

Saudi Arabia data centre market insight

2024



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1. Key highlights

A. Key takeaways

- As the economic leader of the Middle East, the KSA (Kingdom of Saudi Arabia) is projected to have a GDP (current prices) of USD 1.1 trillion in 2024. Fostering a thriving digital landscape, Saudi Arabia has emerged as a leader globally and within the Arab region.
- According to the Portulans Institute's 2023 Network Readiness Index, Saudi Arabia ranked 41st globally (out of 134) and 2nd in the Arab region (following the UAE at 30th).
- Saudi Arabia's CST (Communications, Space, and Technology) Commission implemented new regulations for wholesale and retail service providers in January 2024 for data centre growth alongwith stimulating investment, fostering competition, and optimizing IT infrastructure utilization.
- As per industry estimates, the Saudi Arabian data centre market is expected to experience a robust compound annual growth rate (CAGR) of ~8.1% from FY-2024 to FY-2029, reaching a market size of USD 2.3 billion.
- A confluence of factors drives the Saudi Arabian data centre market:
 - A stable expanding economy, strategic government initiatives and favourable environmental factors.
 - Ongoing digital transformation efforts paired with robust regional and global connectivity.
 - Growing interest and investment from leading technology vendors.
 - Competitive electricity tariffs, readily available raw materials, and a solid national digital infrastructure presence.
- Ongoing submarine cable deployments enhance Saudi Arabia's robust and expanding connectivity infrastructure.
 - Saudi Arabia boasts nearly 15 submarine cables, with an expected addition of 6 more cables by 2025.
- A diverse range of stakeholders characterise the Saudi Arabian data centre market. These include:
 - Established local players
 - Government entities actively participating in the market's development
 - Telecommunication companies leveraging their expertise
 - A growing influx of new entrants

- Riyadh and Jeddah are the prominent data centre hubs, while Dammam and Neom represent promising emerging markets. Tier 3 and Tier 4 data centre categories dominate the Saudi Arabian market.
- Prominent trends driving the Saudi Arabian data centre market includes:
 - 5G coverage expansion by telcos continue to drive demand for robust data centre infrastructure to support growing data needs
 - Saudi Arabia's Data centre market continues to grow, fuelled by Innovation and Investment be leading technology vendors
 - Sustainable solutions for Saudi Arabia's Data centre landscape gain traction, as its aims for net-zero by 2060
 - Saudi Arabia data centre market tightens amidst strong regional demand
 - Saudi Arabia shifts data centre investments from traditional hubs to emerging tech cities like Neom and Al Khobar.

B. Market opportunities

Vision 2030 positions Saudi Arabia for rapid growth. By fostering innovation-friendly regulations and attracting top global operators, Saudi Arabia is creating a robust environment for data centres. The growing AI and cloud sectors further boost demand for these services. Additionally, the region's low energy costs provide a significant competitive advantage for data centre businesses.

The region's growing AI and cloud sectors drive high demand for data centre services. Combined with the region's low energy costs, this creates a strong competitive edge for data centre businesses.

1. Opportunities for Telcos

High mobile penetration rates of 130% limit growth in connectivity services, pushing telcos to diversify. B2B techno-services like cybersecurity, AI, cloud and data centres, and IoT offer new diversification opportunities.

Co-location partnerships, like the telecom tower model (where telcos offset their tower business), can create new revenue streams by offloading data centre workloads. This enables telcos to maximize their data centre assets and drive Saudi Arabia's digital future.

2. Opportunities for Cloud Providers

Saudi Arabia's digital transformation is driving rapid data centre expansion. Tech giants Google, Azure, and AWS are increasing their presence to improve service delivery and reduce latency. Cloud data centres offer businesses enhanced scalability, flexibility, and cost-efficiency. Growing cloud adoption is fueling demand for data centre capacity.

3. Opportunities for Data centre Providers

Growing digital consumption is increasing the environmental impact of data centres. To mitigate rising energy consumption and carbon emissions, industry must prioritize efficiency, energy reduction, and renewable energy adoption. Leading cloud providers, such as Apple and Google, have achieved carbon neutrality, while others have set ambitious targets. Sustainability is also a focus for colocation providers due to internal commitments and external regulatory pressures.

4. Opportunities for Telecom Vendors

The data centre market surge has created a strong interdependence between telecom vendors and telecom players. Leveraging their existing network infrastructure and expertise in data transmission, telecom companies can provide essential services such as high-performance connectivity, robust security, and edge computing for data centres. By fulfilling these critical needs, telecom vendors solidify their position as vital strategic partners for mutual success in the digital era.

5. Opportunities for IT Vendors

The data centre market expansion has accelerated IT vendor growth in Saudi Arabia, driving infrastructure expansion and new service offerings. Technology companies are better positioned to meet increasing data storage and processing requirements. The rapid expansion has also necessitated optimizations in data centre performance, scalability, compliance, and security.

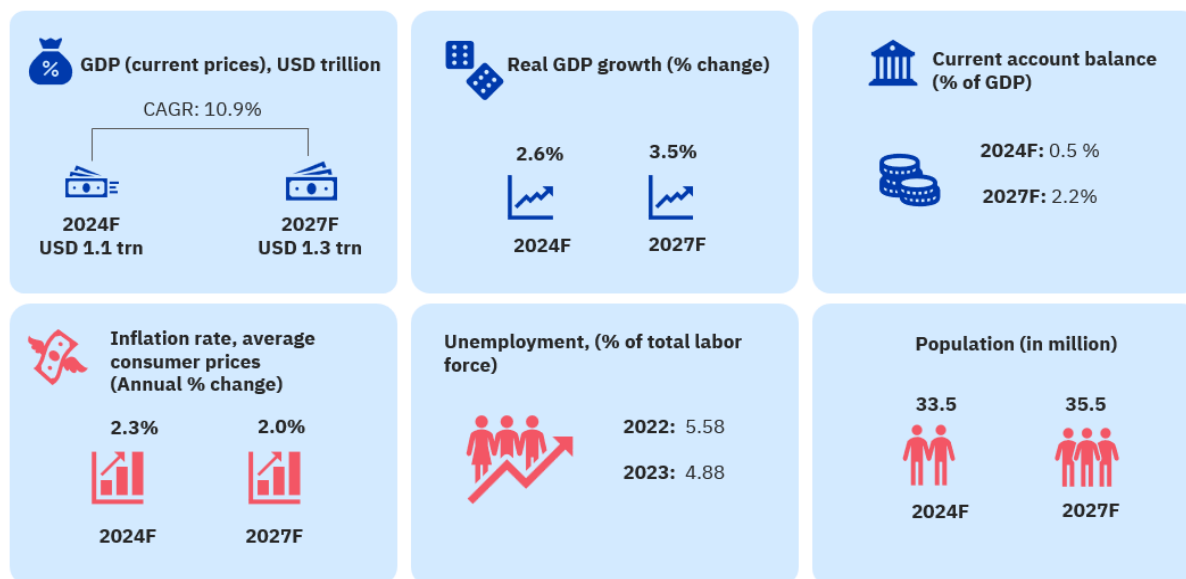
Technology vendors are leading innovation, addressing customer needs through advanced solutions that enhance efficiency, security, and energy consumption. Their expertise in commissioning, consulting, and monitoring is crucial for digital transformation and global online service delivery.

