

APAC DATA CENTER OUTLOOK

Forces driving growth for hyperscalers and cloud providers

By Brian Groen, President, APAC, Vantage Data Centers



Vantage Data Centers' first Melbourne data center campus (rendering)

Asia Pacific (APAC) continues to prove itself as one of the world's hottest data center markets. A recent report by Cushman & Wakefield showed hundreds of megawatts of capacity across some of the region's largest population centers, including Hong Kong, Singapore and others with low data center vacancy rates throughout the area.

Growth in the region has significantly accelerated thanks to pervasive connectivity. Today, everywhere and everything in APAC is connected—from markets and stores (where payment via QR codes using Alipay or WeChat Pay are routine), to homes (where there are few landlines but many smartphones), to workplaces (particularly during the age of lockdowns that established the need to work remotely and sell traditional goods and services online).

Let's look at the driving forces behind the growing demand and competition for data centers in APAC, why many companies are choosing colocation over self-build and the three things you should look for when considering an APAC data center partner.

THREE DRIVING FORCES OF APAC DATA CENTER DEMAND

Who is connected, who is connecting to them and why? The answers to those questions provide a good perspective on what's driving data center demand in APAC.

There are three primary forces at play that combine to make the region unique:

A technology-savvy demographic. Indeed, Singapore is routinely ranked as the most technology literate country (and has recently been cited as one of the top data center markets in the world), while Indonesia's Facebook user base is among the highest and most engaged globally. Smartphone ownership is extremely high throughout the entire region; according to GSMA, 1.8 billion people will subscribe to mobile services by 2025. Citizens around APAC have a growing expectation to do everything through their smartphones.

Massive user bases. Four of the top ten countries by population are in APAC, including two with populations numbering in the



About the Author

Brian Groen leads Vantage's business across Asia Pacific. With nearly 40 years of experience, Groen is a seasoned executive with an extensive background in data centers, public cloud, storage and managed services.

Prior to Vantage, Groen was senior vice president of Data Centre and Digital Transformation, a division of PCCW Solutions Limited that was acquired by Vantage. In this role, Groen led the development and delivery of multiple data centers, increased data center occupancy by nearly 50% and grew data center revenue by more than fivefold in just five years.

Earlier in his career, Groen spent more than 20 years at IBM where he held several senior positions in Hong Kong, China, Australia and New Zealand.



TOP TEN COUNTRIES BY POPULATION, 2021

COUNTRY	POPULATION (2020)
CHINA	1,402,112.00
INDIA	1,380,004.39
UNITED STATES	329,484.12
INDONESIA	273,523.62
PAKISTAN	220,829.33
BRAZIL	212,559.41
NIGERIA	206,139.59
BANGLADESH	164,689.38
RUSSIAN FEDERATION	144,104.08
MEXICO	128,932.75

Source: World Bank, Asia-Pacific Countries in bold

COLOCATION DATA CENTERS ENABLE COMPANIES TO SCALE ACROSS APAC

As such, instead of buying up swaths of land and placing a huge data center in a single location, many companies entering APAC are interested in building multi-market footprints. They may opt to have a presence in multiple locations to allow access to a broad range of markets as a 'local' supplier.

That's why many of these companies opt for colocation data centers that allow them to come into the market faster and at a smaller scale, broaden their market presence, and scale up rapidly. Even hyperscalers that consider a build-to-suit approach will likely have a concurrent need for colocation facilities to reach more markets. It's little wonder why some estimates predict the colocation market in APAC will experience compound annual growth in excess of 16% between 2020 and 2026.

Other aspects also make colocation appealing in APAC: **Data sovereignty concerns.** As in most of the world, concerns over data sovereignty and protections have led many APAC countries to implement regulations around where data is stored. Countries like Indonesia, Australia, Malaysia, Singapore and others all have strict data privacy laws that dictate data must be stored and managed within their borders. It's easier for providers to adhere to these laws when they can house their data within different facilities rather than in a large central hub.

First-mover advantages. Speed is often key to a provider's ability to succeed in a marketplace, particularly in a rapidly emerging market like APAC. It can take years to secure land permits, develop relationships with local utilities and authorities, and ultimately self-build a working modern data center. Land in the heavily populated APAC region is also at a premium and can be very expensive and difficult to secure, depending on the locale.

Pre-built and pre-wired yet highly customizable data centers allow providers to move much more quickly into high priority markets, which is why we are seeing M&A happening in the region.

THINGS TO LOOK FOR IN AN APAC DATA CENTER PARTNER

If you're ready to invest in data center infrastructure in APAC, there are a few things you should consider as you look for an ideal data center partner:

Local expertise and knowledge. Seek a partner that has staff with an excellent understanding of local markets and regulatory

billions (see graphic). That translates into massive numbers of users consuming an extraordinary amount of data.

