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Real value in a changing world

News Release

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Data Centers One of the Bright Spots in the Commercial Real Estate Landscape

Jones Lang LaSalle's U.S. data center market report highlights growing demand for critical facilities

CHICAGO, Nov. 2, 2011 – The U.S. data center market will continue to grow in the latter half of the year as demand shows no signs of slowing. Due to the thawing capital markets, providers and users of data center space are now able to make decisions, releasing years of pent-up demand and resulting in higher deal volume, according to Jones Lang LaSalle's mid-2011 U.S. Data Center overview.

As more capital floods the market, data center owners and operators will fund more white-floor expansions, leading to an increase in new and existing capacity. The market will absorb quality space from proven providers, as increased technological enhancements of blade servers, cloud offerings and virtual software solutions lead data center users to rethink their strategies and portfolios.

According to Bo Bond, co-lead of Jones Lang LaSalle's Data Center Solutions team, "Energy will continue to be one of the biggest market drivers. As power consumption in data centers continues to increase, users are increasingly concerned with power redundancy, capacity and cost."

Regional Outlook

Chicago: Pent-up demand already exists with approximately 35 MW remaining in the Chicago area, even though more than 10 MW of users secured data center or colocation space in 2010. The area has experienced strong growth with over 40 MW of new wholesale/ colocation and powered shell in downtown Chicago, and more than 20 MW in the suburbs. In other areas of the Midwest, an estimated 15 MW users have secured data center or colocation space, though wholesale supply is limited at 45 MW. A small number of large deals could impact the region's supply and create a significant imbalance.

Dallas/Ft. Worth: Demand is projected to grow at an average rate of 13% through 2014, tightening an already constrained market. Rental rates softened in the early part of this year as landlords competed for tenants prior to the opening of new data center facilities. Demand will continue to outpace supply until a wave of new construction is completed in mid-2012. Rumored transactions in the market could seriously impact the 2012 deliverables.

Los Angeles: Colocation companies are continuing to expand in the downtown area, to keep up with strong demand from entertainment, financial and other professional services industries. Rental rates for colocation space have stabilized and now range between $150 to $200 per kW on a triple net comparable basis, although rates will likely increase in buildings that are sold, as will energy costs from most of the area's utilities.

New York/New Jersey: Leasing at colocation facilities continues to be strong as companies look to partner and preserve cash flow. Rental rates softened last year in part because of increased supply with providers like DuPont Fabros Technology and I/O opening new facilities. The financial service industry continues to be the area's biggest user, followed by pharmaceutical, media and telecom companies.

North Carolina: The state continues to see strong interest from enterprise users, lured by reliable low-cost power from two respected utilities and strong incentive packages. Demand for enterprise space continues to expand and powered shells are now hitting the market geared specifically to the data center user. Colocation space will remain at a premium until new facilities are completed.

Pacific Northwest: Demand has increased as users look to take advantage of the region's climate and use of outside air economization to increase efficiency and reduce costs. There remains a limited supply of data center product, though new speculative projects are in the works. Interest in data center acquisitions is strong, as are colocation expansions with more than 200,000 square feet of space coming online last year.

Phoenix: Demand continues to exceed supply in the Phoenix market, with tenants in tight competition for quality space. This year approximately 20 MW of critical IT load and 170,000-square-feet of raised floor will be delivered. Cost of power remains steady at approximately $0.069/kWh, while market rents range from $145 to $175 kWh on a gross basis.

Silicon Valley: The area's data center market is extremely healthy with a vacancy rate of below 5%. An estimated 20 MW has come online this year, with the market already absorbing half the space, a sign of how strong demand remains. Constraints on power availability will be the only governor of increase speculative builds.

Virginia: Supply is increasing and rents are softening in this top US data center market, where the vacancy rate stood at 8.25% as of August. In the past decade, more than 4.2 million square feet of data center space has been delivered in the northern part of the state. Look for continued speculative developments from data center providers.

DATA CENTER FORECAST

As the appetite for faster, better and more efficient technology continues to grow, so will the need for increased space to house it. Over the next five years, Jones Lang LaSalle expects the acceptance of more remote areas such as the Pacific Northwest, North Carolina and the cooler sections of the Midwest to become ideal locations for the next wave of growth. "There is an insatiable amount of demand happening across the globe," said Bond. "As speculative development commences, we will begin to see a new crop of winners and losers in the data center arena."

About Jones Lang LaSalle

Jones Lang LaSalle (NYSE:JLL) is a financial and professional services firm specializing in real estate. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2010 global revenue of more than $2.9 billion, Jones Lang LaSalle serves clients in 70 countries from more than 1,000 locations worldwide, including 200 corporate offices. The firm is an industry leader in property and corporate facility management services, with a portfolio of approximately 1.8 billion square feet worldwide. LaSalle Investment Management, the company's investment management business, is one of the world's largest and most diverse in real estate with $45.3 billion of assets under management. For further information, please visit our website, www.joneslanglasalle.com.