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NJ Connects With Data Centers

By Maria Wood

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Pembroke

HACKENSACK, NJ-Even though companies are reluctant to undertake the large capital expenditures necessary for the establishment of a data center due to the recession, Russo Development LLC remains committed to the sector. In fact, it recently signed third-party data center provider Cervalis LLC to a long-term lease for a 148,191-square-foot facility in Northern New Jersey.

The deal marks Cervalis' entry into New Jersey. It currently occupies more than 280,000 square feet of space for its data and disaster recovery centers in the Tri-State area. Craig Zurick, senior vice president of the Garibaldi Group, in collaboration with Howard E. Greenberg, president of Howard Properties Ltd. of White Plains, represented Cervalis in the New Jersey deal. Michael Pembroke, senior vice president of leasing, served as the in-house representative of Russo Development, with assistance from Thomas Mallaney and Carrie Brown of CB Richard Ellis Inc.

The SVP declines to specify the exact town the Cervalis building is located in, citing the security concerns of many of the financial services firms that utilize such facilities. Currently, Russo owns 1.4 million square feet of data center space in the state.

Pembroke reveals that his company first came into contact with Cervalis some four years ago when it was marketing a build-to-suit project in northern Bergen County and had stayed in touch with them since then. "We ended up making a deal with another financial institution on that site," he says. "They have facilities in New York and Connecticut and were looking to expand to New Jersey."

In the fall of 2008, Cervalis began to "hone in" on a spec building Russo had under development, Pembroke says. A lease was signed earlier this year and it is expected the property will be operational by the beginning of 2010, he adds.

Russo did its first data center development in 2001--a 300,000-square-foot spec building in Carlstadt that was leased to Sungard, another third-party data center management provider. "This is our sixth data center deal in northern New Jersey over the past eight years," Pembroke says. "We've developed a niche for this type of development. It's become a good opportunity for us because we've spent a lot of time searching for sites and locations that can be suitable for data facilities."

Among the elements that are critical for a data center project are the power, water and telecommunications infrastructures in the area as well as environmental factors, such as whether the site is prone to flooding or other natural disasters.

Northern New Jersey is particularly suitable for financial companies' backup data centers due to its proximity to Manhattan. "The rule of thumb is a 50-mile radius from Midtown Manhattan is usually a good location for these types of facilities," Pembroke says. And even in down times, data centers have proved to a **resilient sector** in the Garden State Office market.

However, Pembroke does concede the current economic slump has made companies reluctant to pursue a costly data center deal at this time. "We've seen a good amount of requirements out there put on hold indefinitely until the financial crisis is resolved," Pembroke says.

Further, firms are looking for occupancy ready properties, Pembroke adds. "Before, we would build a shell and core with utility infrastructure," he says. "Now, we are getting some requests to actually provide a full turnkey solution where we would build out the entire data center and lease it to them at one rate as a package. Because of the constraints these companies have about issuing a large

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capital expenditure at this time, we are seeing a lot more requests for full turnkey solutions that we haven't seen in the past and from extremely large companies as well."

Yet Pembroke says Russo will continue to be active in the sector. It currently has one site under control and is targeting several others. "The financial crisis is reaching the data center sector," he says. "But we believe the long-term prospects for this market are positive because a lot of the trends point to increased activity in the coming months and years."

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