# FOCUSING ON DATA CENTER EXPERTISE

## HOW DATA CENTER FACILITY MANAGEMENT IS EVOLVING REIT AND DATA CENTER PROVIDER OPERATIONAL MODELS


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# ABSTRACT AND SUMMARY

The requirements of today's modern IT environment indicate the need for high levels of agility. And, this doesn't just revolve around the technology—we're specifically talking about shifting and adapting to market and business demands. This means seamlessly scaling an environment based on IT and business goals for a data center.

Outsourcing is a growing trend within almost every vertical and business segment. But what happens when too much is placed on data center and business leaders' plates? Suddenly, they focus more on managing various facility details than ensuring optimal operations of the data centers. And every leader needs to ask whether outsourcing in a particular area makes sense and is cost-efficient.

**FACILITY MANAGEMENT OUTSOURCING ALLOWS TODAY'S ORGANIZATIONS TO HAVE A MORE SUCCESSFUL DIGITAL TRANSFORMATION STRATEGY.**

This is where we begin to shift our thinking regarding REITs, data centers, and managing vast data center campuses. In many situations, facility management outsourcing, depending upon the needs and specific peculiarities of the facility type and the data center provider or REIT's business—will help an organization become a flexible public company rather than a collection of properties. Also, facility management outsourcing allows today's organizations to have a more successful digital transformation strategy. This is the crucial difference to remember. And this is the operational change that's helping leaders in the REIT and data center space become more operationally efficient and save quite a bit of time and money in the process.

This paper takes an entirely new approach to deliver real-world data center success. We'll examine the importance of outsourcing, how data centers are seen as an asset class, how outsourcing directly impacts EBIDTA, and how you can deliver thought leadership through outsourcing and market differentiating services.

# INTRODUCTION MARKET CHANGES DRIVE DATA CENTER MANAGEMENT EVOLUTION

> “THE EVER-INCREASING NEED FOR DATA EXCHANGE, STORAGE, AND SECURITY IS BROADENING DEMAND FOR DATA CENTERS IN THE U.S., BUT ONE SOLUTION DOES NOT FIT ALL.”
> PAT LYNCH, EXECUTIVE MANAGING DIRECTOR OF DATA CENTER SOLUTIONS AT CBRE

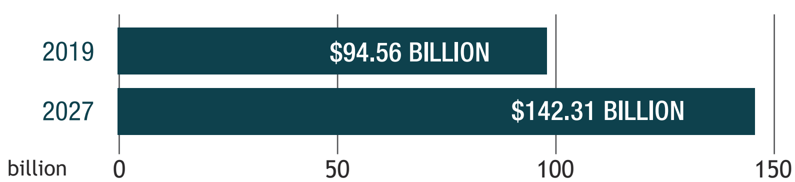
There has been substantial growth in the data center sector. A new report from Fortune Business Insights indicates that the global demand for more efficient IT technologies combined with the economic advantages of modern, consolidated connectivity applications has contributed to the exponential rise in data centers’ scale and power. As the report points out, the global data center infrastructure market size is projected to reach $142.31 billion by 2027, compared to 2019, when the global market value stood at $94.56 billion.

Expanding utilization of data centers by organizations amid the Covid-19 pandemic further fueled this market’s growth and the importance of a businesses’ agility in the online space. Furthermore, the rapidly evolving competitiveness in the global market and advanced technologies, such as cloud computing and big data, has made it simpler and cheaper for enterprises to shift their workload to colocation, self-contained, or hyperscale data centers.

This growth translates to more data center provider and REIT expansion driving new supply. A recent CBRE study indicates that the U.S. wholesale data center primary markets—Atlanta, Chicago, Dallas/Ft. Worth, New York Tri-State, Northern Virginia, Phoenix, and Silicon Valley—accounted for more than 56% of the record annual absorption in 2018. New deliveries increased these primary markets’ total data center inventory by 17.3% in 2019, increasing the competition among specific markets in 2020.

New supply comes primarily from two sources: new providers bringing their first capacity online and expansions by existing providers. Competition between providers will continue to drive market pricing and contractual terms, creating aggressive leasing scenarios. End-users seek creative Hybrid IT environments through efficient right-sizing, enabling them to take advantage of both the new supply and government incentives.

