

Data Centres The MENA Report



Q3 2023

Navigating the Data Centre landscape
in the Middle East and North Africa

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This report has been produced in conjunction with DC Byte



Foreword



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Secondly, there is an increasing level of societal and business digital adoption. E-commerce, for example, has been growing by a third annually over the past five years. This supports other digital growth areas such as data storage, cyber security, inventory management and payments. The volume of digital payments in particular, is set to see double-digit growth annually over the next five years.

Most significantly, however, the region is developing as a global hub for next-generation technologies. For example, following the launch of the Emirates Blockchain Strategy in 2021, the UAE Government has adopted blockchain technology to conduct its transactions. Similarly, Artificial Intelligence (AI) also has the potential to ignite growth in the MENA region. According to McKinsey research, AI could represent up to 9% of GDP in the GCC countries. This figure can only grow moving forward.

So, how is this translating to data centre activity, with digital infrastructure being the backbone of these seismic societal shifts?

Cloud deployment and hyperscale interest is drifting east from the United States and west from Asia into the Middle East. Activity is nascent and is creating an opportunity for existing data centre providers and new developers to design and develop state-of-the-art data centres for tomorrow's market today.

A 'green' infrastructure approach will be fundamental to positioning, with plans already underway in several markets across the MENA region.

Projects such as the Dubai Electricity and Water Association (DEWA) innovation hub, a 1.2GW solar farm, will support this. DEWA is capitalising

on the long sunlight hours of the region. It has also committed part of its US\$10 billion five-year project to pump, filtrate and distribute sea water into the network.

Of course, challenges and barriers to entry exist but are lowering and are not unique to the region.

Foreign entity ownership is still largely restricted. However, the region demonstrates an extensive community of well-funded, experienced developers open to collaborating with international firms. Sovereignty laws are tightening, but that will also act as a catalyst for growth, with the recent experiences of India – where market supply increased by 40% over two years - a good example. The main concern I hear is regarding power availability. Like most markets, power is not immediately available. Still, the time to develop new bulk supply points is quicker than in some mature markets of Europe.

Fundamentally, digital transformation presents considerable prospects for economic diversification, better educational access and increased connectivity across the region.

In partnership, government-led initiatives, private-sector investments and global cooperation will help optimise the region's potential. Our report provides a short introduction to the primary data centre hubs. However, every market will have its nuances.

Our book of work is getting busier, with two M&A transactions and several occupier and land acquisitions live at present. We would be delighted to speak with you to outline the opportunity for your business.

When asked about the potential for data centre growth in the Middle East and North African markets, my answer is simple. It is not a case of 'if' but 'when'.

The reason? The foundations are in place.

Firstly, the demographic is young. Across the Middle East, 26% of the population is between 15 and 29 years of age. This section of the population is comfortable embracing technology for a broad spectrum of educational, professional and social needs.

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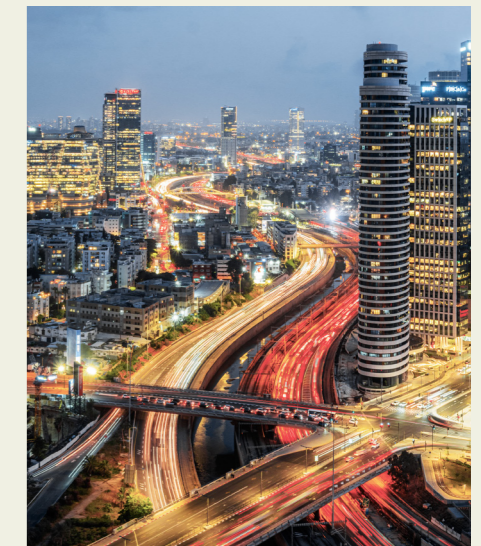
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UAE

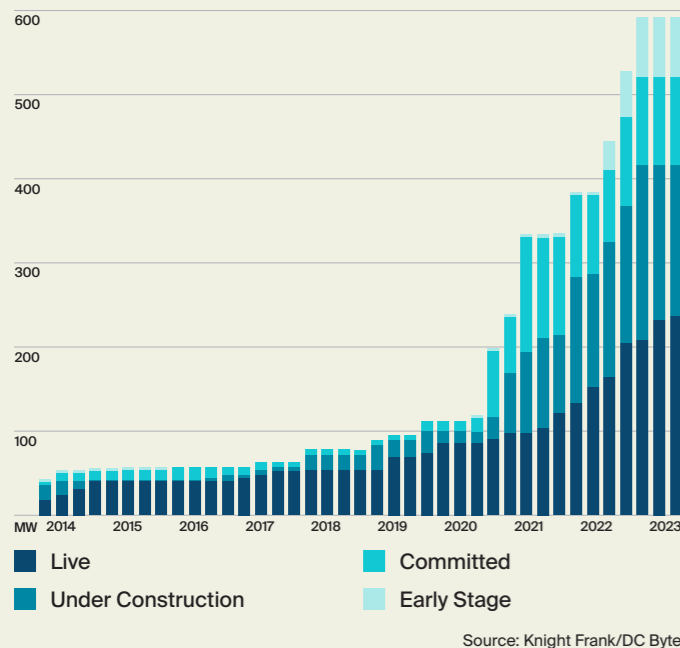
► **9.5m** Population
 ► **99%** Internet Users
 ► **5.4%** Interest Rate
 ► **3.81%** Inflation

SUMMARY

The UAE data centre market has registered remarkable growth over the past few years and has now become a prominent hub for digital infrastructure in the region. The creation of the Dubai Internet City (DIC) in October 2000 played a pivotal role in attracting innovative technology companies to the country. This influx served to emphasise the vital role of data centres in future business growth, and so data centre investment and development started to meet rising demand. Subsequent government initiatives, including tax incentives and regulatory frameworks, further encouraged the industry's growth. During the 2010s, international data centre providers started entering the market, enhancing the quality and global connectivity of data centre services. Ambitions, of both Dubai and Abu Dhabi, to become global technology and business hubs have meant additional government support more recently. This, coupled with a focus on sustainability and innovation, is solidifying the UAE's position as a major data centre market.

Today, the UAE is host to the largest data centre concentration in the Middle East, with live IT capacity growing by 15.3%, to 235.3MW, since the beginning of 2023.

Supply



SUPPLY

So far in 2023, the UAE has recorded a 64MW rise in aggregate supply, half of which has translated into additional live IT capacity. This growth represents a 12.1% increase in aggregate supply and a 15.3% growth in the country's live IT capacity. The UAE now supports a total IT capacity of 592MW, of which 235.3MW is live and 180.3MW is under construction.

Gulf Data Hub has started construction of four facilities in the region. An initial 32MW of the planned 48MW is underway at the Dubai Silicon Oasis (DSO) campus, along with 18MW at its new KIZAD campus which is due for completion in Q2 2024. This is coupled with an ongoing 32MW, two facility expansion to its ICAD campus.

Khazna Data Centers have continued the construction of four new hyperscale facilities – AUH 6, AUH 7, DXB2 and DXB3 – which upon completion, in late 2024, will deliver a combined 104.7MW. This planned growth is in addition to its 6MW and 5.5MW expansion projects currently underway at the IRIS and Khalifa City facilities, respectively. Morohub has also gone live with phase one of its MBR Solar Park Data Centre, offering up 3.6MW and powered entirely by the nearby Mohammed bin Rashid Al Maktoum Solar Park.

Equinix is to launch its first solo-owned facility in the country by year-end. The DX3 facility, which will be situated next to the existing jointly run DX1, will deliver 3.6MW of IT capacity.

