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Data domination
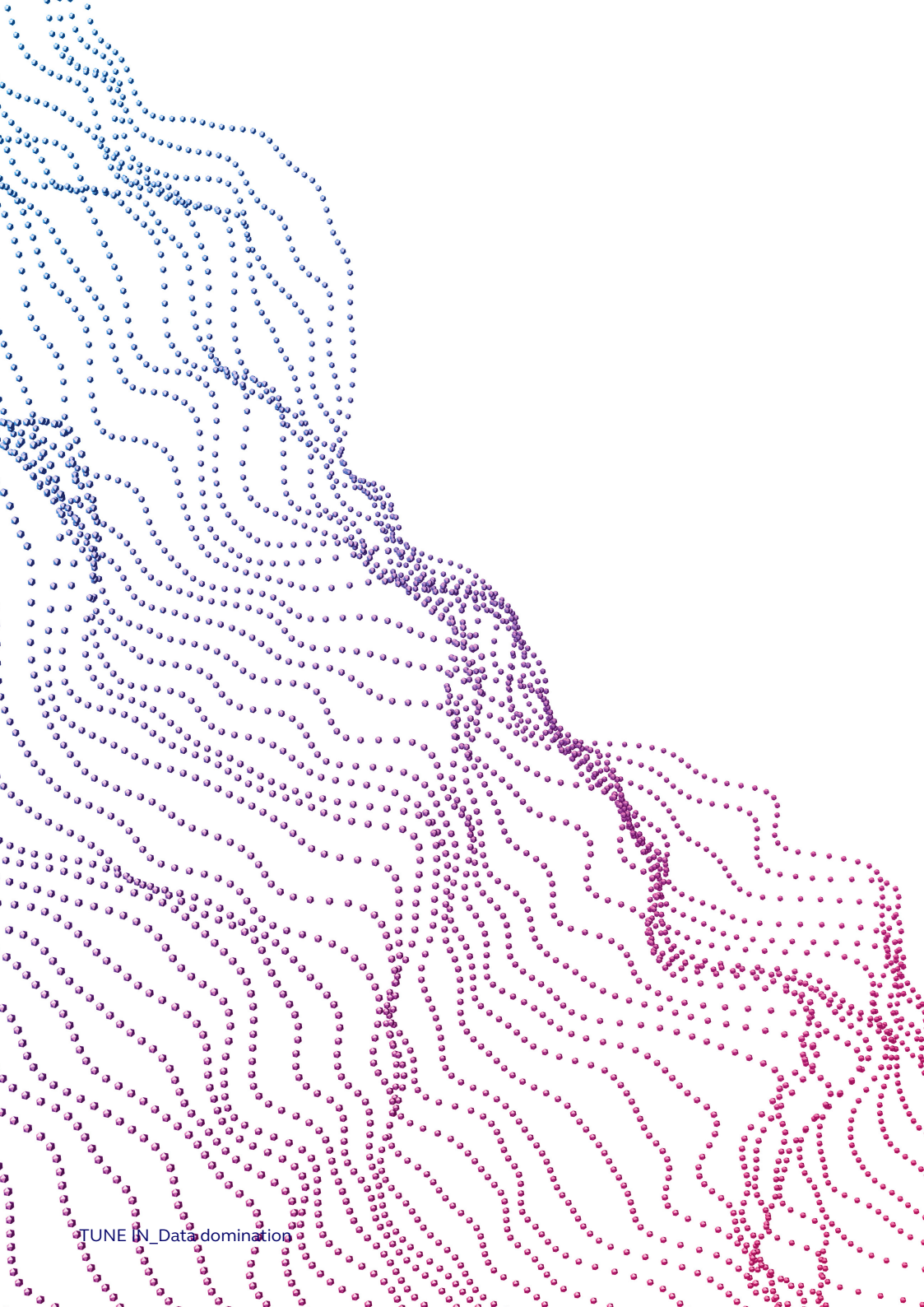
Concert

Will the UK continue its domination of the European data centre market?

BIG DATA

The UK is tipped to be the European leader in the data centre market by 2020, but it faces some challenges in getting there.

