

# DATA CENTERS

## REAL ESTATE ACQUISITIONS REPORT

END OF YEAR REVIEW  
2017



FIVE 9s DIGITAL



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### End Of Year Review 2017



Data center real estate acquisition activity for the full year of 2017 yielded approximately \$2.742 Billion of data center real estate transactions totaling 7,496,075 SF. In comparison, full year 2016 total activity totaled \$1.699 Billion and 6,207,737 SF of space.

Both single-tenant and multi-tenant data center assets drove activity in 2017 with several corporate data center sale-leasebacks and partial leasebacks adding a considerable amount of activity to the mix. Data center assets in the major metropolitans will continue to be pursued by the institutional, private equity and international investors with additional activity anticipated in the strong Tier 2 markets. We anticipate more corporate data center dispositions in 2018 with most transactions including a leaseback component.

### Pricing

As we transition into 2018, we anticipate a rising interest rate environment. Debt for acquisitions and development will become more expensive. 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 flatten due to rising interest rates. Over the next year, we anticipate good quality data center assets with long term leases to trade in the 6.5%-7.25% 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.

### Tax Bill

The new 2018 Tax Bill will benefit the overall commercial real estate (CRE) sector and help offset the rising interest rate environment. The new tax code preserved and improved most of the existing tax breaks for CRE investing. The 1031 exchange provision remains intact and commercial property landlords will still be entitled to a full mortgage interest deduction, in addition to favorable treatment of pass-through income.

### M&A

2017 was a huge M&A year with significant announcements throughout the year exceeding \$27B in total activity. Some big announcements included the Equinix acquisition of 24 Verizon data center operations for \$3.6B, DigitalBridge acquired Vantage Data Centers for nearly \$1B, Centurylink sold its data centers business to Cxtera for \$2.3B with operations in 57 locations, and Centurylink then acquired Level 3 Communications for \$34B. Peak 10 acquired ViaWest for \$1.7B and Iron Mountain announced the acquisition of IO Data Centers US for \$1.3B. The largest M&A deal in 2017 was the Digital Realty acquisition of Dupont Fabros for \$7.8B.

### Trending

Large corporate-owned facilities remain underutilized and corporations continue to transition workload to the cloud. A number of sale-partial leasebacks transacted in 2017 and we anticipate this trend to continue. Quality data center operators, such as the data center REIT sector, stand to be the biggest beneficiaries of this trend as the corporations offload Capex and Opex to data center operators, right-size the use of the facility, and become a customer in the facility. By selling its data center and leasing back a portion of the space from the operator, the corporate owner can often achieve higher pricing for the asset than selling as a fully vacant facility. The corporate leaseback component will remain important as corporate owners of data centers typically have higher book value than market pricing dictates for a data center operator acquisition.

Tier 1 N level data centers will become a bigger factor in 2018 to accommodate the vast amounts of power being consumed by Cryptocurrency Miners, Artificial Intelligence (AI), Business Intelligence (BI), and other high-performance computing (HPC).



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BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
Birch Communications Data Center 2101 Nelson Miller Pkwy Louisville KY	33,000 SF	\$5.4 M	\$164	Jan 2017	<ul style="list-style-type: none"> <li>Peak 10 acquired the Birch Communications Data Center</li> <li>Birch leased back a portion of the facility</li> <li>Expansion of Peak 10s Louisville presence</li> </ul>
HCSC Data Center 2101 Park Vista Blvd Fort Worth TX	260,000 SF	\$50 M	\$192	Jan 2017	<ul style="list-style-type: none"> <li>Sale-Partial Leaseback of corporate owned and operated data center</li> <li>HCSC leased back 1 MW from QTS</li> </ul>
Bytegrid Cleveland Technology Center 1625 Park Vista Blvd Cleveland OH	333,000 SF	\$31 M	\$93	Jan 2017	<ul style="list-style-type: none"> <li>Downtown Cleveland carrier hotel data center</li> <li>Approx. 80% leased upon acquisition</li> </ul>
KOMO Plaza 100 and 140 Fourth Ave N Seattle WA	294,000 SF	\$276 M	\$939	Jan 2017	<ul style="list-style-type: none"> <li>KOMO Plaza serves as a carrier data center in Downtown Seattle</li> <li>The building includes multiple telecom and data center operator tenants</li> </ul>
Tyson Technology Center 7980 and 7990 Science Applications Court Vienna VA	280,000 SF	\$96 M	\$343	Jan 2017	<ul style="list-style-type: none"> <li>Multi-tenant data center and office complex</li> <li>75% leased at acquisition</li> </ul>
Navisite Data Center 400 Minutemen Rd Andover MA	135,000 SF	\$37 M	\$274	Jan 2017	<ul style="list-style-type: none"> <li>Fully-leased two tenant facility</li> <li>Navisite, owned by Spectrum, is the data center tenant operator</li> </ul>

