Digital Realty Trust, Inc.
Form 10-Q
August 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2018

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

Digital Realty Trust, L.P.:

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨
	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 x
Digital Realty Trust, L.P. Yes ¨ No x

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

Digital Realty Trust, Inc.:

Class	Outstanding at August 3, 2018
Common Stock, $.01 par value per share	206,097,243

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2018 of Digital Realty Trust, Inc., a Maryland corporation, and Digital Realty Trust, L.P., a Maryland limited partnership, of which Digital Realty Trust, Inc. is the sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our," "our Company" or "the Company" refer to Digital Realty Trust, Inc. together with its consolidated subsidiaries, including Digital Realty Trust, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to "our Operating Partnership" or "the Operating Partnership" refer to Digital Realty Trust, L.P. together with its consolidated subsidiaries.

Digital Realty Trust, Inc. is a real estate investment trust, or REIT, and the sole general partner of Digital Realty Trust, L.P. As of June 30, 2018, Digital Realty Trust, Inc. owned an approximate 96.0% common general partnership interest in Digital Realty Trust, L.P. The remaining approximate 4.0% 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 June 30, 2018, Digital Realty Trust, Inc. owned all of the preferred limited partnership interests of Digital Realty Trust, L.P. As the sole general partner of Digital Realty Trust, L.P., Digital Realty Trust, Inc. has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control.

We believe combining the 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.

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To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- Condensed consolidated financial statements;

- the following notes to the condensed consolidated financial statements:

- "Debt of the Company" and "Debt of the Operating Partnership";

- "Income per Share" and "Income per Unit"; and

- "Equity and Accumulated Other Comprehensive 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.

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FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2018
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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Investments in real estate:		
Properties:		
Land	$1,202,174	$1,136,341
Acquired ground leases	10,879	11,150
Buildings and improvements	15,781,203	15,215,405
Tenant improvements	561,048	553,040
Total investments in properties	17,555,304	16,915,936
Accumulated depreciation and amortization	(3,588,124)	(3,238,227)
Net investments in properties	13,967,180	13,677,709
Investments in unconsolidated joint ventures	167,306	163,477
Net investments in real estate	14,134,486	13,841,186
Cash and cash equivalents	17,589	51
Accounts and other receivables, net of allowance for doubtful accounts of $8,825 and $6,737 as of June 30, 2018 and December 31, 2017, respectively	282,287	276,347
Deferred rent	445,766	430,026
Acquired above-market leases, net	150,084	184,375
Goodwill	3,378,325	3,389,595
Acquired in-place lease value, deferred leasing costs and intangibles, net	2,823,275	2,998,806
Restricted cash	9,443	13,130
Assets held for sale	—	139,538
Other assets	170,168	131,291
Total assets	$21,411,423	$21,404,345
LIABILITIES AND EQUITY		
Global revolving credit facility, net	$466,971	$550,946
Unsecured term loan, net	1,376,784	1,420,333
Unsecured senior notes, net	7,156,084	6,570,757
Mortgage loans, including premiums, net	106,245	106,582
Accounts payable and other accrued liabilities	1,031,794	980,218
Accrued dividends and distributions	—	199,761
Acquired below-market leases, net	216,520	249,465
Security deposits and prepaid rents	207,292	217,898
Obligations associated with assets held for sale	—	5,033
Total liabilities	10,561,690	10,300,993
Redeemable noncontrolling interests – operating partnership	52,805	53,902
Commitments and contingencies		
Equity:		
Stockholders' Equity:		
Preferred Stock: $0.01 par value per share, 110,000,000 shares authorized; 50,650,000 and 50,650,000 shares issued and outstanding as of June 30, 2018 and December 31,	1,249,560	1,249,560

2017, respectively		
Common Stock: $0.01 par value per share, 315,000,000 shares authorized, 206,055,117 and 205,470,300 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	2,047	2,044
Additional paid-in capital	11,310,132	11,261,461
Accumulated dividends in excess of earnings	(2,314,291)	(2,055,552)
Accumulated other comprehensive loss, net	(107,070)	(108,432)
Total stockholders' equity	10,140,378	10,349,081
Noncontrolling Interests:		
Noncontrolling interests in operating partnership	654,261	698,126
Noncontrolling interests in consolidated joint ventures	2,289	2,243
Total noncontrolling interests	656,550	700,369
Total equity	10,796,928	11,049,450
Total liabilities and equity	$21,411,423	$21,404,345

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Revenues:				
Rental and other services	$596,326	$470,877	$1,188,624	$932,228
Tenant reimbursements	155,723	93,342	305,802	180,630
Fee income	2,343	1,429	3,476	3,324
Other	527	341	1,385	376
Total operating revenues	754,919	565,989	1,499,287	1,116,558
Operating Expenses:				
Rental property operating and maintenance	230,322	174,716	455,962	344,055
Property taxes	27,284	28,161	62,547	55,080
Insurance	2,606	2,576	6,337	5,168
Depreciation and amortization	298,788	178,111	593,577	354,577
General and administrative	46,099	37,509	82,622	72,156
Transactions and integration	5,606	14,235	9,784	17,558
Other	152	24	583	24
Total operating expenses	610,857	435,332	1,211,412	848,618
Operating income	144,062	130,657	287,875	267,940
Other Income (Expenses):				
Equity in earnings of unconsolidated joint ventures	7,438	8,388	14,848	13,712
Gain (loss) on sale of properties	14,192	380	53,465	(142)
Interest and other income	3,398	367	3,356	518
Interest expense	(78,810)	(57,582)	(155,795)	(113,032)
Tax expense	(2,121)	(2,639)	(5,495)	(4,862)
Net income	88,159	79,571	198,254	164,134
Net income attributable to noncontrolling interests	(2,696)	(920)	(6,164)	(1,945)
Net income attributable to Digital Realty Trust, Inc.	85,463	78,651	192,090	162,189
Preferred stock dividends	(20,329)	(14,505)	(40,658)	(31,898)
Issuance costs associated with redeemed preferred stock	—	(6,309)	—	(6,309)
Net income available to common stockholders	$65,134	$57,837	$151,432	$123,982
Net income per share available to common stockholders:				
Basic	$0.32	$0.36	$0.74	$0.77
Diluted	$0.32	$0.36	$0.73	$0.77
Weighted average common shares outstanding:				
Basic	205,956,005	160,832,889	205,835,757	160,069,201
Diluted	206,563,079	161,781,867	206,460,170	161,059,527

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$88,159	$79,571	$198,254	$164,134
Other comprehensive income (loss):				
Foreign currency translation adjustments	(7,233)	13,677	(10,976)	30,255
Increase (decrease) in fair value of interest rate swaps and foreign currency hedges	4,795	(2,328)	13,411	(6,692)
Reclassification to interest expense from interest rate swaps	(783)	647	(1,018)	1,677
Comprehensive income	84,938	91,567	199,671	189,374
Comprehensive income attributable to noncontrolling interests	(2,571)	(1,085)	(6,219)	(2,289)
Comprehensive income attributable to Digital Realty Trust, Inc.	$82,367	$90,482	$193,452	$187,085

See accompanying notes to the condensed consolidated financial statements.

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

	Redeemable Noncontrolling Interests -- Operating Partnership	Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Dividends in Excess of Earnings	Accumulated Other Comprehensive Loss, Net	Total Stockholders' Equity	No Int in Op Pa
Balance as of December 31, 2017	$53,902	$1,249,560	205,470,300	$2,044	$11,261,461	$(2,055,552)	$(108,432)	$10,349,081	$6
Conversion of common units to common stock	—	—	406,639	4	35,823	—	—	35,827	(35
Issuance of unvested restricted stock, net of forfeitures	—	—	193,118	—	—	—	—	—	—
Issuance of common stock, net of offering costs	—	—	—	—	(652)	—	—	(652)	—
Shares issued under employee stock purchase plan	—	—	31,893	—	2,509	—	—	2,509	—
Shares repurchased and retired to satisfy tax withholding upon vesting	—	—	(46,833)	(1)	(4,717)	—	—	(4,718)	—
Amortization of share-based compensation	—	—	—	—	17,458	—	—	17,458	—
Reclassification of vested share-based awards	—	—	—	—	(2,847)	—	—	(2,847)	2,8
Adjustment to redeemable noncontrolling interests—operating partnership	(1,097)	—	—	—	1,097	—	—	1,097	—
Dividends declared on preferred stock	—	—	—	—	—	(40,658)	—	(40,658)	—
Dividends and distributions on common stock and common and incentive units	—	—	—	—	—	(416,086)	—	(416,086)	(17
	—	—	—	—	—	—	—	—	—

Contributions from noncontrolling interests in consolidated joint ventures, net of distributions									
Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	—	5,915	—	5,915	—
Net income	—	—	—	—	—	192,090	—	192,090	6,1
Other comprehensive loss—foreign currency translation adjustments	—	—	—	—	—	—	(10,550)	(10,550)	(42
Other comprehensive income—fair value of interest rate swaps and foreign currency hedges	—	—	—	—	—	—	12,891	12,891	52
Other comprehensive loss—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	(979)	(979)	(39
Balance as of June 30, 2018	$52,805	$1,249,560	206,055,117	$2,047	$11,310,132	$(2,314,291)	$(107,070)	$10,140,378	$6

See accompanying notes to the condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	$198,254	$164,134
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on sale of properties	(53,465)	142
Unrealized gain on equity investment	(3,136)	—
Equity in earnings of unconsolidated joint ventures	(14,848)	(13,712)
Distributions from unconsolidated joint ventures	10,422	21,376
Write-off of net assets due to early lease terminations	583	24
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	378,734	264,125
Amortization of acquired in-place lease value and deferred leasing costs	214,843	90,452
Amortization of share-based compensation	14,828	10,125
Non-cash amortization of terminated swaps	558	602
Allowance for (recovery of) doubtful accounts	2,120	(2,555)
Amortization of deferred financing costs	6,013	4,956
Amortization of debt discount/premium	1,711	1,363
Amortization of acquired above-market leases and acquired below-market leases, net	13,452	(3,978)
Changes in assets and liabilities:		
Accounts and other receivables	(9,312)	(23,711)
Deferred rent	(18,955)	(6,198)
Deferred leasing costs	(11,946)	(8,143)
Other assets	2,959	(5,357)
Accounts payable and other accrued liabilities	(50,252)	17,083
Security deposits and prepaid rents	(9,475)	8,584
Net cash provided by operating activities	673,088	519,312
Cash flows from investing activities:		
Acquisitions of real estate	(76,286)	(34,829)
Proceeds from sale of properties, net of sales costs	195,385	—
Excess proceeds from forward contracts	—	51,308
Investments in unconsolidated joint ventures	(348)	(5,749)
Prepaid construction costs and other investments	(27,869)	—
Improvements to investments in real estate	(613,841)	(476,070)
Improvement advances to tenants	(25,054)	(19,929)
Collection of improvement advances to tenants	22,433	21,805
Net cash used in investing activities	(525,580)	(463,464)

See accompanying notes to the condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from financing activities:		
Borrowings on global revolving credit facility	$773,811	$1,141,370
Repayments on global revolving credit facility	(853,697)	(801,837)
Repayments on unsecured term loan	(21,376)	—
Borrowings on unsecured senior notes	649,038	140,463
Repayments on unsecured notes	—	(50,000)
Principal payments on mortgage loans	(290)	(268)
Payment of loan fees and costs	(6,461)	(777)
Capital contributions from (distributions paid to) noncontrolling interests in consolidated joint ventures, net	62	(262)
Taxes paid related to net settlement of stock-based compensation awards	(4,718)	—
Proceeds from common and preferred stock offerings, net	(652)	211,887
Redemption of preferred stock	—	(182,500)
Proceeds from equity plans	2,509	2,606
Proceeds from forward swap contract	1,560	—
Payment of dividends to preferred stockholders	(40,658)	(31,898)
Payment of dividends to common stockholders and distributions to noncontrolling interests in operating partnership	(632,967)	(448,219)
Net cash used in financing activities	(133,839)	(19,435)
Net increase in cash, cash equivalents and restricted cash	13,669	36,413
Effect of exchange rate changes on cash, cash equivalents and restricted cash	182	(17,135)
Cash, cash equivalents and restricted cash at beginning of period	13,181	22,036
Cash, cash equivalents and restricted cash at end of period	$27,032	$41,314
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$146,650	$114,352
Cash paid for income taxes	5,510	5,364
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	$(10,976)	$30,255
Increase (decrease) in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps and foreign currency hedges	13,411	(6,692)
Acquisition measurement period adjustment to goodwill and accounts payable and other accrued liabilities	—	2,162
Noncontrolling interests in operating partnership converted to shares of common stock	35,827	6,429
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses	202,377	141,590
Addition to leasehold improvements pursuant to capital lease obligation	73,873	—

See accompanying notes to the condensed consolidated financial statements.

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

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Investments in real estate:		
Properties:		
Land	$1,202,174	$1,136,341
Acquired ground leases	10,879	11,150
Buildings and improvements	15,781,203	15,215,405
Tenant improvements	561,048	553,040
Total investments in properties	17,555,304	16,915,936
Accumulated depreciation and amortization	(3,588,124)	(3,238,227)
Net investments in properties	13,967,180	13,677,709
Investments in unconsolidated joint ventures	167,306	163,477
Net investments in real estate	14,134,486	13,841,186
Cash and cash equivalents	17,589	51
Accounts and other receivables, net of allowance for doubtful accounts of $8,825 and $6,737 as of June 30, 2018 and December 31, 2017, respectively	282,287	276,347
Deferred rent	445,766	430,026
Acquired above-market leases, net	150,084	184,375
Goodwill	3,378,325	3,389,595
Acquired in-place lease value, deferred leasing costs and intangibles, net	2,823,275	2,998,806
Restricted cash	9,443	13,130
Assets held for sale	—	139,538
Other assets	170,168	131,291
Total assets	$21,411,423	$21,404,345
LIABILITIES AND CAPITAL		
Global revolving credit facility, net	$466,971	$550,946
Unsecured term loan, net	1,376,784	1,420,333
Unsecured senior notes, net	7,156,084	6,570,757
Mortgage loans, including premiums, net	106,245	106,582
Accounts payable and other accrued liabilities	1,031,794	980,218
Accrued dividends and distributions	—	199,761
Acquired below-market leases, net	216,520	249,465
Security deposits and prepaid rents	207,292	217,898
Obligations associated with assets held for sale	—	5,033
Total liabilities	10,561,690	10,300,993
Redeemable limited partner common units	52,805	53,902
Commitments and contingencies		
Capital:		
Partners' capital:		
General Partner:		
Preferred units, 50,650,000 and 50,650,000 units issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	1,249,560	1,249,560
	8,997,888	9,207,953

Common units, 206,055,117 and 205,470,300 units issued and outstanding as of June 30, 2018 and December 31, 2017, respectively		
Limited Partners, 8,498,032 and 8,489,095 units issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	658,659	702,579
Accumulated other comprehensive loss	(111,468)	(112,885)
Total partners' capital	10,794,639	11,047,207
Noncontrolling interests in consolidated joint ventures	2,289	2,243
Total capital	10,796,928	11,049,450
Total liabilities and capital	$21,411,423	$21,404,345

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Revenues:				
Rental and other services	$596,326	$470,877	$1,188,624	$932,228
Tenant reimbursements	155,723	93,342	305,802	180,630
Fee income	2,343	1,429	3,476	3,324
Other	527	341	1,385	376
Total operating revenues	754,919	565,989	1,499,287	1,116,558
Operating Expenses:				
Rental property operating and maintenance	230,322	174,716	455,962	344,055
Property taxes	27,284	28,161	62,547	55,080
Insurance	2,606	2,576	6,337	5,168
Depreciation and amortization	298,788	178,111	593,577	354,577
General and administrative	46,099	37,509	82,622	72,156
Transactions and integration	5,606	14,235	9,784	17,558
Other	152	24	583	24
Total operating expenses	610,857	435,332	1,211,412	848,618
Operating income	144,062	130,657	287,875	267,940
Other Income (Expenses):				
Equity in earnings of unconsolidated joint ventures	7,438	8,388	14,848	13,712
Gain (loss) on sale of properties	14,192	380	53,465	(142)
Interest and other income	3,398	367	3,356	518
Interest expense	(78,810)	(57,582)	(155,795)	(113,032)
Tax expense	(2,121)	(2,639)	(5,495)	(4,862)
Net income	88,159	79,571	198,254	164,134
Net (loss) income attributable to noncontrolling interests in consolidated joint ventures	4	(113)	16	(234)
Net income attributable to Digital Realty Trust, L.P.	88,163	79,458	198,270	163,900
Preferred units distributions	(20,329)	(14,505)	(40,658)	(31,898)
Issuance costs associated with redeemed preferred units	—	(6,309)	—	(6,309)
Net income available to common unitholders	$67,834	$58,644	$157,612	$125,693
Net income per unit available to common unitholders:				
Basic	$0.32	$0.36	$0.74	$0.77
Diluted	$0.32	$0.36	$0.73	$0.77
Weighted average common units outstanding:				
Basic	214,288,199	163,077,599	214,149,188	162,280,678
Diluted	214,895,273	164,026,577	214,773,601	163,271,004

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$88,159	$79,571	$198,254	$164,134
Other comprehensive income (loss):				
Foreign currency translation adjustments	(7,233)	13,677	(10,976)	30,255
(Decrease) increase in fair value of interest rate swaps and foreign currency hedges	4,795	(2,328)	13,411	(6,692)
Reclassification to interest expense from interest rate swaps	(783)	647	(1,018)	1,677
Comprehensive income	$84,938	$91,567	$199,671	$189,374
Comprehensive loss (income) attributable to noncontrolling interests in consolidated joint ventures	4	(113)	16	(234)
Comprehensive income attributable to Digital Realty Trust, L.P.	$84,942	$91,454	$199,687	$189,140

See accompanying notes to the condensed consolidated financial statements.