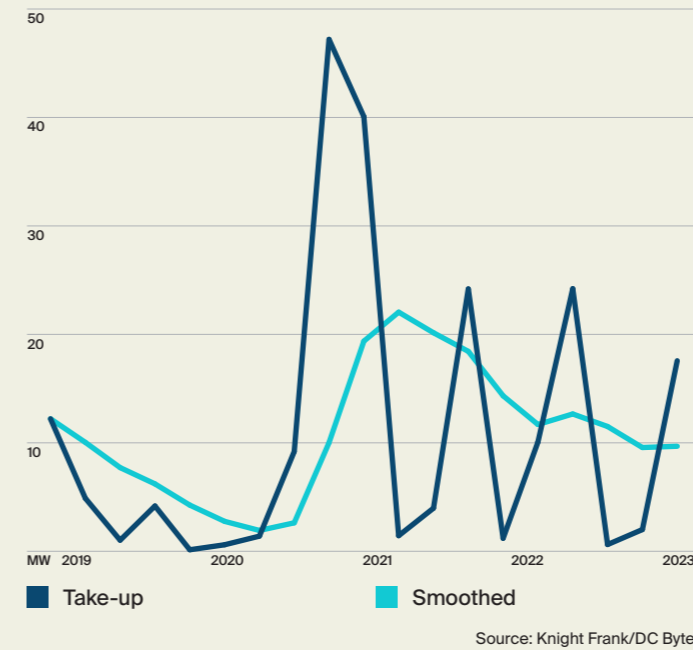
Microsoft is also looking to expand further into the market, having recently announced a partnership with G42 Cloud to jointly offer sovereign cloud services in the region.

TAKE-UP

Take-up for Q3 2023 was 17.57MW, bringing the total for 2023, so far, to 20.19MW. Activity in 2023 has been dominated by the demand for Public Cloud, which accounts for 16MW, or 79% of total take-up. The remainder being colocation requirements.

As the UAE continues to loosen regulation and support investment into digitalisation projects such as the 'Smart City Strategy', the region will see the demands on digital infrastructure and its backbone of data centres proliferate.

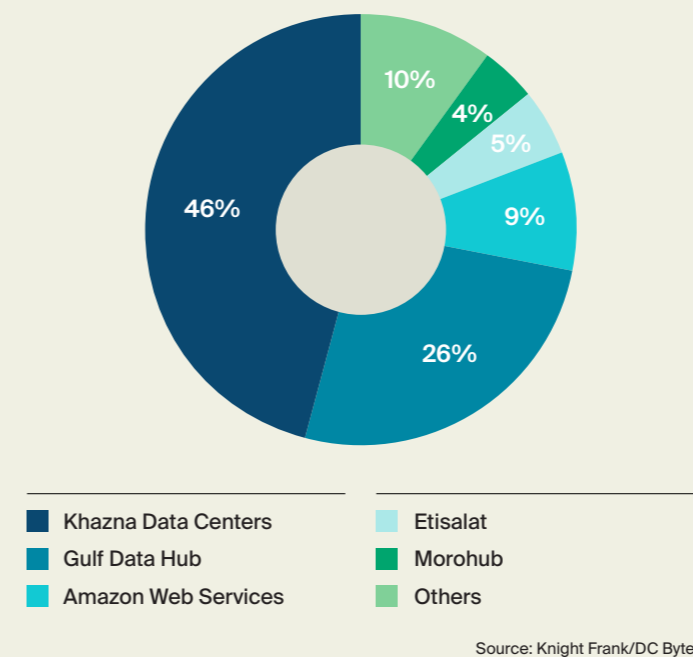
Take-up



LEADING OPERATORS

The operator landscape remains narrow, with four providers controlling 87% of the country's live supply. Nonetheless, opportunities for foreign investors, not only in development but also in M&A activity, are becoming more attainable. This is the result of legislation change on 1st December 2020, now allowing foreign entities to own majority shares in businesses, without the need to become UAE citizens. This change has already impacted the market, with Datalec Precision Installation establishing itself in Dubai at the start of 2023.

Market Share

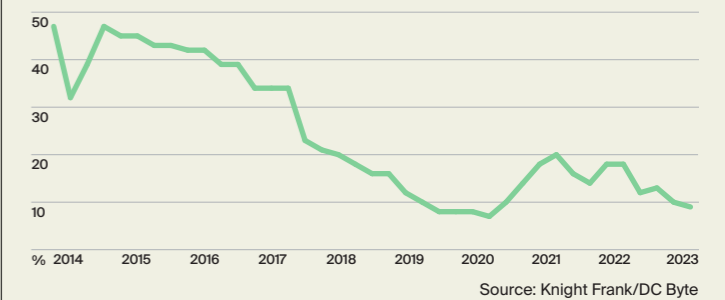


VACANCY & ABSORPTION

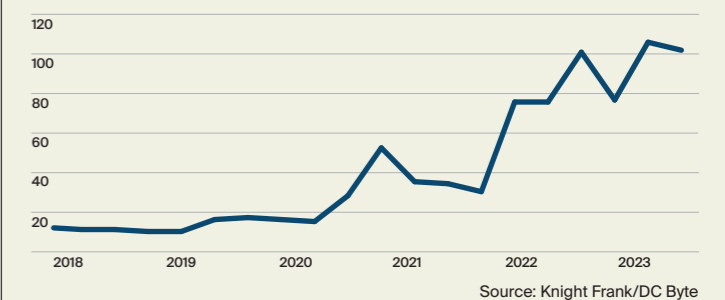
With 21% of previously available space already being absorbed in 2023, the UAE continues to see vacancy decrease. To contextualise, vacancy has fallen from an average 26% vacancy in the late 2010s, to circa 13% throughout the 2020s, with the third quarter of 2023 registering at 9%.

As availability reduces, the ability to lease the remaining space becomes increasingly difficult. Despite a total market availability of 11MW, this is spread across multiple facilities.

Vacancy Rates



Absorption Rates



GROWTH DRIVERS

Underpinning market growth is a rise in digitisation, the increasing need for resilient connectivity, and growing technology adoption. The UAE government has also taken several initiatives to support industrialisation in the country, such as the Abu Dhabi Industrial Strategy, which provides infrastructure for industrial developments and incentives for investors. The market is experiencing growth of cloud adoption and consequently, a flow of new expansion plan announcements from Microsoft, Oracle, Amazon Web Services, and Alibaba Cloud.

MARKET HURDLES

The UAE is governed by two legal systems – the UAE's federal legislation and the local laws of each Emirate. Although initially developed to foster business development in the region, initial implementations has added layers of complexity, especially for foreign investors.

A lack of transparency during tender processes, along with uncertainties about data ownership and clarification on privacy, protection and other ownership-like rights, further complicate market entry for foreign investors.

Saudi Arabia

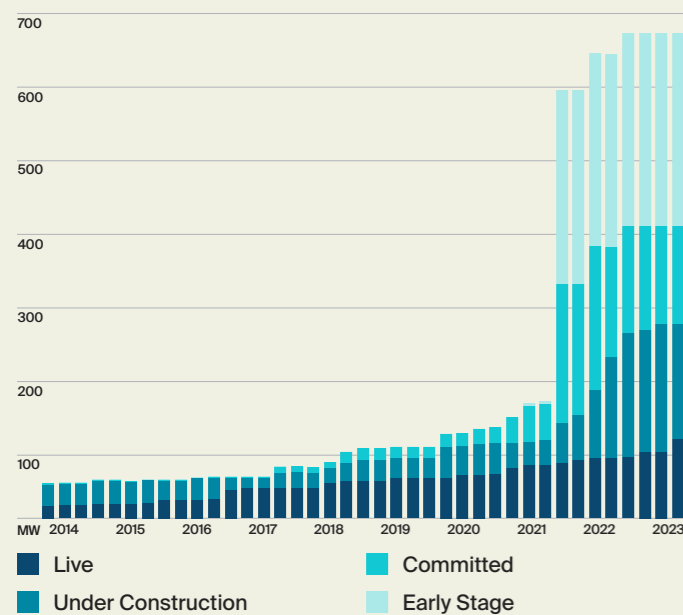
► **32m** Population
 ► **99%** Internet Users
 ► **6%** Interest Rate
 ► **1.7%** Inflation

SUMMARY

Over the past two decades, Saudi Arabia has recorded robust growth in data centre infrastructure development, driven largely by the government's 'Vision 2030' initiative, which aims to diversify the national economy. Strategically located between Asia, Africa, and Europe, it benefits from the multitude of subsea cables passing through the Red Sea and the Persian Gulf. The first significant growth of the data centre sector emerged in the mid-2000s, with early data centres primarily servicing the telecommunications and financial industries. Subsequent years have seen foreign and domestic investment expand the market, leading to the construction of Tier-III and Tier-IV certified data centres. The strategic location of Saudi Arabia, political stability, and growing domestic and international demand for digital services have served to position the country into a data hub for the region.

