

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

Market Report | 2023-01-23 | 175 pages | Mordor Intelligence

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### **Report description:**

The German Data Center Market was valued at USD 5.78 billion and is expected to reach USD 7.43 billion by 2027, registering a CAGR of 4.45% during the forecast period (2022-2027). The increasing demand for data processing in Germany demands improved and advanced data infrastructure, creating demand for data centers. With the onset of the COVID-19 pandemic, the allied programs have been focusing on digitizing education, healthcare, cybersecurity, agribusiness, public safety, and manufacturing in connection with industry, academic, and public sector partners to promote economic growth and skills development.

### **Key Highlights**

In Germany, data processing follows strict European data protection regulations. The data center regularly performs backups following applicable legal provisions and precise customer requirements to prevent data losses. The Federal data protection act that governs the exposure of personal data in Germany is the German Bundesdatenschutzgesetz (BDSG). The new German Privacy Act (BDSG-new) has been updated since the GDPR, complements, specifies, and modifies the GDPR. Berlin, Hamburg, and Frankfurt are some of Germany's most attractive investment locales due to the growing demand for colocation space from operators such as Colt DCS, which maintains data centers in those cities. For instance, in May 2022, Alibaba Cloud constructed a data center in Germany specifically made for AI and machine learning applications. The new facility, which is situated in Frankfurt, is expected to provide services to clients in the manufacturing, retail, and automotive sectors. Major global public cloud providers such as Amazon Web Services (AWS), Microsoft Azure, and Google are active in Germany. They plan on investing in newer data center facilities or using third-party data centers for their expansion plans. In September 2021, Google announced its plans to expand its operations in Germany with EUR 1 billion (USD 1.18 billion) worth of investments in new data centers in the country, with data centers in Frankfurt and the new Cloud region in Berlin. The new Hanau Frankfurt facility is expected to be operational in 2022.

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However, Germany has been among the most complicated and expensive countries to import IT hardware. The primary reason for the same has been attributed to tax rules which rely on protectionism and bureaucracy in the customs clearance process. Distributing data across an extensive network containing numerous devices and data centers operating from enterprise locations can create network visibility and control problems, with each device representing another potential endpoint, especially in the IoT network framework.

Moreover, since the COVID-19 pandemic's onset and the trade patterns through 2021, the demand for data centers has seen a positive rise, augmented by technology demand growth due to shutdowns. Companies upgrading IT infrastructures to support remote working amid shutdowns may shift workloads to the public and private cloud. Datacenter operations and investments were least affected by the pandemic, signifying their critical role in supporting ongoing business activity. Over the coming years, this is expected to drive the demand further as enterprises move towards cloud and remote working models. ?

## Germany Data Center Market Trends

### Increase in Colocation and Hyperscale Investments To Drive the Growth

The primary factor driving the growth of data centers in Germany is the increased investment by colocation service providers in the Europe colocation market. The increasing number of cloud service providers and the information technology industry is boosting the data center market in Germany.

More companies are opting for the data center, which addresses their storage issues without substantial upfront costs. For instance, in June 2022, Vantage Data Centers announced opening new data centers in Berlin and Warsaw under its USD 2 billion European expansion policy. The company's Berlin I campus would feature a 32MW capacity across 250,000 square feet and a data center campus in Warsaw to offer a 48MW capacity across 390,000 square feet to support cloud providers and hyperscalers. Germany has been an inviting destination for enterprises and service providers seeking greater business coordination and agility by offering and maintaining digital services. An increase in data generation every year is forcing many companies to double their on-premise storage from time to time. Companies have big-budget, and those who need more space for storing data are going for wholesale data center colocation.

The rising number of smart hospitals in Germany owing to rising investments in digital healthcare infrastructure in the country and increasing investments in communication and technology is also boosting the market growth of data center colocation in Germany.

Colocation service providers and cloud have been benefactors of rising SaaS and network customer demand from the pandemic response necessitating remote working and educating in the country. In addition, these services are particularly recession-resistant, and demand for services has been increasing, translating to data center construction projects remaining in progress to ensure they can meet demand.

### Telecom and IT to Hold the Largest Market Share

The amount of data stored and processed by the telecom and IT industry is enormous. The advent of mobile data and subscriptions, coupled with their rapid usage, has increased data traffic growth and hence, data centers in Germany. With the introduction of 5G and Cloud, the country's demand is expected to grow exponentially.

The country's IT industry necessitates data storage and hyper-scale data centers for its operations according to their size. Additionally, cloud storage selection has progressed over the years due to growth in SaaS providers in the country, enabling cloud storage providers to expand their capacities and is expected to increase the demand for the data center market.

Furthermore, 5G frequency mandates set by the Federal Network Agency in Germany state that 98% of households should be

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equipped with fast mobile internet by 2022 and all major motorways, highways, and railroads by 2024, which is expected to increase the demand for data centers in the country significantly.

The most active local telecom provider in 5G deployments is Deutsche Telekom, which is keeping up the pace in the 5G rollout. It covers 50 cities, and more than 66 million people in Germany can access Telekom 5G, which corresponds to 80% of the population. Currently, more than 50,000 antennas are in operation. Telekom's next target is that 90% of the people should be able to surf with 5G by the end of 2021, corresponding to 60,000 5G-capable antennas in the country.

The country is undergoing some enormous investment from IT & Telecom providers. For instance, Deutsche Telekom subsidiary T-Systems expanded its data center in Biere, a village near Germany's Saxony-Anhalt state capital, Magdeburg. The facility, which serves enterprise and government customers, offers 11,000 sq. mt. of technical space, which is enough to house 100,000 servers and is big enough to accommodate another 40,000 sq. mt. of white space if the company decides to expand it further.

## Germany Data Center Market Competitor Analysis

The German data center market is moderately concentrated due to higher initial investments and low availability of resources, which present challenges to this market. The companies introduce new network offerings and product degradation to attract investors and direct business clients availing the services. The companies also leverage strategic partnerships and acquisitions to expand the service portfolio.

June 2022 - Cisco Systems Inc announced a partnership with Telefonica Tech to launch a managed service, including SD-WAN, security, and secure access service edge (SASE) architectures. The new service comprises an integrated connectivity and security offer, connecting enterprises across data centers, branch offices, and remote employee locations.

April 2022 - Arista Networks announced the extension of its Arista EOS (Extensible Operating System) and CloudVision software to assist high-performance switched networks for media & entertainment customers. By integrating broadcast workflows into the Arista network fabric, Media Control Service (MCS) enables users to establish audio and video streams more quickly.

### Additional Benefits:

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

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