

# Rackhouse thrives in data center niche

By Karen Nielsen | Special Contributor

At least once a week, real estate owners across the country call Rackhouse executives to explain why their warehouse would make a perfect data center.

To a typical real estate practitioner, it may seem like a legitimate fit. But 99% of the time, Brant Bernet, Martin Peck and Peter Tippen have to set the record straight.

Data centers are complex. They can't be in a floodplain or too close to – or too far from – an airport because executives need easy access and plane crashes shut down operations. Centers require access to inexpensive, but reliable, power and shouldn't be placed in locales with frequent weather disruptions.

Traditional real estate firms focus on building national networks and the iconic location, location, location. But Rackhouse Group LLC learned long ago that the intersection of power and fiber counts more for its customers – and confidentiality is king.

"What we found through the years is that data center users are different," said co-founder Peck. "They demand focus, confidentiality and expertise. They prefer more of a SWAT team or stealth approach."

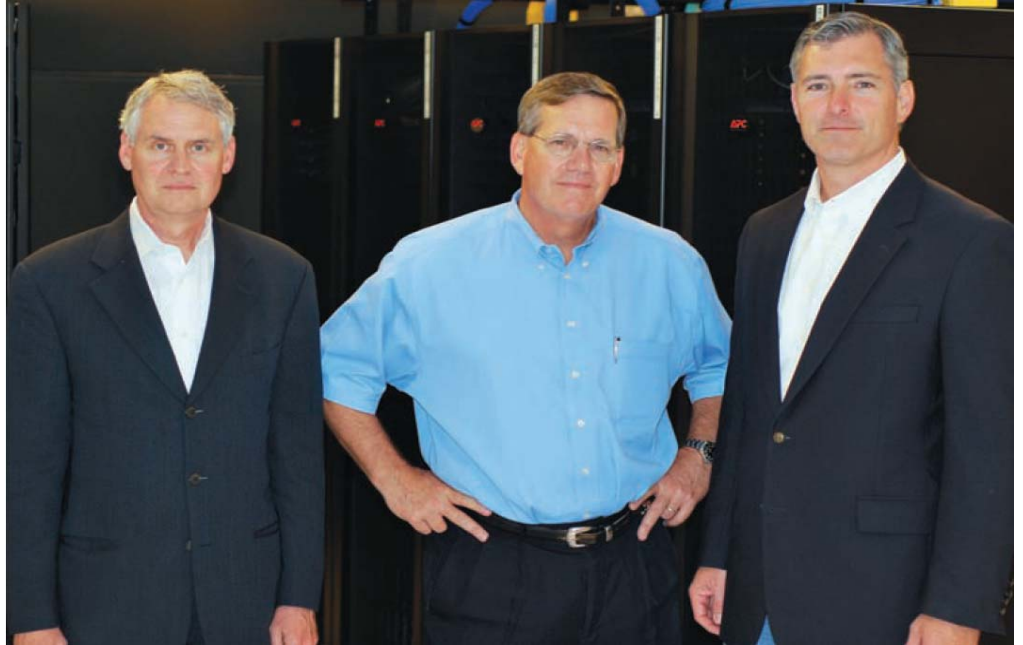
That kind of insight stems from Rackhouse co-founders' 75 years of collective real estate experience. The three met through their work at Trammell Crow Co., where they helped create and operate a critical facilities business practice for nearly 10 years.

In 2006, they left Trammell Crow on good terms and ventured out on their own to form Dallas-based Rackhouse, which in techie terms means the area where data center servers are stored.

The company has five clients, which Bernet calls a "good number for us" since the goal is to remain small and stealthy. Their clients include technology companies as well as real estate investment trusts and other companies that outsource data operations. Tippen notes that the data center business is booming and will get a further boost from President Obama's initiative to digitize medical records.

"We're fortunate and excited about being in a niche that is bucking trends we're seeing in the economy," he said.

Bernet can count on one hand the number of companies that do nothing but tenant representation for data center business.



**A DIFFERENT BREED:** From left, Peter Tippen, Martin Peck and Brant Bernet, Rackhouse Group LLC co-founders, say data center users require focus, confidentiality and a stealthy approach to finding access to reliable power.

Michael Kowal, director of Washington, D.C.-based DuPont Fabros Technology Inc. (NYSE: DFT), said companies don't want to be in the business of building highly capitalized assets like data centers, so they turn to his company, which develops and operates the centers. Those same companies rely on real estate professionals who understand the industry.

"The challenges that our asset class and properties present for the general real estate market is that they have a lot of moving parts and require backgrounds above and beyond commercial real estate," he said.

Often, Kowal must speak separately with a company's CIO and CFO to work out the details, which results in "a lot of butting heads."

"The nice thing when you get a group like Rackhouse is you can talk to both sides of the house at the same time," he said. "We find it helps accelerate the cycles."

Rackhouse execs' pedigrees set them apart, but Kowal expects over the next three to four years more large brokerage firms will try to build their practices around data center fundamentals since that's where the money trail leads.

Data centers cost 10 times more to build than traditional commercial buildings, but the biggest part of the expense is not bricks and mortar. The centers operate around the clock and require generators, batteries and cooling systems to maintain the equipment, Tip-

pen said.

While the trio is based in the West End of Dallas, they spend a good amount of time traveling to locations such as Northern Virginia, Washington, D.C., Silicon Valley and Denver to work on deals.

It's clear that seniority and different skill sets – Tippen's the financial guru, while Bernet and Martin are the front men – contribute to the fluidity of Rackhouse's operations.

"Each brings something to the group that makes it hum," said Bernet who jokingly claims they rotate the title of president.

Peck added: "We had a great year last year and have already surpassed last year's accomplishments. We look at our success and activity and never take that for granted."

Nielsen is a freelance writer in Plano.

## RACKING IT UP

**NAME:** Rackhouse Group LLC

**BUSINESS:** Real estate needs for data centers

**HEADQUARTERS:** 302 N. Market Street, Suite 450, Dallas, TX 75202

**OWNERSHIP:** Private

**TOP EXECUTIVE:** Brant Bernet

**EMPLOYEES:** N/A

**ANNUAL REVENUE:** N/A

**PHONE:** 214-271-0600

**WEB:** rackhouse.com