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SPOTLIGHT

GI Partners invests in increased capacity at One Wilshire

OCTOBER 24 2016
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The One Wilshire building in downtown Los Angeles is undergoing significant changes under the ownership of GI Partners. Since taking over the property from Hines REIT in 2013, the company has developed a plan and begun to power and cool more datacenter space for the building. The project will power and cool up to 9MW of utility power to One Wilshire, on top of the existing and available 3MW today – creating the ability to commission up to 150,000 square feet of space for datacenter tenants. The move comes as GI Partners works to gain new value from its investments, and the company is working diligently with its existing and new tenants to support potential growth of demand.

The 451 Take

The LA datacenter market, and specifically the downtown market, is slow until it's not. Growth spurts seem to happen every three years or so, which means one is likely due now. Between the extra capacity being added by GI Partners to the One Wilshire building, the sale of the Garland Center building (1200 W 7th Street) to H.I.G. Realty Partners, and several other rumors floating around about other deals and potential expansions, perhaps 2017 will be Los Angeles' year. Both the GI Partners and H.I.G. Realty Partners deals represent a transition away from traditional 'four food group' real estate company owners (office, industrial, retail, and multifamily), to ones that are more tech savvy in their decision-making process and investments. Just when you think the Los Angeles market has gotten a little boring, someone makes a large investment to spice things up again.

Of the fabled carrier hotels in the US, the One Wilshire building in downtown Los Angeles certainly stands out. Construction of the building was completed in 1966, when it started life as a traditional office building. A perfect storm was created in the 1980s when Pacific Bell banned competitors from its switching centers, one of which was located just down the street from One Wilshire. In response, MCI decided to install its own microwave station on the roof of One Wilshire, and thus began the building's storied run as a telecommunications hub. Over time, and with the deregulation of the telecom industry, other telcos began to flock there. In 1992, the building underwent a major renovation in support of the telecom industry, and the famous meet-me room located on the fourth floor of the building began to take shape.

In 2001, The Carlyle Group acquired the building from longtime owner the Paramount Group. That same year, CRG West was founded by The Carlyle Group to officially operate the carrier hotel, and in 2009 it rebranded itself as CoreSite. Over time, the company evolved into the datacenter and interconnection company that it is today, and the new brand helped solidify the shift.

In the middle of all that, the Carlyle Group sold the building to Hines REIT in 2007, but CoreSite (still CRG West at that point) maintained management control of the meet-me room and all of its own datacenter space as a tenant of the building. Finally, in 2013, Hines REIT sold the building to GI Partners, the building's current owner.

As it stands today, the building is set up to support communications and IT infrastructure on 23 of the building's 30 floors. The largest colocation provider in the building is still CoreSite, followed by IX2 and a number of other telecom companies. There has been a bit of a problem however, which is that CoreSite and the other colocation providers in the building have been famously full for years. While each company has some space available for existing customers to expand, and room for smaller deployments, large blocks of contiguous space have not been available or invested in by the prior property owner. That is, until now.

Expansion plans

GI Partners recently announced an expansion project that carries with it the opportunity to shake some things up in the downtown Los Angeles datacenter market. The company states that there is 3MW of utility power available today, with an additional 9MW of utility power being brought to the building that should be completed inside of 12 months. Further power expansion may even occur beyond the initial 9MW, subject to leasing velocity. To coincide with the additional power capacity, GI Partners is also installing a new 2N condenser-cooling loop with enough cooling towers to handle the increased power load. GI Partners also has plans to bring up to 12 additional 3MW generators, to offer backup power in an N+1 configuration. GI Partners has roughly 70,000 square feet of space available now, which can be had in contiguous floor plans as large as 15-20,000 square feet. Per the company, there are also several other vacant spaces available in smaller chunks, should an organization not require such a large footprint.

Despite GI Partners' private equity arm owning a datacenter operator (/report-short?entityId=81200), the company states that its real estate arm (run as a separate division), which owns One Wilshire, is not interested in becoming a datacenter operator in the downtown Los Angeles market. The One Wilshire expansion will be offered to tenants looking for more of a traditional landlord-tenant relationship, although GI welcomes all tenants coming through the door and is willing to get creative with potential new tenants and operating partners at the building to try to make other arrangements work. According to the company, the goal of the expansion is to allow for growth over the next several years and empower its existing and new customer base, rather than a move to shake things up downtown or to begin competing with its tenants.

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M&A ACTIVITY BY SECTOR

Data centers & facilities / General (1) (https://makb.the451group.com/results?basic_selected_sectors=869)

M&A ACTIVITY BY ACQUIRER

CoreSite (1) (https://makb.the451group.com/results?basic_acquirers=CoreSite)

Everyones Internet [GI Partners] (2) (https://makb.the451group.com/results?basic_acquirers=Everyones+Internet [GI Partners])

MCI, Inc. [fka WorldCom] (4) (https://makb.the451group.com/results?basic_acquirers=MCI,+Inc. [fka WorldCom])

Figures shown indicate number of transactions

COMPANY MENTIONS (PRIMARY)
No primary company (/search?company=No+primary+company)

COMPANY MENTIONS (OTHER)
The Carlyle Group , CoreSite , CRG West LLC , GI Partners , H.I.G. Realty Partners , Hines REIT , MCI , N+1 , Paramount Group (/search?
company=Paramount+Group)

CHANNELS
Multi-Tenant Datacenter (/dashboard?view=channel&channel=12)

SECTORS
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