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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2020

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, California 94111
(Address of principal executive offices)

(415) 738-6500

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	DLR	New York Stock Exchange
Series C Cumulative Redeemable Perpetual Preferred Stock	DLR Pr C	New York Stock Exchange
Series J Cumulative Redeemable Preferred Stock	DLR Pr J	New York Stock Exchange
Series K Cumulative Redeemable Preferred Stock	DLR Pr K	New York Stock Exchange
Series L Cumulative Redeemable Preferred Stock	DLR Pr L	New York Stock Exchange

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 No

Digital Realty Trust, L.P.

Yes No

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Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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

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

Digital Realty Trust, Inc.:

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

Digital Realty Trust, L.P.:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Digital Realty Trust, Inc.
Digital Realty Trust, L.P.

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
Digital Realty Trust, L.P. Yes No

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 November 4, 2020
Common Stock, \$.01 par value per share	280,165,183

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2020 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 September 30, 2020, Digital Realty Trust, Inc. owned an approximate 97.2% common general partnership interest in Digital Realty Trust, L.P. The remaining approximate 2.8% of the common limited partnership interests of Digital Realty Trust, L.P. are owned by non-affiliated third parties and certain directors and officers of Digital Realty Trust, Inc. As of September 30, 2020, 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. does not conduct business itself, other than acting as the sole general partner of Digital Realty Trust, L.P., issuing public equity from time to time and guaranteeing certain unsecured debt of Digital Realty Trust, L.P. and certain of its subsidiaries and affiliates. Digital Realty Trust, Inc. itself does not issue any indebtedness but guarantees the unsecured debt of Digital Realty Trust, L.P. and certain of its subsidiaries and affiliates, as disclosed in this report. Digital Realty Trust, L.P. holds substantially all the assets of the Company and holds the ownership interests in the Company’s joint ventures. Digital Realty Trust, L.P. conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by Digital Realty Trust, Inc., which are generally contributed to Digital Realty Trust, L.P. in exchange for partnership units, Digital Realty Trust, L.P. generates the capital required by the Company’s business through Digital Realty Trust, L.P.’s operations, by Digital Realty Trust, L.P.’s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

The presentation of noncontrolling interests in operating partnership, stockholders’ equity and partners’ capital are the main areas of difference between the 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.

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";
 - "Earnings per Share" and "Earnings per Unit"; and
 - "Equity and Accumulated Other Comprehensive Loss, Net" and "Capital and Accumulated Other Comprehensive Loss";
- 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 operates the business through the Operating Partnership.

As general partner with control of the Operating Partnership, Digital Realty Trust, Inc. consolidates the Operating Partnership for financial reporting purposes, and it does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. are the same on their respective 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.

In this report, "properties" and "buildings" refer to all or any of the buildings in our portfolio, including data centers and non-data centers, and "data centers" refers only to the properties or buildings in our portfolio that contain data center space. In this report, "global revolving credit facility" refers to our Operating Partnership's \$2.35 billion senior unsecured revolving credit facility and global senior credit agreement, as amended; "term loan facility" or "unsecured term loans" refers to our Operating Partnership's senior unsecured multi-currency term loan facility and term loan agreement, as amended, which governs a \$300 million five-year senior unsecured term loan and a \$512 million five-year senior unsecured term loan; "Yen revolving credit facility" refers to our Operating Partnership's ¥33,285,000,000 (approximately \$316 million based on exchange rates at September 30, 2020) senior unsecured revolving credit facility and Yen credit agreement, as amended; and "revolving credit facilities" or "global revolving credit facilities" refer to our global revolving credit facility and our Yen revolving credit facility, collectively.

DIGITAL REALTY TRUST, INC. AND DIGITAL REALTY TRUST, L.P.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2020
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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS**
(unaudited, in thousands, except share and per share data)

	September 30, 2020	December 31, 2019
ASSETS		
Investments in real estate:		
Properties:		
Land	\$ 1,163,391	\$ 804,830
Acquired ground leases	10,752	10,725
Buildings and improvements	20,293,589	15,449,884
Tenant improvements	657,753	621,153
Total investments in operating properties	22,125,485	16,886,592
Accumulated depreciation and amortization	(5,250,140)	(4,536,169)
Net investments in operating properties	16,875,345	12,350,423
Construction in progress and space held for development	2,328,655	1,732,555
Land held for future development	198,536	147,597
Net investments in properties	19,402,536	14,230,575
Investments in unconsolidated joint ventures	1,059,978	1,287,109
Net investments in real estate	20,462,514	15,517,684
Operating lease right-of-use assets, net	1,363,285	628,681
Cash and cash equivalents	971,305	89,817
Accounts and other receivables, net	585,506	305,501
Deferred rent	510,627	478,744
Acquired above-market leases, net	50,080	74,815
Goodwill	8,012,256	3,363,070
Customer relationship value, deferred leasing costs and intangibles, net	3,106,414	2,195,324
Assets held for sale	—	229,934
Other assets	373,346	184,561
Total assets	<u>\$ 35,435,333</u>	<u>\$ 23,068,131</u>
LIABILITIES AND EQUITY		
Global revolving credit facilities, net	\$ 124,082	\$ 234,105
Unsecured term loans, net	512,642	810,219
Unsecured senior notes, net of discount	11,999,170	8,973,190
Secured debt, including premiums	238,866	104,934
Operating lease liabilities	1,444,060	693,539
Accounts payable and other accrued liabilities	2,187,025	1,007,761
Accrued dividends and distributions	571	234,620
Acquired below-market leases, net	135,263	148,774
Security deposits and prepaid rents	353,902	208,724
Obligations associated with assets held for sale	—	2,700
Total liabilities	<u>16,995,581</u>	<u>12,418,566</u>

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

	September 30, 2020	December 31, 2019
Redeemable noncontrolling interests	41,265	41,465
Commitments and contingencies		
Equity:		
Stockholders' Equity:		
Preferred Stock: \$0.01 par value per share, 110,000,000 shares authorized; \$956,250 and \$1,456,250 liquidation preference (\$25.00 per share), 38,250,000 and 58,250,000 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	950,940	1,434,420
Common Stock: \$0.01 par value per share, 392,000,000 and 315,000,000 shares authorized as of September 30, 2020 and December 31, 2019, respectively, 279,920,621 and 208,900,758 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	2,784	2,073
Additional paid-in capital	20,566,645	11,577,320
Accumulated dividends in excess of earnings	(3,726,901)	(3,046,579)
Accumulated other comprehensive loss, net	(123,623)	(87,922)
Total stockholders' equity	17,669,845	9,879,312
Noncontrolling Interests:		
Noncontrolling interests in operating partnership	620,676	708,163
Noncontrolling interests in consolidated joint ventures	107,966	20,625
Total noncontrolling interests	728,642	728,788
Total equity	18,398,487	10,608,100
Total liabilities and equity	<u>\$ 35,435,333</u>	<u>\$ 23,068,131</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS
(unaudited, in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Revenues:				
Rental and other services	\$ 1,020,931	\$ 802,472	\$ 2,828,678	\$ 2,413,888
Fee income and other	3,737	3,994	12,322	7,890
Total operating revenues	1,024,668	806,466	2,841,000	2,421,778
Operating Expenses:				
Rental property operating and maintenance	358,679	259,431	957,034	766,417
Property taxes and insurance	42,659	41,358	136,770	126,587
Depreciation and amortization	365,842	286,718	1,006,464	888,766
General and administrative	91,352	49,985	249,181	156,427
Transactions and integration	14,953	4,115	87,372	10,819
Impairment of investments in real estate	6,482	—	6,482	5,351
Other	298	92	434	12,129
Total operating expenses	880,265	641,699	2,443,737	1,966,496
Operating income	144,403	164,767	397,263	455,282
Other Income (Expenses):				
Equity in loss of unconsolidated joint ventures	(2,056)	(19,269)	(88,684)	(3,090)
Gain on deconsolidation, net	—	—	—	67,497
Gain on disposition of properties, net	10,410	—	315,211	—
Interest and other income, net	4,348	16,842	22,969	55,266
Interest expense	(89,499)	(84,574)	(255,173)	(272,177)
Income tax expense	(16,053)	(4,826)	(34,725)	(13,726)
Loss from early extinguishment of debt	(53,007)	(5,366)	(53,639)	(39,157)
Net (loss) income	(1,454)	67,574	303,222	249,895
Net loss (income) attributable to noncontrolling interests	1,316	(1,077)	(4,515)	(6,418)
Net (loss) income attributable to Digital Realty Trust, Inc.	(138)	66,497	298,707	243,477
Preferred stock dividends, including undeclared dividends	(20,712)	(16,670)	(63,022)	(54,283)
Issuance costs associated with redeemed preferred stock	(16,520)	—	(16,520)	(11,760)
Net (loss) income available to common stockholders	\$ (37,370)	\$ 49,827	\$ 219,165	\$ 177,434
Net (loss) income per share available to common stockholders:				
Basic	\$ (0.14)	\$ 0.24	\$ 0.86	\$ 0.85
Diluted	\$ (0.14)	\$ 0.24	\$ 0.85	\$ 0.85
Weighted average common shares outstanding:				
Basic	270,214,413	208,421,470	253,377,527	208,173,995
Diluted	270,214,413	209,801,771	256,362,579	209,199,535

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (1,454)	\$ 67,574	\$ 303,222	\$ 249,895
Other comprehensive income (loss):				
Foreign currency translation adjustments	233,747	24,668	(34,796)	44,824
Reclassification of foreign currency translation adjustment due to deconsolidation of Ascenty	—	—	—	21,687
Decrease in fair value of interest rate swaps	137	(1,000)	(12,711)	(11,379)
Reclassification to interest expense from interest rate swaps	7,673	(1,805)	7,899	(6,055)
Other comprehensive income (loss)	241,557	21,863	(39,608)	49,077
Comprehensive income	240,103	89,437	263,614	298,972
Comprehensive income attributable to noncontrolling interests	(5,516)	(1,953)	(609)	(8,426)
Comprehensive income attributable to Digital Realty Trust, Inc.	<u>\$ 234,587</u>	<u>\$ 87,484</u>	<u>\$ 263,005</u>	<u>\$ 290,546</u>

See accompanying notes to the condensed consolidated financial statements.

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

Three Months Ended	Redeemable	Preferred	Number of Common	Common	Additional Paid-in	Accumulated Dividends in Excess of	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling Interests in Operating	Noncontrolling Interests in Consolidated	Total Noncontrolling	
September 30, 2020	Noncontrolling Interests	Stock	Shares	Stock	Capital	Earnings	Loss, Net	Equity	Partnership	Joint Ventures	Interests	Total Equity
Balance as of June 30, 2020	\$ 40,584	\$ 1,434,420	268,399,073	\$ 2,670	\$ 19,292,311	\$ (3,386,525)	\$ (358,349)	\$ 16,984,527	\$ 633,831	\$ 64,291	\$ 698,122	\$ 17,682,649
Conversion of common units to common stock	—	—	121,967	1	10,303	—	—	10,304	(10,304)	—	(10,304)	—
Issuance of common stock, net of costs	—	—	11,329,722	113	1,244,990	—	—	1,245,103	—	—	—	1,245,103
Shares issued under employee stock purchase plan	—	—	32,902	—	3,865	—	—	3,865	—	—	—	3,865
Shares repurchased and retired to satisfy tax withholding upon vesting	—	—	—	—	(3,820)	—	—	(3,820)	—	—	—	(3,820)
Amortization of share-based compensation	—	—	—	—	20,334	—	—	20,334	—	—	—	20,334
Vesting of restricted stock, net	—	—	36,957	—	—	—	—	—	—	—	—	—
Reclassification of vested share-based awards	—	—	—	—	(612)	—	—	(612)	612	—	612	—
Reclassification of series G preferred stock to accounts payable and other accrued liabilities	—	(241,468)	—	—	—	(8,532)	—	(250,000)	—	—	—	(250,000)
Redemption of series I preferred stock	—	(242,012)	—	—	—	(7,988)	—	(250,000)	—	—	—	(250,000)
Adjustment to redeemable noncontrolling interests	726	—	—	—	(726)	—	—	(726)	—	—	—	(726)
Dividends declared on preferred stock	—	—	—	—	—	(20,712)	—	(20,712)	—	—	—	(20,712)
Dividends and distributions on common stock and incentive units	(175)	—	—	—	—	(303,006)	—	(303,006)	(9,314)	—	(9,314)	(312,320)
Contributions from noncontrolling interests	522	—	—	—	—	—	—	—	—	43,663	43,663	43,663
Net income (loss)	(347)	—	—	—	—	(138)	—	(138)	(981)	12	(969)	(1,107)
Other comprehensive income—foreign currency translation adjustments	(45)	—	—	—	—	—	227,136	227,136	6,611	—	6,611	233,747
Other comprehensive loss—fair value of interest rate swaps	—	—	—	—	—	—	134	134	4	—	4	138
Other comprehensive income—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	7,456	7,456	217	—	217	7,673
Balance as of September 30, 2020	\$ 41,265	\$ 950,940	279,920,621	\$ 2,784	\$ 20,566,645	\$ (3,726,901)	\$ (123,623)	\$ 17,669,845	\$ 620,676	\$ 107,966	\$ 728,642	\$ 18,398,487

See accompanying notes to the condensed consolidated financial statements.

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

Nine Months Ended	Redeemable	Preferred	Number of Common	Common	Additional Paid-in	Accumulated Dividends in Excess of	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling Interests in Operating	Noncontrolling Interests in Consolidated	Total Noncontrolling	
September 30, 2020	Noncontrolling Interests	Stock	Shares	Stock	Capital	Earnings	Loss, Net	Equity	Partnership	Joint Ventures	Interests	Total Equity
Balance as of December 31, 2019	\$ 41,465	\$ 1,434,420	208,900,758	\$ 2,073	\$ 11,577,320	\$ (3,046,579)	\$ (87,922)	\$ 9,879,312	\$ 708,163	\$ 20,625	\$ 728,788	\$ 10,608,100
Conversion of common units to common stock	—	—	927,779	9	80,577	—	—	80,586	(80,586)	—	(80,586)	—
Common stock and share-based awards issued in connection with Interxion combination	—	—	54,298,595	543	6,984,509	—	—	6,985,052	—	—	—	6,985,052
Issuance of common stock, net of costs	—	—	15,915,673	159	1,889,575	—	—	1,889,734	—	—	—	1,889,734
Shares issued under employee stock purchase plan	—	—	58,136	—	6,503	—	—	6,503	—	—	—	6,503
Shares repurchased and retired to satisfy tax withholding upon vesting	—	—	—	—	(8,570)	—	—	(8,570)	—	—	—	(8,570)
Amortization of share-based compensation	—	—	—	—	58,064	—	—	58,064	—	—	—	58,064
Vesting of restricted stock, net	—	—	(180,320)	—	—	—	—	—	—	—	—	—
Reclassification of vested share-based awards	—	—	—	—	(17,116)	—	—	(17,116)	17,116	—	17,116	—
Reclassification of series G preferred stock to accounts payable and other accrued liabilities	—	(241,468)	—	—	—	(8,532)	—	(250,000)	—	—	—	(250,000)
Redemption of series I preferred stock	—	(242,012)	—	—	—	(7,988)	—	(250,000)	—	—	—	(250,000)
Adjustment to redeemable noncontrolling interests	4,217	—	—	—	(4,217)	—	—	(4,217)	—	—	—	(4,217)
Dividends declared on preferred stock	—	—	—	—	—	(63,022)	—	(63,022)	—	—	—	(63,022)
Dividends and distributions on common stock and common and incentive units	(525)	—	—	—	—	(899,487)	—	(899,487)	(28,464)	—	(28,464)	(927,951)
Contributions from noncontrolling interests	2,089	—	—	—	—	—	—	—	—	87,645	87,645	87,645
Net income (loss)	(3,535)	—	—	—	—	298,707	—	298,707	8,354	(304)	8,050	306,757
Other comprehensive loss—foreign currency translation adjustments	(2,446)	—	—	—	—	—	(31,121)	(31,121)	(3,675)	—	(3,675)	(34,796)
Other comprehensive loss—fair value of interest rate swaps	—	—	—	—	—	—	(12,259)	(12,259)	(452)	—	(452)	(12,711)
Other comprehensive income—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	7,679	7,679	220	—	220	7,899
Balance as of September 30, 2020	\$ 41,265	\$ 950,940	279,920,621	\$ 2,784	\$ 20,566,645	\$ (3,726,901)	\$ (123,623)	\$ 17,669,845	\$ 620,676	\$ 107,966	\$ 728,642	\$ 18,398,487

See accompanying notes to the condensed consolidated financial statements.

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

Three Months Ended September 30, 2019	Redeemable	Preferred	Number of Common	Common	Additional Paid-in	Accumulated Dividends in Excess of	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling Interests in Operating	Noncontrolling Interests in Consolidated	Total Noncontrolling	
September 30, 2019	Noncontrolling Interests	Stock	Shares	Stock	Capital	Earnings	Loss, Net	Equity	Partnership	Joint Ventures	Interests	Total Equity
Balance as of June 30, 2019	\$ 17,344	\$1,099,534	208,324,538	\$ 2,067	\$11,511,519	\$ (2,961,307)	\$ (89,588)	\$ 9,562,225	\$ 756,050	\$ 155,445	\$ 911,495	\$10,473,720
Conversion of common units to common stock	—	—	218,752	2	18,753	—	—	18,755	(18,755)	—	(18,755)	—
Issuance of unvested restricted stock, net of forfeitures	—	—	1,414	—	—	—	—	—	—	—	—	—
Payment of offering costs	—	—	—	—	(282)	—	—	(282)	—	—	—	(282)
Shares issued under employee stock purchase plan	—	—	38,540	—	3,203	—	—	3,203	—	—	—	3,203
Amortization of share-based compensation	—	—	—	—	9,913	—	—	9,913	—	—	—	9,913
Reclassification of vested share-based awards	—	—	—	—	(250)	—	—	(250)	250	—	250	—
Adjustment to redeemable noncontrolling interests	1,876	—	—	—	(1,876)	—	—	(1,876)	—	—	—	(1,876)
Dividends declared on preferred stock	—	—	—	—	—	(16,670)	—	(16,670)	—	—	—	(16,670)
Dividends and distributions on common stock and common and incentive units	—	(169)	—	—	—	(225,188)	—	(225,188)	(9,490)	—	(9,490)	(234,678)
Distributions to noncontrolling interests in consolidated joint ventures, net of contributions	—	—	—	—	—	—	—	—	—	(1,787)	(1,787)	(1,787)
Deconsolidation of consolidated joint venture	—	—	—	—	—	—	—	—	—	(110,086)	(110,086)	(110,086)
Net income (loss)	39	—	—	—	—	66,497	—	66,497	2,261	(1,223)	1,038	67,535
Other comprehensive income—foreign currency translation adjustments	—	—	—	—	—	—	23,652	23,652	1,016	—	1,016	24,668
Other comprehensive loss—fair value of interest rate swaps	—	—	—	—	—	—	(958)	(958)	(42)	—	(42)	(1,000)
Other comprehensive loss—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	(1,731)	(1,731)	(74)	—	(74)	(1,805)
Balance as of September 30, 2019	\$ 19,090	\$1,099,534	208,583,244	\$ 2,069	\$11,540,980	\$ (3,136,668)	\$ (68,625)	\$ 9,437,290	\$ 731,216	\$ 42,349	\$ 773,565	\$10,210,855

See accompanying notes to the condensed consolidated financial statements.

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

Nine Months Ended	Redeemable	Preferred	Number of Common	Common	Additional Paid-in	Accumulated Dividends in Excess of	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling Interests in Operating	Noncontrolling Interests in Consolidated	Total Noncontrolling	
September 30, 2019	Noncontrolling Interests	Stock	Shares	Stock	Capital	Earnings	Loss, Net	Equity	Partnership	Joint Ventures	Interests	Total Equity
Balance as of December 31, 2018	\$ 15,832	\$ 1,249,560	206,425,656	\$ 2,051	\$ 11,355,751	\$ (2,633,071)	\$ (115,647)	\$ 9,858,644	\$ 906,510	\$ 93,056	\$ 999,566	\$ 10,858,210
Conversion of common units to common stock	—	—	1,841,692	18	163,843	—	—	163,861	(163,861)	—	(163,861)	—
Issuance of unvested restricted stock, net of forfeitures	—	—	252,122	—	—	—	—	—	—	—	—	—
Payment of offering costs	—	—	—	—	(1,258)	—	—	(1,258)	—	—	—	(1,258)
Shares issued under employee stock purchase plan	—	—	63,774	—	5,462	—	—	5,462	—	—	—	5,462
Issuance of series K preferred stock, net of offering costs	—	203,264	—	—	—	—	—	203,264	—	—	—	203,264
Redemption of series H preferred stock	—	(353,290)	—	—	—	(11,760)	—	(365,050)	—	—	—	(365,050)
Amortization of share-based compensation	—	—	—	—	28,774	—	—	28,774	—	—	—	28,774
Reclassification of vested share-based awards	—	—	—	—	(7,962)	—	—	(7,962)	7,962	—	7,962	—
Adjustment to redeemable noncontrolling interests	3,630	—	—	—	(3,630)	—	—	(3,630)	—	—	—	(3,630)
Dividends declared on preferred stock	—	—	—	—	—	(54,283)	—	(54,283)	—	—	—	(54,283)
Dividends and distributions on common stock and common and incentive units	(507)	—	—	—	—	(674,713)	—	(674,713)	(29,315)	—	(29,315)	(704,028)
Contributions from noncontrolling interests in consolidated joint ventures, net of distributions	—	—	—	—	—	—	—	—	—	60,961	60,961	60,961
Deconsolidation of consolidated joint venture	—	—	—	—	—	—	—	—	—	(110,086)	(110,086)	(110,086)
Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	—	(6,318)	—	(6,318)	—	—	—	(6,318)
Net income (loss)	135	—	—	—	—	243,477	—	243,477	7,865	(1,582)	6,283	249,760
Other comprehensive income—foreign currency translation adjustments	—	—	—	—	—	—	63,725	63,725	2,786	—	2,786	66,511
Other comprehensive loss—fair value of interest rate swaps	—	—	—	—	—	—	(10,901)	(10,901)	(478)	—	(478)	(11,379)
Other comprehensive loss—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	(5,802)	(5,802)	(253)	—	(253)	(6,055)
Balance as of September 30, 2019	\$ 19,090	\$ 1,099,534	208,583,244	\$ 2,069	\$ 11,540,980	\$ (3,136,668)	\$ (68,625)	\$ 9,437,290	\$ 731,216	\$ 42,349	\$ 773,565	\$ 10,210,855

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 303,222	\$ 249,895
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on deconsolidation / disposition of properties, net	(315,211)	(67,497)
Gain on sale of marketable equity security	(17,883)	—
Unrealized gain on marketable equity security	(3,289)	(34,931)
Impairment of investments in real estate	6,482	5,351
Equity in loss of unconsolidated joint ventures	88,684	3,090
Distributions from unconsolidated joint ventures	18,939	26,739
Write-off due to early lease terminations	433	9,633
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	737,620	612,678
Amortization of customer relationship value, acquired in-place lease value and deferred leasing costs	268,844	276,088
Amortization of share-based compensation	54,938	25,966
Non-cash amortization of terminated swaps	786	785
Allowance for doubtful accounts	5,669	1,871
Amortization of deferred financing costs	11,576	10,299
Loss from early extinguishment of debt	53,639	4,090
Amortization of debt discount/premium	2,887	1,671
Amortization of acquired above-market leases and acquired below-market leases, net	9,447	12,988
Changes in assets and liabilities:		
Accounts and other receivables	(26,040)	(37,510)
Deferred rent	(18,311)	(40,356)
Deferred leasing costs	(29,860)	(20,960)
Other assets	(28,872)	(25,397)
Accounts payable, operating lease liabilities and other accrued liabilities	56,427	100,495
Security deposits and prepaid rents	612	(3,044)
Net cash provided by operating activities	<u>1,180,739</u>	<u>1,111,944</u>
Cash flows from investing activities:		
Improvements to investments in real estate	(1,376,795)	(1,125,772)
Deconsolidation of Ascenty cash	—	(97,081)
Proceeds from joint ventures transactions	—	702,439
Proceeds from sale of marketable equity security	70,019	—
Cash assumed in acquisitions	116,738	—
Acquisitions of real estate	(613,384)	(74,973)
Proceeds from sale of assets, net of sales costs	547,913	—
Investments in unconsolidated joint ventures	(128,898)	(81,423)
Prepaid construction costs and other investments	(130,505)	(15,072)

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Improvement advances to tenants	(72,902)	(37,785)
Collection of improvement advances to tenants	68,295	21,611
Net cash used in investing activities	<u>(1,519,519)</u>	<u>(708,056)</u>
Cash flows from financing activities:		
Borrowings on global revolving credit facilities	\$ 2,865,406	\$ 2,876,819
Repayments on global revolving credit facilities	(3,094,273)	(2,674,931)
Repayments on unsecured term loans	(300,000)	(375,000)
Borrowings on unsecured senior notes	3,573,121	2,325,566
Repayments on unsecured senior notes	(2,235,272)	(1,539,613)
Principal payments on secured debt	(1,090)	(478)
Payment of loan fees and costs	(21,732)	(16,843)
Premium paid for early extinguishment of debt	(48,191)	(35,067)
Capital contributions from noncontrolling interests in consolidated joint ventures, net	81,061	60,961
Proceeds from common and preferred stock offerings, net	1,881,164	202,006
Redemption of preferred stock	(250,000)	(365,050)
Proceeds from equity plans	6,503	5,462
Payment of dividends to preferred stockholders	(63,022)	(54,283)
Payment of dividends to common stockholders and distributions to noncontrolling interests in operating partnership	(1,162,525)	(921,776)
Net cash provided by (used in) financing activities	<u>1,231,150</u>	<u>(512,227)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	892,370	(108,339)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,034)	(11,479)
Cash, cash equivalents and restricted cash at beginning of period	97,253	135,222
Cash, cash equivalents and restricted cash at end of period	<u>\$ 986,589</u>	<u>\$ 15,404</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 261,272	\$ 262,532
Cash paid for income taxes	15,317	13,187
Supplemental disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	\$ (34,796)	\$ 66,511
Series G preferred stock redemption declared (classified with accounts payable and other accrued liabilities)	250,000	—
Dividend declared and payable to preferred shareholders	571	—
Decrease in other assets related to change in fair value of interest rate swaps	(12,711)	(11,379)
Noncontrolling interests in operating partnership converted to shares of common stock	80,586	163,861
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and other accrued liabilities	204,906	171,670
Decrease to goodwill and deferred tax liability (classified with accounts payable and other accrued liabilities)	—	(9,436)
Allocation of purchase price of real estate/investment in partnership to:		
Investment in real estate	\$ 372,516	\$ —
Cash and cash equivalents	8,190	—
Account receivables	3,114	—
Customer relationship value and intangibles	68,406	—
Other assets	843	—
Secured debt	(135,000)	—
Accounts payable and other accrued liabilities	(4,602)	—
Acquired below-market leases	(2,540)	—
Noncontrolling interests in consolidated joint venture	(5,715)	—
Cash paid for acquisition of real estate	<u>\$ 305,212</u>	<u>\$ —</u>
Allocation of purchase price to business combinations:		
Land	\$ 159,467	\$ —
Building and improvements	3,246,522	—
Construction in progress	273,590	—
Land held for future development	33,447	—
Operating lease right-of-use assets	556,865	—
Cash and cash equivalents	108,548	—
Accounts receivable	218,868	—
Goodwill	4,443,856	—
Customer relationship value	1,001,568	—
Other intangibles	44,943	—
Revolving credit facility	(130,327)	—
Unsecured notes	(1,457,635)	—
Secured debt	(74,316)	—
Operating lease liabilities	(556,865)	—
Accounts payable and other accrued liabilities	(230,585)	—
Finance lease obligations	(47,957)	—
Deferred tax liability	(535,990)	—
Other working capital liabilities, net	(68,947)	—
Equity consideration	<u>\$ 6,985,052</u>	<u>\$ —</u>
Deconsolidation of Ascenty:		
Investment in real estate	\$ —	\$ (362,951)
Account receivables	—	(24,977)
Acquired in-place lease value, deferred leasing costs and intangibles	—	(480,128)
Goodwill	—	(967,189)
Other assets	—	(31,099)
Secured debt	—	571,873
Accounts payable and other accrued liabilities	—	72,449
Accumulated other comprehensive loss	—	(21,687)
Deconsolidation of Ascenty cash	—	(97,081)
Net carrying value of Ascenty assets and liabilities deconsolidated	<u>\$ —</u>	<u>\$ (1,340,790)</u>
Recognition of retained investment in unconsolidated Ascenty joint venture	<u>\$ —</u>	<u>\$ 727,439</u>

See accompanying notes to the condensed consolidated financial statements.

