

Digital Realty Trust, Inc.
Form 10-K
February 26, 2010
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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, 2009.

.. 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.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of

26-0081711
(IRS employer

Incorporation or organization)

identification number)

560 Mission Street, Suite 2900

San Francisco, CA
(Address of principal executive offices)

94105
(Zip Code)

Registrant's telephone number, including area code (415) 738-6500

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

| Title of each class | Name of each exchange on which registered |
|--|--|
| Common stock, \$0.01 par value per share | New York Stock Exchange |
| Series A cumulative redeemable preferred stock, \$0.01 par value per share | New York Stock Exchange |
| Series B cumulative redeemable preferred stock, \$0.01 par value per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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. Yes 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

Large-accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.): Yes No

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2009 totaled approximately \$2.7 billion based on the closing price for the registrant'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, 2009. The identification of 10% or greater stockholders as of June 30, 2009 is based on Schedule 13G and amended Schedule 13G reports publicly filed before June 30, 2009. This calculation does not reflect a determination that such parties are affiliates for any other purposes.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

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| | Class | Outstanding at February 19, 2010 |
|---|--|---|
| Common Stock, \$.01 par value per share | DOCUMENTS INCORPORATED BY REFERENCE | 77,881,924 |

Portions of the registrant's Proxy Statement with respect to its 2010 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the registrant's fiscal year are incorporated by reference into Part III hereof.

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FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2009

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PART 1

ITEM 1. BUSINESS

General

As used herein, the terms we, our, us, the company and our company refer to Digital Realty Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Digital Realty Trust, L.P., a Maryland limited partnership of which we are the sole general partner and which we refer to as our operating partnership. 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. We operate as a real estate investment trust, or REIT, for federal income tax purposes.

Through our operating partnership, at December 31, 2009 we owned 81 properties, excluding one property held as an investment in an unconsolidated joint venture. Our properties are primarily located throughout North America with 13 properties in Europe. Our properties contain a total of approximately 14.4 million net rentable square feet, including approximately 1.8 million square feet held for redevelopment. A significant component of our current and future internal growth is anticipated through the development of our existing space held for redevelopment and through acquisitions of new properties. Our operations and acquisition activities are focused on a limited number of markets where technology industry tenants and corporate datacenter users are concentrated, including the Chicago, Dallas, Los Angeles, New York/New Jersey, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S. and the London, Dublin, Paris and Amsterdam markets in Europe. As of December 31, 2009, our portfolio, excluding space held for redevelopment, was approximately 95.0% leased at an average annualized rent per leased square foot of \$41.82. 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 disk drive manufacturing, 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. We also had approximately 1.8 million square feet available for redevelopment at December 31, 2009.

We were incorporated in the state of Maryland on March 9, 2004. Our principal executive offices are located at 560 Mission Street, Suite 2900, San Francisco, California 94105. Our telephone number at that location is (415) 738-6500. Our website is located at www.digitalrealtytrust.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 on Form 10-K or any other report or document we file with or furnish to the United States Securities and Exchange Commission, or the Securities and Exchange Commission.

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Recent Developments

On October 30, 2009, we acquired two fully leased datacenter facilities, 1350 Duane Avenue and 3080 Raymond Street; the adjacent buildings are located in Santa Clara, California. The buildings total approximately 185,000 square feet. The purchase price of approximately \$90.5 million includes the assumption of a \$52.8 million loan. The acquisition was financed with borrowings under our revolving credit facility.

On December 17, 2009, we acquired a two-property datacenter portfolio consisting of four buildings located at 21561 and 21571 Beaumeade Circle in Ashburn, Virginia and 45901 and 45905 Nokes Boulevard in Sterling, Virginia, as well as certain vacant land located at 21551 Beaumeade Circle in Ashburn, Virginia, which we refer to collectively as the Beaumeade/Nokes Property, for a purchase price of approximately \$63.3 million. The Beaumeade/Nokes Property totals approximately 332,000 square feet with the vacant land capable of supporting up to 140,000 square feet of new datacenter development. The acquisition was financed with borrowings under our revolving credit facility.

On December 31, 2009, we entered into equity distribution agreements, which we refer to as the Original Equity Distribution Agreements, with each of Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, or the Original Agents, under which we could issue and sell shares of our common stock having an aggregate offering price of up to \$400,000,000 from time to time through, at our discretion, any of the Original Agents as our sales agents. On January 22, 2010, we amended and restated each Original Equity Distribution Agreement with the applicable Original Agent, and also entered into a new equity distribution agreement with Morgan Stanley & Co. Incorporated, or collectively the Equity Distribution Agreements, under which we may issue and sell shares of our common stock having an aggregate offering price of up to \$400,000,000 (including the approximately 1.1 million shares of common stock having an aggregate offering price of approximately \$54.3 million sold pursuant to the Original Equity Distribution Agreements as of January 22, 2010), from time to time through, at our discretion, any of the Original Agents or Morgan Stanley & Co. Incorporated as our sales agents. The sales of common stock made under the Equity Distribution Agreements will be made in at the market offerings as defined in Rule 415 of the Securities Act. We intend to use the proceeds from the sale of shares pursuant to the Equity Distribution Agreements to temporarily repay borrowings under our revolving credit facility, to acquire additional properties, to fund development and redevelopment opportunities and for general corporate purposes. As of February 19, 2010, we have generated net proceeds of approximately \$53.5 million from the issuance of approximately 1.1 million common shares under our the Equity Distribution Agreements at an average price of \$50.54 per share after payment of approximately \$0.8 million of commissions to the sales agents.

On January 20, 2010, we closed the sale of \$100.0 million aggregate principal amount of our senior unsecured term notes under our Note Purchase and Private Shelf Agreement dated July 24, 2008, or the Prudential shelf facility. The notes were issued in two series referred to as the series D and series E notes. The series D notes have a principal amount of \$50.0 million, an interest-only rate of 4.57% per annum and a five-year maturity, and the series E notes have a principal amount of \$50.0 million, an interest-only rate of 5.73% per annum and a seven-year maturity. We used the proceeds of the series D and series E notes to fund acquisitions, to temporarily repay borrowings under our revolving credit facility and for working capital. The series D and series E notes are subject to the covenants set forth in the Prudential shelf facility.

On January 22, 2010, we completed the acquisition of a three-property datacenter portfolio located in Massachusetts and Connecticut, which we refer to as the New England Portfolio. The purchase price was approximately \$375.0 million and was funded with borrowings under our revolving credit facility. The New England Portfolio comprises a total of approximately 550,000 square feet.

On January 28, 2010, our operating partnership closed the issuance of \$500.0 million aggregate principal amount of 5.875% notes due 2020. The purchase price paid by the initial purchasers was 98.296% of the principal amount thereof. The notes are general unsecured senior obligations of our operating partnership, rank equally in right of payment with all other senior unsecured indebtedness of our operating partnership and are

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fully and unconditionally guaranteed by us. Interest on the notes is payable on February 1 and August 1 of each year, beginning on August 1, 2010. The net proceeds from the offering after deducting the original issue discount, underwriting commissions and estimated expenses was approximately \$487.6 million. We used the net proceeds from the offering to temporarily repay borrowings under our revolving credit facility, fund development and redevelopment opportunities and for general corporate purposes.

On February 3, 2010, we closed the sale of \$17.0 million aggregate principal amount of our senior unsecured term notes, which we refer to as the series F notes, under the Prudential shelf facility. The series F notes have an interest-only rate of 4.50% per annum and a five-year maturity. We used the proceeds of the series F to fund acquisitions, to temporarily repay borrowings under our revolving credit facility and fund development and redevelopment opportunities for working capital. The series F notes are subject to the covenants set forth in the Prudential shelf facility.

On February 23, 2010, we declared the following dividend per share. The Operating Partnership will make an equivalent distribution per unit.

| Share Class | Series A Preferred Stock | Series B Preferred Stock | Series C Preferred Stock | Series D Preferred Stock | Common stock and common unit |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|
| Dividend and distribution amount | \$0.531250 | \$0.492188 | \$0.273438 | \$0.343750 | \$0.480000 |
| Dividend and distribution payable date | March 31, 2010 | March 31, 2010 | March 31, 2010 | March 31, 2010 | March 31, 2010 |
| Dividend payable to shareholders of record on | March 16, 2010 | March 16, 2010 | March 16, 2010 | March 16, 2010 | March 16, 2010 |
| Annual equivalent rate of dividend and distribution | \$2.125 | \$1.969 | \$1.094 | \$1.375 | \$1.920 |

On February 23, 2010, our board of directors approved an amendment to our charter increasing the number of authorized shares of our common stock, par value \$.01 per share, available for issuance from 125,000,000 to 145,000,000. No changes were made to the number of authorized shares of our preferred stock, par value \$.01 per share, available for issuance (currently 30,000,000). We filed the amendment with the Maryland State Department of Assessments and Taxation on February 26, 2010.

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 27 metropolitan areas, including the Chicago, Dallas, Los Angeles, New York/New Jersey, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S. and the Amsterdam, Dublin, London and Paris markets in Europe, and is diversified so that no one market represented more than 17.9% of the aggregate annualized rent of our portfolio as of December 31, 2009.

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Proven Ability To Sign 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, 2009, we commenced new leases totaling approximately 757,000 square feet, which represent approximately \$80.1 million in annualized GAAP rent. These leases were comprised of Powered Base Building[®], Turn-Key Datacenters[®], and ancillary office and other uses.

Demonstrated Acquisition Capability. As of December 31, 2009, our portfolio consisted of 81 technology-related real estate properties, excluding one property held through an investment in an unconsolidated joint venture, that we or our predecessor acquired beginning in 2002, for an aggregate of 14.4 million net rentable square feet, including approximately 1.8 million square feet held for redevelopment. We have developed detailed, standardized procedures for evaluating acquisitions, including income producing assets and vacant properties suitable for redevelopment, 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 more than half 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 Datacenter[®], Powered Base Building[®] and build-to-suit options. Our Turn-Key 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 Datacenters[®] 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 customized build-to-suit solutions 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 Datacenters[®] in our existing Powered Base Buildings[®], 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 financing options 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, 2009, we had approximately 325 tenants across a variety of industry sectors, ranging from information technology and Internet enterprises to financial services, energy and manufacturing companies. No single tenant accounted for more than 10% of the aggregate annualized rent of our portfolio as of December 31, 2009.

Experienced and Committed Management Team and Organization. Our senior management team, including our Chairman, has an average of over 25 years of experience in the technology or real estate

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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, 2009, our senior management team collectively owned common equity interests in our company of approximately 1.3%, which aligns management's interests with those of our stockholders.

Long-Term Leases That Complement Our Growth. We have long-term leases with stable cash flows. As of December 31, 2009, our weighted-average lease term was in excess of 13 years, with a weighted-average of seven years remaining, excluding renewal options. Our lease expirations through December 31, 2011 are 14.2% of our net rentable square feet excluding space held for redevelopment as of December 31, 2009.

Business and Growth Strategies

Our primary business objectives are to maximize sustainable long-term growth in earnings, funds from operations and cash flow per share and to maximize returns to our stockholders. Our business strategies to achieve these objectives are:

Achieve Superior Returns on Redevelopment Inventory. At December 31, 2009, we had approximately 1.8 million square feet held for redevelopment. At December 31, 2009, 87,000 square feet of our space held for redevelopment was undergoing construction for Turn-Key Datacenter®, build-to-suit data center and Powered Base Building® space in two U.S. and one European markets. These projects have sufficient power capacity to meet the power and cooling requirements of today's advanced data centers. We will continue to build-out our redevelopment 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 our initial public offering in 2004, we have raised over \$4.5 billion of capital through common, preferred and convertible preferred equity offerings, two exchangeable debt offerings, our revolving credit facility, 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, development and redevelopment programs, which are important sources of growth for the company.

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 more than 75% of the leased net rentable square feet in our portfolio as of December 31, 2009 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

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identify and comprehensively respond to their real estate needs. Our 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., 365 Main Inc., CoreSite and various local developers in the U.S., and Global Switch, Centrum and various regional operators in Europe. 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 or redeveloped 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 or be unable to lease our vacant space, including space that we develop or redevelop. 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, including cash available to pay dividends to our preferred or common stockholders, and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

Regulation

General

Office properties in our submarkets 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, 2009 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 that property 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. 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.

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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. 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 or results of operations. 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.

Insurance

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We select policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our company's management, the properties in our portfolio are currently adequately insured. We do not carry insurance for generally uninsured losses such as loss from war, or nuclear reaction. In addition, we carry 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, 2009 we had 264 employees. None of these employees are represented by a labor union.

How to Obtain Our SEC Filings

All reports we file with the SEC are 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 also provide copies of our Forms 8-K, 10-K, 10-Q, Proxy, 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.digitalrealtytrust.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 annual report on Form 10-K, or any other document that we file with the SEC.

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Offices

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

ITEM 1A. RISK FACTORS

For purposes of this section, the term "stockholders" means the holders of shares of our common stock and of our preferred stock. Set forth below are the risks that we believe are material to our stockholders. 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 our stockholders 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 29.

Risks Related to Our Business and Operations

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

Recent U.S., European and other international market and economic conditions have been unprecedented and challenging, with significantly tighter credit conditions and recession in all markets in which we own properties and conduct our operations continuing into 2010. Continued concerns about the systemic impact of potential wide-spread and long-term recession, energy costs, geopolitical issues, the availability and cost of credit, global financial and mortgage markets, corporate, consumer and governmental debt levels and declining residential and commercial real estate markets have contributed to increased market volatility and diminished expectations for the U.S., European and other economies. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment have and continue to contribute to global volatility of unprecedented levels.

As a result of these conditions, general economic conditions and the cost and availability of capital have been and may continue to be adversely affected in all markets in which we own properties and conduct our operations. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease, to provide credit to businesses and consumers. Continued turbulence in the U.S., European and other international markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. If these market and economic conditions continue, they may limit 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 revolving credit facility 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 continuing long-term disruptions in the global economy and the continuation of tighter credit conditions among, and potential failures or nationalizations of, third party financial institutions as a result of such disruptions will not have an adverse effect on our lenders. If our lenders are not able to meet their funding commitments to us, our business, results of 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 revolving credit facility or raise equity capital, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development or redevelopment 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.

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

In order to maintain our qualification as a REIT, we are required under the Internal Revenue Code of 1986, as amended, which we refer to as the Code, to annually distribute at least 90% of our net taxable income,

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determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition or redevelopment financing, from operating cash flow. Consequently, we rely on third-party sources to fund our capital needs. We may not be able to obtain equity or debt financing on favorable terms or at all. Any additional debt we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

general market conditions;

the market's perception of our business prospects and growth potential;

our current debt levels;

our current and expected future earnings, funds from operations and growth thereof;

our cash flow and cash distributions;

the market price per share of our common stock and preferred stock; and

our ability to maintain our investment grade credit rating with the ratings agencies.

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. Furthermore, difficulties with sub-prime residential housing credit have impacted corporate debt. Liquidity previously provided by commercial mortgage-backed securities and collateralized debt obligations has significantly decreased. The affects on commercial real estate mortgages and other debt include:

higher loan spreads;

tighter loan covenants;

reduced loan to value ratios and resulting borrower proceeds; and

higher amortization and reserve requirements.

There is no assurance that we will be able to obtain debt financing at all or on terms favorable or acceptable to us.

Potential future increases in interest rates and credit spreads may increase our interest expense and therefore negatively affect our financial condition, results of operations, and reduce our access to capital markets. Increased interest rates may also increase the risk that the counterparties to our swap agreements will default on their obligations, which would further increase our interest expense. Equity markets have experienced high volatility recently and there is no assurance 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 our common stockholders.

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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 cash dividends to our stockholders to maintain our qualification as a REIT.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

We review the carrying value of our properties when circumstances, such as adverse market conditions (including conditions resulting from the ongoing global economic recession), indicate potential impairment may exist. We base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition. 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

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evaluation indicates that we may be 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, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders and per share trading price of our common stock or preferred stock.

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 redevelopment 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 such as Asia. 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 depend on significant tenants, and many of our properties are single-tenant properties or are currently occupied by single tenants.

As of December 31, 2009, the 20 largest tenants in our property portfolio represented approximately 57% of the total annualized rent generated by our properties. Our largest tenants by annualized rent are Savvis Communications and Equinix Operating Company, Inc. Savvis Communications leased approximately 1.9 million square feet of net rentable space as of December 31, 2009, representing approximately 9.8% of the total annualized rent generated by our properties. Equinix Operating Company, Inc. leased approximately 607,000 square feet of net rentable space as of December 31, 2009, representing approximately 5.0% of the total annualized rent generated by our properties. In addition, 38 of our 81 properties are occupied by single tenants, including properties occupied solely by Savvis Communications and Equinix Operating Company, Inc. Many factors, including consequences of current 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

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put pressure on our pricing. If we lose a tenant, there is no assurance 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. At December 31, 2009, one tenant, Lyondell Chemical Company (Lyondell) was in bankruptcy. As of December 31, 2009, Lyondell leased approximately 15,500 square feet of net rentable space at a property in Dallas, Texas and was current on all of its rental obligations.

Our revenue and cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us, 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 properties are located in 27 metropolitan areas. We depend upon the local economic conditions in these markets, including local real estate conditions. 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. 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. Our operations and our revenue and cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us, could be materially adversely affected by the global economic downturn. We cannot assure you that these markets will grow or will remain favorable to technology-related real estate.

As of December 31, 2009, our portfolio was geographically concentrated in the following metropolitan markets.

| Metropolitan Market | Percentage of 12/31/09 total annualized rent ⁽¹⁾ |
|---------------------|--|
| Silicon Valley | 17.9% |
| Chicago | 11.8% |
| New York/New Jersey | 10.3% |
| Northern Virginia | 9.8% |
| Dallas | 9.5% |
| Phoenix | 6.4% |
| San Francisco | 4.8% |
| Los Angeles | 4.5% |
| London, England | 4.2% |
| Dublin, Ireland | 3.9% |
| Paris, France | 3.2% |
| Other | 13.7% |
| | 100.0% |

(1) Annualized rent is monthly contractual rent under existing leases as of December 31, 2009, multiplied by 12.

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

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

We had approximately 1.8 million square feet held for redevelopment at December 31, 2009, 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 and redevelopment 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;

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;

ability to lease the space we develop or redevelop at all, or at rates we consider favorable or expected at the time we commenced redevelopment;

increased supply or reduced demand for datacenters space;

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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;

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; and

other property development uncertainties.

In addition, in certain circumstance 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.

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 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.

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

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

At December 31, 2009, we owned approximately 1.8 million square feet held for redevelopment. Of this space, we are currently redeveloping 87,000 square feet. We intend to continue to add new space to our redevelopment inventory and to continue to redevelop additional space from this inventory. A substantial portion of the space that we redevelop is, and will continue to be, redeveloped on a speculative basis, meaning that we do not have a signed lease for the space when we begin the redevelopment process. We also develop or redevelop space specifically for tenants pursuant to leases signed prior to beginning the development or redevelopment process. In those cases, if we failed to meet our development or redevelopment 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. We cannot assure you that once we have redeveloped a space we will be able to successfully lease it. If we are not able to successfully lease the space that we redevelop, if redevelopment 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, 2009, leases representing 14.2% of the square footage of the properties in our portfolio, excluding space held for redevelopment, were scheduled to expire through 2011, and an additional 5.3% of the net rentable square footage excluding space held for redevelopment 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 provide assurance 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 redeveloped 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, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock, and our ability to satisfy our debt service obligations could be materially adversely affected.

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

We owned 81 properties at December 31, 2009, excluding one property held as an investment in an unconsolidated joint venture. These properties are primarily located throughout North America and 13 properties are located in Europe. The properties contain a total of approximately 14.4 million net rentable square feet, including 1.8 million square feet held for redevelopment. All the properties have been under our management for less than six years, and we have owned six of the properties for less than one year at December 31, 2009. 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 Datacenters® that we have developed or redeveloped. Because we generally cannot pass operating expenses (other than energy costs) on to our tenants in Turn-Key Datacenters®, 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 expanded the size of our company. For example, during 2009, we acquired six properties, our number of employees increased from 210 to 264 and we increased the number and size of our

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redevelopment activities. The growth in our company may significantly strain our management, operational and financial resources and systems. In addition, as a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the NYSE. The requirements of these rules and regulations have increased 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 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, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us.

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 6.4% of our portfolio's annualized rent as of December 31, 2009. 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 our operating partnership. Although it may be in our stockholders best interest 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 up to \$17.8 million of debt available for these contributors to guarantee. 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 carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under various insurance policies. We select policy specifications and insured limits which we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsured losses such as loss from riots, terrorist threats, war or nuclear reaction. Most of our policies, like those covering losses due to floods, are insured subject to limitations involving large deductibles or co-payments and policy limits which may not be sufficient to cover losses. A large portion of the properties we own are located in California, an area especially subject to earthquakes. Together, these properties represented approximately 27% of our portfolio's annualized rent as of December 31, 2009. While we carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. In addition, we may discontinue earthquake or other insurance 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 generally retain title to such improvements and 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. 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.

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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.

Payments on our debt reduce cash available for distribution and may expose us to the risk of default under our debt obligations.

Our total consolidated indebtedness at December 31, 2009 was approximately \$1.8 billion, and we may incur significant additional debt to finance future acquisition and development activities. We have a revolving credit facility, which has a borrowing limit based upon a percentage of the value of our unsecured properties included in the facility's borrowing base. At December 31, 2009, approximately \$521.5 million was available under this facility. 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.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, for our operating partnership to pay distributions to its unitholders, including us, and, consequently, for us to pay cash dividends to our stockholders to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

our cash flow may be insufficient to meet our required principal and interest payments;

we may be unable to borrow additional funds as needed or on favorable terms;

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;

because a significant portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense;

we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;

we may default on our obligations and the 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;

we may violate restrictive covenants in our loan documents beyond applicable grace periods, which would entitle the lenders to accelerate our debt obligations; and

our default under any one of our mortgage loans with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock, and our ability to satisfy our debt service obligations could be materially adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, a circumstance which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

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We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market of available properties and may acquire additional technology-related real estate when opportunities exist. Our ability to acquire properties on favorable terms and successfully operate them may be exposed to the following significant risks:

we may be unable to acquire a desired property 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, 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, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

we may be unable to finance acquisitions on favorable terms or at all;

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;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown 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 and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock, 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, more than half of our acquisitions were acquired before they were widely marketed by real estate brokers, or off-market. Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of 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 face significant competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

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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., 365 Main Inc., CRG West and various local developers in the U.S., and Global Switch and

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various regional operators in Europe. 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 or redeveloped 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 or be unable to lease our vacant space, including space that we develop or redevelop. 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, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

Our revolving credit facility and 5.875% notes due 2020 restrict our ability to engage in some business activities.

Our revolving credit facility contains 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;

restrict our ability to make distributions to our stockholders;

require us to maintain financial coverage ratios; and

require us to maintain a pool of unencumbered assets approved by the lenders.

In addition, our 5.875% notes due 2020, or the 2020 notes, are governed by an indenture, which contains 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 revolving credit facility, could cause us to default on our 2020 notes or revolving credit facility, as applicable, or negatively affect our operations, our ability to pay cash dividends to our stockholders or our operating partnership's ability to pay distributions to its unitholders, including us.

The exchange and repurchase rights of our exchangeable debentures may be detrimental to holders of common stock.

Our operating partnership has outstanding \$172.5 million aggregate principal amount of 4.125% Exchangeable Senior Debentures due 2026, which we refer to as the 2026 debentures. The 2026 debentures may under certain circumstances be exchanged for cash (up to the principal amount of the exchangeable debentures) and, with respect to any excess exchange value, into cash, shares of our common stock or a combination of cash and shares of our common stock at the current exchange rate of 31.0370 shares per \$1,000 principal amount of exchangeable debentures. At the current exchange rate, the 2026 debentures are exchangeable for our common stock at an exchange price of approximately \$32.2196 per share. The exchange rate of the 2026 debentures is subject to adjustment for certain events, including, but not limited to, certain dividends on our common stock in excess of \$0.265 per share per quarter, the issuance of certain rights, options or warrants to

holders of our

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common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers. The 2026 debentures are redeemable at the Company's option for cash at any time on or after August 18, 2011 and are subject to repurchase for cash at the option of the holder on August 15 in the years 2011, 2016 and 2021, or upon the occurrence of certain events.