**PROJECTED SIZE OF THE GLOBAL DATA CENTER INFRASTRUCTURE MARKET**




Source: Fortune Business Insights

With this in mind, how much does it actually cost to run a data center? Delivering your operations and sourcing yourself for a 5 MW data center can often be millions of dollars more per year than the cost of outsourcing facilities management, operations and related services.

Today, leaders in the business and IT space are always under constant pressure to reduce the overall operational cost of business, including the cost associated with IT operations. The in-house data center adds huge expenses coupled with the substantial investment level required to deploy and maintain modern, energy-efficient data center infrastructure. This makes data center outsourcing solutions and services a better alternative, thus positively impacting the global data center infrastructure outsourcing market growth.

"CAPITAL AND OPERATING COSTS VARY CONSIDERABLY BY MARKET, AND NON-MONETARY FACTORS SUCH AS PROXIMITY TO A HEADQUARTERS LOCATION, FIBER DENSITY, AND ENVIRONMENTAL AND OTHER RISK FACTORS CAN ALSO DRIVE ENTERPRISE SITE SELECTION DECISIONS."
PAT LYNCH, EXECUTIVE MANAGING DIRECTOR OF DATA CENTER SOLUTIONS AT CBRE

Working with leaders in the facility management space will positively impact operational models, EBIDTA, and an organization's ability to be agile in the market. As mentioned earlier, these types of partnerships allow data center and REIT leaders to become true technology companies rather than a collection of locations and properties.

In this paper, we will explore the significant changes related to facility management and outsourcing. Further, we'll review real-world examples of how outsourcing directly impacts a company's ability to respond to the market while lowering costs and improving EBIDTA. Finally, we'll cover how these specific partnerships are the engine to help technology leaders break away from legacy data center paradigms regarding facility management.

To gain a better understanding of REITs and data center leaders are evolving their operational models and facility management strategies, we'll examine the following:

- Critical trends around today's data center market
- Outsourcing: legacy versus modern approaches
- The data center as an asset class
- How outsourcing improves colocation, data center provider, enterprise, and REIT financials and EBIDTA
- Focusing on data center provider, enterprise, and REIT core competencies and where partners will help

# SECTION 1 THE CHANGING DATA CENTER LANDSCAPE: LEGACY VS. DIGITAL

We learned a lot over the past couple of years. Some of the lessons learned focused on how to stay relevant and ahead in a world that requires persistent connectivity. In a digital economy, we quickly saw how our data centers, hyperscale ecosystems, and colocation providers all played a critical role in helping people stay productive and connected.

With that in mind, leaders in the data center and enterprise space are beginning to look at the data center and connected infrastructure in a fundamentally new way. In a recent article from Nature, we learned that in a 2016 report, the Lawrence Berkeley National Laboratory estimated that if 80% of servers in small US data centers were moved over to hyperscale facilities, this would result in a 25% drop in energy use. If you look at the data center and hyperscale market today, you'd see that this is very much already underway.

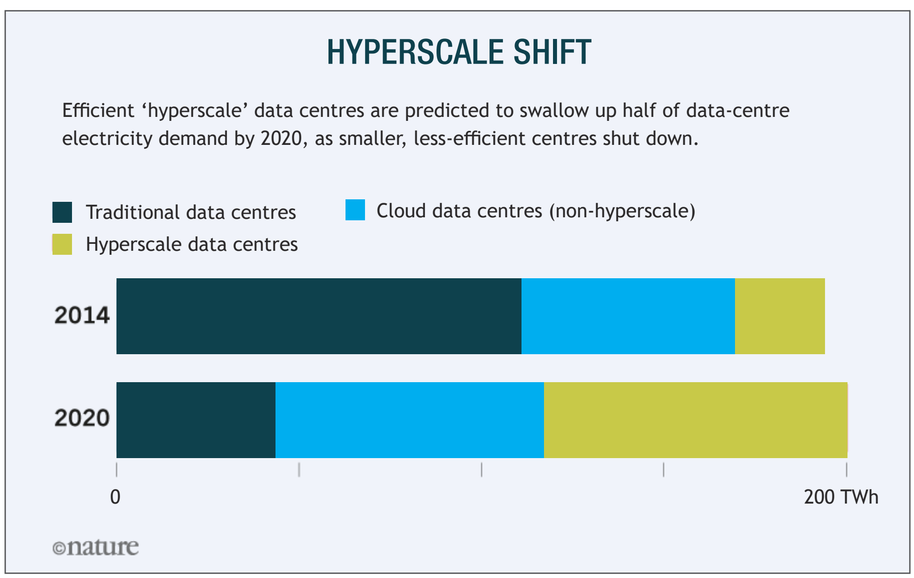
Today, the world has around 600 hyperscale data centers, many of them mopping up services for small corporations or universities that would have previously had their servers. And, there are about 6,600+ colocation and wholesale data center acilities across North America, EMEA, Asia-Pacific, and Latin America.

