

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

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Report description:

The Europe Data Center Colocation Market was valued at USD 13.98 billion in 2021 and is expected to reach USD 28.55 billion by 2027, registering a CAGR of 13.21 % during the forecast period (2023 - 2028). The market studied has been growing rapidly, with new entrants and data centers being increasingly constructed in the region. The necessity of space and utilities has also increased to unprecedented levels with the expansion of businesses. Also, shrinking IT budgets and economically infeasible requirements make it hard for companies to operate their data centers. This is also driven by the rising concerns regarding the capital investment and expenses associated with building and running a data center.

Key Highlights

The regional market is also driven by the significant demand for colocation services by the hyperscale data center consumers, including large internet businesses and public cloud service providers. Besides building massive data center facilities in remote areas, major cloud service providers such as Facebook, Microsoft, and Google have been leasing tons of capacity from the colocation companies in densely populated areas across the European region.

The FLAP (Frankfurt, London, Amsterdam, and Paris) regions have become significantly mature and face limitations related to physical spaces and insufficient energy to power these data centers. Such issues have driven the colocation providers to find new feasible locations, including Oslo, Berlin, Zurich, Milan, Warsaw, and Madrid. These areas are considered potential regions for data center construction across the region.

To lower their CAPEX and OPEX, conserve data center space, and lower cooling system power usage, data center operators are searching for effective solutions. Europe has colder climate conditions. Therefore air/water-side economizers and indirect evaporative coolers will still be used there. Many establishments strongly favor free cooling chillers that provide partial cooling using outside air. For instance, the London 1 data center facility owned by NTT Global Data Centers (e-shelter) has free cooling and N+1 redundancy of water-based cooling systems. Depending on the facility design and IT load, the investment in cooling

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systems for data center projects is anticipated to be between 15 and 20 percent of the total cost.

There are many European standards and regulations for data centers; it's easy to see that non-compliance with the stringent rules and regulations does not involve a single, easily understood consequence but hundreds of ramifications. On a legal front, a data provider that fails to meet the standards and keep up with compliance may be punishable by law, which could involve shutdowns, fines, and much more. That's not including their responsibilities to customers and clients who may or may not also take legal action. The GDPR holds data controllers (the organization that owns the data) and data processors equally liable (outside organizations that help manage that data). A non-compliant third-party processor means the organization is not compliant. The data center sector has been changing for a long time, but the last several years have been particularly challenging, owing mostly to the COVID-19 pandemic. At first, it may have appeared that all the changes were being made to accommodate stay-at-home orders temporarily, but that is no longer the case. The surge in remote school and work, making business calls on Zoom instead of the phone, and utilizing an app for everything seems to be a permanent trend. The fast growth of online activity has raised the demand for data center white space, particularly in recent years, as the COVID-19 pandemic made access to internet applications a requirement. With more people relying on the internet for work, social networking, e-commerce, banking, and entertainment, the demand for almost limitless uptime and storage capacity is growing.

Europe Data Center Colocation Market Trends

Growing Adoption of Cloud Services to Drive the Market

Cloud computing is one sector estimated to be a significant driver of the data center colocation industry. Cloud computing has been increasing over the past few years, owing to lower operational expenses faced by enterprises. Currently, the cloud market consists of large global companies, like Amazon Web Services and Microsoft Cloud, and companies in the provider segment. Regarding infrastructure, multinational corporations and third-party vendors have been identified to support their services with hyper-scale data centers and rent spaces at colocation service providers.

Combining colocation with the Cloud can help reduce latency, increase security, and create cloud interconnection opportunities. Cloud provider companies require high bandwidth and resiliency private networks and support from a robust data center provider. When an in-house data center is built, the company must pay a carrier to run fiber to the facility. Depending on the site's location, the area often lacks the benefits of competitive providers, meaning the company needs to work with a major telecom carrier to connect their facility physically. These costs can be avoided by data center colocation, making it a significant choice for cloud-based providers.

The US communications infrastructure provider announced that it had launched the Zeus subsea route connecting the United Kingdom and continental Europe as cloud service providers seek faster internet connections. Undersea cables transmit nearly all the world's internet data traffic, and many technology companies, including Alphabet's Google and Meta, have also invested in building their own subsea cables.

Clever Cloud, a European provider of automation and optimization solutions for websites and applications hosting, and Kalray, one of the leading providers of a new generation of processors and acceleration cards specialized in Intelligent Data Processing from Cloud to Edge, announced a partnership aimed at strengthening the relationship between the Clever Cloud and Kalray for the deployment of next-generation storage solutions. Clever Cloud is currently setting up a third Parisian data center and strengthening its technical platform, and it has chosen to partner with French company Kalray and its Flashbox.

Further, the leading global companies are increasing their cloud offerings across various European countries, thus boosting the need for colocation data centers in the region. For instance, in June 2022, Google announced a cloud region in Milan working with Italian telco TIM. The Europe-western region is Google's first region in Italy and will be followed by a second planned in Turin in the next few months. Google predicts they will generate up to EURO 3.3 billion and support up to 65,000 new jobs in Piedmont and Lombardy by 2025. As per the company, an Italian cloud will support the digitization of companies, public administrations, and private citizens and enable local organizations to meet privacy requirements by storing data locally.

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United Kingdom to Hold Significant Market Share

Energy costs are a significant part of data center operating costs; hence, enterprises have to rent those colocation centers, which help meet the objective of reducing operating costs. SMEs (small and medium-sized enterprises) account for 99.9% of the country's business population (5.6 million businesses).

The adoption of Edge computing, 5G and IIoT, is predicted to increase the demand for data exponentially. Furthermore, the increase in data traffic is expected to impact the market's growth positively. According to the Equinix report, London is the most important European data market. Furthermore, an increasing number of European data compliance rules are acting as a driver. The industry is expected to increase at 48 % per year, accounting for 23% of global interconnection bandwidth. The connectivity of the cloud service providers is a significant factor when selecting a colocation provider. New hyperscale colocation entrants, such as Echelon Data Center and K2 Data Center, also contribute to market growth during the forecast period.

Furthermore, the industry-wide adoption of new technologies such as Big data, IoT, and innovative city initiatives/projects such as Manchester's Triangulum project and Hull's Smart City OS, among others, are driving data center demand.

The customers in the country benefit from various functionalities, such as a 100% uptime SLA and thereby focusing on their core business operations rather than managing a data center. The provider supplies and manages hardware infrastructure with the cloud services, including servers, storage, and network elements.

Europe Data Center Colocation Market Competitor Analysis

The Europe Data Center Colocation Market is highly fragmented, with significant players in end-user industries maintaining their data centers due to the ease of managing an IT staff and many other customizations. Many consumers are primarily looking for more services for the same cost, such as security, extra space allocation, etc. This factor forces vendors to look for innovation possibilities and to offer the latest and innovative services for client customization. The companies keep on innovating and entering strategic partnerships to retain their market share.

April 2022: NTT Ltd announced significant advancements to its Managed Campus Networks service, a portfolio of consulting, technical, and managed services designed to deliver a seamlessly integrated campus network in the most demanding head office, branch, and manufacturing environments.?

February 2022: Equinix Inc. declared that it had inaugurated MU4, a brand-new International Business Exchange (IBX) building, at Dywidagstrasse 10 in Aschheim. More than 2,250 square meters (24,200 square feet) of colocation space and more than 825 cabinets are available in the first USD 90 million phases of MU4. There are currently two more data centers operated by Equinix in the Munich region: MU1 and MU3.

Additional Benefits:

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

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