EXECUTIVE OVERVIEW

MARKET FORECAST

Brazil

SEP 2017

Multi-Tenant Datacenter Market

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This report provides an overview of the competitive dynamics in the Brazil market, a 451 Research Market Map™ of the competitors in the area, market share of the dominant providers, supply-demand and utilization trends, a discussion of planned multi-tenant datacenter builds and profiles of prominent Brazilian multi-tenant datacenter providers with a market outlook for each.

ABOUT 451 RESEARCH

451 Research is a preeminent information technology research and advisory company. With a core focus on technology innovation and market disruption, we provide essential insight for leaders of the digital economy. More than 100 analysts and consultants deliver that insight via syndicated research, advisory services and live events to over 1,000 client organizations in North America, Europe and around the world. Founded in 2000 and headquartered in New York, 451 Research is a division of The 451 Group.

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Kelly joined 451 Research in April 2011 as an analyst covering the economics and finances of the datacenter and hosting industries. In her current role, she leads the services analyst teams, which track hosting, managed services and multi-tenant datacenter providers worldwide. Coverage includes providers, market size, datacenter supply and demand, and the dynamics of the industry overall.

LEIKA KAWASAKI

SENIOR ANALYST

Leika Kawasaki is a Senior Data Analyst at 451 Research. She covers the colocation datacenter industry for the Datacenter KnowledgeBase practice.

Key Findings

We categorize Brazil as an emerging multi-tenant datacenter (MTDC) market, which means it is underserved by MTDC facilities and has few carrier-neutral locations. In addition, Brazil currently has only two providers offering wholesale datacenter services.

Brazil is a large country (26 of its metros have populations of more than one million) but MTDC capacity is concentrated in the top two metros of São Paulo and Rio de Janeiro. In 13 of the 26 top metros in Brazil, we identified no MTDC providers.

The Brazilian MTDC market slowed in 2016 in terms of capacity added due to the second year of recession in the country. In particular, the recession has made it less appealing for international firms to enter the market. However, we expect it to pick up dramatically in 2017 with several new datacenter expansions. We forecast that the MTDC supply in Brazil will experience solid growth from 2014 to 2020, with a CAGR of 9% as providers continue to bring needed operational datacenter capacity to market.

We are aware that several foreign MTDC providers have looked at entering the market in Brazil due to its underserved nature, but so far they have stayed out due to the major challenges of doing business in the country.

Many Brazil-based datacenter providers have chosen not to spend capex to expand their datacenter footprints in Brazil over the past two years in the face of economic challenges. This creates opportunity for providers that are willing to invest and expand to increase market share.

Two datacenter providers in Brazil, Ascenty and Equinix, continue to expand datacenters regularly and are experiencing growth that is faster than that of the overall market. For example, Ascenty maintained revenue growth of 75% last year, despite the recession.

Almost all providers that offer MTDC services in Brazil also offer services higher up the IT stack, including hosting, cloud and IT outsourcing.

Executive Summary

THE 451 TAKE

The Brazil multi-tenant datacenter (MTDC) market remains the largest in Latin America: São Paulo, the top market in the country, continues to be underserved, but it is better served than other major metropolitan markets in Latin America such as Mexico City and Bogotá. Brazil's recovery from a two-year recession provides additional growth opportunities for MTDC, hosting and cloud providers. We believe that existing MTDC providers in Brazil will continue to be risk-averse and will look to align new supply with current demand by deploying capital for datacenter expansions in more of a just-in-time inventory approach. Some providers will take advantage of this opportunity, continuing to expand their datacenter footprints and acquire MTDC market share. Other providers will continue to be reluctant to spend capex on expansion and will tend to favor IT services higher up the stack that don't require as much capital outlay.

METHODOLOGY

The data in this report was assembled in part through the use of 451 Research's Datacenter KnowledgeBase, which tracks hundreds of companies in the space, including product mix and regional market shares. Our methodology includes tours of many of the datacenters in the markets, surveys of datacenter providers, phone briefings and data collection from competitors. 451 Research also interviews real estate professionals as part of our research.

This report was written by:

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451 Research client input and comments on this report are encouraged. Any questions about the methodology should be addressed to datacenter@451research.com.

In cases where metrics are not available from the company, we have used general industry averages and assumptions. The report identifies all datacenter providers discovered by 451 Research in each market, except for those with less than 1,000 square feet of space, and estimates market share for the top three to five providers in each area. Market share is calculated based on operational square footage. For wholesale providers that also lease to retail colocation providers, such space is counted only once in the retail listing – as the retail colocation provider's space – since they are selling to the end customer. In other words, this report depicts market share from the viewpoint of the customer that leases space. The only exception is for any wholesale market share graphs, where retail space is not subtracted in order to give a clearer sense of the true wholesale market share.

This report uses the most up-to-date information received from datacenter providers to estimate market size, supply, demand and utilization. Figures in this report represent year-end numbers and can differ from previous editions of our reports due to more disclosures received from more providers. The maps in this report may not reflect all datacenter facilities in a particular market because not all datacenter providers disclose addresses. The datacenter market includes facilities located within roughly a 50-mile radius from each city center.

Datacenter supply and demand is often referred to in the industry in terms of power available (typically in megawatts, MW), and we expect to convert our graphs to MW eventually. However, not all datacenter providers have given us power metrics and, even when obtained, such metrics can be difficult to confirm (particularly for utilization). Thus, for the time being, we continue to show supply and demand in terms of operational square footage.

Table of Contents