According to the experts, we are only just scratching the surface of the possibilities of big data – and that's despite the fact we're already heavily dependent on it in our everyday lives.

Each time we browse the internet at least one data centre is involved – and to use a smartphone the same applies even when we aren't making calls. We rely on data centres to do our shopping, to buy train tickets, and even to navigate traffic lights.

Big data makes us more efficient, helps us to communicate, and we like it. Demand has never been higher – nor have the opportunities to provide it. There's only one way investment can go, and that is up.

So how can the UK develop an environment that means investors won't be tempted elsewhere? The answer is multifaceted. But the good news is that the UK is in a great position to compete.

Leading the pack

First, we need to look at the competition. In terms of growth, the Nordics are stealing a march in Europe.

The market there is predicted to expand over the next three years, with half of an anticipated €3.3bn **(£3bn)** uptick to come from outside of the region, according to researchers from Tariff Consultancy.

The same researchers are also tipping the UK to be the biggest market in Europe for data centres by 2020. The differential comes from the opposing starting points for the two destinations, explains Rennie Dalrymple, Managing Director at Concert:

TUNE IN_Data domination

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The UK market is not only well established, but is in a position of oversupply, particularly in London and the south east. In the Nordics, the market is relatively new so they are able to make significant steps in growing this sector quickly.

Challenges
to growth

Still, if you were to compare a report card on the two regions, you might wonder about the UK's ability to corner the market.

Access to power in the UK can be challenging, particularly in London, whereas the availability of green energy in the Nordics is unsurpassed.

Nordics
Cost of energy: €0.03 kw

London
Cost of energy: 80p kw

This is key, given that energy costs are one of the biggest considerations for data centre investors.

Development land in the UK is often brownfield and requires significant demolition and remediation, the **UK**'s planning system is onerous, construction costs are high, in the **UK** there are barriers to entry for new data centre providers, and latency rates are strictly controlled – preventing construction in certain locations. On this alone, the **UK** is hardly winning.

But, says Dalrymple: "The UK is a perfect location for data centres from a communications point of view. With unparalleled connectivity westward to the **USA** and eastward into **Europe,** it would be hard to improve on the **UK**'s strategic, bilateral position."

The UK also scores full marks for the skills at its disposal, owing to regional digital strategies and a mature market.

Plus, when it comes to climate, the **UK** has the same advantages as **Scandinavia** in terms of temperature – but just without the frost damage that occurs at high latitude.

