

Inside Data Centre Podcast.

WITH ANDY DAVIS

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Title

John Day, Chief Commercial Officer at CleanArc Data Centres: Delivering the Data Centres of tomorrow, today.

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Transcript

This is the Inside Data Centre podcast. We talk to the people who power the data centre sector to give you insider info on everything happening in DC today. Here's your host, Andy Davis.

Andy Davis (0:00 - 0:37)

Welcome to the Inside Data Centre podcast. Today I'm joined by John Day, Chief Commercial Officer at CleanArc Data Centres. Good morning, John.

John Day (0:37 - 0:39)

Hey, good morning, Andy. It's a pleasure to be here.

Andy Davis (0:40 - 0:58)

Thanks for coming on. Looking forward. CleanArc's been in the news a bit lately, so it's good to get this opportunity to speak to you.

It seems like the right time to give everyone a bit of an insight into the organisation and obviously yourself personally. Before we start, do you want to give a quick introduction of who you are and what your role is at CleanArc?

John Day (0:59 - 1:30)

Yeah, just briefly. Again, John Day, Chief Commercial Officer at CleanArc. So, you know, sales, leasing, marketing, public relations, most of the outward facing functions of the company fall under me and a team of one right now.

And, you know, I've been in and around the data centre business for over 20 years and a number of great companies during that time and was happy to get the call from Jim Trout about joining CleanArc about 18 months ago.

Andy Davis (1:30 - 1:46)

Excellent. I'm very busy at the moment. As you said, there's a lot going on, which we're going to cover.

Before we go into all of that, I always like to hear how everyone ended up in this wonderful world of data centres. So do you want to give us a quick insight into how you started your career and how you made the transition to the data centre sector?

John Day (1:49 - 4:03)

Yeah, a circuitous route. And I think, you know, a few people that you've had on the podcast have had similarly, you know, maybe not similar routes, but certainly winding roads to get here. So I finished college, ended up in Washington, D.C., worked on Capitol Hill for a couple of years right out of school, and also I worked on a presidential campaign. And it was on that campaign I actually met a lot of business people who had just taken some time to volunteer on the campaign. And just the world that they were in just sounded a lot more interesting to me than politics and government. And so I pursued a couple opportunities, ended up with Oracle on the software side.

This is, again, years and years ago. And then had a number of software sales jobs for a couple of years and ended up at a company called Exodus Communications, which was one of the first big publicly traded multi-tenant data centre companies in the United States. Actually had some presence in the U.K. and a few other international outposts. And so that was kind of my first experience in the data centre business, always on the sales and leasing side. But I had a short stint as an investment banker in what we'd call a, you know, a TMT practice. And so we did a couple data centre deals after the internet bubble burst.

And there were a lot of assets on the market. So I got some exposure to the data centre business from the banking and finance side, which was really interesting. I then was recruited by one of my banking clients to a software company that actually was selling into the data centre business.

It was a software application for managing mission-critical power distribution systems. So data centre was right down the middle of the fairway for that. And then eventually I moved back over to the owner-operator side and had a couple of great years with QTS and with Savvy Data Centres before joining CleanArc.

Andy Davis (4:04 - 4:05)

And here we are today.

John Day (4:05 - 4:06)

Yeah.

Andy Davis (4:06 - 4:17)

One thing I always like to cover, when you people have been in the industry for a while, it's just how it's evolved and how it's changed. What are the biggest changes you've seen since you started in the sector to where we are right now?

John Day (4:19 - 6:51)

Well, I guess the obvious one is simply scale, right? How big the data centres have become. When I was with Exodus, the first few buildings were repurposed office buildings.

They were not purpose-built data centres. They weren't even really industrial buildings. They were really more office.

And then eventually, before I left Exodus, we did move into a few purpose-built, some industrial buildings that then were converted into data centre. And those buildings were quite small. I remember when I first joined Carpathia, which was then acquired by QTS.

That's how I ended up at QTS. Carpathia had just launched its own data centre, its own building. Usually they were a tenant of

Equinix or some other co-location providers.

But they built their own data centre, 7.3 megawatts. And I remember at the ribbon cutting, people wondering, how are they going to fill this entire building? And now that's half a data hall, right?

So scale, I think another thing that's interesting though, beyond just the scale is how the business has evolved. I mean, when I, as mentioned at the opening, I was a technology sales person. And it had been mostly software, some payment processing.

