Digital Realty Trust, Inc.
Form 10-Q
August 09, 2016
Table of Contents

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

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2016

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From to .

Commission file number 001-32336 (Digital Realty Trust, Inc.)
000-54023 (Digital Realty Trust, L.P.)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Digital Realty Trust, Inc. Yes x No ¨
Digital Realty Trust, L.P. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Digital Realty Trust, Inc. Yes x No ¨
Digital Realty Trust, L.P. Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting

company” in Rule 12b-2 of the Exchange Act.
Digital Realty Trust, Inc.:

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

Digital Realty Trust, L.P.:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Digital Realty Trust, Inc. Yes ¨ No x
Digital Realty Trust, L.P. Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.
Digital Realty Trust, Inc.:

Class	Outstanding at August 3, 2016
Common Stock, $.01 par value per share	146,862,054

Table of Contents

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2016 of Digital Realty Trust, Inc., a Maryland corporation, and Digital Realty Trust, L.P., a Maryland limited partnership, of which Digital Realty Trust, Inc. is the sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our company” or “the company” refer to Digital Realty Trust, Inc. together with its consolidated subsidiaries, including Digital Realty Trust, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to Digital Realty Trust, L.P. together with its consolidated subsidiaries.

Digital Realty Trust, Inc. is a real estate investment trust, or REIT, and the sole general partner of Digital Realty Trust, L.P. As of June 30, 2016, Digital Realty Trust, Inc. owned an approximate 98.3% common general partnership interest in Digital Realty Trust, L.P. The remaining approximate 1.7% common limited partnership interests are owned by non-affiliated investors and certain directors and officers of Digital Realty Trust, Inc. As of June 30, 2016, Digital Realty Trust, Inc. owned all of the preferred limited partnership interests of Digital Realty Trust, L.P. As the sole general partner of Digital Realty Trust, L.P., Digital Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership’s day-to-day management and control.

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

- enhancing investors’ understanding of our company and our operating partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both our company and our operating partnership; and

- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

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

The presentation of noncontrolling interests in operating partnership, stockholders’ equity and partners’ capital are the main areas of difference between the condensed consolidated financial statements of Digital Realty Trust, Inc. and those of Digital Realty Trust, L.P. The common limited partnership interests held by the limited partners in Digital Realty Trust, L.P. are presented as limited partners’ capital within partners’ capital in Digital Realty Trust, L.P.’s condensed consolidated financial statements and as noncontrolling interests in operating partnership within equity in Digital Realty Trust, Inc.’s condensed consolidated financial statements. The common and preferred partnership interests held by Digital Realty Trust, Inc. in Digital Realty Trust, L.P. are presented as general partner’s capital within partners' capital in Digital Realty Trust, L.P.'s condensed consolidated financial statements and as preferred stock, common stock, additional paid-in capital and accumulated dividends in excess of earnings within stockholders' equity in Digital Realty Trust, Inc.'s condensed consolidated financial statements. The differences in the presentations between stockholders' equity and partners' capital result from the differences in the equity issued at the Digital Realty Trust, Inc. and the Digital Realty Trust, L.P. levels.

2

Table of Contents

To help investors understand the significant differences between the company and the operating partnership, this report presents the following separate sections for each of the company and the operating partnership:

- Condensed consolidated financial statements;
- the following notes to the condensed consolidated financial statements:
- "Debt of the Company" and "Debt of the Operating Partnership";
- "Income per Share" and "Income per Unit"; and
- "Equity and Accumulated Other Comprehensive Income, Net" and "Capital and Accumulated Other Comprehensive Income";
- Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources of the Parent Company" and "—Liquidity and Capital Resources of the Operating Partnership"; and
- Part II, Item 2. "Unregistered Sales of Equity Securities and Use of Proceeds".

This report also includes separate Part I, Item 4. "Controls and Procedures" sections and separate Exhibit 31 and 32 certifications for each of the company and the operating partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity during the period covered by this report have made the requisite certifications and that the company and the operating partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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

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

Table of Contents

DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, L.P.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2016
TABLE OF CONTENTS

Table of Contents

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

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Investments in real estate:		
Properties:		
Land	$680,547	$689,573
Acquired ground leases	12,033	12,639
Buildings and improvements	9,747,485	9,676,427
Tenant improvements	540,581	536,734
Total investments in properties	10,980,646	10,915,373
Accumulated depreciation and amortization	(2,441,150)	(2,251,268)
Net investments in properties	8,539,496	8,664,105
Investment in unconsolidated joint ventures	105,673	106,107
Net investments in real estate	8,645,169	8,770,212
Cash and cash equivalents	33,241	57,053
Accounts and other receivables, net of allowance for doubtful accounts of $5,872 and $5,844 as of June 30, 2016 and December 31, 2015, respectively	165,867	177,398
Deferred rent	408,193	403,327
Acquired above-market leases, net	26,785	32,698
Goodwill	330,664	330,664
Acquired in-place lease value, deferred leasing costs and intangibles, net	1,331,275	1,391,659
Restricted cash	18,297	18,009
Assets held for sale	222,304	180,139
Other assets	110,580	54,904
Total assets	$11,292,375	$11,416,063
LIABILITIES AND EQUITY		
Global revolving credit facility	$88,535	$960,271
Unsecured term loan	1,545,590	923,267
Unsecured senior notes, net of discount	4,252,570	3,712,569
Mortgage loans, including premiums	248,711	302,930
Accounts payable and other accrued liabilities	598,610	608,343
Accrued dividends and distributions	—	126,925
Acquired below-market leases, net	90,823	101,114
Security deposits and prepaid rents	128,802	138,347
Obligations associated with assets held for sale	13,092	5,795
Total liabilities	6,966,733	6,879,561
Commitments and contingencies		
Equity:		
Stockholders' Equity:		
Preferred Stock: $0.01 par value per share, 110,000,000 and 70,000,000 shares authorized as of June 30, 2016 and December 31, 2015, respectively:		

Series E Cumulative Redeemable Preferred Stock, 7.000%, $287,500 and $287,500 liquidation preference, respectively ($25.00 per share), 11,500,000 and 11,500,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	277,172	277,172
Series F Cumulative Redeemable Preferred Stock, 6.625%, $182,500 and $182,500 liquidation preference, respectively ($25.00 per share), 7,300,000 and 7,300,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	176,191	176,191
Series G Cumulative Redeemable Preferred Stock, 5.875%, $250,000 and $250,000 liquidation preference, respectively ($25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	241,468	241,468
Series H Cumulative Redeemable Preferred Stock, 7.375%, $365,000 and $365,000 liquidation preference, respectively ($25.00 per share), 14,600,000 and 14,600,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	353,290	353,290
Series I Cumulative Redeemable Preferred Stock, 6.350%, $250,000 and $250,000 liquidation preference, respectively ($25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	242,012	242,014
Common Stock: $0.01 par value, 265,000,000 and 215,000,000 shares authorized as of June 30, 2016 and December 31, 2015, respectively, 146,859,067 and 146,384,247 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	1,460	1,456
Additional paid-in capital	4,669,149	4,655,220
Accumulated dividends in excess of earnings	(1,541,265)	(1,350,089)
Accumulated other comprehensive loss, net	(129,657)	(96,590)
Total stockholders’ equity	4,289,820	4,500,132
Noncontrolling Interests:		
Noncontrolling interests in operating partnership	29,095	29,612
Noncontrolling interests in consolidated joint ventures	6,727	6,758
Total noncontrolling interests	35,822	36,370
Total equity	4,325,642	4,536,502
Total liabilities and equity	$11,292,375	$11,416,063

See accompanying notes to the condensed consolidated financial statements.

5

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues:				
Rental	$377,109	$ 329,213	$748,237	$ 647,017
Tenant reimbursements	88,211	87,572	172,429	173,401
Interconnection and other	48,363	1,463	95,326	2,825
Fee income	1,251	1,549	3,050	3,163
Other	—	498	91	498
Total operating revenues	514,934	420,295	1,019,133	826,904
Operating Expenses:				
Rental property operating and maintenance	159,548	129,539	313,717	254,102
Property taxes	27,449	20,900	54,780	44,163
Insurance	2,241	2,154	4,653	4,309
Change in fair value of contingent consideration	—	352	—	(42,682)
Depreciation and amortization	175,594	131,524	344,610	260,597
General and administrative	34,189	25,613	65,445	46,807
Transactions	3,615	3,166	5,515	3,259
Other	—	(6)	(1)	(22)
Total operating expenses	402,636	313,242	788,719	570,533
Operating income	112,298	107,053	230,414	256,371
Other Income (Expenses):				
Equity in earnings of unconsolidated joint ventures	4,132	3,383	8,210	8,001
Gain on sale of properties	—	76,669	1,097	94,489
Interest and other (expense) income	(3,325)	(231)	(3,949)	(2,521)
Interest expense	(59,909)	(46,114)	(117,170)	(91,580)
Tax expense	(2,252)	(2,615)	(4,361)	(4,290)
Loss from early extinguishment of debt	—	(148)	(964)	(148)
Net income	50,944	137,997	113,277	260,322
Net income attributable to noncontrolling interests	(569)	(2,486)	(1,353)	(4,628)
Net income attributable to Digital Realty Trust, Inc.	50,375	135,511	111,924	255,694
Preferred stock dividends	(22,424)	(18,456)	(44,848)	(36,911)
Net income available to common stockholders	$27,951	$ 117,055	$67,076	$ 218,783
Net income per share available to common stockholders:				
Basic	$0.19	$ 0.86	$0.46	$ 1.61
Diluted	$0.19	$ 0.86	$0.46	$ 1.61
Weighted average common shares outstanding:				
Basic	146,824,268	135,810,060	146,694,916	135,757,584
Diluted	147,808,268	136,499,004	147,416,934	136,260,995

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$50,944	$137,997	$113,277	$260,322
Other comprehensive income:				
Foreign currency translation adjustments	(17,509)	23,468	(18,950)	(22,375)
(Decrease) increase in fair value of interest rate swaps	(9,510)	577	(16,919)	(1,840)
Reclassification to interest expense from interest rate swaps	1,198	685	2,256	1,503
Comprehensive income	25,123	162,727	79,664	237,610
Comprehensive income attributable to noncontrolling interests	(153)	(2,978)	(807)	(4,194)
Comprehensive income attributable to Digital Realty Trust, Inc.	$24,970	$159,749	$78,857	$233,416

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Dividends in Excess of Earnings	Accumulated Other Comprehensive Loss, Net	Total Stockholders' Equity	Noncontrolling Interests in Operating Partnership	Non Inte in Con Join Ven
Balance as of December 31, 2015	$1,290,135	146,384,247	$1,456	$4,655,220	$(1,350,089)	$(96,590)	$4,500,132	$29,612	$6,
Conversion of units to common stock	—	320,993	4	3,822	—	—	3,826	(3,826)	—
Issuance of unvested restricted stock, net of forfeitures	—	112,556	—	—	—	—	—	—	—
Common stock offering costs, net	—	—	—	3,107	—	—	3,107	—	—
Exercise of stock options	—	30,945	—	1,255	—	—	1,255	—	—
Shares issued under employee stock purchase plan	—	10,326	—	658	—	—	658	—	—
Preferred stock offering costs	(2)	—	—	—	—	—	(2)	—	—
Amortization of share-based compensation	—	—	—	12,664	—	—	12,664	—	—
Reclassification of vested share-based awards	—	—	—	(7,577)	—	—	(7,577)	7,577	—
Dividends declared on preferred stock	—	—	—	—	(44,848)	—	(44,848)	—	—
Dividends and distributions on common stock and common and incentive units	—	—	—	—	(258,252)	—	(258,252)	(4,842)	—
Distributions to noncontrolling interests in consolidated joint ventures, net of contributions	—	—	—	—	—	—	—	—	(26
Net income	—	—	—	—	111,924	—	111,924	1,120	233
Other comprehensive income—foreign currency translation	—	—	—	—	—	(18,644)	(18,644)	(306)	—

adjustments									
Other comprehensive loss—fair value of interest rate swaps	—	—	—	—	—	(16,642)	(16,642)	(277)	—
Other comprehensive income—reclassification of accumulated other comprehensive loss to interest expense	—	—	—	—	—	2,219	2,219	37	—
Balance as of June 30, 2016	$1,290,133	146,859,067	$1,460	$4,669,149	$(1,541,265)	$(129,657)	$4,289,820	$29,095	$6,

See accompanying notes to the condensed consolidated financial statements.

8

Table of Contents

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net income	$113,277	$260,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of properties	(1,097)	(94,489)
Equity in earnings of unconsolidated joint ventures	(8,210)	(8,001)
Change in fair value of accrued contingent consideration	—	(42,682)
Distributions from unconsolidated joint ventures	8,568	6,898
Write-off of net assets due to early lease terminations	(1)	(59)
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	254,647	226,767
Amortization of share-based compensation	9,184	7,483
Allowance for (recovery of) doubtful accounts	28	(39)
Amortization of deferred financing costs	4,903	4,285
Loss on early extinguishment of debt	964	148
Amortization of debt discount/premium	1,277	915
Amortization of acquired in-place lease value and deferred leasing costs	89,963	33,830
Amortization of acquired above-market leases and acquired below-market leases, net	(4,262)	(4,683)
Changes in assets and liabilities:		
Restricted cash	(1,004)	566
Accounts and other receivables	(1,118)	4,826
Deferred rent	(13,011)	(27,868)
Deferred leasing costs	(12,269)	(4,675)
Other assets	(53,879)	(15,429)
Accounts payable and other accrued liabilities	10,120	4,344
Security deposits and prepaid rents	(2,451)	2,692
Net cash provided by operating activities	395,629	355,151
Cash flows from investing activities:		
Acquisitions of real estate	(1,673)	(48,424)
Proceeds from sale of properties, net	35,769	185,565
Investment in unconsolidated joint ventures	(11)	(7,547)
Receipt of value added tax refund	4,373	13,422
Refundable value added tax paid	(6,742)	(2,771)
Change in restricted cash	(70)	1,484
Improvements to investments in real estate	(332,406)	(380,148)
Improvement advances to tenants	(13,366)	(17,881)
Collection of advances from tenants for improvements	15,014	14,441
Net cash used in investing activities	(299,112)	(241,859)

See accompanying notes to the condensed consolidated financial statements.

9

Table of Contents

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

	Six Months Ended June 30,	
	2016	2015
Cash flows from financing activities:		
Borrowings on revolving credit facility	$836,202	$1,291,832
Repayments on revolving credit facility	(1,706,539)	(1,032,798)
Borrowings on unsecured term loan	766,201	—
Repayments on unsecured term loan	(150,873)	—
Borrowings on unsecured senior notes	675,591	496,190
Principal payments on unsecured senior notes	—	(374,927)
Repayments on unsecured notes	(25,000)	(67,000)
Principal payments on mortgage loans	(54,282)	(4,440)
Earnout payments related to acquisition	(12,129)	(12,985)
Change in restricted cash	788	113
Payment of loan fees and costs	(18,965)	(3,741)
Capital distributions paid to noncontrolling interests in consolidated joint ventures, net	(264)	(245)
Common and preferred stock offering costs paid, net	3,105	(273)
Proceeds from equity plans	1,913	493
Payment of dividends to preferred stockholders	(44,848)	(36,911)
Payment of dividends to common stockholders and distributions to noncontrolling interests in operating partnership	(390,019)	(350,769)
Net cash used in financing activities	(119,119)	(95,461)
Net (decrease) increase in cash and cash equivalents	(22,602)	17,831
Effect of exchange rate changes on cash	(1,210)	—
Cash and cash equivalents at beginning of period	57,053	41,321
Cash and cash equivalents at end of period	$33,241	$59,152

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid for interest	$110,274	$101,036
Cash paid for income taxes	2,253	1,785
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	$(18,950)	$(22,375)
Decrease in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps	(16,919)	(1,840)
Noncontrolling interests in operating partnership redeemed for or converted to shares of common stock	3,826	1,312
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses	108,456	132,625
Allocation of purchase price of real estate/investment in partnership to:		
Investments in real estate	$1,673	$48,424
Cash paid for acquisition of real estate	$1,673	$48,424

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Investments in real estate:		
Properties:		
Land	$680,547	$689,573
Acquired ground leases	12,033	12,639
Buildings and improvements	9,747,485	9,676,427
Tenant improvements	540,581	536,734
Total investments in properties	10,980,646	10,915,373
Accumulated depreciation and amortization	(2,441,150)	(2,251,268)
Net investments in properties	8,539,496	8,664,105
Investment in unconsolidated joint ventures	105,673	106,107
Net investments in real estate	8,645,169	8,770,212
Cash and cash equivalents	33,241	57,053
Accounts and other receivables, net of allowance for doubtful accounts of $5,872 and $5,844 as of June 30, 2016 and December 31, 2015, respectively	165,867	177,398
Deferred rent	408,193	403,327
Acquired above-market leases, net	26,785	32,698
Goodwill	330,664	330,664
Acquired in-place lease value, deferred leasing costs and intangibles, net	1,331,275	1,391,659
Restricted cash	18,297	18,009
Assets held for sale	222,304	180,139
Other assets	110,580	54,904
Total assets	$11,292,375	$11,416,063
LIABILITIES AND CAPITAL		
Global revolving credit facility	$88,535	$960,271
Unsecured term loan	1,545,590	923,267
Unsecured senior notes, net of discount	4,252,570	3,712,569
Mortgage loans, including premiums	248,711	302,930
Accounts payable and other accrued liabilities	598,610	609,708
Accrued dividends and distributions	—	126,925
Acquired below-market leases, net	90,823	101,114
Security deposits and prepaid rents	128,802	138,347
Obligations associated with assets held for sale	13,092	5,795
Total liabilities	6,966,733	6,880,926
Commitments and contingencies		
Capital:		
Partners' capital:		
General Partner:		
Series E Cumulative Redeemable Preferred Units, 7.000%, $287,500 and $287,500 liquidation preference, respectively ($25.00 per unit), 11,500,000 and 11,500,000 units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	277,172	277,172

Series F Cumulative Redeemable Preferred Units, 6.625%, $182,500 and $182,500 liquidation preference, respectively ($25.00 per unit), 7,300,000 and 7,300,000 units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	176,191	176,191
Series G Cumulative Redeemable Preferred Units, 5.875%, $250,000 and $250,000 liquidation preference, respectively ($25.00 per unit), 10,000,000 and 10,000,000 units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	241,468	241,468
Series H Cumulative Redeemable Preferred Units, 7.375%, $365,000 and $365,000 liquidation preference, respectively ($25.00 per unit), 14,600,000 and 14,600,000 units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	353,290	353,290
Series I Cumulative Redeemable Preferred Units, 6.350%, $250,000 and $250,000 liquidation preference, respectively ($25.00 per unit), 10,000,000 and 10,000,000 units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	242,012	242,014
Common units:		
146,859,067 and 146,384,247 units issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	3,129,344	3,305,222
Limited partners, 1,218,814 and 1,421,314 common units, 971,311 and 1,170,610 profits interest units and 347,031 and 379,237 class C units outstanding as of June 30, 2016 and December 31, 2015, respectively	34,015	33,986
Accumulated other comprehensive loss	(134,577)	(100,964)
Total partners’ capital	4,318,915	4,528,379
Noncontrolling interests in consolidated joint ventures	6,727	6,758
Total capital	4,325,642	4,535,137
Total liabilities and capital	$11,292,375	$11,416,063

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues:				
Rental	$377,109	$ 329,213	$748,237	$ 647,017
Tenant reimbursements	88,211	87,572	172,429	173,401
Interconnection and other	48,363	1,463	95,326	2,825
Fee income	1,251	1,549	3,050	3,163
Other	—	498	91	498
Total operating revenues	514,934	420,295	1,019,133	826,904
Operating Expenses:				
Rental property operating and maintenance	159,548	129,539	313,717	254,102
Property taxes	27,449	20,900	54,780	44,163
Insurance	2,241	2,154	4,653	4,309
Change in fair value of contingent consideration	—	352	—	(42,682)
Depreciation and amortization	175,594	131,524	344,610	260,597
General and administrative	34,189	25,613	65,445	46,807
Transactions	3,615	3,166	5,515	3,259
Other	—	(6)	(1)	(22)
Total operating expenses	402,636	313,242	788,719	570,533
Operating income	112,298	107,053	230,414	256,371
Other Income (Expenses):				
Equity in earnings of unconsolidated joint ventures	4,132	3,383	8,210	8,001
Gain on sale of properties	—	76,669	1,097	94,489
Interest and other (expense) income	(3,325)	(231)	(3,949)	(2,521)
Interest expense	(59,909)	(46,114)	(117,170)	(91,580)
Tax expense	(2,252)	(2,615)	(4,361)	(4,290)
Loss from early extinguishment of debt	—	(148)	(964)	(148)
Net income	50,944	137,997	113,277	260,322
Net income attributable to noncontrolling interests in consolidated joint ventures	(112)	(109)	(233)	(225)
Net income attributable to Digital Realty Trust, L.P.	50,832	137,888	113,044	260,097
Preferred units distributions	(22,424)	(18,456)	(44,848)	(36,911)
Net income available to common unitholders	$28,408	$ 119,432	$68,196	$ 223,186
Net income per unit available to common unitholders:				
Basic	$0.19	$ 0.86	$0.46	$ 1.61
Diluted	$0.19	$ 0.86	$0.46	$ 1.61
Weighted average common units outstanding:				
Basic	149,226,714	138,567,526	149,137,258	138,487,704
Diluted	150,210,714	139,256,470	149,859,276	138,991,115

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$50,944	$137,997	$113,277	$260,322
Other comprehensive income:				
Foreign currency translation adjustments	(17,509)	23,468	(18,950)	(22,375)
(Decrease) increase in fair value of interest rate swaps	(9,510)	577	(16,919)	(1,840)
Reclassification to interest expense from interest rate swaps	1,198	685	2,256	1,503
Comprehensive income	$25,123	$162,727	$79,664	$237,610
Comprehensive income attributable to noncontrolling interests in consolidated joint ventures	(112)	(109)	(233)	(225)
Comprehensive income attributable to Digital Realty Trust, L.P.	$25,011	$162,618	$79,431	$237,385

See accompanying notes to the condensed consolidated financial statements.

