

North America, Data Center MarketView

Q2 2013

CBRE Data Center Solutions Group

NATIONAL MARKET OVERVIEW

Hot Topics

- \$35B of investment in new data center infrastructure occurred in 2012 (DCD)
- Commercial construction costs rose in Q2 2013 for the tenth consecutive quarter, with an increase of about 1.2%. 2012. YOY increase of 2.1%
- The average cost of data center downtime across industries is roughly \$5,600 per minute. (Ponemon Institute)
- The greatest need for new data centers will occur within the healthcare, retail, technology, and government sectors
- By 2014, more than 50% of all workloads will be processed in the cloud
- 25 states have incentives programs for data centers (CBRE Economic Incentives Group, 2013)
- 90% of the world's data was created in the last two years.

The need to invest and focus on an organization's information technology (IT) infrastructure has never been more important and continues to gain the attention of executives across all industries. The technology revolution is expanding in new ways, and when staying connected 24/7 is no longer an option but a requirement, a company's need for reliable and secure IT infrastructure and a solid go-forward strategy is paramount to the success of their business. The data center (DC) sector has proven to be one of the most resilient and dynamic industries with increasing demand for the digitalization of information, innovations in cloud computing and the rapid growth within social media. With a special focus on healthcare, financial services, technology and government, an optimistic perspective on demand prevails as we move through 2013.

Key Market Trends

- Healthcare and financial services have been the most active verticals, followed closely by the insurance sector.
- Strong interest in high availability, active-active IT designs.
- Due to migration and acceptance of high availability computing, companies are beginning to address their data center footprint and opportunities to optimize their assets.
- Total cost models are being driven on much shorter time frames, primarily due to uncertainty of future IT strategies (5 years or less). Expect to see an increase in colocation as part of data center strategies.
- Large scale enterprise decisions continue to be driven by tax incentives and cost of power.
- With the increased funnel of demand, we expect the downward trend in pricing to stabilize in many markets in the second half of 2013.
- Retail colocation pricing has remained stable and in certain markets is increasing.
- Corporate data center decisions continue to be driven by a cross section of IT, real estate and procurement professionals.

Top Wholesale Colocation Market Snapshot

	Current Inventory (MW)	Vacant (MW)	Vacancy Rate	Under Construction (MW)
Northern Virginia	297	23.5	7.9%	15
Atlanta	208	52.5*	25.2%	2
Chicago	101	1.8	1.8%	7
Dallas	63	6.1	9.7%	5
Phoenix	178	5.8	3.2%	11
Silicon Valley	116	15.3**	13.1%	5

CBRE's corporate client base across all industry segments and geographies are retaining our Data Center experts to assist with planning and strategies across their platform for Data Center space.

*QTS' two Atlanta facilities accounts for 39MW (74.2%) of vacancy.

**Facebook's sublease accounts for an additional 2.25MW of vacancy.

© 2013, CBRE, Inc.

North America, Data Center MarketView

Q2 2013

CBRE Data Center Solutions Group

NATIONAL MARKET OVERVIEW

GLOSSARY OF TERMS

DC

Abbreviation for data center

RFSF

Abbreviation for raised floor square footage

Powered Shells

Purpose built or hardened shell; Power and Fiber to site; No equipment included

Carrier Hotels

Single buildings with multiple fiber providers and generally support retail colocation providers

Wholesale Colocation

Building shell & infrastructure to PDU providing space, power & cooling; Generally in demised suites above 250 kW

Retail Colocation

Building shell and infrastructure in shared environment, spaced generally divided by racks or cages; May include IT hardware as well as a menu of services

Enterprise Centers

Hardened Datacenter; Houses "mission critical" operations of individual companies

Greenfield Sites

Areas/Sites identified to build to suit datacenters; Typically close to power/fiber

Average Wholesale Colocation Asking Price

	Q2 2013 Pricing	Q2 2012 Pricing	Year over Year Change
Northern Virginia	\$140.00/kW/mo	\$145.00/kW/mo	-3.4%↓
Atlanta	\$156.00/kW/mo	\$160.00/kW/mo	-2.5%↓
Chicago	\$155.00/kW/mo	\$165.00/kW/mo	-6.0%↓
Dallas	\$150.00/kW/mo	\$160.00/kW/mo	-6.3%↓
Phoenix	\$146.50/kW/mo	\$162.50/kW/mo	-9.8%↓
Silicon Valley	\$145.00/kW/mo	\$155.00/kW/mo	-6.4%↓

Capital Markets

With market confidence retuning, investment sales of existing data centers and greenfields have remained strong for the first half of 2013. Between January and June of 2013 we have tracked 20 transactions totaling over \$275,000,000 in acquisitions in the US and Canada.

