

Savills Data Centre
Advisory EMEA



European Commercial - November 2025

EMEA Data Centres

Between gridlock and gold rush



Key findings



01

Demand constrained by limited supply



02

Leased space remains highly concentrated in established hubs



03

Exceptional growth in emerging markets



04

Supply pipeline reaches unprecedented scale



05

Wholesale colocation is reshaping the market



06

Construction costs continue to rise



07

Power availability remains the greatest challenge



08

Sustainability and energy efficiency are central



09

The investment market continues to show strong momentum

The cloud slowly swallowing the AI market

The cloud has been steadily tightening its grip on the Artificial Intelligence (AI) market, as the economics and complexity of training generative AI models have left most enterprises with little choice but to rely on hyperscalers. Large language models demand colossal computing power, built around graphics processing unit (GPU) clusters capable of handling the intense matrix calculations at the heart of neural networks with ultra-low latency. Yet GPUs remain both scarce and staggeringly expensive, with the cost of building and operating dedicated clusters quickly reaching into the millions once power, cooling, networking and specialist staff are factored in. For the majority of firms, establishing such infrastructure in-house is prohibitively costly and operationally complex.

Instead, a new generation of cloud providers, known as Neoclouds, emerged as the practical solution, offering GPU clusters as-a-service models and full AI development platforms on a pay-as-you-go basis. Firms such as CoreWeave, Nebius, and Fluidstack are reshaping the whole data centre landscape and are acting as a buffer between operators and hyperscalers. This evolution brings new challenges, including the need

for rapid energisation and access to affordable power. Typically, these providers have leased space in regional hubs, emerging markets and tier 1 locations.

CoreWeave currently leads the field, buoyed by its March IPO. Notably, Europe is prominently represented among the top five Neoclouds, with Nscale and Nebius securing second and third place, respectively. It is also significant that NVIDIA holds a stake in four of the five leading firms, and that major players such as NVIDIA, Oracle, OpenAI, and Microsoft are involved in key partnerships across the sector. Given the rapid pace of industry change, emerging Neoclouds such as Vultr, Together AI, Voltage Park, and Fluidstack, among others, are poised to make an impact in the near future.

Hyperscalers are investing heavily in AI-specific chips, expanding their libraries of foundation models, and eyeing acquisitions of specialist GPU providers to strengthen their dominance. These moves suggest that even as the technology becomes more affordable, they will retain the upper hand through economies of scale and integrated service offerings. Hence, slowly but surely, the cloud

is swallowing the AI market, leaving hyperscalers as the gatekeepers of generative intelligence.

This reliance on the cloud raises questions about data sovereignty. Sensitive sectors, such as healthcare and government, may remain cautious, concerned about compliance, sovereignty, and control. As a result, the European Commission's decision in late October to launch a €180 million sovereign cloud tender seeks to guide the market towards greater alignment with EU standards and values. This will reshuffle the cards between market players. European providers may suddenly benefit from a structural tailwind, as their models already align with EU jurisdiction, open-source frameworks, and transparent supply chains. Conversely, US hyperscalers will need to adapt by multiplying sovereign regions, setting up local joint ventures with EU-based management, and maintaining independent control over encryption keys, all of which add cost and complexity. In the near term, this shift is likely to support capacity growth in established hubs and boost second-tier locations where governments aim to localise workloads.

“A new generation of Neoclouds is redrawing the map of AI, introducing challenging requirements, new tenants and reshaping the balance between operators and hyperscalers as the demand for GPU power surges.”

Rupert Duckworth

Occupier market clustering on “cloud scaffolding”

Artificial intelligence has become the most powerful engine of growth for the EMEA data centre market. IDC projects that AI spending in Europe will rise to \$144.6 billion by 2028, reflecting a compound annual growth rate (CAGR) of 30.3% between 2024 and 2028. The scale of computational power required to train and deploy large language models and other AI applications has placed unprecedented pressure on digital infrastructure across the region.

Public cloud adoption, once the main driver of expansion, is currently experiencing slower momentum. Some enterprises have begun to repatriate workloads to their own facilities in response to escalating costs. Nevertheless, the movement of workloads from public cloud environments has not materially reduced overall cloud usage. Instead, most enterprises are adopting hybrid IT strategies, combining several public clouds with on-premises data centres. Cloud services, therefore, remain a major catalyst for data centre demand. Indeed, many enterprises across EMEA have yet to reach an advanced stage of cloud migration, particularly in non-Western markets, where adoption rates are still comparatively modest. As a result, requirements for both cloud and artificial intelligence are increasingly converging, often within the same infrastructure.

Geographically, demand remains highly concentrated. Despite discussions around location-agnostic strategies, very few such projects have translated into transactions. Operators are doubling down on

existing availability zones, reinforcing consolidation in areas with established hyperscaler footprints, reliable energy supply, and space for scalable growth. While demand is gradually expanding beyond the traditional European hubs, the bulk of requirements continues to cluster in the FLAP-D markets (Frankfurt, London, Amsterdam, Paris, and Dublin), supported by dense populations and the presence of large corporate occupiers. IDC expects financial services to lead AI investment, which is likely to anchor demand in financial clusters over the next three years. Government incentives are further influencing site selection, particularly for facilities that can accommodate both AI and cloud deployments through hybrid solutions.

Measured activity highlights these structural dynamics. Live capacity expanded by 12% over the past 12 months, with exceptional growth recorded in Portugal (60%), Saudi Arabia (49%), Spain (25%), the UAE (20%), and Sweden (17%). Established hubs also grew strongly, with France up 15%, Germany 10%, the UK and Ireland 9%, while the Netherlands saw only 6% growth, constrained by the government moratorium on new developments. Yet, only 850 MW of power capacity has been delivered since the start of the year, an 11% decline compared to the same period last year, underscoring persistent supply constraints and extended delivery timelines.

