



**1655 W. SUNRISE
BOULEVARD**

OFFERING MEMORANDUM

Data Center Property For Sale :: Investment Opportunity

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EXECUTIVE SUMMARY





THE OFFERING

Colliers International Greater Phoenix has been exclusively retained to market the owner’s 100% fee interest in 1655 West Sunrise Blvd, Gilbert, Arizona (the “Property”) to qualified investors.

INVESTMENT HIGHLIGHTS

- > 14,168 total square foot technology operations center
- > Significant technology infrastructure
- > Active tenancy and management
- > Existing NOI - \$240,000
- > Strategic location and connectivity
- > Low turnover profile
- > Credit tenancy

THE PROPERTY

The 14,168 square foot technology operations facility currently serves as one of One Neck IT Solutions enterprise data centers. The property is situated in the southeast quadrant of the Phoenix district. The building is comprised of two raised floor data halls with supporting MEP infrastructure, tech warehouse space, a NOC, support office space, and grade parking. The facility

was originally designed as a purpose-built data center in 1997. Current infrastructure upgrades have been in place since 1998. The building houses multi-million dollar technology infrastructure equipment, including two generators, 1.5 MW electrical service, N+1 electrical, N+1 mechanical cooling, diverse fiber pops and a new roof. The building is SSAE 16 compliant and Tier 2 compliant. All equipment and fixtures were installed by, and remain the property of One Neck IT Solutions.

Current operations utilize 1.0 MW critical power and current design will support 1.5 MW critical power via one 1500 kV utility feed.

SUBJECT GROSS BUILDING AREA BREAKDOWN

Space	SF	% of GBA
Raised floor space	7,000	49.4%
Existing office space	3,200	22.6%
Mechanical/common area	3,968	28.0%
Parking (2.68/1,000)	38 spaces	



FINANCIAL OVERVIEW

Tenant Name	Lease Type	Start	Expiration	SF	Base Rent (SF)	Monthly Base Rent
One Neck IT Solutions Corporation	Triple Net*	1/1/2015	12/31/2017**	14,168	\$16.94	\$20,000 NNN
Occupied SF		100%	1/1/97 original	14,168		
Current NOI						\$240,000

PROPERTY POSITIONING

The property presents a single tenant NNN investment opportunity with a strong IT solutions provider operating a state-of-the-art data center.

SALE PROCESS

The property is being offered with no asking sales price. Offers will be due no later than December 18, 2014.

*Triple Net (NNN) Lease - Tenants pay directly for all taxes, maintenance and property utilities. Tenant reimburses landlord for property insurance.

**Option to Renew - Tenant has an option to renew for three (3) years in 2018 at \$17.79 NNN.



TENANT PROFILE



ONE NECK IT SOLUTIONS

(www.oneneck.com)

As a wholly owned subsidiary of TDS, One Neck IT Solutions Corp. is a global leader for hosted application management, managed hosting, Cloud services and infrastructure services. One Neck supports a variety of enterprise applications, including ERP systems such as Oracle, BAN, JD Edwards and Microsoft Dynamics AX. Their comprehensive portfolio offering includes application, database and network management, data

center management, disaster recovery management, virtual machine management, managed backup and storage, and 24/7 customer support. One Neck's global solutions enable customers to improve system performance and leverage the enterprise applications to deliver measurable business benefits.

SALE PROCESS

The property is being offered with no asking sales price. Since this is a high-security technology asset, please submit an offer to purchase with a detailed summary of your required due diligence items corresponding to your offer to purchase.

All investors willing to make an offer are invited to participate.

All offers are to be submitted to:

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TERMS OF SALE AND OFFERING PROCESS

The Owner has authorized Colliers International Greater Phoenix (“Colliers”) to exclusively market 1655 W Sunrise Blvd, Gilbert, Arizona, for sale. Owner makes no representations or warranties. This is an “as is” sale.

SALE PROCESS

1655 W Sunrise Blvd is being offered to qualified investors according to the schedule below:

Distribution of Initial Offering Materials October 16, 2014

Offers Due December 18, 2014

Following review of offers, Colliers and the Owner will negotiate with the prospective purchaser(s), which, in the Owner’s sole judgment, represents the best combination of price, terms and ability to perform. Owner reserves the right to reject any offer for any reason.

