

Saudi Arabia Data Center Colocation Market: Current Analysis and Forecast (2025-2033)

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Abstracts

Data center colocation refers to a service where businesses rent space within a third-party facility to house their servers, storage, and networking equipment. Companies utilize common infrastructure to provide power, cooling, physical security, and connectivity, rather than owning and maintaining their own, enabling them to expand their operations while minimizing capital expenditure costs.

The Saudi Arabian Data Center Colocation market is expected to exhibit a growth rate of 11.95% during the forecast period (2025-2033F) due to the accelerated push of the digital economy under Vision 2030, which emphasizes cloud development, smart city development, and data sovereignty. Expansion is driven by increasing demand from the BFSI sector for secure and compliant hosting, the rise of e-commerce, and governmental policies mandating the use of the cloud as the primary option. Moreover, the rise of strategic alliances contributes to Saudi Arabia's emergence as a burgeoning digital hub for the entire MENA region. On February 13, 2025, Ooredoo Group and Iron Mountain announced a landmark strategic partnership, which will see the global leader in information management services take a minority equity stake in Ooredoo's carrier-neutral data centre company, MENA Digital Hub. Also, to meet the rising demand for colocation, AI, Cloud services, and hyperconnectivity in the region.

Based on type, the market is segmented into retail colocation and wholesale colocation. Among these, the retail colocation market held the largest share in 2024 because the enterprises are shifting towards smaller but scaled footprints that are managed by service providers rather than developing expensive in-house infrastructure. Additionally, scalability enables companies to increase capacity in response to digital transformation without requiring significant initial capital. The growing need for hybrid cloud and data security is establishing retail

colocation as the preferred entry mode for many organizations.

Based on enterprise size, the Saudi Arabian Data Center Colocation market is segmented into small and medium enterprises and large enterprises. Among them, the large enterprises segment is expected to grow with the highest CAGR during the forecast period (2025-2033F). Large companies drive market growth by necessitating the implementation of high-performance infrastructure to support AI, big data, and key applications. They require compliance, uptime, and redundancy, which forces operators to invest in Tier III and Tier IV data centers. The expansion of multinationals and large Saudi companies will secure long-term colocation contracts, ensuring the stable growth of the market.

Based on end-use industry, the market is segmented into BFSI, IT and telecom, e-commerce and retail, government & defense, education, and others. Among these, the IT and telecom segments held a considerable market share in 2024 due to the rising demand for infrastructure with large capacity and low latency to handle cloud services, as well as the rollout of 5G and digital platforms. The requirement for secure data storage and real-time connections drives continuous investment in sophisticated colocation facilities. For example, on February 7, 2025, Salam partnered with Netskope, a global leader in security and networking, to enhance data center services in the Kingdom. This collaboration will leverage Salam's advanced data center infrastructure and Netskope's expertise to provide secure and reliable colocation services for businesses.

For a better understanding of the market adoption of the Saudi Arabian Data Center Colocation market, it is analyzed based on its regional presence in Saudi Arabia, including the Central Region, Western Region, Eastern Region, Southern Region, and Northern Region. The Western Region is expected to grow at the highest CAGR in the market during the forecast period (2025-2033). With Jeddah, Makkah, and Medina leading the way, the Western Region is emerging as one of the strategic growth colocation clusters. Its location as a trade gateway, facilitated by its good logistics, ports, and proximity to international submarine cables, increases its attractiveness in terms of international connections. Jeddah, in particular, is experiencing a surge in investments in data centers to support e-commerce, logistics, and meet the increasing demands of its population. The region also benefits from large-scale projects in smart cities and digital infrastructure associated with the tourism and hospitality industries. With Saudi Arabia building an encryption paradise along

the Red Sea coastal belt, the Western Region becomes the most dynamic addition to Riyadh's galvanic domination. For instance, on February 10, 2025, NEOM and DataVolt signed a landmark agreement, marking a significant step toward realizing the Kingdom's vision for a sustainable, data-driven economy in Oxagon, the Red Sea coast.

An initial investment of USD 5 billion by DataVolt will fund the first phase of the factory's development, expected to be operational by 2028.

The agreement marks a significant milestone in the expansion of KSA's digital infrastructure, reinforcing its position as the region's leading data hub.

Some major players running in the market include solutions by stc, DataVolt, WafaiCloud, DETASAD (Detecon AI Saudia Co. Ltd.), center3, Etihad Salam Telecom Company (Salam), Sahara Net, Zenlayer, Inc., EDGNEX Data Centres by DAMAC, Etihad Etisalat Company (Mobily).

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