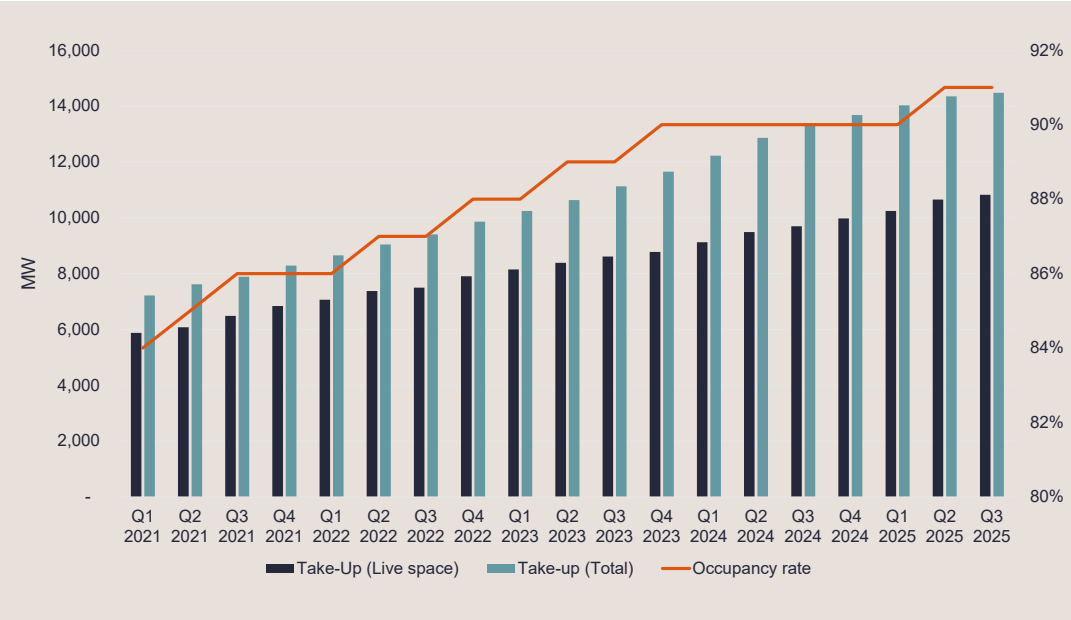
At the same time, new take-up reached 845 MW, around half the power capacity leased during

the same period last year. This slowdown does not signal weaker occupier appetite but rather reflects the limited availability of new facilities coming to market. The underlying strength of demand is reflected in the total contracted power capacity, which has risen to nearly 14,500 MW, up 12% year on year, with roughly one-fourth of take-up now pre-let compared with less than 20% three years ago. The strongest annual growth was recorded in Nigeria (69%), Greece (48%), Norway (47%), Portugal (38%), and Saudi Arabia (32%), largely driven by an increasing number of recently completed or pipeline facilities.

Consequently, occupancy rates across the region climbed to 91% in Q3 2025, up from 87% in Q3 2022, illustrating that demand continues to outpace supply. The UK, Germany, Ireland, the Netherlands, and France remain the dominant markets, together accounting for 54% of leased capacity by mid-2025, a slight decline from 58% in 2022, primarily due to constrained supply in the Netherlands.

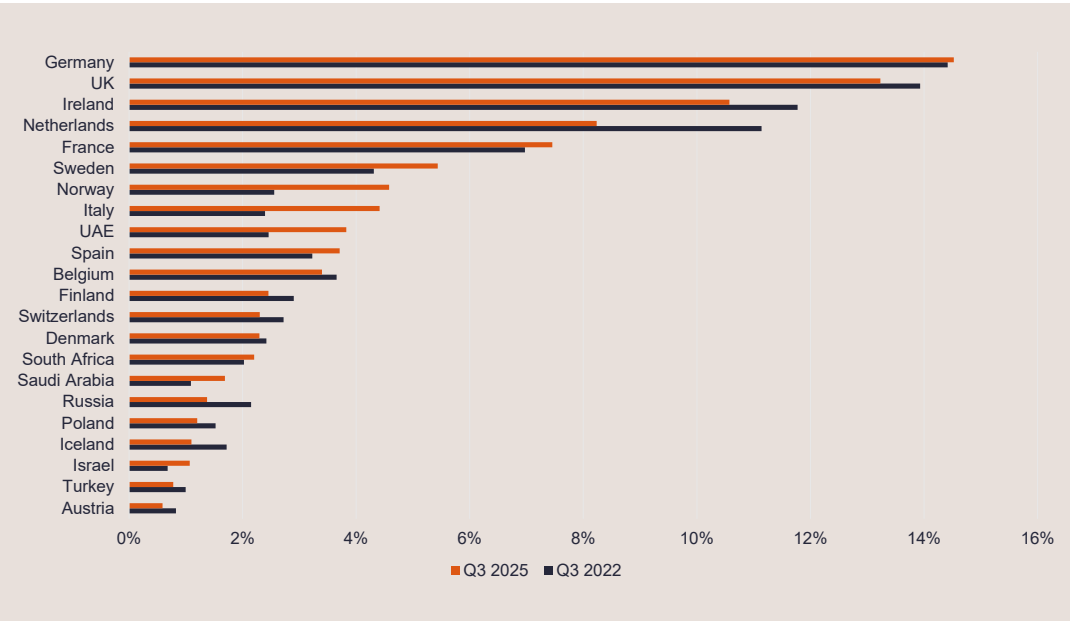
This persistent imbalance between surging demand and restricted supply continues to underpin rental values. Following three years of sharp increases, average rents have stabilised across the region. Nonetheless, with accelerating AI-related requirements, rising energy costs, and sustained construction inflation, further upward pressure on pricing is widely anticipated in 2025.

Take-up and occupancy rate



Source : Savills Research based on DCByte

Share of total leased power capacity



Source : Savills Research based on DCByte

A step-change in supply dynamics

Due to the exploding demand and following several quarters of constrained delivery, the EMEA data centre market is entering a transformative phase, marked by a sharp acceleration in development activity. Construction is ramping up significantly, supported by a robust pipeline of projects across the region. Currently, around 2,800 MW of capacity is under construction, with an additional 11,300 MW already committed, together representing 27% of the existing operational supply.

