



EUROPE DATA CENTRES

Q1 2020

CBRE

2020 ON TRACK TO MEET EXPECTATIONS DESPITE COVID-19



Colocation supply
1,699MW (+21%)



Colocation availability
366MW (+49%)



Colocation take-up
186MW (-7%)

Note: Arrows indicate change from same quarter in previous year. For take-up, this is the 12 months ending 31 March 2020 compared with the 12 months ending 31 March 2019

QUARTERLY REVIEW

The European data centre sector has weathered the storm of the COVID-19 pandemic well so far and is expected to continue doing so throughout 2020.

CBRE research shows that 80% of the take-up of colocation capacity in the four largest European FLAP markets of Frankfurt, London, Amsterdam and Paris comes from cloud companies. The applications that are being run by these companies are seeing record usage as we become more reliant on digital technology.

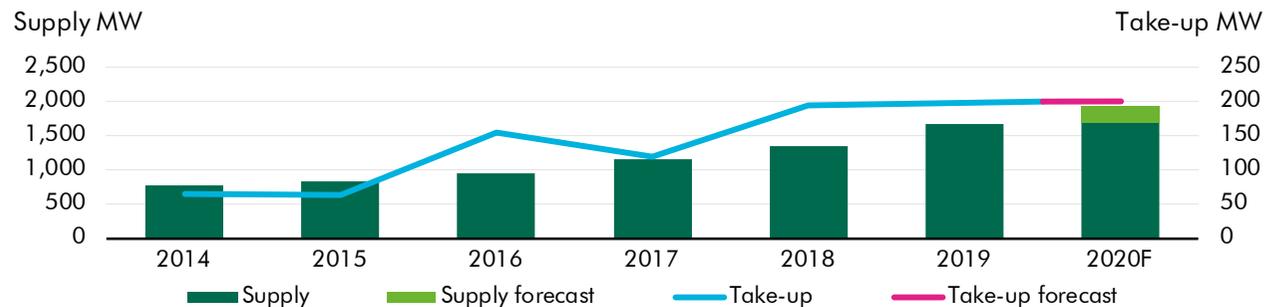
As such the utilization of cloud companies' current data centre capacity is at record levels and consequently the need for new capacity to service their customers is more prevalent than ever. The way these companies lease colocation capacity continues to evolve and grow in scale. This is explored further on page 4.

For more of the in-depth detail, and further market analysis including supply/take-up forecasts, pricing and other key metrics, preview our [Premier Colocation Report here](#) or [download it here](#).

SNAPSHOT

- 26MW of take-up was recorded across the FLAP markets in Q1 2020.
- Q1 was a relatively quiet quarter as a large proportion of 2020 take-up comes from pre-lets in facilities that are due to come online later in the year.
- Large cloud transactions will mean that at least four buildings, between 9MW and 27MW, will end up fully sold to a single-tenant in Q2.
- 30MW of new capacity came online during Q1, almost all in Frankfurt and Amsterdam.
- Developer-operators are confident that, as things stand, new facilities that are contracted to be delivered in 2020 will not be delayed.

Figure 1: FLAP market colocation supply and take-up as at Q1 2020



Source: CBRE Research, Q1 2020

SUPPLY

The FLAP markets now total 1,699MW in capacity, having added 30MW in Q1 2020. Frankfurt and Amsterdam were responsible for over 95% of the new supply.

In Frankfurt 16MW of new capacity came from new buildings on two established campuses, including NTT's Frankfurt 3 site in the south of the city.

Conversely, in Amsterdam, the majority of supply came from new phases at two existing buildings belonging to Equinix and Interxion.

In Q1, Digital Realty closed its acquisition of Interxion. We currently analyse Interxion and Digital Realty buildings separately in our reporting.

The combination of these two giants will have a significant impact on the outlook of the European market, especially in Frankfurt and Amsterdam where the combined entity has consolidated two already well-established platforms.

