

DATA CENTERS

REAL ESTATE ACQUISITIONS REPORT

END OF YEAR REVIEW
2016



FIVE 9s DIGITAL



DATA CENTERS

REAL ESTATE ACQUISITIONS REPORT

End Of Year Review 2016

Data center real estate acquisition activity for the full year of 2016 yielded approximately \$1.699B of data center real estate transactions of totaling 6,207,737 SF. In comparison, full year 2015 total activity totaled \$750 Million and 4,394,407 SF of space.

High quality data center assets in Tier 1 markets will continued to be pursued by the institutional, private equity and data center REIT buyers bringing a competitive buyer process pending strength of tenant base, length of leases, underlying real estate and quality of the facility. As a number of the larger Tier 1 long-term, single-tenant assets and other low hanging fruit have been acquired over the past several years, investors will spend more time evaluating multi-tenant data centers and investment opportunities in Tier 2 markets.

With one recent interest rate increase and more anticipated in 2017, the interest rate environment may create an interesting buyer and seller dynamic. Some data center owners which have been fence-sitting will become more anxious to get a sale completed prior to the forthcoming rate increases. Simultaneously, buyers will work hard to get “in process” deals closed prior to additional rate increases. After the pending flurry of transactions in the 1st half of 2017, there may be a lull in buying and selling activity due to a gap in buyer and seller expectations as data center valuations are reduced due to the diminished spread between borrowing costs and cap rate expectations.

Heading into 2017, we anticipate cap rates for single-tenant, good credit leases will be in the 6.25-7.25% range pending underlying lease dynamics. Data center assets lacking clear credit, shorter term leases and/or multi-tenant occupancy are estimated to trade in 7.5-8.75% cap rate range with various factors that may affect the swing outside of these parameters.

Big announcements consumed the news in 2016 where telecom companies decided to get out of the data center operations business. Although not closing until 2017, Equinix announced the acquisition of the Verizon data center portfolio and operations for \$3.6B which includes 24 data centers across 15 cities. With this acquisition, Equinix will have 175 data centers in 43 markets around the world. Also, Centurylink came to an agreement to sell its data centers and colocation business for \$2.3B to a consortium of funds. The pending sale will include 57 data centers. Centurylink said it would use the net proceeds to help fund its \$34B announced acquisition of Level 3 Communications.

Trend Spotting: As corporations continue to transition workload to the cloud, corporate-owned facilities will continue to become a focal point within organizations. The C-Level is now starting to demand evaluation and transition to 3rd party solutions as corporates deal with ongoing operating expenses and capital costs associated with data center facilities they own. Corporations with underutilized data center capacity are tasked with the need to reduce operating costs, limit capital investments, and find lower cost solutions. Sale-leasebacks and partial-leasebacks of corporate data centers will continue to gather momentum. The \$130M CME sale-partial leaseback to CyrusOne of its 428,000 SF data center in Chicago during Q1-16 is a prime example of this transition. The Five 9s Digital team advised CME through this complex and successful transaction.

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 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.

DATA CENTERS REAL ESTATE ACQUISITIONS REPORT

End Of Year Review 2016

BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
Nextfort Data Center 2600 W Germann Road Chandler AZ	180,000 SF	\$14.850 M	\$82.50	Jan 2016	<ul style="list-style-type: none"> • Buyer acquired data center and existing customer base • Expansion capacity on site
274 Brannan Street Telecom & Office Building San Francisco CA	105,800 SF	\$70 M	\$662	April 2016	<ul style="list-style-type: none"> • Multi-tenant telecom and office building • Six (6) stories • Downtown San Francisco location
CME Data Center Sale-Partial Leaseback 2905 Diehl Road Aurora IL	428,000 SF	\$130 M	\$304	Mar 2016	<ul style="list-style-type: none"> • CME leased back 10 MW of power/space or approximately 20% of the building • Additional 15 acres of land included • 181 MW substation on site • Built in 2009
Peak 10 Data Center Build-To-Suit Sale Franklin TN	71,726 SF	\$19.4 M	\$270	Mar 2016	<ul style="list-style-type: none"> • Build-To-Suit sale transaction • New 15 year lease w/ 2% annual escalations • 6.97% cap rate
Sungard Data Center Alpharetta GA	77,000 SF	\$15.75 M	\$205	Mar 2016	<ul style="list-style-type: none"> • Single-tenant lease to Sungard • Sungard utilizes facility for colocation operations
Online Tech Data Center 5225 Exchange Drive Flint MI	44,000 SF	\$8.5 M	\$193	Mar 2016	<ul style="list-style-type: none"> • 100% leased to Online Tech • Data Center is utilized as colocation, managed services and cloud facility