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

	September 30, 2020	December 31, 2019
ASSETS		
Investments in real estate:		
Properties:		
Land	\$ 1,163,391	\$ 804,830
Acquired ground leases	10,752	10,725
Buildings and improvements	20,293,589	15,449,884
Tenant improvements	657,753	621,153
Total investments in operating properties	22,125,485	16,886,592
Accumulated depreciation and amortization	(5,250,140)	(4,536,169)
Net investments in operating properties	16,875,345	12,350,423
Construction in progress and space held for development	2,328,655	1,732,555
Land held for future development	198,536	147,597
Net investments in properties	19,402,536	14,230,575
Investments in unconsolidated joint ventures	1,059,978	1,287,109
Net investments in real estate	20,462,514	15,517,684
Operating lease right-of-use assets, net	1,363,285	628,681
Cash and cash equivalents	971,305	89,817
Accounts and other receivables, net	585,506	305,501
Deferred rent	510,627	478,744
Acquired above-market leases, net	50,080	74,815
Goodwill	8,012,256	3,363,070
Customer relationship value, deferred leasing costs and intangibles, net	3,106,414	2,195,324
Assets held for sale	—	229,934
Other assets	373,346	184,561
Total assets	\$ 35,435,333	\$ 23,068,131
LIABILITIES AND CAPITAL		
Global revolving credit facilities, net	\$ 124,082	\$ 234,105
Unsecured term loans, net	512,642	810,219
Unsecured senior notes, net	11,999,170	8,973,190
Secured debt, including premiums	238,866	104,934
Operating lease liabilities	1,444,060	693,539
Accounts payable and other accrued liabilities	2,187,025	1,007,761
Accrued dividends and distributions	571	234,620
Acquired below-market leases, net	135,263	148,774
Security deposits and prepaid rents	353,902	208,724
Obligations associated with assets held for sale	—	2,700
Total liabilities	16,995,581	12,418,566

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

	September 30, 2020	December 31, 2019
Redeemable noncontrolling interests	41,265	41,465
Commitments and contingencies		
Capital:		
Partners' capital:		
General Partner:		
Preferred units, \$956,250 and \$1,456,250 liquidation preference (\$25.00 per unit), 38,250,000 and 58,250,000 units issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	950,940	1,434,420
Common units, 279,920,621 and 208,900,758 units issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	16,842,528	8,532,814
Limited Partners, 8,166,661 and 8,843,155 units issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	628,070	711,650
Accumulated other comprehensive loss	(131,017)	(91,409)
Total partners' capital	18,290,521	10,587,475
Noncontrolling interests in consolidated joint ventures	107,966	20,625
Total capital	18,398,487	10,608,100
Total liabilities and capital	<u>\$ 35,435,333</u>	<u>\$ 23,068,131</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS
(unaudited, in thousands, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Revenues:				
Rental and other services	\$ 1,020,931	\$ 802,472	\$ 2,828,678	\$ 2,413,888
Fee income and other	3,737	3,994	12,322	7,890
Total operating revenues	1,024,668	806,466	2,841,000	2,421,778
Operating Expenses:				
Rental property operating and maintenance	358,679	259,431	957,034	766,417
Property taxes and insurance	42,659	41,358	136,770	126,587
Depreciation and amortization	365,842	286,718	1,006,464	888,766
General and administrative	91,352	49,985	249,181	156,427
Transactions and integration	14,953	4,115	87,372	10,819
Impairment of investments in real estate	6,482	—	6,482	5,351
Other	298	92	434	12,129
Total operating expenses	880,265	641,699	2,443,737	1,966,496
Operating income	144,403	164,767	397,263	455,282
Other Income (Expenses):				
Equity in loss of unconsolidated joint ventures	(2,056)	(19,269)	(88,684)	(3,090)
Gain on deconsolidation, net	—	—	—	67,497
Gain on disposition of properties, net	10,410	—	315,211	—
Interest and other income, net	4,348	16,842	22,969	55,266
Interest expense	(89,499)	(84,574)	(255,173)	(272,177)
Income tax expense	(16,053)	(4,826)	(34,725)	(13,726)
Loss from early extinguishment of debt	(53,007)	(5,366)	(53,639)	(39,157)
Net (loss) income	(1,454)	67,574	303,222	249,895
Net loss attributable to noncontrolling interests	316	1,223	3,685	1,582
Net (loss) income attributable to Digital Realty Trust, L.P.	(1,138)	68,797	306,907	251,477
Preferred units distributions, including undeclared distributions	(20,712)	(16,670)	(63,022)	(54,283)
Issuance costs associated with redeemed preferred units	(16,520)	—	(16,520)	(11,760)
Net (loss) income available to common unitholders	\$ (38,370)	\$ 52,127	\$ 227,365	\$ 185,434
Net (loss) income per unit available to common unitholders:				
Basic	\$ (0.14)	\$ 0.24	\$ 0.87	\$ 0.85
Diluted	\$ (0.14)	\$ 0.24	\$ 0.86	\$ 0.85
Weighted average common units outstanding:				
Basic	278,079,187	217,375,296	261,416,412	217,254,811
Diluted	278,079,187	218,755,597	264,401,464	218,280,351

See accompanying notes to the condensed consolidated financial statements.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net (loss) income	\$ (1,454)	\$ 67,574	\$ 303,222	\$ 249,895
Other comprehensive income (loss):				
Foreign currency translation adjustments	233,747	24,668	(34,796)	44,824
Reclassification of foreign currency translation adjustment due to deconsolidation of Ascenty	—	—	—	21,687
Decrease in fair value of interest rate swaps	137	(1,000)	(12,711)	(11,379)
Reclassification to interest expense from interest rate swaps	7,673	(1,805)	7,899	(6,055)
Other comprehensive income (loss)	241,557	21,863	(39,608)	49,077
Comprehensive income	\$ 240,103	\$ 89,437	\$ 263,614	\$ 298,972
Comprehensive loss attributable to noncontrolling interests	316	1,223	3,685	1,582
Comprehensive income attributable to Digital Realty Trust, L.P.	<u>\$ 240,419</u>	<u>\$ 90,660</u>	<u>\$ 267,299</u>	<u>\$ 300,554</u>

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)

Three Months Ended September 30, 2020	Redeemable Limited Partner Common Units	General Partner				Limited Partners Common Units		Accumulated Other Comprehensive Loss	Total Partners' Capital	Noncontrolling Interests in Consolidated Joint	
		Preferred Units		Common Units		Units	Amount			Ventures	Total Capital
		Units	Amount	Units	Amount	Units	Amount				
Balance as of June 30, 2020	\$ 40,584	58,250,000	\$ 1,434,420	268,399,073	\$ 15,908,456	8,287,819	\$ 648,057	\$ (372,575)	\$ 17,618,358	\$ 64,291	\$ 17,682,649
Conversion of limited partner common units to general partner common units	—	—	—	121,967	10,304	(121,967)	(10,304)	—	—	—	—
Issuance of common units, net of offering costs	—	—	—	11,329,722	1,245,103	—	—	—	1,245,103	—	1,245,103
Issuance of common units, net of forfeitures	—	—	—	—	—	809	—	—	—	—	—
Units issued in connection with employee stock purchase plan	—	—	—	32,902	3,865	—	—	—	3,865	—	3,865
Units repurchased and retired to satisfy tax withholding upon vesting	—	—	—	—	(3,820)	—	—	—	(3,820)	—	(3,820)
Amortization of share-based compensation	—	—	—	—	20,334	—	—	—	20,334	—	20,334
Vesting of restricted common units, net	—	—	—	36,957	—	—	—	—	—	—	—
Reclassification of vested share-based awards	—	—	—	—	(612)	—	612	—	—	—	—
Reclassification of series G preferred units to accounts payable and other accrued liabilities	—	(10,000,000)	(241,468)	—	(8,532)	—	—	—	(250,000)	—	(250,000)
Redemption of series I preferred units	—	(10,000,000)	(242,012)	—	(7,988)	—	—	—	(250,000)	—	(250,000)
Adjustment to redeemable partnership units	726	—	—	—	(726)	—	—	—	(726)	—	(726)
Distributions	(175)	—	(20,712)	—	(303,006)	—	(9,314)	—	(333,032)	—	(333,032)
Contributions from noncontrolling interests in consolidated joint ventures	522	—	—	—	—	—	—	—	—	43,663	43,663
Net income (loss)	(347)	—	20,712	—	(20,850)	—	(981)	—	(1,119)	12	(1,107)
Other comprehensive income (loss)—foreign currency translation adjustments	(45)	—	—	—	—	—	—	233,747	233,747	—	233,747
Other comprehensive income—fair value of interest rate swaps	—	—	—	—	—	—	—	138	138	—	138
Other comprehensive income—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	—	7,673	7,673	—	7,673
Balance as of September 30, 2020	\$ 41,265	38,250,000	\$ 950,940	279,920,621	\$ 16,842,528	8,166,661	\$ 628,070	\$ (131,017)	\$ 18,290,521	\$ 107,966	\$ 18,398,487

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)

Nine Months Ended September 30, 2020	Redeemable Limited Partner Common Units	General Partner		Limited Partners Common Units		Accumulated Other Comprehensive Loss	Total Partners' Capital	Noncontrolling Interests in Consolidated Joint Ventures	Total Capital		
		Preferred Units	Common Units	Units	Amount					Units	Amount
Balance as of December 31, 2019	\$ 41,465	58,250,000	\$ 1,434,420	208,900,758	\$ 8,532,814	8,843,155	\$ 711,650	\$ (91,409)	\$ 10,587,475	\$ 20,625	\$ 10,608,100
Conversion of limited partner common units to general partner common units	—	—	—	927,779	80,586	(927,779)	(80,586)	—	—	—	—
Common units and share-based awards issued in connection with Interxion combination	—	—	—	54,298,595	6,985,052	—	—	—	6,985,052	—	6,985,052
Issuance of common units, net of offering costs	—	—	—	15,915,673	1,889,734	—	—	—	1,889,734	—	1,889,734
Issuance of common units, net of forfeitures	—	—	—	—	—	251,285	—	—	—	—	—
Units issued in connection with employee stock purchase plan	—	—	—	58,136	6,503	—	—	—	6,503	—	6,503
Units repurchased and retired to satisfy tax withholding upon vesting	—	—	—	—	(7,320)	—	—	—	(7,320)	—	(7,320)
Amortization of share-based compensation	—	—	—	—	56,814	—	—	—	56,814	—	56,814
Vesting of restricted common units, net	—	—	—	(180,320)	—	—	—	—	—	—	—
Reclassification of vested share-based awards	—	—	—	—	(17,116)	—	17,116	—	—	—	—
Reclassification of series G preferred units to accounts payable and other accrued liabilities	—	(10,000,000)	(241,468)	—	(8,532)	—	—	—	(250,000)	—	(250,000)
Redemption of series I preferred units	—	(10,000,000)	(242,012)	—	(7,988)	—	—	—	(250,000)	—	(250,000)
Adjustment to redeemable partnership units	4,217	—	—	—	(4,217)	—	—	—	(4,217)	—	(4,217)
Distributions	(525)	—	(63,022)	—	(899,487)	—	(28,464)	—	(990,973)	—	(990,973)
Contributions from noncontrolling interests in consolidated joint ventures	2,089	—	—	—	—	—	—	—	—	87,645	87,645
Net income (loss)	(3,535)	—	63,022	—	235,685	—	8,354	—	307,061	(304)	306,757
Other comprehensive loss — foreign currency translation adjustments	(2,446)	—	—	—	—	—	—	(34,796)	(34,796)	—	(34,796)
Other comprehensive loss — fair value of interest rate swaps	—	—	—	—	—	—	—	(12,711)	(12,711)	—	(12,711)
Other comprehensive income — reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	—	7,899	7,899	—	7,899
Balance as of September 30, 2020	\$ 41,265	38,250,000	\$ 950,940	279,920,621	\$ 16,842,528	8,166,661	\$ 628,070	\$ (131,017)	\$ 18,290,521	\$ 107,966	\$ 18,398,487

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)

Three Months Ended	Redeemable Limited Partner	General Partner				Limited Partners		Accumulated Other Comprehensive	Total Partners'	Noncontrolling Interests in Consolidated Joint	
		Preferred Units		Common Units		Common Units					
September 30, 2019	Common Units	Units	Amount	Units	Amount	Units	Amount	Loss	Capital	Ventures	Total Capital
Balance as of June 30, 2019	\$ 17,344	44,450,000	\$ 1,099,534	208,324,538	\$ 8,552,279	9,370,049	\$ 759,641	\$ (93,179)	\$ 10,318,275	\$ 155,445	\$ 10,473,720
Conversion of limited partner common units to general partner common units	—	—	—	218,752	18,755	(218,752)	(18,755)	—	—	—	—
Issuance of unvested restricted common units, net of forfeitures	—	—	—	1,414	—	—	—	—	—	—	—
Payment of offering costs	—	—	—	—	(282)	—	—	—	(282)	—	(282)
Issuance of common units, net of forfeitures	—	—	—	—	—	(7,316)	—	—	—	—	—
Units issued in connection with employee stock purchase plan	—	—	—	38,540	3,203	—	—	—	3,203	—	3,203
Amortization of share-based compensation	—	—	—	—	9,913	—	—	—	9,913	—	9,913
Reclassification of vested share-based awards	—	—	—	—	(250)	—	250	—	—	—	—
Adjustment to redeemable partnership units	1,876	—	—	—	(1,876)	—	—	—	(1,876)	—	(1,876)
Distributions	(169)	—	(16,670)	—	(225,188)	—	(9,490)	—	(251,348)	—	(251,348)
Contributions from noncontrolling interests in consolidated joint ventures, net of distributions	—	—	—	—	—	—	—	—	—	(1,787)	(1,787)
Deconsolidation of consolidated joint venture	—	—	—	—	—	—	—	—	—	(110,086)	(110,086)
Net income (loss)	39	—	16,670	—	49,827	—	2,261	—	68,758	(1,223)	67,535
Other comprehensive income—foreign currency translation adjustments	—	—	—	—	—	—	—	24,668	24,668	—	24,668
Other comprehensive income—fair value of interest rate swaps	—	—	—	—	—	—	—	(1,000)	(1,000)	—	(1,000)
Other comprehensive loss—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	—	(1,805)	(1,805)	—	(1,805)
Balance as of September 30, 2019	\$ 19,090	44,450,000	\$ 1,099,534	208,583,244	\$ 8,406,381	9,143,981	\$ 733,907	\$ (71,316)	\$ 10,168,506	\$ 42,349	\$ 10,210,855

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)

Nine Months Ended September 30, 2019	Redeemable Limited Partner Common Units	General Partner				Limited Partners Common Units		Accumulated Other Comprehensive Loss	Total Partners' Capital	Noncontrolling Interests in Consolidated Joint	
		Preferred Units		Common Units		Units	Amount			Ventures	Total Capital
		Units	Amount	Units	Amount	Units	Amount				
Balance as of December 31, 2018	\$ 15,832	50,650,000	\$ 1,249,560	206,425,656	\$ 8,724,731	10,580,884	\$ 911,256	\$ (120,393)	\$ 10,765,154	\$ 93,056	\$ 10,858,210
Conversion of limited partner common units to general partner common units	—	—	—	1,841,692	163,861	(1,841,692)	(163,861)	—	—	—	—
Issuance of unvested restricted common units, net of forfeitures	—	—	—	252,122	—	—	—	—	—	—	—
Payment of offering costs	—	—	—	—	(1,258)	—	—	—	(1,258)	—	(1,258)
Issuance of common units, net of forfeitures	—	—	—	—	—	404,789	—	—	—	—	—
Units issued in connection with employee stock purchase plan	—	—	—	63,774	5,462	—	—	—	5,462	—	5,462
Issuance of series K preferred units, net of offering costs	—	8,400,000	203,264	—	—	—	—	—	203,264	—	203,264
Redemption of series H preferred units	—	(14,600,000)	(353,290)	—	(11,760)	—	—	—	(365,050)	—	(365,050)
Amortization of share-based compensation	—	—	—	—	28,774	—	—	—	28,774	—	28,774
Reclassification of vested share-based awards	—	—	—	—	(7,962)	—	7,962	—	—	—	—
Adjustment to redeemable partnership units	3,630	—	—	—	(3,630)	—	—	—	(3,630)	—	(3,630)
Distributions	(507)	—	(54,283)	—	(674,713)	—	(29,315)	—	(758,311)	—	(758,311)
Contributions from noncontrolling interests in consolidated joint ventures, net of distributions	—	—	—	—	—	—	—	—	—	60,961	60,961
Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	(6,318)	—	—	—	(6,318)	—	(6,318)
Deconsolidation of consolidated joint venture	—	—	—	—	—	—	—	—	—	(110,086)	(110,086)
Net income (loss)	135	—	54,283	—	189,194	—	7,865	—	251,342	(1,582)	249,760
Other comprehensive loss—foreign currency translation adjustments	—	—	—	—	—	—	—	66,511	66,511	—	66,511
Other comprehensive income—fair value of interest rate swaps	—	—	—	—	—	—	—	(11,379)	(11,379)	—	(11,379)
Other comprehensive loss—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	—	(6,055)	(6,055)	—	(6,055)
Balance as of September 30, 2019	\$ 19,090	44,450,000	\$ 1,099,534	208,583,244	\$ 8,406,381	9,143,981	\$ 733,907	\$ (71,316)	\$ 10,168,506	\$ 42,349	\$ 10,210,855

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 303,222	\$ 249,895
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on deconsolidation / disposition of properties, net	(315,211)	(67,497)
Gain on sale of marketable equity security	(17,883)	—
Unrealized gain on marketable equity security	(3,289)	(34,931)
Impairment of investments in real estate	6,482	5,351
Equity in loss of unconsolidated joint ventures	88,684	3,090
Distributions from unconsolidated joint ventures	18,939	26,739
Write-off due to early lease terminations	433	9,633
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	737,620	612,678
Amortization of customer relationship value, acquired in-place lease value and deferred leasing costs	268,844	276,088
Amortization of share-based compensation	54,938	25,966
Non-cash amortization of terminated swaps	786	785
Allowance for doubtful accounts	5,669	1,871
Amortization of deferred financing costs	11,576	10,299
Loss from early extinguishment of debt	53,639	4,090
Amortization of debt discount/premium	2,887	1,671
Amortization of acquired above-market leases and acquired below-market leases, net	9,447	12,988
Changes in assets and liabilities:		
Accounts and other receivables	(26,040)	(37,510)
Deferred rent	(18,311)	(40,356)
Deferred leasing costs	(29,860)	(20,960)
Other assets	(28,872)	(25,397)
Accounts payable, operating lease liabilities and other accrued liabilities	56,427	100,495
Security deposits and prepaid rents	612	(3,044)
Net cash provided by operating activities	<u>1,180,739</u>	<u>1,111,944</u>
Cash flows from investing activities:		
Improvements to investments in real estate	(1,376,795)	(1,125,772)
Cash assumed in acquisitions	116,738	—
Acquisitions of real estate	(613,384)	(74,973)
Proceeds from sale of properties, net of sales costs	547,913	—
Proceeds from the joint ventures transactions	—	702,439
Deconsolidation of Ascenty cash	—	(97,081)
Proceeds from sale of marketable equity security	70,019	—
Prepaid construction costs and other investments	(130,505)	(15,072)
Investments in unconsolidated joint ventures	(128,898)	(81,423)
Improvement advances to tenants	(72,902)	(37,785)
Collection of improvement advances to tenants	68,295	21,611
Net cash used in investing activities	<u>(1,519,519)</u>	<u>(708,056)</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from financing activities:		
Borrowings on global revolving credit facilities	\$ 2,865,406	\$ 2,876,819
Repayments on global revolving credit facilities	(3,094,273)	(2,674,931)
Repayments on unsecured term loans	(300,000)	(375,000)
Borrowings on unsecured senior notes	3,573,121	2,325,566
Repayments on unsecured senior notes	(2,235,272)	(1,539,613)
Principal payments on secured debt	(1,090)	(478)
Payment of loan fees and costs	(21,732)	(16,843)
Premium paid for early extinguishment of debt	(48,191)	(35,067)
Capital contributions from noncontrolling interests in consolidated joint ventures, net	81,061	60,961
General partner contributions	1,887,667	207,468
General partner distributions	(250,000)	(365,050)
Payment of distributions to preferred unitholders	(63,022)	(54,283)
Payment of distributions to common unitholders	(1,162,525)	(921,776)
Net cash provided by (used in) financing activities	<u>1,231,150</u>	<u>(512,227)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	892,370	(108,339)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,034)	(11,479)
Cash, cash equivalents and restricted cash at beginning of year	97,253	135,222
Cash, cash equivalents and restricted cash at end of year	<u>\$ 986,589</u>	<u>\$ 15,404</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 261,272	\$ 262,532
Cash paid for income taxes	15,317	13,187
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	\$ (34,796)	\$ 66,511
Series G preferred units redemption declared (classified with accounts payable and other accrued liabilities)	250,000	—
Distributions declared and payable to preferred unitholders	571	—
Decrease in other assets related to change in fair value of interest rate swaps	(12,711)	(11,379)
Decrease to goodwill and deferred tax liability (classified within accounts payable and other accrued liabilities)	—	(9,436)
Limited Partner common units converted to General Partner common units	80,586	163,861
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and other accrued liabilities	204,906	171,670
Allocation of purchase price of real estate/investment in partnership to:		
Investment in real estate	\$ 372,516	\$ —
Cash and cash equivalents	8,190	—
Account receivables	3,114	—
Customer relationship value and intangibles	68,406	—
Other assets	843	—
Secured debt	(135,000)	—
Accounts payable and other accrued liabilities	(4,602)	—
Acquired below-market leases	(2,540)	—
Noncontrolling interests in consolidated joint venture	(5,715)	—
Cash paid for acquisition of real estate	\$ 305,212	\$ —
Allocation of purchase price to business combinations:		
Land	\$ 159,467	\$ —
Building and improvements	3,246,522	—
Construction in progress	273,590	—
Land held for future development	33,447	—
Operating lease right-of-use assets	556,865	—
Cash and cash equivalents	108,548	—
Accounts receivable	218,868	—
Goodwill	4,443,856	—
Customer relationship value	1,001,568	—
Other intangibles	44,943	—
Revolving credit facility	(130,327)	—
Unsecured notes	(1,457,635)	—
Secured debt	(74,316)	—
Operating lease liabilities	(556,865)	—
Accounts payable and other accrued liabilities	(230,585)	—
Finance lease obligations	(47,957)	—
Deferred tax liability	(535,990)	—
Other working capital liabilities, net	(68,947)	—
Equity consideration	\$ 6,985,052	\$ —
Deconsolidation of Ascenty:		
Investment in real estate	\$ -	\$ (362,951)
Account receivables	-	(24,977)
Acquired in-place lease value, deferred leasing costs and intangibles	-	(480,128)
Goodwill	-	(967,189)
Other assets	-	(31,099)
Secured debt	-	571,873
Accounts payable and other accrued liabilities	-	72,449
Accumulated other comprehensive loss	-	(21,687)
Deconsolidation of Ascenty cash	-	(97,081)
Net carrying value of Ascenty assets and liabilities deconsolidated	\$ -	\$ (1,340,790)
Recognition of retained investment in unconsolidated Ascenty joint venture	\$ -	\$ 727,439

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 a leading global provider of data center, colocation and interconnection solutions for customers across a variety of industry verticals ranging from cloud and information technology services, communications and social networking to financial services, manufacturing, energy, healthcare, and consumer products. The Operating Partnership, a Maryland limited partnership, is the entity through which Digital Realty Trust, Inc., a Maryland corporation, conducts its business of owning, acquiring, developing and operating data centers. Digital Realty Trust, Inc. operates as a REIT for federal income tax purposes. A summary of our data center portfolio as of September 30, 2020 and December 31, 2019 is as follows:

Region	Data Centers						
	As of September 30, 2020			As of December 31, 2019			
	Operating	Unconsolidated Joint Ventures	Total	Operating	Held for Sale ⁽²⁾	Unconsolidated Joint Ventures	Total
United States	123	16	139	119	11	17	147
Europe	102 ⁽¹⁾	—	102	41	—	—	41
Latin America	—	22	22	—	—	19	19
Asia	7	5	12	5	—	5	10
Australia	5	—	5	5	—	—	5
Africa	2	—	2	—	—	—	—
Canada	2	—	2	2	1	—	3
Total	241	43	284	172	12	41	225

(1) Includes 62 data centers that were acquired as part of the Interxion Combination.

(2) Includes 10 Powered Base Building® properties, which comprise 12 data centers, that were held for sale to a third party as of December 31, 2019 and subsequently sold in January 2020 (see Note 4).

We are diversified in major metropolitan areas where data center and technology customers are concentrated, including the Atlanta, Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia, Phoenix, San Francisco, Seattle, Silicon Valley and Toronto metropolitan areas in North America, the Amsterdam, Brussels, Copenhagen, Dublin, Dusseldorf, Frankfurt, London, Madrid, Marseille, Paris, Stockholm, Vienna and Zurich metropolitan areas in Europe, the Fortaleza, Rio de Janeiro, Santiago and São Paulo metropolitan areas in Latin America, and the Hong Kong, Melbourne, Osaka, Seoul, Singapore, Sydney, and Tokyo metropolitan areas in the Asia Pacific region. The portfolio consists of data centers, Internet gateway facilities 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 September 30, 2020, Digital Realty Trust, Inc. owned a 97.2% common interest and a 100.0% preferred interest in the Operating Partnership. As of December 31, 2019, Digital Realty Trust, Inc. owned a 95.9% 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.

As used in these Notes: “DFT” refers to DuPont Fabros Technology, Inc.; “DFT Merger” refers to the Company’s acquisition of DuPont Fabros Technology, Inc.; “DFT Operating Partnership” refers to DuPont Fabros Technology, L.P.; “European Portfolio Acquisition” refers to the Company’s acquisition of a portfolio of eight data centers in Europe; “Interxion” refers to InterXion Holding N.V.; “Interxion Combination” refers to the Company’s combination with InterXion Holding N.V.; and “Telx Acquisition” refers to the Company’s acquisition of Telx Holdings, Inc.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 U.S. 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, 2019.

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 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. Digital Realty Trust, Inc.'s only material asset is its ownership of partnership interests of the Operating Partnership. 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 generally generates the capital required by the Company's business primarily through the Operating Partnership's operations, by the Operating Partnership's or its affiliates' direct or indirect incurrence of indebtedness or through the issuance of partnership units.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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";
 - "Earnings per Share" and "Earnings per Unit"; and
 - "Equity and Accumulated Other Comprehensive Loss, Net" of the Company and "Capital and Accumulated Other Comprehensive Loss" of the Operating Partnership.

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, Cash Equivalents and Restricted Cash

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 September 30, 2020 and December 31, 2019, cash equivalents consist of investments in money market instruments. Restricted cash primarily consists of contractual capital expenditures plus other deposits.

Cash, cash equivalents, and restricted cash balances as of September 30, 2020, and December 31, 2019:

(Amounts in thousands)	Balance as of	
	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 971,305	\$ 89,817
Restricted cash (included in other assets)	15,284	7,436
Total	<u>\$ 986,589</u>	<u>\$ 97,253</u>

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(c) Investments in Unconsolidated Joint Ventures

The Company's investments in unconsolidated joint ventures are accounted for using the equity method. We use the equity method when we have the ability to exercise significant influence over operating and financial policies of the venture but do not have control of the entity. Under the equity method, we initially recognize these investments in the balance sheet at our cost or proportionate share of fair value. We subsequently adjust the accounts to reflect our proportionate share of net earnings or losses recognized and other comprehensive income or loss, distributions received, contributions made and certain other adjustments, as appropriate. We do not record losses of the joint ventures in excess of our investment balances unless we are liable for the obligations of the joint venture or are otherwise committed to provide financial support to the joint venture. Likewise, and as long as we have no explicit or implicit obligations to the joint venture, we will suspend equity method accounting to the extent that cash distributions exceed our investment balances until those unrecorded earnings exceed the excess distributions previously recognized in income. In this case, we will apply cost accounting concepts which result in income being equal to cash distributions received. Cost basis accounting concepts will apply until earnings exceed the excess distributions previously recognized in income.

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. In the event the underlying asset is goodwill, the difference is not amortized. The amortization of this difference was immaterial for the three and nine months ended September 30, 2020 and 2019, respectively.

(d) Impairment of Long-Lived and Finite-Lived Intangible Assets

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 property's or asset group's use and eventual disposition and compare that estimate to the carrying value of the property or the asset group. 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 property or asset group, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property or fair value of the properties within the asset group. 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. 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.

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In considering whether to classify a property as held for sale or contribution, the Company considers whether: (i) management has committed to a plan to sell or contribute the property; (ii) the property is available for immediate sale or contribution in its present condition; (iii) the Company has initiated a program to locate a buyer or joint venture partner; (iv) the Company believes that the sale or contribution of the property is probable; (v) the Company is actively marketing the property for sale or contribution at a price that is reasonable in relation to its current value; and (vi) actions required for the Company to complete the plan indicate that it is unlikely that any significant changes will be made to the plan.

