

DATA CENTERS

REAL ESTATE ACQUISITIONS REPORT

END OF YEAR REVIEW
2018



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DATA CENTERS REAL ESTATE ACQUISITIONS REPORT

End Of Year Review 2018.



Data center real estate acquisition activity for the full year of 2018 yielded approximately \$3.089 Billion of data center real estate transactions totaling 8,055,356 SF. In comparison, full year 2017 total activity totaled \$2.742 Billion and 7,496,075 SF of space.

Pricing

Interest rates peaked to the highest level over the past 5 years and continued the trend of ending the year at a higher level when compared to the beginning of 2018. We expect a similar pattern for 2019 with debt for acquisitions and development becoming more expensive by year end. Although we have seen gradual cap rate compression in the data center real estate sector over the past several years, we anticipate cap rates to be relatively flat for 2019. For good quality data center assets with long term leases we expect a 6.5%-7.25% cap rate range pending overall lease dynamics, asset quality and market fundamentals. Data center assets with shorter term leases, multi-tenant occupancy and lack of clear tenant credit are estimated to trade in 7.25%-8.5% cap rate range with various factors that may affect the swing outside of these parameters.

M&A

While the number of significant data center M&A deals climbed to 68 in 2018, approaching an aggregate value of \$16 billion, the total value of deals dropped when compared to 2017. While there were 5 deals that each were greater than \$1 billion that occurred in 2018, none came close to the Digital Realty and DuPont Fabros or Equinix and Verizon deals from 2017. The largest M&A deal in 2018 was a group of Asian investors purchasing a 25% stake in Global Switch valued at \$2.8B.

Trending

As in prior years, we continue to believe large corporate-owned facilities remain underutilized and corporations continue to transition workload to 3rd party data center operators. Quality data center operators, such as the data center REIT sector and strong privately held operators with multiple locations, stand to be the biggest beneficiaries of this trend as the corporations work to minimize Capex and Opex, right-size the use of the facility, and can become a customer in the facility.

Corporations continue to evaluate selling their data center assets and leasing back a portion of the space from a data center operator. The corporate owner can often achieve higher pricing for the asset than selling as a fully vacant facility and benefit by keeping its IT in place in the same facility by becoming a customer of the data center operator. The 2018 Bank of America sale-partial leaseback transactions in Texas and Arizona are examples of these types of transactions which continue to be seen on a more regular basis.

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Infomart Dallas 1950 N Stemmons Fwy Dallas TX	1,600,000 SF	\$800 M	\$500	Jan 2018	<ul style="list-style-type: none"> Equinix acquired the data center and operations from Infomart Serves as the largest interconnectivity point in the Dallas region
Red Rock Data Center 3719 LaSalle St Phoenix AZ	15,915 SF	\$2.95 M	\$185	Jan 2018	<ul style="list-style-type: none"> Red Rock is a cloud and VOIP operator with a lease expiration in 2027 9.71% Cap Rate
Zayo Data Center 1150 White St Atlanta, GA	77,120 SF	\$7.2M	\$93	Jan 2018	<ul style="list-style-type: none"> Zayo acquired building to convert to data center adding capacity in the market
British Telecom Data Center 492 River Road Nutley NJ	130,000 SF	\$42.9 M	\$330	Feb 2018	<ul style="list-style-type: none"> Data center & office building occupied on a long-term lease with BT Americas, a subsidiary of British Telecom
Albuquerque Carrier Data Center 505 Marquette Ave NW Albuquerque, NM	225,000 SF	Confidential		March 2018	<ul style="list-style-type: none"> Downtown Albuquerque carrier hotel data center Serves as one of the most interconnected data centers in the Albuquerque region
Infomart Hillsboro 21515 NW Evergreen Pkwy Hillsboro, OR	345,000 SF	Confidential		March 2018	<ul style="list-style-type: none"> Multi-tenant data center operated by Infomart IPI Partners acquired the real estate and operations