But when I moved to Exodus, it was still very much considered a technology sale. We had MSAs and we had customers and we had monthly recurring revenue and that sort of thing. We didn't talk about tenants.

We didn't talk about leases. We didn't talk about lease term. It was not really a real estate sale at the time.

Obviously real estate undergirded the offering and there were real estate people in the organisation that were negotiating our leases. But we didn't think about it as a real estate transaction to our customers. And that has changed dramatically over time.

And maybe with the reconversions that most of the data centre companies went through, whether it was Equinix and Digital at first and then QTS and CoreSight and others. Maybe that was really kind of the tipping point where it became thought of more as a real estate transaction and a real estate business. But I think from the time I started, again, way back in the early 2000s to now, that was a pretty profound change.

Andy Davis (6:52 - 7:15)

Yeah, the real estate point is really interesting because you're still seeing a lot of the capital that's coming in is that real estate capital as well, isn't it? Like transitioning from a fund, transitioning from a type of real estate into data centre as a real estate. So that's what, it's an interesting point actually.

I hadn't really considered it from that. Like the transition from when it went from what it was to now being a real estate plan.

John Day (7:16 - 8:11)

Well, it's interesting too, Andy, because it's not, data centres are not 100% sort of real estate. There's obviously a major real estate component, but having been out fundraising recently, there's also a very strong infrastructure component and the investment horizons and the targeted returns and some of the risk factors between real estate and infrastructure can be very different. And when you're sitting in a meeting, talking to a real estate minded investor versus an infrastructure minded investor, a lot of the questions that come up are very different.

And the concerns and the areas of risk or jeopardy that they see are very different. So, it's interesting because it's not 100% a real estate play, it's not 100% an infrastructure play and going way back to the point that we were just talking about, it's definitely not a technology play anymore.

Andy Davis (8:12 - 8:38)

Yeah, I always say it when we're looking for talent as well, you've got construction, engineering, IT. It's one of those sectors where everything, all worlds collide in one place, don't they? But on the, brings us on to CleanArc though, because you mentioned obviously the capital, et cetera.

Obviously, as I said earlier, you've been in the news recently, which we will cover. Do you want to give an overview of CleanArc and obviously what you offer in the US and how you're different from a development perspective?

John Day (8:40 - 13:59)

Sure. So, CleanArc was founded a few years ago by a gentleman named Jim Trout, who has a long entrepreneurial track record in the business. He was employee number one and the first CEO at CoreSight.

He was employee number seven at Digital Realty Trust and was there through the IPO and then left and founded Vantage Data Centre. So, he's got, again, a successful track record as an entrepreneur in the business. And Jim really, when he put the business plan together, he really built it around three pillars or three elements of the value proposition that he saw emerging at that time.

And one was developing at scale. So, looking for campuses that are 200, 300, 500 acres or more where you can develop multiple buildings, a campus and deploy 300, 500 megawatts or more of power over time. The idea being that if you find a good site that's latency relevant within just a couple of milliseconds of the nearest peering exchange or carrier hotel, you want to be able to give your tenants room to expand.

If they like you and they like the site, then be sure to give them room to expand. The second element of the value proposition is around what we call energy structuring or clean energy structuring. And so, the idea is to work with third-party renewable energy developers to curate a portfolio of renewable energy assets in the same region where the data centre campus is located.

And then helping to broker or arrange a transaction between our tenant and that renewable energy developer so that those net new green electrons that are coming onto the grid can help to offset the carbon footprint from the data centre campus. And so, rather than leaving this big to-do item for the tenant to figure out how to solve after the lease is signed, we are trying to give them the option. And it is an option, they don't have to take it, but we're trying to give them the option to be able to take advantage of those net new green electrons and the carbon offset from day one of the lease and not have to worry about how to mitigate the carbon footprint going forward.

So again, that clean energy doesn't necessarily power the data centre campus directly. It's just a renewable energy development or developments that are proximate to the data centre campus in the same region. And so, we refer to that as true additionality.

That's the bringing new green energy onto the grid as a result of these efforts. And then the third is what we call offsite manufacturing. There's been a phenomenal movement in the data centre business for a while to modularise construction.