Saudi Arabia is the fastest-growing data centre market in the Middle East, with live IT capacity having risen by 29.7% to 109MW since the turn of the year. The data centre market is split between three main hubs – Riyadh, Jeddah, and Dammam – which host 80% of live IT supply, or 40MW, 29MW and 19MW each, respectively.

Supply



Source: Knight Frank/DC Byte

SUPPLY

As of Q3 2023, aggregate supply in Saudi Arabia stood at 673MW. This total has risen in 2023, bolstered by an additional 29MW of new live IT, alongside 12MW of projects beginning construction.

The third quarter saw the launch of Center3's expansion in Khurais, as well as Toromus opening its first data centre, offering up an initial 12MW, with plans for an additional 24MW in the pipeline. The completion of a 50.4MW project by Center3, and the opening of Edgnex Data Centres' Dammam and Riyadh facilities, that will once complete reach a combined 55MW, are scheduled for this year. Huawei has also announced plans to open a cloud data centre in Riyadh, aimed at serving public and AI demands.

Gulf Data Hub operates an 8MW facility in KAUST campus, with developments on another 12MW facility underway. In Jeddah, the planned development of two 18MW facilities is scheduled for completion in Q4 2024. A 16MW project is nearing completion in Dammam. Whilst in Riyadh, two 18MW facilities are currently under development and are expected to be operational by Q4 2024.

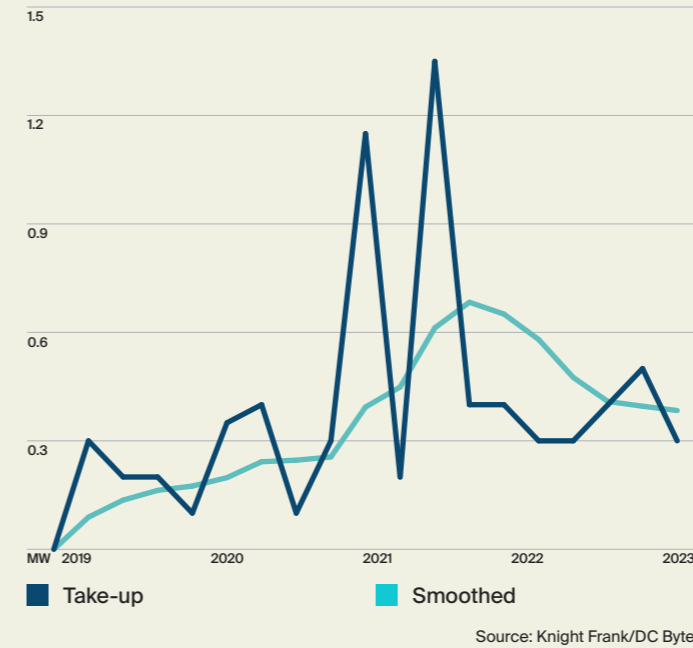
Microsoft has announced its intent to expand its cloud regions through Saudi Arabia. Google, in partnership with Saudi Aramco, are offering cloud services to the region via its Dammam facility.

TAKE-UP

Total take-up for 2023 stood at 8.29MW in Q3, with 43% to service public cloud demand and the remainder generalised colocation.

As major cloud providers continue to expand and government initiatives and investments such as Vision 2030 take effect, take-up is expected to continue to grow.

Take-up

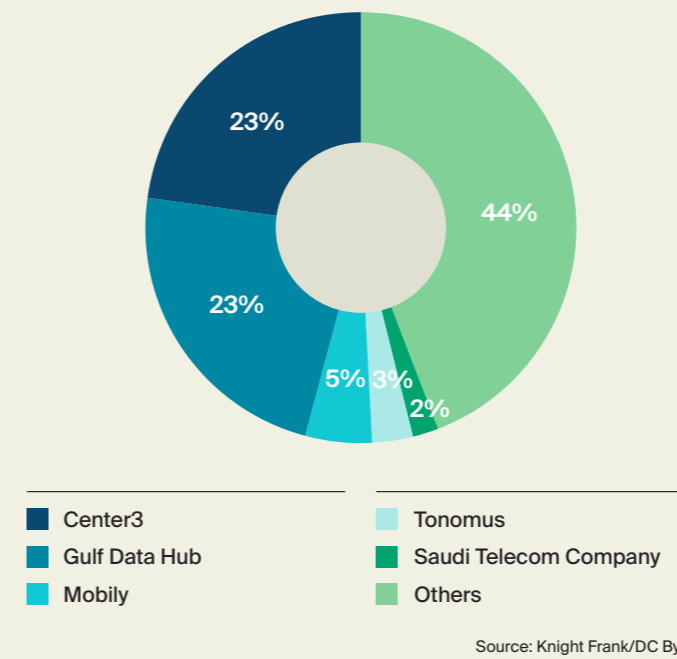


Source: Knight Frank/DC Byte

LEADING OPERATORS

The operator landscape is dominated by local and national providers, with Saudi Telecom Company (STC) backed Center3 leading the way. In fact, the Public Investment Fund (PIF) backed company currently operates 28MW of live IT capacity and has a further 82MW in its pipeline. However, international operators, such as Quantum Switch, Edgnex Data Centres and Gulf Data Hub, are now establishing a presence in the region.

Market Share



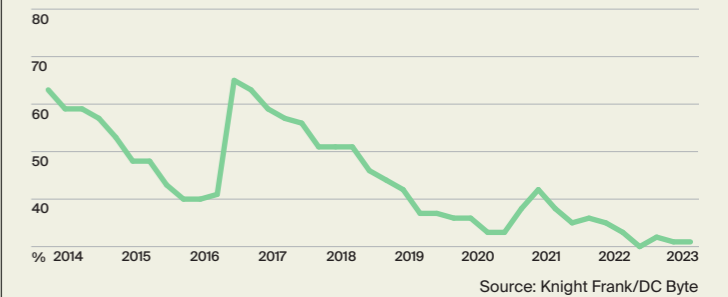
Source: Knight Frank/DC Byte

VACANCY & ABSORPTION

Saudi Arabia is experiencing decreasing availability, with vacancy falling from 38% recorded two years ago to just over 30% in the third quarter of 2023.

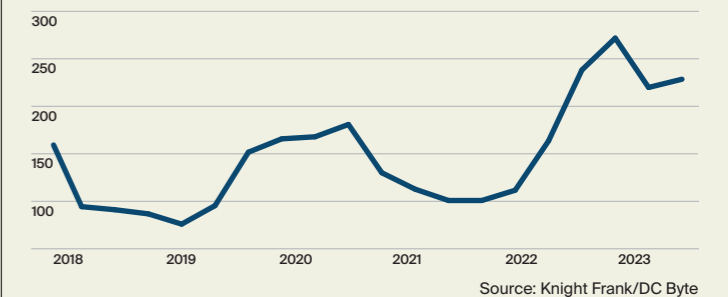
With a market availability of 20MW, much of this is spread across multiple facilities, with an average facility availability of 850kW.

