DATA CENTERS
REAL ESTATE ACQUISITIONS REPORT
END OF YEAR REVIEW
2015

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Mission Critical Realty Solutions

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REAL ESTATE ACQUISITIONS REPORT

Five 9s Digital – www.five9sdigital.com
End Of Year Review 2015

Data center real estate acquisition activity for the full year of 2015 yielded at total of approximately $750 Million of transactions and approximately 4,394,407 SF. In comparison, full year 2014 total activity yielded a total of $1.165 Billion of data center real estate transactions and 4,068,995 SF of space. Interesting to note that less total dollars were spent 2015, but total square footage acquired exceeded 2014.

M&A activity has been very robust in the data center sector in 2015. Much of this activity includes data center real estate as part of each M&A transaction. No real clarity exists as to how the real estate component was valued as part of each global transaction.

For example, the $1.88B Digital Realty acquisition of Telx includes the premier carrier hotel in Atlanta, 56 Marietta and other Telx owned facilities.   The $3.6B Equinix acquisition of Telecity added footprint to its portfolio. CyrusOne acquired Cervalis which included data center footprint in the Northeast and QTS acquired Carpathia Hosting.

The data center institutional, private equity and REIT buyers will remain competitive and active for quality data center assets in Tier 1 markets; particularly, strategically located single-tenant assets with long term credit leases. The capital allocated to data center real estate is getting slightly harder to place and sizable transactions will have a number of suitors.

Although the Fed bumped rates slightly in November, the interest rate climate remains attractive for commercial real estate transactions and continues to drive pricing with cap rates remaining at or below 7% for good credit, long term leases. Investment opportunities lacking clear credit, shorter term leases and multi-tenant occupancy are typically trading in 7.5-8.5% cap rate range.

Corporate sale-leasebacks, Tier 2 city data center investments, and the repositioning of vacated corporate data centers will continue to supply the market for data center real estate investors.

Trend Spotting: Corporations continue to evaluate their data center needs, operating expenses and capital costs of corporate owned facilities, as more can be done in less space and the migration to third-party operators. Corporations with excess data center capacity are tasked with the need to reduce operating costs, limit capital investments, and find a solution for excess space. Sale-leasebacks and partial-leasebacks of corporate data centers will gradually gather momentum, as the buyer and seller solve the operating expense problem and the write-off issues associated with sales pricing.

The purchase prices of the data centers on the following pages 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 outline is only 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.

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BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
American Express Data Center – Acquired Vacant 1001 Third Ave S Downtown Minneapolis MN	541,000 SF	$22.4 M	$41	Jan 2015	• Investment group acquired the AMEX Data Center in Downtown Minneapolis • AMEX vacated facility • Investor acquired as speculative investment as carrier data center • Below replacement value acquisition
1301 Fannin Carrier Hotel/Data Center/Office Building Downtown Houston TX	1,100,000 SF	Confidential	Confidential	Feb 2015	• Multi-tenant carrier hotel, data center and office tower • Downtown Houston location • Premier carrier building in Houston's CBD
IHeart Communications Office & Data Center 200 East Basse Road San Antonio,TX	120,147 SF	$22 M	$183	Feb 2015	• 20 year lease • 8% Cap • Build-To-Suit in 2002 • Building serves as IHeart's primary IT and finance shared service center
Online Tech Data Center Sale Leaseback Downtown Indianapolis, IN	43,724 SF	$7.5 M	$172	May 2015	• Sale Leaseback Transaction • 8% Cap Rate • 15 year lease w/ 2% annual escalations • Tenant funded improvements
American Express Campus 300k SF Data Center & 213k SF IT Support Phoenix AZ	513,361 SF	$91.5 M	$178	May 2015	• 6.3% Cap Rate • 100% leased to AMEX Travel • App 8.3 years remaining on lease • Detroit Police/Fire Retirement System sold the complex to Griffin

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State Farm Data Center Sale Leaseback 424 S. 56th Street Phoenix AZ	252,650 SF	$38.1 M	$151	May 2015	• 100% Sale Leaseback • Good credit tenant • Long term lease
Data Center/Office/Medical Multi-Tenant Downtown Building 833 Chestnut Street Philadelphia PA	654,000 SF	$161 M	$246	June 2015	• 5.8% Cap Rate • Multi-tenant Central Business District Building • Data Center, Telecom, Office, Medical • Digital Realty Trust was the seller
DataBank Data Center Single Tenant Facility Neil Armstrong Road Eagan MN	88,000 SF	$5.8 M	$66	June 2015	• 6.8% Cap Rate • Private Company – Not credit rated • Tenant funded improvements • 2% annual rent increases • 15 year lease
EdgeConnex Data Center 6785 Shady Oak Road Eden Prairie MN	35,105 SF	$3.8M	$108	June 2015	• Owner Occupant Transaction • Formerly Ocwen Financial data center

