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Data Center Colocation Market - A Global and Regional Analysis: Focus on Application, Product, and Region - Analysis and Forecast, 2025-2034

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Abstracts

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This report will be delivered in 7-10 working days.Data Center Colocation Overview

The global data center colocation market was valued at $130.22 billion in 2024 and is projected to grow at a CAGR of 14.65% from 2025 to 2034, reaching $569.58 billion by 2034. This rapid growth is driven by the increasing demand for secure, scalable, and cost-effective IT infrastructure solutions. As businesses embrace cloud computing, hybrid IT models, and digital transformation strategies, the need for colocation services has surged. Data center colocation enables companies to offload the management of their IT infrastructure while benefiting from high-performance, reliable, and energy-efficient facilities. The market is also driven by the widespread adoption of edge computing and the growing emphasis on sustainability, with colocation providers integrating renewable energy sources and optimized cooling technologies to meet environmental goals.

Introduction to Data Center Colocation

Data center colocation services provide businesses with secure, reliable, and scalable infrastructure by hosting their IT systems in shared data center facilities. These services allow companies to offload the responsibility of maintaining and managing their physical infrastructure while benefiting from high-performance, energy-efficient environments. Colocation providers offer a range of services, including power, cooling, physical security, and network connectivity, ensuring optimized operational performance and

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uptime. With the growing demand for cloud computing, big data processing, and edge computing, colocation centers offer the flexibility to meet evolving business needs. Additionally, advancements in automation, energy efficiency, and renewable energy integration are driving sustainability efforts, making colocation a key solution for organizations seeking cost-effective, secure, and sustainable IT infrastructure.

Market Introduction

The data center colocation market has experienced significant growth as businesses increasingly seek secure, reliable, and scalable solutions to manage their IT infrastructure. Colocation services allow organizations to house their servers and other hardware in shared, high-performance facilities, ensuring optimal power, cooling, and network connectivity. This model provides businesses with reduced capital expenditures, enhanced operational flexibility, and improved disaster recovery capabilities. With the rising demand for cloud computing, big data analytics, and edge computing, colocation centers are becoming essential for meeting the evolving digital needs of enterprises. Furthermore, the growing emphasis on sustainability and advancements in energy-efficient technologies are accelerating the adoption of colocation services, driving the market's robust expansion.

Industrial Impact

The industrial impact of the data center colocation market spans a wide range of sectors, including cloud computing, financial services, healthcare, and telecommunications, while driving innovation in IT infrastructure. The adoption of colocation services facilitates the growth of scalable, secure, and energy-efficient solutions, promoting operational efficiency and cost savings for enterprises. This transformation fosters collaboration between data center providers, cloud service operators, and end users, enhancing infrastructure reliability and accelerating digital capabilities. As businesses embrace hybrid cloud models and edge computing, colocation centers enable seamless integration and support for large-scale data storage and processing. Moreover, the increasing focus on sustainability encourages innovations in renewable energy and energy-efficient technologies, aligning the colocation market with global environmental objectives and meeting the growing demand for flexible, reliable, and sustainable digital infrastructure.

The key players operating in the data center colocation market include Digital Realty, Equinix, Inc., Lumen Technologies, CoreSite, DataBank, Ltd., Centersquare, Flexential, MOD Mission Critical, CyrusOne, TierPoint, LLC, IPTP Networks, 365 Data Centers,

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EdgeConneX Inc., HostCircle Inc. and Cogent Communications. These companies have been focusing on strategic partnerships, collaborations, and acquisitions to enhance their product offerings and expand their market presence.

Market Segmentation:

Segmentation 1: by Application

- IT and Telecom
- Banking, Financial Services, and Insurance (BFSI)
- Government and Public Sector
- Healthcare
- Manufacturing
- Retail
- Others

IT and Telecom Sector to Lead the Market (by Application)

The IT and telecom sector dominates the data center colocation market. Growing from $48.21 billion in 2023 to $256.88 billion by 2034, this segment benefits from increasing demand for cloud computing, AI-driven workloads, and edge computing infrastructure. The rapid expansion of 5G networks, IoT devices, and hyperscale data centers further drives colocation adoption in this industry.

Following closely, the banking, financial services, and insurance (BFSI) sector is also experiencing substantial growth, reaching $199.35 billion by 2034, driven by digital banking, cybersecurity needs, and real-time transaction processing. However, IT and telecom remain the dominant force, utilizing technological advancements and growing data-intensive applications to lead the global data center colocation market.

