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India's data center capacity to top 1.3 GW, grow 2.4 times by 2024

Synopsis
The Indian data center industry's capacity addition between 2022 and 2024 would result in the creation of 9.7 million sq ft of real estate space for this new capacity across India's leading cities.

Capacity expansion by existing and new players in the data centre industry is expected to result in an additional capacity of 804 MW during 2022-2024, translating into 34% compounded annual growth rate for the period, showed a JLL India study.

Mumbai and Chennai are expected to witness higher growth owing to their infrastructure advantages. As a result, both cities will account for 68% of the total capacity in 2024.

The addition of a new cable landing that would connect these cities, going forward, would also lead to higher bandwidth. However, landlocked locations like NCR-Delhi would also see growth in capacity addition due to government-led digital initiatives and data demand. Proactive state policies, meanwhile, are creating Hyderabad into an emerging location for hyperscale cloud players.

A large share of this new data center supply has been pre-committed by hyperscale and is expected to become operational in the next three years.

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Since data center construction is driven by the design specifications of each operator, the nature of this capacity addition would differ across DC hubs in the country. However, DC hubs in India are most competitive in terms of land, construction, mechanical, electrical and plumbing costs.

"Owing to its high share of capacity addition, Mumbai is expected to create demand for 6.18 million sq ft, going forward. The comparatively high land cost of the city vis-à-vis other data center hubs will lead to a higher outlay of $3.3 billion for setting up data centres in the city. As Chennai has similar advantages, it would follow with 2.03 million sq ft of real estate space addition at an investment of $1 billion," said Rachit Mohan, Head, Data Centre Advisory, India, JLL.

The strong demand growth has been matched by a supply addition of 119 MW

during the year, registering a growth of 23% over 2020. Mumbai, Pune, and Chennai together accounted for 83% of the total supply during 2021. Data center operators have been following a land banking strategy to provide scalable and seamless options for hyperscale cloud players.

In the Mumbai region, Navi Mumbai has emerged as a preferred location due to its high-capacity power station, developed territorial cable connectivity, and availability of land at a lower cost than the mainland. Hyperscale cloud players have been exploring various availability zones to ensure seamless operations. The expected growth in demand is likely to lead to strong capacity addition during 2022-2024.

The demand momentum for the data center that picked up during 2020 has gained pace, with an estimated absorption of 116 MW during 2021, a 14% year-on-year increase. Hyperscale cloud players accounted for 69% of this absorption, as pre-committed capacities were delivered during the year. Hyperscale cloud allows businesses to expand their IT infrastructure based on its demand. Mumbai accounted for 53% of the total absorption as the preferred location of leading cloud players.

The sector's three basic conditions of power supply, connectivity and customer base are amply provided by the city, making it the default location of data center operators. Pune accounted for 21% of the total absorption, followed by Chennai at 15%. The need to diversify across regions, as well as the emergence of strategic locations and favorable regulatory policies, is leading to an expansion trend across India's key data center hubs.