

US Multi-Tenant (Colocation) Data Center - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2025 - 2030)

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Report description:

The US Multi-Tenant Data Center Market is expected to register a CAGR of 10.89% during the forecast period.

The United States multi-tenant (colocation) data center market is expected to register a CAGR of 10.89% during the forecast period.

Key Highlights

- The United States is one of the major countries in terms of the number of data centers. The multi-tenant data center leasing activity in the United States has been increasing due to the expansion activities of some of the major hyperscale tenants operating there.
- The growing data center traffic, in parallel to the rapid technology advancements in areas such as IoT and Artificial Intelligence, among others, is leading to an increase in the data traffic in the country. According to Cisco forecasts, there will be 4.6 billion networked devices by 2023, rising from 2.7 billion in 2018. In addition, smartphones are expected to account for 7% of all networked devices by the current year.
- The rapid digitization in end-user verticals such as government, retail, healthcare, IT, and Telecom is also expanding the horizon for the multi-tenant market in the country. The government's digitization strategy is an example that the country is moving towards complete digital operations.
- However, challenges such as a heightened dependence on the regulatory landscape & stringent security requirements have adversely impacted the market in the country. The standards such as HIPAA, PCI DSS, and others prevail as standard checkpoints.
- Markets like Northern Virginia and Silicon Valley, with 5.1% and 1.6% vacancy rates, respectively, are still impacted by electricity and land constraints. Delays in the delivery of the substations are the leading cause of the challenges Northern Virginia is experiencing, not a lack of power production. Both delivery-side and generation-side electricity problems exist in Silicon Valley.

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This could make it difficult for new growth in a market where supply is already constrained. Both markets expect more vertical, multi-story data center buildings to compensate for the limited amount of developable land in necessary districts.

- The pandemic resulted in disruptions in construction & expansion plans for colocation service providers. In the short term, the pandemic has created uncertainty regarding construction and expansion timelines. With a direct effect on labor due to lockdowns, the allied crunch caused in the operations was also partly due to stringent guidelines of procedures.

US Multi-Tenant (Colocation) Data Center Market Trends

Healthcare Sector Accounts for Significant Share

- The healthcare industry generates enormous amounts of data. Many healthcare departments are collecting data from clinical trials and several outpatient records to analyze and derive meaningful analysis from such data. However, most hospitals involved in such data collection are not equipped with relevant infrastructure.
- As a result, many healthcare institutes face pressure to reduce a company's cost structure, to deliver full regulatory compliance and efficient solutions, with constraints about the increasing amount of data generated. Datacenter collocation provides a suitable alternative to enable cost-saving means for any firm.
- The government has supported the growing transition of healthcare facilities to adopt digital processes. This has presented an influx of new opportunities for the market of multi-tenant data centers.
- In June 2022, the United States Department of Health and Human Services (HHS) Office of the National Coordinator for Health Information Technology (ONC) announced the establishment of a USD 80 million Public Health Informatics & Technology Workforce Development Program (PHIT Workforce Program) to strengthen US public health informatics and data science.
- Privatized healthcare companies are observed partnering with multi-tenant data center providers to leverage new cloud and space management capabilities. In February 2022, Sungard Availability Services announced the completion of a colocation data center for NYU Langone Health. The 1MW facility has 5,000 square feet of raised floor space, 2N redundancy, and utilizes Vertiv's DSE High-Efficiency data center cooling solution. The data center helped NYU Langone manage its space, power, and spending more effectively. It also allowed the medical center to access public clouds and SaaS providers.

Growing Adoption of Cloud Applications is Expected to Drive the Market

- The demand for cloud-based solutions in the country is surging due to the growing application of technology and consumer propensity toward the cloud. This technology allows the user to access the data from remote locations.
- The increasing realization among companies about the importance of saving money and resources by moving their data to the cloud rather than building and maintaining on-premise infrastructure is driving the demand for cloud-based solutions. Hence, the adoption of cloud-based contact center services is increasing with new.
- Public cloud spending has increased for businesses of all kinds due to increased usage, and it is now a sizeable line item in IT budgets. Enterprises reported spending over USD 12 million annually in 37% of cases and over USD 1.2 million in clouds in 80% of cases. SMBs would have cheaper cloud costs since they have fewer and smaller workloads. However, 53% of SMBs spent more than \$1.2 million compared to last year, an increase from 38%.
- According to the Flexera 2022 State of the Cloud Report, several enterprises agreed that their cloud usage might 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. Over 59% of enterprises expect their cloud usage to be significantly higher than planned, and about 50% of small- and medium-sized enterprises (SMEs) expect their cloud usage to escalate.

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- Even though the COVID-19 pandemic changed many business paradigms, most respondents cited company growth and transformation as the main forces behind cloud adoption. Cloud also played a crucial part in assisting businesses to survive lockdown situations and inconsistent IT infrastructure, allowing them to develop more quickly and improve speed to market, agility, and responsiveness.

US Multi-Tenant (Colocation) Data Center Industry Overview

The data center colocation market is fragmented due to the presence of many players. Some of the prominent players in the market include Digital Realty Trust, Inc., NTT Communications, IBM Corporation, CyrusOne, Fujitsu Americas Inc., and Equinix Networks, among others. Moreover, in the face of intense competition, many market players are adopting various strategies to maintain their position and increase their market penetration, such as partnerships and developments. Recent developments include:

In January 2023, Equinix, Inc. became the first colocation data center operator to commit to reducing its total power consumption by increasing the operating temperature ranges within its data centers. Equinix is developing a global roadmap for thermal operations to achieve more efficient cooling and reduce carbon impacts while maintaining its high-end operating environment. As supply chain sustainability becomes an essential aspect of modern businesses' environmental initiatives, it is expected to enable thousands of Equinix customers to reduce their Scope 3 carbon emissions associated with data center operations.

Additional Benefits:

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

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