South America Data Center Construction - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

Market Report | 2024-02-17 | 120 pages | Mordor Intelligence

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Report description:

The South American data center construction market is projected to register a CAGR of 11.9%.

Key Highlights
-The upcoming IT load capacity in the region is expected to reach 1,806.4 MW by 2029 for under construction IT load capacity.
-The construction of raised floor area for data centers in the region is expected to reach 7.8 million sq. ft by 2029 for under construction raised floor space.
-The region's total number of racks to be installed is expected to reach 392,072 units by 2029, with Brazil expected to house the maximum number of racks by that time for planned racks.
-Currently, four submarine cable projects are under construction in the region. One such submarine cable, estimated to start service in 2025, is Caribbean Express (CX), stretching over 3472 kilometers with landing points from Cartagena, Colombia, for planned submarine cables.

South America Data Center Construction Market Trends

End User Outlook

- The cloud, telecom, and banking, financial services, and insurance (BFSI) end-user segments are expected to drive significant demand in the regional data center market. The demand for cloud services is promising in Brazil, Chile, Argentina, and other countries.

- In Argentina, the evolution of the legal and regulatory environment for cloud computing has been faster and more in line with recent technological developments compared to other regional countries. Recently, Amazon Web Services (AWS) announced plans to invest approximately USD 800 million over a decade in a new data center in Argentina.
- In the telecom end-user segment of the South American data center market, the regions of Latin America and the Caribbean are projected to amass around 398 million 5G connections by the year 2027. All municipalities in Brazil boasting a minimum of 200,000 residents are anticipated to be equipped with a 5G network, complete with at least one antenna, by July 31, 2026. The 5G spectrum auction held in Brazil in October 2021 garnered an impressive sum of approximately USD 8.5 billion.
- By the year 2035, the introduction of 5G technology in Brazil could potentially yield a substantial economic impact of USD 1.2 trillion, accompanied by a productivity surge amounting to USD 3 trillion. Furthermore, it is envisaged that approximately 10% of network connections across South America will transition to 5G by 2025.
- South America has witnessed a digital revolution in banking and financial services and is quickly adapting. The importance of fintech, neo-banks, and digital wallets across Latin America is rising. The abovementioned end-user segments are anticipated to record positive growth. At least 1,166 fintech initiatives are currently operating across 18 countries, with two out of three reporting to being in the advantage stages of development. Recent research by the Bank of America demonstrates that, in Brazil alone, in 2021, fintech providers such as Nubank, PagBank, Mercado Pago, Ame Digital, and Banco Pan had more than 95 million monthly active users, surpassing traditional Brazilian banks.

Brazil is projected to witness majority of data center construction activities during the forecast period

- Brazil and Chile hold the largest South American data center market shares. The Brazilian government provides incentives through the Regime Especial de Tributacao do Programa Nacional de Banda Larga (REPNBL) program, which includes incentives for purchasing infrastructure that help improve colocation services in the country.
- Brazil has witnessed an absolute growth of 40% in investments from the 2021 values due to investments from colocation providers such as Ascenty, Scala Data Centers, and ODATA and telecom operators such as GlobeNet Telecom, Ava Telecom, and Embratel. Sao Paulo, Brazil's significant financial capital, serves as the primary data center hub. Other cities, such as Rio de Janeiro and Fortaleza, are major investment locations in Brazil.
- Chile has competitive energy prices, primarily fueled by plans to take advantage of its natural renewable energy generation potential over the coming years. Energy costs have dropped to one-third of what they were five years ago, mainly based on renewable energy that now makes up 46% of the total produced.
- Chile traditionally has some of the region's best telecommunications infrastructure, and two major fiber projects are underway to ensure it will have a fully redundant fiber backbone. These include the state-funded Fibra Optica Austral (FOA) submarine cable connecting the deep south and Gtd's 3,500 km north-south submarine cable. In 2022, colocation operators, such as Scala Data Centers, ODATA, Ascenty (Digital Realty), and EdgeConneX, were the major investors in the Chilean data center market.
- In Argentina, Buenos Aires is the major investment destination, with the identified third-party facilities in the city contributing to over 90% of the existing power capacity. Most existing data centers are smaller facilities built over a limited area.
- The International Renewable Energy Agency (IRENA) stated that renewable energy contributed to around 33% of the overall electricity capacity in 2020 in Argentina, and the country aims to generate 20% of the electricity via renewable sources by 2025. The country aims to be one of the largest data center hubs in the coming time period.

South America Data Center Construction Industry Overview

The South American data center construction market is fairly fragmented, with significant players such as ABB, Legrand, AECOM, DRP Construction, and Fortis Construction.

In November 2022, Ascenty invested USD 290 million in constructing five new data centers in South America. The locations of the data centers are in Brazil, Chile, and Colombia.

Additional Benefits:

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

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