CyrusOne Inc.
Form 10-K
February 22, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period ___________ to ____________

Commission File Number: 001-35789

CyrusOne Inc.
(Exact name of registrant as specified in its charter)

Maryland	46-0691837
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2101 Cedar Springs Road, Suite 900, Dallas, TX 75201
(Address of Principal Executive Offices) (Zip Code)
(972) 350-0060
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	NASDAQ

Securities registered pursuant to Section 12 (g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The aggregate market value of the voting Common Stock owned by non-affiliates on June 30, 2018, was $5.8 billion, computed by reference to the closing sale price of the Common Stock on the NASDAQ Global Select Market on such date.

There were 108,257,818 shares of Common Stock outstanding as of February 14, 2019.

Portions of the definitive proxy statement relating to the Company’s 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this report to the extent described herein.

EXPLANATORY NOTE

Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our Company” or “the Company” refer to CyrusOne Inc., a Maryland corporation, together with its consolidated subsidiaries, including CyrusOne LP, a Maryland limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to CyrusOne LP together with its consolidated subsidiaries.

CyrusOne Inc. is a real estate investment trust, or REIT, whose only material asset is its ownership of operating partnership units of CyrusOne LP. As a result, CyrusOne Inc. does not conduct business itself, other than acting as the sole beneficial owner and sole trustee of CyrusOne GP (the sole general partner of CyrusOne LP), a Maryland statutory trust, issuing public equity from time to time and guaranteeing certain debt of CyrusOne LP and certain of its subsidiaries. CyrusOne Inc. itself does not issue any indebtedness but guarantees the debt of CyrusOne LP and certain of its subsidiaries, as disclosed in this report. CyrusOne LP and its subsidiaries hold substantially all the assets of the Company. CyrusOne LP conducts the operations of the business, along with its subsidiaries, and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by CyrusOne Inc., which are generally contributed to CyrusOne LP in exchange for operating partnership units, CyrusOne LP generates the capital required for the Company's business through CyrusOne LP's operations and by CyrusOne LP's incurrence of indebtedness.

As of December 31, 2018, the total number of outstanding shares of our common stock was approximately 108.3 million. CyrusOne Inc., directly or indirectly, owns all the operating partnership units of CyrusOne LP. As the direct or indirect owner of all the operating partnership units of CyrusOne LP and as sole beneficial owner and sole trustee of CyrusOne GP, which is the sole general partner of CyrusOne LP, CyrusOne Inc. has the full, exclusive and complete responsibility for the operating partnership's day-to-day management and control.

TABLE OF CONTENTS

PART IV

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Form 10-K”), together with other statements and information publicly disseminated by our company, contains certain forward-looking statements within the meaning of 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 Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions.

In particular, statements pertaining to our capital resources, portfolio performance, financial condition and results of operations contain certain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates” or “anticipate 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. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. 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:

- loss of key customers;
- economic downturn, natural disaster or oversupply of data centers in the limited geographic areas that we serve;
- risks related to the development of our properties and our ability to successfully lease those properties;
- weakening in the fundamentals for data center real estate, including but not limited to, decreases in or slowed growth of global data, e-commerce and demand for outsourcing of data storage and cloud-based applications;
- loss of access to key third-party service providers and suppliers;
- risks of loss of power or cooling which may interrupt our services to our customers;
- inability to identify and complete acquisitions and operate acquired properties, including those acquired in the recently completed acquisition of Zenium Topco Ltd. and certain other affiliated entities ("Zenium");
- our failure to obtain necessary outside financing on favorable terms, or at all;
- restrictions in the instruments governing our indebtedness;
- risks related to environmental matters;
- unknown or contingent liabilities related to our acquisitions;
- significant competition in our industry;
- loss of key personnel;
- risks associated with real estate assets and the industry;
- failure to maintain our status as a REIT or to comply with the highly technical and complex REIT provisions of the Internal Revenue Code of 1986, as amended (the "Code");
- REIT distribution requirements could adversely affect our ability to execute our business plan;
- insufficient cash available for distribution to stockholders;
- future offerings of debt may adversely affect the market price of our common stock;
- increases in market interest rates will increase our borrowing costs and may drive potential investors to seek higher dividend yields and reduce demand for our common stock;
- market price and volume of stock could be volatile;

- international activities, including those now conducted as a result of the recently completed Zenium acquisition and land acquisitions, are subject to special risks different from those faced by us in the United States;
- the uncertainty surrounding the United Kingdom's decision to withdraw from the European Union and around the British Parliament's approval of the agreement with the European Union regarding the United Kingdom's withdrawal from the European Union;
- expanded and widened price increases in certain selective materials for data center development capital expenditures due to international trade negotiations;
- any failure to comply with anti-corruption laws and regulations could have adverse effects on our business;
- legislative or other actions relating to taxes could have a negative effect on us; and
- other factors affecting the real estate and technology industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled "Risk Factors". Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We disclaim any obligation other than as required by law to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors or for new information, data or methods, future events or other changes.

PART I

ITEM 1. BUSINESS

The Company

We are a fully integrated, self-managed data center real estate investment trust ("REIT") that owns, operates and develops enterprise-class, carrier-neutral, multi-tenant and single-tenant data center properties. Founded in 2001, CyrusOne Inc. successfully completed an initial public offering and began trading on the NASDAQ Exchange on January 18, 2013. Our data centers are generally purpose-built facilities with redundant power and cooling. They are not network specific and enable customer connectivity to a range of telecommunication carriers. We provide mission-critical data center facilities that protect and ensure the continued operation of information technology ("IT") infrastructure for approximately 1,000 customers in 48 data centers and two recovery centers in 13 markets (10 cities in the U.S., London, U.K., Singapore and Frankfurt, Germany).

Recent Developments

On September 28, 2018, CyrusOne Inc. completed a public offering of 6.7 million shares of its common stock for $397.3 million, net of underwriting discounts and expenses of approximately $18.1 million. In connection with this offering, on September 25, 2018, CyrusOne Inc. entered into a forward sale agreement with Morgan Stanley & Co. LLC with respect to an additional 2.5 million shares of its common stock. On December 28, 2018, the Company effected a full physical settlement of the previously announced forward sale agreement entered into with Morgan Stanley & Co. LLC. Upon settlement, the Company issued all such shares to Morgan Stanley & Co. LLC in its capacity as forward purchaser, in exchange for net proceeds of approximately $148.2 million.

In March 2018, the Company entered into a new senior unsecured credit agreement ("$3.0 Billion Credit Facility"). The new agreement includes a $1.7 billion revolving credit facility (the "$1.7 Billion Revolving Credit Facility") with a maturity of March 2022 that includes a one-year extension option exercisable by the Company, subject to certain conditions. The agreement includes a 5-year term loan with commitments totaling $1.0 billion ("2023 Term Loan") and a $300.0 million 7-year term loan ("2025 Term Loan"). The 2023 Term Loan includes a delayed draw feature which allowed the Company to draw $300.0 million in up to three tranches over a six-month period in multiple currencies. The Company exercised the draw as a part of the Zenium acquisition. The $1.7 Billion Revolving Credit Facility has the option to borrow in non-USD currencies. The $3.0 Billion Credit Facility also includes an accordion feature providing for an aggregate increase in the revolving and term components to $4.0 billion, subject to certain conditions. As of December 31, 2018, the Company had $1,000.0 million, $300.0 million and $143.0 million outstanding under the 2023 Term Loan, the 2025 Term Loan and the $1.7 Billion Revolving Credit Facility, respectively. The Company also assumed a €100.0 million construction facility as part of the Zenium acquisition, which was paid off in December 2018.

On August 24, 2018, the Company completed the acquisition of Zenium. Zenium is a hyperscale data center provider in Europe with four operating data centers in London and Frankfurt, and land sites available for development in London and Frankfurt. In connection with the acquisition, and after giving effect to a post-closing working capital adjustment, the Company paid aggregate cash consideration of approximately $462.8 million, net of approximately $12.7 million of cash acquired, and assumed outstanding indebtedness of approximately $86.3 million. In the fourth quarter of 2018, the Company also paid approximately $1.0 million related to the post-closing working capital adjustment which is included above in the aggregate cash consideration. The Company financed the acquisition with proceeds from the $300.0 million delayed draw term loan included in the 2023 Term Loan and $174.5 million of borrowings under the $1.7 Billion Revolving Credit Facility.

During 2018, the Company acquired 182 acres of land for future development for $182.3 million. As of December 31, 2018, the Company has a total of 470 acres of land available for future development.

During 2018, the Company sold approximately 12.2 million shares of its common stock through its At-The-Market ("ATM") program, through a public offering and through a forward sales agreement. The sales generated gross proceeds of approximately $723.5 million. As of December 31, 2018, there was approximately $750.0 million in remaining capacity of the $750.0 million authorized under the New 2018 ATM Stock Offering Program (as defined in

Item 7 under "Liquidity and Capital Resources").

The following diagram depicts our ownership structure as of December 31, 2018:

8

Our Business

We provide mission-critical data center real estate assets that protect and ensure the continued operation of IT infrastructure for our customers. We provide twenty-four hours-a-day, seven-days-a-week security guard monitoring with customizable security features. Our goal is to be the preferred global data center provider to the Fortune 1000, including the largest enterprises and providers of cloud services. As of December 31, 2018, our customers included 211 of the Fortune 1000, or other companies of equivalent size, representing approximately 76% of our annualized rent as of December 31, 2018.

Data centers are highly specialized and secure real estate assets that serve as centralized repositories of server, storage and network equipment. They are designed to provide the space, power, cooling and network connectivity necessary to efficiently operate mission-critical IT equipment. Telecommunications carriers typically provide network access into a data center through optical fiber. The demand for data center infrastructure is being driven by many factors, but most importantly by significant growth in data and increased demand for data infrastructure. The market for data center facilities includes established “traditional” enterprises that are web-enabling their applications and business processes, as well as cloud-centric companies with sophisticated technology requirements.

We cultivate long-term strategic relationships with our customers and provide them with solutions for their data center facilities and IT infrastructure requirements. The Company provides high-quality colocation with robust connectivity and the flexibility for customers to scale for future growth. Our offerings provide flexibility, reliability and security delivered through a tailored, customer service focused platform that is designed to foster long-term relationships. We focus on technology and large cloud computing customers that are expanding their data needs rapidly in the public and private cloud environments to provide them with solutions that address their current and future needs. Our facilities and construction design allow us to offer flexibility in density and power resiliency, and the opportunity for expansion as our customers' needs grow. The Company's network of 48 owned or leased data centers and investments with other colocation providers, enable us to provide our customers with solutions in America, Europe and Asia. The platform enables high-performance, low-cost data transfer and accessibility for customers.

As a full-service provider of data center solutions, our primary revenue sources consist of colocation rent from the lease of our data centers and services or products we provide to our customers including managed services, equipment sales, installation and other services. Colocation leases may include all or portions of a data center, where customers may also lease office space to support their colocation operations. Revenue is primarily based on power usage as well as square footage. Managed services are provided in certain contracts pursuant to contracts ranging from one to five years and include monitoring computer equipment, managing backups and storage, utilization reporting and other related ancillary information technology services using our equipment. Equipment sales, where title transfers to the customer, typically consist of servers, switches, networking equipment, cable infrastructure, cabinets and other miscellaneous technology communication equipment typically installed in our colocation facilities. Other services are generally one-time services and include installation of customer equipment, including products we sell to our tenants, performing customer system reboots, server cabinet and cage management, power monitoring, shipping and receiving, resolving technical issues, and other hands-on service requested by the customer.

