



CoreSite Reports Fourth Quarter and Full Year 2011 Results

February 23, 2012

DENVER--(BUSINESS WIRE)--Feb. 23, 2012-- CoreSite Realty Corporation (NYSE: COR), a national provider of powerful, network-rich data centers, today announced financial results for the fourth quarter 2011.

Quarterly Highlights

- Reported fourth-quarter FFO of \$0.34 per diluted share and unit, representing a 36.0% increase over the prior-year quarter
- Reported fourth-quarter revenue of \$46.0 million, representing a 3.7% increase over the prior quarter and a 20.0% increase over the prior-year quarter
- Executed new and expansion data center leases representing \$6.8 million of annualized GAAP rent with a weighted-average GAAP rental rate of \$192 per net rentable square foot
- Amended the company's revolving credit facility, expanding capacity to \$225 million
- Announced 2012 FFO guidance with a range of \$1.36 to \$1.50 per diluted share
- Increased quarterly dividend by 38% to \$0.18 per share

Tom Ray, CoreSite's Chief Executive Officer, commented, "Our leasing results in the fourth quarter reflect our continued drive to further differentiate our network-centric data centers and deliver excellence in our customer experience. Our strongest leasing results in the quarter were in Virginia, Chicago and the Bay area. We signed 19 new customers in the quarter, with key network wins from both the carrier and cloud verticals. We also continued to expand our platform, delivering new space in two markets and remaining on schedule and on budget to complete construction in the first half of 2012 on three additional projects."

Mr. Ray concluded, "We are pleased to have generated solid growth for our investors in 2011 and to enter 2012 with a strong asset base to drive internal growth and support expansion. We believe that the investments we are making in our operating platform will enable us to continue to drive the profitability of our company. We remain focused upon serving our customers, strengthening our go-to-market platform, executing in our development program and generating returns for our investors."

Financial Results

Fourth Quarter 2011

CoreSite reported funds from operations ("FFO") of \$15.8 million, or \$0.34 per diluted share and unit, for the three months ended December 31, 2011, compared to \$11.5 million, or \$0.25 per diluted share and unit, for the three months ended December 31, 2010. Total operating revenue for the three months ended December 31, 2011, was \$46.0 million, a 3.7% increase on a sequential quarter basis and a 20.0% increase over the same quarter of the prior year. The company reported net income for the three months ended December 31, 2011, of \$462,000 and net income attributable to common shares of \$179,000, or \$0.01 per diluted share.

Full Year 2011

CoreSite reported FFO of \$56.9 million, or \$1.24 per diluted share and unit, for the year ended December 31, 2011. Total operating revenue for the year ended December 31, 2011, was \$172.8 million. The company reported a net loss for the year ended December 31, 2011, of \$10.8 million and a net loss attributable to common shares of \$4.6 million, or \$0.24 per share.

A reconciliation of GAAP net income to funds from operations can be found in the company's supplemental financial presentation available on its website at www.CoreSite.com.

Leasing Activity

The company executed new and expansion data center leases representing \$6.8 million of annualized GAAP rent during the quarter, comprised of 35,461 NRSF at a weighted average GAAP rate of \$192 per NRSF and a weighted average lease term of 3.6 years.

During the fourth quarter, data center lease commencements totaled 38,864 NRSF at a weighted average GAAP rental rate of \$168 per NRSF which represents \$6.5 million of annualized GAAP rent.

Renewal leases totaling 22,911 NRSF commenced in the fourth quarter at a weighted average GAAP rate of \$133 per NRSF, reflecting a 2.8% decrease in rent on a cash basis and a 4.8% increase on a GAAP basis. The decrease in cash rent was materially attributable to the decrease in rent associated with the renewal of an 9,532 NRSF lease at the company's facility in Milpitas, California. Excluding this lease, renewal rent increased 7.3% on a cash basis and 13.9% on a GAAP basis. The company's rent retention ratio for the fourth quarter was 69.4% and, adjusted to exclude the termination of a 102,951 square-foot lease in the company's Los Angeles market, its rent retention ratio for the quarter was 90.7%. For the calendar year 2011, the company's rent retention ratio was 70.2% in total, and 78.9% adjusted to exclude the termination of the 102,951 square-foot lease. For the year, rents on renewed leases increased 17.1% on a cash basis and 27.5% on a GAAP basis.