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

	General Partner Preferred Units		Common Units		Limited Partners Common Units		Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Joint Ventures	Total
	Units	Amount	Units	Amount	Units	Amount			
Balance as of December 31, 2015	53,400,000	$1,290,135	146,384,247	$3,305,222	2,833,326	$33,986	$(100,964)	$6,758	$4,53
Conversion of limited partner common units to general partner common units	—	—	320,993	3,826	(320,993)	(3,826)	—	—	—
Issuance of unvested restricted common units, net of forfeitures	—	—	112,556	—	—	—	—	—	—
Common unit offering costs, net	—	—	—	3,107	—	—	—	—	3,107
Issuance of common units in connection with the exercise of stock options	—	—	30,945	1,255	—	—	—	—	1,255
Issuance of common units, net of forfeitures	—	—	—	—	24,823	—	—	—	—
Units issued under employee stock purchase plan	—	—	10,326	658	—	—	—	—	658
Preferred unit offering costs	—	(2)	—	—	—	—	—	—	(2
Amortization of share-based compensation	—	—	—	12,664	—	—	—	—	12,66
Reclassification of vested share-based awards	—	—	—	(7,577)	—	7,577	—	—	—
Distributions	—	(44,848)	—	(256,887)	—	(4,842)	—	—	(306,5
Distributions to noncontrolling interests in consolidated joint ventures, net of contributions	—	—	—	—	—	—	—	(264)	(264
Net income	—	44,848	—	67,076	—	1,120	—	233	113,2
Other comprehensive income—foreign currency translation adjustments	—	—	—	—	—	—	(18,950)	—	(18,95
	—	—	—	—	—	—	(16,919)	—	(16,91

Other comprehensive loss—fair value of interest rate swaps									
Other comprehensive income—reclassification of accumulated other comprehensive loss to interest expense	—	—	—	—	—	—	2,256	—	2,256
Balance as of June 30, 2016	53,400,000	$1,290,133	146,859,067	$3,129,344	2,537,156	$34,015	$(134,577)	$6,727	$4,32

See accompanying notes to the condensed consolidated financial statements.

15

Table of Contents

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net income	$113,277	$260,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of properties	(1,097)	(94,489)
Equity in earnings of unconsolidated joint ventures	(8,210)	(8,001)
Change in fair value of accrued contingent consideration	—	(42,682)
Distributions from unconsolidated joint ventures	8,568	6,898
Write-off of net assets due to early lease terminations	(1)	(59)
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	254,647	226,767
Amortization of share-based compensation	9,184	7,483
(Recovery of) allowance for doubtful accounts	28	(39)
Amortization of deferred financing costs	4,903	4,285
Loss on early extinguishment of debt	964	148
Amortization of debt discount/premium	1,277	915
Amortization of acquired in-place lease value and deferred leasing costs	89,963	33,830
Amortization of acquired above-market leases and acquired below-market leases, net	(4,262)	(4,683)
Changes in assets and liabilities:		
Restricted cash	(1,004)	566
Accounts and other receivables	(1,118)	4,826
Deferred rent	(13,011)	(27,868)
Deferred leasing costs	(12,269)	(4,675)
Other assets	(53,879)	(15,429)
Accounts payable and other accrued liabilities	10,120	4,344
Security deposits and prepaid rents	(2,451)	2,692
Net cash provided by operating activities	395,629	355,151
Cash flows from investing activities:		
Acquisitions of real estate	(1,673)	(48,424)
Proceeds from sale of properties, net	35,769	185,565
Investment in unconsolidated joint ventures	(11)	(7,547)
Receipt of value added tax refund	4,373	13,422
Refundable value added tax paid	(6,742)	(2,771)
Change in restricted cash	(70)	1,484
Improvements to investments in real estate	(332,406)	(380,148)
Improvement advances to tenants	(13,366)	(17,881)
Collection of advances from tenants for improvements	15,014	14,441
Net cash used in investing activities	(299,112)	(241,859)

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited, in thousands)

	Six Months Ended June 30,	
	2016	2015
Cash flows from financing activities:		
Borrowings on revolving credit facility	$836,202	$1,291,832
Repayments on revolving credit facility	(1,706,539)	(1,032,798)
Borrowings on unsecured term loan	766,201	—
Repayments on unsecured term loan	(150,873)	—
Borrowings on unsecured senior notes	675,591	496,190
Principal payments on unsecured senior notes	—	(374,927)
Repayments on unsecured notes	(25,000)	(67,000)
Principal payments on mortgage loans	(54,282)	(4,440)
Earnout payments related to acquisition	(12,129)	(12,985)
Change in restricted cash	788	113
Payment of loan fees and costs	(18,965)	(3,741)
Capital distributions paid to noncontrolling interests in consolidated joint ventures, net	(264)	(245)
General partner contributions, net	5,018	220
Payment of distributions to preferred unitholders	(44,848)	(36,911)
Payment of distributions to common unitholders	(390,019)	(350,769)
Net cash used in financing activities	(119,119)	(95,461)
Net (decrease) increase in cash and cash equivalents	(22,602)	17,831
Effect of exchange rate changes on cash	(1,210)	—
Cash and cash equivalents at beginning of period	57,053	41,321
Cash and cash equivalents at end of period	$33,241	$59,152

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited, in thousands)

	Six Months Ended June 30,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid for interest	$110,274	$101,036
Cash paid for income taxes	2,253	1,785
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	$(18,950)	$(22,375)
Decrease in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps	(16,919)	(1,840)
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses	108,456	134,625
Allocation of purchase price of real estate/investment in partnership to:		
Investments in real estate	$1,673	$48,424
Cash paid for acquisition of real estate	$1,673	$48,424

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and 2015

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, our, us or the Company) is engaged in the business of owning, acquiring, developing and operating data centers. The Company is focused on providing data center, colocation and interconnection solutions for domestic and international tenants across a variety of industry verticals ranging from financial services, cloud and information technology services, to manufacturing, energy, healthcare, and consumer products. As of June 30, 2016, our portfolio consisted of 140 operating properties, including eight Telx properties (of which two are owned and six properties are leased from third parties) and 14 properties held as investments in unconsolidated joint ventures, of which 109 are located throughout North America, 24 are located in Europe, three are located in Australia and four are located in Asia.

We are diversified in major metropolitan areas where corporate data center and technology tenants are concentrated, including the Atlanta, Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia, Phoenix, San Francisco, Seattle and Silicon Valley metropolitan areas in the United States, the Amsterdam, Dublin, Frankfurt, London and Paris metropolitan areas in Europe and the Singapore, Sydney, Melbourne, Hong Kong and Osaka metropolitan areas in the Asia Pacific region. The portfolio consists of corporate data centers, Internet gateway data centers and office and other non-data center space.

The Operating Partnership was formed on July 21, 2004 in anticipation of Digital Realty Trust, Inc.'s initial public offering (IPO) on November 3, 2004 and commenced operations on that date. As of June 30, 2016, Digital Realty Trust, Inc. owns a 98.3% common interest and a 100.0% preferred interest in the Operating Partnership. As sole general partner of the Operating Partnership, Digital Realty Trust, Inc. has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control. The limited partners of the Operating Partnership do not have rights to replace Digital Realty Trust, Inc. as the general partner nor do they have participating rights, although they do have certain protective rights.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Basis of Presentation

The accompanying interim condensed 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.

The accompanying interim condensed consolidated financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and in compliance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation have been included. All such adjustments are considered to be of a normal recurring nature, except as otherwise indicated. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2015, as amended.

The notes to the condensed consolidated financial statements of Digital Realty Trust, Inc. and the Operating Partnership have been combined to provide the following benefits:

- enhancing investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creating time and cost efficiencies through the preparation of one set of notes instead of two separate sets of notes.

There are a few differences between the Company and the Operating Partnership, which are reflected in these condensed consolidated financial statements. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how we operate as an interrelated consolidated company. As a result, Digital Realty Trust, Inc. generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public securities from time to time and guaranteeing certain unsecured debt of the Operating Partnership and certain of its subsidiaries and affiliates. Digital Realty Trust, Inc. itself has not issued any indebtedness but guarantees the unsecured debt of the Operating Partnership and certain of its subsidiaries and affiliates, as disclosed in these notes.

The Operating Partnership holds substantially all the assets of the Company and holds the ownership interests in the Company's joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by Digital Realty Trust, Inc., which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of partnership units.

The presentation of noncontrolling interests in operating partnership, stockholders' equity and partners' capital are the main areas of difference between the condensed consolidated financial statements of Digital Realty Trust, Inc. and those of the Operating Partnership. The common limited partnership interests held by the limited partners in the Operating Partnership are presented as limited partners' capital within partners' capital in the Operating Partnership's condensed consolidated financial statements and as noncontrolling interests in operating partnership within equity in Digital Realty Trust, Inc.'s condensed consolidated financial statements. The common and preferred partnership interests held by Digital Realty Trust, Inc. in the Operating Partnership are presented as general partner's capital within partners' capital in the Operating Partnership's condensed consolidated financial statements and as preferred stock, common stock, additional paid-in capital and accumulated dividends in excess of earnings within stockholders' equity in Digital Realty Trust, Inc.'s condensed consolidated financial statements. The differences in the presentations between stockholders' equity and partners' capital result from the differences in the equity issued at the Digital Realty Trust, Inc. and the Operating Partnership levels.

To help investors understand the significant differences between the Company and the Operating Partnership, these consolidated financial statements present the following separate sections for each of the Company and the Operating Partnership:

- condensed consolidated face financial statements; and
- the following notes to the condensed consolidated financial statements:
- "Debt of the Company" and "Debt of the Operating Partnership";
- "Income per Share" and "Income per Unit"; and
- "Equity and Accumulated Other Comprehensive Income, Net" and "Capital and Accumulated Other Comprehensive Income".

In the sections that combine disclosure of Digital Realty Trust, Inc. and the Operating Partnership, these notes refer to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company generally operates the business through the Operating Partnership.

(b) Cash Equivalents

For the purpose of the condensed consolidated statements of cash flows, we consider short-term investments with original maturities of 90 days or less to be cash equivalents. As of June 30, 2016, cash equivalents consist of investments in money market instruments.

(c) Investment in Unconsolidated Joint Ventures

The Company's investment in unconsolidated joint ventures is accounted for using the equity method, whereby the investment is increased for capital contributed and our share of the joint ventures' net income and decreased by

distributions we receive and our share of any losses of the joint ventures.
We amortize the difference between the cost of our investments in unconsolidated joint ventures and the book value of the underlying equity into equity in earnings from unconsolidated affiliates on a straight-line basis consistent with the lives of the underlying assets.

(d) Capitalization of Costs

Direct and indirect project costs that are clearly associated with the development of properties are capitalized as incurred. Project costs include all costs directly associated with the development of a property, including construction costs, interest, property taxes, insurance, legal fees and costs of personnel working on the project. Indirect costs that do not clearly relate to the projects under development are not capitalized and are charged to expense as incurred.

Capitalization of costs begins when the activities necessary to get the development project ready for its intended use begins, which include costs incurred before the beginning of construction. Capitalization of costs ceases when the development project is substantially complete and ready for its intended use. Determining when a development project commences, and when it is substantially complete and ready for its intended use involves a degree of judgment. We generally consider a development project to be substantially complete and ready for its intended use upon receipt of a certificate of occupancy. If and when development of a property is suspended pursuant to a formal change in the planned use of the property, we will evaluate whether the accumulated costs exceed the estimated value of the project and write off the amount of any such excess accumulated costs. For a development project that is suspended for reasons other than a formal change in the planned use of such property, the accumulated project costs are evaluated for impairment consistent with our impairment policies for long-lived assets. Capitalized costs are allocated to the specific components of a project that are benefited.
We capitalized interest of approximately $3.9 million and $3.2 million during the three months ended June 30, 2016 and 2015, respectively. We capitalized interest of approximately $7.7 million and $7.5 million during the six months ended June 30, 2016 and 2015, respectively. We capitalized amounts relating to compensation and other overhead expense of employees direct and incremental to construction and successful leasing activities of approximately $16.4 million and $12.4 million during the three months ended June 30, 2016 and 2015, respectively, and approximately $34.1 million and $25.9 million during the six months ended June 30, 2016 and 2015, respectively. Capitalized leasing costs of approximately $21.3 million and $26.4 million are included in improvements to investments in real estate in cash flows from investing activities in the condensed consolidated statements of cash flows for the six months ended June 30, 2016 and 2015, respectively.
(e) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is not amortized. Management performs an annual impairment test for goodwill and between annual tests, management will evaluate the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. In its impairment tests of goodwill, management will first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If based on this assessment, management determines that the fair value of the reporting unit is not less than its carrying value, then performing the additional two-step impairment test is unnecessary. If our qualitative assessment indicates that goodwill impairment is more likely than not, we perform a two-step impairment test. We test goodwill for impairment under the two-step impairment test by first comparing the book value of net assets to the fair value of the reporting units. If the fair value is determined to be less than the book value or qualitative factors indicate that it is more likely than not that goodwill is impaired, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimate the fair value of the reporting units using discounted cash flows. If the carrying value of goodwill exceeds its fair value, an impairment charge is recognized. Goodwill amounted to approximately $330.7 million as of June 30, 2016 and December 31, 2015.

(f) Share-Based Compensation

The Company measures all share-based compensation awards at fair value on the date they are granted to employees, consultants and directors. The fair value of share-based compensation awards that contain a market condition, market performance-based Class D Units of the Operating Partnership and market performance-based restricted stock units (discussed in Note 13 "Incentive Plan") is measured using a Monte Carlo simulation method and not adjusted based on actual achievement of the performance goals.

We recognize compensation cost, net of forfeitures, for all of our existing awards, including long-term incentive units, market performance-based awards and restricted stock, over a four-year period.

(g) Income Taxes

Digital Realty Trust, Inc. has elected to be treated as a real estate investment trust (a “REIT”) for federal income tax purposes. As a REIT, Digital Realty Trust, Inc. generally is not required to pay federal corporate income tax to the extent taxable income is currently distributed to its stockholders. If Digital Realty Trust, Inc. fails to qualify as a REIT in any taxable year, it will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

The Company is subject to foreign, state and local income taxes in the jurisdictions in which it conducts business. The Company’s U.S. consolidated taxable REIT subsidiaries are subject to both federal and state income taxes to the extent there is taxable income. Accordingly, the Company recognizes current and deferred income taxes for its 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 June 30, 2016 and December 31, 2015, we have no assets or liabilities for uncertain tax positions. We classify interest and penalties from significant uncertain tax positions as interest expense and operating expense, respectively, in our condensed consolidated income statements. For the three and six months ended June 30, 2016 and 2015, we had no such interest or penalties. The tax year 2012 and thereafter remain open to examination by the major taxing jurisdictions with which the Company files tax returns.

See Note 10 "Income Taxes" for further discussion on income taxes.

(h) 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.

(i) Fee Income

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

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

(j) Assets and Liabilities Measured at Fair Value

Fair value under U.S. GAAP is a market-based measurement, not an entity-specific measurement. Therefore, our fair value measurements are 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, we use a fair-value hierarchy 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

(k) Transactions Expense

Transactions expense includes acquisition-related expenses and other business development expenses, which are expensed as incurred. Acquisition-related expenses include closing costs, broker commissions and other professional fees, including legal and accounting fees related to acquisitions and significant transactions.

(l) Gains on Sale of Properties

Gains on sale of properties are recognized using the full accrual or partial sale methods, as applicable, in accordance with U.S. GAAP, provided various criteria relating to the terms of sale and any subsequent involvement with the real estate sold are satisfied.

(m) 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 condensed 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 the valuation of our real estate properties, contingent consideration, accounts receivable and deferred rent receivable, performance-based equity compensation plans, the completeness of accrued liabilities and Digital Realty Trust, Inc.’s 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.

(n) Segment and Geographic 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 real estate services provided to them are standardized throughout the portfolio. As such, the properties in our portfolio have similar economic characteristics and the nature of the products and services provided to our customers and the method to distribute such services are consistent throughout the portfolio. Consequently, our properties qualify for aggregation into one reporting segment.

Operating revenues from properties in the United States were $413.5 million and $322.4 million and outside the United States were $101.4 million and $97.9 million for the three months ended June 30, 2016 and 2015, respectively. Operating revenues from properties in the United States were $819.8 million and $637.1 million and outside the United States were $199.3 million and $189.8 million for the six months ended June 30, 2016 and 2015, respectively. We had investments in real estate located in the United States of $6.1 billion and $6.0 billion and outside the United States of $2.5 billion and $2.6 billion as of June 30, 2016 and December 31, 2015, respectively.

Operating revenues from properties located in the United Kingdom were $51.8 million and $54.8 million, or 10.1% and 13.0% of total operating revenues, for the three months ended June 30, 2016 and 2015, respectively. Operating revenues from properties located in the United Kingdom were $103.4 million and $104.9 million, or 10.1% and 12.7% of total operating revenues, for the six months ended June 30, 2016 and 2015, respectively. No other foreign country comprised more than 10% of total operating revenues for each of these periods. We had investments in real estate located in the United Kingdom of $1.5 billion and $1.6 billion, or 17.2% and 18.8% of total long-lived assets, as of June 30, 2016 and December 31, 2015, respectively. No other foreign country comprised more than 10% of total long-lived assets as of June 30, 2016 and December 31, 2015.

The Company is in the process of evaluating the impact the acquisition of Telx Holdings, Inc., or the Telx Acquisition, may have on the composition of its reportable segments and related disclosures. The Company expects to complete this analysis by the third quarter of 2016.

(o) Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current period presentation. During the three and six months ended June 30, 2015, $1.5 million and $2.8 million was reclassified from rental revenues to interconnection and other revenue, respectively. See Note 2(p) for discussion of reclassification of deferred financing costs.

(p) Recent Accounting Pronouncements

In May 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" (ASU 2016-12). ASU 2016-12 is intended to clarify and provide practical expedients for certain aspects of ASU 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and notes that lease contracts with customers are a scope exception. The standard is effective on January 1, 2018, with early adoption permitted. The Company is currently assessing the potential impact that the adoption of ASU 2016-12 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which provides for simplification of certain aspects of employee share-based payment accounting including income taxes, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard will be effective for us in the first quarter of 2017 and will be applied either prospectively, retrospectively or using a modified retrospective transition approach depending on the area covered in this update. We are currently in the process of assessing the impact of the ASU on our consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Accounting for leases with a term of 12 months or less will be similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 is expected to impact the Company's consolidated financial statements as the Company has certain operating and land lease arrangements for which it is the lessee. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective on January 1, 2019, with early adoption permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on the Company's financial position or results of operations.

In April 2015, the FASB voted to defer the effective date of ASU No. 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and notes that lease contracts with customers are a scope exception. Public business entities are required to adopt this standard for annual reporting periods beginning after December 15, 2017, early adoption is permitted. We are currently assessing the impact of the guidance on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs” (ASU 2015-03). ASU 2015-03 amended the then-current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 was effective for the Company beginning with the quarter ended March 31, 2016. The adoption of this standard required restatement of our consolidated balance sheet as of December 31, 2015. As a result, Deferred financing costs, net decreased by $35.2 million and Global unsecured revolving credit facility, Unsecured term loan, Unsecured senior notes and Mortgage loans decreased by $7.6 million, $1.3 million, $26.0 million and $0.3 million, respectively, versus amounts previously reported.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which provides guidance on the consolidation evaluation for reporting organizations that are required to evaluate

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

whether they should consolidate certain legal entities. In accordance with the guidance, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 was effective for the Company beginning with the quarter ended March 31, 2016 and the adoption of the standard did not have a significant impact on our consolidated financial statements.

3. Investments in Real Estate

We acquired no real estate properties during the six months ended June 30, 2016.

Dispositions

We sold the following real estate property during the six months ended June 30, 2016:

Location	Metropolitan Area	Date Sold	Gross Proceeds (in millions)	Gain on Sale (in millions)
47700 Kato Road and 1055 Page Avenue	Silicon Valley	January 21, 2016	$ 37.5	$ 1.0

We have identified certain non-core investment properties we intend to sell as part of our capital recycling strategy. Our capital recycling program is designed to identify non-strategic and underperforming assets that can be sold to generate proceeds that will support the funding of our core investment activity. We expect our capital recycling initiative will likewise have a meaningfully positive impact on overall return on invested capital. In addition, our capital recycling program does not represent a strategic shift, as we are not entirely exiting regions or property types. During this process, we are evaluating the carrying value of certain investment properties identified for potential sale to ensure the carrying value is recoverable in light of a potentially shorter holding period. As a result of our evaluation, during the year ended December 31, 2014, we recognized approximately $126.5 million of impairment losses on five properties located in the Central, East and West regions. The fair value of the five properties were primarily based on discounted cash flow analysis, and in certain cases, we supplemented the analysis by obtaining broker opinions of value. As of June 30, 2016, three of these five properties met the criteria to be classified as held for sale.

As of June 30, 2016, the Company has taken the necessary actions to conclude that an additional four properties (in addition to the three properties referenced above) to be disposed of as part of our capital recycling strategy met the criteria to be classified as held for sale. In addition, we added the property at 114 rue Ambroise Croizat in Paris as an asset held for sale as a result of Equinix's intent to acquire the property (see below). As of June 30, 2016, these eight properties had an aggregate carrying value of $222.3 million within total assets and $13.1 million within total liabilities and are shown as assets held for sale and obligations associated with assets held for sale on the condensed consolidated balance sheet. The eight properties are not representative of a significant component of our portfolio, nor do the potential sales represent a significant shift in our strategy.

On July 5, 2016, the Company granted Equinix an option to acquire the Company's facility in 114 rue Ambroise Croizat in Paris. Equinix has elected to exercise its option to acquire the Paris property, and on July 2, 2016, the Company entered into an agreement to sell the property to Equinix for approximately €190 million (or approximately $212 million based on the exchange rate as of August 1, 2016). The Paris property sale closed on August 1, 2016. The Company expects to recognize a gain on the sale, excluding closing costs, of approximately $142 million in the third quarter of 2016.

