

Impact Report

DataBank positioned to serve Minneapolis' enterprises

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We recently had the opportunity to attend the VIP reception for the opening of DataBank's new Eagan, Minnesota datacenter (MSP 2). The site has undergone its commissioning and coordination processes to ensure efficiency and redundancy, with customers signed up for deployment within the new facility. The 90,000-gross-square-foot facility will have 20MW (10MW A-side and 10MW B-side) of critical load delivered by redundant (2N) A/B utility feeds provided by Dakota Electric and Great River Energy through secure, diverse utility entry points from diverse substations. The facility will be built out in a four-phase modular deployment, with the first 10,000-operational-square-foot data hall now available.

The facility's location allows DataBank to leverage Eagan's advanced fiber-optic network, which includes a number of interconnected tier one carriers. The facility has four communications vaults with diverse dual carrier-grade meet-me rooms (MMRs) that will benefit from the city's strategic investments in 'AccessEagan,' a 17-mile wholesale fiber-optic network open to all broadband and telecom providers, to provide the Twin Cities with an alternative diverse entry point for telecommunications providers and carriers to bring in high-capacity transport from Kansas City to the south, Chicago to the east and Denver to the west.

The 451 Take

DataBank has been successful in executing its growth strategy in strong emerging markets like Minneapolis. We believe its new Eagan datacenter provides the capacity to serve its targeted customer base of enterprise customers requiring larger blocks of enterprise-quality datacenter space. We also think the firm's strategy to become the Minneapolis market's second carrier hotel is quite interesting, and DataBank has the knowledge and expertise to succeed. Its customers will benefit from Minnesota's tax credits for all investment in deployed IT capital, as well as refreshes. The first phase of its new Eagan datacenter received Uptime Institute (a division of The 451 Group) Tier III certification for Constructed Facility.

Context

In June 2011, private equity firm Avista Capital Partners acquired DataBank from Freeman Group, a private investment firm. DataBank's existing datacenters were located at 400 S. Akard Street in Dallas' downtown central business district. Terms of the transaction were not disclosed. As part of the transaction, Timothy Moore and Kevin Ooley joined DataBank. Moore took over the reins of the existing management team as CEO, and Ooley joined the firm as CFO. Moore and Ooley, along with DataBank founder and SVP of sales Jerry Blair, were to execute an aggressive growth strategy that included expanding in existing and other geographical markets, especially strong emerging markets.

The executive team first chose Minneapolis as an especially strong emerging market. In our assessment of the Minneapolis multi-tenant datacenter (MTDC) market, we found one of the more interesting aspects of the Twin Cities' market to be how modest the MTDC market is in relationship to its population, GDP and number of Fortune 500 companies. Minneapolis has the presence of only three of the top 10 North American datacenter providers (CenturyLink, Digital Realty Trust and SunGard), with Digital Realty and SunGard having a limited presence in the market. We also found that the Twin Cities' MTDC market lacked national providers that could offer large blocks of premium, enterprise-quality datacenter space, and that this deficit had impeded MTDC demand in the market, forcing enterprises to build their own datacenters.

In Q1 2013, DataBank closed on [its acquisition](#) of VeriSpace in Edina, Minnesota, to enter the market. The acquisition served as an entry point into the market of Minneapolis. In Q4 2013, the firm completed a 5,000-square-foot expansion of the white-floor capacity of the facility, increasing datacenter capacity in the facility to more than 18,000 square feet. The expansion cost \$5m and included upgrading the electrical infrastructure and improving the facility's cooling system for added redundancy and to support the higher density requirements of its customer base. The company also upgraded the facility's office space and shared customer spaces.

In Q2 2014, DataBank closed on a site in Eagan, Minnesota, and immediately began designing the new MSP 2 datacenter. Whereas the VeriSpace acquisition provided the initial entry point into the market, the Eagan site provided the scale to support its targeted customer base – Fortune 100 enterprises seeking premium colocation services that feature 2N electrical redundancy and that typically require 100-400kW (and higher) of critical load.

The MSP 2 datacenter

At full buildout, the 90,000-gross-square-foot MSP 2 datacenter will provide four data halls for a total of more than 50,000 square feet of operational space. DataBank's senior leadership stresses that the facility's entire electrical infrastructure, not just the utility feeds, are being built out to the company's standard 2N redundancy, designed to support critical business applications and IT infrastructures. The facility also features:

- Data hall ceiling height of 12 feet, allowing 52U racks for high-density requirements.
- Two UL-certified Active Power containerized power units for each data hall.
- Independent on-site A and B generator power for each data hall.
- SLA for 100% uptime availability.
- High-efficiency Munters Oasis tri-mode indirect evaporative coolers.
- Four communications vaults feed two diverse carrier-grade meet-me rooms.
- Minnesota tax credits for customer equipment and software.
- Uptime Institute Tier III certification for Constructed Facility (MSP 2 Phase 1).

It should be noted that not all Uptime Institute Tier III certifications for Constructed Facility are created equally. For example, DataBank builds out its electrical infrastructure to a Tier IV standard with 2N redundancy to better ensure high availability of its power and electrical infrastructure for a customer's critical workloads and infrastructures, while building out its mechanical infrastructure at N+1 redundancy. In doing so, the DataBank incurs greater expense in building out its new Eagan facility than other providers that have built out electrical infrastructures at N+1 redundancy to meet Uptime's requirement for Tier III certification. DataBank makes the additional investment to back up its 100% uptime availability SLA for customers requiring high availability for mission-critical workloads.

Competition

Minnesota's Twin Cities rank as the number-16 Metropolitan Statistical Area in the US, with an estimated population of 3.5 million in 2014. Minneapolis is home to 18 of Minnesota's 19 Fortune 500 headquarters, and has the second-largest economy in the Midwest behind Chicago. The region continues to grow at a rapid pace, and is the second-largest medical-device-manufacturing center in North America. We included the Minneapolis market in our North American Multi-Tenant Datacenter Emerging Major Markets – 2014 report, in which we identified 24 MTDC providers in the market with 30 active MTDC facilities. DataBank will likely face competition primarily from CenturyLink Technology Solutions, Cologix, IronGate Data Centers, OneNeck IT Solutions, Stream Data Centers, ViaWest and XO Communications.

SWOT Analysis

Strengths

DataBank has a strong senior leadership team versed in organic expansions and strategic acquisitions as it executes its growth strategy. In fewer than two years, the firm has expanded in North Dallas and acquired two firms to enter the Kansas City and Minneapolis markets. The firm is also well capitalized by Avista Capital Partners.

Weaknesses

Even with its VeriSpace acquisition in Q1 2013, DataBank needs to continue to promote its brand in the Minneapolis market to potential midmarket and enterprise customers, and communicate the advantages of its colocation, managed services and cloud offerings targeting enterprise clients.

Opportunities

Threats

DataBank operates the meet-me room at its downtown Dallas facility featuring access to 30 carriers, and its fiber-optic network accesses the two other major telco hotels in the Dallas market. By extending its Dallas network to Kansas City and its new Eagan facility, carriers and customers will benefit from such density-rich connectivity and provide a redundant communications hub for the Twin Cities.

Minneapolis has been perceived as an underserved MTDC market that has recently seen increased activity from other providers entering the market, such as Compass Datacenters, Stream Data Centers and ViaWest, as well as existing Minneapolis providers adding capacity, such as CenturyLink Technology Solutions and Cologix.

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