Data Centres Global Forecast Report

Knight Frank

2026

Forecasts and Insights: Navigating the evolving global data centre market

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Foreword

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The Knight Frank global data centre outlook for 2026 reveals unprecedented growth and transformation. Across the globe, 33GW of new capacity is to be delivered to market, representing a CAGR of 24.6%, over the next two years. 63% of this growth will be located on the North American continent, with Ashburn being the key target market for near-term deployment, where 3.5GW is expected to launch during 2026 and 2027. Europe will follow its existing trajectory, expanding at a CAGR of 17.8% over the forecast period, with a key theme being the continued divergence of capacity away from traditional core metropolitan areas as AI demand takes its foothold in Europe. The Middle East will see the most dramatic growth over the coming two years, with an annual growth rate of 62.5%, driven by the first phase energisations of multiple gigawatt-scale campuses across Saudi Arabia and the UAE. Whilst the APAC region will see renewed hyperscale-interest following the rescinding of temporary international roadblocks, such as the previous AI Diffusion Framework.

The sector is maturing, particularly in Asia and Europe, with increased capital recycling and the emergence of REITs and infrastructure-focused financing models. Investors are concentrating on established operators with scalable pipelines, and platform-level transactions are favoured over single-asset deals. This institutionalisation reflects growing confidence and positions the market for consolidation and strategic partnerships.

The global race to build AI capability is continuing to reshape the data centre landscape. Markets are pivoting from traditional cloud deployments to AI-first infrastructure, with hyperscale and neo-cloud providers driving demand for high-density, GPU-centric facilities – such as with Abu Dhabi's 5GW AI campus and Europe's continued drive of integrating 100,000-GPU clusters. This trend signals a structural shift toward large-scale, AI-optimised campuses and smaller inference-focused facilities in proximity to metropolitan areas.

Growth is faster spreading beyond traditional hubs and into secondary markets – such as Johor, Bangkok, the Middle East, and the Nordics – due to supply constraints and power availability in core regions. Power economics are becoming critical in site selection, especially as AI workloads demand massive energy resources. Regions offering competitive and renewable power pricing will attract the most significant deployments.

However, this growth will not be without its challenges. High initial development costs for AI-ready facilities will strain liquidity and require sophisticated financing structures. Single-asset transactions remain illiquid, and investors face pressure to manage capital efficiently while mitigating tenant credit risk, especially with newer neo-cloud providers lacking long credit histories.

Furthermore, rapid technological evolution raises concerns about adaptability should tenants vacate. Facilities with lower redundancy or limited flexibility risk becoming stranded assets. Additionally, aspirational announcements – 14GW in MENA – could lead to oversupply versus realistic demand – c.5GW – creating volatility and potential underutilisation.

This forecast report provides key insight into market-by-market growth expectations, explores the key trends transforming the data centre industry and examines their impact on capacity across major global markets. The interplay between power availability, regulatory shifts, and technological advancements is becoming increasingly complex. Understanding how these forces interact will be essential for navigating the sector effectively.