If all the above criteria are met, the Company classifies the property as held for sale or contribution. Assets classified as held for sale are expected to be sold to a third party and assets classified as held for contribution are expected to be contributed to an unconsolidated joint venture or to a third party within twelve months. At such time, the respective assets and liabilities are presented separately in the consolidated balance sheets and depreciation is no longer recognized. Assets held for sale or contribution are reported at the lower of their carrying amount or their estimated fair value less the costs to sell or contribute. Only those assets held for sale or contribution that constitute a strategic shift that has or will have a major effect on our operations are classified as discontinued operations. To date we have had no property dispositions or assets classified as held for sale or contribution that would meet the definition of discontinued operations.

If impairment indicators arise with respect to intangible assets with finite useful lives, we evaluate impairment by comparing the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset, then we estimate the fair value of the asset and compare the estimated fair value to the intangible asset's carrying value. We recognize any shortfall from carrying value as an impairment loss in the current period.

(e) Acquisition Accounting

Acquisition accounting is applied to the assets and liabilities related to all real estate investments acquired from third parties. The Company evaluates the nature of the purchase to determine whether the purchase is a business combination or an asset acquisition. Transaction costs associated with business combinations are expensed as incurred while transaction costs associated with an asset acquisition are included in the total costs of the acquisition and are allocated on a pro-rata basis to the carrying value of the assets and liabilities recognized in connection with the acquisition. The following accounting policies related to valuing the acquired tangible and intangible assets and liabilities are applicable to both business combinations and asset acquisitions. However, in the event the purchase is an asset acquisition, no goodwill or gain is permitted to be recognized. In an asset acquisition, the difference between the sum of the identified tangible and intangible assets and liabilities and the total purchase price (including transactions costs) is allocated to the identified tangible and intangible assets and liabilities on a relative fair value basis. In accordance with current accounting guidance, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, value of in-place leases and acquired ground leases and in the case of a business combination, customer relationship value, based in each case on their fair values. Loan premiums, in the case of above-market rate loans, or loan discounts, in the case of below-market loans, are recorded based on the fair value of any loans assumed in connection with acquiring the real estate. When we obtain control of an unconsolidated entity that we previously held as an equity method investment and the acquisition qualifies as a business combination, we account for the acquisition in accordance with the guidance for a business combination achieved in stages. We remeasure our previously held interest in the unconsolidated entity at its acquisition-date fair value, derecognize the book value associated with that interest, and recognize any resulting gain or loss in earnings. If the acquisition qualifies as an asset acquisition, we account for the acquisition under a cost accumulation model, with the cost of the acquisition, including transaction costs allocated to the assets acquired on the basis of relative fair values.

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

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

In addition to the intangible value for above-market leases and the intangible negative value for below-market leases, there is intangible value related to having tenants leasing space in the purchased property, which is referred to as in-place lease value. Such value results primarily from the buyer of a leased property avoiding the costs associated with leasing the property and also avoiding rent losses and unreimbursed operating expenses during the lease-up period. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. The value of in-place leases is amortized to expense over the remaining initial terms of the respective leases.

The Company uses the excess earnings method to value customer relationship value, if any. Such value exists in transactions that involve the acquisition of customers that are expected to generate recurring revenues beyond existing in-place lease terms. The primary factors to be considered by management in its analysis of customer relationship value include historical customer lease renewals and attrition rates, rental renewal probabilities and related market terms, estimated operating costs, and discount rate. Customer relationship value is amortized to expense ratably over the anticipated life of the customer relationships generating excess earnings, which is the period management uses to value this intangible asset.

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(f) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired and tangible and intangible liabilities assumed in a business combination. Goodwill is not amortized. We perform an annual impairment test for goodwill and between annual tests, we evaluate goodwill for impairment whenever events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. In January 2017, the FASB issued new accounting guidance on simplifying the test for goodwill impairment. Prior to 2020, the standard required an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compared the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeded its fair value, the entity performed Step 2 and compared the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeded the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. The new guidance removes Step 2. Under the new guidance, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The new guidance was effective for us in the first quarter of 2020 and was adopted on a prospective basis. The adoption of this guidance had no significant impact on our condensed consolidated financial statements. We have not recognized any goodwill impairments since our inception. Since some of the goodwill is denominated in foreign currencies, changes to the goodwill balance occur over time due to changes in foreign currency exchange rates.

The following is a summary of goodwill activity for the nine months ended September 30, 2020 (in thousands):

Merger / Portfolio Acquisition	Balance as of December 31, 2019	Merger / Acquisition	Impact of Change in Foreign Exchange Rates	Balance as of September 30, 2020
Telx Acquisition	\$ 330,845	\$ —	\$ —	\$ 330,845
European Portfolio Acquisition	440,079	—	175	440,254
DFT Merger	2,592,146	—	—	2,592,146
Interxion Combination	—	4,443,856	171,255	4,615,111
Other Combinations	—	32,950	950	33,900
Total	\$ 3,363,070	\$ 4,476,806	\$ 172,380	\$ 8,012,256

(g) 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

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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. During the development period, all costs including the associated land are classified to construction in progress and space held for development. Upon completion of the development period for a project, accumulated construction in progress costs including the land related to a project are allocated to the specific components of a project that are benefited.

Construction in progress and space held for development includes the cost of land, the cost of construction of buildings, improvements and fixed equipment, and costs for design and engineering. Other costs, such as interest, legal, property taxes and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress and space held for development. Land held for development includes parcels of land owned by the Company, upon which the Company intends to develop and own data centers, but has yet to commence development.

During the three months ended September 30, 2020 and 2019 we capitalized interest of approximately \$11.8 million and \$9.9 million, respectively, and approximately \$35.5 million and \$30.3 million for the nine months ended September 30, 2020 and 2019, respectively. During the three months ended September 30, 2020 and 2019 we capitalized amounts relating to compensation and other overhead expense of employees direct and incremental to construction activities of approximately \$14.0 million and \$11.9 million, respectively, and approximately \$38.7 million and \$34.6 million for the nine months ended September 30, 2020 and 2019, respectively.

(h) Deferred Leasing Costs

Leasing commissions and other direct costs associated with successful leasing to customers are capitalized and amortized on a straight-line basis over the terms of the related leases. We capitalized amounts relating to variable compensation of employees direct and incremental to successful leasing activities of approximately \$10.6 million and \$6.5 million for the three months ended September 30, 2020 and 2019, respectively, and approximately \$29.9 million and \$20.7 million for the three and nine months ended September 30, 2020 and 2019, respectively. Deferred leasing costs is included in customer relationship value, deferred leasing costs and intangibles on the condensed consolidated balance sheet and amounted to approximately \$275.6 million and \$291.8 million, net of accumulated amortization, as of September 30, 2020 and December 31, 2019, respectively. Amortization expense on capitalized deferred leasing costs was approximately \$19.3 million and \$18.5 million for the three months ended September 30, 2020 and 2019, respectively, and approximately \$56.6 million and \$56.3 million for the nine months ended September 30, 2020 and 2019.

(i) Marketable Equity Securities

The Company reports its marketable equity securities at fair value, based on quoted market prices (Level 1, as defined by the FASB standard for fair value measurements). Unrealized gains and losses in marketable equity securities are included in interest and other income (expense), net on the condensed consolidated income statements.

As of September 30, 2020 and December 31, 2019, marketable equity securities consisted of common stock traded on a public stock exchange.

In June 2020, net proceeds from the sale of marketable equity securities totaled approximately \$70.0 million, which resulted in a \$17.9 million gain from the mark to market valuation as of March 31, 2020. There were no sales for the three and nine months ended September 30, 2019. For the three and nine months ended September 30, 2020, the portion of marketable equity security unrealized gains that were recognized in income totaled \$5.7 million and \$3.3 million, respectively, and were included in interest and other income, net on the Company's condensed consolidated income statements. For the three and nine months ended September 30, 2019, the portion of marketable equity security

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unrealized gains that was recognized in income totaled \$16.8 million and \$35.5 million, respectively, and was included in interest and other income (expense), net on the Company's condensed consolidated income statements.

(j) Foreign Currency Translation

Assets and liabilities of our subsidiaries outside the United States with non-U.S. dollar functional currencies are translated into U.S. dollars using exchange rates as of the balance sheet dates. Income and expenses are translated using the average exchange rates for the reporting period. Foreign currency translation adjustments are recorded as a component of other comprehensive income. Adjustments from the remeasurement of non-functional currency transactions are recorded as income or loss in the condensed consolidated income statements. In the statement of cash flows, cash flows denominated in foreign currencies are translated using the exchange rates in effect at the time of the cash flows or an average exchange rate for the period, depending on the nature of the cash flow item.

(k) Share-Based Compensation

The Company measures all share-based compensation awards at fair value on the date they are granted to employees and directors, and recognizes compensation cost, net of forfeitures, over the requisite service period for awards with only a service condition. The estimated fair value of the long-term incentive units and Class D units (discussed in Note 15) granted by us is being amortized on a straight-line basis over the expected service period.

The fair value of share-based compensation awards that contain a market condition is measured using a Monte Carlo simulation method and is not adjusted based on actual achievement of the market condition.

(l) Derivative Instruments

Derivative financial instruments are employed to manage risks, including foreign currency and interest rate exposures and are not used for trading or speculative purposes. As part of the Company's risk management program, a variety of financial instruments, such as interest rate swaps and foreign exchange contracts, may be used to mitigate interest rate exposure and foreign currency exposure. The Company recognizes all derivative instruments in the balance sheet at fair value.

Changes in the fair value of derivatives are recognized periodically either in earnings or in stockholders' equity as a component of accumulated other comprehensive income (loss), depending on whether the derivative financial instrument is undesignated or qualifies for hedge accounting, and if so, whether it represents a fair value, cash flow, or net investment hedge. Gains and losses on derivatives designated as cash flow hedges, to the extent they are included in the assessment of effectiveness, are recorded in other comprehensive income (loss) and subsequently reclassified to earnings to offset the impact of the hedged items when they occur. In the event it becomes probable the forecasted transaction to which a cash flow hedge relates will not occur, the derivative would be terminated and the amount in other comprehensive income (loss) would be recognized in earnings. Changes in the fair value of derivatives that are designated and qualify as a hedge of the net investment in foreign operations, to the extent they are included in the assessment of effectiveness, are reported in other comprehensive income (loss) and are deferred until disposal of the underlying assets. Gains and losses representing components excluded from the assessment of effectiveness for cash flow and fair value hedges are recognized in earnings on a straight-line basis in the same caption as the hedged item over the term of the hedge. Gains and losses representing components excluded from the assessment of effectiveness for net investment hedges are recognized in earnings on a straight-line basis over the term of the hedge.

The net interest paid or received on interest rate swaps is recognized as interest expense. Gains and losses resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining period of the debt originally covered by the terminated swap.

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See Note 16 for further discussion on derivative instruments.

(m) 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 U.S. 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 U.S. federal income tax (including any applicable alternative minimum tax for taxable years prior to 2018) on its taxable income.

The Company is subject to foreign, state and local income taxes in the jurisdictions in which it conducts business. The Company's taxable REIT subsidiaries are subject to federal, state, local and foreign income taxes to the extent there is taxable income. Accordingly, the Company recognizes current and deferred income taxes for the Company and its taxable REIT subsidiaries, including for U.S. federal, state, local and foreign jurisdictions, as applicable.

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 September 30, 2020 and December 31, 2019, we had 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 nine months ended September 30, 2020 and 2019, we had no such interest or penalties. The tax year 2017 and thereafter remain open to examination by the major taxing jurisdictions with which the Company files tax returns.

See Note 12 for further discussion on income taxes.

(n) 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.

(o) Redeemable Noncontrolling Interests

Redeemable noncontrolling interests include amounts related to partnership units issued by consolidated subsidiaries of the Company in which redemption for equity is outside the control of the Company. Partnership units which are determined to be contingently redeemable for cash under the Financial Accounting Standards Board's "Distinguishing Liabilities from Equity" guidance are classified as redeemable noncontrolling interests and presented in the mezzanine section between total liabilities and stockholder's equity on the Company's condensed consolidated balance sheets. The amounts of consolidated net income attributable to the Company and to the noncontrolling interests are presented on the Company's condensed consolidated income statements.

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(p) Leases

Transition

On January 1, 2019, we adopted ASU No. 2016-02 “Leases” and the several additional ASU’s intended to clarify certain aspects of ASU 2016-02 and to provide certain practical expedients entities can elect upon adoption (collectively “Topic 842”). Topic 842 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e. lessees and lessors). Upon adoption of the new lease accounting standard, we elected the following practical expedients and accounting policies provided by this lease standard:

- Package (“all or nothing” expedients) - requires us not to reevaluate our existing or expired leases as of January 1, 2019, under Topic 842;
- Optional transition method - requires us to apply Topic 842 prospectively from the effective date of adoption (i.e., January 1, 2019);
- Land easements - requires us to account for land easements existing as of January 1, 2019, under the accounting standards applied to them prior to January 1, 2019;
- Lease and non-lease components (lessee) - requires us to account for lease and non-lease components associated with that lease under Topic 842 as a single lease component, for all classes of underlying assets;
- Lease and non-lease components (lessor) - requires us to account for lease and non-lease components associated with that lease under Topic 842 as a single lease component, if certain criteria are met, for all classes of underlying assets; and
- Short-term leases practical expedient (lessee) - for leases with a term of 12 months or less in which we are the lessee, this expedient requires us not to record on our balance sheets the related lease liabilities and right-of-use assets.

Our election of the package of practical expedients and the optional transition method allowed us not to reassess:

- Whether any expired or existing contracts as of January 1, 2019 are or contain leases as defined in Topic 842;
- The lease classification for any expired or existing leases as of January 1, 2019; and
- Treatment of initial direct costs relating to any existing leases as of January 1, 2019.

We applied the package of practical expedients consistently to all leases (i.e., in which we are the lessee or the lessor) that commenced before January 1, 2019. The election of this package permits us to “run off” our leases that commenced before January 1, 2019, for the remainder of their lease terms and to apply the new lease accounting standard to leases commencing or modified after January 1, 2019.

For our leases that commenced prior to January 1, 2019, under the package of practical expedients and optional transition method, we are not required to reassess whether initial direct leasing costs capitalized prior to the adoption of the new lease accounting standard in connection with such leases qualify for capitalization under the new lease accounting standard. Therefore, we continue to amortize these initial direct leasing costs over their respective lease terms.

In addition, we applied the modified retrospective transition method to build-to-suit leases for which assets and liabilities have been recognized solely as a result of the transactions’ build-to-suit designation in accordance with Topic 840. Therefore, we derecognized those assets and liabilities at the effective date of adoption for build-to-suit leases where construction had completed, with the difference of approximately \$6.3 million recorded as an increase to accumulated dividends in excess of earnings at the adoption date. We accounted for the leases therefrom, following

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lessee transition guidance. The remainder of our capital leases were classified as finance leases and there was no change in their carrying value or classification at the adoption date.

Under the package of practical expedients that we elected upon adoption of the new lease accounting standard, all of our operating leases existing as of January 1, 2019, in which we are the lessee, continue to be classified as operating leases subsequent to the adoption of the new lease accounting standard. In accordance with the new lease accounting standard, we were required to record an operating lease liability in our consolidated balance sheet equal to the present value of remaining future rental payments in which we are the lessee existing as of January 1, 2019 and the related operating lease right-of-use asset. Consequently, on January 1, 2019, we recorded an operating lease liability aggregating \$757.2 million, which included approximately \$73.3 million reclassified out of the deferred rent liabilities balance in accordance with the new lease standard. We have also recorded a corresponding operating lease right-of-use asset of \$683.9 million. The present value of the remaining lease payments was calculated for each operating lease existing as of January 1, 2019, in which we were the lessee by using each respective remaining lease term and a corresponding estimated incremental borrowing rate. The incremental borrowing rate is the interest rate that we estimated we would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments.

Subsequent application of the new lease accounting guidance

Definition of a lease

Effective January 1, 2019, when we enter into a contract or amend an existing contract, we evaluate whether the contract meets the definition of a lease. To meet the definition of a lease, the contract must meet all three criteria:

- (i) One party (lessor) must hold an identified asset;
- (ii) The counterparty (lessee) must have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the contract; and
- (iii) The counterparty (lessee) must have the right to direct the use of the identified asset throughout the period of the contract.

Lease classification

The new lease accounting standard also sets new criteria for determining the classification of finance leases for lessees and sales-type leases for lessors. The criteria to determine whether a lease should be accounted for as a finance/sales-type lease include any of the following:

- (i) Ownership is transferred from lessor to lessee by the end of the lease term;
- (ii) An option to purchase is reasonably certain to be exercised;
- (iii) The lease term is for the major part of the underlying asset's remaining economic life;
- (iv) The present value of lease payments equals or exceeds substantially all of the fair value of the underlying asset;
or
- (v) The underlying asset is specialized and is expected to have no alternative use at the end of the lease term.

If any of these criteria is met, a lease is classified as a finance lease by the lessee and as a sales-type lease by the lessor. If none of the criteria are met, a lease is classified as an operating lease by the lessee but may still qualify as a direct financing lease or an operating lease for the lessor. The existence of a residual value guarantee from an unrelated third party other than the lessee may qualify the lease as a direct financing lease by the lessor. Otherwise, the lease is

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classified as an operating lease by the lessor. Therefore, under the new lease accounting standard, lessees apply a dual approach by classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, which corresponds to a similar evaluation performed by lessors.

Lessor accounting

Costs to execute leases

The new lease accounting standard requires that lessors (and, if applicable, lessees) capitalize, as initial direct costs, only incremental costs of a lease that would not have been incurred if the lease had not been obtained. Costs that we incur to negotiate or arrange a lease, regardless of its outcome, such as for fixed employee compensation, tax, or legal advice to negotiate lease terms, and other costs, are expensed as incurred.

Operating leases

We account for the revenue from our lease contracts by utilizing the single component accounting policy. This policy requires us to account for, by class of underlying asset, the lease component and non-lease component(s) associated with each lease as a single component if two criteria are met:

- (i) The timing and pattern of transfer of the lease component and the non-lease component(s) are the same; and
- (ii) The lease component would be classified as an operating lease if it were accounted for separately.

Lease components consist primarily of fixed rental payments, which represent scheduled rental amounts due under our leases, and contingent rental payments. Non-lease components consist primarily of customer recoveries representing reimbursements of rental operating expenses under our triple net lease structure, including recoveries for utilities, repairs and maintenance, and common area expenses. If a lessee makes payments for taxes and insurance directly to a third party on behalf of a lessor, lessors are required to exclude them from variable payments and from recognition in the lessors' income statements. Otherwise, customer recoveries for taxes and insurance are classified as additional lease revenue recognized by the lessor on a gross basis in their income statements.

On January 1, 2019, we adopted the practical expedient that allowed us to not separate expenses reimbursed by our customers ("rental recoveries") from the associated rental revenue if certain criteria were met. We assessed these criteria and concluded that the timing and pattern of transfer for rental revenue and the associated rental recoveries are the same and as our leases qualify as operating leases, we accounted for and presented rental revenue and rental recoveries as a single component under rental and other services in our condensed consolidated income statements. Tenant recoveries are recognized as revenue in the period during which the applicable expenses are incurred and the tenant's obligation to reimburse us arises.

If the lease component is the predominant component, we account for all revenues under such lease as a single component in accordance with the new lease accounting standard. Conversely, if the non-lease component is the predominant component, all revenues under such lease are accounted for in accordance with the revenue recognition accounting standard. Our operating leases qualify for the single component accounting, and the lease component in each of our leases is predominant. Therefore, we account for all revenues from our operating leases under the new lease accounting standard and classify these revenues as rental and other services in our consolidated income statements.

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We commence recognition of income from rentals related to the operating leases at the date the property is ready for its intended use by the tenant and the tenant takes possession, or controls the physical use, of the leased asset. Our leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the leases, which may span multiple years. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in deferred rent in the accompanying consolidated balance sheets and contractually due but unpaid rents are included in accounts and other receivables. As of September 30, 2020 and December 31, 2019, the balance of rent receivable, net of allowance, was \$355.2 million and \$171.9 million, respectively, and is classified within accounts and other receivables, net of allowance for doubtful accounts in the accompanying condensed consolidated balance sheets. Amounts received currently but recognized as revenue in future periods are classified in accounts payable and other accrued liabilities in our condensed consolidated balance sheets. The allowance for doubtful accounts as of September 30, 2020 and December 31, 2019 was approximately \$19.1 million and \$13.8 million, respectively.

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. We recognize amortization of the value of acquired above or below-market tenant leases as a reduction of rental revenue in the case of above-market leases or an increase to rental revenue in the case of below-market leases.

We make subjective estimates as to the probability of collection of substantially all lease payments over the term of a lease. We specifically analyze customer creditworthiness, accounts receivable and historical bad debts and current economic trends when evaluating the probability of collection. If collection of substantially all lease payments over the term of a lease is deemed not probable, rental revenue would be recognized when payment is received and revenue would not be recognized on a straight-line basis. We monitor the probability of collection over the lease term and in the event the collection of substantially all lease payments is no longer probable, we cease recognizing revenue on a straight-line basis and write-off the balance of all deferred rent related to the lease and commence recording rental revenue on a cash-basis. In addition, we record a full valuation allowance on the balance of any rent receivable, less the balance of any security deposits or letters of credit. In the event that we subsequently determine the collection is probable, we resume recognizing rental revenue on a straight-line basis and record the incremental revenue such that the cumulative rental revenue is equal to the amount of revenue that would have been recorded on a straight-line basis since the inception of the lease. We also would reverse the allowance for bad debt recorded on the balance of accounts receivable.

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business and geographies, including how it is impacting its customers and business partners. While the Company did not incur significant disruptions during the nine months ended September 30, 2020 from the COVID-19 pandemic, it is unable to predict the impact that the COVID-19 pandemic will have on its financial condition, results of operations and cash flows due to numerous uncertainties.

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(q) Revenue Recognition

Interconnection services are included in rental and other services on the consolidated income statements and are generally provided on a month-to-month, one-year or multi-year term. Interconnection services include port and cross-connect services. Port services are typically sold on a one-year or multi-year term and revenue is recognized on a recurring monthly basis (straight-line). The Company bills customers on a monthly basis and recognizes the revenue over the period the service is provided. Revenue for cross-connect installations is generally recognized in the period the cross-connect is installed. Interconnection services that are not specific to a particular space are accounted for under Topic 606 and have terms that are generally one year or less.

Occasionally, customers engage the Company for certain services. The nature of these services historically involves property management and construction management. 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 whether certain performance milestones are met.

Fee income arises primarily from contractual management 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 noncontrolled entities are recognized to the extent attributable to the unaffiliated interest.

The majority of our revenue is derived from lease arrangements, which we account for in accordance with Topic 842. Upon the adoption of Topic 842, we elected the practical expedient that requires us to account for lease and non-lease components associated with that lease as a single lease component and which are recorded within rental and other services. Revenue recognized as a result of applying Topic 606 was less than 6% of total operating revenue for the three and nine months ended September 30, 2020 and 2019.

(r) 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 liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the lowest level input that is significant would be used to determine the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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(s) Transaction and Integration Expense

Transaction and integration expense includes business combination expenses, other business development expenses and other expenses to integrate newly acquired investments, which are expensed as incurred. Transaction expenses include closing costs, broker commissions and other professional fees, including legal and accounting fees related to business combinations or acquisitions that were not consummated. Integration costs include transition costs associated with organizational restructuring (such as severance and retention payments and recruiting expenses), third-party consulting expenses directly related to the integration of acquired companies (in areas such as cost savings and synergy realization, technology and systems work), and internal costs such as training, travel and labor, reflecting time spent by Company personnel on integration activities and projects. Recurring costs are recorded in general and administrative expense.

(t) Gains on Disposition of Properties

As of January 1, 2018, we began accounting for the sale or contribution of real estate properties under Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, No. 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), which provides for revenue recognition based on transfer of ownership. We recognize gains on the disposition of real estate when the recognition criteria have been met, generally at the time the risks and rewards and title have transferred, and we no longer have substantial continuing involvement with the real estate sold. We recognize losses from the disposition of real estate when known.

(u) Gain on Deconsolidation

We deconsolidate our subsidiaries in accordance with ASC 810, Consolidation, as of the date we cease to have a controlling financial interest in our subsidiaries. We account for the deconsolidation of our subsidiaries by recognizing a gain or loss in accordance with ASC 810. This gain or loss is measured at the date our subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained non-controlling interest in our subsidiaries being deconsolidated, and the carrying amount of any non-controlling interest in our subsidiaries being deconsolidated, including any accumulated other comprehensive income/loss attributable to the non-controlling interest, and (b) the carrying amount of the assets and liabilities of our subsidiaries being deconsolidated.

(v) Management's Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates made. On an ongoing basis, we evaluate our estimates, including those related to the valuation of our real estate properties, customer relationship value, goodwill, contingent consideration, accounts receivable and deferred rent receivable, performance-based equity compensation plans and the completeness of accrued liabilities. 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.

(w) Segment and Geographic Information

The Company is managed on a consolidated basis based on customer demand considerations. Deployment of capital is geared to satisfy this demand. In this regard, the sale and delivery of our products is consistent throughout the portfolio. Services are provided to customers typical of the data center industry. Rent and the cost of services are billed and collected. The Company has one operating segment and therefore one reporting segment.

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Operating revenues from properties in the United States were \$655.8 million and \$659.8 million and outside the United States were \$368.9 million and \$146.7 million for the three months ended September 30, 2020 and 2019, respectively. Operating revenues from properties in the United States were \$1.9 billion and \$1.9 billion and outside the United States were \$906.3 million and \$475.9 million for the nine months ended September 30, 2020 and 2019, respectively. We had investments in real estate located in the United States of \$11.2 billion and \$10.6 billion, and outside the United States of \$8.2 billion and \$3.7 billion, as of September 30, 2020 and December 31, 2019, respectively.

(x) New Accounting Pronouncements*New Accounting Standards Adopted*

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other Significant Matters
ASU 2016-13, <i>Measurement of Credit Losses on Financial Instruments</i> . This standard requires financial assets measured on an amortized cost basis, including trade receivables, to be presented at the net amount expected to be collected.	We adopted the new standard as of January 1, 2020.	The adoption of the new standard did not have a material effect on our condensed consolidated financial statements.
ASU 2017-04, <i>Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment</i> . This standard simplifies the accounting for goodwill impairment by eliminating the process of measuring the implied value of goodwill, known as step two, from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.	We adopted the new standard as of January 1, 2020.	The adoption of the new standard did not have a material effect on our condensed consolidated financial statements.
ASU 2020-04, <i>Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i> . This standard contains optional practical expedients and exceptions for applying Generally Accepted Accounting Principles (“GAAP”) to contracts, hedging relations, and other transactions affected by reference rate reform if certain criteria are met.	We elected certain optional practical expedients as of January 1, 2020	The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. As of January 1, 2020, we have elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

We determined that all other recently issued accounting pronouncements that have yet to be adopted by the Company will not have a material impact on our consolidated financial statements or do not apply to our operations.

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3. Business Combinations

Interxion Combination

We obtained control of Interxion on March 9, 2020 and completed the Interxion Combination on March 12, 2020 for total equity consideration of approximately \$7.0 billion, including approximately \$108.5 million of assumed cash and cash equivalents.

The following table summarizes the acquired assets and liabilities recorded at their fair values as of the acquisition date (in thousands):

	Final Amounts
Land	\$ 159,467
Building and improvements	3,246,522
Construction in progress	273,590
Land held for development	33,447
Operating lease right-of-use assets	556,865
Cash and cash equivalents	108,548
Accounts receivables	218,868
Goodwill	4,443,856
Customer relationship value ⁽¹⁾	1,001,568
Other intangibles	44,943
Revolving credit facility	(130,327)
Mortgage loans	(74,316)
Unsecured debt	(1,457,635)
Accounts payable and other accrued liabilities	(230,585)
Finance lease obligations	(47,957)
Operating lease liabilities	(556,865)
Deferred tax liability, net	(535,990)
Other working capital liabilities, net	(68,947)
Total purchase price	<u>\$ 6,985,052</u>

(1) The weighted average amortization life for customer relationship value is 20 years.

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired and tangible and intangible liabilities assumed in the acquisition. As shown above, we recorded approximately \$4.4 billion of goodwill related to the Interxion Combination. The goodwill is not expected to be deductible for local tax purposes. The strategic benefits of the acquisition include the Company's ability to continue its strategy to provide solutions on a global basis with a diversified product offering of data center solutions for both small and large footprint deployments as well as interconnection services. These factors contributed to the goodwill that was recorded upon consummation of the transaction.

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The unaudited pro forma financial information set forth below is based on our historical condensed consolidated income statements for the three and nine months ended September 30, 2020 and 2019, adjusted to give effect to the Interxion Combination as if it occurred on January 1, 2019. The pro forma adjustments primarily relate to merger expenses, depreciation expense on acquired buildings and improvements, amortization of acquired intangibles, and estimated interest expense related to financing transactions, the proceeds of which were used to fund the repayment of Interxion debt in connection with the Interxion Combination.