Development and Redevelopment Activity

During the fourth quarter, the company completed construction on 27,649 NRSF of space in Boston and Los Angeles for a total cost of \$11.6 million, or approximately \$420 per NRSF. Additionally, during the first half of 2012, the company plans to complete 126,106 NRSF of data center space currently under construction across three development projects in Northern Virginia, Santa Clara and Chicago.

The total estimated cost to complete the 126,106 NRSF of data center space under construction at December 31, 2011 is \$99.7 million, an average cost of \$790 per NRSF. The company incurred approximately \$69.9 million through December 31, 2011, including investments of \$38.7 million in its Santa Clara project and \$28.0 million in its Northern Virginia project.

Including the space currently under construction or in preconstruction at December 31, 2011, as well as currently operating space targeted for future redevelopment, CoreSite owns land and buildings sufficient to develop or redevelop 936,390 feet of data center space, comprised of (1) 126,106 NRSF of data center space currently under construction, (2) 465,034 NRSF of office and industrial space currently available for redevelopment, and (3) 345,250 NRSF of new data center space available for development on land that the company currently owns at its Coronado-Stender business park.

Balance Sheet and Liquidity

As of December 31, 2011, the company had \$121.9 million of total long-term debt equal to 12.9% of total enterprise value and equal to 1.7x annualized adjusted EBITDA for the quarter ended December 31, 2011.

In December, CoreSite amended its revolving credit facility, extending the term to three years with an additional one-year extension, and increasing the size of its facility from \$110 million to \$225 million. The facility contains an accordion feature that can increase the facility by an additional \$175 million with lender approval.

Subsequent to December 31, 2011, the company has drawn an additional \$30.3 million on its revolving credit facility, primarily to repay a \$25.0 million senior mortgage loan secured by the 427 S. LaSalle property. In conjunction with the repayment of the senior mortgage loan, 427 S. LaSalle was added as a co-borrower under the facility, with borrowings secured by a lien on the 427 S. LaSalle property on a senior secured basis. As a result of contributing this property to the borrowing base the company's accessible capacity has increased to \$202.5 million, of which \$158.6 million is currently available.

Dividend

On December 7, 2011, the company's board of directors declared a dividend of \$0.18 per share of common stock and common stock equivalents for the fourth quarter of 2011. This represents a 38% increase from the previous quarterly dividend of \$0.13 per share since the company's initial public offering in September 2010. The dividend was paid on January 17, 2012 to shareholders of record on December 31, 2011.

2012 Guidance

The company is providing the following guidance predicated on current economic conditions, internal assumptions about its customer base, and the supply and demand dynamics of the markets in which it operates. The guidance does not include the impact of any acquisitions or capital markets transactions.

	Low	High
Net income (loss) per share	\$(0.02)	\$0.04
Real estate related depreciation and amortization per share	\$ 1.38	\$ 1.46
FFO per share	\$ 1.36	\$ 1.50

The company's 2012 guidance provided in this press release incorporates projected operating results based upon significant drivers as follows:

- Total operating revenues of \$195.0 million to \$205.0 million based upon:
 - Rent retention on renewals of 65% to 70%
 - GAAP rent growth on renewals of 2% to 6%
- Total general and administrative expenses of \$22.0 million to \$24.0 million
- Adjusted EBITDA of \$76.0 million to \$84.0 million
- Development/redevelopment capital expenditures of \$85.0 million to \$110.0 million
- Recurring capital expenditures of \$3.0 million to \$5.0 million

Conference Call Details

The company will host a conference call on February 23, 2012 at 12:00 p.m. (Eastern Time) to discuss its financial results, current business trends and market conditions.

