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Texas Hi-Tech Boom

With more high-tech companies relocating to the Lone Star State, Texas is competing with tech corridors on both coasts.

By Coleman Wood

In our increasingly technological society, some of the hottest real estate can be found in high-tech corridors. Silicon Valley in California immediately comes to mind, as do other centers in Boston and the Golden Triangle in North Carolina. But Texas is establishing its own presence in the technology sector, specifically when it comes to data centers.

One of the most recent data centers to land in the Lone Star State is Microsoft's \$550 million facility located within Westover Hills Business Park in San Antonio. Construction began in 2007, with completion of the 230,000-square-foot first phase occurring late last year. When Phase II is complete, the center will total approximately 470,000 square feet and will house Microsoft's Online and Live Services divisions. While Jones Lang LaSalle, the company that handled the site selection for the project, scouted many sites, San Antonio was able to meet Microsoft's needs.



Microsoft Data Center

"San Antonio has a very good military infrastructure, which means there was some heavy fiber and heavy power in the city already to support their [Microsoft's] efforts," says Tom Freeman, managing director of Mission Critical Solutions for Jones Lang LaSalle.

Incentives also played a major part in the company's decision. The city of San Antonio provided a tax abatement package worth approximately \$17 million. It also offered Microsoft savings in the form of a recycled water program for the center's cooling needs — a plan that also lessens the environmental impact of the project. As is often the case when a large player moves to a city, Microsoft's arrival was followed shortly after by more data centers.

"The clustering effect always seems to happen around a major player in an industry," Freeman says. "When they move to a site for good economic and sound business fundamental reasons, it always gets the attention of other users — in this case, if it's good enough for Microsoft, then it's good enough for us."

Before Microsoft, the forerunner of this most recent clustering was Lowe's Home Improvement Warehouse, which already had a 100,000-square-foot data center in Westover Hills. Microsoft's arrival only reinforced the reputation that the market had as a good area for data centers, as shown by the wave of new data center announcements that followed shortly thereafter. Stream Realty Development, for example, is building a 150,000-square-foot, speculative data



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center that will be able to expand up to 300,000 square feet. PowerLoft is building a 150,000-square-foot center, and Christus Health is building an 80,000-square-foot center.

Freeman says that this is not the first time data centers have clustered in a market. Jones Lang LaSalle previously helped Microsoft purchase 75 acres in the small town of Quincy, Washington for a data center. After Microsoft built its center, seven others relocated to the small town of approximately 1,500, increasing its population to approximately 5,000 in a relatively short time.

"I think it's a pretty good clue that if someone with the size of, say a Microsoft or a Google, would go through the due diligence to select the site, there's a pretty good chance it's a good site," Freeman says.

But San Antonio is not the only Texas city that has a strong data center presence. Dallas has been able to establish its reputation as a top city for data centers thanks in part to its status as an Internet hub and the numerous companies headquartered in the city. One of the city's highlights is Infomart, a 1.6 million-square-foot office and data center building.



Infomart

"There is abundant power available and excellent [optical] fiber availability [in Dallas]," says Spencer Mullee, general manager of Infomart and COO of DCI Technology Holdings. "Telecommunications is obviously very important for the data center business, and Dallas is a hub for fiber. Infomart has literally dozens of providers present in the building; that's difficult to achieve in other places."

Infomart contains approximately 500,000 square feet of Tier I, II and III data centers. Because it gets its power from three separate substations, it is considered by some to be one of the most reliable centers in Texas. Originally built in 1985, the property was designed to be a technology showcase building, but it languished until the Internet boom of the late 1990s. Once the boom went bust in the earlier part of this decade, the property went into a downturn until DCI, an expert in managing data centers, acquired it 3 years ago. It has thrived ever since.

"Within the last year, we have built out more than 70,000 square feet of data center space [that was converted from existing office space at the Infomart], so there's been a lot of construction going on," Mullee says. "We have 60,000 additional square feet [planned to be converted to a data center] here and we have a number of tenants actively interested in that 60,000 square feet. You will see some additional building going on here in the next 3 years."

Infomart's success in the data center field is hardly the exception to the rule in a city like Dallas. The city has been known for years to be a place where companies wanted to build their headquarters, and now its reputation as a hub for data centers is catching up.

"Dallas would certainly be in the top tier," Mullee says. "There is no doubt that when our customers look for cities [for new data centers], there are usually a half-dozen cities on their lists and Dallas is typically one of them."

While Dallas may catch a lot of the limelight in the data center industry, its southern neighbor Austin has long made its presence known as a technology hub. The city is home to many colleges, including the University of Texas, as well as the headquarters of Dell — something that has given it a leg-up in attracting high-tech companies.

"[Austin] is a technology center just like Silicon Valley, Boston and the Golden Triangle in North Carolina," Freeman says. "I think with the intellectual capital that is there, the— at one point, at least—relatively low cost of living in Austin, and the business environment, it just made a lot of sense for people to go there."

Austin's favorable business climate also helped. The five-county metropolitan area provides economic incentives for data centers, which has attracted some big names in recent years. Citigroup recently completed a 300,000-square-foot data center in neighboring Georgetown. One of Dell's competitors, Hewlett-Packard, constructed two data centers in Austin in 2007 totaling 200,000 square feet each. Dell itself operates two global data centers and three smaller data centers in the city. The two global centers comprise one of the largest storage area

networks in the country.

The climate for data centers is so favorable in the city that when Zydeco Development made plans for Phase II of its MetCenter business park, it designed it specifically for data center and mission critical tenants. Phase I of the project, consisting of 2 million square feet built on 250 acres, already contained data centers and mission critical space for tenants such as Qwest Communications, Waste Management, General Motors, and ERCOT, the state agency that monitors the Texas power grid. The 300-acre second phase will add 3 million additional square feet to the project. Zydeco already has the infrastructure in place, which has been designed with reliability in mind.



MetCenter

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"We think that MetCenter has probably the most reliable power and telecommunications infrastructure of any data center location in the country," says Howard Yancy, president of Zydeco Development. "There aren't many other locations in the country where there are dual feeds from two separate substations that are actually, in turn, fed by two different power sources coming into the Austin grid."

Building 5, which is fully occupied by the U.S. Veterans Administration, is already complete, but site plans have been approved for 12 additional buildings, making the project shovel ready. Amenities at MetCenter include a tennis and basketball court complex, a 1.5 mile hiking and bike trail that runs through the project's 20-acre greenbelt, two 24-hour restaurants, a retail center that includes a Starbucks Coffee and a Subway, and six hotels, with a seventh on the way.

"Everybody in the industry that is looking for data center sites has responded very favorably to MetCenter," Yancy says.

As the United States makes the shift to an information-based economy, data centers are going to become more important than ever. Cities such as San Antonio, Dallas and Austin are poised to take advantage of this movement, ensuring the prosperity of the Texas economy for decades to come.

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