On July 11, 2016, the Company closed on the sale of a four-property data center portfolio, including two in St. Louis and two in Northern Virginia totaling over 454,000 square feet for approximately $115 million. The sale is expected to generate net proceeds of approximately $113 million, and the Company expects to recognize a gain on the sale of approximately $27 million in the third quarter of 2016. The four properties were classified as held for sale as of June 30, 2016.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

4. Investment in Unconsolidated Joint Ventures

As of June 30, 2016, our investment in unconsolidated joint ventures consists of effective 50% interests in three joint ventures that own data center properties at 2001 Sixth Avenue in Seattle, Washington, 2020 Fifth Avenue in Seattle, Washington and 33 Chun Choi Street in Hong Kong, and effective 20% interests in two joint ventures, one of which owns 10 data center properties with an investment fund managed by Prudential Real Estate Investors (PREI®), and the other which owns one data center property with an affiliate of Griffin Capital Essential Asset REIT, Inc. (GCEAR). The following tables present summarized financial information for our material joint ventures as of June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015 (unaudited, in thousands):

	As of June 30, 2016					Six Months Ended June 30, 2016			
2016	Net Investment in Properties	Total Assets	Debt	Total Liabilities	Equity	Revenues	Property Operating Expense	Net Operating Income	Net Income
Total Unconsolidated Joint Ventures	$744,517	$923,379	$459,232	$555,202	$368,177	$66,765	$(20,332)	$46,433	$18,937
Our investment in and share of equity in earnings of unconsolidated joint ventures					$105,673				$8,210

	As of December 31, 2015					Six Months Ended June 30, 2015			
2015	Net Investment in Properties	Total Assets	Debt	Total Liabilities	Equity	Revenues	Property Operating Expense	Net Operating Income	Net Income
Total Unconsolidated Joint Ventures	$758,582	$935,990	$460,023	$558,310	$377,679	$63,976	$(17,718)	$46,258	$18,360
Our investment in and share of equity in earnings of unconsolidated joint ventures					$106,107				$8,001

We amortize the difference between the cost of our investment in the joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying assets. The amortization of this difference was approximately $0.9 million and $1.0 million for the six months ended June 30, 2016 and 2015, respectively.

Differences between the Company's investment in the joint ventures and the amount of the underlying equity in net assets of the joint ventures are due to basis differences resulting from the Company's equity investment recorded at its historical basis versus the fair value of the Company's contributed interest in the joint ventures. Our proportionate share of the earnings or losses related to these unconsolidated joint ventures is reflected as equity in earnings of unconsolidated joint ventures on the accompanying consolidated income statements.

26

5. Acquired Intangible Assets and Liabilities

The following summarizes our acquired intangible assets (real estate intangibles, comprised of acquired in-place lease value, tenant relationship value and trade name along with acquired above-market lease value) and intangible liabilities (acquired below-market lease value) as of June 30, 2016 and December 31, 2015.

(Amounts in thousands)	Balance as of June 30, 2016	December 31, 2015
Real Estate Intangibles:		
Acquired in-place lease value:		
Gross amount	$887,175	$901,381
Accumulated amortization	(492,236)	(472,933)
Net	$394,939	$428,448
Tenant relationship value:		
Gross amount	$734,800	$734,800
Accumulated amortization	(46,213)	(14,495)
Net	$688,587	$720,305
Trade name:		
Gross amount	$7,300	$7,300
Accumulated amortization	(7,300)	(417)
Net	$—	$6,883
Acquired above-market leases:		
Gross amount	$118,309	$122,311
Accumulated amortization	(91,524)	(89,613)
Net	$26,785	$32,698
Acquired below-market leases:		
Gross amount	$291,430	$294,791
Accumulated amortization	(200,607)	(193,677)
Net	$90,823	$101,114

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in an increase to rental revenues of $2.0 million and $2.4 million for the three months ended June 30, 2016 and 2015, respectively, and $4.3 million and $4.7 million for the six months ended June 30, 2016 and 2015, respectively. The expected average remaining lives for acquired below-market leases and acquired above-market leases is 6.8 years and 4.2 years, respectively, as of June 30, 2016. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years and thereafter, commencing July 1, 2016 is as follows:

(Amounts in thousands)	
Remainder of 2016	$4,257
2017	7,092
2018	5,449
2019	5,445
2020	7,307
Thereafter	34,488
Total	$64,038

Amortization of acquired in-place lease value (a component of depreciation and amortization expense) was $13.3 million and $10.5 million for the three months ended June 30, 2016 and 2015, respectively, and $27.0 million and $22.1 million for the six months ended June 30, 2016 and 2015, respectively. The expected average amortization period for acquired in-place lease value is 8.0 years as of June 30, 2016. The weighted average remaining contractual life for acquired leases excluding renewals or extensions is 7.4 years as of June 30, 2016. Estimated annual amortization of acquired in-place lease value for each of the five succeeding years and thereafter, commencing July 1, 2016 is as follows:

(Amounts in thousands)	
Remainder of 2016	$25,649
2017	47,846
2018	45,723
2019	43,396
2020	39,367
Thereafter	192,958
Total	$394,939

Amortization of tenant relationship value and trade names (a component of depreciation and amortization expense) was approximately $15.9 million and $6.4 million, respectively, for the three months ended June 30, 2016 and approximately $31.7 million and $6.9 million, respectively, for the six months ended June 30, 2016. During the quarter ended June 30, 2016, management of the Company decided to retire the Telx trade name. Accordingly, the Company wrote off the net remaining balance of approximately $6.1 million. As of June 30, 2016, the weighted average remaining contractual life for customer contracts was 10.9 years. Estimated annual amortization of customer contracts for each of the five succeeding years and thereafter, commencing July 1, 2016 is as follows:

(Amounts in thousands)	
Remainder of 2016	$31,718
2017	63,436
2018	63,436
2019	63,436
2020	63,436
Thereafter	403,125
Total	$688,587

6. Debt of the Company

In this Note 6, the "Company" refers only to Digital Realty Trust, Inc. and not to any of its subsidiaries.

The Company itself does not currently have any indebtedness. All debt is currently held directly or indirectly by the Operating Partnership.

Guarantee of Debt

The Company guarantees the Operating Partnership's obligations with respect to its 5.875% notes due 2020 (5.875% 2020 Notes), 3.400% Notes due 2020 (3.400% 2020 Notes), 5.250% notes due 2021 (2021 Notes), 3.950% notes due 2022 (3.950% 2022 Notes), 3.625% notes due 2022 (3.625% 2022 Notes), 4.750% notes due 2025 (4.750% 2025 Notes) and its unsecured senior notes sold to Prudential Investment Management, Inc. and certain of its affiliates pursuant to the Amended and Restated Note Purchase and Private Shelf Agreement, as amended, which we refer to as the Prudential Shelf Facility. The Company and the Operating Partnership guarantee the obligations of Digital Stout Holding, LLC, a wholly owned subsidiary of the Operating Partnership, with respect to its 4.750% notes due 2023 (2023 Notes) and 4.250% notes due 2025 (4.250% 2025 Notes) and the obligations of Digital Euro Finco, LLC, a wholly owned subsidiary of the Operating Partnership, with respect to its 2.625% notes due 2024 (2024 Notes). The Company is also the guarantor of the Operating Partnership's and its subsidiary borrowers' obligations under the global revolving credit facility and unsecured term loan.

7. Debt of the Operating Partnership

A summary of outstanding indebtedness of the Operating Partnership as of June 30, 2016 and December 31, 2015 is as follows (in thousands):

Indebtedness	Interest Rate at June 30, 2016		Maturity Date	Principal Outstanding June 30, 2016		Principal Outstanding December 31, 2015	
Global revolving credit facility	Various	(1)	Jan 15, 2020	$ 101,007	(2)	$ 967,884	(2)
Deferred financing costs, net				(12,472	)	(7,613	)
Global revolving credit facility, net				88,535		960,271	
Unsecured Term Loan							
Unsecured term loan — 5-year	Various	(3)(4)	Jan 15, 2021	1,252,426	(5)	924,568	(5)
Unsecured term loan — 7-year	Various	(3)(4)	Jan 15, 2023	300,000	(5)	—	
Deferred financing costs, net				(6,836	)	(1,301	)
Unsecured term loan, net				1,545,590		923,267	
Unsecured senior notes:							
Prudential Shelf Facility:							
Series C	9.680%		Jan 6, 2016	—		25,000	
Series E	5.730%		Jan 20, 2017	50,000		50,000	
Total Prudential Shelf Facility				50,000		75,000	
Senior Notes:							
5.875% notes due 2020	5.875%		Feb 1, 2020	500,000		500,000	
3.400% notes due 2020	3.400%		Oct 1, 2020	500,000		500,000	
5.250% notes due 2021	5.250%		Mar 15, 2021	400,000		400,000	
3.950% notes due 2022	3.950%		Jul 1, 2022	500,000		500,000	
3.625% notes due 2022	3.625%		Oct 1, 2022	300,000		300,000	
4.750% notes due 2023	4.750%		Oct 13, 2023	399,330	(6)	442,080	(6)
2.625% notes due 2024	2.625%		Apr 15, 2024	666,360	(7)	—	
4.250% notes due 2025	4.250%		Jan 17, 2025	532,440	(6)	589,440	(6)
4.750% notes due 2025	4.750%		Oct 1, 2025	450,000		450,000	
Unamortized discounts				(17,461	)	(17,914	)
Total senior notes, net of discount				4,230,669		3,663,606	
Deferred financing costs, net				(28,099	)	(26,037	)
Total unsecured senior notes, net of discount and deferred financing costs				4,252,570		3,712,569	

Indebtedness	Interest Rate at June 30, 2016	Maturity Date	Principal Outstanding June 30, 2016	Principal Outstanding December 31, 2015
Mortgage loans:				
2045 & 2055 Lafayette Street [8]	5.93%	Feb 6, 2017	$60,854	$61,437
34551 Ardenwood Boulevard 1-4 [8]	5.95%	Nov 11, 2016 [9]	50,030	50,477
1100 Space Park Drive [8]	5.89%	Dec 11, 2016 [9]	49,972	50,423
600 West Seventh Street	5.80%	Mar 15, 2016	—	46,000
150 South First Street [8]	6.30%	Feb 6, 2017	48,043	48,484
2334 Lundy Place [8]	5.96%	Nov 11, 2016 [9]	36,389	36,714
8025 North Interstate 35	4.09%	Mar 6, 2016	—	5,789
731 East Trade Street	8.22%	Jul 1, 2020	3,173	3,420
Unamortized net premiums			380	439
Total mortgage loans, including premiums			248,841	303,183
Deferred financing costs, net			(130)	(253)
Total mortgage loans, including premiums and net of deferred financing costs			248,711	302,930
Total indebtedness			$6,135,406	$5,899,037

(1) The interest rate for borrowings under the 2016 global revolving credit facility equals the applicable index plus a margin of 100 basis points, which is based on the current credit ratings of our long-term debt. An annual facility fee of 20 basis points, which is based on the credit ratings of our long-term debt, is due and payable quarterly on the total commitment amount of the facility. Two six-month extensions are available, which we may exercise if certain conditions are met.

(2) Balances as of June 30, 2016 and December 31, 2015 are as follows (balances, in thousands):

Denomination of Draw	Balance as of June 30, 2016	Weighted-average interest rate	Balance as of December 31, 2015	Weighted-average interest rate
Floating Rate Borrowing (a)				
U.S. dollar ($)	$ —	— %	$ 274,000	1.46 %
British pound sterling (£)	13,311	(b) 1.50 %	95,784	(c) 1.61 %
Euro (€)	2,221	(b) 0.62 %	280,565	(c) 0.90 %
Australian dollar (AUD)	—	— %	96,831	(c) 3.16 %
Hong Kong dollar (HKD)	1,418	(b) 1.22 %	86,082	(c) 1.33 %
Japanese yen (JPY)	45,552	(b) 0.91 %	14,304	(c) 1.15 %
Singapore dollar (SGD)	31,696	(b) 1.71 %	49,132	(c) 1.92 %
Canadian dollar (CAD)	6,809	(b) 1.88 %	71,186	(c) 1.95 %
Total	$ 101,007	1.30 %	$ 967,884	1.53 %

(a) The interest rates for floating rate borrowings under the 2016 global revolving credit facility equal the applicable index plus a margin of 100 basis points, which is based on the credit ratings of our long-term debt.

(b) Based on exchange rates of \$1.33 to £1.00, \$1.11 to €1.00, \$0.13 to 1.00 HKD, \$0.01 to 1.00 JPY, \$0.74 to 1.00 SGD and \$0.77 to 1.00 CAD, respectively, as of June 30, 2016.

(c) Based on exchange rates of \$1.47 to £1.00, \$1.09 to €1.00, \$0.73 to 1.00 AUD, \$0.13 to 1.00 HKD, \$0.01 to 1.00 JPY, \$0.70 to 1.00 SGD and \$0.72 to 1.00 CAD, respectively, as of December 31, 2015.

Table of Contents

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

(3) Interest rates are based on our current senior unsecured debt ratings and are 110 basis points and 155 basis points over the applicable index for floating rate advances for the 5-Year Term Loan and the 7-Year Term Loan, respectively.

(4) We have entered into interest rate swap agreements as a cash flow hedge for interest generated by the U.S. dollar, Singapore dollar, British pound sterling and Canadian dollar tranches of the unsecured term loan. See Note 14 "Derivative Instruments" for further information.

(5) Balances as of June 30, 2016 and December 31, 2015 are as follows (balances, in thousands):

Denomination of Draw	Balance as of June 30, 2016		Weighted-average interest rate			Balance as of December 31, 2015		Weighted-average interest rate		
U.S. dollar ($)	$710,911		1.74	%	(b)	$ 410,905		1.51	%	(d)
British pound sterling (£)	225,588	(a)	1.61	%	(b)	178,195	(c)	1.78	%	
Singapore dollar (SGD)	239,540	(a)	1.97	%	(b)	161,070	(c)	2.16	%	(d)
Australian dollar (AUD)	176,067	(a)	2.95	%		75,337	(c)	3.27	%	
Hong Kong dollar (HKD)	85,995	(a)	1.33	%		—		—	%	
Canadian dollar (CAD)	76,210	(a)	1.99	%	(b)	—		—	%	
Euro (€)	19,991	(a)	0.74	%		99,061	(c)	1.00	%	
Japanese yen (JPY)	18,124	(a)	1.00	%		—		—	%	
Total	$1,552,426		1.86	%	(b)	$ 924,568		1.76	%	(d)

(a) Based on exchange rates of $1.33 to £1.00, $0.74 to 1.00 SGD, $0.75 to 1.00 AUD, $0.13 to 1.00 HKD, $0.77 to 1.00 CAD, $1.11 to €1.00 and $0.01 to 1.00 JPY, respectively, as of June 30, 2016.

(b) As of June 30, 2016, the weighted-average interest rate reflecting interest rate swaps was 2.39% (U.S. dollar), 1.89% (British pound sterling), 1.90% (Singapore dollar), 1.88% (Canadian dollar) and 2.19% (Total). See Note 14 "Derivative Instruments" for further discussion on interest rate swaps.

(c) Based on exchange rates of $0.70 to 1.00 SGD, $1.47 to £1.00, $1.09 to €1.00 and $0.73 to 1.00 AUD, respectively, as of December 31, 2015.

(d) As of December 31, 2015, the weighted-average interest rate reflecting interest rate swaps was 1.90% (U.S. dollar), 2.19% (Singapore dollar) and 1.94% (Total). See Note 14 "Derivative Instruments" for further discussion on interest rate swaps.

(6) Based on exchange rate of $1.33 to £1.00 as of June 30, 2016 and $1.47 to £1.00 as of December 31, 2015.

(7) Based on exchange rate of $1.11 to €1.00 as of June 30, 2016.

(8) The respective borrower’s assets and credit are not available to satisfy the debts and other obligations of affiliates or any other person.

(9) The Company plans to pay these mortgage loans in full upon maturity.

Global Revolving Credit Facility

On January 15, 2016, we refinanced our global revolving credit facility and entered into a global senior credit agreement for a $2.0 billion senior unsecured revolving credit facility, which we refer to as the 2016 global revolving credit facility, that replaced the $2.0 billion revolving credit facility executed on August 15, 2013, as amended. The 2016 global revolving credit facility has an accordion feature that would enable us to increase the borrowing capacity of the credit facility to up to $2.5 billion, subject to the receipt of lender commitments and other conditions precedent. The refinanced facility matures on January 15, 2020, with two six-month extension options available. The interest rate for borrowings under the 2016 global revolving credit facility equals the applicable index plus a margin which is based on the credit ratings of our long-term debt and is currently 100 basis points. An annual facility fee on the total commitment amount of the facility, based on the credit ratings of our long-term debt, currently 20 basis points, is payable quarterly. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. As of June 30, 2016, interest rates are based on 1-month GBP LIBOR, 1-month EURIBOR, 1-month HIBOR, 1-month JPY LIBOR, 1-month SOR and 1-month CDOR, plus a margin of 1.00%. We have used and intend to use available borrowings under the 2016 global revolving credit facility to acquire additional properties, fund development opportunities and for general working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities. As of June 30, 2016, we have capitalized approximately $15.0 million of financing costs related to the 2016 global revolving credit facility. As of June 30, 2016, approximately $101.0 million was drawn under the 2016 global revolving credit facility and $18.9 million of letters of credit were issued.

The 2016 global revolving credit facility contains various restrictive covenants, including limitations on our ability to incur additional indebtedness, make certain investments or merge with another company, and requirements to maintain financial coverage ratios, including with respect to unencumbered assets. In addition, the 2016 global revolving credit facility restricts Digital Realty Trust, Inc. from making distributions to its stockholders, or redeeming or otherwise repurchasing shares of its capital stock, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable Digital Realty Trust, Inc. to maintain its qualification as a REIT and to minimize the payment of income or excise tax. As of June 30, 2016, we were in compliance with all of such covenants.

Unsecured Term Loans

On January 15, 2016, we refinanced our senior unsecured multi-currency term loan facility and entered into a term loan agreement, which governs (i) a $1.25 billion 5-year senior unsecured term loan, which we refer to as the 5-Year Term Loan, and (ii) a $300 million 7-year senior unsecured term loan, which we refer to as the 7-Year Term Loan. The 2016 term loan agreement replaced the $1.0 billion term loan agreement executed on April 16, 2012, as amended. The 5-Year Term Loan matures on January 15, 2021 and the 7-Year Term Loan matures on January 15, 2023. In addition, we have the ability from time to time to increase the aggregate size of lending under the 2016 term loan agreement from $1.55 billion up to $1.8 billion, subject to receipt of lender commitments and other conditions precedent. Interest rates are based on our senior unsecured debt ratings and are currently 110 basis points and 155 basis points over the applicable index for floating rate advances for the 5-Year Term Loan and the 7-Year Term Loan, respectively. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. Based on exchange rates in effect at June 30, 2016, the balance outstanding is approximately $1.6 billion, excluding deferred financing costs. We have used borrowings under the term loan for acquisitions, repayment of indebtedness, development, working capital and general corporate purposes. The covenants under the term loans are consistent with our 2016 global revolving credit facility and, as of June 30, 2016, we were in compliance with all of such covenants. As of June 30, 2016, we have capitalized approximately $7.4 million of financing costs related to the 2016 unsecured term loans.

2024 Notes

On April 15, 2016, Digital Euro Finco, LLC, a wholly owned indirect finance subsidiary of Digital Realty Trust, L.P., issued and sold €600.0 million aggregate principal amount of its 2.625% Guaranteed Notes due 2024, which we refer to as the 2024 Notes. The 2024 Notes are senior unsecured obligations of Digital Euro Finco, LLC and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and Digital Realty Trust, L.P. Net proceeds from the offering were approximately €594.0 million (or approximately $670.3 million based on the exchange rate as of April 15, 2016) after deducting managers' discounts and estimated offering expenses. We have used the net proceeds from the offering of the 2024 Notes to temporarily repay borrowings under our 2016 global revolving credit facility.

The table below summarizes our debt maturities and principal payments as of June 30, 2016 (in thousands):

	Global Revolving Credit Facility[1]	Unsecured Term Loan	Prudential Shelf Facility	Senior Notes	Mortgage Loans	Total Debt
Remainder of 2016	$ —	$—	$ —	$—	$137,695	$137,695
2017	—	—	50,000	—	108,396	158,396
2018	—	—	—	—	593	593
2019	—	—	—	—	644	644
2020	101,007	—	—	1,000,000	1,133	1,102,140
Thereafter	—	1,552,426	—	3,248,130	—	4,800,556
Subtotal	$ 101,007	$1,552,426	$ 50,000	$4,248,130	$248,461	$6,200,024
Unamortized discount	—	—	—	(17,461)	—	(17,461)
Unamortized premium	—	—	—	—	380	380
Total	$ 101,007	$1,552,426	$ 50,000	$4,230,669	$248,841	$6,182,943

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

Table of Contents

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

8. Income per Share

The following is a summary of basic and diluted income per share (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income available to common stockholders	$27,951	$ 117,055	$67,076	$ 218,783
Weighted average shares outstanding—basic	146,824,268	135,810,060	146,694,916	135,757,584
Potentially dilutive common shares:				
Stock options	11,588	30,601	10,887	31,402
Unvested incentive units	77,946	68,371	70,664	55,742
Forward equity offering	347,277	—	—	—
Market performance-based awards	547,189	589,972	640,467	416,267
Weighted average shares outstanding—diluted	147,808,268	136,499,004	147,416,934	136,260,995
Income per share:				
Basic	$0.19	$ 0.86	$0.46	$ 1.61
Diluted	$0.19	$ 0.86	$0.46	$ 1.61

We have excluded the following potentially dilutive securities in the calculations above as they would be antidilutive or not dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted average of Operating Partnership common units not owned by Digital Realty Trust, Inc.	2,402,446	2,757,466	2,442,342	2,730,120
Potentially dilutive Series E Cumulative Redeemable Preferred Stock	2,807,321	4,360,736	3,076,204	4,376,813
Potentially dilutive Series F Cumulative Redeemable Preferred Stock	1,780,397	2,765,569	1,950,922	2,775,765
Potentially dilutive Series G Cumulative Redeemable Preferred Stock	2,434,401	3,781,463	2,667,567	3,795,404
Potentially dilutive Series H Cumulative Redeemable Preferred Stock	3,567,361	5,541,340	3,909,041	5,561,769
Potentially dilutive Series I Cumulative Redeemable Preferred Stock	2,437,250	—	2,670,688	—
Shares subject to forward equity offering	—	—	14,375,000	—
	15,429,176	19,206,574	31,091,764	19,239,871

Table of Contents

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

9. Income per Unit

The following is a summary of basic and diluted income per unit (in thousands, except unit and per unit amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income available to common unitholders	$28,408	$ 119,432	$68,196	$ 223,186
Weighted average units outstanding—basic	149,226,714	138,567,526	149,137,258	138,487,704
Potentially dilutive common units:				
Stock options	11,588	30,601	10,887	31,402
Unvested incentive units	77,946	68,371	70,664	55,742
Forward equity offering	347,277	—	—	—
Market performance-based awards	547,189	589,972	640,467	416,267
Weighted average units outstanding—diluted	150,210,714	139,256,470	149,859,276	138,991,115
Income per unit:				
Basic	$0.19	$ 0.86	$0.46	$ 1.61
Diluted	$0.19	$ 0.86	$0.46	$ 1.61

We have excluded the following potentially dilutive securities in the calculations above as they would be antidilutive or not dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Potentially dilutive Series E Cumulative Redeemable Preferred Units	2,807,321	4,360,736	3,076,204	4,376,813
Potentially dilutive Series F Cumulative Redeemable Preferred Units	1,780,397	2,765,569	1,950,922	2,775,765
Potentially dilutive Series G Cumulative Redeemable Preferred Units	2,434,401	3,781,463	2,667,567	3,795,404
Potentially dilutive Series H Cumulative Redeemable Preferred Units	3,567,361	5,541,340	3,909,041	5,561,769
Potentially dilutive Series I Cumulative Redeemable Preferred Units	2,437,250	—	2,670,688	—
Units subject to forward equity offering	—	—	14,375,000	—
	13,026,730	16,449,108	28,649,422	16,509,751

10. Income Taxes

Digital Realty Trust, Inc. has elected to be treated and believes that it has been organized and has operated in a manner that has enabled it to qualify as a REIT for federal income tax purposes. As a REIT, Digital Realty Trust, Inc. is generally not subject to corporate level federal income taxes on earnings distributed currently to its stockholders. Since inception, Digital Realty Trust, Inc. has distributed at least 100% of its taxable income annually and intends to do so for the tax year ending December 31, 2016. As such, no provision for federal income taxes has been included in the accompanying condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015.

