The African Data Center Rises: Colocation Demand, Supply, Forecasts & Business Models

EXECUTIVE SUMMARY

Every so often, a product sees a multiplicity of factors combine, as if coordinated, to create a groundswell of demand for it so strong that it turns into a near-tsunami, only held back by the supply side’s inability to keep up with it.

Our analysis of the African multi-tenant colocation data center market suggests a market in such a stage, at the onset of a phase of accelerated growth driven by factors ranging from rising demand for cloud and server virtualization services to booming media content markets, regulatory pressures to “repatriate” hosting of African content, and substantially improved metro fiber infrastructure.

The African Data Center Rises: Colocation Demand, Supply, Forecasts & Business Models provides one of the most comprehensive research currently available on the African data center market. The report offers in-depth qualitative and quantitative analysis of demand for data center services in sub-Saharan Africa, along with estimates and projections of available white space supply, analysis of the collocation business model and profiles of key African collocation providers.

The report offers insights on data center service provisioning in a context of distressingly deficient power infrastructure and provides profiles of key African colocation market players, their estimated share, business models and overall outlook. In addition, the report analyzes data center demand in key economic centers such as Johannesburg, Cape Town, Lagos and Nairobi, and further identifies Accra, Dar es Salaam, Ibadan and Port Harcourt as offering the next best data center opportunities in the region.

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Sample key findings of The African Data Center Rises: Colocation Demand, Supply, Forecasts & Business Models include the following:
Recent demand for data center colocation services in Africa has been strong, driven by improving connectivity levels and rising data traffic volumes. As African digitization has quickened, drivers of demand have been plentiful. In essence, Africa is becoming digital at a frenetic pace – this market needs servers, power, connectivity, server space – and lots of it.

African colocation demand is rising two to three times faster than supply. Those curves nonetheless have different shapes (continuous line vs. staircase), leading to markets that alternate between phases of colocation space supply deficit and surplus as demand catches up to supply and vice versa.

The African data center market is critical to the integration of the continent into global networks. Hyperscale and Internet cloud players, such as Amazon Web Services, Microsoft (Azure) and Google have global cloud services built upon an extensive network of self-built data centers, but lack Africa-based data centers, creating latency issues and hampering the growth of their cloud offerings in the region.

In assessing the three main elements of colo pricing – rack space, power and connectivity – we find that more than power, the cost of connectivity is currently the fulcrum of the colocation price structure in Africa. Fiber connectivity market structure and pricing is a critical hurdle to colo growth in Nigeria, and the single most critical obstacle to the establishment of an independent colo market in an otherwise compelling Tanzanian market.

Recent data center expansion in Africa has been strong and has come in spurts. Data center colocation white space is now 2.5 times larger than 2010 levels, with the incremental upticks coming in 2012, and most particularly 2014 as new data centers became operational in the continent’s largest markets, South Africa and Nigeria.

The African data center colocation market is highly concentrated. Three countries - South Africa, Nigeria and Kenya – represent around 95% of available colocation white space in sub-Saharan Africa. When adjusting to city/region level, we estimate that Africa’s large scale colocation data centers touch only around 30% of the continent’s GDP.

The broad African colocation capacity outlook is positive, but subject to a number of key variables. We expect anywhere from 10,000 to 20,000 Square meters of new colocation space to be brought to the market over the next five years, and around two to three times those levels including shell-only, non-equipped surface. We see this projection as conservative, depending on how demand and supply in a number of key markets pick up.

The African Data Center Rises: Colocation Demand, Supply, Forecasts & Business Models is published in PDF format.