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Sentinel Data Center Portfolio 800 Cottontail Ln Somerset NJ	850,000 SF	\$490 M	\$576	Feb 2017	<ul style="list-style-type: none"> <li>Durham NC 420k SF &amp; Somerset NJ 430k SF data centers</li> <li>Average 8.5 yrs remaining on leases</li> </ul>
T-Mobile Data Center 2601 West Broadway Rd Tempe AZ	44,000 SF	\$16.4 M	\$373	Feb 2017	<ul style="list-style-type: none"> <li>Single-tenant data center leased to T-Mobile</li> </ul>
Blackberry Data Center 4905 North Point Pkwy Alpharetta GA	185,000 SF	\$30 M	\$162	March 2017	<ul style="list-style-type: none"> <li>Sale-Partial Leaseback of corporate owned Blackberry data center</li> <li>8.1 MW scalable data center</li> </ul>
CyrusOne Data Center 6 Norden Place Norwalk, CT	167,000 SF	\$58 M	\$347	April 2017	<ul style="list-style-type: none"> <li>Single-tenant data center leased to CyrusOne</li> <li>CyrusOne inherited the lease via its acquisition of Cervalis in 2015</li> </ul>
OneNeck Data Center 1655 W Sunrise Blvd Gilbert AZ (Pheonix)	14,168 SF	\$2.8 M	\$198	April 2017	<ul style="list-style-type: none"> <li>Single-tenant data center</li> <li>Limited term on the lease</li> </ul>
Coca-Cola Data Center 40 Perimeter Center East Atlanta GA	88,000 SF	\$19 M	\$216	May 2017	<ul style="list-style-type: none"> <li>Sale-Partial leaseback of corporate owned Coca-Cola data center</li> </ul>

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Atos IT Solutions 1400 Crossbeam Drive Charlotte NC	53,000 SF	\$16.4 M	\$310	May 2017	<ul style="list-style-type: none"> <li>100% leased to Atos IT Solutions for its data center operations</li> </ul>
250 Williams Street Downtown Atlanta GA	1,000,000 SF	\$166 M	\$166	June 2017	<ul style="list-style-type: none"> <li>88% leased multi-tenant office and carrier hotel data center</li> <li>American Cancer Society is a major tenant. DRT/TelX leased 18k SF expansion in '17</li> </ul>
GE Data Center 8700 Governors Hill Cincinnati OH	68,826 SF	\$10.3 M	\$150	June 2017	<ul style="list-style-type: none"> <li>100% leased to General Electric</li> </ul>
Centurylink Data Center 1400 Kifer Road Sunnyvale CA	76,600 SF	\$36.8 M	\$480	June 2017	<ul style="list-style-type: none"> <li>100% leased</li> <li>9.5 years remaining on lease</li> </ul>
Stream Data Center 7579 W 103rd Ave Westminster, CO	30,000 SF	\$3.5 M	\$117	Sept 2017	<ul style="list-style-type: none"> <li>Bought as vacant built-out former corporate data center</li> <li>Zayo acquired for operations expansion in the Denver area</li> </ul>
Carter Validus REIT I Portfolio Various US Cities	2.3 M SF	\$750 M	\$326	Oct 2017	<ul style="list-style-type: none"> <li>Average 97% leased at time of acquisition</li> <li>14 data center facilities</li> </ul>