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

	Redeemable Limited Partner	General Partner				Limited Partners			
	Preferred Units		Common Units		Common Units		Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Ventures
	Common Units	Units	Amount	Units	Amount	Units	Amount		
Balance as of December 31, 2017	$53,902	50,650,000	$1,249,560	205,470,300	$9,207,953	8,489,095	$702,579	$(112,885)	$2,243
Conversion of limited partner common units to general partner common units	—	—	—	406,639	35,827	(406,639)	(35,827)	—	—
Issuance of unvested restricted common units	—	—	—	193,118	—	—	—	—	—
Issuance of common units, net of offering costs	—	—	—	—	(652)	—	—	—	—
Issuance of common units, net of forfeitures	—	—	—	—	—	415,576	—	—	—
Units issued in connection with employee stock purchase plan	—	—	—	31,893	2,509	—	—	—	—
Units repurchased and retired to satisfy tax withholding upon vesting	—	—	—	(46,833)	(4,718)	—	—	—	—
Amortization of share-based compensation	—	—	—	—	17,458	—	—	—	—
Reclassification of vested share-based awards	—	—	—	—	(2,847)	—	2,847	—	—
Adjustment to redeemable partnership units	(1,097)	—	—	—	1,097	—	—	—	—
Distributions	—	—	(40,658)	—	(416,086)	—	(17,120)	—	—
Contributions from noncontrolling interests in consolidated joint ventures, net of distributions	—	—	—	—	—	—	—	—	62

Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	5,915	—	—	—	—
Net income	—	—	40,658	—	151,432	—	6,180	—	(16
Other comprehensive loss—foreign currency translation adjustments	—	—	—	—	—	—	—	(10,976)	—
Other comprehensive income—fair value of interest rate swaps and foreign currency hedges	—	—	—	—	—	—	—	13,411	—
Other comprehensive loss—reclassification of accumulated other comprehensive income to interest expense	—	—	—	—	—	—	—	(1,018)	—
Balance as of June 30, 2018	$52,805	50,650,000	$1,249,560	206,055,117	$8,997,888	8,498,032	$658,659	$(111,468)	$2,28

See accompanying notes to the condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	$198,254	$164,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of properties	(53,465)	142
Unrealized gain on equity investment	(3,136)	—
Equity in earnings of unconsolidated joint ventures	(14,848)	(13,712)
Distributions from unconsolidated joint ventures	10,422	21,376
Write-off of net assets due to early lease terminations	583	24
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	378,734	264,125
Amortization of debt discount/premium	1,711	1,363
Amortization of acquired in-place lease value and deferred leasing costs	214,843	90,452
Amortization of share-based compensation	14,828	10,125
Non-cash amortization of terminated swaps	558	602
Allowance for (recovery of) doubtful accounts	2,120	(2,555)
Amortization of deferred financing costs	6,013	4,956
Amortization of acquired above-market leases and acquired below-market leases, net	13,452	(3,978)
Changes in assets and liabilities:		
Accounts and other receivables	(9,312)	(23,711)
Deferred rent	(18,955)	(6,198)
Deferred leasing costs	(11,946)	(8,143)
Other assets	2,959	(5,357)
Accounts payable and other accrued liabilities	(50,252)	17,083
Security deposits and prepaid rents	(9,475)	8,584
Net cash provided by operating activities	673,088	519,312
Cash flows from investing activities:		
Acquisitions of real estate	(76,286)	(34,829)
Proceeds from sale of properties, net of sales costs	195,385	—
Excess proceeds from forward contracts	—	51,308
Investments in unconsolidated joint ventures	(348)	(5,749)
Prepaid construction costs and other investments	(27,869)	—
Improvements to investments in real estate	(613,841)	(476,070)
Improvement advances to tenants	(25,054)	(19,929)
Collection of improvement advances to tenants	22,433	21,805
Net cash used in investing activities	(525,580)	(463,464)

See accompanying notes to the condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	2017
Cash flows from financing activities:		
Borrowings on global revolving credit facility	$773,811	$1,141,370
Repayments on global revolving credit facility	(853,697)	(801,837)
Repayments on unsecured term loan	(21,376)	—
Borrowings on unsecured senior notes	649,038	140,463
Repayments on unsecured notes	—	(50,000)
Principal payments on mortgage loans	(290)	(268)
Payment of loan fees and costs	(6,461)	(777)
Capital contributions from (distributions paid to) noncontrolling interests in consolidated joint ventures, net	62	(262)
Taxes paid related to net settlement of stock-based compensation awards	(4,718)	—
General partner contributions, net	1,857	31,993
Proceeds from forward swap contract	1,560	—
Payment of distributions to preferred unitholders	(40,658)	(31,898)
Payment of distributions to common unitholders	(632,967)	(448,219)
Net cash used in financing activities	(133,839)	(19,435)
Net increase in cash, cash equivalents and restricted cash	13,669	36,413
Effect of exchange rate changes on cash, cash equivalents and restricted cash	182	(17,135)
Cash, cash equivalents and restricted cash at beginning of period	13,181	22,036
Cash, cash equivalents and restricted cash at end of period	$27,032	$41,314
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$146,650	$114,352
Cash paid for income taxes	5,510	5,364
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	$(10,976)	$30,255
Increase (decrease) in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps and foreign currency hedges	13,411	(6,692)
Acquisition measurement period adjustment to goodwill and accounts payable and other accrued liabilities	—	2,162
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses	202,377	141,590
Addition to leasehold improvements pursuant to capital lease obligation	73,873	—

See accompanying notes to the condensed consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 June 30, 2018 and December 31, 2017 is as follows:

	Data Centers					
	As of June 30, 2018			As of December 31, 2017		
Region	Operating	Held for Sale	Unconsolidated Joint Ventures	Total	Operating	Held for Sale	Unconsolidated Joint Ventures	Total
United States	132	—	14	146	131	7	14	152
Europe	37	—	—	37	38	—	—	38
Asia	3	—	4	7	3	—	4	7
Australia	5	—	—	5	5	—	—	5
Canada	3	—	—	3	3	—	—	3
Total	180	—	18	198	180	7	18	205

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, Dublin, Frankfurt, London and Paris metropolitan areas in Europe and the Hong Kong, Melbourne, Osaka, 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 June 30, 2018, Digital Realty Trust, Inc. owns a 96.0% common interest and a 100.0% preferred interest in the Operating Partnership. As of December 31, 2017, Digital Realty Trust, Inc. owned a 96.0% 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.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Basis of Presentation

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

The accompanying interim condensed consolidated financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and in compliance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation have been included. All such adjustments are considered to be of a normal recurring nature, except as otherwise indicated. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2017.

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

- enhancing investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one set of notes instead of two separate sets of notes.

There are a few differences between the Company and the Operating Partnership, which are reflected in these condensed consolidated financial statements. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how we operate as an interrelated consolidated company. 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.

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.

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DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2018 and 2017

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

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

For the purpose of the condensed consolidated statements of cash flows, we consider short-term investments with original maturities of 90 days or less to be cash equivalents. As of June 30, 2018, cash equivalents consist of investments in money market instruments.

(c) Investments in Unconsolidated Joint Ventures

The Company’s investments in unconsolidated joint ventures are accounted for using the equity method, whereby our investment is increased for capital contributed and our share of the joint venture's net income and decreased by distributions we receive and our share of any losses of the joint ventures. 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 tie income recognition to the receipt of cash. 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 investments in the joint ventures and the book value of the underlying equity into income on a straight-line basis consistent with the lives of the underlying assets. The amortization of this difference was immaterial for the three and six months ended June 30, 2018 and 2017, respectively.

(d) Capitalization of Costs

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

Capitalization of costs begins when the activities necessary to get the development project ready for its intended use begins, which include costs incurred before the beginning of construction. Capitalization of costs ceases when the development project is substantially complete and ready for its intended use. Determining when a development project commences and when it is substantially complete and ready for its intended use involves a degree of judgment. We

generally consider a development project to be substantially complete and ready for its intended use upon receipt of a certificate of occupancy. If and when development of a property is suspended pursuant to a formal change in the planned use of the property, we will evaluate whether the accumulated costs exceed the estimated value of the project and write off the amount of any such excess accumulated costs. For a development project that is suspended for reasons other than a formal change in the planned use of such property, the accumulated project costs are evaluated for impairment consistent with our impairment policies for long-lived assets. Capitalized costs are allocated to the specific components of a project that are benefited.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2018 and 2017

During the three months ended June 30, 2018 and 2017, we capitalized interest of approximately $8.2 million and $3.8 million, respectively. We capitalized interest of approximately $15.5 million and $8.4 million during the six months ended June 30, 2018 and 2017, respectively. We capitalized amounts relating to compensation and other overhead expense of employees direct and incremental to construction and successful leasing activities of approximately $17.4 million and $18.9 million during the three months ended June 30, 2018 and 2017, respectively, and approximately $35.7 million and $37.6 million during the six months ended June 30, 2018 and 2017, respectively. In addition to capitalized cash compensation, approximately $5.5 million and $6.1 million of capitalized costs primarily related to external leasing commissions are included in improvements to and advances for investments in real estate in cash flows from investing activities in the condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, respectively.

(e) 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 our impairment tests of goodwill, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If based on this assessment, we determine that the fair value of the reporting unit is not less than its carrying value, then performing the additional two-step impairment test is unnecessary. If our qualitative assessment indicates that goodwill impairment is more likely than not, we perform a two-step impairment test. We test goodwill for impairment under the two-step impairment test by first comparing the book value of net assets including goodwill to the fair value of the reporting unit. If the fair value is determined to be less than the book value of the net assets, including goodwill, a second step is performed to compute the amount of impairment as the difference between the implied fair value of goodwill and its carrying value. We estimate the fair value of the reporting units using discounted cash flows. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recognized. 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 exchange rates.

The following is a summary of goodwill activity for the six months ended June 30, 2018 (in thousands):

	Balance as of December 31, 2017	Impact of Change in Foreign Exchange Rates	Balance as of June 30, 2018
Merger / Portfolio Acquisition			
Telx Acquisition	$330,845	$—	$330,845
European Portfolio Acquisition	466,604	(11,270)	455,334
DuPont Fabros Technology Merger	2,592,146	—	2,592,146
Total	$3,389,595	$(11,270)	$3,378,325

(f) 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 13) 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 not adjusted based on actual achievement of the market condition.

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(g) 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.

(h) 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.
See Note 14 for further discussion on derivative instruments.

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(i) Income Taxes

Digital Realty Trust, Inc. has elected to be treated as a real estate investment trust (a "REIT") for federal income tax purposes. As a REIT, Digital Realty Trust, Inc. generally is not required to pay federal corporate income tax to the extent taxable income is currently distributed to its stockholders. If Digital Realty Trust, Inc. fails to qualify as a REIT in any taxable year, it will be subject to federal income tax (including any applicable alternative minimum tax 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 and foreign income taxes to the extent there is taxable income. Accordingly, the Company recognizes current and deferred income taxes for its taxable REIT subsidiaries, including federal, state and non-U.S. jurisdictions, as appropriate.

We assess our significant tax positions in accordance with U.S. GAAP for all open tax years and determine whether we have any material unrecognized liabilities from uncertain tax benefits. If a tax position is not considered "more-likely-than-not" to be sustained solely on its technical merits, no benefits of the tax position are to be recognized (for financial statement purposes). As of June 30, 2018 and December 31, 2017, 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 six months ended June 30, 2018 and 2017, we had no such interest or penalties. The tax year 2014 and thereafter remain open to examination by the major taxing jurisdictions with which the Company files tax returns.

See Note 10 for further discussion on income taxes.

(j) 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.

(k) 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.

(l) Revenue Recognition

The majority of our revenue is derived from lease arrangements, which we account for in accordance with "Leases (Topic 840)". We account for the non-lease components within our lease arrangements, as well as other sources of revenue, in accordance with "Revenue from Contracts with Customers (Topic 606)". Revenue recognized as a result of applying Topic 840 was 97% and Topic 606 was 3% of total operating revenue for the six months ended June 30, 2018.

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

contractually due but unpaid rents are included in accounts and other receivables.

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

Interconnection services are included in rental and other services on the condensed 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 if 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.

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

(m) 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.

(n) Gains on Sale of Properties

As of January 1, 2018, we began accounting for the sale 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. All properties were non-financial real estate assets and thus not businesses which were sold to

noncustomers with no performance obligations subsequent to transfer of ownership. During the six months ended June 30, 2018, the Company sold real estate properties for gross proceeds of $199.4 million, and a recorded net gain of $53.7 million.

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(o) Management's Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates made. On an on-going basis, we evaluate our estimates, including those related to the valuation of our real estate properties, tenant 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.

(p) Segment and Geographic Information

All of our properties generate similar revenues and expenses related to tenant rent and services and reimbursements and operating expenses. The sale and delivery of our products is consistent across all properties and although services are provided to a wide range of customers, the types of real estate services provided to them are standardized throughout the portfolio. As such, the properties in our portfolio have similar economic characteristics and the nature of the products and services provided to our customers and the method to distribute such services are consistent throughout the portfolio. In addition, the chief operating decision makers evaluate operating performance and make resource allocation decisions for the portfolio as a whole, rather than by property type or revenue stream. Consequently, our properties qualify for aggregation into one reporting segment.

Operating revenues from properties in the United States were $614.1 million and $439.1 million and outside the United States were $140.8 million and $126.9 million for the three months ended June 30, 2018 and 2017, respectively. Operating revenues from properties in the United States were $1.2 billion and $0.9 billion and outside the United States were $281.7 million and $248.3 million for the six months ended June 30, 2018 and 2017, respectively. We had investments in real estate located in the United States of $10.7 billion and $10.5 billion, and outside the United States of $3.2 billion and $3.1 billion, as of June 30, 2018 and December 31, 2017, respectively. Operating revenues from properties located in the United Kingdom were $74.0 million and $67.5 million, or 9.8% and 11.9% of total operating revenues, for the three months ended June 30, 2018 and 2017, respectively. Operating revenues from properties located in the United Kingdom were $149.2 million and $132.7 million, or 10.0% and 11.9% of total operating revenues, for the six months ended June 30, 2018 and 2017, respectively. No other foreign country comprised more than 10% of total operating revenues for each of these periods. We had investments in real estate located in the United Kingdom of $1.7 billion and $1.7 billion, or 11.9% and 12.1% of total long-lived assets, as of June 30, 2018 and December 31, 2017, respectively. No other foreign country comprised more than 10% of total long-lived assets as of June 30, 2018 and December 31, 2017.

(q) New Accounting Pronouncements

New Accounting Standards Adopted

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". The new standard amends the hedge accounting recognition and presentation requirements in Accounting Standards Codification, or ASC, 815. As permitted by ASU 2017-12, the Company early adopted this standard in the first quarter of 2018 on a prospective basis. Refer to Note 2(h), Derivative Instruments, for our policy related to the adoption of this standard.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". The guidance requires entities to measure equity investments that do not result in consolidation

and are not accounted for under the equity method at fair value and to record changes in instruments specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. The principal effect of ASU 2016-01 on our condensed consolidated financial statements is that, prior to adoption of ASU 2016-01, changes in the fair values of investments in equity securities with readily determinable fair values or redemption values were recognized in other comprehensive income until realized, while under ASU 2016-01 all changes in the fair values of these equity securities are recognized in current

earnings. The update is effective for fiscal years beginning after December 15, 2017, and for interim periods therein. We adopted this standard in the first quarter of 2018 and the adoption did not have a material impact on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", and since that date has issued several additional ASUs intended to clarify certain aspects of ASU 2014-09 and to provide for certain practical expedients entities may elect upon adoption. Collectively, these ASUs outline a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. We adopted Topic 606 in the first quarter of 2018 using the modified retrospective transition method and applied Topic 606 to those contracts that were not completed as of January 1, 2018. The results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be presented under Topic 605. Our financial statements did not recognize a material effect from the cumulative impact of adopting Topic 606 as the new accounting standard does not impact lessor accounting. Refer to Note 2(l), Revenue Recognition, for the updated policy related to the adoption of this standard.