The call can be accessed live over the phone by dialing 877-407-3982 for domestic callers or 201-493-6780 for international callers. A replay will be available shortly after the call and can be accessed by dialing 877-870-5176 for domestic callers or 858-384-5517 for international callers. The passcode for the replay is 387074. The replay will be available until March 1, 2012.

Interested parties may also listen to a simultaneous webcast of the conference call by logging on to the company's website at www.CoreSite.com and clicking on the "Investors" tab. The on-line replay will be available for a limited time beginning immediately following the call.

About CoreSite

CoreSite Realty Corporation (NYSE: COR) is a national provider of data center products and interconnection services. More than 700 customers such as Global 1000 enterprises, communications providers, cloud and content companies, financial firms, media and entertainment, healthcare, and government agencies choose CoreSite for the confidence that comes with customer-focused data center products, service and support systems, and

scalability. CoreSite data centers are business catalysts, featuring the Any2 Internet exchange and network ecosystems, which include access to 200+ carriers and service providers and a growing mesh of more than 15,000 interconnections. The company features a diverse colocation offering from individual cabinets to custom cages and private suites, with 12 data center locations in seven major U.S. markets. For more information, visit www.CoreSite.com.

Forward Looking Statements

This earnings release and accompanying supplemental information may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond the company's control, that may cause actual results to differ significantly from those expressed in any forward-looking statement. These risks include, without limitation: the geographic concentration of the company's data centers in certain markets and any adverse developments in local economic conditions or the demand for data center space in these markets; fluctuations in interest rates and increased operating costs; difficulties in identifying properties to acquire and completing acquisitions; significant industry competition; the company's failure to obtain necessary outside financing; the company's failure to qualify or maintain our status as a REIT; financial market fluctuations; changes in real estate and zoning laws and increases in real property tax rates; and other factors affecting the real estate industry generally. All forward-looking statements reflect the company's good faith beliefs, assumptions and expectations, but they are not guarantees of future performance. Furthermore, the company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could cause the company's future results to differ materially from any forward-looking statements, see the section entitled "Risk Factors" in the company's most recent annual report on Form 10-K, and other risks described in documents subsequently filed by the company from time to time with the Securities and Exchange Commission.

Consolidated Balance Sheet

(in thousands, except per share data)

	December 31, 2011	December 31, 2010
ASSETS		
Investments in real estate:		
Land	\$ 84,738	\$ 84,738
Building and building improvements	499,717	450,097
Leasehold improvements	81,057	75,800
	665,512	610,635
Less: Accumulated depreciation and amortization	(64,428)	(32,943)
Net investment in operating properties	601,084	577,692
Construction in progress	73,084	11,987
Net investments in real estate	674,168	589,679
Cash and cash equivalents	6,628	86,246
Restricted cash	9,291	14,968
Accounts and other receivables, net of allowance for doubtful accounts of \$465 and \$305 as of December 31, 2011 and 2010, respectively	6,562	5,332
Lease intangibles, net of accumulated amortization of \$33,711 and \$17,105 as of December 31, 2011 and 2010, respectively	36,643	71,704
Goodwill	41,191	41,191
Other assets	33,743	23,906
Total assets	\$ 808,226	\$ 833,026
LIABILITIES AND EQUITY		
Liabilities:		
Revolving credit facility	\$ 5,000	\$ -
Mortgage loans payable	116,864	124,873
Accounts payable and accrued expenses	38,822	26,393
Deferred rent payable	3,535	2,277
Acquired below-market lease contracts, net of accumulated amortization of \$9,267 and \$4,989 as of December 31, 2011 and 2010, respectively	11,872	16,415
Prepaid rent and other liabilities	11,946	8,603
Total liabilities	188,039	178,561
Stockholders' equity:		
Common stock, par value \$0.01, 100,000,000 shares authorized and 20,747,794 and 19,644,042 shares issued and outstanding at December 31, 2011 and 2010, respectively	204	194
Additional paid-in capital	256,183	239,453
Accumulated other comprehensive income (loss)	(34)	52