Major Data Center Transactions:

- Digital Realty added 12 buildings to their portfolio this year spanning across 7 transactions totaling approximately \$141M in acquisitions.
- In May, Bytegrid acquired the 337,000 sq. ft. Cleveland Technology Center from Matrix Reality. This marks their third acquisition for the growing company since 2011.
- Carter Validus REIT acquired two data centers in Andover, MA and Morrisville, NC totaling approximately \$31.5M in transactions.

National Cap Rate Trends

Primary Markets	Secondary and Rural Markets
7.5% - 8.5%	10%+

CBRE's corporate client base across all industry segments and geographies are retaining our Data Center experts to assist with planning and strategies across their platform for Data Center space.

NORTHERN VIRGINIA

PRIMARY MARKET OVERVIEW

Q2 Wholesale Market Snapshot



Direct Vacancy
7.9%



Direct Rental Rates
\$140/kW/month



Absorption
10.13 MW



New Deliveries
12.75 MW

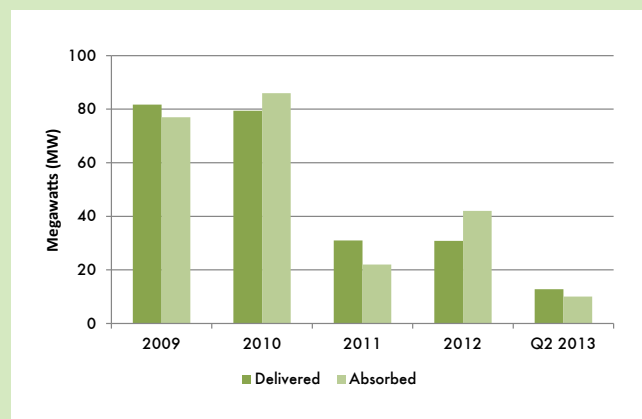
*Arrows indicate change from previous quarter.

As one of the largest and most dynamic wholesale data center markets in the United States, Northern Virginia continues to be the epicenter of much of the world's internet activity. Driven by low cost of power, superior connectivity with multiple major exchange points, dynamic local economy, strong labor force and international access via Washington Dulles International Airport, data center users consistently choose Northern Virginia as a top market for their data center requirements.

WHOLESALE SUPPLY AND DEMAND

- Years of strong demand has drawn more colocation providers to establish a presence in the market. This increase in competition has placed downward pressure on pricing.
- Demand for space between the 100 kW to 1 MW range has been steadily increasing for the past 24 months. As a result many wholesale colocation providers are beginning to accommodate these smaller requirements.
- Northern Virginia (NOVA) has consistently been successful in balancing supply with demand. Since 2009, NOVA has kept at a 1 to 1 pace by delivering 235 MW while absorbing 237 MW.

ABSORPTION VS. DELIVERIES



Market Activity

- Digital Reality has preleased nearly 90% of the first phase of in their latest expansion of their Ashburn Campus. LinkedIn took the majority of the new facility by leasing nearly 6MW, with two other users taking up an additional 4 MW. The 11.25 MW facility is slated for delivery this June will offer over 24 MW of critical power when fully built.
- DuPont Fabros recently announced that they will be beginning construction on their next facility in Ashburn. When completed, ACC7 will offer 41.6 MW of critical power – making it the largest wholesale facility in the Northern Virginia Market. DuPont will be building in phases with 11.89 MW expected to deliver Q2 2014.
- RagingWire just closed on a 75 acre plot of land in Ashburn after purchasing the site from Loudoun County for \$20 million. RagingWire intends to develop a 750,000 sq. ft. data center campus.
- Equinix rolled out the first phase of their newest expansion of their Ashburn IBX campus. At 232,000 sq. ft., DC11 boasts 42,000 sq. ft. of raised floor with the potential to offer up to 120,000 sq. ft. with 15 MW of critical power. Equinix signaled that they intend to continue to expand by purchasing 89 acres in Ashburn last October for \$24.2 million.
- COPT purchased 34 acres in Ashburn for \$14 million in a build to suit deal with Amazon. This 300,000 sq. ft. purpose built facility will be Amazon's latest expansion in Northern Virginia.

