

Data Centre Colocation Market Grows Steadily as Enterprises Accelerate Digital Transformation

Rising cloud adoption, IoT expansion, and demand for scalable IT infrastructure drive the data centre colocation market toward US\$ 58.8 billion by 2031.

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According to DataM Intelligence, the global [data centre colocation market](#) reached US\$ 39.9 billion in 2022 and is projected to grow to US\$ 58.8 billion by 2031, expanding at a CAGR of 6.3% during the forecast period 2024–2031. Market growth is being fueled by rapid digital transformation across industries such as healthcare, finance, retail, and manufacturing, which is driving exponential growth in data generation. The proliferation of connected devices, widespread adoption of cloud computing, and the expansion of IoT ecosystems are significantly increasing the demand for secure, reliable, and scalable data storage and management solutions.



As data volumes surge, colocation is emerging as a strategic backbone for digital businesses, balancing scalability, cost efficiency, and resilience in a cloud-first world."

DataM Intelligence



Data Centre Colocation Market

Digitization and the increasing volume of data are driving the demand for data centre colocation services.

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The market is witnessing strong traction as enterprises increasingly rely on colocation services to reduce capital expenditure, enhance operational efficiency, and ensure business continuity. The retail colocation segment is the fastest-growing segment, accounting for over one-third of

the total market share, driven by the need for flexible infrastructure that supports expanding digital workloads. Regionally, North America dominates the data centre colocation market,

holding more than one-fourth of the global share, supported by high cloud adoption rates, advanced digital infrastructure, and strong demand for cost-effective and scalable data storage solutions across enterprises.

Key Highlights from the Report

- The data centre colocation market is expanding rapidly due to cloud adoption and enterprise digitalization.
- Retail colocation holds a leading market share owing to flexibility and lower entry costs.
- Hyperscale cloud providers are major demand drivers for wholesale colocation facilities.
- North America dominates the global market with strong hyperscale and enterprise presence.
- Asia-Pacific is the fastest-growing region due to data localization and digital economies.
- Sustainability and energy-efficient data centres are becoming key competitive differentiators.

Market Segmentation

The data centre colocation market is segmented to reflect varying enterprise needs, infrastructure requirements, and usage models across industries.

- By type, the market is broadly categorized into retail colocation and wholesale colocation. Retail colocation caters to enterprises that require smaller space allocations, such as racks or cages, along with shared power and cooling infrastructure. This segment is widely adopted by SMEs and enterprises seeking flexibility, scalability, and reduced upfront investment. Wholesale colocation, on the other hand, serves large enterprises, cloud providers, and hyperscalers that lease entire halls or buildings. Wholesale colocation is gaining traction due to predictable pricing, customization options, and the growing demand for high-density computing.

- By enterprise size, the market serves small and medium-sized enterprises (SMEs) and large enterprises. SMEs increasingly rely on colocation to access enterprise-grade infrastructure without the complexity of managing in-house data centres. Large enterprises utilize colocation to support hybrid IT strategies, integrate on-premises systems with cloud platforms, and meet regulatory requirements related to data residency and security.

- By end-user industry, the data centre colocation market spans IT & telecommunications, banking, financial services, and insurance (BFSI), healthcare, government, energy, manufacturing, and media & entertainment. The IT & telecom sector leads the market due to massive data traffic, 5G rollout, and cloud service expansion. BFSI organizations are also significant adopters, driven by the need for high availability, compliance, and disaster recovery infrastructure.

- By deployment model, colocation is increasingly integrated into hybrid cloud and multi-cloud

strategies, allowing enterprises to colocate critical workloads close to cloud on-ramps while maintaining control over sensitive data.

