

DATA CENTER MARKETBEAT

Spring 2019



CUSHMAN & WAKEFIELD

SILICON VALLEY

MARKET OVERVIEW

Interest in Silicon Valley has continued unabated, with large potential tenants eagerly awaiting the arrival of more capacity, particularly in Santa Clara. While total market vacancy may seem slightly higher than expected at ten percent, the majority of this vacancy is in small portions scattered across much of the inventory. The large requirements of many modern users thus remain unfulfilled, leading to well over 100 MW currently under development.

Early positive returns for Vantage on their Mathew Street campus led to the purchase of an adjoining site, with CyrusOne electing to do the same just as work began on their initial land purchase on De La Cruz Boulevard. EdgeCore entered the market at the end of the year with their own site acquisition, and RagingWire began construction recently as well. This brings five large sites under construction in Santa Clara with another two underway in San Francisco.

With vacant land virtually nonexistent in the region, creative repositioning of currently utilized properties will play an increased role in future development, particularly in Santa Clara. As there are few remaining large sites favored by developers of the currently preferred campus layouts, both taller multi-floor builds and creative site amalgamations are expected in coming years.

ABSORPTION

The last six months saw 17 MW absorbed, with few current projects remaining that have the ability to take on more large deployments.

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“The South Bayshore neighborhood in Santa Clara (south of Central Expressway, west of San Jose Airport), is the local equivalent of Data Center Alley in Northern Virginia, with all major national players involved and/or expanding.

KEY INDICATORS



UNDER CONSTRUCTION

143 MW



VACANCY

10%



ABSORPTION (6 MOS)

17 MW

SALE HIGHLIGHTS

- **Landmark Infrastructure** quietly acquired a data center on Lafayette Street in Santa Clara from Red Sea Group in mid-2018 for just under \$37 million. The 3 MW facility is operated by Zayo and was built in the mid-1980s.
- **Digital Realty** elected to exit their property on Spear Street in the Financial District of San Francisco, selling the five-floor building to a partnership between Madison Capital and PGIM Real Estate for over \$92 million. The partners intend on repositioning the facility for life sciences uses.
- An **Amazon** data center in Hayward has sold again, with **Prime Data Centers** and **Harrison Street Real Estate** teaming up to purchase the building for just under \$35 million. Previous owners ElmTree Funds and SEDCO Holding acquired the property late in 2016 for \$30.6 million.
- Outside the immediate region in the Sacramento area, **35711** has acquired the HP-affiliated DXC data center in Rancho Cordova for just over \$7 million. The building spans just under 75,000 square feet and was constructed in the early-1980s.

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CONSTRUCTION UPDATE

OPERATOR	LOCATION	SIZE (SF)	POWER (MW)	STAGE / EST. DELIVERY
Digital Realty	San Francisco	14,000	1.2	Under Construction / Q2 2019
Vantage	Santa Clara	175,000	24	Under Construction / Q3 2019
CoreSite	Santa Clara	58,000	6	Under Construction / Q3 2019
1547, CIM Group	San Francisco	240,000	24	Under Construction / Q4 2019
RagingWire	Santa Clara	160,000	16	Under Construction / Q2 2020
EdgeCore	Santa Clara	350,000	36	Under Construction / Q2 2020
CyrusOne	Santa Clara	144,000	36	Under Construction / Q4 2020
China Mobile	San Jose	217,000	25 (est)	In Planning
Prime Data Centers	Santa Clara	73,500	10	In Planning

RECENT LAND SALES

PROPERTY	SIZE (Acres)	SALE DATE	SALE PRICE	BUYER	SELLER
2750 De La Cruz Blvd, Santa Clara	8.3	Feb-19	\$36,500,000	CyrusOne	Blackstone
2201 Laurelwood Rd, Santa Clara	12	Dec-18	\$45,500,000	EdgeCore	Vishay
651 Mathew St, Santa Clara	4.5	Nov-18	\$15,301,000	Vantage Data Centers	Habib Zakerani

SILICON VALLEY DATA CENTER PRICING



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“Land is now selling for well over \$3 million per acre, with scarce availability leading to the most expensive site acquisition market in the country.”

MORE INFORMATION:

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GLOBAL DATA CENTER ADVISORY GROUP

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