Our Competitive Strengths

Our ability to attract and retain the world’s largest customers is attributed to the following competitive strengths, which distinguish us from other data center operators and enable us to continue to grow our operations.

High Quality Customer Base. The high quality of our assets, combined with our reputation for serving the needs of large enterprises, has enabled us to focus on the Fortune 1000, or other companies of equivalent size, to build a quality customer base. We currently have nearly 1,000 customers from a broad spectrum of industries and serve nine of the top ten cloud companies. Our revenue is generated by an enterprise customer base, as evidenced by the fact that as of December 31, 2018, 76% of our annualized rent comes from the Fortune 1000 or other companies of equivalent size. We serve a diversity of industries, including information technology, financial services, energy, oil and gas, mining,

medical, research and consulting services and consumer goods and services.
As of December 31, 2018, Microsoft Corporation represented 18% of our revenue.
Strategically Located Portfolio. Our portfolio is located in several domestic and international markets possessing attractive characteristics for enterprise-focused data center operations. We have domestic properties in six of the largest metropolitan areas in the U.S. (New York, Chicago, Houston, Phoenix, San Antonio and Dallas) and five of the largest metropolitan areas for Fortune 500 headquarters (New York, Houston, Dallas, Chicago and Cincinnati). We also have six properties in international markets including three in London, two in Frankfurt and one in Singapore. We have land in Dublin and Amsterdam under development. We believe cities with large populations or a large number of corporate headquarters are likely to produce incremental demand for IT infrastructure. In addition, being located close to our current and potential customers provides chief information officers (CIOs) with additional confidence when outsourcing their data center infrastructure to us.

Modern, High Quality, Flexible Facilities. Our portfolio includes highly efficient, reliable facilities with flexibility to customize customer solutions and accessibility to hundreds of connectivity providers. To optimize the delivery of power, our properties include modern engineering technologies designed to minimize unnecessary power usage and, in our newest facilities, we are able to provide power utilization efficiency ratios that we believe to be among the best in the multi-tenant data center industry. Fortune 1000 chief information officers ("CIOs") are dividing their application stacks into various groups as some applications require 100% availability, while others may require significant power to support complex computing, or robust connectivity. Our facility design enables us to deliver different power densities and resiliencies to the same customer footprint, allowing customers to tailor solutions to meet their application needs. In addition, the National IX Platform, discussed below, provides access to hundreds of telecommunication and Internet carriers.

Massively Modular® Construction Methods. Our Massively Modular® data center design principles allow us to efficiently stage construction on a large scale and deliver critical power and colocation square feet (CSF) in a timeframe that we believe is one of the best in the industry. We acquire or build a large powered shell capable of scaling with our customers' power and colocation space needs. Once the building shell is ready, we can build individual data center halls in portions of the building space to meet the needs of customers on a modular basis. This modular data center hall construction can be completed in 12 to 16 weeks to meet our customers' immediate needs. This short construction timeframe ensures a very high utilization of the assets and minimizes the time between our capital investment and the recognition of customer revenue, favorably impacting our return on investment while also translating into lower costs for our customers. Our design principles also allow us to add incremental equipment to increase power densities as our customers' power needs increase, which provides our customers with a significant amount of flexibility to manage their IT demands. We believe this Massively Modular® approach allows us to respond to rapidly evolving customer needs, to commit capital toward the highest return projects and to develop state-of-the-art data center facilities.

Significant Leasing Capability. Our focus on the customer, our ability to scale with their needs, and our operational excellence provide us with embedded future growth from our customer base. During 2018, we signed new leases representing $152.7 million in annualized revenue, with previously existing customers accounting for approximately 86% of this amount. Since December 31, 2017, we have increased our CSF by approximately 552,000 square feet or 17%, while maintaining a high percentage of CSF utilized of 88% and 83% as of December 31, 2018 and 2017, respectively.

Significant, Attractive Expansion Opportunities. As of December 31, 2018, we had 1,670,000 net rentable square feet (NRSF) of powered shell available for future development and approximately 470 acres of land that are available for future data center facility development, consisting of 462 acres in US markets and eight in Europe. The powered shell available for future development in locations that are part of our domestic portfolio consist of approximately 600,000 NRSF in the Northeast (Raleigh-Durham, Northern Virginia and New York Metro), 594,000 NRSF in the Southwest (Texas and Phoenix) and 454,000 NRSF in the Midwest (Chicago and Cincinnati). Our current development properties and available acreage were selected based on extensive site selection criteria and the collective industry knowledge and experience of our management team, with a focus on markets with a strong presence of and high demand by Fortune 1000 companies and providers of cloud services. As a result, we believe that our development portfolio contains properties that are located in markets with attractive supply and demand conditions and that possess suitable physical characteristics to support data center infrastructure.

Differentiated Reputation for Service. We believe that the decision CIOs make to outsource their data center infrastructure has material implications for their businesses and, as such, CIOs look to third-party data center providers that have a reputation for serving similar organizations and that are able to deliver a customized solution. We take a consultative approach to understanding the unique requirements of our customers, and our design principles allow us to deliver a customized data center solution to match their needs. We believe that this approach has helped fuel our growth. Our current customers are also often the source of new contracts, with referrals being an important source of new customers.

Experienced Management Team. Our management team is comprised of individuals drawing on diverse knowledge and skill sets acquired through extensive experiences in the real estate, REITs, telecommunications, technology and mission-critical infrastructure industries.

Balance Sheet Positioned to Fund Continued Growth. As of December 31, 2018, we had $1,613.4 million in available liquidity, including $1,549.0 million in borrowing capacity under the $3.0 Billion Credit Facility. The $3.0 Billion Credit Facility also includes an accordion feature providing for an aggregate increase in the revolving and term components to $4.0 billion, subject to certain conditions. We believe that we are appropriately capitalized with sufficient financial flexibility and capacity to fund our anticipated growth.

Experienced Sales Force with Robust Partner Channel. We have an experienced sales force with a particular expertise in selling to large enterprises and providers of cloud services, which can require extensive consultation and drive long sales cycles as these enterprises make the initial outsourcing decision. As of December 31, 2018, we had 48 sales-related employees. We believe the depth, knowledge, and experience of our sales team differentiates us from other data center companies, and we are not as dependent on brokers to identify and acquire customers as some other companies in the industry. To complement our direct sales efforts, we have developed a robust network of partners, including value added resellers, systems integrators and hosting providers.

Business and Growth Strategies

Our objective is to grow our revenue and earnings, and maximize stockholder returns and cash flow, by continuing to expand our data center infrastructure outsourcing business.

Increasing Revenue from Existing Customers and Properties. We have historically generated a significant portion of our revenue growth from our existing customers. We will continue to target our existing customers because we believe that many have significant data center infrastructure needs that have not yet been outsourced, and many will require additional data center space and power to support their growth and their increasing reliance on technology infrastructure in their operations. To address new demand, as of December 31, 2018, we have approximately 1,362,726 NRSF currently available for lease. We also have approximately 1,492,091 NRSF under development, as well as 1,670,000 NRSF of additional powered shell space under roof available for future development and approximately 470 acres of land that are available for future data center facility development.

Attracting and Retaining New Customers. Increasingly, enterprises are beginning to recognize the complexities of managing data center infrastructure in the midst of rapid technological development and innovation. We believe that these complexities, brought about by the rapidly increasing levels of Internet traffic and data, private and public cloud adoption, obsolete existing corporate data center infrastructure, increased power and cooling requirements and increased regulatory requirements, are all driving the need for companies to outsource their data center facility requirements. Consequently, this will significantly increase the percentage of companies that use third-party data center colocation services over the next several years. We believe that our high-quality assets and reputation for serving cloud providers and large enterprises have been, and will be, key differentiators for us in attracting customers that are outsourcing their data center infrastructure needs.

We acquire customers through a variety of channels. We have historically managed our sales process through a direct-to-the-customer model but also utilize third-party leasing agents and indirect leasing channels to expand our universe of potential new customers. Over the past few years, we have developed a robust network of partners in our indirect leasing channels, including value added resellers, systems integrators and hosting providers. These channels, in combination with our marketing strategies, have enabled us to build both a strong brand and outreach program to new customers. Throughout the life cycle of a customer’s lease with us, we maintain a disciplined approach to monitoring their experience, with the goal of providing the highest level of customer service. This personal attention fosters a strong relationship and trust with our customers, which leads to future growth and leasing renewals.

Expanding into New Markets. Our expansion strategy focuses on acquiring and developing new data centers, both domestically and internationally, in markets where our customers are located and in markets with a strong presence of and high demand by Fortune 1000 customers and providers of cloud services. We conduct extensive analysis to ensure an identified market displays strong data center fundamentals, independent of the demand presented by any particular customer. In addition, we consider markets where our existing customers want us to be located. We regularly meet with our customers to understand their business strategies and potential data center needs. We believe that this approach, combined with our Massively Modular® construction design, reduces the risk associated with expansion into new markets because it provides strong visibility into our leasing opportunities and helps to ensure targeted returns on new developments. When considering a new market, we take a disciplined approach in evaluating potential business, property and site acquisitions, including a site’s geographic attributes, availability of telecommunications and connectivity providers, access to power, and expected costs for development.

Growing Interconnection Business. In April 2013, we launched the National IX Platform, delivering interconnection across states and between metro-enabled sites within the CyrusOne facility footprint and beyond. The platform enables high-performance, low-cost data transfer and accessibility for customers seeking to connect between CyrusOne facilities, from CyrusOne to their own private data center facility, or with one another via private peering, cross connects and/or public switching environments. Interconnection within a facility or on the National IX Platform allows our customers to share information and conduct commerce in a highly efficient manner not requiring a third-party intermediary, and at a fraction of the cost normally required to establish such a connection between two enterprises. The demand for interconnection creates additional rental and revenue growth opportunities for us, and we believe that customer interconnections increase our likelihood of customer retention by providing an environment not easily replicated by competitors. We act as a trusted neutral party that enterprises, carriers and content companies utilize to connect to each other. In 2014, we became the first colocation provider in North America to receive multi-site certification from the Open-IX Association, a non-profit industry group formed to promote better standards for data center interconnection and Internet Exchanges in North America.

Our Portfolio

We own and operate 48 data centers and two recovery centers totaling 6.7 million NRSF, 88% of the CSF is leased and includes 703 megawatts ("MW") of power capacity. This includes 12 buildings where the Company leases such facilities. We are lessee of approximately 5.0% of our total operating NRSF as of December 31, 2018. Also included in our total NRSF, CSF and MW are pre-stabilized assets (which include data halls that have been in service for less than 24 months and are less than 85% leased) that have approximately 416,886 NRSF, 33% of the CSF is leased with capacity of 34 MW of power.

