

Data Center Construction Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The global data center construction market is expected to witness a CAGR of 13.07% during the forecast period. According to a recent report by Uptime Institute on COVID-19 risks, data center operators with standardized supply chains, uniform build processes, prefabricated components, and supplier contracts will be best positioned to withstand temporary disruptions and potential long-term shortages and critical spares and consumables.

Key Highlights

Enterprises must rely on data centers to fulfill their IT requirements as on-demand services become more and more prevalent. Data centers have undergone tremendous change due to increasing organizational demands for data management, backup and recovery, and productivity tools like email. An increasing number of data centers that serve enterprise applications and offer data storage, administration, and backup and recovery services are also driving the data centers market.

Hyper-scale data centers are being built more often worldwide to store massive volumes of data, opening up lucrative opportunities for business players. Many industries use hyper-scale data centers to increase computing power, memory, networking capabilities, and storage resources. The ability to effectively scale up computer workloads at a large scale and the physical infrastructure and distribution systems supporting the data centers are two of the many components of hyper-scale data centers.

The need for data centers has increased in recent years, due to the high adoption of cloud services and the several government initiatives taken to promote the digital economy. In April 2022, Seagate Technology Holdings PLC and Phison Electronics Corporation expanded their solid-state drive portfolio to assist data management centers in reducing their total cost ownership. This new focus comes from a growing demand of businesses for higher-density and faster, more-intelligent storage infrastructure to facilitate comprehensive business applications, such as hyperscale data centers, high-performance computing, and AI. Environmental, cost, and workforce-related challenges could restrain the global data center construction market. The

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environmental impacts are wide-reaching, impacting climate change, pollution, biodiversity, and natural resources. Though the challenges are broad, they present many opportunities for improvement and long-lasting positive impact. The cost of constructing the data center is also high, which could restrain small and medium enterprises from setting up a new center. The vendor's focus is on the regions that have lower costs for construction.

Furthermore, the COVID-19 pandemic struck when demand for data center capacity was expanding rapidly, and it applied restrictions to constructing new facilities. There was a specific impact on the market, such as data network traffic increased the traffic by increasing usage of applications such as Zoom and Microsoft Office, among others. Moreover, the pandemic caused challenges in constructing a data center due to disruption in the supply chain, which slowed down the market's growth. However, post-pandemic, the demand for data capacity has more than tripled, and companies are shifting toward a hybrid cloud environment. Hence, the market has seen a resurgence in data center construction.

Data Center Construction Market Trends

Growing Adoption of Hyperscale Data Centers in Large Enterprises is Driving the Market's Growth

Hyperscale data centers are used in different sectors to increase computing ability, memory, networking infrastructure, and storage resources. The various features of hyperscale data centers include the physical infrastructure and distribution systems supporting the data centers for maximizing cooling efficiency, along with the ability to scale computing tasks in an efficient way broadly.

Moreover, the business of selling data center hardware designed to Open Compute Project specifications is booming. Advanced cooling solution for fast-growing power consumption and computing density in next-generation data centers with no changes in the extra facility is significantly contributing to the market's growth with OCP.

For instance, Wiyynn announced showcasing its cutting-edge standalone rack-level liquid cooling solution with the next-generation Open Compute Project (OCP) server to address the growing demand for high-power consumption and compute density for cloud computing AI and HPC during the OCP Virtual Summit.

Furthermore, the demand for more computing power in the Latin American developing region contributes to the market's growth. For instance, Equinix, through its xScale joint venture, is building the first phase of its MX3 data center in Mexico in 2022 at the cost of USD 58 million. This facility has 4 megawatts of power capacity and is planned to open in Q3 2022.

In addition, in Thailand, ST Telemedia Global Data Center (STT GDC) announced the construction of its hyperscale data center facility consisting of two seven-story buildings within a data center campus where each building will support an IT load of 20 MW. The construction is expected to take place in two phases. This increased rate of construction of hyperscale data centers is expected to drive the market's growth significantly.

North America Accounts for a Major Share

North America dominates the global market for building data centers. A strong economy and cutting-edge network infrastructure are critical drivers for the market's expansion. The United States dominates the regional market and has many significant cloud service providers, including Amazon.com, Google Inc., and Facebook. These businesses invest in building massive data centers and increased data storage and processing capabilities, which present enormous market prospects.

Due to the increase in internet usage, there is a high penetration rate in the region, especially in the United States, i.e., around 85%, which increases the amount of data generated. The United States has also been recognized as one of the forerunners in adopting new technologies. With the increasing adoption of Big Data analytics, the country contributes over 50% of the world's spending on Big Data to avoid falling short on traditional storage and has begun the construction of new data and colocation

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centers to run business analytics activities.

The increasing investments in metro infrastructure in North America have provided optimal opportunities for constructing data centers. For instance, CyrusOne intended to build a 340,000 square-foot, 100 MW-capable mega data center in three phases in the Dallas metro area. Furthermore, customers are constantly experiencing increased sophisticated user demands for network and connectivity solutions that deliver faster and more reliable data connections across data centers in the United States. The demand for Unified Communications-as-a-Service (UCaaS) solutions from telecom and business technology resellers in North America is also a factor in the market's expansion. To maximize system resilience to MSPs, VARs, ISPs, and interconnects, a player like SkySwitch offers white-label UCaaS from geographically varied sites.

According to the Flexera State of the Cloud Report, several enterprises have agreed that their cloud usage may exceed the planned use at present, owing to the impact of the COVID-19 pandemic. Enterprises are forced to meet increased demand as online usage grows, resulting in the need for the extra capacity required for current cloud-based applications. With the growing amount of data and content consumption in the country, the demand for hyperscale data centers has also been surging.

Data Center Construction Market Competitor Analysis

The data center construction market is fragmented, consisting of several major players. With technological advancements and product innovations, many companies are increasing their presence in the market by securing new contracts and tapping new markets that cater to an intense rivalry. A few of the key players are IBM Corporation and SAS Institute Inc.

In April 2022, Google announced the building of a new data center in Nebraska and invested USD 750 million in a new campus in Omaha. The new campus has four buildings totaling more than 1.4 million square feet, considering the demand for google cloud services and infrastructure. Google was fulfilling its promise of spending USD 9.5 billion on new data centers.

In April 2022, the Nigerian company Kasi Cloud Ltd began constructing the first of its several planned data center campuses in Nigeria. The company plans to design, build, and operate hyperscale cloud data centers to support dynamic space, power, and connectivity at scale by acquiring approximately 4 hectares of land in the Maiyegun area of Lekki in Nigeria.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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