## THE HYPERSCALE SHIFT

This shift towards hyperscale and more efficient colocation data centers means a maturity shift in how organizations understand the balance between cloud and data center solutions. Being impacted are smaller, traditional, and even enterprise data centers. We're removing infrastructure that was there to fulfill a computing purpose and not much else. They're often not efficient and prone to issues like outages and downtime. It's exciting leaders in the business world see this colocation and 'hyperscale shift' where they see the direct benefits of moving from less efficient infrastructure to highly resilient and efficient hyperscale and colocation solutions.

For post-pandemic planning, this is a trend to embrace. Data center leaders need to be reaching out to enterprise leaders and helping them build their business, while you, the hyperscale and colocation expert, help them design their digital infrastructure.

But with this shift, some additional challenges are being posed to hyperscale and colocation leaders. With the departure from enterprise and smaller data center locations, how are hyperscale and colocation leaders focusing on what they do best? That is, running a data center?



So, how do you continue with the trend of data center growth while still reducing management overhead? Where can REITs and data center leaders make changes to ensure they focus on their business and technology solutions rather than worrying about facility management?

Consider this, a recent report from ResearchAnd-Markets found that the data center services market is projected to grow at a CAGR of 13.69% over the forecast period (2018-2023). Among those services is *managed services.* From there, a different ReasrchAndMarkets report shows us that the global managed services market size is set to grow from USD 180.5 billion in 2018 to USD 282.0 billion by 2023, at a Compound Annual Growth Rate (CAGR) of 9.3% during the forecast period.

The major growth drivers of the market include the need for cloud-based managed services and the *increasing dependence of organizations on IT assets to enhance their business productivity* and the availability of specialized managed service providers who can offer cost-effective managed services and proactively monitor IT resources to eliminate the chances of service downtime. North America is expected to hold the largest market size and dominate the managed services market from 2018 to 2023.

With this vast growth in the digital space, how are data center and REIT leaders shifting their focus to ensure they have the business in mind? One area where REIT and data center provider leaders are looking to shift their workloads is in the facility management space.

***Classically speaking, outsourced Data Center Facility management*** is the services and employees who directly interface with the data center facility, its occupants, service providers, and executive leaders. The facility manager supports and provides data for annual operating and capital budget requests but does not make actual budgetary or tenant leasing decisions, which are generally reserved for more senior asset management, portfolio management, and corporate executive staff.

With this in mind, it's important to note some fundamental differences. Today's professional facility manager is not recognizable compared to the old model from the 1980s and 1990s. With technology and training, the facility manager has become accountable for the overall tenant experience — adding value to the facility by incorporating best management practices — working to improve NOI and ***asset value.***

This is where we pause for a second. Another critical change in asset value is the modern definition of the data center. Data centers are now seen as an asset class to the business. As an essential part of the business, this digital infrastructure is becoming an increasingly important asset to organizations. That is, rather than acting as a cost center, these are revenue-generating assets that need to be optimized for performance. And so, the shift to outsourcing facility management to ensure further focus on the value of the data center asset class is a crucial consideration.

## EMERGING CHALLENGES

As organizations focus on what they do best, data center leaders are actually in the same boat. Some new emerging challenges for colocation, data center, and hyperscale leaders include:

- Facility management during a time of unprecedented growth
- Positioning the data center as an asset and revenue driver to the business rather than just a cost center
- Focusing on REIT and data center provider competencies and not on outside priorities (tenants, building, technology advancements, and telecom)
- Working with thought leadership and not just standard outsourcing
- Ensuring an improved and more predictable supply chain for various facility requirements
- Improving EBIDTA and market position, thereby increasing enterprise value
- Staying ahead of the hiring curve in an increasingly constrained data center talent market

# DATA CENTER, HYPERSCALE, AND REIT FACILITY MANAGEMENT: LEGACY VS. DIGITAL

Today, there are far more pieces of digital infrastructure in the mix. We see growth around data center facilities, hyperscale locations, cloud computing, and now the edge. Growth around facility considerations drives a significant shift in thinking for data center and REIT leaders to leverage their most valuable assets more effectively while outsourcing facility management capabilities.