New Accounting Standards Issued but not yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Accounting for leases with a term of 12 months or less will be similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases.

ASU 2016-02 is expected to impact the Company’s consolidated financial statements for leases where the Company is a lessee, primarily for the Company’s data center operating leases, ground leases and administrative office leases, and the Company will be required to record a lease liability and a right of use asset on its condensed consolidated balance sheet at fair value upon adoption. ASU 2016-02 also limits the capitalization of leasing costs to initial direct costs, which will likely result in a reduction to our capitalized leasing costs and an increase in expenses, though the amount of such change is highly dependent upon the leasing compensation structures in place at the time of adoption.

ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective on January 1, 2019, with early adoption permitted. The new leasing standard requires modified retrospective transition. In March 2018, the FASB affirmed a proposed ASU that would allow entities to elect a simplified transition approach which would require applying the provisions of the new guidance at the effective date as opposed to the earliest period presented under the modified retrospective approach.

A set of practical expedients for implementation, which must be elected as a package and for all leases, may also be elected. These practical expedients include relief from re-assessing lease classification at the adoption date for expired or existing leases, although a right-of-use asset and lease liability would still be recorded for such leases. In March 2018, the FASB affirmed a proposed ASU that would include creating a practical expedient that would provide lessors an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component.

We will be subject to the requirements of Topic 842 as both a lessor and a lessee. We are currently assessing the method of adoption and the impact that ASU 2016-02, and any subsequent amendments, will have on our consolidated financial statements.

In January 2017, the FASB issued guidance codified in ASU Topic 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 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. The standard will be effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. We do not expect the provisions of ASU 2017-04 to have a material impact on our consolidated financial statements.

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In June 2018, the FASB issued ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting,” which more closely aligns the accounting for employee and nonemployee share-based payments. The standard will be effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. We do not expect the provisions of ASU 2018-07 to have a material impact on our consolidated financial statements.

3. Investments in Real Estate

Acquisitions

We acquired the following real estate during the six months ended June 30, 2018:

Location	Market	Date Acquired	Amount (in millions)
10000-10006 Godwin Drive (1)	Northern Virginia	May 3, 2018	$ 16.5
2825-2845 Lafayette Street	Silicon Valley	June 19, 2018	$ 55.5
			$ 72.0

(1) Represents currently vacant land which is not included in our operating property count. Purchase price excludes capitalized closing costs.

Held for Sale

We sold the remaining four properties that met the criteria to be classified as held for sale as of March 31, 2018 during the three months ended June 30, 2018. As of December 31, 2017, we had identified eight properties that met the criteria to be classified as held for sale. As of December 31, 2017, the eight properties had an aggregate carrying value of $139.5 million within total assets and $5.0 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, respectively. The properties are not representative of a significant component of our portfolio, nor do the potential sales represent a significant shift in our strategy.

Dispositions

We sold the following real estate properties during the six months ended June 30, 2018:

Location	Metro Area	Date Sold	Gross Proceeds (in millions)	Gain (loss) on sale (in millions)
200 Quannapowitt Parkway	Boston	January 25, 2018	$ 15.0	$ (0.4)
34551 Ardenwood Boulevard	Silicon Valley	February 9, 2018	73.3	25.3
3065 Gold Camp Drive	Sacramento	March 14, 2018	14.2	5.4
11085 Sun Center Drive	Sacramento	March 14, 2018	36.8	9.1
Austin Portfolio	Austin	April 19, 2018	47.6	12.0
2010 East Centennial Circle	Phoenix	May 22, 2018	5.5	(0.5)
1125 Energy Park Drive	Minneapolis	May 31, 2018	7.0	2.8
			$ 199.4	$ 53.7

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4. Investments in Unconsolidated Joint Ventures

As of June 30, 2018, our investments in unconsolidated joint ventures consist of effective 50% interests in four joint ventures that own data center buildings in Seattle, Hong Kong, Tokyo and Osaka, 20% interests in two joint ventures, one of which owns 10 data center properties with an investment fund managed by Prudential Real Estate Investors (PREI®) and the other which owns one data center property with an affiliate of Griffin Capital Essential Asset REIT, Inc. (GCEAR), and a 17% interest in a joint venture that owns a data center property in Silicon Valley. The Osaka/Tokyo joint venture was formed on November 1, 2017.

The following tables present summarized financial information for our joint ventures as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and 2017 (in thousands):

	As of June 30, 2018					Six Months Ended June 30, 2018			
2018	Net Investment in Properties	Total Assets	Debt	Total Liabilities	Equity	Revenues	Property Operating Expense	Net Operating Income	Net Income
Total Unconsolidated Joint Ventures	$1,038,172	$1,338,870	$717,024	$830,944	$507,926	$105,759	$(38,786)	$66,973	$29,897
Our investment in and share of equity in earnings of unconsolidated joint ventures					$167,306				$14,848

	As of December 31, 2017					Six Months Ended June 30, 2017			
2017	Net Investment in Properties	Total Assets	Debt	Total Liabilities	Equity	Revenues	Property Operating Expense	Net Operating Income	Net Income
Total Unconsolidated Joint Ventures	$1,061,950	$1,375,006	$712,690	$869,879	$505,127	$71,072	$(21,969)	$49,103	$20,615
Our investment in and share of equity in earnings of unconsolidated joint ventures					$163,477				$13,712

The amounts reflected in the tables above, except for our investment in and share of equity in earnings of unconsolidated joint ventures, are based on the historical financial information of the individual joint ventures. The debt of our unconsolidated joint ventures generally are non-recourse to us, except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions, and material misrepresentations.

Differences between the Company's investment in the joint ventures and the amount of the underlying equity in net assets of the joint ventures are due to basis differences resulting from the Company's equity investment recorded at its historical basis versus the fair value of the Company's contributed interest in the joint ventures. Our proportionate

share of the earnings or losses related to these unconsolidated joint ventures is reflected as equity in earnings of unconsolidated joint ventures on the accompanying condensed consolidated income statements.

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5. Acquired Intangible Assets and Liabilities

The following summarizes our acquired intangible assets (real estate intangibles, comprised of acquired in-place lease value and tenant relationship value along with acquired above-market lease value) and intangible liabilities (acquired below-market lease value) as of June 30, 2018 and December 31, 2017.

(Amounts in thousands)	Balance as of June 30, 2018	December 31, 2017
Real Estate Intangibles:		
Acquired in-place lease value:		
Gross amount	$1,464,461	$1,473,515
Accumulated amortization	(709,645)	(613,948)
Net	$754,816	$859,567
Tenant relationship value:		
Gross amount	$1,971,915	$1,978,277
Accumulated amortization	(231,111)	(169,919)
Net	$1,740,804	$1,808,358
Acquired above-market leases:		
Gross amount	$281,263	$294,514
Accumulated amortization	(131,179)	(110,139)
Net	$150,084	$184,375
Acquired below-market leases:		
Gross amount	$445,551	$469,119
Accumulated amortization	(229,031)	(219,654)
Net	$216,520	$249,465

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in a (decrease)/increase in rental revenues of $(7.0) million and $1.9 million for the three months ended June 30, 2018 and 2017, respectively, and $(13.8) million and $3.9 million for the six months ended June 30, 2018 and 2017, respectively. The expected average remaining lives for acquired below-market leases and acquired above-market leases is 8.4 years and 3.3 years, respectively, as of June 30, 2018. Estimated annual amortization of acquired below-market leases, net of acquired above-market leases, for each of the five succeeding years and thereafter, commencing July 1, 2018 is as follows:

(Amounts in thousands)	
Remainder of 2018	$(13,782)
2019	(16,399)
2020	(4,146)
2021	1,159
2022	8,243
Thereafter	91,361
Total	$66,436

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Amortization of acquired in-place lease value (a component of depreciation and amortization expense) was $55.1 million and $14.4 million for the three months ended June 30, 2018 and 2017, respectively, and $112.1 million and $28.6 million for the six months ended June 30, 2018 and 2017, respectively. The expected average amortization period for acquired in-place lease value is 6.3 years as of June 30, 2018. The weighted average remaining contractual life for acquired leases excluding renewals or extensions is 5.7 years as of June 30, 2018. Estimated annual amortization of acquired in-place lease value for each of the five succeeding years and thereafter, commencing July 1, 2018 is as follows:

(Amounts in thousands)	
Remainder of 2018	$98,083
2019	147,579
2020	111,714
2021	87,152
2022	65,258
Thereafter	245,030
Total	$754,816

Amortization of tenant relationship value (a component of depreciation and amortization expense) was approximately $30.9 million and $17.5 million for the three months ended June 30, 2018 and 2017, respectively, and $62.0 million and $35.1 million for the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018, the weighted average remaining contractual life for tenant relationship value was 14.8 years. Estimated annual amortization of tenant relationship value for each of the five succeeding years and thereafter, commencing July 1, 2018 is as follows:

(Amounts in thousands)	
Remainder of 2018	$61,693
2019	123,386
2020	123,386
2021	123,386
2022	123,386
Thereafter	1,185,567
Total	$1,740,804

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6. Debt of the Company

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

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

Guarantee of Debt

The Company guarantees the Operating Partnership's obligations with respect to its 5.875% notes due 2020 (5.875% 2020 Notes), 3.400% notes due 2020 (3.400% 2020 Notes), 5.250% notes due 2021 (2021 Notes), 3.950% notes due 2022 (3.950% 2022 Notes), 3.625% notes due 2022 (3.625% 2022 Notes), 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) and 4.450% notes due 2028 (2028 Notes). The Company and the Operating Partnership guarantee the obligations of Digital Stout Holding, LLC, an indirect, 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) and 3.300% notes due 2029 (2029 Notes) and the obligations of Digital Euro Finco, LLC, a wholly owned subsidiary of the Operating Partnership, with respect to its 2.625% notes due 2024 (2.625% 2024 Notes) and Floating Rate Guaranteed Notes due 2019 (2019 Notes). The Company is also the guarantor of the Operating Partnership's and its subsidiary borrowers' obligations under the global revolving credit facility and unsecured term loans.

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7. Debt of the Operating Partnership

A summary of outstanding indebtedness of the Operating Partnership as of June 30, 2018 and December 31, 2017 is as follows (in thousands):

Indebtedness	Interest Rate at June 30, 2018		Maturity Date	Principal Outstanding at June 30, 2018		Principal Outstanding at December 31, 2017	
Global revolving credit facility	Various	(1)	Jan 15, 2020	$ 472,438	(2)	$ 558,191	(2)
Deferred financing costs, net				(5,467)		(7,245)	
Global revolving credit facility, net				466,971		550,946	
Unsecured Term Loans							
Unsecured term loan — 5-year	Various	(3)(4)	Jan 15, 2021	1,080,867	(5)	1,125,117	(5)
Unsecured term loan — 7-year	Various	(3)(4)	Jan 15, 2023	300,000	(5)	300,000	(5)
Deferred financing costs, net				(4,083)		(4,784)	
Unsecured term loan, net				1,376,784		1,420,333	
Floating rate notes due 2019	EURIBOR + 0.500%		May 22, 2019	146,050	(6)	150,063	(6)
5.875% notes due 2020	5.875%		Feb 1, 2020	500,000		500,000	
3.400% notes due 2020	3.400%		Oct 1, 2020	500,000		500,000	
5.250% notes due 2021	5.250%		Mar 15, 2021	400,000		400,000	
3.950% notes due 2022	3.950%		Jul 1, 2022	500,000		500,000	
3.625% notes due 2022	3.625%		Oct 1, 2022	300,000		300,000	
2.750% notes due 2023	2.750%		Feb 1, 2023	350,000		350,000	
4.750% notes due 2023	4.750%		Oct 13, 2023	396,210	(7)	405,390	(7)
2.625% notes due 2024	2.625%		Apr 15, 2024	701,040	(6)	720,300	(6)
2.750% notes due 2024	2.750%		Jul 19, 2024	330,175	(7)	337,825	(7)
4.250% notes due 2025	4.250%		Jan 17, 2025	528,280	(7)	540,520	(7)
4.750% notes due 2025	4.750%		Oct 1, 2025	450,000		450,000	
3.700% notes due 2027	3.700%		Aug 15, 2027	1,000,000		1,000,000	
4.450% notes due 2028	4.450%		Jul 15, 2028	650,000		—	
3.300% notes due 2029	3.300%		Jul 19, 2029	462,245	(7)	472,955	(7)
Unamortized discounts				(17,509)		(18,508)	
Total senior notes, net of discount				7,196,491		6,608,545	
Deferred financing costs, net				(40,407)		(37,788)	
Total unsecured senior notes, net of discount and deferred financing costs				7,156,084		6,570,757	

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Indebtedness	Interest Rate at June 30, 2018	Maturity Date	Principal Outstanding June 30, 2018	Principal Outstanding December 31, 2017
Mortgage loans:				
731 East Trade Street	8.22%	Jul 1, 2020	$2,080	$2,370
Secured note due 2023	LIBOR + 1.100%	(4) Mar 1, 2023	104,000	104,000
Unamortized net premiums			194	241
Total mortgage loans, including premiums			106,274	106,611
Deferred financing costs, net			(29)	(29)
Total mortgage loans, including premiums and net of deferred financing costs			106,245	106,582
Total indebtedness			$9,106,084	$8,648,618

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

(2) Balances as of June 30, 2018 and December 31, 2017 are as follows (balances, in thousands):

Denomination of Draw	Balance as of June 30, 2018		Weighted-average interest rate		Balance as of December 31, 2017		Weighted-average interest rate	
Floating Rate Borrowing (a)								
U.S. dollar ($)	$205,000		3.09	%	$400,000		2.48	%
British pound sterling (£)	—		—	%	18,918	(d)	1.50	%
Euro (€)	60,757	(c)	0.63	%	31,213	(d)	0.62	%
Australian dollar (AUD)	27,917	(c)	2.94	%	—		—	%
Hong Kong dollar (HKD)	6,741	(c)	2.88	%	4,100	(d)	2.20	%
Japanese yen (JPY)	106,827	(c)	0.92	%	65,890	(d)	0.96	%
Singapore dollar (SGD)	3,523	(c)	2.42	%	—		—	%
Canadian dollar (CAD)	61,673	(c)	2.64	%	23,070	(d)	2.36	%
Total	$472,438		2.21	%	$543,191		2.15	%
Base Rate Borrowing (b)								
U.S. dollar ($)	$—		—	%	$15,000		4.50	%
Total borrowings	$472,438		2.21	%	$558,191		2.21	%

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

(b) The interest rates for base rate borrowings under the global revolving credit facility equal the U.S. Prime Rate.

(c) Based on exchange rates of $1.17 to €1.00, $0.74 to 1.00 AUD, $0.13 to 1.00 HKD, $0.01 to 1.00 JPY, $0.73 to 1.00 SGD and $0.76 to 1.00 CAD, respectively, as of June 30, 2018.

(d) Based on exchange rates of $1.35 to £1.00, $1.20 to €1.00, $0.13 to 1.00 HKD, $0.01 to 1.00 JPY and $0.80 to 1.00 CAD, respectively, as of December 31, 2017.

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

(4) We have entered into interest rate swap agreements as a cash flow hedge for interest generated by the U.S. dollar, British pound sterling and Canadian dollar tranches of the unsecured term loans and the secured note due 2023. See Note 14 "Derivative Instruments" for further information.

(5) Balances as of June 30, 2018 and December 31, 2017 are as follows (balances, in thousands):

Denomination of Draw	Balance as of June 30, 2018	Weighted-average interest rate		Balance as of December 31, 2017	Weighted-average interest rate		
U.S. dollar ($)	$606,911	3.39	%	(b) $606,911	2.78	%	(d)
British pound sterling (£)	223,825	(a) 1.61	%	(b) 229,011	(c) 1.59	%	(d)
Singapore dollar (SGD)	207,914	(a) 2.49	%	233,788	(c) 2.17	%	
Australian dollar (AUD)	170,537	(a) 3.02	%	179,841	(c) 2.79	%	
Hong Kong dollar (HKD)	85,028	(a) 2.75	%	85,762	(c) 2.20	%	
Canadian dollar (CAD)	74,998	(a) 2.74	%	(b) 78,357	(c) 2.44	%	(d)
Japanese yen (JPY)	11,654	(a) 1.02	%	11,447	(c) 1.05	%	
Total	$1,380,867	2.82	%	(b) $1,425,117	2.42	%	(d)

(a) Based on exchange rates of $1.32 to £1.00, $0.73 to 1.00 SGD, $0.74 to 1.00 AUD, $0.13 to 1.00 HKD, $0.76 to 1.00 CAD and $0.01 to 1.00 JPY, respectively, as of June 30, 2018.