Rising demand for cloud services. In a region totaling more than half of the world's population, the steady rise in popularity of mobile applications for everything from finance to e-commerce and gaming has spurred a huge appetite for cloud services in APAC. This has opened data center doors for e-commerce giants like Alibaba, JD.COM, Shopee and others. Additionally, the western hyperscale cloud providers already have well established presence in the Tier 1 APAC markets and are rapidly deploying footprints to the multiple Tier 2 locations across APAC.

AN EAST VS. WEST COMPETITION—OR SOMETHING ELSE?

Data center vacancy rates in APAC are typically low, particularly compared to the rest of the world. To put things in perspective, vacancy rates in the equally hot Toronto market are about 10.4%, compared with a rate of about 7.5% across Hong Kong, Singapore and Sydney.

Given the lack of inventory and the size and opportunity the region presents, you might assume heavy competition between Eastern-based companies and Western-based organizations to secure capacity within the region. It's true—there is a great deal of competition within the APAC market as organizations seek to secure land and facilities to house their servers. But the competition is not necessarily between the east and the west. Instead, companies from the same hemispheres tend to compete for data center space in many of the same countries.

For instance, the biggest population centers—Hong Kong, Tokyo and Singapore—tend to be dominated by western hyperscalers. Large western hyperscalers such as AWS, Microsoft and Google established a presence early in the Tier 1 markets and have used these locations as regional hubs to service the populations within these and surrounding countries.

Eastern-based providers tend to come in at a smaller scale, preferring to take a targeted, regional approach. This allows them to get very close to the markets that are most important to their businesses. They will establish a presence in markets with large populations and synergies across their e-commerce and cloud service offerings. For example, Alibaba has strong e-commerce offerings with AliExpress and Tmall as well as a strong cloud offering through Alibaba Cloud.

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Vantage Data Centers' Osaka data center campus (rendering)



Vantage Data Centers' Tsuen Wan West data center, Hong Kong (rendering)

environments. Ideally, they'll have strong relationships with local authorities, distributors and utility providers. Having this knowledge can help providers navigate many challenges, from the specific impact of the COVID-19 pandemic on local supply chains and resource availability to local rules and regulations.

Perhaps more so in APAC than in other regions, it's important to ensure your partner's representatives speak the local language. This is particularly useful when applying for permits, renewing licenses, engaging in negotiations and more. Although English is spoken widely in key economic centers, some markets, such as Japan, have a high expectation for companies to do business in their specific language. A local partner can help bridge that gap.

And, it goes without saying that your partner should have staff onsite with the right industry certifications and expertise to ensure they meet service level agreements.

A global presence. Your organization may be targeting the Chinese market today and the Australian market tomorrow—or the American or European markets in the months to come. Partnering with an operator with a global footprint gives you the flexibility and scalability to expand into the markets that are most important to you, now and in the future. Make sure they have sites in high-growth locations that offer the most opportunities for your business. And do your research to see if the provider's way of doing business is consistent around the world. The goal should be to have the same experience in terms of service, communication, uptime and more

regardless of location. This can greatly simplify your global data center strategy and management.

Track record of growth. Understand if your partner shares your passion for growth in the APAC region. Partnering with an organization that has a proven track record of successful expansion into new and economically emerging areas will give you the chance to seize opportunities as they continue to emerge across all APAC countries. There are efficiencies to scale your business with a smaller group of trusted providers.

APAC'S EMERGING OPPORTUNITIES

The rapid expansion of the APAC data center market reflects the region's position as a growing economic force. If your business has requirements for digital infrastructure in the APAC region, either for the first time or expanding to different countries to meet market demands, make sure you have a plan. Think about the benefits of colocation, particularly as they relate to speed to market, data protection and staffing. Evaluate potential partners, including their strengths and weaknesses, and align with an operator that provides the best mix of local and operational expertise and gives you the best chance for success. ☺

THE ROAD TO GLOBAL EXPANSION

Over the last three years, Vantage Data Centers has embarked upon an aggressive worldwide expansion that has taken it from a U.S.-based regional provider of wholesale data centers operating in three markets to a global leader delivering its sustainable campuses to hyperscalers, large enterprises and cloud providers across five continents.

This includes the company's recent entrance into five markets in Asia Pacific with the acquisitions of Agile Data Centers and the data center portfolio of PCCW, Ltd. (PCCW DC). These transactions add data center campuses in Hong Kong, Kuala Lumpur, Melbourne, Tokyo and Osaka to Vantage's platform.

Vantage used a similar combination of acquisition and greenfield developments to enter Canada and EMEA, backed by continued financing from the company's existing strategic investors. This approach provides the company with in-region expertise, operating facilities to welcome customers, and the ability for those customers to expand with the company as it quickly brings new facilities online.

Vantage has pledged to continue developing in new and existing markets where its customers want to expand around the world.