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Regional Insights

- North America holds the largest share of the global data centre colocation market, driven by the presence of hyperscale cloud providers, technology giants, and advanced digital ecosystems. The United States leads regional growth with strong demand from cloud platforms, financial institutions, and content providers. High internet penetration, robust fiber connectivity, and mature regulatory frameworks further support market dominance.
- Europe represents a mature yet growing market, supported by stringent data protection regulations such as GDPR and increasing demand for data sovereignty. Countries including Germany, the UK, France, and the Netherlands are key colocation hubs, benefiting from strong enterprise demand, financial services concentration, and cross-border connectivity.
- The Asia-Pacific region is witnessing the fastest growth in the data centre colocation market. Rapid digitalization, expanding e-commerce, government-led smart city initiatives, and data localization laws are driving investments in countries such as China, India, Japan, Singapore, and Australia. Enterprises in the region increasingly prefer colocation to meet latency, compliance, and scalability requirements.
- Latin America and the Middle East & Africa are emerging markets, fueled by growing cloud adoption, digital banking, and government digitization initiatives. While infrastructure development is still evolving, increasing foreign investments and regional data centre expansions are expected to support long-term growth.

Market Dynamics

1) Market Drivers

The primary driver of the data centre colocation market is the surging demand for scalable and cost-effective IT infrastructure. As enterprises generate massive volumes of data, building and maintaining private data centres has become financially and operationally challenging. Colocation offers a compelling alternative by reducing capital expenditure while ensuring high availability, redundancy, and security. Additionally, the rapid adoption of cloud computing, AI, and big data analytics has increased the need for low-latency, high-density infrastructure located close to cloud service providers.

2) Market Restraints

Despite strong growth, the market faces challenges such as high energy consumption and power availability constraints. Data centres are energy-intensive, and rising electricity costs can impact operational expenses. Furthermore, complex regulatory environments across regions may delay

data centre construction and expansion. In some emerging markets, limited connectivity and infrastructure readiness can also restrain adoption.

3) Market Opportunities

The market presents significant opportunities through sustainable and green data centre initiatives, including renewable energy integration and advanced cooling technologies. The expansion of edge computing is creating demand for smaller, distributed colocation facilities closer to end-users. Additionally, increasing adoption of hybrid and multi-cloud architectures is driving enterprises to leverage colocation as a strategic interconnection hub between on-premises systems and cloud platforms.

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Reasons to Buy the Report

- Gain comprehensive insights into the global data centre colocation market size and forecast.
- Understand key trends shaping enterprise IT infrastructure and cloud strategies.
- Identify high-growth regions and industry verticals for investment opportunities.
- Analyze competitive strategies of leading colocation service providers.
- Support strategic decision-making with reliable data from DataM Intelligence.

Frequently Asked Questions (FAQs)

- How big is the global data centre colocation market?
- Who are the key players in the global data centre colocation market?
- What is the projected growth rate of the data centre colocation market?
- What is the market forecast for data centre colocation through 2031?
- Which region is estimated to dominate the data centre colocation industry during the forecast period?

Company Insights

Key players operating in the data centre colocation market include:

- Equinix, Inc.
- Digital Realty Trust, Inc.
- NTT Ltd.
- CyrusOne Inc.
- Iron Mountain Incorporated
- Global Switch
- ST Telemedia Global Data Centres
- CtrlS Datacenters

Recent Developments

- In November 2025, Equinix expanded its hyperscale colocation capacity in North America and Asia-Pacific, investing over US\$ 1 billion to support growing cloud and AI workloads.

- In October 2025, Digital Realty announced the launch of new energy-efficient data centre campuses in Europe, integrating renewable power and advanced cooling systems to reduce carbon emissions.

Conclusion

The data centre colocation market is positioned for sustained growth as enterprises navigate an increasingly data-driven and cloud-centric world. Backed by insights from DataM Intelligence, the market's strong expansion through 2031 reflects rising demand for scalable, secure, and interconnected infrastructure. As organizations adopt hybrid IT models, prioritize sustainability, and seek resilience against disruptions, colocation will continue to play a pivotal role in global digital infrastructure. Providers that invest in energy efficiency, interconnection ecosystems, and regional expansion will be best positioned to capture long-term value in this rapidly evolving market.

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