



Dear Fellow Shareholder,

2010 was a significant year for CoreSite. With our IPO in September, our company entered a new phase along its growth trajectory. Much has changed since we acquired and began to operate our first data center asset 11 years ago. Desktops and laptops are now joined by tablets and cloud computing. Video and music streams to offices, homes and everywhere in between via ubiquitous and powerful mobile devices. Over 2.0 billion people around the globe now use the Internet, double the number five years earlier. Since the year 2000, global Internet traffic increased by more than 13 times, and the amount of digital information stored around the world has increased ten-fold.

The accelerating pace of growth among digital networks, applications and devices drove strong growth for our business. From the time we acquired our first asset, CoreSite has steadily and profitably acquired, developed, redeveloped and managed its assets and built its integrated operating platform to meet the increasing and evolving needs of our customers.

### **The Year in Review**

In 2010, we continued our history of meeting customer needs, growing our business and prudently raising capital to fund our growth. With our September IPO and the associated debt financings, we completed over \$480 million in financing activities. We have put in place the capital platform to support the growth inherent in our market opportunity and our organizational capability.

In addition to strengthening our access to multiple sources of capital, we furthered our organizational capabilities by rounding out our management team. In 2010 and early 2011, we were joined by leaders who brought to us added domain expertise along with kindred spirits and culture. Accelerating energy and capability are palpable in our company, reflecting the strength and passion of our long-standing leaders and that brought by Jeff Finnin as CFO, Derek McCandless as General Counsel, and Chris Bair and Chuck Price as SVPs of Leasing and Technology, respectively.

In 2010, we executed upon the plans we communicated to our shareholders in our IPO offering documents. In our first quarter as a public company and through the first quarter of 2011, we signed new and expansion data center leases representing \$8.3 million of stabilized annual rental revenue. We further cemented our position as an industry leader in network density, reflected by cross-connect growth of 15% and an increase in average Any2 traffic of 25% compared to 2009. We also meaningfully expanded our asset base - in 2010 and through the first quarter of 2011, we completed seven development and redevelopment projects and commenced construction on two more.

### **Looking Ahead**

We look ahead to 2011 with measured optimism. The demand drivers in our industry – networks, applications and devices generating digital information to be processed, stored and distributed around the world – have weathered a global recession and remain robust. Still, recent events in Japan and the Middle East, coupled with the long-term economic headwind created by large amounts of private and public debt in the US and more broadly in much of the developed world, remind us to be prudent when assessing the dynamics of the nascent global recovery. Additionally, we anticipate that competition in our industry may intensify, as it did in 2010 in the undifferentiated proximity sector of our business. Despite potential increases in competition and broader economic and socio-political risks inherent in our and

nearly any industry, we believe that our market opportunity is attractive. Specifically, we see favorable supply-demand dynamics in the key network segment as well as the power-based segment in certain markets – both sweet spots for our platform. We will continue to seek opportunities to invest in these sectors, remaining disciplined in assessing supply and demand underpinning each investment we evaluate.

With a market opportunity and investment choices that we believe remain attractive, we entered 2011 well positioned to continue growing profitably. We expect to capitalize upon our embedded growth opportunity in several areas, including the following:

- Lease-up opportunity – At December 31, 2010, we had 220,000 NRSF of high-quality data center space available for lease, well distributed across some of the strongest data center markets in the US
- Redevelopment and development – At December 31, 2010, we had the ability to construct nearly 975,000 NRSF of new data center space on land and in buildings we own, representing a potential increase of 86% of our operating data center portfolio
- Mark-to-market – In 2010, we retained 79% of rental revenue expiring during the year and achieved an average rental increase of 18% on a cash basis and 27% on a GAAP basis; many of our in-place leases remain below current market rents for our buildings
- Strong balance sheet – At December 31, our balance sheet reflected gross debt to EBITDA of 2.2x, \$86 million of cash and cash equivalents on hand, and \$100 million of capacity on our line of credit

In addition to our embedded internal growth opportunities, we have a solid platform from which to identify and execute upon external growth opportunities. To this end, we will evaluate and opportunistically invest in expanding our data center platform, predominantly with an eye toward laying the foundation for continued growth in 2012.

## **Conclusion**

CoreSite is attacking 2011 with accelerating momentum and a belief that the need for data centers is greater than ever. We believe that CoreSite is an exceptional company – a driven organization embodying four vital and special ingredients. First, our industry is marked by increasing demand and opportunity. Second, we have selectively assembled a growing collection of high-quality facilities at premiere locations atop strong network density. Next, we have a fully funded near-term business plan and our balance sheet supports further growth. Finally, and importantly, our 180 passionate, capable professionals work together to create a powerful internal-leasing capability coupled with comprehensive and committed customer service.

2010 was a good year for CoreSite. We'd like to thank our associates for their hard work and high spirits that together drive our operational success. We'd like to also thank our shareholders and our Board for supporting our vision and our growth. We look forward to 2011 and to continuing to execute our business plan, further our growth and share our success together.



Thomas M. Ray  
President and Chief Executive Officer