

MIDDLE EAST & NORTH AFRICA DATA CENTER RISING

From Dubai to Dammam and Cairo - How economic
visions, AI and the cloud are transforming the Arab world's
data center opportunity

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Contents - March 2024



We provide the market data and insights that underpin our clients' investments in digital infrastructure across Africa, the Middle East, emerging Asia and Latin America.

Introduction: Data centers as a digital anchor of the Arab world's economic transformation

- For the past decade, countries in the Middle East and North Africa (MENA) region have been engaged in an extraordinary attempt at economic transformation. Marshalling billions of dollars of investment, governments have sought to reduce their countries' dependence on oil, through gigantic investment in infrastructure to build commerce, tourism and technology hubs. Anchoring this transformation has been considerable investment in digital infrastructure. Historically, this mostly meant submarine cables, 4G and 5G broadband and increased terrestrial fiber density. Today, data centers, cloud and Artificial intelligence have become vital pillars of MENA's digital infrastructure investments.
- Recent data center market growth has been solid enough. Over the past three years (to 2023), nearly 40 new commercial facilities have come live in MENA, nearly doubling the region's live IT load, on the back of extensive submarine cable buildout, explosive Internet data traffic and increased cloud adoption. But it is the region's outlook that truly captures attention. In true Middle Eastern form, the region's stated ambitions are eye-popping. In Saudi Arabia alone, the government has called for an \$18bn investment in hyperscale facilities to increase the country's capacity to 1300MW of IT load. Taking announcements and other plans at face value, MENA data center projects would unleash upwards of 2500MW of IT load capacity across the region over the next decade.
- This upside is not without pitfalls. As this report was going to print, the Gaza war had stoked geopolitical tensions, raising fears of a spillover across the region. Houthi attacks on Red Sea shipping lines are disrupting supply chains and setting back infrastructure projects. And there are other dangers, from over-ambitious projects to overly concentrated Internet markets.
- Still, the upside is unmistakable. MENA, and Gulf Cooperation Council (GCC) markets in particular, offer some of the world's best fundamentals for expanded commercial colocation services: rising digital and new technology demand, hyperscalers bulking up their local presence, a pioneering push towards AI, supportive, vision-driven governments, low power costs, mega investments in renewables, stable currencies – and high lease prices.
- At a time when opportunities for returns seem increasingly scarce in a high interest rate environment, our numbers suggest that the Middle East's singular combination of economic vision, cloud and AI push make the region's data center business one of the most extraordinary digital infrastructure investment opportunity in the Global South.



They are transforming Middle East and North African data center markets



Research scope, structure and sample pages

What exactly is in this report?

How this report is structured



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Sample pages



The emergence of regional hubs along the Red Sea and the Persian Gulf is transforming data center demand

MENA - key submarine cable landing stations - 2022

~43 Submarine cables, ~140 Landing locations, ~120 Landing Points

Cable systems and landing stations built in MENA - 2018-2022

MENA is witnessing a peak in submarine cable construction

The MENA region holds a pivotal position for global commerce and data traffic flows. The region is at the intersection of four continents, a key PoP (point of presence) for global and regional carriers and CDNs.

MENA markets have some of the most dense cable landing points in the world - 8 to 15 cables per location

Alexandria, Jeddah and Fujairah are among the densest landing points across all emerging markets

- Sea, global and regional submarine and terrestrial fiber cables connect to MENA, landing in 120+ landing towns across the region.
- The 2022-25 period will see a peak in submarine cable construction - over cables.

MENA is home to 100+ discrete submarine cable ecosystem locations

USA per announced RFP, geopolitical uncertainty may impact the timing of several projects. Xalam Analytics estimates, provider data

MENA has a deep demand foundation: \$4 trillion GDP, global enterprises, nexus geographic location

Top MENA DC providers - Metro view - live IT load

	Center3/STC	Khama	Gulf Data Hub	Dubai	Telecom Egypt	Epipix	Moby	Intel	Mesa	Zain	Quantum Switch
Riyadh	●										
Jeddah	●										
Dammam	●										
Abu Dhabi	○	●									
Dubai	○	●	●								
Musama	○										
Doha	○										
Cairo	○			●							
Casablanca	○										
Muscat	○										
Kuwait City	○										

(IT facilities in construction or in pipeline, and reasonably expected to come online by end of 2023)

The UAE is a top destination for public cloud deployments

Public cloud availability zones in the UAE - 2020-23 (AZs)

The highest number of public cloud AZs in MENA

- UAE is the top destination for hyperscaler infrastructure in the MENA region.
- The world's 1st hyperscaler destination based on number of cloud regions, ahead of such key markets as Spain or Sweden.
- 8 cloud regions are operational in 2023, underpinned by 16 availability zones.
- Four of the top five global hyperscalers have a public cloud region in UAE. Both Oracle and Microsoft have two cloud regions in the country, in Dubai and Abu Dhabi.
- Surprisingly, Google Cloud does not have a cloud region in the UAE, but has both in neighboring markets (KSA, Qatar, Kuwait and Israel).
- The number of AZs is evenly distributed between Abu Dhabi and Dubai. Only Tel Aviv and Riyadh have more AZs in the region.