(b) As of June 30, 2018, the weighted-average interest rate reflecting interest rate swaps was 2.72% (U.S. dollar), 1.89% (British pound sterling), 1.88% (Canadian dollar) and 2.53% (Total). See Note 14 "Derivative Instruments" for further discussion on interest rate swaps.

(c) Based on exchange rates of $1.35 to £1.00, $0.75 to 1.00 SGD, $0.78 to 1.00 AUD,$0.13 to 1.00 HKD, $0.80 to 1.00 CAD and $0.01 to 1.00 JPY, respectively, as of December 31, 2017.

(d) As of December 31, 2017, the weighted-average interest rate reflecting interest rate swaps was 2.72% (U.S. dollar), 1.89% (British pound sterling), 1.88% (Canadian dollar) and 2.41% (Total).

(6) Based on exchange rates of $1.17 to €1.00 as of June 30, 2018 and $1.20 to €1.00 as of December 31, 2017.

(7) Based on exchange rates of $1.32 to £1.00 as of June 30, 2018 and $1.35 to £1.00 as of December 31, 2017.

Global Revolving Credit Facility

On January 15, 2016, we refinanced our global revolving credit facility and entered into a global senior credit agreement for a $2.0 billion senior unsecured revolving credit facility, which we refer to as the global revolving credit facility, that replaced the $2.0 billion revolving credit facility executed on August 15, 2013, as amended. The global revolving credit facility has an accordion feature that enables us to increase the borrowing capacity of the credit facility to up to $2.5 billion, subject to the receipt of lender commitments and other conditions precedent. The refinanced facility matures on January 15, 2020, with two six-month extension options available. The interest rate for borrowings under the global revolving credit facility equals the applicable index plus a margin which is based on the credit ratings of our long-term debt and is currently 100 basis points. An annual facility fee on the total commitment amount of the facility, based on the credit ratings of our long-term debt, currently 20 basis points, is payable quarterly. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound

sterling and Japanese yen. As of June 30, 2018, interest rates are based on 1-month LIBOR, 1-month EURIBOR, 1-month BBR, 1-month HIBOR, 1-month JPY LIBOR, 1-month SOR and 1-month CDOR, plus a margin of 1.00%. We have used and intend to use available borrowings under the global revolving credit facility to acquire additional properties, fund development opportunities and for general working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities. As of June 30, 2018, approximately $22.8 million of letters of credit were issued.

The global revolving credit facility contains various restrictive covenants, including limitations on our ability to incur additional indebtedness, make certain investments or merge with another company, and requirements to maintain financial coverage ratios, including with respect to unencumbered assets. In addition, the global revolving credit facility restricts Digital Realty Trust, Inc. from making distributions to its stockholders, or redeeming or otherwise repurchasing shares of its capital

stock, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable Digital Realty Trust, Inc. to maintain its qualification as a REIT and to minimize the payment of income or excise tax. As of June 30, 2018, we were in compliance with all of such covenants.

Unsecured Term Loans

On January 15, 2016, we refinanced our senior unsecured multi-currency term loan facility and entered into a term loan agreement, which governs (i) a $1.25 billion 5-year senior unsecured term loan, which we refer to as the 5-Year Term Loan, and (ii) a $300 million 7-year senior unsecured term loan, which we refer to as the 7-Year Term Loan. The 2016 term loan agreement replaced the $1.0 billion term loan agreement executed on April 16, 2012, as amended. The 5-Year Term Loan matures on January 15, 2021 and the 7-Year Term Loan matures on January 15, 2023. In addition, we have the ability from time to time to increase the aggregate size of lending under the 2016 term loan agreement from $1.55 billion to up to $1.8 billion, subject to receipt of lender commitments and other conditions precedent. Interest rates are based on our senior unsecured debt ratings and are currently 110 basis points and 155 basis points over the applicable index for floating rate advances for the 5-Year Term Loan and the 7-Year Term Loan, respectively. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. Based on exchange rates in effect at June 30, 2018, the balance outstanding is approximately $1.4 billion, excluding deferred financing costs. We have used borrowings under the term loans for acquisitions, repayment of indebtedness, development, working capital and general corporate purposes. The covenants under the term loans are consistent with our global revolving credit facility and, as of June 30, 2018, we were in compliance with all of such covenants.

4.450% Notes due 2028

On June 21, 2018, the Operating Partnership issued $650.0 million in aggregate principal amount of notes, maturing on July 15, 2028 with an interest rate of 4.450% per annum, which we refer to as the 2028 Notes. The purchase price paid by the initial purchasers was 99.852% of the principal amount. The 2028 Notes are general unsecured senior obligations of the Operating Partnership, rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership and are fully and unconditionally guaranteed by Digital Realty Trust, Inc. Interest on the 2028 Notes is payable on January 15 and July 15 of each year, beginning on January 15, 2019. The net proceeds from the offering after deducting the original issue discount of approximately $1.0 million and underwriting commissions and expenses of approximately $5.7 million was approximately $643.3 million. We used the net proceeds from this offering to temporarily repay borrowings under our global revolving credit facility and for general corporate purposes. The 2028 Notes have been reflected net of discount in the condensed consolidated balance sheet. The indenture governing the 2028 Notes contains 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 June 30, 2018, we were in compliance with each of these financial covenants.

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The table below summarizes our debt maturities and principal payments as of June 30, 2018 (in thousands):

	Global Revolving Credit Facility[1]	Unsecured Term Loans	Unsecured Senior Notes	Mortgage Loans	Total Debt
Remainder of 2018	$ —	$—	$—	$303	$303
2019	—	—	146,050	644	146,694
2020	472,438	—	1,000,000	1,133	1,473,571
2021	—	1,080,867	400,000	—	1,480,867
2022	—	—	800,000	—	800,000
Thereafter	—	300,000	4,867,950	104,000	5,271,950
Subtotal	$ 472,438	$1,380,867	$7,214,000	$106,080	$9,173,385
Unamortized discount	—	—	(17,509)	—	(17,509)
Unamortized premium	—	—	—	194	194
Total	$ 472,438	$1,380,867	$7,196,491	$106,274	$9,156,070

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

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8. Income per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income available to common stockholders	$65,134	$ 57,837	$151,432	$ 123,982
Weighted average shares outstanding—basic	205,956,065	160,832,889	205,835,757	160,069,201
Potentially dilutive common shares:				
Unvested incentive units	151,265	161,553	150,864	151,807
Forward equity offering	—	216,526	—	251,119
Market performance-based awards	455,809	570,899	473,549	587,400
Weighted average shares outstanding—diluted	206,563,079	161,781,867	206,460,170	161,059,527
Income per share:				
Basic	$0.32	$ 0.36	$0.74	$ 0.77
Diluted	$0.32	$ 0.36	$0.73	$ 0.77

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted average of Operating Partnership common units not owned by Digital Realty Trust, Inc.	8,332,194	2,244,710	8,313,432	2,211,476
Potentially dilutive Series C Cumulative Redeemable Perpetual Preferred Stock	1,898,314	—	1,932,872	—
Potentially dilutive Series F Cumulative Redeemable Preferred Stock	—	70,119	—	926,601
Potentially dilutive Series G Cumulative Redeemable Preferred Stock	2,353,805	2,157,221	2,396,655	2,297,648
Potentially dilutive Series H Cumulative Redeemable Preferred Stock	3,449,255	3,161,182	3,512,048	3,366,963
Potentially dilutive Series I Cumulative Redeemable Preferred Stock	2,356,559	2,159,745	2,399,459	2,300,337
Potentially dilutive Series J Cumulative Redeemable Preferred Stock	1,880,144	—	1,914,371	—
Total	20,270,271	9,792,977	20,468,837	11,103,025

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9. Income per Unit

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income available to common unitholders	$67,834	$ 58,644	$157,612	$ 125,693
Weighted average units outstanding—basic	214,288,192	163,077,599	214,149,188	162,280,678
Potentially dilutive common units:				
Unvested incentive units	151,265	161,553	150,864	151,807
Forward equity offering	—	216,526	—	251,119
Market performance-based awards	455,809	570,899	473,549	587,400
Weighted average units outstanding—diluted	214,895,276	164,026,577	214,773,601	163,271,004
Income per unit:				
Basic	$0.32	$ 0.36	$0.74	$ 0.77
Diluted	$0.32	$ 0.36	$0.73	$ 0.77

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Potentially dilutive Series C Cumulative Redeemable Perpetual Preferred Units	1,898,314	—	1,932,872	—
Potentially dilutive Series F Cumulative Redeemable Preferred Units	—	70,119	—	926,601
Potentially dilutive Series G Cumulative Redeemable Preferred Units	2,353,805	2,157,221	2,396,655	2,297,648
Potentially dilutive Series H Cumulative Redeemable Preferred Units	3,449,255	3,161,182	3,512,048	3,366,963
Potentially dilutive Series I Cumulative Redeemable Preferred Units	2,356,559	2,159,745	2,399,459	2,300,337
Potentially dilutive Series J Cumulative Redeemable Preferred Units	1,880,144	—	1,914,371	—
Total	11,938,077	7,548,267	12,155,405	8,891,549

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10. Income Taxes

Digital Realty Trust, Inc. has elected to be treated and believes that it has been organized and has operated in a manner that has enabled it to qualify as a REIT for federal income tax purposes. As a REIT, Digital Realty Trust, Inc. is generally not subject to corporate level federal income taxes on taxable income distributed currently to its stockholders. Since inception, Digital Realty Trust, Inc. has distributed at least 100% of its taxable income annually and intends to do so for the tax year ending December 31, 2018. As such, no provision for federal income taxes has been included in the Company's accompanying condensed consolidated financial statements for the three and six months ended June 30, 2018 and 2017.

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

We have elected taxable REIT subsidiary (“TRS”) status for some of our consolidated subsidiaries. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. Income taxes for TRS entities were accrued, as necessary, for the three and six months ended June 30, 2018 and 2017.

For our TRS entities and foreign subsidiaries that are subject to U.S. federal, state and foreign income taxes, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if we believe it is more likely than not that the deferred tax asset may not be realized, based on available evidence at the time the determination is made. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in the income statement. Deferred tax assets (net of valuation allowance) and liabilities for our TRS entities and foreign subsidiaries were accrued, as necessary, for the three and six months ended June 30, 2018 and 2017. As of June 30, 2018 and December 31, 2017, we had deferred tax liabilities net of deferred tax assets of approximately $161.8 million and $167.0 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 tax basis and book basis of the assets acquired in the Sentrum portfolio acquisition during 2012 and the European portfolio acquisition in July 2016. The valuation allowance against the deferred tax assets at June 30, 2018 and December 31, 2017 relate primarily to net operating loss carryforwards attributable to certain foreign jurisdictions and from the acquisition of Telx, that we do not expect to utilize, and deferred tax assets resulting from certain foreign real estate acquisition costs, which are not depreciated for tax purposes, but are deductible upon ultimate sale of the property. Given the indefinite holding period associated with these assets, realization of these deferred tax assets is not more-likely-than-not as of June 30, 2018 and December 31, 2017.

The federal tax legislation enacted on December 22, 2017, commonly known as the Tax Cuts and Jobs Act (the “2017 Tax Legislation”), reduced the corporate federal tax rate in the U.S. to 21%, effective upon January 1, 2018. As such, deferred tax assets and liabilities are remeasured using the lower corporate federal tax rate at December 31, 2017. While we do not expect other material impacts, the new tax rules are complex and lack developed administrative guidance. We continue to work with our tax advisors to analyze and determine the full impact that the 2017 Tax Legislation as a whole will have on us.

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11. Equity and Accumulated Other Comprehensive Loss, Net

(a) Noncontrolling Interests in Operating Partnership
Noncontrolling interests in the Operating Partnership relate to the interests that are not owned by Digital Realty Trust, Inc. The following table shows the ownership interests in the Operating Partnership as of June 30, 2018 and December 31, 2017:

	June 30, 2018		December 31, 2017	
	Number of units	Percentage of total	Number of units	Percentage of total
Digital Realty Trust, Inc.	206,055,117	96.0 %	205,470,300	96.0 %
Noncontrolling interests consist of:				
Common units held by third parties	6,531,727	3.1 %	6,899,094	3.2 %
Incentive units held by employees and directors (see Note 14)	1,966,305	0.9 %	1,590,001	0.8 %
	214,553,149	100.0 %	213,959,395	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 unitholders in DuPont Fabros Technology, L.P. ("DFT Operating Partnership") in the DuPont Fabros Technology merger ("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 DuPont Fabros Technology, Inc. ("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 DFT 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 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 $894.2 million and $887.0 million based on the closing market price of Digital Realty Trust, Inc.

common stock on June 30, 2018 and December 31, 2017, respectively.

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The following table shows activity for the noncontrolling interests in the Operating Partnership for the six months ended June 30, 2018:

	Common Units	Incentive Units	Total
As of December 31, 2017	6,899,094	1,590,001	8,489,095
Redemption of common units for shares of Digital Realty Trust, Inc. common stock [1]	(367,367)	—	(367,367)
Conversion of incentive units held by employees and directors for shares of Digital Realty Trust, Inc. common stock [1]	—	(39,272)	(39,272)
Incentive units issued upon achievement of market performance condition	—	326,947	326,947
Grant of incentive units to employees and directors	—	105,800	105,800
Cancellation / forfeitures of incentive units held by employees and directors	—	(17,171)	(17,171)
As of June 30, 2018	6,531,727	1,966,305	8,498,032

(1) Redemption of common units were recorded as a reduction to noncontrolling interests in the Operating Partnership and an increase to common stock and additional paid in capital based on the book value per unit in the accompanying condensed consolidated balance sheet of Digital Realty Trust, Inc.

(b) Dividends
We have declared and paid the following dividends on our common and preferred stock for the six months ended June 30, 2018 (in thousands, except per share data):

Date dividend declared	Dividend payment date	Series C Preferred Stock	Series G Preferred Stock	Series H Preferred Stock	Series I Preferred Stock	Series J Preferred Stock	Common Stock
March 1, 2018	March 30, 2018	$3,333	$3,672	$6,730	$3,969	$2,625	$208,015
May 8, 2018	June 29, 2018	3,333	3,672	6,730	3,969	2,625	208,071
		$6,666	$7,344	$13,460	$7,938	$5,250	$416,086
Annual rate of dividend per share		$1.65625	$1.46875	$1.84375	$1.58750	$1.31250	$4.04000

Distributions out of Digital Realty Trust, Inc.’s current or accumulated earnings and profits are generally classified as dividends whereas distributions in excess of its current and accumulated earnings and profits, to the extent of a stockholder’s U.S. federal income tax basis in Digital Realty Trust, Inc.’s stock, are generally classified as a return of capital. Distributions in excess of a stockholder’s U.S. federal income tax basis in Digital Realty Trust, Inc.’s stock are generally characterized as capital gain. Cash provided by operating activities has generally been sufficient to fund all distributions, however, in the future we may also need to utilize borrowings under the global revolving credit facility to fund all or a portion of distributions.

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(c) 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, 2017	$ (147,370)	$ 13,200	$ 25,738	$ (108,432)
Net current period change	(10,550)	12,891	—	2,341
Reclassification to interest expense from interest rate swaps	—	(979)	—	(979)
Balance as of June 30, 2018	$ (157,920)	$ 25,112	$ 25,738	$ (107,070)

12. 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 13(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.

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(b) Partnership Units

Limited partners have the right to require the Operating Partnership to redeem part or all of their common units for cash based on the fair market value of an equivalent number of shares of the General Partner's common stock at the time of redemption. Alternatively, the General Partner may elect to acquire those common units in exchange for shares of the General Partner's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Pursuant to authoritative accounting guidance, 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 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, accordingly, are not presented as permanent capital 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 DFT 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 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 limited partners' common units and the vested incentive units was approximately $894.2 million and $887.0 million based on the closing market price of Digital Realty Trust, Inc.'s common stock on June 30, 2018 and December 31, 2017, respectively.

