



Fellow Shareholders,

Since CoreSite's initial public offering (IPO) in September 2010, we have been on a journey to profitably expand and deepen our footprint in the essential data center markets we serve across the nation. We believe that this strategy and its execution have enabled us to create sustainable value for our customers and shareholders. Adhering to our values of Simple, Honest, Strong, we strive daily to provide an exceptional customer experience, to ensure our data centers are secure, reliable, interconnected, and high-performing, to treat each and every one of our employees with respect and appreciation, and to grow cash flow, dividends and value for shareholders. With that in mind, I would like to share some highlights of our performance since our IPO:

- Based on fourth-quarter 2016 annualized amounts, we have nearly tripled total operating revenues to a run rate of approximately \$440 million exiting 2016;
- Net income per diluted share increased to \$0.44 in Q4 2016 from \$(0.16) in Q4 2010
- Both FFO per share¹ and adjusted EBITDA¹ have increased at a compound annual rate of 27%, while our adjusted EBITDA margin has expanded nearly 1,600 basis points, from 37% to 53%;
- We have increased our dividend annually and the current level reflects a compound annual growth rate of 35%;
- We have increased the size of our operating data center portfolio at a 12% compound annual growth rate, substantially all of which has been organic growth; and
- We ended 2016 with almost 1,100 customers compared to approximately 630 at the end of 2010

We have been able to achieve these results due to our unwavering focus on the execution of our business strategy – based on the needs of our customers in our markets – and our financial discipline. Towards that end, we have deepened our presence in our markets to increase our operational scale and strengthen our competitive positioning. Our data center campuses are thoughtfully located and designed to provide the greatest possible appeal to, and flexibility for, our diverse customer base. While we are now a much larger company, and growing off a larger base, we believe the dynamics driving the growth since IPO continue to provide good opportunities for the foreseeable future.

CoreSite currently has 20 operating data centers across eight major U.S. markets, and these markets are centers of population density, business activity and economic health, currently comprising 20% of the U.S. population and 27% of U.S. GDP. Importantly, we have significant expansion capacity available across our portfolio, with the ability to increase occupied data center footprint on land and buildings currently owned (meaning the combined potential additional occupancy in currently unoccupied space, buildings under construction, and buildings which can be constructed on land held for development) by approximately 1.3 million net rentable square feet, or 66% of currently occupied space.

In 2016, CoreSite's financial and operating results reflected very strong growth across all of our operational and financial metrics, while we continued to grow, expand, and improve across the organization. Our full-

¹ Reconciliations of non-GAAP financial measures can be accessed on the Investor Relations pages of our website at CoreSite.com.

year 2016 leasing performance demonstrates consistent execution, an efficient go-to-market strategy and our robust customer communities. Our sales results for the year included 579 new and expansion leases executed, totaling \$49 million in annualized GAAP rent, a 6% increase over 2015. In addition, we commenced a record 443,000 square feet of data center space in 2016, due in part to better-than-expected leasing performance at SV7, our newest data center. This new occupancy translates into \$59 million in annualized GAAP rent commenced during the year, a 37% year-over-year increase. Our strong leasing execution, combined with our ongoing focus on improving efficiencies across the organization, resulted in cash flow growth of 45.9% year over year, as measured by adjusted funds from operations (AFFO)¹.

In addition to the strength in our operating and financial performance in 2016, we executed well on our strategic priorities, including:

- Completing the development of SV7 – our largest ground-up development of a multi-tenant data center, which has leased up more quickly than any of our previous multi-tenant buildings;
- Acquiring extensive capacity in the Northern Virginia market with the purchase of Sunrise Technology Park to expand our Reston campus and build upon the success of VA1 and VA2;
- Announcing expansions in both Denver and Washington D.C., to enhance our leading position in both markets and meet strong customer demand for performance-sensitive data center capacity; and
- Attracting numerous key customers to our data center communities, with a total of 83 net new logos added throughout 2016

None of these achievements would have been possible without an outstanding group of colleagues throughout our organization. I am grateful for the opportunity to work with so many talented and caring individuals. The quality of the people in CoreSite, and our culture, is a tribute to the intense focus on people and culture by our executive team and our board of directors over many years.

As we look ahead to 2017, we are optimistic about the opportunities ahead of us as the use cases for network dense, high-performance, interconnected data center space in our markets continue to grow.

Sincerely,



Paul Szurek
President and CEO
CoreSite Realty Corporation