Why is this so important in a digital economy? A data center provider or REIT with externally managed assets has more flexibility to move capital between facility types and geographic locations without considering where its employees are located. Internal facility management by a provider or REIT may have been an effective means to manage locations and various assets in the past. However, in a digital world, leaders see the benefits of outsourcing.

As opposed to past assumptions that internal facility management was the way to go, new studies indicate that outsourcing the data center facility management part of the business can have significant benefits. For example, in the past, REITs and some data center providers incorrectly believe that they save money through internalizing facility management.

The reality, however, is that unless a data center provider or REIT owns a substantial portfolio in any market, it can usually save money by outsourcing facility services in that location. Other factors may still mandate internalization, but saving money that way is nearly impossible.

It's important to note that it's not all about saving money, even though that's quite important. Another critical factor in helping a data center provider, enterprise, or REIT business grow is by focusing on core competencies and improving the end-user experience. Further, it allows REIT and data center leaders to focus on technological innovation and less time on facility management.

Let's pause here and look at what a next-generation operational model looks like for a REIT or data center provider aiming to compete in a digital market.

## CONSIDERATIONS FOR INVESTORS AND FACILITY OWNERS

Competing in a persistently connected world that requires utmost efficiency, external facility management can be effective. This is why investors and facility owners should consider the following case for external management:

- ✓ Cost savings
- ✓ Portfolio management flexibility
- ✓ Central purchasing and contracting
- ✓ Career management
- ✓ Facility-level risk management
- ✓ Training uniformity and compliance
- ✓ Reduced technology costs
- ✓ Back office efficiency
- ✓ External managers perform their work per industry standards
- ✓ Increased ability to focus on core business competencies

# SECTION 2 ADOPTING A NEXT-GEN OPERATIONAL MODEL: REITS, DATA CENTER PROVIDERS, & FACILITY MANAGEMENT

Today's data center providers and REITs are quite different from those just a few years ago. And, those that focus on the data center and technology space face growth and evolution faster than those focusing on facilities and buildings alone. Management roles at REITs (and most data center facility portfolios) include four major categories:

- Corporate (executive) management
- Portfolio management
- Asset management
- **Facility management**

Each management function involves specific activities and responsibilities, but all of these can be performed either by "internal" staff on the REIT's or providers payroll or contracted out to "external" service providers.

Focusing on facility management, we see three significant differences between legacy management and how REITs and data center providers with a digital mindset lead the industry.

### 1. Innovation and Entrepreneurship

Today, data center provider, colocation, and REIT facility employees can be financially incented to enhance facility value—bonuses and stock awards can align the employee directly with the REIT's objectives, a goal that is harder to accomplish using salaried and hourly employees working under a facility management company fee cap. With this in mind, how many internal facility management employees are also tasked with focusing on innovation? Or, are they really entrepreneurially minded? If so, wouldn't they be doing something else? A genuinely entrepreneurial facility manager is likely to find more advancement opportunities inside an international management company than at most REITs or data center providers. Third-party managers provide alternatives to leasing, development, capital markets, and vast geographic locations.

**THIRD-PARTY MANAGERS PROVIDE ALTERNATIVES TO LEASING, DEVELOPMENT, CAPITAL MARKETS, AND VAST GEOGRAPHIC LOCATIONS.**

### 2. Efficiency

Although a single facility manager can efficiently handle multiple small properties from one location, rather than staffing small-format properties individually, it becomes challenging to scale a business as it grows efficiently. Simply put, a third-party facility manager can exceed whatever a REIT accomplishes in scale and purchasing power based on an even larger scale.