(c) Distributions

All distributions on the Operating Partnership's units are at the discretion of Digital Realty Trust, Inc.'s board of directors. The Operating Partnership has declared and paid the following distributions on its common and preferred units for the six months ended June 30, 2018 (in thousands, except for per unit data):

Date distribution declared	Distribution payment date	Series C Preferred Units	Series G Preferred Units	Series H Preferred Units	Series I Preferred Units	Series J Preferred Units	Common Units
March 1, 2018	March 30, 2018	$3,333	$3,672	$6,730	$3,969	$2,625	$216,953
May 8, 2018	June 29, 2018	3,333	3,672	6,730	3,969	2,625	216,789
		$6,666	$7,344	$13,460	$7,938	$5,250	$433,742

Annual rate of distribution per unit	$1.65625	$1.46875	$1.84375	$1.58750	$1.31250	$4.04000

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(d) 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, 2017	$ (151,795)	$ 12,758	$ 26,152	$ (112,885)
Net current period change	(10,976)	13,411	—	2,435
Reclassification to interest expense from interest rate swaps	—	(1,018)	—	(1,018)
Balance as of June 30, 2018	$ (162,771)	$ 25,151	$ 26,152	$ (111,468)

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13. 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, 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 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 3,714,560 shares that may be issued pursuant to the 2014 Incentive Award Plan.

As of June 30, 2018, approximately 7.1 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 six months ended June 30, 2018 and 2017 and our unearned compensation as of June 30, 2018 and December 31, 2017 (in millions):

	Deferred Compensation				Unearned Compensation		
	Expensed Three Months Ended June 30,		Capitalized		As of June 30,	As of December 31, 2017	Expected period to recognize unearned compensation (in years)
Type of incentive award	2018	2017	2018	2017	2018		
Long-term incentive units	$2.9	$1.9	$(0.1)	$0.4	$ 13.2	$ 6.9	3.0
Market performance-based awards	3.5	2.6	0.4	0.5	34.8	24.7	2.5
Restricted stock	1.7	1.1	1.1	0.8	26.5	17.5	2.9

	Six Months Ended June 30,			
	2018	2017	2018	2017
Long-term incentive units	$3.8	$2.6	$0.1	$0.8
Market performance-based awards	6.6	4.6	0.7	1.2
Restricted stock	3.2	2.1	2.1	1.7

(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, 2017, included in our Annual Report on 10-K for the year ended December 31, 2017.

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Below is a summary of our long-term incentive unit activity for the six months ended June 30, 2018.

Unvested Long-term Incentive Units	Units	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	99,295	$ 90.59
Granted	105,800	99.71
Vested	(32,575)	97.49
Cancelled or expired	(15,356)	83.93
Unvested, end of period	157,164	$ 95.76

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

(b) Market Performance-Based Awards

During the six months ended June 30, 2018 and 2017, 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 Digital Realty Trust, Inc.'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 2018 or January 2017, 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 Market Performance Period is achieved at the "threshold," "target" or "high" level as set forth below, the awards will become vested as to the market condition with respect to the percentage of Class D units or RSUs, as applicable, set forth below:

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

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

In January 2018, following the completion of the applicable Market Performance Period, the Compensation Committee determined that the high level had been achieved for the 2015 awards and, accordingly, 363,193 class D units (including 36,246 distribution equivalent units that immediately vested on December 31, 2017 upon the high level being achieved) and 49,707 RSUs performance vested, subject to service-based vesting. On February 27, 2018,

50% of the 2015 awards vested and the remaining 50% will vest on February 27, 2019, subject to continued employment through each applicable vesting date.

Following the completion of the applicable Market Performance Period, the 2017 awards that satisfy the market condition, if any, will vest 50% on February 27, 2020 and 50% on February 27, 2021, subject to continued employment through each applicable vesting date. 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.

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

The fair values of the 2018 awards and 2017 awards granted were measured using a Monte Carlo simulation to estimate the probability of the market vesting condition being satisfied. Digital Realty Trust, Inc.'s achievement of the market vesting condition is contingent on its TSR over a three-year market performance period, relative to the total shareholder return of the RMS. The Monte Carlo simulation is a probabilistic technique based on the underlying theory of the Black-Scholes formula, which was run for 100,000 trials to determine the fair value of the awards. For each trial, the payoff to an award is calculated at the settlement date and is then discounted to the grant date at a risk-free interest rate. The total expected value of the awards on the grant date was determined by multiplying the average value per award over all trials by the number of awards granted. Assumptions used in the valuations are summarized as follows:

Award Date	Expected Stock Price Volatility	Risk-Free Interest rate
January 1, 2017	25%	1.49%
February 28, 2017	23%	1.43%
January 1, 2018	22%	1.98%
March 1, 2018	22%	2.34%
March 9, 2018	22%	2.42%

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

As of June 30, 2018, 2,165,692 Class D units and 590,569 market performance-based RSUs had been awarded to our executive officers and other employees. The number of units granted reflects the maximum number of Class D units or market performance-based RSUs, as applicable, which will become vested assuming the achievement of the highest level of RMS Relative Market Performance under the awards and, in the case of the Class D units, also includes distribution equivalent units. The fair value of these awards of approximately $96.7 million will be recognized as compensation expense on a straight-line basis over the expected service period of approximately four years. If the market conditions are not met, at the end of the applicable performance periods, the unamortized amount will be recognized as an expense at that time.

(c) Restricted Stock

Below is a summary of our restricted stock activity for the six months ended June 30, 2018.

Unvested Restricted Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	259,422	$ 90.54
Granted	162,310	99.59
Vested	(83,468)	82.28
Cancelled or expired	(24,184)	96.79
Unvested, end of period	314,080	$ 96.95

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.

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14. Derivative Instruments

Currently, we use interest rate swaps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

To comply with the provisions of fair value accounting guidance, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of June 30, 2018, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We do not have any fair value measurements on a recurring basis using significant unobservable inputs (Level 3) as of June 30, 2018 or December 31, 2017.

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 June 30, 2018, there was no impact from netting arrangements as the Company did not have any derivatives in liability 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 condensed consolidated balance sheet 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.

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As of June 30, 2018 and December 31, 2017, we had the following outstanding interest rate derivatives that were designated as effective cash flow hedges of interest rate risk (in thousands):

Notional Amount							Fair Value at Significant Other Observable Inputs (Level 2)	
As of June 30, 2018	As of December 31, 2017	Type of Derivative	Strike Rate	Effective Date	Expiration Date		As of June 30, 2018 [5]	As of December 31, 2017 [5]
Currently-paying contracts								
$206,000 [1]	$206,000 [1]	Swap	1.611	Jun 15, 2017	Jan 15, 2020		$ 2,882	$ 1,409
54,905 [1]	54,905 [1]	Swap	1.605	Jun 6, 2017	Jan 6, 2020		756	374
75,000 [1]	75,000 [1]	Swap	1.016	Apr 6, 2016	Jan 6, 2021		3,023	2,260
75,000 [1]	75,000 [1]	Swap	1.164	Jan 15, 2016	Jan 15, 2021		2,778	1,947
300,000 [2]	300,000 [2]	Swap	1.435	Jan 15, 2016	Jan 15, 2023		16,779	9,978
223,826 [3]	229,012 [3]	Swap	0.792	Jan 15, 2016	Jan 15, 2019		(158)	(430)
74,998 [4]	78,357 [4]	Swap	0.779	Jan 15, 2016	Jan 15, 2021		2,786	3,034
$1,009,729	$1,018,274						$ 28,846	$ 18,572

(1) Represents portions of the U.S. dollar tranche of the 5-Year Term Loan.
(2) Represents the U.S. dollar tranche of the 7-Year Term Loan.
(3) Represents the British pound sterling tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rates of $1.32 to £1.00 as of June 30, 2018 and $1.35 to £1.00 as of December 31, 2017.
(4) Represents the Canadian dollar tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rates of $0.76 to 1.00 CAD as of June 30, 2018 and $0.80 to 1.00 CAD as of December 31, 2017.
(5) 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.

As of June 30, 2018, we estimate that an additional $6.6 million will be reclassified as a decrease to interest expense during the twelve months ended June 30, 2019, when the hedged forecasted transactions impact earnings.

Foreign Currency Net Investment Hedges

During the three months ended June 30, 2016, we entered into a series of forward contracts pursuant to which we agreed to sell an amount of foreign currency for an agreed upon amount of U.S. dollars. These forward contracts were executed to manage foreign currency exposures associated with certain transactions. As of June 30, 2016, the forward contracts did not meet the criteria for hedge accounting under GAAP and had a fair value of approximately $37.8 million. On July 1, 2016, the four forward contracts still in place met the criteria for net investment hedge accounting. During the year ended December 31, 2017, we terminated the four forward contracts with a notional amount of GBP 357.3 million. In connection with the settlement, we received approximately $64.0 million in proceeds and the related amount of approximately $26.2 million of accumulated other comprehensive income (AOCI) will remain in AOCI until the Company sells or liquidates its GBP-denominated investments, which has not occurred as of June 30, 2018.

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 June 30, 2018, we did not have any derivatives in a net liability position, and

have not posted any collateral related to these agreements.

15. 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

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Company to disclose fair value information about all financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate fair value.

The Company's disclosures of estimated fair value of financial instruments at June 30, 2018 and December 31, 2017 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

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

We calculate the fair value of our mortgage loans, unsecured term loan 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 facility approximates fair value, due to the variability of interest rates.

As of June 30, 2018 and December 31, 2017, the aggregate estimated fair value and carrying value of our global revolving credit facility, unsecured term loans, unsecured senior notes and mortgage loans were as follows (in thousands):

	Categorization under the fair value hierarchy	As of June 30, 2018		As of December 31, 2017	
		Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value
Global revolving credit facility [1][5]	Level 2	$472,438	$ 472,438	$558,191	$ 558,191
Unsecured term loans [2][6]	Level 2	1,380,867	1,380,867	1,425,117	1,425,117
Unsecured senior notes [3][4][7]	Level 2	7,347,309	7,196,491	6,976,603	6,608,545
Mortgage loans [3][8]	Level 2	106,174	106,274	106,523	106,611
		$9,306,788	$ 9,156,070	$9,066,434	$ 8,698,464

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

(2) The carrying value of our unsecured term 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 mortgage loans are determined based on the expected future payments discounted at risk-adjusted rates. The 2019 Notes, 5.875% 2020 Notes, 3.400% 2020 Notes, 2021 Notes, 3.950% 2022 Notes, 3.625% 2022 Notes, 4.750% 2023 Notes, 2.750% 2023 Notes, 2.625% 2024 Notes, 2.750% 2024 Notes, 4.750% 2025 Notes, 4.250% 2025 Notes, 2027 Notes, 2028 Notes and 2029 Notes are valued based on quoted market prices.

(4) The carrying value of the 5.875% 2020 Notes, 3.400% 2020 Notes, 2021 Notes, 3.625% 2022 Notes, 3.950% 2022 Notes, 4.750% 2023 Notes, 2.750% 2023 Notes, 2.625% 2024 Notes, 2.750% 2024 Notes, 4.250% 2025 Notes, 2027 Notes, 2028 Notes and 2029 Notes are net of discount of $17.5 million and $18.5 million in the aggregate as of June 30, 2018 and December 31, 2017, respectively.

(5) The estimated fair value and carrying value are exclusive of deferred financing costs of $5.5 million and $7.2 million as of June 30, 2018 and December 31, 2017, respectively.

(6) The estimated fair value and carrying value are exclusive of deferred financing costs of $4.1 million and $4.8 million as of June 30, 2018 and December 31, 2017, respectively.

(7)

The estimated fair value and carrying value are exclusive of deferred financing costs of $40.4 million and $37.8 million as of June 30, 2018 and December 31, 2017, respectively.

(8) The estimated fair value and carrying value are exclusive of deferred financing costs of $0.0 million and $0.0 million as of June 30, 2018 and December 31, 2017, respectively.

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16. 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 June 30, 2018, we had open commitments, including amounts reimbursable of approximately $7.4 million, related to construction contracts of approximately $441.3 million.

(b) Legal Proceedings

The Company is involved in legal proceedings arising in the ordinary course of business from time to time. As of June 30, 2018, the Company is not currently a party to any legal proceedings that it believes would have a material adverse effect on its financial position, results of operations or liquidity nor, to its knowledge, are any such legal proceedings threatened against it.

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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 facility, 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 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; decreased rental rates, increased operating costs or increased vacancy rates; increased competition or available supply of data center space; the suitability of our data centers and data center infrastructure, delays or disruptions in connectivity or availability of power, or failures or breaches of our physical and information security infrastructure or services; our dependence upon significant customers, bankruptcy or insolvency of a major customer or a significant number of smaller customers, or defaults on or non-renewal of leases by customers; breaches of our obligations or restrictions under our contracts with our customers; our inability to successfully develop and lease new properties and development space, and delays or unexpected costs in development of properties; the impact of current global and local economic, credit and market conditions; our inability to retain data center space that we lease or sublease from third parties; difficulty acquiring or operating properties in foreign jurisdictions; our failure to realize the intended benefits from, or disruptions to our plans and operations or unknown or contingent liabilities related to, our recent acquisitions; 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; environmental liabilities and risks related to natural disasters; our inability to comply with rules and regulations applicable to our company; Digital Realty Trust, Inc.'s failure to maintain our 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, 2017 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 predict all such risk factors, nor can we assess the impact of all such risk factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

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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.

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Overview

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

On September 14, 2017, we completed the acquisition of DuPont Fabros Technology, Inc., in an all-stock merger, which we refer to as the DFT Merger, for equity consideration of approximately $6.2 billion. We believe this transaction expanded our reach with a complementary footprint in top U.S. metropolitan areas while enhancing our ability to meet the growing demand for hyper-scale and public cloud solutions and solidifying our blue-chip customer base. As part of the DFT Merger, we acquired 15 data centers, 14 of which are located in the United States and one is located in Canada.

Business and strategy. Our primary business objectives are to maximize: (i) sustainable long-term growth in earnings and funds from operations per share and unit, (ii) cash flow and returns to our stockholders and our operating partnership's unitholders through the payment of distributions and (iii) return on invested capital. We expect to accomplish our objectives by achieving superior risk-adjusted returns, prudently allocating capital, diversifying our product offerings 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 June 30, 2018, our portfolio included 198 data centers, including 18 data centers held as investments in unconsolidated joint ventures, with approximately 32.6 million rentable square feet including approximately 3.3 million square feet of space under active development and approximately 1.5 million square feet of space held for development. The 18 data centers held as investments in unconsolidated joint ventures have an aggregate of approximately 2.5 million rentable square feet. The 21 parcels of developable land we own as of June 30, 2018 comprised approximately 530 acres. At June 30, 2018, approximately 3.3 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, four European metropolitan areas, three Asian metropolitan areas, two Australian metropolitan areas and one Canadian metropolitan area, consisting of approximately 2.0 million square feet of base building construction and 1.4 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 June 30, 2018, we operated 198 data centers through our Operating Partnership, including 18 data centers held as investments in unconsolidated joint ventures and developable land. These data centers are mainly located throughout North America, with 37 located in Europe, seven in Asia and five in Australia.

The following table presents an overview of our portfolio of data centers, including the 18 data centers held as investments in unconsolidated joint ventures, and developable land, based on information as of June 30, 2018.

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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	30	5,199,047	1,115,062	90,998
Dallas	21	3,365,709	201,669	81,206
Chicago	10	2,960,731	382,892	231,839
Silicon Valley	19	2,185,341	65,680	—
New York	12	1,907,206	34,821	278,170
Phoenix	4	990,385	—	108,926
San Francisco	5	989,490	—	13,753
Los Angeles	4	818,479	—	—
Atlanta	5	775,606	—	313,581
Boston	5	534,249	—	50,649
Houston	6	392,816	—	13,969
Denver	2	371,500	—	—
Minneapolis / St. Paul	1	328,765	—	—
Toronto, Canada	3	256,369	644,469	—
Miami	2	205,797	20,517	—
Charlotte	3	95,499	—	—
Austin	1	85,688	—	—
Portland	1	48,574	—	—
Seattle	1	40,480	—	75,466
North America Total	135	21,551,731	2,465,110	1,258,557
Europe				
London, United Kingdom	16	1,432,248	65,902	129,099
Amsterdam, Netherlands	9	471,338	91,859	68,185
Dublin, Ireland	5	307,775	49,051	—
Paris, France	3	185,994	—	—
Frankfurt, Germany	2	83,981	83,818	—
Geneva, Switzerland	1	59,190	—	—
Manchester, United Kingdom	1	38,016	—	—
Europe Total	37	2,578,542	290,630	197,284
Asia Pacific				
Singapore	2	465,519	75,119	—
Sydney, Australia	3	138,207	176,150	—
Melbourne, Australia	2	125,329	21,241	—
Osaka, Japan	1	—	239,999	—
Asia Pacific Total	8	729,055	512,509	—
Non-Data Center Properties	—	584,212	—	—
Managed Unconsolidated Joint Ventures				
Northern Virginia	4	546,572	—	—
Silicon Valley	4	326,305	—	—
Dallas	3	319,876	—	—

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Metropolitan Area	Data Center Buildings	Net Rentable Square Feet [1]	Space Under Active Development [2]	Space Held for Development [3]
Hong Kong	1	129,457	56,843	—
New York	1	108,336	—	—
	13	1,430,546	56,843	—
Non-Managed Unconsolidated Joint Ventures				
Seattle	2	451,369	—	—
Tokyo, Japan	2	430,277	—	—
Osaka, Japan	1	92,087	—	—
	5	973,733	—	—
Total	198	27,847,819	3,325,092	1,455,841

(1) Current net rentable square feet as of June 30, 2018, which represents the current square feet under lease as specified in the applicable lease agreements plus management's estimate of space available for lease based on engineering drawings. Includes customers' proportional share of common areas 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 June 30, 2018, our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures, were approximately 89.4% leased excluding approximately 3.3 million square feet of space under active development and approximately 1.5 million square feet of space held for development. Due to the capital-intensive and long-term nature of the operations being supported, our lease terms are generally longer than standard commercial leases. As of June 30, 2018, our average remaining lease term is approximately five years. Our scheduled lease expirations through December 31, 2019 are 20.1% of rentable square feet excluding month-to-month leases, space under active development and space held for development as of June 30, 2018.