DATA CENTERS

REAL ESTATE ACQUISITIONS REPORT

End of Year Review 2016

BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
TierPoint Data Center 34 St. Martin Street Marlborough MA	203,840 SF	\$19.5 M	\$96	May 2016	<ul style="list-style-type: none"> 100% leased to 9 tenants 70% leased to data center tenants including Tierpoint and Lighttower
Dupont Fabros DC 101 Possumtown Rd Piscataway, NJ	360,000 SF	\$125 M	\$347	May 2016	<ul style="list-style-type: none"> 18 MW data center 38 acres offering expansion Partially leased customer base
Apple Data Center 825 Stewart Drive Sunnyvale CA	75,350 SF	\$34.7 M	\$461	May 2016	<ul style="list-style-type: none"> Fully leased to Apple Sold by Hines which acquired the facility in 2014
Peak 10 Data Center 4905 Belfort Road Jacksonville FL	54,835 SF	\$8.375 M	\$153	June 2016	<ul style="list-style-type: none"> 64% leased by data center tenant Two (2) tenant building 8.4% Cap Rate
Garland Center 1200 West 7 th Street Los Angeles, CA	733,000 SF	\$210 M	\$286	June 2016	<ul style="list-style-type: none"> Multi-tenant data center and office building Downtown LA location
Former Capital One Data Center 1500 E. Plano Parkway Plano TX	42,666 SF	\$11.068 M	\$259	June 2016	<ul style="list-style-type: none"> Bought as vacant facility formerly occupied by Capital One Buyer plans to re-lease the facility to other data center tenants
DataPipe Data Center 125 Belmont Drive Somerset NJ	36,114 SF	\$12.375 M	\$343	June 2016	<ul style="list-style-type: none"> Single-tenant NNN lease acquisition DataPipe is the tenant 12 year lease term upon purchase

DATA CENTERS

REAL ESTATE ACQUISITIONS REPORT

End Of Year Review 2016

BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
Corporate Office Properties Trust (COPT) Data Center Portfolio Virginia/Maryland	962,000 SF Portfolio	\$147.6 M	\$153	July 2016	<ul style="list-style-type: none"> 50/50 Joint Venture Six (6) single-tenant facilities GI spent \$44M for 50% of the \$150M portfolio
210 N. Tucker & 900 Walnut Data Centers St. Louis MO	513,000 SF	\$114.5 M	\$223	July 2016	<ul style="list-style-type: none"> 210 N Tucker is a 400k SF 900 Walnut is a 113k SF Carrier dense data centers in downtown St Louis
Level 3 Data Center 251 Exchange Place Herndon VA	71,000 SF	\$4.9M	\$69	July 2016	<ul style="list-style-type: none"> Bought post-Level 3 vacating Buyer plans to re-lease to data center tenants
1807 Michael Faraday Ct Reston VA	23,000 SF	\$3.08 M	\$134	July 2016	<ul style="list-style-type: none"> Partially occupied data center and office building Buyer plans to re-lease data center portion to new tenants
Forsythe Data Center Sale-Partial Leaseback 1441 Touhy Ave Elk Grove, IL	221,000 SF	\$76 M	\$344	Aug 2016	<ul style="list-style-type: none"> Sale-Partial Leaseback Forsythe leased back 80k SF Retail /Wholesale Data Center Includes 20 MW of expansion
EdgeConnex Data Center 1800 Nicholas Blvd Elk Grove IL	132,000 SF	\$22.8 M	\$173	Sept 2016	<ul style="list-style-type: none"> Owner-Occupant Transaction Warehouse building to be retrofit to data center
Level 3/Windstream 1755/57 & 1764A Old Meadow Road McLean VA	131,329 SF	\$85 M	\$647	Oct 2016	<ul style="list-style-type: none"> 100% leased to Level 3 and Windstream Communications Long term leases Northern VA market