2. Understanding the market

A. Macroeconomic insights

Increased hydrocarbon output and non-oil sector contributions (tourism, manufacturing, and logistics) aim to project a robust trajectory in Saudi Arabia's economy through 2025-2028.

Exhibit 1: Saudi Arabia macro-economic indicators



Source: World Bank, IMF, Twimbit analysis

In 2023, Saudi Arabia's digital economy reached ~USD 123 billion, contributing nearly 14% to GDP. This growth reflects the widespread adoption of cloud computing services by approximately 48% of establishments.

Exhibit 2: Network Readiness Index (NRI) 2023 ranking - Arab countries

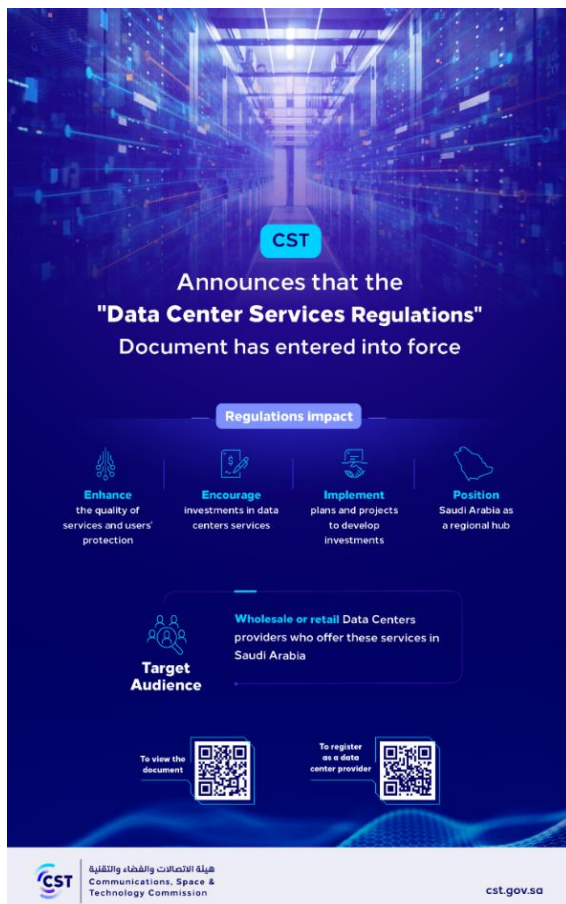
Country	Active data centres	Upcoming data centres	NRI Ranking
UAE	28	26	30
Saudi Arabia	22	40	41
Qatar	10	3	46
Oman	7	5	54
Kuwait	6	1	64

Source: JLL - Unleashing the Potential: The Future of Data Centres in The Middle East and Africa, 2023, Portulans Institute's 2023 Network Readiness Index, Industry reporting, Twimbit analysis

According to the Portulans Institute's 2023 Network Readiness Index, Saudi Arabia ranked 41st out of 134 economies globally and 2nd in the Arab region (behind UAE, ranked 30th).

B. Regulatory landscape

Saudi Arabia's regulatory environment for data centres has significantly improved following the implementation of the Data Centre Services Regulations by the Communications, Space, and Technology (CST) Commission on January 1, 2024. These new regulations have facilitated stronger partnerships between data centres, wholesale, and retail service providers.



Primary objectives of the regulations

- Conducive environment to the anticipated growth in the data centre sector.
- Promoting advanced and environmentally friendly data centres.
- Enhance development of Saudi's IT infrastructure to create attractive environment for technology investments.

Obligations of registered service providers

- Must maintain valid registrations, certifications, and commercial registrations.
- Responsibilities include physical security, transparency in financial fees, SLAs, and quality standards.
- Liability provisions, customer notifications, and cooperation in case of data centre shutdown

Regulatory Mandates

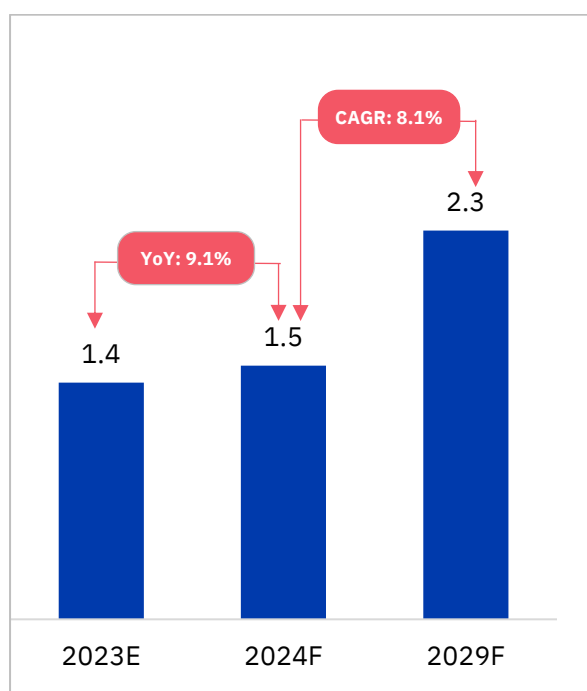
- The registration holds a validity period of 3 years, with the provision for renewal. There are no fees for obtaining and renewing the registration, indicating a supportive regulatory environment.
 - Tier 1: Registrations for Tier I data centres are under the limited category, restricted only to existing facilities and cannot be issued for new facilities.
 - Tier 2 & 3: Tier II (Standard) and Tier III (Advanced) data centres are to be Carrier Neutral, and the service providers must furnish energy management and sustainability plans.

3. Opportunities in the Saudi Arabia Data Centre Market

A. Saudi Arabia Data Centre Market Size and Forecast, 2023 – 2029F

Over the next 2-3 years, the influx of capital from established and emerging market players is expected to drive robust data centre investments in Saudi Arabia.

Exhibit 3: Saudi Arabia Data Centre Market Size in USD Billion, FY 2023-2029



Source: Industry reporting, Twimbit analysis

The Saudi Arabian data centre market is projected to reach USD 1.5 billion in FY-2024, reflecting a year-over-year (YoY) growth of 9.1%. This robust trajectory is underpinned by a coming together of multiple factors including a stable prevailing macroeconomy, government-led digital initiatives, enterprise digital transformation endeavors, and the nation's ongoing investment in digital infrastructure (FTTH and 5G).

The market is anticipated to sustain a compound annual growth rate (CAGR) of approximately 8.1% over FY2024-2029, to reach USD 2.3 billion.

Riyadh and Jeddah have emerged as primary data centre hubs in Saudi Arabia, with Dammam and Neom demonstrating significant growth potential.