Factors Which May Influence Future Results of Operations

Global market and economic conditions. General economic conditions and the cost and availability of capital may be adversely affected in some or all of the metropolitan areas in which we own properties and conduct our operations. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The terms of any withdrawal are subject to ongoing negotiations. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal. Instability in the U.S., European, Asia Pacific and other international financial markets and economies may adversely affect our ability, and the ability of our customers, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our, and our customers', financial condition and results of operations.

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

If we do not have sufficient cash flow to continue operating our business and are unable to borrow additional funds, access our existing lines of credit or raise equity or debt capital, we may need to source alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development activity, disposing of one or more of our

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properties possibly on disadvantageous terms or entering into or renewing leases on less favorable terms than we otherwise would.

Foreign currency exchange risk. For the six months ended June 30, 2018 and 2017, we had foreign operations in the United Kingdom, Ireland, France, the Netherlands, Germany, Switzerland, Canada, Singapore, Australia, Japan and Hong Kong, and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Canadian dollar, Singapore dollar, Australian dollar, Japanese Yen and the Hong Kong dollar. Our primary currency exposures are to the British pound sterling, the Euro and the Singapore dollar. The possible exit of the United Kingdom (or any other country) from the European Union, or prolonged periods of uncertainty relating to any of these possibilities, could result in increased foreign currency exchange volatility. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations, although there can be no assurance that this will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets, the book value of our debt and the amount of stockholders' equity.

Rental income. The amount of rental income generated by the data centers in our portfolio depends on several factors, including our ability to maintain or improve the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. Excluding approximately 3.3 million square feet of space under active development and approximately 1.5 million square feet of space held for development as of June 30, 2018, the occupancy rate of our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures, was approximately 89.4% of our net rentable square feet.

As of June 30, 2018, we had over 2,300 customers in our data center portfolio, including the 13 data centers held in our managed portfolio of unconsolidated joint ventures. As of June 30, 2018, approximately 90% of our leases (on a rentable square footage basis) contained base rent escalations that were either fixed (generally ranging from 2% to 4%) or indexed based on a consumer price index or other similar inflation-related index. We cannot assure you that these escalations will cover any increases in our costs or will otherwise keep rental rates at or above market rates. The amount of rental income generated by us also depends on maintaining or increasing rental rates at our properties, which in turn depends on several factors, including supply and demand and market rates for data center space. Included in our approximately 25.4 million net rentable square feet, excluding space under active development and space held for development and 18 data centers held as investments in unconsolidated joint ventures, at June 30, 2018 is approximately 1.4 million square feet of data center space with extensive installed tenant improvements available for lease. Our Turn-Key Flex® product is an effective solution for customers who prefer to utilize a partner with the expertise or capital budget to provide extensive data center infrastructure and security. Our expertise in data center construction and operations enables us to lease space to these customers at a premium over other uses. In addition, as of June 30, 2018, we had approximately 3.3 million square feet of space under active development and approximately 1.5 million square feet of space held for development, or approximately 15% of the total rentable space in our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures. Our ability to grow earnings depends in part on our ability to develop space and lease development space at favorable rates, which we may not be able to obtain. Development space requires significant capital investment in order to develop data center facilities that are ready for use and, in addition, we may require additional time or encounter delays in securing tenants for development space. We may purchase additional vacant properties and properties with vacant development space in the future. We will require additional capital to finance our development activities, which may not be available or may not be available on terms acceptable to us, including as a result of the conditions described above under "Global market and economic conditions."

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

Economic downturns, including as a result of the conditions described above under “Global market and economic conditions,” or regional downturns affecting our metropolitan areas or downturns in the data center industry that impair our ability to lease or renew or re-lease space, or otherwise reduce returns on our investments or the ability of our customers to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties.

Scheduled lease expirations. Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 2.8 million square feet of available space in our portfolio, which excludes approximately 3.3 million square feet of space under active development and approximately 1.5 million square feet of space held for development as of June 30, 2018 and the five data centers held as investments in our non-managed unconsolidated joint ventures, leases representing approximately 5.2% and 14.9% of the net rentable square footage

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of our portfolio are scheduled to expire during the six months ending December 31, 2018 and the year ending December 31, 2019, respectively.

During the six months ended June 30, 2018, we signed renewal leases totaling approximately 0.8 million square feet of space and new leases totaling approximately 1.2 million square feet of space. The following table summarizes our leasing activity in the six months ended June 30, 2018:

	Rentable Square Feet [1]	Expiring Rates [2]	New Rates [2]	Rental Rate Changes	TI's/Lease Commissions Per Square Foot	Weighted Average Lease Terms (years)
Leasing Activity [3][4]						
Renewals Signed						
Turn-Key Flex ®	381,931	$136.43	$153.53	12.5 %	$ 7.58	4.7
Powered Base Building ®	45,300	$59.28	$69.02	16.4 %	$ 18.64	8.5
Colocation	239,176	$276.17	$284.54	3.0 %	$ —	1.4
Non-technical	146,314	$17.03	$18.44	8.3 %	$ 1.26	3.6
New Leases Signed [5]						
Turn-Key Flex ®	896,971	—	$135.01	—	$ 36.06	7.5
Powered Base Building ®	199,103	—	$24.42	—	$ 2.20	10.0
Colocation	45,758	—	$300.36	—	$ 30.00	1.7
Non-technical	30,826	—	$23.77	—	$ 5.42	5.7
Leasing Activity Summary						
Turn-Key Flex ®	1,278,902		$140.54			
Powered Base Building ®	244,403		$32.69			
Colocation	284,934		$287.08			
Non-technical	177,140		$19.37			

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

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

(3) Excludes short-term leases.

(4) Commencement dates for the leases signed range from 2018 to 2019.

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

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. We continue to see strong demand in most of our key metropolitan areas for data center space and, subject to the supply of available data center space in these metropolitan areas, expect the rental rates we are likely to achieve on re-leased or renewed data center space leases for 2018 expirations on an average aggregate basis will generally be higher than the rates currently being paid for the same space on a GAAP basis and slightly down on a cash basis. For the six months ended June 30, 2018, rents on renewed space increased by an average of 12.5% on a GAAP basis on our Turn-Key Flex® space compared to the expiring rents and increased by an average of 16.4% on a GAAP basis on our Powered Base Building® space compared to the expiring rents. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our data centers will be re-leased at all or at rental rates equal to or above the current average rental rates. Further, re-leased/renewed rental rates in a particular metropolitan area may not be consistent with rental rates across our portfolio as a whole and may fluctuate from one period to another due to a number of factors, including local real estate conditions, local supply and demand for data center space, competition from other data center developers or operators, the condition of the property and whether the property, or space within the property, has been developed.

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Geographic concentration. We depend on the market for data centers in specific geographic regions and significant changes in these regional metropolitan areas can impact our future results. As of June 30, 2018, our portfolio, including the 18 data centers held as investments in unconsolidated joint ventures, was geographically concentrated in the following metropolitan areas.

Metropolitan Area	Percentage of June 30, 2018 total annualized rent (1)	
Northern Virginia	22.7	%
Chicago	12.6	%
Silicon Valley	9.1	%
London, United Kingdom	9.1	%
New York	8.7	%
Dallas	8.1	%
Phoenix	3.9	%
Singapore	3.2	%
San Francisco	3.2	%
Seattle	2.4	%
Atlanta	2.4	%
Amsterdam, Netherlands	2.0	%
Los Angeles	1.7	%
Other	10.9	%
Total	100.0	%

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of June 30, 2018 multiplied by 12. The aggregate amount of abatements for the six months ended June 30, 2018 was approximately $19.9 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. New climate change legislation was introduced in the U.S. Senate in 2013, but significant opposition to federal climate change legislation exists.

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

the EPA’s mission away from such regulation.

The EPA made an endangerment finding in 2009 that allows it to create regulations imposing emissions reporting, permitting, control technology installation, and monitoring requirements applicable to certain emitters of GHGs, including facilities that provide electricity to our data centers, although the materiality of the impacts will not be fully known until all regulations are finalized and legal challenges are resolved. Under the Obama administration, the EPA finalized rules imposing

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permitting and control technology requirements upon certain newly-constructed or modified facilities which emit GHGs under the Clean Air Act New Source Review Prevention of Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, newly-issued NSR PSD and Title V permits for new or modified electricity generating units (EGUs) and other facilities may need to address GHG emissions, including by requiring the installation of "Best Available Control Technology." The EPA implemented in December 2015 the "Clean Power Plan" regulating carbon dioxide (CO2) emissions from new and existing coal-fired and natural gas EGUs. Existing EGUs are subject to statewide CO2 emissions reduction targets, an effort designed to achieve a thirty-two percent reduction in nationwide existing EGU CO2 emissions by 2030 (in comparison to 2005 levels). New, modified, and reconstructed EGUs are subject to "New Source Performance Standards" that include both technological requirements and numeric emission limits. However, twenty-four states and a number of industry groups challenged the Clean Power Plan in federal court, and in February 2016 the U.S. Supreme Court issued a stay of the Clean Power Plan until the legal challenges have been decided. In March 2017, President Trump ordered the EPA to review and if appropriate revise or rescind the Clean Power Plan, and the EPA proposed to repeal the Clean Power Plan in October 2017. In July 2018, the EPA stated that a less stringent replacement for the Clean Power Plan was being developed. In August 2018, the EPA proposed weakening Obama-era limitations on GHG emissions from automobiles. Separately, the EPA's GHG "reporting rule" requires that certain emitters, including electricity generators, monitor and report GHG emissions. The Trump administration may seek to revise or reverse these regulations.

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

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

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

Interest rates. As of June 30, 2018, we had approximately $1.0 billion of variable rate debt subject to interest rate swap agreements on certain tranches of our unsecured term loans, along with $472.4 million, $475.1 million and $146.1 million of variable rate debt that was outstanding on the global revolving credit facility, the unswapped portion of the unsecured term loans and the floating rate notes due 2019, or the 2019 Notes, respectively. The availability of debt and equity capital may decrease or be on unfavorable terms as a result of the circumstances described above under “Global market and economic conditions” or other factors. The effects on commercial real estate mortgages, if available, include, but may not be limited to: higher loan spreads, tightened loan covenants, reduced loan-to-value ratios resulting in lower borrower proceeds and higher principal payments. Potential future increases in interest rates and credit spreads may increase our interest expense and fixed charges and negatively affect our financial condition and results of operations, potentially impacting our future access to the debt and equity capital markets. Increased interest rates may also increase the risk that the counterparties to our swap agreements will default on their obligations, which could further increase our interest expense. If we cannot obtain capital from

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third party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or pay the cash dividends to Digital Realty Trust, Inc.'s stockholders necessary to maintain its qualification as a REIT.

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

Critical Accounting Policies

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

Investments in Real Estate

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

Accordingly, we are required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the identifiable assets including intangibles and liabilities assumed based on our estimate of the fair value of such assets and liabilities. This includes determining the value of the property and improvements, land, ground leases, if any, and tenant improvements. Additionally, we evaluate the value of in-place leases on occupancy and market rent, the value of the tenant relationships, the value (or negative value) of above (or

below) market leases, any debt or deferred taxes assumed from the seller or loans made by the seller to us and any building leases assumed from the seller. Each of these estimates requires a great deal of judgment and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations. For example, if we were to allocate more value to land, there would be no depreciation with respect to such amount. If we were to allocate more value to the property as opposed to allocating to the value of in-place tenant leases, this amount would be recognized as an expense over a much longer period of time. This potential effect occurs because the amounts allocated to property are depreciated over the estimated lives of the property whereas amounts allocated to in-place tenant leases are amortized over the estimated term (including renewal and extension assumptions) of the leases. Additionally, the amortization of the value (or negative value) assigned to above (or below) market rate leases is recorded as an

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

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

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

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

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

discounted cash flows. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recognized.

Revenue Recognition

The majority of our revenue is derived from lease arrangements, which we account for in accordance with “Leases (Topic 840)”. We account for the non-lease components within our lease arrangements, as well as other sources of revenue, in accordance with “Revenue from Contracts with Customers (Topic 606)”. Revenue recognized as a result of applying Topic 840 was 97% and Topic 606 was 3% of total operating revenue for the six months ended June 30, 2018.

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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.

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

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

Recently Issued Accounting Pronouncements

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

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Results of Operations

The discussion below relates to our financial condition and results of operations for the three and six months ended June 30, 2018 and 2017. A summary of our operating results for the three and six months ended June 30, 2018 and 2017 is as follows (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income Statement Data:				
Total operating revenues	$754,919	$565,989	$1,499,287	$1,116,558
Total operating expenses	(610,857)	(435,332)	(1,211,412)	(848,618)
Operating income	144,062	130,657	287,875	267,940
Other expenses, net	(55,903)	(51,086)	(89,621)	(103,806)
Net income	$88,159	$79,571	$198,254	$164,134

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, 2016 with less than 5% of total rentable square feet under development and excludes properties that were undergoing, or were expected to undergo, development activities in 2017-2018 and properties sold or contributed to joint ventures. Our pre-stabilized pool includes the results of the newly acquired operating properties, newly delivered properties that were previously under development and properties acquired as part of the DFT Merger in September 2017.

Comparison of the Three and Six Months Ended June 30, 2018 to the Three and Six Months Ended June 30, 2017

Portfolio

As of June 30, 2018, our portfolio consisted of 198 data centers, including 18 data centers held as investments in unconsolidated joint ventures, with an aggregate of 32.6 million rentable square feet including 3.3 million square feet of space under active development and 1.5 million square feet of space held for development compared to a portfolio consisting of 187 data centers, including three data centers held-for-sale and 15 data centers held as investments in unconsolidated joint ventures, with an aggregate of 26.4 million rentable square feet including 1.2 million square feet of space under active development and 1.8 million square feet of space held for development as of June 30, 2017.

Revenues

Total operating revenues for the three and six months ended June 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
Rental and other services	$596,326	$470,877	$125,449	$1,188,624	$932,228	$256,396
Tenant reimbursements	155,723	93,342	62,381	305,802	180,630	125,172
Fee income	2,343	1,429	914	3,476	3,324	152
Other	527	341	186	1,385	376	1,009
Total operating revenues	$754,919	$565,989	$188,930	$1,499,287	$1,116,558	$382,729

The following table shows revenues for the three and six months ended June 30, 2018 and 2017 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 June 30,				Three Months Ended June 30,		
	2018	2017	$ Change	% Change	2018	2017	Change
Rental and other services	$350,933	$349,348	$1,585	0.5 %	$245,393	$121,529	$123,864
Tenant reimbursements	66,626	61,989	4,637	7.5 %	89,097	31,353	57,744

$417,559 $411,337 $6,222 1.5 % $334,490 $152,882 $181,608

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	Stabilized Six Months Ended June 30,				Pre-Stabilized and Other Six Months Ended June 30,		
	2018	2017	$ Change	% Change	2018	2017	Change
Rental and other services	$703,242	$694,512	$8,730	1.3 %	$485,382	$237,716	$247,666
Tenant reimbursements	126,446	121,931	4,515	3.7 %	179,356	58,699	120,657
	$829,688	$816,443	$13,245	1.6 %	$664,738	$296,415	$368,323

Stabilized rental and other services revenue increased $1.6 million and $8.7 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017 primarily as a result of new leasing and or early renewals at our properties during the twelve months ended June 30, 2018, the largest of which was for space at 350 E. Cermak Road, 56 Marietta Street and 29A International Business Park, offset by expiring leases at certain properties in the stabilized portfolio. Stabilized tenant reimbursement revenue increased $4.6 million and $4.5 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017, primarily due to higher utility reimbursements driven by increased power consumption and new leasing.

