

BRIEFING PAPER

DATA OPPORTUNITY

Digitalisation drives the growth of data centres across the Middle East

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INVESTING IN DATA

The demand for data is growing exponentially as advanced digital technology becomes increasingly central to the way that we live and work. Findings from PwC's Global Consumer Insights Survey show that 67 per cent of Middle East consumers believe they have become more digital, compared to 51 per cent globally. In Egypt, this number stands at 72 per cent.

Quickly emerging as a new subsector in the region's real estate landscape, investment in the development of data centres gained momentum despite the economic impact of Covid-19 on the region.

Data centres play a crucial role in enabling collaborative services and ensuring data security. In emerging digital hubs such as Dubai, Abu Dhabi and Bahrain, contracts were either completed or awarded for major data centre facilities in partnership with international data centre services providers. Much of this change is being driven by government directives to build smart and connected cities.

STATE OF THE MARKET

he Middle East and North Africa (Mena) region accounted for about 2 per cent of global data centre investments made in 2020. The global data centre market is estimated to be worth \$948bn by 2030, according to research firm GlobalData.

Multiple factors are enabling the growth of data centres in the region.

Smart city ambitions pursued by the region's governments are driving a shift in the way modern communities are being built. Underpinned by digital technologies, the cities of the future are predicted to generate enormous amounts of data. It is imperative to optimise the capture, storage and processing of this data.

With businesses utilising solutions such as cloud and machine learning, and a rising consumer demand for e-commerce and video streaming services, there has been a marked increase in data volumes and bandwidth requirements.

A growth in domestic data and emergence of 5G networks is also leading to a rise in demand for localised data centres, to speed up data transfer.

Another factor driving data centre investments is uncertain data sovereignty regulations in certain jurisdictions including the GCC. This reinforces the need for organisations such as banks to retain customer data within the country.

REAL ESTATE PROSPECTS

Data centres are emerging as prime real estate opportunities, especially as they become less susceptible to market downturns. In October 2021, UAE-based developer Damac said it had purchased stakes worth 45 per cent in Dublin-based Dataplex Group, and will jointly deliver greenfield and brownfield data centre projects in Europe.

One challenge that may impede the growth of data centres is their high carbon footprint, especially as the Middle East pivots towards environmental, sustainable and governance (ESG) policies.

The sector is now seeing an increase in modular data centres to tackle power consumption, high operational costs and lack of skilled workers. Developed markets including Europe are prioritising 'green' data centres going forward.

Greater clarity on regulations, both in terms of data protection and general investment guidelines, are expected to further drive the market and bolster investor confidence.



What is the annual average power usage effectiveness for your largest data centre?

Source: Uptime Institute Global Survey of IT and data centre managers 2020, n=313

Data centres in the future

A look at data centre trends - and where we're headed next



INDUSTRY OUTLOOK

Data centre investments across the Middle East are being driven by digital economy strategies at a national level

BAHRAIN

Bahrain was the first country in the Middle East to be declared as an Amazon Web Services (AWS) Region in 2019. The Bahrain region offered three availability zones or discrete data centres at launch, marking a major milestone for the Middle East.

AWS Regions comprise of availability zones, which place infrastructure in separate and distinct geographic locations with enough distance to significantly reduce the risk of a single event impacting customers' business continuity, yet near enough to provide low latency for high availability applications that use multiple availability zones.

Bahrain also attracted the attention of China-based Tencent Cloud to launch an internet data centre in the kingdom in 2021, its first in the Mena region.

Most recently, the Arab League's Arab Federation for Digital Economy (AFDE) has signed a memorandum of understanding with UAE-based ATDXT to build a data centre in Bahrain.

The hub will support both government and private sector entities in Arab League member states to improve the competitiveness of Arab economies and foster their integration into the global economy.

EGYPT

The Egypt National Telecommunications Regulatory Authority (NTRA) adopted a regulatory framework in Au-

gust 2021 for establishing and operating data centres and providing hosting and

cloud computing services.

The framework covers two types of licences for public data centre and cloud service providers. Both licences are valid for 15 years.

NTRA recently signed an MoU with the Egyptian Competition Authority (ECA) to develop a system to regulate free competition in the Egyptian telecom market, which is expected to improve the quality of telecom services and attract further investments.

Meanwhile in February 2021, communication services firm Orange announced that it will design and build cloud-based ICT infrastructure for Egypt's New Administrative Capital.

In 2018, then ICT Minister Yasser el-Kady unveiled a national strategy to turn Egypt into a 'global data centre hub'. The strategy, aimed at attracting investments and data centre providers to Egypt, followed up on national operator Telecom Egypt's (TE) announcement that data centres would account for 25 per cent of the company's revenues by 2023.

In 2020, Digital Egypt was launched, to digitalise all government and public services, enhance digital inclusion and improve local capabilities.

In the same year, TE announced the construction of the largest international data center in Egypt, which will house 2000 racks for server storage. The data centre is connected to all 10 Mediterranean and Red sea subsea landing stations, giving it access to more than 60 countries around the globe. TE currently owns and operates six commercial data centre facilities located within Greater Cairo and Alexandria.

KUWAIT

The New Kuwait 2035 vision has identified ICT as a key sector that is expected to attract investment and boost the local economy. According to data from regional

projects tracker MEED Projects, work

is currently underway on two data centres in Kuwait. The centres are being developed by Kuwait University and Boubyan Bank respectively.

The Tier-3 facility at Boubyan, with two dedicated 500MW power stations, is expected to sit at the centre of a 20-sq-km ICT zone on the Island, which will also host 600 ICT firms, ranging from local start-ups to international companies.

OMAN



Similar to other GCC states, ICT development is seen central to Oman's longterm diversification plans.

