



BUILD IT AND THEY WILL COME

Accelerating Data Centre Development
to Deliver the Next Digital Hubs

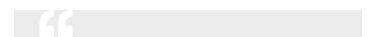


Across the globe, hyperscalers, cloud service providers, content companies, over the top (OTT) players and enterprises need local digital infrastructure that can deliver performance, optimised user experiences and data sovereignty. They need to be ready to serve exponential demand coming from local markets driven by rapid digital transformation, booming digital economies, and growing internet users.

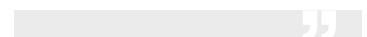
While digital hubs have been established in key crossroads and interconnection points across the globe, it is the next digital hubs that have been underserved and overlooked that need digital infrastructure investment. Markets across Africa, the Middle East and the Commonwealth of Independent States (CIS) have a mix of growing populations, increasing user demand and rapid digitalisation that require local digital infrastructure. Data centre facilities have to be built, developed and expanded to meet rising demand.

Otherwise, these markets face undersupply that will limit the growth of their digital economies and create barriers to innovation. Digital transformation and increasingly edge computing rely on robust, reliable and local data centre facilities that are close to end users and can support application performance. New investment must focus on developing digital infrastructure in local markets that can have a direct impact on local economies, enterprises and end users.

There is an opportunity to go beyond the traditional approach to data centre development and move with new speed and agility to serve this growing demand. Local market demand is growing too fast for a 'wait and see' approach to building and developing new facilities. The next wave of data centre development requires a faster and more efficient approach that anticipates demand, rather than waiting for it to arrive.



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DRIVERS FOR DATA CENTRE DISRUPTION

Lockdowns and quarantines associated with COVID-19 demonstrated how fast markets can move and new demand for digital infrastructure can grow. Management consultancy firm McKinsey noted that COVID-19 caused a five year leap forward in consumer and business digital adoption in around eight weeks. As economic recovery accelerates, so will digital transformation, with data centre facilities playing a critical role in long-term digitalisation in mature and emerging hubs.



The total investment in data centres is expected to increase from \$244.74 billion in 2019 to \$432.14 billion in 2025 at a compound annual growth rate (CAGR) of 9.9%, according to ResearchAndMarkets. Overall market growth is matched with a set of unique conditions that is increasing the need for local and distributed digital hubs:

- **Growing Populations of End Users** – In 2020, 8 of the 10 world's largest populations were in Africa and Asia, according to Pew Research. Over the next 80 years, African countries will have more than five countries in the top 10 including the Democratic Republic of Congo (DRC), Ethiopia, Tanzania and Egypt. Markets in Africa and Asia tend to have young populations with a growing number of internet users. These internet users increase demand for cloud-centric applications and services.
- **Global Hyperscalers Going Local** – So far, hyperscalers like Alibaba Cloud, Amazon Web Services, Google Cloud Platform, IBM Cloud, Microsoft Azure and Oracle Cloud have developed hubs in major global markets. Many are focused on the US and Western Europe or home markets in Asia like Alibaba Cloud. As demand for cloud infrastructure in local markets increases, they will need to add presence in a growing number of markets globally. Their roadmaps have to include new local cloud regions around the world.

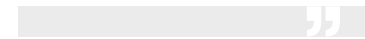
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DATA CENTRE
INVESTMENT IN
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- **Pushing It to the Edge** – The global edge computing market is projected to reach \$43.4 billion by 2027 with CAGR of 37.4% between 2020 to 2027, according to Million Insights. A growing number of applications and services are being hosted at the edge of the network to reduce latency while increasing performance. Edge computing requires hosting data and applications close to end users and often requires smaller data centre facilities in more geographic locations.
- **Data Regulation and Restrictions** – A growing number of countries are rolling out data sovereignty laws that require Software as a Service (SaaS) and cloud storage services to host data within a single country's borders. This means data has to be hosted in-country and cannot be transferred across borders. These kinds of regulations limit international data transfer and in turn increase demand for local data centre space.

