UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2015

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to .

Commission file number: 001-34877

CoreSite Realty Corporation

(Exact name of registrant as specified in its charter)

Maryland	**27-1925611**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1001 17th Street, Suite 500
Denver, CO **80202**
(Address of principal executive offices) (Zip Code)

(866) 777-2673

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x

Non-accelerated filer o
(Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares of common stock outstanding at July 22, 2015, was 26,531,287.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CORESITE REALTY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited and in thousands except share data)

	June 30, 2015	December 31, 2014
ASSETS		
Investments in real estate:		
Land	$ 78,337	$ 78,983
Buildings and improvements	1,012,845	888,966
	1,091,182	967,949
Less: Accumulated depreciation and amortization	(247,655)	(215,978)
Net investment in operating properties	843,527	751,971
Construction in progress	106,872	178,599
Net investments in real estate	950,399	930,570
Cash and cash equivalents	7,542	10,662
Accounts and other receivables, net of allowance for doubtful accounts of $132 and $112 as of June 30, 2015, and December 31, 2014, respectively	15,269	10,290
Lease intangibles, net of accumulated amortization of $11,349 and $14,477 as of June 30, 2015, and December 31, 2014, respectively	5,815	7,112
Goodwill	41,191	41,191
Other assets, net	77,569	75,600
Total assets	$ 1,097,785	$ 1,075,425
LIABILITIES AND EQUITY		
Liabilities:		
Revolving credit facility	$ 102,250	$ 218,500
Senior unsecured term loans	250,000	100,000
Accounts payable and accrued expenses	41,903	42,463
Accrued dividends and distributions	22,467	22,355
Deferred rent payable	8,519	8,985
Acquired below-market lease contracts, net of accumulated amortization of $4,922 and $4,688 as of June 30, 2015, and December 31, 2014, respectively	5,126	5,576
Unearned revenue, prepaid rent and other liabilities	24,734	19,205
Total liabilities	454,999	417,084
Stockholders equity:		
Series A Cumulative Preferred Stock 7.25%, $115,000 liquidation preference ($25.00 per share, $0.01 par value), 4,600,000 shares issued and outstanding as of June 30, 2015, and December 31, 2014	115,000	115,000
Common Stock, par value $0.01, 100,000,000 shares authorized and 26,531,414 and 21,757,366 shares issued and outstanding at June 30, 2015, and December 31, 2014, respectively	259	212
Additional paid-in capital	337,662	275,038

Accumulated other comprehensive loss	(183)		(125)
Distributions in excess of net income	(77,772)		(67,538)
Total stockholders equity	374,966		322,587
Noncontrolling interests	267,820		335,754
Total equity	642,786		658,341
Total liabilities and equity	$ 1,097,785		$ 1,075,425

See accompanying notes to condensed consolidated financial statements.

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CORESITE REALTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands except share and per share data)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating revenues:				
Data center revenue:				
Rental revenue	$ 44,824	$ 36,938	$ 86,147	$ 71,837
Power revenue	21,792	16,575	41,461	32,577
Interconnection revenue	10,595	8,591	20,810	16,650
Tenant reimbursement and other	2,276	1,627	3,692	4,383
Office, light-industrial and other revenue	1,969	1,951	4,103	3,966
Total operating revenues	81,456	65,682	156,213	129,413
Operating expenses:				
Property operating and maintenance	22,204	18,534	41,984	34,823
Real estate taxes and insurance	3,270	(980)	5,205	1,986
Depreciation and amortization	24,046	19,504	46,862	37,386
Sales and marketing	4,256	3,747	8,038	7,335
General and administrative	7,952	6,732	15,817	14,437
Rent	5,007	5,070	10,250	10,136
Impairment of internal-use software		1,037		1,959
Transaction costs	45	9	45	13
Total operating expenses	66,780	53,653	128,201	108,075
Operating income	14,676	12,029	28,012	21,338
Gain on real estate disposal			36	
Interest income	2	2	4	4
Interest expense	(1,730)	(1,415)	(2,995)	(2,588)
Income before income taxes	12,948	10,616	25,057	18,754
Income tax benefit (expense)	(66)	22	(115)	2
Net income	$ 12,882	$ 10,638	$ 24,942	$ 18,756
Net income attributable to noncontrolling interests	5,259	4,670	10,667	7,971
Net income attributable to CoreSite Realty Corporation	$ 7,623	$ 5,968	$ 14,275	$ 10,785
Preferred stock dividends	(2,085)	(2,085)	(4,169)	(4,169)
Net income attributable to common shares	$ 5,538	$ 3,883	$ 10,106	$ 6,616
Net income per share attributable to common shares:				
Basic	$ 0.23	$ 0.18	$ 0.44	$ 0.31
Diluted	$ 0.22	$ 0.18	$ 0.43	$ 0.31
Weighted average common shares outstanding				
Basic	24,536,583	21,131,077	22,963,111	21,062,299
Diluted	25,055,195	21,604,730	23,525,316	21,599,749

See accompanying notes to condensed consolidated financial statements.

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CORESITE REALTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited and in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$ 12,882	$ 10,638	$ 24,942	$ 18,756
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative contracts	448	(1,271)	(861)	(754)
Reclassification of other comprehensive income to interest expense	477	337	805	455
Comprehensive income	13,807	9,704	24,886	18,457
Comprehensive income attributable to noncontrolling interests	5,671	4,159	10,547	7,808
Comprehensive income attributable to CoreSite Realty Corporation	$ 8,136	$ 5,545	$ 14,339	$ 10,649

See accompanying notes to condensed consolidated financial statements.

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CORESITE REALTY CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(unaudited and in thousands except share data)

	Preferred Stock	Common Shares Number	Common Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Income	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	$ 115,000	21,757,366	$ 212	$ 275,038	$ (125)	$ (67,538)	$ 322,587	$ 335,754	$ 658,341
Redemption of noncontrolling interests		4,500,000	45	59,145	(122)		59,068	(59,068)	
Issuance of stock awards, net of forfeitures		221,494							
Exercise of stock options, net of settlements		52,554	1	(164)			(163)		(163)
Share-based compensation			1	3,643			3,644		3,644
Dividends declared on preferred stock						(4,169)	(4,169)		(4,169)
Dividends and distributions						(20,340)	(20,340)	(19,413)	(39,753)
Net income						14,275	14,275	10,667	24,942
Other comprehensive loss					64		64	(120)	(56)
Balance at June 30, 2015	$ 115,000	26,531,414	$ 259	$ 337,662	$ (183)	$ (77,772)	$ 374,966	$ 267,820	$ 642,786

See accompanying notes to condensed consolidated financial statements.