The future development plans of these two companies could also have a major impact on the Paris market in the mid-term. Last year, Digital Realty announced its intention to build a 12MW data centre in Ferriers-en-Brie. Interxion has now also announced plans for a future Paris development. Interxion Paris Digital Park will deliver 85MW of IT capacity across four data centres. This combined 97MW of IT power is representative of nearly half the Paris market size today.

AVAILABILITY AND MARKET ABSORPTION

As a result of a relatively calm Q1, vacancy rates have remained stable quarter-on-quarter at 21.6% across the FLAP markets.

With Frankfurt and Amsterdam both responsible for the lion's share of new supply, these two cities have seen vacancy rates increase. Frankfurt's rate has risen nearly two percentage-points to 14.5%, albeit this remains lower than equilibrium (17%-20%).

In Amsterdam the vacancy rate is now at 25%, which is particularly high.

Vacancy rates in Paris dropped to 12%, which is its lowest for four years. However, with providers such as Data4 able to expand its Marcoussis campus in the short-term and longer-term developments planned in the city, there should be enough capacity to fulfil end-user requirements.

Market absorption follows a similar trend with Frankfurt and Paris at the lower-end, both under 2.0 years. Conversely London with 3.6 years and Amsterdam with 2.7 years are both above market equilibrium (2.0-2.5 years).

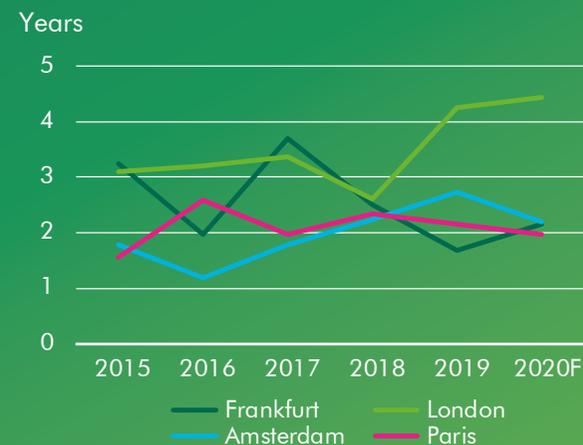
As things stand, developer-operators across the FLAP markets, especially in Frankfurt and Paris, where vacancy rates are lowest, are confident that any delays to construction will be made up and not impact their ability to meet customer commitments. However, with the unpredictable nature of COVID-19, future restrictions on construction and supply chain may disrupt these plans.

Figure 2: New supply in 2020 split by expansions to existing buildings, new buildings on existing campuses and new sites



Source: CBRE Research, Q1 2020

Figure 3: FLAP Market absorption, by year



Source: CBRE Research, Q1 2020

TAKE-UP

There was 26MW of take-up in Q1 2020. This figure is below the average 50MW per quarter needed to record a second consecutive 200MW-year. However, CBRE is confident that there is enough pent-up demand to come through in the next three quarters of 2020 to make up for the Q1 shortfall.

In Q1, the highest proportion of take-up came in London, where only 10MW was recorded.

Despite a quiet Q1, the total take-up for the past 12 months across the FLAP markets is 186MW, so the net-effect of a slower than usual Q1 has not dampened the overall picture too much.

CBRE is not attributing a quieter Q1 directly to the COVID-19 pandemic. A large proportion of 2020 take-up is already pre-let in facilities that are currently being developed and so have not entered our statistics from a supply or take-up perspective yet. They will do so when the shell and core of the building is complete.

CBRE has a line of sight to 160MW of take-up in the year from the existing pre-lets, options and capacity currently under offer or in negotiation across the FLAP markets. Therefore, 200MW of take-up is comfortably achievable and could be exceeded if the cloud providers accelerate their procurement of future capacity, as a result of the increase in demand for their services.

CLOUD PROCUREMENT TRENDS

The hyperscale cloud companies continue to aggressively procure colocation capacity in the four FLAP markets and also increasingly in the next layer of cities, such as Geneva/Zurich, Milan, Madrid and Warsaw.