Started with electrical containers that move from inside the data centre to outside in the equipment yard, sitting alongside the generators. And Jim had this vision in his mind to try to extend that even further than it's being done right now. And again, there's some great companies out there that are doing some really cool things around this.

But Jim had this idea in his mind of extending that even further and assembling really large blocks of mechanical and electrical equipment in third-party controlled manufacturing environments and then shipping those to the data centre site via truck or rail and dropping those into the core and shell. And the idea being it's more capital efficient. You can be building these large building blocks ahead of time or concurrent with the construction of the core and shell.

And with a goal to reducing delivery time by, we're forecasting anywhere from 15 to 20, even 25%. So those are really the three elements of the value proposition that we're bringing to market. When Jim started putting the business plan together, there weren't many people doing some of these.

So I think it sort of validates Jim's position in the industry as a visionary that the markets, he kind of called the market and the market has started to move this way. So we're not naive or uninformed. We know there's other people out there, other developers who are moving in this direction.

And we think we're doing it in a unique way that's gonna give a better experience to the tenant. And we think we're the only ones who were delivering all three of these items or all three of these elements of the value proposition under one provider. But, and I think when it comes to the clean energy structuring, I don't think anybody's out there doing that right now.

So that's a little bit about the business and sort of how it was all put together.

Andy Davis (14:00 - 14:36)

Yeah, it's interesting you talk about the power because I was at DCD London last week and the only talk I saw that had a queue outside was relating to power and clean energy and the renewable sort of twist on it. And I've probably had more conversations in the last six months with renewable developers looking to enter the data centre space than I've ever had in my life. So you're right on the visionary side of it.

It's definitely a lot of people are talking about it now, but whether they're doing anything is different, but that renewable play has 100% become a topic of conversation within the data centre space.

John Day (14:37 - 14:38)

Yep.

Andy Davis (14:38 - 14:49)

And obviously you're developing data centres within the US region at present, but have you got any that are currently under development or is this forward forward thinking at the moment?

John Day (14:51 - 16:14)

Oh, great question. So our first campus is in Virginia and it is under development. So we are currently in the market talking to potential tenants about that.

You know, we've done a lot of the horizontal development already. We own it fee simple. So that one is currently in flight.

We've got two other sites. I probably can't mention their locations, but one sort of an upper Midwest location and one is sort of a Southwestern, Southern central location. We've got one of those under contract.

We've got another one under letter of intent and we're moving out with due diligence on those. The longer term vision is to have, you know, five to seven campuses around the United States. And we certainly are open to international development.

It would probably be, I would say a second, you know, second level priority for us if we're doing it directly. Although we have been approached by a number of really, you know, interesting successful groups that have sites in, you know, outside the United States. And so with their, you know, help and assistance and local knowledge and capital, we may be able to move out on some of those earlier than we would if it was solely, you know, a clean arc individual effort.

Andy Davis (16:15 - 16:28)

Yeah, interesting. And from a scale perspective, we touched on it earlier, how the scale has changed significantly. How do you see it developing further?

What scale do you think these campuses will develop to across the next few years?

John Day (16:30 - 18:25)

Well, another great question. And we're hearing talk of gigawatt campuses, you know, multiple gigawatt campuses. You know, our, right now we're targeting anywhere between 600 to 900 megawatts.

You know, our first campus in Virginia will be a minimum of 600 megawatts, two different 300 megawatt substations that we'll build down there. I think, I'm hesitant to go into too much detail, but I do worry that in some instances, we're trying to go too big and we're hanging a bullseye on our back. Not we Clean arc, but developers in the industry.

I think we have to be very careful about, you know, how big we're going, because there is some public opposition that's beginning to bubble up. In some places, it's at a full boil. And so I think the bigger we go, the more sensitive we need to be to what those impacts are going to be.

And again, I think it attracts maybe some unneeded attention. But I do think, you know, those 600 megawatt campuses and up, I mean, it is what the tenants are asking for. So I'm not trying to criticize developers who are going even bigger, because that's where the industry is being driven.

I just think we need to be sensitive about how and where we do that. But, you know, our prototype building, our prototype basis of design, you know, is 134.4 megawatt critical IT building. So, you know, three of those on the campus and we're about done with that 600 megawatts.

Andy Davis (18:26 - 19:06)

Yeah, it's about sustainable growth, isn't it? I guess that's what we're saying as an industry. It's about growing sustainably, but also considering the impact, which I think the industry is doing a lot better now than it was.

