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Data Center Users Shelve Plans for Large, Stand-Alone Facilities and Lean Towards Colocation.

By Curt Holcomb, Senior Vice President, Mission Critical Solutions

Many large enterprise users with multiple major, stand-alone data centers have started to seriously consider colo opportunities. Traditionally, these users spent the money and time to build their own data center, operate and maintain it internally. That trend has started to change and we are seeing an increasing number of large colo requirements in the market.

Fortune 1000 budget cuts and decisions to reduce capex spend on large, costly, stand-alone data centers can be attributed to this increasing trend. While **funding is decreasing, internal demand is increasing resulting in the need for smaller footprints (<10,000 square feet) or pods that can be acquired and in operation within six to nine months.** The natural alternative is colocation.

Money, timing and flexibility are the three keys driving this trend to colocation. A large capital expenditure can be eliminated from budgets. Timing is typically shorter than building from scratch. The square footage commitment is usually a smaller footprint providing more flexibility. The one hurdle the colocation industry has to solve is the vanishing supply of space.

Consistent with today's slumping economy, colo providers are also facing the liquidity crunch. With capital to develop new supply decreasing, single-digit growth in supply and double-digit growth in demand, the market is tightening and rates are increasing -- good news for suppliers; bad news for tenants.

Demand continues to increase for the colo product. Requirements for large pods and footprints up to 1 MW and more of power are becoming common. With dwindling supply, **colo providers with new space or capital to expand will be the dealmakers in 2009.**

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