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Infomart San Jose 2001 Fortune Drive San Jose, CA	140,000 SF	Confidential		March 2018	<ul style="list-style-type: none"> Multi-tenant data center operated by Infomart IPI Partners acquired the real estate and operations
Infomart NoVA 22080 Pacific Blvd Sterling, VA	180,000 SF	Confidential		March 2018	<ul style="list-style-type: none"> Multi-tenant data center operated by Infomart IPI Partners acquired the real estate and operations
Wave Data Center 155 Plymouth St Mountain View, CA	215,000 SF	\$40 M	\$186	March 2018	<ul style="list-style-type: none"> Google acquired the data center occupied by Wave Broadband in March 2018
Wipro/Ensono Data Center 11707 Miracle Hills Dr Omaha, NE	90,000 SF	\$16.4 M	\$182	March 2018	<ul style="list-style-type: none"> 7.1% cap rate Single-tenant leased to Ensono which acquired WiPro in 2018 7+ years remaining on lease
Skybox Data Center 6800 Communications Pkwy Plano, TX	150,000 SF	\$33 M	\$220	March 2018	<ul style="list-style-type: none"> Buyer acquired facility for use as a cryptocurrency data center Powered shell condition at sale
Green House Data Center 340 Progress Circle Cheyenne, WY	42,000 SF	Confidential		April 2018	<ul style="list-style-type: none"> Single-tenant data center occupied by Green House Data Centers 1547 joined CIM as a partner in the ownership

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Sungard AS Data Center 11085 Sun Center Drive Rancho Cordova, CA	69,048 SF	\$36.8 M	\$533	April 2018	<ul style="list-style-type: none"> Carter Validus acquisition from Digital Realty Trust Single-tenant data center leased to Sungard AS
PG&E/Sprint 3065 Gold Camp Drive Rancho Cordova CA	62,957 SF	\$14.2 M	\$226	April 2018	<ul style="list-style-type: none"> Carter Validus acquisition from Digital Realty Trust Multi-tenant data center with expansion potential
Ashburn Data Center 21445 Beaumeade Circle Ashburn VA	80,000 SF	\$15.4 M	\$193	May 2018	<ul style="list-style-type: none"> Acquired as vacant office/warehouse building Located on a 5 acre parcel Buyer plans to convert to a 280k SF, 30 MW data center
Las Vegas Carrier Hotel Data Center & Office Building 302 East Carson Avenue Las Vegas, NV	161,924 SF	\$36.9M	\$228	May 2018	<ul style="list-style-type: none"> Flexential is the main data center tenant in the building Other tenancy includes telecom and office use
Lumos Networks Data Center 1612 Cross Beam Drive Charlotte NC	18,068 SF	\$8.26 M	\$457	June 2018	<ul style="list-style-type: none"> Single-tenant data center leased to Lumos Networks 5.8 years remaining on the lease 7.54% Cap Rate
Cyxtera Data Center 8180 Green Meadows Dr. Columbus, OH	60,000 SF	\$5.7 M	\$95	June 2018	<ul style="list-style-type: none"> 100% leased to Centurylink Cyxtera is the data center operator 6.75% Cap Rate 1.5 years remaining on lease

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Thomson Reuters Data Center 1009 Walnut Ridge Dr Hartland, WI	59,500 SF	\$21 M	\$353	June 2018	<ul style="list-style-type: none"> Single-Tenant data center leased to Thomson Reuters 8.39% Cap Rate 1.4 years remaining on lease
AT&T portfolio of 31 data centers	1,200,000 SF	\$1.1 B	\$917	June 2018	<ul style="list-style-type: none"> 18 data centers are in the US & 13 in Europe and Asia
Bank of America Data Center 11155 NW Airworld Drive Kansas City MO	259,111 SF	\$26 M	\$100	June 2018	<ul style="list-style-type: none"> Two connected data centers BOA sold the facility and vacated just prior to sale completion
Bank of America Data Center (B of A) 2500 W. Frye Road Chandler, AZ	191,061 SF	\$39.7 M	\$208	June 2018	<ul style="list-style-type: none"> Intermap, data center operator, master-leased building BOA sold facility and became anchor customer as partial-leaseback
Bank of America Data Center 1000 W. Coit Road Plano TX	454,421 SF	\$81.35 M	\$179	June 2018	<ul style="list-style-type: none"> BOA sold facility as partial-leaseback
AT&T Data Center 400 Holger Way San Jose, CA	76,410 SF	\$49.15 M	\$643	July 2018	<ul style="list-style-type: none"> 100% leased to AT&T telecommunications company 7.22 years remaining on lease