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BUILDINGS	SIZE	PRICE	PRICE PSF	DATE	NOTES
Carter Validus Data Center 505 N Railroad Ave Northlake IL	250,000 SF	\$315 M	\$1,260	Oct 2017	<ul style="list-style-type: none"> <li>Multi-tenant data center that was owned by Carter Validus and operated by Ascent</li> </ul>
Northrop Grumman 11751 Meadowville Rd Chester VA	193,000 SF	\$44 M	\$228	Nov 2017	<ul style="list-style-type: none"> <li>Northrop and Virginia Information Technologies are the data center tenants</li> </ul>
Chevron Data Center 5200 Rogers Rd San Antonio TX	202,000 SF	\$80 M	\$396	Nov 2017	<ul style="list-style-type: none"> <li>Former Chevron owned and operated data center</li> <li>34 acres of land</li> <li>Microsoft's 4<sup>th</sup> data center in the area</li> </ul>
Wipro Data Center 2005 Technology Circle Tempe AZ	58,560 SF	\$15.2 M	\$260	Nov 2017	<ul style="list-style-type: none"> <li>Leased to WiPro Data Center &amp; Cloud Services</li> <li>8 years remained on lease upon acquisition</li> </ul>
Verizon Data Center 630 Clark Avenue King of Prussia PA	50,000 SF	\$19.2 M	\$384	Nov 2017	<ul style="list-style-type: none"> <li>100% Verizon leased data center</li> </ul>
BP Data Center 225 Westlake Park Blvd Houston TX	103,200 SF	\$74.8 M	\$724	Nov 2017	<ul style="list-style-type: none"> <li>100% leaseback to BP</li> <li>10 year lease term</li> </ul>

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GlaxoSmithKline (GSK) 1000 Black Rock Rd Collegeville PA	203,000 SF	\$32.86 M	\$162	Nov 2017	<ul style="list-style-type: none"> <li>GSK corporate data center acquired by Peak 10</li> <li>GSK partial leaseback</li> <li>25 acres of land for expansion</li> </ul>
T-Mobile Data Center 24235 Alft Lane Elgin IL	65,745 SF	\$8.3 M	\$228	Dec 2017	<ul style="list-style-type: none"> <li>T-Mobile leases majority of the facility as its data center</li> </ul>
Columbus Data Center 5000 Arlington Centre Blvd Columbus OH	22,000 SF	\$5 M	\$227	Dec 2017	<ul style="list-style-type: none"> <li>100% leased data center to national data center operator</li> <li>Long term lease</li> </ul>
Sungard Data Center 341 Haynes Drive Wooddale IL (Chicago)	44,520 SF	\$8 M	\$180	Dec 2017	<ul style="list-style-type: none"> <li>100% leased to Sungard with 3 years remaining on lease</li> </ul>
Tierpoint Data Center 4121 Perimeter Center Place Oklahoma City, Ok	92,456 SF	\$46 M	\$498	Dec 2017	<ul style="list-style-type: none"> <li>15 year 100% sale-leaseback</li> </ul>

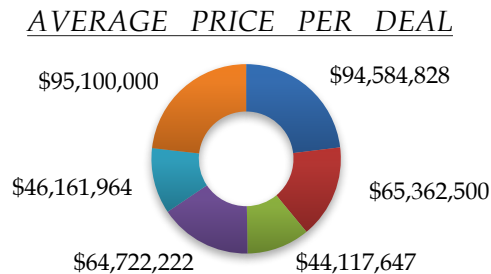
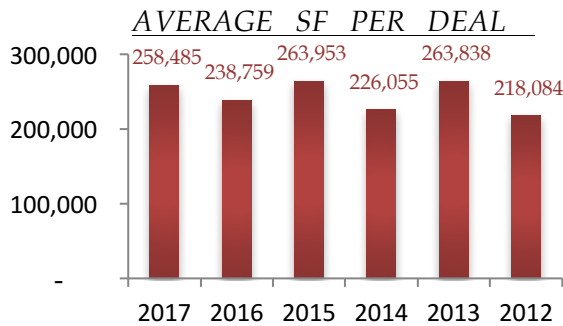
*The purchase prices of the data centers in this report range considerably as do the price per sq. ft. The variations are related to variables such as terms of lease, tenant credit, building shell rent vs. turnkey rents, and location. This report is meant to be a sampling of acquisitions based upon information 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.*

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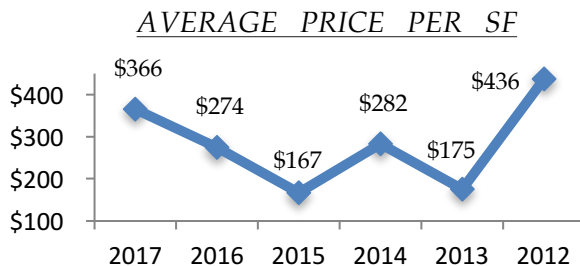
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### DATA CENTER REAL ESTATE ACQUISITIONS ANNUAL SUMMARY



■ 2017 ■ 2016 ■ 2015 ■ 2014 ■ 2013 ■ 2012



This overview shows 7,496,075 SF of data center real estate acquisitions in 2017 totaling \$2.742 Billion of transactions.

