

# DATA CENTER MARKETBEAT

Fall 2018



CUSHMAN & WAKEFIELD

## PHOENIX

### MARKET OVERVIEW

Phoenix boasts multiple data center clusters in Chandler, Tempe, Phoenix, and Scottsdale, with a new group emerging in Mesa. It is located at a convenient junction of 11 long-haul networks from Las Vegas to Southern to Texas. All major national providers are active in Phoenix, and the market is expecting continuous growth over the next two to five years.

Phoenix remains attractive for data center development thanks to the low risk of natural disasters and cost-effective power (at less than 7 cents/kWh) provided by solar installations. However, the year-round sunshine and heat means that data centers constructed in this environment often require more robust cooling for the daytime tempered by free cooling at night.

Arizona provides exemptions on use taxes and transaction privilege taxes (similar to sales tax) for ten years if the qualified center meets certain investment targets. These include investments of \$50 million with five years of certification in Maricopa and Pima counties, \$25 million within five years of certification in other counties, or \$250 million of past investment from 2007 to 2013.

### ABSORPTION

2018 has seen big upticks in absorption throughout the year, with 3 MW in the first quarter followed by 10 MW in the second and 19 MW in the third.

### KEY INDICATORS



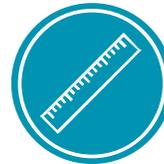
UNDER CONSTRUCTION

**112 MW**



VACANCY

**9%**



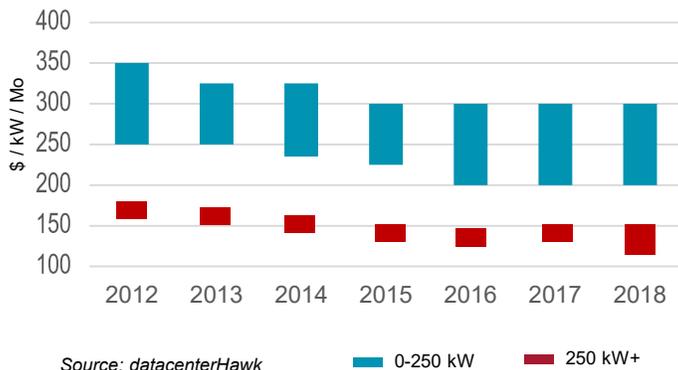
ABSORPTION (YTD)

**32 MW**

### LEASING, SALE, AND INVESTMENT HIGHLIGHTS

- **EdgeConneX** has purchased its previously leased 79,000-SF data center on 52nd Street in Tempe from a local investor for \$15.3 million. The building offers 1 MW of power and will soon be joined by a 30 MW, two-building campus in Mesa that EdgeConneX is planning.
- The national **Bank of America** data center acquisition by **Lincoln Rackhouse** and **Principal Real Estate Investors** included the bank's 191,000-square-foot, 10 MW facility in Chandler which sold for \$39.7 million. While Bank of America has elected to remain in a portion of the center, **INAP** has executed a master lease for the whole building with the plan to take in further colocation clients. This new location will be INAP's second in Chandler, after their recently expanded space in a Digital Realty building.
- **Brookfield** has acquired **AT&T's** data center portfolio, with the \$1.1 billion deal scheduled to close in late-2018 or early 2019. The transaction includes AT&T's local facility on University Drive in Mesa, with the 154,000-SF campus planned for leaseback to the communications giant.

### PHOENIX DATA CENTER PRICING



Source: datacenterHawk

0-250 kW 250 kW+

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### CONSTRUCTION UPDATE

OPERATOR	LOCATION	SIZE (SF)	POWER (MW)	STAGE / EST. DELIVERY
EdgeCore	Mesa	180,000	4	Under Construction / Q4 2018
Iron Mountain	Phoenix	550,000	48	Under Construction / Q2 2019
Aligned Energy	Phoenix	200,000	60	Under Construction

### RECENT LAND SALES

PROPERTY	SIZE (Acres)	SALE DATE	SALE PRICE	BUYER	SELLER
S 143 <sup>rd</sup> St, Goodyear	277	Aug-18	\$47,957,947	Microsoft	Carefree Partners
3317 S 96 <sup>th</sup> St, Mesa	68.22	May-18	\$19,317,525	CyrusOne	Sunbelt Land Holdings LP (Mann family)

### SPOTLIGHT: Elliot Road Technology Corridor

Helped along by aggressive municipal marketing, Mesa's **Elliot Road Technology Corridor** is rapidly becoming the new hub for data center investment in the greater Phoenix area. The neighborhood has several positives; big power provided by local utility Salt River Project, four fiber providers, a streamlined entitlement process, and \$17 million recently invested in road-widening and median improvements to Elliot Road itself. Data center operators have responded, with **Apple** leading the original charge in what has become a multi-billion-dollar investment in a 1.3 million-square-foot data center powered by a nearby 300-acre solar farm in Florence. **Digital Realty, EdgeConneX, EdgeCore, and CyrusOne** have all followed suit with land acquisitions in the area over the last two years and are planning new large projects. At full planned buildout, these projects alone would total over 450 MW, more than double current power capacity for the entire market. Unless multiple equivalent-sized projects come online in other parts of Phoenix over the next few years, Mesa will be the data center capital of the area for years to come.

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*Construction is abundant in Phoenix, spurred by continued migration from colder locales and a pro-business environment with few development restrictions.”*

#### MORE INFORMATION:

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#### GLOBAL DATA CENTER ADVISORY GROUP

Cushman & Wakefield's [Data Center Advisory Group](#) is a global team of elite professionals delivering specialized real estate solutions for mission critical users, owners, and environments. With scalability, reliability, and security as a driving force, our highly knowledgeable and responsive professionals guide clients to make effective financial decisions. Our expertise ranges includes colocation facilities, control centers, greenfields, powered shell, and trading floors. We lend additional value through our understanding of global dynamics and their impact on local markets.