### 3. Profitability and the Data Center Asset Class

Few REITs and non-REIT data center providers, perhaps only a handful, are large enough to have enough scale to build a full facility management infrastructure comparable to a large-scale worldwide external facility manager. Smaller REITs actually lose efficiency and therefore margin due to excess capacity at some level or inability to spread costs across enough square feet. For example, a REIT or data center partner may employ a senior lease administration executive for its total square feet of managed space. In comparison, an external facility manager might spread that same skill and resource cost across more data center facility space. Simply put, CBRE's models demonstrate that an external manager "is nearly always more efficient."

Beyond facility management, it's important to note that today's organizations need good partners to help them outsource various business functions.

## NOT JUST MANAGED SERVICES, BUT A TRUE DATA CENTER FACILITY MANAGEMENT PARTNERSHIP

A business's best friend isn't just a contract and a set-it-and-forget-it services agreement. Regarding facility management, leading data center organiza-tions to forge a business partnership that intimately understands the business's requirements and aligns its staff and resources with achieving those goals. Instead of a simple contract, it's critical to work with a data center partner that can help you focus on your business. From there, there are some great benefits.

**1. You can save costs**

Here's the reality, with managed services, organizations can reduce operational costs, conserve capital budget and lower IT operating expenses. Customers typically pay for the services they require with a good managed services partnership, rather than for expensive packages with extraneous services they don't need.

For example, CBRE estimates that its procurements systems save an average of 7.7% on products and 5% to 25% on contract services. One factor promoting cost savings is a policy to re-bid contracts every 36 months or more frequently to meet ownership requirements. This discipline is systematized at CBRE and is a routine matter with concrete results for operations. Still, it is a process that most REITs and data center providers either do not perform or do more sporadically. In some respects, it can help for the third-party manager to be the "tough guy" with vendors and service providers, buffering the facility owner and simplifying transitions.

**2. Focus on your core business and strategy while reducing complexity**

When an outsourced facilities management partnership is put in place, the business's strategic initiatives benefit. To allow both technical and non-technical employees

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> JASON NANCE, SENIOR MANAGING DIRECTOR – HEAD OF SALES AND CLIENT SOLUTIONS, AMERICAS – DATA CENTER SOLUTIONS – CBRE GLOBAL WORKPLACE SOLUTIONS

to manage their time better and improve work efficiency, a facilities management partnership will enable you to put the responsibility of IT and data center management in the hands of a dedicated team of experts. Outsourcing can help a company stay focused on revenue-generating activities and innovation by providing focus privilege and less distraction.

Another focus area is how a good partner can help you reduce technology complexity and even investments. CBRE believes it can reduce an organization's technology investment through external management. Like employing external payroll processing, a standard practice for many companies, external facility-level IT deployment allows an organization to focus on its investment and portfolio management business.
In contrast, the external manager maintains the latest in facility management technology and software. CBRE's annual IT budget includes millions of dollars for technology in the facility management and accounting services division, far more than any REIT or even data center provider can sustain—yet each client gains access to the entire underlying infrastructure.

For example, CBRE has a proprietary web-based building management system called Axis Portal available to all third-party management clients. Some external users, including some of the world's largest organizations, who sometimes manage their properties, purchase licensed access to this system.

**3. You improve your sourcing and vendor management processes and lower risk**

Some organizations spend way too much time trying to iron out small details with their vendors in a digitally complex world. As the business grew, these calls and conversations would keep getting more complicated and take up even more precious time.
A data center facilities management partner can interface with vendors on your behalf. This ensures that any issues the business encounters with the facility are troubleshot and resolved promptly.

Another critical factor is risk consideration as it relates to individual facilities. It's essential to work with partners that employ full-time risk management and insurance procurement experts who specialize in reducing facility liability and related costs. Only the largest organizations REITs hyperscale data center providers can staff this area. CBRE outlined many examples of preempted legal disputes, reduced facility and liability insurance costs, and risk-reduction systems and procedures used throughout the organization. For example, CBRE audits and compensates or penalizes facility staff for ensuring tenant compliance with insurance certificates and environmental reviews, among other objective factors.

**4. You create an environment capable of true scale**

Being able to scale and stay on top of the market is critical. And, since scalable solutions can accommodate rapid changes, they also help firms stay productive, improve system availability and eliminate detrimental downtime. Your facilities management partner's goal is always to remain responsive to your needs, both short-term and long-term. This means aligning strategies, keeping up with the business, and even staying ahead of the competition. This gives you the ability to scale both your technology and business needs as the market shifts.