But obviously we just got to maintain that focus on why we're doing it, how we do it and operating in a sustainable way. I mentioned at the start that you've been in the news recently. You're in my newsletter very, very recently.

I can't remember exactly, but Snowhawk, obviously you received some strategic investment into clean arc from Snowhawk. But why was that important to you as an organisation? And what does it mean about your future growth?

John Day (19:08 - 20:38)

Well, it positions us really well to continue to execute on this vision that Jim has. You know, CleanArc is a new hyperscale developer. But everybody on the team has extensive data centre experience going back a couple of decades.

And Snowhawk really is a private equity analog to CleanArc in the sense that it is a new investment vehicle, but comprised of really experienced professionals in digital infrastructure writ large and data centre specifically. You know, the leader of Snowhawk was a big driver of data centre investment at another large private equity fund. And, you know, Sarah Bach, who's a co-founding partner at Snowhawk held two different C level positions at Equinix, you know, in addition to, you know, other telco executive positions she's held.

So, you know, a really deep track record of experience and a desire to kind of hit the ground running. So very, very similar to CleanArc. And it just opens doors through direct investment with Snowhawk, but also the other large investors that they know in the market who can put significant capital behind the company, again, to help us execute on that vision that we talked about a little bit earlier.

Andy Davis (20:39 - 21:07)

Yeah, exciting times, I feel a lot. I know there's a lot going on. It's really exciting times for you and looking forward to seeing how you grow over the next few years.

Before we finish up, just a couple more questions around the industry as a whole, just to get your insight onto what you're seeing and how you're feeling at the moment. But a lot of challenges right now in the sector. We touched on power being one, availability

of, but what do you think are the main challenges the industry is gonna face over the next 12 months?

John Day (21:11 - 25:56)

Well, I think it's interesting because all the power that is, and data centre inventory that's coming online in the next 12 months for sure, and probably more like the next 24 months, at least in the United States, has already been spoken for. So that inventory is gone. So we're, you know, as an industry, you know, we're looking now at what's gonna happen, you know, 24 months plus from now.

You know, what's gonna happen 36 months, you know, four years from now. And I think, you know, power is the thing. Like you said, you go to every data centre conference and what's the biggest, you know, supply constraint out there.

It's not the supply chain anymore. It's not labor. Those things are all still factors to think about, but it's access to power.

And so, you know, I won't beat that drum. That's something that we need to tackle, but I'll go back to what I mentioned a moment ago. I think it is how do we grow in the locations that our tenants need and want to be in, in a way that is not just accepted, but welcomed by the communities that into which we will be moving.

And, you know, there was some rapid growth in a few data centre markets around the country that really rankled some of the local residents. And, you know, maybe some of that could have been done better. I mean, there was a lot of welcoming of the data centre industry in the beginning.

And then, you know, the tax revenues really benefited some of those localities. And maybe, you know, some of the development got a little bit close to residential areas. Maybe it got, you know, above the tree line in certain places where people weren't used to seeing data centres above the tree line.

And so, you know, I think there were things that, there were things that were done that we need to avoid going forward into some of these. And I think the development of data centre campuses, I think in some ways will be very helpful to that effort because we will, you know, at our Virginia campus, and again, we're not alone. There's plenty of other developers in the business who are great at this and who are embracing this.

But, you know, we're gonna have, we're gonna leave, you know, significant timber around the perimeter of the campus to really, you know, protect the sight lines for local residents who are using the, you know, the roads and streets around the campus. We're moving, again, not we CleanArc, but many others in the industry, moving away from water-intensive cooling techniques to try to have a lesser impact or minimal impact, really, if you're using closed-loop water systems on the water utilities in a particular area. You know, try to make sure that we obtain rights of way for new transmission lines that have the least impact on these communities, leaving certain portions of the campus undeveloped, you know, so that the wildlife can continue to live there and we're not disrupting that completely.

So I think that might be our, I mean, setting aside power, because again, that's the raw ingredient. You can't do anything with, you know, without that. But I think second to that is ensuring that we are a good steward of, you know, all the different interests of the stakeholders that we take care of, whether that's our, you know, our tenants' IT infrastructure, our, you know, community, the communities we're in, and the, you know, the natural resources of those communities, the, you know, the infrastructure, roads, and other things, making sure that we're a very good steward and a good neighbour to make sure that the communities in which we develop will welcome what is a key type of infrastructure for, you know, for the country, right? I mean, the digital infrastructure, making sure we stay ahead of the curve on AI and its development.

