

Data Centres - UK - 2023

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This report looks at the following areas:

- How market demand is changing after the extreme COVID-19 related growth.
- How colocation coexists with hyper scale development.
- How the high number of market drivers will impact the sector.
- Why the sector is so attractive to third party investment and the high levels of M&A activity.
- How the industry structure is changing.

The UK has one of the most developed data centre infrastructures in Europe, partly reflecting the pivotal role of London in the international financial sector. Volume demand is accelerating, while locational requirements are also extending beyond London and the main metropolitan areas.

Data centres continue to represent a strengthening growth market, as business and consumer activity has increasingly embraced digital technologies irrespective of current macro-economic and geopolitical forces. There continues to be a long list of further data voracious technologies at various stages of development and implementation coming on stream which are set to provide even more dynamic demand growth.

Against such a strong demand background, combined with the high visibility of future income through medium term contracts and the very high costs of data centre development, the sector has become a magnet for third party finance. Private equity is increasingly funding both new facilities and increasing the concentration of the industry through M&A activity. Moreover, as edge computing develops then the attraction of the more fragmented regional colocation operators to the major providers increases, offering an exit opportunity for investors.

Data has become so fundamental to business and consumer behaviour that the housing and interrogation of that data to make meaningful decisions is now



“Demand for data centres has grown rapidly along with the digitisation of both business and consumer behaviour. Even though 90% of the world’s data was created in the last two years, and every two years the volume of data is doubling, the development remains in its infancy.”

– Terry Leggett, Principal Analyst

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being seen as synonymous with other fundamental utility sectors. The restrictions on its development are identifying appropriate sites for development and the huge power requirements of the facilities. This in turn is stimulating a wide range of developments as the sector is being required to play an increasingly important role in corporate sustainability policy.

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Table of Contents

OVERVIEW

- **Key issues covered in this Report**
- **Products covered in this Report**

EXECUTIVE SUMMARY

- **The five-year outlook for data centres**
Figure 1: Category outlook for data centres, 2023-27
- **The market**
- **Market size and forecast**
Figure 2: Market size of data centres, 2017-27 (£ billion)
- **Market segmentation**
Figure 3: Segmentation of the UK data centre market, 2022 (£ billion)
Figure 4: Industry segmentation of core data centre usage, 2020 (number of cabinets)
- **Market drivers**
Figure 5: Market size for cloud computing, 2017-22 (£ billion)
Figure 6: Global number of IoT devices, 2017-27 (billions)
Figure 7: Global market for AI, 2022-27 (US\$ billion)
- **Companies and brands**
- **Global leaders**
Figure 8: Leading global data centre companies, 2023
- **M&A activity**
- **The UK sector**
Figure 9: Role of the UK in the European data centre industry, 2023 (number)
Figure 10: Development of the London market for data centres, 2016-22 (MW)

ISSUES AND INSIGHTS

- **A recession proof market?**
Figure 11: Global social media users, 2017-27 (billion)
Figure 12: Monthly unique visitors to streaming sites, by operator, 2023
Figure 13: Leading ecommerce markets, by number of users, 2023 (number)
Figure 14: Global projection of the generation of data, 2010-2025 (Zettabytes)
- **A major private equity sector**

MARKET SIZE AND PERFORMANCE

- **A rapidly developing sector**

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Figure 15: Market size for data centres, 2017-22 (£ billion)

MARKET FORECAST

- **So much more demand developing**

Figure 16: Category outlook for data centres, 2023-27

- **Digitisation has a long way to go**

Figure 17: Market forecast for data centres, 2022-27 (£ billion)

- **ESG will continue to be critical**

MARKET SEGMENTATION

- **Use of centre**

Figure 18: Segmentation of the UK data centre market, 2022 (£ billion)

- **Industrial segmentation**

Figure 19: Industry segmentation of core data centre usage, 2020 (number of cabinets)

Figure 20: Industry segmentation of edge data centre usage, 2020 (number of cabinets)