In addition, we have properties under development comprising approximately 1.5 million NRSF and 126 MW of power capacity. The estimated total costs to develop these properties is between $613 million and $714 million. The final cost to develop could change depending on the capital improvements required based on the lease contracts executed on such properties. We also have 470 acres of land available for future data center development. The following tables provide an overview of our operating and development properties as of December 31, 2018.

CyrusOne Inc.
Data Center Portfolio
As of December 31, 2018
(unaudited)

Stabilized Properties[b]	Metro Area	Annualized Rent[c] ($000)	Operating Net Rentable Square Feet (NRSF)[a] Colocation Space (CSF) (000)	CSF Occupied[d]	CSF Leased[e]	Office & Other[f] (000)	Office & Other Occupied[g]	Supporting Infrastructure[h] (000)	Total[i] (000)	Powered Shell Available for Future Development (NRSF)[k] (000)	Available Critical Load Capacity (MW)[l]
Dallas - Carrollton	Dallas	$ 75,701	305	88 %	89 %	82	44 %	111	498	—	44
Northern Virginia - Sterling V	Northern Virginia	42,039	383	83 %	92 %	11	100 %	138	532	64	57
Houston - Houston West I	Houston	41,911	112	97 %	97 %	11	100 %	37	161	3	28
Northern Virginia - Sterling II	Northern Virginia	35,853	159	100 %	100 %	9	100 %	55	223	—	30
Cincinnati - 7th Street***	Cincinnati	33,493	197	91 %	92 %	6	61 %	175	378	46	16
San Antonio III	San Antonio	30,781	132	100 %	100 %	9	100 %	43	184	—	24
Somerset I	New York Metro	29,786	97	85 %	92 %	27	89 %	89	213	203	13
Chicago - Aurora I	Chicago	27,797	113	98 %	98 %	34	100 %	223	371	27	71
Dallas - Lewisville*	Dallas	27,050	114	76 %	83 %	11	84 %	54	180	—	21
Totowa - Madison**	New York Metro	26,469	51	89 %	92 %	22	100 %	59	133	—	6
Cincinnati - North Cincinnati	Cincinnati	24,322	65	99 %	100 %	45	79 %	53	163	65	14
Wappingers Falls I**	New York Metro	23,705	37	92 %	92 %	20	99 %	15	72	—	3
Frankfurt I	Frankfurt	21,973	53	97 %	97 %	8	91 %	57	118	—	18
San Antonio I	San Antonio	21,586	44	100 %	100 %	6	83 %	46	96	11	12
Phoenix - Chandler VI	Phoenix	21,190	148	99 %	99 %	6	100 %	32	186	10	24
Houston - Houston West II	Houston	20,822	80	77 %	77 %	4	79 %	55	139	11	12
Phoenix - Chandler II	Phoenix	20,501	74	100 %	100 %	6	38 %	26	105	—	12
Northern Virginia - Sterling I	Northern Virginia	19,878	78	100 %	100 %	6	81 %	49	132	—	12
Phoenix - Chandler I	Phoenix	19,456	74	100 %	100 %	35	12 %	39	147	31	16
Phoenix - Chandler III	Phoenix	18,548	68	100 %	100 %	2	— %	30	101	—	14
Raleigh-Durham I	Raleigh-Durham	18,522	76	92 %	97 %	13	100 %	82	171	246	12
Northern Virginia - Sterling III	Northern Virginia	18,172	79	100 %	100 %	7	100 %	34	120	—	15
Austin III	Austin	16,427	62	67 %	69 %	15	98 %	21	98	67	6
Houston - Galleria	Houston	16,021	63	59 %	59 %	23	49 %	25	112	—	14
Austin II	Austin	14,860	44	95 %	95 %	2	100 %	22	68	—	5
San Antonio II	San Antonio	14,106	64	100 %	100 %	11	100 %	41	117	—	12
Florence	Cincinnati	13,518	53	99 %	99 %	47	87 %	40	140	—	9
Northern Virginia - Sterling VI	Northern Virginia	12,384	101	68 %	100 %	—	— %	—	101	—	21
	Phoenix	11,285	73	100 %	100 %	3	100 %	27	103	—	12

Phoenix - Chandler IV											
Phoenix - Chandler V	Phoenix	11,162	72	100%	100%	1	95%	16	89	94	12
Cincinnati - Hamilton*	Cincinnati	10,803	47	74%	74%	1	100%	35	83	—	10
Northern Virginia - Sterling IV	Northern Virginia	10,349	81	100%	100%	7	100%	34	122	—	15
San Antonio IV	San Antonio	10,271	60	100%	100%	12	100%	27	99	—	12
London I**	London	8,527	25	100%	100%	12	56%	58	95	9	10
London II**	London	8,304	49	100%	100%	10	100%	93	151	4	15
London - Great Bridgewater**	London	6,274	10	94%	94%	—	—%	1	11	—	1
Houston - Houston West III	Houston	5,569	53	34%	34%	10	100%	32	95	209	6
Cincinnati - Mason	Cincinnati	5,374	34	100%	100%	26	98%	17	78	—	4
Stamford - Riverbend**	New York Metro	5,340	20	23%	23%	—	—%	8	28	—	2
Norwalk I**	New York Metro	4,378	13	99%	99%	4	61%	41	58	87	2
Chicago - Lombard	Chicago	2,427	14	62%	62%	4	100%	12	30	29	3
Stamford - Omega**	New York Metro	1,242	—	—%	—%	19	84%	4	22	—	—
Frankfurt II	Frankfurt	1,185	45	100%	100%	7	100%	72	123	10	25
Cincinnati - Blue Ash*	Cincinnati	657	6	36%	36%	7	100%	2	15	—	1
South Bend - Crescent*	Chicago	567	3	41%	41%	—	—%	5	9	11	1
Totowa - Commerce**	New York Metro	567	—	—%	—%	20	38%	6	26	—	—
Singapore - Inter Business Park**	Singapore	379	3	22%	22%	—	—%	—	3	—	1
South Bend - Monroe	Chicago	123	6	23%	23%	—	—%	6	13	4	1
Stabilized Properties - Total		$811,653	3,540	90%	92%	621	77%	2,148	6,309	1,241	669

13

CyrusOne Inc.
Data Center Portfolio
As of December 31, 2018
(Unaudited)

			Operating Net Rentable Square Feet (NRSF)[a]							Powered Shell Available for Future Development (NRSF)[k] (000)	Available Critical Load Capacity (MW)[l]
	Metro Area	Annualized Rent[c] ($000)	Colocation Space (CSF)[d] (000)	CSF Occupied[e]	CSF Leased[f]	Office & Other[g] (000)	Office & Other Occupied[h]	Supporting Infrastructure[i] (000)	Total[j] (000)		
Stabilized Properties - Total		$ 811,653	3,540	90 %	92 %	621	77 %	2,148	6,309	1,241	669
Pre-Stabilized Properties[b]											
Dallas - Carrollton (DH #6)	Dallas	7,346	75	76 %	76 %	—	— %	21	96	—	6
Chicago - Aurora II (DH #1)	Chicago	2,107	77	29 %	34 %	45	— %	14	136	272	16
Dallas - Carrollton (DH #7)	Dallas	868	48	21 %	21 %	—	— %	—	48	—	6
Dallas - Allen (DH #1)	Dallas	—	79	— %	— %	—	— %	58	137	158	6
All Properties - Total		$ 821,975	3,819	85 %	88 %	666	72 %	2,241	6,726	1,670	703

* Indicates properties in which we hold a leasehold interest in the building shell and land. All data center infrastructure has been constructed by us and is owned by us.

** Indicates properties in which we hold a leasehold interest in the building shell, land, and all data center infrastructure.

*** The information provided for the Cincinnati - 7th Street property includes data for two facilities, one of which we lease and one of which we own.

(a) Represents the total square feet of a building under lease or available for lease based on engineers' drawings and estimates but does not include space held for development or space used by CyrusOne.

(b) Stabilized properties include data halls that have been in service for at least 24 months or are at least 85% leased. Pre-stabilized properties include data halls that have been in service for less than 24 months and are less than 85% leased.

(c) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were $112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was $829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(d)

CSF represents the NRSF at an operating facility that is currently leased or readily available for lease as colocation space, where customers locate their servers and other IT equipment.

(e) Percent occupied is determined based on CSF billed to customers under signed leases as of December 31, 2018 divided by total CSF. Leases signed but that have not commenced billing as of December 31, 2018 are not included.

(f) Percent leased is calculated by dividing CSF under signed leases for colocation space (whether or not the lease has commenced billing) by total CSF.

(g) Represents the NRSF at an operating facility that is currently leased or readily available for lease as space other than CSF, which is typically office and other space.

(h) Percent occupied is determined based on Office & Other space being billed to customers under signed leases as of December 31, 2018 divided by total Office & Other space. Leases signed but not commenced as of December 31, 2018 are not included.

(i) Represents infrastructure support space, including mechanical, telecommunications and utility rooms, as well as building common areas.

(j) Represents the NRSF at an operating facility that is currently leased or readily available for lease. This excludes existing vacant space held for development.

(k) Represents space that is under roof that could be developed in the future for operating NRSF, rounded to the nearest 1,000.

(l) Critical load capacity represents the aggregate power available for lease and exclusive use by customers expressed in terms of megawatts. The capacity reported is for non-redundant megawatts, as we can develop flexible solutions to our customers at multiple resiliency levels. Does not sum to total due to rounding.

CyrusOne Inc.
NRSF Under Development
As of December 31, 2018
(Dollars in millions)
(unaudited)

			NRSF Under Development[a]						Under Development Costs[b]		
Facilities	Metropolitan Area	Estimated Completion Date	Colocation Space (CSF) (000)	Office & Other (000)	Supporting Infrastructure (000)	Powered Shell[c] (000)	Total (000)	Critical Load MW Capacity[d]	Actual to Date[e]	Estimated Costs to Completion[f]	Total
Dallas - Allen	Dallas	1Q'19	—	25	21	—	46	—	$—	$ 7-9	$ 7-9
Northern Virginia - Sterling V	Northern Virginia	1Q'19	—	—	7	—	7	6.0	—	25-28	25-28
Phoenix - Chandler VII	Phoenix	1Q'19	—	—	—	269	269	—	15	44-50	59-65
Raleigh-Durham I	Raleigh-Durham	1Q'19	7	—	—	—	7	3.0	1	6-8	7-9
Dallas - Carrollton	Dallas	2Q'19	—	—	—	—	—	6.0	2	17-18	19-20
Northern Virginia - Sterling VI	Northern Virginia	2Q'19	171	35	52	—	258	36.0	43	95-119	138-162
Somerset II	New York Metro	2Q'19	9	—	—	—	9	—	—	4-6	4-6
London I	London	2Q'19	13	—	—	—	13	5.0	—	12-14	12-14
Northern Virginia - Sterling VII	Northern Virginia	3Q'19	—	—	—	93	93	—	—	33-37	33-37
Northern Virginia - Sterling VIII	Northern Virginia	3Q'19	122	4	25	—	151	30.0	24	142-159	166-183
Austin III	Austin	3Q'19	—	—	—	—	—	3.0	—	17-19	17-19
London II	London	3Q'19	32	—	—	—	32	13.0	—	30-34	30-34
Frankfurt II	Frankfurt	3Q'19	45	3	—	—	48	18.0	—	50-60	50-60
Amsterdam I	Amsterdam	4Q'19	39	28	40	194	301	6.0	1	65-76	66-77
Frankfurt III	Frankfurt	2Q'20	—	—	—	258	258	—	—	66-77	66-77
Total			439	96	144	814	1,492	126.0	$ 86	$ 613-714	$699-800

(a) Represents NRSF at a facility for which activities have commenced or are expected to commence in the next 2 quarters to prepare the space for its intended use. Estimates and timing are subject to change. May not sum to total due to rounding.