I mean, you can't do any of that without data centres. And so it's a necessary component of the national infrastructure. How do we make sure that it's beyond accepted and welcomed in the communities where we develop?

I think that's our biggest challenge.

Andy Davis (25:57 - 26:48)

Yeah, I totally agree. It's like Catch-22 at the moment, where data centres have become more public, which is great. But because they're more public, you now need to ensure that you're explaining the importance of them and engaging the community.

I think they were previously developed without the community really knowing. It's really important the community is engaged with, from planning and all through the early stages, all the way through to operation. And I think that is happening now.

But obviously that does, like you said, and you've highlighted really well, it does bring challenges as well. Because if you don't engage the community, you can't really complain when the community start engaging with us and saying, hang on a minute, nobody told me about this. It's really important.

So yeah, I completely agree. If you could ask everyone in the data centre sector to start or stop doing one thing, what would it be?

John Day (26:54 - 28:22)

I think if I could tell them to stop doing one thing, it'd be talking about the power shortage because we all know it's out there. So we don't need to beat that drum. But in all seriousness, if there was one thing I could ask everyone to start doing, I think touching on the point that we were just making, I think we need to collaborate better as an entire industry to communicate the benefits of data centre development, its critical place in the national infrastructure, its critical contribution to national security and the support of the continuing development of AI and dispelling some of the rumours and I'll say misinformation out there about what impact a data centre actually has in a community. I can't tell you how many times I read an article or I sit at a public hearing and I hear people making complaints that just aren't founded in fact.

So if there's one thing I could ask everyone to start doing is working together to create a unified message around the benefits and the necessity of a strong digital infrastructure in the United States.

Andy Davis (28:24 - 28:32)

A very good point, I totally agree. And final question, if you could give one piece of advice to anyone looking to work in the sector, what would it be?

John Day (28:37 - 29:59)

Wow, that is a great question. I would say be open to all the different opportunities and entry points into the sector. There are lots of ways to participate and to be a part of this business, whether it's, again, I've been in sales and leasing all my life, but there are great programs in community colleges, even high schools starting to bring in HVAC and other elements into the curriculum in communities where data centres are prevalent.

One of my old employers has a significant presence in Central Washington State, and they do a lot with the local educational institutions to develop that young talent and give lots of opportunities to get into the business. You mentioned earlier, all the different disciplines that are represented in the data centre business from great opportunities in the trades from construction to electrical engineering to mechanical, HVAC.

But then maybe different avenues from finance, strategic planning, sales and leasing, I guess that would be it, there's no shortage of entry points into the business so be open to looking at a lot of them because it's varied. Even if you think it might not be the place you want to end up in the data centre business, the function where you want to end up, having a broad array of experience only positions you to move into other parts of the business, if you were to choose that.

Andy Davis (30:43 – 31:22)

Yeah I agree, I always say one of the best things about the sector is the variety, the opportunity that that presents to you in a career aspect. You can go and work for a number of different organisations within the supply chain. You could take a number of different roles within one organisation. All these different aspects and you don't get that in a lot of sectors, I agree, it's one of the best things about this is all the opportunities that are there and that's why it's important to highlight them.

Thanks for your time. Exciting times for people, people have a lot going on so I appreciate you taking the time to speak to us.

Where can people get hold of you if they want to learn more about yourself or Clean Arc Data Centres?

John Day (31:24 – 31:45)

People should feel free to reach out to me through LinkedIn and I'm always happy to connect and then pass on my email address it's jday@cleanarcdatacenters.com or most of what's on LinkedIn you can also find on our website at cleanarcdatacenters.com.

Andy Davis (31:46 – 32:00)

Yeah we'll add the website in the show notes when we release the episode. Thanks for your time John, looking forward to watching the journey over the next few years. I know it's still early and we'll definitely do this again in twelve to eighteen months and we'll see where you're at. Again, thanks for your time and enjoy the rest of your day.

John Day (32:01 – 32:05)

Thank you for the chance to talk a little bit about Clean Arc, I appreciate it.