues and tenant reimbursements compared to the same period in 2011. Construction management fee revenue was significantly higher in 2011 due to a contract in which the majority of the work was performed in 2011. The contract was completed in early 2012.

	Same Store Year Ended December 31,			New Properties Year Ended December 31,		
	2011	2010	Change	2011	2010	Change
Rental	$ 638,350	$ 584,673	$ 53,677	$ 182,361	$ 97,351	$ 85,010
Tenant reimbursements	153,805	145,993	7,812	58,006	32,088	25,918
Construction management fee				29,286	4,923	24,363
Other	897	371	526	5		5
Total operating revenues	$ 793,052	$ 731,037	$ 62,015	$ 269,658	$ 134,362	$ 135,296

Same store rental revenues increased for the year ended December 31, 2011 compared to the same period in 2010 primarily as a result of new leases at our properties during 2011 due to strong demand for datacenter space, including leases of completed development space, the largest of which was for space in Devin Shafron Drive (6 buildings), 365 South Randolphville Road and St. Anne s Boulevard (3 buildings). Rental revenue included amounts earned from leases with tel(x), which was sold to an unrelated third party in 2011, of approximately

$42.5 million and $26.8 million for the year ended December 31, 2011 and 2010, respectively. Same store tenant reimbursement revenues increased for the year ended December 31, 2011 as compared to the same period in 2010 primarily as a result of new leasing and higher utility and operating expenses being billed to our tenants, the largest occurrences of which were at Devin Shafron Drive (6 buildings), Paul van Vlissingenstraat, Unit 9, Blanchardstown Corporate Park and 4849 Alpha Road.

New properties revenue increases were caused by properties acquired during the period from January 1, 2010 to December 31, 2011. For the year ended December 31, 2011, construction management fees from our Digital Design Services, formerly known as POD Architecture Services, together with rental revenues from 2121 South Price Road, 365 Main Street, 720 2nd Street and 2260 East El Segundo contributed $96.9 million, or approximately 72%, of the total new properties increase in revenues compared to the same period in 2010.

Operating Expenses and Interest Expense

Operating expenses and interest expense during the years ended December 31, 2012, 2011 and 2010 were as follows (in thousands):

	Years Ended December 31,			Change		Percentage Change	
	2012	2011	2010	2012 vs 2011	2011 vs 2010	2012 vs 2011	2011 vs 2010
Rental property operating and maintenance	$ 380,176	$ 307,922	$ 250,225	$ 72,254	$ 57,697	23.5%	23.1%
Property taxes	69,475	49,946	44,432	19,529	5,514	39.1%	12.4%
Insurance	9,600	8,024	8,133	1,576	(109)	19.6%	(1.3%)
Construction management	1,596	22,715	1,542	(21,119)	21,173	(93.0%)	1373.1%
Depreciation and amortization	382,553	310,425	263,903	72,128	46,522	23.2%	17.6%
General and administrative	57,209	53,624	47,196	3,585	6,428	6.7%	13.6%
Transactions	11,120	5,654	7,438	5,466	(1,784)	96.7%	(24.0%)
Other	1,260	90	226	1,170	(136)	1300.0%	(60.2%)
Total operating expenses	$ 912,989	$ 758,400	$ 623,095	$ 154,589	$ 135,305	20.4%	21.7%
Interest expense	$ 157,108	$ 149,350	$ 137,384	$ 7,758	$ 11,966	5.2%	8.7%

As shown in the same store and new properties table below, total expenses for the year ended December 31, 2012 increased compared to the same period in 2011 primarily as a result of higher consumption and utility rates in several of our properties along with development projects being placed into service leading to higher utility expense in 2012. The following table shows expenses for new properties (properties that were acquired after December 31, 2010) and same store properties (all other properties) (in thousands).

	Same Store Year Ended December 31,			New Properties Year Ended December 31,		
	2012	2011	Change	2012	2011	Change
Rental property operating and maintenance	$ 342,835	$ 307,347	$ 35,488	$ 37,341	$ 575	$ 36,766
Property taxes	62,745	49,732	13,013	6,730	214	6,516
Insurance	8,486	7,680	806	1,114	344	770
Construction management				1,596	22,715	(21,119)
Depreciation and amortization	340,911	310,136	30,775	41,642	289	41,353
General and administrative(1)	57,209	53,624	3,585			
Transactions				11,120	5,654	5,466
Other	1,260	90	1,170			
Total operating expenses	$ 813,446	$ 728,609	$ 84,837	$ 99,543	$ 29,791	$ 69,752
Interest expense(2)	$ 144,136	$ 149,085	$ (4,949)	$ 12,972	$ 265	$ 12,707

(1) General and administrative expenses are included in same store as they are not allocable to specific properties.

