

Digital Realty Trust, Inc.  
Form 10-Q  
November 09, 2007  
Table of Contents

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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 September 30, 2007

.. **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)

\_\_\_\_\_  
**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)

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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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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, 2007
Common Stock, \$.01 par value per share	64,758,872

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**Table of Contents**

**DIGITAL REALTY TRUST, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**

	<b>Page number</b>
<b>PART I. FINANCIAL INFORMATION</b>	
<b>ITEM 1.</b> Condensed Consolidated Financial Statements:	
<u>Condensed Consolidated Balance Sheets as of September 30, 2007 (unaudited) and December 31, 2006</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and 2006 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2007 and 2006 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006 (unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	8
<b>ITEM 2.</b> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<b>ITEM 3.</b> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
<b>ITEM 4.</b> <u>Controls and Procedures</u>	43
<b>PART II. OTHER INFORMATION</b>	
<b>ITEM 1.</b> <u>Legal Proceedings</u>	44
<b>ITEM 1A.</b> <u>Risk Factors</u>	44
<b>ITEM 2.</b> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
<b>ITEM 3.</b> <u>Defaults Upon Senior Securities</u>	45
<b>ITEM 4.</b> <u>Submission of Matters to a Vote of Security Holders</u>	45
<b>ITEM 5.</b> <u>Other Information</u>	45
<b>ITEM 6.</b> <u>Exhibits</u>	45
<u>Signatures</u>	46

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

(in thousands, except share data)

	September 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
Investments in real estate:		
Properties:		
Land	\$ 288,784	\$ 228,728
Acquired ground leases	1,595	3,028
Buildings and improvements	1,741,901	1,415,236
Tenant improvements	190,015	172,334
Total investments in properties	2,222,295	1,819,326
Accumulated depreciation and amortization	(164,100)	(112,479)
Net investments in properties	2,058,195	1,706,847
Investment in unconsolidated joint venture	9,591	29,955
Net investments in real estate	2,067,786	1,736,802
Cash and cash equivalents	49,182	22,261
Accounts and other receivables, net of allowance for doubtful accounts of \$2,434 and \$2,032 as of September 30, 2007 and December 31, 2006, respectively	30,322	31,293
Deferred rent	57,317	40,225
Acquired above market leases, net	40,254	47,292
Acquired in place lease value and deferred leasing costs, net	255,265	248,751
Deferred financing costs, net	18,319	17,500
Restricted cash	38,716	28,144
Other assets	18,958	13,951
Total Assets	\$ 2,576,119	\$ 2,186,219
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Unsecured revolving credit facility	\$ 266,726	\$ 145,452
Mortgage loans	895,882	804,686
Exchangeable senior debentures	172,500	172,500
Accounts payable and other accrued liabilities	104,795	88,698
Accrued dividends and distributions	24,824	19,386
Acquired below market leases, net	95,485	87,487
Security deposits and prepaid rents	20,574	19,822
Total liabilities	1,580,786	1,338,031
Commitments and contingencies		
Minority interests in consolidated joint venture	2,902	
Minority interests in operating partnership	71,063	138,416
Stockholders' equity:		
Preferred Stock: \$0.01 par value, 20,000,000 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	168,955	
Common Stock; \$0.01 par value: 100,000,000 authorized, 60,721,750 and 54,257,691 shares issued and outstanding as of September 30, 2007 and December 31, 2006	607	542
Additional paid-in capital	666,023	597,334
Dividends in excess of earnings	(83,069)	(52,093)
Accumulated other comprehensive income, net	9,053	4,190
<b>Total stockholders' equity</b>	<b>921,368</b>	<b>709,772</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,576,119</b>	<b>\$ 2,186,219</b>

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,	
	2007	2006	2007	2006
<b>Operating Revenues:</b>				
Rental	\$ 82,536	\$ 57,394	\$ 234,529	\$ 153,044
Tenant reimbursements	22,104	13,279	54,414	36,819
Other	154		401	168
<b>Total operating revenues</b>	<b>104,794</b>	<b>70,673</b>	<b>289,344</b>	<b>190,031</b>
<b>Operating Expenses:</b>				
Rental property operating and maintenance	30,539	14,972	75,643	39,491
Property taxes	7,859	6,956	22,741	20,378
Insurance	1,356	934	4,201	2,856
Depreciation and amortization	35,345	23,767	96,576	58,838
General and administrative	7,775	4,986	23,441	13,906
Other	495	607	811	938
<b>Total operating expenses</b>	<b>83,369</b>	<b>52,222</b>	<b>223,413</b>	<b>136,407</b>
Operating income	21,425	18,451	65,931	53,624
<b>Other Income (Expenses):</b>				
Equity in earnings of (loss from) unconsolidated joint venture	(237)		524	
Interest and other income	621	364	1,666	854
Interest expense	(16,683)	(13,792)	(48,541)	(35,493)
Loss from early extinguishment of debt		(40)		(522)
Income from continuing operations before minority interests	5,126	4,983	19,580	18,463
Minority interests in continuing operations of operating partnership	25	(657)	(781)	(3,908)
Income from continuing operations	5,151	4,326	18,799	14,555
Income (loss) from discontinued operations before gain on sale of assets and minority interests	(18)	250	1,395	138
Gain on sale of assets		18,016	18,049	18,016
Minority interests attributable to discontinued operations	2	(7,805)	(3,264)	(7,740)
Income (loss) from discontinued operations	(16)	10,461	16,180	10,414
Net income	5,135	14,787	34,979	24,969
Preferred stock dividends	(5,359)	(3,445)	(13,971)	(10,335)
<b>Net income (loss) available to common stockholders</b>	<b>\$ (224)</b>	<b>\$ 11,342</b>	<b>\$ 21,008</b>	<b>\$ 14,634</b>
Income (loss) per share from continuing operations available to common stockholders:				
Basic	\$	\$ 0.02	\$ 0.08	\$ 0.13
Diluted	\$	\$ 0.02	\$ 0.08	\$ 0.13

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Income per share from discontinued operations:				
Basic	\$	\$	0.29	\$ 0.32
Diluted	\$	\$	0.28	\$ 0.30
Net income (loss) per share available to common stockholders:				
Basic	\$	\$	0.31	\$ 0.45
Diluted	\$	\$	0.30	\$ 0.43
Weighted average common shares outstanding:				
Basic	60,717,153	36,114,253	59,324,104	32,361,456
Diluted	60,717,153	37,446,893	61,365,281	33,684,081

See accompanying notes to the condensed consolidated financial statements.

**Table of Contents**

**DIGITAL REALTY TRUST, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(unaudited in thousands)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net income	\$ 5,135	\$ 14,787	\$ 34,979	\$ 24,969
Other comprehensive income:				
Foreign currency translation adjustments	4,017	121	5,310	3,397
Minority				