In addition, our operating partnership has outstanding \$266.4 million aggregate principal amount of 5.50% Exchangeable Senior Debentures due 2029, which we refer to as the 2029 debentures. At the initial exchange rate, the 2029 debentures are exchangeable for our common stock at an exchange price of approximately \$43.00 per share. The exchange rate of the 2029 debentures is subject to adjustment for certain events, including, but not limited to, certain dividends on our common stock in excess of \$0.33 per share per quarter, respectively, the issuance of certain rights, options or warrants to holders of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers. The 2029 debentures are redeemable at the Company's 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. The 2029 debentures are our operating partnership's senior unsecured and unsubordinated obligations and are fully and unconditionally guaranteed by us.

The exchange of our 2026 debentures or 2029 debentures for our common stock at a time when our common stock is trading above the exchange price would dilute stockholder ownership in our company, and could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Any adjustments to the exchange rate of the 2026 debentures or 2029 debentures would exacerbate their dilutive effect. If the 2026 debentures or 2029 debentures are not exchanged, the repurchase rights of holder of the exchangeable debentures may discourage or impede transactions that might otherwise be in the interest of holders of common stock. 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 and our stockholders.

The conversion rights of our convertible preferred stock may be detrimental to holders of common stock.

We have 6,999,955 shares of 4.375% series C cumulative convertible preferred stock, or the series C preferred stock, and 13,795,500 shares of 5.500% series D cumulative convertible preferred stock, or the series D preferred stock, outstanding. The series C preferred stock and the series D preferred stock may be converted into shares of our common stock subject to certain conditions. The initial conversion rate for the series C preferred stock is 0.5164 shares of our common stock per \$25.00 liquidation preference, which is equivalent to an initial conversion price of \$48.41 per share of our common stock. Effective December 11, 2009, the conversion rate for the series C preferred stock was adjusted to 0.5225 shares of common stock per \$25.00 liquidation preference, which is equivalent to a conversion price of \$47.85 per share of our common stock, as a result of the aggregate dividends in excess of the reference dividend that we declared and paid on our common beginning with the quarter ended June 30, 2007 and through the quarter ended December 31, 2009. The initial conversion rate for the series D preferred stock is 0.5955 shares of our common stock per \$25.00 liquidation preference, which is equivalent to an initial conversion price of \$41.98 per share of our common stock. The conversion rates for the series C preferred stock and the series D preferred stock are subject to adjustment upon the occurrence of specified events, including, but not limited to, increases in dividends on our common stock, the issuance of certain rights, options or warrants to holders of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers.

In addition, on or prior to April 10, 2014 (in the case of the series C preferred stock) or February 6, 2015 (in the case of the series D preferred stock) in the event of a fundamental change when the applicable price of our common stock is less than \$40.34 per share (in the case of the series C preferred stock) or \$35.73 per share (in

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the case of the series D preferred stock), then holders of shares of the series C preferred stock and the series D preferred stock will have a special right to convert some or all of their series of preferred stock into a number of shares of our common stock per \$25.00 liquidation preference equal to such liquidation preference, plus an amount equal to accrued and unpaid dividends to, but not including, the fundamental change conversion date, divided by 98% of the market price of our common stock. In the event that holders of shares of our preferred stock exercise this special conversion right, we have the right to repurchase for cash all or any part of preferred stock as to which the conversion right was exercised at a repurchase price equal to 100% of the liquidation preference of the preferred stock to be repurchased plus an amount equal to accrued and unpaid dividends to, but not including, the fundamental change conversion date.

The conversion of the series C preferred stock or the series D preferred stock for our common stock would dilute stockholder ownership in our company, and could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Any adjustments to the conversion rates of the series C preferred stock and the series D preferred stock would exacerbate their dilutive effect. Further, the fundamental change conversion rights might be triggered in situations where we need to conserve our cash reserves, which may limit our ability to repurchase the shares of preferred stock in lieu of conversion.

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 to maintain our 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.

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

We depend on the efforts of key personnel, particularly Michael Foust, our Chief Executive Officer, A. William Stein, our Chief Financial Officer and Chief Investment Officer, Scott Peterson, our Senior Vice President, Acquisitions and Christopher Crosby, our Senior Vice President, Corporate Development. 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 other senior employees also have strong technology, finance and real estate industry reputations. As a result, we have

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greater access to potential acquisitions, financing, leasing and other opportunities, and are better able to negotiate with tenants. As our number of competitors increases, it becomes more likely that a competitor would attempt to hire certain of these individuals away from us. 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.

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. Including loans currently subject to interest rate caps and swaps, approximately 88% of our total indebtedness as of December 31, 2009 was subject to fixed interest rates. We do not currently hedge our revolving credit facility and as our borrowings under our revolving credit facility increase, so will our percentage of indebtedness not subject to fixed rates and our exposure to interest rates increase. Hedging may reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

Our 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 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 redevelopment 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.

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 14 properties located outside of the U.S. at December 31, 2009. In addition, we are currently considering, and will in the future consider, additional international acquisitions.

The ownership of properties located outside of the U.S. 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, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, the per share trading price of our common stock or preferred stock and our ability to satisfy our debt obligations.

We may attempt to mitigate some or all of the risk of currency fluctuation by financing our properties in the local currency denominations, although we cannot assure you that we will be able to do so or that this will be effective. We may also engage in direct hedging activities to mitigate the risks of exchange rate fluctuations.

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Acquisition, development, redevelopment, operation and ownership of foreign properties involve risks greater than those faced by us in the U.S.

Foreign real estate investments usually involve risks not generally associated with investments in the United States. Our international acquisitions, developments, redevelopments, operations are subject to a number of risks, including:

risks resulting from our lack of knowledge of local real estate markets, development and redevelopment standards, economies and business practices and customs;

our limited knowledge of and relationships with sellers, tenants, contractors, suppliers or other parties in these markets;

due diligence, transaction and structuring costs higher than those we may face in the U.S.;

complexity and costs associated with managing international development, redevelopment and operations;

difficulty in hiring qualified management, sales and construction personnel and service providers in a timely fashion;

multiple, conflicting and changing legal, regulatory, entitlement and permitting, 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 U.S.;

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; 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.

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

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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.

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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. 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.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to pay cash dividends to our stockholders and our operating partnership's ability to pay distributions to its unitholders, depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, and the value of our properties. These events and conditions include:

local oversupply, increased competition or reduction in demand for technology-related space;

inability to collect rent from tenants;

vacancies or our inability to rent space on favorable terms;

inability to finance property development and acquisitions on favorable terms;

increased operating costs, including insurance premiums, utilities and real estate taxes;

costs of complying with changes in governmental regulations; and

the relative illiquidity of real estate investments.

In addition, periods of economic slowdown or recession, rising interest rates or credit spreads, limited or no access to debt or equity capital or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would materially adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock and ability to satisfy our debt service obligations.

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. The real estate market is affected by many factors that are beyond our control, including:

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adverse changes in national and local economic and market conditions;

changes in interest rates and in the availability, cost and terms of debt financing;

changes in laws and regulations, fiscal policies and zoning ordinances and costs of compliance with laws and regulations, fiscal policies and ordinances;

the ongoing need for capital improvements, particularly in older structures;

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changes in operating expenses; and

civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured and underinsured losses.

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. 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.

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 arise after these reviews are 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 cash dividends to our stockholders or our operating partnership's ability to pay distributions to its 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

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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, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock and our 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, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock and our ability to satisfy our debt service obligations.

Risks Related to Our Organizational Structure

Conflicts of interest may exist or could arise in the future with holders of units in our operating partnership.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under Maryland law in connection with their management of our company. At the same time, we, as general partner, have fiduciary duties under Maryland law to our operating partnership and to the limited partners in connection with the management of our operating partnership. Our duties as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. Under Maryland law, a general partner of a Maryland limited partnership owes its limited partners the duties of good faith, fairness and loyalty, unless the partnership agreement provides otherwise. The partnership agreement of our operating partnership provides that for so long as we own a controlling interest in our operating partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners will be resolved in favor of our 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 our fiduciary duties.

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We are also subject to the following additional conflicts of interest with holders of units in our operating partnership:

We may pursue less vigorous enforcement of terms of certain agreements because of conflicts of interest with GI Partners. GI Partners Fund II, LLP, or GI Partners II, owns The tel(x) Group, an operator of Meet-Me-Room network interconnection facilities that leases 126,130 square feet from us under 26 lease agreements. Richard Magnuson, the Chairman of our board of directors, is and will continue to be, the chief executive officer of the advisor to GI Partners II. In the future, we may enter into additional agreements with The tel(x) Group or other companies owned by GI Partners II or other GI Partners funds. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with GI Partners funds and Mr. Magnuson.

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 our 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 tax consequences upon the sale of these properties and on the repayment of related debt which differ from the tax consequences to us and our 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 we have 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 our board of directors. Certain of our directors and executive officers could exercise their influence in a manner inconsistent with the interests of some, or a majority, of our stockholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

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

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

We could increase the number of authorized shares of stock and issue stock without stockholder approval. Our charter authorizes our board of directors, without stockholder approval, to amend the charter to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series that we have authority to issue, to issue authorized but unissued shares of our common stock or preferred stock and, subject to the voting rights of holders of preferred stock, to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or reclassified shares. Although our board of directors has no such intention at the present time, it could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might be in the best interest of our common or preferred stockholders.

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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 us or of impeding a change of control under circumstances that otherwise could be in the best interests of our common or preferred stockholders, including:

business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of ours 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 our 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 special stockholder voting requirements on these combinations; and

control share provisions that provide that control shares of our company (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 control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

The provisions of our charter on removal of directors and the advance notice provisions of the bylaws could delay, defer or prevent a transaction or a change of control of our company that might be in the best interest of our common or preferred stockholders. Likewise, if our company'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 us, or if the provision in our 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. Further, our partnership agreement provides that our company may not engage in any merger, consolidation or other combination with or into another person, sale of all or substantially all of our assets or any reclassification or any recapitalization or change in outstanding shares of our common stock, unless in connection with such transaction we obtain the consent of the holders of at least 35% of our operating partnership's common and long-term incentive units (including units held by us), and certain other conditions are met.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our board of directors adopted a policy limiting our indebtedness to 60% of our total market capitalization. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), excluding options issued under our incentive award plan, plus the aggregate value of the units not held by us, plus the liquidation preference of outstanding preferred stock, plus the book value of our total consolidated indebtedness. However, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder 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 make

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distributions, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us. Higher leverage also increases the risk of default on our obligations.

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

Maryland law provides that our 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 our 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, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

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, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our 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 we have entered in indemnification agreements with our officers and directors. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from that director or officer will be limited.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

We have operated and intend to continue operating in a manner that we believe will allow us to qualify as a REIT for federal income tax purposes under the Code. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT. If we lose our REIT status, we will face serious tax consequences that would substantially reduce our cash available for distribution, including cash available to pay dividends to our preferred stockholders or make distributions to our common stockholders, for each of the years involved because:

we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;

we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these factors, our 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 our capital stock.

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 us, holds its assets through a partnership. Our ability to qualify as a REIT may be affected by facts and circumstances that are not entirely within our control. In order to qualify as a REIT, we must satisfy a number of

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requirements, including requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our domestic taxable REIT subsidiary 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.

To maintain our REIT status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. While historically we have satisfied these distribution requirements by making cash distributions to our stockholders, a REIT is permitted to satisfy these requirements by making distributions of cash or other property, including, in limited circumstances, its own stock. Assuming we continue to satisfy these distributions requirements with cash, we may need to borrow funds 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.

We may in the future choose to pay dividends in our own stock.

We may distribute taxable dividends that are partially payable in cash and partially payable in our stock. Under recent IRS guidance, up to 90% of any such taxable dividend with respect to calendar years 2008 through 2011, and in some cases declared as late as December 31, 2012, could be payable in our stock if certain conditions are met. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, such sales may put downward pressure on the trading price of our stock.

The power of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and we would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our common or preferred stockholders.

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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 and 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 negative of these words and phrases or similar words or phrases which are predictions 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 ongoing deterioration in global economic, credit and market conditions;

downturn of 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;

our failure to repay debt when due or our breach of covenants or other terms contained in our loan facilities and agreements;

financial market fluctuations;

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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 operate acquired or redeveloped properties;

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

delays or unexpected costs in development or redevelopment of properties;

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 redevelopment;

difficulties in identifying properties to acquire and completing acquisitions;

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- our inability to acquire off-market properties;

- our inability to comply with the rules and regulations applicable to public companies;

- our failure to maintain our status as a REIT;

- possible adverse changes to tax laws;

- restrictions on our ability to engage in certain business activities;

- environmental uncertainties and risks related to natural disasters;

- changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and

- changes in real estate and zoning laws and increases in real property tax rates.

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. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the sections above.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our Portfolio

As of December 31, 2009, we owned 81 properties through our operating partnership, excluding one property held as an investment in an unconsolidated joint venture. These properties are primarily located throughout North America, with 13 properties located in Europe, and contain a total of approximately 14.4 million net rentable square feet including 1.8 million square feet held for redevelopment. The following table presents an overview of our portfolio of properties excluding the one property held as an investment in an unconsolidated joint venture, based on information as of December 31, 2009. All properties are held in fee except as otherwise indicated. Please refer to note 6 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, 2009.

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| Property ⁽¹⁾ | Acquisition date | Metropolitan Area | Net Rentable Square Feet Excluding Redevelopment Space ⁽²⁾ | Redevelopment Space ⁽³⁾ | Annualized Rent (\$000) ⁽⁴⁾ | Percent Leased ⁽⁵⁾ | Annualized Rent per Occupied Square Foot (\$) ⁽⁶⁾ |
|--|------------------|---------------------|---|------------------------------------|--|-------------------------------|--|
| Internet Gateways | | | | | | | |
| 350 East Cermak Road | May-05 | Chicago | 1,122,749 | 10,990 | 53,922 | 92.3% | 52.01 |
| 200 Paul Avenue 1-4 | Nov-04 | San Francisco | 436,299 | 91,381 | 24,025 | 99.9% | 55.11 |
| 120 E. Van Buren Street | Jul-06 | Phoenix | 254,497 | 33,017 | 21,556 | 97.7% | 86.65 |
| 111 8th Avenue ⁽⁷⁾ | Mar-07 | New York/New Jersey | 116,843 | | 18,663 | 100.0% | 159.73 |
| 600 West Seventh Street | May-04 | Los Angeles | 482,089 | 7,633 | 17,201 | 95.3% | 37.44 |
| 114 Rue Ambroise Croizat ⁽⁸⁾ | Dec-06 | Paris, France | 300,622 | 51,524 | 15,762 | 90.1% | 58.17 |
| 2323 Bryan Street | Jan-02 | Dallas | 457,217 | 19,890 | 14,465 | 76.7% | 41.22 |
| 1100 Space Park Drive | Nov-04 | Silicon Valley | 165,297 | | 7,764 | 100.0% | 46.97 |
| 36 NE 2nd Street | Jan-02 | Miami | 162,140 | | 5,243 | 95.9% | 33.74 |
| 600-780 S. Federal | Sep-05 | Chicago | 161,547 | | 4,859 | 69.4% | 43.35 |
| 6 Braham Street ⁽⁹⁾ | Jul-02 | London, England | 63,233 | | 4,602 | 100.0% | 72.78 |
| 900 Walnut Street | Aug-07 | St. Louis | 112,266 | | 3,712 | 97.3% | 33.98 |
| 125 North Myers | Aug-05 | Charlotte | 25,402 | | 1,244 | 100.0% | 48.97 |
| 731 East Trade Street | Aug-05 | Charlotte | 40,879 | | 1,200 | 100.0% | 29.35 |
| 113 North Myers | Aug-05 | Charlotte | 20,086 | 9,132 | 678 | 100.0% | 33.75 |
| | | | 3,921,166 | 223,567 | 194,896 | 92.1% | 53.97 |
| Corporate Datacenters | | | | | | | |
| 43881 Devin Shafron Drive | Mar-07 | Northern Virginia | 180,000 | | 17,607 | 98.5% | 99.35 |
| 3 Corporate Place | Dec-05 | New York/New Jersey | 276,931 | | 15,425 | 95.9% | 58.07 |
| 300 Boulevard East | Nov-02 | New York/New Jersey | 311,950 | | 14,214 | 100.0% | 45.56 |
| 833 Chestnut Street | Mar-05 | Philadelphia | 588,770 | 65,988 | 11,366 | 86.4% | 22.36 |
| 2440 Marsh Lane | Jan-03 | Dallas | 135,250 | | 11,223 | 80.7% | 102.85 |
| 43791 Devin Shafron Drive | Mar-07 | Northern Virginia | 132,806 | 2,194 | 9,888 | 100.0% | 74.45 |
| 1350 Duane Avenue/3080 Raymond Street | Oct-09 | Silicon Valley | 185,000 | | 9,438 | 100.0% | 51.01 |
| 3011 Lafayette Street | Jan-07 | Silicon Valley | 90,780 | | 9,376 | 100.0% | 103.28 |
| Clonshaugh Industrial Estate II ⁽⁸⁾ | Feb-06 | Dublin, Ireland | 124,500 | | 9,206 | 100.0% | 73.94 |
| Unit 9, Blanchardstown Corporate Park ⁽⁸⁾ | Dec-06 | Dublin, Ireland | 120,000 | | 8,850 | 86.2% | 85.55 |
| 1500 Space Park Drive | Sep-07 | Silicon Valley | 51,615 | | 8,534 | 100.0% | 165.34 |
| 1525 Comstock Street | Sep-07 | Silicon Valley | 42,385 | | 8,429 | 100.0% | 198.87 |
| 4025 Midway Road | Jan-06 | Dallas | 87,964 | 12,626 | 8,232 | 99.8% | 93.79 |
| 2055 East Technology Circle ⁽¹¹⁾ | Oct-06 | Phoenix | 76,350 | | 7,553 | 100.0% | 98.93 |
| Mundells Roundabout ⁽⁹⁾ | Apr-07 | London, England | 113,464 | | 7,316 | 100.0% | 64.48 |
| 150 South First Street | Sep-04 | Silicon Valley | 179,761 | | 6,731 | 100.0% | 37.44 |
| 2045 & 2055 LaFayette Street | May-04 | Silicon Valley | 300,000 | | 6,660 | 100.0% | 22.20 |
| 11830 Webb Chapel Road | Aug-04 | Dallas | 365,647 | | 6,049 | 96.6% | 17.12 |

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| Property ⁽¹⁾ | Acquisition date | Metropolitan Area | Net Rentable Square Feet Excluding Redevelopment Space ⁽²⁾ | Redevelopment Space ⁽³⁾ | Annualized Rent (\$000) ⁽⁴⁾ | Percent Leased ⁽⁵⁾ | Annualized Rent per Occupied Square Foot (\$) ⁽⁶⁾ |
|---|------------------|------------------------|---|------------------------------------|--|-------------------------------|--|
| Cressex1 ⁽⁹⁾ | Dec-07 | London, England | 50,847 | | 4,741 | 90.6% | 102.89 |
| 14901 FAA Boulevard | Jun-06 | Dallas | 263,700 | | 4,700 | 100.0% | 17.82 |
| 2334 Lundy Place | Dec-02 | Silicon Valley | 130,752 | | 4,600 | 100.0% | 35.18 |
| 375 Riverside Parkway | Jun-03 | Atlanta | 220,016 | 30,175 | 4,480 | 100.0% | 20.36 |
| 45901 & 45845 Nokes Boulevard | Dec-09 | Northern Virginia | 167,160 | | 4,221 | 100.0% | 25.25 |
| 1201 Comstock Street | Jun-08 | Silicon Valley | 24,000 | | 4,197 | 100.0% | 174.88 |
| 3 St. Anne s Boulevard ⁽⁹⁾ | Dec-07 | London, England | 19,890 | 76,494 | 4,108 | 100.0% | 206.54 |
| 44470 Chillum Place | Feb-07 | Northern Virginia | 95,440 | | 4,103 | 100.0% | 42.99 |
| 12001 North Freeway | Apr-06 | Houston | 280,483 | 20,222 | 3,815 | 75.4% | 18.03 |
| 115 Second Avenue | Oct-05 | Boston | 66,730 | | 3,437 | 100.0% | 51.51 |
| 2401 Walsh Street | Jun-05 | Silicon Valley | 167,932 | | 3,407 | 100.0% | 20.29 |
| 8534 Concord Center Drive | Jun-05 | Denver | 85,660 | | 3,362 | 100.0% | 39.25 |
| 365 S. Randolphville Road | Feb-08 | New York/New Jersey | 38,262 | 226,530 | 3,104 | 50.6% | 160.38 |
| Naritaweg 52 ⁽⁸⁾⁽¹⁰⁾ | Dec-07 | Amsterdam, Netherlands | 63,260 | | 2,745 | 100.0% | 43.39 |
| 21110 Ridgetop Circle | Jan-07 | Northern Virginia | 135,513 | | 2,660 | 100.0% | 19.63 |
| 21561 & 21571 Beaumeade Circle | Dec-09 | Northern Virginia | 164,453 | | 2,604 | 100.0% | 15.83 |
| 1807 Michael Faraday Court | Oct-06 | Northern Virginia | 19,237 | | 2,476 | 97.1% | 132.50 |
| 210 N. Tucker Boulevard | Aug-07 | St. Louis | 139,588 | 62,000 | 2,339 | 78.4% | 21.37 |
| 200 North Nash Street | Jun-05 | Los Angeles | 113,606 | | 2,305 | 100.0% | 20.29 |
| Paul van Vlissingenstraat 16 ⁽⁸⁾ | Aug-05 | Amsterdam, Netherlands | 77,472 | 35,000 | 2,258 | 58.8% | 49.58 |
| 2403 Walsh Street | Jun-05 | Silicon Valley | 103,940 | | 2,109 | 100.0% | 20.29 |
| 4700 Old Ironsides Drive | Jun-05 | Silicon Valley | 90,139 | | 1,829 | 100.0% | 20.29 |
| Manchester Technopark ⁽⁹⁾ | Jun-08 | Manchester, England | 38,016 | | 1,778 | 100.0% | 46.77 |
| 444 Toyama Drive | Sep-09 | Silicon Valley | 42,083 | | 1,725 | 100.0% | 40.99 |
| 4650 Old Ironsides Drive | Jun-05 | Silicon Valley | 84,383 | | 1,712 | 100.0% | 20.29 |
| Chemin de l Epinglier ⁽⁹⁾ | Nov-05 | Geneva, Switzerland | 59,190 | | 1,711 | 100.0% | 28.91 |
| 7505 Mason King Court | Nov-08 | Northern Virginia | 109,650 | | 1,694 | 100.0% | 15.45 |
| 3015 Winona Avenue | Dec-04 | Los Angeles | 82,911 | | 1,592 | 100.0% | 19.20 |
| 3065 Gold Camp Drive | Oct-04 | Sacramento | 62,957 | | 1,555 | 100.0% | 24.70 |
| 251 Exchange Place | Nov-05 | Northern Virginia | 70,982 | | 1,547 | 100.0% | 21.79 |
| 6800 Millcreek Drive | Apr-06 | Toronto, Canada | 83,758 | | 1,530 | 100.0% | 18.27 |
| Clonshaugh Industrial Estate ⁽⁸⁾ | Feb-06 | Dublin, Ireland | 20,000 | | 1,503 | 100.0% | 75.15 |
| 43831 Devin Shafron Drive | Mar-07 | Northern Virginia | 117,071 | | 1,439 | 100.0% | 12.29 |
| 1125 Energy Park Drive | Mar-05 | Minneapolis/St. Paul | 112,827 | | 1,437 | 100.0% | 12.74 |
| 3300 East Birch Street | Aug-03 | Los Angeles | 68,807 | | 1,415 | 100.0% | 20.56 |
| 101 Aquila Way | Apr-06 | Atlanta | 313,581 | | 1,411 | 100.0% | 4.50 |
| Gyroscoopweg 2E-2F ⁽⁸⁾ | Jul-06 | Amsterdam, Netherlands | 55,585 | | 1,260 | 100.0% | 22.67 |