Of the capacity under construction, approximately 700 MW is expected to go live this year, with the remainder scheduled for delivery in subsequent years. Development is heavily concentrated in key markets, with France leading at 11% of total capacity under construction, followed by the UK (10%), Sweden (9%), Germany (8%),

and the Netherlands (7%). While these established hubs continue to dominate, the fastest growth is occurring in emerging markets. Portugal has seen a remarkable 366% year-on-year increase in construction activity, with Finland (241%), Norway (134%), Austria (66%), and Belgium (63%) also posting strong gains.

The committed pipeline signals a further wave of expansion. Again, Portugal stands out with a 392% annual increase in committed capacity, followed by Greece (220%), Spain (138%), the UAE (114%), and Norway (82%). These trends reflect a strategic shift by operators to diversify their footprints beyond traditional tier-one markets, driven by demand for more localised infrastructure and the availability of land and power in secondary locations.

Beyond current construction and commitments, an additional 21,000 MW of early-stage developments are planned across EMEA for delivery over the next five years. This unprecedented pipeline suggests the market is preparing for a step-change in scale, as operators position themselves to meet surging demand from AI and cloud services.

Looking ahead, supply distribution is expected to become slightly less concentrated in traditional strongholds such as the UK, Germany, France, Ireland, and the Netherlands. While these markets will remain central, growth is increasingly extending into Southern Europe, with Spain and Italy emerging as key beneficiaries of the next wave of development.

The rise of AI is reshaping the scale of data centres. A decade ago, a 20–30 MW facility was considered

large; today, new builds commonly target 80–100 MW. This shift toward mega-campuses is driven by the immense computational power required for generative AI and cloud workloads, which benefit from economies of scale and proximity to robust energy infrastructure.

The market composition is also evolving, with a pivot from public cloud self-builds to wholesale colocation. As public cloud adoption matures, enterprises are increasingly adopting hybrid strategies, retaining workloads in colocation environments for greater control and compliance. Building hyperscale facilities is capital-intensive, prompting many cloud providers to lease wholesale space, especially in secondary markets, rather than invest billions in infrastructure.

Wholesale colocation providers, often backed by private equity

and infrastructure funds, are gaining momentum by delivering capacity more quickly and flexibly. Since 2019, wholesale colocation has experienced rapid growth, now accounting for 39% of total operational power capacity in the EMEA region. This share is projected to rise to 62% within five years. In contrast, public cloud self-builds, currently at 20%, are expected to decline to 13%.

New entrants are driving this shift, with firms like Merlin Properties focusing on Spain and DATA4 expanding in France and Italy. These players are reshaping the landscape, contributing to a more diversified and dynamic EMEA data centre market.

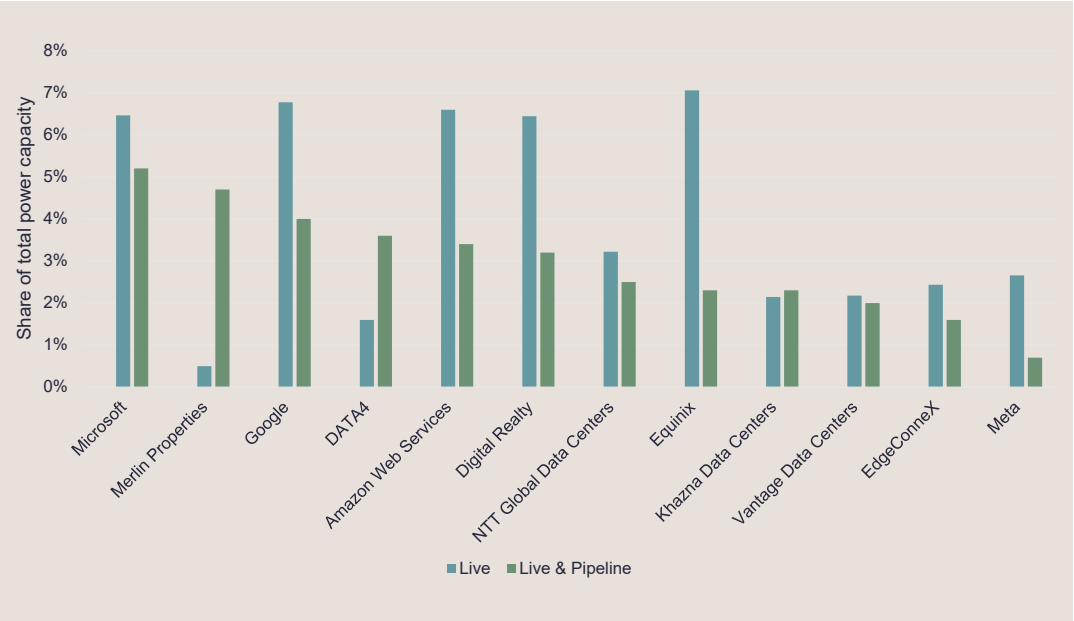
“The data centre market is seeing exceptional growth driven by the digital revolution. Core cloud regions remain the primary target for operators and hyperscalers whilst the new wave of AI requirements are starting to come to fruition in EMEA following their rapid emergence across the USA.”
Cameron Bell

Supply distribution



Source : Savills Research based in DCByte

Market share



Source : Savills Research based in DCByte

Built costs under upward pressure

The cost of building new data centres in EMEA continues to climb, driven by both cyclical pressures and deeper structural shifts. Labour shortages, particularly in specialist trades such as electrical and mechanical engineering, are driving up wages. Meanwhile, inflation in core materials, such as steel, copper, and concrete, remains high. Sustainability requirements are also adding cost and complexity, from the use of low-carbon materials to the integration of advanced cooling technologies.