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Sungard AS Data Center 1001 E Campbell Rd Richardson, TX	75,119 SF	\$35.6 M	\$474	July 2018	<ul style="list-style-type: none"> Single-tenant data center leased to Sungard AS 7.77% Cap Rate 2.9 years remaining on lease
Intuit Data Center 1711 M St NE Quincy, WA	240,000 SF	\$42 M	\$175	July 2018	<ul style="list-style-type: none"> Sale-Partial Leaseback of corporate owned Intuit data center Intuit leased back approx. 3 MWs
EdgeConnex Data Center 3011 S 52 nd St Suite 107 Tempe, Arizona	79,183 SF	\$15.625 M	\$197	July 2018	<ul style="list-style-type: none"> EdgeConnex was the main data center operator tenant and acquired the facility Multi-tenant facility
Midway Technology Center 40 E Garfield Blvd Chicago IL	220,000 SF	\$7.5 M	\$34	July 2018	<ul style="list-style-type: none"> Industrial campus in Chicago with plans to convert to 26 MW data center
Tierpoint Data Center 15 Shattuck Rd. Andover, MA	92,700 SF	\$15 M	\$162	Aug 2018	<ul style="list-style-type: none"> Single-tenant data center leased to Tierpoint
ETrade Data Center 1650 Union Hill Road Alpharetta, GA	165,000 SF	\$64 M	\$388	Aug 2018	<ul style="list-style-type: none"> Etrade is the single-tenant occupant of the data center

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Thomson Reuters 587 James S McDonnell Blvd Hazelwood, MO	132,456 SF	\$50 M	\$377	Aug 2018	<ul style="list-style-type: none"> Single-tenant data center leased to Thomson Reuters 6.6% cap rate January 2024 lease expiration
T5 Data Center Chicago Elk Grove Village 1441 Touhy Avenue Chicago, IL	208,000 SF	\$118.9 M	\$572	Sept 2018	<ul style="list-style-type: none"> Acquired from T5 Data Centers T5 acquired the facility in 2016 for \$43M with subsequent expansion investment
SecureData 365 4726 Hills and Dales Rd Canton, OH	29,960 SF	\$9.45 M	\$323	Oct 2018	<ul style="list-style-type: none"> Single-tenant data center leased to SecureData 365 11 years remain on the lease 8% Cap Rate
U.S. Bank Data Center 1706 W. Creek Lane Chaska, MN	76,000 SF	\$77.5 M	\$1,020	Oct 2018	<ul style="list-style-type: none"> Single-tenant data center leased to U.S. Bancorp. Long-term lease
Boeing Data Center 121 Riverside Court King's Mountain, NC	130,000 SF	\$140 M	\$1,076	Oct 2018	<ul style="list-style-type: none"> Single-tenant data center leased to Boeing Long-term lease
Centurylink Data Center 6101 S 180 th St Tukwila, WA	218,003 SF	\$53.5 M	\$245	Nov 2018	<ul style="list-style-type: none"> Single-tenant leased by Centurylink & operated by Cyxtera 7 years remaining on lease 6.33% cap rate

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Tierpoint Data Center Southroads Technology Park Mall Bellevue, NE	91,924	\$4 M	\$43.50	Nov 2018	<ul style="list-style-type: none"> Single-tenant data center condo transaction in former mall in Omaha Metro Tierpoint lease expires in 2025
Omaha Carrier Hotel Data Center 1623 Farnam Omaha, NE	66,279 SF	\$2.62 M	\$39.53	Nov 2018	<ul style="list-style-type: none"> Buyer plans to invest and expand operations in facility
State Auto Data Center 268 Greif Parkway Delaware, OH	25,589 SF	\$4.45 M	\$174	Nov 2018	<ul style="list-style-type: none"> Vacant data center sale. Formerly occupied by State Auto Mutual Insurance. Original constructed in 2008.
Verizon 11636 Lackland Road St. Louis, MO	25,321 SF	\$3.2 M	\$126	Nov 2018	<ul style="list-style-type: none"> Single tenant data center leased to Verizon. 6 years remaining on lease.
Chicago Carrier Hotel Data Center 725 S Wells St Chicago, IL	66,000 SF	\$27 M	\$409	Dec 2018	<ul style="list-style-type: none"> 5 MW of total in-place capacity Downtown Carrier Hotel Data Center
San Antonio Carrier Hotel Data Center 301 & 323 Broadway San Antonio, TX	84,580 SF	\$19.2 M	\$227	Dec 2018	<ul style="list-style-type: none"> Multi-tenant 2-building telecom data center Carrier hotel, fiber hub serving San Antonio Transaction included a real estate and asset sale

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New Continuum 603 Discovery Drive West Chicago, IL	80,000 SF	\$20.71 M	\$259	Dec 2018	<ul style="list-style-type: none">• New Continuum was single-tenant data center operator and acquired the facility
Radian Data Centers 4424 Interpoint Blvd Dayton, OH	27,360 SF	\$3.3 M	\$121	Dec 2018	<ul style="list-style-type: none">• Single-tenant data center occupied by Radian Group• 8.2% cap rate• Lease expires in March '25
Verizon Data Center Hartford, Connecticut	19,347 SF	\$5.2M	\$269	Dec 2018	<ul style="list-style-type: none">• Verizon is the single-tenant occupant of the data center• Lease expires in 2030

The purchase prices of the data centers in this report range considerably as do the price per sq. ft. The variations are related to variables such as terms of lease, tenant credit, building shell rent vs. turnkey rents, and location. This report is meant to be a sampling of acquisitions based upon information obtained by public record and publications and is not meant to be a full representation of details involved in any specific transaction. The information herein used for any purposes other than a general example of the overall marketplace shall need to be verified.