(b) London development costs are GBP-denominated and shown as USD-equivalent using exchange rate of 1.27. Frankfurt and Amsterdam development costs are EUR-denominated and shown as USD-equivalent using exchange rate of 1.14.

(c) Represents NRSF under construction that, upon completion, will be powered shell available for future development into operating NRSF.

(d) Critical load capacity represents the aggregate power available for lease and exclusive use by customers expressed in terms of megawatts. The capacity reported is for non-redundant megawatts, as we can develop flexible solutions to our customers at multiple resiliency levels.

(e) Actual to date is the cash investment as of December 31, 2018. There may be accruals above this amount for work completed, for which cash has not yet been paid.

(f) Represents management's estimate of the total costs required to complete the current NRSF under development. There may be an increase in costs if customers require greater power density.

Customer Diversification

Our portfolio is currently leased to approximately 1,000 customers, many of which are leading global companies. The following table sets forth information regarding the 20 largest customers, including their affiliates, in our portfolio based on annualized rent as of December 31, 2018:

CyrusOne Inc.
Customer Sector Diversification[(a)]
As of December 31, 2018
(unaudited)

	Principal Customer Industry	Number of Locations	Annualized Rent[(b)] (000)	Percentage of Portfolio Annualized Rent[(c)]		Weighted Average Remaining Lease Term in Months[(d)]
1	Information Technology[(e)]	11	$ 156,064	19.0	%	95.8
2	Information Technology	5	52,716	6.4	%	67.6
3	Information Technology	10	44,325	5.4	%	39.4
4	Information Technology	7	29,937	3.6	%	32.8
5	Financial Services	1	19,097	2.3	%	147.0
6	Research and Consulting Services	3	15,791	1.9	%	25.1
7	Information Technology	4	15,585	1.9	%	44.0
8	Healthcare	2	15,099	1.8	%	108.0
9	Telecommunication Services	2	13,513	1.6	%	31.0
10	Energy	1	12,610	1.5	%	19.7
11	Information Technology	6	12,004	1.5	%	23.0
12	Industrials	5	11,400	1.4	%	9.5
13	Telecommunication Services	7	9,950	1.2	%	22.1
14	Financial Services	2	9,506	1.2	%	56.6
15	Consumer Staples	3	9,162	1.1	%	25.7
16	Information Technology	2	7,994	1.0	%	66.2
17	Telecommunication Services	1	7,823	1.0	%	106.6
18	Information Technology	3	7,819	1.0	%	109.8
19	Information Technology	2	7,187	0.9	%	11.3
20	Financial Services	1	6,600	0.8	%	17.0
			$ 464,182	56.5	%	67.2

(a) Customers and their affiliates are consolidated.

(b) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were $112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was $829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(c) Represents the customer's total annualized rent divided by the total annualized rent in the portfolio as of December 31, 2018, which was approximately $822.0 million.

(d) Weighted average based on customer's percentage of total annualized rent expiring and is as of December 31, 2018, assuming that customers exercise no renewal options and exercise all early termination rights that require payment of less than 50% of the remaining rents. Early termination rights that require payment of 50% or more of the remaining lease payments are not assumed to be exercised because such payments approximate the profitability margin of leasing that space to the customer, such that we do not consider early termination to be economically detrimental to us.

(e) The customer represents 19% of our annualized rent and 18% of our consolidated revenue.

Lease Distribution

The following table sets forth information relating to the distribution of customer leases in the properties in our portfolio, based on NRSF under lease as of December 31, 2018:
CyrusOne Inc.
Lease Distribution
As of December 31, 2018
(unaudited)

NRSF Under Lease[a]	Number of Customers[b]	Percentage of All Customers		Total Leased NRSF[c] (000)	Percentage of Portfolio Leased NRSF		Annualized Rent[d] (000)	Percentage of Annualized Rent	
0-999	672	68	%	127	2	%	$ 71,531	9	%
1,000-2,499	119	12	%	187	4	%	43,709	5	%
2,500-4,999	74	7	%	264	5	%	44,912	6	%
5,000-9,999	45	5	%	319	6	%	52,946	6	%
10,000+	82	8	%	4,466	83	%	608,877	74	%
Total	992	100	%	5,363	100	%	$ 821,975	100	%

(a) Represents all leases in our portfolio, including colocation, office and other leases.

(b) Represents the number of customers occupying data center, office and other space as of December 31, 2018. This may vary from total customer count as some customers may be under contract, but have yet to occupy space.

(c) Represents the total square feet at a facility under lease and that has commenced billing, excluding space held for development or space used by CyrusOne. A customer's leased NRSF is estimated based on such customer's direct CSF or office and light-industrial space plus management's estimate of infrastructure support space, including mechanical, telecommunications and utility rooms, as well as building common areas.

(d) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were $112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was $829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

Lease Expiration

The following table sets forth a summary schedule of the customer lease expirations for leases in place as of December 31, 2018, plus available space, for each of the 10 full calendar years beginning January 1, 2019, at the properties in our portfolio.

CyrusOne Inc.
Lease Expirations
As of December 31, 2018
(unaudited)

Year[(a)]	Number of Leases Expiring[(b)]	Total Operating NRSF Expiring (000)	Percentage of Total NRSF		Annualized Rent[(c)] (000)	Percentage of Annualized Rent		Annualized Rent at Expiration[(d)] (000)	Percentage of Annualized Rent at Expiration	
Available		1,363	20	%						
Month-to-Month	759	100	1	%	$ 32,002	4	%	$ 34,396	4	%
2019	2,250	574	9	%	107,469	13	%	108,352	12	%
2020	1,686	594	9	%	104,107	13	%	106,016	11	%
2021	1,851	722	11	%	127,330	15	%	136,913	15	%
2022	337	539	8	%	77,359	9	%	83,552	9	%
2023	266	720	11	%	86,821	11	%	119,285	13	%
2024	60	266	4	%	39,767	5	%	48,527	5	%
2025	46	186	3	%	29,672	4	%	34,024	4	%
2026	31	590	9	%	86,809	10	%	92,627	10	%
2027	19	438	6	%	66,807	8	%	86,233	9	%
2028	16	265	4	%	29,576	4	%	34,941	4	%
2029 - Thereafter	13	369	5	%	34,256	4	%	41,324	4	%
Total	7,334	6,726	100	%	$ 821,975	100	%	$ 926,190	100	%

(a) Leases that were auto-renewed prior to December 31, 2018 are shown in the calendar year in which their current auto-renewed term expires. Unless otherwise stated in the footnotes, the information set forth in the table assumes that customers exercise no renewal options and exercise all early termination rights that require payment of less than 50% of the remaining rents. Early termination rights that require payment of 50% or more of the remaining lease payments are not assumed to be exercised.

(b) Number of leases represents each agreement with a customer. A lease agreement could include multiple spaces and a customer could have multiple leases.

(c) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were $112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was $829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(d) Represents the final monthly contractual rent under existing customer leases that had commenced as of December 31, 2018, multiplied by 12.

18

Regulation

General

Properties in our markets are subject to various laws, ordinances and regulations, including regulations relating to common areas. In addition to the regulations described below, we are subject to various federal, state and local regulations, such as state and local fire and life safety regulations. We believe that each of our properties has, or is expected to have when required, the necessary permits and approvals for us to operate our business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, or the ADA, to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

We are subject to laws and regulations relating to the protection of the environment, the storage, management and disposal of hazardous materials, emissions to air and discharges to water, the cleanup of contaminated sites and health and safety matters. These include various regulations promulgated by the Environmental Protection Agency and other federal, state, and local regulatory agencies and legislative bodies relating to our operations, including those involving power generators, batteries, and fuel storage to support co-location infrastructure. While we believe that our operations are in substantial compliance with environmental, health, and human safety laws and regulations, as an owner or operator of property and in connection with the current and historical use of hazardous materials and other operations at its sites, we could incur significant costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damages or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. Fuel storage tanks are present at many of our properties, and if releases were to occur, we may be liable for the costs of cleaning up resulting contamination. Some of our sites also have a history of previous commercial operations, including past underground storage tanks.

Some of the properties may contain asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained and may impose fines and penalties on building owners or operators for failure to comply with these requirements.

Environmental consultants have conducted Phase I or similar non-intrusive environmental site assessments on recently acquired properties and, if appropriate, additional environmental inquiries and assessments. Nonetheless, we may acquire or develop sites in the future with unknown environmental conditions from historical operations. Although we are not aware of any sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of spill or the discovery of contaminants in the future could result in significant additional costs to us.

Our operations also require us to obtain permits and/or other governmental approvals and to develop response plans in connection with the use of our generators or other operations. These requirements could restrict our operations or delay the development of data centers in the future. In addition, from time to time, federal, state or local government regulators enact new or revise existing legislation or regulations that could affect us, either beneficially or adversely. As a result, we could incur significant costs in complying with environmental laws or regulations that are promulgated in the future.

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy. In the opinion of our management, our policy specifications, limits and insurance carriers are appropriate given the relative risk of loss, the cost of coverage and industry practice. We cannot provide any assurance that the business interruption or property insurance we have will cover all losses that we may experience, that the insurance carrier will be solvent, that rates will remain commercially reasonable, that insurance carriers will not cancel our policies, or that the insurance carriers will pay all claims made by us. Certain circumstances, such as acts of war, are generally uninsurable under our policies. See also “Risk Factors-Risks Related to Our Business and Operations." Any losses to our properties that are not covered by insurance, or that exceed our policy coverage limits, could adversely affect our business, financial condition and results of operations.

Competition
We compete with numerous developers, owners and operators of technology-related real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our customers, or if our competitors offer space that tenants perceive to be superior to ours (based on factors such as available power, security considerations, location or connectivity), we may lose potential customers and we may be pressured to reduce our rental rates below those we currently charge in order to retain customers when our customers' leases expire or incur costs to improve our properties. In addition, our customers have the option of building their own data center space which can also place pressure on our rental rates.
As a developer of data center space and provider of interconnection services, we also compete for the services of key third-party providers of services, including engineers and contractors with expertise in the development of data centers. There is competition for the services of specialized contractors and other third-party providers required for the development of data centers, increasing the cost of engaging such providers and the risk of delays in completing our development projects.

In addition, we face competition from real estate developers in our sector and in other industries for the acquisition of additional properties suitable for the development of data centers. Such competition may reduce the number of properties available for acquisition, increase the price of these properties and reduce the demand for data center space in the markets we seek to serve.
Employees
As of December 31, 2018, we employ approximately 448 persons, including 44 international employees. None of these employees are represented by a labor union.
Financial Information
For financial information related to our operations, please refer to the financial statements including the notes thereto, included in this Form 10-K.
How to Obtain Our SEC Filings

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC). All reports we file with the SEC will be available free of charge via EDGAR through the SEC website at http://www.sec.gov. We make available our reports on Forms 10-K, 10-Q, and 8-K (as well as all amendments to these reports), and other information, free of charge, at the "Investors" section of our website at http://www.cyrusone.com. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this report or any other document that we file with the SEC.