USUAL AND CUSTOMARY PRACTICES - CLOSING EXPENSES

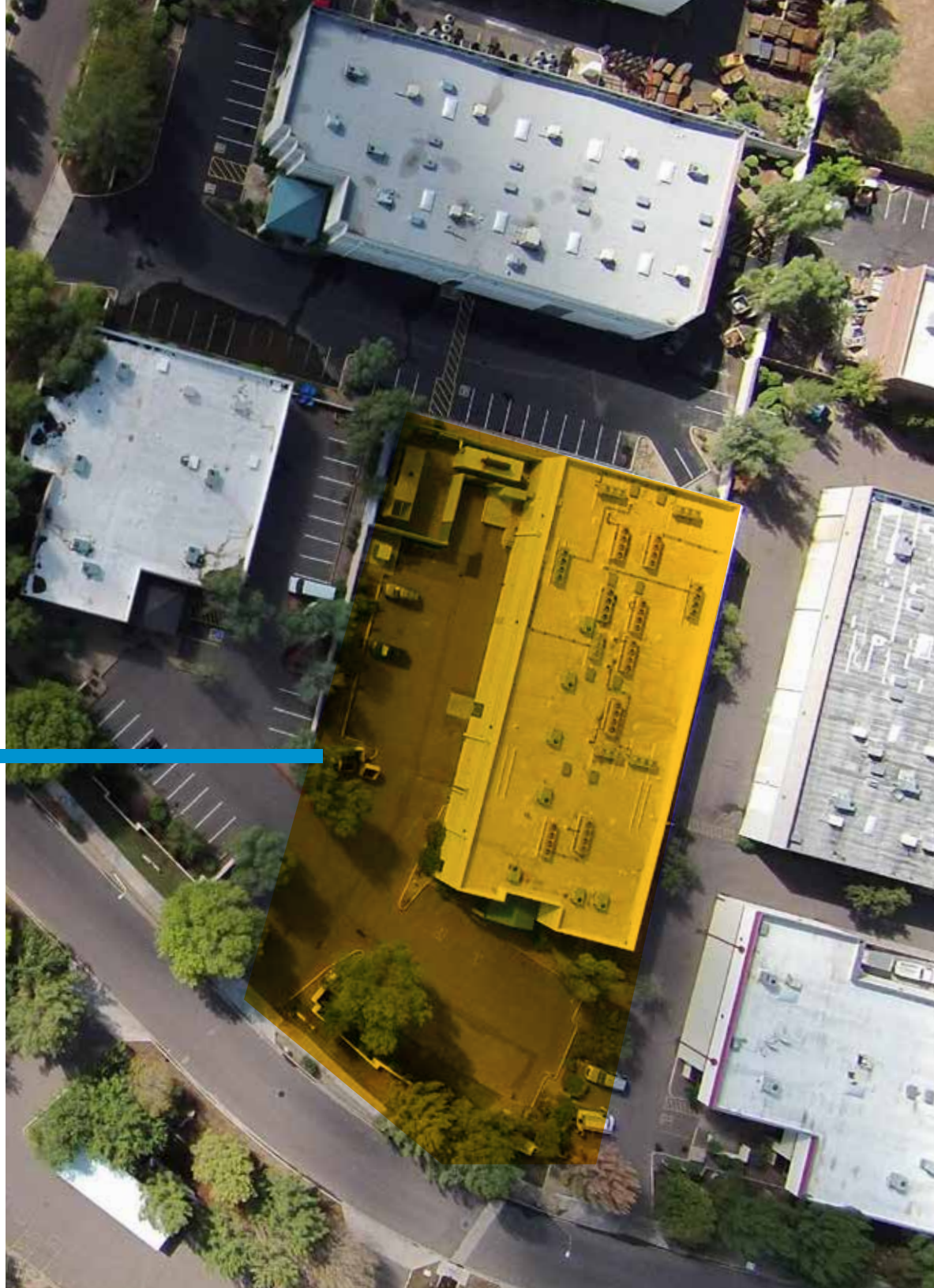
- Owner will provide an updated title commitment
- Owner will provide the most recent survey and Phase I environmental report in its possession
- An owner’s title policy, survey update and certification, environmental update and certification, physical inspections and all other closing costs shall be the Buyer’s responsibility
- Any successful tax appeal rebates for taxes paid in prior years to the year of closing are the property of the Owner. Tax rebates paid in the year of closing will be prorated between Owner and Buyer based on their respective periods of ownership.
- All other closing costs to be split according to customary standards in the state of Arizona