Vacancy Rates



Source: Knight Frank/DC Byte

Absorption Rates



Source: Knight Frank/DC Byte

GROWTH DRIVERS

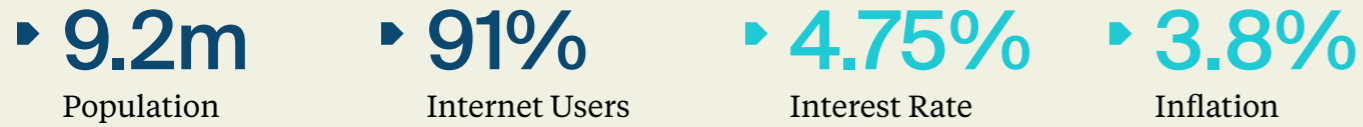
Government initiatives and investment, rising cloud adoption, improved connectivity, rising recognition of big data & IoT are all fuelling growth of the data centre sector. The roll out of 5G and the introduction of the Personal Data Protection Law in the country will further boost the demand side moving forward.

MARKET HURDLES

The high cost of market entry, power tariffs and security costs are the principal challenges to market growth. Corporate social responsibility is also a factor. Microsoft for example, has been urged by the Human Rights Watch to suspend its cloud expansion into the region, with Human Rights issues cited. The country's anti-cybercrime and data protection laws also act to undermine the right to privacy, by enabling unchecked state surveillance and reducing foreign operator ability to uphold data protection and sovereignty requirements.

The Saudi Arabian government has initiated several programmes to overcome these constraints, such as the development of Special Economic Zones, Free Trade Zones, alongside 'Smart City' investments to boost data centre investment.

Israel

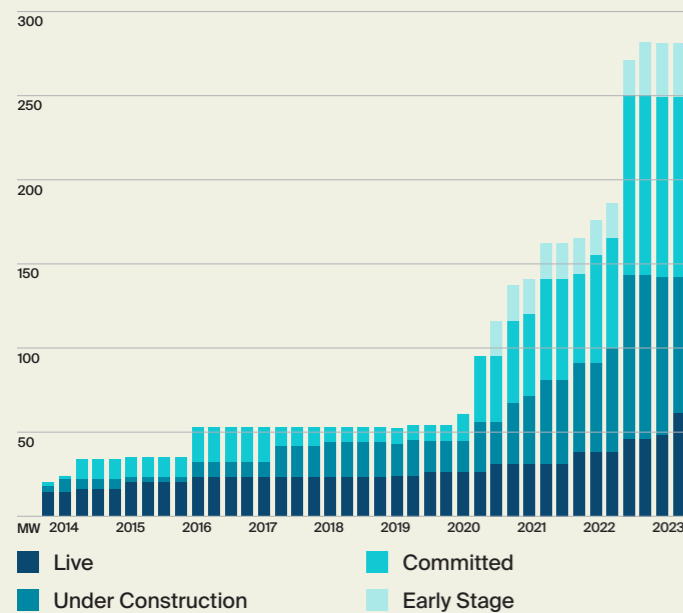


SUMMARY

Underpinned by a thriving technology sector and its strategic geographical location at the crossroads of Europe, Asia, and Africa, the data centre market of Israel has recorded significant growth and development in recent years. Israel's history as a hub for innovation, dating back to the establishment of its high-tech sector in the 1960s, has played a crucial role in shaping its data centre landscape. With a strong focus on cybersecurity and innovative technology, Israel has attracted both domestic and international operators, making the country a key player in the region's digital infrastructure. Israel's, and in particular Tel-Aviv's, data centre market has undergone a rapid change in its composition over the past four years. Transitioning from an overwhelmingly retail colocation market to one that can service wholesale and cloud customers. As Israel continues to foster an environment conducive to technological advancement, its data centre market is poised for further expansion and integration into the global digital economy.

Israel is now the third largest data centre market in the Middle East, providing 61MW of live capacity, having expanded by 32.6% so far in 2023. Tel Aviv, accounts for just over two-thirds, or 42MW, of live capacity.

Supply



SUPPLY

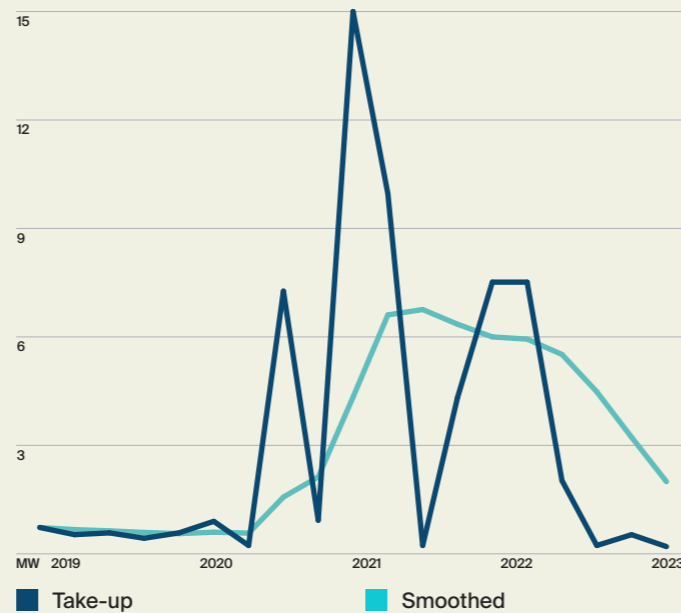
As of Q3 2023, aggregate supply in Israel stood at 281MW, an 11MW increase since the beginning of the year, and surpassing levels recorded in Q3 2022 by 94MW. Hyperscale interest in the region has continued to grow, with Amazon Web Services most recently launching new cloud regions in Shoham, Beit Shemesh and Tnuvot. Techtonic Blockhouse has also announced a 10.5MW facility in Beit Shemesh.

A further 10.5MW is expected by year-end, with Global Technical Realty undertaking works at its Tel Aviv IS One facility. This will be succeeded by deployments from MedOne in 2024, with an anticipated 35.5MW to be added, along with the launch of the 21MW Dimona Campus in Q1 2025.

TAKE-UP

In both 2021 and 2022, Israel has recorded take-up in excess of 20MW. Take-up in 2023 however, has proved slower with less than 1MW transacted. Nonetheless, several new requirements remain in negotiation phases, with closure anticipated before year end.

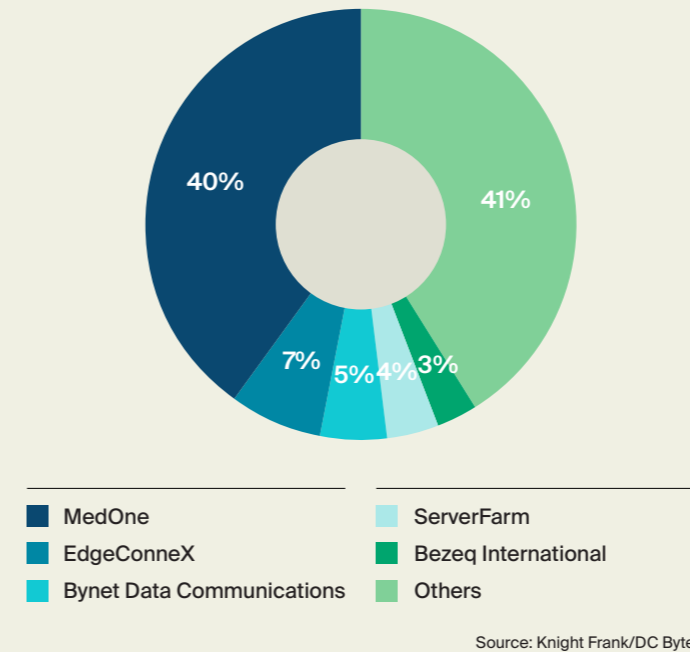
Take-up



LEADING OPERATORS

The operator landscape is a mix of local and US-based operators, with Israeli-based Bynet Data Communications, Bezeq International and MedOne occupying 42%, and US-based ServerFarm, Compass Datacenters and EdgeConneX owning 41%. Israel's government continues to be proactive in developing the sector, through awarding projects, such as the 'Project Nimbus' tender, to hyperscale giants Google and Amazon Web Services, securing two of the world's main cloud providers.