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CORESITE REALTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Six Months Ended June 30,	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 24,942	$ 18,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,862	37,386
Amortization of above/below market leases	(258)	(182)
Amortization of deferred financing costs	586	1,029
Gain on real estate disposal	(36)	
Share-based compensation	3,361	3,248
Bad debt expense	168	529
Changes in operating assets and liabilities:		
Accounts receivable	(5,148)	(465)
Deferred rent receivable	(2,915)	(1,330)
Deferred leasing costs	(7,861)	(3,470)
Other assets	(2,408)	385
Accounts payable and accrued expenses	(1,023)	(6,430)
Unearned revenue, prepaid rent and other liabilities	5,015	5,294
Deferred rent payable	(466)	(245)
Net cash provided by operating activities	60,819	54,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Tenant improvements	(3,671)	(4,487)
Real estate improvements	(50,238)	(50,899)
Proceeds from real estate disposal	2,399	
Net cash used in investing activities	(51,510)	(55,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	667	407
Proceeds from revolving credit facility	37,750	43,500
Payments on revolving credit facility	(154,000)	(41,000)
Proceeds from senior unsecured term loan	150,000	100,000
Repayments of mortgage loans payable		(58,250)
Payments of loan fees and costs	(2,207)	(1,000)
Payments to net settle equity awards	(830)	
Dividends and distributions	(43,809)	(36,957)
Net cash provided (used) by financing activities	(12,429)	6,700
Net change in cash and cash equivalents	(3,120)	5,819
Cash and cash equivalents, beginning of period	10,662	5,313
Cash and cash equivalents, end of period	$ 7,542	$ 11,132
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of capitalized amounts	$ 2,617	$ 1,810
NON-CASH INVESTING AND FINANCING ACTIVITY		
Construction costs payable capitalized to real estate	$ 14,439	$ 26,700
Accrual of dividends and distributions	$ 22,467	$ 18,772

See accompanying notes to condensed consolidated financial statements.

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CORESITE REALTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(unaudited)

1. Organization and Description of Business

CoreSite Realty Corporation (the Company, we, or our) was organized in the state of Maryland on February 17, 2010, and is a fully-integrated, self-administered, and self-managed real estate investment trust (REIT). Through our controlling interest in CoreSite, L.P. (our Operating Partnership), we are engaged in the business of owning, acquiring, constructing and operating data centers. As of June 30, 2015, the Company owns a 55.5% common interest in our Operating Partnership and affiliates of The Carlyle Group and others own a 44.5% interest in our Operating Partnership. See additional discussion in Note 8.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by our management in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in compliance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for six months ended June 30, 2015, are not necessarily indicative of the expected results for the year ending December 31, 2015. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014. Intercompany balances and transactions have been eliminated upon consolidation.

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, *Amendments to the Consolidation Analysis*, which amends the current consolidation guidance. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The standard permits the use of either modified retrospective or cumulative effect transition method. We have not elected early adoption and we are currently evaluating the impact of the provisions of ASU 2015-02 on our consolidation policies as well as the transition method to be used to implement ASU 2015-02.

Use of Estimates

The preparation of these unaudited condensed consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates, including those related to assessing the carrying values of our real estate properties, goodwill, accrued liabilities and performance-based equity compensation plans. We base our estimates on historical experience, current market conditions, and various other assumptions that we believe to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could vary under different assumptions or conditions.

Adjustments and Reclassifications

Certain immaterial amounts included in the condensed consolidated financial statements for 2014 have been reclassified to conform to the 2015 financial statement presentation.

Investments in Real Estate

Real estate investments are carried at cost less accumulated depreciation and amortization. The cost of real estate includes the purchase price of property and leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred. Significant renovations and betterments that extend the economic useful lives of assets are capitalized. During land development and construction periods, we capitalize construction costs, legal fees, financing costs, real estate taxes and insurance and internal costs of personnel performing development, if such costs are incremental and identifiable to a specific development project. Capitalization of costs begins upon commencement of development efforts and ceases when the property is ready for its intended use and held available for occupancy. Interest is capitalized during the period of development based upon applying the weighted-average borrowing rate to the actual development costs expended. Capitalized interest costs were $1.0 million and $1.0 million for the three months ended June 30, 2015, and 2014, respectively, and $2.3 million and $2.2 million for the six months ended June 30, 2015, and 2014, respectively.

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Depreciation and amortization are calculated using the straight-line method over the following useful lives of the assets:

Buildings	27 to 40 years
Building improvements	1 to 10 years
Leasehold improvements	The shorter of the lease term or useful life of the asset

Depreciation expense was $19.2 million and $15.9 million for the three months ended June 30, 2015, and 2014, respectively, and $37.1 million and $31.0 million for the six months ended June 30, 2015, and 2014, respectively.

Acquisition of Investment in Real Estate

Purchase accounting is applied to the assets and liabilities related to all real estate investments acquired. The fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, value of in-place leases and the value of customer relationships.

The fair value of the land and building of an acquired property is determined by valuing the property as if it were vacant, and the as-if-vacant fair value is then allocated to land and building based on management s determination of the fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases.

The fair value of intangibles related to in-place leases includes the value of lease intangibles for above-market and below-market leases, lease origination costs, and customer relationships, determined on a lease-by-lease basis. Above-market and below-market leases are valued based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease and, for below-market leases, over a period equal to the initial term plus any below-market fixed rate renewal periods. Lease origination costs include estimates of costs avoided associated with leasing the property, including tenant allowances and improvements and leasing commissions. Customer relationship intangibles relate to the additional revenue opportunities expected to be generated through interconnection services and utility services to be provided to the in-place lease tenants.

The capitalized values for above and below-market lease intangibles, lease origination costs, and customer relationships are amortized over the term of the underlying leases or the expected customer relationship. Amortization related to above-market and below-market leases where the Company is the lessor is recorded as either a reduction of or an increase to rental income, amortization related to above-market and below-market leases where the Company is the lessee is recorded as either a reduction of or an increase to rent expense. If a lease is terminated prior to its stated expiration, all unamortized amounts relating to that lease are written off. The carrying value of intangible assets is reviewed for impairment in connection with its respective asset group whenever events or changes in circumstances indicate that the asset group may not be recoverable. An impairment loss is recognized if the carrying amount of the asset group is not recoverable and its carrying amount exceeds its estimated fair value. No impairment loss related to these intangible assets was recognized for either the three or six months ended June 30, 2015, or 2014.

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. As of June 30, 2015, and December 31, 2014, we had approximately $41.2 million of goodwill at each date. The Company s goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. No impairment loss was recognized for either the three or six months ended June 30, 2015, or 2014.

Cash and Cash Equivalents

Cash and cash equivalents include all non-restricted cash held in financial institutions and other non-restricted highly liquid short-term investments with original maturities at acquisition of three months or less.