For example, external facility management can improve facility-level performance through the central contract and purchasing controls that do not exist at most REITs and other organizations. Facility management service companies can have enough scale to source services and supplier contracts that are simply unavailable to the average REIT. A large facility manager such as CBRE, which has approximately 800 million square feet under management in the U.S., far more than any REIT and any data center provider, can scope facility and equipment service contracts that allow its comparatively massive facility base to run individual properties at a high-quality level despite the lower cost, contributing to better tenant relations and retention.

FACILITY MANAGEMENT SERVICE COMPANIES CAN HAVE ENOUGH SCALE TO SOURCE SERVICES AND SUPPLIER CONTRACTS THAT ARE SIMPLY UNAVAILABLE TO THE AVERAGE REIT.

**5. You stop wasting resources**

As your data center requirements and business evolves, you start to lose track of things. Or, you'll need to have dedicated people to keep track of all of your assets, when they've been updated, when their end-of-life would be, all of their maintenance contracts, and so on. Wasting resources isn't just a bunch of virtual machines sitting on your hardware, even though that's one example. You're also talking about people and company resources. Facilities management partnerships help alleviate these pains by helping you control the essential parts of your business so that you can focus on growth and strategic initiatives.

Here's an example: Over-spending on unnecessary internal technology. Most organizations expend significant resources on internal IT systems. Hardware and software transitions are a continual process, complicated by onsite and home office communications and shared resources across multiple software platforms. Modern large-scale organizations often have Chief Information Officers and sophisticated IT environments that are subjected to annual audits. This is costly and escalates for broad facility geographies.

Facility management companies see IT as their core service tool—almost everything they do revolves around or is documented in central command and control systems focused on tenant service and facility and lease accounting. The largest facility management companies own and maintain a full complement of the latest industry-standard software packages. These can integrate with the facility owner's accounting systems almost for free because the costs are spread across many multiples of the square feet managed internally by a REIT, data center provider, or other organization.

In a digital world, you need a partner that can handle the requirements of an evolving business. In the past, facility management was always seen as an internal process. However, given the complexities and growth in the digital economy, leaders in the infrastructure and data center space must look at third-party partners to help them scale, grow, control costs, and become more efficient. Outside of the examples above, there are some great real-world use-cases where facility management has helped REIT data center provider leaders shift their value proposition in a digital market.

# SECTION 3 SHIFTING THE DATA CENTER FACILITY MANAGEMENT PARADIGM: REAL-WORLD USE CASES

To become more competitive, leaders need to understand how they can continue to impact their core competencies and leverage partners for help. Rather than demanding or paying a premium for internalized facility management, investors and analysts should be agnostic and challenge the decision process. Investors and other stakeholders should question whether internal management actually creates value and at what cost. Likewise, REIT and data center provider management should reevaluate the management structure of their properties in each market within the context of their overall strategy.

