

North America Data Center Colocation Market Size and Forecast (2021 - 2031)

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Abstracts

The North America Data Center Colocation Market is projected to grow significantly, reaching approximately US\$ 61,966.8 million by 2031, up from US\$ 27,969.1 million in 2024. This growth translates to a compound annual growth rate (CAGR) of 12.2% from 2025 to 2031.

Executive Summary and Market Analysis

North America continues to dominate the global data center colocation market, with the United States accounting for nearly half of the world's data center electricity consumption. In 2024, U.S. data centers are estimated to consume around 180 terawatt-hours (TWh), which represents over 4% of the total electricity usage in the country. This figure is expected to rise to approximately 260 TWh by 2026, equating to about 6% of national electricity demand. The rapid growth in this sector is primarily driven by the increasing demands of artificial intelligence (AI) workloads, cloud services, and edge computing applications that require high-density and low-latency infrastructure.

Several structural factors are contributing to this expansion. A significant factor is the availability of affordable and competitively priced electricity, particularly in regions like Northern Virginia, which is home to numerous colocation facilities. Additionally, rising energy costs and pressure from municipalities are compelling providers to adopt renewable energy sources and enhance operational efficiency. In regions like the Eastern U.S. grids (e.g., PJM), the surging demand has led to substantial increases in capacity auction prices and regulatory requirements for data centers to contribute to grid upgrades. Furthermore, the growing emphasis on environmental, social, and governance (ESG) criteria is driving demand for green-certified colocation services. Many providers are now offering audit-grade power metrics, carbon-neutral sourcing,

and certifications such as LEED and ISO 50001. As a result, grid capacity planning has become a strategic concern, with utilities and regulators tightening regulations around data center connections to ensure sustainable growth while maintaining electricity access for local communities.

Market Segmentation Analysis

The North America Data Center Colocation Market can be segmented by type, enterprise size, and industry vertical:

By Type: The market is divided into Retail Colocation, Wholesale Colocation, and Hybrid Cloud-based Colocation. Retail Colocation is expected to hold the largest market share in 2024.

By Enterprise Size: The market is categorized into Large Enterprises and Small and Medium-sized Enterprises (SMEs), with Large Enterprises anticipated to dominate the market in 2024.

By Industry Vertical: The market is segmented into IT and Telecom, Banking, Financial Services, and Insurance (BFSI), Healthcare, Retail, and Others, with IT and Telecom expected to hold the largest share in 2024.

Market Outlook

The increasing demand for scalable IT infrastructure is a key driver of the global data center colocation market's growth. Enterprises across various sectors, including financial services, healthcare, software, and telecommunications, are increasingly opting for colocation providers rather than building and managing their own data centers. This shift allows organizations to scale quickly, avoid substantial upfront capital expenditures, and convert fixed costs into variable costs, thereby enhancing operational flexibility.

The rise in digital workloads driven by AI, the Internet of Things (IoT), edge computing, and cloud-native services necessitates high-density and resilient infrastructure. According to the Uptime Institute's 2023 Capacity Trends Survey, 64% of enterprise data center operators are expanding their capacity, with 20% experiencing growth rates exceeding 20% annually, indicating strong internal demand. However, 82% of enterprises anticipate increased demand for higher power densities, yet over a third

report that their current facilities cannot support this without upgrades, presenting a clear opportunity for colocation providers with advanced power and cooling capabilities.

On the energy front, the U.S. Energy Information Administration (EIA) reports that data centers consumed 4.4% of U.S. electricity in 2023, with projections suggesting this could rise to nearly 12% by 2028. Total U.S. electricity demand is expected to increase from 4,097 billion kWh in 2024 to 4,283 billion kWh in 2026, largely driven by the growth of data centers. Globally, the International Energy Agency forecasts that data center power consumption will grow from 415 TWh in 2024 to about 945 TWh by 2030, indicating a doubling of capacity needs in just a few years.

Colocation facilities are well-positioned to meet these demands by offering modular rack deployments, high-density power and cooling solutions, carrier-neutral interconnectivity, and geographical flexibility. Many providers are now supporting hyperscale and edge colocation models, allowing businesses to rapidly expand their infrastructure in new regions or in response to changing workloads. This scalability—from incremental rack space to full-footprint expansion—aligns with hybrid IT strategies, reducing lead times and capital risks while ensuring reliable infrastructure.

Country Insights

The North America Data Center Colocation Market is segmented by country into the United States, Canada, and Mexico, with the United States holding the largest market share in 2024. The U.S. market is driven by the increasing demand for AI, cloud computing, and enterprise digital services. According to the U.S. Department of Energy, data centers accounted for approximately 4.4% of national electricity consumption in 2023, projected to rise to between 6.7% and 12% by 2028. Federal initiatives are promoting infrastructure that supports AI development, with states like Virginia, Texas, Ohio, and Pennsylvania offering tax incentives and streamlined permitting to attract hyperscale deployments.

Company Profiles

Key players in the North America Data Center Colocation Market include International Business Machines Corp, Rittal GmbH & Co KG, Equinix Inc, Digital Realty Trust Inc, CoreSite Realty Corporation, CyrusOne Inc, Telehouse, NTT Data Corp, AT&T, and Iron Mountain Inc. These companies are employing various strategies such as expansion, product innovation, and mergers and acquisitions to enhance their market presence and offer innovative solutions to their customers.

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