EASTERN CANADA

EMERGING MARKET OVERVIEW

Eastern Canada is quickly emerging as a key market for data centers. Boasting energy costs as low as CAD\$0.03/kWh (US\$0.0291/kWh) and abundant natural free cooling, Eastern Canada is beginning to garner attention as a key destination for data center users.

The U.S. Census Bureau shows Toronto, Ontario's population narrowly edging out Chicago for the 4th largest city in North America. The demands of this thriving city and Canada as a whole, is driving the need for data center space. Providers and investors alike are converging on these markets accordingly.

TRENDS

Competition and consolidation are the most discernible trends in the market. With utilization rates for white space above 90% across the Eastern Canadian markets, transactions are being driven by providers aggressively pursuing new space to accommodate end-users. On a larger scale, telecommunications players are bolstering their positions in the sector by way of acquisition.

Significant Sector Acquisitions in the past 24 months:

- Bell purchases Q9 Networks for CAD\$1.1B (US\$1.06B)
- Cogeco purchase Quiettouch, MTO Telecom and Peer1
- Rogers purchases BlackIron Data from Primus Telecommunications for CAD\$200M (US\$194M)
- Citing strong demand and limited supply in the Toronto data center market, Digital Realty acquired a mixed-use property 17 miles north of Toronto's central business district for CAD\$8.65M (US\$8.39M)

Market Activity

TORONTO, ONTARIO

- Digital Realty Trust expands their footprint by acquiring a 120,000 sq. ft. facility to be converted to accommodate enterprise-quality users in their new POD architecture 3.0.
- Equinix is coming to market with a 220,000 sq. ft. data center which will include a first phase of 137,000 sq. ft. of raised floor.
- Server Farm Realty recently invested approximately CAD\$20.2M (US\$19.6M) to acquire ownership of a Telus data center facility.
- Allied Properties has clearly made a commitment to the long term infrastructure of Toronto's primary Carrier Hotel at 151 Front by assembling over 160,000 sq. ft. of adjacent and connected additional space in the central core of Toronto.

MONTREAL, QUEBEC

- Ericsson has announced a new 400,000 sq. ft., 42 MW facility which will house their primary North American data center and anchor their global cloud.
- European colocation giant OVH has launched their North American operations in the Montreal region with a facility capable of housing 360,000 servers.
- Cogeco is preparing to launch their new 125,000 sq. ft. facility 35 minutes West of Montreal.
- Cologix is expanding their footprint in the central business district of Montreal with an additional 4 MW of white space coming to market starting in the Fall of 2013.
- Netelligent is taking their place among growing colocation players having cut the ribbon on a new downtown data center of 2 MW in the Spring of 2013.
- Kolotek is weeks away from the delivery of Quebec's first certified Tier III colocation facility.

Data Center Solutions Group Overview

CBRE has the world's only fully integrated data center real estate team, offering strategy, acquisition and disposition representation, project management and facilities management from a single provider. Our Data Center Solutions Group has experience in primary, secondary and tertiary mission critical markets across the globe. We have the tools and knowledge to make your project successful regardless of location. With over 100 data center acquisition/ disposition specialists, 4,200 engineers, and over 300 project managers in over 75 global markets, CBRE has the global reach, resources, expertise and relationships to provide our clients with end-to-end market analysis, planning, construction, operations, maintenance, and execution capabilities. The DCSG completed over 160 MW of transactions globally in 2012, has managed over 2.5 MSF of projects over the last five years, and has over 450 Tier I to Tier IV data centers under management.



CONTACTS

For more information about this North American MarketView, please contact:

US Data Center Solutions Group

Pat Lynch
Managing Director
CBRE
1225 17th Street
Suite 2950
Denver, CO 80202
t: +1 303 628 1765
e: pat.lynch@cbre.com

Hilary Faulk
Transaction Specialist
CBRE
1225 17th Street
Suite 2950
Denver, CO 80202
t: +1 303 628 1764
e: hilary.faulk@cbre.com

Jeremy Rood
Business Development Analyst
CBRE
1861 International Drive
Suite 300
McLean, VA 22102
t: +1 703 905 0370
e: jeremy.rood@cbre.com

+FOLLOW US



GOOGLE+



FACEBOOK



TWITTER

DISCLAIMER

Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of the CBRE Global Chief Economist.