EXECUTIVE OVERVIEW

MARKET FORECAST

Colorado

SEP 2017

Multi-Tenant Datacenter Market

Dan Thompson, Senior Analyst, Multi-Tenant Datacenters

This report provides an overview of the competitive dynamics in the Denver market, a 451 Research Market Map™ of the competitors in the area, market share of the dominant providers, supply-demand and utilization trends, and discussion of planned multi-tenant datacenter builds.

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As a Senior Analyst for 451 Research, Dan Thompson provides insight into the Multi-Tenant Datacenter (MTDC) market space. Dan is particularly focused on MTDCs that are trying to move up the stack to offer additional services beyond colocation and connectivity. These services may include disaster recovery, security, various forms of cloud and other managed services. He also assists the 451 Research Information Security group when their interests overlap.

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Key Findings

Denver benefits from local and regional demand, with all the big-name providers catering to both. Local demand comes from a strong business mix in the city, complimented by startup communities in Denver and Boulder. Regional demand centers on the long-haul connectivity that passes through the downtown area of Denver, combined with relatively low power prices, taxes and land prices when compared to more westerly markets.

Denver's status as a destination city has previously attracted an impressive population of talented IT people to the region, as well as a good number of enterprise datacenters. Many local providers are eyeing these now-aging datacenters as future business opportunities, trying to attract their owners to colocation and cloud consolidation models. One key challenge, however, is that, while a company's IT staff may reside in Colorado, the leadership may well be at corporate headquarters in another state.

Presently, large-scale wholesale deals seem to be passing over Denver in favor of Phoenix and Las Vegas, despite Denver having a better climate and generally lower prices than its neighbors to the west. For this to improve, Denver (and the rest of Colorado, for that matter) needs two key ingredients: space and incentives. H5 Data Centers is currently the only wholesale provider with sizeable amounts of space online, but this will be changing in the near future, with CoreSite bringing space on later this year and EdgeConneX taking a new facility online in 2019.

Supply remains healthy in Denver, and several providers are currently working to add additional capacity. Beyond the builds and expansions, providers seem to be either doubling down on the market as a whole or exiting. Equinix increased its capacity in the city more than five times with its acquisition of Verizon's datacenter assets, Iron Mountain recently entered the market by purchasing FORTRUST, Massive Networks developed its capacity in the market through the acquisition of RockyNet, and Zayo Group just added capacity by acquiring Stream Data Center's facility in Denver.

While perhaps interesting from a political and socioeconomic perspective, Colorado's legalized marijuana industry has yet to make any recognizable impact on the datacenter market. There is, however, a group of tech startups that have sprung up in support of the industry, so it's at least feasible that these businesses will leverage local colocation in the future. The marijuana industry has had the interesting side effect of providing some competition for brownfield building opportunities and datacenter employees.

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Executive Summary

THE 451 TAKE

The state of Colorado has been the subject of many 'rushes' throughout its history: first gold and silver, then flowers and, most recently, marijuana. However, area multi-tenant datacenter (MTDC) providers seem to be preparing for a rush of their own, a 'data rush.' Despite the state having no incentives package for datacenter providers, its market's upward growth continues. Several providers have entered the market recently through acquisition, and several others are in the midst of expanding facilities in order to accommodate current demand. Perhaps this isn't terribly surprising, as Colorado has a lot going for it. The state has a very favorable climate for datacenters, is positioned nicely for disaster recovery workloads or mid-country deployments, has a lot of long-haul fiber that passes through it, and provides the right price from a tax and power perspective (Colorado Springs specifically offers some of the lowest-priced power in the country). Furthermore, people love living there! As the large cloud, content and media providers look to push into more secondary markets around the country, it will be interesting to watch how Colorado's MTDC market fares in attracting their business. Area providers, though perhaps not building speculatively, are definitely positive about the city's outlook and long-term viability.

METHODOLOGY

The data in this report was assembled in part through the use of 451 Research's Datacenter KnowledgeBase, which tracks hundreds of companies in the space, including product mix and regional market shares. Our methodology includes tours of many of the datacenters in the markets, surveys of datacenter providers, phone briefings and data collection from competitors. 451 Research also interviews real estate professionals as part of our research.

This report was written by:

- **Dan Thompson**, Senior Analyst, Multi-Tenant Datacenters

451 Research client input and comments on this report are encouraged. Any questions about the methodology should be addressed to *datacenter@451research.com*.

In cases where metrics are not available from the company, we have used general industry averages and assumptions. The report identifies all datacenter providers discovered by 451 Research in each market, except for those with less than 1,000 square feet of space, and estimates market share for the top three to five providers in each area. Market share is calculated based on operational square footage. For wholesale providers that also lease to retail colocation providers, such space is counted only once in the retail listing – as the retail colocation provider's space – since it is selling to the end customer. In other words, this report depicts market share from the viewpoint of the customer that leases space. The only exception is for the wholesale market share graphs, where retail space is not subtracted in order to give a clearer sense of the true wholesale market share.

This report uses the most up-to-date information received from datacenter providers to estimate market size, supply, demand and utilization. Figures in this report represent year-end numbers and can differ from previous editions of our reports due to more disclosures received from more providers. The maps in this report may not reflect all datacenter facilities in a particular market because not all datacenter providers disclose addresses. The datacenter market includes facilities located within roughly a 50-mile radius from each city center.

Datacenter supply and demand is often referred to in the industry in terms of power available (typically in megawatts, MW), and we expect to convert our graphs to MW eventually. However, not all datacenter providers have given us power metrics and, even when obtained, such metrics can be difficult to confirm (particularly for utilization). Thus, for the time being, we continue to show supply and demand in terms of operational square footage.

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