Although global supply chain conditions have improved since the peak of disruption in 2021–22, bottlenecks persist due to new US tariffs, adding renewed pressure on data centre development timelines and budgets. Lead times for essential equipment, such as transformers, chillers, and generators, remain well above pre-pandemic levels. This is especially problematic

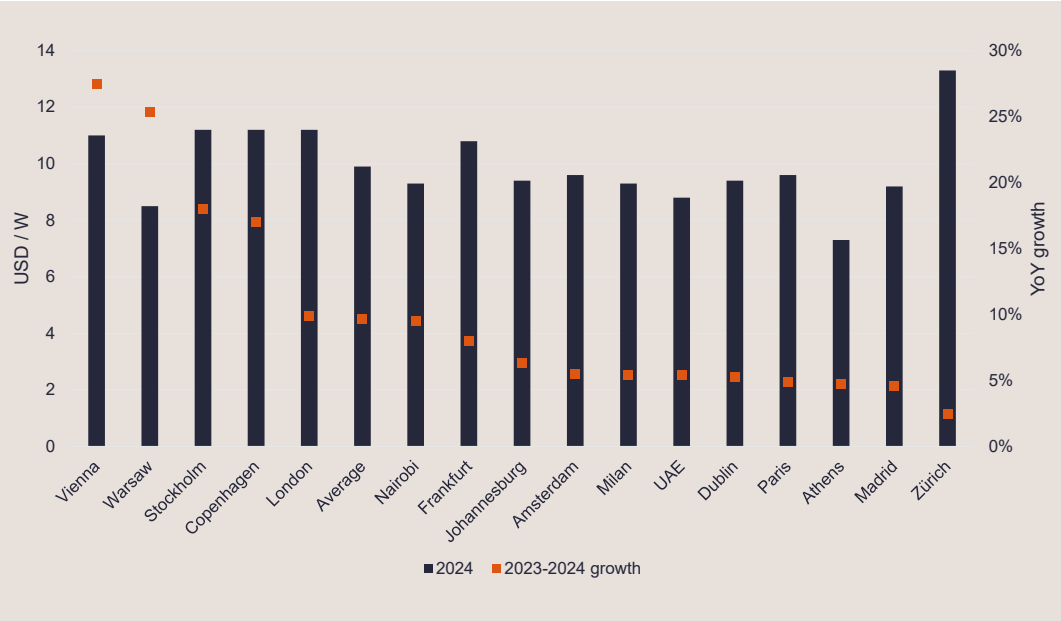
in the FLAP-D markets, where energy grid constraints further delay project delivery and inflate costs. According to Turner & Townsend's 2024 survey, nearly 80% of respondents report delays in equipment manufacturing or delivery. The impact of delays is disproportionately felt by new entrants in the sector, while hyperscalers and large established market players with deeper pockets can secure production slots years in advance.

With construction timelines lengthening, capital expenditure is also rising. Greenfield construction costs have risen sharply, reflecting labour shortages, land scarcity, and persistent supply chain issues. Globally, average costs increased by over 6% year-on-year. In EMEA, the rise was even steeper, with a 9.7% YoY increase to \$9.9 per watt, according to Turner & Townsend. Zurich remains Europe's most

expensive market at \$13.3/W, followed by London, Stockholm, and Copenhagen (each at \$11.2/W), and Frankfurt at \$10.8/W.

Across the region, data centre build costs now range between \$7.3 million and \$13.3 million per megawatt of commissioned IT load, covering land, shell, electrical and mechanical systems, cooling, fire safety, and fit-out. Markets with the sharpest annual cost increases include Vienna (+27.5%), Warsaw (+25.4%), Stockholm (+18.0%), and Copenhagen (+17.0%). According to Turner & Townsend's survey, respondents reported a 5–15% increase in the past year, with 22% experiencing even higher increases. While most expect costs to keep rising by 5–15% over the coming year, a third anticipate some deceleration.

EMEA data centre construction costs



Source : Savills Research based on Turner & Townsend

“ We expect improved competition and greater pricing focus in tender responses, as a new wave of technically competent contracting organisations enters the market. These firms seek to diversify their client base, geographic reach and sector exposure, often bringing enhanced quality, speed of delivery and greater certainty of outcomes.”

Marc Edmondson

Construction costs vary significantly depending on power density, scale, and system redundancy. High-density environments require greater cooling capacity. Redundant systems (N+1, 2N, etc.) also drive up costs significantly; a Tier IV facility can cost 25–40% more than a Tier III and nearly double that of a Tier II, according to Dgtl Infra. However, scale brings efficiency. Large developers benefit from purchasing power, especially in securing electrical and HVAC systems. QTS Realty Trust, for example, has reported savings of 10–15% by repurposing existing buildings through brownfield developments.

In response to persistent cost pressures and supply chain delays, developers are turning to modular

construction, expanding into secondary markets, and incurring higher capital outlays to meet ESG requirements. However, grid bottlenecks and the need for high-density compute facilities, particularly in light of rising AI demand, continue to drive costs upward.

Developers are responding with forward purchasing and closer ties with suppliers. Some are pivoting to emerging markets offering more accessible land and power. However, expanding into new territories brings added operational risks and higher upfront costs due to less mature local ecosystems. Emerging markets often face higher-than-expected costs due to limited supply chain depth, lack of local expertise,

and greater reliance on imported materials and labour. Nevertheless, areas with established life sciences or high-tech manufacturing clusters may offer smoother transitions due to transferable skills and supplier networks.

Looking ahead, grid bottlenecks and the widespread design revisions which are underway across the industry to accommodate liquid cooling and other advanced technologies necessary for AI and high-density computing will continue to add further upward pressure on construction costs.