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| Property ⁽¹⁾ | Acquisition date | Metropolitan Area | Net Rentable Square Feet Excluding Redevelopment Space ⁽²⁾ | Redevelopment Space ⁽³⁾ | Annualized Rent (\$000) ⁽⁴⁾ | Percent Leased ⁽⁵⁾ | Annualized Rent per Occupied Square Foot (\$) ⁽⁶⁾ |
|---|------------------|---------------------|---|------------------------------------|--|-------------------------------|--|
| 8100 Boone Boulevard ⁽⁷⁾ | Oct-06 | Northern Virginia | 17,015 | | 839 | 100.0% | 49.31 |
| 600 Winter Street | Sep-06 | Boston | 30,400 | | 794 | 100.0% | 26.12 |
| 2300 NW 89 th Place | Sep-06 | Miami | 64,174 | | 616 | 100.0% | 9.60 |
| 7620 Metro Center Drive | Dec-05 | Austin | 45,000 | | 605 | 100.0% | 13.44 |
| 1 St. Anne s Boulevard ⁽⁸⁾ | Dec-07 | London, England | 20,219 | | 267 | 100.0% | 13.21 |
| 7500 Metro Center Drive | Dec-05 | Austin | | 74,962 | | 0.0% | |
| 650 Randolph Road | Jun-08 | New York/New Jersey | | 127,790 | | 0.0% | |
| 904 Quality Way | Sep-09 | Dallas | | 46,750 | | 0.0% | |
| 905 Security Row | Sep-09 | Dallas | | 249,657 | | 0.0% | |
| 1232 Alma Road | Sep-09 | Dallas | | 105,726 | | 0.0% | |
| 900 Quality Way | Sep-09 | Dallas | | 112,253 | | 0.0% | |
| 1400 N. Bowser Road | Sep-09 | Dallas | | 246,940 | | 0.0% | |
| 1301 International Parkway | Sep-09 | Dallas | | 20,500 | | 0.0% | |
| | | | 7,379,862 | 1,515,807 | 276,127 | 95.9% | 39.03 |
| Technology Manufacturing | | | | | | | |
| 34551 Ardenwood Boulevard 1-4 | Jan-03 | Silicon Valley | 307,657 | | 8,775 | 100.0% | 28.52 |
| 47700 Kato Road & 1055 Page Avenue | Sep-03 | Silicon Valley | 183,050 | | 3,908 | 100.0% | 21.35 |
| 2010 East Centennial Circle ⁽¹²⁾ | May-03 | Phoenix | 113,405 | | 2,852 | 100.0% | 25.15 |
| 2 St. Anne s Boulevard | Dec-07 | London, England | | 30,612 | | 0.0% | |
| | | | 604,112 | 30,612 | 15,535 | 100.0% | 25.71 |
| Technology Office | | | | | | | |
| 100 & 200 Quannapowitt Parkway | Jun-04 | Boston | 386,956 | | 7,222 | 94.9% | 19.68 |
| 4849 Alpha Road | Apr-04 | Dallas | 125,538 | | 2,856 | 100.0% | 22.75 |
| 1 Savvis Parkway | Aug-07 | St. Louis | 156,000 | | 2,644 | 100.0% | 16.95 |
| 908 Quality Way | Sep-09 | Dallas | | 14,400 | | 0.0% | |
| | | | 668,494 | 14,400 | 12,722 | 97.0% | 19.62 |
| Portfolio Total/Weighted Average | | | | | | | |
| | | | 12,573,634 | 1,784,386 | \$ 499,280 | 95.0% | 41.82 |

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- (1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses.
- (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 redevelopment.
- (3) Redevelopment 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 or tenants and requires a large capital investment in order to build out the space.
- (4) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12.
- (5) Excludes space held for redevelopment. Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of December 31, 2009 but for which we are not receiving rent. The percent leased is determined based on contractually leased square feet. 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. On this basis, we believe that approximately 95.0% of the total square feet available for lease in our properties is occupied as of December 31, 2009.
- (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.
- (8) Rental amounts for Unit 9, Blanchardstown Corporate Park, 114 Rue Ambroise Croizat, Naritaweg 52, Paul van Vlissingenstraat 16, Chemin de l'Épinglier 2, Clonshaugh Industrial Estate, Clonshaugh Industrial Estate II and Gyroscopweg 2E-2F were calculated based on the exchange rate in effect on December 31, 2009 of \$1.43 per €1.00. Paul Van Vlissingenstraat 16, Chemin de l'Épinglier 2 and Clonshaugh Industrial Estate are subject to ground leases, which expire in the years 2054, 2074 and 2981, respectively.
- (9) Rental amounts for 6 Braham Street, Mundells Roundabout, Cressex 1, Manchester Technopark, 1 St. Anne's Boulevard and 3 St. Anne's Boulevard were calculated based on the exchange rate in effect on December 31, 2009 of \$1.61 per £1.00. Manchester Technopark is subject to a ground lease, which expires in the year 2125.
- (10) 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.
- (11) 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.
- (12) We are party to a ground sublease for this property. The term of the ground sublease expires in the year 2082.

Table of Contents**Tenant Diversification**

As of December 31, 2009 our portfolio was leased to approximately 325 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, 2009.

| | 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 | Savvis Communications | 18 | 1,868,799 | 14.9% | \$ 48,792 | 9.8% | 112 |
| 2 | Equinix Operating Company, Inc. | 4 | 607,401 | 4.8% | 24,975 | 5.0% | 95 |
| 3 | Qwest Communications International, Inc. | 15 | 637,712 | 5.1% | 20,402 | 4.1% | 70 |
| 4 | Facebook, Inc. | 3 | 134,999 | 1.1% | 17,809 | 3.6% | 89 |
| 5 | NTT Communications Company | 4 | 295,339 | 2.3% | 16,820 | 3.4% | 63 |
| 6 | TelX Group, Inc. | 10 | 126,130 | 1.0% | 16,148 | 3.2% | 203 |
| 7 | AT & T | 14 | 553,828 | 4.4% | 14,533 | 2.9% | 106 |
| 8 | JPMorgan Chase & Co. | 3 | 149,935 | 1.2% | 14,437 | 2.9% | 120 |
| 9 | Morgan Stanley | 2 | 92,451 | 0.7% | 13,689 | 2.7% | 49 |
| 10 | Level 3 Communications, LLC ⁽³⁾ | 20 | 318,656 | 2.5% | 11,537 | 2.3% | 107 |
| 11 | Yahoo! Inc. | 2 | 110,847 | 0.9% | 9,763 | 1.9% | 94 |
| 12 | eircom Limited | 1 | 124,500 | 1.0% | 9,206 | 1.8% | 115 |
| 13 | BT Americas, Inc. | 3 | 47,286 | 0.4% | 8,981 | 1.8% | 96 |
| 14 | Sprint Communications Co., LP | 6 | 173,319 | 1.4% | 8,891 | 1.8% | 57 |
| 15 | T-Systems North America, Inc. | 3 | 82,610 | 0.7% | 8,826 | 1.8% | 48 |
| 16 | Microsoft Corporation | 2 | 313,485 | 2.5% | 8,178 | 1.6% | 67 |
| 17 | TATA Communications (UK) | 2 | 105,366 | 0.8% | 7,895 | 1.6% | 99 |
| 18 | Carpathia Hosting | 3 | 51,784 | 0.4% | 7,832 | 1.6% | 89 |
| 19 | HSBC Bank PLC | 1 | 113,464 | 0.9% | 7,316 | 1.5% | 168 |
| 20 | Comverse Technology, Inc. | 1 | 367,033 | 2.9% | 7,222 | 1.4% | 13 |
| | Total/Weighted Average | | 6,274,944 | 49.9% | \$ 283,252 | 56.7% | 93 |

- (1) Occupied square footage is determined based on contractually leased square feet for leases that have commenced on or before December 31, 2009. For some of our properties, we calculate occupancy based on factors in addition to contractually leased square feet, including available power, required support space and common area.
- (2) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12.
- (3) Level 3 Communications includes Wiltel Communications & Broadwing Communications.

Table of Contents**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 space held for redevelopment) under lease as of December 31, 2009.

| Square Feet Under Lease | Number of Leases⁽²⁾ | Percentage of All Leases | Total Net Rentable Square Feet⁽³⁾ | Percentage of Net Rentable Square Feet⁽³⁾ | Annualized Rent (\$000)⁽⁴⁾ | Percentage of Annualized Rent |
|--------------------------------|---------------------------------------|---------------------------------|---|---|--|--------------------------------------|
| Available ⁽¹⁾ | | | 634,657 | 5.0% | \$ | 0.0% |
| 2,500 or less | 577 | 59.3% | 305,105 | 2.4% | 40,249 | 8.1% |
| 2,501 - 10,000 | 186 | 19.1% | 1,062,901 | 8.5% | 70,103 | 14.0% |
| 10,001 - 20,000 | 72 | 7.4% | 1,303,327 | 10.4% | 69,531 | 13.9% |
| 20,001 - 40,000 | 60 | 6.2% | 1,809,486 | 14.4% | 98,692 | 19.8% |
| 40,001 - 100,000 | 48 | 4.9% | 3,071,924 | 24.4% | 111,233 | 22.3% |
| Greater than 100,000 | 30 | 3.1% | 4,386,234 | 34.9% | 109,472 | 21.9% |
| Portfolio Total | 973 | 100.0% | 12,573,634 | 100.0% | \$ 499,280 | 100.0% |

(1) Excludes approximately 1.8 million square feet held for redevelopment at December 31, 2009.

(2) 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.

(3) The percentage of net rentable square feet leased is determined based on contractually leased square feet. We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area.

(4) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12.

Table of Contents**Lease Expirations**

The following table sets forth a summary schedule of the lease expirations for leases in place as of December 31, 2009 plus available space for each of the next ten full calendar years at the properties in our portfolio. 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.

| Year | Number of Leases Expiring ⁽²⁾ | Square Footage of Expiring Leases ⁽³⁾ | Percentage of Net Rentable Square Feet ⁽³⁾ | Annualized Rent (\$000) ⁽⁴⁾ | Percentage of Annualized Rent | Annualized Rent Per Occupied Square Foot | Annualized Rent Per Occupied Square Foot at Expiration | Annualized Rent at Expiration (\$000) |
|---|--|--|---|--|-------------------------------|--|--|---------------------------------------|
| Available ⁽¹⁾ | | 634,657 | 5.0% | \$ | 0.0% | | | |
| 2010 | 175 | 535,330 | 4.3% | 23,029 | 4.6% | \$ 43.02 | \$ 43.13 | 23,087 |
| 2011 | 99 | 1,250,698 | 9.9% | 30,724 | 6.1% | 24.57 | 25.03 | 31,307 |
| 2012 | 108 | 167,701 | 1.3% | 15,478 | 3.1% | 92.30 | 98.09 | 16,450 |
| 2013 | 77 | 990,130 | 7.9% | 48,321 | 9.7% | 48.80 | 53.55 | 53,022 |
| 2014 | 114 | 1,082,664 | 8.6% | 58,041 | 11.6% | 53.61 | 58.63 | 63,475 |
| 2015 | 89 | 1,975,985 | 15.7% | 67,724 | 13.6% | 34.27 | 37.59 | 74,283 |
| 2016 | 61 | 1,003,903 | 8.0% | 36,779 | 7.4% | 36.64 | 42.39 | 42,554 |
| 2017 | 35 | 551,012 | 4.4% | 17,036 | 3.4% | 30.92 | 37.00 | 20,388 |
| 2018 | 49 | 576,050 | 4.6% | 29,237 | 5.8% | 50.75 | 63.88 | 36,800 |
| 2019 | 45 | 1,372,014 | 10.9% | 73,702 | 14.8% | 53.72 | 64.94 | 89,097 |
| Thereafter | 121 | 2,433,490 | 19.4% | 99,209 | 19.9% | 40.77 | 55.53 | 135,136 |
| Portfolio Total / Weighted Average | 973 | 12,573,634 | 100.0% | \$ 499,280 | 100.0% | \$ 41.82 | \$ 49.05 | \$ 585,599 |

(1) Excludes approximately 1.8 million square feet held for redevelopment at December 31, 2009.

(2) 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.

(3) The percentage of net rentable square feet leased is determined based on contractually leased square feet. We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area.

(4) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we may become subject to tort claims, breach of contract and other claims and administrative proceedings. As of December 31, 2009, we were not a party to any legal proceedings which we believe would have a material adverse effect on us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the fourth quarter of the year ended December 31, 2009.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock has been listed and is traded on the 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 | Last | Dividends Declared |
|---------------------|-------------|------------|-------------|---------------------------|
| First Quarter 2008 | \$ 39.20 | \$ 31.28 | \$ 35.50 | \$ 0.31000 |
| Second Quarter 2008 | \$ 43.45 | \$ 35.43 | \$ 40.91 | \$ 0.31000 |
| Third Quarter 2008 | \$ 51.28 | \$ 36.96 | \$ 47.25 | \$ 0.31000 |
| Fourth Quarter 2008 | \$ 47.62 | \$ 18.04 | \$ 32.85 | \$ 0.33000 |
| First Quarter 2009 | \$ 35.70 | \$ 24.96 | \$ 33.18 | \$ 0.33000 |
| Second Quarter 2009 | \$ 39.84 | \$ 32.14 | \$ 35.85 | \$ 0.33000 |
| Third Quarter 2009 | \$ 48.21 | \$ 34.27 | \$ 45.71 | \$ 0.36000 |
| Fourth Quarter 2009 | \$ 50.81 | \$ 42.94 | \$ 50.28 | \$ 0.45000 |

We intend to continue to declare quarterly dividends on our common stock. The actual amount, form and timing of dividends, however, will be at the discretion of our board of directors and will depend upon our 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 our 2026 Debentures and 2029 Debentures and the conversion rate on our series C cumulative convertible preferred stock and our series D cumulative convertible preferred stock are each subject to adjustment for certain events, including, but not limited to, certain dividends on our common stock in excess of \$0.265 per share per quarter, \$0.33 per share per quarter, \$0.28625 per share per quarter and \$0.31 per share per quarter, respectively. Therefore, increases to our quarterly dividend may increase the dilutive impact of the exchangeable debentures, series C cumulative convertible preferred stock and series D cumulative convertible preferred stock on our common stockholders. See Part I, Item 1A, Risk Factors—Risks Related to Our Business and Operations. The exchange and repurchase rights of our exchangeable debentures may be detrimental to holders of common stock.

Subject to the distribution requirements applicable to REITs under the Code, we intend, to the extent practicable, to invest substantially all of the proceeds from sales and refinancings of our assets in real estate-related assets and other assets. We may, however, under certain circumstances, make a dividend of capital or of assets. Such dividends, if any, will be made at the discretion of our board of directors.

As of February 19, 2010, there were 66 stockholders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

Table of Contents**EQUITY COMPENSATION PLAN TABLE**

The following table provides information with respect to shares of our common stock that may be issued under our existing equity compensation plan as of December 31, 2009.

Equity Compensation Plan Information

| Plan Category | (a) Number of shares of Common Stock to be issued upon exercise of outstanding options | (b) Weighted-average exercise price of outstanding options ⁽¹⁾ | (c) Number of shares of restricted Common Stock and Common Stock issuable upon redemption of outstanding long-term incentive units and class C units ⁽²⁾ | (d) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) and (c)) ⁽³⁾ |
|--|--|--|---|---|
| Equity Compensation plans approved by stockholders | 620,276 | \$ 30.63 | 1,908,465 | 4,070,534 |
| Equity Compensation plans not approved by stockholders | | | | |

(1) The weighted-average remaining term is 6.44 years.

(2) The number of unvested full-value awards is 1,306,837. Full-value awards are comprised of restricted stock, long-term incentive units and class C units.

(3) Includes shares available for future restricted stock grants and shares issuable upon redemption of long-term incentive units available to be granted under the 2004 Incentive Award Plan.

STOCK PERFORMANCE GRAPH

The following graph compares the yearly change in the cumulative total stockholder return on our common stock during the period from November 3, 2004 (the date of our initial public offering) through December 31, 2009, 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 November 3, 2004 in our common stock and in each of these indices and assumes reinvestment of dividends, if any.

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COMPARE CUMULATIVE TOTAL RETURN

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

Assumes \$100 invested on November 3, 2004

Assumes dividends reinvested

Fiscal year ending December 31, 2009

| Pricing Date | DLR | S&P 500 | RMS |
|---------------------|------------|--------------------|------------|
| November 3, 2004 | 100.0 | 100.0 | 100.0 |
| December 31, 2004 | 113.6 | 106.3 | 107.8 |
| December 31, 2005 | 202.0 | 111.6 | 121.5 |
| December 31, 2006 | 317.5 | 113.3 | 164.6 |
| December 31, 2007 | 366.8 | 136.3 | 136.9 |
| December 31, 2008 | 321.6 | 85.6 | 84.9 |
| December 31, 2009 | 510.6 | 108.6 | 109.2 |

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 our common stock presented in the stock performance graph above is based on an initial price of \$12.00 per share, the price on November 3, 2004, the date of our initial public offering.

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ITEM 6. SELECTED FINANCIAL DATA

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

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.

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| | Year Ended December 31, | | | | |
|---|---|------------|------------|------------|------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (Amounts in thousands, except share and per share data) | | | | |
| Statement of Operations Data: | | | | | |
| Operating Revenues: | | | | | |
| Rental | \$ 510,772 | \$ 404,559 | \$ 319,603 | \$ 221,371 | \$ 150,072 |
| Tenant reimbursements | 125,308 | 107,503 | 75,003 | 50,340 | 35,720 |
| Other | 1,062 | 15,383 | 641 | 365 | 5,829 |
| Total operating revenues | 637,142 | 527,445 | 395,247 | 272,076 | 191,621 |
| Operating Expenses: | | | | | |
| Rental property operating and maintenance | 176,238 | 151,147 | 109,225 | 59,917 | 39,519 |
| Property taxes | 36,004 | 31,102 | 27,181 | 26,890 | 20,189 |
| Insurance | 6,111 | 4,988 | 5,527 | 3,682 | 2,653 |
| Depreciation and amortization | 198,052 | 172,378 | 134,419 | 86,129 | 55,702 |
| General and administrative | 42,165 | 38,391 | 30,786 | 19,717 | 12,061 |
| Other | 783 | 1,084 | 431 | 449 | 1,355 |
| Total operating expenses | 459,353 | 399,090 | 307,569 | 196,784 | 131,479 |
| Operating income | 177,789 | 128,355 | 87,678 | 75,292 | 60,142 |
| Other Income (Expenses): | | | | | |
| Equity in earnings of unconsolidated joint venture | 2,172 | 2,369 | 449 | 177 | |
| Interest and other income | 753 | 2,106 | 2,287 | 1,270 | 1,274 |
| Interest expense | (88,442) | (63,621) | (67,054) | (50,598) | (35,381) |
| Tax expense | (1,038) | (1,109) | (814) | (724) | (554) |
| Loss from early extinguishment of debt | | (182) | | (527) | (1,021) |
| Income from continuing operations | 91,234 | 67,918 | 22,546 | 24,890 | 24,460 |
| Net income (loss) from discontinued operations | | | 1,395 | 314 | (103) |
| Gain on sale of discontinued operations | | | 18,049 | 18,096 | |
| Net income | 91,234 | 67,918 | 41,990 | 43,300 | 24,357 |
| Net income attributable to noncontrolling interests | (3,572) | (2,664) | (3,753) | (12,570) | (8,256) |
| Net income attributable to Digital Realty Trust, Inc. | 87,662 | 65,254 | 38,237 | 30,730 | 16,101 |
| Preferred stock dividends | (40,404) | (38,564) | (19,330) | (13,780) | (10,014) |
| Net income available to common stockholders | \$ 47,258 | \$ 26,690 | \$ 18,907 | \$ 16,950 | \$ 6,087 |
| Per Share Data: | | | | | |
| Basic income per share available to common stockholders | \$ 0.62 | \$ 0.39 | \$ 0.31 | \$ 0.47 | \$ 0.25 |
| Diluted income per share available to common stockholders | \$ 0.61 | \$ 0.38 | \$ 0.30 | \$ 0.45 | \$ 0.25 |
| Cash dividend per common share | \$ 1.47 | \$ 1.26 | \$ 1.17 | \$ 1.08 | \$ 1.00 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 75,950,370 | 68,829,267 | 60,527,625 | 36,134,983 | 23,986,288 |
| Diluted | 77,020,890 | 70,435,760 | 62,572,937 | 37,442,192 | 24,221,732 |

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| | December 31, | | | | |
|---|--------------------------------|--------------|--------------|--------------|--------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Balance Sheet Data: | | | | | |
| Net investments in real estate | \$ 3,157,193 | \$ 2,748,220 | \$ 2,302,500 | \$ 1,736,979 | \$ 1,194,106 |
| Total assets | 3,745,059 | 3,281,045 | 2,809,791 | 2,185,783 | 1,529,170 |
| Revolving credit facility | 205,547 | 138,579 | 299,731 | 145,452 | 181,000 |
| Unsecured senior notes | 83,000 | 58,000 | | | |
| Mortgages and other secured loans | 1,063,663 | 1,026,594 | 895,507 | 804,686 | 568,067 |
| 4.125% exchangeable senior debentures due 2026, net | 165,834 | 161,901 | 158,224 | 154,786 | |
| 5.50% exchangeable senior debentures due 2029 | 266,400 | | | | |
| Total liabilities | 2,110,258 | 1,705,969 | 1,673,361 | 1,320,317 | 880,228 |
| Total stockholders equity | 1,558,995 | 1,503,921 | 1,057,167 | 723,576 | 386,497 |
| Noncontrolling interests in operating partnership | 58,192 | 66,797 | 74,335 | 141,890 | 262,239 |
| Noncontrolling interests in consolidated joint ventures | 17,614 | 4,358 | 4,928 | | 206 |
| Total liabilities and equity | \$ 3,745,059 | \$ 3,281,045 | \$ 2,809,791 | \$ 2,185,783 | \$ 1,529,170 |
| | Year ended December 31, | | | | |
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Cash flows from (used in): | | | | | |
| Operating activities | \$ 283,809 | \$ 217,808 | \$ 105,655 | \$ 99,364 | \$ 77,050 |
| Investing activities | (519,909) | (647,751) | (537,427) | (597,786) | (474,713) |
| Financing activities | 235,086 | 471,925 | 440,863 | 509,753 | 404,036 |

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."

Overview

Our company. We were formed on March 9, 2004 and we completed our 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 real estate investment trust, or a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code. Any reference to our , we and us in this filing includes our company and our predecessor. Our predecessor is comprised of the real estate activities and holdings of Global Innovation Partners LLC, or GI Partners, which GI Partners contributed to us in connection with our IPO.

Business and strategy. Our primary business objectives are to maximize: (i) sustainable long-term growth in earnings and funds from operations per share and (ii) cash flow and returns to our stockholders, including through the payment of dividends. We expect to achieve our objectives by focusing on our core business of

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investing in and redeveloping 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 redevelopment 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 redeveloped 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 be superior to that of the overall economy.

As of December 31, 2009, we owned an aggregate of 81 technology-related real estate properties, excluding one property held as an investment in an unconsolidated joint venture, with 14.4 million rentable square feet including approximately 1.8 million square feet of space held for redevelopment. At December 31, 2009, approximately 87,000 square feet of our space held for redevelopment was under construction for Turn-Key Datacenter® space in three U.S. and European markets.

