

REPORT REPRINT

Infomart Data Centers' leasing success drives expansion activity

RICK KURTZBEIN

15 MARCH, 2016

The company has completed expansions in Dallas, and has expansions under way in Oregon and Virginia. Infomart's datacenter footprint now spans the US, providing wholesale and colocation services.

THIS REPORT, LICENSED EXCLUSIVELY TO INFOMART DATA CENTERS, DEVELOPED AND AS PROVIDED BY 451 RESEARCH, LLC, SHALL BE OWNED IN ITS ENTIRETY BY 451 RESEARCH, LLC. THIS REPORT IS SOLELY INTENDED FOR USE BY THE RECIPIENT AND MAY NOT BE REPRODUCED OR REPOSTED, IN WHOLE OR IN PART, BY THE RECIPIENT, WITHOUT EXPRESS PERMISSION FROM 451 RESEARCH.



©2016 451 Research, LLC | WWW.451RESEARCH.COM

In Q4 2014, Fortune Data Centers and the Dallas Infomart combined assets under a single operating company and rebranded as Infomart Data Centers. In its first year of operation, the combined entity completed an expansion in Dallas, kicked off a major expansion in Hillsboro, Oregon (a suburb of Portland) and acquired a datacenter in Ashburn, Virginia, which it's currently renovating to enter its fourth multi-tenant datacenter (MTDC) market in North America. Since the merger, Infomart reports that it has inked \$240m in leasing activity with existing and new customers, including Equinix and Nimbix in Dallas, and LinkedIn in Hillsboro.

THE 451 TAKE

Infomart Data Centers has executed well throughout 2015 as a new operating entity, substantiated by its leasing success and expansion activity in its existing markets and entry into a fourth. The firm has benefited from its strategic decisions and ownership by the ASB Allegiance Real Estate Fund. In Dallas, for example, Infomart benefited from adding wholesale datacenter services by investing in a speculative data hall and eliminating monthly recurring interconnect charges, all of which played a role in winning the Nimbix deal. We see no reason why Infomart will not see further success leasing premium wholesale and colocation space supported by dense connectivity services.

CONTEXT

In 2008, Fortune Data Centers launched its first wholesale datacenter in San Jose, and in 2012 launched a second facility in Hillsboro, Oregon. In late 2014, Fortune Data Centers and the Dallas Infomart – owned by ASB Allegiance Real Estate Fund, a division of ASB Capital Management, a US real estate investment firm with \$6.0bn in gross assets under management as of June 2015 – combined their assets under a single operating company and rebranded as Infomart Data Centers. The combined company also announced the acquisition of AOL's Ashburn, Virginia datacenter, which added a fourth market and effectively created a national footprint with facilities in Silicon Valley, Portland, Dallas and Ashburn.

Infomart first added wholesale capacity and wholesale services in Dallas, building out a data hall with 3MW of critical load. It was the first phase of a multiphase plan to build out 30MW of critical load on the 1.6 million gross-square-foot Dallas landmark property. This is the wholesale supply leased in part by Nimbix. Infomart also launched a carrier-neutral meet-me-room (MMR) to facilitate interconnection between customers and 70-plus carriers at the facility – and then promptly disrupted the Dallas interconnection market by waiving monthly cross-connect fees typically charged by carrier hotels.

Infomart also leases space for customers to develop into datacenters. Equinix, for example, announced a \$20m expansion of its datacenter complex at Infomart Dallas in the fall of 2015. Four of Equinix's existing five Dallas datacenters are located within the Infomart building.

Infomart has 7MW of contiguous space available for immediate leasing at its Silicon Valley wholesale facility. On the sustainability front, Infomart now uses 'gray water' for 100% of the mechanical infrastructure and irrigation surrounding the facility, increasing its energy efficiency while also reducing costs. This move aligns with the company's history of implementing energy-efficient and sustainable technologies, which had already led to an award of \$500,000 [Link to: <https://451research.com/report-short?entityId=73835>] from Energy Trust of Oregon for the efficiency measures it took when building its Portland site.

Infomart Ashburn is located in the largest North American MTDC market. The 180,000 gross-square-foot datacenter was owned by AOL and provides 90,000 square feet of raised floor. The renovations under way will add 5.6MW of critical load by late 2016, and upon completion, the facility will have 11MW of critical load. The building is fed from two separate substations. The UPSs, generators, cooling towers and centrifugal chillers are all from the AOL datacenter, and all critical systems are configured to a minimum of N+1 redundancy, and are concurrently maintainable.

Last fall, Infomart announced it will build out a two-phase expansion of its Hillsboro datacenter with 16MW of critical load; 50% of the new capacity is preleased. The first phase will complete the buildout of the original facility in the existing shell with 4MW, which will become available in March 2016. The second phase involves designing and building out a dedicated 100,000-gross-square-foot datacenter shell that will attach to the original shell and provide another 12MW of critical load, with 8MW available for new customers. The planning and designing of the second phase will be complete in mid-summer 2016.

STRATEGY

Infomart Data Centers' strategy includes offering premium wholesale and colocation services to IT service providers, cloud hosting providers, content and media companies –firms that typically require concurrently maintainable datacenter services supported by low-latency, dense connectivity services. The Infomart Dallas facility is effectively the crown jewel in terms of connectivity services. Infomart also touts the low-latency connectivity of its Silicon Valley and Portland facilities to Asian markets. And now with its East Coast presence in the Internet hub of Ashburn, the firm clearly has targeted connectivity as a critical component of its business model. We have seen a growing number of MTDC providers enhancing connectivity, and it's a trend we expect to grow further as more data traffic is required by customers of cloud hosting, social networks, and content and media firms.

COMPETITION

On the West Coast, Infomart has been competing in Silicon Valley with many wholesale providers: CoreSite, Digital Realty Trust, DuPont Fabros Technology, QTS Realty Trust, Server Farm Realty and Vantage Data Centers. In Hillsboro, Infomart competes locally with T5 Data Centers for larger deals, since Digital Realty's facility in Hillsboro is essentially full, and with ViaWest and its new Brookwood datacenter.

In Dallas, the obvious competitor remains Digital Realty at 2323 Bryan in downtown, but Infomart can expect to compete with other wholesale locations in Texas, including Digital Realty's Richardson campus and its Convergence campus in Lewisville, as well as with Aligned Data Centers in Plano, CyrusOne in Carrollton, QTS Realty Trust in Irving, RagingWire in Garland and T5 Data Centers in Plano. However, prime real estate with dense connectivity should set it apart from these suburban competitors.

In Ashburn, Infomart will face extensive competition from CoreSite, CyrusOne, DuPont Fabros, PowerLoft and RagingWire, so pricing will become yet even more competitive when the datacenter comes online in late 2016. Infomart will also likely face some competition from QTS Realty trust with its large facility in Richmond, Virginia.

SWOT ANALYSIS

STRENGTHS

Infomart has experienced leadership and ownership, as well as a solid base of existing customers, excellent connectivity, and facilities in four markets that provide geographic diversity valued by many MTDC customers, all of which contributed to the \$240m of new leasing activity.

WEAKNESSES

As with any rebranding effort and entry into new markets, the firm will need to take action to build its brand recognition across its national footprint - especially in the Dallas and Ashburn markets.

OPPORTUNITIES

The Infomart Dallas carrier hotel is a key connectivity asset, and its elimination of recurring monthly interconnection charges disrupts the market for interconnection services by competitors and differentiates the company in the Dallas market.

THREATS

Infomart is in three of the most competitive markets in the country. The firm will be competing against players with similar footprints and, in some cases, larger datacenters with more available space and a larger ecosystem of customers.