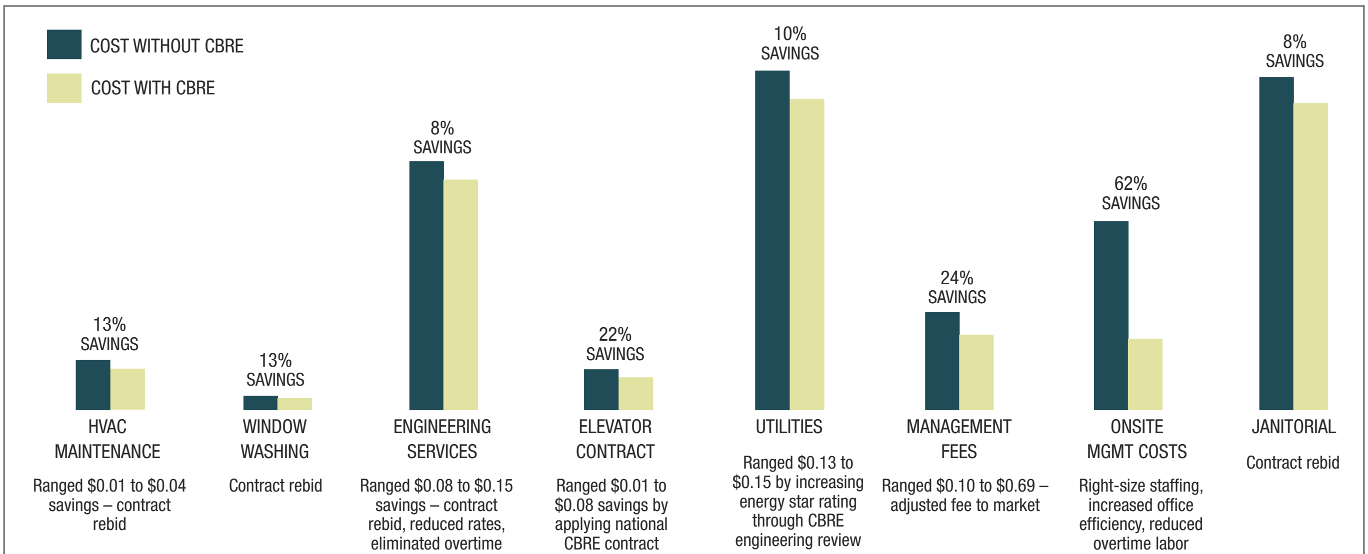
One way for small and mid-cap REIT and data center providers to gain some operating scale benefits is through external facility management, handled by an organization far more extensive than any individual REIT. While not the answer for every portfolio, it is incumbent on REITs, data center leaders, and their investors to consider alternatives to the old-school internalization orthodoxy. Rather than reflexively assuming that internal always equals better, analysts might consider tearing up their check-the-box lists and instead ask nuanced questions about how a REIT or data center provider manages its properties and why a strategy adds value. Perhaps a newly enlightened investor constituency will encourage managements to establish best practices rather than reflexively cow-towing to old perceptions.

After the 2008 financial crisis, balance sheets became the dominant REIT investment criteria— good balances sheets won the recession's liquidity battles, and poor balance sheets evaporated along with their management teams. Balance sheet quality, liquidity, and cost of capital still dominate the size conversation, with facility operations taking a back seat to portfolio strategy.

## THE COST AND REVENUE TRADEOFF BETWEEN EXTERNAL AND INTERNAL MANAGEMENT ALTERNATIVES

Recently, a CBRE study analyzed the typical cost/revenue tradeoff between external and internal facility management alternatives. The analysis shows significant cost savings for a specific "real" facility portfolio converted to external facility management. CBRE selected a "trophy" organization and REIT and analyzed the company's financial statements, and computed before and after scenarios assuming complete externalization.

The following operating expense savings were collected as a part of the analysis. Still, only some of the categories were applied to the study based on the likelihood that the savings apply to any asset class or market to make the analysis more representative of an actual externalization scenario.



*Source: CBRE study*

The analysis assumes that 90% of operating expenses savings are passed through to tenants, based on occupancy and industry averages. The example scenario includes only the Energy Savings, Engineering Services, and Elevator Contract categories because they apply to most properties. CBRE excludes more facility-specific savings from Parking, Security, Janitorial, and HVAC Maintenance, but they generally average $0.08 psf annual savings. The G&A savings assumption includes training, procurement, sustainability, executive time, and travel totaling $0.03 psf transferred to the external management contract.

## TRANSITIONING FACILITY MANAGEMENT SERVICES

In looking at partners that can help you with this transition, it's important to remember that you're also reducing risk and improving the health of the organization. Management contracts can include performance criteria and penalties for failure to meet those benchmarks. CBRE often provides management clients with warranties to save its management fees in facility-level cost savings or adjust the fees accordingly. CBRE targets to save about two times the gross management fees on the average facility that it manages. CBRE manages this process through KPIs (Key Performance Indicators) and establishes specific facility-level objectives and scores to reach fee hurdles. An example of one facility's KPI results analysis that we reviewed included the following metrics and objectives for one quarter:

These are concrete, verifiable objectives that are reevaluated every quarter, go to the heart of improved facility management quality, and be tied to fees. How many organizations perform this kind of facility-level self-assessment more often than the annual budget review? How many don't do it at all?

Those who look at their business and processes introspectively quickly see quite a few benefits in working with a facility management partner. Based on real-world case studies, here are a few examples of improved facility operations resulting from transitioning to their facility management services.

