Market Insight Report Reprint

EdgeConneX to expand Phoenix facility, doubling its capacity

December 6 2021

by Dan Thompson, Pedro Schweizer

The provider houses multiple hyperscale clients in its PHX01 facility, with smaller deployments than a traditional wholesale site. EdgeConneX's value for those clients is in its connectivity play; CSPs needing connectivity set up points of presence at its site. The strategy seems to be successful; the company is currently expanding its Phoenix site.

451 Research

S&P Global
Market Intelligence

Introduction

Datacenter provider EdgeConneX houses multiple hyperscale clients in its PHX01 facility, with smaller deployments than those seen in a traditional wholesale site. While other industry players focus on securing large deals with cloud providers, EdgeConneX's value proposition for those clients lies in its connectivity play, as CSPs needing connectivity set up points of presence (POPs) at its site. The strategy has seemingly proved successful; the company is currently expanding its Phoenix site, bringing its capacity to 7MW, nearly doubling what it currently offers.

EdgeConneX's PHX01 facility is located at 3011 S 52nd Street in Tempe, Arizona, and provides 4MW in total capacity. The provider plans to nearly double the site's total capacity with the addition of two new data halls, currently under construction. Like other EdgeConneX sites, PHX01 offers interconnection services in a high-power-density footprint to customers seeking colocation at attractive rates, differentiating itself from rivals on both price and customizability of builds.

THE TAKE

Historically, EdgeConneX has specialized in building out smaller, local datacenters that provide its customers' end users with reliable and efficient latency-sensitive interconnectivity and a high degree of customization. In recent years, we have seen EdgeConneX engage in larger hyperscale deals that have called on it to build out to speculative hyperscale facilities for cloud/content providers. In Phoenix, its facility serves as a meet point for many of the big-name cloud providers active in the region that need connectivity. Despite being located further away from industry hotspots in the region, such as Chandler and Mesa, EdgeConneX has seen notable success in attracting those clients, albeit with smaller deployments than in its wholesale counterparts. The current expansion of its facility is a testament to the provider's confidence in the Phoenix market and in its ability to continue servicing hyperscalers.

Context

Founded in 2009, Virginia-based EdgeConneX's datacenter business focuses on network edge, building facilities in close proximity to its customers' end users. The provider made its mark first in the US, where it built and operated datacenters for media and content providers. As the industry verticals it services expanded slightly, so did the size of its facilities, and ultimately its geographic footprint.

Its PHX01 site was built in 2014, predating the huge boom the datacenter industry in Phoenix has seen in recent years as a result of cloud provider activity. The facility offers roughly 4MW in capacity, currently operating at roughly 80% utilization and averaging 8kW per rack in density, with denser deployments going as high as 15-20kW per rack. EdgeConneX now is working to double the capacity at PHX01, adding 3.25MW to the site by building out a fourth and fifth data hall in the building.

In January 2018, EdgeConneX acquired 50 acres of land in the Elliot Road Tech Corridor in Mesa. This new land serves as an expansion option for the provider in the Phoenix market, to complement its existing facility in Tempe. As of 2021, the provider had not started construction on the site.

Strategy

EdgeConneX has a slightly different value proposition for its clients compared with the common wholesale provider. Its datacenters serve as central locations for companies needing connectivity, with clients setting up smaller deployments in the form of POPs within the confines of their data halls. The provider usually builds out relatively small facilities in the US along major fiber routes, offering raw space and power without the typical add-ons; namely, managed services. EdgeConneX also does not build speculatively but commits to a facility's construction only after an anchor tenant has signed and it believes it can reasonably lease the remaining space. This is perhaps its most distinctive trait in the Phoenix market, one of the few US markets where speculative builds seem to be the norm. With a more cautious approach to new developments, EdgeConneX's strategy could protect it from the financial troubles many of the market's newcomers might potentially face in the future. At the very least, its current strategy appears to have been successful in attracting many of the major hyperscalers present in Phoenix.

Competition

The Phoenix market has seen tremendous growth in recent years, with almost a dozen new players in the market since 2018, most of which also look to service hyperscalers. Since EdgeConneX itself is not a traditional wholesale player, its most direct competition comes from providers that offer a similar connectivity matrix, which both Iron Mountain and Aligned do. The two players have secured large deals with cloud service providers and worked to expand their facilities in Phoenix in recent years. Iron Mountain is carrying out a slew of new expansions, having built the first phase of its AZP2 facility in 2019 and expecting to complete the shell for phase two by January 2022. Its new build, which includes five new floors with two datacenter halls each, should bring a total of 230,000 square feet of leasable space online. Likewise, Aligned also operates a large facility in Phoenix, in northern part of the city, which it has worked to expand significantly in recent years. Most recently, the provider built out of the newest section of the facility, referred to as Building C, which brought the gross square footage of the site to about 550,000. EdgeConneX's expansion will help ensure it stays in the game with these expanding competitors.

SWOT Analysis

STRENGTHS	WEAKNESSES
EdgeConneX has a unique value proposition in Phoenix with its connectivity play, as the market seems increasingly geared toward catering to cloud service providers and their needs. The firm's ability to offer its customers customized deployments helps distinguish it from its larger competitors and may help in securing clients that appreciate the company's ecosystem.	Multiple datacenter providers, even at the wholesale level, have services beyond just colocation, such as managed services and interconnection, and this is not a particular strong suit for EdgeConneX. This might not be an issue at the moment, but the provider may want to consider adding this as it looks to expand its site and secure new clients.
OPPORTUNITIES	**THREATS**
The Phoenix datacenter market is seeing significant growth, with high levels of hyperscale activity in the region. Despite already securing some of these cloud providers as clients, EdgeConneX certainly still has room for growth, especially as activity levels attracts new enterprise and hyperscale clients to the region.	Phoenix is seeing high levels of activity from providers looking to get their piece of the datacenter pie. Most recently, Aligned and Iron Mountain have grown significantly in the market. These players, alongside the many new providers making their way into the market, will challenge EdgeConneX's position on the Phoenix scene.

CONTACTS

The Americas
+1 877 863 1306
market.intelligence@spglobal.com

Europe, Middle East & Africa
+44 20 7176 1234
market.intelligence@spglobal.com

Asia-Pacific
+852 2533 3565
market.intelligence@spglobal.com

www.spglobal.com/marketintelligence