These days you can put a data centre in the **Nevada Desert** and it would function perfectly, such are the advancements in technology.
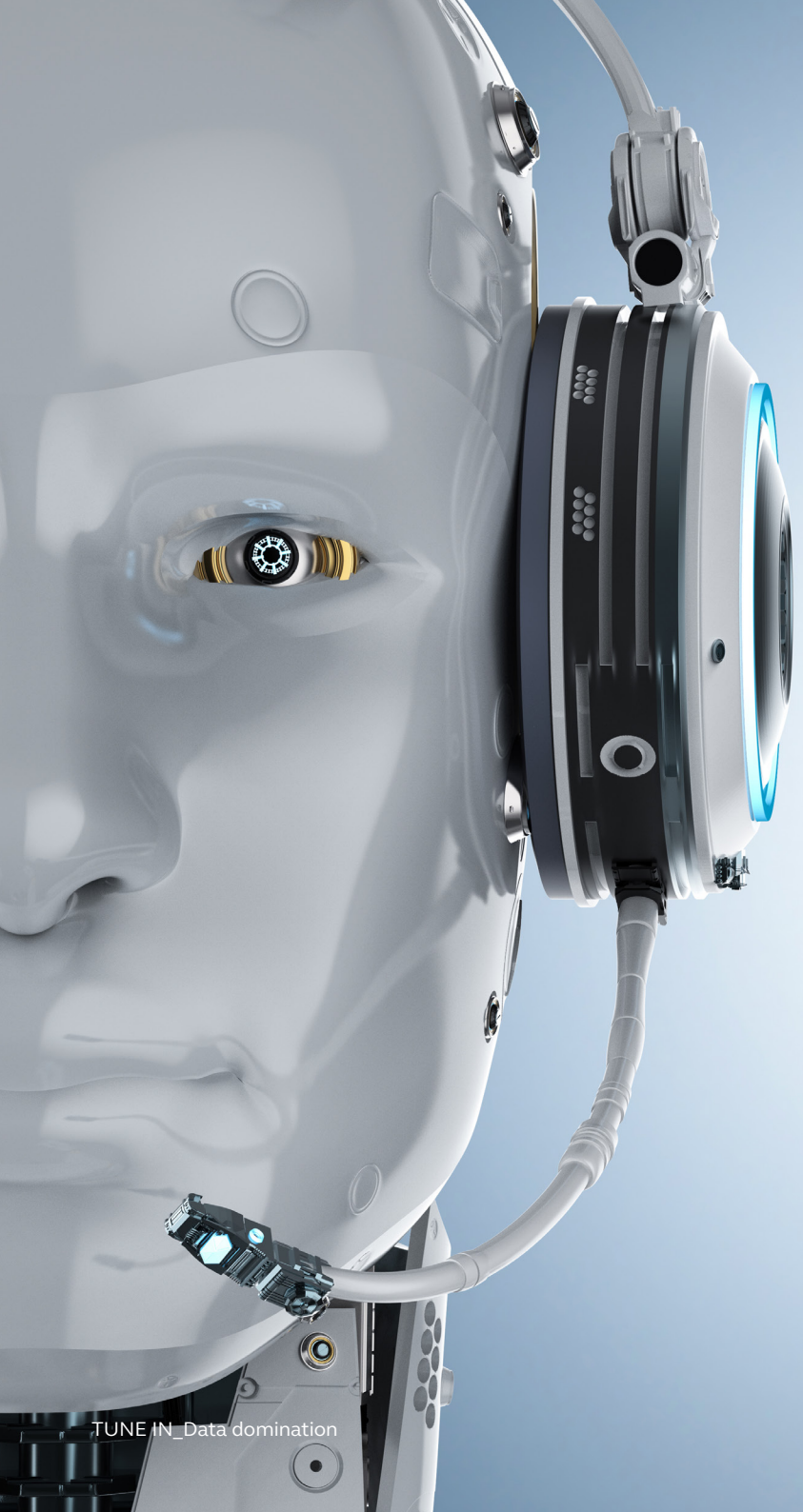
Transformative tech

Technology is an important part of the mix. Its fast-developing nature – much of it researched and developed in the UK – is one of the reasons London has a considerable oversupply of data centre space.

Over-building during the past four years and consolidation of antiquated IT systems into far less and more efficient space have left behind legacy centres requiring an upgrade.

"We have worked with the Department for Work and Pensions to refurbish their existing stock and increase efficiencies to match modern day technology, bringing the operating costs down. This is in the context of a huge drive to consolidate government data centres into more space and energy-efficient accommodation," says Daniel Wright, Director at Concert.

A shift in focus

Consolidation is king, according to Dave Nash, Senior Associate at Concert. He says modernisation has shifted the focus of data centre occupiers, from the amount of space required, to the quality of the space provided.

As Nash says:

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Clients want consistency and quality of design. And for the likes of Amazon, Google, and IBM, who can go anywhere in the world, location isn't even necessarily a priority. They are demanding efficiencies, reliability and they want their data centres built on time and at a good price. It is now simply a cost-driving exercise and they want smart people who know this market. We are in a position where we know this market historically, we know the trends, we know the demands.