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Deferred Costs

Deferred leasing costs include commissions paid to third parties, including leasing agents, and internal sales commissions paid to employees for successful execution of lease agreements. These commissions and other direct and incremental costs incurred to obtain new customer leases are capitalized and amortized over the terms of the related leases using the straight-line method. If a lease terminates prior to the expiration of its initial term, any unamortized deferred costs related to the lease are written off to amortization expense. Deferred leasing costs are included within other assets in the condensed consolidated balance sheets and consisted of the following, net of amortization, as of June 30, 2015, and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Internal sales commissions	$ 15,598	$ 13,171
Third party commissions	12,594	13,665
External legal counsel	567	393
Total	$ 28,759	$ 27,229

Deferred financing costs include costs incurred in connection with obtaining debt and extending existing debt. These financing costs are capitalized and amortized on a straight-line basis, which approximates the effective-interest method, over the term of the loan and the amortization is included as a component of interest expense.

In March 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which amends the current imputation of interest guidance. ASU 2015-03 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. We have not elected early adoption and we are currently evaluating the impact of the provisions of ASU 2015-03 on our balance sheet presentation.

Recoverability of Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the assets. The estimation of expected future net cash flows is inherently uncertain and relies, to a considerable extent, on assumptions regarding current and future economics and market conditions and the availability of capital. If, in future periods, there are changes in the estimates or assumptions incorporated into the impairment review analysis, the changes could result in an adjustment to the carrying amount of the long-lived assets. To the extent that impairment has occurred, the excess of the carrying amount of long-lived assets over its estimated fair value would be recognized as an impairment loss charged to net income. For the three and six months ended June 30, 2015, and 2014, no impairment of long-lived assets was recognized.

Derivative Instruments and Hedging Activities

We reflect all derivative instruments at fair value as either assets or liabilities on the condensed consolidated balance sheets. For those derivative instruments that are designated and qualify as hedging instruments, we record the effective portion of the gain or loss on the hedge instruments as a component of accumulated other comprehensive income or loss. Any ineffective portion of a derivative s change in fair value is immediately recognized within net income. For derivatives that do not meet the criteria for hedge accounting, changes in fair value are immediately recognized within net income. See additional discussion in Note 6.

Internal-Use Software

We recognize internal-use software development costs based on the development stage of the project and nature of the cost. Internal and external costs incurred during the preliminary project stage are expensed as they are incurred. Internal and external costs incurred to develop internal-use software during the application development stage are capitalized. Internal and external training costs and maintenance costs during the post-implementation-operation stage are expensed as incurred. Completed projects are placed into service and amortized over the estimated useful life of the software. Impairment recognized, related to internal use software, in the condensed consolidated statements of operations during the three months ended June 30, 2015, and 2014, was zero and $1.0 million, respectively, and impairment recognized during the six months ended June 30, 2015, and 2014, was zero and $2.0 million, respectively.

In April 2015, the FASB issued ASU 2015-05, *Customer s Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides explicit guidance to help companies evaluate the accounting for fees paid by a customer in a cloud computing arrangement. ASU 2015-05 is effective for annual and interim beginning after December 15, 2015, with early adoption permitted. We have not elected early adoption and we are currently evaluating the impact of the provisions of ASU 2015-05 on our consolidated financial statements.

Revenue Recognition

All customer leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the noncancelable term of the agreements. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rent receivable. If a lease terminates prior to its stated expiration, the deferred rent receivable relating to that lease is written off as a reduction of rental revenue.

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When arrangements include multiple elements, the revenue associated with separate elements is allocated based on the relative fair values of those elements. The revenue associated with each element is then recognized as earned. Interconnection services and additional space services are considered as separate earnings processes that are provided and completed on a month-to-month basis and revenue is recognized in the period that services are performed. Customer set-up charges and utility installation fees are initially deferred and recognized over the term of the arrangement as revenue.

Tenant reimbursements for real estate taxes, common area maintenance, and other recoverable costs are recognized as revenue in the period that the related expenses are incurred.

Above-market and below-market lease intangibles that were acquired are amortized on a straight-line basis as decreases and increases, respectively, to rental revenue over the remaining noncancelable term of the underlying leases. For each of the three month periods ended June 30, 2015, and 2014, the net effect of amortization of acquired above-market and below-market leases resulted in an increase to rental revenue of $0.1 million. For the six months ended June 30, 2015, and 2014, the net effect of amortization of acquired above-market and below-market leases resulted in an increase to rental revenue of $0.3 million and $0.2 million, respectively.

A provision for uncollectible accounts is recorded if a receivable balance relating to contractual rent, rent recorded on a straight-line basis, tenant reimbursements or other billed amounts is considered by management to be uncollectible. At June 30, 2015, and December 31, 2014, the allowance for doubtful accounts totaled $0.1 million and $0.1 million, respectively.

In May 2014, the FASB issued guidance codified in Accounting Standards Codification (ASC) 606, Revenue Recognition *Revenue from Contracts with Customers*, which amends the guidance in former ASC 605, *Revenue Recognition*. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of the provisions of ASC 606 on our revenue recognition policies as well as the transition method to be used to implement this guidance.

Share-Based Compensation

We account for share-based compensation using the fair value method of accounting. The estimated fair value of the stock options granted by us is calculated based on the Black-Scholes option-pricing model. The fair value of restricted share-based and Operating Partnership unit compensation is based on the market value of our common stock on the date of the grant. The fair value of performance share awards, which have a market condition, is based on a Monte Carlo simulation. The fair value for all share-based compensation is amortized on a straight-line basis over the vesting period.

Asset Retirement and Environmental Remediation Obligations

We record accruals for estimated asset retirement and environmental remediation obligations. The obligations relate primarily to the removal of asbestos and contaminated soil during development of properties as well as the estimated equipment removal costs upon termination of a certain

lease where we are the lessee. At both June 30, 2015, and December 31, 2014, the amount included in unearned revenue, prepaid rent and other liabilities on the condensed consolidated balance sheets was approximately $2.3 million.

Income Taxes

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code), commencing with our taxable year ended December 31, 2010. To qualify as a REIT, we are required to distribute at least 90% of our taxable income to our stockholders and meet various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we generally are not subject to corporate level federal income tax on the earnings distributed currently to our stockholders. If we fail to qualify as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

To maintain REIT status, we must distribute a minimum of 90% of our taxable income. However, it is our policy and intent, subject to change, to distribute 100% of our taxable income and therefore no provision is required in the accompanying condensed consolidated financial statements for federal income taxes with regards to activities of the REIT and its subsidiary pass-through entities. The allocable share of taxable income is included in the income tax returns of its stockholders. The Company is subject to the statutory requirements of the locations in which it conducts business. State and local income taxes are accrued as deemed required in the best judgment of management based on analysis and interpretation of respective tax laws.

