



Market Insight Report Reprint

Over 1,000MW of total datacenter supply forecasted for London by end of 2021

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The interconnection of networks, services and cloud locally and internationally makes London a key hub for datacenter services, with no slowdown in sight. The city is home to the third-largest leased datacenter market in the world and is considered to be a landing point from which to deliver services into the rest of Europe.

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Introduction

The interconnection of networks, services and cloud locally and internationally makes London a key hub for datacenter services. The city is home to the third-largest leased datacenter market in the world and is considered to be a landing point from which to deliver services into the rest of Europe. London also offers a favorable business environment, particularly for US organizations. Despite market challenges such as obtaining power and land, along with COVID-19 lockdowns impacting timelines, supply has continued to grow in London, with over 770,000 square feet and 134MW projected to come online by year-end.

THE TAKE

While the pandemic has played an important role in the acceleration of cloud adoption, London has always been one of the most technologically advanced markets in Europe regarding cloud and new technologies. The strong take-up of AI and data analytics, as well as the growing use of IoT devices, has paved the way for an increase in demand for higher-density datacenter space, which has driven expansion in London's datacenter industry. Datacenter demand is expected to continue to accelerate over the next few years, although it is getting trickier to find land and power, so the market may end up extending further outside of London to new areas – in particular, east of the city. We expect that cloud and managed service providers will continue to expand and add space, and although some are looking to build/own sites, they will likely continue to use local wholesale suppliers for much of their needs due to the time it takes to obtain land, power and permits in London.

Market overview

London remains one of the most important hubs of activity for the global datacenter market and a bellwether for supply-and-demand trends across Europe, despite the impact of COVID-19 on construction timelines and the continuing rise of European datacenter locations such as Frankfurt, Amsterdam and Paris. As the third-largest colocation market in the world in terms of megawatts – behind only Northern Virginia and Beijing – London is operating with more than 80% utilization, which is typical of the Frankfurt, London, Amsterdam and Paris (FLAP) markets, where we have seen average utilization rates rise in recent years. We expect it to remain near this level over the next two years, driven by hyperscale demand and second-tier cloud and ITSPs that upsell cloud services.

The city has a healthy mix of wholesale and retail colocation supply. Hyperscale cloud providers have been reticent to build their own sites in London, largely due to challenges accessing land and power for campus-style developments and their need for space quickly. Although some seem to be seeking to build their own facilities, longer term there remains a strong hyperscale segment for datacenter operators that can navigate local conditions, with the market in demand as both a compute node and production zone.

Over the past few years, enterprises in the UK have been consolidating and many are looking to locate IT environments closer to business units or customer operations, and they are using colocation to do this. Many also leverage outsourcing options from MSPs and other partners to overcome cloud complexity. New technology adoption offers massive opportunities for the London market – either directly with enterprises that prefer to employ colocation to control at least part of their infrastructure themselves, or indirectly with service providers and others that leverage colocation to gain access to cloud services and carrier options, among other things. Furthermore, most enterprises note that access to global markets (and the connectivity to do this) is critical when choosing colocation or service-provider partners for their digital transformation, and carrier choice currently influences many decisions about colocation choice.

Supply and demand

Although some projects were delayed due to the pandemic, demand for space in and around London is strong – both from hyperscalers already in the market that are expanding and from smaller cloud and SaaS providers – so we anticipate that more space will come online to meet this demand. In 2020-21, we saw supply added by Ark Data Centres, CyrusOne, China Mobile, Echelon Data Centres, Equinix, NTT Global Data Centers, VIRTUS Data Centres and Volta. Future builds are coming from CyrusOne, NTT Global Data Centers, VIRTUS and Equinix. New entrants to the space include CloudHQ, Global Technical Realty (GTR) and PureDC/Panattoni.

Competitive overview

There has been little change among the London market leaders over the past few years. Digital Realty and Equinix remain the largest players in the London market by operational square feet, followed by Global Switch. VIRTUS has several large sites under construction and is expected to move to second place in the market by Q4 2022 if current build schedules continue.

The top wholesale suppliers in London by operational square feet at the end of 2021 were Digital Realty (although DR also offers more retail/interconnection sites as well), Global Switch and Virtus Data Centers with market shares of 36%, 23% and 22%, respectively. The majority of retail colocation in London is found in the highly connected locations of Slough, London Docklands and London City. In terms of operational square footage, Equinix continues to hold onto its leadership position with a 42% market share at the end of 2021, followed by KDDI Telehouse at 18%.

Brexit and COVID-19

Brexit has done little to dampen datacenter demand, with many firms doubling their datacenter capacity to have, for example, one facility in the UK and one in an EU country, rather than eliminating sites. Meanwhile, COVID-19 accelerated the digital transformation process as companies instituted work-from-home initiatives. Datacenter providers saw strong demand from larger retail customers, for example, to get their workforces set up for remote access.

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