DATA CENTERS

REAL ESTATE ACQUISITIONS REPORT

End Of Year Review 2016

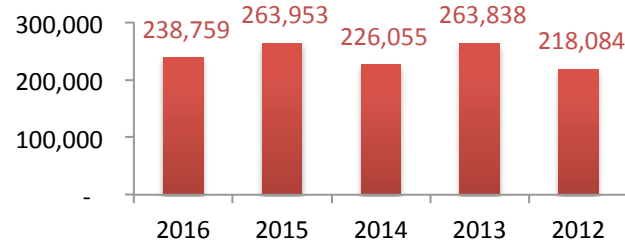
BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
Toronto Star Printing Facility Vaughan, Ontario	673,000 SF	\$54.25 M	\$81	Oct 2016	<ul style="list-style-type: none"> Planned retrofit to multi-tenant wholesale data center 46 MW at full build-out
AT&T Data Center 2301 West 120 th Street Hawthorne CA	288,000 SF	\$79.5 M	\$276	Oct 2016	<ul style="list-style-type: none"> 100% Net Leased Data Center AT&T Single Tenant Transaction
Time Warner Data Center & Office Building 400 Minuteman Road Andover MA	153,000 SF	\$37 M	\$242	Nov 2016	<ul style="list-style-type: none"> Fully leased data center and office building Time Warner, The Weather Company and WSI Corp
WorldBank Data Center 4120 LaFayette Center Dr Chantilly VA	54,350 SF	\$22.940 M	\$422	Dec 2016	<ul style="list-style-type: none"> Single-tenant data center leased to WorldBank
KOMO Plaza 140 Fourth Avenue Seattle WA	293,727 SF	\$276 M	\$940	Dec 2016	<ul style="list-style-type: none"> 88% leased multi-tenant office, carrier hotel data center and retail center
Tyson's Technology Center 7980 & 7990 Science Applications Court Vienna VA	280,000 SF	\$96 M	\$343	Dec 2016	<ul style="list-style-type: none"> Data center & office complex Multi-tenant buildings

DATA CENTERS REAL ESTATE ACQUISITIONS REPORT

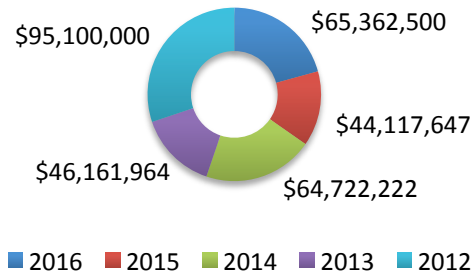
End Of Year Review 2016

DATA CENTER REAL ESTATE ACQUISITIONS ANNUAL SUMMARY

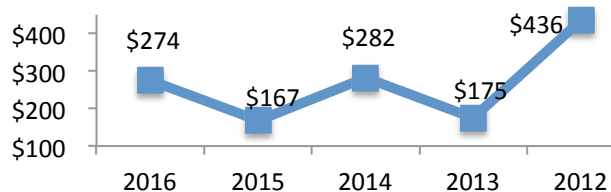
AVERAGE SF PER DEAL



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 6,207,737 SF of data center real estate acquisitions in 2016, valued at approximately \$1.699 Billion.

The largest transaction, based upon price, was the GI Partners \$276M acquisition of the KOMO Plaza data center and office building in Seattle. The deal was completed in December of 2016, and totaled approximately 293,727 SF.

The largest single transaction, based upon size of building, was the \$210M acquisition of the 733,000 SF Garland Center building in Los Angeles, California.



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

Doug Hollidge
704.651.2210
Doug@Five9sDigital.com

Stephen Bollier
310.704.2547
Steve@Five9sDigital.com



NEWS & NOTEWORTHY TRANSACTIONS IN 2016

Centurylink selling its data center business to private equity group for \$2.3B

Centurylink plans to acquire Level 3 Communications for \$34B

Facebook buys 40 acres next to its 3 building data center campus in Ft. Worth, Texas

Digital Realty Trust agreed to buy 8 European data centers from Equinix for \$874.4M

Tierpoint buys CoSentry which operates 9 data centers in the Midwest

Dupont Fabros acquired 47 acres in Hillsboro OR for \$11.2M for new data center development

Coresite buys 60 acres and buildings for new data center development in Reston VA

CyrusOne buys 40 acre parcel in Northern Virginia to add to its growing portfolio in the area

Microsoft starts its 3rd data center in West Des Moines with an estimated total budget of \$2B

Digital Realty Trust announced a new 700k SF addition to its 350 E. Cermak Building in Chicago

Silver Lake Partners is exploring a sale of Vantage Data Centers

Equinix announced plans to acquire 29 Verizon data centers for \$3.6B

US Bank announced a \$250M data center in Chaska MN

Vantage Data Centers expands Santa Clara data center by 21 MWs and announces subsequent 54 MWs future expansion

Digital Bridge acquired DataBank which operates 6 data centers as colocation, managed services and cloud facilities

British billionaire brothers David and Simon Reuben sold a 49 percent stake in data center operator, Global Switch Holdings Ltd to Chinese investors, despite security concerns

CME Group conducts \$130M sale-partial leaseback of its 428,000 SF data center in Chicago to CyrusOne