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Tierpoint / CxP Data Center 8324 Baymeadows Way Jacksonville, FL	120,000 SF	$11 M	$92	Jul 2015	• Tierpoint acquired data center through CxP acquisition. • 65,000 SF of raised floor with 2N redundancy for power & cooling systems.
DataPipe Data Center Sale Leaseback 10828 NW Airworld Drive Kansas City, MO	78,000 SF	$11M	$141	Aug 2015	• DataPipe Sale Leaseback • Long term new lease
Level 3 Data Center Multi-Tenant Building 5400-5510 Feltl Road Minnetonka MN	135,240 SF	$19.9 M	$147	Aug 2015	• 7.5% Cap Rate • 100% Leased Building • Level 3 leases 106k SF • Multi-Tenant building w/ two office tenants next to Level 3 • 9 years remaining on Level 3 lease
CSAA Data & IT Operations Sale Leaseback 5353 W. Bell Road Glendale AZ	206,155 SF	$44.35M	$215	Dec 2015	• Sale Leaseback Transaction • Long term single tenancy • Good credit tenant • Data Center and IT Operations

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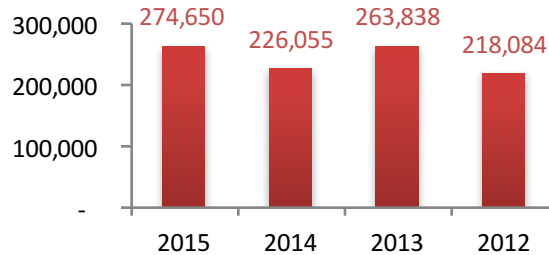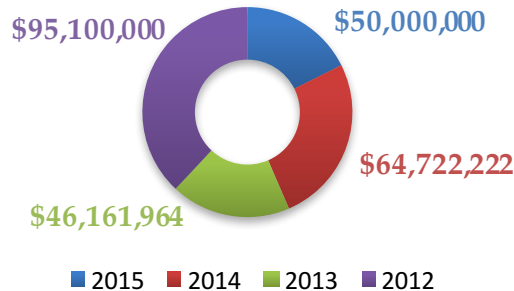| BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
TIAA-CREF Single Tenant Data Center 11525 Main Street Broomfield, CO	92,800 SF	$17.5 M	$189	Dec 2015	• 100% Leased Data Center • Single Tenant Transaction • Good Credit Tenant
Synergy Park Data Center & Office Property 3000 Waterview Parkway Richardson TX	307,225 SF	Confidential	Confidential	Dec 2015	• ViaWest leases 85k SF • Multi-Tenant Data Center & Office Property • University of Texas affiliate office tenancy
Tierpoint Data Center Sale Leaseback 601 W. Polk Chicago IL	107,000 SF	$17.8 M	$166	Dec 2015	• Tierpoint recently acquired Altered Scale operating company and data center • Tierpoint sold data center building to GI post operating company purchase w/ a new long term lease

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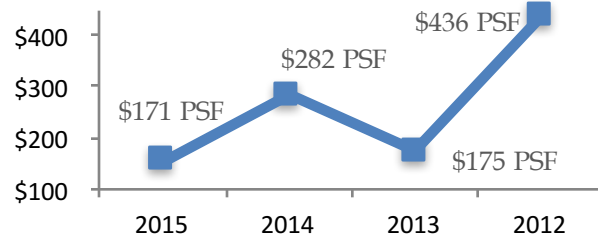## DATA CENTER REAL ESTATE ACQUISITIONS ANNUAL SUMMARY

AVERAGE SF PER DEAL

Year	Value
2015	274,650
2014	226,055
2013	263,838
2012	218,084

AVERAGE PRICE PER DEAL

- 2015: $50,000,000
- 2014: $64,722,222
- 2013: $46,161,964
- 2012: $95,100,000

Legend: ■ 2015 ■ 2014 ■ 2013 ■ 2012

AVERAGE PRICE PER SF

Year	Value
2015	$171 PSF
2014	$282 PSF
2013	$175 PSF
2012	$436 PSF

Figures are based solely on information contained in this report. This summary provides a snapshot, and is not intended to represent the totality of data center real estate acquisitions for the respective year. Confidential sales information is not represented in the individual sales transaction but estimated values were used for purposes of establishing the averages.

This overview shows 4,394,407 SF of data center real estate acquisitions in 2015, valued at approximately $750 Million.

The largest transaction, based upon square footage, was the Netrality Properties acquisition of the 1301 Fannin data center and office building in downtown Houston, Texas. The deal was completed in January of 2015, and totaled approximately 1,100,000 SF.

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NEWS & NOTEWORTHY TRANSACTIONS IN 2015

Digital Realty Trust acquires Telx for $1.88B

Equinix acquires Telecity Group for $3.6B in a cash and stock deal

CyrusOne acquires colocation provider Cervalis for $400M

Charter acquires Time Warner Cable for $78.7B; after deal bust with Comcast

QTS acquires Carpathia Hosting for $326M

Equinix buys 34 acres in Silicon Valley for expansion of its portfolio in the area

Zayo Communications acquires data center operator, Latisys, for $675M

TierPoint acquires Windstream's data center business for $575M

TierPoint acquires Altered Scale colocation operator in Chicago

TierPoint acquires Florida data center provider CxP Data Centers

Switch announces $1B SUPERNAP data center in Reno, Nevada

Switch moving forward with a new $5B data center in Michigan

Cologix purchased data center services provider, Net Access

vXchange acquired 8 SunGard data center buildings

Google commenced construction on a $300M data center in Lithia Springs GA

NTT purchased colocation company e-shelter for $832M

Aligned Data Centers plans to open "on demand" data centers in Plano and Phoenix

Five 9s Digital completed a new build-to-suit lease data center in Dublin Ohio

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