Accumulated deficit	(23,545)	(7,460)
Total stockholders' equity	232,808	232,239
Noncontrolling interests	387,379	422,226
Total equity	620,187	654,465
Total liabilities and equity	\$ 808,226	\$ 833,026

Consolidated Statement of Operations

(in thousands, except share and per share data)

	The Company		The Predecessor	
	Year Ended December 31, 2011	For the period September 28, 2010 through December 31, 2010	For the period January 1, 2010 through September 27, 2010	Year ended December 31, 2009
Operating revenues:				
Rental revenue	\$ 108,597	\$ 24,428	\$ 24,377	\$ 18,974
Power revenue	43,402	9,403	8,520	7,372
Tenant reimbursement	6,344	1,501	1,406	1,061
Other revenue	14,503	3,020	1,254	1,424
Total operating revenues	172,846	38,352	35,557	28,831
Operating expenses:				
Property operating and maintenance	55,049	12,107	14,272	13,954
Real estate taxes and insurance	9,119	1,642	1,262	1,787
Management fees to related party	-	-	3,582	2,244
Depreciation and amortization	68,967	19,146	11,848	11,193
Sales and marketing	5,744	1,341	125	135
General and administrative	21,846	4,987	2,258	1,401
Transaction costs	875	3,275	-	-
Rent	18,336	4,551	2,177	2,816
Total operating expenses	179,936	47,049	35,524	33,530
Operating income (loss)	(7,090)	(8,697)	33	(4,699)
Gain on early extinguishment of debt	939	-	-	-
Interest income	117	77	2	3
Interest expense	(5,275)	(2,325)	(1,590)	(2,343)
Loss before income taxes	(11,309)	(10,945)	(1,555)	(7,039)
Income tax benefits	530	223	-	-
Net loss	\$ (10,779)	\$ (10,722)	\$ (1,555)	\$ (7,039)
Net loss attributable to noncontrolling interests	(6,168)	(7,371)	-	-
Net loss attributable to common shares	\$ (4,611)	\$ (3,351)	\$ (1,555)	\$ (7,039)
Basic and diluted loss per common share:				
Net loss per share attributable to common shares	\$ (0.24)	\$ (0.17)	N/A	N/A
Weighted average common shares outstanding	19,609,375	19,458,605	N/A	N/A

Consolidated Statement of Operations

(in thousands, except share and per share data)

	Three Months Ended:				
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Operating revenues:					
Rental revenue	\$ 29,064	\$ 27,616	\$ 26,707	\$ 25,210	\$ 24,428
Power revenue	11,411	11,450	10,760	9,781	9,403
Tenant reimbursement	1,767	1,432	1,425	1,720	1,501
Other revenue	3,787	3,869	3,592	3,255	3,020
Total operating revenues	46,029	44,367	42,484	39,966	38,352
Operating expenses:					
Property operating and maintenance	15,063	14,133	13,830	12,023	12,107

Real estate taxes and insurance	2,064	2,163	2,149	2,743	1,642
Depreciation and amortization	15,743	16,091	17,660	19,473	19,146
Sales and marketing	1,619	1,315	1,433	1,377	1,341
General and administrative	5,880	4,747	5,602	5,617	4,987
Transaction costs	-	192	683	-	-
Rent	4,588	4,601	4,600	4,547	4,551
Total operating expenses	44,957	43,242	45,957	45,780	43,774
Operating income (loss)	1,072	1,125	(3,473)	(5,814)	(5,422)
Gain on early extinguishment of debt	-	(10)	949	-	-
Interest income	2	9	40	66	77
Interest expense	(838)	(916)	(1,269)	(2,252)	(2,325)
Income (loss) before income taxes	236	208	(3,753)	(8,000)	(7,670)
Income tax benefits	226	55	165	84	223
Net income (loss) per share attributable to common shares:	462	263	(3,588)	(7,916)	(7,447)
Net income (loss) attributable to noncontrolling interests	283	151	(2,058)	(4,544)	(4,275)
Net income (loss) attributable to common shares	\$ 179	\$ 112	\$(1,530)	\$(3,372)	\$(3,172)
Net income (loss) per share attributable to common shares:					
Basic	\$ 0.01	\$ 0.01	\$(0.08)	\$(0.17)	\$(0.16)
Diluted	\$ 0.01	\$ 0.01	\$(0.08)	\$(0.17)	\$(0.16)
Weighted average common shares outstanding:					
Basic	19,988,150	19,494,703	19,473,219	19,458,605	19,458,605
Diluted	20,082,003	19,587,961	19,473,219	19,458,605	19,458,605

