

THREE BIG DRIVERS FOR THE FAST-GROWING CANADIAN DATA

CENTER MARKET

Some of the hottest data center markets are found in some of the coldest parts of North America

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Canada continues to attract a number of companies and data center providers and is expected to grow at a CAGR of 3 percent between 2020 and 2025. The hyperscale data center market has been particularly robust as major cloud providers like Amazon, Google, Microsoft and others have migrated northward over the past couple of years.

While the entire country appears to be booming, there are some specific locations worth noting. Toronto continues to be in demand, in part due to its status as the country's largest population center. Vancouver is up-and-coming, as evidenced by the recent news of Microsoft's plans for a cloud hub. But the fastest growing location by far appears to be Montréal, thanks to its hyperconnectivity, skilled workforce and competitive rates for clean energy.

Let's take a closer look at the growth drivers that have made the country a hotbed for new data center builds and acquisitions, and what the near future might look like.

SUPPORT OF ECO-FRIENDLY INITIATIVES

Sustainability is a critical initiative for data center providers and the companies using their facilities. A winning combination of cool temperatures and a commitment from Canadian utility companies to provide clean energy support this initiative.

Cooler temperatures lead to less energy consumption, and the Canadian climate is naturally colder than many parts of the developed world. The most efficient operators reduce the cooling unit's utilization by using low external air temperature to cool server rooms. This process can, in many cases, cool a data center for free. With this in mind, data centers can save on cost by leveraging the colder environment, which allows providers to reduce the amount of cooling units needed compared to the number found on campuses in warmer climates.

Pairing that natural advantage with power companies' commitments to green energy



Mural at Vantage's Québec City data center

A data module inside one of Vantage's Montréal data centers

makes for a highly favorable environment for companies that prioritize sustainability. Canada prides itself on its green energy initiatives, with a goal of having its energy grid be 90% clean energy by 2030. Companies like Hydro-Québec, which powers all the data centers in the province of Québec, are doing their part by being 99.6 percent green today.

Cleaner energy can lead to lower power rates. Hydro-Québec's rates are one of the cheapest in North America, and the rate varies between 4 to 5 cents Canadian dollars per kilowatt of power in the city. Those low rates are very attractive, particularly to hyperscalers. Cheaper rates are better for their bottom lines given their large digital footprints and energy consumption.

STRONG FIBER NETWORKS

The fiber optic networks in major Canadian metropolitan areas are particularly strong and extensive. Toronto has long been considered the country's telecommunications center. Data center operators within that area have access to a wide range of connectivity options, allowing them to easily deliver services to potentially millions of customers in the Greater Toronto area. Montréal is perhaps

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even better, with three times the number of fiber networks as Toronto. Latency in both these areas is very low.

Low latency is a key selling point for many of Canada's fastest growing industries. Montréal, for instance, has become a big market for artificial intelligence and gaming, both of which require a lot of data and near real-time responses. Meanwhile, Toronto remains a financial hub—another market that calls for fast response times and transactions. All areas are attracting cloud service providers that need to get closer to their customers. Strategically placed data centers, in areas with very low latency, can help them deliver services reliably and quickly.

DATA SOVEREIGNTY CONCERNS

More countries are doing everything they can to keep their citizens' data protected, and Canada is no exception. Canada has very stringent privacy laws, one of which is The Personal Information Protection and Electronic Documents Act (PIPEDA), which addresses how private sector businesses use and share customers' data. Many companies that understandably do not want to run afoul of these regulations are more likely to want to keep Canadian citizens' data in Canada. Once that information crosses borders, it's no longer protected by laws like PIPEDA.

Therefore, concerns around data sovereignty factor into the growth of the

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overwhelming majority of municipalities are very collaborative and accommodating, there are some that have very specific requirements. Fortunately, the data centers operating in those areas will likely have already done the hard work of negotiating with the local governments, relieving customers of that responsibility.

A BRIGHT FUTURE

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But it's Montréal that will likely attract the most attention in the years to come. With its access to a wide variety of fiber networks, low overall costs and ideal temperatures, it would not be surprising to see that area become a 300MW market in the next five to 10 years. Other Canadian locations will likely follow a similar path, making Canada an area of tremendous opportunity for data center providers and their customers.



ABOUT THE AUTHOR

Maxime Guévin is the Vice President and General Manager for Vantage's Canadian business. Guévin oversees all Canadian operations, including customer acquisition and retention. With more than 20 years of experience, Guévin is a seasoned leader who has led numerous strategic projects, such as the acquisition of assets, expansion of current data center facilities and construction of new ones. Prior to joining Vantage, Guévin served in dual roles as General Manager of 4Degrees Colocation, a company acquired by Vantage, and General Manager of wholesale carrier services for Vidéotron, the former parent company of 4Degrees, where he led the acquisition of telecommunications services to domestic and foreign carriers to meet the needs of Vidéotron and Québecor subsidiaries.

Canadian data center market. Companies operating in Canada want to leverage data centers that are located within the country. Toronto, Montréal and Vancouver are where the customers are, so it makes sense that there would be exponential growth in those areas as companies look to keep customers' information close to home.

FACTORS TO CONSIDER

While there are many reasons why Canada has taken its rightful place on the global data center stage, there are also some factors that companies looking to enter the market need to be aware of.

First, not every location is created equal in terms of the cost of land development. Right now, the price of land within the Toronto area remains at a premium compared to other locations. It's about twice as expensive

as Montréal, and Vancouver is five times more expensive than Toronto, both areas where land is still more plentiful.

Second, some Canadian markets are easier to enter than others. For example, the government of Québec has incentive programs in place to attract customers to the province. As such, it's relatively easy to house one's data center in that location and take advantage of capacity very quickly. Conversely, there are other areas that can be more challenging. For instance, French is still the primary language in the province of Québec. This could pose a barrier for customers who are not fluent in the language (although this is becoming less of a problem as the province becomes increasingly bilingual).

Finally, as with many areas, permitting can sometimes be challenging. While the

Vantage's Organic Growth and Aggressive Acquisition Approach Reflects the Potential of the Canadian Market

Over the past couple of years Vantage Data Centers has made aggressive investments throughout Canada, resulting in the company becoming the country's top hyperscale provider.

In 2019, Vantage acquired Québec-based 4Degrees Colocation. The acquisition enabled Vantage to add two new campuses—in Montréal and Québec City—to its portfolio of existing campuses in the United States. The 4Degrees acquisition was Vantage's first foray into the Canadian market.

The company continued its Canadian growth not only by expanding both of its Montréal and Québec campuses, but also with the recent acquisition of Hypertec's data center business. This acquisition expanded Vantage's total footprint in the province of Québec to 81MW of IT capacity across the three campuses.

Vantage's aggressive expansion in Canada reflects the company's belief in this market and its current and future potential. Among its many benefits, the region offers robust access to renewable energy, fiber optic networks and low-cost energy—all of which are attractive to Vantage's customer base consisting of hyperscalers, cloud providers and large enterprises.