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 redevelopment 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 our common stock and our preferred stock. We currently intend to limit our indebtedness to 60% of our total market capitalization and, based on the closing price of our common stock on December 31, 2009 of \$50.28, our ratio of debt to total market capitalization was approximately 27% as of December 31, 2009. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total market capitalization ratio), excluding options issued under our incentive award plan, plus the liquidation value of our preferred stock, plus the aggregate value of the units not held by us (with the per unit value equal to the market value of one share of our 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, 2009, we owned 81 properties through our Operating Partnership, excluding one property held as an investment in an unconsolidated joint venture. These properties are mainly located throughout the U.S., with 13 properties located in Europe and one property in Canada. We 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 Redevelopment as of December 31, 2009⁽³⁾ |
|---|--|---|--|
| 2002 | 5 | 1,125,292 | 19,890 |
| 2003 | 6 | 1,028,185 | 30,175 |
| 2004 | 10 | 2,587,455 | 99,014 |
| 2005 | 20 | 3,314,225 | 196,072 |
| 2006 | 16 | 2,104,209 | 117,389 |
| 2007 | 13 | 1,603,259 | 171,300 |
| 2008 | 5 | 209,928 | 354,320 |
| 2009 | 6 | 601,081 | 796,226 |
| Properties owned as of December 31, 2009 | 81 | 12,573,634 | 1,784,386 |

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- (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, 2009. Excludes space held for redevelopment. We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common area.
- (3) Redevelopment 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 redevelopment space as of December 31, 2009 in the properties acquired during the relevant period.

As of December 31, 2009, the properties in our portfolio were approximately 95.0% leased excluding 1.8 million square feet held for redevelopment. 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, 2009, our original average lease term was in excess of 13 years, with an average of 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, 2011 are 14.2% of net rentable square feet excluding space held for redevelopment as of December 31, 2009. Operating revenues from properties outside the United States were \$82.2 million, \$52.2 million and \$34.2 million for the years ended December 31, 2009, 2008 and 2007, respectively. For the years ended December 31, 2009, 2008, and 2007, no single foreign country comprised more than 10% of total revenues.

Factors Which May Influence Future Results of Operations

Global economic conditions

Recent U.S., European and other international market and economic conditions have been unprecedented and challenging, with significantly tighter credit conditions and recession in all markets in which we own properties and conduct our operations continuing throughout 2010. Continued concerns about the systemic impact of potential wide-spread and long-term recession, energy costs, geopolitical issues, the availability and cost of credit, global financial and mortgage markets, corporate and consumer debt levels and declining residential and commercial real estate markets have contributed to increased market volatility and diminished expectations for the U.S., European and other economies. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment continue to contribute to global volatility of unprecedented levels.

As a result of these conditions, general economic conditions and the cost and availability of capital have been and may continue to be adversely affected in all markets in which we own properties and conduct our operations. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease, to provide credit to businesses and consumers. Continued turbulence in the U.S., European and other international markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. If these market and economic conditions continue, they may limit 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 adversely affect our and our tenants' financial conditions and results of operations.

In addition, our access to funds under our revolving credit facility depends on the ability of the lenders that are parties to such facilities to meet their funding commitments to us. We cannot assure you that continuing long-term disruptions in the global economy and the continuation of tighter credit conditions among, and potential failures or nationalizations of, third party financial institutions as a result of such disruptions will not have an

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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 revolving credit facility or raise equity capital, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development or redevelopment 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.

Rental income. The amount of rental income generated by the properties in our portfolio depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. Excluding 1.8 million square feet held for redevelopment, as of December 31, 2009, the occupancy rate of the properties in our portfolio was approximately 95.0% of our net rentable square feet.

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 12.6 million net rentable square feet, excluding redevelopment space, at December 31, 2009 is approximately 184,000 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 1,992,000 square feet of similar space. These Turn-Key Datacenters[®] are effective solutions for tenants who lack the expertise or capital budget to provide their own extensive datacenter infrastructure and security. Our expertise in datacenter construction and operations enables us to lease space to these tenants at a significant premium over other uses. Negative trends in one or more of these factors, including as a result of the conditions described above under Global market and economic conditions, could adversely affect our rental income in future periods.

In addition, as of December 31, 2009, we had approximately 1.8 million square feet of redevelopment space, or approximately 12% of the total space in our portfolio, including four vacant properties comprising approximately 1.0 million square feet. Redevelopment 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 redevelopment space. We will require additional capital to finance our redevelopment 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. Our ability to grow earnings depends in part on our ability to redevelop space and lease redevelopment space at favorable rates, which we may not be able to obtain. We may purchase additional vacant properties and properties with vacant redevelopment space in the future.

Economic downturns, including as a result of the conditions described above under Global market and economic conditions, or regional downturns affecting our sub-markets or downturns in the technology-related real estate industry that impair our ability to lease or renew or re-lease space, 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. As of December 31, 2009 one tenant, Lyondell Chemical Company, or Lyondell, was in bankruptcy. In July 2009, Lyondell assumed the lease. As of December 31, 2009, Lyondell leased approximately 15,500 square feet of net rentable space at a property in Dallas, Texas and was current on all of its rental obligations.

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 0.6 million square feet of available space in our portfolio, which excludes approximately 1.8 million square feet available for redevelopment as of December 31, 2009, leases representing approximately 4.3% and 9.9% of the net rentable square footage of our portfolio are scheduled to expire during the years ending December 31, 2010 and 2011, respectively.

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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, 2009 our portfolio was geographically concentrated in the following metropolitan markets:

| Metropolitan Market | Percentage of 12/31/09 total annualized rent⁽¹⁾ |
|----------------------------|---|
| Silicon Valley | 17.9% |
| Chicago | 11.8% |
| New York/New Jersey | 10.3% |
| Northern Virginia | 9.8% |
| Dallas | 9.5% |
| Phoenix | 6.4% |
| San Francisco | 4.8% |
| Los Angeles | 4.5% |
| London, England | 4.2% |
| Dublin, Ireland | 3.9% |
| Paris, France | 3.2% |
| Other | 13.7% |
| | 100.0% |

(1) Annualized rent is monthly contractual rent under existing leases as of December 31, 2009 multiplied by 12.

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 and real estate taxes under our leases for Turn-Key Datacenters[®]. 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, U.S. Securities and Exchange Commission 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.

Government authorities and various interest groups are promoting laws and regulations that could limit greenhouse gas, or GHG, emissions due to concerns over contributions to climate change. In June 2009, the U.S. House of Representatives approved comprehensive clean energy and climate change legislation that is intended to cut GHG emissions, create new clean energy jobs and enhance the energy independence of the United States. This legislation would reduce GHG emissions in the United States through an economy-wide cap-and-trade program. The U.S. Senate is preparing its own version of the legislation that would then need to be reconciled with the House bill. The State of California has adopted a climate change law and other states in which we operate are considering similar actions. Moreover, the U.S. Environmental Protection Agency, or EPA, is moving aggressively to regulate GHG emissions from large stationary sources, including electricity producers, using its own authority under the Clean Air Act. 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 GHG, including electricity producers from whom we purchase power. Any additional taxation or regulation of energy use, including as a result of (i) the legislation that the U.S. Congress is currently considering, or other state regulations, (ii) the regulations that U.S. EPA has proposed or may propose in the future, or (iii) any further reductions in the EU GHG cap could significantly increase our costs, and we may not be able to effectively pass all of these costs on to our tenants.

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Interest rates. As of December 31, 2009, we had approximately \$475.9 million of variable rate debt, of which approximately \$270.4 million was mortgage debt subject to interest rate cap or swap agreements, and \$205.5 million was outstanding on our revolving credit facility. The availability of debt and equity capital has significantly decreased 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 our stockholders necessary to maintain our 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 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 redevelopment 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 such as Asia. 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.

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 existence of above and below market tenant 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

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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 above (or below) market leases, any debt 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 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 tenant leases are amortized over the terms of the leases. Additionally, the amortization of the value (or negative value) assigned to above (or below) market rate leases is recorded as an adjustment to rental revenue as compared to amortization of the value of in-place leases and tenant relationships, which is included in depreciation and amortization in our consolidated statements of operations.

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 the carrying value of our properties when circumstances, such as adverse market conditions, indicate potential impairment may exist. We base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition. 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 evaluation indicates that we may be 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 an asset has been impaired, our strategy of holding properties over the long-term directly decreases the likelihood of recording 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 impairment has occurred, the affected assets must be reduced to their fair value. No such impairment losses have been recognized to date.

We estimate the fair value of rental properties utilizing a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs, similar to the income approach that is commonly utilized by appraisers.

Capitalization of Costs

We capitalize direct and indirect costs related to leasing, construction, development and redevelopment, including property taxes, insurance, financing and employee costs relating to space under development. We capitalize costs on redevelopment space until construction is substantially complete and the space is held available for occupancy. The determination of when a development project is substantially complete and when capitalization must cease involves a degree of judgment. We consider a construction project as substantially complete and held available for occupancy upon the completion of landlord-owned tenant improvements or when the lessee takes possession of the unimproved space for construction of its own improvements, but no later than

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one year from cessation of major construction activity. We cease capitalization on the portion substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with any remaining portion under construction.

Revenue Recognition

Rental income is recognized using the straight-line method over the terms of the tenant leases. Deferred rents included in our balance sheets represent the aggregate excess of rental revenue recognized on a straight-line basis over the contractual rental payments that would be received under the remaining 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 and real estate taxes under our leases for Turn-Key Datacenters[®]. 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.

Table of Contents**Results of Operations**

The discussion below relates to our financial condition and results of operations for the years ended December 31, 2009, 2008 and 2007. A summary of our operating results from continuing operations for the years ended December 31, 2009, 2008 and 2007 was as follows (in thousands).

| Year Ended December 31, | 2009 | 2008 | 2007 |
|--------------------------------------|------------|------------|------------|
| Statement of Operations Data: | | | |
| Total operating revenues | \$ 637,142 | \$ 527,445 | \$ 395,247 |
| Total operating expenses | (459,353) | (399,090) | (307,569) |
| Operating income | 177,789 | 128,355 | 87,678 |
| Other expenses, net | (86,555) | (60,437) | (65,132) |
| Income from continuing operations | \$ 91,234 | \$ 67,918 | \$ 22,546 |

Our property portfolio has experienced consistent and significant growth since the first property acquisition in January 2002. As a result of such growth, a 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, 2007 through December 31, 2009.

| Acquired Buildings | Acquisition Date | Redevelopment Space as of December 31, 2009 ⁽¹⁾ | Net Rentable Square Feet Excluding Redevelopment Space | Square Feet including Redevelopment Space | Occupancy Rate as of December 31, 2009 ⁽²⁾ |
|--|------------------|--|--|---|---|
| As of December 31, 2006 (57 properties) | | | | | |
| Year Ended December 31, 2007 | | | | | |
| 21110 Ridgetop Circle | Jan-07 | | 135,513 | 135,513 | 100.0 |
| 3011 LaFayette Street | Jan-07 | | 90,780 | 90,780 | 100.0 |
| 44470 Chillum Place | Feb-07 | | 95,440 | 95,440 | 100.0 |
| 43791 Devin Shafron Drive ⁽³⁾ | Mar-07 | 2,194 | 132,806 | 135,000 | 100.0 |
| 43831 Devin Shafron Drive ⁽³⁾ | Mar-07 | | 117,071 | 117,071 | 100.0 |
| 43881 Devin Shafron Drive ⁽³⁾ | Mar-07 | | 180,000 | 180,000 | 98.5 |
| Mundells Roundabout | Apr-07 | | 113,464 | 113,464 | 100.0 |
| 210 N Tucker Boulevard | Aug-07 | 62,000 | 139,588 | 201,588 | 78.4 |
| 900 Walnut Street | Aug-07 | | 112,266 | 112,266 | 97.3 |
| 1 Savvis Parkway | Aug-07 | | 156,000 | 156,000 | 100.0 |
| Clonshaugh Industrial Estate II ⁽⁴⁾ | Sep-07 | | 124,500 | 124,500 | 100.0 |
| 1500 Space Park Drive | Sep-07 | | 51,615 | 51,615 | 100.0 |
| Cressex 1 | Dec-07 | | 50,847 | 50,847 | 90.6 |
| Naritaweg 52 | Dec-07 | | 63,260 | 63,260 | 100.0 |
| 1 St. Anne s Boulevard ⁽⁵⁾ | Dec-07 | | 20,219 | 20,219 | 100.0 |
| 2 St. Anne s Boulevard ⁽⁵⁾ | Dec-07 | 30,612 | | 30,612 | |
| 3 St. Anne s Boulevard ⁽⁵⁾ | Dec-07 | 76,494 | 19,890 | 96,384 | 100.0 |
| Subtotal | | 171,300 | 1,603,259 | 1,774,559 | 97.5% |
| Year Ended December 31, 2008 | | | | | |
| 365 South Randolphville Road | Feb-08 | 226,530 | 38,262 | 264,792 | 50.6 |
| 650 Randolph Road | Jun-08 | 127,790 | | 127,790 | |
| 1201 Comstock Street | Jun-08 | | 24,000 | 24,000 | 100.0 |

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| | | | | | |
|-----------------------|--------|---------|---------|---------|-------|
| Manchester Technopark | Jun-08 | 38,016 | 38,016 | 100.0 | |
| 7505 Mason King Court | Nov-08 | 109,650 | 109,650 | 100.0 | |
| Subtotal | | 354,320 | 209,928 | 564,248 | 91.0% |

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| Acquired Buildings | Acquisition Date | Redevelopment Space as of December 31, 2009 ⁽¹⁾ | Net Rentable Square Feet Excluding Redevelopment Space | Square Feet including Redevelopment Space | Occupancy Rate as of December 31, 2009 ⁽²⁾ |
|---|------------------|--|--|---|---|
| Year Ended December 31, 2009 | | | | | |
| 1525 Comstock Street | Sep-09 | | 42,385 | 42,385 | 100.0 |
| 444 Toyama Drive | Sep-09 | | 42,083 | 42,083 | 100.0 |
| 904 Quality Way ⁽⁶⁾ | Sep-09 | 46,750 | | 46,750 | |
| 905 Security Row ⁽⁶⁾ | Sep-09 | 249,657 | | 249,657 | |
| 1232 Alma Road ⁽⁶⁾ | Sep-09 | 105,726 | | 105,726 | |
| 900 Quality Way ⁽⁶⁾ | Sep-09 | 112,253 | | 112,253 | |
| 1400 N. Bowser Road ⁽⁶⁾ | Sep-09 | 246,940 | | 246,940 | |
| 1301 International Parkway ⁽⁶⁾ | Sep-09 | 20,500 | | 20,500 | |
| 908 Quality Way ⁽⁶⁾ | Sep-09 | 14,400 | | 14,400 | |
| 1350 Duane Avenue/3080 Raymond Street | Oct-09 | | 185,000 | 185,000 | 100.0 |
| 45901 & 45845 Nokes Boulevard | Dec-09 | | 167,160 | 167,160 | 100.0 |
| 21561 & 21571 Beaumeade Circle | Dec-09 | | 164,453 | 164,453 | 100.0 |
| Subtotal | | 796,226 | 601,081 | 1,397,307 | 100.0% |
| Total | | 1,784,386 | 12,573,634 | 14,358,020 | 95.0% |

- (1) Redevelopment space 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) Occupancy rates exclude space held for redevelopment. 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.
 - (3) The three buildings at Devin Shafron Drive are considered one property for our property count.
 - (4) Building completed and placed into service in September 2007 on a land parcel acquired in 2006.
 - (5) The three buildings at St. Anne's Boulevard are considered one property for our property count.
 - (6) The seven buildings at Digital Realty Trust Datacenter Park Dallas are considered one property for our property count.
- In May 2008, we acquired 701 & 717 Leonard Street, a parking garage adjacent to one of our properties in Dallas, Texas; however, we exclude the acquisition from our property count.

In May 2009, we acquired three parcels of land in Ashburn, Virginia to be developed. The parcels are not included in our property count.

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008 and Comparison of the Year Ended December 31, 2008 to the Year Ended December 31, 2007

Portfolio

As of December 31, 2009, our portfolio consisted of 81 properties with an aggregate of 14.4 million net rentable square feet including 1.8 million square feet held for redevelopment compared to a portfolio consisting of 75 properties with an aggregate of 13.0 million net rentable square feet including 1.6 million square feet held for redevelopment as of December 31, 2008 and a portfolio consisting of 70 properties with an aggregate of 12.3 million net rentable square feet including 1.8 million square feet held for redevelopment as of December 31, 2007. The increase in our portfolio reflects the acquisition of 13 properties in 2007, 5 properties in 2008 and 6 properties in 2009. For all periods above, the number of properties excludes one property held as an investment in an unconsolidated joint venture.

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Total operating revenues from continuing operations for the years ended December 31, 2009, 2008 and 2007 were as follows (in thousands):

| | Year Ended December 31, | | | Change | | Percentage Change | |
|--------------------------|-------------------------|------------|------------|-------------|-------------|-------------------|-------------|
| | 2009 | 2008 | 2007 | 2009 v 2008 | 2008 v 2007 | 2009 v 2008 | 2008 v 2007 |
| Rental | \$ 510,772 | \$ 404,559 | \$ 319,603 | \$ 106,213 | \$ 84,956 | 26.3% | 26.6% |
| Tenant reimbursements | 125,308 | 107,503 | 75,003 | 17,805 | 32,500 | 16.6% | 43.3% |
| Other | 1,062 | 15,383 | 641 | (14,321) | 14,742 | (93.1%) | 2299.8% |
| Total operating revenues | \$ 637,142 | \$ 527,445 | \$ 395,247 | \$ 109,697 | \$ 132,198 | 20.8% | 33.4% |

As shown by the same store and new properties table shown below, the increases in rental revenues and tenant reimbursement revenues in the year ended December 31, 2009 compared to 2008 were primarily due to new leasing at our same store properties, including completed and leased redevelopment space, and acquisitions of properties. These factors also caused the increases in rental revenues and tenant reimbursements in the year ended December 31, 2008 compared to 2007. Other revenues changes in the years presented were primarily due to the timing of varying tenant termination revenues. We acquired 6, 5 and 13 properties during the years ended December 31, 2009, 2008 and 2007, respectively.

The following table shows total operating revenues from continuing operations for same store properties and new properties (in thousands).

| | Same Store | | | New Properties | | |
|--------------------------|-------------------------|------------|-----------|-------------------------|----------|-----------|
| | Year Ended December 31, | | | Year Ended December 31, | | |
| | 2009 | 2008 | Change | 2009 | 2008 | Change |
| Rental | \$ 495,928 | \$ 402,905 | \$ 93,023 | \$ 14,844 | \$ 1,654 | \$ 13,190 |
| Tenant reimbursements | 120,431 | 105,870 | 14,561 | 4,877 | 1,633 | 3,244 |
| Other | 1,062 | 15,383 | (14,321) | | | |
| Total operating revenues | \$ 617,421 | \$ 524,158 | \$ 93,263 | \$ 19,721 | \$ 3,287 | \$ 16,434 |

Same store rental revenues increased for the year ended December 31, 2009 compared to the same period in 2008 primarily as a result of new leases at our properties during 2009, the largest of which were for space in Devin Shafron Drive (three buildings), 350 East Cermak Road, 114 Rue Ambroise Croizat, 2440 Marsh Lane and Cressex 1. Same store tenant reimbursement revenues increased for the year ended December 31, 2009 compared to the same period in 2008 primarily as a result of higher utility and operating expenses being billed to our tenants in connection with new leasing, the largest occurrences of which were at 3011 Lafayette Street, Devin Shafron Drive (three buildings), 111 8th Avenue (2nd and 6th floors), 1500 Space Park Drive and 114 Rue Ambroise Croizat. The decrease in other revenue for the year ended December 31, 2009 compared to the same period in 2008 was primarily due to lease termination revenue related to an early termination of a tenant lease during the latter half of 2008.

New property increases were caused by properties acquired during the period from January 1, 2008 to December 31, 2009. For the year ended December 31, 2009, 1201 Comstock Street, Manchester Technopark, 7505 Mason King Court and 1350 Duane Avenue/3080 Raymond Street contributed \$12.9 million, or approximately 78% of the total new properties increase in revenues compared to the same period in 2008.

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| | Same Store | | | New Properties | | |
|--------------------------|-------------------------|------------|-----------|-------------------------|-----------|-----------|
| | Year Ended December 31, | | | Year Ended December 31, | | |
| | 2008 | 2007 | Change | 2008 | 2007 | Change |
| Rental | \$ 348,724 | \$ 302,473 | \$ 46,251 | \$ 55,835 | \$ 17,130 | \$ 38,705 |
| Tenant reimbursements | 97,420 | 73,343 | 24,077 | 10,083 | 1,660 | 8,423 |
| Other | 15,383 | 641 | 14,742 | | | |
| Total operating revenues | \$ 461,527 | \$ 376,457 | \$ 85,070 | \$ 65,918 | \$ 18,790 | \$ 47,128 |

Same store rental revenues increased for the year ended December 31, 2008 compared to the same period in 2007 primarily as a result of new leases at our properties during 2008, the largest of which were for space in 350 East Cermak Road, 3 Corporate Place, 4025 Midway Road, and 200 Paul Avenue 1-4. Same store tenant reimbursement revenues increased for the year ended December 31, 2008 compared to the same period in 2007 primarily as a result of higher utility and operating expenses being billed to our tenants, the largest occurrences of which were at 3 Corporate Place, 350 East Cermak Road, 200 Paul Avenue 1-4, and 600 West Seventh Street. The increase in other revenue for the year ended December 31, 2008 compared to the same period in 2007 was primarily due to lease termination revenue related to an early termination of a tenant lease during the latter half of 2008.

New property increases were caused by properties acquired during the period from January 1, 2007 to December 31, 2008. For the year ended December 31, 2008, 3011 Lafayette Street, Devon Shafron Drive properties (3 buildings), 1500 Space Park Drive, 900 Walnut Street and Manchester Technopark contributed \$31.9 million, or approximately 68% of the total new properties increase in revenues compared to the same period in 2007.

Expenses

Total expenses from continuing operations were as follows (in thousands):

| | Year Ended December 31, | | | Change | | Percentage Change | |
|---|-------------------------|------------|------------|-------------|-------------|-------------------|-------------|
| | 2009 | 2008 | 2007 | 2009 v 2008 | 2008 v 2007 | 2009 v 2008 | 2008 v 2007 |
| Rental property operating and maintenance | \$ 176,238 | \$ 151,147 | \$ 109,225 | \$ 25,091 | \$ 41,922 | 16.6% | 38.4% |
| Property taxes | 36,004 | 31,102 | 27,181 | 4,902 | 3,921 | 15.8% | 14.4% |
| Insurance | 6,111 | 4,988 | 5,527 | 1,123 | (539) | 22.5% | (9.8%) |
| Depreciation and amortization | 198,052 | 172,378 | 134,419 | 25,674 | 37,959 | 14.9% | 28.2% |
| General and administrative | 42,165 | 38,391 | 30,786 | 3,774 | 7,605 | 9.8% | 24.7% |
| Other | 783 | 1,084 | 431 | (301) | 653 | (27.8%) | 151.5% |
| Total operating expenses | \$ 459,353 | \$ 399,090 | \$ 307,569 | \$ 60,263 | \$ 91,521 | 15.1% | 29.8% |
| Interest expense | \$ 88,442 | \$ 63,621 | \$ 67,054 | \$ 24,821 | \$ (3,433) | 39.0% | (5.1%) |

As shown in the same store expense and new properties table below, total expenses in the year ended December 31, 2009 increased compared to 2008 primarily as a result of higher same store utility and maintenance costs as well as increased depreciation from additional redevelopment projects placed into service and from recently acquired properties. The following table shows expenses from continuing operations for same store properties and new properties (in thousands).

