

# DATA CENTERS

## REAL ESTATE ACQUISITIONS REPORT

YEAR IN REVIEW

2014



FIVE 9S DIGITAL



## DATA CENTERS

# REAL ESTATE ACQUISITIONS REPORT

Five 9s Digital – [www.five9sdigital.com](http://www.five9sdigital.com)

2014 Year In Review

Data center real estate acquisition activity for the full year 2014 yielded at total of \$1.165 Billion worth of transactions with 4,068,995 SF of data center real estate sold. This follows \$1.292 Billion of transactions in 2013. The transactions represent eighteen (18) data center real estate assets sold with an average sale price of \$64,722,222 per transaction.

The largest transaction by price was the \$211.7M acquisition made by Carter Validus for the Ascent Data Center in the Chicago market. The largest transaction by size of data center was the 1.3 M SF carrier hotel data center located at 401 N. Broad in Philadelphia acquired by Netrality Properties.

Digital Realty Trust, historically having a large appetite for new acquisitions, acted as seller either outright or to a joint venture partner, as the company redirected its efforts in 2014. Carter Validus, a mission critical REIT, and other private investment firms filled this acquisitions gap generating comparable total annual sales volume as 2013. Other REITs not typically involved in the data center real estate market continue to look at the market for potential investments; However, REITs are being pressured to focus on core competency by shareholders so we do not see a big shift of new buyer competition from industrial, retail or other net leased REITs.

The data center real estate investment market remains very competitive for active buyer groups for strategically located assets with long term, good credit tenancy. Fairly aggressive lending at low interest rates continue to provide attractive financing opportunities for new data center acquisitions. Likewise, existing owners are refinancing assets at or near loan maturity taking some data center assets out of the potential investment pool. Cap rates have edged below 7% for good credit, long term, single-tenant leases. Investment opportunities lacking clear credit, shorter term leases and multi-tenant occupancy are typically trading in 7.5-9.0% cap rate range.

The data center real estate investment market continues to capture the macro trend of growth in data, storage, disaster recovery and the migration to the cloud. New developments, upon partial or full stabilization, and corporate sale-leasebacks will continue to supply the market for investors.

**Trend Spotting:** Corporations continue to migrate to the cloud either in whole or as part of a hybrid solution. Data centers vacated resulting from this slow but certain migration offers value-add repositioning opportunities to investors and operators seeking cost savings and reasonably quick access to a growth or underserved market.

*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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Full Year 2014

BUILDINGS	BUYER	SIZE	PRICE	PRICE PSF	DATE
CNA Financial Data Center 4267 Meridian Parkway Aurora IL	ByteGrid Holdings LLC	70,000 SF	\$30.35 Million	\$434	January 2014
DataCenter.BZ 55 Scherers Court Data Center/Operations Columbus OH	Cologix	32,000 SF	\$31.9 Million	\$997	February 2014
Peak 10 Data Center/Office Complex (Peak 10 60k SF) 10105 David Taylor Drive Charlotte NC	H5 Data Centers	205,718 SF	\$18.5 Million	\$90	March 2014
401 North Broad Carrier Hotel/Data Center Philadelphia PA	Netrality Properties	1,300,000 SF	Confidential	Confidential	March 2014
Thompson Reuters Data Center Walnut Ridge Drive Harland WI	Carter Validus	59,516 SF	\$19.5 Million	\$328	April 2014
Windstream Data Center 1805 Center Park Drive Charlotte NC	Carter Validus	60,850 SF	\$26.4 Million	\$434	April 2014

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Bank leased Data Center 636 Pierce Street Somerset NJ	Prudential Real Estate Investors (PREI) JV with Digital Realty Trust	108,336 SF	\$40.4 Million	\$373	March 2014
Centurylink Data Center Single-Tenant Data Center 3620 Sacramento Drive San Luis Obispo, CA	H5 Data Centers	43,672 SF	\$9.525 Million	\$218	April 2014
6 Braham Street London UK	Level 3 Communications, tenant, acquired the facility from Digital Realty Trust	63,233 SF	\$41.5 Million	\$656	April 2014
Ascent Data Center CH2 Northlake IL (Chicago)	Carter Validus	251,141 SF	\$211.7 Million	\$843	May 2014
QTS Realty Trust (QTS) East Windsor, NJ	QTS Realty Trust	560,000 SF (Included a 50 Acre 14.1 MW Solar Farm)	\$75 Million	\$134	June 2014
San Jose Multi-Tenant Data Center 2030 Fortune Drive San Jose CA	H5 Data Centers	72,249 SF	\$17.7 Million	\$245	June 2014

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BUILDINGS	BUYER	SIZE	PRICE	PRICE PSF	DATE
Two (2) IO Data Centers Sale-Leaseback Phoenix and Scottsdale	Carter Validus	625,000 SF	\$125 Million	\$200	August 2014
GE Data Center Windward Concourse Park Alpharetta GA	Carter Validus	185,000 SF	\$50 Million	\$270	September 2014
Leased Turnkey Data Center Part of Digital Realty's Ashburn Complex Ashburn Virginia	Griffin Capital Essential REIT JV Sale by Digital Realty Trust 80% to Griffin/20% DRT	132,280 SF	\$187.6 Million 7.05% Cap Rate 7 years average lease term 100% leased	\$1,418	September 2014
3180 Players Lane Hilton Hotels Data Center Memphis TN	Five 9s Digital, LLC	35,000 SF	\$3.7 Million	\$106	October 2014
717 South Wells Street Downtown Chicago IL	Netrality Properties	100,000 SF	\$20.5 Million	\$205	October 2014
ETrade Data Center 1650 Union Hill Road Alpharetta GA	Carter Validus	165,000 SF	\$56.7 Million	\$344	November 2014

