



Market Insight Report Reprint

EdgeConneX expands the power capacity of its campus in Barcelona to 8 MW

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The company is connecting its campus to the Barcelona Cable Landing Station and expanding its power capacity to accommodate the additional demand that will be triggered by new international connectivity routes for new potential customers.

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Introduction

EdgeConneX is connecting its campus to the AFR-IX Barcelona Cable Landing Station and expanding its power capacity to accommodate the additional demand arising from new international connectivity routes for potential customers. In 2021, EdgeConneX selected Sant Boi de Llobregat to build its first datacenter facility (EDCBCN01) in Spain and expand its footprint in the Europe, Middle East and Africa (EMEA) market. The campus offers a strategic location because it is adjacent to a major power substation and to Barcelona Cable Landing Station (CLS), thus ensuring power availability and international connectivity to its customers.

THE TAKE

EdgeConneX is currently one of the largest datacenter providers in Greater Barcelona, and the expansion of its campus will consolidate the provider's leading position in the market. Upon completing the project, EdgeConneX's campus will have white-space supply and power capacity that is almost twice that of its main competitors, like Equinix Inc. and Nabitax. In this framework, we believe that EdgeConneX is placed better than other providers to accommodate the additional demand for colocation services that will be triggered by the imminent launch of the 2Africa cable, which will connect the provider with more than 3 billion people along the coasts of Africa, Middle East and Asia.

Context

EdgeConneX is completing the second data hall in the building, allowing the provider to double its white-space supply from 18,000 to 36,000 square feet. The additional technical space supply will be powered with an extra 3.5 MW. The white-space supply and power capacity expansion is part of EdgeConneX's growth strategy in the Mediterranean market.

In 2023, the company connected its datacenter campus to Barcelona Cable Landing Station, significantly improving its attractiveness to new customers. The station is a strategic entry and exit point between Barcelona, Europe, Africa and the rest of the world. This partnership will enable EdgeConneX customers to access new international routes through submarine cables.

Barcelona is the second largest city in Spain by population and gross domestic product per capita. Its metro area has a GDP per capita of about €30,000 and a population of 4.9 million. Greater Barcelona is also emerging as a Mediterranean innovation hub, with dozens of international tech companies and domestic ITC startups, scaleups and research centers. The metro continues to attract and house major international cloud and tech companies such as Airbnb Inc., Amazon.com Inc., Google, HP Inc., Microsoft Corp. and Ubisoft SA.

According to Barcelona & Catalonia Startup Hub, in 2022, there were more than 2,000 startups, 76% of which were working with technology linked to the cloud and Industry 4.0. In the same years, according to Red Eléctrica Española, power generation from carbon-free technologies (including nuclear) accounted for 75% of the electricity generation mix. The abundant availability of renewable electricity further improves the attractiveness of the Barcelona datacenter market to providers that want to minimize their Scope 2 emissions, as well as their potential customers (i.e., cloud service or content providers) that want to minimize their Scope 3 emissions.

Company background

Launched in 2009 in Virginia, EdgeConneX's business strategy focuses on the network edge, building facilities close to its customers' end users. In August 2020, EQT acquired EdgeConneX from Providence Equity Partners for \$2.5 billion. EQT is a global private equity investor headquartered in Stockholm with over \$210 billion in assets under management, and is a signatory of the Principles for Responsible Investment. That UN-backed initiative commits its signatories to integrate ESG (environmental, social, governance) considerations into their investment and ownership strategies.

The provider is present in 45 locations across North America, Latin America, EMEA and Asia-Pacific. In Europe, it owns and operates datacenter campuses in Amsterdam, Dublin, Munich, Barcelona, Brussels and Warsaw. All the European campuses are powered by renewable energy, and in 2020 EdgeConneX purchased the Certificate of Origin of the electricity supply through an initiative with EQT. The company has announced plans to become carbon- and water-neutral by 2030, and this commitment is further strengthened by the signature of the Climate Neutral Data Center Pact within the framework of the European Green Deal.

Strategy

EdgeConneX's campus in Barcelona comprises a single datacenter with local and international customers. The facility offers a carrier-neutral network connectivity platform for cloud, content, network and IT providers to deploy their infrastructure close to their customers in the region. The facility's anchor tenant is a global IT service provider and systems integrator. The facility also hosts essential customer applications and provides critical local, cloud and content-access services, including hybrid and multicloud options.

