

DATA CENTER SNAPSHOT

Toronto

2017



NEWS AND TRENDS

DuPont Fabros has plans to build a wholesale data center, operational by as early as Q4 2017.

I.C.E. Data Centers purchased the former HP site, opening a Cloud and 1.5 MW wholesale site in Markham for 2016.

BELL Canada has shown their confidence in the Canadian market by buying the remaining shares of Q9 Networks, as well as their acquisition of MTS Allstream.

Microsoft will be opening two new data centers in Canada, one in Toronto and one in Quebec City. The facilities will be part of Microsoft Azure's Cloud offering.

In 2015 SAP opened a new facility in Markham. The facility services a mix of public and private clients and is meant to be a supplement to SAP's hosting services in Europe.

Market Analytics

Toronto is Canada's largest population sector with a population of 6,129,900 in the Greater Toronto Area. Toronto is the economic engine of Canada and has a GDP of \$157 billion representing about 10% of Canada's GDP. Toronto is also Canada's largest data center market and represents a majority of the Canadian multi-tenant data center space with 2,355,000 SF of white floor space comprising over 50% of the total Canadian market. Despite Canada's recent economic woes from a slump in the energy sector, Toronto's economy has proven resilient. Toronto has seen an increase in jobs with over 39,000 new positions created since July last year. Growth in the data center market will likely grow with the City.

As Canada's financial hub, Toronto is the headquarters for most domestic and foreign banks, subsidiaries and branches in Canada. Financial services has been a key demand driver for data center space in Toronto. The technology sector is another key driver, sitting as the third largest tech sector in North America behind only San Francisco and New York.

Over the past year, the average price of homes in the Toronto market increased by 17.7%. Canada's other hot real estate market, Vancouver, has recently implemented a 15% tax on foreign buyers. This has the potential to send foreign investors to the Toronto market which will further increase growth opportunities. The Toronto population continues to increase and is projected to grow by over 2.6 million to 7.45 million by 2031.

What's Prompting this Growth? The main industries driving data center growth are: the financial sector, media and Cloud services, government, gaming, e-commerce, and SaaS.

What's next? Toronto's large population attracts demand from Cloud, SaaS, and media services. As new providers continue to move into the market from aboard, additional supply will be built to accommodate the demand.

MARKET INDICATORS

LOW (\$US/KW/MO)	HIGH (\$US/KW/MO)	QUARTER TREND	2016 FORECAST
\$160	\$250	➔	➔

SUPPLY & DEMAND

SUPPLY ESTIMATE	BALANCE			TENANT DEMAND	SUPPLY PIPELINE
	OVER SUPPLY	EQUILIBRIUM	UNDER SUPPLY		
23 MW			✓	➔	➔

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Randy Borron: Thoughts On the Market

What are your thoughts on the Toronto market?

“In the 34 years I have been working in real estate, I have never seen so much foreign investment coming into Canada. For Toronto, many investors have expressed enthusiastic optimism about the city's future growth and development potential. A year of phenomenal change has many organizations adapting to Cloud computing and virtualizing much of their IT loads. There has been tremendous change in the IT world in recent years and as a result, facilities that support these changes are in high demand. Leasing in the colocation market has been extremely active, notably so in the first half of the year. There has also been significant new interest in additional wholesale developments in the Toronto market place, especially since the supply of wholesale space is so restricted at this time.”

What would you say makes Toronto different from other Canadian markets?

“Toronto and Ontario are the economic engines of Canada and represents 60-70% of IT traffic in the country. It's the location of a vast number of financial services institutions and corporate head offices. It's the largest market and typically we see foreign investors come to Toronto and expand outward from there. Often these investors will have 2 data centers before expanding elsewhere”

What are some of the key trends you see affecting the Market?

“Many companies still have a large portion of servers in the office environment. There is no question this is not a good real estate decision or a good environment for servers and IT infrastructure. We are seeing a very rapid migration to the proper environment of enterprise or third party data centers.

We are also continuing to see a trend towards business reliance on their IT infrastructure and demand for higher levels of resiliency as a result.”

There has also been rapid growth and adoption of Cloud and managed services that have been gobbling up data center space at a tremendous rate. While driving demand for new and higher quality facilities that can support their densities and demand.

Latency and customer experience is a big demand driver as well. We continue to see organizations moving services closer to the Canadian markets that they serve. With lower latency, a better customer experience can be provided. Currently this is not the biggest driver, however low latency solutions with quick response times may become more relevant as demand for mobile technologies continue to grow.”



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Randy Borron is a Vice Chairman with Cushman & Wakefield Ltd. and has over 28 years of experience in data center and telecom switch site acquisition and lease negotiation sectors, and more than 34 years of experience in commercial real estate.

His data center expertise covers site selection, lease negotiation, portfolio strategy, real estate strategic planning, and account management. Randy is experienced in managing global accounts and transactions; large teams in many regions, and various disciplines, including client, team, and other expert service producers.

Randy is one of the founding members of the Cushman & Wakefield Global Data Center Advisory Group. The Data Center Advisory Group is made up of uniquely qualified specialists who understand the specialized requirements of the mission critical environments. Mr. Borron determines the value proposition within each transaction to ensure that his client's real estate decisions results in protection of their mission critical facilities, skills, tools, and knowledge.

Randy is a top producer in Cushman & Wakefield, achieving Top 100 in the Americas for the last 5 years. Mr. Borron graduated from the University of Western Ontario with an Honors Degree in Urban Development and Economics. He is a member of SIOR, CoreNet Global, and NAIOP.