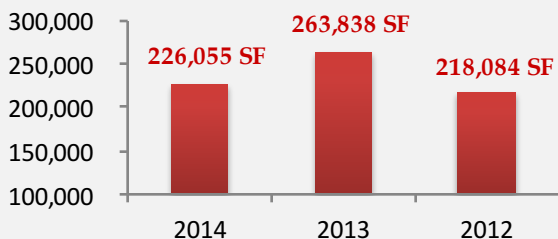
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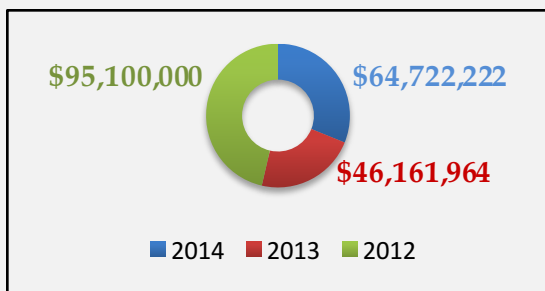
Full Year 2014

## DATA CENTER REAL ESTATE ACQUISITIONS ANNUAL SUMMARY

AVERAGE SF PER DEAL



AVERAGE PRICE PER DEAL



AVERAGE PRICE PER SF



*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 4,068,995 SF of data center real estate acquisitions in 2014, valued at approximately \$1.165 Billion.

The largest transaction, based upon square footage, was the Netrality Properties acquisition of the 401 N. Broad building in downtown Philadelphia. The deal was completed in March of 2014, and totaled approximately 1,300,000 SF.



The largest transaction in 2014, based upon the total cost, was the Carter Validus acquisition of the 251,141 SF Ascent Data Center in Chicago, IL. The deal was completed in May of 2014 and transacted at \$211.7 Million.



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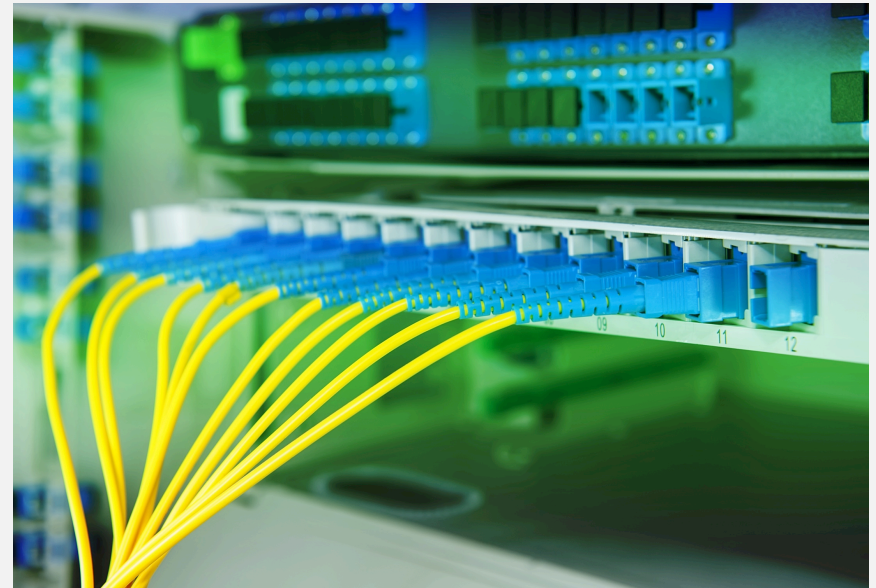
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Full Year 2014

### NEWS & NOTEWORTHY BUSINESS TRANSACTIONS IN 2014

- Shaw Communications buys data center company ViaWest from Oak Hill Capital Partners in a deal with an enterprise value of \$1.2B
- NTT Communications completed its acquisition of an 80% stake in RagingWire Data Centers with an investment of \$350M.
- TierPoint, formerly known as Cequel Data Centers, acquired Xand, a colocation, cloud and managed services company from ABRY creating a combined 13 data center footprint in 10 markets in the US.
- Zayo Group Holdings goes public in October 2014 creating a \$5B company. Zayo buys AtlantaNAP in mid-2014.
- Centurylink acquired DataGardens, with SafeHaven as its flagship product, offering disaster recovery in off-site virtual cloud data center environment and acquired Big Data firm, Cognilytics.
- Equinix board approves REIT status.
- GI Partners acquires Peak 10 Inc. which operates 24 data centers with its main presence in the southeast at a deal valued at an estimated \$800M.
- Level 3 Communications acquired TW Telecom creating a combined enterprise value of \$27B in October 2014. This creates more than 200,000 route miles globally reaching more than 60 countries across 6 continents.
- Comcast announced the audacious acquisition of Time Warner which would create a \$45B merger and still pending regulator approval.



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Second Quarter - 2013

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Five 9s Digital specializes in advisory services for data center real estate including the identification of value-add opportunities, multi-tenant facilities, and long term stable single-tenant investment assets.

*Please contact us with your investment criteria, geographic preference, or if you are considering a sale of your current mission critical holdings.*

### Doug Hollidge

Five 9s Digital

704.651.2210

[Doug@five9sdigital.com](mailto:Doug@five9sdigital.com)

### Stephen Bollier

Five 9s Digital

310.704.2547

[Steve@five9sdigital.com](mailto:Steve@five9sdigital.com)



WEBSITE : [www.five9sdigital.com](http://www.five9sdigital.com)