The Operating Partnership is a partnership and is not required to pay federal income tax. Instead, taxable income is allocated to its partners, who include such amounts on their federal income tax returns. As such, no provision for federal income taxes has been included in the Operating Partnership's accompanying condensed consolidated financial statements.

We have elected taxable REIT subsidiary ("TRS") status for some of our consolidated subsidiaries. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. Income taxes for TRS entities were accrued, as necessary, for the three and six months ended June 30, 2016 and 2015.

For our TRS entities and foreign subsidiaries that are subject to U.S. federal, state and foreign income taxes, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if we believe it is more likely than not that the deferred tax asset may not be realized, based on available evidence at the time the determination is made. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in the income statement. Deferred tax assets (net of valuation allowance) and liabilities for our TRS entities and foreign subsidiaries were accrued, as necessary, for the three and six months ended June 30, 2016 and 2015. As of June 30, 2016, we had deferred tax liabilities net of deferred tax assets of approximately $122.4 million primarily related to our foreign properties, classified in accounts payable and other accrued expenses in the consolidated balance sheet. The majority of our net deferred tax liability relates to differences between tax basis and book basis of the assets acquired in the Sentrum Portfolio acquisition during 2012. The valuation allowance at June 30, 2016 and December 31, 2015 relates primarily to certain foreign jurisdiction and Telx Acquisition net operating loss carryforwards that we do not expect to utilize, and deferred tax assets resulting from certain foreign real estate acquisition costs, which are not depreciated for tax purposes, but are deductible upon ultimate sale of the property. Given the indefinite holding period associated with these assets, realization of these deferred tax assets is not more-likely-than-not as of June 30, 2016 and December 31, 2015.

11. Equity and Accumulated Other Comprehensive Income, Net

(a) Equity Distribution Agreements

Digital Realty Trust, Inc. entered into equity distribution agreements in June 2011, which we refer to as the 2011 Equity Distribution Agreements, with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, or the Agents, under which it can issue and sell shares of its common stock having an aggregate offering price of up to $400.0 million from time to time through, at its discretion, any of the Agents as its sales agents. The sales of common stock made under the 2011 Equity Distribution Agreements will be made in "at the market" offerings as defined in Rule 415 of the Securities Act. Cumulatively through June 30, 2016, Digital Realty Trust, Inc. has generated net proceeds of approximately $342.7 million from the issuance of approximately 5.7 million common shares under the 2011 Equity Distribution Agreements at an average price of $60.35 per share after payment of approximately $3.5 million of commissions to the sales agents and before offering expenses. No sales were made under the program during the six months ended June 30, 2016 and 2015. As of June 30, 2016, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program.

(b) Forward Equity Sale

On May 20, 2016, Digital Realty Trust, Inc. completed an underwritten public offering of 12,500,000 shares of its common stock, all of which were offered in connection with forward sale agreements it entered into with certain financial institutions acting as forward purchasers. On June 2, 2016, the underwriters exercised their option in full to purchase an additional 1,875,000 shares of Digital Realty Trust, Inc.'s common stock from the forward purchasers. The forward purchasers

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

borrowed and sold an aggregate of 14,375,000 shares of Digital Realty Trust, Inc.'s common stock in the public offering. Digital Realty Trust, Inc. did not receive any proceeds from the sale of our common stock by the forward purchasers in the public offering. The Company expects to receive net proceeds of approximately $1.3 billion (net of fees and estimated expenses) upon full physical settlement of the forward sale agreements, which is anticipated to be no later than May 19, 2017.

(c) Noncontrolling Interests in Operating Partnership

Noncontrolling interests in the Operating Partnership relate to the interests that are not owned by Digital Realty Trust, Inc. The following table shows the ownership interests in the Operating Partnership as of June 30, 2016 and December 31, 2015:

	June 30, 2016			December 31, 2015		
	Number of units	Percentage of total		Number of units	Percentage of total	
Digital Realty Trust, Inc.	146,859,067	98.3	%	146,384,247	98.1	%
Noncontrolling interests consist of:						
Common units held by third parties	1,218,814	0.8		1,421,314	1.0	
Incentive units held by employees and directors (see Note 13)	1,318,342	0.9		1,412,012	0.9	
	149,396,223	100.0	%	149,217,573	100.0	%

Limited partners have the right to require the Operating Partnership to redeem part or all of their common units for cash based on the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of redemption. Alternatively, Digital Realty Trust, Inc. may elect to acquire those common units in exchange for shares of Digital Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events.

Pursuant to authoritative accounting guidance, Digital Realty Trust, Inc. evaluated whether it controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under the share settlement of the noncontrolling Operating Partnership common and incentive units. Based on the results of this analysis, we concluded that the common and incentive Operating Partnership units met the criteria to be classified within equity.

The redemption value of the noncontrolling Operating Partnership common units and the vested incentive units was approximately $258.5 million and $192.7 million based on the closing market price of Digital Realty Trust, Inc. common stock on June 30, 2016 and December 31, 2015, respectively.

The following table shows activity for the noncontrolling interests in the Operating Partnership for the six months ended June 30, 2016:

	Common Units	Incentive Units	Total
As of December 31, 2015	1,421,314	1,412,012	2,833,326
Redemption of common units for shares of Digital Realty Trust, Inc. common stock (1)	(202,500)	—	(202,500)
Conversion of incentive units held by employees and directors for shares of Digital Realty Trust, Inc. common stock (1)	—	(118,493)	(118,493)
Grant of incentive units to employees and directors	—	24,823	24,823
As of June 30, 2016	1,218,814	1,318,342	2,537,156

(1) Redemption of common units and conversion of incentive units were recorded as a reduction to noncontrolling interests in the Operating Partnership and an increase to common stock and additional paid in capital based on the

book value per unit in the accompanying condensed consolidated balance sheet of Digital Realty Trust, Inc.

Table of Contents
DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

(d) Dividends
We have declared and paid the following dividends on our common and preferred stock for the six months ended June 30, 2016 (in thousands, except per share data):

Date dividend declared	Dividend payment date	Series E Preferred Stock	Series F Preferred Stock	Series G Preferred Stock	Series H Preferred Stock	Series I Preferred Stock	Common Stock
February 17, 2016	March 31, 2016	$ 5,031	$ 3,023	$ 3,672	$ 6,730	$ 3,969	$ 129,064
May 11, 2016	June 30, 2016	5,031	3,023	3,672	6,730	3,969	129,188
		$ 10,062	$ 6,046	$ 7,344	$ 13,460	$ 7,938	$ 258,252
Annual rate of dividend per share		$ 1.750	$ 1.656	$ 1.469	$ 1.844	$ 1.588	$ 3.520

Distributions out of Digital Realty Trust, Inc.'s current or accumulated earnings and profits are generally classified as dividends whereas distributions in excess of its current and accumulated earnings and profits, to the extent of a stockholder's U.S. federal income tax basis in Digital Realty Trust, Inc.'s stock, are generally classified as a return of capital. Distributions in excess of a stockholder's U.S. federal income tax basis in Digital Realty Trust, Inc.'s stock are generally characterized as capital gain. Cash provided by operating activities has generally been sufficient to fund all distributions; however, in the future we may also need to utilize borrowings under the 2016 global revolving credit facility to fund all or a portion of distributions.
(e) Accumulated Other Comprehensive Income, Net
The accumulated balances for each item within other comprehensive income, net are as follows (in thousands):

	Foreign currency translation adjustments	Cash flow hedge adjustments	Accumulated other comprehensive income (loss), net
Balance as of December 31, 2015	$ (90,342)	$ (6,248)	$ (96,590)
Net current period change	(18,644)	(16,642)	(35,286)
Reclassification to interest expense from interest rate swaps	—	2,219	2,219
Balance as of June 30, 2016	$ (108,986)	$ (20,671)	$ (129,657)

12. Capital and Accumulated Other Comprehensive Income
(a) Allocations of Net Income and Net Losses to Partners
Except for special allocations to holders of profits interest units described below in Note 13 "Incentive Plan—Long-Term Incentive Units," the Operating Partnership's net income will generally be allocated to the General Partner (Digital Realty Trust, Inc.) to the extent of the accrued preferred return on its preferred units, and then to the General Partner and the Operating Partnership's limited partners in accordance with the respective percentage interests in the common units issued by the Operating Partnership. Net loss will generally be allocated to the General Partner and the Operating Partnership's limited partners in accordance with the respective common percentage interests in the Operating Partnership until the limited partner's capital is reduced to zero and any remaining net loss would be allocated to the General Partner. However, in some cases, losses may be disproportionately allocated to partners who have guaranteed our debt. The allocations described above are subject to special allocations relating to depreciation deductions and to compliance with the provisions of Sections 704(b) and 704(c) of the Code, and the associated Treasury Regulations.
(b) Partnership Units
Limited partners have the right to require the Operating Partnership to redeem part or all of their common units for cash based on the fair market value of an equivalent number of shares of the General Partner's common stock at the

time of redemption. Alternatively, the General Partner may elect to acquire those common units in exchange for shares of the General Partner's 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 authoritative accounting guidance, the Operating Partnership evaluated whether it controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under the share settlement of the limited partners' common units and the vested incentive units. Based on the results of this analysis, the Operating Partnership concluded that the common and vested incentive Operating Partnership units met the criteria to be classified within capital.

The redemption value of the limited partners' common units and the vested incentive units was approximately $258.5 million and $192.7 million based on the closing market price of Digital Realty Trust, Inc.'s common stock on June 30, 2016 and December 31, 2015, respectively.

(c) Distributions

All distributions on the Operating Partnership's units are at the discretion of Digital Realty Trust, Inc.'s board of directors. The Operating Partnership has declared and paid the following distributions on its common and preferred units for the six months ended June 30, 2016 (in thousands, except for per unit data):

Date distribution declared	Distribution payment date	Series E Preferred Units	Series F Preferred Units	Series G Preferred Units	Series H Preferred Units	Series I Preferred Units	Common Units
February 17, 2016	March 31, 2016	$ 5,031	$ 3,023	$ 3,672	$ 6,730	$ 3,969	$ 131,587
May 11, 2016	June 30, 2016	5,031	3,023	3,672	6,730	3,969	131,607
		$ 10,062	$ 6,046	$ 7,344	$ 13,460	$ 7,938	$ 263,194
Annual rate of distribution per unit		$ 1.750	$ 1.656	$ 1.469	$ 1.844	$ 1.588	$ 3.520

(d) Accumulated Other Comprehensive Income

The accumulated balances for each item within other comprehensive income are as follows (in thousands):

	Foreign currency translation adjustments	Cash flow hedge adjustments	Accumulated other comprehensive loss
Balance as of December 31, 2015	$ (93,883)	$ (7,081)	$ (100,964)
Net current period change	(18,950)	(16,919)	(35,869)
Reclassification to interest expense from interest rate swaps	—	2,256	2,256
Balance as of June 30, 2016	$ (112,833)	$ (21,744)	$ (134,577)

13. Incentive Plan

Our Amended and Restated 2004 Incentive Award Plan (as defined below) previously provided for grants of incentive awards to employees, directors and consultants. Awards issuable under the Amended and Restated 2004 Incentive Award Plan included stock options, restricted stock, dividend equivalents, stock appreciation rights, long-term incentive units, cash performance bonuses and other incentive awards. Only employees were eligible to receive incentive stock options under the Amended and Restated 2004 Incentive Award Plan. Initially, we reserved a total of 4,474,102 shares of common stock for issuance pursuant to the Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. 2004 Incentive Award Plan (the 2004 Incentive Award Plan), subject to certain adjustments set forth in the 2004 Incentive Award Plan. On May 2, 2007, Digital Realty Trust, Inc.'s stockholders approved the First Amended and Restated Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. 2004 Incentive Award Plan (as amended, the Amended and Restated 2004 Incentive Award Plan). The Amended and Restated 2004 Incentive Award Plan increased the aggregate number of shares of stock which could have been issued or transferred under the plan by 5,000,000 shares to a total of 9,474,102 shares, and provided that the maximum

number of shares of stock with respect to awards granted to any one participant during a calendar year was 1,500,000 shares and the maximum amount that could have been paid in cash during any calendar year with respect to any performance-based award not denominated in stock or otherwise for which the foregoing limitation would not be an effective limitation for purposes of Section 162(m) of the Code was $10.0 million.
On April 28, 2014, Digital Realty Trust, Inc. held its 2014 Annual Meeting of Stockholders, or the 2014 Annual Meeting, at which the Company's stockholders approved the Digital Realty Trust, Inc., Digital Services, Inc., and Digital Realty Trust,

L.P. 2014 Incentive Award Plan (as amended, the 2014 Incentive Award Plan), which had been previously adopted by the Board of Directors and recommended to the stockholders for approval by the Company's Board of Directors. The 2014 Incentive Award Plan became effective and replaced the Amended and Restated 2004 Incentive Award Plan as of the date of such stockholder approval. The material features of the 2014 Incentive Award Plan are described in our definitive Proxy Statement filed on March 19, 2014 in connection with the 2014 Annual Meeting, which description is incorporated herein by reference.

As of June 30, 2016, 3,977,929 shares of common stock, including awards convertible into or exchangeable for shares of common stock, remained available for future issuance under the 2014 Incentive Award Plan. Each long-term incentive unit and each Class D Unit issued under the 2014 Incentive Award Plan counts as one share of common stock for purposes of calculating the limit on shares that may be issued under the 2014 Incentive Award Plan and the individual award limits set forth therein.

(a) Long-Term Incentive Units

Long-term incentive units, which are also referred to as profits interest units, may be issued to eligible participants for the performance of services to or for the benefit of the Operating Partnership. Long-term incentive units (other than Class D Units), whether vested or not, will receive the same quarterly per unit distributions as Operating Partnership common units, which equal the per share distributions on Digital Realty Trust, Inc. common stock. Initially, long-term incentive units do not have full parity with common units with respect to liquidating distributions. If such parity is reached, vested long-term incentive units may be converted into an equal number of common units of the Operating Partnership at any time, and thereafter enjoy all the rights and privileges of common units of the Operating Partnership, including redemption rights. For a discussion of how long-term incentive units achieve parity with common units, see Note 13(a) to our consolidated financial statements for the fiscal year ended December 31, 2015, included in our Annual Report on 10-K for the year ended December 31, 2015, as amended.

Below is a summary of our long-term incentive unit activity for the six months ended June 30, 2016.

Unvested Long-term Incentive Units	Units	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	276,669	$ 62.92
Granted	24,823	84.65
Vested	(134,318)	62.74
Cancelled or expired	—	—
Unvested, end of period	167,174	$ 66.28

The grant date fair values, which equal the market price of Digital Realty Trust, Inc. common stock on the applicable grant date(s), are being expensed on a straight-line basis for service awards over four years, the current vesting period of the long-term incentive units.

The expense recorded for the three months ended June 30, 2016 and 2015 related to long-term incentive units was approximately $2.5 million and $1.8 million, respectively, and approximately $3.5 million and $3.1 million for the six months ended June 30, 2016 and 2015, respectively. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately $0.7 million and $0.1 million for the three months ended June 30, 2016 and 2015, respectively, and approximately $1.2 million and $1.0 million for the six months ended June 30, 2016 and 2015, respectively. Unearned compensation representing the unvested portion of the long-term incentive units totaled $8.3 million and $9.9 million as of June 30, 2016 and December 31, 2015, respectively. We expect to recognize this unearned compensation over the next 2.3 years on a weighted-average basis.

(b) Market Performance-Based Awards

During the six months ended June 30, 2016 and 2015, the Compensation Committee of the Board of Directors of the Company approved the grant of market performance-based Class D Units of the Operating Partnership and market performance-based restricted stock units, or RSUs, covering shares of the Company's common stock (collectively, the "awards"), under the 2014 Incentive Plan, respectively, to officers and employees of the Company.

The awards, which were determined to contain a market condition, utilize total shareholder return, or TSR, over a three-year measurement period as the market performance metric. Awards will vest based on the Company's TSR relative to the

MSCI US REIT Index, or RMS, over a three-year market performance period, or the Market Performance Period, commencing in January 2015 or January 2016, as applicable (or, if earlier, ending on the date on which a change in control of the Company occurs), subject to continued services. Vesting with respect to the market condition is measured based on the difference between the Company's TSR percentage and the TSR percentage of the RMS, or the RMS Relative Market Performance. In the event that the RMS Relative Market Performance during the Market Performance Period is achieved at the "threshold," "target" or "high" level as set forth below, the awards will become vested as to the market condition with respect to the percentage of Class D units or RSUs, as applicable, set forth below:

Level	RMS Relative Market Performance (2015 and 2016 Awards)	Market Performance Vesting Percentage	
Below Threshold Level	< -300 basis points	0	%
Threshold Level	-300 basis points	25	%
Target Level	100 basis points	50	%
High Level	> 500 basis points	100	%

If the RMS Relative Market Performance falls between the levels specified above, the percentage of the award that will vest with respect to the market condition will be determined using straight-line linear interpolation between such levels.

Following the completion of the Market Performance Period, the 2015 awards that have satisfied the market condition, if any, will vest 50% on February 27, 2018 and 50% on February 27, 2019, subject to continued employment through each applicable vesting date. Following the completion of the Market Performance Period, the 2016 awards that have satisfied the market condition, if any, will vest 50% on February 27, 2019 and 50% on February 27, 2020, subject to continued employment through each applicable vesting date.

Service-based vesting will be accelerated, in full or on a pro rata basis, in the event of a change in control, termination of employment by the Company without cause, or termination of employment by the award recipient for good reason, death, disability or retirement, in any case prior to the completion of the Market Performance Period. However, vesting with respect to the market condition will continue to be measured based on RMS Relative Market Performance during the three-year Market Performance Period (or, in the case of a change in control, shortened Market Performance Period).

The fair values of the 2015 awards and 2016 awards were measured using a Monte Carlo simulation to estimate the probability of the market vesting condition being satisfied. The Company's achievement of the market vesting condition is contingent on its TSR over a three-year market performance period, relative to the total shareholder return of the RMS. The Monte Carlo simulation is a probabilistic technique based on the underlying theory of the Black-Scholes formula, which was run for 100,000 trials to determine the fair value of the awards. For each trial, the payoff to an award is calculated at the settlement date and is then discounted to the grant date at a risk-free interest rate. The total expected value of the awards on the grant date was determined by multiplying the average value per award over all trials by the number of awards granted. Assumptions used in the 2015 valuation include expected stock price volatility of 24 percent and a risk-free interest rate of 1.00 percent. Assumptions used in the 2016 valuations include expected stock price volatility of 22 percent and 26 percent and risk-free interest rates of 1.32 percent and 0.89 percent. These valuations were performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium.

As of June 30, 2016, 1,683,182 Class D Units and 461,071 market performance-based RSUs had been awarded to our executive officers and other employees. The number of units granted reflects the maximum number of Class D units or market performance-based RSUs, as applicable, which will become vested assuming the achievement of the highest level of RMS Relative Market Performance under the awards and, in the case of the Class D units, also includes dividend equivalent units. The fair value of these awards of approximately $55.6 million will be recognized as compensation expense on a straight-line basis over the expected service period of approximately four years. The unearned compensation as of June 30, 2016 and December 31, 2015 was $32.3 million and $17.8 million, respectively, net of cancellations. As of June 30, 2016, none of the above awards had vested. We recognized compensation expense related to these awards of approximately $0.9 million and $2.1 million in the three months ended June 30, 2016 and 2015, respectively, and approximately $2.5 million and $3.3 million for the six months ended June 30, 2016 and 2015, respectively. We capitalized amounts relating to compensation expense of employees directly engaged in construction and leasing activities of approximately $0.0 million and $0.6 million for the three months ended June 30, 2016 and 2015, respectively, and approximately $0.8 million and $1.0 million for the six months ended June 30, 2016 and 2015, respectively. If the market conditions are not met, at the end of the applicable performance periods, the unamortized amount will be recognized as an expense at that time.

(c) Stock Options

The following table summarizes the Amended and Restated 2004 Incentive Award Plan's stock option activity for the six-month period ended June 30, 2016:

	Period Ended June 30, 2016	
	Shares	Weighted average exercise price
Options outstanding, beginning of period	51,622	$ 41.04
Exercised	(30,945)	40.58
Options outstanding, end of period	20,677	$ 41.73
Exercisable, end of period	20,677	$ 41.73

The following table summarizes information about stock options outstanding and exercisable as of June 30, 2016:

Options outstanding and exercisable

Exercise price	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Aggregate intrinsic value
$41.73	20,677	0.84	$ 41.73	$ 1,390,735

(d) Restricted Stock

Below is a summary of our restricted stock activity for the six months ended June 30, 2016.

Unvested Restricted Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	271,339	$ 61.37
Granted	136,566	80.96
Vested	(101,181)	61.07
Cancelled or expired	(22,325)	65.93
Unvested, end of period	284,399	$ 70.54

The grant date fair values, which equal the market price of Digital Realty Trust, Inc. common stock on the grant date, are expensed on a straight-line basis for service awards over the vesting period of the restricted stock, which is generally four years.

