

CoreSite Realty Corp
Form 10-Q
October 31, 2014
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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 September 30, 2014

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
(State or other jurisdiction
of incorporation or organization)

27-1925611
(I.R.S. Employer
Identification No.)

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

80202
(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 No .

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 No .

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

The number of shares of common stock outstanding at October 29, 2014, was 21,711,368.

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CORESITE REALTY CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

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(unaudited and in thousands except share data)

	September 30, 2014	December 31, 2013
ASSETS		
Investments in real estate:		
Land	\$ 79,929	\$ 78,983
Building and building improvements	772,791	717,007
Leasehold improvements	102,267	95,218
	954,987	891,208
Less: Accumulated depreciation and amortization	(200,588)	(155,704)
Net investment in operating properties	754,399	735,504
Construction in progress	171,476	157,317
Net investments in real estate	925,875	892,821
Cash and cash equivalents	9,268	5,313
Accounts and other receivables, net of allowance for doubtful accounts of \$436 and \$159 as of September 30, 2014, and December 31, 2013, respectively	11,279	10,339
Lease intangibles, net of accumulated amortization of \$14,100 and \$17,646 as of September 30, 2014, and December 31, 2013, respectively	7,940	11,028
Goodwill	41,191	41,191
Other assets	67,145	55,802
Total assets	\$ 1,062,698	\$ 1,016,494
LIABILITIES AND EQUITY		
Liabilities:		
Revolving credit facility	\$ 205,250	\$ 174,250
Senior unsecured term loan	100,000	
Mortgage loan payable		58,250
Accounts payable and accrued expenses	38,979	48,978
Accrued dividends and distributions	18,968	18,804
Deferred rent payable	9,196	9,646
Acquired below-market lease contracts, net of accumulated amortization of \$4,456 and \$4,361 as of September 30, 2014, and December 31, 2013, respectively	5,808	6,681
Prepaid rent and other liabilities	18,161	11,578
Total liabilities	396,362	328,187
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 September 30, 2014,	115,000	115,000

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and December 31, 2013

Common Stock, par value \$0.01, 100,000,000 shares authorized and 21,721,807 and 21,387,152 shares issued and outstanding at September 30, 2014, and December 31, 2013, respectively

	212	209
Additional paid-in capital	272,771	267,465
Accumulated other comprehensive income	200	
Distributions in excess of net income	(63,084)	(50,264)
Total stockholders' equity	325,099	332,410
Noncontrolling interests	341,237	355,897
Total equity	666,336	688,307
Total liabilities and equity	\$ 1,062,698	\$ 1,016,494

See accompanying notes to condensed consolidated financial statements.

Table of Contents**CORESITE REALTY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited and in thousands except share and per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues:				
Data center revenue:				
Rental revenue	\$ 38,315	\$ 33,428	\$ 110,152	\$ 97,092
Power revenue	18,687	15,979	51,264	43,994
Interconnection revenue	9,169	7,441	25,819	21,066
Tenant reimbursement and other	2,328	1,873	6,711	5,432
Office, light industrial and other revenue	2,016	1,914	5,982	5,809
Total operating revenues	70,515	60,635	199,928	173,393
Operating expenses:				
Property operating and maintenance	20,043	17,368	54,866	47,013
Real estate taxes and insurance	3,073	2,226	5,059	6,750
Depreciation and amortization	20,914	16,424	58,300	48,634
Sales and marketing	3,806	3,206	11,141	10,931
General and administrative	7,145	7,045	21,582	20,225
Rent	5,113	5,082	15,249	14,631
Impairment of internal-use software			1,959	
Transaction costs	49	25	62	279
Total operating expenses	60,143	51,376	168,218	148,463
Operating income	10,372	9,259	31,710	24,930
Interest income	1	14	5	18
Interest expense	(1,361)	(708)	(3,949)	(1,930)
Income before income taxes	9,012	8,565	27,766	23,018
Income tax expense	(22)	(56)	(20)	(435)
Net income	\$ 8,990	\$ 8,509	\$ 27,746	\$ 22,583
Net income attributable to noncontrolling interests	3,759	3,524	11,730	8,962
Net income attributable to CoreSite Realty Corporation	\$ 5,231	\$ 4,985	\$ 16,016	\$ 13,621
Preferred stock dividends	(2,084)	(2,084)	(6,253)	(6,253)
Net income attributable to common shares	\$ 3,147	\$ 2,901	\$ 9,763	\$ 7,368
Net income per share attributable to common shares:				
Basic	\$ 0.15	\$ 0.14	\$ 0.46	\$ 0.35
Diluted	\$ 0.14	\$ 0.14	\$ 0.45	\$ 0.34
Weighted average common shares outstanding				
Basic	21,214,825	20,871,504	21,113,700	20,793,596
Diluted	21,708,759	21,479,971	21,679,931	21,465,710

See accompanying notes to condensed consolidated financial statements.

Table of Contents**CORESITE REALTY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(unaudited and in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 8,990	\$ 8,509	\$ 27,746	\$ 22,583
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative contracts	397		(357)	
Reclassification of other comprehensive income to interest expense	340		795	
Comprehensive income	9,727	8,509	28,184	22,583
Comprehensive income attributable to noncontrolling interests	4,160	3,524	11,968	8,962
Comprehensive income attributable to CoreSite Realty Corporation	\$ 5,567	\$ 4,985	\$ 16,216	\$ 13,621

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 Income	Distributions in Excess of Net Income	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2014									