FMBusinessDaily

UK data centre boom driving growth forecast of $18.24bn

10 months ago

The latest research by planning and development consultancy, Ceres Property, has highlighted how emerging technologies such as AI are driving demand for data centres – with annual revenue totals increasing by more than $6bn since 2017 alone and forecast to hit a total of $18.24bn by 2025.

What are data centres?

Data centres are the physical facility housing computer systems, storage and other hardware essential to businesses across the nation and beyond, supporting a myriad of functions with the most common day to day being email and e-commerce.

AI driving data centre demand

As emerging technologies such as AI have cemented a stronger foothold in everyday business practices, a greater requirement to process the data and tasks associated with these technologies, as well as the resulting energy consumption, has driven a boom in demand for more data centres.

It's thought that, on average, a ChatGPT query needs nearly ten times the electricity to process compared to a standard Google Search, and recent figures showed that on an annual basis, data centres, used to power AI and cryptocurrency technology, accounted for two percent of global electricity demand – that's 460TWh of electricity.

This requirement is only forecast to climb further and, by 2026, it's forecast that electricity consumption from data centres could climb to 1,050TWh, especially as technology such as AI continues to develop. This increase has been likened to adding a whole additional country's worth of demand equivalent in size to

Sweden (under a modest scenario) or even Germany.

UK global hotspot for data centres

The UK is expected to be a high growth area when it comes to the growing need for more data centres. Currently, the UK accounts for an estimated 4.36% of all global data centres, with just Germany (4.66%) and the United States (37.24%) home to a greater number.

UK data centre revenues forecast to hit $18.24bn by 2026

The majority of the UK's data centres (36.53%) are found in and around London and it's a big business, with the total revenue of the sector estimated to be worth $17.18bn in 2024. This figure has increased by $6.25bn since 2017 alone, increasing at an average rate of 7% per year.

What's more, it's forecast to climb by a further 6% in 2025, hitting $18.24bn by the end of this year.

Data centres offer significant opportunity to developers

With such rapid growth within the sector, fuelled by current and increasing demand due to the growing prominence of technologies such as AI, the development of data centres present a significant opportunity for UK developers.

Some reports have suggested that profit margins can exceed 50% when developing and delivering data centres to market, although this margin is dependent on a range of factors such as location, development cost and tenant contracts.

Peter Cole, Partner at Ceres Property, commented: "There's no doubt that the data centre sector has seen a period of considerable and consistent boom in recent years, as emerging technologies such as AI have driven demand for such infrastructure and services substantially.

This trend is only set to continue as the further development and adoptance of technologies such as AI reshape both our professional and personal lives, however, such growth is not without its complications.

Many developers are taking the approach of identifying industrial or logistical sites with the aim of changing their planning use and, if they can establish the principle of a big shed, it doesn't take much to significantly increase value. Landowners need to be aware of this and restrict use in order to protect themselves, so that they can reap the rewards of any value uplift themselves.

As the figures also suggest, energy consumption is a key issue, with the grid already close to capacity causing long delays with respect to connection dates. Whilst grid reform and an inevitable push towards green energy are some solutions to the problem, it will be very challenging to find a wholly green data centre and the majority of data centres already require back ups to their backs ups to avoid any doomsday scenarios."

Data Tables and Sources

- You can view the full data tables and sources online here.