Pre-stabilized and other revenues increased $181.6 million and $368.3 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017 primarily as a result of the properties acquired in the DFT Merger, which contributed approximately $160.9 million ($105.5 million of rental and other services revenue and $55.4 million of tenant reimbursements) and $317.9 million ($208.4 million of rental and other services revenue and $109.5 million of tenant reimbursements) to the increases, respectively, along with a contribution of $5.8 million and $11.5 million for the three and six months ended June 30, 2018, respectively, to rental and other services revenue from 505 North Railroad Avenue, which was acquired in December 2017, and new leases at our properties during the twelve months ended June 30, 2018. These increases were offset partially by a decrease in revenues as a result of properties sold during the twelve months ended June 30, 2018.

Operating Expenses and Interest Expense

Operating expenses and interest expense during the three and six months ended June 30, 2018 and 2017 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
Rental property operating and maintenance	$230,322	$174,716	$55,606	$455,962	$344,055	$111,907
Property taxes	27,284	28,161	(877)	62,547	55,080	7,467
Insurance	2,606	2,576	30	6,337	5,168	1,169
Depreciation and amortization	298,788	178,111	120,677	593,577	354,577	239,000
General and administrative	46,099	37,509	8,590	82,622	72,156	10,466
Transaction and integration expenses	5,606	14,235	(8,629)	9,784	17,558	(7,774)
Other	152	24	128	583	24	559
Total operating expenses	$610,857	$435,332	$175,525	$1,211,412	$848,618	$362,794
Interest expense	$78,810	$57,582	$21,228	$155,795	$113,032	$42,763

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The following table shows property level expenses for the three and six months ended June 30, 2018 and 2017 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 Three Months Ended June 30,				Pre-Stabilized and Other Three Months Ended June 30,		
	2018	2017	$ Change	% Change	2018	2017	Change
Rental property operating and maintenance	$122,669	$122,450	$219	0.2 %	$107,653	$52,266	$55,387
Property taxes	14,844	18,697	(3,853)	(20.6)%	12,440	9,464	2,976
Insurance	2,025	2,211	(186)	(8.4)%	581	365	216
	$139,538	$143,358	$(3,820)	(2.7)%	$120,674	$62,095	$58,579

	Stabilized Six Months Ended June 30,				Pre-Stabilized and Other Six Months Ended June 30,		
	2018	2017	$ Change	% Change	2018	2017	Change
Rental property operating and maintenance	$243,475	$242,214	$1,261	0.5 %	$212,487	$101,841	$110,646
Property taxes	35,019	37,301	(2,282)	(6.1)%	27,528	17,779	9,749
Insurance	4,234	4,280	(46)	(1.1)%	2,103	888	1,215
	$282,728	$283,795	$(1,067)	(0.4)%	$242,118	$120,508	$121,610

Stabilized rental property operating and maintenance expenses increased approximately $0.2 million and $1.3 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017. The increase was primarily related to higher utility costs offset by reduced labor costs and cost containment measures across the portfolio.

Stabilized property taxes decreased by approximately $3.9 million and $2.3 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017. The decrease was primarily due to a refund at one of our properties in our stabilized portfolio.

Pre-stabilized and other rental property operating and maintenance expenses increased by approximately $55.4 million and $110.6 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017 primarily as a result of the properties acquired in the DFT Merger, which contributed approximately $46.3 million and $89.9 million, respectively.

Pre-stabilized and other property tax expense increased approximately $3.0 million and $9.7 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017, primarily as a result of the properties acquired in the DFT Merger, which contributed approximately $5.1 million and $10.4 million, respectively, offset partially by a reduction in property tax liabilities at certain properties in our London metropolitan area.

Depreciation and Amortization

Depreciation and amortization expense increased by approximately $120.7 million and $239.0 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017, principally because of the properties acquired in the DFT merger, which contributed approximately $102.6 million and $214.0 million, respectively, along with depreciation on development projects that were placed into service during the twelve months ended June 30, 2018.

General and Administrative

General and administrative expenses increased by approximately $8.6 million and $10.5 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017. The increase is primarily due to an increase in headcount from 2017 to 2018 to support the Company's continued growth.

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Transactions and Integration Expenses

Transactions and integration expense decreased by approximately $8.6 million and $7.8 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017, principally due to expenses incurred for the DFT Merger, which was completed in September 2017.

Interest Expense

Interest expense increased by approximately $21.2 million and $42.8 million in the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017, primarily due to the issuance of the 2019 Notes in May 2017, the issuance of the 2.750% 2024 Notes and the 2029 Notes in July 2017, the issuance of the 2.750% 2023 Notes and the 2027 Notes in August 2017 and the issuance of the 2028 Notes in June 2018.

Other Income (Expense)

Gain on Sale of Properties

During the six months ended June 30, 2018, we recognized a gain on sale of properties of $53.5 million primarily related to the disposition of (i) 200 Quannapowitt Parkway, which sold for $15.0 million in January 2018, (ii) 34551 Ardenwood Boulevard, which sold for $73.3 million in February 2018, (iii) 3065 Gold Camp Drive, which sold for $14.2 million in March 2018, (iv) 11085 Sun Center Drive, which sold for $36.8 million in March 2018, (v) the Austin Portfolio, which sold for $47.6 million in April 2018, (vi) 2010 East Centennial Circle, which sold for $5.5 million in May 2018 and (vii) 1125 Energy Park Drive, which sold for $7.0 million in May 2018.

Liquidity and Capital Resources of the Parent Company

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

Analysis of Liquidity and Capital Resources

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

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

As the sole general partner of our Operating Partnership, our Parent Company has the full, exclusive and complete responsibility for our Operating Partnership’s day-to-day management and control. Our Parent Company causes our

Operating Partnership to distribute such portion of its available cash as our Parent Company may in its discretion determine, in the manner provided in our Operating Partnership's partnership agreement. Our Parent Company receives proceeds from its equity issuances from time to time, but is generally required by our Operating Partnership's partnership agreement to contribute the proceeds from its equity issuances to our Operating Partnership in exchange for partnership units of our Operating Partnership.

Our Parent Company is a well-known seasoned issuer with an effective shelf registration statement filed on September 22, 2017, which allows our Parent Company to register an unspecified amount of various classes of equity securities. As circumstances warrant, our Parent Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would generally be contributed to our

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Operating Partnership in exchange for additional equity interests in our Operating Partnership. Our Operating Partnership may use the proceeds to acquire additional properties, to fund development opportunities and for general working capital purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities.

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

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

Our Parent Company entered into equity distribution agreements in June 2011, which we refer to as the 2011 Equity Distribution Agreements, with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, or the Agents, under which it can issue and sell shares of its common stock having an aggregate offering price of up to $400.0 million from time to time through, at its discretion, any of the Agents as its sales agents. The sales of common stock made under the 2011 Equity Distribution Agreements were, and will be, made in "at the market" offerings as defined in Rule 415 of the Securities Act. Cumulatively through June 30, 2018, Digital Realty Trust, Inc. has generated net proceeds of approximately $342.7 million from the issuance of approximately 5.7 million common shares under the 2011 Equity Distribution Agreements at an average price of $60.35 per share after payment of approximately $3.5 million of commissions to the sales agents and before offering expenses. No sales were made under the program during the six months ended June 30, 2018 and 2017. As of June 30, 2018, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program.

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

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.”

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Dividends and Distributions

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

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

Our Parent Company has declared and paid the following dividends on its common and preferred stock for the six months ended June 30, 2018 (in thousands, except per share amounts):

Date dividend declared	Dividend payment date	Series C Preferred Stock	Series G Preferred Stock	Series H Preferred Stock	Series I Preferred Stock	Series J Preferred Stock	Common Stock
March 1, 2018	March 30, 2018	$3,333	$3,672	$6,730	$3,969	$2,625	$208,015
May 8, 2018	June 29, 2018	3,333	3,672	6,730	3,969	2,625	208,071
		$6,666	$7,344	$13,460	$7,938	$5,250	$416,086
Annual rate of dividend per share		$1.65625	$1.46875	$1.84375	$1.58750	$1.31250	$4.04000

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 June 30, 2018, we had $17.6 million of cash and cash equivalents, excluding $9.4 million of restricted cash. Restricted cash primarily consists of contractual capital expenditures plus other deposits.

Our short-term liquidity requirements primarily consist of operating expenses, development costs and other expenditures associated with our properties, distributions to our Parent Company in order for it to make dividend payments on its preferred stock, distributions to our Parent Company in order for it to make dividend payments to its stockholders required to maintain its

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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 facility.

On January 15, 2016, we refinanced our global revolving credit facility and entered into a global senior credit agreement for a $2.0 billion senior unsecured revolving credit facility, which we refer to as the global revolving credit facility, that replaced the $2.0 billion revolving credit facility executed on August 15, 2013, as amended. The global revolving credit facility has an accordion feature that enables us to increase the borrowing capacity of the credit facility to up to $2.5 billion, subject to the receipt of lender commitments and other conditions precedent. The refinanced facility matures on January 15, 2020, with two six-month extension options available. The interest rate for borrowings under the global revolving credit facility equals the applicable index plus a margin which is based on the credit ratings of our long-term debt and is currently 100 basis points. An annual facility fee on the total commitment amount of the facility, based on the credit ratings of our long-term debt, currently 20 basis points, is payable quarterly. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. As of June 30, 2018, borrowings under the global revolving credit facility bore interest at an overall blended rate of 2.21% comprised of 3.09% (U.S. dollars), 0.63% (Euro), 2.94% (Australian dollars), 2.88% (Hong Kong dollars), 0.92% (Japanese yen), 2.42% (Singapore dollars) and 2.64% (Canadian dollars). The interest rates are based on 1-month LIBOR, 1-month EURIBOR, 1-month BBR, 1-month HIBOR, 1-month JPY LIBOR, 1-month SOR and 1-month CDOR, respectively, plus a margin of 1.00%. We have used and intend to use available borrowings under the global revolving credit facility to acquire additional properties, fund development opportunities and for general working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or equity securities. As of June 30, 2018, we have capitalized approximately $5.5 million of financing costs, net of accumulated amortization, related to the global revolving credit facility. As of June 30, 2018, approximately $472.4 million was drawn under the global revolving credit facility and $22.8 million of letters of credit were issued, leaving approximately $1.5 billion available for use.

On January 15, 2016, we refinanced the senior unsecured multi-currency term loan facility and entered into a term loan agreement, which governs (i) a $1.25 billion 5-year senior unsecured term loan, which we refer to as the 5-Year Term Loan, and (ii) a $300 million 7-year senior unsecured term loan, which we refer to as the 7-Year Term Loan. The 2016 term loan agreement replaced the $1.0 billion term loan agreement executed on April 16, 2012, as amended. The 5-Year Term Loan matures on January 15, 2021 and the 7-Year Term Loan matures on January 15, 2023. In addition, we have the ability from time to time to increase the aggregate size of lending under the 2016 term loan agreement from $1.55 billion to up to $1.8 billion, subject to receipt of lender commitments and other conditions precedent. Interest rates are based on our senior unsecured debt ratings and are currently 110 basis points and 155 basis points over the applicable index for floating rate advances for the 5-Year Term Loan and the 7-Year Term Loan, respectively. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, British pound sterling and Japanese yen. Based on exchange rates in effect at June 30, 2018, the balance outstanding is approximately $1.4 billion, excluding deferred financing costs. We have used borrowings under the term loans for acquisitions, repayment of indebtedness, development, working capital and general corporate purposes. As of June 30, 2018, we have capitalized approximately $4.1 million of financing costs, net of accumulated amortization, related to the 2016 unsecured term loans.

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

global revolving credit facility and for general corporate purposes.

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

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

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2018 and 2017. As of June 30, 2018, shares of common stock having an aggregate offering price of $53.8 million remained available for offer and sale under the program.

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.

Construction

The table below summarizes our construction in progress (included in investments in real estate in the condensed consolidated balance sheets) as of June 30, 2018 and December 31, 2017:

Development Lifecycle	As of June 30, 2018				As of December 31, 2017			
(dollars in thousands)	Net Rentable Square Feet (1)	Current Investment (2)	Future Investment (3)	Total Cost	Net Rentable Square Feet (1)	Current Investment (4)	Future Investment (3)	Total Cost
Development Construction in Progress								
Space Held for Development [5]	1,455,841	$342,865	$—	$342,865	1,573,758	$416,553	$—	$416,553
Base Building Construction	1,971,211	343,300	240,707	584,007	1,333,763	222,093	149,507	371,600
Data Center Construction	1,297,038	631,212	615,618	1,246,830	1,366,393	748,006	500,674	1,248,680
Equipment Pool & Other Inventory		4,163	—	4,163		7,245	—	7,245
Campus, Tenant Improvements & Other		2,458	8,978	11,436		5,787	8,360	14,147
Total Development Construction in Progress	4,724,090	1,323,998	865,303	2,189,301	4,273,914	1,399,684	658,541	2,058,225
Land Inventory	(6)	261,368	—	261,368	(6)	352,406	—	352,406
Enhancement & Other		12,858	28,730	41,588		8,416	27,209	35,625
Recurring		12,165	18,904	31,069		23,985	29,184	53,169
Total Construction in Progress		$1,610,389	$912,937	$2,523,326		$1,784,491	$714,934	$2,499,425

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

(2) Represents balances incurred through June 30, 2018 and included in land and building and improvements in the condensed consolidated balance sheets.

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

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

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

(6) Represents approximately 530 acres as of June 30, 2018 and approximately 539 acres as of December 31, 2017.

Land inventory and space held for development reflect cumulative cost spent pending future development. Base building construction consists of ongoing improvements to building infrastructure in preparation for future datacenter fit-out. Data center construction includes 1.3 million square feet of Turn Key Flex® and Powered Base Building® product with a cost to date of approximately $631.2 million. Generally, we expect to deliver the space within 12 months; however, lease commencement dates may significantly impact final delivery schedules. Equipment pool and other inventory represent the value of long-lead equipment and materials required for timely deployment and delivery of datacenter construction fit-out. Campus, tenant improvements and other costs include the value of development work which benefits space recently converted to our operating portfolio and is composed primarily of shared infrastructure projects and first-generation tenant improvements.

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Future Uses of Cash

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. As of June 30, 2018, we had approximately 3.3 million square feet of space under active development and approximately 1.5 million square feet of space held for development. Turn-Key Flex® space is move-in-ready space for the placement of computer and network equipment required to provide a data center environment. Depending on demand for additional Turn-Key Flex® space, we expect to incur significant tenant improvement costs to build out and develop these types of spaces. At June 30, 2018, the approximate 3.3 million square feet of space under active development 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, four European metropolitan areas, three Asian metropolitan areas, two Australian metropolitan areas and one Canadian metropolitan area, consisting of approximately 2.0 million square feet of base building construction and 1.4 million square feet of data center construction. At June 30, 2018, we had open commitments, including amounts reimbursable of approximately $7.4 million, related to construction contracts of approximately $441.3 million.

We currently expect to incur approximately $0.5 billion to $0.7 billion of capital expenditures for our development programs during the six months ending December 31, 2018, although this amount may increase or decrease, potentially materially, based on numerous factors, including changes in demand, leasing results and availability of debt or equity capital.

Historical Capital Expenditures (Cash Basis)

The table below summarizes our capital expenditure activity for the six months ended June 30, 2018 and 2017 (in thousands):

	Six Months Ended June 30,	
	2018	2017
Development projects	$492,007	$370,870
Enhancement and improvements	9,048	4,538
Recurring capital expenditures	61,775	56,328
Total capital expenditures (excluding indirect costs)	$562,830	$431,736

For the six months ended June 30, 2018, total capital expenditures increased $131.1 million to approximately $562.8 million from $431.7 million for the same period in 2017. Capital expenditures on our development projects plus our enhancement and improvements projects for the six months ended June 30, 2018 were approximately $501.1 million, which reflects an increase of approximately 33% from the same period in 2017. This increase was primarily due to increased spending for ground-up development projects (including development projects acquired in the DFT Merger), Turn-Key Flex space development and base building improvements. Our development capital expenditures are generally funded by our available cash and equity and debt capital.

Indirect costs, including capitalized interest, capitalized in the six months ended June 30, 2018 and 2017 were $51.0 million and $44.3 million, respectively. Capitalized interest comprised approximately $15.5 million and $8.4 million, respectively, of the total indirect costs capitalized for the six months ended June 30, 2018 and 2017. Capitalized interest in the six months ended June 30, 2018 increased compared to the same period in 2017 due to an increase in qualifying activities. Excluding capitalized interest, indirect costs in the six months ended June 30, 2018 increased compared to the same period in 2017 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, 2018.

