



Market Insight Report Reprint

DC BLOX rolls out the red carpet for hyperscalers in the southeastern US

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The company is priming the southeastern US as a landing place for hyperscaler expansion. DC BLOX has completed a subsea cable landing station in Myrtle Beach, SC, with Meta and Google as tenants. It has also acquired a dark fiber route connecting Myrtle Beach to the connectivity hubs of Atlanta.

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Introduction

DC BLOX is priming the southeastern US as a landing place for hyperscaler expansion. That means installing infrastructure at large scale, showing that the region is ready to absorb these tenants. DC BLOX has completed a subsea cable landing station in Myrtle Beach, SC, with Meta Platforms Inc. and Google as tenants, and room for at least three others. The company has also acquired a dark fiber route connecting Myrtle Beach to the connectivity hubs of Atlanta.

THE TAKE

This is not a “build it and they will come” strategy; rather, DC BLOX believes hyperscalers are eyeing the Southeast. The cable landing station is certainly a start, with two major cables terminating there and hyperscale interest already established. Beyond that, hyperscalers are seeking new ground for expansion, places where it is less of a struggle to find land and secure power. What they need, however, is large-scale infrastructure, particularly networking. Note that the hyperscalers have built out their own global fiber networks; DC BLOX’s observation is that the hyperscalers are rebuilding the internet in their own image. Providing ample fiber connectivity should make the southeastern US a more attractive expansion target. That infrastructure should also help serve the enterprises and service providers likely to arrive in the hyperscalers’ wake.

Context

DC BLOX was founded in 2014 to target the underserved datacenter markets in the Southeast, reasoning that these emerging markets have a lot of potential due to lower competitive pressure and a generally lower cost of doing business. The company operates one datacenter in each of six cities — Atlanta (DC BLOX’s headquarters location); Birmingham and Huntsville in Alabama; Chattanooga, Tenn.; and Greenville and Myrtle Beach in South Carolina — with land purchased for a site at High Point, NC (near Greensboro). Announced expansion plans include population hubs such as Nashville, Tenn.; Orlando, Fla.; and Charlotte, NC.

Interconnecting these datacenters has long been a tenet of DC BLOX’s. Now the company is deepening its commitment to networking with new projects: the cable landing station and dark fiber.

The Myrtle Beach cable landing station opened earlier this year, located in the city’s International Technology & Aerospace Park. Built to accommodate five subsea cables (with power and land available to add more), it already has two committed: Google’s Firmina cable, connecting into Brazil, Uruguay and Argentina, and Meta’s Anjana cable, connecting into Spain. The landing station provides a more direct route to the Southeast compared with existing landing stations in Virginia and Florida, feeding the premise that the region could support a higher volume of datacenters, including hyperscale builds such as Meta’s \$1.5 billion facility in Huntsville, Ala. (Construction on that facility paused in December 2022, possibly to redesign it for AI and liquid cooling.)

DC BLOX got into dark fiber in May 2022 with the purchase of network assets from Light Source Communications and Ascendant Capital Fiber, a fairly straight 500-mile route from Lithia Springs, Ga., to Myrtle Beach. The route connects with Atlanta’s connectivity centers, notably 56 Marietta, and has waystations including Athens and Augusta in Georgia. The east-west direction is novel, as the fiber routes in the region tend to go north-south, following the Eastern Seaboard, and in many cases flowing into northern Virginia’s datacenter hub. Note that DC BLOX did not purchase Light Source outright; still, two members of the Light Source leadership team have joined DC BLOX to spearhead the dark fiber strategy.

Strategy

To keep pace with growth, hyperscalers continue to build their own infrastructure at scale. They run their own subsea cables — something that was previously the purview of service-provider consortia. They also operate massive fiber backbones that act as the de facto internet for large amounts of traffic. DC BLOX's interpretation is that the hyperscalers are building out their own internet, in a sense, driven by needs that have outpaced normal network development.

With that in mind, DC BLOX is laying the foundation to welcome hyperscalers into the Southeast. That involves prepping large-scale networking infrastructure to connect these datacenters to the world. The key is not only building big, but also anticipating expansion. DC BLOX has already secured hundreds of acres of land and hundreds of megawatts of power in locations near Atlanta and in South Carolina for potential build-to-suit datacenter projects. The Myrtle Beach cable landing station has room for three more cables and could be expanded to accommodate even more tenants. The dark fiber route plays into this strategy as well, guaranteeing a high-capacity conduit to Atlanta and thence to the rest of the internet. Along that route are many of the communities that could house the large enterprises that would be drawn to this new hyperscaler neighborhood; the gravity of hyperscale availability zones tends to attract satellite businesses, including network service providers.

That last point is worth noting. DC BLOX says its dark-fiber route includes sufficient capacity to accommodate hyperscale customers, with room for expansion. That leaves room for service providers to offer their own "lit" services along the route. To avoid competing with those customers, DC BLOX is not offering any lit services of its own on that fiber route. The company is also open to the idea of building more fiber infrastructure, possibly even fiber rings, in the region. It has retail colocation space to offer as well — landing spots that can take advantage of all this connectivity.

Competition

DC BLOX's datacenters are mostly in small, arguably underserved markets in the American Southeast. The exception is Atlanta, where nearly all the major datacenter operators have multiple facilities, including Digital Realty Trust Inc., EdgeConneX, Equinix Inc., Flexential and QTS. All of them can and do build at scale, and offer some sort of connectivity services, including connectivity between their datacenters and the main carrier hotels in the metro. That said, given the other locations where DC BLOX has facilities, Atlanta is useful because many regional workloads will need to connect there for one reason or another.

For its other locations, DC BLOX would most often run into either Flexential or DartPoints, although neither is exactly a 1 to 1 comparison. As mentioned, Flexential does do some larger builds these days, beyond typical colocation; however, the company has not done so in the South, except for Atlanta. The company does not offer dark fiber, but it does offer connectivity between its datacenters, which might be suitable for some potential customers. DartPoints, on the other hand, sticks to retail colocation, but also offers its internet exchange platform, called Bridge IX, which again is not dark fiber, but could be an acceptable alternative, depending on the situation.

SWOT Analysis

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| <p>STRENGTHS</p> <p>DC BLOX's connectivity footprint, including the dark fiber route, should be increasingly valuable as hyperscaler activity increases in the southeastern US. The company has secured power and land for further builds in the region. Hyperscalers and their partners should be happy to find this infrastructure already in place.</p> | <p>WEAKNESSES</p> <p>By design, DC BLOX is a small player in terms of absolute size. Assuming the activity around Myrtle Beach attracts tenants new to the region, it will be interesting to see how eagerly they work with the company.</p> |
| <p>OPPORTUNITIES</p> <p>Hyperscale presence attracts other tenants. They want to be geographically close and reliably connected to those environments. DC BLOX seems positioned to absorb colocation and interconnection demand, and its dark fiber business is ready to accommodate network service providers while not competing with them.</p> | <p>THREATS</p> <p>The dark fiber strategy is admittedly a risk. If hyperscaler presence plateaus quickly, the attendant demand for connectivity could stall as well. On the other hand, if hyperscaler activity enjoys a sustained surge, then datacenter and dark fiber competitors could take stronger notice of the Southeast, intensifying competition for DC BLOX.</p> |

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