Plugged into transition: DC and power challenge

Since the energy crisis began, the EU has seen the sale of three million heat pumps, three million electric cars, and approximately 500 MVV of electrolyzers, contributing to a 1.3% increase in electricity demand from 2021 to 2023. Projections from Eurostat suggest that by 2050, electricity will account for around 60% of all energy demand. Within this broader shift, data centres occupy an increasingly visible role. In Europe, energy consumption from data centres accounts for 1% to 18% of national electricity consumption. In large conurbations, it can make up between 33% and 42% of electricity in Amsterdam, London, and Frankfurt, and circa 80% in Dublin.

Globally, the trajectory is clear. The International Energy Agency (IEA) projects that demand from data centres will more than double by 2030. AI will be the most significant driver of this increase, with electricity demand from AI-optimised

data centres projected to more than quadruple by the end of the decade.

Meeting these requirements will depend on the resilience of electricity grids. Distribution networks are now a central concern, as they provide the foundation for the entire transition. Approximately 30% of today's European grid is over 40 years old, with some components much older. EY estimates that an annual investment of €67 billion will be required to build or upgrade the grid to support the energy transition. The ability of countries to mobilise this investment will determine the pace at which new projects can be accommodated.

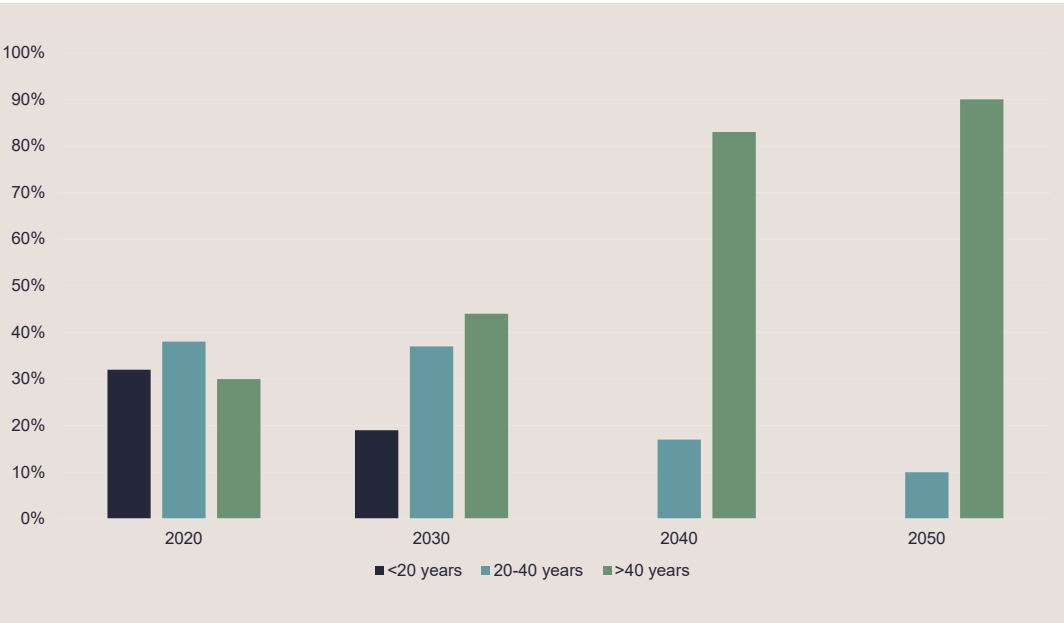
Against this backdrop, several governments initially responded to the surge in large data centre projects by tightening controls, delaying, or even refusing planning permissions, particularly across the FLAP-D markets. However, currently, overall

attitudes toward data centre planning have improved across Europe, largely thanks to the substantial investments and economic benefits they bring; the shift has been most striking in London and Paris. Over the past year, both governments have formally recognised data centres as critical infrastructure, prompting a clear reversal in planning sentiment and greater political support for new developments.

The industry has responded with a strong focus on sustainability. A clear example is the Climate Neutral Data Centre Pact, a voluntary initiative launched in 2021 by leading operators and cloud providers. Its objectives include improving energy efficiency, transitioning to 100% renewable energy, reducing water consumption, promoting circularity by reusing and recycling equipment, and reducing greenhouse gas emissions.

Additionally, progress on efficiency

Progressive ageing of grids post-2020 (of EU27+Norway)



has been tangible. Koomey's Law, which observes that the energy required to perform a fixed amount of computation halves approximately every two and a half years, has underpinned improvements in the sector. In practice, efficiency gains have been achieved through advances in server architecture, cooling technologies and system optimisation. The Power Usage Effectiveness metric has steadily improved, with the European average falling from 1.74 in 2005 to 1.25 today. Artificial intelligence is being applied to data centre management, with AI tools increasingly used to analyse cooling systems, identify inefficiencies, and implement more effective strategies, thereby generating additional energy savings.

The sourcing of renewable energy is another critical element. Across EMEA, the share of renewables in total electricity generation has increased from 26% five years ago to 33% in 2024, with Europe leading the way toward greener energy production, accounting for 42% of the total electricity generation, according to Ember.

Another area of innovation is the reuse of waste heat. Data centres convert a large share of their

electricity into heat, much of which has traditionally been released into the atmosphere. Increasingly, operators are exploring ways to recover and repurpose this heat for industrial, commercial or residential use. Legislative developments are reinforcing this trend. Under the recast Energy Efficiency Directive (EED), EU Member States must ensure that data centres with an IT capacity of 1 MW or more integrate waste heat recovery, unless it can be demonstrated that doing so is technically or economically unfeasible.

