

REPORT REPRINT

South Africa datacenters go big with hyperscale buildouts

MARCH 11 2021

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Introduction

Some of the top names in South Africa's leased datacenter market have embarked upon ambitious expansion plans as they get ready to capture hyperscale demand as soon as it arrives. Teraco, Dimension Data and Africa Data Centres have all broken ground at new sites in Johannesburg that will see some of the biggest commercial datacenters yet built in Africa.

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Cloud has gained a stronger foothold in South Africa over the last two years. Several of the major datacenter providers have invested in huge buildouts designed to meet anticipated increases in demand as enterprise organizations migrate to the cloud and digitally transform. It's a speculative and therefore somewhat risky approach on the part of the providers, which aim to be ready with datacenters that are able to capture hyperscale demand as soon as it's there. What's more, this approach narrows the competition gap between the local providers, which are now following similar strategies by building big.

The scale of the current expansions also suggests that South Africa's datacenter market looks set to see an influx of greater wholesale supply in the coming years. While some of the local providers do offer wholesale capacity alongside other services at their facilities, the commercial market is mainly populated by retail datacenters, with only one company offering datacenter infrastructure purely on a wholesale basis. However, those that are currently building have secured both extensive land and power, which will be attractive to clients that are looking to buy larger chunks of datacenter capacity. This will represent a sea change in South Africa, as more wholesale activity will see the market begin to transition from 'Adolescent' to 'Mature,' as classified by 451 Research.

Context

South Africa is Africa's biggest leased datacenter market in terms of operational capacity, and Johannesburg dominates the landscape here. The city's metropolitan area currently hosts about 30 facilities that, when combined, offer an estimated 530,760 square feet (about 50,000 square meters) of raised floorspace and 60MW of IT power. According to estimated figures in 451 Research's Datacenter KnowledgeBase, that makes Johannesburg bigger than other upcoming markets across the EMEA region, such as Madrid, Warsaw and Marseille, for example. Once the latest expansions currently underway are complete, 'Jozy' could soon be rubbing shoulders with some other major European cities, such as Berlin and Zurich, when it comes to datacenter capacity.

The builders

Teraco is South Africa's market-leading leased datacenter provider. It currently has five fully operational facilities across the country, offering a combined operational capacity of 30,000 square meters. In 2020 the company went live with the first phase of its new JB3 datacenter at its main Isando campus in Johannesburg, with a second phase due to be completed over the next few months and ready for tenants toward the end of 2021. In the meantime, Teraco has also begun constructing JB4 in Ekurhuleni, about 20km away from its Isando campus. When fully completed, Teraco claims the datacenter will offer 16,000 square meters of technical space, making it Africa's largest commercial datacenter in a stand-alone building. In addition to Johannesburg, Teraco is building in Cape Town and planning to expand at its other locations in South Africa.

In September 2020, Dimension Data announced that it had started construction of its Johannesburg 1 datacenter in the Central Point Innovation District, near the city center and airport. The datacenter will be built in phases, and once fully completed it will offer 6,000 square meters (64,583 square feet) of raised floorspace, with the first phase expected to become operational in early 2022. Dimension Data is a subsidiary of global datacenter giant NTT, and up until recently its datacenters in South Africa operated under the Internet Solutions brand. The company ranks second in South Africa's multi-tenant datacenter market with 10 facilities, mainly in Johannesburg and Cape Town, that offer an estimated 9,359 square meters (100,739 square feet) of operational supply when combined.

At the start of 2020, Africa Data Centres (ADC) began expanding its JHB1 datacenter in the Johannesburg suburb of Midrand. The campus currently features eight data halls that offer a total of 9,000 square meters (96,875 square feet) of raised flooring, but after it's fully expanded (sometime during 2021) the site will offer an additional 6,000 square meters (64,583 square feet) of IT space spread across four data halls. Also in 2020, ADC received the go-ahead from South Africa's Competition Tribunal to acquire Standard Bank's datacenter and underlying land in Samrand, north of Johannesburg. Originally built for \$87m in 2010, the 65,000 square meter (700,000 square feet) site is said to conform to uncertified tier IV standards and to consist of two buildings that will house up to eight datacenter modules of 1,500 square meters (16,000 square feet) each. While ADC may be overshadowed, in terms of operational capacity, by the likes of Teraco and Dimension Data, among others in the South African market, it has greater presence and brand awareness across the continent. At the end of 2020, the company was named as one of the beneficiaries that will receive multimillion-dollar funding from the US International Development Finance Corporation to support its pan-African datacenter ambitions.

On a lesser scale, Digital Parks Africa (DPA) only operates one datacenter in South Africa, but it is also expanding. Its facility in Samrand was launched in 2018 and is notable because it operates as a purely wholesale facility, although many of the local multi-tenant datacenter providers offer some wholesale capacity alongside their primary offering of retail colocation. DPA is constructing a new building at its site to add 11,000 square meters of capacity to the 1,200 square meters of raised floorspace it currently offers. The company has also acquired another building in Johannesburg, but has not revealed any further details about this, and plans to build in 'other locations' over the next four years (in addition to South Africa, the company owns and operates a datacenter in the Zambian capital of Lusaka). DPA was set up by Menno Parsons, who is also CEO of South Africa-based industrial power solution specialist Master Power Technologies. DPA's datacenter is based on a modular design (Master Power Technologies also specializes in containerized energy and datacenters) and is Tier III design certified by The Uptime Institute.

Gearing up for hyperscale

Teraco, Dimension Data and ADC each present themselves differently in the South African datacenter market. For Teraco, datacenters are all about creating colocation environments that offer rich connectivity and enable the evolution of an ecosystem of digital service providers all under one roof. As a systems integrator and managed service provider, Dimension Data uses its datacenters to offer services further up the stack, such as cloud and security solutions, connectivity, etc. It can also offer the benefits of being backed by a global player (in the form of NTT) that has global datacenters and expertise. ADC differentiates itself in South Africa by promoting its technical, design and performance capabilities. It goes to market as a pure-play datacenter infrastructure provider and can hand customers over to its sister company, Liquid Telecom, when it comes to offering cloud and connectivity services.

Until now, the need for colocation has been regarded as the biggest opportunity for datacenter providers in South Africa, but the inchoate cloud market that has now begun to take greater shape has led to a shift for the main datacenter providers. That cloud market received a boost in 2020 with the arrival of AWS, which has launched its first region for Africa via Availability Zones in Cape Town.

All of the major datacenter providers are investing in expansions as they expect rising demand for hyperscale datacenters. This is being driven by an increasing need for cloud services as organizations begin or continue on digital transformation journeys that may involve shutting down their own datacenters and shifting to colocation facilities as part of refreshing their IT cycles. The last year or so, in particular, has seen booming demand for datacenters due to COVID-19 as businesses have accelerated their digital transformation strategies, along with greater requirements for digital services from society, in general.

Furthermore, demand for scalable datacenter capacity in South Africa is being driven not just by local customers, but also by a growing international client base that is coming to the country. Its geographic position at the tip of the African continent has always been regarded as a strategic location to serve not only the sub-Saharan region, but also the Middle East and onward to APAC and Europe. This has been further bolstered by a growing number of subsea and terrestrial cables that continue to link South Africa to the rest of the world.