Managing Your Real Estate Data (Centers)...it's not Just About Office Leases Anymore

In our business, abstracting is not just for leased locations, it can also include a variety of asset types. One of those types that has increased for us are Data Center and Colocation (COLO) agreements. Like traditional office leases, these contracts have parties, key dates, responsibilities and recurring fees which can be forecasted, but also variable costs for charges such as power and electric, cross connects, and bandwidth. These can vary widely month to month, and from provider to provider and present difficulties in tracking, reviewing and paying.

To the untrained eye, these billings can become a runaway cost component because they can take a lot of time to understand and review; but like most successes stories, having the right process in place to monitor and measure ensures compliance and avoids overpayments. The key, much like traditional office lease agreements is to understand the obligations set forth in the agreement, but also to understand the nuances that make up a colocation agreement. This can be hidden in the terms and methods each vendor uses to invoice these amounts. With some contracts, the client is paying a Minimum Usage Charge (aka "minimum commit"), and if you don't look close enough you can easily be double billed for power usage.

PSG's Tips to Add to Your Process:

- ✓ It is critical to ask for backup for power charges, including the meter reading, the kWh Usage, and most importantly the rate being used to charge the Electric (i.e. Rate ($/KWH).
- ✓ Track each Service Order like an Amendment to the Lease, and make sure that you have the renewal language documented and on a tickler system to avoid costly Auto Renewals.
- ✓ Larger Colo's often require Security Deposits, so be sure to book the Deposit to a balance sheet account which can be reconciled either by getting the refund back or applying it to an expense later.

By asking for this level of detail from your Landlord you will not only have the peace of mind knowing your costs are accurate, but you are also putting the Landlord on notice that you are a trained Data Center tenant.

For more tips or assistance with understanding and validating your Data Center costs ASKPSG!