Hyperscalers with cloud regions in UAE - 2020-24 (10)

USA and announced cloud regions

IBM, Du, Etisalat and Microsoft announced the development of a sovereign cloud in the UAE. At the time of this analysis, it was not entirely clear whether this meant a fully separate region with new AZs (adding to Asor's two existing regions in the UAE) or a more managed services carve-out within the existing cloud-region setup. Our estimates assume the latter.

Source: Xalam Analytics estimates, provider data

The Middle East's unprecedented surge of commercial data center construction

MENA - Commercial data center demand snapshot - 2023 (1)

- We estimate demand to grow 75% over the next 3 years.
- Drivers of demand include deep enterprise and government digital transformation.
- We estimate that demand is including upwards of 100,000 sqm of new capacity.
- MENA's demand potential goes beyond hyperscalers, we see more than 600MW of potential demand from enterprises, content and connectivity providers across the region.
- We estimate that only around 30% of MENA's demand potential was effectively being served as of 2023.
- We estimate occupancy levels in the 60%-70% range, as older facilities fill out and the surge of new capacity brings in considerable volumes of additional supply.

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The demand side: nearly 2GW of potential long-term demand for commercial data center

MENA - Commercial data center demand snapshot - 2023 (1)

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Packages and pricing

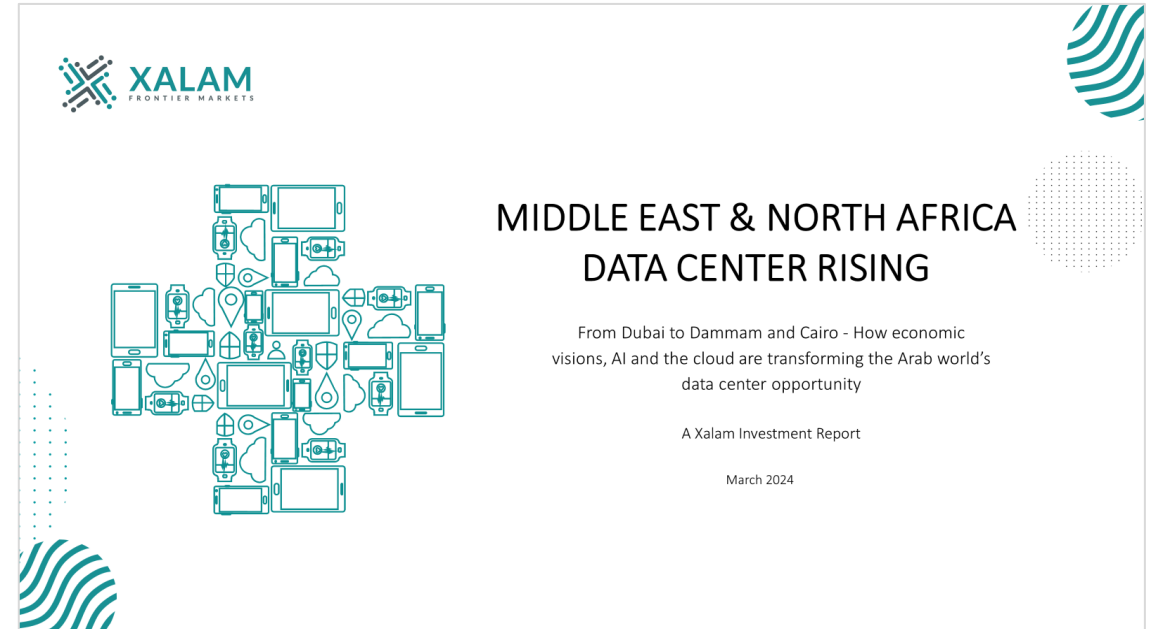
Report package



Report package, including:

- Full report in PDF format
- 190 pages, including ~100 Charts and Visuals
- 50 core charts with underlying data in Excel format
- Enterprise license

▪ Price: \$2500



Invoice payment also available; please contact hello@xalamanalytics.com



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