

## REPORT REPRINT

# DataBank expands in multiple markets amid pandemic

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Amid expansion, executive changes and new builds – not to mention a global pandemic – DataBank continues to see demand and grow its portfolio. Notably, the provider has largely chosen to operate in secondary markets, where competition isn't as stiff, giving itself some elbow room.

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### Introduction

Dallas-based DataBank has seen a number of changes over the last few years, including multiple acquisitions in new markets, expansions and new builds in existing markets, a new CEO, and new executive changes, to name a few. Even amid all these changes – and not to mention a global pandemic – the provider continues to see demand and grow its portfolio. For 2020, DataBank has been working to expand in four of its nine markets. Notably, the provider has largely chosen to operate in secondary markets (with Dallas and Atlanta being the exceptions), where competition isn't as stiff, giving itself some elbow room.

### 451 TAKE

The datacenter industry has, for the most part, been able to continue its modest growth trajectory unhindered during the COVID-19 pandemic. This is largely because the datacenter industry as a whole is a longer-term play – the sales cycles can be long, the contracts are generally multi-year and the equipment they house is critical to the businesses that own it. DataBank has spent this year working away at expansion projects in four of its markets, and while the various lockdowns slowed progress for a time, all are back underway. As most other datacenter providers have seen, DataBank acknowledged needing to give concessions to some customers in affected industries; however, the company reports that those customers have caught back up. Company leadership states that the pandemic has delayed some plans, but they've not seen plans completely cancelled. The provider has also seen demand for additional services, which it directly links to needs created by the pandemic. While some providers are looking at 2020 as being a fairly flat year, from a new sales perspective, others like DataBank are projecting it to be a year of continued growth.

### Context

Founded in 2005, DataBank offers enterprise, cloud, content and technology customers resilient and scalable datacenter services designed to provide high availability for data, applications and critical IT infrastructure. The company headquarters are in the 270,000-gross-square-foot former Federal Reserve Bank of Dallas. Today, DataBank operates 20 datacenters in Dallas; Minneapolis; Atlanta; Kansas City; Salt Lake City, Utah; Cleveland; Pittsburgh; Baltimore; and Indianapolis. It also offers a suite of managed and cloud services that it has bolstered via acquisitions.

In July 2016, DataBank was acquired by Digital Bridge, which later partnered with Colony Capital to form Digital Colony, fueling additional growth capacity within the organization. Colony Capital acquired Digital Bridge in 2019. Colony Capital and Digital Colony have built a portfolio of investments to include towers, datacenters, small cells, and fiber throughout North America, Latin America and Europe. Colony Capital's datacenter investments include DataBank, Vantage, Zayo and Aptum, for a total of 95 datacenters, although there are no plans to merge the brands, given the discrete niche each business targets.

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DataBank has either recently expanded or has expansions underway in four of its markets; however, like other providers, it has experienced some delays due to demand fluctuations as a result of COVID-19. In Atlanta, the company continues to fit out a facility built in partnership with Georgia Tech, with an additional data hall expected to come online in the near future. Meanwhile in Texas, the company recently commissioned the second data hall at DFW3 in Plano. Ultimately, it can double its footprint at this location for a total of over 72,000 square feet of raised floor. The company took possession of the Pittsburgh facility in July 2019, and has since converted the third floor into 25,000 square feet of datacenter capacity. Out west, the company has construction underway at its SLC5 facility in Salt Lake City, which will include 50,000 square feet of raised-floor capacity at full buildout. The company is also expanding in Minneapolis, with plans to build MSP3 with a target go-live date of Q3 2021.

### Strategy

DataBank's strategy in the last several years has included market entry via acquisition, followed by a focus on expanding within those markets with new datacenter builds. With acquisitions totaling over \$700m since 2015, the company also strategically acquired a list of complementary services, building around its base of traditional colocation and connectivity services. We have seen this play out in Minneapolis, Salt Lake City and Kansas City, in particular, with positive leasing results in each market. Despite growing its services portfolio, colocation is still the primary business, making up 72% of its revenue, followed by cloud and managed services (17%) and connectivity solutions (11%). DataBank's recent expansions represent over \$200m in investment, adding 27.1MW of capacity in the last 18 months.

DataBank started out in one of Dallas' key carrier hotels, and connectivity is still a key component of the company's business model, with 10 of its facilities having more than 10 carriers on-net. The company has built out fiber rings between facilities within the same market to offer additional connectivity options to clients. Additionally, DataBank's facilities are home to multiple internet exchanges: DE-CIX (Dallas), MICE (Minneapolis), PIT-IX (Pittsburgh) and SLIX (Salt Lake City). The company has also added cloud on-ramping via Megaport in Dallas, Kansas City, Salt Lake City, Minneapolis and Pittsburgh, and via PacketFabric in Indianapolis and Dallas, focusing particularly on secondary, largely underserved markets.

DataBank has also bolstered its compliance enablement, taking ownership of up to 80% of the controls in place for a variety of certifications and audits, including FedRAMP, SSAE 18 Type II SOC 2, HIPAA/HITECH, PCI-DSS, and EU Privacy Shield and GDPR. As part of its compliance effort, the company has enhanced its customer portal to include readily available documents and support for audit policies, procedures and controls.

### Competition

DataBank's geographic diversity and persistent expansion have created an equally varied list of competitors. In the top North American markets of Dallas and Atlanta, the company regularly sees competition from other national providers, including CyrusOne, Digital Realty, Flexential, QTS and STACK Infrastructure, among others. Meanwhile, in the smaller markets, the company is more likely to square up against more regional or local providers that typically offer an array of similar services to support local demand. These could include Otava, Expedient, EdgeConneX, Involta and vXchnge.

SWOT Analysis

**STRENGTHS**

As DataBank has grown its datacenter portfolio, the company has also grown its services set, which is a smart move within the secondary markets that it serves.

**WEAKNESSES**

The company lacks a true West Coast presence, with the closest being Salt Lake City. While it has attracted customers from the Pacific time zone, a presence in the time zone could help bolster its position against its competitors with facilities in California and the Pacific Northwest.

**OPPORTUNITIES**

451 Research continues to see that enterprises will choose colocation to bolster their disaster recovery plans. The markets that DataBank operates in are ripe to pull in DR from other markets, and this is an avenue the company could further pursue.

**THREATS**

Exciting and growing markets mean competition, and DataBank is facing plenty of that in its top US markets, with increasing competition in its secondary markets as more providers get in on the action.