ITEM 1A. RISK FACTORS

You should carefully consider all the risks described below, as well as the other information contained in this document when evaluating your investment in our securities. Any of the following risks could materially and adversely affect our business, results of operations or financial condition. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties of which we are unaware or that we currently deem immaterial also may become important factors that affect our Company. The occurrence of any of the following risks might cause you to lose all or a part of your investment. Some statements in this Form 10-K, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Business and Operations

A small number of customers account for a significant portion of our revenue. The loss or significant reduction in business from one or more of our large customers could significantly harm our business, financial condition and results of operations, and impact the amount of cash available for distribution to our stockholders.

We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our revenue. Our top 10 customers collectively accounted for approximately 46% of our total annualized rent as of December 31, 2018. We have one customer which accounted for approximately 18% of our revenue as of December 31, 2018. As a result of this customer concentration, our business, financial condition and results of operations, including the amount of cash available for distribution to our stockholders, could be adversely affected if we lose one or more of our larger customers, if one or more of such customers significantly reduce their business with us or if we choose not to enforce, or to enforce less vigorously, any rights that we may have now or in the future against these significant customers because of our desire to maintain our relationship with them.

A significant percentage of our customer base is also concentrated in two industry sectors: information technology and financial services. Enterprises in the information technology and financial services sectors comprised approximately 51% and 17% respectively, of our annualized rent as of December 31, 2018. A downturn in one of these industries could negatively impact the financial condition of one or more of our information technology, financial services or energy customers, including several of our larger customers. In addition, instability in financial markets and economies generally may adversely affect our customers' ability to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our customers' financial condition and results of operations. As a result of these factors, customers could default on their obligations to us, delay the purchase of new services from us or decline to renew expiring leases, any of which could have an adverse effect on our business, financial condition and results of operations.

Additionally, if any customer becomes a debtor in a case under the U.S. Bankruptcy Code, applicable bankruptcy laws may limit our ability to terminate our contract with such customer solely because of the bankruptcy or recover any amounts owed to us under our agreements with such customer. In addition, applicable bankruptcy laws could allow the customer to reject and terminate its agreement with us, with limited ability for us to collect the full amount of our damages. Our business, including our revenue and cash available for distribution to our stockholders, could be adversely affected if any of our significant customers were to become bankrupt or insolvent.

A significant percentage of our customer leases expire each year or are on a month-to-month basis, and many of our leases contain early termination provisions. If leases with our customers are not renewed on the same or more favorable terms or are terminated early by our customers, our business, financial condition and results of operations could be substantially harmed.

Our customers may not renew their leases upon expiration. This risk is increased by the significant percentage of our customer leases that expire every year. As of December 31, 2018, leases representing 13%, 13% and 15% of the annualized rent for our portfolio will expire during 2019, 2020 and 2021, respectively, and an additional 4% of the 2018 annualized rent for our portfolio was from month-to-month leases. While historically we have retained a significant number of our customers, including those leasing from us on a month-to-month basis, upon expiration our customers may elect not to renew their leases or renew their leases at lower rates, for less space, for fewer services or for shorter terms. If we are unable to successfully renew or continue our customer leases on the same or more favorable terms or subsequently re-lease available data center space when such leases expire, our business, financial condition and results of operations could be adversely affected.

In addition, many of our leases contain early termination provisions that allow our customers to reduce the term of their leases subject to payment of an early termination charge that is often a specified portion of the remaining rent payable on such leases. The exercise by customers of early termination options could have an adverse effect on our business, financial condition and results of operations.

We generate a substantial portion of our revenue from a small number of metropolitan markets, which makes us more susceptible to regional economic downturns.

Our properties are located in 13 distinct markets (10 in the U.S., London, U.K., Singapore and Frankfurt, Germany). Cincinnati, Dallas, Houston, New York Metro, Northern Virginia, Phoenix and San Antonio accounted for approximately 84% of our annualized rent as of December 31, 2018. As such, we are potentially susceptible to local economic conditions and the supply of, and demand for, data center space in these markets. If there is a downturn in the economy, a natural disaster or an oversupply of, or decrease in demand for, data centers in these markets, our business could be adversely affected to a greater extent than if we owned a real estate portfolio that was more diversified in terms of both geography and industry focus.

Even if we have additional space available for lease at any one of our data centers, our ability to meet existing customer requirements or lease this space to existing or new customers could be constrained by our ability to provide sufficient electrical power and cooling capacity.

Customers are increasing their deployment of high-density IT equipment in our data centers, which has increased the demand for power and cooling capacity. As current and future customers increase their power footprint in our facilities over time, we may be required to upgrade or add to our existing infrastructure or add additional infrastructure to meet customer requirements. Power and cooling systems are difficult and expensive to upgrade, and such changes may be required at a time or on a timeline during which we lack the financial or operational ability to make such changes. Our failure to timely upgrade or add additional infrastructure could result in a failure to meet the requirements of our existing customers, or limit our ability to increase occupancy rates or density within our existing facilities, whether for new or existing customers. Similarly, even when successful in implementing such changes, we may not be able to pass on any additional costs to our customers.

We do not own all of the buildings in which our data centers are located. Instead, we lease or sublease certain of our data center spaces and the ability to retain these leases or subleases could be a significant risk to our ongoing operations.

We do not own 12 buildings that account for approximately 639,720 NRSF, or approximately 5% of our total operating NRSF. These leased buildings accounted for 6% of our total annualized rent as of December 31, 2018. In addition, future companies that we acquire, particularly outside of the U. S., may lease facilities instead of owning them. Our business could be harmed if we are unable to renew the leases for these data centers on favorable terms or at all. Additionally, in several of our smaller facilities we sublease our space, and our rights under these subleases are dependent on our sublandlord retaining its rights under the prime lease. When the primary terms of our existing leases and subleases expire, we generally have the right to extend the terms of our leases and subleases for one or more renewal periods, subject to, in the case of several of our subleases, our sublandlord renewing its term under the prime lease. For four of these leases and subleases, the renewal rent will be determined based on the fair market value of rental rates for the property, and the then prevailing rental rates may be higher than the current rental rates under the applicable lease. The rent for the remaining leases and subleases will be based on a fixed percentage increase over the base rent during the year immediately prior to expiration. Several of our data centers are leased or subleased from other data center companies, which may increase our risk of non-renewal or renewal on less than favorable terms. If renewal rates are less favorable than those we currently have, we may be required to increase revenues within existing data centers to offset such increase in lease payments. Failure to increase revenues to sufficiently offset these projected higher costs would adversely impact our operating income. Upon the end of our renewal options, we would have to renegotiate our lease terms with the applicable landlords.

Additionally, if we are unable to renew the lease at any of our data centers, we could lose customers due to the disruptions in their operations caused by the relocation. We could also lose those customers that choose our data centers based on their locations. In addition, it is not typical for us to relocate data center infrastructure equipment, such as generators, power distribution units and cooling units, from their initial installation. The costs of relocating such equipment to different data centers could be prohibitive and, as such, we could lose the value of this equipment. For these reasons, any lease that cannot be renewed could adversely affect our business, financial condition and results of operations.

Any losses to our properties that are not covered by insurance, or that exceed our coverage limits, could adversely affect our business, financial condition and results of operations.

The properties in our portfolio are subject to risks, including from causes related to riots, war, terrorism or acts of God. For example, our properties located in Texas are generally subject to risks related to tropical storms, tornadoes, hurricanes, floods and other severe weather or natural events and our properties located in the Midwest are generally subject to risks related to earthquakes, tornadoes and other severe weather. All our properties could have unknown title defects or encumbrances. While we carry commercial property insurance including business interruption, flood and earth movement covering all of the properties in our portfolio, and title insurance on a substantial number of our properties, the amount of insurance coverage may not be sufficient to fully cover losses we may incur.

If we experience a loss that is uninsured or exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties were subject to recourse indebtedness, we could continue to be liable for the indebtedness even if these properties were irreparably damaged or subject of a loss.

In addition, even if a title defect or damage to our properties is covered by insurance, a disruption of our business caused by a casualty event may result in the loss of business or customers. The business interruption insurance we carry may not fully compensate us for the loss of business or customers due to an interruption caused by a title defect or casualty event.

A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy could adversely affect our business, financial condition and results of operations. We monitor our insurance carrier's financial strength rating and financial size category by only placing insurance with carriers who have an A.M. Best Rating of A- XII or better. However, it can be difficult to evaluate the stability and net assets or capitalization of insurance companies, and any insurance company's ability to meet its claim payment obligations.

Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could reduce our revenues and harm our brand and reputation.

Our business depends on providing customers with a highly reliable data center environment. We may fail to provide such service as a result of numerous factors, including:

•human error;
•failure to timely deploy adequate infrastructure to meet customer requirements;
•unexpected equipment failure;
•power loss or telecommunications failures;
•improper building maintenance by us, our vendors, or by our landlords in the buildings that we lease;
•physical or electronic security breaches;
•fire, tropical storm, hurricane, tornado, flood, earthquake and other natural disasters;
•water damage;
•war, terrorism and any related conflicts or similar events worldwide; and
•sabotage and vandalism.

Problems at one or more of our data centers, whether or not within our control, could result in service interruptions or equipment damage. Substantially all of our leases with our customers include terms requiring us to meet certain service level commitments primarily in terms of electrical output to, and maintenance of environmental conditions in, the data center raised floor space leased by such customers. Any failure to meet these commitments or any equipment damage in our data centers, including as a result of mechanical failure, power outage, human error on our part or other reasons, could subject us to liability under our lease terms, including service level credits against customer rent payments, or, in certain cases of repeated failures, the right by the customer to terminate the lease. For example, although our data center facilities are engineered to reliably power and cool our customers' computing equipment, it is possible that an outage could adversely affect a facility's power and cooling capabilities, and, in the past, certain of our facilities have experienced minor outages. Depending on the frequency and duration of these outages, the affected customers may have the right to terminate their lease, which could have a negative impact on our business. We may also be required to expend significant financial resources to upgrade or add to existing infrastructure to meet customer requirements for power and cooling, and we may not be financially or operationally able to do so in a timely manner.

We may be vulnerable to security breaches or cyber-attacks which could disrupt our operations and have a material adverse effect on our financial performance and operating results.

Security breaches, cyber-attacks, or disruption, of our or our customers' physical or information technology infrastructure, networks and related management systems could result in, among other things, unauthorized access to our facilities, a breach of our and our customers' networks and information technology infrastructure, the misappropriation of our or our customers' or their customers' proprietary or confidential information, interruptions or malfunctions in our or our customers' operations, delays or interruptions to our ability to meet customer needs, breach of our legal, regulatory or contractual obligations, inability to access or rely upon critical business records or other disruptions in our operations. Numerous sources can cause these types of incidents, including: physical or electronic security breaches viruses, ransomware or other malware hardware vulnerabilities such as Meltdown and Spectre accident or human error by our own personnel or third parties criminal activity or malfeasance (including by our own personnel) fraud or impersonation scams perpetrated against us or our partners or customers or security events impacting our third-party service providers or our partners or customers. Our exposure to cybersecurity threats and negative consequences of cybersecurity breaches will likely increase as we store increasing amounts of customer data. Additionally, as we increasingly market the security features in our data centers, our data centers may be targeted by computer hackers seeking to compromise data security.