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| | Same Store | | | New Properties | | |
|---|-------------------------|-------------------|------------------|-------------------------|-----------------|------------------|
| | Year Ended December 31, | | | Year Ended December 31, | | |
| | 2009 | 2008 | Change | 2009 | 2008 | Change |
| Rental property operating and maintenance | \$ 168,182 | \$ 149,120 | \$ 19,062 | \$ 8,056 | \$ 2,027 | \$ 6,029 |
| Property taxes | 34,847 | 31,019 | 3,828 | 1,157 | 83 | 1,074 |
| Insurance | 5,909 | 4,974 | 935 | 202 | 14 | 188 |
| Depreciation and amortization | 192,622 | 171,826 | 20,796 | 5,430 | 552 | 4,878 |
| General and administrative ⁽¹⁾ | 42,165 | 38,391 | 3,774 | | | |
| Other | 783 | 1,084 | (301) | | | |
| Total operating expenses | \$ 444,508 | \$ 396,414 | \$ 48,094 | \$ 14,845 | \$ 2,676 | \$ 12,169 |
| Interest expense | \$ 87,041 | \$ 63,618 | \$ 23,423 | \$ 1,401 | \$ 3 | \$ 1,398 |

(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 for the year ended December 31, 2009 compared to the same period in 2008 primarily as a result of higher utility rates in several of our properties along with redevelopment projects being placed into service leading to higher utility and operating expense in 2009. We capitalized amounts relating to compensation expense of employees directly engaged in construction and successful leasing activities of \$13.9 million and \$10.6 million in the years ended December 31, 2009 and 2008, respectively.

Same store property taxes increased in the year ended December 31, 2009 compared to 2008, primarily as a result of newly completed redevelopment space offset by favorable property tax reassessment at 350 East Cermak Road.

Same store insurance increased in the year ended December 31, 2009 compared to 2008, primarily as a result of an increase in insurance rates on our renewal of our insurance program.

Same store depreciation and amortization expense increased in the year ended December 31, 2009 compared to 2008, principally because of depreciation of redevelopment projects that were placed into service in late 2008 and during 2009.

General and administrative expenses for the year ended December 31, 2009 increased compared to the same period in 2008 primarily due to the growth of our company, which resulted in higher employee cost, travel expenses and higher professional fees and marketing expenses offset by \$1.6 million of compensation expense in 2008 related to the acceleration of the 2005 OPP Grant. For a further discussion of the acceleration of the 2005 OPP Grant, please refer to note 9 in the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Other expenses are primarily comprised of write-offs of the carrying amounts for tenant improvements, acquired in place lease value and acquired above market lease values as a result of the early termination of tenant leases.

Same store interest expense increased for the year ended December 31, 2009 as compared to the same period in 2008 primarily as a result of higher average outstanding debt balances during 2009 compared to 2008 due to issuance of our 2029 debentures, draws on our Prudential shelf facility, and secured financings on 3 Corporate Place, 1500 Space Park Drive, Mundells Roundabout, Cressex 1, Manchester Technopark and Clonshaugh Industrial Estate II, partially offset by a decrease in interest expense at 350 East Cermak Road due to a lower effective rate after considering impact of interest rate swap agreement and early paydown of the loan in March 2009. Interest capitalized during the years ended December 31, 2009 and 2008 was \$9.2 million and \$18.4 million, respectively.

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New property increases were caused by properties acquired during the period from January 1, 2008 to December 31, 2009. For the year ended December 31, 2009, 1201 Comstock Street, Manchester Technopark, 365 S. Randolphville Road, 1350 Duane Avenue/3080 Raymond Street and 7505 Mason King Court contributed \$10.7 million, or approximately 88% in total operating expenses compared to the same period in 2008.

We are in the process of investigating allegations of over-billing by a vendor. Based on our investigation to date, which remains ongoing, we do not believe that the potential amount over-billed to us will have a material effect on our financial condition or results of operations. We have notified the appropriate authorities and are cooperating with their investigation.

| | Same Store | | | New Properties | | |
|---|-------------------------|-------------------|------------------|-------------------------|------------------|------------------|
| | Year Ended December 31, | | | Year Ended December 31, | | |
| | 2008 | 2007 | Change | 2008 | 2007 | Change |
| Rental property operating and maintenance | \$ 133,706 | \$ 104,171 | \$ 29,535 | \$ 17,441 | \$ 5,054 | \$ 12,387 |
| Property taxes | 28,546 | 26,408 | 2,138 | 2,556 | 773 | 1,783 |
| Insurance | 4,683 | 5,490 | (807) | 305 | 37 | 268 |
| Depreciation and amortization | 147,119 | 127,079 | 20,040 | 25,259 | 7,340 | 17,919 |
| General and administrative ⁽¹⁾ | 38,391 | 30,786 | 7,605 | | | |
| Other | 1,022 | 431 | 591 | 62 | | 62 |
| Total operating expenses | \$ 353,467 | \$ 294,365 | \$ 59,102 | \$ 45,623 | \$ 13,204 | \$ 32,419 |
| Interest expense | \$ 61,371 | \$ 67,049 | \$ (5,678) | \$ 2,250 | \$ 5 | \$ 2,245 |

(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 for the year ended December 31, 2008 compared to the same period in 2007 primarily as a result of higher utility expenses which is attributed to new leasing and increased power rates. We capitalized amounts relating to compensation expense of employees directly engaged in construction and successful leasing activities of \$10.6 million and \$5.0 million in the years ended December 31, 2008 and 2007, respectively.

Same store property taxes increased in the year ended December 31, 2008 compared to 2007, primarily as a result of newly completed redevelopment space offset by favorable property tax adjustments at 350 East Cermak Road and 200 Paul Avenue 1-4.

Same store insurance decreased in the year ended December 31, 2008 compared to 2007, primarily as a result of favorable insurance rates on our renewal of our insurance program in late 2007.

Same store depreciation and amortization expense increased in the year ended December 31, 2008 compared to 2007, principally because of depreciation of redevelopment projects that were placed into service in late 2007 and during 2008 along with the acceleration of depreciation on assets associated with leases which terminated earlier than previously estimated.

General and administrative expenses for the year ended December 31, 2008 increased compared to the same period in 2007 primarily due to the growth of our company, which resulted in more employees, additional incentive compensation, and higher professional fees and marketing expenses along with the \$1.6 million of compensation expense related to the acceleration of the 2005 OPP Grant. For a further discussion of the acceleration of the 2005 OPP Grant, please refer to note 9 in the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K

Other expenses are primarily comprised of write-offs of the carrying amounts for tenant improvements, acquired in place lease value and acquired above market lease values as a result of the early termination of tenant leases.

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Same store interest expense decreased for the year ended December 31, 2008 as compared to the same period in 2007 primarily as a result of higher capitalized interest during 2008 compared to 2007 along with a decrease in interest expense at 350 East Cermak Road due to a lower variable interest rate offset by higher average outstanding debt balances during 2008 compared to 2007 due to financings on 3 Corporate Place, 2045 & 2055 LaFayette Street, 150 South First Street and 1500 Space Park Drive. Interest capitalized during the years ended December 31, 2008 and 2007 was \$18.4 million and \$11.9 million, respectively.

New property increases were caused by properties acquired during the period from January 1, 2007 to December 31, 2008. For the year ended December 31, 2008, 3011 Lafayette Street, Devon Shafron Drive properties (3 buildings), 1500 Space Park Drive and 900 Walnut Street contributed \$20.6 million, or approximately 63% in total operating expenses compared to the same period in 2007.

Equity in earnings of unconsolidated joint venture

The equity in earnings of unconsolidated joint venture relates to a 50% investment in a joint venture that owns a datacenter property in Seattle, Washington. The investment was made in November 2006. The amount recorded in 2007 includes our portion of the write-off of net costs related to the refinance of the previously outstanding mortgage loan on the property, which amounted to approximately \$0.6 million.

Discontinued operations

Discontinued operations relate to the following properties:

| Property | Date Acquired | Date Sold |
|-----------------------------|----------------------|------------------|
| 4055 Valley View Lane | September 2003 | March 2007 |
| 100 Technology Center Drive | February 2004 | March 2007 |

Results of discontinued operations were as follows (in thousands):

| | Year Ended December 31, 2007 |
|--|---|
| Operating revenues | \$ 2,340 |
| Operating expenses | (1,283) |
| Interest and other income | 5 |
| Interest expense | (607) |
| Gain on derivative instruments | 940 |
| | 1,395 |
| Gain on sale of assets | 18,049 |
| Income from discontinued operations | 19,444 |
| Income from discontinued operations attributable to noncontrolling interests | (3,264) |
| Income from discontinued operations attributable to Digital Realty Trust, Inc. | \$ 16,180 |

Liquidity and Capital Resources*Analysis of Liquidity and Capital Resources*

As of December 31, 2009, we had \$72.3 million of cash and cash equivalents, excluding \$37.8 million of restricted cash. Restricted cash primarily consists of interest bearing cash deposits required by the terms of several of our mortgage loans for a variety of purposes, including real estate taxes, insurance, anticipated or contractually obligated tenant improvements, as well as capital expenditures.

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Our short term liquidity requirements primarily consist of operating expenses, redevelopment costs and other expenditures associated with our properties, dividend payments on our preferred stock, dividend payments to our stockholders and distributions to our unitholders in the Operating Partnership required to maintain our REIT status, capital expenditures, debt service on our loans and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, restricted cash accounts established for certain future payments and by drawing upon our revolving credit facility.

As of December 31, 2009, our revolving credit facility had a total capacity of \$750.0 million and matures in August 2010, subject to two one-year extension options exercisable by us. The bank group is obligated to grant extension options provided we give proper notice, we make certain representations and warranties and no default exists under the revolving credit facility. As of December 31, 2009, borrowings under the revolving credit facility bore interest at a blended rate of 1.34% (US Dollar), and 1.58% (Euro), which are based on 1-month US LIBOR and 1-month EURIBOR, respectively, plus a margin of 1.10%. The margin can range from 1.10% to 2.00%, depending on our Operating Partnership's total overall leverage. The revolving credit facility has a \$515.0 million sub-facility for multicurrency advances in British Pound Sterling, Canadian Dollars, Euros, and Swiss Francs. We intend to use available borrowings under the revolving credit facility to, among other things, finance the acquisition of additional properties, fund tenant improvements and capital expenditures, fund development and redevelopment activities and to provide for working capital and other corporate purposes. As of December 31, 2009, approximately \$205.5 million was drawn under this facility, and \$22.6 million of letters of credit were issued, leaving approximately \$521.5 million available for use.

For a discussion of the potential impact of current global economic and market conditions on our liquidity and capital resources, see [Factors Which May Influence Future Results of Operations - Global market and economic conditions](#) above.

On December 31, 2009, we entered into equity distribution agreements, which we refer to as the Original Equity Distribution Agreements, with each of Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, or the Original Agents, under which we could issue and sell shares of its common stock having an aggregate offering price of up to \$400,000,000 from time to time through, at our discretion, any of the Original Agents as our sales agents. On January 22, 2010, we amended and restated each Original Equity Distribution Agreement with the applicable Original Agent, and also entered into a new equity distribution agreement with Morgan Stanley & Co. Incorporated, or collectively the Equity Distribution Agreements, under which we may issue and sell shares of our common stock having an aggregate offering price of up to \$400,000,000 (including the approximately 1.1 million shares of common stock having an aggregate offering price of approximately \$54.3 million sold pursuant to the Original Equity Distribution Agreements as of January 22, 2010), from time to time through, at our discretion, any of the Original Agents or Morgan Stanley & Co. Incorporated as our sales agents. The sales of common stock made under the Equity Distribution Agreements will be made in [at the market](#) offerings as defined in Rule 415 of the Securities Act. We intend to use the proceeds from the sale of shares pursuant to the Equity Distribution Agreements to temporarily repay borrowings under our revolving credit facility, to acquire additional properties, to fund development and redevelopment opportunities and for general corporate purposes. In the fiscal quarter ended December 31, 2009, we sold no shares under our the Equity Distribution Agreements. From January 1, 2010 to February 19, 2010, we generated net proceeds of approximately \$53.5 million from the issuance of approximately 1.1 million common shares under our the Equity Distribution Agreements at an average price of \$50.54 per share after payment of approximately \$0.8 million of commissions to the sales agents.

On January 20, 2010, our operating partnership closed the sale of \$100.0 million aggregate principal amount of its senior unsecured term notes to Prudential Investment Management, Inc. and certain of its affiliates, or, collectively, Prudential, pursuant to the Prudential shelf facility. The notes were issued in two series referred to as the series D and series E notes. The series D notes have a principal amount of \$50.0 million, an interest-only rate of 4.57% per annum and a five-year maturity, and the series E notes have a principal amount of \$50.0 million, an interest-only rate of 5.73% per annum and a seven-year maturity. On February 3, 2010, our operating

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partnership closed the sale of an additional \$17.0 million aggregate principal amount of its senior unsecured term notes, which we refer to as the series F notes, to Prudential pursuant to the Prudential shelf facility. The series F notes have an interest-only rate of 4.50% per annum and a five-year maturity. We used the proceeds of the series D, series E and series F notes to fund acquisitions, to temporarily repay borrowings under our revolving credit facility and for working capital.

On January 22, 2010, we completed the acquisition of the New England Portfolio, a three-property datacenter portfolio located in Massachusetts and Connecticut, from Sentinel Properties Needham, LLC, SP Needham I, LLC, Sentinel Properties Bedford LLC and Sentinel Properties Trumbull, LLC, or, collectively, the Sellers. The purchase price, which was determined through negotiations between us and the Sellers, was approximately \$375.0 million, paid in cash funded with borrowings under our revolving credit facility.

On January 28, 2010, our operating partnership closed the issuance of \$500.0 million aggregate principal amount of 5.875% notes due 2020. The purchase price paid by the initial purchasers was 98.296% of the principal amount thereof. The notes are general unsecured senior obligations of our operating partnership and rank equally in right of payment with all other senior unsecured indebtedness of our operating partnership. Interest on the notes are payable on February 1 and August 1 of each year, beginning on August 1, 2010. The net proceeds from the offering after deducting the original issue discount, underwriting commissions and estimated expenses was approximately \$487.6 million. We used the net proceeds from the offering to temporarily repay our borrowings under our revolving credit facility, fund development and redevelopment opportunities and for general corporate purposes.

Construction

As of December 31, 2009 and December 31, 2008, construction in progress, including the proportionate acquisition cost of land and property related to current construction projects, amounted to \$154.4 million, or \$185.4 million including construction accruals and certain capitalized costs, and \$325.6 million, or \$405.3 million including construction accruals and certain capitalized costs, respectively. Separately, our redevelopment program included the proportionate acquisition cost of land and building related to other targeted projects in the amount of \$88.6 million and \$76.1 million as of December 31, 2009 and December 31, 2008, respectively. Construction in progress related to non-redevelopment projects, primarily tenant and building improvements amounted to \$2.1 million as of December 31, 2009 and December 31, 2008.

Future Uses of Cash

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. As of December 31, 2009, we had approximately 1.8 million square feet of redevelopment space and we also owned approximately 184,000 net rentable square feet of datacenter space with extensive installed tenant improvements that we may subdivide for Turn-Key Datacenter® use during the next two years rather than lease to large single tenants. Turn-Key Datacenter® space is move-in-ready space for the placement of computer and network equipment required to provide a datacenter environment. Depending on demand for additional Turn-Key Datacenter® space, we expect to incur significant tenant improvement costs to build out and redevelop these spaces. At December 31, 2009, approximately 87,000 square feet of our space held for redevelopment was under construction for Turn-Key Datacenter® space in three U.S. and European markets. At December 31, 2009, we had commitments under construction contracts for approximately \$41.1 million. We currently expect to incur approximately \$440.0 million to \$475.0 million of capital expenditures for our redevelopment program during the year ended December 31, 2010, although this amount may increase or decrease, potentially materially, based on numerous factors, including changes in demand, leasing results and availability of debt or equity capital.

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

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Consistent with our growth strategy, we actively pursue opportunities for potential acquisitions, with due diligence and negotiations often at different stages at different times. We currently expect acquisitions for the year ended December 31, 2010 to be approximately \$525.0 million, of which \$375.0 million was incurred on the acquisition of the New England Portfolio in January 2010, though this amount may increase or decrease, potentially materially, based on numerous factors, including changes in demand, leasing results, availability of debt or equity capital or based on acquisition opportunities.

Properties Acquired in 2009

During the year ended December 31, 2009 we acquired or made investments in the following properties:

| Location | Metropolitan Area | Date Acquired | Amount (in millions) |
|--|-------------------|--------------------|----------------------|
| Loudoun Exchange II ⁽¹⁾ | Northern Virginia | May 15, 2009 | 20.3 |
| Digital Realty Trust Datacenter Park Dallas ⁽²⁾ | Dallas | September 11, 2009 | 33.6 |
| 444 Toyama Drive | Silicon Valley | September 25, 2009 | 17.5 |
| 1350 Duane Avenue/3080 Raymond Street ⁽³⁾ | Silicon Valley | October 30, 2009 | 90.5 |
| Nokes Boulevard / Beaumeade Circle ⁽⁴⁾ | Northern Virginia | December 17, 2009 | 63.3 |
| Total Acquisitions Year Ended December 31, 2009 | | | \$ 225.2 |

- (1) Represents vacant land which is not included in our operating property count.
- (2) In September 2009, we made an initial cash contribution of \$1.9 million to a joint venture formed to own and redevelop Digital Realty Trust Datacenter Park Dallas. The other member contributed seven vacant buildings with an estimated market value of \$33.6 million and a third-party non-recourse loan secured by these properties of \$17.0 million. We are committed to make an additional \$22.9 million of capital contributions needed to fund the redevelopment project. We have determined that the joint venture is a variable interest entity and we are the primary beneficiary. As a result, we have consolidated the joint venture and presented the member interests not owned by us of \$16.6 million as noncontrolling interests in consolidated joint venture. For operating property count purposes, we consider this to be one property.
- (3) Includes the assumption of a \$52.8 million loan.
- (4) A two-property data center portfolio consisting of four buildings located at 21561 and 21571 Beaumeade Circle in Ashburn, Virginia and 45901 and 45905 Nokes Boulevard in Sterling, Virginia, as well as certain vacant real property located at 21551 Beaumeade Circle in Ashburn, Virginia.

We financed the purchase of these properties primarily with borrowings under our revolving credit facility. We have repaid borrowings under our revolving credit facility with portions of the proceeds from our February 2009 common stock issuance, the issuance of our 2029 debentures, sales of common stock under our Equity Distribution Agreements, the issuance of notes under our Prudential shelf facility and the issuance of our 5.875% notes due 2020.

Dividends and Distributions

We are required to distribute 90% of our REIT taxable income (excluding capital gains) on an annual basis in order to continue to qualify as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to preferred stockholders, common stockholders and unit holders from cash flow from operating activities. All such distributions are at the discretion of our board of directors. We may be required to use borrowings under the revolving credit facility, if necessary, to meet REIT distribution requirements and maintain our REIT status. We consider market factors and our performance in addition to REIT requirements in determining distribution levels. We have distributed 100% of our taxable income since inception to minimize corporate level federal income taxes. Amounts accumulated for distribution to stockholders are invested primarily in interest-bearing accounts and short-term interest-bearing

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securities, which are consistent with our intention to maintain our status as a REIT. The exchange rate on our \$172.5 million principal amount of our 4.125% exchangeable senior debentures due 2026, the exchange rate on our 5.50% exchangeable senior debentures due 2029, the conversion rate on our series C cumulative convertible preferred stock and our series D cumulative convertible preferred stock are each subject to adjustment for certain events, including, but not limited to, certain dividends on our common stock in excess of \$0.265 per share per quarter, \$0.33 per share per quarter, \$0.28625 per share per quarter and \$0.31 per share per quarter, respectively. Therefore, increases to our quarterly dividend may increase the dilutive impact of the exchangeable debentures, series C cumulative convertible preferred stock and series D cumulative convertible preferred stock on our common stockholders.

In 2009, 2008 and 2007, we declared the following dividends and distributions (in thousands):

| Date dividend and distribution declared | Dividend and distribution payable date | Series A Preferred Stock ⁽¹⁾ | Series B Preferred Stock ⁽²⁾ | Series C Preferred Stock ⁽³⁾ | Series D Preferred Stock ⁽⁴⁾ | Common Stock and Operating Partnership Common Units |
|---|--|---|---|---|---|---|
| February 15, 2007 | April 2, 2007 | 2,199 | 1,246 | | | 19,442 ⁽⁵⁾ |
| May 2, 2007 | July 2, 2007 | 2,199 | 1,246 | 1,722 | | 19,458 ⁽⁵⁾ |
| August 1, 2007 | October 1, 2007 | 2,199 | 1,246 | 1,914 | | 19,465 ⁽⁵⁾ |
| November 1, 2007 | December 31, 2007 for Series A, B and C Preferred Stock; January 14, 2008 for Common Stock and Operating Partnership Common Units | 2,199 | 1,246 | 1,914 | | 22,345 ⁽⁶⁾ |
| Total 2007 | | \$ 8,796 | \$ 4,984 | \$ 5,550 | \$ | \$ 80,710 |
| February 25, 2008 | March 31, 2008 | 2,199 | 1,246 | 1,914 | 2,899 | 22,418 ⁽⁶⁾ |
| May 5, 2008 | June 30, 2008 | 2,199 | 1,246 | 1,914 | 4,744 | 22,444 ⁽⁶⁾ |
| August 4, 2008 | September 30, 2008 | 2,199 | 1,246 | 1,914 | 4,744 | 24,258 ⁽⁶⁾ |
| November 4, 2008 | December 31, 2008 for Series A, B, C and D Preferred Stock; January 7, 2009 for Common Stock and Operating Partnership Common Units | 2,199 | 1,246 | 1,914 | 4,744 | 26,102 ⁽⁷⁾ |
| Total 2008 | | \$ 8,796 | \$ 4,984 | \$ 7,656 | \$ 17,131 | \$ 95,222 |
| February 24, 2009 | March 31, 2009 | 2,199 | 1,246 | 1,914 | 4,742 | 27,053 ⁽⁷⁾ |
| April 28, 2009 | June 30, 2009 | 2,199 | 1,246 | 1,914 | 4,742 | 27,064 ⁽⁷⁾ |
| July 28, 2009 | September 30, 2009 | 2,199 | 1,246 | 1,914 | 4,742 | 29,575 ⁽⁸⁾ |
| October 27, 2009 | December 31, 2009 for Series A, B, C and D Preferred Stock; January 15, 2010 for Common Stock and Operating Partnership Common Units | 2,199 | 1,246 | 1,914 | 4,742 | 37,004 ⁽⁹⁾ |
| Total 2009 | | \$ 8,796 | \$ 4,984 | \$ 7,656 | \$ 18,968 | \$ 120,696 |

(1) \$2.125 annual rate of dividend per share.

(2) \$1.969 annual rate of dividend per share.

(3) \$1.094 annual rate of dividend per share.

(4) \$1.375 annual rate of dividend per share.

(5) \$1.145 annual rate of dividend and distribution per share and unit.

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- (6) \$1.240 annual rate of dividend and distribution per share and unit.
 (7) \$1.320 annual rate of dividend and distribution per share and unit.
 (8) \$1.440 annual rate of dividend and distribution per share and unit.
 (9) \$1.800 annual rate of dividend and distribution per share and unit.

Distributions out of our current or accumulated earnings and profits are generally classified as ordinary income whereas distributions in excess of our current and accumulated earnings and profits, to the extent of a stockholder's U.S. federal income tax basis in our stock, are generally classified as a return of capital. Distributions in excess of a stockholder's U.S. federal income tax basis in our stock are generally characterized as capital gain. Cash provided by operating activities has been sufficient to fund all distributions.

