



**MEDIA CONTACT:**  
Kim Kent  
The 451 Group  
Boston  
617-261-0566  
kim.kent@the451group.com

## **Tier1 Research: Global Multi-Tenant Internet Datacenter Market Shows Remarkable Growth as Datacenter Demand Exceeds Supply**

### ***New Report Provides Overview of the Internet Datacenter Market, Including Detailed Analysis of Datacenter Utilization and Supply and Demand***

**New York, November 3, 2008** – A new report by Tier1 Research finds that the global multi-tenant datacenter market has shown remarkable growth in the past 12 months. Demand is up 14% on a global basis, while supply is up only 6%, exacerbating an already lopsided supply/demand curve. These findings are contained in a report released today by Tier1 Research (T1R), an independent research firm that analyzes the financial and industry implications of developments affecting public and private companies within the IT, communications and Internet sectors.

“The drivers for global supply and demand are varied – software as a service, managed hosting, online gaming, social networking and up-and-coming streaming media, all of which demand strong Internet datacenter growth,” said Jeff Paschke, senior analyst at T1R and lead author of the report. “Additionally, because of the recent credit crunch, small and medium businesses are looking to outsourcing their needs, looking for a more revenue-friendly solution that moves away from capital and toward operational expenditures. Geographical diversity, especially with the onset of cloud computing and WAN-based virtualization mobility, is also another big consideration for many businesses.”

T1R analysts found that several factors are contributing to this demand, including the extremely high cost of datacenter construction, specialized skill sets, aging of existing enterprise datacenters and, especially, the primacy of the Internet as a vehicle for service and application delivery. While demand growth may be slightly depressed in 2009 due to larger macroeconomic factors – particularly in specific markets – demand is expected to rebound strongly as the economy recovers, surpassing current levels significantly. Even during the slowdown, the inability of enterprises to build their own datacenters will outweigh any impact from decreased IT spending.

The supply picture, on the other hand, is significantly different. Macroeconomic factors have a very significant impact on datacenter supply: The dearth of available capital in the form of commercial mortgage debt has severely affected several vectors of datacenter construction. Speculative datacenter developers that constituted a vital input into datacenter supply are now largely unable to build due to the extremely high bar set by banks for securing debt. Real Estate Investment Trusts (REITs) have had several of their normative methods of raising funds disappear. Colocation and managed hosting providers are, for the most part, cash-flow positive and are able to self-fund some expansions. However, even the most successful of these firms are having to scale back planned expansions due to the high cost of construction.

“The recovery of the economy from the current slowdown will likely result in a temporary exacerbation of price increases, as demand will grow significantly faster than supply during the first 12 months of a recovery. This is due to the datacenter construction cycle, which varies from nine months (for a phased expansion) to 18 months (for a greenfield build). Demand, of course, has no built-in delay, which will likely cause the sort of cross-market price increases seen during 2005,” said Jeff Paschke. “It should be noted that in addition to the normal increase in IT spending associated with a recovery, there has been considerable speculation concerning Internet traffic increases in the 2011-2012 time frame, which will have a complementary impact on datacenter demand.”

This 50-page report, titled ‘Internet Datacenter Supply Report 2009,’ is an in-depth, competitive analysis of the Internet datacenter market. It includes an overview of the Internet datacenter market, while providing actionable metrics around geographies and specific providers and looking forward at datacenter supply/demand.

**Key Companies Covered**

The report covers key public and private companies in the Internet datacenter sector, including: AT&T, Digital Realty Trust, DuPont Fabros, Equinix, Interxion, KDDI, Level 3, Savvis, Telecity Group and Verizon Business.

**Report Orders**

To learn more about this report, visit [www.tlr.com](http://www.tlr.com) or contact Dan Ephraim, Vice President, Business Development with Tier1 Research, at 212-505-3030 x 122 or at [dan.ephraim@tier1research.com](mailto:dan.ephraim@tier1research.com).

**About Tier1 Research**

T1R, a division of The 451 Group, analyzes the financial and industry implications of developments affecting public and private companies within the IT, communications and Internet sectors – with a particular focus on hosting, Internet infrastructure and IT services. Clients include institutional investors and technology vendors, along with end users and venture capitalists. These clients leverage T1R's analytical insight for idea generation, trend identification, due diligence and grounded opinions, as well as metrics and forecasts on companies and industries covered.

T1R is headquartered in New York. For additional information on its research coverage and services, visit [www.tlr.com](http://www.tlr.com).

- ### -