



# Data Centers: The Business of E-Warehouses

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## Key Points:

- *Many companies have concluded that outsourcing IT infrastructure is the most cost-effective and secure method of managing the enterprise IT function.*
- *Business models for data centers vary widely, but all of them share two fundamental features – a substantial investment in fixed assets, and a predictable, recurring revenue stream.*
- *Over the past three years, demand has outgrown supply by at least two times, a trend that is expected to continue through 2012.*
- *Revenues from data center services are expected to continue to grow at a rate of nearly 20 percent a year during the next two years to reach \$22.8 billion by 2013, more than double the industry's 2009 tally of \$11.1 billion.*
- *Merger and acquisition activity amounted to nearly \$6 billion in 2011, excluding a number of private deals with undisclosed price tags.*
- *Access to capital will be a concern for data center providers in the years to come – but will also insulate the industry to some degree from a surge in newcomers and oversupply.*
- *Although a relatively new industry, data centers are economically sustainable and provide an integral service to the enterprise market.*

## The Evolution

In short, a data center is a physical space used to house servers and accompanying network and storage hardware. In the infancy of the digital age, data centers were often nothing more than office storage closets that had been remodeled to safely shelter a company's computer network components. As the information age matured, the amount of electronic data soared exponentially, and so did the equipment needed to process and store the data. Before long, the retrofitted closet didn't cut it anymore. In the early 1990s, entrepreneurs quickly recognized an opportunity to provide cost effective, secure environments to host IT infrastructure, and the multi-tenant data center industry was born.