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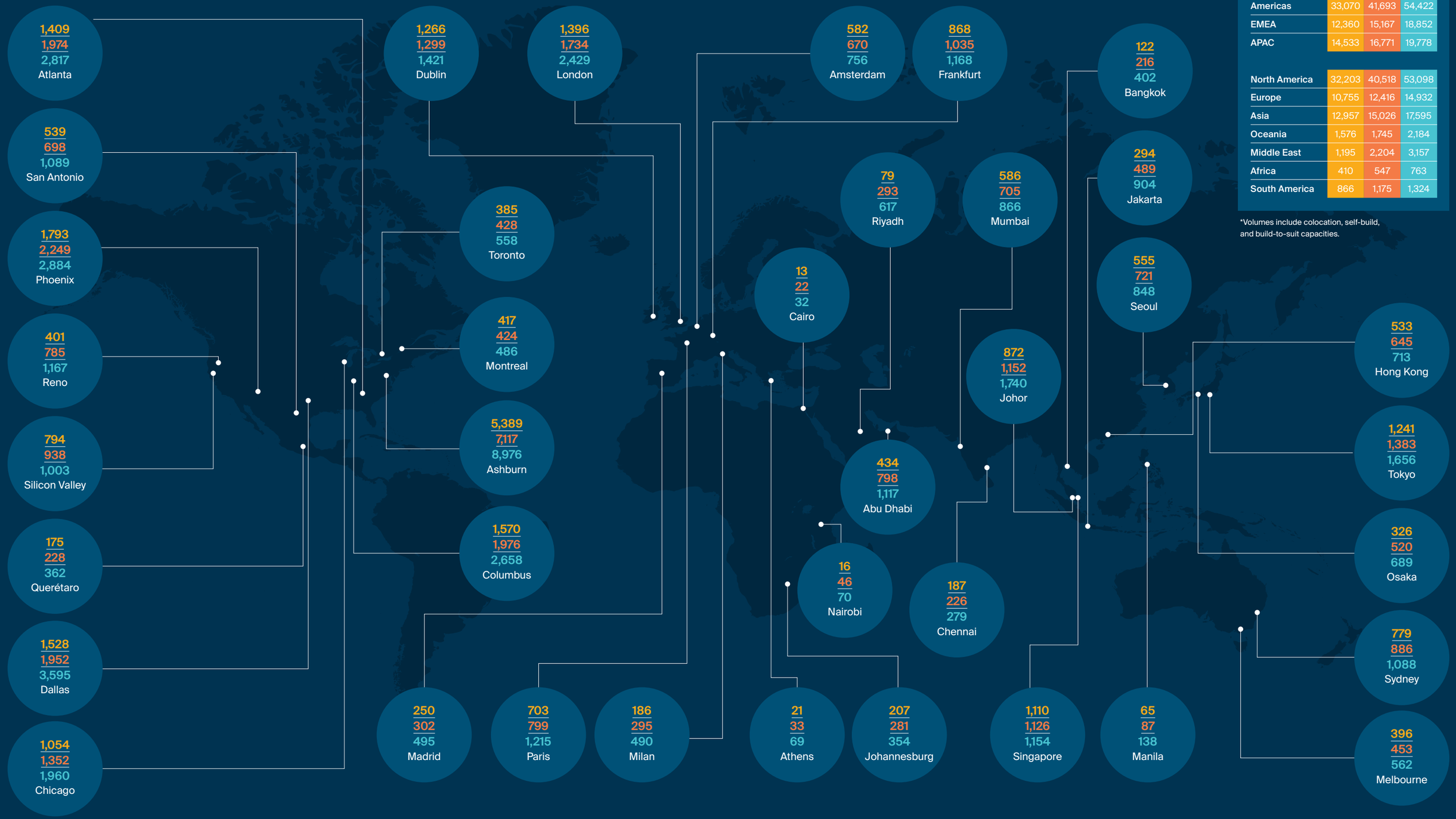
Live IT Capacity (MW)



	2025	2026	2027
Global	59,962	73,631	93,052
Americas	33,070	41,693	54,422
EMEA	12,360	15,167	18,852
APAC	14,533	16,771	19,778
North America	32,203	40,518	53,098
Europe	10,755	12,416	14,932
Asia	12,957	15,026	17,595
Oceania	1,576	1,745	2,184
Middle East	1,195	2,204	3,157
Africa	410	547	763
South America	866	1,175	1,324

*Volumes include colocation, self-build, and build-to-suit capacities.

Regional Insights

EUROPE

OSCAR MATTHEWS
PARTNER

In 2026, Europe's data centre landscape will continue to undergo a major transformation to meet increased demand for generative AI and high-performance computing. The market is evolving from the initial AI "gold rush" into large-scale industrial deployment, driven by specialised neo-cloud providers and high-density campuses in non-traditional locations. This shift is not just about adding capacity; it represents a fundamental change in design, financing, and exit strategies for institutional investors.