In the FLAP markets, these companies have reached the point where 15MW+ requirements and acquiring whole single facilities is beginning to feel normal. Typically, when they do this, they will commit either to half a building (facilities under 20MW), or a third (facilities over 20MW) on day-one and have an option or reservation over the rest to be drawn down in the coming years.

Figure 4 shows the increase in single-let facilities during 2019 and 2020.

In the most strategic markets, London and Frankfurt, hyperscalers are increasingly looking for whole buildings of over 20MW on day one. In particular, any facility, regardless of size, developed in Frankfurt or near Slough/Stockley Park in London that has power in place is likely to be pre-let before construction is completed.

As a consequence of the trends outlined above, there are now a smaller number of larger transactions each year. Therefore, we are likely to see volatility in quarterly take-up as a result, with particular highs and lows. This makes it especially important to take a rolling 12 month view when assessing market activity and not be drawn only into the ups and downs of individual quarters.

Figure 4: Number of facilities leased entirely by single-tenants. The year represents the date when the last remaining capacity was committed to



Source: CBRE Research, Q1 2020



FRANKFURT

Frankfurt remains hotly in-demand. The hyperscale cloud companies are taking up any new large buildings before they are released to the market. The biggest challenge is therefore whether these scale facilities can be developed fast enough to keep up with the pace of demand.

Frankfurt is the market which will most feel the impact of construction delays or supply chain disruption. The low vacancy in the market means that most large-scale new developments are pre-let.

If the timing of new facilities is delayed too much, the hyperscale companies may find themselves searching for options elsewhere which could bring the likes of Berlin and Munich into play.

CBRE forecasts that for the second consecutive year, Frankfurt will be the top performing market in Europe.



LONDON

The London market is increasingly dominated by activity in the Slough and Stockley Park corridor of West London.

New capacity delivered in this sub-market tends to be pre-let. However, there is only a finite number of new facilities due in the short-term in this area, largely from CyrusOne and VIRTUS. Consequently, the hyperscale companies may find themselves looking to other parts of the city to fulfil large-scale requirements.

This could be a trigger for the success of areas to the East of London where NTT has a 30MW building ready in Dagenham and the North East where KAO has its Harlow campus.

CBRE forecasts that London's market size will surpass 800MW in 2020; it was half this figure just four years ago.



AMSTERDAM

Take-up in the Amsterdam market has been reliant on one hyperscale company taking capacity in Schiphol in three of the past four years. However, there is limited new development and a lack of power in that area, which could have an effect on the market's prospects.

The two municipalities that have put a moratorium on new developments in Amsterdam should have new legislation around the permitting of data centres authorized by the year-end, which will trigger some build programmes in the area.

In the shorter-term, two facilities in the market, one near Haarlem and one in Hoofddorp, have over 10MW of available capacity should end-users be tempted away from Schiphol.

CBRE forecasts that Amsterdam's vacancy rate will drop by nearly six percentage-points by the end of 2020.



PARIS

The Paris market had a strong start to 2020, capturing a multi-MW cloud requirement. This sets the tone well for the rest of the year, which is expected to maintain the upward trajectory.

The next step in the evolution of the Paris market is for more regular 5MW+ and single-let or build-to-suit transactions similar to the other FLAP markets. Facilities able to house these requirements are in development, and should be ready from 2021 onwards.

Paris has the lowest vacancy rate in the FLAP markets and CBRE expects it to remain low during 2020 as there will be limited new supply in the market this year.

CBRE forecasts that Paris will deliver over 20MW of annual take-up for the second time in its history.

CBRE'S PREMIER COLOCATION REPORT

CBRE has created the sector's Premier Colocation Report to provide the industry with the most in-depth market analysis in Europe. The report provides access to the key metrics specific to each FLAP market on a quarterly basis.

This data includes: take-up, supply, availability, absorption (all of which are forecasted) as well as market maps, new schemes in the supply pipeline, colocation pricing analysis and occupier and investment commentary.



