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Office Relocations Trigger MSP and Cloud Opportunities

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Posted April 23rd, 2010 by [John Moore](#)

We've [written about](#) declining commercial real estate values as an opportunity for service providers looking to add new data centers. Here's another real estate angle: The lure of cheaper office space is inspiring companies to relocate. And when they do, they may opt for managed hosting and cloud computing rather than move their existing IT gear or purchase new infrastructure. Here's why.



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Siamak Farah, chief executive officer of [InfoStreet](#), a SaaS provider, said he has come across that scenario a few times in recent months. He said companies seek to cut expenses where they can and real estates offers one outlet for doing so. In markets such as Los Angeles, commercial properties that were untouchable a year ago now offer substantially lower rents and may throw in a couple of months for free, Farah said.

Companies seeking new digs have approached InfoStreet when the cost of relocating or buying infrastructure emerged as a deal breaker.

"People are struggling ... being anchored down by physical hardware," Farah said.

In some cases, customers are seeking a temporary SaaS bridge that will stay in place until in-house systems at the new location go into production. A credit union, for example, is weighing InfoStreet as a stop gap measure while it waits for a new data center to come online. Farah described the bridge deals as exceptions, however. He said companies wanting to keep computing on premise tend to fall in industries with strict compliance requirements.

Corporate shakeups can also create the sort of dislocation that creates an opening for managed services.

"We have seen a trend where companies are undergoing a major corporate event, e.g. divestiture or liquidation, where, instead of moving out of the parent facility to a newly built or acquired data center, they are choosing to move to a hosting provider who can provide cloud computing solutions and managed hosting," said Allen Allison, vice president, managed services at [NaviSite](#).

The real estate-related deals are worth looking out for, although the nature of the opportunity will vary markedly from local market to local market.

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