Financing models have shifted away from traditional real estate structures towards sophisticated infrastructure vehicles, such as yield companies, joint ventures, continuation funds, and specialised REITs, to address liquidity challenges associated with large asset sizes. Single-asset transactions remain illiquid, so operators favour platform-level value retention. However, an increase in single disposals is expected, enabling faster capital recycling and compressing cap rates later in 2026. We are also seeing an increase in operators targeting smaller inference-focused facilities (1–10MW) near major metropolitan areas.

From a market perspective, integrating 100,000-GPU clusters across Europe, the Nordics, and Iberia requires advanced power procurement and cooling solutions, with grid constraints posing a significant challenge. Growth in FLAP-D markets is expected to accelerate, with Madrid and Milan close behind, while large out-of-metro AI campuses are gaining momentum. The UK's AI Growth Zone initiative, launched in late 2025, faces potential hurdles from rising power costs and permitting delays.

The most disruptive trend is the rise of neo-cloud providers such as Coreweave, Nebius, Nscale, and Fluidstack, offering vertically integrated, GPU-centric solutions that challenge hyperscale dominance. Coreweave alone is projected to invest US$30 billion in 2026, supported by a US$55 billion backlog. However, these providers introduce new tenant counterparty risks. Despite strong backlogs and partnerships, the limited credit history compared to hyperscalers like AWS or Microsoft makes some operators cautious, which could lead to consolidation as the market matures.

In summary: European markets are set for accelerated growth, fuelled by AI deployments alongside sustained hyperscale demand. Investors across the spectrum are taking a keen interest and actively positioning to capture opportunities in this transformative wave.

> "In 2026, Europe's data centre landscape will undergo a major transformation to meet surging demand for generative AI and high-performance computing."

APAC

FRED FITZALAN-HOWARD
HEAD OF DATA CENTRES, APAC

The APAC data centre market is clearly maturing, with increased capital recycling and a shift towards the sale of stabilised, income-generating assets. Recent large-scale investments into platforms such as Vantage APAC, backed by GIC and ADIA, demonstrate growing institutional confidence in the region. At the same time, established owners in core markets such as Japan and Singapore, including Keppel and CapitaLand, continue to transact stabilised assets, reflecting portfolio optimisation and capital recycling strategies as customer demand increases. As seen previously with NTT and Digital Realty, stabilised data centre REITs have begun to emerge across Asia as the sector matures. This trend continues with growing market discussion around Blackstone rumoured potential listing stabilised AirTrunk assets via a Singapore REIT structure. Overall, these trends signal that APAC is transitioning from a high-growth emerging market into a more institutionalised landscape mirroring that of EMEA and US.

We expect continued growth in both scale and capital participation across the APAC data centre market. While more investors are seeking exposure to the sector, capital is increasingly concentrating around a smaller pool of established operators with proven development and operating

capabilities. Recent examples, such as DayOne raising approximately US$2 billion in Series C funding, demonstrate strong investor appetite to back platforms with scalable pipelines. As a result, we expect heightened investor interest to drive further consolidation, with well-capitalised and experienced players becoming larger through refinancing and platform expansion. At the same time, supply constraints in primary markets are accelerating growth into secondary locations such as Johor and Thailand, reinforcing a more decentralised but institutionally led expansion across APAC.

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We question how quickly neo-cloud and AI-driven demand in APAC will scale to match deployment patterns seen in the US. While it is gaining traction, their infrastructure requirements across APAC remain relatively nascent compared to North America, where AI-led deployments are already driving 100MW-plus campuses. In APAC, neo-clouds are still emerging, with demand fragmented across markets and constrained by power availability. This raises uncertainty around the timing and scale at which this growth will translate into large-format deployments, and whether APAC will follow the same hyperscale trajectory as the US or evolve along a more gradual, regionally differentiated path.

Regional Insights

NORTH AMERICA

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The US data centre industry is one of the most powerful structural demand drivers in commercial real estate. This demand has driven up land values, influenced power infrastructure planning, and shaped investment strategies across multiple property types. Cloud computing, artificial intelligence, hyperscale platforms, and enterprise digitalisation have shifted data centres to a core industrial allocation.