COOPERATING BROKERS

1655 W Sunrise Blvd is being marketed to principals and to brokers. Colliers will cooperate with other licensed brokers to ensure the highest sale price is generated for the Owner, provided;

- Colliers accepts the cooperating broker’s written registration of a specific prospect
- Cooperating broker and the party they represent sign a confidentiality agreement

PROPERTY INFORMATION





PHYSICAL DESCRIPTION

> BUILDING ADDRESS

1655 W Sunrise Blvd. Gilbert, AZ
85233

> BUILDING SIZE

14,168 SF

> CURRENT OCCUPANCY

100%

> YEAR BUILT

1997, renovated 2001

> CURRENT NOI

\$240,000 January 1, 2015

> BUILDING HISTORY

- 1997 purpose built data center for One Neck IT Solutions
- Tier 2/SSAE 16 Type SOC 1 facility
- 100% leased

> LOCATION

1655 W Sunrise Blvd is located north of the corner of Elliot Road and McQueen Road, Gilbert, AZ

> PROPERTY HIGHLIGHTS

New roof, resurfaced parking lot and exterior paint (budget 2014), maintained to highest standards, established commerce park

> PARKING RATIO

2.68 per 1,000

> COMPLIANCE

SSAE 16/Tier 2

> LAND

0.83 Acres, or 36,155 SF

> INFRASTRUCTURE

- 1.5 MW electrical service
- Two SRP utility vaults
- N+1 electrical
- N+1 mechanical cooling

