Executive Summary

Cloud & Colocation Data Center Capex Tracker H2 2019

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A unique perspective – separating total capex from capex spent on the data center...

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IT infrastructure will constitute the largest portion of data center capital spending.

This report, the first undertaken by Omdia on cloud and colocation data center capex, tracks the capital expenditures and investments being made on a biannual basis by the major providers of cloud and colocation services.

Focusing on the data center as the heart of today's digital experience for businesses and consumers alike, the report takes the unique perspective of separating total capex from capex spent on the data center, which is then broken down further into capex for physical infrastructure, IT infrastructure, land for the data center, and buildings for housing the data center.

A key finding of the report is that IT infrastructure will constitute the largest portion of data center capex, shown in the chart below in the forecast for data center capex by equipment category.

Figure 1: Data center capex forecast by equipment category

Source Omdia

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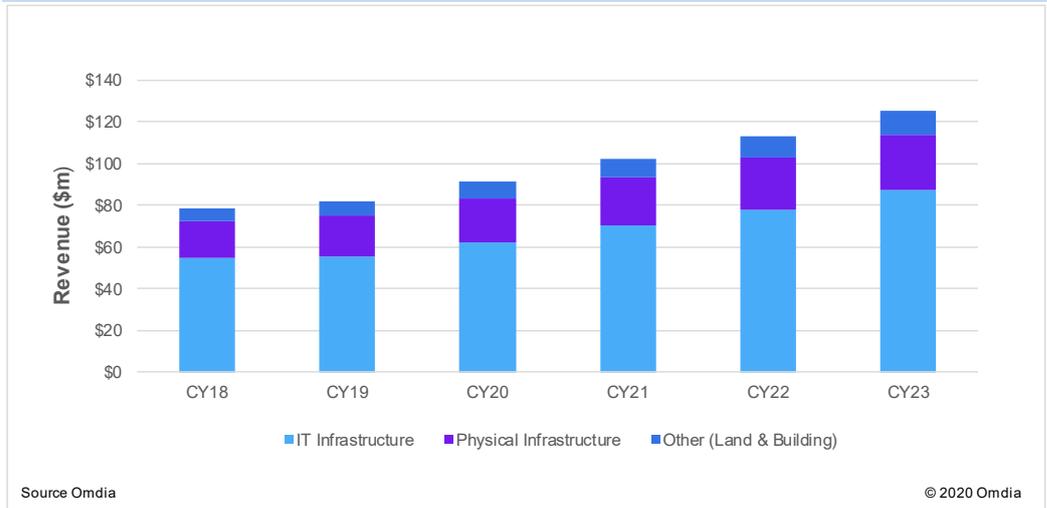
The major providers of cloud and colocation services are grouped by the report into three. For each service provider group being profiled, the report examines total data center capex, regardless of the type of products and services delivered by the group's data center.

In the first group are the largest cloud providers, which tend to build their own data centers and have built heavily in North America, the Europe-Middle East-Africa bloc known as EMEA, and Asia Pacific, with an eye to increasing their presence in Central and Latin America. The report tracks the data capex of eight major cloud service providers—seven US firms including Google, Amazon, Microsoft, IBM, SAP, Oracle, and Salesforce; and the lone non-US provider on the list, China's Alibaba.

In the second group are colocation providers, or entities used by the cloud providers to deploy in areas where the giants cannot build—or have no interest in building—data centers. The growth in cloud services adoption and the necessity for dense connectivity are the factors driving cloud

providers to utilize colocation data centers to fill in the gaps, including edge deployments to facilitate data caching and lower latency for customers. The providers in this group whose data capex is tracked by the report include Equinix, Digital Realty, and Cyrus One.

In the final group are telco service providers, which make up a key and critical part of the overall data center ecosystem, funneling traffic and delivering latency-sensitive application data and content to consumers. The telco service providers whose data center capex are tracked by the report include China Telecom, China Unicom, and Germany's Deutsche Telekom.

Overall, the adoption of cloud and colocation services in the enterprise has been a strong driver of data center capex investment. According to the Omdia report, *Cloud & Colocation Services for IT Infrastructure & Applications Market Tracker*, revenue for the first group, the largest cloud providers, grew approximately 40% from 2014 to 2016, with revenue expanding at a steady 29% rate each year since then. Revenue has likewise grown for the second group, the colocation service providers, rising 10.5% from 2016 to 2018.

The report also tracks data center capex by equipment category and by equipment type within each category. The equipment categories are three in number, including IT infrastructure equipment, physical infrastructure equipment, and land and building.

Classified under IT infrastructure equipment to provide computing power, the equipment types tracked by the report include servers; Ethernet networking; storage; and other IT infrastructure, such as application delivery controllers, wide-area-network optimization appliances, distributed-denial-of-service appliances, firewalls, security appliances, Ethernet adapters, data center interconnect, and data center edge and core routers.

Under physical infrastructure equipment to provide power, cooling, and IT enclosures, the equipment types tracked include power distribution units; uninterrupted power supplies; racks; cooling systems; KVM switches; and other physical infrastructure, such as generators, transformers, transfer switches, chillers, and mechanisms for security and fire suppression.

All told, data in the report is aggregated from 16 different market trackers that cover physical and IT infrastructure equipment to produce a total market view of the various infrastructure equipment components, as described in the report.

The Cloud & Colocation Data Center Capex Tracker from Omdia is offered in the Enterprise & IT research pillar. Alan Howard, principal analyst for cloud and data center research, is the author of the report.

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