Demand growth has accelerated since 2021 as AI workloads dramatically increased power density requirements. Hyperscale operators, such as Amazon, Meta, Microsoft, and Google, have dominated absorption; however, colocation providers are also expanding rapidly to serve enterprise customers. The result has driven vacancy rates in key data centre markets like Northern Virginia, Phoenix, Dallas, and Atlanta to historically low levels, despite record levels of deliveries.

The impact on the commercial real estate sector goes beyond the data centre asset class. In power-rich markets, industrial land values are experiencing significant growth, surpassing traditional warehouses and manufacturing uses. In some regions, underutilised industrial buildings are being demolished or repurposed to accommodate data center development.

Power availability has become the single most important constraint shaping site selection and development timelines. Utilities, municipalities, and developers are now coordinating years in advance, leading to longer development cycles and creating barriers to entry that favour well-capitalised sponsors. Markets with scalable power generation, transmission capacity, and pro-growth regulatory environments are better positioned, while others face slowdowns due to grid strain.

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Data centres offer long-term leases, high-credit tenants, and inflation-hedged cash flows, making them particularly attractive in a volatile capital market environment. Still, rising construction costs, evolving cooling technologies, and energy procurement risks require additional underwriting.

Looking forward, the data center sector is expected to remain one of the fastest-growing segments of US commercial real estate. Its influence will continue to ripple across industrial, infrastructure, and land markets, reinforcing a broader shift toward digitally driven real estate assets as foundational components of the economy.

MENA

STEPHEN BEARD
GLOBAL HEAD OF DATA CENTRES DEVELOPMENT & INVESTMENT

The MENA region is pivoting from cloud catch-up to AI-first infrastructure, led by Saudi Arabia and the UAE. In Abu Dhabi, the USA-UAE AI initiative will deliver a 5GW, multi-tenanted campus spanning ten square miles, powered by nuclear, gas, and solar. Within which, Stargate UAE, a 1GW AI compute cluster, will see its first 200MW go live in 2026, operated by OpenAI and Oracle alongside partners NVIDIA, Cisco, and SoftBank. Across both Saudi Arabi and the UAE, sector pricing will see combined national data centre market valuations climb aggressively from US$35 billion in 2025 to US$115 billion by the end of 2027.

Abu Dhabi is set to become the region's first 'gigawatt' market in 2027, placing it as one of only twenty 'gigawatt' markets globally – only ten of which being situated outside of North America. Whilst Riyadh will scale boldly at a CAGR of 85.9% over the next two years, with over half a gigawatt of new capacity expected before 2028, spearheaded by HUMAIN, a PIF-owned AI company launched in 2025 with the goals of reaching 1.9GW of capacity by 2030 and 6.6GW by 2034, centralising AI requirements under local control, reducing reliance on US software and infrastructure.

The anticipated rise in demand for scalable, AI-optimised infrastructure, coupled with the continued growth of cloud and edge computing, underscores the viability of data centre investments in the MENA region. Investors should focus on partnerships that leverage local stakeholder and regulatory benefits whilst ensuring new value-add developments inhibit an ability to flex for cloud, AI, or both.

Over the last 18 months there have been new data centre development announcements exceeding 14GW. The majority have come from either NewCo's or incumbent national Telco's. Based on Knight Frank's demand analysis, the aspirational 14GW could represent a significant market oversupply. It is the opinion of Knight Frank that total supply will in fact more realistically reflect c.5GW before the end of the decade. Beyond HUMAIN in Saudi Arabia and Khazna & OpenAI in the UAE, the region's true growth potential will depend on strategic local partnerships with experienced international players who can introduce scalable, reliable infrastructure aligned with global standards.

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Technical Insights

VALUATIONS

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GLOBAL HEAD OF DATA CENTRES VALUATIONS

The global race to build AI capability is reshaping the digital infrastructure landscape, and 2025 stands as a pivotal year in this transformation. High-performance computing (HPC) facilities have become the backbone of generative AI and advanced applications, driving unprecedented demand across markets. For investors, this surge represents a rare opportunity to participate in one of the most significant technological shifts of our time. Yet, as history reminds us, rapid growth often comes with complexity and risk. Understanding these dynamics is essential for those seeking to capture long-term value while safeguarding capital.