<i>Digital Realty Trust, Inc.</i>	Pro forma (unaudited) (in thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total revenue	\$ 1,024,668	\$ 983,685	\$ 2,988,999	\$ 2,949,084
Net (loss) income available to common stockholders ⁽¹⁾	\$ (32,236)	\$ 55,067	\$ 279,712	\$ 114,263

<i>Digital Realty Trust, L.P.</i>	Pro forma (unaudited) (in thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total revenue	\$ 1,024,668	\$ 983,685	\$ 2,988,999	\$ 2,949,084
Net income available to common unitholders ⁽¹⁾	\$ (33,236)	\$ 57,367	\$ 287,912	\$ 122,263

- (1) Pro forma net (loss) income available to common stockholders/unitholders was adjusted to exclude \$5.1 million and \$65.7 million of merger-related costs incurred by the Company during the three and nine months ended September 30, 2020 and to include these charges for the three and nine months ended September 30, 2019.

Revenues of approximately \$216.5 million and \$458.4 million and net income of approximately \$15.4 million and \$27.6 million associated with the Interxion Combination are included in the condensed consolidated income statement for the three and nine months ended September 30, 2020.

4. Real Estate

Acquisitions

We acquired the following real estate during the nine months ended September 30, 2020:

Property Type	Amount (in millions) ⁽¹⁾
Westin ⁽²⁾	\$ 305.2
Frankfurt leasehold site ⁽³⁾	208.1
Land parcels ⁽⁴⁾	62.0
	\$ 575.3

- (1) Purchase price in U.S. dollars and excludes capitalized closing costs.
- (2) On February 25, 2020, we closed on the acquisition of a 49% ownership interest in the Westin Building Exchange in Seattle for a purchase price of approximately \$305 million plus the assumption of debt. The acquisition of the interest held by seller increases our ownership interest to 99% of the property. Prior to the acquisition, our existing 50% ownership interest was accounted for under the equity method of accounting and classified within "Investment in unconsolidated joint ventures". The carrying value of our investment in Westin was zero as of the date of this acquisition and as of December 31, 2019.
- (3) Acquisition of the freehold to the land under the Hanauer Landstraße campus in Frankfurt. The site includes nine Interxion data centers previously subject to leasehold agreements, along with Interxion's German headquarters office.
- (4) Represents three currently vacant land parcels located in Europe which are not included in our operating property count.

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The table below reflects the purchase price allocation for the above real estate acquired during the nine months ended September 30, 2020 (in thousands):

Description	Land	Land Held for Development / Construction in Progress	Buildings and Improvements	Customer Relationship Value and In-Place Leases	Working Capital, net	Below-Market Leases	Secured Debt	Noncontrolling Interests in Consolidated Joint Ventures	Acquisition Date Fair Value
Westin	\$ 43,110	\$ —	\$ 329,406	\$ 68,406	\$ 7,545	\$ (2,540)	\$ (135,000)	\$ (5,715)	\$ 305,212
Frankfurt leasehold site	97,801	—	110,287	—	—	—	—	—	208,088
Land parcels	—	62,000	—	—	—	—	—	—	62,000
Total	<u>\$ 140,911</u>	<u>\$ 62,000</u>	<u>\$ 439,693</u>	<u>\$ 68,406</u>	<u>\$ 7,545</u>	<u>\$ (2,540)</u>	<u>\$ (135,000)</u>	<u>\$ (5,715)</u>	<u>\$ 575,300</u>
Weighted average remaining intangible amortization life (in years)				15		15			

Dispositions

Location / Portfolio	Metro Area	Date Sold	Gross Proceeds (in millions)	Gain on Sale (in millions)
Liverpoolweg 10	Amsterdam	Jul 17, 2020	<u>\$ 21.5</u>	<u>\$ 10.4</u>

Assets Held For Sale / Disposition

On September 16, 2019, we announced the proposed sale of 10 Powered Base Building® properties, which comprise 12 data centers, in North America to Mapletree Investments Pte Ltd (“Mapletree Investments”) and Mapletree Industrial Trust (“MIT” and together with Mapletree Investments, “Mapletree”), at a purchase consideration of approximately \$557.0 million. As of December 31, 2019, these 12 data centers had an aggregate carrying value of \$229.9 million within total assets and \$2.7 million within total liabilities and are shown as assets held for sale and obligations associated with assets held for sale on the consolidated balance sheet. In January 2020, we closed on the sale of the 12 data centers for a gain of approximately \$304.8 million. We will provide transitional property management services for one year from the closing date at a customary market rate. The 12 data centers were not representative of a significant component of our portfolio, nor did the sale represent a significant shift in our strategy.

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5. Leases

Lessee accounting

We lease space at certain of our data centers from third parties and certain equipment under noncancelable lease agreements. Leases for our data centers expire at various dates through 2065. As of September 30, 2020, certain of our data centers, primarily in Europe and Singapore, are subject to ground leases. As of September 30, 2020, the termination dates of these ground leases range from 2041 to 2981. In addition, our corporate headquarters along with several regional office locations are subject to leases with termination dates ranging from 2021 to 2065. The leases generally require us to make fixed rental payments that increase at defined intervals during the term of the lease plus pay our share of common area, real estate and utility expenses as incurred. The leases neither contain residual value guarantees nor impose material restrictions or covenants on us. Further, the leases have been classified and accounted for as either operating or finance leases. Rent expense related to operating leases included in rental property operating and maintenance expense in the condensed consolidated income statements amounted to approximately \$35.2 million and \$20.7 million for the three months ended September 30, 2020 and 2019, respectively, and approximately \$94.0 million and \$63.1 million for the nine months ended September 30, 2020 and 2019, respectively.

In July 2020, we acquired the freehold to the land under the Hanauer Landstraße campus in Frankfurt along with leasehold agreements to nine of our data centers within the campus (see note 4) and, as a result, the leases were terminated and right-of-use assets and related lease liabilities of approximately \$24.7 million were written off.

Lessor accounting

We lease our operating properties to customers under agreements that are classified as operating leases. We recognize the total minimum lease payments provided for under the leases on a straight-line basis over the lease term if we determine that it is probable that substantially all of the lease payments will be collected over the lease term. Otherwise, rental revenue is recognized based on the amount contractually due. Generally, under the terms of our leases, the majority of our rental expenses, including common area maintenance, real estate taxes and insurance, are recovered from our customers. We record amounts reimbursed by customers in the period that the applicable expenses are incurred, which is generally ratably throughout the term of the lease. The reimbursements are recognized in rental and other services revenue in the condensed consolidated income statements as we are the primary obligor with respect to purchasing and selecting goods and services from third-party vendors and bearing the associated credit risk.

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6. Investments in Unconsolidated Joint Ventures

As of September 30, 2020 and December 31, 2019, our investments in unconsolidated joint ventures accounted for under the equity method of accounting presented in our condensed consolidated balance sheets consist of the following (in thousands):

<u>Joint Venture</u>	<u>Year Joint Venture Formed</u>	<u># of Data Centers</u>	<u>Metropolitan Area</u>	<u>% Ownership</u>	<u>Balance as of September 30, 2020</u>	<u>Balance as of December 31, 2019</u>
Ascenty ⁽¹⁾	2019	22	Brazil / Chile / Mexico	51 % ⁽²⁾	\$ 500,580	\$ 787,026
Mapletree	2019	3	Northern Virginia	20 %	188,195	196,181
Mitsubishi	2017	4	Osaka / Tokyo	50 %	268,385	200,652
CenturyLink	2012	1	Hong Kong	50 %	87,581	88,647
Other	Various	13	U.S.		15,237	14,603
Total		<u>43</u>			<u>\$ 1,059,978</u>	<u>\$ 1,287,109</u>

- (1) Our maximum exposure to loss related to this unconsolidated variable interest entity (VIE) is limited to our equity investment in this VIE.
- (2) Includes an approximate 2% ownership interest held by a non-controlling interest in our entity that holds the investment in the Ascenty joint venture, which has a carrying value as of September 30, 2020 and December 31, 2019 of approximately \$19.8 million and \$23.9 million, respectively, and is classified within redeemable noncontrolling interests in our condensed consolidated balance sheet.

The debt of our unconsolidated joint ventures generally is non-recourse to us, except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions, and material misrepresentations.

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7. Acquired Intangible Assets and Liabilities

The following summarizes our acquired intangible assets (real estate intangibles, comprised of acquired in-place lease value and customer relationship value along with acquired above-market lease value) and intangible liabilities (acquired below-market lease value) as of September 30, 2020 and December 31, 2019.

(Amounts in thousands)	Balance as of	
	September 30, 2020	December 31, 2019
Real Estate Intangibles:		
Customer relationship value:		
Gross amount ⁽¹⁾	\$ 2,938,308	\$ 1,845,949
Accumulated amortization	(526,657)	(400,570)
Net	<u>\$ 2,411,651</u>	<u>\$ 1,445,379</u>
Acquired in-place lease value:		
Gross amount	\$ 1,375,003	\$ 1,357,190
Accumulated amortization	(976,121)	(899,071)
Net	<u>\$ 398,882</u>	<u>\$ 458,119</u>
Acquired above-market leases:		
Gross amount	\$ 278,094	\$ 279,048
Accumulated amortization	(228,014)	(204,233)
Net	<u>\$ 50,080</u>	<u>\$ 74,815</u>
Acquired below-market leases:		
Gross amount	\$ 398,870	\$ 396,509
Accumulated amortization	(263,606)	(247,735)
Net	<u>\$ 135,264</u>	<u>\$ 148,774</u>

(1) Balance as of September 30, 2020 includes amounts from Interxion Combination (see Note 3).

Amortization of customer relationship value (a component of depreciation and amortization expense) was approximately \$49.7 million and \$30.7 million for the three months ended September 30, 2020 and 2019, respectively, and approximately \$128.5 million and \$99.3 million for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, the weighted average remaining contractual life for customer relationship value was 14.9 years. Estimated annual amortization of customer relationship value for each of the five succeeding years and thereafter, commencing October 1, 2020 is as follows:

(Amounts in thousands)	
Remainder of 2020	\$ 43,850
2021	174,593
2022	173,822
2023	173,153
2024	172,573
Thereafter	1,673,660
Total	<u>\$ 2,411,651</u>

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Amortization of acquired in-place lease value (a component of depreciation and amortization expense) was approximately \$25.4 million and \$32.4 million for the three months ended September 30, 2020 and 2019, respectively, and approximately \$82.4 million and \$114.7 million for the nine months ended September 30, 2020 and 2019, respectively. The expected average amortization period for acquired in-place lease value is 5.8 years as of September 30, 2020. The weighted average remaining contractual life for acquired leases excluding renewals or extensions is 5.6 years as of September 30, 2020. Estimated annual amortization of acquired in-place lease value for each of the five succeeding years and thereafter, commencing October 1, 2020 is as follows:

(Amounts in thousands)	
Remainder of 2020	\$ 22,209
2021	79,472
2022	59,787
2023	48,632
2024	41,448
Thereafter	147,334
Total	<u>\$ 398,882</u>

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in a decrease in rental revenues of \$(2.4) million and \$(2.8) million for the three months ended September 30, 2020 and 2019, respectively, and approximately \$(8.7) million and \$(13.0) million for the nine months ended September 30, 2020 and 2019, respectively. The expected average remaining lives for acquired below-market leases and acquired above-market leases is 7.4 years and 2.2 years, respectively, as of September 30, 2020. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years and thereafter, commencing October 1, 2020 is as follows:

(Amounts in thousands)	
Remainder of 2020	\$ (1,783)
2021	(3,347)
2022	4,880
2023	9,645
2024	10,297
Thereafter	65,492
Total	<u>\$ 85,184</u>

8. Debt of the Company

In this Note 8, 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 2.750% notes due 2023 (2.750% 2023 Notes), 4.750% notes due 2025 (4.750% 2025 Notes), 3.700% notes due 2027 (2027 Notes), 4.450% notes due 2028 (4.450% 2028 Notes) and 3.600% notes due 2029 (3.600% 2029 Notes). 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 (4.750% 2023 Notes), 2.750% notes due 2024 (2.750% 2024 Notes), 4.250% notes due 2025 (4.250% 2025 Notes), 3.300% notes due 2029 (3.300% 2029 Notes) and 3.750% notes due 2030 (3.750% 2030 Notes), the obligations of Digital Euro Finco, LLC, an indirect wholly owned finance

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subsidiary of the Operating Partnership, with respect to its 2.625% notes due 2024 (2.625% 2024 Notes), 2.500% notes due 2026 (2026 Notes) and 1.125% notes due 2028 (1.125% 2028 Notes) and the obligations of Digital Dutch Finco B.V., an indirect wholly owned finance subsidiary of the Operating Partnership, with respect to its Floating Rate Guaranteed Notes due 2022 (2022 Notes), 0.125% notes due 2022 (0.125% 2022 Notes), 0.625% notes due 2025 (0.625% 2025 Notes), 1.500% notes due 2030 (1.500% 2030 Notes), 1.250% notes due 2031 (2031 Notes) and 1.000% notes due 2032 (2032 Notes). The Company is also the guarantor of the Operating Partnership's and its subsidiary borrowers' obligations under the global revolving credit facilities and unsecured term loans.

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9. Debt of the Operating Partnership

A summary of outstanding indebtedness of the Operating Partnership as of September 30, 2020 and December 31, 2019 is as follows (in thousands):

Indebtedness	Interest Rate at September 30, 2020	Maturity Date	Principal Outstanding at September 30, 2020	Principal Outstanding at December 31, 2019
Global revolving credit facilities	Various (1)	Jan 24, 2023 (1)	\$ 133,146 (2)	\$ 245,766 (2)
Deferred financing costs, net			(9,064)	(11,661)
Global revolving credit facilities, net			<u>124,082</u>	<u>234,105</u>
Unsecured Term Loans				
2023 Term Loan	Various (3)(4)	Jan 15, 2023	— (5)(9)	300,000 (5)
2024 Term Loan	Various (3)(4)	Jan 24, 2023	513,747 (5)	513,205 (5)
Deferred financing costs, net			(1,105)	(2,986)
Unsecured term loans, net			<u>512,642</u>	<u>810,219</u>
Unsecured senior notes:				
Senior Notes:				
3.950% notes due 2022	3.950 %	Jul 1, 2022	— (10)	500,000
Floating rate notes due 2022	EURIBOR + 0.500 %	Sep 23, 2022	351,630 (6)	—
3.625% notes due 2022	3.625 %	Oct 1, 2022	— (10)	300,000
0.125% notes due 2022	0.125 %	Oct 15, 2022	351,630 (6)	—
2.750% notes due 2023	2.750 %	Feb 1, 2023	350,000	350,000
4.750% notes due 2023	4.750 %	Oct 13, 2023	387,600 (7)(11)	397,710 (7)
2.625% notes due 2024	2.625 %	Apr 15, 2024	703,260 (6)	672,780 (6)
2.750% notes due 2024	2.750 %	Jul 19, 2024	323,000 (7)	331,425 (7)
4.250% notes due 2025	4.250 %	Jan 17, 2025	516,800 (7)	530,280 (7)
0.625% notes due 2025	0.625 %	Jul 15, 2025	761,865 (6)	—
4.750% notes due 2025	4.750 %	Oct 1, 2025	450,000	450,000
2.500% notes due 2026	2.500 %	Jan 16, 2026	1,260,007 (6)	1,205,398 (6)
3.700% notes due 2027	3.700 %	Aug 15, 2027	1,000,000	1,000,000
1.125% notes due 2028	1.125 %	Apr 9, 2028	586,050 (6)	560,650 (6)
4.450% notes due 2028	4.450 %	Jul 15, 2028	650,000	650,000
3.600% notes due 2029	3.600 %	Jul 1, 2029	900,000	900,000
3.300% notes due 2029	3.300 %	Jul 19, 2029	452,200 (7)	463,995 (7)
1.500% notes due 2030	1.500 %	Mar 15, 2030	879,075 (6)	—
3.750% notes due 2030	3.750 %	Oct 17, 2030	710,600 (7)	729,135 (7)
1.250% notes due 2031	1.250 %	Feb 1, 2031	586,050 (6)	—
1.000% notes due 2032	1.000 %	Jan 15, 2032	879,075 (6)	—
Unamortized discounts, net of premiums			(35,447)	(16,145)
Total senior notes, net of discount			<u>12,063,395</u>	<u>9,025,228</u>
Deferred financing costs, net			(64,225)	(52,038)
Total unsecured senior notes, net of discount and deferred financing costs			<u>11,999,170</u>	<u>8,973,190</u>
Secured Debt:				
731 East Trade Street	8.22 %	Jul 1, 2020	\$ — (8)	\$ 1,089
Secured note due March 2023	LIBOR + 1.000 % (4)	Mar 1, 2023	104,000	104,000
Westin	3.290 %	Jul 11, 2027	135,000	—
Unamortized net premiums			—	54
Total secured debt, including premiums			<u>239,000</u>	<u>105,143</u>
Deferred financing costs, net			(134)	(209)
Total secured debt, including premiums and net of deferred financing costs			<u>238,866</u>	<u>104,934</u>
Total indebtedness			<u>\$ 12,874,760</u>	<u>\$ 10,122,448</u>

- (1) The interest rate for borrowings under the global revolving credit facility equals the applicable index plus a margin of 90 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. The interest rate for borrowings under the Yen revolving credit facility equals the applicable index plus a margin of 50 basis points, which is based on the current credit ratings of our long-term debt.

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(2) Balances as of September 30, 2020 and December 31, 2019 are as follows (balances, in thousands):

Denomination of Draw	Balance as of September 30, 2020	Weighted- average interest rate	Balance as of December 31, 2019	Weighted- average interest rate
<u>Floating Rate Borrowing (a) (d)</u>				
Euro (€)	\$ —	— %	\$ 44,852 (c)	0.90 %
Australian dollar (AUD)	2,865 (b)	0.99 %	1,264 (c)	1.74 %
Singapore dollar (SGD)	84,288 (b)	1.03 %	53,199 (c)	2.46 %
Total	<u>\$ 87,153</u>	1.03 %	<u>\$ 99,315</u>	1.75 %
<u>Yen Revolving Credit Facility (a)</u>				
	\$ 45,993 (e)	0.50 %	\$ 146,451 (e)	0.50 %
Total borrowings	<u>\$ 133,146</u>	0.84 %	<u>\$ 245,766</u>	1.00 %

- (a) The interest rates for floating rate borrowings under the global revolving credit facility currently equal the applicable index, subject to a zero floor, plus a margin of 90 basis points, which is based on the current credit rating of our long-term debt. The interest rate for borrowings under the Yen revolving credit facility equals the applicable index, subject to a zero floor, plus a margin of 50 basis points, which is based on the current credit rating of our long-term debt.
- (b) Based on exchange rates of \$0.72 to 1.00 AUD and \$0.73 to 1.00 SGD, respectively, as of September 30, 2020.
- (c) Based on exchange rates of \$1.12 to €1.00, \$0.70 to 1.00 AUD and \$0.74 to 1.00 SGD, respectively, as of December 31, 2019.
- (d) As of September 30, 2020, approximately \$55.3 million of letters of credit were issued.
- (e) Based on exchange rates of \$0.01 to 1.00 JPY as of September 30, 2020 and December 31, 2019.

- (3) Interest rates are based on our current senior unsecured debt ratings and are currently 100 basis points over the applicable index for floating rate advances for the 2023 Term Loan and the 2024 Term Loan.
- (4) We have entered into interest rate swap agreements as a cash flow hedge for interest generated by a portion of U.S. dollar and Canadian dollar borrowings under the 2023 Term Loan and 2024 Term Loan, and the secured note due March 2023. See Note 16. "Derivative Instruments" for further information.
- (5) Balances as of September 30, 2020 and December 31, 2019 are as follows (balances, in thousands):

Denomination of Draw	Balance as of September 30, 2020	Weighted- average interest rate	Balance as of December 31, 2019	Weighted- average interest rate
U.S. dollar (\$)	\$ —	— %	\$ 300,000	2.74 % (d)
Singapore dollar (SGD)	145,801 (a)	1.13 %	147,931 (c)	2.68 %
Australian dollar (AUD)	207,913 (a)	1.09 %	203,820 (c)	1.85 %
Hong Kong dollar (HKD)	86,089 (a)	1.40 %	85,629 (c)	3.60 %
Canadian dollar (CAD)	73,944 (a)	1.49 % (b)	75,825 (c)	3.00 % (d)
Total	<u>\$ 513,747</u>	1.21 % (b)	<u>\$ 813,205</u>	2.62 % (d)

- (a) Based on exchange rates of \$0.73 to 1.00 SGD, \$0.72 to 1.00 AUD, \$0.13 to 1.00 HKD and \$0.75 to 1.00 CAD, respectively, as of September 30, 2020.
- (b) As of September 30, 2020, the weighted-average interest rate reflecting interest rate swaps was 1.78% (Canadian dollar) and 1.25% (Total). See Note 16 "Derivative Instruments" for further discussion on interest rate swaps.
- (c) Based on exchange rates of \$0.74 to 1.00 SGD, \$0.70 to 1.00 AUD, \$0.13 to 1.00 HKD and \$0.77 to 1.00 CAD, respectively, as of December 31, 2019.

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- (d) As of December 31, 2019, the weighted-average interest rate reflecting interest rate swaps was 2.44% (U.S. dollar), 1.78% (Canadian dollar) and 2.39% (Total).
- (6) Based on exchange rates of \$1.17 to €1.00 as of September 30, 2020 and \$1.12 to €1.00 as of December 31, 2019.
- (7) Based on exchange rates of \$1.29 to £1.00 as of September 30, 2020 and \$1.33 to £1.00 as of December 31, 2019.
- (8) Debt was repaid in full on April 13, 2020.
- (9) Debt was repaid in full on September 24, 2020. The payment resulted in an early extinguishment charge of approximately \$0.9 million during the three months ended September 30, 2020.
- (10) The 3.950% 2022 Notes and 3.625% 2022 Notes were redeemed in full on August 3, 2020. The redemption resulted in an early extinguishment charge of approximately \$52.1 million during the three months ended September 30, 2020.
- (11) The 4.750% 2023 Notes were redeemed in full on October 14, 2020.

The indentures governing our senior notes contain certain covenants, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40% and (3) an interest coverage ratio of greater than 1.50, and also requires us to maintain total unencumbered assets of not less than 150% of the aggregate principal amount of unsecured debt. At September 30, 2020, we were in compliance with each of these financial covenants.

Euro Notes

On January 17, 2020, Digital Dutch Finco B.V., an indirect wholly owned finance subsidiary of the Operating Partnership, issued and sold €300.0 million aggregate principal amount of 0.125% Guaranteed Notes due 2022 (the “0.125% 2022 Notes”), €650.0 million aggregate principal amount of 0.625% Guaranteed Notes due 2025 (the “0.625% 2025 Notes”) and €750.0 million aggregate principal amount of 1.500% Guaranteed Notes due 2030 (the “1.500% 2030 Notes”) and, together with the 0.125% 2022 Notes and 0.625% 2025 Notes, the “Euro Notes”). The Euro Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. The terms of each series of Euro Notes are governed by separate indentures, each dated as of January 17, 2020, among Digital Dutch Finco B.V., Digital Realty Trust, Inc., the Operating Partnership, 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. Net proceeds from the offering were approximately €1,678.6 million (or approximately \$1,861.9 million based on the exchange rate as of January 17, 2020) after deducting managers’ discounts and estimated offering expenses.

Euro Notes due 2031

On June 26, 2020, Digital Dutch Finco B.V., an indirect wholly owned finance subsidiary of the Operating Partnership, issued and sold €500.0 million aggregate principal amount of 1.250% Guaranteed Notes due 2031 (the “2031 Notes”). The 2031 Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. The terms of the 2031 Notes are governed by an indenture dated as of June 26, 2020, among Digital Dutch Finco B.V., Digital Realty Trust, Inc., the Operating Partnership, 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. Net proceeds from the offering were approximately €493.1 million (or approximately \$553.2 million based on the exchange rate as of June 26, 2020) after deducting managers’ discounts and estimated offering expenses.

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Euro Notes due 2032

On September 23, 2020, Digital Dutch Finco B.V., an indirect wholly owned finance subsidiary of the Operating Partnership, issued and sold €750.0 million aggregate principal amount of 1.000% Guaranteed Notes due 2032 (the “2032 Notes”). The 2032 Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. The terms of the 2032 Notes are governed by an indenture dated as of September 23, 2020, among Digital Dutch Finco B.V., Digital Realty Trust, Inc., the Operating Partnership, 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. Net proceeds from the offering were approximately €737.5 million (or approximately \$860.0 million based on the exchange rate as of September 23, 2020) after deducting managers’ discounts and estimated offering expenses.

Floating Rate Notes due 2022

On September 23, 2020, Digital Dutch Finco B.V., an indirect wholly owned finance subsidiary of the Operating Partnership, issued and sold €300.0 million aggregate principal amount of Floating Rate Guaranteed Notes due 2022 (the “2022 Notes”). The 2022 Notes will bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.48%, subject to a zero floor, and the interest rate for the initial interest period was 0%. The 2022 Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. The terms of the 2022 Notes are governed by an indenture dated as of September 23, 2020, among Digital Dutch Finco B.V., Digital Realty Trust, Inc., the Operating Partnership, 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. Net proceeds from the offering were approximately €299.0 million (or approximately \$348.7 million based on the exchange rate as of September 23, 2020) after deducting managers’ discounts and estimated offering expenses.

The table below summarizes our debt maturities and principal payments as of September 30, 2020 (in thousands):

	Global Revolving Credit Facilities ⁽¹⁾	Unsecured Term Loans ⁽¹⁾	Senior Notes	Secured Debt	Total Debt
Remainder of 2020	\$ —	\$ —	\$ —	\$ —	\$ —
2021	—	—	—	—	—
2022	—	—	703,260	—	703,260
2023	87,153	513,747	737,600	104,000	1,442,500
2024	45,993	—	1,026,260	—	1,072,253
Thereafter	—	—	9,631,722	135,000	9,766,722
Subtotal	\$ 133,146	\$ 513,747	\$ 12,098,842	\$ 239,000	\$ 12,984,735
Unamortized discount	—	—	(41,358)	—	(41,358)
Unamortized premium	—	—	5,911	—	5,911
Total	<u>\$ 133,146</u>	<u>\$ 513,747</u>	<u>\$ 12,063,395</u>	<u>\$ 239,000</u>	<u>\$ 12,949,288</u>

(1) The global revolving credit facility and unsecured term loans are 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 or unsecured term loans, as applicable.

10. Earnings per Share

The following is a summary of basic and diluted earnings per share (in thousands, except share and per share

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amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income available to common stockholders	\$ (37,370)	\$ 49,827	\$ 219,165	\$ 177,434
Weighted average shares outstanding—basic	270,214,413	208,421,470	253,377,527	208,173,995
Potentially dilutive common shares:				
Unvested incentive units	—	181,064	103,159	142,670
Unvested restricted stock	—	—	273,755	—
Forward equity offering	—	1,013,970	2,087,607	705,720
Market performance-based awards	—	185,267	520,531	177,150
Weighted average shares outstanding—diluted	270,214,413	209,801,771	256,362,579	209,199,535
(Loss) earnings per share:				
Basic	\$ (0.14)	\$ 0.24	\$ 0.86	\$ 0.85
Diluted	\$ (0.14)	\$ 0.24	\$ 0.85	\$ 0.85

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Unvested incentive units	154,178	—	—	—
Unvested restricted stock	2,459,322	—	—	—
Forward equity offering	512,442	—	—	—
Market performance-based awards	318,386	—	—	—
Weighted average of Operating Partnership common units not owned by Digital Realty Trust, Inc.	7,864,774	8,953,826	8,038,885	9,080,816
Potentially dilutive Series C Cumulative Redeemable Perpetual Preferred Stock	1,417,537	1,614,005	1,485,177	1,678,511
Potentially dilutive Series G Cumulative Redeemable Preferred Stock	1,757,668	2,001,277	1,841,538	2,081,260
Potentially dilutive Series H Cumulative Redeemable Preferred Stock	—	—	—	1,053,127
Potentially dilutive Series I Cumulative Redeemable Preferred Stock	1,304,786	2,003,619	1,692,046	2,083,696
Potentially dilutive Series J Cumulative Redeemable Preferred Stock	1,403,969	1,598,556	1,470,961	1,662,444
Potentially dilutive Series K Cumulative Redeemable Preferred Stock	1,476,350	1,680,969	1,546,796	1,232,711
Potentially dilutive Series L Cumulative Redeemable Preferred Stock	2,421,547	—	2,535,929	—
Total	<u>21,090,959</u>	<u>17,852,252</u>	<u>18,611,332</u>	<u>18,872,565</u>

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11. Earnings per Unit

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income available to common unitholders	\$ (38,370)	\$ 52,127	\$ 227,365	\$ 185,434
Weighted average units outstanding—basic	278,079,187	217,375,296	261,416,412	217,254,811
Potentially dilutive common units:				
Unvested incentive units	—	181,064	103,159	142,670
Unvested restricted units	—	—	273,755	—
Forward equity offering	—	1,013,970	2,087,607	705,720
Market performance-based awards	—	185,267	520,531	177,150
Weighted average units outstanding—diluted	278,079,187	218,755,597	264,401,464	218,280,351
Earnings per unit:				
Basic	\$ (0.14)	\$ 0.24	\$ 0.87	\$ 0.85
Diluted	\$ (0.14)	\$ 0.24	\$ 0.86	\$ 0.85

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Unvested incentive units	154,178	—	—	—
Unvested restricted units	2,459,322	—	—	—
Forward equity offering	512,442	—	—	—
Market performance-based awards	318,386	—	—	—
Potentially dilutive Series C Cumulative Redeemable Perpetual Preferred Units	1,417,537	1,614,005	1,485,177	1,678,511
Potentially dilutive Series G Cumulative Redeemable Preferred Units	1,757,668	2,001,277	1,841,538	2,081,260
Potentially dilutive Series H Cumulative Redeemable Preferred Units	—	—	—	1,053,127
Potentially dilutive Series I Cumulative Redeemable Preferred Units	1,304,786	2,003,619	1,692,046	2,083,696
Potentially dilutive Series J Cumulative Redeemable Preferred Units	1,403,969	1,598,556	1,470,961	1,662,444
Potentially dilutive Series K Cumulative Redeemable Preferred Units	1,476,350	1,680,969	1,546,796	1,232,711
Potentially dilutive Series L Cumulative Redeemable Preferred Units	2,421,547	—	2,535,929	—
Total	13,226,185	8,898,426	10,572,447	9,791,749

12. 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 taxable income distributed currently to its stockholders. Since inception, Digital Realty Trust, Inc. has distributed at least 100% of its taxable income annually. As such, no provision for federal income taxes has been included in the Company's accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019.