Getting started on this transition doesn't have to be complicated. However, you'll need to take a reflective approach to how you're managing your facilities today and where there are challenges. Remember, evaluating internal versus external facility management alternatives involves qualitative factors that are difficult to measure numerically. However, facility service providers outline a consistent logic, backed up by real-world experience for a compelling case that executives should seriously consider whether it applies to them. While the decision remains a judgment call, and anecdotes support both approaches, solid data and analytics support many data center external facility management models.

- **REDUCE** ACCOUNTS RECEIVABLE TO 1% OF REVENUES
- **REDUCE** CONTROLLABLE EXPENSES BY **8.2%**
- **MOVE** THREE NEW TENANTS INTO THE PROPERTY
- **REDUCE** LANDSCAPING EXPENSE BY **50%**

**SAVED** MILLIONS COMING IN UNDER BUDGET
CAPITAL PROJECT MANAGEMENT TASKS &
CORPORATE FIT-UP CONSTRUCTION

**SAVED** $3 MILLION BY TRANSITIONING TO CBRE PLATFORM
25 EMPLOYEES
12 MARKETS
18 MILLION SQUARE FEET

**SAVED** $1 MILLION ANNUALLY THROUGH OUTSOURCING
ABSORBED 90 EMPLOYEES
21 CLASS A BUILDINGS
8 MARKETS

**SAVED** $1 MILLION IN 9 MONTHS
SINGLE OFFICE BUILDING
NEW ELEVATOR CONTRACTS
REAL ESTATE TAX APPEALS

**REDUCED** ELECTRICITY RATES
NUMEROUS PROPERTIES
NEGOTIATED KWH PRICING DEALS

# FINAL THOUGHTS THE NEW REIT AND DATA CENTER MANAGEMENT APPROACH, HOW TO GET STARTED

Businesses quickly learn that data center outsourcing is a great way to realign IT with business objectives in the most cost-effective manner. There are some great benefits of outsourcing data centers, and specifically facility management.

A LARGE FACILITY MANAGER SUCH AS CBRE, WHICH HAS APPROXIMATELY 800 MILLION SQUARE FEET UNDER MANAGEMENT IN THE U.S., FAR MORE THAN ANY ORGANIZATION, CAN SCOPE FACILITY AND EQUIPMENT SERVICE CONTRACTS THAT ALLOW ITS COMPARATIVELY MASSIVE FACILITY BASE TO RUN INDIVIDUAL PROPERTIES AT A HIGH-QUALITY LEVEL DESPITE THE LOWER COST, CONTRIBUTING TO BETTER TENANT RELATIONS AND RETENTION.

Investors understand that a solid portfolio strategy is desirable, preferring top-tier facilities, management, and capital structures. Leaders and investors value an executive team's ability to identify new strategies as markets shift. For example, some office REITs have a development focus and/or buy facilities in secondary and suburban markets. In contrast, others focus on only trophy properties in one or more specific cities.

The common factor is that almost every REIT and data center provider has shifted its facility focus strategically over time — even those exclusive to a single market have gradually moved away from their legacy "IPO" portfolios to new, often higher-quality acquisitions and portfolios.

Happening alongside this strategic shift are the new considerations around how the facility will be managed. Leaders in the REIT and data center space see more demand for digital infrastructure from hyperscale to edge solutions. To keep pace with a digital market, leaders must work with facility management professionals to help them stay ahead in a digital market.

Facility management service companies can have enough scale to source services and supplier contracts that are simply unavailable to the average organization. A large facility manager such as CBRE, which has approximately 800 million square feet under management in the U.S., far more than any organization, can scope facility and equipment service contracts that allow its comparatively massive facility base to run individual properties at a high-quality level despite the lower cost, contributing to better tenant relations and retention. These types of partnerships also allow you to become a more formidable factor in the market. Whether a facility is in a small or large market, working with partners like CBRE comes with national and even global pricing power that REITs and data center leaders generally cannot obtain anywhere.

As a final consideration, it's important to note that partners like CBRE are here to augment your organization's capabilities. They become a natural part of the organization. Facility managers can private-label their employees so that the tenants see the provider as remaining in control, with business cards, stationery, and uniforms reflecting the provider name, while potentially adding new controls and efficiencies afforded by large-scale professional external facility management.

Regardless of your size, getting started on a better facility management journey doesn't have to be challenging. Begin by reflectively looking at your business and understanding where growth will happen. From there, look into outsourcing facility management to help you improve your business model, accelerate innovation, and become even more competitive in a digital market.