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Virginia developer sold on S.A. as data-center mecca

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A data-center development firm hailing from the Northeast plans to construct a multimillion-dollar project in San Antonio — one that could serve as a magnet for attracting data-intensive businesses to the local market.

The firm bringing this carrot to the city is **Power Loft** LLC — a privately held firm headquartered in McLean, Va., that specializes in developing data centers.

Initial plans for their San Antonio project — known as Power Loft @ Westover — call for a facility of 100,000 square feet, according to Jim Coakley, president and CEO of Power Loft. The planned facility will be located on 23 acres of land at Wiseman Boulevard and Impala Summit. The tract is located within the far West Side master-planned community called Westover Hills.

The goal is to bring in a user, or users, that are in need of a central location for the computers and communications equipment necessary for the operation of their business. The idea is to go after firms that need a minimum of 25,000 square feet of space in such a facility.

The “sweet spot,” as Coakley calls it, for the project is in three target sectors: financial services, the U.S. government and Internet service providers (ISPs).

Power Loft @ Westover is being built on a speculative basis. But given present demand in the local market for these facilities, Coakley is banking that it won't stay a spec building for long.

In fact, his company is putting a lot of money on that bet.

Coakley puts the cost for a 100,000-square-foot facility at \$180 million — which includes construction and utility costs.

Power Loft has, however, acquired enough land to develop what Coakley calls a “sister facility” in Westover Hills — a project that, if pursued, could add another 100,000 square feet of space and bump up total build-out costs to \$320 million.

Power Loft's financial partner is Washington, D.C.-based **Iron Point Partners** LLC — a private equity fund targeting real estate investments.

Right site

Data centers — with their ability to hold vast amounts of digital information — are “power eaters,” Coakley says.

So when it comes to deciding where to build such facilities, finding less-expensive options for electricity are crucial.

Enter Texas, which boasts some of the most reasonable rates.

Initially, Dallas was also on Power Loft's short list for its latest project. But the more competitive utility rates in San Antonio quickly moved the latter city to the top choice list.

Now add in the fact that the Westover Hills community is already "tech rich," with data centers planned or on the ground there for the likes of **Valero Energy**, Christus Santa Rosa Health Care, **Frost Bank** and **Microsoft**.

But when Power Loft first put its land in Westover Hills under contract, Microsoft had not yet announced its plans to develop a data center in San Antonio.

"It was a happy surprise," says Coakley of Microsoft's choice of the Alamo City for the project.

Fiber-optic service from both **AT&T** and **Time Warner Telecom** will be immediately available to Power Loft @ Westover, says Coakley, who adds that he is excited to build a presence in a city that boasts a pro-business attitude. "This is a great development community," Coakley stresses.

Green is good

Data-center development is a niche within the real estate industry.

Power Loft, however, is a niche within a niche, Coakley says. His firm's focus is on building data-centers that are certified as LEED projects.

LEED, which stands for Leadership in Energy and Environmental Design, is a benchmark for creating energy-efficient developments — from the design of the project to the construction and performance of the final product itself.

In fact, Power Loft @ Westover is only the second of this kind of data center in the country, according to Coakley. The first, located in Prince William County in Manassas, Va., will come online later this year — also courtesy of Power Loft.

"It's a new idea that was long overdue," says Coakley of green data centers. He refers to his firm's project in Virginia as the "poster child" for Power Loft's eco-friendly approach.

The current strategy for Power Loft is to have at least six such facilities completed over the next 24 months.

At present, Power Loft is looking to hold on to these centers — although that scenario could change after they bring some more of these facilities to the market.

And more of these facilities are needed — not just in San Antonio, but elsewhere, says Bryan Loewen, who is marketing the Westover Hills project for Power Loft.

Loewen is the director of GVA Cawley Mission Critical Connect — a division of commercial real estate firm GVA Cawley. The GVA division works with data- and call-center clients throughout the country.

The demand for these facilities in the U.S. "vastly outpaces the supply that is readily available," says Loewen, adding that he doesn't expect supply to catch up to that demand any time soon.

The huge investment required to develop a stand-alone data center also makes it a cost-prohibitive endeavor — which eliminates the likelihood of a glut of such developers storming the market.

"There is no abatement to our demand for digital content," says Coakley of the current marketplace. "And they are a lot of fun to build."

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