We recognize the increasing volume of cyber-attacks and employ commercially practical efforts to provide reasonable assurance such attacks are appropriately mitigated. Each year, we evaluate the threat profile of our industry to stay abreast of trends and to provide reasonable assurance our existing countermeasures will address any new threats identified. We may be required to expend significant financial resources to protect against or respond to such breaches. Cyber criminals are increasingly using powerful new tactics including evasive applications, proxies, tunneling, encryption techniques, vulnerability exploits, buffer overflows, distributed denial of service attacks, or distributed denial-of-service or DDoS attacks, botnets and port scans. Techniques used to breach security change frequently, and are generally not recognized until launched against a target, so we may not be able to promptly detect that a security breach or unauthorized access has occurred. We also may not be able to implement security measures in a timely manner or, if and when implemented, we may not be able to determine the extent to which these measures could be circumvented. As we provide assurances to our customers that we provide a high level of security, if an actual or perceived security breach occurs, the market's perception of our security measures could be harmed and we could lose sales and current and potential customers, and such a breach could be particularly harmful to our brand and reputation. Any breaches that may occur could also expose us to increased risk of lawsuits, material monetary damages, potential violations of applicable privacy and other laws, penalties and fines, loss of existing or potential customers, harm to our reputation and increases in our security and insurance costs, which could have a material adverse effect on our business, financial condition and results of operations. In the event of a breach resulting in loss of data, such as personally identifiable information or other such data protected by data privacy or other laws, we may be liable for damages, fines and penalties for such losses under applicable regulatory frameworks despite not handling the data. Furthermore, if a high profile security breach or cyber-attack occurs with respect to another provider of mission-critical data center facilities, our customers and potential customers may lose trust in the security of these business models generally, which could harm our ability to retain existing customers or attract new ones. We cannot guarantee that any backup systems, regular data backups, security protocols, network protection mechanisms and other procedures currently in place, or that may be in place in the future, will be adequate to prevent network and service interruption, system failure, damage to one or more of our systems or data loss in the event of a security breach or attack on our facilities.

In addition, the regulatory framework around data custody, data privacy and breaches varies by jurisdiction and is an evolving area of law with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. We may not be able to limit our liability or damages in the event of such a loss. For example, the European Union recently adopted the General Data Protection Regulation (the "GDPR"). The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Data protection legislation is also becoming increasingly common in the United States at both the federal and state level and may require us to further modify our data processing practices and policies. For example, the state of California, where we recently acquired property for the first time in Santa Clara and expect to build our first Silicon Valley data center, recently adopted the California Consumer Privacy Act of 2018, which is currently set to take effect on January 1, 2020 and expected to provide California residents with increased privacy rights and protections with respect to their personal information. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

Our growth depends on the development of our properties and our ability to successfully lease those properties, and any delays or unexpected costs associated with such projects or the ability to lease such properties may harm our growth prospects, future business, financial condition and results of operations.

Our growth depends in part upon successfully developing properties into operating data center space. Current and future development projects will involve substantial planning, allocation of significant company resources and certain risks, including risks related to zoning, regulatory approvals, construction costs and delays, as well as our ability to raise capital, including both debt and equity, to finance such projects. These projects will also require us to carefully select and rely on the experience of one or more general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected returns, as well as reputational risk. Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets at a location that is attractive to our customers and has the necessary combination of access to multiple network providers, a significant supply of electrical power, high ceilings and the ability to sustain heavy floor loading. Furthermore, while we may prefer to locate new data centers adjacent to our existing data centers, we may be limited by the inventory and location of suitable properties.

In addition, in developing new properties, we will be required to secure an adequate supply of power from local utilities, which may include unanticipated costs. For example, we could incur increased costs to develop utility substations on our properties in order to accommodate our power needs. Any inability to secure an appropriate power supply on a timely basis or on acceptable financial terms could adversely affect our ability to develop the property on an economically feasible basis, or at all.

We regularly monitor commodity and labor pricing trends related to our data center development capital expenditures, where a large proportion of our current development project costs are under firm price commitments. Should the proportion of such project costs that are firm price commitments decline, there could be corresponding price increases in certain selective materials, including due to recent international trade negotiations, which could significantly increase our overall development costs.

These and other risks could result in delays or increased costs or prevent the completion of our development projects and growth of our business, which could adversely affect our business, financial condition and results of operations.

In addition, we have in the past undertaken development projects prior to obtaining commitments from customers to lease the related data center space. We will likely choose to undertake future development projects under similar terms. Such development involves the risk that we will be unable to attract customers to the relevant properties on a timely basis or at all. If we are unable to attract customers and our properties remain vacant or underutilized for a significant amount of time, our business, financial condition and results of operations could be adversely affected.

We are dependent upon third-party suppliers for power and certain other services, and we are vulnerable to service failures of our third-party suppliers and to price increases by such suppliers.

We rely on third-party local utilities to provide power to our data centers. We are therefore subject to an inherent risk that such local utilities may fail to deliver such power in adequate quantities or on a consistent basis, and our recourse against the utility and ability to control such failures may be limited. If power delivered from the local utility is insufficient or interrupted, we would be required to provide power through the operation of our on-site generators, generally at a significantly higher operating cost than we would pay for an equivalent amount of power from the local utility. We may not be able to pass on the higher cost to our customers. In addition, if the generator power were to fail, we would generally be subject to paying service level credits to our customers, who may in certain instances also have the right to terminate their leases. Furthermore, any sustained loss of power could reduce the confidence of our customers in our services thereby impairing our ability to attract and retain customers, which would adversely affect both our ability to generate revenues and our results of operations.

In addition, even when power supplies are adequate, we may be subject to pricing risks and unanticipated costs associated with obtaining power from various utility companies. While we actively seek to lock-in utility rates, many factors beyond our control may increase the rate charged by the local utility. For instance, municipal utilities in areas experiencing financial distress may increase rates to compensate for financial shortfalls unrelated to either the cost of production or the demand for electricity. Utilities may be dependent on, and be sensitive to price increases for, a particular type of fuel, such as coal, oil or natural gas. In addition, the price of these fuels and the electricity generated from them could increase as a result of proposed legislative measures related to climate change or efforts to regulate carbon emissions. In any of these cases, increases in the cost of power at any of our data centers could put those locations at a competitive disadvantage relative to data centers served by utilities that can provide less expensive power. These pricing risks are particularly acute with respect to our customer leases that are structured on a full-service gross basis, where the customer pays a fixed amount for both colocation rental and power. Our business, financial condition and results of operations could be adversely affected in the event of an increase in utility rates under these leases, which, as of December 31, 2018, accounted for approximately 16% of our leased NRSF, because we may be limited in our ability to pass on such costs to these customers.

We depend on third parties to provide network connectivity to the customers in our data centers, and any delays or disruptions in connectivity may adversely affect our business, financial condition and results of operations.

Our customers require internet connectivity and connectivity to the fiber networks of multiple third-party telecommunications carriers. In order for us to attract and retain customers, our data centers need to provide sufficient access for customers to connect to those carriers. While we provide space and facilities in our data centers for carriers to locate their equipment and connect customers to their networks, any carrier may elect not to offer its services within our data centers or may elect to discontinue its service. Furthermore, carriers may periodically experience business difficulties which could affect their ability to provide telecommunications services, or the service provided by a carrier may be inadequate or of poor quality. If carriers were to terminate connectivity within our data centers or if connectivity were to be degraded or interrupted, it could put that data center at a competitive disadvantage versus a competitor's data center that does provide adequate connectivity. A material loss of adequate third-party connectivity could have an adverse effect on the businesses of our customers and, in turn, our own results of operations and cash flow.

Furthermore, each new data center that we develop requires significant amounts of capital to be expended by third-party telecommunications carriers for the construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our data centers is complex and involves factors outside of our control, including regulatory requirements, the availability of construction resources and the sufficiency of such third-party telecommunications carriers' financial resources to fund the construction. Additionally, hardware or fiber failures could cause significant loss of connectivity. If we are unable to establish highly diverse network connectivity to our data centers, or if such network connectivity is materially delayed, is discontinued or is subject to failure, our ability to attract new customers or retain existing customers may be negatively affected and, as a result our results of operations and cash flows may be adversely affected.

The loss of access to key third-party technical service providers and suppliers could adversely affect our current and any future development projects.

Our success depends, to a significant degree, on having timely access to certain key third-party technical personnel who are in limited supply and great demand, such as engineering firms and construction contractors capable of developing our properties, and to key suppliers of electrical and mechanical equipment that complement the design of our data center facilities. For any future development projects, we will continue to rely on these personnel and suppliers to develop and equip our data centers. Competition for such technical expertise is intense, and there are a limited number of electrical and mechanical equipment suppliers that design and produce the equipment that we require. We may not always have or retain access to such key service providers and equipment suppliers, which could adversely affect our current and any future development projects.

The long sales cycle for data center services may adversely affect our business, financial condition and results of operations.

A customer’s decision to lease space in one of our data centers and to purchase additional services from us typically involves a significant commitment of resources, significant contract negotiations regarding the service level commitments, and significant due diligence on the part of the customer regarding the adequacy of our facilities, including the adequacy of carrier connections. As a result, the sale of data center space has a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that may not result in revenue. Our inability to adequately manage the risks associated with the data center sales cycle may adversely affect our business, financial condition and results of operations.

Our international activities are subject to special risks different from those faced by us in the United States, and we may not be able to effectively manage our international business.

Our activities are primarily based in the United States with a more limited presence in Europe and Southeast Asia and, through our strategic partnership with GDS Holdings Limited ("GDS"), the People’s Republic of China (PRC). Most recently, in August 2018 we increased our presence in Europe as a result of the Zenium acquisition. Expanding our international activities involves risks not generally associated with activities or investments in the United States, including:

- our limited knowledge of and relationships with sellers, customers, contractors, suppliers or other parties in these markets;
- complexity and costs associated with staffing and managing international development and operations;
- difficulty in hiring qualified management, sales and construction personnel and service providers in a timely fashion;
- problems securing and maintaining the necessary physical and telecommunications infrastructure;
- multiple, conflicting and changing legal, regulatory, entitlement and permitting, and tax and treaty environments with which we have limited familiarity;
- exposure to increased taxation, confiscation or expropriation;
- fluctuations in foreign currency exchange rates, currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the United States;
- longer payment cycles and problems collecting accounts receivable;
- laws and regulations on content distributed over the Internet that are more restrictive than those in the United States;
- evolving and uncertain local laws, regulations and licenses, including the implementation and enforcement thereof, particularly in the PRC;
- difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions, or with our investment in and strategic partnership with GDS, or in the event of a default by one or more of our customers, suppliers or contractors;
- political and economic instability, including sovereign credit risk, in certain geographic regions;
- the uncertain impact of the United Kingdom’s vote to leave the European Union (commonly known as "Brexit") and the uncertainty around the British Parliament's approval of the agreement with the European Union regarding its withdrawal from the European Union as discussed in “The uncertainty surrounding the United Kingdom’s decision to

withdraw from the European Union and around the British Parliament’s approval of the agreement with the European Union regarding the United Kingdom’s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our results of operations” below; and

- exposure to restrictive foreign labor law practices.