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

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that REITs cannot hold directly. Income taxes for TRS entities were accrued, as necessary, for the three and nine months ended September 30, 2020 and 2019.

For our TRS entities and foreign subsidiaries that are subject to U.S. federal, state, local 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 nine months ended September 30, 2020 and 2019. As of September 30, 2020 and December 31, 2019, we had deferred tax liabilities net of deferred tax assets of approximately \$703.1 million and \$143.4 million, respectively, primarily related to our foreign properties, classified in accounts payable and other accrued expenses in the condensed consolidated balance sheet. The majority of our net deferred tax liability relates to differences between foreign tax basis and book basis of the assets acquired in the Interxion Combination in March 2020, the European Portfolio Acquisition in July 2016 and the Sentrum portfolio acquisition during 2012. The valuation allowance against the deferred tax assets at September 30, 2020 and December 31, 2019 relate primarily to net operating loss carryforwards that we do not expect to utilize attributable to certain foreign jurisdictions.

13. Equity and Accumulated Other Comprehensive Loss, Net

(a) Equity Distribution Agreement

On May 11, 2020, Digital Realty Trust, Inc. and Digital Realty Trust, L.P. entered into an amendment, which we refer to as the 2020 Amendment, to our ATM equity offering sales agreement dated January 4, 2019, which, as amended, we refer to as the Sales Agreement, with BofA Securities, Inc., Barclays Capital Inc., BTIG, LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Jefferies LLC, J.P. Morgan Securities LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., Raymond James & Associates, Inc., RBC Capital Markets, LLC, Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc., SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC, and Wells Fargo Securities, LLC, or the Agents, to increase the number of shares of common stock Digital Realty Trust, Inc. could issue and sell from time to time through, at its discretion, any of the Agents as its sales agents or as principals. Sales may also be made on a forward basis pursuant to separate forward sale agreements. In accordance with the Sales Agreement, following the date of the 2020 Amendment, Digital Realty Trust, Inc. may offer and sell shares of its common stock having an aggregate offering price of up to \$1.0 billion. Prior to the 2020 Amendment, Digital Realty Trust, Inc. had offered and sold shares of its common stock having an aggregate gross sales price of approximately \$652.2 million. The sales of common stock made under the Sales Agreement will be made in “at the market” offerings as defined in Rule 415 of the Securities Act. For the nine months ended September 30, 2020, Digital Realty Trust, Inc. generated net proceeds of approximately \$893.0 million from the issuance of approximately 6.1 million common shares under the Sales Agreement at an average price of \$146.89 per share after payment of approximately \$9.0 million of commissions to the Agents. Subsequent to September 30, 2020, Digital Realty Trust, Inc. generated net proceeds of approximately \$0.8 million from the issuance of 5,220 common shares under the Sales Agreement at an average price of \$159.09 per share after payment of approximately \$8,000 of commissions to the Agents, and approximately \$749.4 million remains available for future sales under the program. For the nine months ended September 30, 2019, there were no sales made under the program.

(b) Forward Equity Sale

On September 27, 2018, Digital Realty Trust, Inc. completed an underwritten public offering of 9,775,000 shares of its common stock (including 1,275,000 shares from the exercise in full of the underwriters’ option to purchase additional

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shares), all of which were offered in connection with forward sale agreements it entered into with certain financial institutions acting as forward purchasers. The forward purchasers borrowed and sold an aggregate of 9,775,000 shares of Digital Realty Trust, Inc.'s common stock in the public offering. Digital Realty Trust, Inc. did not receive any proceeds from the sale of its common stock by the forward purchasers in the public offering. On September 17, 2019, the Company amended the forward sale agreements to extend the maturity date of such forward sales agreements from September 27, 2019 to September 25, 2020. On September 24, 2020, we physically settled the forward sale agreements in full by issuing an aggregate of 9,775,000 shares of our common stock to the forward purchasers in exchange for net proceeds of approximately \$1.0 billion.

(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 interest in the Operating Partnership as of September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Number of units	Percentage of total	Number of units	Percentage of total
Digital Realty Trust, Inc.	279,920,621	97.2 %	208,900,758	95.9 %
Noncontrolling interests consist of:				
Common units held by third parties	6,291,091	2.2 %	6,820,201	3.2 %
Incentive units held by employees and directors (see Note 15)	1,875,570	0.6 %	2,022,954	0.9 %
	288,087,282	100.0 %	217,743,913	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 units and incentive units of the Operating Partnership met the criteria to be classified within equity, except for certain common units issued to certain former DFT Operating Partnership unitholders in the DFT Merger, which are subject to certain restrictions and, accordingly, are not presented as permanent equity in the condensed consolidated balance sheet.

In connection with the initial public offering of DFT in 2007, DFT, the DFT Operating Partnership and certain DFT Operating Partnership unitholders entered into a tax protection agreement to assist such unitholders in deferring certain U.S. federal income tax liabilities that may have otherwise resulted from the contribution transactions undertaken in connection with the initial public offering and the ownership of interests in the DFT Operating Partnership and to set forth certain agreements with respect to other tax matters. In connection with the DFT Merger, certain DFT Operating Partnership unitholders entered into a new tax protection agreement with Digital Realty Trust, Inc. and the Operating Partnership that replaced and superseded the DFT tax protection agreement, effective as of the closing of the merger. Pursuant to the new tax protection agreement, such DFT Operating Partnership unitholders entered into a guarantee of certain debt of a subsidiary of the Operating Partnership. The Operating Partnership must offer such DFT Operating Partnership unitholders a new guarantee opportunity in the event any guaranteed debt is repaid prior to March 1, 2023. If the Operating Partnership fails to offer the guarantee opportunity or to allocate guaranteed debt to any such DFT Operating Partnership unitholder as required under the new tax protection agreement, the Operating Partnership

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generally would be required to indemnify each such DFT Operating Partnership unitholder for the tax liability resulting from such failure, as determined under the new tax protection agreement.

The redemption value of the noncontrolling Operating Partnership common units and the vested incentive units was approximately \$1,154.9 million and \$997.6 million based on the closing market price of Digital Realty Trust, Inc. common stock on September 30, 2020 and December 31, 2019, respectively.

The following table shows activity for the noncontrolling interests in the Operating Partnership for the nine months ended September 30, 2020:

	Common Units	Incentive Units	Total
As of December 31, 2019	6,820,201	2,022,954	8,843,155
Redemption of common units for shares of Digital Realty Trust, Inc. common stock ⁽¹⁾	(529,110)	—	(529,110)
Conversion of incentive units held by employees and directors for shares of Digital Realty Trust, Inc. common stock ⁽¹⁾	—	(398,399)	(398,399)
Incentive units issued upon achievement of market performance condition	—	126,845	126,845
Grant of incentive units to employees and directors	—	126,933	126,933
Cancellation / forfeitures of incentive units held by employees and directors	—	(2,763)	(2,763)
As of September 30, 2020	6,291,091	1,875,570	8,166,661

- (1) These redemptions and conversions 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 consolidated balance sheet of Digital Realty Trust, Inc.

(d) Dividends

We have declared and paid the following dividends on our common and preferred stock for the nine months ended September 30, 2020 (in thousands, except per share data):

Date dividend declared	Dividend payment date	Series C Preferred Stock	Series G Preferred Stock ⁽¹⁾	Series I Preferred Stock	Series J Preferred Stock	Series K Preferred Stock	Series L Preferred Stock	Common Stock
February 26, 2020	March 31, 2020	\$ 3,333	\$ 3,672	\$ 3,969	\$ 2,625	\$ 3,071	\$ 4,485	\$ 295,630
May 12, 2020	June 30, 2020	3,333	3,672	3,969	2,625	3,071	4,485	301,005
August 11, 2020	September 30, 2020	3,333	3,672	— ⁽²⁾	2,625	3,071	4,485	303,006
		<u>\$ 9,999</u>	<u>\$ 11,016</u>	<u>\$ 7,938</u>	<u>\$ 7,875</u>	<u>\$ 9,213</u>	<u>\$ 13,455</u>	<u>\$ 899,641</u>
Annual rate of dividend per share		<u>\$ 1.65625</u>	<u>\$ 1.46875</u>	<u>\$ 1.58750</u>	<u>\$ 1.31250</u>	<u>\$ 1.46250</u>	<u>\$ 1.30000</u>	<u>\$ 4.48000</u>

- (1) On September 15, 2020, the Company distributed a notice of redemption of all of the shares of its series G preferred stock on October 15, 2020. The shares of series G preferred stock were redeemed at a redemption price of \$25.00 per share plus accrued and unpaid dividends from October 1, 2020 up to but not including the redemption date in the amount of \$0.057118 per share. The Company became obligated to redeem the series G preferred stock and pay the accrued dividends upon notice of redemption in September 2020. Therefore, the Company reclassified the series G preferred stock balance from equity to a preferred stock redemption liability, included in accounts payable and other accrued liabilities in the condensed consolidated balance sheet, and recorded the balance at fair value. In connection with the redemption, the previously incurred offering costs of approximately \$8.2 million were recorded as a reduction to net income available to common stockholders.
- (2) Redeemed on September 8, 2020 for \$25.29545 per share, or a redemption price of \$25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date. In connection with the redemption, the previously incurred offering costs of approximately \$8.0 million were recorded as a reduction to net income available to common stockholders.

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

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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 global revolving credit facility to fund all or a portion of distributions.

(e) Accumulated Other Comprehensive Loss, Net

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

	Foreign currency translation adjustments	Cash flow hedge adjustments	Foreign currency net investment hedge adjustments	Accumulated other comprehensive income (loss), net
Balance as of December 31, 2019	\$ (114,947)	\$ 1,287	\$ 25,738	\$ (87,922)
Net current period change	(44,263)	(12,259)	13,142	(43,380)
Reclassification to interest expense from interest rate swaps	—	7,679	—	7,679
Balance as of September 30, 2020	<u>\$ (159,210)</u>	<u>\$ (3,293)</u>	<u>\$ 38,880</u>	<u>\$ (123,623)</u>

14. Capital and Accumulated Other Comprehensive Loss

(a) Allocations of Net Income and Net Losses to Partners

Except for special allocations to holders of profits interest units described below in Note 15(a) under the heading "Incentive Plan—Long-Term Incentive Units," the Operating Partnership's net income will generally be allocated to Digital Realty Trust, Inc. (the General Partner) 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) Equity Distribution Agreement

On May 11, 2020, Digital Realty Trust, Inc. and Digital Realty Trust, L.P. entered into the 2020 Amendment to increase the number of shares of common stock Digital Realty Trust, Inc. could issue and sell from time to time through, at its discretion, any of the Agents as its sales agents or as principals. Sales may also be made on a forward basis pursuant to separate forward sale agreements. In accordance with the Sales Agreement, following the date of the 2020 Amendment, Digital Realty Trust, Inc. may offer and sell shares of its common stock having an aggregate offering price of up to \$1.0 billion. Prior to the 2020 Amendment, Digital Realty Trust, Inc. had offered and sold shares of its common stock having an aggregate gross sales price of approximately \$652.2 million. The sales of common stock made under the Sales Agreement will be made in "at the market" offerings as defined in Rule 415 of the Securities Act. For the nine months ended September 30, 2020, Digital Realty Trust, Inc. generated net proceeds of approximately \$893.0 million from the issuance of approximately 6.1 million common shares under the Sales Agreement at an average price of \$146.89 per share after payment of approximately \$9.0 million of commissions to the Agents. The proceeds from the issuances for the nine months ended September 30, 2020 were contributed to our Operating Partnership in exchange for the issuance of approximately 6.1 million common units to Digital Realty Trust, Inc. Subsequent to September 30, 2020,

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Digital Realty Trust, Inc. generated net proceeds of approximately \$0.8 million from the issuance of 5,220 common shares under the Sales Agreement at an average price of \$159.09 per share after payment of approximately \$8,000 of commissions to the Agents, and approximately \$749.4 million remains available for future sales under the program. The proceeds from the issuances subsequent to September 30, 2020 were contributed to our Operating Partnership in exchange for the issuance of approximately 5,220 common units to Digital Realty Trust, Inc.

(c) Forward Equity Sale

On September 27, 2018, Digital Realty Trust, Inc. completed an underwritten public offering of 9,775,000 shares of its common stock (including 1,275,000 shares from the exercise in full of the underwriters' option to purchase additional shares), all of which were offered in connection with forward sale agreements it entered into with certain financial institutions acting as forward purchasers. The forward purchasers borrowed and sold an aggregate of 9,775,000 shares of 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. On September 17, 2019, Digital Realty Trust, Inc. amended the forward sale agreements to extend the maturity date of such forward sales agreements from September 27, 2019 to September 25, 2020. On September 24, 2020, Digital Realty Trust, Inc. physically settled the forward sale agreements in full by issuing an aggregate of 9,775,000 shares of its common stock to the forward purchasers in exchange for net proceeds of approximately \$1.0 billion. Upon physical settlement of the forward sale agreements, the Operating Partnership issued 9,775,000 partnership units to Digital Realty Trust, Inc. in exchange for contribution of the net proceeds.

(d) 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 units and incentive units of the Operating Partnership met the criteria to be classified within capital, except for certain common units issued to certain former DFT Operating Partnership unitholders in the DFT Merger which are subject to certain restrictions and are not presented as permanent capital in the condensed consolidated balance sheet.

The redemption value of the limited partners' common units and the vested incentive units was approximately \$1,154.9 million and \$997.6 million based on the closing market price of Digital Realty Trust, Inc.'s common stock on September 30, 2020 and December 31, 2019, respectively.

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(e) 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 nine months ended September 30, 2020 (in thousands, except for per unit data):

Date distribution declared	Distribution payment date	Series C Preferred Units	Series G Preferred Units ⁽¹⁾	Series I Preferred Units	Series J Preferred Units	Series K Preferred Units	Series L Preferred Units	Common Units
February 27, 2020	March 31, 2020	\$ 3,333	\$ 3,672	\$ 3,969	\$ 2,625	\$ 3,071	\$ 4,485	\$ 305,267
May 12, 2020	June 30, 2020	3,333	3,672	3,969	2,625	3,071	4,485	310,421
August 11, 2020	September 30, 2020	3,333	3,672	— ⁽²⁾	2,625	3,071	4,485	312,262
		<u>\$ 9,999</u>	<u>\$ 11,016</u>	<u>\$ 7,938</u>	<u>\$ 7,875</u>	<u>\$ 9,213</u>	<u>\$ 13,455</u>	<u>\$ 927,950</u>
Annual rate of distribution per unit		<u>\$ 1.65625</u>	<u>\$ 1.46875</u>	<u>\$ 1.58750</u>	<u>\$ 1.31250</u>	<u>\$ 1.46250</u>	<u>\$ 1.30000</u>	<u>\$ 4.48000</u>

- On September 15, 2020, Digital Realty Trust, Inc. distributed a notice of redemption of all of the shares of its series G preferred stock on October 15, 2020. The shares of series G preferred stock were redeemed at a redemption price of \$25.00 per share plus accrued and unpaid dividends from October 1, 2020 up to but not including the redemption date in the amount of \$0.057118 per share. Digital Realty Trust, Inc. became obligated to redeem the series G preferred stock and pay the accrued dividends upon distribution of its notice of redemption in September 2020. Therefore, the Operating Partnership reclassified the series G preferred units balance from capital to a preferred unit redemption liability, included in accounts payable and other accrued liabilities in the condensed consolidated balance sheet, and recorded the balance at fair value. In connection with the redemption, the previously incurred offering costs of approximately \$8.2 million were recorded as a reduction to net income available to common unitholders.
- Redeemed on September 8, 2020 for \$25.29545 per unit, or a redemption price of \$25.00 per unit, plus accrued and unpaid distributions up to but not including the redemption date. In connection with the redemption, the previously incurred offering costs of approximately \$8.0 million were recorded as a reduction to net income available to common unitholders.

(f) Accumulated Other Comprehensive Loss

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

	Foreign currency translation adjustments	Cash flow hedge adjustments	Foreign currency net investment hedge adjustments	Accumulated other comprehensive loss
Balance as of December 31, 2019	\$ (117,869)	\$ 308	\$ 26,152	\$ (91,409)
Net current period change	(48,321)	(12,711)	13,525	(47,507)
Reclassification to interest expense from interest rate swaps	—	7,899	—	7,899
Balance as of September 30, 2020	<u>\$ (166,190)</u>	<u>\$ (4,504)</u>	<u>\$ 39,677</u>	<u>\$ (131,017)</u>

15. Incentive Plan

On April 28, 2014, our 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). The 2014 Incentive Award Plan became effective and replaced the Amended and Restated 2004 Incentive Award Plan, as amended, 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 of Stockholders, which description is incorporated herein by reference. Effective as of September 14, 2017, the 2014 Incentive Award Plan was amended to provide that shares which remained available for issuance under DFT's Amended and Restated 2011 Equity Incentive Plan immediately prior to the closing of the DFT Merger (as adjusted and converted into shares of Digital Realty

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Trust, Inc.'s common stock) may be used for awards under the 2014 Incentive Award Plan and will not reduce the shares authorized for grant under the 2014 Incentive Award Plan, to the extent that using such shares is permitted without stockholder approval under applicable stock exchange rules. In connection with the amendment to the 2014 Incentive Award Plan, on September 22, 2017, Digital Realty Trust, Inc. registered an additional 3.7 million shares that may be issued pursuant to the 2014 Incentive Award Plan.

On March 9, 2020, in connection with the Interxion Combination, certain outstanding awards granted under the Interxion Holding N.V. 2013 Amended International Equity Based Incentive Plan and the Interxion Holding N.V. 2017 Executive Director Long Term Incentive Plan (together, the "Interxion Equity Plans") were assumed by Digital Realty Trust, Inc. and converted into adjusted equity-based awards of Digital Realty Trust, Inc. common stock in accordance with the terms of the Purchase Agreement for the Interxion Combination. All such awards will continue to be governed by the terms of the applicable Interxion Equity Plan and underlying award agreement evidencing such award. On March 9, 2020, Digital Realty Trust, Inc. registered the 0.6 million shares of Digital Realty Trust, Inc. common stock issuable pursuant to such awards.

As of September 30, 2020, approximately 6.0 million 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.

Below is a summary of our compensation expense for the three and nine months ended September 30, 2020 and 2019 and our unearned compensation as of September 30, 2020 and December 31, 2019 (in millions):

Type of incentive award	Deferred Compensation				Unearned Compensation		Expected period to recognize unearned compensation (in years)
	Expensed		Capitalized		As of	As of	
	Three Months Ended September 30,				September 30,	December 31,	
	2020	2019	2020	2019	2020	2019	
Long-term incentive units ⁽¹⁾	\$ 3.3	\$ 2.4	\$ 0.1	\$ —	\$ 18.6	\$ 15.4	2.2
Performance-based awards ⁽¹⁾	6.8	3.1	0.1	0.2	40.4	28.4	2.5
Restricted stock ⁽¹⁾	3.8	2.9	0.8	0.7	47.0	29.1	2.5
Interxion awards	4.8	—	—	—	31.4	—	2.4

	Nine Months Ended September 30,			
	2020	2019	2020	2019
Long-term incentive units ⁽¹⁾	\$ 9.6	\$ 6.2	\$ 0.2	\$ 0.1
Performance-based awards ⁽¹⁾	18.2	9.7	0.6	0.6
Restricted stock ⁽¹⁾	10.4	8.6	2.3	2.1
Interxion awards	14.9	—	—	—

(1) In addition to the market performance-based awards and long-term incentive awards described in Notes 15(a) and 15(b), this also includes one-time grants of 58,561 performance-based Class D units and 6,148 performance-based restricted stock units, subject to attainment of performance metrics related to successful integration of the Interxion Combination, and one-time grants of 22,426 time-based profits interest units and 3,209 time-based restricted stock units subject to the closing of the Interxion Combination and continued service to certain of the Company's executive officers and other employees. 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 between two and three years, the current vesting period of these awards.

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(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 14(a) to our consolidated financial statements for the fiscal year ended December 31, 2019, included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Below is a summary of our long-term incentive unit activity for the nine months ended September 30, 2020.

Unvested Long-term Incentive Units	Units	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	208,287	\$ 110.00
Granted	126,933	134.54
Vested	(92,111)	106.84
Cancelled or expired	(2,763)	112.82
Unvested, end of period	<u>240,346</u>	<u>\$ 122.06</u>

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 between two and four years, the current vesting periods of the long-term incentive units.

(b) Market Performance-Based Awards

During the nine months ended September 30, 2020 and 2019, the Compensation Committee of the Board of Directors of Digital Realty Trust, Inc. 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 Digital Realty Trust, Inc.'s common stock (collectively, the "awards"), under the 2014 Incentive Award Plan 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 2019 or January 2020, 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 Digital Realty Trust, Inc.'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 applicable Market Performance Period is achieved at the "threshold," "target" or "high" level as set forth below, the

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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	2019 RMS Relative Market Performance	2020 RMS Relative Market Performance	Market Performance Vesting Percentage
Below Threshold Level	≤ -300 basis points	≤ -500 basis points	0 %
Threshold Level	-300 basis points	-500 basis points	25 %
Target Level	100 basis points	0 basis points	50 %
High Level	≥ 500 basis points	≥ 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.

In January 2020, following the completion of the applicable Market Performance Period, the Compensation Committee determined that the RMS Relative Market Performance fell between the target and high level for the 2017 awards and, accordingly, 137,816 Class D units (including 10,971 distribution equivalent units that immediately vested on December 31, 2019) and 29,141 RSUs performance vested, subject to service-based vesting. On February 27, 2020, 50% of the 2017 awards vested and the remaining 50% will vest on February 27, 2021, subject to continued employment through the applicable vesting date.

In January 2019, following the completion of the applicable Market Performance Period, the Compensation Committee determined that the high level had been achieved for the 2016 awards and, accordingly, 339,317 Class D units (including 31,009 distribution equivalent units that immediately vested on December 31, 2018, upon the high level being achieved) and 56,778 RSUs performance vested, subject to service-based vesting. On February 27, 2019, 50% of the 2016 awards vested and the remaining 50% vested on February 27, 2020.

Following the completion of the applicable Market Performance Period, the 2018 awards that satisfy the market condition, if any, will vest 50% on February 27, 2021 and 50% on February 27, 2022, subject to continued employment through each applicable vesting date. Following the completion of the applicable Market Performance Period, the 2019 awards that satisfy the market condition, if any, will vest 50% on February 27, 2022 and 50% on February 27, 2023, subject to continued employment through each applicable vesting date. Following the completion of the applicable Market Performance Period, the 2020 awards that satisfy the market condition, if any, will vest 50% on February 27, 2023 and 50% on February 27, 2024, subject to continued employment through each applicable vesting date.

Service-based vesting will be accelerated, in full or on a pro rata basis, as applicable, 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 applicable Market Performance Period. However, vesting with respect to the market condition will continue to be measured based on RMS Relative Market Performance during the applicable three-year Market Performance Period (or, in the case of a change in control, shortened Market Performance Period).

The fair values of the 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 TSR 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

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determined by multiplying the average value per award over all trials by the number of awards granted. Assumptions used in the valuations are summarized as follows:

Award Date	Expected Stock Price Volatility	Risk-Free Interest rate
January 1, 2019	23 %	2.44 %
February 21, 2019	23 %	2.48 %
February 19, 2020	22 %	1.39 %
February 20, 2020	22 %	1.35 %

These valuations were performed in a risk-neutral framework, and no assumption was made with respect to an equity risk premium.

The grant date fair value of the Class D unit and RSU awards was approximately \$17.2 million and \$20.3 million for the nine months ended September 30, 2020 and 2019, respectively. We will recognize compensation expense on a straight-line basis over the expected service period of approximately four years.

(c) Restricted Stock

Below is a summary of our restricted stock activity for the nine months ended September 30, 2020.

Unvested Restricted Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	372,792	\$ 108.47
Granted ⁽¹⁾	824,241	126.29
Vested	(265,238)	114.05
Cancelled or expired	(35,936)	120.24
Unvested, end of period	<u>895,859</u>	<u>\$ 122.77</u>

(1) Includes 567,810 shares issuable pursuant to the converted and adjusted Interxion equity awards as part of the Interxion Combination.

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.

16. 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 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

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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 September 30, 2020, 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 September 30, 2020 or December 31, 2019.

The Company presents its interest rate derivatives in its condensed consolidated balance sheets on a gross basis as interest rate swap assets (recorded in other assets) and interest rate swap liabilities (recorded in accounts payable and other accrued liabilities). As of September 30, 2020, there was no impact from netting arrangements as the Company did not have any derivatives in asset positions.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements related to certain floating rate debt obligations. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

We record all our interest rate swaps on the consolidated balance sheets at fair value. In determining the fair value of our interest rate swaps, we consider the credit risk of our counterparties. These counterparties are generally larger financial institutions engaged in providing a variety of financial services. These institutions generally face similar risks regarding adverse changes in market and economic conditions, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads. The recent and pervasive disruptions in the financial markets have heightened the risks to these institutions.

As of September 30, 2020 and December 31, 2019, we had the following outstanding interest rate derivatives that were designated as effective cash flow hedges of interest rate risk (in thousands):

Notional Amount		Type of Derivative	Strike Rate	Effective Date	Expiration Date	Fair Value at Significant Other Observable Inputs (Level 2)	
As of September 30, 2020	As of December 31, 2019					As of September 30, 2020 ⁽³⁾	As of December 31, 2019 ⁽³⁾
<i>Currently-paying contracts</i>							
\$ —	\$ 29,000 ⁽¹⁾	Swap	1.016	Apr 6, 2016	Jan 6, 2021	\$ —	\$ 175
—	75,000 ⁽¹⁾	Swap	1.164	Jan 15, 2016	Jan 15, 2021	—	345
104,000 ⁽¹⁾	300,000 ⁽¹⁾	Swap	1.435	Jan 15, 2016	Jan 15, 2023	(3,138)	945
73,944 ⁽²⁾	75,825 ⁽²⁾	Swap	0.779	Jan 15, 2016	Jan 15, 2021	(64)	931
<u>\$ 177,944</u>	<u>\$ 479,825</u>					<u>\$ (3,202)</u>	<u>\$ 2,396</u>

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

(2) Represents debt which bears interest based on one-month CDOR. Translation to U.S. dollars is based on exchange rates of \$0.75 to 1.00 CAD as of September 30, 2020 and \$0.77 to 1.00 CAD as of December 31, 2019.

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- (3) Balance recorded in other assets in the consolidated balance sheets if positive and recorded in accounts payable and other accrued liabilities in the consolidated balance sheets if negative.

On September 24, 2020, in connection with the paydown of our 2023 Term Loan, we terminated interest rate swap agreements with notional amounts in the aggregate of \$300.0 million. As a result of the termination, the accumulated fair value of the interest rate swaps was reclassified from accumulated other comprehensive income to interest expense on the accompanying condensed consolidated income statements, which resulted in a realized loss of approximately \$6.4 million.

As of September 30, 2020, we estimate that an additional \$1.5 million will be reclassified as an increase to interest expense during the twelve months ended March 31, 2021, when the hedged forecasted transactions impact earnings.

Credit-risk-related Contingent Features

We have agreements with each of our derivative counterparties that contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of September 30, 2020, we did not have any derivatives in a net asset position, and have not posted any collateral related to these agreements.

17. Fair Value of Financial 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 September 30, 2020 and December 31, 2019 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 16. "Derivative Instruments", the interest rate swap contracts are recorded at fair value.