The region's focus on wholesale colocation has attracted major cloud providers such as Google, Alibaba, Oracle, and Huawei. This influx of cloud services will support the evolving needs of both public and private sector organizations.

B. Key Drivers of the Saudi Arabia Data Centre Market

1. Stable and growing Saudi Arabia's economy is expected to outperform most Arab nations by 2027

Saudi Arabia is the 16th largest economy globally among G20 nations and maintains its leadership position in the Middle East. This economic dominance is projected to strengthen, with GDP expected to grow from USD 1.1 trillion in FY-2024 to USD 1.3 trillion by FY-2027.

Concurrently, other factors indicate immense potency for Saudi Arabia to outperform most Arab nations. These factors include:

- Anticipated decline in average consumer price inflation from 2.4% in FY-2024 to 2% by FY-2027
- A forecast in accelerated real GDP growth from 2.6% in FY-2024 to 3.5% in FY-2027

This GDP growth is expected to rank 2nd only to the UAE's projected 4.5% growth rate among the leading Arab economies (UAE, Qatar, Oman, Bahrain, Kuwait, and Jordan).

2. Strategic and favourable Government initiatives favour sustained data centre market growth

Saudi Arabia is rapidly expanding its renewable energy sector. The King Salman Renewable Energy Initiative and the National Renewable Energy Program aim to power over half the country with clean energy by 2030.

To achieve this, the Government is combining renewable energy with data centre growth. Special Economic Zones, Free Trade Zones, and smart cities will be developed to support this strategy. Riyadh will remain the primary data centre hub, while cities like Jeddah, Dammam, and Neom will attract significant investment.

A new Cloud Computing Special Economic Zone will accelerate data centre development through tax breaks, reduced fees, and lower energy costs. Additionally, a USD 18 billion initiative will create large-scale data centres across the country, targeting 1.3 gigawatts of capacity.

This initiative will help accommodate sectors to the ever-expanding investment landscape. For instance, while Riyadh, Jeddah, and Dammam have traditionally been data centre hotspots, Neom's planned USD 500 billion digital infrastructure investment is poised to reshape the sector.

3. Digital transformation across enterprises propels data centre demand

Saudi Arabia's IT landscape is undergoing a transformative evolution, underpinned by strategic initiatives such as Vision 2030, the National Transformation Program, and the Saudi Data and Artificial Intelligence Authority. These frameworks have been instrumental in shaping the Kingdom's technological trajectory.

The Saudi Data and Artificial Intelligence Authority is at the forefront of accelerating AI adoption through substantial investments. Its mandate extends to bridging the chasm between government agencies and the private sector, fostering a collaborative ecosystem for AI innovation.

Concurrently, cloud computing is emerging as a key driver of data centre expansion within the Kingdom. The cloud's inherent attributes of flexibility, scalability, and cost-efficiency are compelling enterprises to migrate their IT infrastructure. Consequently, the demand for robust data centre facilities is surging to support the growing cloud ecosystem.

4. Presence of strong regional global connectivity

Saudi Arabia possesses robust terrestrial connectivity to key regions encompassing APAC, Europe, and the Middle East. The nation currently leverages a network of approximately fifteen submarine cables and is strategically expanding its subsea infrastructure with an additional six cables slated for completion by 2025. Jeddah serves as the primary landing station for these cables, complemented by additional landing points in Al Khobar, Doha, Haql, and Yanbu.

5. Growing interest from leading technology vendors, including hyperscalers

Saudi Arabian data centre continues its line of initiatives to improve and enhance itself. These include:

- Substantial investments from local, government and telecom entities.
- Transitioning established players such as Center3 (stc), Mobily, and Gulf Data Hub into prominent co-location operators.
- Ensuring opportunities for new entrants like EDGNEX Data Centres, Quantum SwitchTamasuk and Agility to expand their global footprint.

The growth trajectory is further bolstered by the strategic interest of global hyperscalers like Oracle Cloud, Google Cloud, and Microsoft which view the nation as a lucrative market for cloud service expansion and a regional investment hub. Recent prime investment in Saudi Arabia includes opening of data centre by AWS in 2026 and Google's announcement to launch a new Dammam Cloud region.

6. Competitive electricity tariffs provide a cost advantage

Abundant fossil fuel reserves in KSA have contributed significantly to lower electricity costs, making it an attractive destination for data centre investors.

Exhibit 4: Electricity prices across key Arab countries in USD/kWh, Dec-2023

Country	Households	Businesses
Oman	0.026	0.223
UAE	0.080	0.110
Jordan	0.090	0.095
Bahrain	0.048	0.077
Saudi Arabia	0.048	0.069
Kuwait	0.029	0.049
Qatar	0.032	0.036

Source: Globalpetrolprices.com, Industry reporting, Twimbit analysis

Saudi Arabia ranked 4th among its competitors, with a residential rate of SAR 0.180/kWh (USD 0.048/kWh) and a commercial rate of SAR 0.257/kWh (USD 0.069/kWh).

7. Favourable environmental factors offer operational advantages

Though not too prone to natural disasters, Saudi Arabia is still prone to other environmental factors such as water contamination and increased nitrogen oxide emissions. It was ranked 63rd globally, with an index of 8.76 as World Risk Report 2023.

Exhibit 5: World Risk Index of Arab Countries, 2023

Country	World Risk Index Rank	Rank	Exposure	Vulnerability	Susceptibility	Lack of coping capabilities	Lack of adaptive capabilities
Saudi Arabia	8.76	63	5.25	14.63	5.43	19.79	29.16
UAE	4.97	85	3.77	6.56	4.09	2.23	30.91
Qatar	1.15	176	0.17	7.75	4.73	3.17	31.05
Oman	7.53	71	6.68	8.48	14.18	4.81	8.94
Bahrain	0.87	185	.014	5.42	4.85	2.61	12.55
Kuwait	2.88	125	1.05	7.92	5.98	2.58	32.21
Jordan	3.65	105	0.57	23.33	13.73	19.98	46.26

1. Exposure to earthquakes, tsunamis, cyclones, coastal floods, riverine floods, drought and sea-level rise
2. Vulnerability is composed of Susceptibility, Lack of coping capacities and Lack of adaptive capacities.
3. Susceptibility is dependent on socio-economic development, social disparities and deprivations, and the weakening of the population through violence, disasters, and diseases.
4. Lack of coping capacities related to social shocks, political stability, health care, infrastructure, and material security
5. Lack of adaptive capacities related to developments in education and research, reduction of disparities, investments, and disaster preparedness

Source: World Risk Report 2023, Industry reporting, Twimbit analysis

8. Presence of raw materials mitigates construction costs

Real estate developers capitalise on the growing data centre market by providing essential infrastructure like physical space, power, and connectivity.

This symbiotic relationship offers significant growth opportunities – increased investments, job creation, and urban development.

Additionally, Saudi Arabia's abundant raw material resources have helped overcome the high construction costs of new data centre projects.

