

Strategic Developments – *Moving Pieces*

Landmark acquisitions and strategic divestments continue to shape the data center market landscape through 2017. Additionally, organic growth continues to drive new development. Sale-leaseback transactions provide funding to operators to allocate toward current operations, expansions, and acquisitions. Verizon and CenturyLink have divested their data center assets, while acquiring strategic fiber routes and increasing network connectivity. As a result, Equinix has increased its IBX portfolio and Cyxtera Technologies has been created to provide colocation services with a emphasis on cyber security. Digital Realty Trust has announced an agreement to acquire DuPont Fabros Technologies in a transaction valued at \$7.6 billion.

Sale-Leaseback

Carter Validus Mission Critical REIT continues to add mission critical facilities to its portfolio. The firm's sale-leaseback transactions involve acquiring leased assets, and benefits providers with funding for operations and expansions. From 2016 to mid-2017, Carter Validus has acquired nine data center assets with a combined transaction value of \$281.7 million. In 2016, CyrusOne and T5 Data Centers completed similar sale-leaseback transactions outside of Chicago. CyrusOne completed its \$130 million deal in March 2016 with CME Group for a 428,000 sq. ft. data center. The terms were not disclosed for T5 Data Centers' partial sale-leaseback with Forsythe in August 2016.

Verizon and AT&T – Foundations for G5

In early 2016, Verizon closed its \$1.8 billion acquisition of XO Communications' fiber-optic network business, adding 1.2 million miles of fiber to its existing network. Also in February, AT&T acquired FiberTower, in an effort to compete with Verizon, increasing network foundations in anticipation for G5.

Equinix – Increased Connectivity

Equinix kicked off 2016 by closing its acquisition of TelecityGroup in January for \$3.8 billion, adding more than 40 data centers and 1,000 new customers to its portfolio. In July, the company sold eight data centers in Europe to Digital Realty for \$874.4 million, expanding Digital's capacity in three major European markets. Equinix also worked out a \$211 million deal to purchase Digital's operation in St. Denis, Paris, which houses Equinix's PA3 and PA3 IBXs. Near the end of 2016, Equinix announced that it had agreed to acquire a portion of Verizon Communication's data center portfolio. The \$3.6 billion transaction included 29 data centers in 15 metro areas including Miami NAP with 90 global networks interconnecting to 150 countries and the termination point of 15 subsea cables. The transaction closed in early May 2017, and increased Equinix's global footprint to 17 million sq. ft. across 175 data centers in 43 markets. In 2016, Equinix connected to the U.S. landing stations of four new intercontinental submarine fiber routes including AE Connect, Faster, Monet, and Seabras-1. Equinix has made arrangements to connect with the landing station in Oregon for the Hawaiiki Cable, which is scheduled to come online in mid-2018 to connect with Australia, New Zealand, American Samoa, and Hawaii.

CenturyLink – Cyxtera Technologies

CenturyLink is focusing on owned fiber-optic networks. In October 2016, CenturyLink came to an agreement to acquire Level 3 Communications for \$34 billion in order to compete with AT&T Inc. Level 3 Communications is the second-largest provider of ethernet services, behind AT&T. This strategy allows CenturyLink to gain 200,000 miles of owned fiber-optic networks and a comprehensive portfolio of managed solutions in more than 500 markets in over 60 countries. One month later, CenturyLink announced the sale of its colocation business in North America, Europe and Asia, for \$2.3 billion. The portfolio includes a combined 57 data centers with more than 2.5 million sq. ft. of operational space and approximately 200 MW. The consortium of buyers includes BC Partners, Medina Capital and Longview Asset Management. CenturyLink will maintain a 10% ownership stake in the newly formed Cyxtera Technologies, which will offer colocation services with an emphasis on cyber security. Currently, Cyxtera owns four security and analytics companies include Brainspace, Cryptzone, Catbird, and Easy Solutions.

Digital Realty Trust + DuPont Fabros Technology

In June 2017, Digital Realty and DuPont Fabros announced an all-stock \$7.6 billion merger. Both REITs have a combined enterprise value of \$34.3 billion. DuPont will be merged into a wholly-owned subsidiary of Digital Realty, with an anticipated annual overhead savings of \$18 million. DuPont Fabros operates a portfolio of 12 data centers in North America with approximately 3.5 million sq. ft. and 305 MW of critical load at 98% occupancy. These facilities are located in Northern Virginia, Elk Grove (Chicago), Santa Clara (Silicon Valley), and Toronto, CA (coming fall 2017). In addition, DFT has more land in Northern Virginia, Oregon, and Phoenix. DFT is set to benefit with customer diversification. As of June, DuPont's top three customers account for 57% of its revenue, which under DLR will only account for a combined 18% of revenue. Digital will benefit from DuPont's pipeline of six current projects totaling 79 MW, which are 48% pre-leased. This merger is expected to close in the second half of 2017.

