

National Highlights

- Improving economic conditions, favorable views for recovery and the return of capital availability are driving activity in the data center sector.
- For both large and small enterprise data center users, demand trends continue to favor operating expense models that call for outsourcing some infrastructure and service components.
- Supply in the pipeline primarily consists of wholesale space. An increasing number of smaller wholesale suites are becoming available, generating higher levels of commerce and blurring lines differentiating wholesale and retail models with respect to infrastructure.

Spotlight: Northern Virginia

- Virginia has seen increasing design-build interest from the user community, with a number of operators rumored to be shopping for land to accommodate future data center campuses.
- Northern Virginia continues to witness consistent and favorable growth in the wholesale data center space and maintains balance between supply and demand, currently reflected by less than 10 percent vacancy.
- Approximately 40 MW of turnkey space ranging from 5,000 square feet to 15,000 square feet of raised floor area and approximately 1 MW to 2 MW of critical power will come available in 2011. Due to current demand for turnkey suites, estimated to be between 40 MW and 70 MW, developers continue to be in a position to prelease space prior to delivery.
- Wholesale providers are accommodating the uptick in demand for smaller suites by offering spaces totaling 500 kW, and a few operators are caging even smaller spaces of 250 kW to 300 kW, directly associated with the PDU breakpoint.
- Currently, power-based shell space is valued in the range of \$120 to \$150 per square foot on a triple net basis, and commissioned turnkey build-out space is valued at approximately \$10,000/kW to \$12,000/kW for net critical load to the raised floor. Long-term leases are capitalizing at an average rate of 10 percent, while uninstalled equipment is valued at approximately 60 to 80 percent of replacement value.
- Digital Realty Trust has commissioned two buildings in excess of 100,000 square feet each in Ashburn, as well as a 40,000-square-foot building in Chantilly, formerly a 365 Main asset.



- DuPont Fabros is moving forward with ACC6 phase one, a 131,000 gross square-foot, 66,000 raised square foot, 13 MW data center slated for the Ashburn Corporate Center. Expected delivery is third quarter 2011. A phase two shell will be built for future growth but no scheduled delivery has been disclosed.
- Savvis is in the process of expanding the final phases of its DC4 Sterling data center and Terremark facilities, bringing the total sizes of these projects to approximately 300,000 square feet each.
- Equinix recently delivered its latest speculative 150,000-square-foot DC6 data center in Ashburn.
- Corporate Office Properties Trust purchased the Powerloft @ Innovation in Manassas for \$115 million (\$1,150 per raised floor square foot). The developer has commenced construction on the first of two 50,000-square-foot phases of raised floor area, which will result in the delivery of 3 MW of speculative space in 2011.

Major Recent Deals

- Both DLR and DBT Development are rumored to be moving forward with design-build solutions in Ashburn for single tenant transactions of 150,000 square feet.
- Microsoft announced a \$500 million data center investment in Mecklenburg County, located in Southwestern Virginia.