Dalrymple adds: "Five or six years ago, the market was challenging for us generally. A lot of people entered thinking they could make loads of money by putting a data centre together. But those one-timers and those journeymen have dropped off."
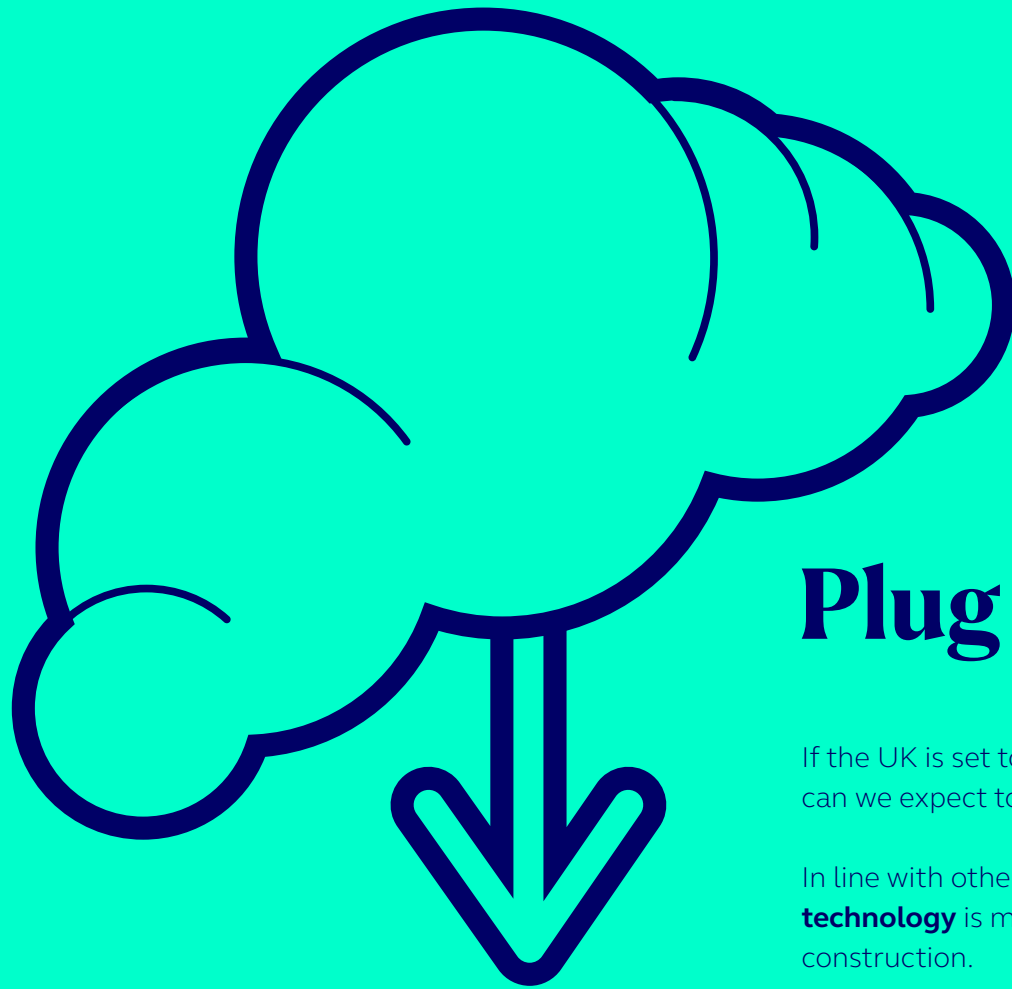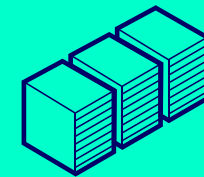
Plug in and play

If the UK is set to be the biggest market in Europe for data centres by 2020, what can we expect to see in the short term?

In line with other markets, such as **residential** and **retail**, and the speed at which **technology** is moving, data centres are heading in the direction of modular construction.

After the infrastructure is in place (given the litany of manmade and natural risks to data centres; such as hacking, floods, fires, earthquakes, train, plane and other disasters – this is a thorough process in itself), being able to build and extend security-tight data centres in 'plug in and play fashion' is considerably appealing, says Nash.

The green effect

We can also expect to see innovations in clean energy, says Wright:

" We're just going to have to get greener, especially as we're projecting more requirements into the service space. As an example, if every person in Africa had a mobile phone, there wouldn't be enough energy on the planet as it stands, to support demand.

Charlotte Moody, M&E Cost Manager for Concert, agrees:

" Innovations will continue to get greener and more efficient as a result, and that could be down to companies adhering to drivers such as carbon reduction schemes. Clients and contractors who respond to that will be more successful.