9. Nationwide digital infrastructure boost driven by tech-savvy population and government support that fuels data centre growth

The proliferation of digital devices, social media platforms, e-commerce marketplaces, and IoT applications has necessitated the emergence of robust data centre infrastructure capable of efficiently storing, processing, and analysing vast datasets. This surge in demand is underpinned by

- Burgeoning tech-savvy population
- Surge in the smartphone and internet penetration rates
- Meteoric rise of social media and e-commerce platforms within Saudi Arabia.

These factors collectively present a lucrative opportunity for data centre providers to capitalize on the exponential growth of data.

Moreover, the Saudi Arabian government's strategic focus on attracting foreign investment and economic diversification has created a conducive environment for international data centre players. The influx of global expertise and advanced technologies is poised to significantly enhance the domestic data centre landscape.

C. Key Challenges of Saudi Arabia Data Centre Market

1. Lack of skilled workforce poses data centre growth challenges

Saudi Arabia's data centre market is undergoing exponential growth, aligned with the ambitious objectives outlined in Vision 2030. However, the realization of this potential is impeded by a pronounced dearth of critical talent. The industry is grappling with a significant shortage of qualified personnel adept in data centre operations and management, which is adversely impacting facility efficiency.

Some of the key factors which contribute to this talent scarcity includes

- The domestic talent pool possessing requisite data centre management experience is limited, creating a substantial gap between supply and industry demand.
- Additionally, the prevalence of English as the lingua franca within the data centre domain poses challenges for Saudi Arabian professionals.
- The unique operational environment and potential relocation requirements inherent to data centre roles may also deter a segment of the workforce.

Furthermore, while the nation's commendable nationalization initiatives aim to enhance Saudi participation, they concurrently present hurdles for organizations. Identifying and nurturing a domestic talent pipeline within the specialized domain of data centre operations has emerged as a formidable challenge.

2. Elevated capital expenditures and operational expenses pose significant barriers to data centre development

In 2023, premium construction costs averaged ~USD10 million per MW in the KSA. This represents a substantial premium of nearly 20% compared to regional counterparts such as the UAE. Moreover, the acquisition of suitable land parcels has led to increased upfront investments.

The power grid infrastructure in certain regions also required upgradation. This can deter operators from pursuing hyperscale data centre projects. As a result, they would need to invest heavily in UPS systems and generators.

3. Cybersecurity threats necessitate the requirement of robust security protocols to safeguard critical information

Data centres bear inherent vulnerability due to the storage of sensitive data. Hence, robust security protocols are necessary to safeguard critical information.

Increasing cyber-attacks have also prompted data centres to implement the latest and most advanced security measures, ranging from firewalls and encryptions to intrusion detection systems.

Recent research from Tenable highlights that nearly 40% of cyberattacks against Saudi Arabia during 2022 and 2023 were successful. 62% of respondents also identified cloud infrastructure as a high-risk area within their organisations.

4. Saudi Arabia's data centre industry faces significant environmental and operational hurdles

Saudi Arabia ranked higher than its Middle Eastern counterparts in exposure and vulnerability (World Risk Report 2023). This is because the arid climate, water scarcity and extreme temperatures have hindered Saudi Arabia's efforts to achieve eco-friendly operations and efficient cooling.

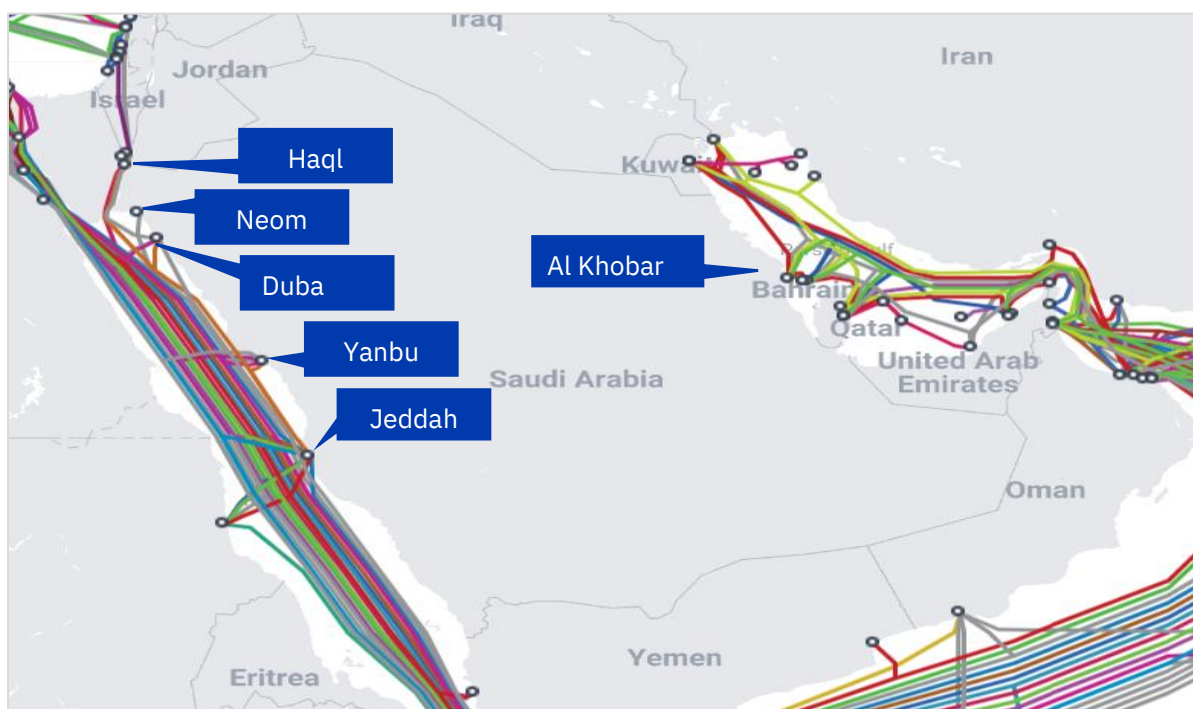
Other hurdles include the corrosive nature of sandstorms that can accelerate the deterioration of cooling and mechanical systems. As a result, this can lead to increased operational expenses and reduced equipment lifespan in data centre infrastructure.

Hence, data centre operators need to focus on energy-efficient cooling solutions and environmentally responsible practices. However, the lack of advanced cooling technologies currently adds difficulties in Saudi Arabia's pursuit for environmental sustainability.

D. Global submarine connectivity

Saudi Arabia stands as a leading data centre market in the Middle East, characterised by robust and expanding connectivity facilitated by ongoing submarine cable deployments. The nation's strategic geographic position between Asia, Africa, and Europe grants it privileged access to the numerous subsea cables traversing the Red Sea and the Persian Gulf.

Exhibit 6: Saudi Arabia global submarine cable connectivity, Q2-2024



Source: Submarine Cable Map, Industry reporting, Twimbit analysis

As per research findings, Saudi Arabia is connected to nearly 15 submarine cables as of date, with most of the landing points in Jeddah in addition to Al Khobar and Duba.