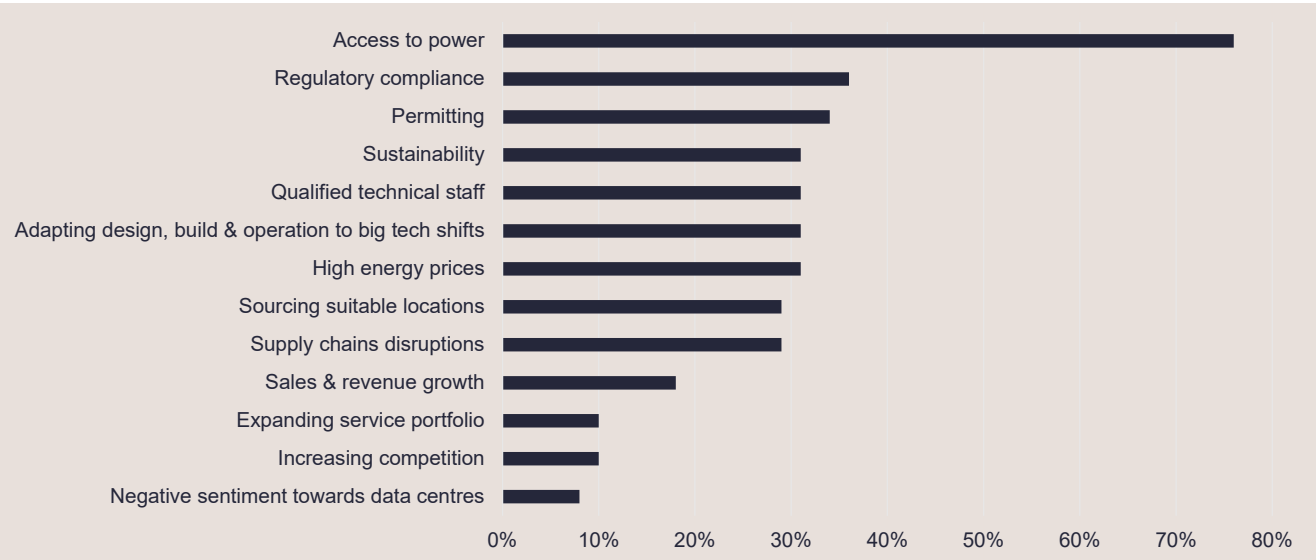
Electricity constraints are also encouraging developers to consider alternative approaches to site selection. Brownfield locations, particularly those with existing industrial infrastructure, are attracting growing attention because they often come with established grid connections. In Finland and Sweden, for instance, old paper mills and industrial plants have been converted into data centres, taking advantage of their reliable power supply and cooling potential.

At the same time, operators are increasingly exploring on-site energy production to secure capacity and enhance sustainability. Solar power is

a common option: Google's Belgian campus includes a 2.8 MW ground-mounted solar array, while in Spain, Best Wonder Business is planning a €230 million facility with 16 MW of capacity powered by nearby solar farms. Other solutions include fuel cells, such as a project in Ireland that will run entirely on gas-powered cells. More experimental approaches are also under consideration, with companies such as Data4, Equinix and Bahnhof assessing small modular nuclear reactors, and hydrogen emerging in industry discussions as a potential long-term option. These strategies remain largely the preserve of hyperscale operators, given the high levels of investment required.

Despite the progress being made, challenges will remain in the years ahead. The rapid development of AI applications is expected to accelerate demand for data centre capacity, increasing the urgency of finding reliable and sustainable energy solutions. According to a March 2025 survey by the European Data Centre Association, more than 75% of respondents identified access to power as the single greatest challenge for the industry over the next three years, even as they signalled a willingness to invest in alternative solutions.

Greatest data centre challenges of the next three years



The investors’ digital gold rush

The EMEA data centre investment market continues to show remarkable resilience and strong momentum, underpinned by long-term fundamentals that remain highly attractive to investors. Despite ongoing power challenges, the sector’s role as critical infrastructure in the digital economy ensures that substantial capital expenditure will be required for years to come. Investors are drawn to the combination of steady cash flows, high occupancy, and long-term contractual commitments with hyperscalers and enterprise clients, with returns typically around 10%. This has firmly established data centres as secure, long-term investments, fuelling competition among financial sponsors and operators alike.

Private equity has emerged as the

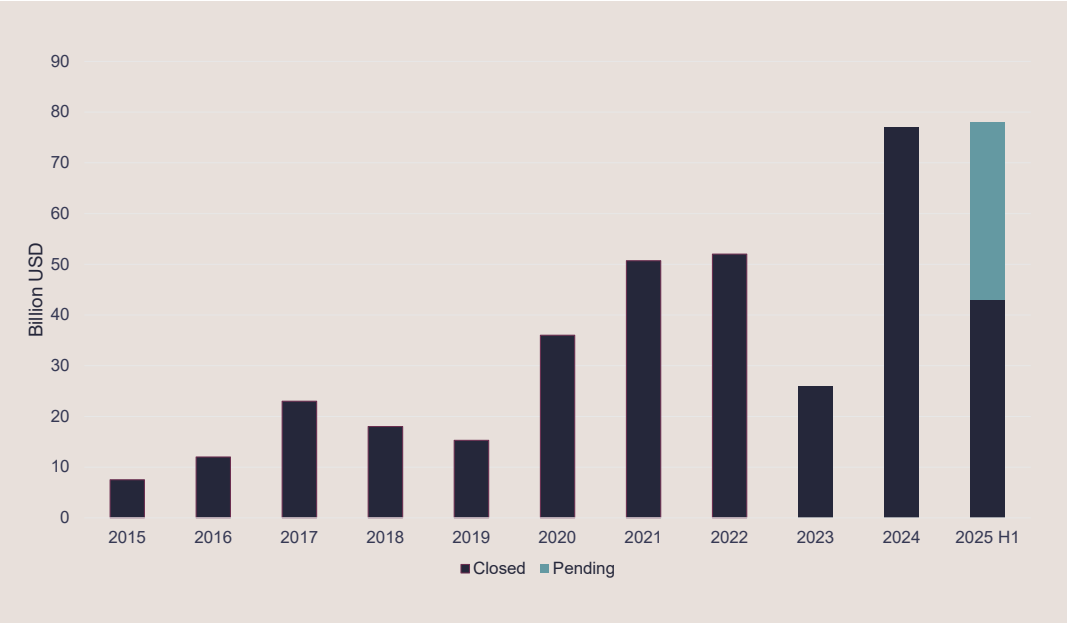
dominant force in the sector’s evolution. Since 2021, between 80% and 90% of the value of closed deals has been backed by private equity, real estate funds, or infrastructure investors, compared with just over 50% in 2020. These investors not only provide capital but also shape strategy, and have driven some of the largest transactions in recent years, often taking major players out of public markets. Fundraising activity has accelerated accordingly, with volumes for data centre vehicles at the end of the second quarter of 2024 already almost 40% higher than the total raised in the whole of 2023, reflecting the sector’s growing appeal.