DATA CENTER SNAPSHOT

Mergers & Acquisitions

2nd Quarter 2017



ACQUIRER	TARGET	PRICE (\$M)	DATE	NOTES
Equinix	TelecityGroup	\$3,800	January 2016	Adds more than 40 data centers (including seven new markets) to double Equinix's capacity in Europe, and adds over 1,000 new customers.
Zayo	Stream Dallas	\$16.7	January 2016	Purchase of a 36,000-sq-ft data center in Dallas, TX from Stream to increase Zayo's Dallas footprint to 61,000 sq. ft. across 4 locations.
H5 Data Centers	NextFort	NA	January 2016	Purchase of 180,000-sq-ft data center in Chandler, AZ with potential 30 MW.
TierPoint	Cosentry	NA	January 2016	Acquisition of nine data centers in the Midwest.
GI Partners / TechCore	TierPoint	NA	January 2016	Purchase of 107,000-sq-ft data center at 601 W Polk in Chicago, IL.
Carter Validus	Clearview International	\$10.7	February 2016	Purchase of a data center in Waco, Texas.
AiNET LLC	One Market Center	\$20	February 2016	Purchase of One Market Center, a 200,000-sq-ft telecom hotel in Maryland.
Carter Validus	Online Tech Inc.	\$8.5	February 2016	Sale-leaseback of 44,000-sq-ft 4 MW data center in Flint, MI, leased to Online Tech LLC.
Verizon	XO Communications	\$1,800	February 2016	Acquisition of XO Communications fiber-optic network business provides access to 40 metro networks to connect 4,000 businesses with 1.2 million miles of fiber. Brings Verizon 188 billion MHz POPs of spectrum in 24 GHz and 39 GHz bands to support network and deployment of 5G.
AT&T	FiberTower	Undisclosed	February 2016	Adds spectrum in the 24 GHz and 39 GHz bands covering 30 billion MHz POPs, move to anticipate 5G.
CyrusOne	CME Group Inc.	\$130	March 2016	Sale-leaseback of 428,000-sq-ft data center in Aurora, IL with 15-year lease to CME Group.
Carter Validus	ByteGrid	\$15.8	March 2016	Sale-leaseback of 77,000-sq-ft colocation data center to SunGard Availability Services.
Zayo	Clearview International	\$18.9	April 2016	Acquisition includes two Texas data centers in Dallas and Waco totaling 30,000 sq. ft.
QTS	DuPont Fabros	\$125	June 2016	Acquisition of 38-acre campus with 360,000 sq. ft. and 18 MW in Piscataway, NJ.

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Digital Realty Trust	Equinix	\$874.4	July 2016	Purchase of eight data centers, expands Digital's capacity to three major European markets.
Netrality Properties	Digital Realty	\$115	July 2016	Purchase of two buildings in St. Louis and two fully-leased data centers in Northern Virginia.
Carter Validus	Datapipe Inc.	\$12.37	July 2016	Sale-leaseback of 36,100-sq-ft data center in Somerset, NJ, 100% leased to Datapipe.
Digital Bridge	DataBank	NA	July 2016	Gives Digital Bridge six data centers and footprints in Dallas, Kansas City, and Minneapolis.
Lincoln Rackhouse	Netrality Group	NA	July 2016	Purchase of two Virginia data centers totaling 35,000 sq. ft. of colocation space and 6 MW.
COPT	GI Partners	\$104	July 2016	Formation of GI-COPT DC Partnership LLC, a 50/50 joint venture to acquire six existing COPT data centers totaling 962,000 sq. ft.
T5 Data Centers	Forsythe	NA	August 2016	Partial sale-leaseback in Elk Grove, IL of 80,000 sq. ft. and 3.5 MW leased to Forsythe within the 208,000-sq-ft data center with 9 MW available. There is also a 4-acre parcel with potential to accommodate an additional 28 MW data center.
Equinix	Digital Realty	\$211	August 2016	Purchase of Digital's operating business in St. Denis, Paris, home to PA2 & PA3 IBXs
ICONIQ	T5 Data Centers	NA	September 2016	Equity positions in T5@Dallas and T5@Portland, which will continue to be managed by T5.
CenturyLink	Level 3	\$34,000	October 2016	Gaining 200,000 miles of owned fiber-optic networks and comprehensive portfolio of managed solutions in more than 500 markets in over 60 countries.
Carter Validus	McLean Data Center Portfolio	\$85	November 2016	Acquisition of two data centers in McLean, VA. McLean I has 45,500 raised sq. ft. that is 95% leased, and McLean II is 40,000 raised sq. ft. and 100% leased.
Carter Validus	Spear Street Capital	\$37	November 2016	Acquisition of 153,000 sq. ft. office and data center building 100% leased to Time Warner and the Weather Company.
GI Partners	Hines	\$276	December 2016	Purchase of KOMO Plaza, a 294,000-sq-ft carrier hotel. Hines will continue management.
DataBank	C7 Data Centers	NA	January 2017	Acquisition of three interconnected data centers in Salt Lake City, a westward expansion of current operations in Minneapolis, MN; Kansas City, KS; and Dallas, TX.