In October 2020, national operator Omantel and Equinix launched a data centre in Barka, close to capital Muscat. The network is said to reach over 50 countries, while linking customers in 30+ markets via Equinix's Internet Exchange platform.

According to the sultanate's National Strategy Framework for the ICT sector, it aims become the data centre hub of the region, working closely with private sector firms.

The framework further guarantees level playing field between existing players and new entrants, and investor-friendly regulations.

QATAR



In January 2021, Qatar's Ministry of Transport and Communication signed an agreement with Do-

ha-headquartered Ooredoo to expand the existing government data centre which was the first facility in Qatar to offer a full suite of enterprise services.

With global hyperscalers including Google and Microsoft building regional data centres, Qatar is quickly emerging as a popular cloud hub in the Middle East.

Microsoft marked the completion of construction and infrastructure works on its three data centres in April 2021.

The centres will aim to reduce car-

bon emisisons by 98 per cent through renewable sources and reduce energy consumption by over 30 per cent.

SAUDI ARABIA

A report by financial services firm Al-Rajhi capital has highlighted that the kingdom's total data centre IT load requirement over the next five to six years could reach 360MW, up from the current 60MW.

In July 2021, Saudi Arabia launched an \$18bn strategy to establish a network of large-scale data centres across the country. Local firms Gulf Data Hub, Al-Moammar Information Systems and Saudi FAS Holding comprise the first batch of investment partners, according to the Saudi Ministry of Communications & Information Technology. The agency has also said it is exploring options with tech giants including Amazon and Google.

The announcement came after Saudi Telecoms Company (STC) unveiled SR-1bn (\$267m)-worth of new data centre projects in Riyadh, Jeddah and Medina in December 2020T. The first phase of a programme will take its total IT load capacity to 40.8MW. Four more data centres are planned for the next phase of the initiative.

On 5 October, Saudi firms Neom and FAS Energy were given the green light to develop and operate data centres in the planned \$500bn Neom city.

UAE

As one of the frontrunners in the run up to establish a robust and competitive digital economy, the UAE has been a ripe location for data centres in the region. The Data Centre Location Index by Dutch consultancy Arcadis states that the UAE's "well-established fiber broadband network" helped the country secure the top spot for the mobile broadband penetration metric, while the ease of obtaining construction permits and "new smart city initiatives

DATA CENTRES IN MENA

Projects completed as of Oct 2021 (\$m)



Top project owners based on projects completed as of Oct 2021 (\$m)



Projects planned and underway (\$m)



Top project spenders based on projects planned and underway (\$m)



Source: MEED Projects

make it an emerging location for data centre investment".

In January 2021, Khazna Data Centre announced plans to grow its IT load capacity from the current 40MW to 200MW by 2023. The plan includes expanding its three existing data centres in Abu Dhabi and Dubai.

National telcos Etisalat and du also continue to expand their data storage and transmission capabilities. Earlier this year, du opened two data centres in Dubai Silicon Oasis and Abu Dhabi's Khalifa Industrial Zone.

And in May 2021, Etisalat launched a facility in Kalba, its third wholesale data centre after similar facilities opened in Fujairah and Dubai in 2020.

In August 2021, Etisalat also announced that construction works have been completed on its Tier III data centre facility in Jebeli Ali, one of the largest, single-site data centres to be awarded across the Mena region.

AWS expects to add the UAE to its "AWS Regions" when the firm's three data centres in the UAE open in the first half of 2022.

According to MEED Projects data, the firm's data centres in the UAE are located in Dubai South, Industrial City of Abu Dhabi (Icad) and Khalifa Industrial Zone Abu Dhabi (Kizad). They are being built in partnership with Abu Dhabi Investment Office.

The UAE is also looking at cleaner sources of energy to power data centres to reduce environmental impact and carbon emissions.

In May 2021, UAE's Moro Hub signed an agreement with Chinese tech giant Huawei to construction a 100MW, Uptime Tier III-certified solar-powered data centre in Mohammed bin Rashid Al Maktoum Solar Park.

This will be the second such facility by Moro Hub, which also has an 8.8MW Tier III-certified data centre in Dubai Marina.

Moro Hub is a subsidiary of Digital Dewa, the digital arm of Dubai Electricity and Water Authority.

About MEED

MEED has been integral to delivering business information, news, intelligence and analysis on the Middle East economies and activities for over 60 years.

Attracting a key senior management audience through its content and activities, MEED is a media brand, publication and data business that covers a spectrum of services which inform, engage, connect and ultimately support our subscribers and partners in their business development and strategic growth. Acquired by GlobalData Plc in December 2017, MEED is now part of one of the largest data and insights solution providers in the world with the capacity to build global communities for our clients.

Our purpose is to support the region's companies make better and more timely decisions through our innovative data solutions and grow through our comprehensive and world-class marketing solutions. To find out more email: info@meed.com

About Mashreq

Established in 1967, Mashreq is the oldest bank in the UAE, with award-winning financial solutions and services.

Throughout its 50 years' history, Mashreq has differentiated itself through innovative financial solutions, making it possible for its customers to achieve their aspirations.

Today, Mashreq has a significant presence in 11 countries outside the UAE, with 21 overseas branches and offices across Europe, the US, Asia and Africa.

Mashreq launched its new Vision and Mission recently, outlining its commitment towards its clients, colleagues and the community. In line with its vision to be the region's most progressive bank, Mashreq leverages its leadership position in the banking industry to enable innovative possibilities and solutions for its customers across corporate, retail, international, treasury and Islamic banking.

Mashreq is proud to be the first financial institution in the UAE to be awarded the Gallup Great Workplace Award for four consecutive years from 2014-17.

Mashreq also continues to invest in recruiting, training and developing future generations of UAE national bankers.

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