> UTILITIES

1,500 KVA single, with A/B switch feed from SRP Corbell Substation

> SECURITY

- 24/7/365 data center access
- 24/7/365 digital video security surveillance

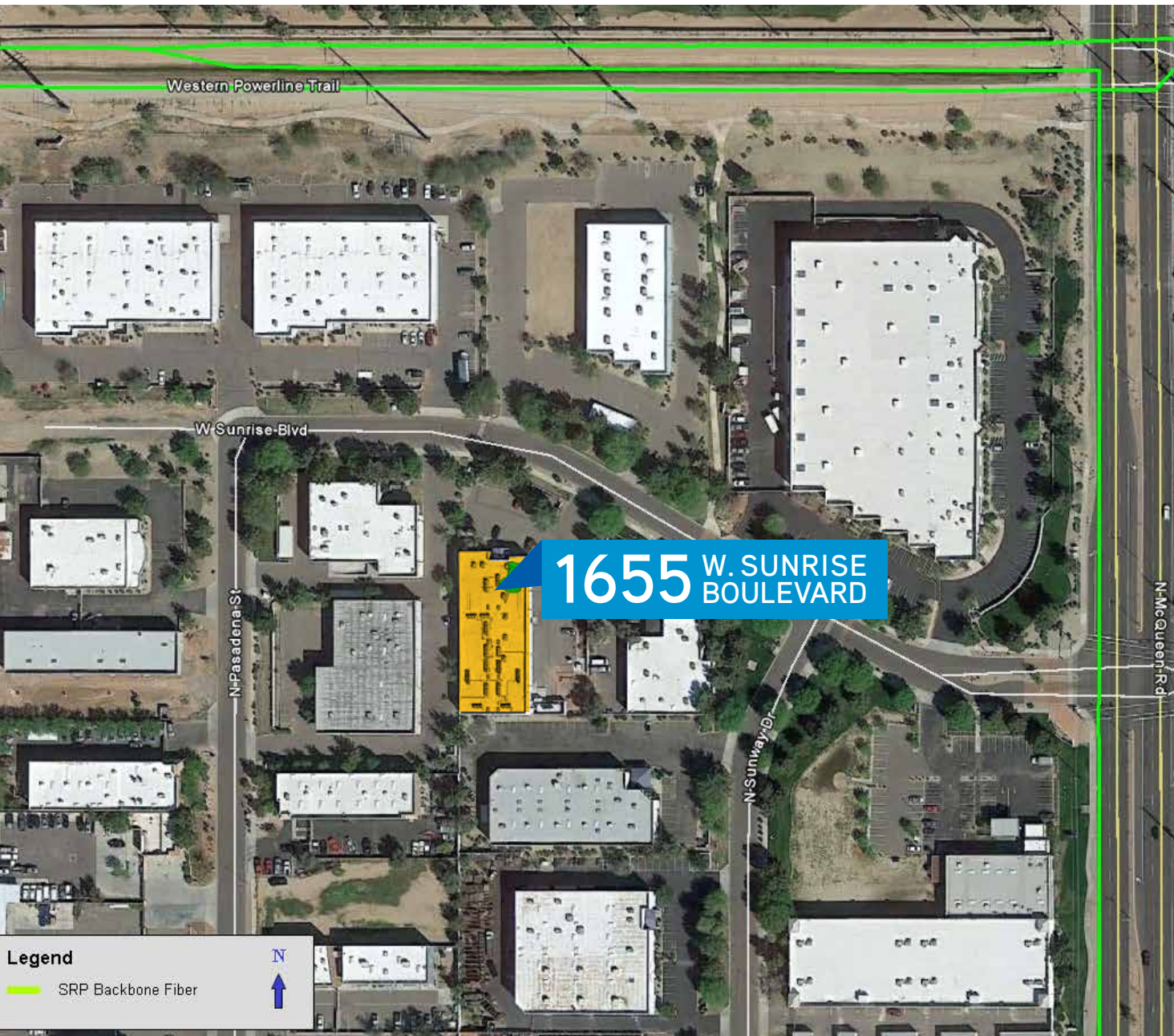
> FIRE, LIFE AND SAFETY

Building is fully sprinklered, data halls possess VESDA, GCA and dry-pipe dual interlock

> CARRIERS

CenturyLink, COX, One Neck

SALT RIVER PROJECT FIBER MAP



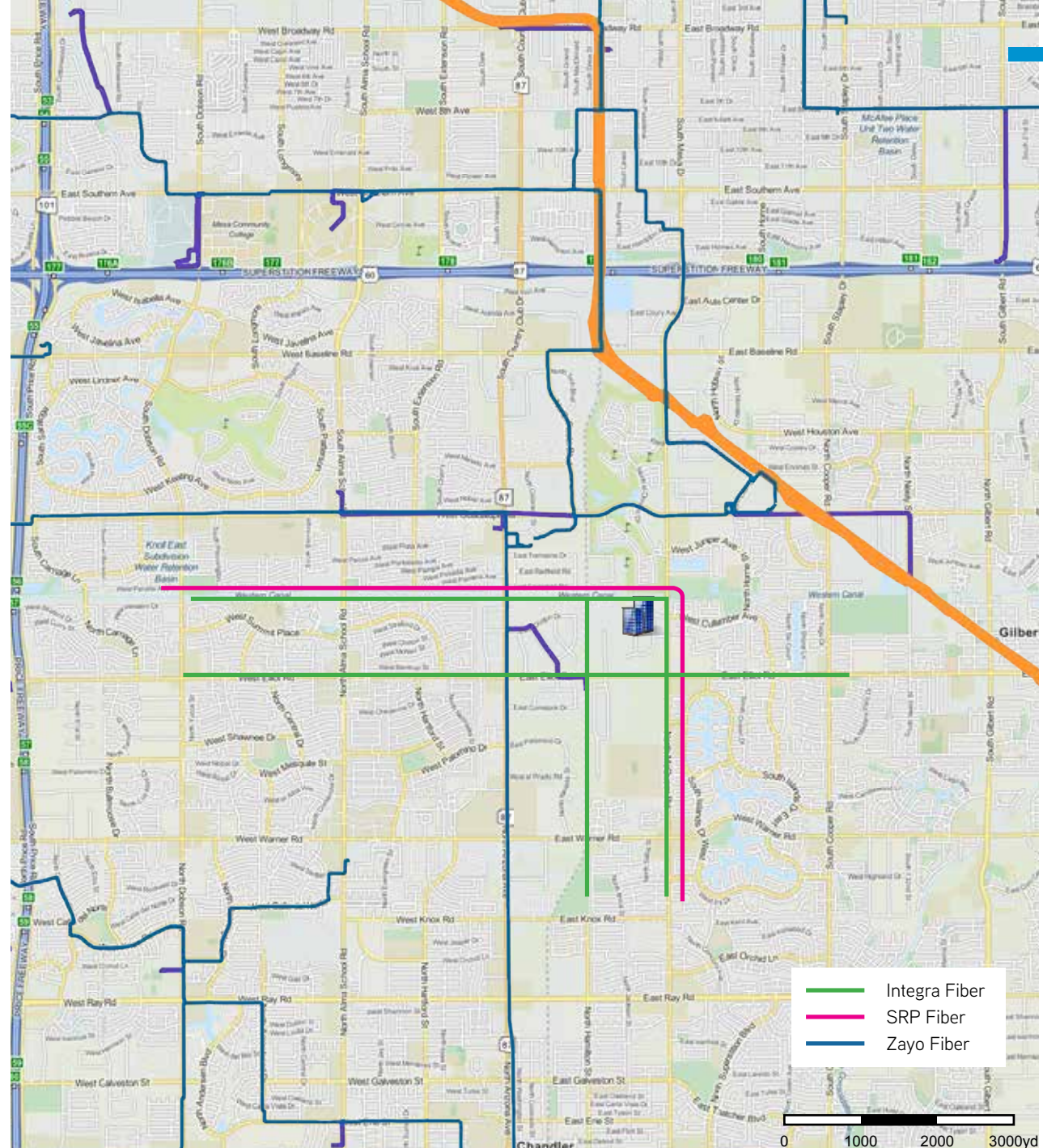
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PROPERTY INFORMATION