We have elected to treat certain subsidiaries as taxable REIT subsidiaries (TRS). Certain activities that we undertake must be conducted by a TRS, such as services for our tenants that could be considered otherwise impermissible for us to perform and holding assets that we cannot hold directly. A TRS is subject to corporate level federal and state income taxes.

Deferred income taxes are recognized in certain taxable entities. Deferred income tax generally is a function of the period s temporary differences (items that are treated differently for tax purposes than for financial reporting purposes), the utilization of tax net operating losses

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generated in prior years that previously had been recognized as deferred income tax assets and the reversal of any previously recorded deferred income tax liabilities. A valuation allowance for deferred income tax assets is provided if we believe all or some portion of the deferred income tax asset may more likely than not be not realized. Any increase or decrease in the valuation allowance resulting from a change in circumstances that causes a change in the estimated realizability of the related deferred income tax asset is included in deferred tax expense. As of June 30, 2015, and December 31, 2014, the gross deferred income taxes were not material.

We currently have no liabilities for uncertain income tax positions. The earliest tax year for which we are subject to examination is 2011.

Concentration of Credit Risks

Our cash and cash equivalents are maintained in various financial institutions, which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk in this area. We have no off-balance sheet concentrations of credit risk, such as foreign exchange contracts, option contracts, or foreign currency hedging arrangements.

Segment Information

We manage our business as one reportable segment consisting of investments in data centers located in the United States. Although we provide services in several markets, these operations have been aggregated into one reportable segment based on the similar economic characteristics amongst all markets, including the nature of the services provided and the type of customers purchasing these services.

3. Investment in Real Estate

The following is a summary of the properties owned or leased at June 30, 2015 (in thousands):

Property Name	Location	Land	Buildings and Improvements	Construction in Progress	Total Cost
SV1	San Jose, CA	$ 6,863	$ 127,032	$ 469	$ 134,364
SV2	Milpitas, CA	5,086	26,822	680	32,588
SV3	Santa Clara, CA	3,972	49,146	295	53,413
SV4	Santa Clara, CA	4,501	90,806	726	96,033
SV5	Santa Clara, CA	2,544	23,514		26,058
SV6	Santa Clara, CA			17,142	17,142
Santa Clara Campus(1)	Santa Clara, CA	3,518	2,916	4,239	10,673
BO1	Somerville, MA	5,154	81,982	265	87,401
NY1*	New York, NY		34,369	8	34,377
NY2	Secaucus, NJ	2,388	89,075	36,719	128,182

VA1	Reston, VA	6,903	114,724	4,131	125,758
VA2	Reston, VA	2,720	63,177	32,105	98,002
DC1*	Washington, DC		7,976	151	8,127
CH1	Chicago, IL	5,493	87,109	5,363	97,965
LA1*	Los Angeles, CA		63,340	2,514	65,854
LA2	Los Angeles, CA	28,467	136,684	1,831	166,982
MI1	Miami, FL	728	10,332	2	11,062
DE1*	Denver, CO		2,789	232	3,021
DE2*	Denver, CO		1,052		1,052
Total		$ 78,337	$ 1,012,845	$ 106,872	$ 1,198,054

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* Indicates properties in which we hold a leasehold interest.

(1) This campus includes office and light-industrial buildings and land held for development in Santa Clara, California.

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4. Other Assets

Our other assets consisted of the following, net of amortization and depreciation, if applicable, as of June 30, 2015, and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Deferred leasing costs	$ 28,759	$ 27,229
Deferred rent receivable	24,425	21,510
Corporate furniture, fixtures and equipment	7,100	7,474
Internal-use software	7,752	7,980
Deferred financing costs	4,141	2,421
Prepaid expenses	4,288	6,251
Other	1,104	2,735
Total	$ 77,569	$ 75,600

5. Debt

A summary of outstanding indebtedness as of June 30, 2015, and December 31, 2014, is as follows (in thousands):

	Interest Rate	Maturity Date	June 30, 2015	December 31, 2014
Revolving credit facility	1.73% and 2.17% at June 30, 2015, and December 31, 2014, respectively	June 24, 2019	$ 102,250	$ 218,500
2019 Senior unsecured term loan(1)	3.23% at June 30, 2015, and at December 31, 2014	January 31, 2019	100,000	100,000
2020 Senior unsecured term loan(2)	2.31% at June 30, 2015	June 24, 2020	150,000	
Total principal outstanding			$ 352,250	$ 318,500

(1) The Operating Partnership elected to swap the variable interest rate associated with the 2019 Senior unsecured term loan to a fixed rate of approximately 3.23% per annum at our current leverage ratio.

(2) The Operating Partnership elected to swap the variable interest rate associated with $75 million, or 50%, of the principal amount of the 2020 Senior unsecured term loan to a fixed rate of approximately 2.93% per annum at our current leverage ratio. The interest rate on the remaining $75 million of the 2020 Senior unsecured term loan is based on LIBOR plus the applicable spread. The effective interest rate as of June 30, 2015, is 2.31%.

Revolving Credit Facility

On June 24, 2015, our Operating Partnership and certain subsidiary co-borrowers entered into a third amended and restated senior unsecured revolving credit facility (as amended, the Credit Agreement) with a group of lenders for which KeyBank National Association acts as the administrative agent. The Credit Agreement amends the Operating Partnership s second amended and restated unsecured revolving credit facility, dated January 3, 2013 (as amended, the Prior Facility). The Credit Agreement maturity date is June 24, 2019, with a one-time extension option, which, if exercised, would extend the maturity date to June 24, 2020. The exercise of the extension option is subject to the payment of an extension fee equal to 10 basis points of the total commitment under the Credit Agreement at initial maturity and certain other customary conditions. The Credit Agreement increases the commitment from the Prior Facility of $405 million to $500 million, providing for a $350 million revolving credit facility and a $150 million unsecured term loan. See 2020 Senior Unsecured Term loan below for a discussion of the $150 million term loan. The Credit Agreement contains an accordion feature, which allows our Operating Partnership to increase the total commitment from $500 million to $700 million, under specified circumstances.

Under the Credit Agreement, borrowings under the revolving credit facility bear interest at a variable rate per annum equal to either (i) LIBOR plus 155 basis points to 225 basis points, or (ii) a base rate plus 55 basis points to 125 basis points, each depending on our Operating Partnership s leverage ratio. At June 30, 2015, the Operating Partnership s leverage ratio was 17.9% and the interest rate was LIBOR plus 155 basis points.

The total amount available for borrowings under the revolving credit facility is subject to the lesser of $350.0 million or the availability calculated based on our unencumbered asset pool. As of June 30, 2015, the borrowing capacity was $350.0 million. As of June 30, 2015, $102.3 million was borrowed and outstanding, $6.3 million was outstanding under letters of credit and $241.4 million remained available for us to borrow under the Credit Agreement.