The tax treatment of distributions on common stock for 2009 is as follows: 100% ordinary income and 0% return of capital. The tax treatment of distributions on common stock for 2008 is as follows: approximately 100% ordinary income and 0% return of capital. The tax treatment of distributions on common stock for 2007 is as follows: approximately 78% ordinary income and 22% return of capital. All distributions paid on our preferred stock in 2009, 2008 and 2007 were classified as ordinary income for income tax purposes.

Commitments and Contingencies

We have agreed with the seller of 350 East Cermak Road to share a portion, not to exceed \$135,000 per month, of rental revenue, adjusted for our costs to lease the premises, from the lease of the 192,000 square feet of space held for redevelopment. This revenue sharing agreement will terminate in May 2012. We made payments of approximately \$41,000, \$41,000 and \$17,000 to the seller during the years ended December 31, 2009, 2008 and 2007, respectively. We have recorded approximately \$2.1 million for this contingent liability on our balance sheet at December 31, 2009.

As part of the acquisition of Clonshaugh Industrial Estate, we entered into an agreement with the seller whereby the seller is entitled to receive 40% of the net rental income generated by the existing building, after we have received a 9% return on all capital invested in the property. As of February 6, 2006, the date we acquired this property, we have estimated the present value of these expected payments over the 10 year lease term to be approximately \$1.1 million and this value has been recorded as a component of the purchase price. Accounts payable and other accrued liabilities include \$1.3 million and \$1.4 million for this liability as of December 31, 2009 and December 31, 2008, respectively. During the years ended December 31, 2009, 2008 and 2007, we paid approximately \$0.2 million, \$0.2 million and \$0.1 million, respectively, to the seller.

As of December 31, 2009, we were a party to interest rate cap and swap agreements which hedge variability in cash flows related to LIBOR, GBP LIBOR and EURIBOR based mortgage loans. Under these swaps, we pay variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amounts. See Item 7A Quantitative and Qualitative Disclosures about Market Risk.

| Obligation | Total | 2010 | 2011-2012 | 2013-2014 | Thereafter |
|--|--------------|------------|------------|------------|------------|
| Long-term debt principal payments ⁽¹⁾ | \$ 1,789,853 | \$ 236,875 | \$ 476,536 | \$ 670,866 | \$ 405,576 |
| Interest payable ⁽²⁾ | 401,224 | 91,739 | 151,508 | 105,924 | 52,053 |
| Ground leases ⁽³⁾ | 25,977 | 536 | 1,073 | 1,073 | 23,295 |
| Operating lease | 39,467 | 6,777 | 12,494 | 9,224 | 10,972 |
| Construction contracts ⁽⁴⁾ | 41,114 | 41,114 | | | |
| | \$ 2,297,635 | \$ 377,041 | \$ 641,611 | \$ 787,087 | \$ 491,896 |

- (1) Includes \$205.5 million of borrowings under our revolving credit facility, which is due to mature in August 2010 and excludes \$1.3 million of net loan premiums related to assumed mortgage loans and \$6.7 million discount on our 4.125% exchangeable senior debentures due 2026. Assumes we do not exercise available extension options.

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- (2) Interest payable is based on the interest rate in effect on December 31, 2009 including the effect of interest rate swaps. Interest payable excluding the effect of interest rate swaps is as follows (in thousands):

| | |
|------------|-------------------|
| 2010 | \$ 84,495 |
| 2011-2012 | 140,194 |
| 2013-2014 | 101,000 |
| Thereafter | 52,053 |
| | \$ 377,742 |

- (3) This is comprised of ground lease payments on 2010 East Centennial Circle, Chemin de l' Epinglier 2, Clonshaugh Industrial Estate, Paul van Vlissingenstraat 16, Gyroscopweg 2E-2F and Naritaweg 52. After February 2036, rent for the remaining term of the 2010 East Centennial Circle ground lease will be determined based on a fair market value appraisal of the asset and, as a result, is excluded from the above information. After December 2036, rent for the remaining term of the Naritaweg 52 ground lease will be determined based on a fair market value appraisal of the asset and, as a result, is excluded from the above information. The Chemin de l' Epinglier 2 ground lease which expires in July 2074 contains potential inflation increases which are not reflected in the table above. The Paul van Vlissingenstraat, 16 Chemin de l' Epinglier 2, Gyroscopweg 2E-2F and Clonshaugh Industrial Estate amounts are translated at the December 31, 2009 exchange rate of \$1.43 per 1.00.
- (4) From time to time in the normal course of our business, we enter into various construction contracts with third parties that may obligate us to make payments. At December 31, 2009, we had open commitments related to construction contracts of \$41.1 million.

Outstanding Consolidated Indebtedness

The table below summarizes our debt maturities and principal payments as of December 31, 2009 (in thousands):

| | Revolving Credit Facility⁽¹⁾ | Unsecured Senior Notes | Mortgage Loans | Exchangeable Senior Debentures | Total Debt |
|----------------------|--|-----------------------------------|---------------------------|---|-----------------------|
| 2010 | \$ 205,547 | \$ | \$ 31,328 | \$ | \$ 236,875 |
| 2011 | | 25,000 | 115,266 | 172,500(2) | 312,766 |
| 2012 | | | 163,770 | | 163,770 |
| 2013 | | 33,000 | 150,619 | | 183,619 |
| 2014 | | | 220,847 | 266,400(3) | 487,247 |
| Thereafter | | 25,000 | 380,576 | | 405,576 |
| Subtotal | \$ 205,547 | \$ 83,000 | \$ 1,062,406 | \$ 438,900 | \$ 1,789,853 |
| Unamortized discount | | | | (6,666) | (6,666) |
| Unamortized premium | | | 1,257 | | 1,257 |
| Total | \$ 205,547 | \$ 83,000 | \$ 1,063,663 | \$ 432,234 | \$ 1,784,444 |

- (1) Subject to two one-year extension options exercisable by us. The bank group is obligated to grant extension options provided we give proper notice, we make certain representations and warranties and no default exists under the revolving credit facility.
- (2) Assumes maturity of 4.125% exchangeable senior debentures due 2026 at first redemption date in August 2011.
- (3) Assumes maturity of 5.50% exchangeable senior debentures due 2029 at first redemption date in April 2014.

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The table below summarizes our debt, at December 31, 2009 (in millions):

| | |
|---|------------|
| Debt Summary: | |
| Fixed rate | \$ 1,308.5 |
| Variable rate debt subject to interest rate swaps and caps | 270.4 |
| | |
| Total fixed rate debt (including interest rate swaps and caps) | 1,578.9 |
| Variable rate unhedged | 205.5 |
| | |
| Total | \$ 1,784.4 |
| | |
| Percent of Total Debt: | |
| Fixed rate (including swapped debt) | 88.5% |
| Variable rate | 11.5% |
| | |
| Total | 100.0% |
| | |
| Effective Interest Rate as of December 31, 2009⁽¹⁾: | |
| Fixed rate (including hedged variable rate debt) | 5.98% |
| Variable rate | 1.35% |
| Effective interest rate | 5.45% |

(1) Excludes impact of deferred financing cost amortization and amortization of debt discounts and premiums.

As of December 31, 2009, we had approximately \$1.8 billion of outstanding consolidated long-term debt as set forth in the table above. Our ratio of debt to total market capitalization was approximately 27% (based on the closing price of our common stock on December 31, 2009 of \$50.28). For this purpose, our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total market capitalization ratio), excluding options issued under our incentive award plan, plus the liquidation value of our preferred stock, plus the aggregate value of the units not held by us (with the per unit value equal to the market value of one share of our common stock and excluding long-term incentive units and Class C Units), plus the book value of our total consolidated indebtedness.

The variable rate debt shown above bears interest at interest rates based on various LIBOR and EURIBOR rates ranging from one to three months, depending on the respective agreement governing the debt. Assuming maturity of our 4.125% exchangeable senior debentures due 2026 and 5.50% exchangeable senior debentures due 2029 at their first redemption dates in August 2011 and April 2014, respectively, as of December 31, 2009, our debt had a weighted average term to initial maturity of approximately 3.9 years (approximately 4.2 years assuming exercise of extension options).

We expect to meet our short- and long-term liquidity requirements, including to pay for scheduled debt maturities, dividends and distributions, to fund property acquisitions and non-recurring capital improvements with net cash provided by operations, future long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund future short- and long-term liquidity requirements, including property acquisitions and non-recurring capital improvements using our revolving credit facility pending permanent financing. If we are not able to obtain additional financing on terms attractive to us, or at all, including as a result of the circumstances described above under

Factors Which May Influence Future Results of Operations Global market and economic conditions, we may be required to reduce our acquisition or capital expenditure plans, which could have a material adverse effect upon our business and results of operations.

Off-Balance Sheet Arrangements

As of December 31, 2009, we were party to interest rate swap and cap agreements related to \$270.4 million of outstanding principal on our variable rate debt. See Item 7A Quantitative and Qualitative Disclosures about Market Risk.

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The 4.125% exchangeable senior debentures due 2026 provide for excess exchange value to be paid in cash or shares of our common stock if our stock price exceeds a certain amount. If such debentures were exchanged in full on December 31, 2009, we would owe \$96.7 million to the holders of such debentures, payable in cash or shares of our common stock. See note 5 to our consolidated financial statements for a further description of our 4.125% exchangeable senior debentures due 2026.

Cash Flows

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

Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008 and Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007

The following table shows cash flows and ending cash and cash equivalent balances for the years ended December 31, 2009, 2008 and 2007, respectively. Cash flows include the cash flows of 100 Technology Center Drive (sold in March 2007), 4055 Valley View Lane (sold in March 2007) (in thousands).

| | Year Ended December 31, | | | Increase / (Decrease) | |
|---|-------------------------|------------|------------|-----------------------|----------------|
| | 2009 | 2008 | 2007 | 2009 v 2008 | 2008 v 2007 |
| Net cash provided by operating activities (including discontinued operations) | \$ 283,809 | \$ 217,808 | \$ 105,655 | \$ 66,001 | \$ 112,153 |
| Net cash used in investing activities | (519,909) | (647,751) | (537,427) | 127,842 | (110,324) |
| Net cash provided by financing activities | 235,086 | 471,925 | 440,863 | (236,839) | 31,062 |
| Net (decrease) increase in cash and cash equivalents | \$ (1,014) | \$ 41,982 | \$ 9,091 | \$ (42,996) | \$ 32,891 |

The increases in net cash provided by operating activities from 2008 to 2009 and from 2007 to 2008 were primarily due to increased cash flows from new leasing at our same store properties, completed and leased redevelopment space and our acquisition of new operating properties which was partially offset by increased operating and interest expenses. We acquired 6, 5 and 13 properties during the years ended December 31, 2009, 2008 and 2007 respectively.

Net cash used in investing activities decreased in 2009 as compared to 2008, as we had a decrease in cash paid for capital expenditures for the year ended December 31, 2009 (\$392.4 million) as compared to the same period in 2008 (\$545.2 million) offset by an increase in cash paid for acquisitions for the year ended December 31, 2009 (\$138.0 million) as compared to the same period in 2008 (\$79.2 million).

Net cash used in investing activities increased from 2007 to 2008, as we had an increase in cash payments for our redevelopment program offset by a decrease in cash paid for acquisitions in 2008 (\$79.2 million) as compared to 2007 (\$359.8 million) and the receipt of proceeds from the sales of 100 Technology Center Drive and 4055 Valley View Lane in March 2007.

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Net cash flows from financing activities consisted of the following amounts (in thousands).

| | Year Ended December 31, | | | Increase / (Decrease) | |
|---|-------------------------|------------|------------|-----------------------|----------------|
| | 2009 | 2008 | 2007 | 2009 v 2008 | 2008 v 2007 |
| Proceeds from borrowings, net of repayments | \$ 46,657 | \$ 46,703 | \$ 216,006 | \$ (46) | \$ (169,303) |
| Net proceeds from 5.50% exchangeable senior debentures | 258,949 | | | 258,949 | |
| Net proceeds from issuance of common/preferred stock, including exercise of stock options | 89,184 | 549,210 | 320,751 | (460,026) | 228,459 |
| Dividend and distribution payments | (150,188) | (130,040) | (97,081) | (20,148) | (32,959) |
| Other | (9,516) | 6,052 | 1,187 | (15,568) | 4,865 |
| Net cash provided by financing activities | \$ 235,086 | \$ 471,925 | \$ 440,863 | \$ (236,839) | \$ 31,062 |

Net proceeds from issuance of stock were primarily related to our common stock offerings in February 2009 (net proceeds of \$82.9 million), July 2008 (\$211.6 million) and October 2007 (\$150.4 million) and preferred stock offerings in February 2008 (\$333.6 million) and April 2007 (\$169.1 million). Proceeds from mortgage loans were approximately \$122.0 million, \$174.9 million and \$121.3 million for the years ended December 31, 2009, 2008 and 2007, respectively. We issued \$266.4 million of 5.50% exchangeable senior debentures due 2029 on April 20, 2009. The increase in dividend and distribution payments for the year ended December 31, 2009 as compared to the same period in 2008 was a result of an increase in shares outstanding and dividend amount per share in 2009 as compared to 2008 and dividends on our series D preferred stock being paid for a full year in 2009, whereas this series of preferred stock was outstanding for only a portion of 2008. The increase in dividend and distribution payments for the year ended December 31, 2008 as compared to the same period in 2007 was a result of an increase in shares outstanding in 2008 as compared to 2007 and dividends on our series D preferred stock being paid in 2008, whereas this series of preferred stock was not outstanding in 2007.

Noncontrolling Interests in Operating Partnership

Noncontrolling interests relate to the common units in the Operating Partnership that are not owned by us, which, as of December 31, 2009, amounted to 6.6% of the Operating Partnership common units. In conjunction with our formation, GI Partners received common units, in exchange for contributing ownership interests in properties to the Operating Partnership. Also in connection with acquiring real estate interests owned by third parties, the Operating Partnership issued common units to those sellers.

Limited partners who acquired common units in the formation transactions have the right to require the Operating Partnership to redeem part or all of their common units for cash based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption. Alternatively, we may elect to acquire those common units in exchange for shares of our common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Pursuant to registration rights agreements we entered into with GI Partners and the other third party contributors, we filed a shelf registration statement covering the issuance of the shares of our common stock issuable upon redemption of the common units, and the resale of those shares of common stock by the holders. As of March 31, 2007, GI Partners no longer had an ownership interest in the Operating Partnership.

Inflation

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

Table of Contents**New Accounting Pronouncements Issued But Not Yet Adopted**

In June 2009, the FASB issued amended guidance related to the consolidation of variable-interest entities. These amendments require an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE, and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Additionally, they require an ongoing reconsideration of the primary beneficiary and provide a framework for the events that trigger a reassessment of whether an entity is a VIE. This guidance will be effective for financial statements issued for fiscal years beginning after November 15, 2009. Management does not believe adoption of the amended guidance will have a material effect on our consolidated financial statements.

In June 2009, the FASB issued new accounting guidance on accounting for transfers of financial assets, which was issued to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about (1) a transfer of its financial assets, (2) the effects of such a transfer on its financial position, financial performance, and cash flows, and (3) a reporting entity's continuing involvement, if any, in the transferred financial assets. This guidance is effective for annual reporting periods beginning after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter, with early adoption prohibited. Management does not believe adoption of the guidance will have a material effect on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Analysis of debt between fixed and variable rate.

We use interest rate swap agreements and fixed rate debt to reduce our exposure to interest rate movements. As of December 31, 2009, our consolidated debt was as follows (in millions):

| | |
|---|------------|
| Debt Summary: | |
| Fixed rate | \$ 1,308.5 |
| Variable rate debt subject to interest rate swaps and caps | 270.4 |
| | |
| Total fixed rate debt (including interest rate swaps and caps) | 1,578.9 |
| Variable rate | 205.5 |
| | |
| Total | \$ 1,784.4 |
| Percent of Total Debt: | |
| Fixed rate (including swapped debt) | 88.5% |
| Variable rate | 11.5% |
| | |
| Total | 100.0% |
| Effective Interest Rate as of December 31, 2009⁽¹⁾: | |
| Fixed rate (including hedged variable rate debt) | 5.98% |
| Variable rate | 1.35% |
| Effective interest rate | 5.45% |

(1) Excludes impact of deferred financing cost amortization and amortization of debt discounts and premiums.

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Interest rate swaps and cap included in this table and their fair values as of December 31, 2009 and 2008 were as follows (in thousands):

| Notional Amount | | Type of Derivative | Strike Rate | Effective Date | Expiration Date | Fair Value at Significant Other Observable Inputs (Level 2) | |
|-------------------------|--------------------------|--------------------|-------------|----------------|-----------------|---|-------------------------|
| As of December 31, 2009 | As of December 31, 2008 | | | | | As of December 31, 2009 | As of December 31, 2008 |
| \$20,831 ⁽¹⁾ | \$ 19,239 ⁽¹⁾ | Swap | 4.944 | Jul. 10, 2006 | Apr. 10, 2011 | \$ (952) | \$ (986) |
| 69,154 ⁽¹⁾ | (⁽¹⁾) | Swap | 2.980 | April 6, 2009 | Nov. 30, 2013 | (299) | |
| 15,208 ⁽²⁾ | 15,041 ⁽²⁾ | Swap | 3.981 | May 17, 2006 | Jul. 18, 2013 | (889) | (559) |
| 11,003 ⁽²⁾ | 10,881 ⁽²⁾ | Swap | 4.070 | Jun. 23, 2006 | Jul. 18, 2013 | (675) | (442) |
| 9,682 ⁽²⁾ | 9,575 ⁽²⁾ | Swap | 3.989 | Jul. 27, 2006 | Oct. 18, 2013 | (579) | (365) |
| 45,067 ⁽²⁾ | 44,564 ⁽²⁾ | Swap | 3.776 | Dec. 5, 2006 | Jan. 18, 2012 | (1,887) | (1,131) |
| 38,746 ⁽²⁾ | 38,315 ⁽²⁾ | Swap | 4.000 | Dec. 20, 2006 | Jan. 18, 2012 | (1,794) | (1,207) |
| | 96,458 | Swap | 3.167 | Oct. 15, 2008 | June 15, 2009 | | (1,116) |
| 42,993 | | Swap | 2.703 | Dec. 3, 2009 | Sep. 4, 2014 | (453) | |
| 17,737 | | Cap | 4.000 | June 24, 2009 | June 25, 2012 | 70 | |
| \$270,421 | \$ 234,073 | | | | | \$ (7,458) | \$ (5,806) |

- (1) Translation to U.S. dollars is based on exchange rate of \$1.61 to £1.00 as of December 31, 2009 and \$1.46 to £1.00 as of December 31, 2008.
- (2) Translation to U.S. dollars is based on exchange rate of \$1.43 to 1.00 as of December 31, 2009 and \$1.40 to 1.00 as of December 31, 2008. *Sensitivity to changes in interest rates.*

The following table shows the effect if assumed changes in interest rates occurred:

| Assumed event | Interest rate change (basis points) | Change (\$ millions) |
|--|-------------------------------------|----------------------|
| Increase in fair value of interest rate swaps following an assumed 10% increase in interest rates | 20 | \$ 1.5 |
| Decrease in fair value of interest rate swaps following an assumed 10% decrease in interest rates | (20) | (\$ 1.5) |
| Increase in annual interest expense on our debt that is variable rate and not subject to swapped interest following a 10% increase in interest rates | 20 | 0.4 |
| Decrease in annual interest expense on our debt that is variable rate and not subject to swapped interest following a 10% increase in interest rates | (20) | (0.4) |
| Increase in fair value of fixed rate debt following a 10% decrease in interest rates | (20) | 7.0 |
| Decrease in fair value of fixed rate debt following a 10% increase in interest rates | 20 | (6.7) |

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

Foreign currency exchange risk

As of December 31, 2009, we had foreign operations in the United Kingdom, Ireland, France, The Netherlands, Switzerland and Canada and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are

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conducted in the British Pound, Euro and the Swiss Franc, except for our Canadian property for which the functional currency is the U.S. dollar. Our primary currency exposures are to the Euro and the British Pound. We attempt to mitigate a portion of the risk of currency fluctuation by financing our properties in the local currency denominations, although there can be no assurance that this will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of shareholders' equity. For the year ended December 31, 2009, operating revenues from properties outside the United States contributed \$82.2 million, which represented 12.9% of our operating revenues.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Page No. |
|---|-----------------|
| Consolidated Financial Statements of Digital Realty Trust, Inc. | |
| <u>Management's Report on Internal Control over Financial Reporting</u> | 71 |
| <u>Reports of Independent Registered Public Accounting Firm</u> | 72 |
| <u>Consolidated Balance Sheets as of December 31, 2009 and 2008</u> | 74 |
| <u>Consolidated Statements of Operations for each of the years in the three-year period ended December 31, 2009</u> | 76 |
| <u>Consolidated Statements of Equity and Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2009</u> | 77 |
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Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial and Investment Officer, we assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on our assessment, management concluded that as of December 31, 2009, the Company's internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm has issued an audit report on the Company's internal control over financial reporting. This report appears on page 73.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Digital Realty Trust, Inc.:

We have audited the accompanying consolidated balance sheets of Digital Realty Trust Inc. (the Company) and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule III, properties and accumulated depreciation. These consolidated financial statements and financial statement schedule III are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule III based on our audits.

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

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Digital Realty Trust, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule III, properties and accumulated depreciation, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Francisco, California

February 26, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Digital Realty Trust, Inc.:

We have audited Digital Realty Trust Inc.'s (the Company) internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Digital Realty Trust, Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2009 and the financial statement schedule III, and our report dated February 26, 2010 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule III.