FIBER CONNECTIVITY

The property is presently serviced with three local carriers with ready access to long haul fiber within proximity to the property.



MARKET OVERVIEW



PHOENIX DATA CENTER MARKET OVERVIEW

Data Center Providers in Phoenix	13
Total Inventory Built-Out - MW	205
Current Vacancy MW	6.5
Vacancy Rate	3.2%
TTM Absorption MW 9/2013-9/2014	29
Asking Rental Rates:	
Tunnrkey DC \$/KW/MO	\$130-\$160
Powered Base Bldg. \$/SF/NNN	\$15-\$30
Average Utility Rates \$/Kwh	0.067
Fiber	Metro and Long Haul
Free Cooling	65-70% year round

NATURAL DISASTER RANKINGS

Tornado	Low risk
Seismic	Low risk, Zone 1
Hurricane	Zero within 100 years
Flooding	Low risk

The Phoenix data center market has experienced healthy growth over the last several years, evolving from a second-tier data market into one of the top 10 primary data center markets in the U.S. Over the trailing 12 months ending September 30, 2014, Phoenix has witnessed positive net absorption of ~29 megawatts, as compared to 9.5 MW for the same period 9/2012 to 9/2013.

While there are a number of reasons attributed to the rapid evolution and expansion into Phoenix, the trends continue to bode well for a positive 2015 year as developers look to develop north of 11 megawatts of power with demand meeting or exceeding that number, based on the current funnel. What's driving the decision to move IT to the Valley; a combination of natural and made attributes including: low risk

of natural disasters, availability of large parcels of reasonably priced land, abundant, diverse sources of power and dense metro and long haul fiber in place. Additionally, low total cost of operations with ready access to free cooling (65-70% of the year), a diverse offering of product from developers now servicing the enterprise and co-location clients as well as economic incentives passed last September which now provide developers and users direct tax savings. The culmination of these factors has resulted in the lowest total cost of operations for data center end users available in the western U.S. In addition, Phoenix is considered one of the safest U.S. cities, with a low risk of terrorism. In September 2013, the Arizona Data Center Coalition was successful working with the State legislature passing a tax incentive bill, (House Bill

2009) which has leveled the playing field relative to other States who compete directly for data center investment including Oregon, Virginia, Iowa, Texas and Nebraska.