The largest transaction, based upon price, was the Mapletree Investments \$750M acquisition of the Carter Validus REIT I data center portfolio. The deal was completed in October of 2017, and totaled approximately 2.3 million square feet over 14 data center facilities in the US.

The largest data center transaction, based upon size of building, was the \$166M acquisition of the 1 Million SF 250 Williams building located in downtown Atlanta, GA.



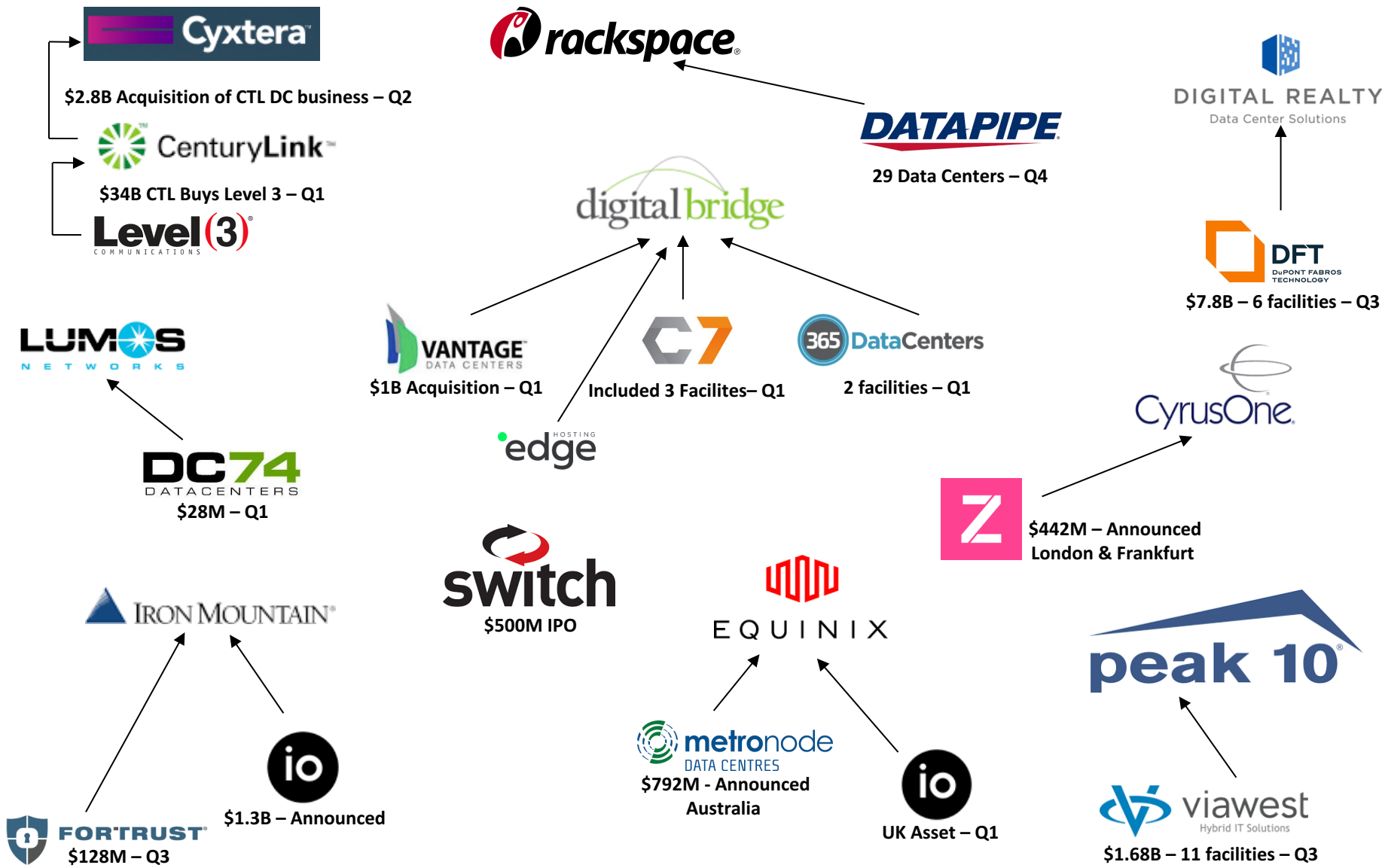
Five 9s Digital specializes in data center real estate. That's all we do. We offer acquisition and disposition services, brokerage, development and consulting services on national basis.

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# Noteworthy 2017 M&A Activity



*\$27B in 2017 M&A more than doubling 2016 activity*