The expense recorded for the three months ended June 30, 2016 and 2015 related to grants of restricted stock was approximately $1.2 million and $0.7 million, respectively, and approximately $2.1 million and $1.2 million for the six months ended June 30, 2016 and 2015, respectively. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately $0.8 million and $0.8 million for the three months ended June 30, 2016 and 2015, respectively, and approximately $1.5 million and $1.5 million for the six months ended June 30, 2016 and 2015, respectively. Unearned compensation representing the unvested portion of the restricted stock totaled $16.7 million and $10.4 million as of June 30, 2016 and December 31, 2015, respectively. We expect to recognize this unearned compensation over the next 3.0 years on a weighted-average basis.

14. Derivative Instruments
Currently, we use interest rate swaps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each

Table of Contents
DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.
To comply with the provisions of fair value accounting guidance, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.
Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of June 30, 2016, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We do not have any fair value measurements on a recurring basis using significant unobservable inputs (Level 3) as of June 30, 2016 or December 31, 2015.
As of June 30, 2016 and December 31, 2015, we had the following outstanding interest rate derivatives that were designated as effective cash flow hedges of interest rate risk (in thousands):

Notional Amount								Fair Value at Significant Other Observable Inputs (Level 2)			
As of June 30, 2016		As of December 31, 2015		Type of Derivative	Strike Rate	Effective Date	Expiration Date	As of June 30, 2016		As of December 31, 2015	
Currently-paying contracts											
$206,000	(1)	$ 206,000	(1)	Swap	0.932	Jun 18, 2012	Apr 18, 2017	$ (752	)	$ (416	)
54,905	(1)	54,905	(1)	Swap	0.670	Aug 6, 2012	Apr 6, 2017	(81	)	69	
—		75,000	(1)	Swap	0.500	Aug 6, 2012	Apr 6, 2016	—		(10	)
75,000	(1)	—		Swap	1.016	Apr 6, 2016	Jan 6, 2021	(743	)	—	
75,000	(1)	—		Swap	1.164	Jan 15, 2016	Jan 15, 2021	(1,235	)	—	
300,000	(2)	—		Swap	1.435	Jan 15, 2016	Jan 15, 2023	(8,386	)	—	
140,666	(3)	133,579	(3)	Swap	0.925	Jul 17, 2012	Apr 18, 2017	49		1,500	
225,588	(4)	—		Swap	0.792	Jan 15, 2016	Jan 15, 2019	(3,277	)	—	
76,209	(5)	—		Swap	0.779	Jan 15, 2016	Jan 15, 2021	303		—	
$1,153,368		$ 469,484						$ (14,122	)	$ 1,143	

(1) Represents portions of the U.S. dollar tranche of the 5-Year Term Loan.
(2) Represents the U.S. dollar tranche of the 7-Year Term Loan.
(3) Represents a portion of the Singapore dollar tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rate of $0.74 to 1.00 SGD as of June 30, 2016 and $0.70 to 1.00 SGD as of December 31, 2015.
(4) Represents the British pound sterling tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rate of $1.33 to £1.00 as of June 30, 2016.

(5) Represents the Canadian dollar tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rate of $0.77 to 1.00 CAD as of June 30, 2016.

As of June 30, 2016, we estimate that an additional $6.9 million will be reclassified as an increase to interest expense during the twelve months ended June 30, 2017, when the hedged forecasted transactions impact earnings.

Table of Contents

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2016 and 2015

Non-designated Hedges

Derivatives not designated as hedges are derivatives that do not meet the criteria for hedge accounting under GAAP or which we have elected to not designate as hedges. We do not use these derivatives for speculative purposes, but instead they are used to manage our exposure to foreign exchange rates. Changes in the fair value of derivatives not designated as hedges are recorded directly in interest and other income in our condensed consolidated income statements. The Company recorded a loss of $3.1 million on the non-designated hedges for the three and six months ended June 30, 2016. The Company had no non-designated hedges in place during the six months ended June 30, 2015. The derivatives not designated as hedges had a fair value of $37.5 million as of June 30, 2016 and are recorded in accounts payable and other accrued liabilities in our condensed consolidated balance sheet.

During the three months ended June 30, 2016, we entered into a series of forward contracts pursuant to which we agreed to sell an amount of foreign currency for an agreed upon amount of USD. These forward contracts were executed to manage foreign currency exposures associated with certain transactions.

As of June 30, 2016, the Company had the following outstanding derivatives that were not designated as hedges under qualifying hedging relationships (notional amounts in thousands):

Foreign Currency Derivative	Number of Instruments	Notional Amount Sold	Notional Amount Purchased	Maturity Date
Currency forward contracts	4	GBP 357,299	USD 518,469	12/15/2017
Currency forward contracts	4	USD 476,781	GBP 357,299	7/1/2016

15. Fair Value of Instruments

We disclose fair value information about all financial instruments, whether or not recognized in the condensed consolidated balance sheets, for which it is practicable to estimate fair value. Current accounting guidance requires the Company to disclose fair value information about all financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate fair value.

The Company’s disclosures of estimated fair value of financial instruments at June 30, 2016 and December 31, 2015 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

The carrying amounts for cash and cash equivalents, restricted cash, accounts and other receivables, accounts payable and other accrued liabilities, accrued dividends and distributions, security deposits and prepaid rents approximate fair value because of the short-term nature of these instruments. As described in Note 14 "Derivative Instruments", the interest rate swaps are recorded at fair value.

We calculate the fair value of our mortgage loans, unsecured term loan, unsecured senior notes and exchangeable senior debentures based on currently available market rates assuming the loans are outstanding through maturity and considering the collateral and other loan terms. In determining the current market rate for fixed rate debt, a market spread is added to the quoted yields on federal government treasury securities with similar maturity dates to our debt. The carrying value of our global revolving credit facility approximates fair value, due to the variability of interest rates.

As of June 30, 2016 and December 31, 2015, the aggregate estimated fair value and carrying value of our global revolving credit facility, unsecured term loan, unsecured senior notes and mortgage loans were as follows (in thousands):

	Categorization under the fair value hierarchy	As of June 30, 2016		As of December 31, 2015	
		Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value

Global revolving credit facility (1)(5)	Level 2	$101,007	$ 101,007	$967,884	$ 967,884
Unsecured term loan (2)(6)	Level 2	1,552,426	1,552,426	924,568	924,568
Unsecured senior notes (3)(4)(7)	Level 2	4,570,240	4,280,669	3,868,979	3,738,606
Mortgage loans (3)(8)	Level 2	254,899	248,841	313,717	303,183
		$6,478,572	$ 6,182,943	$6,075,148	$ 5,934,241

(1) The carrying value of our global revolving credit facility approximates estimated fair value, due to the variability of interest rates and the stability of our credit ratings.

(2) The carrying value of our unsecured term loan approximates estimated fair value, due to the variability of interest rates and the stability of our credit ratings.

(3) Valuations for our unsecured senior notes and mortgage loans are determined based on the expected future payments discounted at risk-adjusted rates. The 5.875% 2020 Notes, 3.400% 2020 Notes, 2021 Notes, 3.950% 2022 Notes, 3.625% 2022 Notes, 2023 Notes, 2024 Notes, 4.750% 2025 Notes and 4.250% 2025 Notes are valued based on quoted market prices.

(4) The carrying value of the 5.875% 2020 Notes, 2021 Notes, 3.400% 2020 Notes, 2021 Notes, 3.625% 2022 Notes, 3.950% 2022 Notes, 2023 Notes, 2024 Notes and 4.250% 2025 Notes are net of discount of $17,461 and $17,914 in the aggregate as of June 30, 2016 and December 31, 2015, respectively.

(5) The estimated fair value and carrying value are exclusive of deferred financing costs of $12.5 million and $7.6 million as of June 30, 2016 and December 31, 2015, respectively.

(6) The estimated fair value and carrying value are exclusive of deferred financing costs of $6.8 million and $1.3 million as of June 30, 2016 and December 31, 2015, respectively.

(7) The estimated fair value and carrying value are exclusive of deferred financing costs of $28.1 million and $26.0 million as of June 30, 2016 and December 31, 2015, respectively.

(8) The estimated fair value and carrying value are exclusive of deferred financing costs of $0.1 million and $0.3 million as of June 30, 2016 and December 31, 2015, respectively.

16. Commitments and Contingencies

(a) Contingent liabilities

As part of the acquisition of 29A International Business Park, the seller could earn additional consideration based on future net operating income growth in excess of certain performance targets, as defined in the agreements for the acquisition. The earnout contingency expires in November 2020. The maximum amount that could be earned by the seller is $50.0 million SGD (or approximately $37.1 million based on the exchange rate as of June 30, 2016). As of December 31, 2014, $12.6 million had been accrued related to this earnout agreement, which was subsequently paid in 2015. During 2015, the remaining performance targets were achieved and the Company accrued an additional $19.4 million. The remaining earnout payments will be made in 2016 and 2020 per the terms of the earnout agreement. The amounts accrued have been discounted based on their expected payment date and capitalized to building and improvements as the original purchase was accounted for as an asset acquisition.

One of the tenants at our Convergence Business Park property has an option to expand as part of their lease agreement, which expires in April 2017. As part of this option, development activities were not permitted on specifically identified expansion space within the property until April 2014. From April 2014 through April 2017, the tenant has the right of first refusal on any third party’s bona fide offer to buy the adjacent land. If the tenant exercises their option, we may either construct and lease to the tenant an additional shell building on the expansion space at a stipulated rate of return on cost or sell the existing building and the expansion space to the tenant for a price of approximately $24.0 million and $225,000 per square acre, respectively, plus additional adjustments as provided in the lease.

As part of the acquisition of the Sentrum Portfolio, the seller could earn additional consideration based on future net returns on vacant space to be developed, but not currently leased, as defined in the purchase agreement for the acquisition. The initial estimate of fair value of the contingent consideration liability was approximately £56.5 million (or approximately $87.6 million based on the exchange rate as of July 11, 2012, the acquisition date). We have adjusted the contingent consideration to fair value at each reporting date with changes in fair value recognized in operating income. During the six months ended June 30, 2015, we reduced the fair value by approximately £30.3 million (or approximately $45.9 million). The adjustment was the result of an evaluation by management that no additional leases would be executed for vacant space by July 11, 2015, the contingency expiration date. The final payment on the earnout was made in August 2015. The change in fair value of contingent consideration for Sentrum was recorded as a reduction to operating expense of approximately $43.0 million for the six months ended June 30, 2015.

(b) Construction Commitments

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. 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 June 30, 2016, we had open commitments related to construction contracts of approximately $248.8 million.

(c) Legal Proceedings

Although the Company is involved in legal proceedings arising in the ordinary course of business, as of June 30, 2016, the Company is not currently a party to any legal proceedings nor, to its knowledge, is any legal proceeding threatened against it that it believes would have a material adverse effect on its financial position, results of operations or liquidity.

17. Subsequent Events

On July 5, 2016, the Company completed the acquisition of a portfolio of eight high-quality, carrier-neutral data centers in Europe from Equinix in a transaction valued at approximately $874 million. The eight-property portfolio – including five in London, two in Amsterdam and one in Frankfurt – comprises a total of approximately 213,000 net sellable square feet (which accounts for power and cooling capacity limitations and excludes space occupied by infrastructure and equipment). The Company also granted Equinix an option to acquire the Company's facility in 114 rue Ambroise Croizat in Paris. Equinix has elected to exercise its option to acquire the Paris property, and on July 2, 2016, the Company entered into an agreement to sell the property to Equinix for approximately €190 million (or approximately $212 million based on the exchange rate as of August 1, 2016). The Paris property sale closed on August 1, 2016. The Company expects to recognize a gain on the sale, excluding closing costs, of approximately $142 million in the third quarter of 2016.

On July 11, 2016, the Company closed on the sale of a four-property data center portfolio, including two in St. Louis and two in Northern Virginia totaling over 454,000 square feet for approximately $115 million. The sale is expected to generate net proceeds of approximately $113 million, and the Company expects to recognize a gain on the sale of approximately $27 million in the third quarter of 2016.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this report. This report contains forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, expected use of proceeds from our equity distribution program and other securities offerings, expected use of borrowings under our credit facility, portfolio performance, leverage policy, acquisition and capital expenditure plans, capital recycling program, returns on invested capital, supply and demand for data center space, capitalization rates, rents to be received in future periods and expected rental rates on new or renewed data center space, as well as our discussion of "Factors Which May Influence Future Results of Operations," contain forward-looking statements. Likewise, all of our statements regarding anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" or the negative of thes and phrases or similar words or phrases which are predictions of or indicate future events or trends and discussions 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 that may be incorrect or imprecise and that we may not be able to realize. 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 current global economic, credit and market conditions; current local economic conditions in our metropolitan areas; 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; risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements; financial market fluctuations; changes in foreign currency exchange rates; our inability to manage our growth effectively; difficulty acquiring or operating properties in foreign jurisdictions; the suitability of our properties and data center infrastructure, delays or disruptions in connectivity, failure of our physical and information security infrastructure or services or availability of power; our failure to successfully integrate and operate acquired or developed properties or businesses, including Telx; risks related to joint venture investments, including as a result of our lack of control of such investments; delays or unexpected costs in development of properties; decreased rental rates, increased operating costs or increased vacancy rates; increased competition or available supply of data center space; our inability to successfully develop and lease new properties and development space; difficulties in identifying properties to acquire and completing acquisitions; our inability to acquire off-market properties; the impact of the United Kingdom's referendum on withdrawal from the European Union on global financial markets and our business; our inability to comply with the rules and regulations applicable to reporting companies; Digital Realty Trust, Inc.'s failure to maintain its status as a REIT for federal income tax purposes; possible adverse changes to tax laws; restrictions on our ability to engage in certain business activities; environmental uncertainties and risks related to natural disasters; losses in excess of our insurance coverage; changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and changes in local, state and federal regulatory requirements, including changes in real estate and zoning laws and increases in real property tax rates.

While forward-looking statements reflect our good faith beliefs, they are not guarantees 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.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report, including under Part II, Item 1A, Risk Factors. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results. Occupancy percentages included in the following discussion, for some of our properties, are calculated based on factors in addition to contractually leased square feet, including available power, required support space and common area.

Table of Contents

Overview

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

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

As of June 30, 2016, we owned an aggregate of 140 properties, including eight Telx properties (of which two properties are owned and six properties are leased from third parties) and 14 properties held as investments in unconsolidated joint ventures, with approximately 25.8 million rentable square feet including approximately 1.5 million square feet of space under active development and approximately 1.2 million square feet of space held for future development. The 14 properties held as investments in unconsolidated joint ventures have an aggregate of approximately 1.9 million rentable square feet. The 13 parcels of developable land we own comprised approximately 276 acres. At June 30, 2016, approximately 1.5 million square feet was under construction for Turn-Key Flex®, Powered Base Building® and Custom Solutions products, all of which are expected to be income producing on or after completion, in five U.S. domestic metropolitan areas, two European metropolitan areas, two Asian metropolitan areas and one Canadian metropolitan area, consisting of approximately 0.9 million square feet of base building construction and 0.6 million square feet of data center construction.

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

We may acquire properties subject to existing mortgage financing and other indebtedness or we may incur new indebtedness in connection with acquiring or refinancing these properties. Debt service on such indebtedness will have a priority over any cash dividends with respect to Digital Realty Trust, Inc.'s common stock and preferred stock. We currently intend to limit our indebtedness to 60% of our total enterprise value and, based on the closing price of Digital Realty Trust, Inc. common stock on June 30, 2016 of $108.99, our ratio of debt to total enterprise value was approximately 26%. Our total enterprise value is defined as the sum of the market value of Digital Realty Trust, Inc.'s outstanding common stock (which may decrease, thereby increasing our debt to total enterprise value ratio), excluding options issued under our Amended and Restated 2004 Incentive Award Plan, plus the liquidation value of Digital Realty Trust, Inc.'s preferred stock, plus the aggregate value of our operating partnership's units not held by Digital Realty Trust, Inc. (with the per unit value equal to the market value of one share of Digital Realty Trust, Inc. common stock and excluding long-term incentive units, Class C units and Class D units), plus the book value of our total consolidated indebtedness.

50

Table of Contents

Revenue base. As of June 30, 2016, we owned 140 properties through our operating partnership, including eight Telx properties (of which two properties are owned and six properties are leased from third parties) and 14 properties held as investments in unconsolidated joint ventures and developable land. These properties are mainly located throughout North America, with 24 properties located in Europe, four properties in Asia and three properties in Australia. We, through our predecessor, acquired our first portfolio property in January 2002 and have added properties through acquisition and development activities as follows:

Year Ended December 31:	Operating Properties Acquired (1)		Net Rentable Square Feet(2)	Square Feet of Space Under Active Development as of June 30, 2016 (3)	Square Feet of Space Held for Future Development as of June 30, 2016 (4)
2002	4		1,087,622	—	52,158
2003	4		821,777	—	—
2004	10	(5)	2,362,032	13,378	108,445
2005	19	(5)	2,822,831	—	145,122
2006	18	(5)	2,846,682	—	35,375
2007	13	(5)(6)	1,742,634	—	84,268
2008	4		464,575	17,000	41,539
2009	8	(7)(9)(10)	1,817,420	395,567	31,984
2010	15		2,308,865	—	95,120
2011	11	(8)	1,791,547	384,057	83,976
2012	15		2,814,453	184,725	167,100
2013	10		1,107,045	342,378	123,329
2014	—		—	—	—
2015	9	(11)	1,144,211	131,332	203,671
2016	—		—	—	—
Operating properties owned as of June 30, 2016	140		23,131,694	1,468,437	1,172,087

(1) Excludes properties sold: 47700 Kato Road and 1055 Page Avenue (January 2016), 650 Randolph Road (December 2015), 833 Chestnut Street (April 2015), 3300 East Birch Street (March 2015), 100 Quannapowitt (February 2015), 6 Braham Street (April 2014), 100 Technology Center Drive (March 2007), 4055 Valley View Lane (March 2007) and 7979 East Tufts Avenue (July 2006). In addition, also excludes 701 & 717 Leonard Street, a parking garage located adjacent to our internet gateway data center located at 2323 Bryan Street and not considered a separate property. Also excludes a leasehold interest acquired in March 2007 related to an acquisition made in 2006. Excludes 13 developable land parcels. Includes 12 properties held in our managed portfolio of unconsolidated joint ventures consisting of 4650 Old Ironsides Drive (Silicon Valley), 2950 Zanker Road (Silicon Valley), 4700 Old Ironsides Drive (Silicon Valley), 444 Toyama Drive (Silicon Valley), 43790 Devin Shafron Drive (Northern Virginia), 21551 Beaumeade Circle (Northern Virginia), 7505 Mason King Court (Northern Virginia), 14901 FAA Boulevard (Dallas), 900 Dorothy Drive (Dallas), 636 Pierce Street (New York), 43915 Devin Shafron Drive (Northern Virginia) and 33 Chun Choi Street (Hong Kong); and two properties held in our non-managed unconsolidated joint ventures consisting of 2001 Sixth Avenue (Seattle) and 2020 Fifth Avenue (Seattle).

(2) Current net rentable square feet as of June 30, 2016, which represents the current square feet under lease as specified in the applicable lease agreements plus management's estimate of space available for lease based on engineering drawings. Includes tenants' proportional share of common areas but excludes space held for development.

(3) Space under active development includes current base building and data center projects in progress.

(4) Space held for future development includes space held for future data center development, and excludes space under active development.

(5) As of June 30, 2016, there were eight properties held for sale; two were acquired in 2004, two in 2005, two in 2006 and two in 2007.

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

Table of Contents

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

(8) Includes four developed buildings (43940 Digital Loudoun Plaza in Northern Virginia, 3825 NW Aloclek Place in Portland, Oregon, 98 Radnor Drive in Melbourne, Australia and 1-23 Templar Road in Sydney, Australia) placed into service in 2012 and 2013, for which the land parcels were acquired in 2011.

(9) 43790 Devin Shafron Drive and 21551 Beaumeade Circle, which were previously included as part of the Devin Shafron buildings and Beaumeade Circle Portfolio, respectively, are now each separately included in the property count because they were separately contributed to an unconsolidated joint venture in September 2013.

(10) 43915 Devin Shafron Drive, which was previously included as part of the Devin Shafron buildings, is now separately included in the property count because it was separately contributed to an unconsolidated joint venture in September 2014.

(11) Includes eight properties that were added as part of the Telx Acquisition, two of which are owned: 56 Marietta Street (Atlanta) and 100 Delawanna Avenue (New York); and six that are leased from third parties: 60 Hudson Street (New York), 32 Avenue of the Americas (New York), 2 Peekay Drive (New York), 2820 Northwestern Parkway (Silicon Valley), 8425 N. Stemmons Freeway (Dallas) and 3433 S. 120th Place (Seattle). Telx also leases space at 111 8th Avenue (New York), which is partially subleased by Telx from the company and partially subleased from third parties.

As of June 30, 2016, the properties in our portfolio, including the 14 properties held as investments in unconsolidated joint ventures, were approximately 90.4% leased excluding approximately 1.5 million square feet of space under active development and approximately 1.2 million square feet of space held for future development. Due to the capital-intensive and long-term nature of the operations being supported, our lease terms are generally longer than standard commercial leases. As of June 30, 2016, our average lease term at signing was approximately 11 years, with an average of approximately five years remaining. Our scheduled lease expirations through December 31, 2017 are 11.1% of rentable square feet excluding month-to-month leases, space under active development and space held for future development as of June 30, 2016.

On January 21, 2016, the operating partnership sold the 47700 Kato Road and 1055 Page Avenue property, two adjacent non-data center properties totaling 199,000 square feet in Fremont, California for $37.5 million. The sale generated net proceeds of $35.8 million and recognized a gain on the sale of approximately $1.0 million. The properties were identified as held for sale as of December 31, 2015. 47700 Kato Road and 1055 Page Avenue were not a significant component of our U.S. portfolio nor does the sale represent a significant shift in our strategy.

On July 5, 2016, the Company granted Equinix an option to acquire the Company's facility in 114 rue Ambroise Croizat in Paris. Equinix has elected to exercise its option to acquire the Paris property, and on July 2, 2016, the Company entered into an agreement to sell the property to Equinix for approximately €190 million (or approximately $212 million based on the exchange rate as of August 1, 2016). The Paris property sale closed on August 1, 2016. The Company expects to recognize a gain on the sale, excluding closing costs, of approximately $142 million in the third quarter of 2016.

On July 11, 2016, the Company closed on the sale of a four-property data center portfolio, including two in St. Louis and two in Northern Virginia totaling over 454,000 square feet for approximately $115 million. The sale is expected to generate net proceeds of approximately $113 million, and the Company expects to recognize a gain on the sale of approximately $27 million in the third quarter of 2016. The four properties were classified as held for sale as of June 30, 2016. The four properties were not a significant component of our U.S. portfolio nor does the sale represent a significant shift in our strategy.

