

TECHNOLOGICALLY ADVANCED

KDC HELPS DIGITAL REALTY
TRUST JUMP-START SPECULATIVE
DATA CENTER PROGRAM

Whether it's sensitive customer information or weekly sales figures, managing and protecting data is increasingly important to both large and small companies. That means companies are investing more money than ever in data centers.

With the goal of meeting Corporate America's IT and mission-critical facilities needs, earlier this year, KDC partnered with San Francisco-based Digital Realty Trust (NYSE: DLR), the world's largest wholesale data center provider, to develop build-to-suit data center projects. However, the partnership quickly expanded to include speculative data center development, according to Ab Atkins, a senior vice president and partner with KDC, who is responsible for all data center projects.

Calling on Data Center Experts

Every year, Digital Realty Trust conducts a study of the U.S. data center market. The study surveys senior decision makers at large corporations in North America who are responsible for shaping their companies' data center strategies.

Digital Realty Trust's most recent study found that Corporate America is expanding its data center operations and is increasingly relying on external data center experts.

Consider this: 84 percent of respondents said they were planning data center expansions in the next 12 to 24 months, and 73 percent of respondents plan to add two or more facilities as part of their data center expansions.

Most importantly, 83 percent of respondents with definite plans to expand said they would do so with a partner that specializes in data center design and construction or data center leasing. And 53 percent plan to do so by leasing from a wholesale data center provider.

"More than ever before, enterprises are turning to wholesale providers and other specialists for these data centers in order to leverage their expertise and to reduce or eliminate capital expenses," says Digital Realty Trust's senior vice president, Brent Behrman.

The survey proves that KDC and Digital Realty Trust's expanded partnership fills a growing need within Corporate America, Atkins contends. "As more and more corporations look to establish new data centers, they are seeking experts to help them make smart, cost-effective decisions," he notes. "Together, KDC and Digital Realty Trust provide that expertise, along with the actual data center product these companies are looking to lease and occupy."

Tackling New Construction

For KDC, the growing demand for data centers creates another opportunity to serve Corporate America. The firm chose to partner with Digital Realty Trust because of its breadth of experience and reputation in the data center industry, Atkins says. "The partnership combines KDC's development expertise with Digital Realty Trust's data center knowledge," he explains.

Digital Realty Trust, which is one of only two publicly-traded real estate investment trusts focused on data centers, has perfected the concept of Turn-Key

Datacenters®. That means the real estate investment trust (REIT) has created a market-leading data-center design and duplicated that design in many different locations across the United States, according to Steve Kundich, vice president of development services for Digital Realty Trust. The company owns 95 data-center properties totaling roughly 16.4 million square feet in 27 markets in North America and Europe.

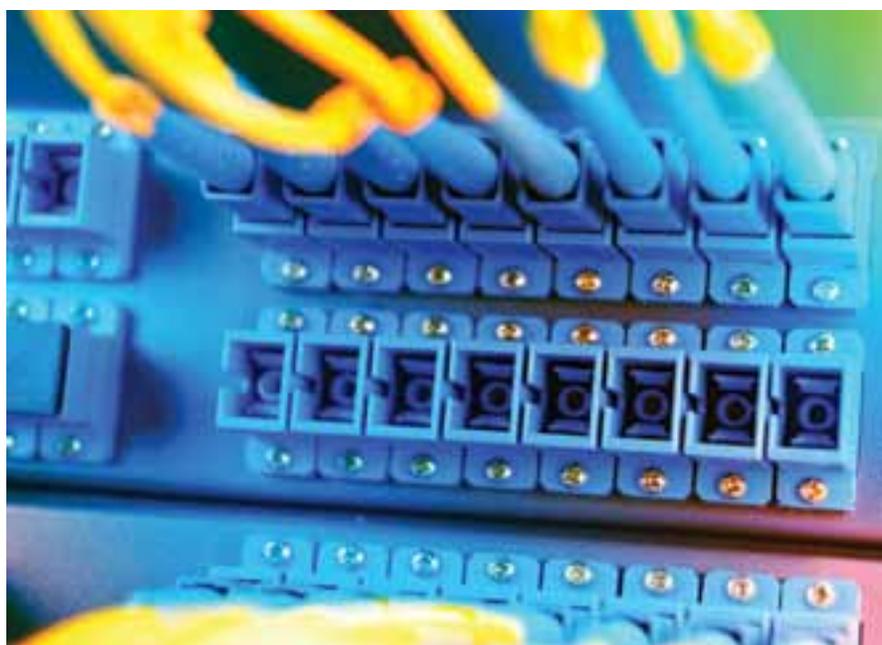
"Previously, we've primarily focused on interior improvements to existing buildings — acquiring existing data centers and upgrading them to meet Digital Realty specs or acquiring existing buildings and transforming them into data centers," Kundich notes. "As we've expanded our business, we see more opportunities to build data centers from the ground up without any particular tenants in mind, and that's where KDC's development expertise comes in."

Leveraging KDC's Expertise

Despite its extensive data center experience, Digital Realty Trust has not developed new data centers from scratch, Kundich says. Without that "ground-up" expertise, the REIT hunted for a best-in-class development partner with broad industry relationships and in-depth knowledge.

"We have the expertise to build out the interior of the data center, but we don't have the manpower or the know-how to build the shell," Kundich admits. "We could have built a new development team in-house, that's true, but that would have taken more time, and, even then, we couldn't be sure that our in-house team could build a data-center shell cost-effectively and on deadline. That's why we wanted to partner with a development firm like KDC."

KDC's Atkins breaks down the partnership this way: If a data center were a car, Digital Realty Trust provides the engine — the power and the cooling components — while KDC provides the chassis — the shell building.



"We've split the data center into two parts," Atkins explains. "Digital Realty Trust has already standardized their data-center engine, and now it's our turn to standardize the chassis."

By standardizing the data-center shell, KDC can help Digital Realty Trust maximize its capital, even saving the REIT money. In turn, Digital Realty Trust can pass along that savings to its tenants by leasing data center space at lower rents.

KDC's impact is already obvious: Digital Realty Trust reduced its development and construction costs by approximately 20 percent in the past 24 months and cut its general contractor costs by 11 percent, according to a recent presentation the REIT provided to investors.

Together, KDC and Digital Realty Trust are working on two speculative data centers in northern Virginia, Kundich says. It also has projects under way in San Antonio, Boston, San Francisco and Dallas-Fort Worth. With KDC's help, Digital Realty Trust has been able to ramp up its development pipeline to build more than 170,000 square feet of new turnkey data centers in five major metropolitan markets.

"Having a team with KDC's expertise has allowed us to jump right into speculative development," Kundich says. "It's definitely a good fit."

Speculative Success

Digital Realty Trust and KDC have recently completed their first speculative data center project.

Located in Ashburn, Va., in the Washington, D.C., metro region, the 50-megawatt, 270,000-square-foot, two-building data center recently received the National Association of Industrial and Office Properties (NAIOP) 2010 Award of Excellence. The facility achieved this prestigious award due to its unique technological design features, superior infrastructure and best-in-class asset management services.

Prior to completion, the property was 100 percent leased.

