

# South America Data Center - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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## Abstracts

The South America Data Center Market size is estimated at 1.15 thousand MW in 2024, and is expected to reach 1.81 thousand MW by 2029, growing at a CAGR of 9.37%. Further, the market is expected to generate colocation revenue of USD 5,009.1 Million in 2024 and is projected to reach USD 8,524.7 Million by 2029, growing at a CAGR of 11.22% during the forecast period (2024-2029).

Tier 3 data centers accounts for majority market share in 2023, Tier-4 is the fastest growing in forecasted period

The Tier 3 segment currently has a majority share in the South American market due to the major advantage of its features. This tier type has a high redundancy level and multiple paths for power and cooling. These data centers have an uptime of around 99.982%, translating into a downtime of 1.6 hours per year. With the increasing adoption of edge and cloud connectivity, the growth in the Tier 3 segment is expected to increase further.

Brazil hosts the maximum number of Tier 3 data centers in the region. In 2022, 58 data centers in Brazil had Tier 3 certification. In 2022, Sao Paulo hosted the maximum number of Tier 3 data centers in the country, with a market share of 77.9% and Rio de Janeiro with 27.2%. Among other hotspots (Ceara, Cascavel, Curitiba, Ribeirao Preto, and others), the share was 14.8%. The Tier 3 segment is expected to grow from 649 MW in 2023 to 987.67 MW in 2029, at a projected CAGR of 7.25%.

The Tier 4 segment is expected to record the highest CAGR of 20.94% during the forecast period. Various developed countries, such as Brazil, are focusing on adopting the Tier 4 certification to be completely fault-tolerant and redundant for every component. This is the major reason why even the developing regions are adopting the Tier 4 type. Major players in the market are expected to expand their facilities, which include Scala Data Centers (366 MW) with 17 facilities and ODATA (24 MW) with one facility during the forecast period.

The Tier 1 & 2 segment is expected to showcase significant growth in developing countries, with a low GDP rate index in under-developed countries with a high expense burden. These countries include Bolivia, Paraguay, Suriname, and Ecuador, which have the majority of SMEs that cannot afford Tier 3 and 4 facilities.

Brazil holds the major share and expected to continue the dominance during the study period

Brazil and Chile hold the largest shares in the South American data center market. The Brazilian government provides incentives through the Regime Especial de Tributação do Programa Nacional de Banda Larga (REPNTBL) program, which includes incentives for purchasing infrastructure that help improve colocation services in the country. Brazil has witnessed an absolute growth of 40% in investments from the 2021 values due to investments from colocation providers such as Ascenty, Scala Data Centers, and ODATA and telecom operators such as GlobeNet Telecom, Ava Telecom, and Embratel. Sao Paulo, Brazil's significant financial capital, serves as the primary data center hub. Other cities, such as Rio de Janeiro and Fortaleza, are major investment locations in Brazil.

Chile has competitive energy prices, primarily fueled by plans to take advantage of its natural renewable energy generation potential over the coming years. Energy costs have dropped to one-third of what they were five years ago, mainly based on renewable energy that now makes up 46% of the total produced. Chile traditionally has some of the region's best telecommunications infrastructure, and two major fiber projects are underway to ensure it will have a fully redundant fiber backbone. These include the state-funded Fibra Optica Austral (FOA) submarine cable connecting the deep south and Gtd's 3,500 km north-south submarine cable. In 2022, colocation operators, such as Scala Data Centers, ODATA, Ascenty (Digital Realty), and EdgeConneX, were the major investors in the Chilean data center market.

In Argentina, Buenos Aires is the major investment destination, with the identified third-party facilities in the city contributing to over 90% of the existing power capacity. Most existing data centers are smaller facilities built over a limited area. The International Renewable Energy Agency (IRENA) stated that renewable energy contributed to around 33% of the overall electricity capacity in 2020 in Argentina, and the country aims to generate 20% of the electricity via renewable sources by 2025. The country aims to be one of the largest data center hubs in the coming time period.

### South America Data Center Market Trends

The high internet and smartphone technology adoption by various businesses and growing digital usage across the region drives the market demand

In 2020, mobile technologies and services accounted for 7.1% of GDP in Latin America – a contribution that amounted to more than USD 340 billion of economic value added. The mobile ecosystem also supported more than 1.6 million jobs (directly and indirectly). By 2025, the economic contribution of the Latin American mobile ecosystem will grow by more than USD 30 billion as countries in the region increasingly benefit from the improvements in productivity and efficiency brought about by the increased take-up of mobile services.

Digital usage is expanding rapidly in Brazil. The high internet and smartphone technology adoption by various businesses has impacted consumer behavior. More people in the country can now purchase smartphones, leading to a growing number of smartphone users. In May 2020, most shopping apps downloaded in South America were developed in Brazil, which stood out with approximately 44 million app downloads in this category.

In Chile, e-commerce is expanding steadily. Chile's average annual revenue per paying user amounted to USD 913 in 2020. Most cross-border e-commerce purchases by Chilean shoppers stand at 69%. As a result, vast amounts of data have been created, increasing the demand for data centers nationwide. In South America, the transition to 5G is progressing rapidly, driven by the continued rollout of new networks, the expansion of the device ecosystem, and the development of new applications for consumers and enterprises.

People across the region increasingly reliant on the internet for banking, business, & telecommunication services and increasing FTTH subscribers across the region drives the market growth

In South America and the Caribbean, less than 50% of the population has access to fixed broadband internet, and only 9.9% has fiber internet access. Many rural areas have patchy network coverage due to expensive network equipment. Chile has set the standard for other countries to follow in fixed broadband. Chile has the fastest data download speeds in Latin America. With an average rate of 219 Mbps, Chile is well ahead of the region's largest economy, Brazil, where internet download speeds average 95.95 Mbps.

The Brazilian population became increasingly reliant on the internet for banking, business, telecommunication, and leisure during the COVID-19 pandemic. However, the country ranked 49th globally for fixed broadband speed and 74th for mobile speed as of April 2021. This shows that access to the internet and broadband speed are growing rapidly, meaning data centers will benefit from faster data transfer, higher storage rates, and lower latency.

Latin America's fiber-to-the-home (FTTH) market was set to register approximately 105 million homes with fiber in 2022, an increase of 36%, or 28 million new premises, compared with the end of 2021. Latin America now has a fiber penetration rate of nearly 61%. In terms of investment, in 2021, to penetrate the fixed broadband (FTTH) market, Chilean mobile operator WOM teamed with digital enablement and revenue management software company Aleppo.

## South America Data Center Industry Overview

The South America Data Center Market is fragmented, with the top five companies occupying 30.95%. The major players in this market are Ascenty (Digital Realty Trust Inc.), Lumen Technologies Inc., Scala Data Centers, SONDA SA and Terremark (Verizon) (sorted alphabetically).

Additional Benefits:

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