We calculate the fair value of our mortgage loans, unsecured term loans and unsecured senior notes 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 facilities and unsecured term loans approximate fair value, due to the variability of interest rates.

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As of September 30, 2020 and December 31, 2019, the aggregate estimated fair value and carrying values of our global revolving credit facilities, unsecured term loans, unsecured senior notes and mortgage loans were as follows (in thousands):

	Categorization under the fair value hierarchy	As of September 30, 2020		As of December 31, 2019	
		Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value
Global revolving credit facilities ⁽¹⁾⁽⁴⁾	Level 2	\$ 133,146	\$ 133,146	\$ 245,766	\$ 245,766
Unsecured term loans ⁽²⁾⁽⁴⁾	Level 2	513,747	513,747	813,205	813,205
Unsecured senior notes ⁽³⁾⁽⁴⁾	Level 2	13,174,970	12,098,842	9,697,166	9,025,229
Secured debt ⁽³⁾⁽⁴⁾	Level 2	242,553	239,000	105,245	105,143
		<u>\$ 14,064,416</u>	<u>\$ 12,984,735</u>	<u>\$ 10,861,382</u>	<u>\$ 10,189,343</u>

- (1) The carrying value of our global revolving credit facilities 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 loans 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 secured debt are determined based on the expected future payments discounted at risk-adjusted rates and quoted market prices.
- (4) The carrying value excludes unamortized premiums (discounts) and deferred financing costs (see Note 9).

18. Commitments and Contingencies**(a) Construction Commitments**

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements including ground up construction. 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 September 30, 2020, we had open commitments, including amounts reimbursable of approximately \$47.6 million, related to construction contracts of approximately \$1.3 billion.

(b) Legal Proceedings

Although the Company is involved in legal proceedings arising in the ordinary course of business, as of September 30, 2020, 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.

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19. Subsequent Events

On October 14, 2020 (the “Redemption Date”), Digital Stout Holding, LLC, a wholly owned subsidiary of the Operating Partnership, redeemed the £300 million aggregate principal amount outstanding of its 4.750% Notes due 2023 (the “4.750% Notes”). The redemption price for the 4.750% Notes was equal to the sum of (a) £1,123.25 per £1,000 principal amount of the 4.750% Notes, or 112.325% of the aggregate principal amount of the 4.750% Notes, plus (b) accrued and unpaid interest to, but excluding, the Redemption Date equal to £0.13 per £1,000 principal amount of the 4.750% Notes. The redemption will result in an early extinguishment charge of approximately \$49.8 million during the three months ended December 31, 2020.

On September 15, 2020, Digital Realty Trust, Inc. distributed a notice of redemption to all holders of record of our outstanding 5.875% series G cumulative redeemable preferred stock, or the series G preferred stock, for a redemption price of \$25.0577118 per share. The redemption price is equal to the original issuance price of \$25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date. The redemption date was October 15, 2020. Digital Realty Trust, Inc. funded the redemption with borrowings under the global revolving credit facility, which the Operating Partnership distributed to Digital Realty Trust, Inc. in connection with the Operating Partnership’s redemption of all 10.0 million of its outstanding series G preferred units held by Digital Realty Trust, Inc. The excess of the redemption price over the carrying value of the series G preferred stock of approximately \$8.5 million relates to the original issuance costs and will be reflected as a reduction to net income available to common stockholders.

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 borrowings under our credit facilities, litigation matters, 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 these words 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: reduced demand for data centers or decreases in information technology spending; increased competition or available supply of data center space; decreased rental rates, increased operating costs or increased vacancy rates; the impact of the COVID-19 pandemic on our or our customers’ operations; changes in political conditions, geopolitical turmoil, political instability, civil disturbances, restrictive governmental actions or nationalization in the countries in which we operate; the suitability of our data centers and data center infrastructure, delays or disruptions in connectivity or availability of power, or failures or breaches of our physical and information security infrastructure or services; our dependence upon significant customers, bankruptcy or insolvency of a major customer or a significant number of smaller customers, or defaults on or non-renewal of leases by customers; breaches of our obligations or restrictions under our contracts with our customers; our inability to successfully develop and lease new properties and development space, and delays or unexpected costs in development of properties; the impact of current global and local economic, credit and market conditions; our inability to retain data center space that we lease or sublease from third parties; information security and data privacy breaches; difficulties managing an international business and acquiring or operating properties in foreign jurisdictions and unfamiliar metropolitan areas; our failure to realize the intended benefits from, or disruptions to our plans and operations or unknown or contingent liabilities related to, our recent and future acquisitions; our inability to achieve expected revenue synergies or cost savings as a result of our combination with Interxion; our failure to successfully integrate and operate acquired or developed properties or businesses; difficulties in identifying properties to acquire and completing acquisitions; risks related to joint venture investments, including as a result of our lack of control of such investments; risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements; our failure to obtain necessary debt and equity financing, and our dependence on external sources of capital; financial market fluctuations and changes in foreign currency exchange rates; adverse economic or real estate developments in our industry or the industry sectors that we sell to, including risks relating to decreasing real estate valuations and impairment charges and goodwill and other intangible asset impairment charges; our inability to manage our growth effectively; losses in excess of our insurance coverage; our inability to attract and retain talent; environmental liabilities, risks related to natural disasters and our inability to achieve our sustainability goals; our inability to comply with rules and regulations applicable to our Company; Digital Realty Trust, Inc.’s failure to maintain its status as a REIT for federal income tax purposes; Digital Realty Trust, L.P.’s failure to qualify as a partnership for federal income tax purposes; restrictions on our ability to engage in certain business activities; and changes in local, state, federal and international laws and regulations, including related to taxation, real estate and zoning laws, and increases in real property tax rates.

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 our annual report on Form 10-K for the year ended December 31, 2019, quarterly reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020 and 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 identify 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.

As used in this report: “Ascenty Acquisition” refers to the acquisition of Ascenty by the Operating Partnership and Stellar Participações S.A. (formerly Stellar Participações Ltda.), a Brazilian subsidiary of the Operating Partnership; “Ascenty joint venture” refers to the joint venture, which owns and operates Ascenty, formed with Brookfield Infrastructure; “Brookfield” refers to Brookfield Infrastructure, an affiliate of Brookfield Asset Management; “DFT” refers to DuPont Fabros Technology, Inc.; “DFT Merger” refers to the Company’s acquisition of DuPont Fabros Technology, Inc.; “DFT Operating Partnership” refers to DuPont Fabros Technology, L.P.; and “Interxion Combination” refers to the Company’s combination with Interxion Holding N.V.

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 accomplish our objectives by achieving superior risk-adjusted returns, prudently allocating capital, diversifying our product offerings, accelerating our global reach and scale and driving revenue growth and operating efficiencies. We plan to focus on our core business of investing in and developing and operating data centers. A significant component of our current and future internal growth is anticipated through the development of our existing space held for development, acquisition of land for future development and acquisition of new properties. We target high-quality, strategically located properties containing the physical and connectivity infrastructure that supports the applications and operations of data center and technology industry customers and properties that may be developed for such use. Most of our data center properties contain fully redundant electrical supply systems, multiple power feeds, above-standard cooling systems, raised floor areas, extensive in-building communications cabling and high-level security systems. We focus exclusively on owning, acquiring, developing and operating data centers because we believe that the growth in data center demand and the technology-related real estate industry generally will continue to outpace the overall economy.

As of September 30, 2020, our portfolio included 284 data centers, including 43 data centers held as investments in unconsolidated joint ventures, with approximately 43.2 million rentable square feet including approximately 5.4 million square feet of space under active development and approximately 2.4 million square feet of space held for development.

The 43 data centers held as investments in unconsolidated joint ventures have an aggregate of approximately 4.4 million rentable square feet. The 32 parcels of developable land we own as of September 30, 2020 comprised approximately 908 acres. At September 30, 2020, excluding unconsolidated joint ventures, approximately 5.0 million square feet was under construction for Turn-Key Flex[®] and Powered Base Building[®] products, all of which are expected to be income producing on or after completion, in six U.S. metropolitan areas, eight European metropolitan areas, four Asian metropolitan areas, one Australian metropolitan area and one Canadian metropolitan area, consisting of approximately 2.7 million square feet of base building construction and 2.3 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 are committed to maintaining a conservative capital structure. We target a debt-to-Adjusted EBITDA ratio at or less than 5.5x, fixed charge coverage of greater than three times, and floating rate debt at less than 20% of total outstanding debt. In addition, we strive to maintain a well-laddered debt maturity schedule, and we seek to maximize the menu of our available sources of capital, while minimizing the cost.

Revenue base. As of September 30, 2020, our portfolio included 284 data centers through our Operating Partnership, including 43 data centers held as investments in unconsolidated joint ventures. Our global portfolio includes 141 data centers located in North America, with 102 located in Europe, 22 in Latin America, 12 in Asia, five in Australia and two in Africa.

The following table presents an overview of our portfolio of data centers, including the 43 data centers held as investments in unconsolidated joint ventures, and developable land, based on information as of September 30, 2020.

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Metropolitan Area	Data Center Buildings	Net Rentable Square Feet ⁽¹⁾	Space Under Active Development ⁽²⁾	Space Held for Development ⁽³⁾
North America				
Northern Virginia	24	5,504,164	985,748	78,538
Chicago	10	3,427,367	—	148,101
New York	13	2,049,300	234,580	100,487
Silicon Valley	20	2,251,021	65,594	—
Dallas	21	3,512,875	143,051	45,968
Phoenix	3	795,687	—	227,274
San Francisco	4	824,972	23,321	—
Atlanta	4	525,414	—	313,581
Los Angeles	4	818,479	—	—
Seattle	1	400,369	—	—
Boston	4	467,519	—	50,649
Toronto, Canada	2	276,827	539,182	—
Houston	6	392,816	—	13,969
Austin	1	85,688	—	—
Miami	2	226,314	—	—
Portland	2	198,477	402,959	—
Minneapolis/St. Paul	1	328,765	—	—
Charlotte	3	95,499	—	—
North America Total	125	22,181,553	2,394,435	978,567
Europe				
London, England	19	1,715,123	—	161,728
Frankfurt, Germany	20	1,623,757	270,853	—
Amsterdam, Netherlands	18	1,380,266	133,027	95,262
Paris, France	12	658,681	376,162	—
Vienna, Austria	2	383,562	—	—
Dublin, Ireland	8	380,647	94,410	—
Madrid, Spain	3	220,634	—	—
Marseille, France	3	274,352	78,865	—
Brussels, Belgium	2	133,564	—	—
Zurich, Switzerland	3	227,087	315,830	—
Stockholm, Sweden	6	167,555	89,276	—
Copenhagen, Denmark	2	164,489	11,318	—
Dusseldorf, Germany	2	105,523	—	—
Geneva, Switzerland	1	59,190	—	—
Manchester, England	1	38,016	—	—
Europe Total	102	7,532,446	1,369,741	256,990
Asia Pacific				
Singapore	3	540,638	344,826	—
Sydney, Australia	3	226,697	87,660	—
Melbourne, Australia	2	146,570	—	—
Tokyo, Japan	1	—	406,664	—
Osaka, Japan	1	—	193,535	—
Seoul, South Korea	1	—	162,260	—
Hong Kong	1	—	—	284,751
Asia Pacific Total	12	913,905	1,194,945	284,751
Africa				
Mombasa, Kenya	1	15,710	—	—
Nairobi, Kenya	1	10,276	—	—
Africa Total	2	25,985	—	—
Non-Data Center Properties	—	263,668	—	—
Managed Unconsolidated Joint Ventures				
Northern Virginia	7	1,250,419	—	—
Hong Kong	1	182,954	—	3,346
Silicon Valley	4	326,305	—	—
Dallas	3	319,876	—	—
New York	1	108,336	—	—
	16	2,187,890	—	3,346
Non-Managed Unconsolidated Joint Ventures				
Sao Paulo, Brazil	15	897,625	209,931	245,922
Tokyo, Japan	2	892,667	—	—
Osaka, Japan	2	248,906	52,306	30,874
Fortaleza, Brazil	1	94,205	—	—
Rio De Janeiro, Brazil	2	72,442	26,781	—
Seattle	1	51,000	—	—
Queretaro, Mexico	2	—	108,178	376,202
Santiago, Chile	2	—	46,235	247,148
	27	2,256,845	443,432	900,146
Total	284	35,362,293	5,402,552	2,423,801

- (1) Current net rentable square feet as of September 30, 2020, which represents the current square feet under lease as specified in the applicable lease agreements plus management's estimate of space available for lease based on engineering drawings. Includes customers' proportional share of common areas but excludes space under active development and space held for development.
- (2) Space under active development includes current base building and data center projects in progress, and excludes space held for development. For additional information on the current and future investment for space under active development, see "—Liquidity and Capital Resources of the Operating Partnership—Construction".
- (3) Space held for development includes space held for future data center development, and excludes space under active development. For additional information on the current investment for space held for development, see "—Liquidity and Capital Resources of the Operating Partnership—Construction".

As of September 30, 2020, our portfolio, including the 43 data centers held as investments in unconsolidated joint ventures, was approximately 85.9% leased excluding approximately 5.4 million square feet of space under active development and approximately 2.4 million square feet of space held for development. Due to the capital-intensive and long-term nature of the operations we support, our lease terms are generally longer than standard commercial leases. As of September 30, 2020, our average remaining lease term is approximately five years. Our scheduled lease expirations through December 31, 2021 are 17.1% of net rentable square feet excluding month-to-month leases, space under active development and space held for development as of September 30, 2020.

Factors Which May Influence Future Results of Operations

COVID-19. We are closely monitoring the impact of the COVID-19 pandemic on our global business and operations, including the impact on our customers, suppliers and business partners. As of the date of this report, all of our facilities have been and continue to be fully operational and operating in accordance with our business continuity and pandemic response plans. Across our portfolio, our facilities have been deemed essential operations, allowing us to remain staffed with critical personnel in place to continue to provide services and support for our customers. While we did not experience significant disruptions from the COVID-19 pandemic during the three months ended September 30, 2020 nor as of the date of this report, we cannot predict the impact that the COVID-19 pandemic will have on our future financial condition, results of operations and cash flows due to numerous uncertainties. The full extent to which the COVID-19 pandemic and the various responses to it impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the availability of and cost to access the capital markets; the effect on our customers and customer demand for and ability to pay for our services; the impact on our development projects; and disruptions or restrictions on our employees' ability to work and travel. The global impact of the outbreak has been rapidly evolving and federal and local governments, including in locations where we operate, have responded by instituting quarantines, restrictions on travel, "shelter in place" rules, restrictions on the types of business that may continue to operate, and restrictions on construction projects. We cannot predict whether further restrictions will be implemented or how long they will be in effect. Although some governments have begun to ease or lift these restrictions, the impacts from the severe disruptions caused by the effective shutdown of large segments of the global economy remain unknown. Our workforce, excluding our critical data center employees, is working from home, which may impact its productivity. We have also experienced delays in construction activity in a few of our markets due to government restrictions in certain locations and as a result of availability of labor, and these delays are impacting some of our anticipated deliveries to our customers. We may continue to experience delays in construction activity, even after these restrictions are eased or lifted, due to increased safety protocols implemented in response to the COVID-19 pandemic. We continue to closely monitor the situation and communicate with our customers, contractors and suppliers. From a supply chain perspective, as of the date of this report, we believe we have acquired the vast majority of equipment needed to complete our 2020 development activities.

In addition, we cannot predict the impact that COVID-19 will have on our customers, suppliers and other business partners; however, any material effect on these parties could adversely impact us. As of the date of this report, we have collected October base rent and other payments at levels consistent with the same period last year. In addition, we received requests for rent relief related to COVID-19, most often in the form of rent deferral requests or requests for further discussion, from customers representing approximately 3% of annualized recurring rent. We are evaluating each customer rent relief request on an individual basis, considering a number of factors. Not all customer requests will

ultimately result in modification agreements, nor are we forgoing our contractual rights under our agreements. These requests for rent relief have not yet indicated that the probability of collecting the remaining rent due from these customers was less than likely. Consequently, there were no instances where we deemed it necessary to cease the recognition of income from rentals on a straight-line basis and begin the recognition of income from rentals on a cash basis when lease payments are collected. While we did not have any material adjustments to amounts as of and during the three months ended September 30, 2020, circumstances related to the COVID-19 pandemic could potentially result in recording impairments, lease modifications and credit losses in future periods. October collections and rent relief requests may not necessarily be indicative of collections or requests in any future period.

COVID-19 Philanthropic Efforts. We have undertaken a comprehensive, philanthropic initiative consisting of corporate contributions, matching gifts and community outreach initiatives to help support organizations combating COVID-19 around the world.

- In April 2020, we announced a \$1.0 million philanthropic effort to help support COVID-19 relief efforts in the communities we operate in globally, including donations to global and local charitable organizations.
- In March 2020, we announced, in partnership with Megaport, that for the month of April we were waiving port fees for new ports on Service Exchange across our global portfolio to anyone in the government, medical, emergency services, and education verticals for six months.

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, including as a result of the COVID-19 pandemic. Changes in political conditions, geopolitical turmoil, political instability, civil disturbances, restrictive governmental actions or nationalization in the countries in which we operate, such as recent escalations in political and trade tensions involving the U.S., China and Hong Kong, could potentially result in adverse effects on our, and our customers', operations. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The United Kingdom formally withdrew from the European Union on January 31, 2020 and entered into a transition period during which it will continue its ongoing and complex negotiations with the European Union relating to the future trading relationship between the parties. Significant political and economic uncertainty remains about whether the terms of the relationship will differ materially from the terms prior to withdrawal, as well as the possibility that a so-called "no deal" separation will occur if negotiations are not completed by the end of the transition period. Instability in the U.S., European, Asia Pacific and other international financial markets and economies may adversely affect our ability, and the ability of our customers, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and could potentially result in adverse effects on our, and our customers', financial condition and results of operations.

In addition, our access to funds under our global revolving credit facilities 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 recent and long-term disruptions in the global economy, including as a result of the COVID-19 pandemic, 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 debt or equity capital, we may need to source alternative methods to improve our liquidity. Such alternatives could include, without limitation, curtailing development activity, disposing of one or more of our properties, potentially on disadvantageous terms, or entering into or renewing lease agreements on less favorable terms than we otherwise would.

Foreign currency exchange risk. For the nine months ended September 30, 2020 and 2019, we had foreign operations, including through our investments in unconsolidated joint ventures, in the United Kingdom, Ireland, France, the Netherlands, Germany, Switzerland, Canada, Singapore, Australia, Japan, Hong Kong, South Korea and Brazil and we have added Austria, Belgium, Denmark, Spain, Sweden and Kenya as part of the Interxion Combination, which

closed in March 2020, and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Canadian dollar, Brazilian real, Singapore dollar, Australian dollar, Japanese Yen, Hong Kong dollar, South Korean won, Swiss franc, Danish krone, Swedish krona and the Kenyan shilling. Our primary currency exposures are to the British pound sterling, the Euro and the Singapore dollar. The withdrawal 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. The COVID-19 pandemic has impacted global markets and contributed to increased foreign currency exchange volatility, including with respect to the Brazilian real, which is the currency in which our Ascenty joint venture conducts business, and we cannot predict when such volatility will subside. We attempt to mitigate a portion of the currency fluctuation risk by financing our investments in local currency denominations, although there can be no assurance this strategy will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our reported revenues, operating margins and distributions and may also affect the book value of our assets, the book value of our debt and the amount of stockholders' equity.

Rental income. The amount of rental income generated by the data centers in our portfolio depends on several factors, including our ability to maintain or improve occupancy and to lease currently available capacity and capacity available from lease expirations. Excluding approximately 5.4 million square feet of space under active development and approximately 2.4 million square feet of space held for development, our portfolio, including the 43 data centers held as investments in unconsolidated joint ventures, was approximately 85.9% occupied as of September 30, 2020.

As of September 30, 2020, we had more than 4,000 customers in our data center portfolio, including the 16 data centers held in our managed portfolio of unconsolidated joint ventures. As of September 30, 2020, approximately 93% 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 all the increases in our costs or will otherwise keep rental rates at or above market rates.

The amount of rental income we generated also depends upon maintaining or increasing rental rates at our properties, which in turn depends on several factors, including supply and demand and data center market rental rates. As of September 30, 2020 approximately 3.4 million square feet of data center space with extensive installed tenant improvements available for lease was included in our approximately 30.9 million net rentable square feet, excluding space under active development and space held for development and 43 data centers held as investments in unconsolidated joint ventures. In addition, as of September 30, 2020, we had approximately 5.4 million square feet of space under active development and approximately 2.4 million square feet of space held for development, or approximately 18% of the total rentable space in our portfolio, including the 43 data centers held as investments in unconsolidated joint ventures. Our ability to grow earnings depends in part on our ability to develop and lease capacity at favorable rates, which we may not be able to obtain. Development 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 customers for development projects. We may purchase additional vacant properties and properties with vacant development capacity 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" and "COVID-19."

In addition, the timing between the signing of a new lease with a customer and the commencement of that lease and when 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 capacity, the timing of which may be significantly delayed.

Economic downturns, including as a result of the conditions described above under "Global market and economic conditions" and "COVID-19," or regional downturns affecting our metropolitan areas or downturns in the data center industry that impair our ability to lease or renew or re-lease capacity, or otherwise reduce returns on our investments, or the ability of our customers to fulfill their lease obligations, as in the case of customer 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 4.8 million square feet of available space in our portfolio, which excludes approximately 5.4 million square feet of space under active development and approximately 2.4 million square feet of space held for development as of September 30, 2020 and the 27 data centers held as investments in our non-managed unconsolidated joint ventures, leases representing approximately 1.9% and 15.2% of the net rentable square footage of our portfolio are scheduled to expire during the three months ending December 31, 2020 and the year ending December 31, 2021, respectively.

During the nine months ended September 30, 2020, we signed renewal leases totaling approximately 1.9 million square feet of space and new leases totaling approximately 2.4 million square feet of space. The following table summarizes our leasing activity in the nine months ended September 30, 2020:

	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						
0 — 1 MW	1,159,235	\$ 285.71	\$ 295.87	3.6 %	\$ 0.70	1.8
> 1 MW	539,388	\$ 137.38	\$ 138.32	0.7 %	\$ 4.40	8.8
Other ⁽⁶⁾	183,029	\$ 20.14	\$ 21.65	7.5 %	\$ 0.54	3.8
New Leases Signed ⁽⁵⁾						
0 — 1 MW	312,291	—	\$ 212.06	—	\$ 22.64	3.2
> 1 MW	1,521,939	—	\$ 123.76	—	\$ 26.09	6.1
Other ⁽⁶⁾	566,083	—	\$ 33.40	—	\$ 1.63	14.0
Leasing Activity Summary						
0 — 1 MW	1,471,525		\$ 278.08			
> 1 MW	2,061,328		\$ 127.57			
Other ⁽⁶⁾	749,112		\$ 30.53			

- (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 2020 to 2021.
- (5) Includes leases signed for new and re-leased space.
- (6) Other includes Powered Base Building shell capacity as well as storage and office space within fully improved data center facilities.

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, we expect the rental rates we are likely to achieve on re-leased or renewed data center space leases for 2020 expirations on an average aggregate basis will generally be consistent with the rates currently being paid for the same space on a GAAP basis and on a cash basis. For the nine months ended September 30, 2020, rents on renewed space increased by an average of 3.6% on a GAAP basis on our 0-1 MW space compared to the expiring rents and increased by an average of 0.7% on a GAAP basis on our > 1 MW space compared to the expiring rents. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our data centers will be re-leased at all or at rental rates equal to or above the current average rental rates. Further, re-leased/renewed rental rates in a particular metropolitan area may not be consistent with rental rates across our portfolio as a whole and may fluctuate from one period to another due to a number of factors, including local economic 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.

Geographic concentration. We depend on the market for data centers in specific geographic regions and significant changes in these regional or metropolitan areas can impact our future results. As of September 30, 2020, our portfolio, including the 43 data centers held as investments in unconsolidated joint ventures, was geographically concentrated in the following metropolitan areas.

Metropolitan Area	Percentage of September 30, 2020 total annualized rent ⁽¹⁾
Northern Virginia	20.0 %
Chicago	9.2 %
London, England	7.6 %
Silicon Valley	6.7 %
New York	6.6 %
Dallas	6.4 %
Frankfurt, Germany	5.4 %
Amsterdam, Netherlands	4.3 %
São Paulo, Brazil	3.5 %
Singapore	2.8 %
Phoenix	2.2 %
Paris, France	2.1 %
Tokyo, Japan	2.0 %
San Francisco	2.0 %
Atlanta	1.6 %
Other	17.6 %
Total	100.0 %

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of September 30, 2020 multiplied by 12. Includes consolidated portfolio and unconsolidated joint ventures at the joint ventures' 100% ownership level. The aggregate amount of abatements for the nine months ended September 30, 2020 was approximately \$54.3 million.

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

Climate change legislation. In June 2009, the U.S. House of Representatives approved comprehensive clean energy and climate change legislation intended to cut greenhouse gas, or GHG, emissions, via a cap-and-trade program. The U.S. Senate did not subsequently pass similar legislation. Significant opposition to federal climate change legislation exists, although this could change following the November 2020 elections.

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

The EPA made an endangerment finding in 2009 that allows it to create regulations imposing emissions reporting, permitting, control technology installation, and monitoring requirements applicable to certain emitters of GHGs, including facilities that provide electricity to our data centers, although the materiality of the impacts will not be fully known until all regulations are finalized and legal challenges are resolved. Under the Obama administration, the EPA finalized rules imposing permitting and control technology requirements upon certain newly-constructed or modified facilities which emit GHGs under the Clean Air Act New Source Review Prevention of Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, newly-issued NSR PSD and Title V permits for new or modified electricity generating units (EGUs) and other facilities may need to address GHG emissions, including by requiring the installation of “Best Available Control Technology.” The EPA implemented in December 2015 the “Clean Power Plan” regulating carbon dioxide (CO₂) emissions from new and existing coal-fired and natural gas EGUs. The Clean Power Plan subjected new, modified, and reconstructed EGUs to “New Source Performance Standards” that include both technological requirements and numeric emission limits. However, in March 2017, President Trump ordered the EPA to review and if appropriate revise or rescind the Clean Power Plan, and in June 2019 the EPA repealed the Clean Power Plan and issued the “Affordable Clean Energy Rule” to replace the Clean Power Plan. The Affordable Clean Energy Rule requires heat rate efficiency improvements at certain EGUs, but does not place numeric limits on EGU emissions. Separately, the EPA’s GHG “reporting rule” requires that certain emitters, including electricity generators, monitor and report GHG emissions.

As a result of Trump administration policies, states have been driving near-term regulation to reduce GHG emissions in the United States. At the state level, California implemented a GHG cap-and-trade program that began imposing compliance obligations on industrial sectors, including electricity generators and importers, in January 2013. In September 2016, California adopted legislation calling for a further reduction in GHG emissions to 40% below 1990 levels by 2030, and in July 2017, California extended its cap-and-trade program through 2030. In September 2018, California adopted legislation that will require all of the state’s electricity to come from carbon-free sources by 2045. As another example of state action, a number of eastern states participate in the Regional Greenhouse Gas Initiative (RGGI), a market-based program aimed at reducing GHG emissions from power plants.

Outside the United States, the European Union, or EU (as well as the United Kingdom), have 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). In December 2019, EU leaders endorsed the objective of achieving by 2050 a climate-neutral EU, with net-zero GHG emissions, and in March 2020 the European Commission proposed the European Climate Law to write this goal into the law. The European Commission adopted in September 2020 a proposal to strengthen the EU’s 2030 GHG reduction target from 40% below 1990 levels to at least 55% below 1990 levels, and separately introduced a proposal to institute a carbon import tax, which would cover electricity imports. National legislation may also be implemented independently by members of the EU. It is not yet clear how Brexit will impact the United Kingdom’s approach to climate change regulation; the United Kingdom adopted a target of net-zero GHG emissions by 2050.

The Paris Agreement, which was adopted by the United States and 194 other countries and looks to prevent global average temperatures from increasing by more than 2 degrees Celsius above preindustrial levels officially, went into force in November 2016. President Trump announced in June 2017 that he will initiate the process to withdraw the United States from the Paris Agreement; however, the United States is not permitted to withdraw prior to November 2020, and a number of states have formed groups supporting the Paris Agreement and pledging to fulfill its goals at the state level.

The Canadian Greenhouse Gas Pollution Pricing Act established a carbon-pricing regime that went into effect in January 2019 for provinces and territories in Canada where there is no provincial system in place already, or where the provincial system does not meet the federal benchmark. However, this act is being challenged in court. Climate change regulations are also in various stages of implementation in other nations as well, including nations where we operate, such as Japan, Singapore, and Australia.

The cost of electric power comprises a significant component of our operating expenses. Any additional taxation or regulation of energy use, including as a result of (i) new legislation that Congress may pass, (ii) the regulations that the

EPA has proposed or finalized, (iii) regulations under legislation that states have passed or may pass, or (iv) any further legislation or regulations in the EU, the UK or other regions where we operate could significantly increase our costs, and we may not be able to effectively pass all of these costs on to our customers. These matters could adversely impact our business, results of operations, or financial condition.

