MAJOR DATA CENTER MARKETS Ranked by Affordability	
Market	Total Annual Operating Cost
San Antonio	$12,765,785
Kansas City	$13,371,607
Dallas (Denton, Texas)	$13,872,965
Atlanta	$14,002,471
Denver	$14,734,630
Seattle	$15,701,932
Chicago	$17,904,698
Boston	$19,079,992
Newark (Northern NJ)	$19,245,362
San Francisco	$23,493,521
New York	$28,067,127

Source: The Boyd Company

- *May 12th, 2008 : Rich Miller*

In The Boyd Companies' latest study of the best locations for enterprise data centers, the cities with the best cost profiles are primarily second-tier markets. Although these cities may offer opportunities for stand-alone corporate projects, many wouldn't fit the criteria for multi-tenant data centers or peering facilities, which are typically located near business centers or major connectivity hubs.

Fortunately, the Boyd study also looked at the cost profiles of most of the current hot spots for data center development (with northern Virginia being the notable exception). Of those, only San Antonio, Texas was among the leaders in affordability. But the comparisons provide insight into cost differentials between today's leading markets.

The most expensive places to operate a data center are New York and San Francisco, two of the major Internet markets. The Boyd Company estimates an annual expense of $28 million to operate a data center in New York, with San Francisco coming in at $23.5 million.

They were followed by northern New Jersey, which at $19 million a year is more expensive than most other markets, but nearly $9 million a year cheaper than New York. That cost differential is one of several factors prompting Wall Street institutions to build new data centers in New Jersey, along with the availability of land and regulators' emphasis on geographic diversity for backup facilities.

Disaster recovery considerations are a big factor for Boyd, whose clients include financial institutions and Fortune 500 companies.

"Generally speaking, mid-continent locations are well insulated from natural disasters," said Boyd. "We really favor getting out of either coast."

Another major factor in the changing geography of the data center industry is utility costs. "Electric power costs dominate the equation, along with labor costs," said Boyd, who added that renewable energy is starting to emerge as a secondary criteria in site location. "It's on the radar screen. The federal government has commissioned studies of how the data center industry uses power. Companies want to position themselves ahead of the curve."

Boyd sees parallels between the current growth in the data center industry and the expansion of the call center industry in the 1990s. "The call center is the template for data center growth," said Boyd. "Every decade there's a new hot sector. Last decade, it was the call center, and this it's the data center industry. With the call center, when the industry matured, the third-party providers gained traction." At that point, fewer companies built their own call centers, preferring to outsource to call center specialists.

There's one important difference between the two industries, Boyd said. "Because of security issues, most data center functions will stay in the US," he said.

Boyd's estimates are based on the annual cost of operating a 125,000 square foot financial services data center, and includes the cost of land, labor, power and property taxes.