A word on BREXIT

Given the reliance on the UK's data centre market on its strategic east-west position, there is understandably concern on the impact Brexit could have on international investors' willingness to invest.

London's success as a data centre hub is built on its role as a centre for trade and commerce. In particular, it is a major financial centre and this is a powerful driver for data centre investment.

And though the data centre industry has expanded well beyond finance, Concert's data centre team estimates it still accounts for about one-third of all capacity in London.

Says Dalrymple:

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It is realistic to expect that a considerable percentage of financial activity currently in London will migrate to destinations such as Paris, Frankfurt and Dublin.

Forging ahead

However, it seems that wherever there is a drawback in the case for data centre investment in the UK, a positive can be found. The UK, for example, is the biggest gaming development centre in Europe, and the scope for IoT (the Internet of Things, which connects people, devices, and software) is almost infinite.

So all the while consumers continue to lap up innovations and companies continue to drive them, the UK could continue to be the data centre's favourite home for a long time to come.
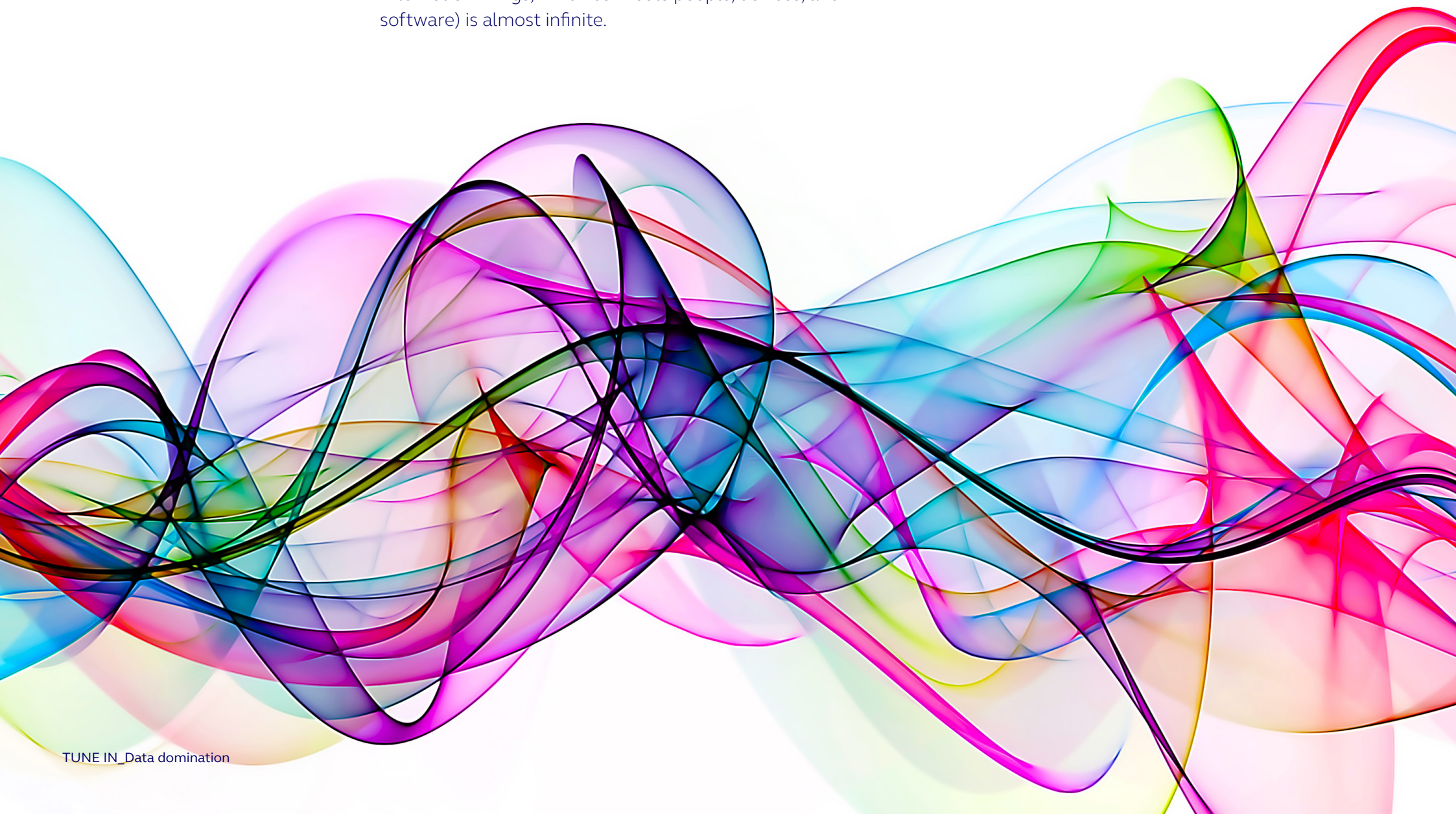
Data centre domination or destination migration?