Market Share

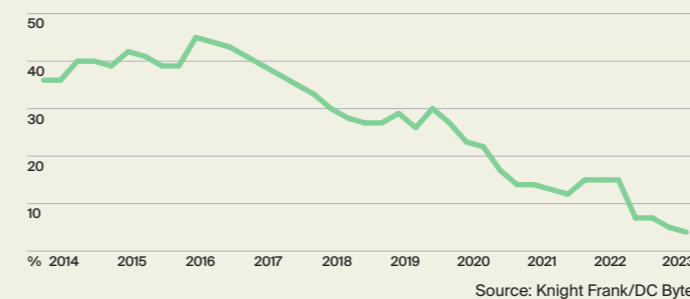


VACANCY & ABSORPTION

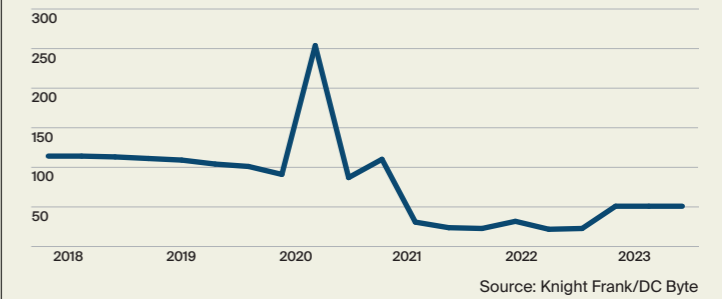
Israel currently operates at a 4% vacancy rate, following years of consecutive progress. During the late 2010s, the market operated at a 35% vacancy rate, in line with other markets in the region. This has since shifted, post COVID, to an average market vacancy of 14%, and an average vacancy of 5% in 2023.

Israel is seeing a downward trend in absorption, with rates halving over the last three years. Currently, there is 2.21MW of availability in the market, this space is distributed across several facilities, at an average availability of just under 400kW.

Vacancy Rates



Absorption Rates



GROWTH DRIVERS

Israel is host to three operational submarine cables, with an upcoming fourth cable, Blue, that will be ready for service in 2024. The cable is owned by Google, Omantel, and Telecom Italia Sparkle, with the goal of connecting Israel to France, Italy, Greece, Cyprus, and Jordan.

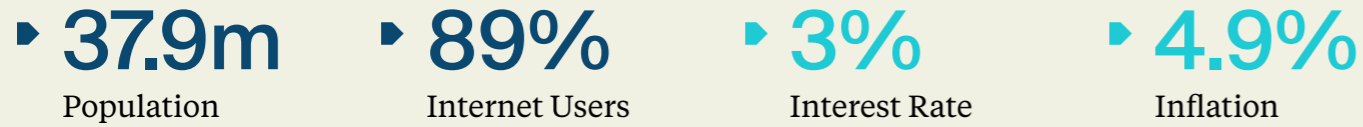
The Israeli government continues to support the growth of the data centre market through the promotion of the country's tech industry. The tech industry accounts for 18% of Israel's GDP, almost half of the country's exports, as well as 30% of its tax revenue, with a long-term aim to establish Israel as a 'Top 5' destination for AI technology. The government aims to achieve this by drawing support from investors, through ventures such as 'Project Nimbus' announced in April 2021.

MARKET HURDLES

Power limitations across the country have limited land plots to a 16MVA maximum, translating to a 10.5MW average data centre capacity offering. Operators have been able to circumnavigate these restrictions by acquiring multiple sites, however, this often proves to be a costly strategy.

The market, despite small, is mature in many sub-sectors, resulting in tight competition, as well as becoming increasingly crowded, with many international operators, such as Microsoft, Google, and Oracle, building local cloud infrastructure. On top of this, many large infrastructure projects in Israel are often based off a public-private partnership financing model, which can create challenges for small and medium-sized enterprise to secure funding.

Morocco

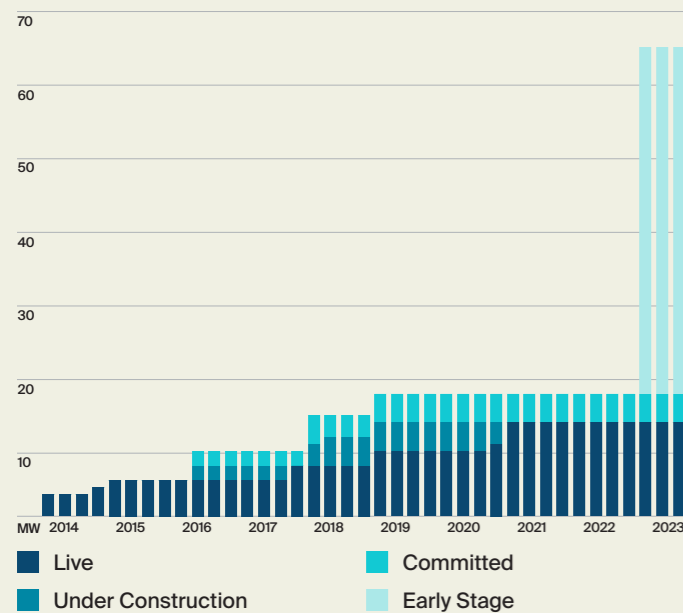


SUMMARY

With a history rooted in the broader development of its information and communication technology (ICT) infrastructure, Morocco began its journey toward modern data centre facilities in the early 2000s. Starting as a market focussed on servicing local network and telecommunications demands, Morocco took its initial steps into servicing colocation demand in the early 2010s, homing in on the retail colocation market. Since then, the government recognised the strategic importance of data centres to the economy and initiated policies and investments to bolster the sector. This included the establishment of technology parks and free zones to attract ICT businesses and data centre operators. The growth of the Moroccan data centre market was further fuelled by increased connectivity, economic reforms, and a burgeoning digital economy.

Today, Morocco is regarded as one of the five key data centre markets in Africa and a connectivity gateway between Africa and Europe. The country currently has 13MW of live IT power, alongside a pipeline with the potential to quintuple Morocco's capacity offerings over the next five years.

Supply



Source: Knight Frank/DC Byte

SUPPLY

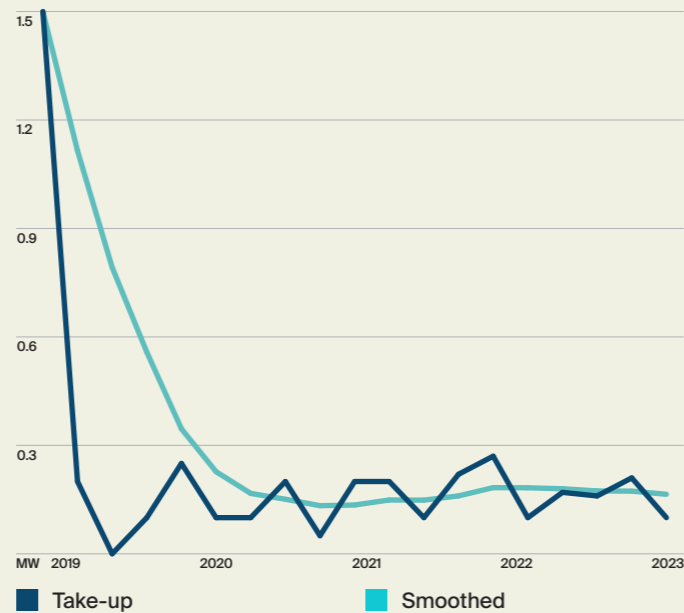
Aggregate supply in Morocco is now at 65MW, reflecting a 48MW increase in 2023. This rise is the result of a three-facility announcement from Gulf Data Hub, which aims to bring the first wave of wholesale colocation capacity to the country, with the first go-live dates targeted for 2026. The principal data centre market in Morocco is Casablanca, which hosts 69% of the country's live IT capacity, as well as 96% of the current pipeline developments.

