

Digital Realty Trust, Inc.  
Form 10-Q  
November 10, 2008  
[Table of Contents](#)

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

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2008

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

Commission file number 001-32336

**DIGITAL REALTY TRUST, INC.**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**26-0081711**  
(IRS employer  
identification number)

**560 Mission Street, Suite 2900**

**San Francisco, CA**  
(Address of principal executive offices)

**94105**  
(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. Yes  No

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

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

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

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

Class	Outstanding at October 31, 2008
Common Stock, \$.01 par value per share	72,973,587

**Table of Contents**

**DIGITAL REALTY TRUST, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

**TABLE OF CONTENTS**

	<b>Page number</b>
<b>PART I. FINANCIAL INFORMATION</b>	
<b>ITEM 1. Condensed Consolidated Financial Statements:</b>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2008 (unaudited) and December 31, 2007</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2008 and 2007 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2008 and 2007 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007 (unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<b>ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	24
<b>ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	41
<b>ITEM 4. <u>Controls and Procedures</u></b>	43
<b>PART II. OTHER INFORMATION</b>	43
<b>ITEM 1. <u>Legal Proceedings</u></b>	43
<b>ITEM 1A. <u>Risk Factors</u></b>	43
<b>ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	43
<b>ITEM 3. <u>Defaults Upon Senior Securities</u></b>	43
<b>ITEM 4. <u>Submission of Matters to a Vote of Security Holders</u></b>	44
<b>ITEM 5. <u>Other Information</u></b>	45
<b>ITEM 6. <u>Exhibits</u></b>	45
<u>Signatures</u>	46

**Table of Contents****DIGITAL REALTY TRUST, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	September 30, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
Investments in real estate:		
Properties:		
Land	\$ 321,104	\$ 316,196
Acquired ground leases	2,743	2,790
Buildings and improvements	2,321,245	1,968,850
Tenant improvements	252,813	193,436
Total investments in properties	2,897,905	2,481,272
Accumulated depreciation and amortization	(270,016)	(188,099)
Net investments in properties	2,627,889	2,293,173
Investment in unconsolidated joint venture	7,370	8,521
Net investments in real estate	2,635,259	2,301,694
Cash and cash equivalents	41,978	31,352
Accounts and other receivables, net of allowance for doubtful accounts of \$2,177 and \$3,167 as of September 30, 2008 and December 31, 2007, respectively	53,809	43,440
Deferred rent	88,909	64,639
Acquired above market leases, net	33,433	38,762
Acquired in place lease value and deferred leasing costs, net	228,144	253,642
Deferred financing costs, net	17,781	17,610
Restricted cash	45,397	41,302
Other assets	14,175	17,023
Total Assets	\$ 3,158,885	\$ 2,809,464
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Revolving credit facility	\$ 43,969	\$ 299,731
Unsecured senior notes	25,000	
Mortgage loans	1,042,249	895,507
Exchangeable senior debentures	172,500	172,500
Accounts payable and other accrued liabilities	151,851	176,143
Accrued dividends and distributions		22,345
Acquired below market leases, net	81,542	93,572
Security deposits and prepaid rents	30,999	27,839
Total liabilities	1,548,110	1,687,637
Commitments and contingencies		
Minority interests in consolidated joint ventures	15,417	4,928
Minority interests in operating partnership, redemption value of \$269,463 as of September 30, 2008	67,983	72,983
Stockholders' equity:		
Preferred Stock: \$0.01 par value, 30,000,000 authorized:		
Series A Cumulative Redeemable Preferred Stock, 8.50%, \$103,500,000 liquidation preference (\$25.00 per share), 4,140,000 issued and outstanding	99,297	99,297
	60,502	60,502