(2) Interest expense on our global revolving credit facility and unsecured term loan is allocated on a specific property basis.

Same store rental property operating and maintenance expenses increased in the year ended December 31, 2012 compared to the same period in 2011 primarily as a result of higher consumption and utility rates in several of our properties along with development projects being placed into service leading to higher utility expense in 2012. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and executed leasing activities of $31.6 million and $24.7 million for the years ended December 31, 2012 and 2011, respectively.

Same store depreciation and amortization expense increased in the year ended December 31, 2012 compared to the same period in 2011, principally because of depreciation of development projects that were placed into service in late 2011 and during 2012.

General and administrative expenses for the year ended December 31, 2012 increased compared to the same period in 2011 primarily due to the growth of our company, which resulted in more employees, additional incentive compensation, and higher professional fees and marketing expenses.

Same store interest expense decreased for the year ended December 31, 2012 as compared to the same period in 2011 primarily as a result of lower average outstanding mortgage debt balances during 2012 compared to 2011 primarily due to the paydown of the following loans: 114 Rue Ambroise Croizat (January 2012), Unit 9, Blanchardstown Corporate Park (January 2012), 1201 Comstock Street (April 2012), 2805 Lafayette Street (May 2012), 2805 Lafayette Street Mezzanine (May 2012) and 1350 Duane Avenue/3080 Raymond Street (September 2012). This decrease was partially offset by the issuance of our 3.625% Notes due 2022 (2022 Notes) in September 2012. During the year ended December 31, 2012 and 2011, we capitalized interest of approximately $21.5 million and $17.9 million, respectively.

New properties increases were caused by properties acquired during the period from January 1, 2011 to December 31, 2012. For the year ended December 31, 2012, the Sentrum Portfolio, Convergence Business Park and 760 Doug Davis Drive contributed $67.1 million, or approximately 74%, of the total new properties increase in total operating expenses (excluding construction management) compared to the same period in 2011.

Transactions expense decreased in the year ended December 31, 2012 compared to the same period in 2011, principally because of expenses related to the acquisitions of the Sentrum Portfolio and Paris Portfolio in 2012.

	Same Store Year Ended December 31,			New Properties Year Ended December 31,		
	2011	2010	Change	2011	2010	Change
Rental property operating and maintenance	$ 217,932	$ 200,493	$ 17,439	$ 89,990	$ 49,732	$ 40,258
Property taxes	38,999	39,416	(417)	10,947	5,016	5,931
Insurance	6,213	6,762	(549)	1,811	1,371	440
Construction management				22,715	1,542	21,173
Depreciation and amortization	245,009	227,418	17,591	65,416	36,485	28,931
General and administrative[1]	53,624	47,196	6,428			
Transactions				5,654	7,438	(1,784)
Other	88	226	(138)	2		2
Total operating expenses	$ 561,865	$ 521,511	$ 40,354	$ 196,535	$ 101,584	$ 94,951
Interest expense	$ 148,166	$ 137,102	$ 11,064	$ 1,184	$ 282	$ 902

(1) General and administrative expenses are included in same store as they are not allocable to specific properties.

Same store rental property operating and maintenance expenses increased in the year ended December 31, 2011 compared to the same period in 2010 primarily as a result of higher consumption and utility rates in several of our properties along with development projects being placed into service leading to higher utility expense in 2011. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and executed leasing activities of $24.7 million and $18.0 million for the years ended December 31, 2011 and 2010, respectively.

Same store depreciation and amortization expense increased in the year ended December 31, 2011 compared to the same period in 2010, principally because of depreciation of development projects that were placed into service in late 2010 and during 2011.

General and administrative expenses for the year ended December 31, 2011 increased compared to the same period in 2010 primarily due to the growth of our company, which resulted in more employees, additional incentive compensation, and higher professional fees and marketing expenses.

Same store interest expense increased for the year ended December 31, 2011 as compared to the same period in 2010 primarily as a result of higher average outstanding debt balances during 2011 compared to 2010 primarily due to the issuance of our 5.875% Notes due 2020, the issuance of our 4.50% Notes due 2015, the issuance of our 5.250% Notes due 2021, and draws on our Prudential shelf facility. During the year ended December 31, 2011 and 2010, we capitalized interest of approximately $17.9 million and $10.2 million, respectively.