Our inability to overcome these risks could adversely affect our foreign operations, partnerships and growth prospects and could harm our business, financial condition and results of operations.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market for available properties and may acquire data centers or properties suited for data center development when opportunities exist. Our ability to complete acquisitions on favorable terms and to successfully develop and operate acquired properties involves significant risks, including:

- we may be unable to acquire a desired property because of competition from other data center companies or real estate investors;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price of such property;
- we may be unable to realize the intended benefits from acquisitions or achieve anticipated operating or financial results;
- we may be unable to finance the acquisition on favorable terms or at all;
- we may underestimate the costs to make necessary improvements to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations resulting in disruptions to our operations or the diversion of our management's attention;
- acquired properties may be subject to reassessment, which may result in higher than expected tax payments;
- we may not be able to access sufficient power on favorable terms or at all;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates;
- we may incur impairment losses or other charges related to acquired assets or properties;
- we may face challenges in retaining the customers of acquired properties; and
- we may incur significant costs associated with unrealized transactions.

Many of these risks will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenue, and diversion of our management's time and energy, which could adversely affect our business, financial condition and results of operations. In addition, even if we successfully operate acquired properties, we may not realize the full benefits of the acquisition, including the synergies, operating efficiencies, or sales or growth opportunities that are expected. If we are unable to successfully acquire, develop and operate data center properties, our ability to grow our business and compete will be significantly impaired, which could adversely affect our business, financial condition and results of operations.

We face risks with our international acquisitions associated with investing in unfamiliar metropolitan areas.

We have acquired and may continue to acquire properties on a strategic and selective basis in international metropolitan areas that are new to us. For example, in August 2018, we completed the Zenium acquisition which resulted in our ownership of two facilities in Frankfurt, a new market to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy and culture, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. In addition, due diligence, transaction and structuring costs may be higher than those we may face in the United States. We work to mitigate such risks through extensive diligence and research and associations with experienced partners; however, we cannot assure you that all such risks will be eliminated.

Any failure to comply with anti-corruption laws and regulations could have adverse effects on our business.

We are subject to laws concerning our business operations, sales and marketing activities in foreign countries where we conduct business. For example, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, which generally prohibits companies and any individuals or entities acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business. We are also subject to various other anti-bribery, anti-corruption and international trade laws in the U.S. and certain foreign countries, such as the U.K. Bribery Act. Our strategic partnership with GDS is subject to PRC laws and regulations related to anti-corruption, which prohibit bribery of government agencies, state or government owned or controlled enterprises or entities, of government officials or officials that work for state or government owned enterprises or entities, as well as bribery of non-government entities or individuals. There is a risk that our employees, business partners and other third parties could violate these laws, and we could be sanctioned or held liable for actions taken by our employees, business partners and other third parties with respect to our business. We could incur significant expenses in investigating any potential violation and could incur severe criminal or civil sanctions and/or fines as a result of violations or settlements regarding such laws. In addition, any allegations, settlements or violations could materially and adversely impact our reputation and our relationships with current and future customers, suppliers, employees and business partners.

If the PRC government deems that the contractual arrangements in relation to the consolidated variable interest entities of GDS do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could fail to realize any benefits from our investment in and relationship with GDS.

The PRC government regulates telecommunications-related businesses through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership of PRC companies that engage in telecommunications-related businesses. Because GDS is a Cayman Islands company, GDS is classified as a foreign enterprise under PRC laws and regulations, and its wholly owned PRC subsidiaries are foreign-invested enterprises, or FIEs. GDS conducts its business in China through contractual arrangements with its consolidated variable interest entities, or VIEs, and their shareholders. These contractual arrangements are intended to provide GDS with effective control over its consolidated VIEs and enables GDS to receive substantially all of the economic benefits of its consolidated VIEs in consideration for the services provided by its wholly-owned PRC subsidiaries.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, and there can be no assurance that the PRC government, such as the Ministry of Industry and Information Technology, or the MIIT, or the Ministry of Commerce, or the MOFCOM, or other authorities that regulate providers of data center service and other participants in the telecommunications industry would agree that the corporate structure of GDS or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If the corporate and contractual structure of GDS is deemed by the MOFCOM or MIIT or other regulators having competent authority to be illegal, either in whole or in part, GDS may lose control of its consolidated VIEs and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that GDS could achieve this without material disruption to its business. Further, if its corporate and contractual structure is found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations. Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to the corporate structure and contractual arrangements of GDS. Occurrence of any of these events could materially and adversely affect the business, financial condition and results of operations of GDS and, as a result, could materially limit key anticipated benefits from our investment in and relationship with GDS.

The uncertainty surrounding the United Kingdom’s decision to withdraw from the European Union and around the British Parliament’s approval of the agreement with the European Union regarding the United Kingdom’s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our results of operations.

As a result of the Zenium acquisition, we acquired four data centers located in London, U.K. and Frankfurt, Germany and expanded our presence in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. Although the referendum was advisory, the British government subsequently negotiated the terms of an agreement with the European Union regarding the United Kingdom’s relationship with the European Union following its exit from the European Union. On January 15, 2019, the British Parliament, however, rejected the proposed agreement for the United Kingdom’s withdrawal from the European Union. As a result, there remains considerable uncertainty around the withdrawal of the United Kingdom from the European Union. Failure to obtain parliamentary approval of a negotiated withdrawal agreement would mean that the United Kingdom would leave the European Union on March 29, 2019, possibly with no agreement (commonly referred to as a “no deal Brexit”).

The referendum and the uncertainty around the British Parliament’s approval of the agreement with the European Union regarding the United Kingdom’s withdrawal from the European Union has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and the original referendum has given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates (primarily the British pound sterling and Euro) and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal could depress economic activity and restrict our access to capital in the United Kingdom. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. Any of these factors may adversely affect our business, financial condition and results of operations.

Our customers may choose to develop or relocate into new data centers or expand their own existing data centers, which could result in the loss of one or more key customers or reduce demand for our newly developed data centers.
In the future, our customers may choose to develop or relocate to new data centers or expand or consolidate into their existing data centers that we do not own. In the event that any of our key customers were to do so, it could result in a loss of business to us or put pressure on our pricing. If we lose a customer, we cannot provide assurance that we would be able to replace that customer at a competitive rate or at all, which could adversely affect our business, financial condition and results of operations.
A decrease in the demand for data center space could adversely affect our business, financial condition and results of operations.
Our portfolio of properties consists primarily of data center space. The adverse effect on our business, financial condition and results of operations from a decreased demand for data center space would likely be greater than if we owned a portfolio with a more diversified customer base or less specialized use. Adverse developments in the outsourced data center space industry could lead to reduced corporate IT spending or reduced demand for outsourced data center space. Changes in industry practice or in technology, such as server virtualization technology, more efficient or miniaturization of computing or networking devices, or devices that require higher power densities than today's devices, could also reduce demand for the physical data center space we provide or make the customer improvements in our facilities obsolete or in need of significant upgrades to remain viable.
Our properties are not suitable for use other than as data centers, which could make it difficult to sell or reposition them if we are not able to lease available space.
Our data centers are designed solely to house and run computer servers and related information technology equipment and, therefore, contain extensive electrical and mechanical systems and infrastructure. As a result, they are not suited for use by customers as anything other than as data centers and major renovations and expenditures would be required in order for us to re-lease vacant space for more traditional uses, or for us to sell a property to a buyer for use other than as a data center, which could materially adversely affect our business, results of operations and financial condition.
We may have difficulty managing our growth.
We have significantly and rapidly expanded the size of our Company. For example, we increased our footprint by 18% from approximately 5,716,701 NRSF at the end of 2017 to approximately 6,725,700 NRSF by December 31, 2018. We have also expanded our presence in Europe as a result of the Zenium acquisition. Our growth may significantly strain our management, operational and financial resources and systems. An inability to manage our growth effectively or the increased strain on our management, our resources and systems could materially adversely affect our business, financial condition and results of operations.
To fund our growth strategy and refinance our indebtedness, we depend on external sources of capital, which may not be available to us on commercially reasonable terms or at all.
In order to maintain our qualification as a REIT, we are required under the Code, among other things, to distribute at least 90% of our REIT taxable income annually, determined without regard to the dividends paid deduction and excluding any net capital gains. Even if we maintain our qualification as a REIT, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, as well as U.S. federal income tax at regular corporate rates for income recognized by our taxable REIT subsidiaries (each, a TRS). Because of these distribution requirements, we will likely not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party capital markets sources for debt or equity financing to fund our growth strategy. In addition, we may need third-party capital markets sources to refinance our indebtedness at maturity. Continued or increased turbulence in the U.S., European and other international financial markets and economies, tighter credit conditions and increasing interest rates may adversely affect our ability to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our business, financial condition and results of operations. As such, we may not be able to obtain the debt or equity financing on favorable terms or at all. Our access to third-party sources of capital also depends, in part, on:
•the market's perception of our growth potential;

•our then-current debt levels;
•market demand for REIT assets;
•our historical and expected future earnings, cash flow and cash distributions;
•the market price per share of our common stock; and
•our lenders' ability to meet their financing commitments.

In addition, our ability to access additional capital may be limited by the terms of our then-existing indebtedness which may restrict our incurrence of additional debt. If we cannot obtain capital when needed, we may not be able to acquire or develop properties when strategic opportunities arise or refinance our debt at maturity, and we may need to increase our liquidity by disposing of properties possibly on disadvantageous terms or renewing leases on less favorable terms than we otherwise would, which could adversely affect our business, financial condition and results of operations.

We have significant indebtedness that involves significant debt service obligations, limits our operational and financial flexibility, exposes us to interest rate fluctuations and exposes us to the risk of default under our debt obligations.

As of December 31, 2018, we had a total combined indebtedness, including capital lease obligations and lease financing arrangements, of approximately $2,781.4 million. As of December 31, 2018, we have the ability to borrow up to an additional approximately $1,549.0 million under our $3.0 Billion Credit Facility, net of outstanding letters of credit of approximately $8.0 million, subject to satisfying certain financial tests. Our $3.0 Billion Credit Facility also contains an accordion feature that, as of December 31, 2018, allows the operating partnership to request an increase in the total commitment by up to $1,000.0 million. There are no limits on the amount of indebtedness we may incur other than limits contained in the indentures governing our 2024 Notes and 2027 Notes (each as defined in Note 12, Debt to our audited consolidated financial statements), our $3.0 Billion Credit Facility or future agreements that we may enter into or as may be set forth in any policy limiting the amount of indebtedness we may incur adopted by CyrusOne’s board of directors. A substantial level of indebtedness could have adverse consequences for our business, financial condition and results of operations because it could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes, including to make distributions on our common stock as currently contemplated or as necessary to maintain our qualification as a REIT;
- require us to maintain certain debt coverage and other financial metrics at specified levels, thereby reducing our financial flexibility and, in the event of a failure to comply with such requirements, creating the risk of a material adverse effect on our ability to fulfill our obligations under our debt and on our business and prospects generally;
- make it more difficult for us to satisfy our financial obligations, including borrowings under the $3.0 Billion Credit Facility;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to increases in interest rates for our variable rate debt;
- limit our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms or at all;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage relative to competitors that have less indebtedness;
- increase our risk of property losses as the result of foreclosure actions initiated by lenders in the event we should incur mortgage or other secured debt obligations; and
- require us to dispose of one or more of our properties at disadvantageous prices or raise equity that may dilute the value of our common stock in order to service our indebtedness or to raise funds to pay such indebtedness at maturity.