In Q3 2023, the African Infrastructure Investments Managers (AIIM) announced plans to invest US\$90 million into Morocco's N+ONE Datacenters facilities through its latest infrastructure fund, African Infrastructure Investment Fund 4 (AIIF4). This would involve investment into a new Pan-African data centre and cloud services platform, with a short-term capacity target of 40MW. The partnership will see N+ONE expand its existing campuses in Morocco and Senegal while developing new hyperscale locations.

TAKE-UP

Morocco has registered 0.47MW of take-up in 2023, following an additional 0.1MW of take-up in Q3. This is expected to pick up following increased demand for data centre services as digital infrastructure continues to develop.

Take-up

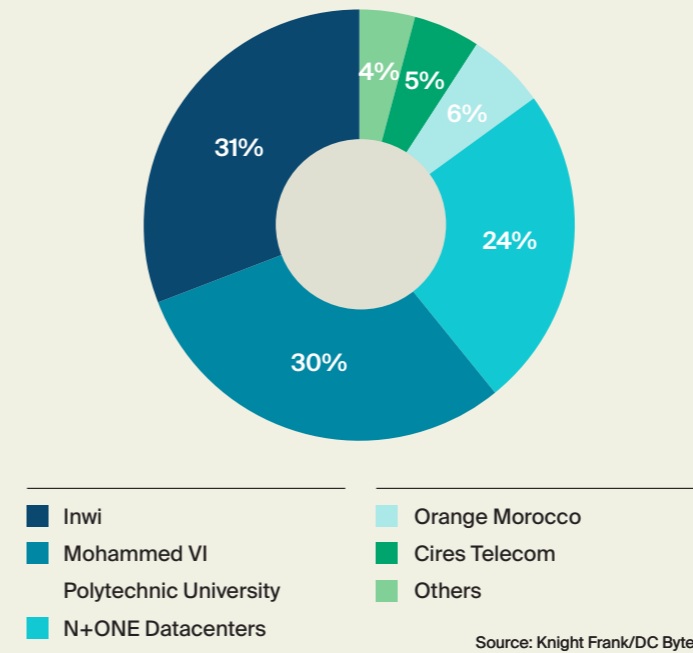


Source: Knight Frank/DC Byte

LEADING OPERATORS

The market is 100% comprised of domestic operators, with a split focus across network & telecommunications, service provider and retail colocation offerings. This is a dynamic that is set to shift over the next five years, with development of a wholesale colocation offering.

Market Share



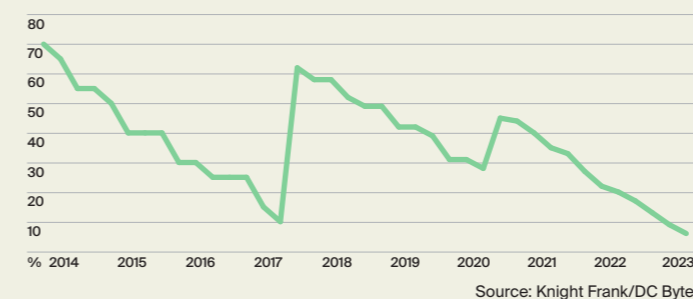
Source: Knight Frank/DC Byte

VACANCY & ABSORPTION

Morocco has low vacancy at 6%. This follows a similar pattern observed in the region, with the country shifting from a 38% vacancy pre-COVID, to operating at an average vacancy of 27% in the period since, with 2023 registering an average vacancy of 9%.

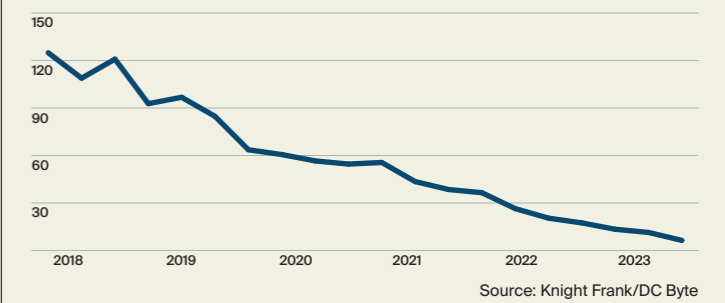
Morocco currently offers 0.3MW of available space, all at a single facility. As such, the market facilitates a very low absorption rate of 7 months, at present.

Vacancy Rates



Source: Knight Frank/DC Byte

Absorption Rates



Source: Knight Frank/DC Byte

GROWTH DRIVERS

The growth of the digital economy in Morocco has been driven by the Moroccan government. The creation of the Digital Development Agency, as well as the introduction of schemes such as the National Digital 2020 strategy have helped in drawing funding and encouraged the expansion of the country's data centre infrastructure. Morocco's unique geographic location at the crossroads of Europe and Africa positioned it as a regional hub for data centre services, serving both domestic and international clients.

To date, Morocco has five submarine cables deployed or in development, providing a gateway to Europe through connections to the Iberian Peninsula, Barcelona, and Marseille. Construction of the Medusa subsea cable has commenced and is expected to go live in Q4 2025.

MARKET HURDLES

Data centre operators are facing challenges to privacy and data protection laws. With an ever-changing regulatory environment, it can often be both difficult and expensive to keep up with the latest framework requirements and to ensure strong security measures are in place. This can be coupled with a lack of transparency in government procurement measures, as well as lengthy and often slow bureaucratic decision-making procedures.

Egypt

► **113m** Population
 ► **73%** Internet Users
 ► **19.25%** Interest Rate
 ► **38%** Inflation

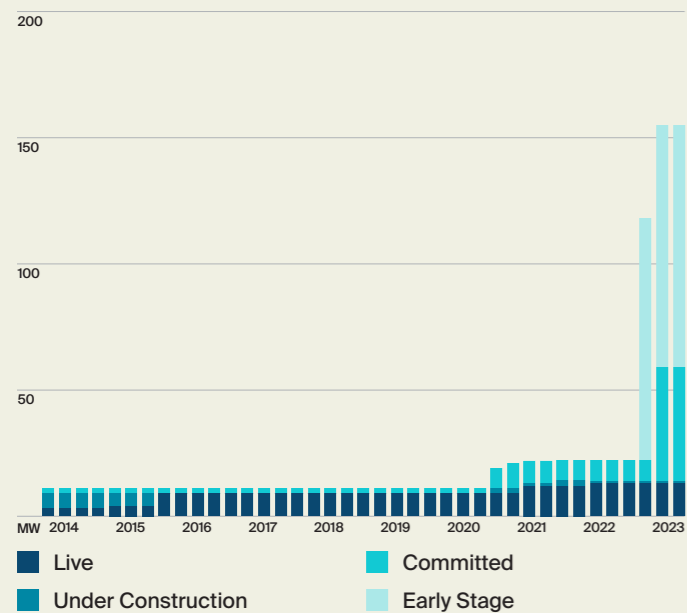
SUMMARY

Historically, Egypt has been a key player in the telecommunications and information technology sectors in the Middle East and North Africa. Initial data centre adoption can be traced to the early 2000s, with developments in network & telecommunications capabilities, following the government initiating efforts to modernise its ICT infrastructure.