Factors Which May Influence Future Results of Operations

Global market and economic conditions. General economic conditions and the cost and availability of capital may be adversely affected in some or all of the metropolitan areas in which we own properties and conduct our operations. In

June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal. Instability in the U.S., European, Asia Pacific and other international financial markets and economies may adversely affect our ability, and the ability of our tenants, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our, and our tenants', financial condition and results of operations.

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

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

Foreign currency exchange risk. For the six months ended June 30, 2016 and 2015, we had foreign operations in the United Kingdom, Ireland, France, The Netherlands, Switzerland, Canada, Singapore, Australia, Japan and Hong Kong, and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Swiss franc, Canadian dollar, Singapore dollar, Australian dollar, Japanese Yen and the Hong Kong dollar. Our primary currency exposures are to the British pound sterling, the Euro and the Singapore dollar. The possible exit of the United Kingdom (or any other country) from the European Union or prolonged periods of uncertainty relating to any of these possibilities, could result in increased foreign currency exchange volatility. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations, although there can be no assurance that this will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of stockholders' equity.

Rental income. The amount of rental income generated by the properties in our portfolio depends on several factors, including our ability to maintain or improve the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. Excluding approximately 1.5 million square feet of space under active development and approximately 1.2 million square feet of space held for future development as of June 30, 2016, the occupancy rate of the properties in our portfolio, including the 14 properties held as investments in unconsolidated joint ventures, was approximately 90.4% of our net rentable square feet.

As of June 30, 2016, we had over 2,000 tenants in our portfolio, including the 12 properties held in our managed portfolio of unconsolidated joint ventures. As of June 30, 2016, approximately 92% of our leases (on a rentable square footage basis) contained base rent escalations that were either fixed (generally ranging from 2% to 4%) or indexed based on a consumer price index or other similar inflation related index. We cannot assure you that these escalations will cover any increases in our costs or will otherwise keep rental rates at or above market rates.

The amount of rental income generated by us also depends on maintaining or increasing rental rates at our properties, which in turn depends on several factors, including supply and demand and market rates for data center space. Included in our approximately 21.3 million net rentable square feet, excluding space under active development and space held for future development and 14 properties held as investments in unconsolidated joint ventures, at June 30, 2016 is approximately 0.6 million square feet of data center space with extensive installed tenant improvements available for lease. Since our IPO, we have leased over 4.5 million square feet of similar space, including Turn-Key Flex® space. Our Turn-Key Flex® product is an effective solution for tenants who prefer to utilize a partner with the expertise or capital budget to provide extensive data center infrastructure and security. Our expertise in data center construction and operations enables us to lease space to these tenants at a premium over other uses. In addition, as of June 30, 2016, we had approximately 1.5 million square feet of space under active development and approximately 1.2 million square feet of space held for future development, or approximately 11% of the total rentable space in our portfolio, including the 14 properties held as investments in unconsolidated joint ventures. Our ability to grow earnings depends in part on our ability to develop space and lease development space at favorable rates, which we may not be able to obtain. Development space requires significant capital investment in order to develop data center facilities that are ready for use and, in addition, we may require additional time or encounter delays in securing tenants for development space. We may purchase additional vacant properties and properties with vacant development space in the future. We will require additional capital to finance our development activities, which may not be available or may not be available on terms acceptable to us, including as a result of the conditions described above under “Global market and economic conditions.”

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

Economic downturns, including as a result of the conditions described above under “Global market and economic conditions,” or regional downturns affecting our metropolitan areas or downturns in the technology-related real estate industry that impair our ability to lease or renew or re-lease space, or otherwise reduce returns on our investments or the ability of our tenants to

Table of Contents

fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties.

Scheduled lease expirations. Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 2.2 million square feet of available space in our portfolio, which excludes approximately 1.5 million square feet of space under active development and approximately 1.2 million square feet of space held for future development as of June 30, 2016 and the two properties held as investments in our non-managed unconsolidated joint ventures, leases representing approximately 3.3% and 7.8% of the net rentable square footage of our portfolio are scheduled to expire during the six months ending December 31, 2016 and the year ending December 31, 2017, respectively.

During the six months ended June 30, 2016, we signed new leases totaling approximately 0.3 million square feet of space and renewal leases totaling approximately 0.7 million square feet of space. The following table summarizes our leasing activity in the six months ended June 30, 2016:

	Rentable Square Feet (1)	Expiring Rates (2)	New Rates (2)	Rental Rate Changes	TI's/Lease Commissions Per Square Foot	Weighted Average Lease Terms (years)
Leasing Activity (3)(4)						
Renewals Signed						
Turn-Key Flex ®	365,853	$140.62	$160.45	14.1 %	$ 4.74	3.5
Powered Base Building ®	170,227	$26.07	$30.92	18.6 %	$ 5.16	6.0
Colocation	157,069	$274.49	$289.43	5.4 %	$ 0.37	1.2
Non-technical	20,276	$33.11	$34.67	4.7 %	$ 1.51	3.5
New Leases Signed (5)						
Turn-Key Flex ®	189,402	—	$216.03	—	$ 40.10	5.8
Powered Base Building ®	120	—	$170.93	—	$ —	14.4
Colocation	49,127	—	$245.35	—	$ 44.22	2.1
Non-technical	44,170	—	$25.79	—	$ 33.33	7.0
Leasing Activity Summary						
Turn-Key Flex ®	555,255	—	$179.41	—	—	
Powered Base Building ®	170,347	—	$31.02	—	—	
Colocation	206,196	—	$278.93	—	—	
Non-technical	64,446	—	$28.58	—	—	

(1) For some of our properties, we calculate square footage based on factors in addition to contractually leased square feet, including power, required support space and common area.

(2) Rental rates represent annual estimated cash rent per rentable square foot adjusted for straight-line rents in accordance with GAAP. GAAP rental rates are inclusive of tenant concessions, if any.

(3) Excludes short-term leases.

(4) Commencement dates for the leases signed range from 2016 to 2018.

(5) Includes leases signed for new and re-leased space.

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. We continue to see strong demand in most of our key metropolitan areas for data center space and, subject to the supply of available data center space in these metropolitan areas, expect the rental rates we are likely to achieve on any new, re-leased or renewed data center space leases for 2016 expirations on an average aggregate basis will generally be higher than the rates currently being paid for the same space on a GAAP basis and up slightly on a cash basis. For the six months ended June 30, 2016, rents on renewed space increased by an average of 14.1% on a GAAP basis on our Turn-Key Flex® space compared to the expiring rents and increased by an average of 18.6% on a GAAP basis on our Powered Base Building® space compared to the expiring rents. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our properties will be re-leased at all or at rental rates equal to or above the current average rental rates. Further, re-leased/renewed rental rates in a particular metropolitan area may not be consistent with rental rates across our portfolio as a whole and may fluctuate from one period to another due to a number of factors, including local real estate

Table of Contents

conditions, local supply and demand for data center space, competition from other data center developers or operators, the condition of the property and whether the property, or space within the property, has been developed.

Metropolitan area concentration. We depend on the market for technology-based real estate in specific geographic regions and significant changes in these regional metropolitan areas can impact our future results. As of June 30, 2016, our portfolio, including the 14 properties held as investments in unconsolidated joint ventures, was geographically concentrated in the following metropolitan areas.

Metropolitan Area	Percentage of June 30, 2016 total annualized rent (1)	
New York	12.3	%
Northern Virginia	11.6	%
Dallas	10.4	%
London, United Kingdom	9.3	%
Silicon Valley	9.0	%
Chicago	8.2	%
Phoenix	6.1	%
San Francisco	4.7	%
Singapore	3.9	%
Atlanta	3.2	%
Boston	3.1	%
Seattle	2.9	%
Los Angeles	2.7	%
Other	12.6	%
Total	100.0	%

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of June 30, 2016 multiplied by 12. The aggregate amount of abatements for the six months ended June 30, 2016 was approximately $9.0 million.

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

Climate change legislation. In June 2009, the U.S. House of Representatives approved comprehensive clean energy and climate change legislation intended to cut greenhouse gas, or GHG, emissions, via a cap-and-trade program. The U.S. Senate did not subsequently pass similar legislation. New climate change legislation was introduced in the U.S. Senate in 2013, but significant opposition to federal climate change legislation exists.

As a result, near-term action to reduce GHG emissions likely will be focused on regulatory agencies, primarily the U.S. Environmental Protection Agency, or EPA, and state actions. The EPA has been moving aggressively to regulate GHG emissions from automobiles and large stationary sources, including electricity producers, using its own authority under the Clean Air Act. The EPA made an endangerment finding in 2009 that allows it to create regulations imposing emissions reporting, permitting, control technology installation, and monitoring requirements applicable to certain emitters of GHGs, including facilities that provide electricity to our data centers, although the materiality of the impacts will not be fully known until all regulations are finalized and legal challenges are resolved.

Table of Contents

As of December 31, 2015, the EPA has finalized rules imposing permitting and control technology requirements upon certain newly-constructed or modified facilities which emit GHGs under the Clean Air Act New Source Review Prevention of Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, newly-issued NSR PSD and Title V permits for new or modified electricity generating units (EGUs) and other facilities may need to address GHG emissions, including by requiring the installation of "Best Available Control Technology." The EPA implemented in December 2015 the "Clean Power Plan" regulating carbon dioxide (CO2) emissions from new and existing coal-fired and natural gas EGUs. Existing EGUs are subject to statewide CO2 emissions reduction targets, an effort designed to achieve a thirty-two percent reduction in nationwide existing EGU CO2 emissions by 2030 (in comparison to 2005 levels). New, modified, and reconstructed EGUs are subject to "New Source Performance Standards" that include both technological requirements and numeric emission limits. However, twenty-four states and a number of industry groups challenged the Clean Power Plan in federal court, and in February 2016 the U.S. Supreme Court issued a stay of the Clean Power Plan until the legal challenges have been decided. Separately, the EPA's GHG "reporting rule" requires that certain emitters, including electricity generators, monitor and report GHG emissions. At the state level, California implemented a GHG cap-and-trade program that began imposing compliance obligations on industrial sectors, including electricity generators and importers, in January 2013.

In addition, the European Union, or EU (including the United Kingdom), has been operating since 2005 under a cap-and-trade program, which directly affects the largest emitters of GHGs, including electricity producers from whom we purchase power, and the EU has taken a number of other climate change-related initiatives, including a directive targeted at improving energy efficiency (which introduces energy efficiency auditing requirements). The Paris Agreement, which was adopted by the United States and 194 other countries and looks to prevent global average temperatures from increasing by more than 2 degrees Celsius above preindustrial levels. However, the Paris Agreement will not go into effect until at least 55 nations representing at least 55% of GHG emissions deposit instruments of ratification and officially accede to the treaty. National legislation may also be implemented independently by members of the EU. For example, in the United Kingdom, the implementation of the CRC Energy Efficiency Scheme introduced a mandatory reporting and pricing scheme that is designed to incentivize energy efficiency and cut emissions by large energy users. It is not yet clear how Brexit will impact the United Kingdom's (or the EU's) approach to climate change regulation.

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

Interest rates. As of June 30, 2016, we had approximately $1.2 billion of variable rate debt subject to interest rate swap agreements on certain tranches of our 2016 unsecured term loan, along with $101.0 million and $399.1 million of variable rate debt that was outstanding on the 2016 global revolving credit facility and the unswapped portion of the 2016 unsecured term loan, respectively. The availability of debt and equity capital may decrease or be on unfavorable terms as a result of the circumstances described above under "Global market and economic conditions" or other factors. The effects on commercial real estate mortgages, if available, include, but may not be limited to: higher loan spreads, tightened loan covenants, reduced loan-to-value ratios resulting in lower borrower proceeds and higher principal payments. Potential future increases in interest rates and credit spreads may increase our interest expense and fixed charges and negatively affect our financial condition and results of operations, potentially impacting our future access to the debt and equity capital markets. Increased interest rates may also increase the risk that the counterparties to our swap agreements will default on their obligations, which could further increase our interest expense. If we cannot obtain capital from third party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or pay the cash dividends to Digital Realty Trust, Inc.'s stockholders necessary to maintain its qualification as a REIT.

Demand for data center space. Our portfolio of properties consists primarily of technology-related real estate and data center real estate in particular. A decrease in the demand for, or increase in supply of, data center space, Internet gateway facilities or other technology-related real estate would have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified tenant base or less specialized use. We have invested in building out additional inventory primarily in what we anticipate will be our active major metropolitan areas prior to having executed leases with respect to this space. We believe that demand in key metropolitan areas such as Northern Virginia, Dallas and Chicago is largely in line with supply. We also continue to see strong demand in other key metropolitan areas across our portfolio. However, until this inventory is leased up, which will depend on a number of factors, including available data center space in these metropolitan areas, our return on invested capital is negatively impacted. Our development activities make us particularly susceptible to general economic slowdowns, including recessions and the other circumstances described above under "Global market and economic conditions," as well as adverse developments in the corporate data center, Internet and data communications and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate IT spending or reduced demand for data center space. Reduced demand could also result from business relocations, including to metropolitan areas that we do not currently serve. Changes in industry practice or in technology, such as virtualization technology, more efficient computing or networking devices, or devices that require higher power densities than today's devices, could also reduce demand for the physical data center space we provide or make the tenant improvements in our facilities obsolete or in need of significant upgrades to remain viable. In addition, the development of new technologies, the adoption of new industry standards or other factors could render many of our tenants' current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy. In addition, demand for data center space in our properties, or the rates at which we lease space, may be adversely impacted either across our portfolio or in specific metropolitan areas as a result of an increase in the number of competitors, or the amount of space being offered in our metropolitan areas and other metropolitan areas by our competitors.

Telx Acquisition. We believe that the acquisition of Telx, or the Telx Acquisition, will provide a number of strategic and financial benefits, including providing us a leading colocation and interconnection platform, a premium connectivity infrastructure and enhanced growth potential in attractive locations. However, there can be no assurance that we will realize the intended benefits of the Telx Acquisition and it may divert management's attention, and disrupt our plans and operations. In addition, we may be subject to unknown or contingent liabilities related to Telx for which we may have no or limited recourse against the sellers.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Item 1, Note 2 "Summary of Significant Accounting Policies" in the Notes to Condensed Consolidated Financial Statements. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and consolidated results of operations. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date on the front cover of this report.

Investments in Real Estate

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

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

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

Capitalization of costs. Direct and indirect project costs that are clearly associated with the development of properties are capitalized as incurred. Project costs include all costs directly associated with the development of a property, including construction costs, interest, property taxes, insurance, legal fees and costs of personnel working on the project. Indirect costs that do not clearly relate to the projects under development are not capitalized and are charged to expense as incurred.

Capitalization of costs begins when the activities necessary to get the development project ready for its intended use begin, which include costs incurred before the beginning of construction. Capitalization of costs ceases when the development project is substantially complete and ready for its intended use. Determining when a development project commences, and when it is substantially complete and ready for its intended use involves a degree of judgment. We generally consider a development project to be substantially complete and ready for its intended use upon receipt of a certificate of occupancy. If and when development of a property is suspended pursuant to a formal change in the planned use of the property, we will evaluate whether the accumulated costs exceed the estimated value of the project and write off the amount of any such excess accumulated costs. For a development project that is suspended for reasons other than a formal change in the planned use of such property, the accumulated project costs are evaluated for impairment consistent with our impairment policies for long-lived assets. Capitalized costs are allocated to the specific components of a project that are benefited.

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

Asset impairment evaluation. We review each of our properties for indicators that its carrying amount may not be recoverable. Examples of such indicators may include a significant decrease in the market price of the property, a change in the expected holding period for the property, a significant adverse change in how the property is being used or expected to be used based on the underwriting at the time of acquisition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of the property, or a history of operating or cash flow losses of the property. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment’s use and eventual disposition and compare that estimate to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our future undiscounted net cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Since cash flows on properties considered to be long-lived assets to be held and used are considered on an undiscounted basis to determine whether the carrying value of a property is recoverable, our strategy of holding properties over the long-term directly decreases the likelihood of their carrying values not being recoverable and therefore requiring the recording of an impairment loss. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If we determine that the asset fails the recoverability test, the affected assets must be reduced to their fair value.

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

Revenue Recognition

Rental revenue is recognized using the straight-line method over the terms of the tenant leases. Deferred rents included in our condensed consolidated balance sheets represent the aggregate excess of rental revenue recognized to date on a straight-line basis versus the contractual rental payments under the terms of the leases. Many of our leases contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes incurred by us. However, we generally are not entitled to reimbursement of property operating expenses, other than utility expense, and real estate taxes under our leases for Turn-Key Flex® facilities. Such reimbursements are recognized in the period that the expenses are incurred. Lease termination fees are recognized over the remaining term of the lease, effective as of the date the lease modification is finalized, assuming collection is not considered doubtful. As discussed above, we recognize amortization of the value of acquired above or below-market tenant leases as a reduction of rental revenue in the case of above-market leases or an increase to rental revenue in the case of below-market leases.

Table of Contents

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 revenue because a higher bad debt allowance would result in lower net revenue, and recognizing rental revenue as earned in one period versus another would result in higher or lower net revenue for a particular period.

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.

Recently Issued Accounting Pronouncements

Please refer to Item 1, Note 2(p) “Recent Accounting Pronouncements” in the notes to the condensed consolidated financial statements.

Table of Contents

Results of Operations

The discussion below relates to our financial condition and results of operations for the three and six months ended June 30, 2016 and 2015. A summary of our operating results for the three and six months ended June 30, 2016 and 2015 is as follows (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Income Statement Data:				
Total operating revenues	$514,934	$420,295	$1,019,133	$826,904
Total operating expenses	(402,636)	(313,242)	(788,719)	(570,533)
Operating income	112,298	107,053	230,414	256,371
Other income (expenses), net	(61,354)	30,944	(117,137)	3,951
Net income	$50,944	$137,997	$113,277	$260,322

Our property portfolio has experienced consistent and significant growth since the first property acquisition in January 2002. As a result of this growth, our period-to-period comparison of our financial performance focuses on the impact on our revenues and expenses on a stabilized portfolio basis. Our stabilized portfolio includes properties owned as of December 31, 2014 with less than 5% of total rentable square feet under development and excludes properties that were undergoing, or were expected to undergo, development activities in 2015-2016 and properties sold or contributed to joint ventures.

We acquired no real estate properties during the six months ended June 30, 2016.

Comparison of the Three and Six Months Ended June 30, 2016 to the Three and Six Months Ended June 30, 2015

Portfolio

As of June 30, 2016, our portfolio consisted of 140 properties, including eight Telx properties (of which two properties are owned and six properties are leased from third parties) and 14 properties held as investments in unconsolidated joint ventures, with an aggregate of 25.8 million rentable square feet including 1.5 million square feet of space under active development and 1.2 million square feet of space held for future development compared to a portfolio consisting of 132 properties, including 14 properties held as investments in unconsolidated joint ventures, with an aggregate of 24.2 million rentable square feet including 1.2 million square feet of space under active development and 1.3 million square feet of space held for future development as of June 30, 2015. The changes in our portfolio reflect the acquisition of eight properties and the sale of two properties during the twelve months ended June 30, 2016. In addition, two properties were placed into service during the twelve months ended June 30, 2016, developed on land parcels which were acquired prior to July 1, 2015.

Table of Contents

Revenues

Total operating revenues for the three and six months ended June 30, 2016 and 2015 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
Rental	$377,109	$329,213	$47,896	$748,237	$647,017	$101,220
Tenant reimbursements	88,211	87,572	639	172,429	173,401	(972)
Interconnection and other	48,363	1,463	46,900	95,326	2,825	92,501
Fee income	1,251	1,549	(298)	3,050	3,163	(113)
Other	—	498	(498)	91	498	(407)
Total operating revenues	$514,934	$420,295	$94,639	$1,019,133	$826,904	$192,229

The following table shows revenues for the three and six months ended June 30, 2016 and 2015 for stabilized (or Same Capital) properties and pre-stabilized and other properties (all other properties) (in thousands). Stabilized results for the three and six months ended June 30, 2015 are shown prior to Telx-related eliminations that were completed in arriving at our consolidated financial results. In an effort to make 2016 and 2015 stabilized results comparable, total operating revenues for the three and six months ended June 30, 2016 are shown prior to Telx-related eliminations totaling $15.6 million and $31.8 million, respectively. Revenue totals for pre-stabilized and other include: results from properties that have not yet met the definition of stabilized (including the eight properties acquired from Telx), properties that are classified as held for sale or sold during the period, and the net Telx-related elimination of $15.6 million and $31.8 million for the three and six months ended June 30, 2016, respectively.

	Stabilized			Pre-Stabilized and Other		
	Three Months Ended June 30,			Three Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
Rental	$210,889	$211,491	$(602)	$166,220	$117,722	$48,498
Tenant reimbursements	54,239	53,098	1,141	33,972	34,474	(502)
Interconnection and other	1,513	1,234	279	46,850	229	46,621
Fee income	15	871	(856)	1,236	678	558
Other	—	498	(498)	—	—	—
Total operating revenues	$266,656	$267,192	$(536)	$248,278	$153,103	$95,175

	Stabilized			Pre-Stabilized and Other		
	Six Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
Rental	$421,808	$418,641	$3,167	$326,429	$228,376	$98,053
Tenant reimbursements	105,417	104,979	438	67,012	68,422	(1,410)
Interconnection and other	2,980	2,420	560	92,346	405	91,941
Fee income	15	1,743	(1,728)	3,035	1,420	1,615
Other	76	498	(422)	15	—	15
Total operating revenues	$530,296	$528,281	$2,015	$488,837	$298,623	$190,214

Stabilized rental revenues remained flat for the three months ended June 30, 2016 and increased for the six months ended June 30, 2016 compared to the same periods in 2015 primarily as a result of new leasing at our properties during the twelve months ended June 30, 2016, the largest of which were for space at 2121 South Price Road and 2045 & 2055 Lafayette Street offset by the British pound sterling and Euro weakening against the U.S. dollar.

Stabilized tenant reimbursement revenue increased for the six months ended June 30, 2016 compared to the same period in 2015 primarily as a result of increased property tax reimbursements due to one time reductions in 2015 at two properties in the stabilized portfolio offset by lower utility reimbursements due to decreased usage and vacancies at certain properties.

Pre-stabilized and other revenue increases were primarily a result of the Telx Acquisition, which contributed approximately $45.7 million and $46.6 million to the rental revenue and interconnection revenue increases for the three months ended June

61

Table of Contents

30, 2016, respectively, and approximately $90.5 million and $91.7 million to the rental revenue and interconnection revenue increases for the six months ended June 30, 2016, respectively, compared to same periods in 2015, along with new leases at our properties during the twelve months ended June 30, 2016, primarily leases of completed development space, the largest of which were for space at 44060 Digital Loudoun Plaza, Principal Park, Crawley, 9355 Grand Avenue and 2805 Lafayette Street.