Exhibit 7: List of Submarine cables connecting Saudi Arabia, Q2-2024

Submarine Cable	Estimated length (in km)	RFS	Owners*	Landing points
FLAG Europe-Asia (FEA)	28,000	Nov-1997	Global Cloud Exchange	• Jeddah
SeaMeWe-3	39,000	Sep-1999	e&-UAE, Omantel, Saudi Telecom, Telecom Egypt, Turk Telekom and Others**	• Jeddah
Saudi Arabia-Sudan-1 (SAS-1)	333	Apr-2003	Saudi Telecom, The Arab Investment Company	• Jeddah

SeaMeWe-4	20,000	Dec-2005	Etisalat UAE, Saudi Telecom, Telecom Egypt and Others**	• Jeddah
FALCON	10,300	Sep-2006	Global Cloud Exchange	• Al Khobar • Jeddah
SEACOM/Tata TGN-Eurasia	15,000	Jul-2009	SEACOM, Tata Communications	• Jeddah
IMEWE	12,091	Dec-2010	Etisalat - UAE, Ogero, Saudi Telecom, Telecom Egypt and Others**	• Jeddah
Europe India Gateway (EIG)	15,000	Feb-2011	Omantel, Saudi Telecom, Telecom Egypt, du and Others**	• Jeddah
Saudi Arabia-Sudan-2 (SAS-2)	330	Jul-2011	Saudi Telecom, Sudatel	• Jeddah
Gulf Bridge International Cable System/Middle East North Africa Cable System (GBICS/MENA)	5,270	Feb-2012	Gulf Bridge International	• Al Khobar
Tata TGN-Gulf	4,031	Feb-2012	Tata Communications	• Al Khobar
Asia Africa Europe-1 (AAE-1)	25,000	Jun-2017	Etisalat - UAE, Mobily, Omantel, Ooredoo, TeleYemen, Telecom Egypt and Others**	• Jeddah
PEACE Cable	25,000	Mar-2022	Peace Cable International Network Co. Ltd	• Jeddah
Saudi Vision	1,071	May-2023	Saudi Telecom	• Duba • Haql • Jeddah • Yanbu

* Includes only major participating telcos/entities from the Middle East region

** Others include other telcos apart from the mentioned

Source: Submarine Cable Map, Industry reporting, Twimbit analysis

There are 6 upcoming submarine cables expected by 2025, with landing points expected in Duba, Haql, Yanbu and Neom. This will help enhance the country's submarine cable connectivity of the country with other external geographies.

Exhibit 8: List of upcoming Submarine cables connecting Saudi Arabia, Q2-2024

Submarine Cable	Estimated length (km)	RFS	Owners	Landing points
Africa-1	10,000	Q4-2024	Etisalat UAE, G42, Mobily, Omantel, TeleYemen, Telecom Egypt and Others**	• Duba
2Africa	45,000	2024	Saudi Telecom, Telecom Egypt and Others**	• Duba • Al Khobar • Jeddah • Yanbu
Raman	7,028	2025	Google, Omantel, Sparkle	• Duba
ANDROMEDA	NA	2025	Grid Telecom, Tamares Telecom	• Haql
SeaMeWe-6	21,700	2025	Batelco, Mobily, Telecom Egypt, Transworld and Others**	• Yanbu
India Europe Xpress (IEX)	9,775	2025	China Mobile, Reliance Jio Infocomm	• Neom • Yanbu

* Includes only major participating telcos/entities from the Middle East region

** Others include other telcos apart from the mentioned

Source: Submarine Cable Map, Industry reporting, Twimbit analysis


4. Competitive landscape

Saudi Arabia's data centre market thrives with Vision 2030, with global and local providers enhancing competitive intensity.

Established co-location operators such as Saudi Telecom Company (stc), Mobily, Gulf Data Hub, NourNet, and GO Telecom (Etihad Atheeb Telecom) maintain a strong market presence. The growth is further supported by global giants. Google's recent partnership with Aramco to establish a cloud and data centre region exemplifies this trend.

The sector is further invigorated by the influx of new entrants, actively developing data centre facilities or announcing their imminent entry. EDGNEX Data Centres by DAMAC, Quantum Switch Tamasuk, and Agility represent some of the prominent newcomers poised to shape the market landscape.

Exhibit 9: Key players in the Saudi Arabian Data Centre market, Q2-2024

Local Telcos	Cloud Providers	GCC operators	Local players	International operators
    	     	 	    	

Note: This is not an exhaustive list

Source: Industry reporting, Twimbit analysis

The market anticipates a surge in hyperscale data centres. A prime example is Quantum Switch Tamasuk's (QST) ambitious project. It aims to develop six facilities across key cities like Jeddah and Riyadh, with a combined power capacity of 300 MW by 2026.

The rise of edge computing and AI will also necessitate localised data processing, creating opportunities for smaller, specialised data centres. With its strategic location and government backing, Saudi Arabia is poised to become a regional data centre powerhouse, attracting both domestic and international players.

Riyadh and Jeddah lead in terms of the number of data centres present. Tier 3 and Tier 4 data centre categories dominates the Saudi Arabian market, with data centre providers predominantly operating/owing nearly 60% of the data centres.

Exhibit 10: List of Data centres in Saudi Arabia, Q2-2024

Data centre	Data centre Owner	Owner Type	Location	Tier
DETASAD Gornatha	Detecon	Telco	Riyadh	Tier 4
GO Datacenter	GO Telecom	Telco	Riyadh	Tier 3
Jawraa	Jawraa Co.	DC provider	Riyadh	Tier 3
Maksab-PNU DC	Saudi Maksab Holdings	DC provider	Riyadh	Tier 3
Mobily Malga2	Mobily	Telco	Riyadh	Tier 4
Mobily Malga1	Mobily	Telco	Riyadh	Tier 2
Mobily Sulay	Mobily	Telco	Riyadh	Tier 2
Nashirnet DC	Nashirnet	DC provider	Riyadh	Tier 3
Shabakah Net	Shabakah Net	DC provider	Riyadh	Tier 2
NourNET Riyadh	Nourcom	DC provider	Riyadh	Tier 3
Gateway Gulf	Gateway Gulf	DC provider	Riyadh	Tier 4
Riyadh T2	Salam	DC provider	Riyadh	Tier 2
EDGNEX Riyadh RUH-1	EDGNEX	DC provider	Riyadh	NA
SAHARA NET	SAHARA NET	DC provider	Dammam	NA
EDGNEX Dammam	EDGNEX	DC provider	Dammam	Tier 3
NourNet Dammam	NourNet	DC provider	Dammam	Tier 3
Gateway Gulf DC	Electronia	DC provider	Dammam	NA
Mobily Adamah	Mobily	Telco	Dammam	Tier 3
Gulf Data Hub	Gulf Data Hub	DC provider	Dammam	NA
Mobily Jeddah 2	Mobily	Telco	Jeddah	Tier 3
Gulf Data Hub KAUST 1	Gulf Data Hub	DC provider	Jeddah	Tier 2
Salam Jeddah	Salam	Telco	Jeddah	Tier 3
Khobar CLS	Salam	DC provider	Al Khobar	Tier 3
Mobily Medinah	Mobily	Telco	Madinah	Tier 2
Mobily Uaizah	Mobily	Telco	Unaiza	Tier 2

DC provider: Refers to Data centre provider or Data centre infrastructure provider.