With its strategic location, Egypt has become a hub for data centre investment, serving as a gateway between Europe, Africa, and the Middle East. The market's growth has since been bolstered by increasing demand for cloud services, digital transformation, and the expansion of e-commerce and mobile technologies.

Egypt currently operates 13MW of live IT, alongside a pipeline with the capability of increasing the country's offerings ten-fold.

Supply



SUPPLY

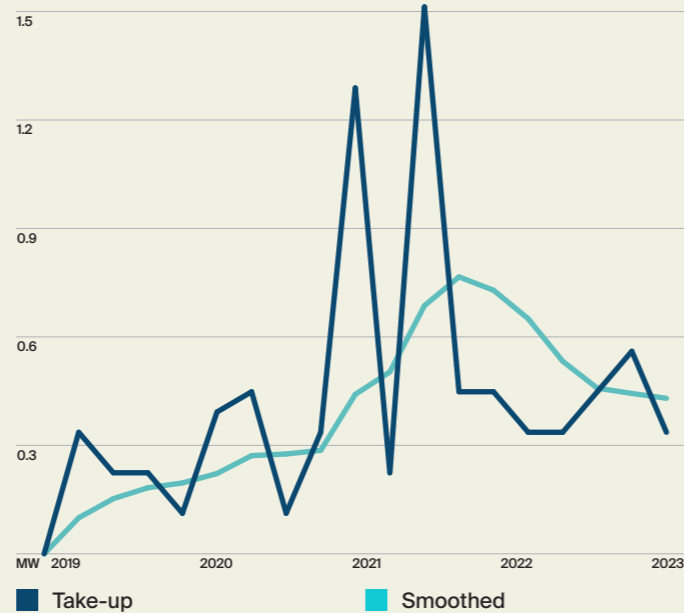
As of Q3 2023, aggregate supply in Egypt had reached 154.7MW, reflecting an increase of 133MW over 12 months. In 2023, major announcements have come from UAE-based Khazna Data Centers that announced development plans for a US\$250 million state-of-the-art facility in Cairo. This coincided with Gulf Data Hub and Elsewedy Data Centers committing to invest a combined US\$2.1 billion across three locations in Egypt as part of a joint venture. GPX Global has also announced a 12MW expansionary plan for its Cairo 2 facility.

New developments include a 1MW deployment by local telecommunications operator Orange Egypt currently under construction. With major deployments set to begin landing in Q1 2025.

TAKE-UP

In 2023, Egypt has recorded just over 1MW of take-up, including 0.3MW of new take-up in Q3. Despite low levels of activity, take-up volumes are forecast to rise as expansionary projects and new developments become operational.

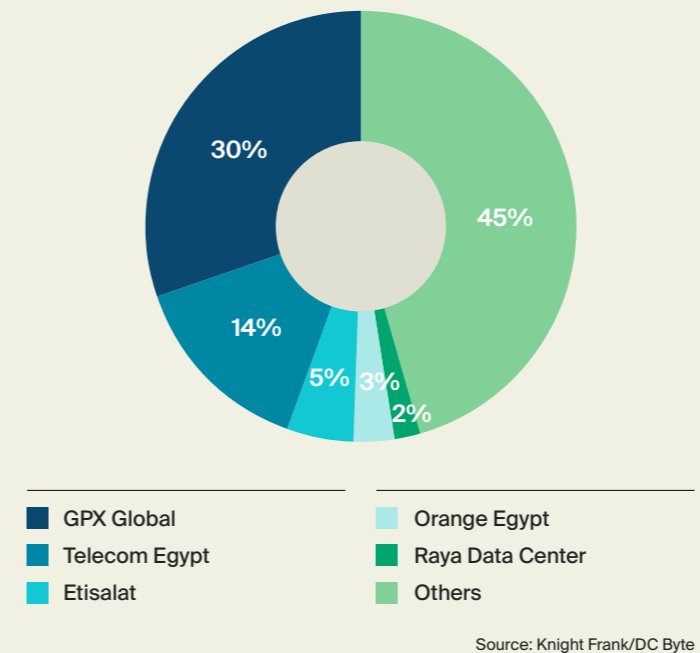
Take-up



LEADING OPERATORS

The market is 90% owned by local and national operators and is currently led by local operator GPX Global, with Telecom Egypt, Raya Data Center, Orange Egypt, and ECC Solutions making up the remainder. However, as with other established data centre markets in the region, this dynamic is set to alter, as international operators begin entering the market.

Market Share

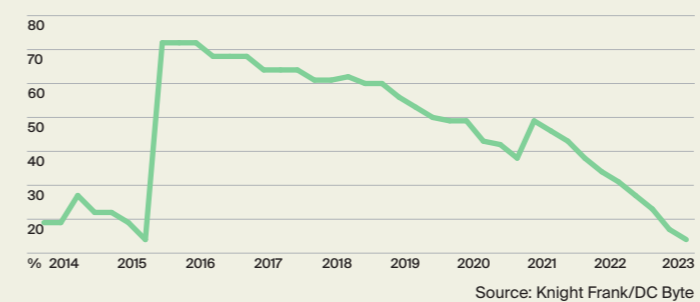


VACANCY & ABSORPTION

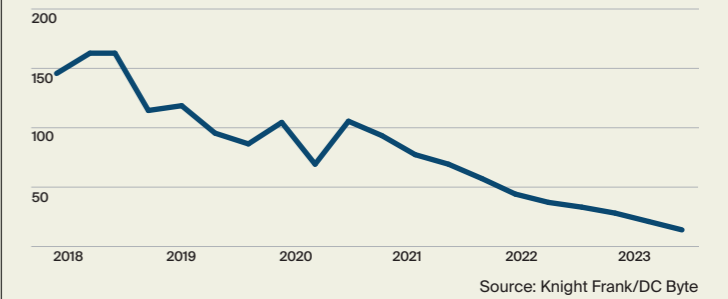
The market currently operates at a 14% vacancy rate, a significant improvement on both pre- and post-COVID averages. During the late 2010s, the market averaged a 63% vacancy rate, which has since dropped to a 36% average in the period post-COVID and has decreased further to an 18% average in 2023.

Absorption rates also continue to reduce, hitting an all-time low of 15 months in the third quarter of 2023. This has been assisted by the efficient allocation of data centre capacity in the country, with only 1.3MW of availability spread across only two facilities.

Vacancy Rates



Absorption Rates



GROWTH DRIVERS

Several factors are contributing to the recent acceleration of data centre demand in Egypt, ranging from Cloud adoption and exploration of AI technologies, to the development of 'Smart Cities'. There has also been an increased focus from the government on the use of renewable energy sources, to overcome both increased power demands and rising global energy prices. Plans include expanding Solar Photovoltaic (PV) capacity to 22%, Wind energy to around 14% and Hydropower to 2% by 2035.

Egypt benefits from 15 in-service submarine cables, with another 5 under construction. These utilise Egypt's geographical location and allow for an efficient crossing between the Red Sea and the Mediterranean. Operated by the country's only fixed network operator Telecom Egypt, its WeConnect ecosystem allows users to mix and match connectivity between subsea cabling systems. This will provide the country and its users with greater agility, adaptability, diversity, and resiliency in both national and international connectivity.

MARKET HURDLES

Egypt requires additional investment into infrastructure to support newer fibre optics, as well as an improvement in internet speed and bandwidth. The country has seen an improvement in internet penetration over recent years, but with only a 73% penetration rate, coupled with below average speeds, an estimated US\$4 billion is needed. Improving the connectivity backbone would assist in reducing high internet prices across the country, potentially incentivising more private investment in hyperscale development.