Noteworthy 2018 M&A Activity

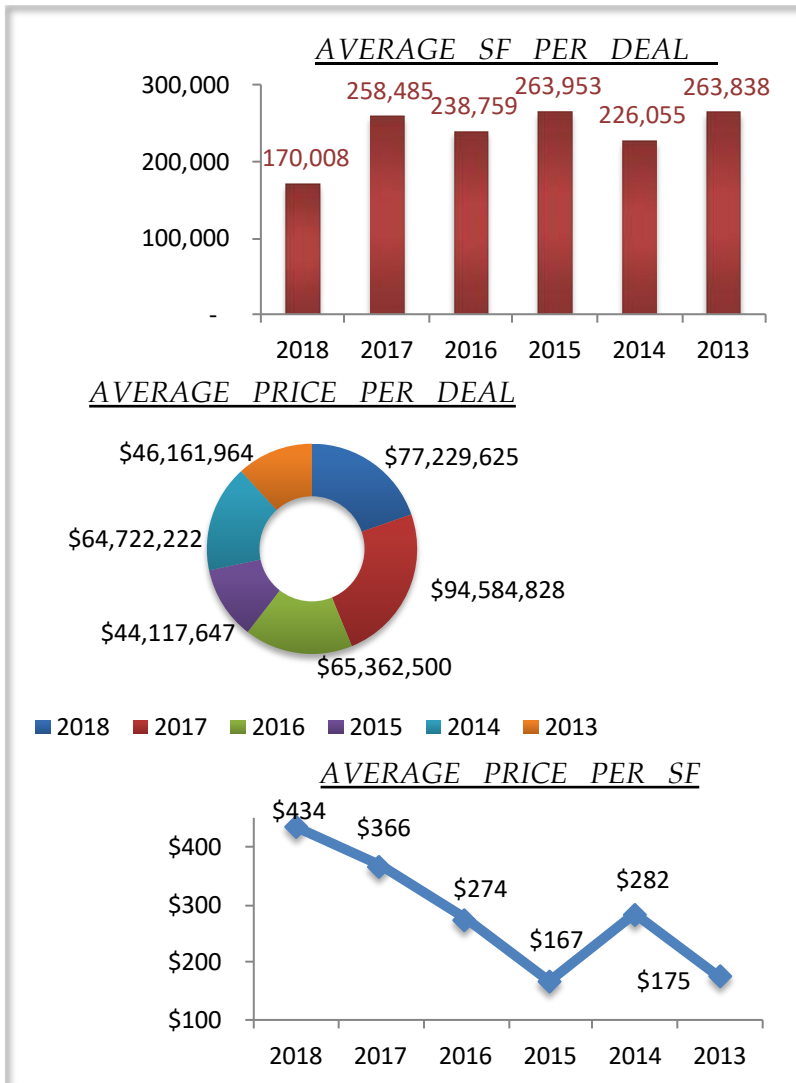


2018 saw 68 deals close with an aggregate value approaching \$16B. 5 deals were greater than \$1B the largest being a group of Asian investors purchasing a 25% stake in Global Switch.

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DATA CENTER REAL ESTATE ACQUISITIONS ANNUAL SUMMARY



During 2018 there was 8,055,356 SF of data center real estate acquisitions totaling \$3.089 Billion, which was an increase of 12.7% when compared to 2017.

The largest single asset transaction was Equinix's purchase of the Infomart Dallas for \$800M. The deal was completed in January of 2018, and totaled approximately 1.6 million square feet, which was also the largest sized deal based on square feet.

The largest portfolio data center transaction was the \$1.1B acquisition of 31 AT&T data centers by Brookfield Infrastructure Partners totaling approximately 1.2 million square feet transacting in June of 2018.



Five 9s Digital specializes in data center real estate. That's all we do. We offer acquisition and disposition services, brokerage, development, consulting and market research services on national basis.

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Note: Above data excludes confidential price information