The data centre M&A market has entered 2025 with striking momentum, particularly across Europe, where investor appetite

remains strong and confidence in the sector’s fundamentals continues to deepen. A steady stream of high-profile deals, both completed and in progress, highlights the continued attraction of data centres as a core infrastructure investment.

The first months of the year have already delivered several notable transactions that demonstrate both the scale and diversity of capital entering the market. In August, Apollo acquired a majority stake in Stream Data Centers, reflecting investors’ sustained interest in hyperscale infrastructure. In July, Vertiv expanded its European footprint through the €200 million acquisition of Great Lakes Data Racks & Cabinets, strengthening its portfolio of AI-ready solutions. Earlier in April, Iron Mountain finalised the acquisition of Web

Global value of data centre M&A



Source : Savills Research based on Synergy Research Group

Werks in India, further underlining the global nature of capital flows and the ongoing wave of consolidation. Meanwhile, Sanmina’s €3 billion agreement to purchase ZT Systems’ manufacturing business from AMD, expected to be completed by year-end, illustrates the growing convergence between technology firms and data centre operators.

Beyond these completed transactions, a number of major sales are currently under way. Oaktree Capital Management has initiated the sale of part of its European and Middle Eastern platform, Pure DC, reportedly valued at up to €5 billion. Swiss investor Partners Group is seeking up to €4 billion for its Nordic operator atNorth, while EQT has launched the sale of GlobalConnect, its Nordic broadband and data centre business, potentially valued at around €8 billion. In the US, BlackRock’s Global Infrastructure Partners is nearing the acquisition of Texas-based Aligned Data Centers from Macquarie in a deal estimated at nearly \$40 billion. Elsewhere, DWS, Deutsche Bank’s asset management arm, aims to raise about €2 billion from the sale of its NorthC data centre business, while Orange is preparing to divest stakes in several French facilities, though details remain undisclosed.

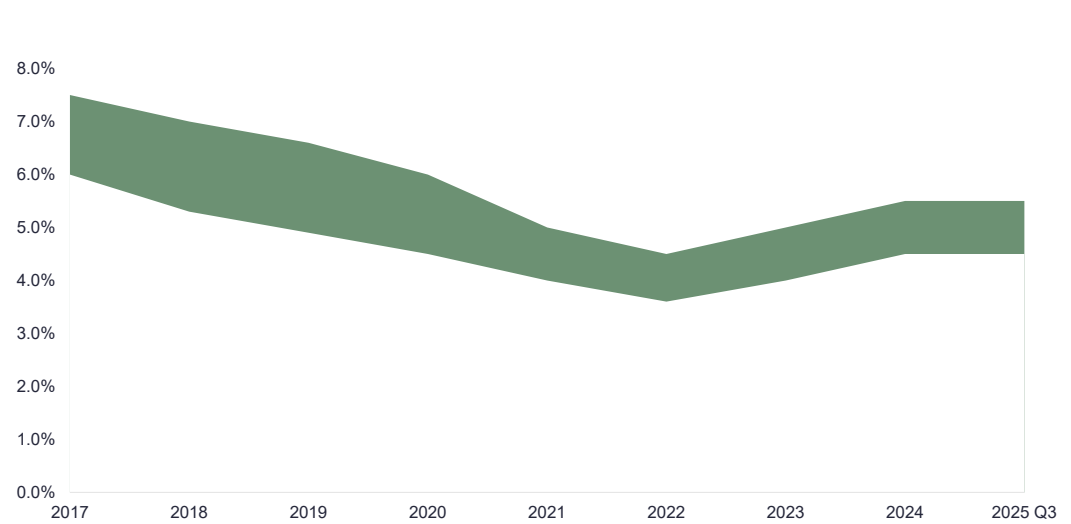
According to Synergy Research Group, 2025 has already recorded 162 data centre–related M&A transactions worldwide, representing a combined value of more than \$46 billion, with a further 45 deals worth an estimated \$35 billion still pending. Should these transactions close, the year could once again challenge last year’s record, when 287 deals worth over \$77 billion were completed globally.

Financing strategies are evolving in line with the sector’s intensifying capital requirements. While debt and equity markets remain the backbone of project funding, new avenues are opening. Asset-backed securities are gaining traction, with Vantage launching the sector’s first public ABS issuance in 2024 and further deals expected across Europe in the coming year. At the same time, yieldcos are emerging as a promising structure, enabling operators to hive off stable, cash-generating assets into vehicles designed to attract investors seeking predictable, lower-risk returns. These vehicles may also become a channel for hyperscalers to divest assets, freeing up capital for reinvestment in growth. Alongside, joint ventures, IPOs, and spin-offs are providing fresh means to share exposure and attract liquidity.

Another significant development has been the surge in investment across the broader ecosystem. As power constraints tighten and supply chains become more critical, capital is increasingly directed towards vertical integration, including innovative energy solutions, dark fibre networks, and network virtualisation. Landowners in strategic power-enabled locations are also benefitting, as the scarcity of suitable sites further drives up valuations.

Over the past three years, higher borrowing costs have prompted a slight outward movement in prime yields, increasing by approximately 40 to 50 basis points. This adjustment is relatively restrained, especially when compared to the more pronounced yield decompression observed in average prime office CBD yields (139 basis points) and prime logistics yields (104 basis points). Currently, prime data centre yields generally fall within the 4.0% to 5.0% range in core western countries, and have remained stable since the end of last year. Looking ahead, we expect yields to compress as competition among investors intensifies.