The agreements governing our indebtedness place significant operational and financial restrictions on us and our subsidiaries, reducing our operational flexibility and creating default risks.

The agreements governing our indebtedness contain covenants, and the terms of any future agreements may contain covenants, that place restrictions on us and our subsidiaries. These covenants restrict, among other things, our and our subsidiaries’ ability to:

- merge, consolidate or transfer all, or substantially all, of our or our subsidiaries’ assets;
- incur or guarantee additional debt or issue preferred stock;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries’ assets;
- sell assets;
- make capital expenditures;
- incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries;
- make distributions on or repurchase our stock;
- enter into transactions with affiliates;
- issue or sell stock of our subsidiaries; and
- change the nature of our business.

30

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. These covenants could also impair our ability to plan for or react to market conditions or meet capital needs, or our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest. In addition, the indentures governing our 2024 Notes and 2027 Notes and our $3.0 Billion Credit Facility require us to maintain specified financial ratios and satisfy financial condition tests. The indentures governing our 2024 Notes and 2027 Notes also require our operating partnership and its subsidiaries to maintain total unencumbered assets of at least 150% of the aggregate principal amount of their outstanding unsecured debt on a consolidated basis. Our ability to comply with these metrics or tests may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants or covenants under any other agreements governing our indebtedness could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable. If we were unable to repay or refinance the accelerated debt, the lenders or holders, as applicable, could proceed against any assets pledged to secure that debt, including foreclosing on or requiring the sale of our data centers, and our assets may not be sufficient to repay such debt in full.

We may become subject to litigation or threatened litigation which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may become subject to disputes with commercial parties with whom we maintain relationships or other parties with whom we do business, including as a result of any breach in our security systems or downtime in our critical electrical and cooling systems. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement with terms that restrict the operation of our business.

We could incur significant costs related to environmental matters.

We are subject to laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous materials, the cleanup of contaminated sites and health and safety matters. We could incur significant costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damages or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. Some environmental laws impose liability on current owners or operators of property regardless of fault or the lawfulness of past disposal activities. For example, many of our sites contain above ground fuel storage tanks and, in some cases, currently contain or formerly contained underground fuel storage tanks, for back-up generator use. Some of our sites also have a history of previous commercial operations. We also may acquire or develop sites in the future with unknown environmental conditions from historical operations. Although we are not aware of any sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of spills or the discovery of contaminants in the future could result in significant additional costs. We also could incur significant costs complying with current environmental laws or regulations or those that are promulgated in the future.

We may incur significant costs complying with the Americans with Disabilities Act, or ADA, and similar laws, which could materially adversely affect our financial condition and operating results.

Under the ADA, all places of public accommodation must meet federal requirements related to access and use by disabled persons. A number of additional federal, state and local laws may also require modifications to our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance with the ADA. If one of our properties is not in compliance with the ADA, we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other similar legislation, our financial condition and results of operations could be materially adversely affected.

We may be adversely affected by regulations related to climate change.

If we, or other companies with which we do business, become subject to existing or future laws and regulations related to climate change, our business could be impacted adversely. For example, in the normal course of business, we enter into agreements with providers of electric power for our data centers, and the costs of electric power comprise a significant component of our operating expenses. Changes in regulations that affect electric power providers, such as regulations related to the control of greenhouse gas emissions or other climate change related matters, could adversely affect the costs of electric power and increase our operating costs and may adversely affect our business, financial condition and results of operations or those of our customers.

We may incur significant costs complying with other regulations.
Our properties are subject to various federal, state and local regulations, such as state and local fire and life safety regulations, as well as similar foreign regulations. For instance, as discussed in “We may be vulnerable to security breaches or cyber-attacks which could disrupt our operations and have a material adverse effect on our financial performance and operating results” above, new regulations such as the GDPR may have significant impact on our operations. If we fail to comply with these various regulations, we may be required to pay fines or private damage awards. We do not know whether existing regulations will change or whether future regulations will require us to make significant unanticipated expenditures that may adversely affect our business, financial condition and results of operations. With respect to foreign regulations, we also face the risks described above in “We face risks with our international acquisitions associated with investing in unfamiliar metropolitan areas”.
We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers.
Assets and entities that we have acquired or may acquire in the future, including the properties contributed to us by Cincinnati Bell Inc. (CBI), our former parent, may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future, we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification, if obtained, is often limited and subject to various materiality thresholds, a significant deductible, an aggregate cap on losses or a survival period.
As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.
The failure to successfully implement changes to our information technology system could adversely affect our business.
From time to time, we make changes to our information technology system to meet our business and financial reporting needs. Transitioning to new or upgraded systems can create difficulties, including potential disruption to our financial reporting data, security vulnerabilities and decreases in productivity until personnel become familiar with new systems. In addition, our management information systems will require modification and refinement as we grow and as our business needs change, which could prolong difficulties we experience with systems transitions, and we may not always employ the most effective systems for our purposes. If we experience difficulties in implementing new or upgraded information systems or experience significant system failures, or if we are unable to successfully modify our management information systems and respond to changes in our business needs, our operating results could be harmed or we may fail to meet our reporting obligations.
We face significant competition and may be unable to lease vacant space, renew existing leases or re-lease space as leases expire, which may adversely affect our business, financial condition and results of operations.
We compete with numerous developers, owners and operators of technology-related real estate and data centers, many of which own properties similar to ours in the same markets, as well as various other public and privately held companies that may provide data center colocation as part of a more expansive managed services offering, and local developers. In addition, we may face competition from new entrants into the data center market. Some of our competitors may have significant advantages over us, including greater name recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers, greater financial, marketing and other resources, access to less expensive power and access to attractive land for development. These advantages could

allow our competitors to respond more quickly to strategic opportunities or changes in our industries or markets. If our competitors offer data center space that our existing or potential customers perceive to be superior to ours based on numerous factors, including power, security considerations, location or network connectivity, or if they offer rental rates below our or current market rates, we may lose existing or potential customers, incur costs to improve our properties or be forced to reduce our rental rates.

Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication

services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our data centers. Competitors could also operate more successfully or form alliances to acquire significant market share.
Finally, as our customers evolve their IT strategies, we must remain flexible and evolve along with industry and market shifts. Ineffective planning and execution in our cloud strategy and product development lifecycle may cause difficulty in sustaining competitive advantage in our products and services.

Future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We may in the future co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In these events, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Our future joint venture partners may take actions that are not within our control, which would require us to dispose of the joint venture asset or transfer it to a taxable REIT subsidiary in order for CyrusOne Inc. to maintain its status as a REIT. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and future partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our day-to-day business. Consequently, actions by or disputes with partners or co-venturers may subject properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of future third-party partners or co-venturers. Each of these factors may result in returns on these investments being less than we expect or in losses and our financial and operating results may be adversely affected.
The loss of any of our key personnel, including our executive officers or key sales associates, could adversely affect our business, financial condition and results of operations.
Our success will continue to depend to a significant extent on our executive officers and key sales associates. Each of our executive officers has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential customers and industry personnel. The loss of key sales associates could hinder our ability to continue to benefit from existing and potential customers. We cannot provide any assurance that we will be able to retain our current executive officers or key sales associates. The loss of any of these individuals could adversely affect our business, financial condition and results of operations.
Our data center infrastructure may become obsolete, and we may not be able to upgrade our power and cooling systems cost-effectively, or at all.
The markets for the data centers we own and operate, as well as the industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, frequent new service introductions, shifting distribution channels and changing customer demands. Our data center infrastructure may become obsolete due to the development of new systems to deliver power to or eliminate heat from the servers that we house. Additionally, our data center infrastructure could become obsolete as a result of the development of new server technology that does not require the levels of critical load and heat removal that our facilities are designed to provide and could be run less expensively on a different platform. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. The obsolescence of our power and cooling systems could have a material negative impact on our business, financial condition and results of operations. Furthermore, potential future regulations that apply to industries we serve may require customers in those industries to seek specific requirements from their data centers that we are unable to provide. These may include

physical security requirements applicable to the defense industry and government contractors and privacy and security regulations applicable to the financial services and health care industries. If such regulations were adopted, we could lose some customers or be unable to attract new customers in certain industries, which would have a material adverse effect on our results of operations.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

We review the carrying value of each of our properties when events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. Examples of such indicators may include a significant decrease in market price, a significant adverse change in the extent to or manner in which the property is being used or in its physical condition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development, or a history of operating or cash flow losses. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition and compare it to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our future undiscounted net cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. For example, we recorded an impairment of $58.0 million related primarily to two properties for the year ended December 31, 2017. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to re-evaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our business, financial condition and results of operations.

Our contracts with our customers may adversely affect our earnings and financial condition.

In the ordinary course of business, we enter into agreements with our customers pursuant to which our customers lease or otherwise contract for the use of data center space from us. These contracts typically contain indemnification and liability provisions, in addition to service level commitments, which could potentially impose a significant cost on us in the event of losses arising out of certain breaches of such agreements, services to be provided by us or our subcontractors or from third-party claims. Customers increasingly are looking to pass through their regulatory obligations and other liabilities to their outsourced data center providers and we may not be able to limit our liability or damages in an event of loss suffered by such customers whether as a result of our breach of agreement or otherwise. Further, liabilities and standards for damages and enforcement actions, including the regulatory framework applicable to different types of losses, vary by jurisdiction, and we may be subject to greater liability for certain losses in certain jurisdictions. Additionally, in connection with our acquisitions, we have assumed and expect to assume existing agreements with customers that may subject us to greater liability for such an event of loss. If such an event of loss occurred, we could be liable for material monetary damages and could incur significant legal fees in defending against such an action, which could adversely affect our financial condition and results of operations.

Any failure of the National IX Platform could lead to significant costs and disruptions that could reduce our revenue and harm our business reputation and financial results.

As described in Part I, Item 1 "Business", we have deployed the National IX Platform throughout several of our properties, and expect that we will further deploy it throughout our portfolio to meet customer demand. The National IX Platform allows our customers to connect to third-party carriers and other customers. We may be required to incur substantial additional costs to operate and expand the National IX Platform. The National IX Platform is subject to failure resulting from numerous factors, including but not limited to:

- human error;
- equipment failure;
- physical, electronic, and cyber-security breaches;
- fire, earthquake, hurricane, flood, tornado and other natural disasters in our facilities;
- failure to properly connect to third-party carriers or other customers;
- fiber cuts;
- power loss;
- terrorist acts;
- sabotage and vandalism; and
- failure of business partners who provide components of the National IX Platform or third-party connectivity from the National IX Platform.

Problems with the National IX Platform, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers, including our significant customers. As