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Our ability to borrow under the Credit Agreement is subject to ongoing compliance with a number of financial covenants and other customary restrictive covenants, including, among others:

- a maximum leverage ratio (defined as total consolidated indebtedness to total gross asset value) of 60%, which, as of June 30, 2015, was 17.9%;
- a maximum secured debt ratio (defined as total consolidated secured debt to total gross asset value) of 40%, which, as of June 30, 2015, was 0%;
- a minimum fixed charge coverage ratio (defined as adjusted consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.70 to 1.00, which, as of June 30, 2015, was 8.4 to 1.00; and
- a maximum unhedged variable rate debt ratio (defined as unhedged variable rate indebtedness to gross asset value) of 30%, which, as of June 30, 2015, was 8.3%.

As of June 30, 2015, we were in compliance with all of the covenants under the Credit Agreement.

2020 Senior Unsecured Term Loan

On June 24, 2015, in connection with the Credit Agreement, our Operating Partnership and certain subsidiaries entered into a $150 million senior unsecured term loan (the 2020 Term Loan). The 2020 Term Loan has a five-year term maturing on June 24, 2020. The 2020 Term Loan ranks pari passu with our Credit Agreement and contains the same financial covenants and other customary restrictive covenants. As of June 30, 2015, we were in compliance with all of the covenants under the 2020 Term Loan.

The borrowings under the 2020 Term Loan bear interest at a variable rate per annum equal to either (i) LIBOR plus 150 basis points to 220 basis points, or (ii) a base rate plus 50 basis points to 120 basis points, each depending on our Operating Partnership s leverage ratio. At June 30, 2015, the Operating Partnership s leverage ratio was 17.9% and the interest rate was LIBOR plus 150 basis points.

2019 Senior Unsecured Term Loan

On January 31, 2014, our Operating Partnership and certain subsidiaries entered into a $100 million senior unsecured term loan (as amended, the 2019 Term Loan). The 2019 Term Loan has a five-year term and contains an accordion feature, which allows our Operating Partnership to increase the total commitments by $100 million, to $200 million, under specified circumstances. The 2019 Term Loan ranks pari passu with our

Credit Agreement and contains the same financial covenants and other customary restrictive covenants. As of June 30, 2015, we were in compliance with all of the covenants under the 2019 Term Loan.

The borrowings under the 2019 Term Loan bear interest at a variable rate per annum equal to either (i) LIBOR plus 175 basis points to 265 basis points, or (ii) a base rate plus 75 basis points to 165 basis points, each depending on our Operating Partnership s leverage ratio. At June 30, 2015, the Operating Partnership s leverage ratio was 17.9% and the interest rate was LIBOR plus 175 basis points.

Debt Maturities

The following table summarizes the amount of our outstanding debt as of June 30, 2015, when such debt currently becomes due (in thousands):

Year Ending December 31,		
Remainder of 2015	$	
2016		
2017		
2018		
2019		202,250
2020		150,000
Total	$	352,250

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6. Derivatives and Hedging Activities

On April 9, 2015, we entered into a $75 million forward starting five-year interest rate swap agreement, effective May 5, 2015, to protect against adverse fluctuation in interest rates. The swap reduces our exposure to variability in cash flows relating to interest payments on $75 million of one-month LIBOR variable rate debt and effectively fixed the interest rate at approximately 2.93% per annum. Also, on February 3, 2014, we entered into a $100 million five-year interest rate swap agreement that effectively fixes the interest rate at approximately 3.23% per annum. Both interest rate swap agreements were designated for hedge accounting.

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known or uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash receipts and our known or expected cash payments principally related to our investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to reduce variability in interest expense and to manage our exposure to adverse interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income or loss on the condensed consolidated balance sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The amounts recorded in other comprehensive income related to the unrealized gain or loss on derivative contracts were a gain of $0.4 million and a loss of $1.3 million for the three months ended June 30, 2015, and 2014, respectively, and a loss of $0.9 million and $0.8 million for the six months ended June 30, 2015, and 2014, respectively. The amounts reclassified out of other comprehensive income into interest expense on the condensed consolidated statements of operations were $0.5 million and $0.3 million for the three months ended June 30, 2015, and 2014, respectively, and $0.8 million and $0.5 million for the six months ended June 30, 2015, and 2014, respectively. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2015, and 2014, we did not record any amount in earnings related to derivatives as there was no hedge ineffectiveness.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the subsequent twelve months, beginning July 1, 2015, we estimate that $1.9 million will be reclassified as an increase to interest expense.

Derivatives are recorded at fair value in our condensed consolidated balance sheets in other assets and other liabilities, as applicable. We do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure. We had $0.8 million and $0.3 million in derivative liabilities recognized in unearned revenue, prepaid rent and other liabilities in our condensed consolidated balance sheet as of June 30, 2015, and December 31, 2014, respectively. We also had a $0.5 million derivative asset recognized in other assets in our condensed consolidated balance sheet as of June 30, 2015. We had no derivative assets recognized in other assets in our condensed consolidated balance sheet as of December 31, 2014.

7. Stockholders Equity

We paid the following dividends per share on our Series A cumulative preferred stock and common stock during the six months ended June 30, 2015:

Declaration Date	Record Date	Payment Date	Preferred Stock	Common Stock
March 12, 2015	March 31, 2015	April 15, 2015	$ 0.4531(1)	$ 0.42
May 21, 2015	June 30, 2015	July 15, 2015	0.4531(2)	0.42
			$ 0.9062	**$** 0.84

(1) Dividend covers the period from January 15, 2015, to April 14, 2015.

(2) Dividend covers the period from April 15, 2015, to July 14, 2015.

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8. Noncontrolling Interests Operating Partnership

Noncontrolling interests represent the limited partnership interests in the Operating Partnership held by individuals and entities other than CoreSite Realty Corporation. The current holders of common Operating Partnership units are eligible to have the common Operating Partnership units redeemed for cash or common stock on a one-for-one basis, at our option.

In connection with the issuance of our 7.25% Series A cumulative redeemable preferred stock on December 12, 2012, the Operating Partnership issued 4,600,000 7.25% Series A Cumulative redeemable preferred Operating Partnership units to us. Preferred Operating Partnership units rank senior to the common Operating Partnership units held by both us and noncontrolling interests.

The following table shows the ownership interests in the Operating Partnership as of June 30, 2015, and December 31, 2014:

	June 30, 2015		December 31, 2014	
	Number of Units	**Percentage of Total**	**Number of Units**	**Percentage of Total**
CoreSite Realty Corporation	25,990,861	55.5%	21,287,191	45.6%
Noncontrolling interests	20,860,847	44.5%	25,360,847	54.4%
Total	46,851,708	100.0%	46,648,038	100.0%

For each share of common stock issued by us, the Operating Partnership issues to us an equivalent common Operating Partnership unit. During the six months ended June 30, 2015, we issued 203,670 shares of common stock related to employee compensation arrangements and therefore an equivalent number of common Operating Partnership units were issued to us by the Operating Partnership.