The result is growing demand for digital infrastructure investment in unique local markets, rather than the traditional global hubs. It's the next hubs that will drive the next wave of digital innovation.



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GOING BEYOND THE TOP 10 METRO HUBS

Top 10 Internet metro markets ranked by international capacity in Gbps and share of regional capacity to each, according to TeleGeography's Global Internet Map 2021.

1.	Frankfurt, Germany	110,608 Gbps
2.	London, UK	74,834 Gbps
3.	Amsterdam, Netherlands	71,188 Gbps
4.	Paris, France	67,865 Gbps
5.	Singapore	56,350 Gbps
6.	Hong Kong, China	33,829 Gbps
7.	Stockholm, Sweden	32,037 Gbps
8.	Miami, US	30,881 Gbps
9.	Marseille, France	28,849 Gbps
10.	Los Angeles, US	25,058 Gbps



DEVELOPING THE NEXT DIGITAL HUBS

There is an opportunity to identify the next digital hubs and move with new speed and agility when developing new data centre facilities. All of the drivers for disruption in the data centre market require investments and builds to happen before the demand arrives. The 'wait and see' approach to data centre development no longer matches the pace of change in the market.

The traditional approach to building and investing in data centre expansion is focused on selling space and filling facilities as much as possible before ground is even broken. The challenge in smaller local markets is that there is a silent boom in demand on the horizon that will require significant data centre capacity. If a data centre build takes three years, it may be too late to support this growth with digital infrastructure.

To create the next digital hubs, data centre builds and investment must be proactive and driven by market dynamics, not just who needs rack space now. It requires a deeper analysis of market opportunities and a process-driven approach to assessing and pursuing opportunities. This enables an organisation to make data centre investments based on environmental modelling rather than geographic territories and traditional operating regions. It frees them to invest in disparate markets that may not appear to have commonalities but are unified by their characteristics and likelihood of being digital hubs.

When an organisation takes this approach to the data centre market, they can disrupt the market by moving with greater speed and agility than competitors. They can enter overlooked markets and create an immediate first mover advantage. The organisation can focus on the needs of global hyperscalers in the local market while enabling local cloud service providers, content companies, OTT players and enterprises to benefit from world-class digital infrastructure.

To deliver the next digital hubs, data centre providers have to make bold moves in unique markets and serve the demand of the future – not of today. It takes vision and insight to recognise trends, then take action that will benefit a growing number of local markets.

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A FOUNDATION FOR LOCAL INNOVATION

The result is a global internet and cloud market that is decentralised and focused on local digital hubs with less emphasis on large global mega-hubs. Just as internet traffic has become increasingly diverse and less US-centric, digital infrastructure will become increasingly dynamic. Hyperscalers will roll out regions in a growing number of Tier 2 markets while data sovereignty laws will mean more users will require data to stay in-country.

Inter-regional internet traffic will grow as it has been over the last 20 years, and there is room for it to grow further. Intra-regional traffic in Africa accounts for only 16% of internet traffic, according to TeleGeography. Similarly, intra-regional internet traffic is only 8% of the entire market in the Middle East, whereas in Western Europe it accounts for 75% of traffic. This diversification of internet traffic will be supported by local digital hubs and locally hosted applications and services.

Local economies, businesses and end users will have a foundation for innovation and access to critical digital infrastructure. They will be able to benefit from high-performance cloud-based applications and services with secure and hyperconnected data centre facilities. In this way, new data centre investment will enable a new wave of digital innovation and free local businesses to innovate in the cloud.

Global hubs will always be critical to the global internet, but it is time to proactively invest in the next digital hubs and disrupt the data centre market. The opportunity is too large to overlook.



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WHERE WE GO, OTHERS FOLLOW

EDGNEX is a global digital infrastructure company.

EDGNEX is providing a foundation for local innovation across the globe and disrupting the data centre market with new speed and agility. It proactively builds, buys or partners to serve the next wave demand for data centre services.

EDGNEX identifies markets where new investment in digital infrastructure can have maximum impact on local economies, enterprises and end users.



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