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

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The United Kingdom data center market is expected to register a CAGR of 5.5% during the forecasted period. The data centers help the region reduce the carbon intensity of its economic activities by supporting technologies such as smart metering, intelligent transport, teleworking, and e-commerce. It consolidates computing activities into purposely built facilities that efficiently manage government and corporate IT functions.

Key Highlights
There has been a significant trend in the increasing number of data centers deployed in the United Kingdom. This instance can be attributed to the growing cloud adoption across most enterprises and the growth of emerging technologies, such as AI, big data, and blockchain, across various end-users. The presence of technology leaders and a vast customer base in the country aid this trend.
With 5G infrastructure investment expected to roll out across several major UK cities, the opportunities to fuel a huge influx of data due to the Internet of Things (IoT) are expected to increase. The total GDP of the United Kingdom is over USD 2.86 trillion. With a contribution of 8% from the digital economy, the United Kingdom's data center industry is expected to thrive in the forecast period. Besides the United Kingdom's data centers, the digital economy includes 31.91 million fixed-line telephone subscriptions and 79.47 million mobile telephone subscriptions as of June 2022.
Furthermore, the United Kingdom is home to over 5.5 million businesses that rely on cloud services combined with non-business IT cloud requirements could potentially lead to 7,446 kWh of power usage per year, which is way beyond the total renewable generation standard.
To maintain renewable generation standards, the UK government issued a regulation that came into force on 1st April 2019 and was scheduled to be followed from April 2020. The regulation requires all companies with 250 employees to report their power usage under ESOS. This instance is expected to drive the demand for energy-efficient data centers in the region going forward.

As with the recent global pandemic outbreak, COVID-19 surged the demand for digital communications. Thereby the data center services that underpin them are on the rise. For instance, it is reported that in March 2020, Europe recorded the most considerable internet exchange traffic.

However, it still requires maintenance, servicing, management, and security despite highly automated data centers. Regional operators ensure that the server continues to work reliably amidst the pandemic. For instance, TechUK has been running weekly calls to share best practices to help identify the challenges. The data centers with multiple sites implement precautions such as shift segregation to counter the demand.

UK Data Center Market Trends

Global Demand for Data is Driving the Growth of the Market

The demand for data is expected to exponentially increase the deployment of technologies like 5G, Edge computing, and IIot. Furthermore, the data traffic growth is expected to contribute to the market's growth positively. For instance, according to an Equinix report, London is expected to remain the most important European market for data. Additionally, an increasing number of European regulations regarding data compliance are serving as the catalyst, predicted to grow 48% per annum, contributing to 23% of interconnection bandwidth globally.

Additionally, the industry-wide adoption of advanced technologies such as Big data, IoT, and smart city initiatives/projects, such as Manchester's Triangulum project and Hull's Smart City OS, drive the demand for data centers.

According to Cloudscene, as of June 2022, the United Kingdom hosted 461 data centers. Almost 70 centers are located in London, and more than 350 are spread all over the country. This positions the United Kingdom third in the number of data centers, behind the United States and Germany. As of June 2022, there were 1480 data center service providers in the United Kingdom and 27 network fabrics in the country.

Earlier this year, the National Security and Investment Act 2021 came into force, allowing the UK Government to investigate transactions since November 2020 in sectors, including data infrastructure. The government stated that it could also investigate acquisitions of property interests, leasing, and financing of data centers. With the prompt growth in the use of digital communications infrastructure and continued growth of internet usage, data centers attracted the attention of an increasingly wide number of investors. The Act may affect investments in data centers in various ways. The types of investments affected also include acquisitions of land on which a data center is situated and leasing parts of a data center.

Also, this year, the UK government announced that it looks forward to strengthening the security and resilience of the UK's data infrastructure to protect against outages and national security threats. The UK's data storage and processing infrastructure include buildings housing computer systems that store and process huge volumes of data (data centers) and cloud platforms that provide remote, shareable computing services via the internet.

The Increased Investment in The Country is Expected to Drive the Market

London is expected to hold a significant market share of the united kingdom data center market as it continues to attract big technological companies' investment. Despite the Brexit uncertainty, the data centers' significant vendors, such as Equinix, and NTT, continue to invest and expand the data center facilities in the region to counter the limited market supply.

For instance, Aldgate Investment has a widescale commercial property portfolio in London, and Dublin, making a total initial data center investment in Ireland of 1 Billion pounds. Additionally, the firm is reportedly planning to install a total of 500MW of data centers across five countries by the end of 2025.

By the first quarter of this year - Over the next two years, Amazon Web Service claims it would invest EUR 1.8 billion (USD 2.37

billion) in the United Kingdom to construct and run data centers.

The investment in data centers is increasing due to greater infrastructure and more complex networking, server, storage, and other equipment, which requires efficient data center solutions and services. The government has also been investing in data center development. For instance, this year, the UK government launched a call for views asking for assistance in strengthening the country's data infrastructure. The government invited various data center operators, cloud platform providers, data center customers, security and equipment suppliers, and cybersecurity experts to contribute insights to mitigate security and resilience vulnerabilities.

UK Data Center Market Competitor Analysis

The United Kingdom data center market is fragmented, and the competitive rivalry is high. The key players in this market are Equinix Inc., NTT, Interxion, STT GDC, etc. Competitive advantage can be accomplished through innovation in this market, owing to notable investments by the key vendors in the region.

February 2022 - NTT intends to expand one of its current locations in London while also opening a new data center. In December 2021, NTT Global Data Centers unveiled Hemel Hempstead 4, the company's seventh London data center facility, delivering half of its entire capacity in phase 1. When fully developed, Hemel Hempstead 4 will offer an additional 9,600 sq m of space and 24MW capacity.

Additional Benefits:

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

Table of Contents:

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