Source: Company sources, Industry reporting, Twimbit analysis




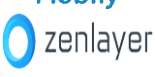










5. Key strategic developments

A. Key partnerships in Saudi Arabia Data centre market

- Several key partnerships are propelling Saudi Arabia's data centre market forward. Collaborations between domestic and international companies are establishing a robust cloud infrastructure, fostering innovation in areas like gaming and construction, and enhancing data centre capabilities.
- This growth is fueled by select major partnerships involving major players like Oracle, Google Cloud, and Tencent, solidifying Saudi Arabia's position as a regional technology leader.

Exhibit 11: Key partnerships in Saudi Arabia Data centre market

Period	Participating companies	Description
Apr-2024	  Google Cloud	<ul style="list-style-type: none"> Odoo, a leading open-source business software provider, has enhanced its offerings in Saudi Arabia by introducing a local data hosting solution in partnership with Google Cloud. This solution leverages Google's data centre in Dammam to provide a secure and reliable platform for SaaS and Odoo.sh customers.
	  Microsoft	<ul style="list-style-type: none"> Al Moammar Information Systems Company (MIS) entered into an agreement with Microsoft Arabia and Saudi Data Centre Fund. Provides co-location and data centre services, with a projected value exceeding 50% of MIS's 2023 annual revenue.
Mar-2024	 Alibaba Cloud <small>SCCC Operating Saudi Region</small>  eWTP ARABIA CAPITAL  SCAI	<ul style="list-style-type: none"> Chinese game developer iDreamSky partners with SCCC Alibaba Cloud (a collaborative venture between Alibaba Cloud and STC Group), eWTP Arabia Capital, SITE, and SCAI in a Saudi Arabian MoU. Aims to pool resources and expertise to propel the growth of the video gaming and e-sports landscape within the Kingdom.
Feb-2024	  Google Cloud	<ul style="list-style-type: none"> Fortinet partnered with Google Cloud to facilitate Google's new cloud launch in Saudi Arabia and offer high-performance, low-latency cloud services to Middle East organisations.
Nov-2023	   HYUNDAI <small>ENGINEERING & CONSTRUCTION</small>	<ul style="list-style-type: none"> stc, alongwith KT (Korea Telecom) and Hyundai Engineering & Construction (Hyundai E&C), signed a landmark 50-year MoU for Saudi Arabia's digital

		transformation, including the construction of data centre facilities within the Kingdom.
Nov-2023	 	<ul style="list-style-type: none"> INGENIOUS.BUILD collaborated with Google Cloud to accelerate digital transformation within the Saudi construction sector by combining INGENIOUS' expertise with Google Cloud's advanced technologies.
Oct-2023	 	<ul style="list-style-type: none"> Mobily partnered with Zenlayer to deliver high-performance edge computing and connectivity services. This partnership caters to businesses deploying infrastructure in Saudi Arabia, with the potential to expand beyond the Kingdom's borders.
Sep-2023	 	<ul style="list-style-type: none"> Saudi ICT service provider Saudi Call signed a Memorandum of Understanding (MoU) with China Mobile International (CMI) and Lumaotong Group (LMT), to develop data centres across Saudi Arabia will target Tier III and IV standards and will be in major cities, including Jeddah, Riyadh, Dammam, and NEOM.
Aug-2023	 	<ul style="list-style-type: none"> Center3 has announced a collaboration with Oracle to offer hosting and data services for the upcoming Oracle Cloud Riyadh region and support the expansion of the existing Jeddah region.
Jul-2023	 	<ul style="list-style-type: none"> EDGNEX Data Centres by DAMAC collaborated with Cinturion to develop a new digital infrastructure hub in Saudi Arabia's King Abdullah Economic City (KAEC). This collaboration encompasses a cable landing station (CLS) and an international submarine cable project, bolstering connectivity within the region.
Feb-2023	 	<ul style="list-style-type: none"> Saudi Aramco and Zoom partnered to construct a new data centre facility within Saudi Arabia. This partnership aligns with initiatives to drive digital transformation across the Kingdom.
	 	<ul style="list-style-type: none"> Tencent signed an MoU with Mobily to provide cloud solutions and services within the Kingdom. Under this agreement, Mobily will manage and lead data centre hosting and associated ICT infrastructure.









Note: This is not an exhaustive list

Source: Company sources, Industry reporting, Twimbit analysis

B. Key contracts in the Saudi Arabia Data centre market

- Some of the major data centre contracts propelling advancements in Saudi Arabia's data centre landscape are driven by companies like Al Moammar Information System, DataVolt and Edarat.
- These initiatives underscore the focus on enhanced efficiency, scalability, and data accessibility within the Kingdom.

Exhibit 12: Key contracts in Saudi Arabia Data centre market

Period	Participating companies	Description
Jun-2024	 	<ul style="list-style-type: none"> • Al Moammar Information Systems (MIS) awarded Edarat a contract valued at SAR 125.7 million. • This partnership ensures comprehensive support and maintenance services for the data centre facilities associated with Sahyab projects in Riyadh and Dammam. • The contract encompasses management, operation, and maintenance of these facilities, commencing in Q2-2024 and extending through the end of FY-2025.
Mar-2024	 	<ul style="list-style-type: none"> • Schneider Electric and DataVolt partnered to offer data centre solutions in Saudi Arabia. • DataVolt will leverage Schneider Electric's EcoStruxure solutions to build digital infrastructure and tailored energy management services for hyperscale data centres.
	 	<ul style="list-style-type: none"> • Lenovo and Edarat partnered to jointly accelerate Saudi Arabia's digital transformation by leveraging Lenovo's expertise in the development of innovative technology solutions, coupled with Edarat's local knowledge and experience.
	 	<ul style="list-style-type: none"> • Armada partnered with Edarat Group, to enable businesses and communities leverage data, to bridge the digital divide by leveraging generative AI, edge computing, and predictive models. • Edarat will deploy Armada's modular "Galleon" data centres across the GCC and MENA region, to enable customers integrate Armada's full-stack edge infrastructure with Edarat Sovereign Cloud, to enable low-latency, high-performance compute, and AI services at the edge.









Note: This is not an exhaustive list






Source: Company sources, Industry reporting, Twimbit analysis

C. Key Data centre launches and initiatives in Saudi Arabia

- The Kingdom of Saudi Arabia is experiencing a surge in data centre investments and cloud service deployments. Major players like Google Cloud, Oracle, Huawei, and Cisco are establishing a presence, while local providers like stc and TONOMUS are expanding their facilities.
- This growth strengthens Saudi Arabia's digital security posture and empowers businesses with secure, localised data storage solutions.