Operating Expenses and Interest Expense

Operating expenses and interest expense during the three and six months ended June 30, 2016 and 2015 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
Rental property operating and maintenance	$159,548	$129,539	$30,009	$313,717	$254,102	$59,615
Property taxes	27,449	20,900	6,549	54,780	44,163	10,617
Insurance	2,241	2,154	87	4,653	4,309	344
Change in fair value of contingent consideration	—	352	(352)	—	(42,682)	42,682
Depreciation and amortization	175,594	131,524	44,070	344,610	260,597	84,013
General and administrative	34,189	25,613	8,576	65,445	46,807	18,638
Transactions	3,615	3,166	449	5,515	3,259	2,256
Other	—	(6)	6	(1)	(22)	21
Total operating expenses	$402,636	$313,242	$89,394	$788,719	$570,533	$218,186
Interest expense	$59,909	$46,114	$13,795	$117,170	$91,580	$25,590

The following table shows expenses for the three and six months ended June 30, 2016 and 2015 for stabilized (or Same Capital) properties and pre-stabilized and other properties (all other properties) (in thousands). Stabilized results for the three and six months ended June 30, 2015 are shown prior to Telx-related eliminations that were completed in arriving at our consolidated financial results.   In an effort to make 2016 and 2015 stabilized results comparable, total operating expenses for the three and six months ended June 30, 2016 are shown prior to Telx-related eliminations totaling $0.9 million and $1.8 million, respectively. Expense totals for pre-stabilized and other include: results from properties that have not yet met the definition of stabilized (including the eight properties acquired from Telx), properties that are classified as held for sale or sold during the period, and the net Telx-related elimination of $0.9 million and $1.8 million for the three and six months ended June 30, 2016, respectively.

	Stabilized			Pre-Stabilized and Other		
	Three Months Ended June 30,			Three Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
Rental property operating and maintenance	$73,240	$77,230	$(3,990)	$86,308	$52,309	$33,999
Property taxes	16,191	12,716	3,475	11,258	8,184	3,074
Insurance	1,646	1,712	(66)	595	442	153
Change in fair value of contingent consideration	—	—	—	—	352	(352)
Depreciation and amortization	76,783	74,715	2,068	98,811	56,809	42,002
General and administrative (1)	34,189	25,613	8,576	—	—	—
Transactions (2)	—	—	—	3,615	3,166	449
Other	—	—	—	—	(6)	6
Total operating expenses	$202,049	$191,986	$10,063	$200,587	$121,256	$79,331
Interest expense (3)	$48,976	$38,658	$10,318	$10,933	$7,456	$3,477

Table of Contents

	Stabilized			Pre-Stabilized and Other		
	Six Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Change	2016	2015	Change
Rental property operating and maintenance	$144,803	$150,583	$(5,780)	$168,914	$103,519	$65,395
Property taxes	31,861	27,833	4,028	22,919	16,330	6,589
Insurance	3,339	3,403	(64)	1,314	906	408
Change in fair value of contingent consideration	—	—	—	—	(42,682)	42,682
Depreciation and amortization	153,957	149,848	4,109	190,653	110,749	79,904
General and administrative (1)	65,445	46,807	18,638	—	—	—
Transactions (2)	—	—	—	5,515	3,259	2,256
Other	—	—	—	(1)	(22)	21
Total operating expenses	$399,405	$378,474	$20,931	$389,314	$192,059	$197,255
Interest expense (3)	$97,954	$77,840	$20,114	$19,216	$13,740	$5,476

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

(2) Transaction expenses are included entirely in pre-stabilized properties as they are not allocable to stabilized properties.

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

Stabilized rental property operating and maintenance expenses decreased approximately $4.0 million and $5.8 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015 primarily as a result of lower utility expense due to decreased usage and vacancies at certain properties.

Stabilized property taxes increased by approximately $3.5 million and $4.0 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015, primarily as a result of an additional property tax re-assessment recorded in 2016 at four properties within the stabilized pool along with a successful appeal in 2015 for taxes at one property in Texas within the stabilized pool.

Stabilized depreciation and amortization expense increased approximately $2.1 million and $4.1 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015, principally because of certain newly developed assets being added to the stabilized pool.

Stabilized general and administrative expenses increased by approximately $8.6 million and $18.6 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015 primarily due to the Telx Acquisition along with the growth of our company, with an increase in headcount from 2015 to 2016, resulting in additional compensation, along with higher professional fees and marketing expenses.

Stabilized interest expense increased approximately $10.3 million and $20.1 million for the three and six months ended June 30, 2016, respectively, as compared to the same periods in 2015. The increase was primarily a result of the issuance of the 3.950% 2022 Notes in June 2015 along with the issuance of the 3.400% 2020 Notes and 4.750% 2025 Notes in October 2015.

Pre-stabilized and other rental property operating and maintenance expenses increased by approximately $34.0 million and $65.4 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015 primarily as a result of the Telx Acquisition, which contributed approximately $29.3 million and $57.3 million to the increase, along with development projects being placed into service leading to higher utility expense in 2016.

Pre-stabilized and other property tax expense increased approximately $3.1 million and $6.6 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015. The increase was principally a result of reassessed value increases at five properties within the pre-stabilized pool.

Pre-stabilized and other depreciation and amortization expense increased approximately $42.0 million and $79.9 million in the three and six months ended June 30, 2016, respectively, compared to the same periods in 2015, principally because of the Telx Acquisition, which contributed approximately $40.0 million and $73.7 million to the increase, along with depreciation on development projects that were placed into service in late 2015 and during 2016.

Table of Contents

Pre-stabilized and other interest expense increased approximately $3.5 million and $5.5 million for the three and six months ended June 30, 2016, respectively, as compared to the same periods in 2015 primarily as a result of the issuance of the 2024 Notes in April 2016.

Transaction expenses increased by approximately $0.4 million and $2.3 million for the three and six months ended June 30, 2016, respectively, as compared to the same periods in 2015, principally because of the acquisition of eight data centers from Equinix, which was completed in July 2016.

Other Income (Expense)

Gain on Sale of Properties

During the six months ended June 30, 2016, we recognized a gain on sale of properties of $1.0 million primarily related to the disposition of 47700 Kato Road and 1055 Page Avenue, which sold for $37.5 million in January 2016 as compared to $94.5 million during the six months ended June 30, 2015, related to the dispositions of 100 Quannapowitt, which sold for $31.1 million in February 2015, 3300 East Birch Street, which sold for $14.2 million in March 2015 and 833 Chestnut Street, which sold for $160.8 million in April 2015.

Liquidity and Capital Resources of the Parent Company

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

Analysis of Liquidity and Capital Resources

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

Our parent company issues public equity from time to time, but generally does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the operating partnership. Our parent company itself does not hold any indebtedness other than guarantees of the indebtedness of our operating partnership and certain of its subsidiaries, and its only material asset is its ownership of partnership interests of our operating partnership. Therefore, the consolidated assets and liabilities and the consolidated revenues and expenses of our parent company and our operating partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by our parent company. However, all debt is held directly or indirectly at the operating partnership level. Our parent company’s principal funding requirement is the payment of dividends on its common and preferred stock. Our parent company’s principal source of funding for its dividend payments is distributions it receives from our operating partnership.

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

Our parent company is a well-known seasoned issuer with an effective shelf registration statement filed on April 20, 2015, which allows our parent company to register an unspecified amount of various classes of equity securities. As circumstances warrant, our parent company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would be generally contributed to our operating partnership in exchange for additional equity interests in our operating partnership. Our operating partnership may use the proceeds to acquire additional properties, to fund development opportunities and for general working capital purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities.

The liquidity of our parent company is dependent on our operating partnership's ability to make sufficient distributions to our parent company. The primary cash requirement of our parent company is its payment of dividends to its stockholders. Our

Table of Contents

parent company also guarantees our operating partnership's, as well as certain of its subsidiaries' and affiliates', unsecured debt. If our operating partnership or such subsidiaries fail to fulfill their debt requirements, which trigger parent company guarantee obligations, then our parent company will be required to fulfill its cash payment commitments under such guarantees. However, our parent company's only material asset is its investment in our operating partnership.

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

Digital Realty Trust, Inc. entered into equity distribution agreements in June 2011, which we refer to as the 2011 Equity Distribution Agreements, with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, or the Agents, under which it can issue and sell shares of its common stock having an aggregate offering price of up to $400.0 million from time to time through, at its discretion, any of the Agents as its sales agents. The sales of common stock made under the 2011 Equity Distribution Agreements will be made in "at the market" offerings as defined in Rule 415 of the Securities Act. Cumulatively through June 30, 2016, Digital Realty Trust, Inc. has generated net proceeds of approximately $342.7 million from the issuance of approximately 5.7 million common shares under the 2011 Equity Distribution Agreements at an average price of $60.35 per share after payment of approximately $3.5 million of commissions to the sales agents and before offering expenses. No sales were made under the program during the six months ended June 30, 2016 and 2015. As of June 30, 2016, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program.

Future Uses of Cash

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

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

Dividends and Distributions

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

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

Our parent company has declared and paid the following dividends on its common and preferred stock for the six months ended June 30, 2016 (in thousands, except per share amounts):

65

Date dividend declared	Dividend payment date	Series E Preferred Stock	Series F Preferred Stock	Series G Preferred Stock	Series H Preferred Stock	Series I Preferred Stock	Common Stock
February 17, 2016	March 31, 2016	$ 5,031	$ 3,023	$ 3,672	$ 6,730	$ 3,969	$ 129,064
May 11, 2016	June 30, 2016	5,031	3,023	3,672	6,730	3,969	129,188
		$ 10,062	$ 6,046	$ 7,344	$ 13,460	$ 7,938	$ 258,252
Annual rate of dividend per share		$ 1.750	$ 1.656	$ 1.469	$ 1.844	$ 1.588	$ 3.520

Distributions out of our parent company’s current or accumulated earnings and profits are generally classified as dividends whereas distributions in excess of our company’s current and accumulated earnings and profits, to the extent of a stockholder’s U.S. federal income tax basis in our parent company’s stock, are generally classified as a return of capital. Distributions in excess of a stockholder’s U.S. federal income tax basis in our parent company’s stock are generally characterized as capital gain. Cash provided by operating activities has been generally sufficient to fund distributions on an annual basis; however, we may also need to utilize borrowings under the global revolving credit facility to fund distributions.

Liquidity and Capital Resources of the Operating Partnership

In this “Liquidity and Capital Resources of the Operating Partnership” section, the terms “we”, “our” and “us” refer to our operating partnership together with its consolidated subsidiaries or our operating partnership and our parent company together with their consolidated subsidiaries, as the context requires.

Analysis of Liquidity and Capital Resources

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

As of June 30, 2016, we had $33.2 million of cash and cash equivalents, excluding $18.3 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.

Our short-term liquidity requirements primarily consist of operating expenses, development costs and other expenditures associated with our properties, distributions to our parent company in order for it to make dividend payments on its preferred stock, distributions to our parent company in order for it to make dividend payments to its stockholders required to maintain its REIT status, distributions to the unitholders in our operating partnership, 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 global revolving credit facility.

On January 15, 2016, the operating partnership refinanced its global revolving credit facility and entered into a global senior credit agreement for a $2.0 billion senior unsecured revolving credit facility, which we refer to as the 2016 global revolving credit facility which that replaced the $2.0 billion revolving credit facility executed on August 15, 2013, as amended. The 2016 global revolving credit facility has an accordion feature that would enable us to increase the borrowing capacity of the credit facility to up to $2.5 billion, subject to the receipt of lender commitments and other conditions precedent. The refinanced facility matures on January 15, 2020, with two six-month extension options available. The interest rate for borrowings under the 2016 global revolving credit facility equals the applicable index plus a margin which is based on the credit ratings of our long-term debt and is currently 100 basis points. An annual facility fee on the total commitment amount of the facility, based on the credit ratings of our long-term debt, currently 20 basis points, is payable quarterly. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. As of June 30, 2016, borrowings under the 2016 global revolving credit facility bore interest at an overall blended rate of 1.30% comprised of 1.50% (British pound sterling), 0.62% (Euros), 1.22% (Hong Kong dollars), 0.91% (Japanese yen), 1.71% (Singapore dollar) and

1.88% (Canadian dollars). The interest rates are based on 1-month GBP LIBOR, 1-month EURIBOR, 1-month HIBOR, 1-month JPY LIBOR, 1-month SOR and 1-month CDOR, respectively, plus a margin of 1.00%. We have used and intend to use available borrowings under the 2016 global revolving credit facility to acquire additional properties, fund development opportunities and for general working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities. As of June 30, 2016, we have capitalized approximately $15.0 million of financing costs related to the 2016 global revolving credit facility. As of June 30, 2016, approximately $101.0

million was drawn under the 2016 global revolving credit facility and $18.9 million of letters of credit were issued, leaving approximately $1.9 billion available for use.

On January 15, 2016, the operating partnership refinanced the senior unsecured multi-currency term loan facility and entered into a term loan agreement, which governs (i) a $1.25 billion 5-year senior unsecured term loan, which we refer to as the 5-Year Term Loan, and (ii) a $300 million 7-year senior unsecured term loan, which we refer to as the 7-Year Term Loan. The 2016 term loan agreement replaced the $1.0 billion term loan agreement executed on April 16, 2012, as amended. The 5-Year Term Loan matures on January 15, 2021 and the 7-Year Term Loan matures on January 15, 2023. In addition, we have the ability from time to time to increase the aggregate size of lending under the 2016 term loan agreement from $1.55 billion up to $1.8 billion, subject to receipt of lender commitments and other conditions precedent. Interest rates are based on our senior unsecured debt ratings and are currently 110 basis points and 155 basis points over the applicable index for floating rate advances for the 5-Year Term Loan and the 7-Year Term Loan, respectively. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. Based on exchange rates in effect at June 30, 2016, the balance outstanding is approximately $1.6 billion, excluding deferred financing costs. We have used borrowings under the term loans for acquisitions, repayment of indebtedness, development, working capital and general corporate purposes. The covenants under the term loans are consistent with our 2016 global revolving credit facility and, as of June 30, 2016, we were in compliance with all of such covenants. As of June 30, 2016, we have capitalized approximately $7.4 million of financing costs related to the 2016 unsecured term loan.

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

Our parent company commenced its At-the-Market equity distribution program in June 2011, which is discussed under “Liquidity and Capital Resources of the Parent Company” above. To date, our parent company has generated net proceeds of approximately $342.7 million from the issuance of approximately 5.7 million shares of common stock under the program at an average price of $60.35 per share after payment of approximately $3.5 million of commissions to the sales agents before offering expenses. The proceeds from the issuances were contributed to us in exchange for the issuance of approximately 5.7 million common units to our parent company. No sales were made under the program during the six months ended June 30, 2016 and 2015. As of June 30, 2016, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program.

On January 21, 2016, the operating partnership closed on the sale of 47700 Kato Road and 1055 Page Avenue, two adjacent non-data center properties totaling 199,000 square feet in Fremont, California for $37.5 million. The sale generated net proceeds of $35.8 million, and we recognized a gain on the sale of approximately $1.0 million. The properties were identified as held for sale as of December 31, 2015. 47700 Kato Road and 1055 Page Avenue were not a significant component of our U.S. portfolio nor does the sale represent a significant shift in the Company's strategy.

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

Table of Contents

Construction

The table below summarizes our construction in progress (included in investments in real estate) as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	As of June 30, 2016 Net Rentable Square Feet	Current Investment (2)	Future Investment (3)	Total Cost	As of December 31, 2015 Net Rentable Square Feet	Current Investment (4)	Future Investment (3)	Total Cost
Development Lifecycle								
Development								
Construction in Progress								
Space Held for Development	1,100,113	$227,923	$—	$227,923	1,275,767	$255,096	$—	$255,096
Base Building Construction	902,539	137,236	109,720	246,956	701,878	70,907	58,379	129,286
Datacenter Construction	565,898	198,786	368,603	567,389	640,782	311,472	312,745	624,217
Equipment Pool & Other Inventory		8,935	—	8,935		9,035	—	9,035
Campus, Tenant Improvements & Other		22,106	21,971	44,077		18,482	13,992	32,474
Total Development Construction in Progress	2,568,550	594,986	500,294	1,095,280	2,618,427	664,992	385,116	1,050,108
Land Inventory	(1)	161,714	—	161,714	(1)	183,445	—	183,445
Enhancement & Other		9,134	6,623	15,757		7,882	2,454	10,336
Recurring		11,122	24,194	35,316		12,711	34,439	47,150
Total Construction in Progress		$776,956	$531,111	$1,308,067		$869,030	$422,009	$1,291,039

(1) Represents approximately 276 acres as of June 30, 2016 and approximately 286 acres as of December 31, 2015.

(2) Represents balances incurred through June 30, 2016 and included in building and improvements in the condensed consolidated balance sheets.

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

(4) Represents balances incurred through December 31, 2015 and included in building and improvements in the condensed consolidated balance sheets.

Land inventory and space held for development reflect cumulative cost spent pending future development. Base building construction consists of ongoing improvements to building infrastructure in preparation for future datacenter fit-out. Datacenter construction includes 0.6 million square feet of Turn Key Flex®, Powered Base Building®, and Custom Solutions product with a cost to date of approximately $198.8 million. Generally, we expect to deliver the space within 12 months; however, lease commencement dates may significantly impact final delivery schedules. Equipment pool and other inventory represent the value of long-lead equipment and materials required for timely deployment and delivery of datacenter construction fit-out. Campus, tenant improvements and other costs include the value of development work which benefits space recently converted to our operating portfolio and is composed primarily of shared infrastructure projects and first-generation tenant improvements.

Future Uses of Cash

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. As of June 30, 2016, we had approximately 1.5 million square feet of space under active development and approximately 1.2 million square feet of space held for future development and we also owned approximately 0.6 million net rentable square feet of datacenter space with extensive installed tenant improvements. Turn-Key Flex® 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 Flex® space, we expect to incur significant tenant improvement costs to build out and develop these types of spaces. At June 30, 2016, the approximate 1.5 million square feet of space under active development was under construction for Turn-Key Flex®, Powered Base Building® and Custom Solutions products, all of which are expected to be income producing on or after completion, in five U.S. domestic metropolitan areas, two European metropolitan areas, two Asian metropolitan areas and one Canadian metropolitan area, consisting of approximately 0.9 million square feet of base building construction and 0.6 million square feet of data center construction. At June 30, 2016, we had commitments under construction contracts for approximately $248.8 million. We currently expect to incur approximately $500.0 million to $650.0 million of capital expenditures for our development programs during the six months ending December 31, 2016, 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.

Table of Contents

Historical Capital Expenditures (Cash Basis)

The table below summarizes our capital expenditure activity for the six months June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,	
	2016	2015
Development projects	$241,590	$260,994
Enhancement and improvements	1,349	8,315
Recurring capital expenditures	38,978	41,774
Total capital expenditures (excluding indirect costs)	$281,917	$311,083

For the six months ended June 30, 2016, total capital expenditures decreased $29.2 million to approximately $281.9 million from $311.1 million for the same period in 2015. Capital expenditures on our development projects plus our enhancement and improvements projects for the six months ended June 30, 2016 were approximately $242.9 million, which reflects a decrease of approximately 9.8% from the same period in 2015. This decrease was primarily due to completion of and decreased spending for ground-up Custom Solutions projects, Turn-Key Flex and base building improvements. Our development capital expenditures are generally funded by our available cash and equity and debt capital.

Indirect costs, including capitalized interest, capitalized in the six months ended June 30, 2016 and 2015 were $40.0 million and $32.3 million, respectively. Capitalized interest comprised approximately $7.7 million and $7.5 million, respectively, of the total indirect costs capitalized for the six months ended June 30, 2016 and 2015. Capitalized interest in the six months ended June 30, 2016 increased compared to the same period in 2015 due to an increase in qualifying activities. Excluding capitalized interest, the increase in indirect costs in the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to capitalized amounts relating to compensation expense of employees directly engaged in construction and leasing activities. See "—Future Uses of Cash" above for a discussion of the amount of capital expenditures we expect to incur during the year ending December 31, 2016.

The environmental cleanup work required at the 47700 Kato Road and 1055 Page Avenue property resulting from a prior tenant's activities has been completed. The prior tenant of these buildings completed most of the remaining required environmental cleanup work. In January 2016, we sold this property to an unrelated third party. We continue to seek recovery of past costs incurred for previous environmental cleanup work, as well as other damages. We cannot at this time estimate the likelihood of recovery or the impact on our financial condition and results of operations, however, the amounts are not expected to be material.

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

Consistent with our growth strategy, we actively pursue opportunities for potential acquisitions, with due diligence and negotiations often at different stages at different times. The dollar value of acquisitions for the year ending December 31, 2016 will be based on numerous factors, including tenant demand, leasing results, availability of debt or equity capital and acquisition opportunities.

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

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

Table of Contents

Distributions

All distributions on our units are at the discretion of our parent company's board of directors. During the six months ended June 30, 2016, our operating partnership declared and paid the following distributions (in thousands, except per unit amounts):

Date distribution declared	Distribution payment date	Series E Preferred Units	Series F Preferred Units	Series G Preferred Units	Series H Preferred Units	Series I Preferred Units	Common Units
February 17, 2016	March 31, 2016	$ 5,031	$ 3,023	$ 3,672	$ 6,730	$ 3,969	$ 131,587
May 11, 2016	June 30, 2016	5,031	3,023	3,672	6,730	3,969	131,607
		$ 10,062	$ 6,046	$ 7,344	$ 13,460	$ 7,938	$ 263,194
Annual rate of distribution per unit		$ 1.750	$ 1.656	$ 1.469	$ 1.844	$ 1.588	$ 3.520

Commitments and Contingencies

As part of the acquisition of 29A International Business Park, the seller could earn additional consideration based on future net operating income growth in excess of certain performance targets, as defined in the agreements for the acquisition. The earnout contingency expires in November 2020. The maximum amount that could be earned by the seller is $50.0 million SGD (or approximately $37.1 million based on the exchange rate as of June 30, 2016). As of December 31, 2014, $12.6 million had been accrued related to this earnout agreement, which was subsequently paid in 2015. During 2015, the remaining performance targets were achieved and the Company accrued an additional $19.4 million. The remaining earnout payments will be made in 2016 and 2020 per the terms of the earnout agreement. The amounts accrued have been discounted based on their expected payment date and capitalized to building and improvements as the original purchase was accounted for as an asset acquisition.