Holders of common Operating Partnership units of record as of June 30, 2015, received quarterly distributions of $0.42 per unit, payable in correlation with declared dividends on common stock.

On May 1, 2015, 4,500,000 common Operating Partnership units held by third parties were redeemed for shares of our common stock in connection with the offer and sale of 4,500,000 shares of our common stock by The Carlyle Group. This redemption was recorded as a $59.1 million reduction to noncontrolling interests in the Operating Partnership and an increase to common stock and additional paid-in capital.

The redemption value of the noncontrolling interests at June 30, 2015, was $947.9 million based on the closing price of the Company s common stock of $45.44 on that date.

9. Equity Incentive Plan

Our Board of Directors has adopted and, with the approval of our stockholders, amended the 2010 Equity Incentive Plan (as amended, the 2010 Plan). The 2010 Plan is administered by the Compensation Committee of the Board of Directors. Awards issuable under the 2010 Plan include common stock, stock options, restricted stock, stock appreciation rights, dividend equivalents, Operating Partnership units and other incentive awards. We have reserved a total of 6,000,000 shares of our common stock for issuance pursuant to the 2010 Plan, which may be adjusted for changes in our capitalization and certain corporate transactions. To the extent that an award expires, terminates or lapses then any unexercised shares subject to the award will be available for future grant or sale under the 2010 Plan. Shares of restricted stock which are forfeited or repurchased by us pursuant to the 2010 Plan may again be awarded under the 2010 Plan. The payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the 2010 Plan.

As of June 30, 2015, 3,341,238 shares of our common stock were available for issuance pursuant to the 2010 Plan.

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Stock Options

Stock option awards are granted with an exercise price equal to the closing market price of the Company s common stock on the date of grant. The fair value of each option granted under the 2010 Plan is estimated on the date of grant using the Black-Scholes option-pricing model. The fair values are amortized on a straight-line basis over the vesting periods.

The following table sets forth stock option activity under the 2010 Plan for the three months ended June 30, 2015:

	Number of Shares Subject to Options		Weighted-Average Exercise Price
Options outstanding, December 31, 2014	758,095	$	20.94
Granted			
Exercised	(87,896)		17.41
Forfeited	(3,968)		25.94
Expired	(282)		15.23
Options outstanding, June 30, 2015	665,949	$	21.38

The following table sets forth the number of shares subject to options that are unvested as of June 30, 2015, and the fair value of these options at the grant date:

	Number of Shares Subject to Options		Weighted-Average Fair Value at Grant Date
Unvested balance, December 31, 2014	283,964	$	7.75
Granted			
Forfeited	(3,968)		8.05
Vested	(163,392)		6.82
Unvested balance, June 30, 2015	116,604	$	9.03

As of June 30, 2015, total unearned compensation on options was approximately $0.8 million, and the weighted-average vesting period was 1.4 years.

Restricted Awards and Units

During the six months ended June 30, 2015, we granted 176,582 shares of restricted stock which had a fair value of $8.4 million as of the date of grant. Also during the six months ended June 30, 2015, we issued 7,128 restricted stock units, or RSUs. The principal difference between these instruments is that RSUs are not shares of our common stock and do not have any of the rights or privileges thereof, including voting rights. On the applicable vesting date, the holder of an RSU becomes entitled to a share of common stock. The restricted stock awards are amortized on a straight-line basis to expense over the vesting period. The following table sets forth the number of unvested restricted stock and RSU awards and

the weighted-average fair value of these awards at the date of grant:

	Restricted Awards	Weighted-Average Fair Value at Grant Date
Unvested balance, December 31, 2014	394,016	$ 29.10
Granted	183,710	47.39
Forfeited	(22,145)	34.54
Vested	(158,815)	26.76
Unvested balance, June 30, 2015	396,766	$ 38.20

As of June 30, 2015, total unearned compensation on restricted awards was approximately $13.3 million, and the weighted-average vesting period was 2.7 years.

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Performance Stock Awards

We grant long-term incentives to members of management in the form of performance-based restricted stock awards (PSAs) under the 2010 Plan. The number of PSAs earned is based on our achievement of relative total shareholder return (TSR) measured versus the MSCI US REIT Index over a three-year performance period, and the number of shares earned under the PSAs may range from 0% to 150% for 2014 grants and from 25% to 175% for 2015 grants. The PSAs are earned as follows: (i) 20% of the PSAs are eligible to be earned upon TSR achievement in year one of the performance period, (ii) 20% of the PSAs are eligible to be earned upon TSR achievement in year two of the performance period, (iii) 20% of the PSAs are eligible to be earned upon TSR achievement in year three of the performance period, and (iv) 40% of the PSAs are eligible to be earned upon a cumulative TSR achievement over the three-year performance period. The PSAs have a service condition and will be released at the end of the three-year performance period, to the extent earned, provided that the holder continues to be employed by the Company at the end of the three-year performance period. Holders of the PSAs are entitled to dividends on the PSAs, which will be accrued and paid in cash at the end of the three-year performance period. The PSAs initially are granted and issued at the highest target amount and thereafter are forfeited to the extent vesting conditions are not met.

On March 4, 2014, we granted 91,335 PSAs equal to 150% of the target amount, with an aggregate value of $1.6 million on the grant date. The PSAs, in addition to a service condition, are subject to our performance versus the MSCI US REIT Index, which is a market condition and impacts the number of shares that ultimately vests. Upon evaluating the results of the market condition, the final number of shares is determined and such shares vest based on satisfaction of the service condition. The PSAs are amortized on a straight-line basis over the vesting period. During the six months ended June 30, 2015, 3,782 of the PSAs granted in March 2014 were forfeited due to termination of service and 6,872 PSAs were not achieved due to performance against the MSCI REIT Index correlating to less than 150% of the target amount during the first year of the performance period.

On March 3, 2015, we granted 78,553 PSAs, equal to 175% of the target amount, with an aggregate value of $2.7 million on the grant date. The PSAs, in addition to a service condition, are subject to our performance versus the MSCI US REIT Index which is a market condition and impacts the number of shares that ultimately vests. Upon evaluating the results of the market condition, the final number of shares is determined and such shares vest based on satisfaction of the service condition. The PSAs are amortized on a straight-line basis over the vesting period. During the six months ended June 30, 2015, 3,637 of the PSAs granted in March 2015 were forfeited due to termination of service.