With the recent passing of legislation creating a set of enhanced incentives, the Arizona data center industry is poised for continued growth. Unlike tax incentives passed by other competing states, the new Arizona law doesn't just provide tax breaks for mega-scale single tenant properties. Now, companies that provide co-location services out of multi-tenant facilities can also benefit, subject to end users hitting a 500 kW IT requirement. For many corporations in the west, Arizona was already an ideal data center location for its low total cost of operations. The new law makes the state even more competitive against



Figure 1 - Seismic Risk



Figure 2 - Free Cooling Map



Figure 3 - Hurricane Map



neighboring states because operators and tenants stand to save anywhere from 8-11 percent on their total IT investment over the next 10-20 years, depending on what level of certification is achieved from the data center operator.

Phoenix has historically serviced the larger scale disaster recover enterprise end users with greater than a 1 MW need; but with the incentive program in place offered by House Bill 2009, the market is now refocusing its service model to include the 250-750 kW customer. The shift in servicing level with a 500 kW sweet spot has now attracted a number of California corporations who have completed the TCO analysis and realize it no

longer makes sense to have their operations sitting on the coast. Organizations such as EBay, PayPal, Toyota, Go Daddy, Silicon Valley Bank and Charles Schwab, to name a few, now call Phoenix their primary western US data center hub.

Additionally, the relatively favorable cost of power averaging 6.7 cents per kilowatt per hour versus California at 13.5 cents per kilowatt hour and materially reduced exposure to natural disasters, Phoenix has gained greater appeal and extending its consideration as a primary data center market. Rapid growth retail and wholesale providers as well as Fortune 500 companies look to continue relocating their facilities into the Valley of the Sun. Recent market entrants from Savvis-CenturyLink, one of the largest telecommunications companies in the U.S., with its recent JV with IO Datacenters and Via West Data Centers with its 2013 opening of its Deer Valley site further differentiates Phoenix as a marketplace which has seen new data center providers into the market without seeing material price erosion, as compared to Northern California. Over the last twelve months, data center providers have maintained discipline quoting rates in the \$130-\$160 range per kilowatt per month, delivered on a full service gross basis. And investment continues with Cyrus One delivering its second Phase II development with 60,000 square feet of raised floor in 3Q 2014.

Natural resources relative to power are abundant and Arizona enjoys being the only state in the southwest which actually exports power. This independence, along with a strong labor workforce and a superior University system, all point to a favorable market environment going into 2015.

ARIZONA'S ENERGY RESOURCES

Source/Mkt	Phoenix	Los Angeles	Las Vegas	Portland	San Francisco
Coal	38%	0%	15%	6%	1%
Petroleum	0%	0%	0%	0%	0%
Nat. Gas	25%	59%	68%	22%	59%
Wind	0%	8%	0%	14%	8%
Biomass	0%	3%	0%	1%	3%
Geothermal	0%	7%	8%	0%	7%
Solar	1%	0%	0%	0%	1%
Nuclear	29%	9%	0%	0%	9%
Hydro	6%	15%	9%	57%	12%
TOTAL	100%	100%	100%	100%	100%

PRESENTED BY:



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CONFIDENTIALITY AND DISCLAIMER STATEMENT

This Offering Memorandum contains select information pertaining to the business and affairs of the Property at 1655 W Sunrise Blvd, Gilbert, AZ. It has been prepared by Colliers International. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Colliers International. The material is based in part upon information supplied by the Seller and in part upon financial information obtained by Colliers International from sources it deems reliable. Owner, nor their officers, employees, or agents makes any representation or warranty, express or implied, as to the accuracy or completeness of this Offering Memorandum or any of its contents and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and conduct their own due diligence.

By acknowledging your receipt of this Offering Memorandum from Colliers International, you agree:

- 1) The Offering Memorandum and its contents are confidential;
- 2) You will hold it and treat it in the strictest of confidence; and
- 3) You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Colliers International expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of 1655 W Sunrise Blvd, Gilbert, AZ or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Colliers International or any of their affiliates or any of their respective officers, Directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.