When Concert is involved in data centres, there are a consistent number of key issues that generate the most discussion at the start of any development journey.

Concert has been supporting clients to overcome and consider these challenges for more than 20 years. If you feel you would benefit from a conversation on how we could support your data centre plans, please get in touch.
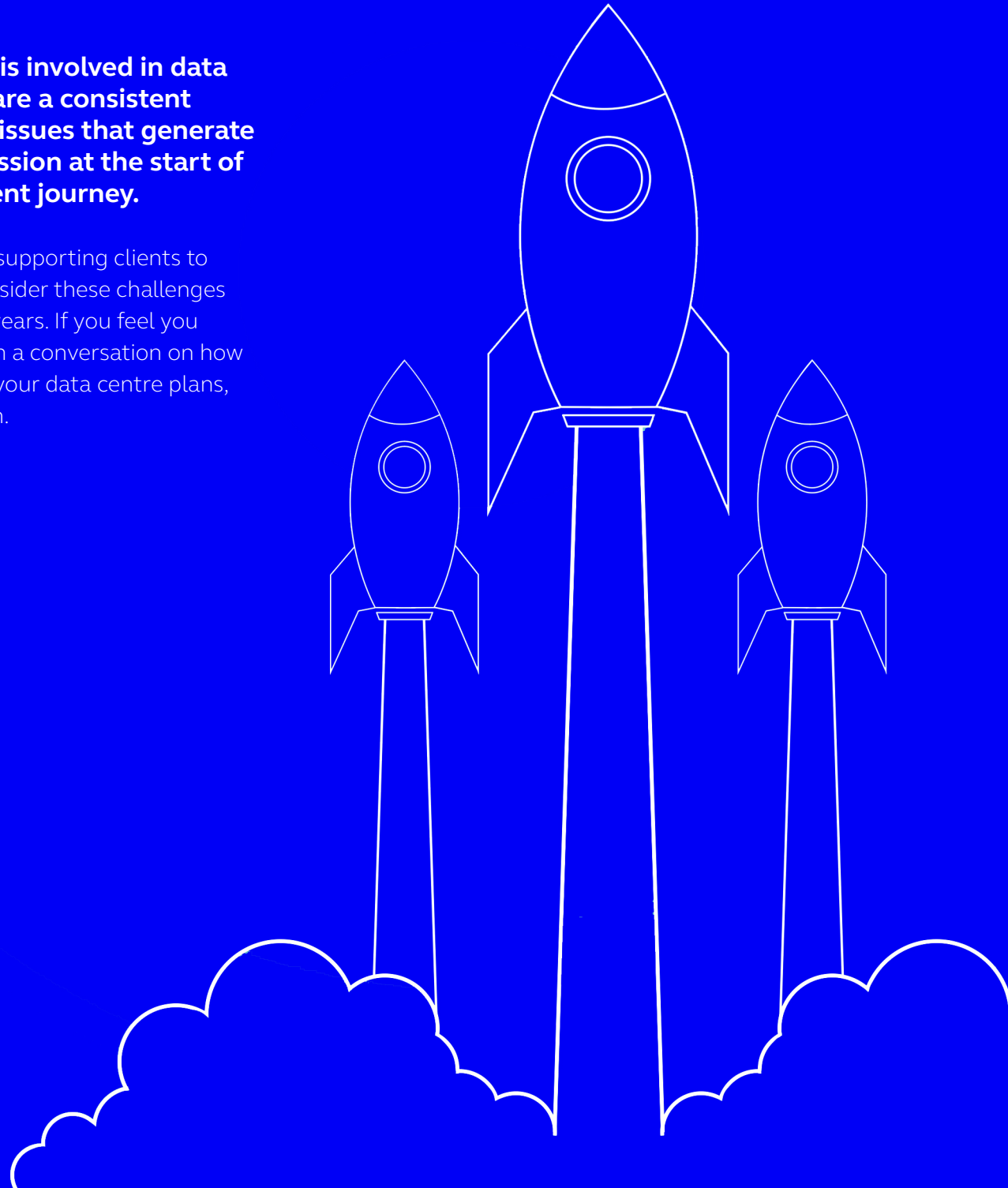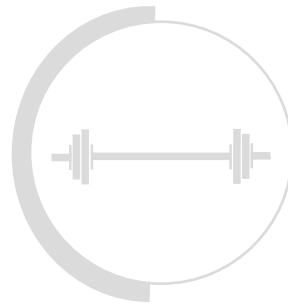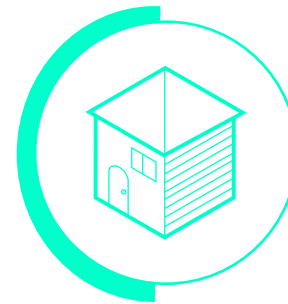
Domination or migration?
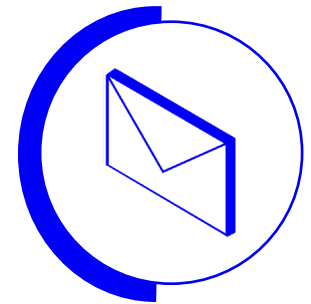
INVESTMENT