Exhibit 13: Key Data centre launches and initiatives in Saudi Arabia

Period	Company	Description
Jun-2024	 CLOUDFLARE	<ul style="list-style-type: none"> • Cloudflare further expanded its regional services to Saudi Arabia, which is amongst 19 countries, as a part of new regional localisation efforts in the Middle East market.
	 infobip	<ul style="list-style-type: none"> • Infobip has established a strategic presence in the Kingdom of Saudi Arabia (KSA), which has been marked by the launch of its domestic operations and the deployment of its first data centre in Riyadh. • The localised infrastructure ensures data residency and adherence to international data security standards.
Mar-2024	 sprinklr	<ul style="list-style-type: none"> • Expanding its Middle Eastern presence, Sprinklr announced a local data hosting solution for the Sprinklr platform on Google Cloud within Saudi Arabia. This empowers customers to comply with regional security, privacy, and governance regulations.
Nov-2023	 Google Cloud	<ul style="list-style-type: none"> • Google Cloud expanded its global reach with the launch of its first cloud region in Dammam, Saudi Arabia. This new region features three availability zones to ensure high availability and scalability for customers.
	 QuestionPro	<ul style="list-style-type: none"> • QuestionPro launched a new local data centre in Saudi Arabia to facilitate secure storage of sensitive data within the Kingdom's borders and address the data localisation and sovereignty concerns.
Sep-2023	 HUAWEI	<ul style="list-style-type: none"> • Huawei Technologies has launched its cloud services in Riyadh, Saudi Arabia. This initial deployment leverages a single availability zone within a Center3 (stc) data centre facility. Future expansions are planned to create a full 3AZ architecture for enhanced redundancy.
Jul-2023	 center3	<ul style="list-style-type: none"> • Center3, the data centre arm of stc Group, has successfully expanded its Khurais facility in Riyadh by 9.6MW to cater for the demanding needs of global hyperscalers.
	 TONOMUS. NEOM	<ul style="list-style-type: none"> • TONOMUS (ZeroPoint DC) has unveiled a new data centre facility in NEOM, Saudi Arabia's futuristic city. This facility will play a pivotal role in facilitating 5G, satellite

		connectivity, improved fibre infrastructure, and private cloud services within the NEOM region.
Jun-2023		<ul style="list-style-type: none"> In a move to strengthen Saudi Arabia's digital security landscape, Cisco Systems has announced plans to establish a cloud-delivered security facility within the Kingdom. This strategic initiative is expected to be operational by mid-2024, aiming to empower organisations with enhanced protection for users, infrastructure, and investments.
May-2023		<ul style="list-style-type: none"> DigitalBridge partnered with Saudi Arabia's Public Investment Fund (PIF) to establish a network of new data centres across the Kingdom, to bolster the data centre infrastructure and support its digital transformation goals.
Mar-2023		<ul style="list-style-type: none"> Agility, a leading Kuwaiti logistics real estate firm, has announced plans to develop a dedicated data centre campus within its Riyadh logistics parks.
Feb-2023		<ul style="list-style-type: none"> EDGNEX Data Centres by DAMAC (formerly EDGNEX) announced a USD 600 million expansion plan for its data centre facilities in Riyadh and Dammam in phases expected to be completed by 2025.
		<ul style="list-style-type: none"> Oracle announced the opening of its third public cloud region along with investment of USD 1.5 million in Saudi Arabia to address the growing demand for cloud services.



Note: Not an exhaustive list

Source: Company sources, Industry reporting, Twimbit analysis

D. Other key developments in Saudi Arabia data centre market

- Leading technology firms, Vertiv and Toshiba Gulf FZE, are strengthening their presence in the Middle East by establishing regional headquarters and data centre solutions initiatives in Saudi Arabia. This strategic move caters to the Kingdom's flourishing tech sector and positions them to serve the broader region.

Exhibit 14: Key Data centre launches and initiatives in Saudi Arabia

Period	Company	Description
Apr-2024	 VERTIV	<ul style="list-style-type: none"> Vertiv further solidified its commitment to the Middle East and Levant region by establishing its new regional headquarters in Riyadh, Saudi Arabia. This strategic expansion positions Vertiv to better serve the local market and neighbouring countries with its data centre infrastructure and services requirements.
Oct-2023	TOSHIBA	<ul style="list-style-type: none"> Toshiba Gulf FZE (a subsidiary of Toshiba Corporation managing the MEA region for storage solutions) unveiled its "Build Your Own Data Centre" initiative across the Middle East and Africa. This program empowers its channel partners to adapt to the data-driven future by optimising costs and performance when building data centres.
Jul-2023	 MIS	<ul style="list-style-type: none"> Al Moammar Information Systems (MIS) announced the establishment of a wholly owned subsidiary The subsidiary will be focused on data centre operations – managing, operating, and marketing data centre facilities in Saudi Arabia.

Note: Not an exhaustive list

Source: Company sources, Industry reporting, Twimbit analysis

6. Key trends in Saudi Arabia Data centre market

A. 5G coverage expansion by telcos continue to drive demand for robust data centre infrastructure to support growing data needs

Saudi Arabia's telecommunications landscape is characterized by the robust presence of key players, including Saudi Telecom Company (stc), Mobily, and Zain KSA. Recognizing the transformative potential of 5G technology, these telecommunications giants have been at the forefront of deploying 5G services nationwide.

The Kingdom's 5G journey commenced in October 2019, with stc spearheading the initiative. Underscoring its commitment, stc unveiled a substantial network expansion plan in October 2023, targeting coverage across 75 cities and governorates. As of Q1 2024, Zain KSA demonstrated impressive network penetration, achieving 99% population coverage, including 94% for 4G and 65% for 5G. Mobily has also made significant strides, with its 5G network encompassing 52 major cities and leveraging over 5,900 sites, thereby providing 5G accessibility to over 84% of the population in the Kingdom's seven largest urban centres.

To optimize network costs and enhance user experience, the strategic deployment of edge data centres is gaining prominence. This decentralized approach involves establishing numerous edge facilities connected to a central, high capacity hyperscale data centre. As 5G technology proliferates and data generation accelerates, the demand for robust data centre infrastructure is poised to escalate in tandem, necessitating substantial investments to accommodate the expanding data landscape.

B. Saudi Arabia's Data centre market continues to grow, fuelled by Innovation and Investment by leading technology vendors

Government initiatives aimed at digital transformation and a burgeoning demand for digital services are creating fertile ground for investment. The LEAP 2024 conference served as a powerful testament to this trend, witnessing announcement of numerous launches and investments exceeding USD 1.5 billion and total cumulative investment during this edition reached a staggering USD 13.4 billion.

Several prominent industry players have announced substantial investments over the past year and a half, illustrating the sector's growing appeal:

- **AWS:** In Mar-2024, AWS pledged a commitment exceeding USD 5.3 billion to be invested by 2026 for the establishment of data centres planned to be operational by that same year.