MARKET DRIVERS

- **The economy**
- **Inflation will continue to eat into consumer spending power over the course of 2023**
- **Further interest rate increases will hit mortgage-holders**
- **High inflation and rising interest rates will compound the impact of the slowing recovery**
- **Consumer spending power will be curbed**
- **Low unemployment is helping underpin**
- **Consumers' financial wellbeing has fallen from the highs of 2021...**

Figure 21: Household financial wellbeing index, 2016-23

- **...and most people are feeling the effects of price rises**
- **Digitisation continues to grow**
- **Overview**
- **Global expansion**

Figure 22: Worldwide internet usage, by region, 2022 (millions and %)

- **UK expansion**

Figure 23: Number of social media users in the UK, by media, 2023 (millions)

Figure 24: The future of digital banking, by age, 2022-27 (% of people)

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Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

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Figure 25: Proportion of people in business with internet access for work, by size of business, 2017-2021 (%)

Figure 26: Percentage of companies and charities with digital services, 2022 (% of companies and % of charities)

- **eCommerce**

Figure 27: Market size of ecommerce, 2017-22 (£ billion)

- **Technological drivers**

- **Cloud, edge and quantum computing**

Figure 28: Market size for cloud computing, 2017-22 (£ billion)

- **Web3**

- **Internet of Things**

Figure 29: Global number of IoT devices, 2017-27 (billions)

- **AI**

Figure 30: Global market for AI, 2022-27 (US\$ billion)

- **VR, AR, MR and the metaverse**

INDUSTRY STRUCTURE

- **Global structure**

Figure 31: Leading global data centre companies, 2023

- **M&A activity**

Figure 32: Typical components of building cost for a data centre, 2022 (%)

- **The UK role in Europe**

Figure 33: Role of the UK in the European data centre industry, 2023 (number)

- **The UK industry**

Figure 34: Development of the London market for data centres, 2016-22 (MW)

COMPANY PROFILES

- **Digital Realty**

- **Activity**

- **Performance**

Figure 35: Revenue development of Digital Realty, 2017-22 (US\$ million)

- **Strategy**

Figure 36: Geographic diversity of Digital Realty rental income, by metropolitan area, 2022 (% annualised rent)

- **Equinix**

- **Activity**

- **Performance**

Figure 37: Equinix global revenues, 2017-22 (US\$ million)

What's included

Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

Previous editions

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Figure 38: Equinix revenues, by region, 2022 (US\$ million)

Figure 39: Financial performance of Equinix (UK), 2017-21 (£ million)

- **Strategy**

Figure 40: Financial development of Equinix (UK), 2016-20 (£ million)

- **Strategy**

- **iomart Group**

- **Activity**

- **Performance**

Figure 41: Financial performance of iomart Group, 2019-20 (£ million)

Figure 42: Segmentation of iomart Group revenues, 2022 (£ 000)

- **Strategy**

- **Pulsant Group**

- **Activity**

- **Performance**

Figure 43: Financial performance of Pulsant Group, 2018-22 (£ million)

- **Strategy**

- **Telehouse International Corporation of Europe/KDDI**

- **Activity**

- **Performance**

Figure 44: Financial performance of Telehouse International Corporation of Europe, 2018-22 (£ million)

- **Strategy**

- **Vantage Data Centers (including Next Generation Data)**

- **Activity**

- **Performance**

Figure 45: Financial development of Next Generation Data, 2015-19 (£ million)

Figure 46: Financial performance of Vantage Data Centers UK, 2017-21 (£ million)

- **Strategy**

APPENDIX – DATA SOURCES, ABBREVIATIONS AND SUPPORTING INFORMATION

- **Abbreviations**

APPENDIX – FORECAST METHODOLOGY

- **Market forecast and prediction intervals**

Figure 47: Forecast market for data centres, 2022-27 (£ billion)

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Executive Summary

Full Report PDF

Infographic Overview

Powerpoint Presentation

Interactive Databook

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- **Market drivers and assumptions**

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