The expansion of HPC infrastructure is creating substantial opportunities, but it also introduces challenges that cannot be ignored. Chief among these is the high initial cost of development, which places pressure on liquidity and financing structures. Investors are increasingly focused on tenant strength and the risk of infrastructure obsolescence. Creditworthiness has become a critical metric, with many seeking transparency into tenants' underlying customers. For example, neo-cloud providers offering GPU-as-a-Service often serve major hyperscalers, a factor that provides reassurance around rental obligations.

Obsolescence risk is another pressing concern. If a tenant vacates, questions arise about the adaptability of the data centre design, the capital expenditure required for reconfiguration, and the depth of the occupational market. These risks are magnified in secondary locations and in facilities with lower redundancy builds, where flexibility and demand may be limited.

Despite these challenges, the underlying growth story remains compelling. Forecasts suggest AI-related demand will grow at a compound annual rate of 20–40% between 2025 and 2030. While shocks to capital markets are almost inevitable, the structural drivers of demand appear robust and resilient. For investors, this means that the opportunity lies not in avoiding risk but in understanding and managing it effectively.

The AI infrastructure boom is not a passing trend; it is a structural shift that will define the next decade. Investors who take a proactive approach, focusing on tenant quality, asset adaptability, and strategic capital deployment, will be best positioned to capture the strongest returns.

OCCUPIER

CELESTE MCGINLEY
SENIOR SURVEYOR

Over the last 12 months, the market has shifted from a proliferation of new entrants to the emergence of a handful of key market leaders with genuine legitimacy and substantial deployments. Names such as CoreWeave, Fluidstack, and Nebius have established as credible players, with deployments becoming more extensive and aggressive across multiple regions.

Such has been the demand for readily available capacity from

these entrants that space previously considered stranded has been rapidly absorbed. While this might suggest a "build it and they will come" dynamic, the reality is that in this early stage expansion has meant that operators with ad hoc or opportunistic capacity have enjoyed the greatest success in securing these occupiers.

Concerns emerged in early 2025 following reports that Microsoft had walked away from several lease negotiations. Although most of these requirements were ultimately absorbed, either by competitors or by Microsoft itself, the shift in sentiment toward untested locations outside core markets has been limited. This reinforces that occupier confidence remains strongest in established hubs where market depth and proven performance provide greater certainty.

Rack densities are expected to continue increasing as AI adoption becomes more widespread and underlying technologies evolve. Occupiers are prioritising future-proofing deployments, seeking space that can support higher-density configurations to accommodate next-generation workloads.

Power cost will become an even more critical metric in location selection. As deployments grow increasingly power-hungry, occupiers will focus on markets offering the most competitive and sustainable power pricing, making energy economics a key driver of site strategy. This trend will influence not only where new capacity is built, but also which regions attract the most significant AI and HPC demand.

A greater squeeze on traditional colocation customers, such as financial institutions who typically operate at lower densities, is anticipated. These occupiers may face challenges securing modern space at preferred specifications and could be pushed toward legacy facilities instead. This dynamic will depend on whether investors grow more comfortable with GPU occupier credit profiles and pricing becomes more competitive, balanced against the reality that lower-density requirements risk falling behind evolving design standards.

Not yet known is how evolving regulation and government intervention will shape occupier strategies over the next year. While stricter enforcement around data sovereignty and compliance has been discussed (particularly for AI applications) it remains unclear how quickly or extensively these measures will materialise. At the same time, tax incentives and power-related benefits could become increasingly influential in location decisions. The balance between regulatory pressures and economic incentives will be a key dynamic to watch in 2026.

> "Entities such as CoreWeave, Fluidstack, and Nebius are increasingly recognised as credible players, with deployments becoming more extensive and aggressive across multiple regions."

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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