Segmentation 2: by Business Model

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Retail

Wholesale

Retail Business Model to Lead the Market (by Business Model)

The retail colocation business model is projected to lead the data center colocation market, significantly outpacing wholesale colocation. Growing from $71.96 billion in 2023 to $346.64 billion by 2034, retail colocation remains the preferred choice for small and medium-sized enterprises (SMEs), startups, and organizations requiring flexible, scalable solutions.

Retail colocation provides shared infrastructure, managed services, and lower upfront costs, making it ideal for businesses transitioning to cloud-based and hybrid IT environments. In contrast, wholesale colocation, which serves large-scale enterprises, will reach $222.94 billion by 2034. Despite its growth, retail colocation dominates due to increasing edge computing demand, AI-driven workloads, and the expansion of digital-first businesses, ensuring its leadership in the market.

Segmentation 3: by Operator Size

Global

Regional

Global Operator Size to Lead the Market (by Operator Size)

The global operators segment is set to dominate the data center colocation market, significantly outpacing regional operators in growth. Expanding from $72.98 billion in 2023 to $361.68 billion by 2034, global colocation providers benefit from multi-region presence, extensive infrastructure, and high demand for hyperscale data centers.

Global operators cater to large enterprises, cloud providers, and AI-driven applications, ensuring scalable and interconnected solutions across multiple geographies. Meanwhile, regional operators, projected to reach $207.90 billion by 2034, focus on localized services and compliance-driven deployments. Despite their steady growth, global operators' scale, reliability, and advanced service offerings solidify their

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dominance, making them the driving force behind the future expansion of the data center colocation market.

Segmentation 4: by Region

North America: U.S., Canada, and Mexico

Europe: Germany, France, U.K., Netherlands, Ireland, Italy, and Rest-of-Europe

Asia-Pacific: China, Japan, Australia, India, South Korea, and Rest-of-Asia-Pacific

Rest-of-the-World

North America is projected to dominate the data center colocation market, with significant growth from $37.00 billion in 2023 to $252.10 billion by 2034. The region benefits from a robust digital infrastructure, high demand for cloud services, and major tech investments. The U.S. leads in hyperscale data centers, driven by increasing enterprise adoption of hybrid cloud solutions.

Europe and Asia-Pacific will also witness substantial growth, reaching $226.76 billion and $70.88 billion, respectively, by 2034. However, North America's leadership is driven by strong AI-driven workloads, edge computing, and growing investments in renewable-powered data centers. As demand surges, North America remains the key player in shaping the future of global colocation services.

Recent Developments in the Data Center Colocation Market

In February 2024, NTT DATA and Schneider Electric announced their partnership to co-innovate solutions for edge computing, integrating Edge, private 5G, IoT, and modular data centers. This collaboration aims to address the increasing demand for AI applications at the edge by delivering high-performance, scalable infrastructure. The companies have also deployed a private 5G-enabled EcoStruxure Data Center at Marienpark Berlin, a 30-hectare innovation park.

In November 2023, Vertiv Group Corp, a global provider of critical digital infrastructure and continuity solutions, launched the Vertiv SmartMod Max CW,

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a modular data center designed to meet the increasing need for swift compute deployment. This flexible and scalable system can handle IT loads of up to 200kW and features chilled water cooling, promoting energy efficiency and minimizing environmental impact.

In September 2022, Vertiv Group Corp launched a modular data center in India, providing flexible, scalable solutions for deploying IT assets quickly and efficiently. These modular data centers incorporate Vertiv Group Corp's critical power and thermal management technologies, including uninterruptible power supply (UPS), thermal management units, and monitoring systems. Designed for ease of deployment and scalability, these solutions aim to meet the growing demand for data centers in India, driven by the government's infrastructure status for data centers and the rise of hybrid work culture. The modular units come with built-in redundancies, automatic transfer switches, fire suppression systems, and secure, weatherproof enclosures, significantly reducing installation time.

Demand - Drivers, Limitations, and Opportunities

Market Drivers: Increasing Data Center Spending

The growing demand for data centers has drawn interest from a wide range of investors, including growth capital, buyout firms, real estate, and infrastructure investors. In the U.S. market, data center demand measured by power consumption as an indicator of server capacity is expected to grow from 17 gigawatts (GW) in 2022 to 35 GW by 2030. The U.S. represents approximately 40% of the global data centers.

In July 2024, Blackstone, a major investment firm, expanded its data center portfolio with $70.0 billion allocated for future developments and its existing $55.0 billion in assets, including ongoing construction projects. AI's transformative impact is projected to drive $2.0 trillion in global data center capital expenditures over the next five years, with $1.0 trillion expected in the U.S. alone.