The wider region

SUMMARY

The MENA region however, is not just limited to the five featured markets. Neighbouring markets such as Bahrain, Jordan, Kuwait, Lebanon, Oman, and Qatar are equally seeing heightened interest.

Bahrain and Jordan have strategically developed data centre markets, aiming to become prominent regional technology hubs, with growth supported by government-backed initiatives, cloud-first policies, and partnerships with global tech entities.

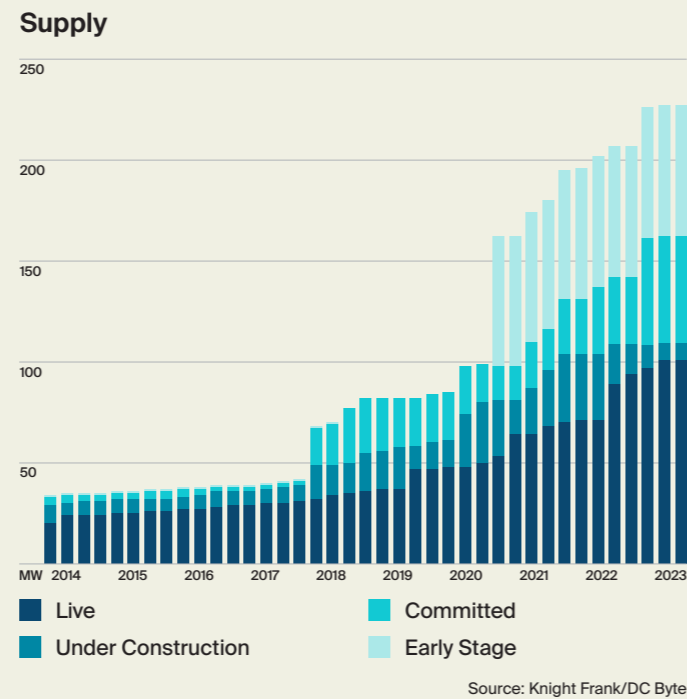
Kuwait has seen substantial growth in its data centre market, aligning with the country's economic diversification objectives, driving investments in digital infrastructure, and developing supportive regulations.

Lebanon, despite facing challenges in its political and economic stability, has made efforts to develop its data centre market. Recognising the importance of technology in fostering modern economic growth, the country has worked on improving digital infrastructure and attracting investment, by collaborating with global technology firms, offering a foundation for businesses seeking reliable digital infrastructure in the country.

Oman has made significant progress, reflecting the country's commitment to economic diversification and technological advancement. Investment into the country's digital infrastructure and supportive policies have led to the establishment of modern, secure data centre facilities.

Qatar is the largest of these six, with growth primarily stemming through the country's commitment to economic expansion and digital innovation. This development has been supported by government programmes such as the Qatar National Vision 2030 and Smart Qatar initiatives, coupled with the recent economic injection from the FIFA World Cup 2022.

As of the third quarter of 2023, these nations represent a combined live IT capacity of 101.17MW. Economic growth remains steady, with an average annual GDP growth of 21.98% across these nations, coupled with CAGR GDP forecasts for the region of 5.47% through 2028.



SUPPLY

Aggregate supply has recorded moderate growth in 2023, rising to 226.2MW in the third quarter. Jordan has recorded the only growth in aggregate supply this year, following a 20MW expansion in the first quarter from Edgnex Data Centres, that announced its intention to develop a new facility in the King Hussein Business Park, based in the western district of the capital city Amman. Qatar, has recorded an additional 7.4MW of live capacity. This was as the result of a 4MW development from Quantum Switch going live in the first quarter, followed by a 3.4MW expansion to Ooredoo's QDC 5 facility in the second quarter.

Market composition differs from market to market, with each facilitating a different focus. Bahrain historically demonstrated a sixty-forty split between a retail colocation and a service provider focus, which altered in the first quarter of 2019 towards Public Cloud offerings, which now account for 67% of market capacity. Jordan is 95% dominated by retail colocation, having very little change in its market composition over the last fifteen years. Kuwait offers a relatively diverse market, with comparable capacities in retail colocation, financial, and service provider offerings.

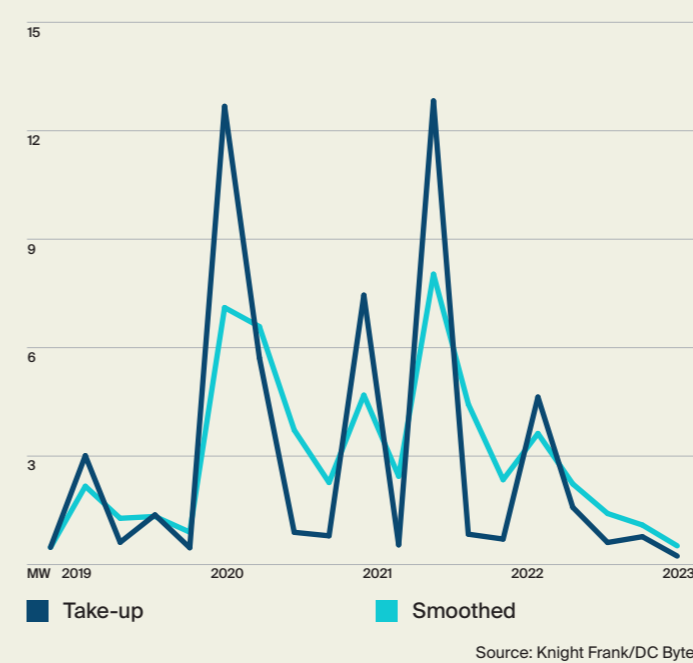
Lebanon offers no colocation-based capacity, being dominated by financial-focussed facilities, combined with a small offering of network & telecommunication and service provider focussed capacity. Oman is dominated by retail colocation, which occupies 50% of the market, with the remainder being occupied by service providers and network & telecommunications operators.

TAKE-UP

Across the five markets, 1.6MW of take-up has been recorded so far in 2023. With 0.25MW recorded in Jordan, 0.23MW in Kuwait, 0.28MW in Oman, and 0.84MW in Qatar.

Total availability in these markets sits at 8.6MW, with the majority (58%) at MEEZA's MC1 M-Vault 4 and M-Vault 5 facilities in Qatar. Both Bahrain and Lebanon are currently at 100% occupancy, whilst Jordan has a small availability of 0.08MW, with Kuwait registering 0.33MW of availability.

Take-up



GROWTH DRIVERS

Many of the typical drivers present across the globe are also impacting these markets. The six markets are all seeing huge benefits from the adoption and expansion of cloud-based services, as well as continued IoT adoption and 5G deployment. Bahrain is benefitting from its 'Cloud-First' strategy, with Kuwait striving to achieve its 'Vision 2035' initiative, alongside Qatar and its 'Qatar National Vision 2030' and 'Smart Qatar' initiatives. Submarine cable connectivity is proving to be a major catalyst across these markets, with many of them being poised to provide gateways between Europe, Asia, and Africa. Renewable energy availability also continues to be a major growth driver, with many of these markets beginning to capitalise on solar and wind capabilities. Amazon Web Services already operates a fully renewable-powered data centre in Bahrain.

MARKET HURDLES

These markets all display a similar array of challenges. A lack of competition within internet markets, combined with generally limited internet infrastructure, makes for an expensive market with low consumer choice and stifled innovation. Concerns over Cybersecurity, through a lack of regulatory and security compliance, and an under-provision in data privacy laws continue to dampen regional expansionary desires from international operators.

Furthermore, as markets continue to grow, shortcomings in the availability of skilled labour are also likely to become more pronounced.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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