Interest rates. As of September 30, 2020, we had approximately \$177.9 million of variable rate debt subject to interest rate swap agreements, along with \$133.1 million, \$439.8 million and \$351.6 million of variable rate debt that was outstanding on the global revolving credit facilities, the unswapped portion of the unsecured term loans and the Floating Rate Notes due 2022, respectively. The availability of debt and equity capital may contract or be on unfavorable terms as a result of the circumstances described above under “Global market and economic conditions,” “COVID-19” or other factors. The effects on commercial real estate mortgages, if available, include, but may not be limited to: higher credit 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. Higher 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 satisfy our debt service obligations, acquire or develop properties when strategic opportunities exist or pay the cash dividends to Digital Realty Trust, Inc.’s stockholders necessary to maintain its qualification as a REIT.

Data center demand. Our portfolio consists primarily of data centers. A reduction in the demand for, or an increase in the supply of, data center solutions would have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified customer base or less specialized use. We have invested in building out additional inventory primarily in what we anticipate will be our most active major metropolitan areas prior to having executed leases for this additional inventory. We believe that demand in key metropolitan areas is largely in line with supply and we 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 solutions in these metropolitan areas, our return on invested capital will be negatively impacted. Our development activities make us susceptible to general economic slowdowns, including recessions and the other circumstances described above under “Global market and economic conditions” and “COVID-19,” as well as adverse developments in the data center and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate IT spending or reduced demand for data center solutions. Reduced demand could also result from business relocations, including to metropolitan areas 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 capacity we provide or render the improvements in our facilities obsolete or in need of significant upgrades to remain viable. In addition, the development of new technologies, the adoption of new industry standards or other factors could render many of our customers’ current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy. In addition, data center demand and/or pricing could 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 competitive supply being offered in our metropolitan areas and other metropolitan areas by our competitors.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our 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 and Acquired Intangible Assets

Business combinations and real estate asset acquisitions. The price that we pay to acquire a business or a real estate asset 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 customer attrition rate, the creditworthiness of the customers, favorable or unfavorable financing, above- or below-market ground leases and numerous other factors.

Accordingly, we are required to make subjective assessments to allocate the purchase price paid to acquire businesses and real estate assets 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 customer 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, any building leases assumed from the seller and goodwill, only in the case of business combinations. 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 customer relationships, which is included in depreciation and amortization in our condensed consolidated income statements.

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

Asset impairment evaluation. We review each of our properties for indicators that its carrying amount may not be recoverable. Examples of such indicators may include a significant decrease in the market price of the property, a change in the expected holding period for the property, a significant adverse change in how the property is being used or expected to be used based on the underwriting at the time of acquisition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of the property, or a history of operating or cash flow losses of the property. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the property’s or asset group’s use and eventual disposition and compare that estimate to the carrying value of the property or the asset group. 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 property or asset group, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property or fair value of the properties within the asset group. 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 or asset group is recoverable, our strategy of holding properties over the long-term directly decreases the likelihood of their carrying values not being recoverable and therefore requiring the recording of an impairment loss. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment

loss may be recognized, and such loss could be material. If we determine that the asset fails the recoverability test, the affected assets must be reduced to their fair value.

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

Goodwill impairment evaluation. We perform an annual impairment test for goodwill and between annual tests, we evaluate goodwill for impairment whenever events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. In January 2017, the FASB issued new accounting guidance on simplifying the test for goodwill impairment. Prior to 2020, the standard required an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compared the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeded its fair value, the entity performed Step 2 and compared the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeded the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. The new guidance removes Step 2. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The new guidance was effective for us in the first quarter of 2020 and was adopted on a prospective basis. The adoption of this guidance had no significant impact on our condensed consolidated financial statements.

Revenue Recognition

The majority of our revenue is derived from lease arrangements, which we account for pursuant to Topic 842 commencing on January 1, 2019. We accounted for the non-lease components within our lease arrangements (prior to the adoption of Topic 842), as well as other sources of revenue, in accordance with Topic 606. Upon the adoption of Topic 842, we elected the practical expedient that requires us to account for lease and non-lease components associated with that lease as a single lease component, which are recorded within rental revenue.

We commence recognition of income from rentals related to the operating leases at the date the property is ready for its intended use by the tenant and the tenant takes possession, or controls the physical use, of the leased asset. Our leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the leases, which may span multiple years. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in deferred rent in the accompanying condensed consolidated balance sheets and contractually due but unpaid rents are included in accounts and other receivables. As of September 30, 2020 and December 31, 2019, the balance of deferred rent was \$510.6 million and \$478.7 million, respectively, and rent receivable, net of allowance, was \$355.2 million and \$171.9 million, respectively, and is classified within accounts and other receivables, net of allowance for doubtful accounts in the accompanying condensed consolidated balance sheets.

We make subjective estimates as to the probability of collection of substantially all lease payments over the term of a lease. We specifically analyze customer creditworthiness, accounts receivable and historical bad debts and current economic trends when evaluating the probability of collection. If collection of substantially all lease payments over the term of a lease is deemed not probable, rental revenue would be recognized when payment is received and revenue would not be recognized on a straight-line basis. We monitor the probability of collection over the life of the lease and in the event the collection of substantially all lease payments is no longer probable, we cease recognizing revenue on a straight-line basis and write-off the balance of all deferred rent related to the lease and commence recording rental revenue on a cash-basis. In addition, we record a full valuation allowance on the balance of any accounts receivable, less the balance of any security deposits or letters of account. In the event that we subsequently determine the collection is probable, we resume recognizing rental revenue on a straight-line basis and record the incremental revenue such that the cumulative rental revenue is equal to the amount of revenue that would have been recorded on a straight-line basis since

the inception of the lease. We also would reverse the allowance for bad debt recorded on the balance of accounts receivable.

Recently Issued Accounting Pronouncements

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

Results of Operations

The discussion below relates to our results of operations for the three and nine months ended September 30, 2020 and 2019. A summary of our operating results for the three and nine months ended September 30, 2020 and 2019 is as follows (in thousands).

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Income Statement Data:				
Total operating revenues	\$ 1,024,668	\$ 806,466	\$ 2,841,000	\$ 2,421,778
Total operating expenses	(880,265)	(641,699)	(2,443,737)	(1,966,496)
Operating income	144,403	164,767	397,263	455,282
Equity in loss of unconsolidated joint ventures	(2,056)	(19,269)	(88,684)	(3,090)
Gain on deconsolidation, net	—	—	—	67,497
Gain on disposition of properties, net	10,410	—	315,211	—
Interest and other income, net	4,348	16,842	22,969	55,266
Interest expense	(89,499)	(84,574)	(255,173)	(272,177)
Income tax expense	(16,053)	(4,826)	(34,725)	(13,726)
Loss from early extinguishment of debt	(53,007)	(5,366)	(53,639)	(39,157)
Net (loss) income	<u>\$ (1,454)</u>	<u>\$ 67,574</u>	<u>\$ 303,222</u>	<u>\$ 249,895</u>

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, 2018 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 2019-2020 and properties sold or contributed to joint ventures. Our pre-stabilized pool includes the results of the newly acquired operating properties and newly delivered properties that were previously under development.

Comparison of the Three and Nine Months Ended September 30, 2020 to the Three and Nine Months Ended September 30, 2019

Portfolio

As of September 30, 2020, our portfolio consisted of 284 data centers, including 43 data centers held as investments in unconsolidated joint ventures, with an aggregate of 43.2 million rentable square feet including 5.4 million square feet of space under active development and 2.4 million square feet of space held for development compared to a portfolio consisting of 223 data centers, including 38 data centers held as investments in unconsolidated joint ventures, with an aggregate of 36.0 million rentable square feet including 3.6 million square feet of space under active development and 2.3 million square feet of space held for development as of September 30, 2019.

Revenues

Total operating revenues for the three and nine months ended September 30, 2020 and 2019 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Rental and other services	\$ 1,020,931	\$ 802,472	\$ 218,459	\$ 2,828,678	\$ 2,413,888	\$ 414,790
Fee income and other	3,737	3,994	(257)	12,322	7,890	4,432
Total operating revenues	\$ 1,024,668	\$ 806,466	\$ 218,202	\$ 2,841,000	\$ 2,421,778	\$ 419,222

The following tables show rental and other services revenue for the three and nine months ended September 30, 2020 and 2019 for stabilized properties and pre-stabilized properties and other (all other properties) (in thousands). Revenue totals for pre-stabilized and other include results from properties that have not yet met the definition of stabilized and properties that are classified as held for sale or were sold during the period.

	Stabilized				Pre-Stabilized and Other		
	Three Months Ended September 30,				Three Months Ended September 30,		
	2020	2019	\$ Change	% Change	2020	2019	Change
Rental and other services	\$ 608,387	\$ 620,615	\$ (12,228)	(2.0)%	\$ 412,544	\$ 181,857	\$ 230,687

	Stabilized				Pre-Stabilized and Other		
	Nine Months Ended September 30,				Nine Months Ended September 30,		
	2020	2019	Change	% Change	2020	2019	Change
Rental and other services	\$ 1,820,736	\$ 1,859,885	\$ (39,149)	(2.1)%	\$ 1,007,942	\$ 554,003	\$ 453,939

Stabilized revenue decreased \$12.2 million and \$39.1 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019 due to expiring leases at certain properties in the stabilized portfolio.

Pre-stabilized and other revenues increased \$230.7 million and \$453.9 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019 primarily as a result of revenues associated with the Interxion Combination of \$216.5 million and \$458.4 million for the three and nine months ended September 30, 2020, respectively, offset by properties sold to Mapletree in January 2020, properties contributed to the Mapletree joint venture in November 2019 and the Ascenty Acquisition prior to deconsolidation in March 2019 for the nine-month period.

Fee Income and Other

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

Operating Expenses and Interest Expense

Operating expenses and interest expense during the three and nine months ended September 30, 2020 and 2019 were as follows (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Rental property operating and maintenance	\$ 358,679	\$ 259,431	\$ 99,248	\$ 957,034	\$ 766,417	\$ 190,617
Property taxes and insurance	42,659	41,358	1,301	136,770	126,587	10,183
Depreciation and amortization	365,842	286,718	79,124	1,006,464	888,766	117,698
General and administrative	91,352	49,985	41,367	249,181	156,427	92,754
Transaction and integration expenses	14,953	4,115	10,838	87,372	10,819	76,553
Impairment of investments in real estate	6,482	—	6,482	6,482	5,351	1,131
Other	298	92	206	434	12,129	(11,695)
Total operating expenses	\$ 880,265	\$ 641,699	\$ 238,566	\$ 2,443,737	\$ 1,966,496	\$ 477,241
Interest expense	\$ 89,499	\$ 84,574	\$ 4,925	\$ 255,173	\$ 272,177	\$ (17,004)

The following tables show property level expenses for the three and nine months ended September 30, 2020 and 2019 for stabilized properties and pre-stabilized properties and other (all other properties) (in thousands). Expense totals for pre-stabilized and other include results from properties that have not yet met the definition of stabilized and properties that are classified as held for sale or were sold during the period.

	Stabilized				Pre-Stabilized and Other		
	Three Months Ended September 30,				Three Months Ended September 30,		
	2020	2019	\$ Change	% Change	2020	2019	Change
Rental property operating and maintenance	\$ 199,645	\$ 199,598	\$ 47	0.0 %	\$ 159,034	\$ 59,833	\$ 99,201
Property taxes and insurance	30,080	30,528	(448)	(1.5)%	12,579	10,830	1,749
	\$ 229,725	\$ 230,126	\$ (401)	(0.2)%	\$ 171,613	\$ 70,663	\$ 100,950

	Stabilized				Pre-Stabilized and Other		
	Nine Months Ended September 30,				Nine Months Ended September 30,		
	2020	2019	Change	% Change	2020	2019	Change
Rental property operating and maintenance	\$ 571,279	\$ 583,868	\$ (12,589)	(2.2)%	\$ 385,755	\$ 182,548	\$ 203,207
Property taxes and insurance	97,304	90,776	6,528	7.2 %	39,466	35,811	3,655
	\$ 668,583	\$ 674,644	\$ (6,061)	(0.9)%	\$ 425,221	\$ 218,359	\$ 206,862

Stabilized rental property operating and maintenance expenses remained unchanged and decreased approximately \$12.6 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily related to lower utility consumption at certain properties in the stabilized portfolio.

Stabilized property taxes and insurance decreased by approximately \$0.4 million and increased by approximately \$6.5 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily due to a reduction in assessments in 2020 at certain properties in the stabilized portfolio for the three-month period and property tax refunds in 2019 that are not recurring for the nine-month period.

Pre-stabilized and other rental property operating and maintenance expenses increased by approximately \$99.2 million and \$203.2 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily due to the Interxion Combination, which contributed \$85.1 million and \$182.3 million for the three months and nine months ended September 30, 2020, respectively, along with higher expenses as a result of leasing activity during the twelve months ended September 30, 2020 offset by properties sold to Mapletree in January 2020, properties contributed to the Mapletree joint venture in November 2019 and the Ascenty Acquisition prior to deconsolidation in March 2019.

Pre-stabilized and other property taxes increased approximately \$1.7 million and \$3.7 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019 due to the Interxion Combination, which contributed \$1.0 million and \$2.2 million for the three months and nine months ended September

30, 2020, respectively, along with increased assessed values at our Northern Virginia and Chicago properties offset by properties sold to Mapletree in January 2020 and properties contributed to the Mapletree joint venture in November 2019.

Depreciation and Amortization

Depreciation and amortization expense increased by approximately \$79.1 million and \$117.7 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase was principally due to the Interxion Combination offset by properties sold to Mapletree in January 2020, properties contributed to the Mapletree joint venture in November 2019, certain intangibles related to the DFT Merger being fully amortized prior to the nine months ended September 30, 2020 along with 2019 activity from the Ascenty Acquisition prior to deconsolidation in March 2019.

General and Administrative

General and administrative expenses increased by approximately \$41.4 million and \$92.8 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily due to the Interxion Combination.

Transactions and Integration Expenses

Transactions and integration expense increased by approximately \$10.8 million and \$76.6 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, principally due to integration and transaction costs associated with the Interxion Combination, which closed in March 2020.

Impairment of Investments in Real Estate

During the three and nine months ended September 30, 2020, it became more-likely-than-not that several assets would be disposed of in advance of their useful lives. We performed impairment procedures over said assets and as a result, recognized a \$6.5 million of impairment charge on a property located in Europe. An impairment of approximately \$5.4 million was also recognized during the nine months ended September 30, 2019 on a property located in the United States. The fair value of the properties were primarily based on comparable sales price data.

Interest Expense

Interest expense increased by approximately \$4.9 million and decreased by approximately \$17.0 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The three-month period increase was primarily due to interest expense recognized as a result of the termination of swaps related to the paydown of the 2023 Term Loan in September 2020. The nine-month period decrease was primarily due to lower average balances on our global revolving credit facilities and term loans in 2020, along with the paydown of the Ascenty loan in March 2019. This was offset by the issuances of the 2.500% 2026 Notes in February 2019, the 3.600% 2029 Notes in June 2019, 1.125% 2028 Notes in October 2019, the 0.125% 2022 Notes, 0.625% 2025 Notes and 1.500% 2030 Notes in January 2020 and the 1.250% 2031 Notes in June 2020.

Interest and Other Income, Net

Interest and other income, net decreased approximately \$12.5 million and \$32.3 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease is primarily due to realized and unrealized gains or losses from mark-to-market valuation changes on a marketable equity security and the reimbursement of transaction expenses as a result of the closing of the Ascenty joint venture with Brookfield in the three months ended March 31, 2019.

Gain on Deconsolidation, Net

During the nine months ended September 30, 2019, we recognized a gain on the deconsolidation of Ascenty of approximately \$67.5 million as a result of the formation of the Ascenty joint venture with Brookfield Infrastructure.

Gain on Disposition of Properties, Net

During the nine months ended September 30, 2020, we sold (i) Liverpoolweg 10 in Amsterdam for gross proceeds of approximately \$21.5 million, resulting in a gain of approximately \$10.4 million in July 2020 and (ii) 10 Powered Base Building® properties, which comprise 12 data centers, in North America to Mapletree at a purchase consideration of approximately \$557.0 million, resulting in a gain of approximately \$304.8 million in January 2020. There were no gains on disposition of properties for the three and nine months ended September 30, 2019.

Loss from Early Extinguishment of Debt

Loss from early extinguishment of debt increased approximately \$47.6 million and \$14.5 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019, primarily due to the redemption of the 3.950% 2022 Notes and 3.625% 2022 Notes in August 2020 offset by the costs associated with the early tender offer and subsequent redemption of the 5.875% 2020 Notes in January and February 2019 along with the 3.400% Notes due 2020 and 2021 Notes in June 2019.

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. 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 March 17, 2020, which allows our Parent Company to register an unspecified amount of various classes of equity securities. As circumstances warrant, our Parent Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would generally be contributed to our Operating Partnership in exchange for additional equity interests in our Operating Partnership. Our Operating Partnership may use the proceeds to acquire additional properties, to fund development opportunities and for general working capital purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities.

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

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

On May 11, 2020, Digital Realty Trust, Inc. and Digital Realty Trust, L.P. entered into an amendment, which we refer to as the 2020 Amendment, to our ATM equity offering sales agreement dated January 4, 2019, which, as amended, we refer to as the Sales Agreement, with BofA Securities, Inc., Barclays Capital Inc., BTIG, LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Jefferies LLC, J.P. Morgan Securities LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., Raymond James & Associates, Inc., RBC Capital Markets, LLC, Scotia Capital (USA) Inc., SMBC Nikko Securities America, Inc., SunTrust Robinson Humphrey, Inc., TD Securities (USA) LLC, and Wells Fargo Securities, LLC, or the Agents, to increase the number of shares of common stock Digital Realty Trust, Inc. could issue and sell from time to time through, at its discretion, any of the Agents as its sales agents or as principals. Sales may also be made on a forward basis pursuant to separate forward sale agreements. In accordance with the Sales Agreement, following the date of the 2020 Amendment, Digital Realty Trust, Inc. may offer and sell shares of its common stock having an aggregate offering price of up to \$1.0 billion. Prior to the 2020 Amendment, Digital Realty Trust, Inc. had offered and sold shares of its common stock having an aggregate gross sales price of approximately \$652.2 million. The sales of common stock made under the Sales Agreement will be made in "at the market" offerings as defined in Rule 415 of the Securities Act. For the nine months ended September 30, 2020, Digital Realty Trust, Inc. generated net proceeds of approximately \$893.0 million from the issuance of approximately 6.1 million common shares under the Sales Agreement at an average price of \$146.89 per share after payment of approximately \$9.0 million of commissions to the Agents. The proceeds from the issuances for the nine months ended September 30, 2020 were contributed to our Operating Partnership in exchange for the issuance of approximately 6.1 million common units to our Parent Company. Subsequent to September 30, 2020, Digital Realty Trust, Inc. generated net proceeds of approximately \$0.8 million from the issuance of 5,220 common shares under the Sales Agreement at an average price of \$159.09 per share after payment of approximately \$8,000 of commissions to the Agents, and approximately \$749.4 million remains available for future sales under the program. The proceeds from the issuances subsequent to September 30, 2020 were contributed to our Operating Partnership in exchange for the issuance of 5,220 common units to our Parent Company. Our Parent Company has used and intends to use the net proceeds from the program to temporarily repay borrowings under our Operating Partnership's global revolving credit facilities, to acquire additional properties or businesses, to fund development opportunities and for working capital and other general corporate purposes, including potentially for the repayment of other debt or the repurchase, redemption or retirement of outstanding debt securities. For additional information regarding the Sales Agreement, see Note 13 to our condensed consolidated financial statement contained herein.

Additionally, on September 27, 2018, Digital Realty Trust, Inc. completed an underwritten public offering of 9,775,000 shares of its common stock (including 1,275,000 shares from the exercise in full of the underwriters' option to purchase additional shares), all of which were offered in connection with forward sale agreements it entered into with certain financial institutions acting as forward purchasers. The forward purchasers borrowed and sold an aggregate of 9,775,000 shares of Digital Realty Trust, Inc.'s common stock in the public offering. Digital Realty Trust, Inc. did not receive any proceeds from the sale of its common stock by the forward purchasers in the public offering. On September 17, 2019, the Company amended the forward sale agreements to extend the maturity date of such forward sales agreements from September 27, 2019 to September 25, 2020. On September 24, 2020, we physically settled the forward sale agreements in full by issuing an aggregate of 9,775,000 shares of our common stock to the forward purchasers in exchange for net proceeds of approximately \$1.0 billion.

On September 8, 2020, our Parent Company redeemed all 10,000,000 outstanding shares of its 6.350% series I cumulative redeemable preferred stock, or the series I preferred stock, for a redemption price of \$25.29545 per share. The redemption price was equal to the original issuance price of \$25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date. The excess of the redemption price over the carrying value of the series I preferred stock of approximately \$8.0 million relates to the original issuance costs and was recorded as a reduction to net income available to common stockholders.

On September 15, 2020, our Parent Company distributed a notice of redemption to all holders of record of its outstanding 5.875% series G cumulative redeemable preferred stock, or the series G preferred stock, for a redemption price of \$25.057118 per share. The redemption price is equal to the original issuance price of \$25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date. The redemption date was October 15, 2020. The excess of the redemption price over the carrying value of the series G preferred stock of approximately \$8.5 million relates to the original issuance costs and will be reflected as a reduction to net income available to common stockholders.

Future Uses of Cash

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

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

Dividends and Distributions

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

As a result of this distribution requirement, our Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. Our Parent Company may need to continue to raise capital in the debt and equity markets to fund our Operating Partnership's working capital needs, as well as potential developments at new or existing properties, acquisitions or investments in

existing or newly created joint ventures. In addition, our Parent Company may be required to use borrowings under our global revolving credit facility, if necessary, to meet REIT distribution requirements and maintain our Parent Company's REIT status.

For additional information regarding dividends declared and paid by our Parent Company on its common and preferred stock for the three and nine months ended September 30, 2020 and 2019, see Note 13 to our condensed consolidated financial statements contained herein.

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

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 September 30, 2020, we had \$971.3 million of cash and cash equivalents, excluding \$15.3 million of restricted cash. Restricted cash primarily consists of contractual capital expenditures plus other deposits. As of November 4, 2020, we had \$241 million of cash and cash equivalents.

Our global revolving credit facility provides for borrowings up to \$2.35 billion. We have the ability from time to time to increase the size of the global revolving credit facility and our term loan facility, in any combination, by up to \$1.25 billion, subject to the receipt of lender commitments and other conditions precedent. The global revolving credit facility matures on January 24, 2023, with two six-month extension options available. The global revolving credit facility provides for borrowings in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen and includes the ability to add additional currencies in the future. We have used and intend to use available borrowings under the 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. For additional information regarding our global revolving credit facility and term loan facility, see Note 9 to our condensed consolidated financial statements contained herein.

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

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” and “COVID-19” above.

On May 11, 2020, Digital Realty Trust, Inc. and Digital Realty Trust, L.P. entered into the 2020 Amendment to increase the number of shares of common stock Digital Realty Trust, Inc. could issue and sell from time to time through, at its discretion, any of the Agents as its sales agents or as principals. Sales may also be made on a forward basis pursuant to separate forward sale agreements. In accordance with the Sales Agreement, following the date of the 2020 Amendment, Digital Realty Trust, Inc. may offer and sell shares of its common stock having an aggregate offering price of up to \$1.0 billion. Prior to the 2020 Amendment, Digital Realty Trust, Inc. had offered and sold shares of its common stock having an aggregate gross sales price of approximately \$652.2 million. The sales of common stock made under the Sales Agreement will be made in “at the market” offerings as defined in Rule 415 of the Securities Act. For the nine months ended September 30, 2020, our Parent Company generated net proceeds of approximately \$893.0 million from the issuance of approximately 6.1 million common shares under the Sales Agreement at an average price of \$146.89 per share after payment of approximately \$9.0 million of commissions to the Agents. The proceeds from the issuances for the nine months ended September 30, 2020 were contributed to our Operating Partnership in exchange for the issuance of approximately 6.1 million common units to our Parent Company. Subsequent to September 30, 2020, Digital Realty Trust, Inc. generated net proceeds of approximately \$0.8 million from the issuance of 5,220 common shares under the Sales Agreement at an average price of \$159.09 per share after payment of approximately \$8,000 of commissions to the Agents, and approximately \$749.4 million remains available for future sales under the program. The proceeds from the issuances subsequent to September 30, 2020 were contributed to our Operating Partnership in exchange for the issuance of 5,220 common units to our Parent Company. Our Parent Company has used and intends to use the net proceeds from the program to temporarily repay borrowings under our Operating Partnership’s global revolving credit facilities, to acquire additional properties or businesses, to fund development opportunities and for working capital and other general corporate purposes, including potentially for the repayment of other debt or the repurchase, redemption or retirement of outstanding debt securities. For additional information regarding the Sales Agreement, see Note 13 to our condensed consolidated financial statements contained herein.

On January 17, 2020, Digital Dutch Finco B.V., an indirect wholly owned finance subsidiary of the Operating Partnership, issued and sold €300.0 million aggregate principal amount of 0.125% Guaranteed Notes due 2022 (the “0.125% 2022 Notes”), €650.0 million aggregate principal amount of 0.625% Guaranteed Notes due 2025 (the “0.625% 2025 Notes”) and €750.0 million aggregate principal amount of 1.500% Guaranteed Notes due 2030 (the “1.500% 2030 Notes”) and, together with the 0.125% 2022 Notes and 0.625% 2025 Notes, the “Euro Notes”). The Euro Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. Net proceeds from the offering were approximately €1,678.6 million (or approximately \$1,861.9 million based on the exchange rate as of January 17, 2020) after deducting managers’ discounts and estimated offering expenses. We intend to allocate an amount equal to the net proceeds from the offering of the 0.625% 2025 Notes and the 1.500% 2030 Notes to finance or refinance, in whole or in part, recently completed or future green building, energy and resource efficiency and renewable energy projects (collectively, “Eligible Green Projects”), including the development and redevelopment of such projects. Pending the allocation of an amount equal to the net proceeds of the 0.625% 2025 Notes and the 1.500% 2030 Notes to Eligible Green Projects, all or a portion of an amount equal to the net proceeds from the Euro Notes were used for the repayment, redemption and/or discharge of debt of Interxion or its subsidiaries and the payment of certain transaction fees and expenses incurred in connection with the Interxion Combination, to temporarily repay borrowings outstanding under the Operating Partnership’s global credit facility and for other general corporate purposes.

On June 26, 2020, Digital Dutch Finco B.V. issued and sold €500.0 million aggregate principal amount of 1.250% Guaranteed Notes due 2031 (the “2031 Notes”). The 2031 Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. Net proceeds from the offering were approximately €493.1 million (or approximately \$553.2 million based on the exchange rate as of June 26, 2020) after deducting managers’ discounts and estimated offering expenses. We used the net proceeds from the offering of the 2031 Notes to temporarily repay borrowings outstanding under the Operating Partnership’s global credit facilities, for acquisitions and to provide for working capital and other general corporate purposes.

On August 3, 2020 (the “2022 Notes Redemption Date”), the Operating Partnership redeemed the \$300 million aggregate principal amount outstanding of its 3.625% Notes due 2022 (the “3.625% Notes”) and the \$500 million aggregate principal amount outstanding of its 3.950% Notes due 2022 (the “3.950% Notes”). The redemption price for the 3.625% Notes was equal to the sum of (a) \$1,060.018 per \$1,000 principal amount of the 3.625% Notes, or 106.0018% of the aggregate principal amount of the 3.625% Notes, plus (b) accrued and unpaid interest to, but excluding, the 2022 Notes Redemption Date equal to \$12.285 per \$1,000 principal amount of the 3.625% Notes. The redemption price for the 3.950% Notes was equal to the sum of (a) \$1,060.306 per \$1,000 principal amount of the 3.950% Notes, or 106.0306% of the aggregate principal amount of the 3.950% Notes, plus (b) accrued and unpaid interest to, but excluding, the 2022 Notes Redemption Date equal to \$3.511 per \$1,000 principal amount of the 3.950% Notes. The Operating Partnership primarily used borrowings on the revolving credit facility to fund the redemption.

On September 23, 2020, Digital Dutch Finco B.V. issued and sold €750.0 million aggregate principal amount of 1.000% Guaranteed Notes due 2032 (the “2032 Notes”). The 2032 Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. Net proceeds from the offering were approximately €737.5 million (or approximately \$860.0 million based on the exchange rate as of September 23, 2020) after deducting managers’ discounts and estimated offering expenses. We intend to allocate an amount equal to the net proceeds from the offering of the 2032 Notes to finance or refinance, in whole or in part, recently completed or future green building, energy and resource efficiency and renewable energy projects, including the development and redevelopment of such projects (collectively, “2032 Eligible Green Projects”). Pending the allocation of the net proceeds of the 2032 Notes to 2032 Eligible Green Projects, the net proceeds from the 2032 Notes were used to temporarily repay borrowings outstanding under the Operating Partnership’s global revolving credit facilities and for other general corporate purposes.