As of June 30, 2015, total unearned compensation on PSAs was approximately $3.1 million, and the weighted-average vesting period was 2.5 years. The fair value of each PSA award is estimated on the date of grant using a Monte Carlo simulation. The simulation requires assumptions for expected volatility, risk-free rate of return, and dividend yield. The following table summarizes the assumptions used to value the PSAs granted during the six months ended June 30, 2015, and 2014.

	Six Months Ended June 30,	
	2015	**2014**
Expected term (in years)	2.83	2.83
Expected volatility	25.51%	32.98%
Expected annual dividend		
Risk-free rate	1.02%	0.64%

10. Earnings Per Share

Basic income per share is calculated by dividing the net income attributable to common shares by the weighted-average number of common shares outstanding during the period. Diluted income per share adjusts basic income per share for the effects of potentially dilutive common shares, if the effect is not antidilutive. Potentially dilutive common stock consist of shares issuable under the 2010 Plan. The following is a summary of basic and diluted income per share (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income attributable to common shares	$ 5,538	$ 3,883	$ 10,106	$ 6,616
Weighted-average common shares outstanding - basic	24,536,583	21,131,077	22,963,111	21,062,299
Effect of potentially dilutive common shares:				
Stock options	363,760	371,536	373,438	368,516
Unvested awards	154,852	102,117	188,767	168,934
Weighted-average common shares outstanding - diluted	25,055,195	21,604,730	23,525,316	21,599,749
Net income per share attributable to common shares				
Basic	$ 0.23	$ 0.18	$ 0.44	$ 0.31
Diluted	$ 0.22	$ 0.18	$ 0.43	$ 0.31

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In the calculations above, we have excluded weighted-average potentially dilutive securities of 43,013 and 165,552 for the three months ended June 30, 2015, and 2014, respectively, and 141,081 and 202,422 for the six months ended June 30, 2015, and 2014, respectively, as their effect would have been antidilutive.

11. Estimated Fair Value of Financial Instruments

Authoritative guidance issued by FASB establishes a hierarchy of valuation techniques based on the observability of inputs utilized in measuring assets and liabilities at fair values. This hierarchy establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy under the authoritative guidance are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the assessment date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability.

Our financial instruments consist of cash and cash equivalents, accounts and other receivables, interest rate swaps, the revolving credit facility, the senior unsecured term loans, interest payable and accounts payable. The carrying values of cash and cash equivalents, accounts and other receivables, interest payable and accounts payable approximate fair values due to the short-term nature of these financial instruments. Interest rate swaps are carried at fair value.

We have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy; however, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Operating Partnership and its counterparties. As of June 30, 2015, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of our derivative portfolio. As a result, we classify our derivative valuation in Level 2 of the fair value hierarchy.

The total balance of our revolving credit facility and senior unsecured term loans was $352.3 million as of June 30, 2015, with a fair value that approximated book value based on Level 3 inputs from the fair value hierarchy. Under the discounted cash flow method, the fair values of the revolving credit facility and the senior unsecured term loans are based on our assumptions of market interest rates and terms available incorporating our credit risk.

12. Commitments and Contingencies

Our properties require periodic investments of capital for general capital improvements and for tenant-related capital expenditures. We enter into various construction and equipment contracts with third parties for the development of our properties. In addition, we enter into contracts for company-wide improvements that are ancillary to revenue generation. At June 30, 2015, we had open commitments related to construction contracts of approximately $14.6 million.

Additionally, we have commitments related to telecommunications capacity used to connect data centers located within the same market or geographical area and power usage. At June 30, 2015, we had open commitments related to these contracts of approximately $11.4 million.

In April 2015, we executed a pre-lease and began construction of a 136,580 square-foot build-to-suit powered shell data center, which will be known as SV6, on land we own on our Santa Clara campus. We have incurred $5.0 million of the estimated $30.0 million required to complete the project, and expect to deliver the powered shell to a strategic customer in the first half of 2016.

From time to time, we are party to a variety of legal proceedings arising in the ordinary course of business. We believe that, with respect to any such matter to which we currently are a party, the ultimate disposition of any such matter will not result in a material adverse effect on our business, financial condition, cash flows or results of operations.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this Quarterly Report), together with other statements and information publicly disseminated by our company, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA), namely Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the PSLRA and include this statement for purposes of complying with these safe harbor provisions.

In particular, statements pertaining to our capital resources, portfolio performance, business strategies and results of operations contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects may, will, should, seeks, intends, plans, pro forma or anticipates or the negative of these words and phrases or similar words or phras predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: (i) the geographic concentration of our data centers in certain markets and any adverse developments in local economic conditions or the demand for data center space in these markets; (ii) fluctuations in interest rates and increased operating costs; (iii) difficulties in identifying properties to acquire and completing acquisitions; (iv) the significant competition in our industry and an inability to lease vacant space, renew existing leases or release space as leases expire; (v) lack of sufficient customer demand to realize expected returns on our investments to expand our property portfolio; (vi) decreased revenue from costs and disruptions associated with any failure of our physical infrastructure or services; (vii) our ability to lease available space to existing or new customers; (viii) our failure to obtain necessary outside financing; (ix) our failure to qualify or maintain our status as a REIT; (x) financial market fluctuations; (xi) changes in real estate and zoning laws and increases in real property tax rates; (xii) delays or disruptions in third-party network connectivity; (xiii) service failures or price increases by third party power suppliers; (xiv) inability to renew net leases on the data center properties we lease; and (xv) other factors affecting the real estate industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim 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. The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this Quarterly Report. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the United States Securities and Exchange Commission (SEC) pursuant to the Exchange Act. We discussed a number of material risks in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2014. Those risks continue to be relevant to our performance and financial condition. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Overview

Unless the context requires otherwise, references in this Quarterly Report to we, our, us and our company refer to CoreSite Realty Corporation, a Maryland corporation, together with our consolidated subsidiaries, including CoreSite, L.P., a Delaware limited partnership of which we are the sole general partner and to which we refer in this Quarterly Report as our Operating Partnership.

We are engaged in the business of ownership, acquisition, construction and operation of strategically located data centers in some of the largest and fastest growing data center markets in the United States, including the New York, Northern Virginia and San Francisco Bay areas, Los Angeles, Chicago, Boston, Miami and Denver.

We deliver secure, reliable, high-performance data center solutions across eight key North American markets. We connect, protect and deliver a reliable performance environment and continued operation of mission-critical data and information technology infrastructure for more than 800 of the world s leading enterprises, network operators, cloud providers, and supporting service providers.

Our focus is to bring together a network and cloud community to support the needs of enterprises, and create a diverse customer ecosystem. Our growth strategy includes (i) increasing cash flow of in-place data center space, (ii) capitalizing on embedded expansion opportunities, (iii) selectively pursuing acquisition and development opportunities in new and existing markets, (iv) expanding existing customer relationships, and (v) attracting new customers.