EdgeConneX is currently expanding its facility, which will achieve an uninterruptible power supply capacity of 8.4 MW to accommodate additional demand from domestic and foreign companies. Indeed, EdgeConneX has connected its datacenter to Barcelona CLS, an infrastructure that is becoming a point of connection between the metro and the rest of world. CLS is the Spanish terminal of three submarine cables — 2Africa, Medusa and MedLoop — that will become operational between 2023 and 2024. The 2Africa cable, in particular, will shortly connect Africa, Europe and Asia to bring affordable, high-speed internet to 3 billion people. Therefore, connection to CLS will allow EdgeConneX customers to access new international routes via the strategic network of submarine cables.

Competition

EdgeConneX is a leading provider in the Greater Barcelona market. The other large providers like Equinix and Nabix own and operate small datacenter campuses with a UPS capacity ranging from 3 MW-4 MW.

However, new providers and investors have already announced their plans to invest in the metro. They believe that Barcelona will become a critical exchange data hub in the Mediterranean basin thanks to a strategic network of intercontinental submarine cables. This is attracting an increasing volume of cloud, network, IT and content providers from other continents to serve EMEA's customers with the lowest latency possible, meeting data sovereignty-related government requirements and other regulations.

In the next three years, the power capacity of the Greater Barcelona datacenter market is expected to increase from less than 30 MW to more than 150 MW. Competition for EdgeConneX comes from a variety of providers:

Equinix is the world's largest datacenter provider. The company currently owns and operates four datacenters in Madrid, one in Seville and one in Barcelona. The latter supplies white space of approximately 19,000 square feet with a UPS capacity of 1.6 MW. In early 2023, the California-based provider announced its plan to launch a second facility in Barcelona. In its press release, the company noted the rise of Barcelona as a subsea cable hub as one of the reasons behind this investment decision. According to the local press, the project is expected to be delivered in the first quarter of 2024, and the new facility will supply white space of 27,000 square feet with a UPS capacity of 3.4 MW.

Panattoni Development is an international real estate developer specializing in industrial real estate. In April 2022, its European subsidiary, Panattoni Europe, announced the closing of the acquisition of a building plot of 645,000 square feet in Parc de l'Alba, about 12 miles north of Barcelona (Cerdanyola del Vallès). The company plans to invest €100 million to develop one of the largest datacenter campuses in Catalonia with power capacity of 42 MW. This is the first Panattoni investment in the Spanish datacenter market.

In May 2022, datacenter provider Interxion (a Digital Realty Trust Inc. company) announced the closing of the acquisition of a building plot in Sant Adrià de Besòs, in the metropolitan area of Barcelona. The company aims to launch its first datacenter campus in Barcelona to consolidate its market footprint in the Mediterranean. The campus will have capacity of up to 15 MW and is scheduled to be delivered in 2024.

Merlin Properties is the largest Spanish real estate investment trust. In 2022, the company started the construction of its first datacenter campus in the south of Barcelona (Zona Franca) with an investment budget of €100 million. The campus will have power capacity extendable up to 16 MW. This is part of its broader strategy to expand in the Iberian Peninsula, with campuses also in Madrid, Bilbao and Lisbon.

In September 2022, AQ Compute and CBRE launched a partnership to develop their datacenter campus in Parc de l'Alba with an investment of €300 million. The campus will have power capacity of up to 50 MW, and will be built on a plot larger than 450,000 square feet. Upon delivery of the project, this will be one of the largest datacenter campuses in the Iberian Peninsula.

SWOT Analysis

<p>STRENGTHS</p> <p>Upon delivering on the expansion plan of the campus due in the next months, EdgeConneX will be by far the largest datacenter provider in Barcelona. Also, EdgeConneX's campus is 100% powered with electricity from renewable sources, thus making the datacenter attractive to potential customers committed to minimizing Scope 3 emissions.</p>	<p>WEAKNESSES</p> <p>Thanks to the launch of international submarine cables, hyperscalers will also drive demand for colocation services in the coming years in the Iberian Peninsula. The multi-tenant business model for the single EdgeConneX facility on the campus may preclude the provider from having the capability to accommodate such a demand.</p>
<p>OPPORTUNITIES</p> <p>The company has signed an agreement with the Barcelona Cable Landing Station, which will open up new international connectivity routes to attract potential customers.</p>	<p>THREATS</p> <p>An increasing number of datacenter providers and developers have announced their investment plans in Barcelona to launch large datacenter campuses.</p>

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