

June 2016

## Data Centre REITs

### An industry in growth mode



*Half of all the stored data today did not exist prior to 2014.*

As you read this article on your PC, tablet or mobile phone, this statement won't be that surprising, as you know well that we all have an apparently limitless addiction to data. Global internet traffic is expected to surpass a zettabyte<sup>1</sup> worth of information, according to networking equipment company Cisco. All that Internet activity increasingly relies on the cloud or, in other words, servers located in data centres.

This is good news for Data Centre REITs, the real estate companies that house, power and cool data centres around the world.

As such, businesses continue to outsource their IT platforms, lease party data centre facilities and adopt cloud services. While reasons vary, most users of third party data centre space cite the following **three objectives as the primary reasons for engaging with an outside provider**<sup>2</sup>:-

- To gain access to upgraded networks, infrastructure and services
- To eliminate overhead and increase efficiency in IT operations
- To lower total cost of ownership, mitigate risk and improve data security

Data centre employment has seen almost 7 percent growth per annum since 2010, and recent studies indicate that the third party data centre market's expansion will continue well into the future.

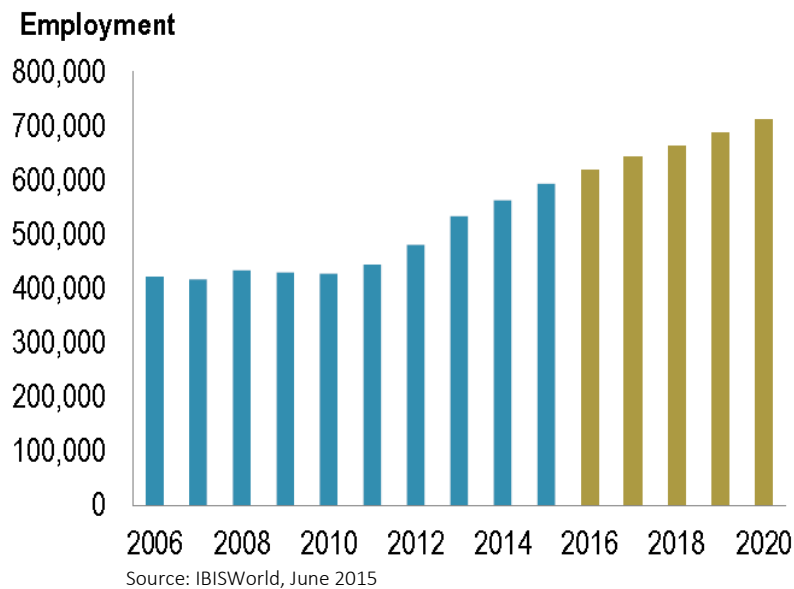
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<sup>1</sup> One **zettabyte** is approximately equal to a billion terabytes.

<sup>2</sup> JLL|North America|Data Center Outlook|2015

## Employment in the Data Storage industry is a leading indicator of demand

Employment in data processing & hosting services will continue on its growth path.



Data centres are key economic drivers in markets within which they operate. They generate new jobs, attract significant capital investment and help strengthen the overall business environment. State and local governments look to attract data centre development through numerous tax incentives. These programs often provide relief from sales tax, based on certain thresholds and can sway final location decisions when other factors are constant.

### Outlook

According to industry watchdog IDC, there will be 44 trillion gigabytes in the "digital universe" by 2020.

"In 2013, IDC found that less than 20 percent of the data in the digital universe is 'touched' by the cloud: either stored, perhaps temporarily, or processed in some way. But by 2020, that percentage will double to 40 percent. This projection alone is a big jump, but evidence has led us to believe that the cloud will make an even bigger splash than originally expected!"

As Gary Wojtaszek (CEO of CyrusOne) point outs, **the total amount of stored data is doubling every two years. In other words, half of all the stored data today did not exist prior to 2014<sup>3</sup>.**

We at Reitway Global expect that fundamentals in the data centre market will remain healthy as existing tenants look to expand capacity and more companies outsource their IT infrastructure. The level of merger and acquisition activity will remain high as the industry consolidates and large providers look to expand their footprints and service offerings.

<sup>3</sup> Seeking Alpha: Shining the spotlight on Data Centers, Bill Stoller