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Our Portfolio

As of June 30, 2015, our property portfolio included 17 operating data center facilities and multiple development projects which collectively comprise over 2.8 million net rentable square feet (NRSF), of which approximately 1.6 million NRSF is existing data center space. The 0.9 million NRSF of development projects includes entitled land and space available for development and construction of new facilities. We expect that this development potential plus any potential expansion into new markets will enable us to accommodate existing and future customer demand and position us to continue to increase our operating cash flows. The following table provides an overview of our properties as of June 30, 2015:

		Data Center Operating NRSF (1)						Development NRSF (3)	Total NRSF
		Stabilized		Pre-Stabilized (2)		Total			
Market/Facilities	Annualized Rent ($000)(4)	Total	Percent Occupied(5)	Total	Percent Occupied(5)	Total	Percent Occupied(5)	Total	Total Portfolio
San Francisco Bay									
SV1	$ 7,040	84,045	83.4%		%	84,045	83.4%		84,045
SV2	8,084	76,676	85.8			76,676	85.8		76,676
Santa Clara campus(6)	33,744	252,173	96.1			252,173	96.1	366,580	618,753
San Francisco Bay Total	**48,868**	**412,894**	**91.6**			**412,894**	**91.6**	**366,580**	**779,474**
Los Angeles									
One Wilshire campus									
LA1*	25,900	139,053	83.4			139,053	83.4		139,053
LA2	19,583	191,202	89.5	33,711	1.9	224,913	76.3	199,978	424,891
Los Angeles Total	**45,483**	**330,255**	**86.9**	**33,711**	**1.9**	**363,966**	**79.0**	**199,978**	**563,944**
Northern Virginia									
VA1	28,189	201,719	91.8			201,719	91.8		201,719
VA2	2,758	44,036	100.0	48,137	1.0	92,173	48.3	96,274	188,447
DC1*	3,080	22,137	88.8			22,137	88.8		22,137
Northern Virginia Total	**34,027**	**267,892**	**92.9**	**48,137**	**1.0**	**316,029**	**78.9**	**96,274**	**412,303**
Boston									
BO1	14,732	166,026	99.5			166,026	99.5	87,650	253,676
Chicago									
CH1	13,615	166,703	83.2			166,703	83.2	11,704	178,407
New York									
NY1*	6,195	48,404	75.0			48,404	75.0		48,404
NY2	5,543	16,130	100.0	85,612	50.7	101,742	58.5	134,508	236,250
New York Total	**11,738**	**64,534**	**81.2**	**85,612**	**50.7**	**150,146**	**63.8**	**134,508**	**284,654**
Miami									
MI1	1,846	30,176	80.3			30,176	80.3	13,154	43,330
Denver									
DE1*	1,078	5,878	89.6			5,878	89.6		5,878
DE2*	332	5,140	62.9			5,140	62.9		5,140
Denver Total	**1,410**	**11,018**	**77.1**			**11,018**	**77.1**		**11,018**
Total Data Center	**$ 171,719**	**1,449,498**	**89.9%**	**167,460**	**26.6%**	**1,616,958**	**83.4%**	**909,848**	**2,526,806**
Office and Light-Industrial(7)	**6,627**	**324,648**	**74.7**			**324,648**	**74.7**		**324,648**
Total Portfolio	**$ 178,346**	**1,774,146**	**87.1%**	**167,460**	**26.6%**	**1,941,606**	**81.9%**	**909,848**	**2,851,454**

* Indicates properties in which we hold a leasehold interest.

(1) Represents NRSF at each operating facility that is currently occupied or readily available for lease as data center space and pre-stabilized data center space. Both occupied and available data center NRSF includes a factor to account for a customer s proportionate share of the required data center support space (such as the mechanical, telecommunications and utility rooms) and building common areas, which may be updated on a periodic basis to reflect the most current build-out of our properties.

(2) Pre-stabilized NRSF represents projects/facilities that recently have been developed and are in the initial lease-up phase. Pre-stabilized projects/facilities become stabilized operating properties at the earlier of achievement of 85% occupancy or 24 months after development completion.

(3) Represents incremental data center capacity currently vacant in existing facilities and entitled land in our portfolio that requires significant capital investment in order to develop into data center facilities. Includes NRSF under construction for which substantial activities are ongoing to prepare the property for its intended use following development. The NRSF reflects management s estimate of engineering drawings and required support space and is subject to change based on final demising of space. In addition to the amounts above, we may develop an additional 100,000 NRSF at NY2 upon receipt of the necessary entitlements.

(4) Represents the monthly contractual rent under existing commenced customer leases as of June 30, 2015, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement. On a gross basis, our total portfolio annualized rent was approximately $183.1 million as of June 30, 2015, which reflects the addition of $4.8 million in operating expense reimbursements to contractual net rent under modified gross and triple-net leases. See footnote (6) below for more information regarding annualized rent at the Santa Clara campus.

(5) Includes customer leases that have commenced and are occupied as of June 30, 2015. The percent occupied is determined based on leased square feet as a proportion of total operating NRSF as of June 30, 2015. The percent occupied for data center stabilized space would have been 90.8%, rather than 89.9%, if all leases signed in the current and prior periods had commenced. The percent occupied for our total portfolio, including data center stabilized space, pre-stabilized space and office and light-industrial space, would have been 83.2%, rather than 81.9%, if all leases signed in current and prior periods had commenced.

(6) The annualized rent for the Santa Clara campus includes amounts associated with a restructured lease agreement involving a customer that has vacated the majority its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in the portfolio on a dollar-for-dollar basis until the terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $2.6 million in the fourth quarter 2015, $1.9 million in the second quarter 2016, and $4.2 million in the second quarter 2017.

(7) Represents space that is currently occupied or readily available for lease as space other than data center space, which is typically space offered for office or light-industrial uses.

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The following table shows the June 30, 2015, same-store operating statistics for space within each data center facility that was leased or available to be leased as of December 31, 2013, and excludes space for which development was completed and became available to be leased after December 31, 2013. We track same-store space leased or available to be leased at the computer room level within each data center facility. For comparison purposes, the operating activity totals as of December 31, 2014, and 2013, for this space are provided at the bottom of this table.

		Same-Store Property Portfolio (in NRSF)					
		Data Center		Office and Light-Industrial		Total	
Market/Facilities	**Annualized Rent ($000)(1)**	**Total**	**Percent Occupied(2)**	**Total**	**Percent Occupied(2)**	**Total**	**Percent Occupied(2)**
San Francisco Bay							
SV1	$ 11,770	84,045	83.4%	206,255	79.4%	290,300	80.5%
SV2	8,084	76,676	85.8			76,676	85.8
Santa Clara campus(3)							