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QTS	Dallas data center	\$50	January 2017	26,000 sq. ft. 8 MW data center in Fort Worth, TX. Property can accommodate another 60 MW.
Peak 10	Louisville data center	Undisclosed	January 2017	33,000 sq. ft. facility to double Peak 10's footprint in Louisville, KY.
Central Colo	Tyson Technology Center	\$96 million	January 2017	200,000 sq. ft. Tier III data center and 80,000 sq. ft. office building that is 80% leased.
Carter Validus	Boston (NaviSite)	\$37 million	January 2017	153,000 sq. ft. facility in Andover, MA 100% leased to NaviSite
DataBank	Cleveland and Pittsburgh sites	Undisclosed	January 2017	Acquired two data centers from 365 Data Centers
Digital Bridge	Vantage Data Centers	+\$1,000	January 2017	Acquisition of data center portfolio operating in Santa Clara, CA, and Quincy, WA by consortium of Digital Bridge, PSP Investments, and TIAA Investments
H5	ByteGrid	NA	January 2017	Purchase of 333,000-sq-ft Cleveland Technology data center.
CyrusOne	Sentinel Data Centers	\$490	February 2017	Acquisition of a 10 MW data center in North Carolina that is 70% leased, and an 11 MW in New Jersey that is 95% leased.
Stonepeak Infrastructure	Cologix	Undisclosed	February 2017	Stonepeak to acquire majority interest in Cologix, including 24 data centers across 9 markets in the U.S. and Canada.
Chirisa Investments, Lumerity Capital, & Longboat Advisors	365 Data Centers	Undisclosed	April 2017	Founded in 2012 as 365 Main when purchasing 16 data centers from Equinix, now 8 existing facilities transfer to the newly created 365 Data Centers Holdings
Green House Data	Cirracore	Undisclosed	April 2017	Acquired Atlanta-based VMware enterprise cloud provider for geographic expansion, and secure access to over 180 networks and service providers
Online Tech	Echo Cloud		April 2017	Deal intended to boost presence in Midwest to allow for geographical diversity with 2 Kansas City data centers
Carter Validus	CyrusOne	\$58.9	May 2017	Sale-lease back in Norwalk, Connecticut of a 167,700 sq. ft. data center, 100% occupied by CyrusOne subsidiary, Cervalis.
Cyxtera Technologies	CenturyLink	\$2,300	May 2017	Consortium of buyers includes BC Partners, Medina Capital and Longview Asset Management for a combined 57 data centers with more than 2.5 million sq. ft. of operational space and approximately 200 MW.

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Equinix	Verizon data center assets	\$3,600	May 2017	Closed acquisition of 29 data centers in 15 metro areas including Miami NAP with 90 global networks interconnecting to 150 countries and the termination point of 15 subsea cables.
Carter Validus	Charlotte, N.C. data center	\$16.4	May 2017	Sale-leaseback of 52,900 sq. ft. data center in Charlotte, N.C.
IBM	Verizon cloud and managed services	Undisclosed	May 2017	IBM to increase presence in government, healthcare, retail and utilities
Zayo Group Holdings	KIO Networks	\$12	May 2017	Adds 2 data centers in San Diego, CA with over 100,000 sq. ft. and 2 MW.
Digital Realty Trust	DuPont Fabros	\$7,600	June 2017	All-stock transaction for a combined enterprise value of \$34.3 billion. Digital adds 12 data centers totaling 3.5 million sq. ft. and 305 MW, 95% leased.
Peak 10	ViaWest	\$1,675	June 2017	Acquired ViaWest from Shaw Communications, to include 20 markets

For more information, contact:

Sean Brady

Managing Director

Co-Founder, Global Data Center Advisory Group

Tel: +1 201 460 3342

sean.brady@cushwake.com

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