Due to the growing demand for data centers, the industry faces significant challenges, particularly in managing the vast amounts of data generated by modern applications. This has led to the exploration of innovative solutions to address these challenges. For instance, in August 2022, OrbitsEdge partnered with Hewlett Packard Enterprise (HPE) to develop compact data centers housed within satellites in low Earth orbit (LEO).

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These space-based data centers aim to process and analyze data directly in orbit, reducing the need to transmit large volumes of information back to Earth. This approach alleviates bandwidth constraints and enhances data processing efficiency for Earth observation and satellite communications applications.

Market Challenges: Power and Energy Constraints

The data center colocation market faces growing challenges related to power availability, rising energy costs, and sustainability pressures. Increasing power densities in IT workloads, particularly AI and high-performance computing, are straining existing colocation infrastructure. While average rack power consumption has doubled from 5-6 kW to 10-12 kW, AI workloads demand significantly more, with hyperscale facilities designing racks supporting 40-60 kW. However, many colocation providers lag behind in accommodating these densities. The rising heat output also necessitates advanced cooling solutions, including liquid cooling, which adds cost and complexity to operations.

Beyond technology constraints, regional power shortages are limiting colocation growth. Major hubs such as London, Northern Virginia, and Singapore have faced grid capacity exhaustion, delaying new data center developments. Northern Virginia, for instance, requires over three years to secure grid power for new facilities, while West London halted housing projects due to data center power consumption. Governments in key markets, including Amsterdam, Dublin, and Singapore, have imposed temporary construction moratoriums to control grid strain and environmental impact, slowing colocation expansion.

Energy costs further complicate the landscape. Electricity constitutes approximately 20% of colocation operating expenses and has seen extreme volatility. These rising costs, combined with stricter sustainability regulations, force operators to invest in energy-efficient designs, renewable power sources, and advanced cooling techniques to meet efficiency targets such as PUE 1.2. Additionally, regulatory frameworks increasingly mandate carbon footprint disclosures, requiring colocation providers to align with sustainability goals or risk operational restrictions.

To address these challenges, colocation operators are investing in high-density infrastructure, on-site power generation, and energy storage solutions. However, with hyperscale cloud providers achieving superior efficiency at scale, colocation firms must continuously innovate to remain competitive in an increasingly power-constrained market.

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Market Opportunities: Growing Demand for Different Business Models

The growing demand for diverse business models presents a significant market opportunity in the data center colocation industry. Providers are increasingly tailoring their offerings to serve both wholesale and retail colocation customers, capitalizing on the distinct needs of hyperscale cloud firms, enterprises, and service providers. Wholesale colocation, characterized by large-scale single-tenant leases, is experiencing rapid expansion, driven by hyperscale cloud and internet companies.

Major colocation providers, including Equinix, Digital Realty, NTT, CyrusOne, and QTS, are pivoting toward hybrid models that combine wholesale capacity with retail interconnection. Equinix, traditionally a retail-focused provider, introduced its xScale program to cater to hyperscale clients, while Digital Realty expanded its retail colocation footprint through its Interxion acquisition. This strategic shift enables providers to capture demand across both segments, strengthening their market position.

Hybrid colocation is another emerging opportunity, as enterprises increasingly view colocation as an extension of their cloud and on-premises environments. Additionally, enterprises are moving key workloads, such as data analytics and content delivery, from public clouds back into colocation for cost savings and performance optimization.

Flexible consumption models mirroring cloud-like pricing structures further drive colocation demand. Traditional fixed-term leases are replaced with pay-as-you-go models, where businesses dynamically scale their infrastructure. Retail colocation, in particular, benefits from this trend as companies seek agility without heavy capital investment.

Leading colocation providers are adapting to this demand by offering scalable, on-demand infrastructure. Equinix Metal and Cyxtera have launched bare-metal services with cloud-like provisioning, while NTT introduced a pay-per-use colocation model. These innovations enhance colocation’s appeal to startups, seasonal businesses, and enterprises undergoing digital transformation, making it a highly flexible and cost-efficient alternative to traditional IT infrastructure. As colocation evolves into a more service-oriented and elastic resource, providers that embrace hybrid models, cloud adjacency, and flexible consumption strategies will capture a larger share of the growing market.

How can this report add value to an organization?

