

# Data centre market holds strong amid wider economic outlook

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Investors and developers are 'bullish' about the economic prospects of the data centre industry despite the overall impact of COVID-19 on the economic climate, according to new figures from M Capital Group (MCG).

In the first 16 weeks of 2020, major data centre-related acquisition deals, such as Digital Realty's purchase of Interxion for US\$8.4 billion, helped to boost aggregated deal value to US\$15 billion.

MCG predicts that the Digital Realty acquisition marks the start of a fresh round of industry consolidation and capital injection, due to suppliers and investors expanding their international network through acquisitions.

MCG managing partner Christian Mouchbahani comments, "The data centres industry is one immediate bright spot within and post COVID-19, in a world of challenges and short-term dim outlooks."

According to MCG figures, the global data centre industry will achieve strong growth over the next five years, reaching a compound annual growth rate (CAGR) of 10% to 15%.

This growth is due to several main drivers, including the growth in data traffic from public and private end-users, the trend of transitioning to outsourced data practices for both smaller businesses and large corporations, the development in connectivity and computing technologies, as well as immense growth in the demand for cloud technologies.

Emerging markets are also popping up in Asia Pacific, Africa, and Latin America, while established markets such as Europe and the United States will bank on strong growth potential and investor interest.

Looking specifically at Asia Pacific, the report says that supply across the primary 10 Asia Pacific markets totalled 1,772 MW in Q1 2019.

Demand is predominantly coming from large technology and global cloud corporates from the United States and China, ensuring fitted capacity remains tight across the region.

Furthermore, the pipeline is totalled for approximately 800 MW, which will help to ease the tight availability over the past few years.

MCG also predicts that as the largest data centre market in this region, Singapore will remain as a tenants' market with the ample supply.

MCG states that providers and end-users are developing a higher focus on cloud services as global quarantines helped to drive up demand in remote access of data.

Cloud absorption is taking an increasingly large percentage of major United States and global markets and the industry will see more opportunities to work with cloud providers soon.

Traditional retail colocation and wholesale markets are also expected to experience considerable growth across all regions.