One of the tenants at our Convergence Business Park property has an option to expand as part of their lease agreement, which expires in April 2017. As part of this option, development activities were not permitted on specifically identified expansion space within the property until April 2014. From April 2014 through April 2017, the tenant has the right of first refusal on any third party's bona fide offer to buy the adjacent land. If the tenant exercises their option, we may either construct and lease to the tenant an additional shell building on the expansion space at a stipulated rate of return on cost or sell the existing building and the expansion space to the tenant for a price of approximately $24.0 million and $225,000 per square acre, respectively, plus additional adjustments as provided in the lease.

As part of the acquisition of the Sentrum Portfolio, the seller could earn additional consideration based on future net returns on vacant space to be developed, but not currently leased, as defined in the purchase agreement for the acquisition. The initial estimate of fair value of the contingent consideration liability was approximately £56.5 million (or approximately $87.6 million based on the exchange rate as of July 11, 2012, the acquisition date). We have adjusted the contingent consideration to fair value at each reporting date with changes in fair value recognized in operating income. During the six months ended June 30, 2015, we reduced the fair value by approximately £30.3 million (or approximately $45.9 million). The adjustment was the result of an evaluation by management that no additional leases would be executed for vacant space by July 11, 2015, the contingency expiration date. The final payment on the earnout was made in August 2015. The change in fair value of contingent consideration for Sentrum was recorded as a reduction to operating expense of approximately $43.0 million for the six months ended June 30, 2015.

As of June 30, 2016, we were a party to interest rate swap agreements which hedge variability in cash flows related the U.S. LIBOR and SGD-SOR based tranches of the unsecured term loan. 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 3. "Quantitative and Qualitative Disclosures about Market Risk."

Table of Contents

Outstanding Consolidated Indebtedness

The table below summarizes our debt, as of June 30, 2016 (in millions):

Debt Summary:		
Fixed rate	$4,546.5	
Variable rate debt subject to interest rate swaps	1,153.4	
Total fixed rate debt (including interest rate swaps)	5,699.9	
Variable rate—unhedged	500.1	
Total	$6,200.0	
Percent of Total Debt:		
Fixed rate (including swapped debt)	91.9	%
Variable rate	8.1	%
Total	100.0	%
Effective Interest Rate as of June 30, 2016 (1)		
Fixed rate (including hedged variable rate debt)	3.89	%
Variable rate	1.94	%
Effective interest rate	3.73	%

(1) Excludes impact of deferred financing cost amortization.

As of June 30, 2016, we had approximately $6.2 billion of outstanding consolidated long-term debt as set forth in the table above, which excludes deferred financing costs. Our ratio of debt to total enterprise value was approximately 26% (based on the closing price of Digital Realty Trust, Inc.'s common stock on June 30, 2016 of $108.99). For this purpose, our total enterprise value is defined as the sum of the market value of Digital Realty Trust, Inc.'s outstanding common stock (which may decrease, thereby increasing our debt to total enterprise value ratio), excluding options issued under our Amended and Restated 2004 Incentive Award Plan, plus the liquidation value of Digital Realty Trust, Inc.'s preferred stock, plus the aggregate value of our operating partnership's units not held by Digital Realty Trust, Inc. (with the per unit value equal to the market value of one share of Digital Realty Trust, Inc.'s common stock and excluding long-term incentive units, Class C Units and Class D Units), plus the book value of our total consolidated indebtedness.

The variable rate debt shown above bears interest at interest rates based on various one-month LIBOR, EURIBOR, GBP LIBOR, SOR, BBR, HIBOR, JPY LIBOR, CDOR and U.S. Prime rates, depending on the respective agreement governing the debt, including our global revolving credit facility and unsecured term loan. As of June 30, 2016, our debt had a weighted average term to initial maturity of approximately 5.8 years (or approximately 5.8 years assuming exercise of extension options).

Off-Balance Sheet Arrangements

As of June 30, 2016, we were party to interest rate swap agreements related to $1.2 billion of outstanding principal on our variable rate debt. See Item 3. "Quantitative and Qualitative Disclosures about Market Risk."

As of June 30, 2016, our pro-rata share of debt of unconsolidated joint ventures was approximately $136.6 million, of which $54.5 million is subject to interest rate swap agreements.

Table of Contents

Cash Flows

The following summary discussion of our cash flows is based on the condensed 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 Six Months Ended June 30, 2016 to Six Months Ended June 30, 2015

The following table shows cash flows and ending cash and cash equivalent balances for the six months ended June 30, 2016 and 2015 (in thousands).

	Six Months Ended June 30,		
	2016	2015	Change
Net cash provided by operating activities	$395,629	$355,151	$40,478
Net cash used in investing activities	(299,112)	(241,859)	(57,253)
Net cash used in financing activities	(119,119)	(95,461)	(23,658)
Net (decrease) increase in cash and cash equivalents	$(22,602)	$17,831	$(40,433)

The increase in net cash provided by operating activities was due to the acquisition of Telx and increased revenues from new leasing at our stabilized properties, completed and leased development space which was partially offset by increased operating and interest expenses. Our portfolio consisted of 140 operating properties at June 30, 2016 versus 132 operating properties as of June 30, 2015.

Net cash used in investing activities increased for the six months ended June 30, 2016, primarily as a result of a decrease in net proceeds from the sale of properties for the six months ended June 30, 2016 ($35.8 million) as compared to the same period in 2015 ($185.6 million). Cash paid for capital expenditures for the six months ended June 30, 2016 ($332.4 million) decreased from the same period in 2015 ($380.1 million).

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

	Six Months Ended June 30,		
	2016	2015	Change
Repayments of borrowings, net of proceeds	$(353,256)	$(191,074)	$(162,182)
Net proceeds from issuance of common and preferred stock, including equity plans	5,018	220	4,798
Proceeds from unsecured senior notes	675,591	496,190	179,401
Dividend and distribution payments	(434,867)	(387,680)	(47,187)
Other	(11,605)	(13,117)	1,512
Net cash used in financing activities	$(119,119)	$(95,461)	$(23,658)

The change in cash flows from financing activities was due to repayments of borrowings, net increasing during the six months ended June 30, 2016 (net repayments of $353.3 million) as compared to the six months ended June 30, 2015 (net repayments of $191.1 million) in addition to higher dividend and distribution payments. The increase in dividend and distribution payments for the six months ended June 30, 2016 as compared to the same period in 2015 was due to an increase in the number of shares outstanding and dividend amount per share of common stock in 2016 as compared to 2015 and the payment of dividends on our series I preferred stock during the six months ended June 30, 2016, whereas this series of preferred stock was not outstanding for the entire six months ended June 30, 2015.

Table of Contents

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

	Six Months Ended June 30,		
	2016	2015	Change
Repayments of borrowings, net of proceeds	$(353,256)	$(191,074)	$(162,182)
General partner contributions, net	5,018	220	4,798
Proceeds from unsecured senior notes	675,591	496,190	179,401
Distribution payments	(434,867)	(387,680)	(47,187)
Other	(11,605)	(13,117)	1,512
Net cash used in financing activities	$(119,119)	$(95,461)	$(23,658)

The change in cash flows from financing activities was due to repayments of borrowings, net increasing during the six months ended June 30, 2016 (net repayments of $353.3 million) as compared to the six months ended June 30, 2015 (net repayments of $191.1 million) in addition to higher distribution payments. The increase in distribution payments for the six months ended June 30, 2016 as compared to the same period in 2015 was due to an increase in the number of units outstanding and distribution amount per common unit in 2016 as compared to 2015 and the payment of distributions on our series I preferred units during the six months ended June 30, 2016, whereas this series of preferred units was not outstanding for the entire six months ended June 30, 2015.

Noncontrolling Interests in Operating Partnership

Noncontrolling interests relate to the common units in our operating partnership that are not owned by Digital Realty Trust, Inc., which, as of June 30, 2016, amounted to 1.7% of our operating partnership common units. In conjunction with our formation, our operating partnership issued common units to third party sellers in connection with our acquisition of real estate interests from such third parties.

Limited partners who acquired common units in connection with our formation have the right to require our operating partnership to redeem part or all of their common units for cash based upon the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of the redemption. Alternatively, we may elect to acquire those common units in exchange for shares of Digital Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Pursuant to registration rights agreements we entered into with 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.

Inflation

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

Funds from Operations

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

Table of Contents

be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income available to common stockholders	$27,951	$117,055	$67,076	$218,783
Adjustments:				
Noncontrolling interests in operating partnership	457	2,377	1,120	4,403
Real estate related depreciation and amortization (1)	167,043	130,198	333,955	258,021
Impairment charge on Telx trade name	6,122	—	6,122	—
Real estate related depreciation and amortization related to investment in unconsolidated joint ventures	2,810	3,187	5,613	5,791
Gain on sale of properties	—	(76,669)	(1,097)	(94,489)
FFO available to common stockholders and unitholders (2)	$204,383	$176,148	$412,789	$392,509
Basic FFO per share and unit	$1.37	$1.27	$2.77	$2.83
Diluted FFO per share and unit (2)	$1.36	$1.26	$2.75	$2.82
Weighted average common stock and units outstanding				
Basic	149,227	138,568	149,137	138,488
Diluted (2)	150,211	139,257	149,859	138,991

(1) Real estate related depreciation and amortization was computed as follows:

Depreciation and amortization per income statement	$175,594	$131,524	344,610	260,597
Non-real estate depreciation	(2,429)	(1,326)	(4,533)	(2,576)
Impairment charge on Telx trade name	(6,122)	—	(6,122)	—
	$167,043	$130,198	$333,955	$258,021

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted average common stock and units outstanding	149,227	138,568	149,137	138,488
Add: Effect of dilutive securities	984	689	722	503
Weighted average common stock and units outstanding—diluted	150,211	139,257	149,859	138,991

Table of Contents

ITEM 3. 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 June 30, 2016, our consolidated debt was as follows (in millions):

	Carrying Value	Estimated Fair Value
Fixed rate debt	$ 4,546.5	$ 4,842.2
Variable rate debt subject to interest rate swaps	1,153.4	1,153.4
Total fixed rate debt (including interest rate swaps)	5,699.9	5,995.6
Variable rate debt	500.1	500.1
Total outstanding debt	$ 6,200.0	$ 6,495.7

Interest rate derivatives included in this table and their fair values as of June 30, 2016 and December 31, 2015 were as follows (in thousands):

Notional Amount							Fair Value at Significant Other Observable Inputs (Level 2)	
As of June 30, 2016	As of December 31, 2015	Type of Derivative	Strike Rate	Effective Date	Expiration Date	As of June 30, 2016	As of December 31, 2015
Currently-paying contracts							
$206,000 (1)	$ 206,000 (1)	Swap	0.932	Jun 18, 2012	Apr 18, 2017	$ (752)	$ (416)
54,905 (1)	54,905 (1)	Swap	0.670	Aug 6, 2012	Apr 6, 2017	(81)	69
—	75,000 (1)	Swap	0.500	Aug 6, 2012	Apr 6, 2016	—	(10)
75,000 (1)	—	Swap	1.016	Apr 6, 2016	Jan 6, 2021	(743)	—
75,000 (1)	—	Swap	1.164	Jan 15, 2016	Jan 15, 2021	(1,235)	—
300,000 (2)	—	Swap	1.435	Jan 15, 2016	Jan 15, 2023	(8,386)	—
140,666 (3)	133,579 (3)	Swap	0.925	Jul 17, 2012	Apr 18, 2017	49	1,500
225,588 (4)	—	Swap	0.792	Jan 15, 2016	Jan 15, 2019	(3,277)	—
76,209 (5)	—	Swap	0.779	Jan 15, 2016	Jan 15, 2021	303	—
$1,153,368	$ 469,484					$ (14,122)	$ 1,143

(1) Represents portions of the U.S. dollar tranche of the 5-Year Term Loan.

(2) Represents the U.S. dollar tranche of the 7-Year Term Loan.

(3) Represents a portion of the Singapore dollar tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rate of $0.74 to 1.00 SGD as of June 30, 2016 and $0.70 to 1.00 SGD as of December 31, 2015.

(4) Represents the British pound sterling tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rate of $1.33 to £1.00 as of June 30, 2016.

(5) Represents the Canadian dollar tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rate of $0.77 to 1.00 CAD as of June 30, 2016.

Table of Contents

Sensitivity to Changes in Interest Rates

The following table shows the effect if assumed changes in interest rates occurred, based on fair values and interest expense as of June 30, 2016:

Assumed event	Change ($ millions)
Increase in fair value of interest rate swaps following an assumed 10% increase in interest rates	$ 2.7
Decrease in fair value of interest rate swaps following an assumed 10% decrease in interest rates	(2.7)
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	0.8
Decrease in annual interest expense on our debt that is variable rate and not subject to swapped interest following a 10% decrease in interest rates	(0.8)
Increase in fair value of fixed rate debt following a 10% decrease in interest rates	23.4
Decrease in fair value of fixed rate debt following a 10% increase in interest rates	(13.8)

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

Foreign Currency Exchange Risk

For the six months ended June 30, 2016 and 2015, we had foreign operations in the United Kingdom, Ireland, France, The Netherlands, Switzerland, Canada, Singapore, Australia, Japan and Hong Kong, and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Swiss franc, Australian dollar, Singapore dollar, Canadian dollar, Hong Kong dollar and the Japanese yen. Our primary currency exposures are to the British pound sterling, Euro and the Singapore dollar. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations, 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 stockholders' equity. For the three months ended June 30, 2016 and 2015, operating revenues from properties outside the United States contributed $101.4 million and $97.9 million, respectively, which represented 19.7% and 23.3% of our total operating revenues, respectively. For the six months ended June 30, 2016 and 2015, operating revenues from properties outside the United States contributed $199.3 million and $189.8 million, respectively, which represented 19.6% and 23.0% of our total operating revenues, respectively. Net investment in properties outside the United States was $2.5 billion and $2.6 billion as of June 30, 2016 and December 31, 2015, respectively. Net assets in foreign operations were approximately $0.1 billion and $0.5 billion as of June 30, 2016 and December 31, 2015, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures (Digital Realty Trust, Inc.)

The company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to its management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the company's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and its management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the company has investments in certain unconsolidated entities, which are accounted for using the equity method of accounting. As the company does not control or manage these entities, its disclosure controls and procedures with respect to such entities may be substantially more limited than those it maintains with respect to its consolidated subsidiaries.

As required by Rule 13a-15(b) or Rule 15d-15(b) of the Securities Exchange Act of 1934, as amended, management of the company carried out an evaluation, under the supervision and with participation of its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures that were in effect as of the end

Table of Contents

of the quarter covered by this report. Based on the foregoing, the company's chief executive officer and chief financial officer concluded that its disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the second quarter of 2016, we completed an upgrade of our general ledger system. This system was used to produce information contained in this Quarterly Report. There have been no other changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures (Digital Realty Trust, L.P.)

The operating partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to its management, including the chief executive officer and chief financial officer of its general partner, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the operating partnership's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and its management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the operating partnership has investments in certain unconsolidated entities, which are accounted for using the equity method of accounting. As the operating partnership does not control or manage these entities, its disclosure controls and procedures with respect to such entities may be substantially more limited than those it maintains with respect to its consolidated subsidiaries.

As required by Rule 13a-15(b) or Rule 15d-15(b) of the Securities Exchange Act of 1934, as amended, management of the operating partnership carried out an evaluation, under the supervision and with participation of the chief executive officer and chief financial officer of its general partner, of the effectiveness of the design and operation of its disclosure controls and procedures that were in effect as of the end of the quarter covered by this report. Based on the foregoing, the chief executive officer and chief financial officer of the operating partnership's general partner concluded that its disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the second quarter of 2016, we completed an upgrade of our general ledger system. This system was used to produce information contained in this Quarterly Report. There have been no other changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.
None.
ITEM 1A. RISK FACTORS.
The risk factors discussed under the heading "Risk Factors" and elsewhere in the company's and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2015, as amended, continue to apply to our business.
The information presented below updates, and should be read in conjunction with, the risk factors discussed in the company's and the operating partnership's Annual Report on Form 10-K for the year ended December 31, 2015, as amended:

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our results of operations.

We are a multinational company with worldwide operations, including material business operations in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal could depress economic activity and restrict our access to capital. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.
Digital Realty Trust, Inc.
None.
Digital Realty Trust, L.P.
During the three months ended June 30, 2016, our operating partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:
During the three months ended June 30, 2016, Digital Realty Trust, Inc. issued an aggregate of 2,600 shares of its common stock upon the exercise of stock options. Digital Realty Trust, Inc. contributed the proceeds from the option exercises of approximately $0.1 million to our operating partnership in exchange for an aggregate of 2,600 common units, as required by our operating partnership's partnership agreement.
During the three months ended June 30, 2016, Digital Realty Trust, Inc. issued an aggregate of 6,194 shares of its common stock in connection with restricted stock awards for no cash consideration. For each share of common stock issued by Digital Realty Trust, Inc. in connection with such an award, our operating partnership issued a restricted

common unit to Digital Realty Trust, Inc. During the three months ended June 30, 2016, our operating partnership issued an aggregate of 6,194 common units to Digital Realty Trust, Inc., as required by our operating partnership's partnership agreement. During the three months ended June 30, 2016, an aggregate of 15,847 shares of its common stock were forfeited to Digital Realty Trust, Inc. in connection with restricted stock awards for a net forfeiture of 9,653 shares of common stock.

Table of Contents

For these issuances of common units to Digital Realty Trust, Inc., our operating partnership relied on Digital Realty Trust, Inc.'s status as a publicly traded NYSE-listed company with approximately $11.3 billion in total consolidated assets and as our operating partnership's majority owner and general partner as the basis for the exemption under Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

Table of Contents

ITEM 6. EXHIBITS.

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Digital Realty Trust, Inc., as amended.
3.2	Fifth Amended and Restated Bylaws of Digital Realty Trust, Inc. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, Inc.'s Current Report on Form 8-K filed on May 2, 2014).
3.3	Certificate of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 filed on June 25, 2010 (File No. 000-54023)).
3.4	Fourteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P., as amended (incorporated by reference to Exhibit 3.1 to the Combined Current Report on Form 8-K/A of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on October 19, 2015).
4.1	Indenture, dated as of April 15, 2016, among Digital Euro Finco, LLC, Digital Realty Trust, Inc., Digital Realty Trust, L.P., Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent and a transfer agent, and Deutsche Bank Luxembourg S.A., as registrar and a transfer agent, including the form of the 2.625% Guaranteed Notes due 2024 (incorporated by reference to the Combined Current Report on 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on April 19, 2016).
12.1	Statement of Computation of Ratios.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer for Digital Realty Trust, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer for Digital Realty Trust, Inc.
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer for Digital Realty Trust, L.P.
31.4	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer for Digital Realty Trust, L.P.
32.1	18 U.S.C. § 1350 Certification of Chief Executive Officer for Digital Realty Trust, Inc.
32.2	18 U.S.C. § 1350 Certification of Chief Financial Officer for Digital Realty Trust, Inc.
32.3	18 U.S.C. § 1350 Certification of Chief Executive Officer for Digital Realty Trust, L.P.
32.4	18 U.S.C. § 1350 Certification of Chief Financial Officer for Digital Realty Trust, L.P.
101	The following financial statements from Digital Realty Trust, Inc.'s and Digital Realty Trust, L.P.'s Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015; (ii) Condensed Consolidated Income Statements for the three and six months ended June 30, 2016 and 2015; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015; (iv) Condensed Consolidated Statements of Equity/Capital for the six months ended June 30, 2016;

(v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015; and (vi) Notes to Condensed Consolidated Financial Statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIGITAL REALTY TRUST, INC.

August 9, 2016 /S/ A. WILLIAM STEIN
A. William Stein
Chief Executive Officer
(principal executive officer)

August 9, 2016 /S/ ANDREW P. POWER
Andrew P. Power
Chief Financial Officer
(principal financial officer)

August 9, 2016 /S/ EDWARD F. SHAM
Edward F. Sham
Sr. Vice President and Chief Accounting Officer
(principal accounting officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIGITAL REALTY TRUST, L.P.

By: Digital Realty Trust, Inc.
Its general partner

By:

August 9, 2016 /S/ A. WILLIAM STEIN
A. William Stein
Chief Executive Officer
(principal executive officer)

August 9, 2016 /S/ ANDREW P. POWER
Andrew P. Power
Chief Financial Officer
(principal financial officer)

August 9, 2016 /s/ EDWARD F. SHAM
Edward F. Sham
Sr. Vice President and Chief Accounting Officer
(principal accounting officer)

Table of Contents

Exhibit Index

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Digital Realty Trust, Inc., as amended.
3.2	Fifth Amended and Restated Bylaws of Digital Realty Trust, Inc. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, Inc.'s Current Report on Form 8-K filed on May 2, 2014).
3.3	Certificate of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 filed on June 25, 2010 (File No. 000-54023)).
3.4	Fourteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P., as amended (incorporated by reference to Exhibit 3.1 to the Combined Current Report on Form 8-K/A of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on October 19, 2015).
4.1	Indenture, dated as of April 15, 2016, among Digital Euro Finco, LLC, Digital Realty Trust, Inc., Digital Realty Trust, L.P., Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent and a transfer agent, and Deutsche Bank Luxembourg S.A., as registrar and a transfer agent, including the form of the 2.625% Guaranteed Notes due 2024 (incorporated by reference to the Combined Current Report on 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on April 19, 2016).
12.1	Statement of Computation of Ratios.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer for Digital Realty Trust, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer for Digital Realty Trust, Inc.
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer for Digital Realty Trust, L.P.
31.4	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer for Digital Realty Trust, L.P.
32.1	18 U.S.C. § 1350 Certification of Chief Executive Officer for Digital Realty Trust, Inc.
32.2	18 U.S.C. § 1350 Certification of Chief Financial Officer for Digital Realty Trust, Inc.
32.3	18 U.S.C. § 1350 Certification of Chief Executive Officer for Digital Realty Trust, L.P.
32.4	18 U.S.C. § 1350 Certification of Chief Financial Officer for Digital Realty Trust, L.P.
101	The following financial statements from Digital Realty Trust, Inc.'s and Digital Realty Trust, L.P.'s Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015; (ii) Condensed Consolidated Income Statements for the three and six months ended June 30, 2016 and 2015; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015; (iv) Condensed Consolidated Statements of Equity/Capital for the six months ended June 30, 2016; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015;

and (vi) Notes to Condensed Consolidated Financial Statements.