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Product/Innovation Strategy: The data center colocation market is segmented based on diverse applications, business models, and operator types, providing insights into its broad range of use cases. Key applications include IT and telecom, banking, financial services, insurance (BFSI), government, healthcare, manufacturing, retail, and others, each benefiting from scalable, secure, and reliable colocation services. The market also distinguishes between retail colocation, which caters to smaller businesses requiring flexible solutions, and wholesale colocation, designed for large-scale enterprises with high-volume data needs. Additionally, operators are categorized as global, offering extensive network coverage and robust infrastructure, or regional, providing localized services tailored to specific market demands. Continuous technological advancements, such as energy-efficient cooling, automation, and enhanced security features, are expected to drive the market's growth, providing substantial opportunities for industry players to expand their offerings and strengthen their market position in this rapidly evolving sector.

Growth/Marketing Strategy: The data center colocation market has been growing at a rapid pace. The market offers enormous opportunities for existing and emerging market players. Some of the strategies covered in this segment are mergers and acquisitions, product launches, partnerships and collaborations, business expansions, and investments. The strategies preferred by companies to maintain and strengthen their market position primarily include product development.

Competitive Strategy: The key players in the data center colocation market analyzed and profiled in the study include professionals with expertise in the automobile and automotive domains. Additionally, a comprehensive competitive landscape such as partnerships, agreements, and collaborations are expected to aid the reader in understanding the untapped revenue pockets in the market.

Research Methodology

Factors for Data Prediction and Modelling

> The base currency considered for the market analysis is US$. Considering the average conversion rate for that particular year, currencies other than the US$ have been converted to the US$ for all statistical calculations.
>
> The currency conversion rate was taken from the historical exchange rate on the Oanda website.

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Nearly all the recent developments from January 2021 to March 2025 have been considered in this research study.

The information rendered in the report is a result of in-depth primary interviews, surveys, and secondary analysis.

Where relevant information was not available, proxy indicators and extrapolation were employed.

Any economic downturn in the future has not been taken into consideration for the market estimation and forecast.

Technologies currently used are expected to persist through the forecast with no major technological breakthroughs.

Market Estimation and Forecast

This research study involves the usage of extensive secondary sources, such as certified publications, articles from recognized authors, white papers, annual reports of companies, directories, and major databases to collect useful and effective information for an extensive, technical, market-oriented, and commercial study of the data center colocation market.

The market engineering process involves the calculation of the market statistics, market size estimation, market forecast, market crackdown, and data triangulation (the methodology for such quantitative data processes is explained in further sections). The primary research study has been undertaken to gather information and validate the market numbers for segmentation types and industry trends of the key players in the market.

Primary Research

The primary sources involve industry experts from the data center colocation market and various stakeholders in the ecosystem. Respondents such as CEOs, vice presidents, marketing directors, and technology and innovation directors have been interviewed to obtain and verify both qualitative and quantitative aspects of this research study.

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The key data points taken from primary sources include:

validation and triangulation of all the numbers and graphs

validation of reports segmentation and key qualitative findings

understanding the competitive landscape

validation of the numbers of various markets for market type

percentage split of individual markets for geographical analysis

Secondary Research

This research study of the data center colocation market involves the usage of extensive secondary research, directories, company websites, and annual reports. It also makes use of databases, such as Hoovers, Bloomberg, Businessweek, and Factiva, to collect useful and effective information for an extensive, technical, market-oriented, and commercial study of the global market. In addition to the aforementioned data sources, the study has been undertaken with the help of other data sources and websites, such as IRENA and IEA.

Secondary research was done in order to obtain crucial information about the industry's value chain, revenue models, the market's monetary chain, the total pool of key players, and the current and potential use cases and applications.

The key data points taken from secondary research include:

segmentations and percentage shares

data for market value

key industry trends of the top players of the market

qualitative insights into various aspects of the market, key trends, and emerging areas of innovation

quantitative data for mathematical and statistical calculations

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Key Market Players and Competition Synopsis

The companies that are profiled in the data center colocation market have been selected based on inputs gathered from primary experts who have analyzed company coverage, product portfolio, and market penetration.

Some of the prominent names in this market are:

- Digital Realty
- Equinix, Inc.
- Lumen Technologies
- CoreSite
- DataBank, Ltd.
- Centersquare
- Flexential
- MOD Mission Critical
- CyrusOne
- TierPoint, LLC
- IPTP Networks
- 365 Data Centers
- EdgeConneX Inc.
- HostCircle Inc.
- Cogent Communications

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Companies not part of the aforementioned pool have been well represented across different sections of the report (wherever applicable).

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Contents

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5 MARKETS - COMPETITIVE BENCHMARKING AND COMPANY PROFILES

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List Of Figures

LIST OF FIGURES

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List Of Tables

LIST OF TABLES

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$Billion, 2023-2034

Table 51: Market Share,2023

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