On September 23, 2020, Digital Dutch Finco B.V. issued and sold €300.0 million aggregate principal amount of Floating Rate Guaranteed Notes due 2022 (the “2022 Notes”). The 2022 Notes will bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.48%, subject to a zero floor, and the interest rate for the initial interest period was 0%. The 2022 Notes are senior unsecured obligations of Digital Dutch Finco B.V. and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. and the Operating Partnership. Net proceeds from the offering were approximately €299.0 million (or approximately \$348.7 million based on the exchange rate as of September 23, 2020) after deducting managers’ discounts and estimated offering expenses. We used the net proceeds from the offering of the 2022 Notes to fund the redemption in full of Digital Stout Holding, LLC’s 4.750% Guaranteed Notes due 2023, which occurred on October 14, 2020.

On October 14, 2020 (the “GBP Note Redemption Date”), Digital Stout Holding, LLC, a wholly owned subsidiary of the Operating Partnership, redeemed the £300 million aggregate principal amount outstanding of its 4.750% Notes due 2023 (the “4.750% Notes”). The redemption price for the 4.750% Notes was equal to the sum of (a) £1,123.25 per £1,000 principal amount of the 4.750% Notes, or 112.325% of the aggregate principal amount of the 4.750% Notes, plus (b) accrued and unpaid interest to, but excluding, the GBP Note Redemption Date equal to £0.13 per £1,000 principal amount of the 4.750% Notes. Net proceeds from the issuance of the 2022 Notes were primarily used to fund the redemption. The redemption will result in an early extinguishment charge of approximately \$49.8 million during the three months ended December 31, 2020.

Construction

The table below summarizes our land held for future development and construction in progress and space held for development as of September 30, 2020 and December 31, 2019:

Development Lifecycle (dollars in thousands)	As of September 30, 2020				As of December 31, 2019			
	Net Rentable Square Feet (1)	Current Investment (2)	Future Investment (3)	Total Cost	Net Rentable Square Feet (1)	Current Investment (4)	Future Investment (3)	Total Cost
Land held for future development (5)	N/A	\$ 198,536	\$ —	\$ 198,536	N/A	\$ 147,597	\$ —	\$ 147,597
Construction in Progress and Space Held for Development								
Land - Current Development (5)	N/A	\$ 584,931	\$ —	\$ 584,931	N/A	\$ 517,900	\$ —	\$ 517,900
Space Held for Development (6)	1,520,308	231,036	—	231,036	1,281,169	241,563	—	241,563
Base Building Construction	2,637,821	405,757	556,596	962,353	2,936,071	485,489	404,082	889,571
Data Center Construction	2,321,299	1,041,415	1,260,203	2,301,617	1,175,673	441,852	703,607	1,145,459
Equipment Pool & Other Inventory	N/A	30,940	—	30,940	N/A	27,283	—	27,283
Campus, Tenant Improvements & Other	N/A	34,575	36,234	70,809	N/A	18,468	22,968	41,436
Total Construction in Progress and Land Held for Future Development	6,479,429	\$ 2,527,190	\$ 1,853,033	\$ 4,380,222	5,392,913	\$ 1,880,152	\$ 1,130,657	\$ 3,010,809

- (1) We estimate the total net rentable square feet available for lease based on a number of factors in addition to contractually leased square feet, including available power, required support space and common areas. Excludes square footage of properties held in unconsolidated joint ventures. Square footage is based on current estimates and project plans, and may change upon completion of the project due to remeasurement.
- (2) Represents balances incurred through September 30, 2020. Excludes costs incurred by unconsolidated joint ventures.
- (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, 2019. Excludes costs incurred by unconsolidated joint ventures.
- (5) Represents approximately 908 acres as of September 30, 2020 and approximately 944 acres as of December 31, 2019.
- (6) Excludes space held for development through unconsolidated joint ventures.

Land inventory and space held for development reflect cumulative cost spent pending future development. Base building construction consists of ongoing improvements to building infrastructure in preparation for future data center fit-out. Data center construction includes 5.0 million square feet of Turn Key Flex[®] and Powered Base Building[®] product. 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 data center construction fit-out. Campus, tenant improvements and other costs include the value of development work which benefits space recently converted to our operating portfolio and is composed primarily of shared infrastructure projects and first-generation tenant improvements.

Future Uses of Cash

Our properties require periodic investments of capital for customer-related capital expenditures and for general capital improvements. As of September 30, 2020, we had approximately 5.4 million square feet under active development and approximately 2.4 million square feet held for development. Depending upon customer demand, we expect to incur significant improvement costs to build out and develop additional capacity. At September 30, 2020, excluding unconsolidated joint ventures, approximately 5.0 million square feet was under active development for Turn-Key Flex[®] and Powered Base Building[®] products, all of which is expected to be income-producing on or after completion, in six U.S. metropolitan areas, eight European metropolitan areas, four Asian metropolitan areas, one Australian metropolitan area and one Canadian metropolitan area, consisting of approximately 2.7 million square feet of base building construction and 2.3 million square feet of data center construction. At September 30, 2020, we had open commitments, related to construction contracts of approximately \$1.3 billion, including amounts reimbursable of approximately \$47.6 million.

We currently expect to incur approximately \$0.7 billion to \$1.0 billion of capital expenditures for our development programs during the three months ending December 31, 2020, although this amount could go up or down, potentially materially, based on numerous factors, including changes in demand, leasing results and availability of debt or equity capital.

Historical Capital Expenditures (Cash Basis)

The table below summarizes our capital expenditure activity for the nine months ended September 30, 2020 and 2019 (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Development projects	\$ 1,175,494	\$ 932,370
Enhancement and improvements	171	2,459
Recurring capital expenditures	127,156	125,982
Total capital expenditures (excluding indirect costs)	<u>\$ 1,302,821</u>	<u>\$ 1,060,811</u>

For the nine months ended September 30, 2020, total capital expenditures increased \$242.0 million to approximately \$1,302.8 million from \$1,060.8 million for the same period in 2019. Capital expenditures on our development projects plus our enhancement and improvements projects for the nine months ended September 30, 2020 were approximately \$1,175.7 million, which reflects an increase of approximately 26% from the same period in 2019. This increase was primarily due to Interxion, which had approximately \$260.9 million of capital expenditures for the nine months ended September 30, 2020, offset by 2019 spending related to Ascenty, which was deconsolidated in March 2019. Our development capital expenditures are generally funded by our available cash and equity and debt capital.

Indirect costs, including capitalized interest, capitalized in the nine months ended September 30, 2020 and 2019 were \$74.2 million and \$65.0 million, respectively. Capitalized interest comprised approximately \$35.5 million and \$30.3 million of the total indirect costs capitalized for the nine months ended September 30, 2020 and 2019, respectively. Capitalized interest in the nine months ended September 30, 2020 increased, compared to the same period in 2019, due to an increase in qualifying activities. Excluding capitalized interest, indirect costs in the nine months ended September 30, 2020 increased compared to the same period in 2019 due primarily to capitalized amounts relating to compensation expense of employees directly engaged in construction 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, 2020.

We are also subject to the commitments discussed below under “Off-Balance Sheet Arrangements” and “Distributions.”

Consistent with our growth strategy, we actively pursue potential acquisition opportunities, with due diligence and negotiations often at different stages at different times. The dollar value of acquisitions for the year ending December 31, 2020 will depend upon numerous factors, including customer demand, leasing results, availability of debt or equity capital and acquisition opportunities. Further, 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.

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 upon prevailing market conditions, our liquidity requirements, contractual restrictions or other factors. The amounts involved may be material.

We expect to meet our short-term and long-term liquidity requirements, including to pay for scheduled debt maturities and to fund acquisitions and non-recurring capital improvements, with net cash from operations, future long-term secured and unsecured indebtedness and the issuance of equity and debt securities and the proceeds of equity

issuances by our Parent Company. We also may fund future short-term and long-term liquidity requirements, including acquisitions and non-recurring capital improvements, using our global revolving credit facilities pending permanent financing. As of November 4, 2020, we had approximately \$2.2 billion of borrowings available under our global revolving credit facilities. 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” and “COVID-19”, we may be required to reduce our acquisition or capital expenditure plans, which could have a material adverse effect upon our business and results of operations.

Distributions

All distributions on our units are at the discretion of our Parent Company’s Board of Directors. For additional information regarding distributions paid on our common and preferred units for the three and nine months ended September 30, 2020, see Note 14 to our condensed consolidated financial statements contained herein.

Outstanding Consolidated Indebtedness

The table below summarizes our debt, as of September 30, 2020 (in millions):

Debt Summary:	
Fixed rate	\$ 11,882.2
Variable rate debt subject to interest rate swaps	177.9
Total fixed rate debt (including interest rate swaps)	12,060.1
Variable rate—unhedged	924.6
Total	\$ 12,984.7
Percent of Total Debt:	
Fixed rate (including swapped debt)	92.9 %
Variable rate	7.1 %
Total	100.0 %
Effective Interest Rate as of September 30, 2020	
Fixed rate (including hedged variable rate debt)	2.65 %
Variable rate	0.68 %
Effective interest rate	2.51 %

As of September 30, 2020, we had approximately \$13.0 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 23% (based on the closing price of Digital Realty Trust, Inc.’s common stock on September 30, 2020 of \$146.76). For this purpose, our total enterprise value is defined as the sum of the market value of Digital Realty Trust, Inc.’s outstanding common stock (which may decrease, thereby increasing our debt to total enterprise value ratio), plus the liquidation value of Digital Realty Trust, Inc.’s preferred stock, plus the aggregate value of our Operating Partnership’s units not held by Digital Realty Trust, Inc. (with the per unit value equal to the market value of one share of Digital Realty Trust, Inc.’s common stock and excluding long-term incentive units, Class C units and Class D units), plus the book value of our total consolidated indebtedness.

The variable rate debt shown above bears interest at interest rates based on various one-month LIBOR, EURIBOR, SOR, BBR, HIBOR, JPY LIBOR and CDOR rates, depending on the respective agreement governing the debt, including our global revolving credit facilities and unsecured term loans. As of September 30, 2020, our debt had a weighted average term to initial maturity of approximately 6.5 years (or approximately 6.5 years assuming exercise of extension options).

Off-Balance Sheet Arrangements

As of September 30, 2020, we were party to interest rate swap agreements related to \$177.9 million of outstanding principal on our variable rate debt. See Item 3. “Quantitative and Qualitative Disclosures about Market Risk.”

As of September 30, 2020, our pro-rata share of secured debt of unconsolidated joint ventures was approximately \$568.8 million.

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 Nine Months Ended September 30, 2020 to Nine Months Ended September 30, 2019

The following table shows cash flows and ending cash and cash equivalent balances for the nine months ended September 30, 2020 and 2019 (in thousands).

	Nine Months Ended September 30,		
	2020	2019	Change
Net cash provided by operating activities	\$ 1,180,739	\$ 1,111,944	\$ 68,795
Net cash used in investing activities	(1,519,519)	(708,056)	(811,463)
Net cash provided by (used in) financing activities	1,231,150	(512,227)	1,743,377
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 892,370</u>	<u>\$ (108,339)</u>	<u>\$ 1,000,709</u>

The increase in net cash provided by operating activities was primarily due to the Interxion Combination offset by properties sold or contributed to unconsolidated joint ventures during the twelve months ended September 30, 2020.

The changes in the activities that comprise net cash used in investing activities for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 consisted of the following amounts (in thousands).

Increase in cash used for improvements to investments in real estate	\$ (251,023)
Increase in cash used for acquisitions of real estate	(538,411)
Increase in cash provided by cash assumed in acquisitions	116,738
Increase in cash provided by proceeds from sale of properties, net of sales costs	547,913
Decrease in cash provided by proceeds from the joint venture transactions	(702,439)
Decrease in cash used in deconsolidation of Ascenty cash	97,081
Increase in cash used for investments in unconsolidated joint ventures	(47,475)
Other changes	(33,847)
Change in net cash used in investing activities	<u>\$ (811,463)</u>

The increase in cash used in investing activities was primarily due to a decrease in cash proceeds from the formation of the Ascenty joint venture in March 2019 with Brookfield, net of deconsolidated Ascenty cash and the increase in cash used related to the acquisition of an additional 49% ownership interest in the Westin Building Exchange in February 2020 and the acquisition of the Frankfurt leasehold site in July 2020 classified within acquisitions of real estate, partially offset by the sale of 10 Powered Base Building® properties, which comprise 12 data centers, in North America to Mapletree in January 2020.

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The changes in the activities that comprise net cash provided by financing activities for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 for the Company consisted of the following amounts (in thousands).

Increase in cash used for repayments of short-term borrowings, net of proceeds	\$ (355,755)
Increase in cash provided by net proceeds from issuance of common and preferred stock, including equity plans	1,680,199
Increase in cash provided by proceeds from secured / unsecured debt	1,242,666
Increase in cash used for repayment on secured / unsecured debt	(696,271)
Decrease in cash used for redemption of preferred stock	115,050
Increase in cash used for dividend and distribution payments	(249,488)
Other changes	6,976
Change in net cash provided by financing activities	<u>\$ 1,743,377</u>

The increase in cash provided by financing activities for the Company was primarily due to an increase in cash from the proceeds of sales of common stock issued under the ATM equity offering program and the full physical settlement of our forward equity agreements, an increase in cash provided by the issuance of unsecured debt, net of repayments and a decrease in cash used to redeem preferred stock during the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 partially offset by an increase in the repayment of short-term borrowings, net of proceeds and the increase in dividend and distribution payments for the nine months ended September 30, 2020 as compared to the same period in 2019 as a result of an increase in the number of shares outstanding due to the Interxion Combination and increased dividend amount per share of common stock in the nine months ended September 30, 2020 as compared to the same period in 2019.

The changes in the activities that comprise net cash provided by financing activities for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 for the Operating Partnership consisted of the following amounts (in thousands).

Increase in cash used for repayments of short-term borrowings, net of proceeds	\$ (355,755)
Increase in cash provided by general partner contributions	1,680,199
Increase in cash provided by proceeds from secured / unsecured debt	1,242,666
Increase in cash used for repayment on secured / unsecured debt	(696,271)
Decrease in cash used for general partner distributions regarding redemption of preferred units	115,050
Increase in cash used for distribution payments	(249,488)
Other changes	6,976
Change in net cash provided by financing activities	<u>\$ 1,743,377</u>

The increase in cash provided by financing activities for the Operating Partnership was primarily due to an increase in cash from the proceeds of sales of common stock issued under Digital Realty Trust, Inc.'s ATM equity offering program and the full physical settlement of Digital Realty Trust, Inc.'s forward equity agreements, an increase in cash provided by the issuance of unsecured debt, net of repayments and a decrease in the repayment of short-term borrowings, net of proceeds and a decrease in cash used to redeem preferred units during the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, partially offset by the increase in distribution payments for the nine months ended September 30, 2020 as compared to the same period in 2019 as a result of an increase in the number of units outstanding due to units issued to our Parent Company for the shares issued in the Interxion Combination and increased distribution amount per common unit in the nine months ended September 30, 2020 as compared to the same period in 2019.

Noncontrolling Interests in Operating Partnership

Noncontrolling interests primarily relate to the common units in our Operating Partnership that are not owned by Digital Realty Trust, Inc., which, as of September 30, 2020, amounted to 2.8% of our Operating Partnership common units. Historically, our Operating Partnership has issued common units to third party sellers in connection with our acquisition of real estate interests from such third parties.

Limited partners have the right to require our Operating Partnership to redeem part or all of their common units for cash based upon the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of the redemption. Alternatively, we may elect to acquire those common units in exchange for shares of Digital

Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Approximately 0.2 million common units of the Operating Partnership that were issued to certain former unitholders in the DFT Operating Partnership in connection with the DFT Merger were outstanding as of September 30, 2020, which are subject to certain restrictions and, accordingly, are not presented as permanent capital in the condensed consolidated balance sheet.

Inflation

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

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 (Nareit) in the Nareit Funds From Operations White Paper - 2018 Restatement. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, a gain from a pre-existing relationship, impairment charges and 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 be comparable to other REITs' FFO. FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (Loss) Income Available to Common Stockholders	\$ (37,368)	\$ 49,827	\$ 219,167	\$ 177,434
Adjustments:				
Non-controlling interests in operating partnership	(1,000)	2,300	8,200	8,000
Real estate related depreciation & amortization ⁽¹⁾	358,619	283,090	987,470	877,869
Unconsolidated JV real estate related depreciation & amortization	19,213	13,612	56,259	31,086
Gain on disposition of properties	(10,410)	—	(315,211)	—
Impairment of investments in real estate	6,482	—	6,482	5,351
FFO available to common stockholders and unitholders ⁽²⁾	<u>\$ 335,536</u>	<u>\$ 348,829</u>	<u>\$ 962,367</u>	<u>\$ 1,099,740</u>
Basic FFO per share and unit	\$ 1.21	\$ 1.60	\$ 3.68	\$ 5.06
Diluted FFO per share and unit ⁽²⁾	\$ 1.19	\$ 1.59	\$ 3.64	\$ 5.04
Weighted average common stock and units outstanding				
Basic	278,079	217,375	261,416	217,255
Diluted ⁽²⁾	281,524	218,756	264,401	218,280
⁽¹⁾ Real estate related depreciation and amortization was computed as follows:				
Depreciation and amortization per income statement	\$ 365,842	\$ 286,718	1,006,464	888,766
Non-real estate depreciation	(7,223)	(3,628)	(18,994)	(10,897)
	<u>\$ 358,619</u>	<u>\$ 283,090</u>	<u>\$ 987,470</u>	<u>\$ 877,869</u>

- (2) For all periods presented, we have excluded the effect of the series C, series G, series H, series I, series J, series K and series L preferred stock, as applicable, that may be converted into common stock upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series C, series G, series H, series I, series J, series K and series L preferred stock, as applicable, as they would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average common stock and units outstanding	278,079	217,375	261,416	217,255
Add: Effect of dilutive securities	3,445	1,381	2,985	1,025
Weighted average common stock and units outstanding—diluted	281,524	218,756	264,401	218,280

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 September 30, 2020, our consolidated debt was as follows (in millions):

	Carrying Value	Estimated Fair Value
Fixed rate debt	\$ 11,882.2	\$ 12,961.9
Variable rate debt subject to interest rate swaps	177.9	177.9
Total fixed rate debt (including interest rate swaps)	12,060.1	13,139.8
Variable rate debt	924.6	924.6
Total outstanding debt	\$ 12,984.7	\$ 14,064.4

Interest rate derivatives and their fair values as of September 30, 2020 and December 31, 2019 were as follows (in thousands):

Notional Amount		Type of Derivative	Strike Rate	Effective Date	Expiration Date	Fair Value at Significant Other Observable Inputs (Level 2)	
As of September 30, 2020	As of December 31, 2019					As of September 30, 2020	As of December 31, 2019
<u>Currently-paying contracts</u>							
\$ —	\$ 29,000 ⁽¹⁾	Swap	1.016	Apr 6, 2016	Jan 6, 2021	\$ —	\$ 175
—	75,000 ⁽¹⁾	Swap	1.164	Jan 15, 2016	Jan 15, 2021	—	345
104,000 ⁽¹⁾	300,000 ⁽¹⁾	Swap	1.435	Jan 15, 2016	Jan 15, 2023	(3,138)	945
73,944 ⁽²⁾	75,825 ⁽²⁾	Swap	0.779	Jan 15, 2016	Jan 15, 2021	(64)	931
\$ 177,944	\$ 479,825					\$ (3,202)	\$ 2,396

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

(2) Represents debt which bears interest based on one-month CDOR. Translation to U.S. dollars is based on exchange rates of \$0.75 to 1.00 CAD as of September 30, 2020 and \$0.77 to 1.00 CAD as of December 31, 2019.

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 September 30, 2020:

Assumed event	Change (\$ millions)	
Increase in fair value of interest rate swaps following an assumed 10% increase in interest rates	\$	0.1
Decrease in fair value of interest rate swaps following an assumed 10% decrease in interest rates		(0.1)
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		0.3
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		(0.3)
Increase in fair value of fixed rate debt following a 10% decrease in interest rates		22.6
Decrease in fair value of fixed rate debt following a 10% increase in interest rates		(23.4)

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 three and nine months ended September 30, 2020 and 2019, we had foreign operations, including through our investments in unconsolidated joint ventures, in the United Kingdom, Ireland, France, the Netherlands, Germany, Switzerland, Canada, Singapore, Australia, Japan, Hong Kong, South Korea and Brazil and we have added Austria, Belgium, Denmark, Spain, Sweden and Kenya as part of the Interxion Combination, which closed in March 2020. As such, we are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Canadian dollar, Brazilian real, Singapore dollar, Australian dollar, Japanese Yen, Hong Kong dollar, South Korean won, Swiss franc, Danish krone, Swedish krona and the Kenyan shilling. Our primary currency exposures are to the British pound sterling, Euro and the Singapore dollar. As a result of the Ascenty joint venture and deconsolidation of Ascenty, our exposure to foreign exchange risk related to the Brazilian real is limited to the impact that currency has on our share of the Ascenty joint venture's operations and financial position. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations and we may also hedge well-defined transactional exposures with foreign currency forwards or options, although there can be no assurances that these will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of stockholders' equity. For the three months ended September 30, 2020 and 2019, operating revenues from properties outside the United States contributed \$368.9 million and \$146.7 million, respectively, which represented 36.0% and 18.2% of our total operating revenues, respectively. For the nine months ended September 30, 2020 and 2019, operating revenues from properties outside the United States contributed \$906.3 million and \$475.9 million, respectively, which represented 31.9% and 19.7% of our total operating revenues, respectively. Net investment in properties outside the United States was \$8.2 billion and \$3.7 billion as of September 30, 2020 and December 31, 2019, respectively. Net assets in foreign operations were approximately \$5.2 billion and \$(1.4) billion as of September 30, 2020 and December 31, 2019, 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 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

There have been no changes in the Company's internal control over financial reporting during its most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

As a result of COVID-19, our global workforce shifted to a primarily work from home environment beginning in March 2020. This change to remote working was rapid and included employees that are not considered critical to our daily data center operations. While pre-existing controls were not specifically designed to operate in our current work from home operating environment, we believe that our internal controls over financial reporting continue to be effective. We took precautionary actions to re-evaluate and refine our financial reporting process to provide reasonable assurance that we could report our financial results accurately and timely.

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

There have been no changes in the Operating Partnership's internal control over financial reporting during its most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

As a result of COVID-19, our global workforce shifted to a primarily work from home environment beginning in March 2020. This change to remote working was rapid and included employees that are not considered critical to our daily data center operations. While pre-existing controls were not specifically designed to operate in our current work from home operating environment, we believe that our internal controls over financial reporting continue to be effective. We took precautionary actions to re-evaluate and refine our financial reporting process to provide reasonable assurance that we could report our financial results accurately and timely.

PART II—OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS.**

Although the Company is involved in legal proceedings arising in the ordinary course of business, as of September 30, 2020, 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.

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, 2019, as updated by the risk factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 under the heading “Risk Factors”, continue to apply to our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.*Digital Realty Trust, Inc.*

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
July 1-31, 2020	—	\$ —	—	—
August 1-31, 2020	—	—	—	—
September 1-30, 2020	10,000,000 shares of Series I Preferred Stock	25.00	10,000,000 shares of Series I Preferred Stock	—
Total	10,000,000	\$ 25.00	10,000,000	—

- (1) On August 8, 2020, the Company distributed a Notice of Redemption to all holders of record of its outstanding 6.350% series I cumulative redeemable preferred stock, or the series I preferred stock, announcing its redemption of all 10,000,000 outstanding shares of the series I preferred stock at a redemption price of \$25.29545 per share. The redemption price was equal to the original issuance price of \$25.00 per share, plus accrued and unpaid dividends up to but not including the redemption date. The redemption was made at the Company’s option pursuant to Section 5(b) of the Articles Supplementary establishing and fixing the rights and preferences of the series I preferred stock. The redemption date was September 8, 2020.
- (2) The Company redeemed all outstanding shares of its series I preferred stock on September 8, 2020. The Operating Partnership also redeemed the corresponding 10,000,000 series I preferred units.

Digital Realty Trust, L.P.

During the three months ended September 30, 2020, 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 September 30, 2020, Digital Realty Trust, Inc. issued an aggregate of 41,232 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 September 30, 2020, our Operating Partnership issued an aggregate of 41,232 common units to Digital Realty Trust, Inc., as required by our Operating Partnership's partnership agreement. During the three months ended September 30, 2020, an aggregate of 11,731 shares of its common stock were forfeited to Digital Realty Trust, Inc. in connection with restricted stock awards for a net issuance of 29,501 shares of common stock.

In addition, during the three months ended September 30, 2020, our Operating Partnership issued approximately 1.6 million common units to Digital Realty Trust, Inc. in exchange for the contribution by Digital Realty Trust, Inc. to it of the net proceeds of approximately \$247.2 million from Digital Realty Trust Inc.'s issuance of approximately 1.6 million shares of common stock under the Sales Agreement.

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 \$35.4 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.

ITEM 6. EXHIBITS.

Exhibit Number	Description
2.1	Amendment No. 1 to Purchase Agreement dated as of January 23, 2020, by and among Digital Realty Trust, Inc., Digital Intrepid Holding B.V. and Interxion Holding N.V. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Digital Realty Trust, Inc. (File No. 001-32336) filed on January 27, 2020).
3.1	Articles of Amendment and Restatement of Digital Realty Trust, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Combined Quarterly Report on Form 10-Q of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. (File Nos. 001-32336 and 000-54023) filed on May 11, 2020).
3.2	Eighth Amended and Restated Bylaws of Digital Realty Trust, Inc. (incorporated by reference to exhibit 3.02 to the Combined Annual Report on Form 10-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. (File Nos. 001-32336 and 000-54023) filed on February 25, 2019).
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. (File No. 000-54023) filed on June 25, 2010).
3.4	Nineteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to the Combined Current Report on Form 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. (File Nos. 001-32336 and 000-54023) filed on October 10, 2019).
4.1	Indenture, dated as of September 23, 2020, among Digital Dutch Finco B.V., 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 1.000% Guaranteed Notes due 2032 (incorporated by reference to Exhibit 4.1 to the Combined Current Report on Form 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. (File Nos. 001-32336 and 000-54023) filed on September 23, 2020).
4.2	Indenture, dated as of September 23, 2020, among Digital Dutch Finco B.V., Digital Realty Trust, Inc., Digital Realty Trust, L.P., Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as calculation agent, paying agent and a transfer agent, and Deutsche Bank Luxembourg S.A., as registrar and a transfer agent, including the form of the Floating Rate Guaranteed Notes due 2022 (incorporated by reference to Exhibit 4.2 to the Combined Current Report on Form 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. (File Nos. 001-32336 and 000-54023) filed on September 23, 2020).
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 September 30, 2020, formatted in Inline XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019; (ii) Condensed Consolidated Income Statements for the three and nine months ended September 30, 2020 and 2019; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2020 and 2019; (iv) Condensed Consolidated Statements of Equity/Capital for the three

and nine months ended September 30, 2020 and 2019; (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019; and (vi) Notes to Condensed Consolidated Financial Statements.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Management contract or compensatory plan or arrangement.

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.

November 6, 2020	<hr/> /s/ A. WILLIAM STEIN A. William Stein Chief Executive Officer (principal executive officer)
November 6, 2020	<hr/> /s/ ANDREW P. POWER Andrew P. Power Chief Financial Officer (principal financial officer)
November 6, 2020	<hr/> /s/ MATTHEW MERCIER Matthew Mercier Senior Vice President, Finance and Accounting (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:

November 6, 2020	<hr/> /s/ A. WILLIAM STEIN A. William Stein Chief Executive Officer (principal executive officer)
November 6, 2020	<hr/> /s/ ANDREW P. POWER Andrew P. Power Chief Financial Officer (principal financial officer)
November 6, 2020	<hr/> /s/ MATTHEW MERCIER Matthew Mercier Senior Vice President, Finance and Accounting (principal accounting officer)

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 6, 2020

/s/ A. WILLIAM STEIN

A. William Stein
Chief Executive Officer

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 6, 2020

/s/ ANDREW P. POWER

Andrew P. Power

Chief Financial Officer

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, Inc., in its capacity as the sole general partner of Digital Realty Trust, L.P. (the "Operating Partnership"), hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Operating Partnership for the quarterly period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Date: November 6, 2020

/s/ A. WILLIAM STEIN

A. William Stein
Chief Executive Officer
Digital Realty Trust, Inc., sole general partner of
Digital Realty Trust, L.P.

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Operating Partnership filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, Inc., in its capacity as the sole general partner of Digital Realty Trust, L.P. (the "Operating Partnership"), hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Operating Partnership for the quarterly period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Date: November 6, 2020

/s/ ANDREW P. POWER

Andrew P. Power
Chief Financial Officer
Digital Realty Trust, Inc., sole general partner of
Digital Realty Trust, L.P.

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Operating Partnership filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.