Reconciliation of Net Income (Loss) to Funds From Operations

(in thousands, except per share data)

	Three Months Ended:				
	December 31,	September 30,	June 30,	March 31,	December 31,
	2011	2011	2011	2011	2010
Net income (loss)	\$ 462	\$ 263	\$(3,588)	\$(7,916)	\$(7,447)
Adjustments:					
Real estate depreciation and amortization	15,307	15,738	17,391	19,237	18,936
FFO available to common shareholders and OP unitholders	\$ 15,769	\$ 16,001	\$ 13,803	\$ 11,321	\$ 11,489
Weighted average common shares and OP units outstanding - diluted	45,862,220	45,822,653	45,822,653	45,784,080	45,689,418
FFO per common share and OP unit - diluted	\$ 0.34	\$ 0.35	\$ 0.30	\$ 0.25	\$ 0.25

CoreSite Realty Corporation considers FFO to be a supplemental measure of performance which should be considered along with, but not as an alternative to, net income and cash provided by operating activities as a measure of operating performance and liquidity. The Company calculates FFO in accordance with the standards established by NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment write-downs of depreciable real estate, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs.

The Company offers this measure because management recognizes that FFO will be used by investors as a basis to compare operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the properties that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of the properties, all of which have real economic effect and could materially impact financial condition and results from operations, the utility of FFO as a measure of performance is limited. FFO is a non-GAAP measure and should not be considered a measure of liquidity, an alternative to net income, cash provided by operating activities or any other performance measure determined in accordance with GAAP, nor is it indicative of funds available to fund cash needs, including the ability to pay dividends or make distributions. In addition, the Company's calculations of FFO are not necessarily comparable to FFO as calculated by other REITs that do not use the same definition or implementation guidelines or interpret the standards differently. Investors in the Company's securities should not rely on these measures as a substitute for any GAAP measure, including net income.

Reconciliation of Net Income (Loss) to Earnings Before Interest, Taxes Depreciation and Amortization

(in thousands, except per share data)

	Three Months Ended:				
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Net income (loss)	\$ 462	\$ 263	\$ (3,588)	\$ (7,916)	\$ (7,447)
Adjustments:					
Interest expense, net of interest income	836	907	1,229	2,186	2,248
Income taxes	(226)	(55)	(165)	(84)	(223)
Depreciation and amortization	15,743	16,091	17,660	19,473	19,146
EBITDA	\$ 16,815	\$ 17,206	\$ 15,136	\$ 13,659	\$ 13,724
Non-cash compensation	693	879	889	497	517
Gain on early extinguishment of debt	-	10	(949)	-	-
Transaction costs	-	192	683	-	-
Adjusted EBITDA	\$ 17,508	\$ 18,287	\$ 15,759	\$ 14,156	\$ 14,241

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The Company calculates adjusted EBITDA by adding non-cash compensation expense and transaction costs to EBITDA as well as adjusting for the impact of gains or losses on early extinguishment of debt. Management uses EBITDA and adjusted EBITDA as indicators of the Company's ability to incur and service debt. In addition, management considers EBITDA and adjusted EBITDA to be appropriate supplemental measures of the Company's performance because they eliminate depreciation and interest, which permits investors to view income from operations without the impact of non-cash depreciation or the cost of debt. However, because EBITDA and adjusted EBITDA are calculated before recurring cash charges including interest expense and taxes, and are not adjusted for capital expenditures or other recurring cash requirements of our business, their utilization as a cash flow measurement is limited.

Source: CoreSite Realty Corporation

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