POWER

PLANNING

RESILIENCE

MODULAR

DELIVERY

INVESTMENT

While becoming more mainstream, data centres are still generally considered an alternative asset class. This presents challenges to well established players and those new to the market. Concert understands the dynamics of constructing the right financial model to support business cases for developers, operators and their investment partners.

POWER

Availability of secure power and at the capacity you need it is a major constraint to large scale data centre developments, particularly in London and the south east. Concert works with our partners in the sector to determine the optimal solution for bringing the right supply of power proposed development sites.

PLANNING

The digital economy and the revenue it can generate is not lost on central government or local authorities. In the right area this makes data centres very attractive from a planning perspective. That said, many challenges remain in the planning process which can seriously delay the early stages of developing a platform in the UK. At Concert we are conversant with the main planning discussion topics that are a concern for planners and we can help influence the design of data centres to mitigate the impact of these issues.

RESILIENCE

Progressive developments in design standards, significant gains in technology and improvement of resilience in the rack has spearheaded a drive to reduce the cost of building and servicing data centres in the last five to six years. Our benchmarking shows how trends are changing in data centre design, to reduce the out-turn of constructing new data centres.

MODULAR

While not appropriate for all clients, modular construction and data centre fit-out have made significant advances in recent years. The advantages of resilient design and high standards of quality in build and programme delivery have sought to combat the traditional competitive disadvantage of these systems. Concert are familiar and experienced in a variety of modular platforms and can offer a range of studies to validate whether these types of offer are right for any data centre development.

DELIVERY

The market in the UK and western Europe is highly mature and very competitive. There are only a small number of key established players in the market that are capable of delivering data centre facilities. Concert has in-depth experience of all forms of procurement, which can be adapted to best suit the challenges of delivering a data centre – from those that are fully commercially transparent, to those who transfer all the risk of design and construction to the contractor.

Contact

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An accomplished journalist and events producer she has been researching and writing about property since 2012, and before that in the consumer market.

Rebecca has covered the breadth of the property industry, including city growth, offices and office design, housing, industrial, investment, plus global and regional UK markets encompassing the issues affecting the industry's next generation.

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Thank You

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