Prime yield range in Western Europe



Source : Savills Research

Powering the next digital leap

The outlook for the EMEA data centre market points to another phase of rapid transformation, driven by accelerating digitalisation, surging AI adoption, and mounting infrastructure challenges. While the sector continues to attract extraordinary levels of capital and occupier demand, its future growth trajectory will increasingly hinge on power availability, sustainability, and technological adaptability.

Artificial intelligence has become the defining force shaping the industry’s direction. Europe’s AI market is forecast to reach €52.9 billion in 2025 and more than quadruple to €215.9 billion by 2031, according to Statista, expanding at a compound annual rate of over 26%. This momentum will generate unprecedented requirements for compute power, connectivity, and storage, reinforcing the strategic importance of data centre infrastructure. As global technology companies diversify their geographic footprints amid rising geopolitical uncertainty, Europe’s regulatory stability and rule-based environment could make it an increasingly attractive destination for long-term investment.

While AI is driving much of the current momentum, cloud services remain a key catalyst for data centre demand, with many enterprises across EMEA still in the early stages of cloud migration. Given this broader foundation, even as recent concerns emerge about a speculative “AI bubble” and the sustainability of current investment levels, the potential impact on Europe’s data

centre sector is likely to be limited. Demand is not solely tied to AI but continues to be supported by structural drivers such as cloud computing, digital transformation. Additionally, efforts by both the EU and national governments to strengthen technological infrastructure and data sovereignty to reduce the current over-reliance on the US should further drive demand. Hence, even if AI investment were to cool, these underlying forces would continue to drive long-term capacity requirements.

Demand for capacity is expected to remain exceptionally strong as AI, machine learning, and cloud services converge to reshape digital ecosystems. Enterprises are adopting more sophisticated hybrid strategies that blend public cloud, private infrastructure, and colocation models. While hyperscalers will continue to dominate, sustained growth in enterprise workloads is expected to support robust take-up across established hubs, particularly those with secure grid access and competitive energy costs. Simultaneously, the emergence of secondary and tertiary markets, particularly in Southern and Eastern Europe and across the Middle East, signals a gradual decentralisation of activity, supported by access to affordable land and renewable energy sources.

On the supply side, the market is poised for a significant step change in scale. The development pipeline across EMEA has reached record levels, with several giga-scale

campuses under construction to meet the compute demands of generative AI. Wholesale colocation is likely to expand further as operators seek faster, capital-efficient deployment models. The growing participation of private equity and infrastructure funds is accelerating innovation, consolidation, and the professionalisation of operations across the region. Yet, rapid expansion continues to face significant headwinds. The lack of available power will remain the most critical bottleneck, constraining supply in several key hubs and delaying project timelines. Developers will be increasingly adopting adaptive strategies, such as modular builds, brownfield conversions, advanced cooling systems, and on-site renewable energy generation, to mitigate these risks and maintain delivery momentum. However, we expect Construction and operational costs to remain elevated, driven by inflation, material shortages, and stringent sustainability obligations.

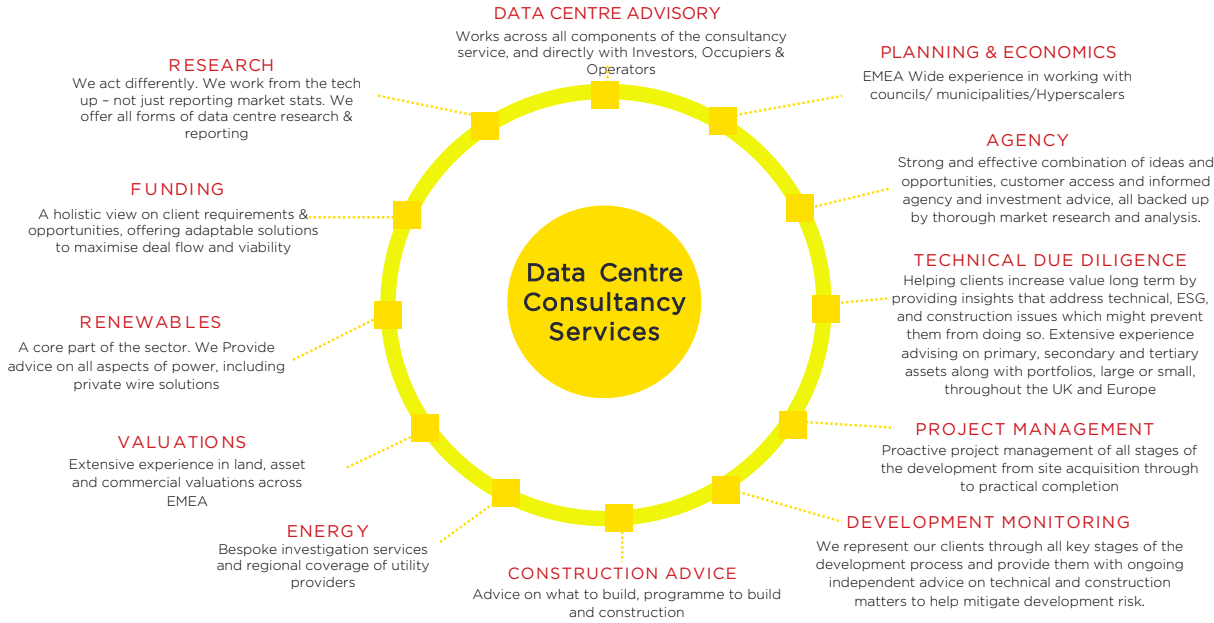
Investment appetite, meanwhile, shows no signs of easing. Data centres have firmly established themselves as a core infrastructure asset class, underpinned by resilient income streams and high utilisation rates. Capital deployment from private equity, real estate funds, and institutional investors is expected to remain substantial, sustaining elevated levels of M&A activity as the sector continues to consolidate and scale.



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