/s/ KPMG LLP

San Francisco, California

February 26, 2010

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DIGITAL REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

| | December 31, 2009 | December 31, 2008 |
|--|----------------------|----------------------|
| ASSETS | | |
| Investments in real estate: | | |
| Properties: | | |
| Land | \$ 382,763 | \$ 316,318 |
| Acquired ground leases | 2,767 | 2,733 |
| Buildings and improvements | 2,952,330 | 2,467,830 |
| Tenant improvements | 272,462 | 255,818 |
| Total investments in properties | 3,610,322 | 3,042,699 |
| Accumulated depreciation and amortization | (459,521) | (302,960) |
| Net investments in properties | 3,150,801 | 2,739,739 |
| Investment in unconsolidated joint venture | 6,392 | 8,481 |
| Net investments in real estate | 3,157,193 | 2,748,220 |
| Cash and cash equivalents | 72,320 | 73,334 |
| Accounts and other receivables, net of allowance for doubtful accounts of \$2,691 and \$2,109 as of December 31, 2009 and December 31, 2008, respectively | 46,086 | 39,108 |
| Deferred rent | 145,550 | 99,957 |
| Acquired above market leases, net of accumulated amortization of \$36,896 and \$31,128 as of December 31, 2009 and December 31, 2008, respectively | 25,861 | 31,352 |
| Acquired in place lease value and deferred leasing costs, net of accumulated amortization of \$229,852 and \$188,348 as of December 31, 2009 and December 31, 2008, respectively | 224,216 | 222,389 |
| Deferred financing costs, net of accumulated amortization of \$20,934 and \$14,344 as of December 31, 2009 and December 31, 2008, respectively | 21,073 | 16,275 |
| Restricted cash | 37,810 | 45,470 |
| Other assets | 14,950 | 4,940 |
| Total assets | \$ 3,745,059 | \$ 3,281,045 |
| LIABILITIES AND EQUITY | | |
| Revolving credit facility | \$ 205,547 | \$ 138,579 |
| Unsecured senior notes | 83,000 | 58,000 |
| Mortgage loans | 1,063,663 | 1,026,594 |
| 4.125% exchangeable senior debentures due 2026, net of discount | 165,834 | 161,901 |
| 5.50% exchangeable senior debentures due 2029 | 266,400 | |
| Accounts payable and other accrued liabilities | 151,229 | 171,176 |
| Accrued dividends and distributions | 37,004 | 26,092 |
| Acquired below market leases, net of accumulated amortization of \$78,627 and \$64,706 as of December 31, 2009 and December 31, 2008, respectively | 69,311 | 76,660 |
| Security deposits and prepaid rents | 68,270 | 46,967 |
| Total liabilities | 2,110,258 | 1,705,969 |

Table of Contents**DIGITAL REALTY TRUST, INC.****CONSOLIDATED BALANCE SHEETS (continued)**

(in thousands, except share data)

| | December 31, 2009 | December 31, 2008 |
|---|----------------------|----------------------|
| Commitments and contingencies | | |
| Equity: | | |
| Stockholders' Equity: | | |
| Preferred Stock: \$0.01 par value, 30,000,000 authorized: | | |
| Series A Cumulative Redeemable Preferred Stock, 8.50%, \$103,500,000 liquidation preference (\$25.00 per share), 4,140,000 issued and outstanding | 99,297 | 99,297 |
| Series B Cumulative Redeemable Preferred Stock, 7.875%, \$63,250,000 liquidation preference (\$25.00 per share), 2,530,000 issued and outstanding | 60,502 | 60,502 |
| Series C Cumulative Convertible Preferred Stock, 4.375%, \$174,998,875 liquidation preference (\$25.00 per share), 6,999,955 and 7,000,000 issued and outstanding as of December 31, 2009 and December 31, 2008, respectively | 169,067 | 169,068 |
| Series D Cumulative Convertible Preferred Stock, 5.500%, \$344,887,500 liquidation preference (\$25.00 per share), 13,795,500 and 13,800,000 issued and outstanding as of December 31, 2009 and December 31, 2008, respectively | 333,472 | 333,581 |
| Common Stock; \$0.01 par value: 125,000,000 authorized, 76,812,783 and 73,306,703 shares issued and outstanding as of December 31, 2009 and December 31, 2008, respectively | 766 | 732 |
| Additional paid-in capital | 1,155,709 | 1,057,107 |
| Dividends in excess of earnings | (231,871) | (166,863) |
| Accumulated other comprehensive loss, net | (27,947) | (49,503) |
| Total stockholders' equity | 1,558,995 | 1,503,921 |
| Noncontrolling Interests: | | |
| Noncontrolling interests in operating partnership | 58,192 | 66,797 |
| Noncontrolling interests in consolidated joint ventures | 17,614 | 4,358 |
| Total noncontrolling interests | 75,806 | 71,155 |
| Total equity | 1,634,801 | 1,575,076 |
| Total liabilities and equity | \$ 3,745,059 | \$ 3,281,045 |

See accompanying notes to the consolidated financial statements.

Table of Contents**DIGITAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share data)

| | Year Ended December 31, | | |
|--|-------------------------|------------------|------------------|
| | 2009 | 2008 | 2007 |
| Operating Revenues: | | | |
| Rental | \$ 510,772 | \$ 404,559 | \$ 319,603 |
| Tenant reimbursements | 125,308 | 107,503 | 75,003 |
| Other | 1,062 | 15,383 | 641 |
| Total operating revenues | 637,142 | 527,445 | 395,247 |
| Operating Expenses: | | | |
| Rental property operating and maintenance | 176,238 | 151,147 | 109,225 |
| Property taxes | 36,004 | 31,102 | 27,181 |
| Insurance | 6,111 | 4,988 | 5,527 |
| Depreciation and amortization | 198,052 | 172,378 | 134,419 |
| General and administrative | 42,165 | 38,391 | 30,786 |
| Other | 783 | 1,084 | 431 |
| Total operating expenses | 459,353 | 399,090 | 307,569 |
| Operating income | 177,789 | 128,355 | 87,678 |
| Other Income (Expenses): | | | |
| Equity in earnings of unconsolidated joint venture | 2,172 | 2,369 | 449 |
| Interest and other income | 753 | 2,106 | 2,287 |
| Interest expense | (88,442) | (63,621) | (67,054) |
| Tax expense | (1,038) | (1,109) | (814) |
| Loss from early extinguishment of debt | | (182) | |
| Income from continuing operations | 91,234 | 67,918 | 22,546 |
| Income from discontinued operations before gain on sale of assets | | | 1,395 |
| Gain on sale of assets | | | 18,049 |
| Income from discontinued operations | | | 19,444 |
| Net income | 91,234 | 67,918 | 41,990 |
| Net income attributable to noncontrolling interests | (3,572) | (2,664) | (3,753) |
| Net income attributable to Digital Realty Trust, Inc. | 87,662 | 65,254 | 38,237 |
| Preferred stock dividends | (40,404) | (38,564) | (19,330) |
| Net income available to common stockholders | \$ 47,258 | \$ 26,690 | \$ 18,907 |
| Income per share from continuing operations available to common stockholders: | | | |
| Basic | \$ 0.62 | \$ 0.39 | \$ 0.04 |
| Diluted | \$ 0.61 | \$ 0.38 | \$ 0.04 |
| Income per share from discontinued operations available to common stockholders: | | | |
| Basic | \$ | \$ | \$ 0.27 |

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| | | | | |
|--|----|------------|------------|------------|
| Diluted | \$ | \$ | \$ | 0.26 |
| Net income per share available to common stockholders: | | | | |
| Basic | \$ | 0.62 | \$ | 0.39 |
| Diluted | \$ | 0.61 | \$ | 0.38 |
| Weighted average common shares outstanding: | | | | |
| Basic | | 75,950,370 | 68,829,267 | 60,527,625 |
| Diluted | | 77,020,890 | 70,435,760 | 62,572,937 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except share data)

| | Series A Preferred Stock | Series B Preferred Stock | Series C Preferred Stock | Series D Preferred Stock | Number of Common Shares | Additional Common Stock | Paid-in Capital | Accumulated Dividends in Excess of Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders Equity | Noncontrolling Interests in Operating Partnership | Noncontrolling Interests in Consolidated Ventures | Total Noncontrolling Interests | Total Equity |
|---|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|-------------------------|-----------------|---|---|---------------------------|---|---|--------------------------------|--------------|
| Balance as of December 31, 2006 | \$ 99,297 | \$ 60,502 | \$ | \$ | 54,257,691 | \$ 542 | \$ 611,799 | \$ (52,754) | \$ 4,190 | \$ 723,576 | \$ 141,890 | \$ | \$ 141,890 | \$ 865,466 |
| Conversion of units to common stock | | | | | 7,042,054 | 70 | 71,082 | | | 71,152 | (71,152) | | (71,152) | |
| Net proceeds from sale of common stock | | | | | 4,025,000 | 40 | 150,407 | | | 150,447 | | | | 150,447 |
| Issuance of series C preferred stock, net of offering costs | | | 169,068 | | | | | | | 169,068 | | | | 169,068 |
| Exercise of stock options | | | | | 81,495 | 2 | 1,034 | | | 1,036 | | | | 1,036 |
| Amortization of unearned compensation regarding share based awards | | | | | | | 4,367 | | | 4,367 | | | | 4,367 |
| Dividends declared on preferred stock | | | | | | | | (19,330) | | (19,330) | | | | (19,330) |
| Dividends and distributions on common stock and common and incentive units | | | | | | | | (72,259) | | (72,259) | (8,451) | | (8,451) | (80,710) |
| Adjustment for noncontrolling interests | | | | | | | (8,316) | | | (8,316) | 8,316 | | 8,316 | |
| Contributions from noncontrolling members | | | | | | | | | | | | 4,928 | 4,928 | 4,928 |
| Net income | | | | | | | | 38,237 | | 38,237 | 3,753 | | 3,753 | 41,990 |
| Other comprehensive income foreign currency translation adjustments | | | | | | | | | (222) | (222) | 93 | | 93 | (129) |
| Other comprehensive income fair value of interest rate swaps | | | | | | | | | 1,631 | 1,631 | 241 | | 241 | 1,872 |
| Other comprehensive income reclassification of other comprehensive income to interest expense | | | | | | | | | (2,220) | (2,220) | (355) | | (355) | (2,575) |
| Comprehensive income | | | | | | | | | | 37,426 | | | 3,732 | 41,158 |
| | \$ 99,297 | \$ 60,502 | \$ 169,068 | \$ | 65,406,240 | \$ 654 | \$ 830,373 | \$ (106,106) | \$ 3,379 | \$ 1,057,167 | \$ 74,335 | \$ 4,928 | \$ 79,263 | \$ 1,136,430 |

Balance as of
December 31, 2007

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS) (continued)

(in thousands, except share data)

| Series A Preferred Stock | Series B Preferred Stock | Series C Preferred Stock | Series D Preferred Stock | Number of Common Shares | Common Stock | Additional Paid-in Capital | Accumulated Dividends in Excess of Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders Equity | Noncontrolling Interests in Operating Partnership | Noncontrolling Interests in Consolidated Joint Ventures | Noncontrolling Interests in Other |
|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------|----------------------------|---|---|---------------------------|---|---|-----------------------------------|
| | | | | 1,825,157 | 19 | 20,341 | | | 20,360 | (20,360) | | |
| | | | | 5,750,000 | 57 | 211,554 | | | 211,611 | | | |
| | | | 333,581 | | | | | | 333,581 | | | |
| | | | | 208,703 | 2 | 4,203 | | | 4,205 | | | |
| | | | | 116,603 | | | | | | | | |
| | | | | | | 9,805 | | | 9,805 | | | |
| | | | | | | | (38,564) | | (38,564) | | | |
| | | | | | | | (87,447) | | (87,447) | (7,775) | | |
| | | | | | | (22,491) | | | (22,491) | 22,491 | | |
| | | | | | | | | | | | | 1,887 |
| | | | | | | | | | | | | 16,452 |
| | | | | | | | | | | | | (8,276) |
| | | | | | | 3,322 | | | 3,322 | | | (10,968) |
| | | | | | | | 65,254 | | 65,254 | 2,329 | | 335 |
| | | | | | | | | (44,813) | (44,813) | (3,578) | | |
| | | | | | | | | (7,325) | (7,325) | (579) | | |
| | | | | | | | | (744) | (744) | (66) | | |

12,372

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS) (continued)

(in thousands, except share data)

| | Series A Preferred Stock | Series B Preferred Stock | Series C Preferred Stock | Series D Preferred Stock | Number of Common Shares | Common Stock | Additional Paid-in Capital | Accumulated Dividends in Excess of Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders Equity | Noncontrolling Interests in Consolidated Operating Partnership | Noncontrolling Interests in Joint Ventures | Total Noncontrolling Interests | Total Equity |
|---|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------|----------------------------|---|---|---------------------------|--|--|--------------------------------|--------------|
| Balance as of December 31, 2008 | \$ 99,297 | \$ 60,502 | \$ 169,068 | \$ 333,581 | 73,306,703 | \$ 732 | \$ 1,057,107 | \$ (166,863) | \$ (49,503) | \$ 1,503,921 | \$ 66,797 | \$ 4,358 | \$ 71,155 | \$ 1,575,124 |
| Conversion of units to common stock | | | | | 650,511 | 6 | 7,626 | | | 7,632 | (7,632) | | (7,632) | |
| Change in restricted stock, net of forfeitures | | | | | 103,700 | | | | | | | | | |
| Proceeds from sale of common stock | | | | | 2,500,000 | 25 | 82,834 | | | 82,859 | | | | 82,859 |
| Issuance of stock options | | | | | 249,167 | 3 | 6,322 | | | 6,325 | | | | 6,325 |
| Amortization of restricted stock awards | | | | | | | 9,829 | | | 9,829 | | | | 9,829 |
| Conversion of series C D preferred stock | | | (1) | (109) | 2,702 | | 110 | | | | | | | |
| Dividends declared on preferred stock | | | | | | | | (40,404) | | (40,404) | | | | (40,404) |
| Dividends and distributions on common stock and non stock and incentive | | | | | | | | (112,266) | | (112,266) | (8,430) | | (8,430) | (120,696) |
| Classification of restricted share based awards | | | | | | | (2,464) | | | (2,464) | 2,464 | | 2,464 | |
| Contributions from noncontrolling interests in consolidated joint ventures | | | | | | | | | | | | 33,787 | 33,787 | 33,787 |
| Payments due to purchase of joint venture interests | | | | | | | (5,655) | | | (5,655) | | (20,671) | (20,671) | (26,326) |
| Net comprehensive income | | | | | | | | 87,662 | | 87,662 | 3,432 | 140 | 3,572 | 91,234 |
| Change in comprehensive income - foreign currency translation adjustments | | | | | | | | | 22,816 | 22,816 | 1,660 | | 1,660 | 24,476 |
| Change in comprehensive income - fair value of interest rate swaps | | | | | | | | | (5,047) | (5,047) | (372) | | (372) | (5,419) |
| Change in comprehensive income - reclassification of other comprehensive income | | | | | | | | | | | | | | |
| Interest expense | | | | | | | | | 3,787 | 3,787 | 273 | | 273 | 4,060 |

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| | | | | | | | | | | | | | | |
|---------------|--|--|--|--|--|--|--|--|--|--|---------|--|-------|------|
| Comprehensive | | | | | | | | | | | 109,218 | | 5,133 | 114, |
| Income | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|-------------------|-----------|-----------|------------|------------|------------|--------|--------------|--------------|-------------|--------------|-----------|-----------|-----------|-----------|--|
| Income as of | | | | | | | | | | | | | | | |
| December 31, 2009 | \$ 99,297 | \$ 60,502 | \$ 169,067 | \$ 333,472 | 76,812,783 | \$ 766 | \$ 1,155,709 | \$ (231,871) | \$ (27,947) | \$ 1,558,995 | \$ 58,192 | \$ 17,614 | \$ 75,806 | \$ 1,634, | |

See accompanying notes to the consolidated financial statements.

Table of Contents**DIGITAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

| | Year Ended December 31, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Cash flows from operating activities: | | | |
| Net income | \$ 91,234 | \$ 67,918 | \$ 41,990 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Gain on sale of assets | | | (18,049) |
| Equity in earnings of unconsolidated joint venture | (2,172) | (2,369) | (449) |
| Distributions from unconsolidated joint venture | 4,350 | 3,019 | 1,383 |
| Write-off of net assets due to early lease terminations | 783 | 1,085 | 430 |
| Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases | 156,828 | 118,364 | 81,305 |
| Amortization of share-based unearned compensation | 9,829 | 9,805 | 4,367 |
| Allowance for doubtful accounts | 582 | (1,058) | 1,135 |
| Amortization of deferred financing costs | 7,925 | 5,579 | 5,161 |
| Write-off of deferred financing costs, included in net loss on early extinguishment of debt | | 182 | |
| Amortization of debt discount/premium | 3,550 | 2,435 | 2,553 |
| Amortization of acquired in place lease value and deferred leasing costs | 41,224 | 54,014 | 53,493 |
| Amortization of acquired above market leases and acquired below market leases, net | (8,040) | (9,689) | (10,412) |
| Changes in assets and liabilities: | | | |
| Restricted cash | 7,723 | (1,640) | (12,716) |
| Accounts and other receivables | (16,173) | 4,878 | 5,134 |
| Deferred rent | (45,342) | (36,006) | (23,376) |
| Deferred leasing costs | (10,606) | (10,776) | (14,417) |
| Other assets | (4,936) | 4,064 | (138) |
| Accounts payable and other accrued liabilities | 26,229 | (8,004) | (19,129) |
| Security deposits and prepaid rents | 20,821 | 16,007 | 7,390 |
| Net cash provided by operating activities | 283,809 | 217,808 | 105,655 |
| Cash flows from investing activities: | | | |
| Acquisitions of properties | (137,996) | (79,243) | (359,849) |
| Purchase of prepaid ground lease | | | (1,192) |
| Proceeds from sale of assets, net of sales costs | | | 78,191 |
| Deposits paid for acquisitions of properties | | (760) | (459) |
| Receipt of value added tax refund | 14,095 | 20,241 | 6,800 |
| Refundable value added tax paid | (5,208) | (20,337) | (11,059) |
| Change in restricted cash | 358 | (2,340) | 427 |
| Improvements to investments in real estate | (392,386) | (545,223) | (265,682) |
| Improvement advances to tenants | (2,964) | (20,182) | (27,256) |
| Collection of advances from tenants for improvements | 4,192 | 21,315 | 25,836 |
| Return of investment in unconsolidated joint venture | | | 20,500 |
| Purchase of joint venture partners' interests | | (21,222) | (3,684) |
| Net cash used in investing activities | (519,909) | (647,751) | (537,427) |

Table of Contents**DIGITAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

(in thousands)

| | Year Ended December 31, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Cash flows from financing activities: | | | |
| Borrowings on revolving credit facility | \$ 574,563 | \$ 1,142,555 | \$ 612,472 |
| Repayments on revolving credit facility | (506,732) | (1,296,610) | (463,980) |
| Borrowings on unsecured senior notes | 25,000 | 58,000 | |
| Proceeds from mortgage loans | 121,994 | 174,900 | 121,288 |
| Principal payments on mortgage loans | (163,242) | (26,719) | (48,238) |
| Proceeds from 5.5% exchangeable senior debentures | 266,400 | | |
| Change in restricted cash | (421) | (188) | (869) |
| Payment of loan fees and costs | (12,377) | (5,423) | (5,536) |
| Capital distributions to noncontrolling interests in joint venture | | (11,358) | |
| Capital contributions received from noncontrolling interests in joint venture | 17,231 | 17,598 | 2,056 |
| Gross proceeds from the sale of common stock | 83,750 | 220,915 | 158,545 |
| Gross proceeds from the sale of preferred stock | | 334,650 | 175,000 |
| Common stock offering costs paid | (891) | (9,304) | (8,098) |
| Preferred stock offering costs paid | | (1,027) | (5,932) |
| Proceeds from exercise of stock options | 6,325 | 3,976 | 1,236 |
| Payment of dividends to preferred stockholders | (40,404) | (38,564) | (19,329) |
| Payment of dividends to common stockholders and distributions to noncontrolling interests in operating partnership | (109,784) | (91,476) | (77,752) |
| Purchase of noncontrolling interests | (26,326) | | |
| Net cash provided by financing activities | 235,086 | 471,925 | 440,863 |
| Net (decrease) increase in cash and cash equivalents | (1,014) | 41,982 | 9,091 |
| Cash and cash equivalents at beginning of period | 73,334 | 31,352 | 22,261 |
| Cash and cash equivalents at end of period | \$ 72,320 | \$ 73,334 | \$ 31,352 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest, including amounts capitalized | \$ 81,820 | \$ 72,339 | \$ 69,028 |
| Cash paid for taxes | 785 | 1,099 | 604 |
| Supplementary disclosure of noncash investing and financing activities: | | | |
| Change in net assets related to foreign currency translation adjustments | \$ 24,476 | \$ (48,391) | \$ (129) |
| Accrual of dividends and distributions | 37,004 | 26,092 | 22,345 |
| (Decrease) Increase in accounts payable and other accrued liabilities and other assets, respectively, related to increase in fair value of interest rate swaps | (5,419) | (7,904) | 1,872 |
| Reclassification of owner's equity to noncontrolling interest in the Operating Partnership | | (22,491) | (8,316) |
| Noncontrolling interests in operating partnership redeemed for or converted to shares of common stock | 7,632 | 20,360 | 71,152 |
| Non-cash allocation of investment in partnership to: | | | |
| Land | 17,632 | 2,093 | 6,732 |
| Building | 15,924 | 1,607 | 6,325 |
| Accounts and other receivables | | 46 | 38 |
| Other assets | | 10 | |
| Mortgage loans | (17,000) | (2,836) | (5,541) |

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| | | | |
|---|----------|---------|---------|
| Accounts payable and other accrued liabilities | | | (998) |
| Change to noncontrolling interest in consolidated joint venture | (16,556) | (920) | (6,556) |
| Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses | 57,292 | 103,277 | 97,512 |

Table of Contents**DIGITAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

(in thousands)

| | Year Ended December 31, 2009 | Year Ended December 31, 2008 | Year Ended December 31, 2007 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Allocation of purchase price of properties/investment in partnership to: | | | |
| Investments in real estate | 180,110 | 78,516 | 329,999 |
| Accounts and other receivables | | | 3,486 |
| Other assets | 2 | | 952 |
| Acquired above market leases | 100 | 440 | 335 |
| Acquired below market leases | (5,859) | (3,104) | (22,214) |
| Acquired in place lease value and deferred leasing costs | 15,712 | 3,493 | 50,876 |
| Mortgage loan assumed, net of discount | (51,985) | | |
| Accounts payable and other accrued liabilities | | (38) | (2,146) |
| Security deposits and prepaid rents | (84) | (64) | (247) |
| Cash paid for acquisition of properties | \$ 137,996 | \$ 79,243 | \$ 361,041 |

See accompanying notes to the consolidated financial statements.

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DIGITAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

Digital Realty Trust, Inc. through its controlling interest in Digital Realty Trust, L.P. (the Operating Partnership) and the subsidiaries of the Operating Partnership (collectively, we or the Company) is engaged in the business of owning, acquiring, developing, redeveloping and managing technology-related real estate. The Company is focused on providing Turn-Key Datacenter[®] and Powered Base Building[®] datacenter solutions for domestic and international tenants across a variety of industry verticals ranging from information technology and Internet enterprises, to manufacturing and financial services. As of December 31, 2009, our portfolio consisted of 81 properties, excluding one property held as an investment in an unconsolidated joint venture, of which 68 are located throughout North America and 13 are located in Europe. Our properties are diversified in major markets where corporate datacenter and technology tenants are concentrated, including the Chicago, Dallas, Los Angeles, New York/New Jersey, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S. and the Amsterdam, Dublin, London and Paris markets in Europe. The portfolio consists of Internet gateway and corporate datacenter properties, technology manufacturing properties and regional or national headquarters of technology companies.

The Operating Partnership was formed on July 21, 2004 in anticipation of our initial public offering (IPO) on November 3, 2004 and commenced operations on that date. As of December 31, 2009, we own a 93.4% common interest and a 100% preferred interest in the Operating Partnership. As general partner, we have control over the Operating Partnership. The limited partners of the Operating Partnership do not have rights to replace us as the general partner nor do they have participating rights, although they do have certain protective rights.

We continue to operate and expand the business of our predecessor (the Predecessor). The Predecessor is not a legal entity; rather it is a combination of certain of the real estate subsidiaries of Global Innovation Partners LLC, or GI Partners, contributed to us in connection with the IPO, along with an allocation of certain assets, liabilities, revenues and expenses of GI Partners related to the real estate owned by such subsidiaries.

Pursuant to a contribution agreement among GI Partners, the owner of the Predecessor, and the Operating Partnership, certain of GI Partners properties were contributed to the Operating Partnership in exchange for limited partnership interests in the Operating Partnership (Units) and the assumption of debt and other specified liabilities. Additionally, pursuant to contribution agreements between the Operating Partnership and third parties, which were also executed in July 2004, the Operating Partnership received contributions of interests in certain additional real estate properties in exchange for Units and the assumption of specified liabilities.

We have operated in a manner that we believe has enabled us to qualify to be treated, as a Real Estate Investment Trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code).

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include all of the accounts of Digital Realty Trust, Inc., the Operating Partnership and the subsidiaries of the Operating Partnership. Intercompany balances and transactions have been eliminated.

(b) Cash Equivalents

For the purpose of the consolidated statements of cash flows, we consider short-term investments with original maturities of 90 days or less to be cash equivalents. As of December 31, 2009 and 2008, cash equivalents consist of investments in money market instruments.

Table of Contents**DIGITAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****(c) Investments in Real Estate***

Investments in real estate are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives as follows:

| | |
|----------------------------|--|
| Acquired ground leases | Terms of the related lease |
| Buildings and improvements | 5-39 years |
| Tenant improvements | Shorter of the estimated useful lives or the terms of the related leases |

Improvements and replacements are capitalized when they extend the useful life, increase capacity, or improve the efficiency of the asset. Repairs and maintenance are charged to expense as incurred.

