February 2012

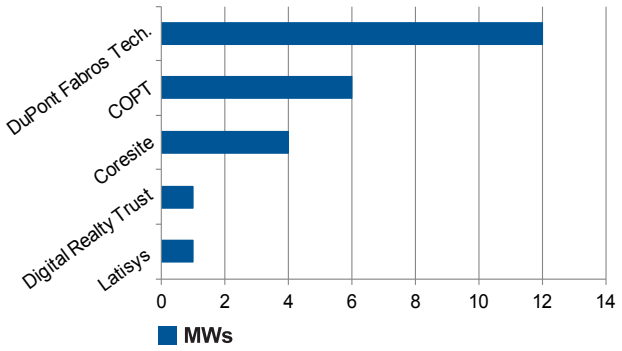
Grubb & Ellis National Data Center Practice
NEWSLETTER | Virginia

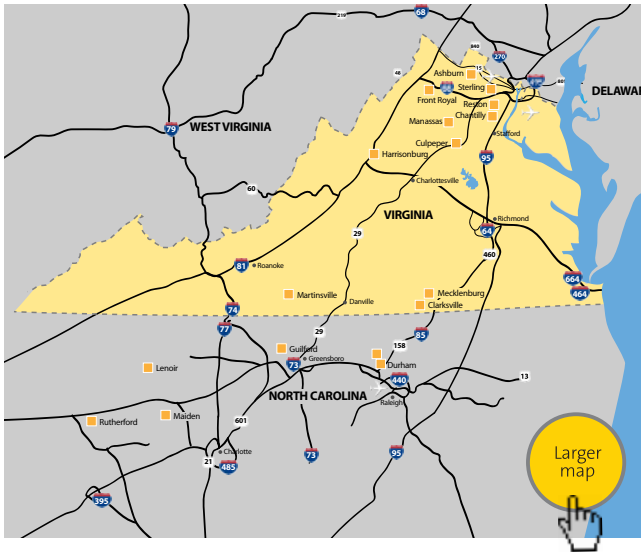
GRUBB & ELLIS
From Insight to Results

NATIONAL HIGHLIGHTS

- Data center demand and growth are still bright spots in commercial real estate
- No signs of oversupply, and data center fundamentals are strong
- Pricing is stable
- Outsourced solutions deliver value and flexibility for enterprises in times of general uncertainty
- Barriers to entry for speculative development remain high due to heavy capital investment
- Power and connectivity remain the primary governors of the space
- Remote destinations offering concessions and low utility cost drive large scale enterprise development
- Top metropolitan areas accommodating peering exchanges remain the most dynamic growth markets
- Over $3 Billion in M&A highlighted by Time Warner, Verizon, Level 3, CenturyLink, SilverLake Partners, Windstream and ABRY Partners/ Berkshire
- U.S. Government's Department of State, Homeland Security, Farm Service Agency, Veteran Benefits Administration and Social Security Administration have allocated in excess of $1 Billion for new data center modernization, consolidation and builds

Current Regional Wholesale Supply





Enterprise Data Centers, including: American Express, Apple, EDS, EMC, IBM, Facebook, Google, Microsoft and Time Warner Cable

SPOTLIGHT: NORTHERN VIRGINIA

Power Based Shells: Northern Virginia's "Quiet Giant"

The "Quiet Giant" in Northern Virginia has been the "Power Based Shell." These buildings offer large hosting service companies great flexibility with respect to infrastructure phasing to accommodate tenants.
Large enterprises occupying space in these buildings include: Amazon, Carpathia Hosting, CenturyLink, Equinix, Latisys, Microsoft, Paetec and RagingWire.

VIRGINIA MARKET TRENDS

- The current economic climate for data centers is robust; regional data center absorption remains strong with an excellent balance of supply and demand
- Northern Virginia continues to see steady investment sales activity for design build and Power Based Shell buildings from enterprise users and managed service companies
- Northern Virginia is the second largest data center market on the east coast after New York
- Dominion Virginia Power estimates that power distribution to data centers in 2012 will be approximately 10% of all power in the region, and while the average cost of power in the U.S. is $0.08/KWH the average cost in Virginia is $0.055/KWH

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POWER BASED SHELL AREA

- In excess of one million square feet of Power Based Shell space was leased in 2011 that can accommodate in excess of 100 MW critical power
- Enterprises leasing Power Based Shell space in 2011 included Amazon, Carpathia, Equinix and RagingWire
- Power Based Shell rents were approximately $22/SF per year NNN in 2011

