



## EXECUTIVE OVERVIEW

MARKET  
FORECAST

# Virginia and Maryland

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## Multi-Tenant Datacenter Markets

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This report provides an overview of the competitive dynamics in the Virginia and Maryland markets, 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.

# Key Findings

Northern Virginia is the largest multi-tenant datacenter (MTDC) market in the US by operational square feet and has added more space this year than any other US market. It will continue to grow rapidly, as several new facilities and expansions are expected to come online in both the short and long term.

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Northern Virginia's history as one of the main internet exchange points on the East Coast, plus its available land, relatively low power rates and tax breaks available for some large datacenter owners and their tenants, have encouraged the development of large campuses, particularly in Loudon County, though there are also facilities in neighboring counties as well as in Maryland and Washington DC. The market is home to some of the largest wholesale datacenter builds in the country, and sees a continuous inflow of wholesale demand, enabling providers to fill large builds quickly.

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More than half of the datacenter space in the market has been constructed in Ashburn, Virginia. However, it is becoming increasingly expensive to buy land in Ashburn, so we expect to see growth in other cities in the area, such as Manassas, as well.

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Northern Virginia not only attracts datacenter tenants interested in connectivity from around the world, but providers there also serve government agencies and local businesses. While the market, like others, has some ebbs and flows, previous fears that demand would eventually dry up have been unsubstantiated to date. Overall, we believe strong demand will continue for at least the next few years.

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Baltimore has been seen as a relatively quiet market compared with Ashburn, Virginia. However, providers in the area report growing demand from local businesses as well as some interest from companies seeking disaster recovery options beyond the traditional Northern Virginia market.

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The Richmond, Virginia, market has been a fairly locally oriented market in the past, although QTS has seen some deployments from outside the region. The market may see more interest from external customers when new undersea cables land in nearby Virginia Beach. However, providers in Richmond may end up competing for undersea-cable-focused business from new facilities in Virginia Beach itself and from providers in Ashburn.

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# Executive Summary

## THE 451 TAKE

Northern Virginia is the largest multi-tenant datacenter (MTDC) market in the country, and has added more supply this year than any other US market. That supply has been rapidly absorbed and providers report continued strong demand, with many continuing to feel they cannot build fast enough. Cloud providers have driven much of the demand in the past two years, and there are worries that eventually the largest cloud firms could build/operate their own sites in lower-cost locations, freeing up space in Northern Virginia and reducing demand there. However, we feel this is unlikely, because the region is already one of the lowest-cost markets on the East Coast and has the best connectivity. It's also somewhat difficult to find suitable land and power options in order to build datacenters, so local datacenter developers with scale in the market can build powered shells more quickly than most cloud providers could on their own. Finally, although the pricing for cloud providers' powered shells can be low, it is clear that having those providers in the market attracts other, smaller, managed services, SaaS and niche cloud providers, and these firms will tend to pay higher prices for turn-key wholesale or interconnection-focused colocation space. So, although new entrants in the market often try to price aggressively in the short term, particularly for large cloud provider customers, we believe that price pressure will be a relatively short-term problem.

## 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:

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451 Research client input and comments on this report are encouraged. Any questions about the methodology should be addressed to [datacenter@451research.com](mailto: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 they are selling to end customers. 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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