(d) Investment in Unconsolidated Joint Venture

The Company's investment in unconsolidated joint venture is accounted for using the equity method, whereby the investment is increased for capital contributed and our share of the joint venture's net income and decreased by distributions we receive and our share of any losses of the joint venture.

(e) Impairment of Long-Lived Assets

We assess whether there has been impairment in the value of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management believes no impairment in the net carrying value of the investments in real estate has occurred.

(f) Purchase Accounting for Acquisition of Investments in Real Estate

Purchase accounting is applied to the assets and liabilities related to all real estate investments acquired from third parties. In accordance with current accounting guidance, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, value of tenant relationships and acquired ground leases, based in each case on their fair values. Loan premiums, in the case of above market rate loans, or loan discounts, in the case of below market loans, are recorded based on the fair value of any loans assumed in connection with acquiring the real estate.

The fair values of the tangible assets of an acquired property are determined based on comparable land sales for land and replacement costs adjusted for physical and market obsolescence for the improvements. The fair values of the tangible assets of an acquired property are also determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land, building and tenant improvements based on management's determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions, legal and other related costs.

Table of Contents**DIGITAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease and, for below-market leases, over a period equal to the initial term plus any below market fixed rate renewal periods. The leases do not currently include any below market fixed rate renewal periods. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values, also referred to as acquired lease obligations, are amortized as an increase to rental income over the initial terms of the respective leases and any below market fixed rate renewal periods.

In addition to the intangible value for above market leases and the intangible negative value for below market leases, there is intangible value related to having tenants leasing space in the purchased property, which is referred to as in-place lease value and tenant relationship value. Such value results primarily from the buyer of a leased property avoiding the costs associated with leasing the property and also avoiding rent losses and unreimbursed operating expenses during the lease up period. The estimated avoided costs and avoided revenue losses are calculated and this aggregate value is allocated between in-place lease value and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease; however, the value of tenant relationships has not been separated from in-place lease value for our real estate because such value and its consequence to amortization expense is immaterial for these particular acquisitions. The value of in-place leases exclusive of the value of above-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

The fair value of intangible assets and liabilities acquired during the years ended December 31, 2009 and 2008 were as follows (in thousands):

| | 2009 | 2008 |
|-----------------------------------|-------------|-------------|
| Acquired in place lease value | \$ 15,712 | \$ 3,493 |
| Acquired above market lease value | 100 | 440 |
| Acquired below market lease value | (5,859) | (3,104) |

Table of Contents**DIGITAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The estimated future amortization of intangible assets and liabilities (assuming no early termination of leases acquired) at December 31, 2009 is as follows (in thousands):

| | Acquired in place lease value | Acquired above market lease value | Acquired below market lease value |
|------------|--|---|---|
| 2010 | \$ 32,987 | \$ 5,365 | \$ (13,229) |
| 2011 | 26,331 | 4,215 | (11,838) |
| 2012 | 21,999 | 3,665 | (8,225) |
| 2013 | 21,255 | 3,582 | (8,122) |
| 2014 | 18,438 | 3,482 | (7,157) |
| Thereafter | 41,296 | 5,552 | (20,740) |
| | \$ 162,306 | \$ 25,861 | \$ (69,311) |

On January 1, 2009, we adopted new accounting guidance for the accounting for business combinations. The accounting guidance provides for recognizing and measuring assets acquired and liabilities assumed in an acquisition at fair value. This accounting guidance also requires that transaction costs in an acquisition be expensed as incurred. The guidance applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption did not have a material impact on our consolidated financial statements for the year ended December 31, 2009. In April 2009, the FASB issued revised guidance for recognizing and measuring pre-acquisition contingencies in a business combination. Under the revised guidance, pre-acquisition contingencies are recognized at their acquisition-date fair value if a fair value can be determined during the measurement period. If the acquisition-date fair value cannot be determined during the measurement period, a contingency (best estimate) is to be recognized if it is probable that an asset existed or liability had been incurred at the acquisition date and the amount can be reasonably estimated. The revised guidance does not prescribe specific accounting for subsequent measurement and accounting for contingencies. The revised guidance is effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We expect the revised guidance will have an impact on our consolidated financial statements, but the nature and magnitude of the specific effects will depend upon the nature, term and size of the acquired contingencies.

(g) Capitalization of costs

We capitalize direct and indirect costs related to construction and development, including property taxes, insurance and financing costs relating to space under development. Interest capitalized during the years ended December 31, 2009 and 2008 was \$9.2 million and \$18.4 million, respectively. We capitalized amounts relating to compensation expense of employees directly engaged in construction and successful leasing activities of \$13.9 million and \$10.6 million for the years ended December 31, 2009 and 2008, respectively.

(h) Deferred Leasing Costs

Deferred leasing commissions and other direct and indirect costs associated with the acquisition of tenants are capitalized and amortized on a straight line basis over the terms of the related leases.

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DIGITAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(i) Foreign Currency Translation

Assets and liabilities of the subsidiaries outside the United States with non-U.S. dollar functional currencies are translated into U.S. dollars using exchange rates as of the balance sheet dates. Income and expenses are translated using the average exchange rates for the reporting period. Translation adjustments are recorded as a component of accumulated other comprehensive income.

(j) Deferred Financing Costs

Loan fees and costs are capitalized and amortized over the life of the related loans on a straight-line basis, which approximates the effective interest method. Such amortization is included as a component of interest expense.

(k) Restricted Cash

Restricted cash consists of deposits for real estate taxes and insurance and other amounts as required by our loan agreements including funds for leasing costs and improvements related to unoccupied space.

(l) Offering Costs

Underwriting commissions and other offering costs are reflected as a reduction in additional paid-in capital, or in the case of preferred stock, as a reduction of the carrying value of preferred stock.

(m) Share Based Compensation

We account for share based compensation using the fair value method of accounting. The estimated fair value of the stock options granted by us is being amortized on a straight-line basis over the vesting period of the stock options. The estimated fair value of the long-term incentive units and Class C Units (discussed in note 9) granted by us is being amortized on a straight-line basis over the expected service period.

For share based compensation awards with performance conditions, we estimate the fair value of the award for each of the possible performance condition outcomes and amortize the compensation cost based on management's projected performance outcome. In the instance management's projected performance outcome changes prior to the final measurement date, compensation cost is adjusted accordingly.

(n) Accounting for Derivative Instruments and Hedging Activities

We account for our derivative instruments and hedging activities in accordance with the accounting standard for derivative and hedging activities. The accounting standard requires us to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. See disclosures below related to our adoption of the accounting standard for fair value measurements and disclosures.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the years ended December 31, 2009, 2008 and 2007, respectively, there were no ineffective portions to our interest rate swaps.

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DIGITAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We actively manage our ratio of fixed-to-floating rate debt. To manage our fixed and floating rate debt in a cost-effective manner, we, from time to time, enter into interest rate swap agreements as cash flow hedges, under which we agree to exchange various combinations of fixed and/or variable interest rates based on agreed upon notional amounts.

(o) Assets and Liabilities Measured at Fair Value

On January 1, 2008, we adopted new accounting guidance establishing a framework for measuring fair-value and expanding disclosures regarding fair-value measurements related to financial instruments. The guidance applies to reported balances that are required or permitted to be measured at fair-value under existing accounting pronouncements; accordingly, the guidance does not require any new fair-value measurements of reported balances. On January 1, 2009, we adopted this guidance for non-financial instruments subject to this pronouncement.

The guidance emphasizes that fair-value is a market-based measurement, not an entity-specific measurement. Therefore, a fair-value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, a fair-value hierarchy is established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

(p) Income Taxes

We have elected to be treated and believe that we have operated in a manner that has enabled us to qualify as a REIT for federal income tax purposes. As a REIT, we generally are not required to pay federal corporate income and excise taxes on our taxable income to the extent it is currently distributed to our stockholders.

However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including tests related to annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized or have operated or will continue to operate in a manner so as to qualify or remain qualified as a REIT. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

Even if we qualify for taxation as a REIT, we are taxed in certain states in which we operate. Our consolidated taxable REIT subsidiaries are subject to both federal and state income taxes to the extent there is

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DIGITAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

taxable income. We are also taxed in non-U.S. countries where we operate that do not recognize U.S. REITs under their respective tax laws. Accordingly, we recognize and accrue income taxes for taxable REIT subsidiaries, certain states and non-U.S. jurisdictions, as appropriate.

We assess our significant tax positions in accordance with U.S. GAAP for all open tax years and determine whether we have any material unrecognized liabilities from uncertain tax benefits. If a tax position is not considered more-likely-than-not to be sustained solely on its technical merits, no benefits of the tax position are to be recognized (for financial statement purposes). As of December 31, 2009, we have no liabilities for uncertain tax positions. We classify interest and penalties on tax liabilities from significant uncertain tax positions as interest expense and operating expense, respectively, in our consolidated statements of operations. For the years ended December 31, 2009, 2008 and 2007, we had no such interest or penalties.

See Note 7 for further discussion on income taxes.

(q) Presentation of Transactional-based Taxes

We account for transactional-based taxes, such as value added tax, or VAT, for our international properties on a net basis.

(r) Revenue Recognition

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

Tenant reimbursements for real estate taxes, common area maintenance, and other recoverable costs are recognized in the period that the expenses are incurred. Lease termination fees, which are included in other income in the accompanying statements of operations, are recognized over the new remaining term of the lease, effective as of the date the lease modification is finalized, and assuming collection is probable.

A provision for loss is made if the collection of the receivable balances related to contractual rent, rent recorded on a straight-line basis, tenant reimbursements and lease termination fees are considered to be doubtful.

(s) Asset Retirement Obligations

We record accruals for estimated retirement obligations as required by current accounting guidance. The amount of asset retirement obligations relates primarily to estimated asbestos removal costs at the end of the economic life of properties that were built before 1984. As of December 31, 2009 and 2008, the amount included in accounts payable and other accrued liabilities on our consolidated balance sheets was approximately \$1.3 million and \$1.5 million, respectively, and the equivalent asset is recorded at \$1.2 million and \$1.3 million, respectively, net of accumulated depreciation.

(t) Discontinued Operations

Discontinued operations represent a component of an entity that has either been disposed of or is classified as held for sale if both the operations and cash flows of the component have been or will be eliminated from ongoing operations of the entity as a result of the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. Current accounting guidance provides that the assets and liabilities of the component of the entity that has been classified as

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DIGITAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

discontinued operations be presented separately in the entity's balance sheet. The results of operations of the component of the entity that has been classified as discontinued operations are also reported as discontinued operations for all periods presented. A property is classified as held for sale when certain criteria, as outlined in the current accounting guidance, are met. At such time, depreciation is no longer recognized. Assets held for sale are reported at the lower of their carrying amount or their estimated fair value less the estimated costs to sell the assets. The results of operations of assets held for sale are reported as discontinued operations. As of December 31, 2009 and 2008, no assets were held for sale. During 2007, we sold 100 Technology Center Drive and 4055 Valley View Lane and accounted for these properties as discontinued operations in the accompanying consolidated statements of operations.

(u) Management's Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates made. On an on-going basis, we evaluate our estimates, including those related to acquiring, developing and assessing the carrying values of our real estate properties, accrued liabilities, performance-based equity compensation plans, and qualification as a REIT. We base our estimates on historical experience, current market conditions, and various other assumptions that are believed to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could vary under different assumptions or conditions.

(v) Other Newly Adopted Significant Accounting Policies

On January 1, 2009, we adopted new accounting guidance, which requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. The equity component of the convertible debt is included in the additional paid-in capital section of stockholders' equity and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component of the debt security. The resulting debt discount will be accreted as additional interest expense over the non-cancellable term of the instrument. Retrospective application was required and has been reflected in all periods presented herein and was previously reported in a previous filing on Form 8-K in 2009.

Our 2006 Debentures were impacted by the new accounting guidance. Upon the original issuance of this debt instrument in 2006, the Company recorded the debentures as a liability in accordance with applicable accounting standards at that time. To adopt the new accounting guidance, effective January 1, 2009, the Company estimated the fair value, as of the date of issuance, of its exchangeable senior debentures as if the instrument was issued without the exchange option. The difference between the fair value and the principal amount of the debt instrument was \$18.9 million. This amount was retrospectively recorded as a debt discount and as a component of equity as of the issuance date in August 2006. The discount is being amortized over the expected five-year life of the debentures resulting in non-cash increase to interest expense in historical and future periods.

On January 1, 2009, we adopted new accounting guidance which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a separate component of equity in the consolidated financial statements. The new guidance also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. In addition, it establishes a single method of

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accounting for changes in a parent's ownership interest in a subsidiary that does not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. As a result of the issuance of the new guidance, if noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity. The new guidance on noncontrolling interests was required to be applied prospectively after adoption, with the exception of the presentation and disclosure requirements, which were applied retrospectively for all periods presented. As a result, we reclassified noncontrolling interests to permanent equity in the accompanying consolidated balance sheets for all periods presented. In subsequent periods, the Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the consolidated balance sheets. Any noncontrolling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

In June 2009, the FASB issued the FASB Accounting Standards Codification (Codification) which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of its financial statements that are presented in conformity with GAAP. Effective September 30, 2009, we have adopted the Codification, which did not have a material impact on our consolidated financial statements.

(w) Segment Information

All of our properties generate similar revenues and expenses related to tenant rent and reimbursements and operating expenses. The delivery of our products is consistent across all properties and although services are provided to a wide range of customers, the types of services provided to them are limited to a few core principles. As such, the properties in our portfolio have similar economic characteristics and the nature of the products, services provided to its customers and the method to distribute such services are consistent throughout the portfolio. Consequently, our properties qualify for aggregation into one reporting segment.

(x) Reclassifications

Certain reclassifications to prior year amounts have been made to conform to the current year presentation.

3. Investment in Real Estate

| Property Type | As of December 31, 2009 | | | | | |
|------------------------------|-------------------------|--------------|--|---------------------|---|------------------------------|
| | Land | Ground Lease | Building and Improvements ⁽¹⁾ | Tenant Improvements | Accumulated Depreciation and Amortization | Net Investment in Properties |
| Internet Gateway Datacenters | \$ 84,603 | \$ | \$ 1,007,658 | \$ 81,981 | \$ (188,880) | \$ 985,362 |
| Corporate Datacenters | 245,753 | 1,290 | 1,786,799 | 176,575 | (241,818) | 1,968,599 |
| Technology Manufacturing | 24,811 | 1,477 | 70,166 | 5,938 | (16,097) | 86,295 |
| Technology Office | 25,431 | | 58,156 | 7,968 | (12,214) | 79,341 |
| Other | 2,165 | | 29,551 | | (512) | 31,204 |
| | \$ 382,763 | \$ 2,767 | \$ 2,952,330 | \$ 272,462 | \$ (459,521) | \$ 3,150,801 |

Table of Contents**DIGITAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| Property Type | As of December 31, 2008 | | | | | Net Investment in Properties |
|------------------------------|-------------------------|-----------------|---|------------------------|---|---------------------------------|
| | Land | Ground Lease | Building and Improvements ⁽¹⁾ | Tenant Improvements | Accumulated Depreciation and Amortization | |
| Internet Gateway Datacenters | \$ 84,663 | \$ | \$ 876,148 | \$ 78,525 | \$ (130,737) | \$ 908,599 |
| Corporate Datacenters | 186,388 | 1,256 | 1,429,808 | 163,387 | (148,688) | 1,632,151 |
| Technology Manufacturing | 24,401 | 1,477 | 67,670 | 5,938 | (13,599) | 85,887 |
| Technology Office | 18,701 | | 51,183 | 7,968 | (9,480) | 68,372 |
| Other | 2,165 | | 43,021 | | (456) | 44,730 |
| | \$ 316,318 | \$ 2,733 | \$ 2,467,830 | \$ 255,818 | \$ (302,960) | \$ 2,739,739 |

- (1) Balances related to construction in progress, without the proportionate acquisition cost of land and property, the construction cost amounted to \$82.4 million, or \$113.3 million including construction accruals and other capitalized costs, and \$164.9 million, or \$244.5 million including construction accruals and other capitalized costs, as of December 31, 2009 and 2008, respectively. Including the proportionate acquisition cost of land and property, the amounts are \$156.5 million, or \$187.5 million including construction accruals and other capitalized costs, and \$327.7 million, or \$407.4 million including construction accruals and other capitalized costs, as of December 31, 2009 and 2008, respectively. These amounts, without the proportionate acquisition cost of land and property, included within building and improvements, are primarily related to construction on datacenters.

We made the following acquisitions of real estate properties during the years ended December 31, 2009 and 2008:

| Location | Metropolitan Area | Date Acquired | Amount (in millions) |
|--|-------------------|--------------------|-------------------------|
| Loudoun Exchange II ⁽¹⁾ | Northern Virginia | May 15, 2009 | 20.3 |
| Digital Realty Trust Datacenter Park Dallas ⁽²⁾ 444 Toyama Drive | Dallas | September 11, 2009 | 33.6 |
| 1350 Duane Avenue/3080 Raymond Street ⁽³⁾ | Silicon Valley | September 25, 2009 | 17.5 |
| Nokes Boulevard / Beaumeade Circle ⁽⁴⁾ | Silicon Valley | October 30, 2009 | 90.5 |
| | Northern Virginia | December 17, 2009 | 63.3 |
| Total Acquisitions Year Ended December 31, 2009 | | | \$ 225.2 |
| 365 South Randolphville Road | New York | February 14, 2008 | \$ 20.2 |
| 701 & 717 Leonard Street ⁽⁵⁾ | Dallas | May 13, 2008 | 12.0 |
| 650 Randolph Road | New York | June 13, 2008 | 10.7 |
| Manchester Technopark Plot C1, Birley Fields | Manchester | June 20, 2008 | 23.3 |
| 1201 Comstock Street ⁽⁶⁾ | Silicon Valley | June 30, 2008 | 1.9 |
| 7505 Mason King Court | Northern Virginia | November 20, 2008 | 10.5 |
| Total Acquisitions Year Ended December 31, 2008 | | | \$ 78.6 |

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

- (2) In September 2009, we made an initial cash contribution of \$1.9 million to a joint venture formed to own and redevelop Digital Realty Trust Datacenter Park Dallas. The other member contributed seven vacant buildings with an estimated market value of \$33.6 million and a third-party non-recourse loan secured by these properties of \$17.0 million. We are committed to make an additional \$22.9 million of

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capital contributions needed to fund the redevelopment project. We have determined that the joint venture is a variable interest entity and we are the primary beneficiary. As a result, we have consolidated the joint

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DIGITAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

venture and presented the member interests not owned by us of \$16.6 million as noncontrolling interests in consolidated joint venture. For operating property count purposes, we consider this to be one property.

- (3) Includes the assumption of a \$52.8 million loan.
- (4) A two-property data center portfolio consisting of four buildings located at 21561 and 21571 Beaumeade Circle in Ashburn, Virginia and 45901 and 45905 Nokes Boulevard in Sterling, Virginia, as well as certain vacant real property located at 21551 Beaumeade Circle in Ashburn, Virginia.
- (5) Acquisition of a parking garage adjacent to one of our properties in Dallas, Texas. The parking garage is not included in our property count.
- (6) Represents the amount to acquire a 50% interest in a joint venture that owns this above building. Since we control the joint venture, we have consolidated the joint venture in the accompanying consolidated financial statements. Upon consolidation, we included total assets of \$3.8 million and noncontrolling interests of \$1.9 million.

On January 22, 2010, we completed the acquisition of a three-property datacenter portfolio located in Massachusetts and Connecticut, which we refer to as the New England Portfolio. The purchase price was approximately \$375.0 million and was funded with borrowings under our revolving credit facility. The New England Portfolio comprises a total of approximately 550,290 square feet.

We will account for this acquisition under current purchase accounting guidance, and will include the New England Portfolio's results of operations in our consolidated financial statements beginning on January 22, 2010, the acquisition date. Under current purchase accounting guidance, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, value of tenant relationships and acquired ground leases, based in each case on their fair values. Given the recent date on which we acquired the New England Portfolio, we are unable to provide the acquisition date fair value of assets acquired. Accordingly, we are also unable to provide a qualitative description of the factors that make up identified intangible assets and liabilities to be recognized, if any, such as above-market and below-market lease values, in-place lease value and tenant relationship value. The presentation of supplemental pro forma financial information requires an assessment of pro forma adjustments to arrive at a fair presentation of the combined entity. Given the date we acquired the New England Portfolio, we have not yet completed our assessment of these pro forma adjustments. As such, we have not provided supplemental pro forma financial information required under current purchase accounting guidance as it is impracticable to do so.

Table of Contents**DIGITAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Investment in Unconsolidated Joint Venture**

As of December 31, 2009, the investment in unconsolidated joint venture consists of an effective 50% interest in a joint venture that owns a datacenter property in Seattle, Washington. Cash distributions from the joint venture are allocated pro rata among the partners based on the respective ownership interests. Following is the condensed balance sheet information for the joint venture as of December 31, 2009 and 2008 (in thousands):

| | December 31, | |
|-------------------------------------|---------------------|------------------|
| | 2009 | 2008 |
| Assets | | |
| Investments in real estate, net | \$ 36,409 | \$ 38,824 |
| Other assets | 8,877 | 6,199 |
| Total assets | \$ 45,286 | \$ 45,023 |
| Liabilities and Equity | | |
| Mortgage loans | \$ 110,000 | \$ 110,000 |
| Other liabilities | 7,118 | 6,947 |
| Our equity | (35,696) | (35,275) |
| Other equity | (36,136) | (36,649) |
| Total liabilities and equity | \$ 45,286 | \$ 45,023 |

Our investment in unconsolidated joint venture included in our consolidated balance sheet exceeds our equity presented in the joint venture's balance sheet since our purchase accounting adjustments are not pushed down to the joint venture. The difference between our investment in unconsolidated joint venture and the owners' equity account in the joint venture is principally due to the purchase accounting adjustments of \$42.1 million not pushed down to the joint venture.

Following is the condensed statement of operations information for the joint venture for the years ended December 31, 2009, 2008 and 2007 (in thousands):

| | Year Ended December 31, | | |
|--|--------------------------------|-----------------|---------------|
| | 2009 | 2008 | 2007 |
| Statements of Operations: | | | |
| Revenues | \$ 28,841 | \$ 23,950 | \$ 20,396 |
| Operating expenses | (8,700) | (8,124) | (7,039) |
| Net operating income | 20,141 | 15,826 | 13,357 |
| Interest and other income | 11 | 142 | 418 |
| Interest expense | (7,082) | (6,846) | (4,786) |
| Other expense | (76) | | |
| Loss from early extinguishment of debt | | | (4,346) |
| Depreciation and amortization | (6,301) | (5,405) | (3,802) |
| Net income | \$ 6,693 | \$ 3,717 | \$ 841 |

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| | | | |
|---|-----------|----------|----------|
| Add: Historical depreciation and amortization | 6,301 | 5,405 | 3,802 |
| Net income before purchase accounting adjustments | \$ 12,994 | \$ 9,122 | \$ 4,643 |
| Company share of historical net income | 6,497 | 4,561 | 2,275 |
| Debt premium writeoff related to loss from early extinguishment of debt | | | 1,544 |
| Purchase accounting adjustments | (4,325) | (2,192) | (3,370) |
| Equity in earnings of unconsolidated joint venture | \$ 2,172 | \$ 2,369 | \$ 449 |

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A summary of outstanding indebtedness as of December 31, 2009 and 2008 is as follows (in thousands):

| Properties | Interest Rate at December 31, 2009 | Maturity Date | Principal Outstanding December 31, 2009 | Principal Outstanding December 31, 2008 |
|-------------------------------------|---|----------------------|--|--|
| Mortgage loans: | | | | |
| Secured Term Debt ⁽¹⁾⁽²⁾ | 5.65% | Nov. 11, 2014 | \$ 144,078 | \$ 146,486 |
| 350 East Cermak Road ⁽²⁾ | 1-month LIBOR + 2.20 | | | |