- **Datavolt:** This Saudi Arabian data centre provider announced a USD 5 billion investment plan in Mar-2024, earmarked for the construction of data centres with a combined capacity exceeding 300 MW.
- **ServiceNow:** Announced a direct investment of USD 500 million in Mar-2024, encompassing the creation of two dedicated data centres within the Kingdom. This initiative aims to facilitate business transformation, job creation, and the development of crucial digital skills.
- **Huawei:** In Feb-2024 marked the announcement of Huawei's USD 400 million investment plan, to be directed towards the development of the Saudi Arabian cloud region over the period 2023-2027.

C. Sustainable solutions for Saudi Arabia's Data centre landscape gain traction, as its aims for net-zero by 2060

Saudi Arabia has embarked on an ambitious sustainability journey, with a resolute commitment to achieving net-zero carbon emissions by 2060. The Saudi & Middle East Green Initiatives are at the forefront of this endeavor, targeting a substantial 278 mtpa reduction in carbon emissions by 2030. A cornerstone of this strategy is the accelerated transition to renewable energy sources, with an aspirational goal of deriving 50% of the nation's power from renewable energy by 2030.

Recognizing the unique challenges posed by the region's arid climate and water scarcity, data centre operators and vendors are prioritizing sustainability in their operations. Minimizing heat generation and optimizing cooling systems to conserve water have become paramount. The abundance of solar energy in the region offers a compelling solution, promising both cost-efficiency and environmental benefits.

As the data centre landscape in Saudi Arabia expands, sustainable power consumption has emerged as a critical imperative. Operators are actively exploring renewable energy integration to reduce their carbon footprint. A pivotal development was the October 2023 Memorandum of Understanding between Aurum Equity Partners and Al Nowais Group to construct a 50MW data centre featuring cutting-edge technology, a sustainable design, and robust security measures. Similarly, agility, a Kuwaiti logistics real estate firm, announced plans in March 2023 to develop a 25MW data centre in Saudi Arabia, with over 10MW of power generated from solar energy.

The NEOM Green Hydrogen Project stands as a testament to Saudi Arabia's commitment to a green future. This groundbreaking initiative aims to produce large-scale green hydrogen in the visionary city of NEOM, positioning the region as a global hub for innovation and sustainability.

To optimize data centre operations and ensure long-term sustainability, a multifaceted approach is essential. Upgrading cooling systems with energy-efficient

technologies is paramount. Integrating renewable energy sources, such as solar and wind power, is crucial to reducing carbon emissions. Deploying edge computing solutions closer to data sources can enhance network performance and efficiency. Finally, adopting modular and scalable data centre designs provides the flexibility to adapt to evolving business needs and optimize resource utilization.

D. Saudi Arabia data centre market tightens amidst strong regional demand

Data centre availability in Saudi Arabia is experiencing a significant decline, as evidenced by falling vacancy rates. A Q3-2023 report from Knight Frank indicates a substantial decrease in vacancy, reaching just over 30% in Q3-2023, compared to approximately 38% two years prior.

This trend is projected to continue due to robust regional demand from hyperscale cloud providers and burgeoning domestic service providers within Saudi Arabia.

E. Saudi Arabia shifts data center investments from traditional hubs to emerging tech cities like Neom and Al Khobar.

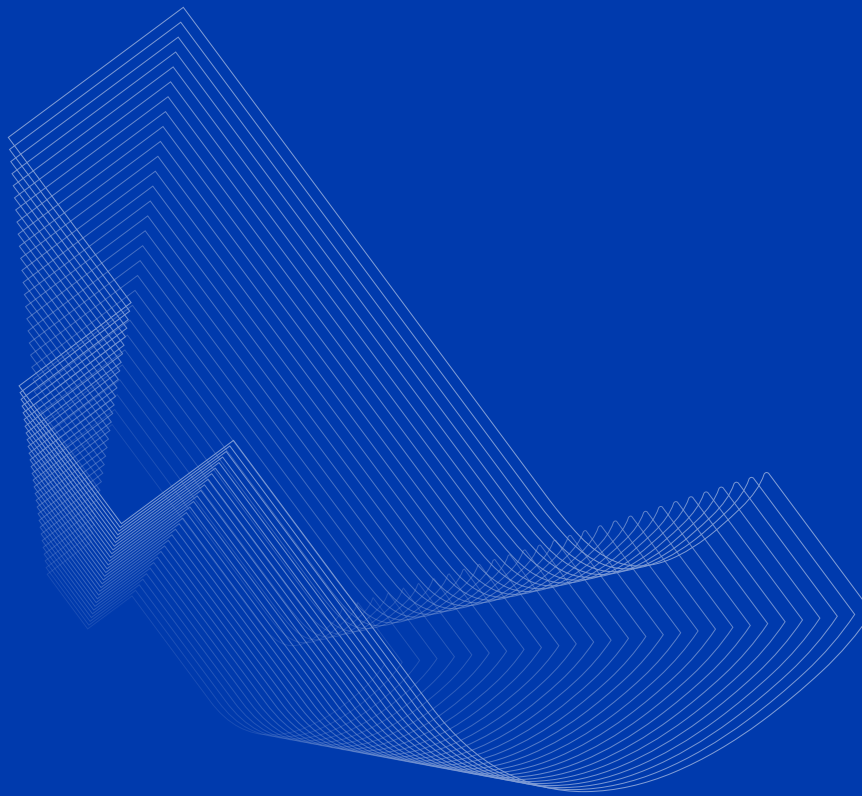
Historically, data centre investments within the Kingdom of Saudi Arabia have exhibited a centralised focus, with Riyadh, Jeddah, and Dammam attracting most of the capital pre-2023. However, a discernible shift is underway. The geographic landscape of investment is expanding to encompass emerging technology hubs. Notably, significant future investment is anticipated in Neom, the nation's futuristic smart city project, alongside the growing metropolis of Al Khobar.

Research Methodology and Assumptions

- The “Saudi Arabia Data centre market insight - 2024” report provides an overview of the data centre market in Saudi Arabia including Macroeconomic overview, Regulatory landscape, Market opportunity, Competitive landscape, key Drivers and Challenges and major trends prevailing.
- Key aspects covered in the report offers insights related to different ecosystem players in the Saudi Arabian data centre market.
- The report involves exclusive secondary research and primarily leverages company websites and publicly disclosed information from major cloud service providers.
- To maintain consistency and enable accurate comparisons, the report applies a constant currency conversion rate (wherever applicable), reflecting the average USD exchange rate for January - December 2023.
- The data presented in this report is based on the most current information available at the time of compilation. As such, it may not reflect subsequent developments. This report is intended for informational purposes only and should not be relied upon as a substitute for independent research.

Recommended by Twimbit:

- Saudi Arabia telcos performance benchmarks - July 2024
- Middle East telcos performance benchmarks - Spring 2024 (Q1 2024 edition)
- Global telcos performance benchmarks - Spring 2024 (Q1 2024 edition)
- Cloud stories - Summer 2024 (Q2 2024 edition)



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