Industry In[sight]er

**Data Center | 2014**

JLL®

State of the industry

Focus on agility and innovation

Connectivity is essential to employee productivity, customer engagement and service delivery for companies of all sizes and across all industries. Today, the evolving requirements of mobile consumers and workers is putting more pressure on IT departments to deliver technology solutions that are both innovative and flexible. As a result, companies are increasingly seeking data center solutions that quickly accommodate changes in data and equipment needs while freeing up IT resources to focus on value generating business initiatives.

Markets that mitigate risk

A premier data center market often has low operating costs, fiber availability, low natural disaster risk, accessibility, attractive government incentives and proximity to businesses with significant data needs. These factors help to mitigate risk and reduce IT costs. Today, user demand largely stems from healthcare, financial services, online retail, the federal government and social media. Consequently, New York, Chicago, Northern Virginia, Silicon Valley and Texas are leading markets for data center demand.
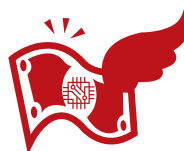
IT spending on the upswing

After weak growth in 2013, IT spending is expected to increase 3.1 percent to $3.8 trillion in 2014 according to the Gartner IT Spending Forecast. Budget dollars are expected to be heavily allocated to enterprise software with IT services and devices not far behind. Three trends are contributing to the upswing in IT spending. First, companies are integrating technology across all business lines and digitizing how they service customers. Second, cyber-attacks have put a spotlight on the need to invest in IT security. Third, IT teams need to comply with stricter regulatory standards.

What this means for data centers

1 A shift away from ownership

Companies are increasingly turning toward the multi-tenant data center market and away from first-party ownership to gain agility and free up resources. As a result, the use of sale-and-leaseback agreements is gaining traction while build-to-suit activity declines in the data center market. Third-party providers are responding to growing demand with hybrid offerings that allow users to scale up or down as needed. By shedding the maintenance requirements of first-party ownership, IT departments gain the capacity for greater innovation.

2 Finding opportunities

Competition and pricing pressure are building in the top data center markets and the expectation is that this trend will continue. However, opportunities exist in both established and emerging markets. In Silicon Valley a large amount of sublease space has softened pricing and reduced leverage for providers. In Jacksonville, a growing financial services industry and a proposal for new transatlantic fiber cables to Latin America are motivating multi-tenant data center providers to build in the market.

3 Outsource replaces in-house

As IT budgets increase so does the need for companies to cut out redundancies and improve efficiency. Outsourcing data center management is an increasingly popular strategy to achieve these goals. Data center outsourcing allows users to mitigate capital expenditures, eliminate resource intensive maintenance responsibilities and lower operating expenses. As data center outsourcing gains momentum demand will outpace supply and open the door for new construction in many markets.

Client results:

Growing telecommunications provider

- Needed to relocate due to critical environment effected by Hurricane Sandy
- Needed to find +/- 750 kw of colocation space that could service minimum density of 20kw per cabinet, with plenty of flexibility to allow product growth
- Required a Tier III low latency solution for a site that serves the entire country with limited environmental risk
- JLL surveyed more than 40 locations in +/- 15 markets that matched customer specifications with facility offerings
- Through a rigorous process of comparative grading, three locations in the southern part of the U.S. became the focus of negotiations
- JLL quickly secured +/- 750 kw under budget with flexible terms, and exceeded the expectations of customers SLA's

One of the largest foreign-owned banks in the U.S.

- Needed to vacate data center following the sale of a major business line
- Requirements for new data center involved large and unique operations center
- JLL evaluated various scenarios including, build to suit, retrofit of an existing office building, wholesale and retail solutions
- Identified three viable wholesale data center solutions and negotiated a long term lease with a wholesale colo provider that "built to suit" the specs that met client's needs
- Negotiated with the Landlord to fund all improvements up to a "rack ready" data center environment
- Identified a site that had a cost reducing PUE (Power Utilization Effectiveness) of 1.4

Fortune 500 Drugstore

- Needed new data center solution to meet growing customer demands after reaching power capacity in a 50,000 s.f. owned data center
- Needed to be operating within 12 months and challenged in building consensus within I.T., real estate and financial leadership
- JLL delivered a detailed market overview, cost projection model and risk analysis for five potential solutions
- Wholesale co-location model was chosen with lease strategy that allowed client to self-fund $60 million in construction above the power core and shell landlord delivery
- JLL secured delivery of two suites over a staged 2-year period and expansion rights to a third suite
- Selected building reduced the PUE from 2 to 1.4 ratio and annual average cooling costs from $1 million to $400,000
- Space delivered well ahead of schedule

Featured properties

Bedrock Data Center, Alaska
160,000 s.f. / 40 MW / SCIF
Rare, SCI-rated colocation opportunity
Delivery of fully commissioned N+1 or 2N product

Union Hills Data Center, Arizona
18,291 U.S.F./4,500 s.f. of 24′ raised floor area
90+ rack capacity | 500 kVA UPS capacity
2N power delivery | 2 800kW Onan generators

ColoHub Data Center, Iowa
56,000 s.f. data center
New 6 MW medium voltage feeds
PUE rate of 1.5 | Multiple carriers

Digital Realty Piscataway, New Jersey
New inventory coming online
Dedicated 69 kVA substation | 5.4 & 7.2 MW
PUE range 1.28 to 1.5 | On-site 24/7 security

400 Paul Data Center, San Francisco
187,000 s.f. / 24 MVA data center
Low power costs | Multiple carriers
PUE range between 1.22 and 1.28

Yahoo! Data Center, Ashburn Virginia
24 MW data center sublease available
34.5kV dedicated feed | $0.055/kWh
N+2 redundancy | Aggressive pricing

Featured Investment Offering:
Layered Technologies, Inc., Missouri

Tier 3 data center | Long term sale & partial leaseback
- Strategic location in the AirWorld Technology Park
- Strong connectivity with diverse fiber entry points from six providers
- 1.5 MW of installed critical capacity expandable to 3.2 MW
- N+1 Generator and UPS Infrastructure
- Redundant power sources and 2N transformer

For more information, please see our website:

www.us.jll.com/datacenter