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Series B Cumulative Redeemable Preferred Stock, 7.875%, \$63,250,000 liquidation preference (\$25.00 per share), 2,530,000 issued and outstanding		
Series C Cumulative Convertible Preferred Stock, 4.375%, \$175,000,000 liquidation preference (\$25.00 per share), 7,000,000 issued and outstanding	169,068	169,068
Series D Cumulative Convertible Preferred Stock, 5.500%, \$345,000,000 liquidation preference (\$25.00 per share), 13,800,000 issued and outstanding	333,581	
Common Stock; \$0.01 par value: 125,000,000 authorized, 72,556,699 and 65,406,240 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively	725	654
Additional paid-in capital	1,035,847	814,106
Dividends in excess of earnings	(151,727)	(103,090)
Accumulated other comprehensive income (loss), net	(19,918)	3,379
 Total stockholders' equity	 1,527,375	 1,043,916
 Total liabilities and stockholders' equity	 \$ 3,158,885	 \$ 2,809,464

See accompanying notes to the condensed consolidated financial statements.

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

(unaudited in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Operating Revenues:</b>				
Rental	\$ 102,449	\$ 82,536	\$ 293,161	\$ 234,529
Tenant reimbursements	29,882	22,104	77,367	54,414
Other	9,685	154	9,811	401
<b>Total operating revenues</b>	<b>142,016</b>	<b>104,794</b>	<b>380,339</b>	<b>289,344</b>
<b>Operating Expenses:</b>				
Rental property operating and maintenance	39,784	30,539	107,744	75,643
Property taxes	8,689	7,859	25,335	22,741
Insurance	1,252	1,356	3,655	4,201
Depreciation and amortization	46,520	35,345	125,227	96,576
General and administrative	11,348	7,775	30,016	23,441
Other	891	495	1,480	811
<b>Total operating expenses</b>	<b>108,484</b>	<b>83,369</b>	<b>293,457</b>	<b>223,413</b>
Operating income	33,532	21,425	86,882	65,931
<b>Other Income (Expenses):</b>				
Equity in earnings of (loss from) unconsolidated joint venture	178	(237)	509	524
Interest and other income	453	621	1,515	1,666
Interest expense	(15,094)	(16,683)	(44,007)	(48,541)
Loss from early extinguishment of debt			(182)	
Income from continuing operations before minority interests	19,069	5,126	44,717	19,580
Minority interests in consolidated joint ventures	(196)		(246)	
Minority interests in continuing operations of operating partnership	(688)	25	(1,348)	(781)
<b>Income from continuing operations</b>	<b>18,185</b>	<b>5,151</b>	<b>43,123</b>	<b>18,799</b>
Income (loss) from discontinued operations before gain on sale of assets and minority interests		(18)		1,395
Gain on sale of assets				18,049
Minority interests attributable to discontinued operations		2		(3,264)
<b>Income (loss) from discontinued operations</b>		<b>(16)</b>		<b>16,180</b>
<b>Net income</b>	<b>18,185</b>	<b>5,135</b>	<b>43,123</b>	<b>34,979</b>
Preferred stock dividends	(10,102)	(5,359)	(28,462)	(13,971)
<b>Net income (loss) available to common stockholders</b>	<b>\$ 8,083</b>	<b>\$ (224)</b>	<b>\$ 14,661</b>	<b>\$ 21,008</b>
<b>Income per share from continuing operations available to common stockholders:</b>				
Basic	\$ 0.11	\$	\$ 0.22	\$ 0.08
Diluted	\$ 0.11	\$	\$ 0.21	\$ 0.08

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### Income per share from discontinued operations:

Basic	\$	\$	\$	\$	0.27
Diluted	\$	\$	\$	\$	0.26

### Net income per share available to common stockholders:

Basic	\$	0.11	\$	\$	0.22	\$	0.35
Diluted	\$	0.11	\$	\$	0.21	\$	0.34

### Weighted average common shares outstanding:

Basic	70,916,019	60,717,153	67,425,030	59,324,104
Diluted	73,338,871	60,717,153	69,440,812	61,365,281

See accompanying notes to the condensed consolidated financial statements.

**Table of Contents**

**DIGITAL REALTY TRUST, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(unaudited in thousands)**