MULTI-TENANT WHOLESALE AREA

- Major multi-tenant operators include CoreSite, Corporate Office Properties Trust, Digital Realty Trust, DuPont Fabros Technology and Latisys
- The total area of multi-tenant data center supply in Northern Virginia is approximately 4 million square feet
- Available supply in Northern Virginia is approximately 10% and can accommodate approximately 24 MW critical power
- Approximately 15 MW multi-tenant space was leased in 2011 at $125-$150/KW per month NNN, that included the following tenants: CSC, IBM, Zenga, Softlayer, HP, Group-On, US Government
- Multi-tenant deals currently in the market total approximately 10-15 MW

INVESTMENT SALES

Corporate Office Properties Trust (COPT)
purchased the Powerloft at Innovation in Manassas, Virginia

Verizon
purchased Terremark's multi-building data center campus in Culpeper, Virginia

Digital Realty Trust, DBT-Data and Upticon Systems
delivered speculative power based shell space in Virginia

DuPont Fabros Technology, Digital Realty Trust and Sabey Corporation
purchased land in Ashburn ranging from 20-40 acres, with plans for speculative data center development

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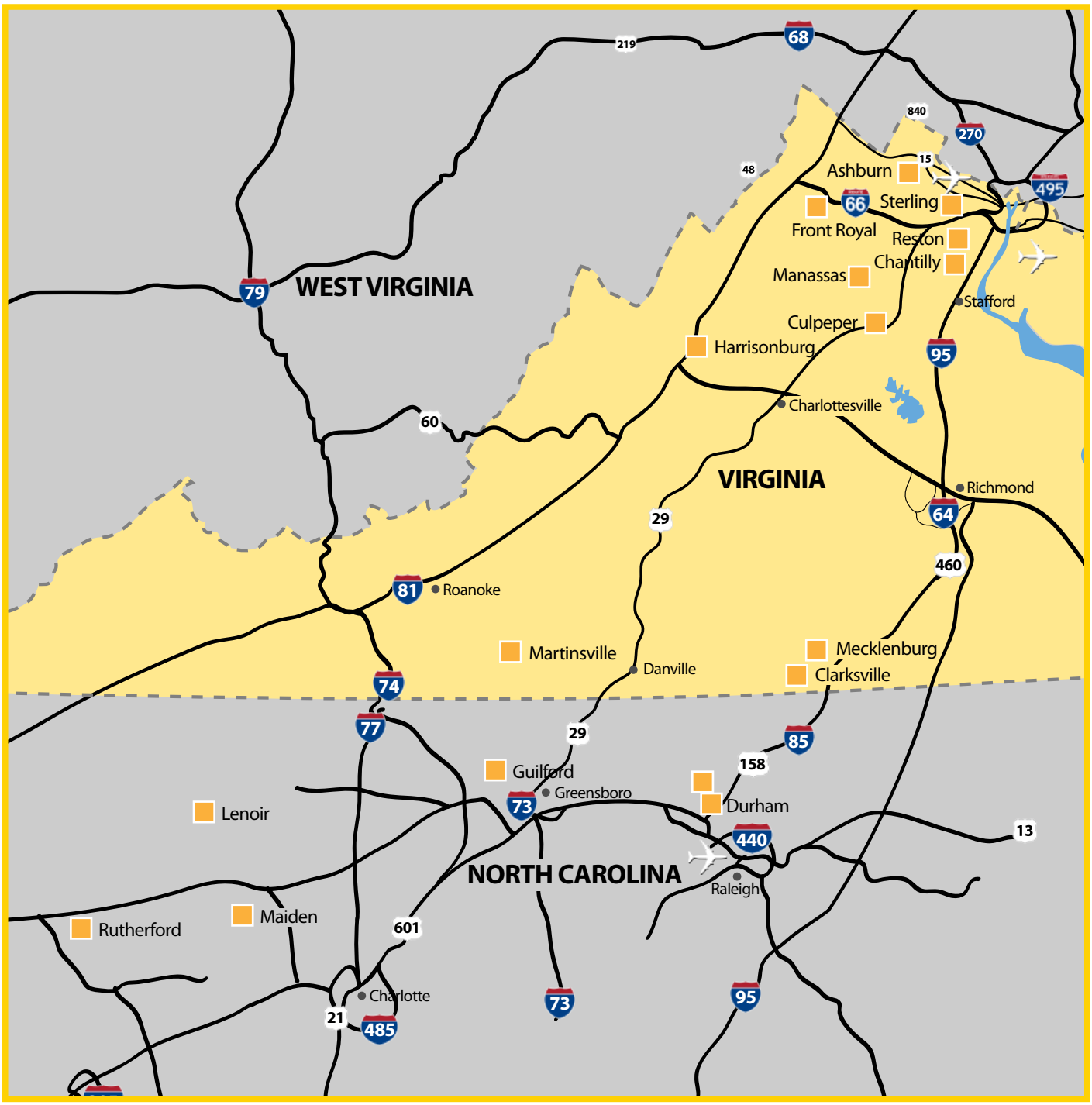

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