For more details or to register for a demo of the report click here

CONTENTS		MARKET VIEW	PREMIER SUBSCRIPTION
Supply	Aggregated, annual and YTD – chart	✓	✓
Let and available capacity	Aggregated, annual and YTD – chart	✓	✓
Take-up	Aggregated, annual and YTD – chart	✓	✓
High-level market commentary and quarterly highlights		✓	✓
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Key metrics	by market, current quarter – table		✓
Supply	by market, annual and YTD – chart		✓
Let and available capacity	by market, annual and YTD – chart		✓
Take-up	by market, annual and YTD – chart		✓
Net absorption	by market, annual and YTD – chart		✓
Supply projection, 2 years	by market, annual – chart		✓
Vacancy projection, 2 years	by market, annual – chart		✓
Take-up projection, 2 years	by market, annual – chart		✓
Market balance analysis	by market, annual and YTD – chart		✓
Supply pipeline, 2 years	by market – table		✓
Market map: key colocation hot spots in the market	by market – map		✓
Colocation pricing	by market, annual and YTD – table		✓
Detailed market commentary and quarterly highlights			✓
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Occupier focus			
Occupier take-up review and trends			✓
Colocation pricing analysis			✓
Leading market focus			✓
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Investment focus			
Corporate M&A tracker			✓
M&A market commentary			✓
Investment market commentary			✓
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+ All charts and data available by individual market			✓
+ Data table with time series available for all charts			✓
+ Wholesaler and retailer split where appropriate			✓
+ Data tables available in Excel for in-house design and analysis			✓

DEFINITIONS



SUPPLY

Retailer colocation supply comprises fitted data centre space only – unbuilt shell phases of the data centre are excluded.

Wholesaler colocation supply includes both fitted and shell data centre space. Typically wholesale operators sell shell space which is built out to suit customers.



AVAILABILITY

Retailer availability of space is based on fully fitted space, vacant and available to sell.

Wholesaler availability is based on all vacant space.



VACANCY RATE

The vacancy rate is a product of availability/total supply.



COLOCATION TAKE-UP

This comprises data centre space sold at retailer and wholesaler colocation facilities in the relevant quarter.



FLAP (MARKETS)

The four largest colocation markets in Europe. **FLAP** is an acronym of Frankfurt, London, Amsterdam and Paris.



EUROPEAN DATA CENTRES

We use the four largest markets in Europe: Frankfurt, London, Amsterdam and Paris (FLAP Markets) to represent the European colocation market.



MARKET ABSORPTION

Market Absorption is the number of years it would take current vacant supply to be fully let based on the fixed average take-up of the previous five years (i.e. not including take-up in the current year).



SPACE TYPE

Shell: shell & core space is the base real estate of a data centre, a wind and watertight structure with exposed floor and ceiling slabs and exposed finishes to the walls. The landlord obtains permissions for data centre use and makes provisions for tenants to install their own chillers and back-up power generating equipment, or the landlord would provide these on a build-to-suit basis.

In addition, an incoming diverse raw HV (high voltage) power supply would usually be provided.

Fitted: fully fitted space is ready for tenant IT equipment to be installed almost immediately or subject only to minor works being carried out to account for bespoke equipment and layouts.

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CBRE DATA CENTRE SOLUTIONS

CBRE formed a Data Centre team in 1994 to address the specialised technical real estate needs of high-tech firms such as telecommunications companies, data centre operators and corporates.

Core technical real estate services provided by the CBRE Data Centre Solutions team include:

- Acquisition – one-off assignments, worldwide network rollouts
- Disposal – one-off assignments, multi-site marketing campaigns
- Investment – due diligence and transactional services
- Consultancy – consolidation strategies, mergers & acquisitions
- Asset Valuation – bank, corporate
- Project management, development monitoring, due diligence, building and M&E surveys
- Research – market statistics, forecasting
- IT Consultancy

CBRE has monitored worldwide colocation supply statistics since 1999. This bulletin relates only to the four largest European Colocation markets. Additional market statistics are available on request.

To learn more about CBRE Data Centre Solutions group, please visit:

www.cbre.co.uk/services/industries-and-specialties/data-centre-solutions

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