



Fellow Shareholders,

CoreSite's mission is to accelerate our customers' growth and performance by delivering network-dense, cloud-enabled data center solutions and a premium customer experience to interconnected communities. In 2012, we moved purposefully forward in executing upon our mission. We recorded another year of profitable, sustainable growth, driven by our increasingly robust capabilities to provide our customers with valuable communities, connectivity and capacity. We entered new markets, refined our go-to market platform, expanded our team of employees and partners, and grew our customer base, all of which increased the value of the CoreSite Mesh.

In last year's update, we discussed the four key ingredients of our company—properties, people, capital and market opportunity. We would like to update you on our efforts within each area in 2012 and offer insight into how we plan to leverage these aspects of the company to continue to create value for our customers and our shareholders in 2013 and beyond.

- *Properties.* In 2012, we meaningfully advanced our efforts to expand and refine our datacenter portfolio. We invested over \$88 million expanding our data center platform, including our entry into the Denver market with the acquisition of Comfluent, the market's leading network-dense colocation operator. Supported by our capital expansions, we grew our platform to include over 275 network service providers, 750 customers and 15,000 cross connections.
- *People.* Over the year, we made significant additions to our management team. Key among last year's hires include Jarrett Appleby, COO; Chris Ancell, SVP of Sales and Sales Engineering; Veena Bricker, VP of Human Capital, and five additional VPs across our Marketing, Sales and IT functions. During the year, we also reoriented our sales and marketing teams around customer verticals. We ended the year approximately 85% staffed in our new model and producing early successes in the cloud and network-and-mobility verticals.
- *Capital.* By expanding our capital base in 2012, we increased liquidity for current and planned capital projects. Via our issuance of \$115 million in preferred equity, we replaced short-term, variable-rate debt with permanent capital at an attractive cost. Additionally, in January 2013, we expanded the capacity of our credit facility by an incremental \$130 million, reduced the interest rate spread, converted to an unsecured structure, and extended the term. In addition to providing capital to fund growth, these steps serve as important milestones as we work to reduce our cost of capital and accelerate our ability to achieve an investment-grade rating.
- *Market Opportunity.* In 2012, a broad set of metrics underscored the strength of our business model and market opportunity. We believe that in 2012 we recorded a growth rate in installed fiber cross connections at the top of our industry in North America. We also posted record sales volume and we believe that we recorded the strongest year in our history in terms of signing valuable anchor applications and augmenting our foundation for future profitable growth. As we look ahead at 2013, many industry analysts reinforce the attractiveness of our market opportunity. Gartner, a leading example, recently forecasted data center outsourcing increasing from 20% in 2012 to nearly 35% in 2016. Gartner also predicted that over 70% of server workloads will be virtualized during that time period, with new enterprise workloads deployed in multi-tenant data centers nearly doubling by 2015. We believe that our strong reputation in supporting customer communities and enabling high-performance applications that rely upon network access and compute-as-a-service positions us to capture valuable market share.

We were pleased that our efforts over the past year translated to strong growth in financial results. Specifically, in 2012, we increased revenue by 19.7%, Adjusted EBITDA by 36%, and FFO by 26.5% over 2011. Further, we recorded a 69% flow-through margin to Adjusted EBITDA in 2012, realizing increasing operating leverage while investing meaningfully for future growth.

In 2012, we believe we took important additional steps to position our company to accelerate our growth and increase our returns on capital. That said, the books are closed on 2012 and we are focused upon the road ahead. To that end, we are privileged to have before us meaningful and valuable work to do. In 2013, we will continue to complete the hiring of our sales and marketing teams and execute upon our two-year plan to upgrade our IT systems. In early 2013, we also created our Organizational Excellence team, led by VP Jeff Dorr. This team will leverage off of leading process improvement tools and methodologies to further improve our already outstanding customer service and support our goal of executing with world-class internal capabilities.

Beyond our organizational goals for 2013, we anticipate our most meaningful year of capital deployment since we became a public company. We expect to invest between \$200 and \$225 million in expansion capital, driven by three key projects to commence during the year—1) an expansion to our highly successful facility in Reston, Virginia, 2) a pre-leased build-to-suit project on our Santa Clara campus, and 3) the construction of our flagship New York-area facility in Secaucus, New Jersey. These three projects represent over 550,000 gross square feet of state-of-the-art data centers in North America's top three data center markets, providing the platform for continued growth of our company.

Our focus in 2013 will remain upon further differentiating the communities, connectivity and capacity we offer. We strengthened the CoreSite Mesh by enlarging and organizing our teams to increase our penetration into key customer verticals and accelerate sales to targeted applications and customers. Our goal is to increase the volume of sales that is predictable, enhance visibility into revenue growth, and drive an increasingly valuable product mix including interconnection products and value-add power solutions. Finally, we remain intensely focused upon delivering a best-in-class customer experience by simplifying customer engagement, executing with industry-leading cycle time, and ensuring excellent quality and reliability.

With 2012 behind us, we are thankful for what we have been able to accomplish. We entered 2013 with a world-class team, a broad and differentiated platform of assets in network-dense locations, the organizational alignment to execute upon our vertical go-to-market strategy, and product offerings well-suited to meet the demands of performance-sensitive applications. Looking ahead, we are heartened by our further opportunity to do much good work alongside many good people. We appreciate the trust our customers place in us, the hard work and unsurpassed commitment of our colleagues, and the continued support of our shareholders. We will continue to work hard to serve all of our stakeholders and deliver strong returns to our investors.

Sincerely,



Tom Ray, President and CEO  
CoreSite Realty Corporation