

Professional advice

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Brave investors move into data centres

Smaller, specialist firms set to be acquired in new technology race. **David Lawson reports**

Watching global computing giants Dell and Hewlett Packard fight each other for the right to pay more than £1bn for an obscure, loss-making technology minnow called 3Par raises a spectre of the madness that devastated financial markets 10 years before property came along to finish the job.

Yet they may be showing better perception of opportunities beyond the current gloom than apparent among real estate investors.

As prospects for bricks and mortar decline, demand for cyberspace has soared. Bits and bytes are replacing paper as retailers move online (box below), stock exchanges maintain audit trails of deals and banks relocate computers out of basements after 9/11 exposed their fragility.

All this data needs to be filed and Dell and HP believe storage technology specialists such as 3Par will be worth their weight in gold. The property industry is less convinced.

Most real estate investors regard data centres with the same fear and disdain as they did storage and the sale of physical goods in retail warehouses a few decades ago. The brave made fortunes by stepping into that gap: laggards have been paying through the nose ever since.

Veteran developer Paul White is an exception. The Frogmore managing director has just committed £30m of the firm's Real Estate Partners II Fund to create a 70,000 sq ft data centre in Enfield, north London, with partner Obsidian.

He joins a handful of pioneers, such as Andy Ruhan, who founded Global Switch, sold it to the Reuben brothers and started again with Sentrum. Segro and Pinder Fry have also dipped into this market. But most centres have been created by specialist operators who work hard to find funding.

Paper trails aren't pulp yet

Storing business information on dead trees should be as obsolete as quill and parchment in the computer age, yet the paperless office seems as elusive as ever.

Document scanning has made big inroads. Derby-based Derwent Living Housing estimates time savings worth £26,000 a year after switching from processing paper invoices to an InVu scanning system for its 11,000 properties and wide range of suppliers.

This has also enabled automated invoice approval and Derwent is now considering moving



PHOTOGRAPH: VICTORIA NIGHTINGALE

Electronic copy: Frogmore's Paul White has invested £30m in cyber storage

Ironically, as the financial sector demands more space to store data, it is the biggest brake on development. The recession has made raising money even more difficult than before, says Charlie Carden, associate director of the data centre team at Jones Lang LaSalle. He estimates outstanding demand for around 500,000 sq ft, which could absorb most of the supply by the end of the year.

Making up the shortfall will not be easy, because it can take years to find suitable sites. These centres require massive power supplies in highly secure locations close to trunk telecom cables that can handle heavy traffic.

Development is also expensive. Fit-out costs were more than £1,000/sq ft, says Carden – often greater than the cost of the site and shell. Prelets are also rare, which makes funding all the more difficult. But the potential rewards for those brave enough to take the plunge should more than compensate as demand and rents soar. ■

other documentation such as expense forms and house completion paperwork online.

But UK businesses still use 750,000 tonnes of paper a year because each digital document is still printed on average more than 11 times, says Andy Craig, commercial director of office2office Group. Continually changing electronic formats also mean many organisations maintain paper backups.

The group has launched a "cradle-to-grave" service that ensures secure disposal of paper, which is then recycled for reuse by subsidiary Banner Business Services.

TECH UPDATE

Qube announce upgrades

Qube Global has made upgrades for version 10 of its Horizon, Planet and Qube management software, which is used by around 850 clients in the property industry. These include:

- Reducing costs by enabling online access via the "cloud"
- Self-service for tenants
- Interactive dashboards that visually present results and help increase knowledge of a business
- Intuitive web interfaces that allow users to configure screen layouts to individual needs
- New functionality to help meet environmental aims through better awareness of carbon use
- Better document management systems that find and keep track of changes rather than just critical dates

Manhattan's management tool

Strategic performance management software has become a key tool as the recession forces companies to wake up to the importance of their property.

"No tool has ever been more important to property professionals and managers who have to make major financial decisions," says Jason Allaway, commercial director at Manhattan Software Europe.

A module of Manhattan has been developed to bring together data from different business units and systems into a single platform. Users can view graphically how their portfolio is performing, make supply and demand analyses and perform multiple "what if" scenarios.

Storedata launch iSite

Retail property specialist StoreData has rebranded as iSite and launched new management software as it aims to expand into other sectors. The subsidiary of listed property services group Styles & Wood was spun off from an in-house team and handles large-scale retailers such as Tesco and Nationwide.

"Too many businesses still rely on spreadsheets because they don't have anything better or their systems are not up to scratch," says business unit director Martin Ward. ■