

CoreSite
President and CEO

Fellow Shareholders,

Our strategy to differentiate ourselves through dense, interconnected data center campuses with major interconnection nodes, strategic cloud on-ramps, and a rich ecosystem of enterprises and network and cloud providers, in a collection of major U.S. markets, continues to serve us well.

Paul Szurek

Our 2019 priorities focused on the components of long-term sustainable growth, and we achieved strong results. We delivered significant new data center capacity and built a development pipeline that supports agile capacity additions for future growth. We delivered an exceptional customer experience and substantial operating efficiencies that benefitted customers and the environment. And, importantly, we drove record sales in 2019.

Translating New Construction into Higher Sales

We believe we gain significant business and strategic advantage by expanding our campuses and their customer ecosystems to enable more customers to deploy high performance hybrid and multi-cloud data architectures. In 2019, we expanded our campuses by placing into service 224,000 square feet of new capacity, with another 196,000 square feet under development, including:

Completed Construction –

- We delivered a new data center in Santa Clara, California, known as SV8, and placed into service and fully leased the first two phases totaling 108,000 square feet, and
- We completed data center expansions in our existing facilities in Boston, Los Angeles and Northern Virginia, totaling 116,000 square feet

Construction in Progress –

- We're extending our downtown Chicago campus, with Phase 1 of a new data center for 56,000 square feet known as CH2, which we expect to complete in Q2 of 2020 (the total facility will be 169,000 square feet)
- We're extending our downtown Los Angeles campus, with Phase 1 of a new data center known as LA3, for 51,000 square feet, which we expect to complete in Q3 or Q4 of 2020, and we pre-leased 74% of Phase 1 nearly a year ahead of its expected completion (the total facility will be 160,000 square feet)
- We launched data center expansions, including 35,000 square feet in our New York market at NY2, and 54,000 square feet in Santa Clara at SV8 Phase 3, and
- We began pre-construction activities in Santa Clara for future development of an expected 200,000 square foot data center

Going forward, we will continue to proactively prepare new projects to be shovel-ready to meet new customer demand and opportunities.

2019 – Record Sales, Strategic Scale Leasing and Strong New Logo Growth

With our new capacity, we were able to execute strong leasing, including a company record for new sales. This included the strategic scale leasing at SV8, as well as ongoing expansions of various sizes with existing customers.

We also achieved strong growth in new logo sales, with our highest level of new logos acquired in three years, including 50% growth in annualized GAAP rent sold over 2018, and 172% over 2017. This reflected substantial progress on our goal to attract high quality new customers that value our platform and provide the opportunity to drive future revenue growth as their IT needs evolve.

A Year of Operational Excellence and Connectivity Optionality

The reliability of our data centers and quality of the customer experience are core to our value proposition and we continue to invest in people, systems, customer interfaces and training to provide exceptional results to our customers.

On the operational front -

- We achieved “eight 9’s” of reliability, or uptime, across our portfolio of data centers, well above the industry standard of “five 9s”, reducing operating costs and minimizing customer disruption, which is critical for high performance hybrid cloud deployments
- We also delivered an approximate 4.8% improvement in Power Utilization Effectiveness on a same-store basis compared to 2018, achieving our commitment to power efficiency improvements, reduced costs and environmental sustainability

We also advanced connectivity products and options, including –

- Increased participation in our Open Cloud Exchange SDN-based format that was launched in late 2018
- Added Inter-Site services for connectivity between our markets over the Open Cloud Exchange, providing route and site diversity to enterprises, and
- Expanded our relationships with, and offerings from, key cloud providers with additional on-campus edge cloud products and availability zones, further enhancing our ecosystem

2019 – Our Financial Results

Year over year operating revenues grew 5.2%, net income decreased 7.2%, EBITDAre grew 3.5%, and Funds From Operations (FFO) attributable to common shares or units grew by 1.2%.

Along with record sales in 2019, we experienced elevated churn largely reflecting waning pre-cloud business models and movement of certain business use cases to the cloud, which we

estimated as of year-end represented a mid-single digit exposure to our embedded rent base. We view these elements as part of the normal process of digital business evolution which, for a variety of factors, were above historical trend levels in 2019 and expected to abate as we go through and exit 2020.

Our record sales, by contrast, reflect the benefits of secular tailwinds and winning edge, hybrid and multi cloud, and high performance business use cases. We believe these new business models and customer needs will be a longer term trend strengthened by our ecosystems.

Agile changes in our product offerings and connectivity options have helped customers easily provision services, enable redundancy and resiliency, achieve cost savings and optimize the flexibility and responsiveness of their hybrid cloud architectures. We believe these offerings and connectivity choices encourage prospective customers to make the move to hybrid-cloud colocation in our multi-campus ecosystem.

Looking Forward

We continue to focus on delivering value to the customer through exceptional service, ongoing innovation and growing the value of our connected campus environment. As we encounter unexpected events such as technology shifts, changing economic cycles and even something as profound as COVID-19, we constantly explore nimble and responsive solutions to support customers in changing environments, while continuing to delivery ongoing reliability.

As always, we remain committed to supporting our strong employee community, who work to deliver excellent service to our customers, which we believe in turn will drive long-term value creation for our shareholders.

Sincerely,



Paul Szurek,
CoreSite President and CEO