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

Consistent with our growth strategy, we actively pursue opportunities for potential acquisitions, with due diligence and negotiations often at different stages at different times. The dollar value of acquisitions for the year ending December 31, 2018 will be based on numerous factors, including tenant demand, leasing results, availability of debt or

equity capital and acquisition opportunities.

We may from time to time seek to retire or repurchase our outstanding debt or the equity of our Parent Company through cash purchases and/or exchanges for equity securities of our Parent Company in open market purchases, privately negotiated

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transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions or other factors. The amounts involved may be material.

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

Distributions

All distributions on our units are at the discretion of our Parent Company’s board of directors. During the six months ended June 30, 2018, our Operating Partnership declared the following distributions (in thousands, except per unit amounts):

Date distribution declared	Distribution payment date	Series C Preferred Units	Series G Preferred Units	Series H Preferred Units	Series I Preferred Units	Series J Preferred Units	Common Units
March 1, 2018	March 30, 2018	$3,333	$3,672	$6,730	$3,969	$2,625	$216,953
May 8, 2018	June 29, 2018	3,333	3,672	6,730	3,969	2,625	216,789
		$6,666	$7,344	$13,460	$7,938	$5,250	$433,742
Annual rate of distribution per unit		$1.65625	$1.46875	$1.84375	$1.58750	$1.31250	$4.04000

Outstanding Consolidated Indebtedness

The table below summarizes our debt, as of June 30, 2018 (in millions):

Debt Summary:		
Fixed rate	$7,070.1	
Variable rate debt subject to interest rate swaps	1,009.7	
Total fixed rate debt (including interest rate swaps)	8,079.8	
Variable rate—unhedged	1,093.6	
Total	$9,173.4	
Percent of Total Debt:		
Fixed rate (including swapped debt)	88.1	%
Variable rate	11.9	%
Total	100.0	%
Effective Interest Rate as of June 30, 2018 (1)		
Fixed rate (including hedged variable rate debt)	3.76	%
Variable rate	2.14	%
Effective interest rate	3.57	%

(1) Excludes impact of deferred financing cost amortization.

As of June 30, 2018, we had approximately $9.2 billion of outstanding consolidated long-term debt as set forth in the table above, which excludes deferred financing costs. Our ratio of debt to total enterprise value was approximately 27% (based on the closing price of Digital Realty Trust, Inc.’s common stock on June 30, 2018 of $111.58). 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.

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The variable rate debt shown above bears interest at interest rates based on various one-month LIBOR, EURIBOR, GBP LIBOR, SOR, BBR, HIBOR, JPY LIBOR and CDOR rates, depending on the respective agreement governing the debt, including our global revolving credit facility and unsecured term loans. As of June 30, 2018, our debt had a weighted average term to initial maturity of approximately 5.4 years (or approximately 5.4 years assuming exercise of extension options).

Off-Balance Sheet Arrangements

As of June 30, 2018, we were party to interest rate swap agreements related to $1.0 billion of outstanding principal on our variable rate debt. See Item 3. “Quantitative and Qualitative Disclosures about Market Risk.”

As of June 30, 2018, our pro-rata share of mortgage debt of unconsolidated joint ventures was approximately $265.6 million, of which $54.5 million is subject to interest rate swap agreements.

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Cash Flows

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

Comparison of Six Months Ended June 30, 2018 to Six Months Ended June 30, 2017

The following table shows cash flows and ending cash and cash equivalent balances for the six months ended June 30, 2018 and 2017 (in thousands).

	Six Months Ended June 30,		
	2018	2017	Change
Net cash provided by operating activities	$673,088	$519,312	$153,776
Net cash used in investing activities	(525,580)	(463,464)	(62,116)
Net cash used in financing activities	(133,839)	(19,435)	(114,404)
Net increase in cash, cash equivalents and restricted cash	$13,669	$36,413	$(22,744)

The increase in net cash provided by operating activities was primarily due to the properties acquired in the DFT Merger. The increases in cash flow were partially offset by properties sold in 2017 and 2018 and an increase in interest expense.

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

	Six Months Ended June 30,		
	2018	2017	Change
Improvements to investments in real estate	$(613,841)	$(476,070)	$(137,771)
Acquisitions of real estate	(76,286)	(34,829)	(41,457)
Prepaid construction costs and other investments	(27,869)	—	(27,869)
Proceeds from sale of properties, net of sales costs	195,385	—	195,385
Excess proceeds from forward contracts	—	51,308	(51,308)
Other	(2,969)	(3,873)	904
Net cash used in investing activities	$(525,580)	$(463,464)	$(62,116)

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

	Six Months Ended June 30,		
	2018	2017	Change
Repayments of borrowings, net of proceeds	$(108,013)	$288,488	$(396,501)
Net proceeds from issuance of common and preferred stock, including equity plans	1,857	214,493	(212,636)
Redemption of preferred stock	—	(182,500)	182,500
Proceeds from unsecured senior notes	649,038	140,463	508,575
Dividend and distribution payments	(673,625)	(480,117)	(193,508)
Other	(3,096)	(262)	(2,834)
Net cash used in financing activities	$(133,839)	$(19,435)	$(114,404)

The increase in cash used in financing activities was due to repayments of borrowings, net of proceeds, increasing during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 offset by higher proceeds in 2018 from the issuance of the 2028 Notes as compared to the proceeds in 2017 from the issuance of the 2019 Notes. The increase in dividend and distribution payments for the six months ended June 30, 2018 as compared to the same period in 2017, which was a result of an increase in the number of shares outstanding and dividend amount per share of common stock in the six months ended June 30, 2018 as compared to the same period in 2017.

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

	Six Months Ended June 30,		
	2018	2017	Change
Repayments of borrowings, net of proceeds	$(108,013)	$288,488	$(396,501)
General partner contributions, net	1,857	31,993	(30,136)
Proceeds from unsecured senior notes	649,038	140,463	508,575
Distribution payments	(673,625)	(480,117)	(193,508)
Other	(3,096)	(262)	(2,834)
Net cash used in financing activities	$(133,839)	$(19,435)	$(114,404)

The increase in cash used in financing activities was due to repayments of borrowings, net of proceeds, increasing during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 offset by higher proceeds in 2018 from the issuance of the 2028 Notes as compared to the proceeds in 2017 from the issuance of the 2019 Notes. The increase in distribution payments for the six months ended June 30, 2018 as compared to the same period in 2017, which was a result of an increase in the number of units outstanding and distribution amount per common unit in the six months ended June 30, 2018 as compared to the same period in 2017.

Noncontrolling Interests in Operating Partnership

Noncontrolling interests relate to the common units in our Operating Partnership that are not owned by Digital Realty Trust, Inc., which, as of June 30, 2018, amounted to 4.0% of our Operating Partnership common units. Historically, our Operating Partnership has issued common units to third party sellers in connection with our acquisition of real estate interests from such third parties.

Limited partners have the right to require our Operating Partnership to redeem part or all of their common units for cash based upon the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of the redemption. Alternatively, we may elect to acquire those common units in exchange for shares of Digital Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. In connection with the DFT Merger, approximately 0.5 million common units of the Operating Partnership were issued to certain former unitholders in DuPont Fabros Technology, L.P., which are subject to certain restrictions and, accordingly, are not presented as permanent capital in the 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, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, excluding a gain from a pre-existing relationship, impairment charges 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 such other REITs' FFO. FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income available to common stockholders	$65,134	$57,837	$151,432	$123,982
Adjustments:				
Noncontrolling interests in operating partnership	2,700	807	6,180	1,711
Real estate related depreciation and amortization (1)	295,750	175,010	587,436	348,457
Real estate related depreciation and amortization related to investments in unconsolidated joint ventures	3,722	2,754	7,198	5,510
(Gain) loss on sale of properties	(14,192)	(380)	(53,465)	142
FFO available to common stockholders and unitholders (2)	$353,114	$236,028	$698,781	$479,802
Basic FFO per share and unit	$1.65	$1.45	$3.26	$2.96
Diluted FFO per share and unit (2)	$1.64	$1.44	$3.25	$2.94
Weighted average common stock and units outstanding				
Basic	214,288	163,078	214,149	162,281
Diluted (2)	214,895	164,027	214,774	163,271
(1) Real estate related depreciation and amortization was computed as follows:				
Depreciation and amortization per income statement	$298,788	$178,111	593,577	354,577
Non-real estate depreciation	(3,038)	(3,101)	(6,141)	(6,120)
	$295,750	$175,010	$587,436	$348,457

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted average common stock and units outstanding	214,288	163,078	214,149	162,281
Add: Effect of dilutive securities	607	949	625	990
Weighted average common stock and units outstanding—diluted	214,895	164,027	214,774	163,271

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Analysis of Debt between Fixed and Variable Rate

We use interest rate swap agreements and fixed rate debt to reduce our exposure to interest rate movements. As of June 30, 2018, our consolidated debt was as follows (in millions):

	Carrying Value	Estimated Fair Value
Fixed rate debt	$ 7,070.1	$ 7,203.5
Variable rate debt subject to interest rate swaps	1,009.7	1,009.7
Total fixed rate debt (including interest rate swaps)	8,079.8	8,213.2
Variable rate debt	1,093.6	1,093.6
Total outstanding debt	$ 9,173.4	$ 9,306.8

Interest rate derivatives included in this table and their fair values as of June 30, 2018 and December 31, 2017 were as follows (in thousands):

Notional Amount						Fair Value at Significant Other Observable Inputs (Level 2)	
As of June 30, 2018	As of December 31, 2017	Type of Derivative	Strike Rate	Effective Date	Expiration Date	As of June 30, 2018 [5]	As of December 31, 2017 [5]
Currently-paying contracts							
$206,000 [1]	$206,000 [1]	Swap	1.611	Jun 15, 2017	Jan 15, 2020	$ 2,882	$ 1,409
54,905 [1]	54,905 [1]	Swap	1.605	Jun 6, 2017	Jan 6, 2020	756	374
75,000 [1]	75,000 [1]	Swap	1.016	Apr 6, 2016	Jan 6, 2021	3,023	2,260
75,000 [1]	75,000 [1]	Swap	1.164	Jan 15, 2016	Jan 15, 2021	2,778	1,947
300,000 [2]	300,000 [2]	Swap	1.435	Jan 15, 2016	Jan 15, 2023	16,779	9,978
223,826 [3]	229,012 [3]	Swap	0.792	Jan 15, 2016	Jan 15, 2019	(158)	(430)
74,998 [4]	78,357 [4]	Swap	0.779	Jan 15, 2016	Jan 15, 2021	2,786	3,034
$1,009,729	$1,018,274					$ 28,846	$ 18,572

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

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

(3) Represents the British pound sterling tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rates of $1.32 to £1.00 as of June 30, 2018 and $1.35 to £1.00 as of December 31, 2017.

(4) Represents the Canadian dollar tranche of the 5-Year Term Loan. Translation to U.S. dollars is based on exchange rates of $0.76 to 1.00 CAD as of June 30, 2018 and $0.80 to 1.00 CAD as of December 31, 2017.

(5) 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.

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Sensitivity to Changes in Interest Rates

The following table shows the effect if assumed changes in interest rates occurred, based on fair values and interest expense as of June 30, 2018:

Assumed event	Change ($ millions)
Increase in fair value of interest rate swaps following an assumed 10% increase in interest rates	$ 4.9
Decrease in fair value of interest rate swaps following an assumed 10% decrease in interest rates	(5.0)
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	2.4
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	(2.4)
Increase in fair value of fixed rate debt following a 10% decrease in interest rates	75.5
Decrease in fair value of fixed rate debt following a 10% increase in interest rates	(70.3)

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

Foreign Currency Exchange Risk

For the six months ended June 30, 2018 and 2017, we had foreign operations in the United Kingdom, Ireland, France, Germany, the Netherlands, Switzerland, Canada, Singapore, Australia, Japan and Hong Kong. As such, we are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British pound sterling, Euro, Australian dollar, Singapore dollar, Canadian dollar, Hong Kong dollar and the Japanese yen. Our primary currency exposures are to the British pound sterling, Euro and the Singapore dollar. We attempt to mitigate a portion of the risk of currency fluctuation by financing our investments in the local currency denominations and we may also hedge well-defined transactional exposures with foreign currency forwards or options, although there can be no assurances that these will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of stockholders' equity. For the three months ended June 30, 2018 and 2017, operating revenues from properties outside the United States contributed $140.8 million and $126.9 million, respectively, which represented 18.6% and 22.4% of our total operating revenues, respectively. For the six months ended June 30, 2018 and 2017, operating revenues from properties outside the United States contributed $281.7 million and $248.3 million, respectively, which represented 18.8% and 22.2% of our total operating revenues, respectively. Net investment in properties outside the United States was $3.2 billion and $3.1 billion as of June 30, 2018 and December 31, 2017, respectively. Net assets in foreign operations were approximately $0.1 billion and $0.3 billion as of June 30, 2018 and December 31, 2017, 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

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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.

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.

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.

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.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is involved in legal proceedings arising in the ordinary course of business from time to time. As of June 30, 2018, the Company is not currently a party to any legal proceedings that it believes would have a material adverse effect on its financial position, results of operations or liquidity nor, to its knowledge, are any such legal proceedings threatened against it.

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, 2017 continue to apply to our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Digital Realty Trust, Inc.

None.

Digital Realty Trust, L.P.

During the three months ended June 30, 2018, our Operating Partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the three months ended June 30, 2018, Digital Realty Trust, Inc. issued an aggregate of 4,987 shares of its common stock in connection with restricted stock awards for no cash consideration. For each share of common stock issued by Digital Realty Trust, Inc. in connection with such an award, our Operating Partnership issued a restricted common unit to Digital Realty Trust, Inc. During the three months ended June 30, 2018, our Operating Partnership issued an aggregate of 4,987 common units to Digital Realty Trust, Inc., as required by our Operating Partnership’s partnership agreement. During the three months ended June 30, 2018, an aggregate of 63,056 shares of its common stock were forfeited to Digital Realty Trust, Inc. in connection with restricted stock awards for a net forfeiture of 58,069 shares of common stock.

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 $21.4 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.

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ITEM 6. EXHIBITS.

Exhibit Number	Description
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 November 9, 2017).
3.2	Seventh Amended and Restated Bylaws of Digital Realty Trust, Inc. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, Inc.'s Current Report on Form 8-K (File No. 001-32336) filed on March 8, 2018).
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	Sixteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.2 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 14, 2017).
10.1†	Separation and Consulting Agreement, dated as of May 11, 2018, among Digital Realty Trust, Inc., DLR LLC and Scott E. Peterson.
12.1	Statement of Computation of Ratios.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer for Digital Realty Trust, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer for Digital Realty Trust, Inc.
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer for Digital Realty Trust, L.P.
31.4	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer for Digital Realty Trust, L.P.
32.1	18 U.S.C. § 1350 Certification of Chief Executive Officer for Digital Realty Trust, Inc.
32.2	18 U.S.C. § 1350 Certification of Chief Financial Officer for Digital Realty Trust, Inc.
32.3	18 U.S.C. § 1350 Certification of Chief Executive Officer for Digital Realty Trust, L.P.
32.4	18 U.S.C. § 1350 Certification of Chief Financial Officer for Digital Realty Trust, L.P.
101	The following financial statements from Digital Realty Trust, Inc.'s and Digital Realty Trust, L.P.'s Form 10-Q for the quarter ended June 30, 2018, formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017; (ii) Condensed Consolidated Income Statements for the three and six months ended June 30, 2018 and 2017; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2018 and 2017; (iv) Condensed Consolidated Statements of Equity/Capital for the six months ended June 30, 2018; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017;

and (vi) Notes to Condensed Consolidated Financial Statements.

† Management contract or compensatory plan or arrangement.

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SIGNATURES

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

DIGITAL REALTY TRUST, INC.

August 7, 2018 /S/ A. WILLIAM STEIN
A. William Stein
Chief Executive Officer
(principal executive officer)

August 7, 2018 /S/ ANDREW P. POWER
Andrew P. Power
Chief Financial Officer
(principal financial officer)

August 7, 2018 /S/ EDWARD F. SHAM
Edward F. Sham
Chief Accounting Officer
(principal accounting officer)

SIGNATURES

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

DIGITAL REALTY TRUST, L.P.

By: Digital Realty Trust, Inc.
Its general partner

By:

August 7, 2018 /S/ A. WILLIAM STEIN
A. William Stein
Chief Executive Officer
(principal executive officer)

August 7, 2018 /S/ ANDREW P. POWER
Andrew P. Power
Chief Financial Officer
(principal financial officer)

August 7, 2018 /s/ EDWARD F. SHAM
Edward F. Sham
Chief Accounting Officer
(principal accounting officer)