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**THE RACE FOR AI-LED DATA CENTRES IN ASIA**

**As competition grows to attract investment in artificial intelligence (AI), the data centre market in Asia, including Viet Nam, is seeing strong interest, with a sharp rise in new developments.**

The global data centre market reached new heights in 2024, driven by the growing demand for generative AI, which has triggered a new wave of investment. McKinsey’s analysis of current trends suggests that global demand for data centre capacity could rise at an annual rate of between 19 and 22% from 2023 to 2030 to reach an annual demand of 171 to 219 gigawatts (GW). A less likely yet still possible scenario sees demand rising by 27% to reach 298 GW. This contrasts with the current demand of 60 GW.

In a record-breaking year, major tech firms, including Amazon, Microsoft, Meta, and Alphabet, were on track to collectively invest over US$200 billion of capital expenditure in 2024, predominantly in data centres and AI-driven tools.

This investment boom is expected to continue. Microsoft, for example, has unveiled a US$128 billion investment plan for AI infrastructure and data centres globally for fiscal year 2025, including plans to deploy US$3 billion in India over two years and US$2.9 billion in Japan. President Trump has also announced a significant investment into AI worth, potentially, hundreds of billions. A new venture called Stargate will initially invest US$100 billion to build an AI data centre. Total investment could climb to US$500 billion.

**Rising Investment in Asia**

Much of Asia’s current data centre supply is not yet designed to support AI servers. Most of the investment-grade facilities are colocation data centres with an IT load of 10-40MW concentrated in more mature markets. Hence, the race to develop AI-led data centres in the region is becoming more competitive.

According to MSCI Real Capital Analytics, the total transaction volume for data centre properties in Asia Pacific soared to US$21.6 billion in 2024, nearly ten times the investment of 2023. Australia dominated the region, accounting for 39% of the total transaction volume, followed by Japan (31%), Singapore (8%), and Hong Kong (8%).

In June 2024, a consortium consisting of KKR and Singapore Telecommunications (SingTel) made a US$1.3 billion investment in ST Telemedia Global Data Centres, a Singapore-based operator with a portfolio of more than 1.7GW of IT load, via redeemable preference shares, with detachable warrants. Upon exercise of the warrants in full, the consortium plans to inject an additional US$920 million.

Another prominent player in this field is the Canada Pension Plan Investment Board (CPPIB). It has formed a US$686 million Korean data centre joint venture with Pacific Asset Management Company to develop carrier-neutral hyperscale data centres in South Korea. CPPIB also has a venture with Japanese trading firm Mitsui & Co to build hyperscale facilities in Japan and a partnership with entities of Keppel Ltd to develop data centres in Asia Pacific and Europe.

In Southeast Asia, recognising the importance of data centres to economic benefits, ASEAN economies have launched national AI strategies, typically Singapore's NAIS 2.0, integrating technology into many different fields. Viet Nam's strategy for 2030 clearly identifies AI as a fundamental technology field of the 4th industrial revolution, contributing significantly to creating a breakthrough in production capacity, improving national competitiveness and promoting sustainable economic growth.

Commenting on the performance of data centres in Asia, Thomas Rooney, Associate Director, Industrial Services, Savills Ha Noi says: “There is strong leasing demand in tier-1 markets such as Seoul, Tokyo, Hong Kong, Kuala Lumpur, Singapore, and Bangkok. However, the growth of rental values has begun to slow and is in the late upswing cycle. Meanwhile, Tier-2 markets such as Johor, Ha Noi, Ho Chi Minh City, and Bengaluru, are gaining traction, positioned at the early stages of the upswing cycle with rising rental values”.

As the market becomes more competitive, yields for investment-grade properties in tier-1 locations are compressing, averaging around 5%, with rates ranging from 4% to 7%. Meanwhile, data centre development projects in emerging markets are offering higher yields, ranging from 9.5% to 10.5%, and are attracting growing interest from investors.

**Flexible to tackle challenges**

As demand for AI-driven activities continues to soar, a critical challenge for the industry remains the escalating hunt for power. The power supply is becoming an issue in markets that have traditionally attracted clusters of data centres. Many utilities find they have not been able to build out transmission infrastructure quickly enough, and there is concern that, at some stages, they may be unable to generate sufficient power.

Additionally, in some countries, concern about the pressure data centres exert on electricity grids, as well as the impact on national climate targets, have brought a complete halt to the building of new ones. Ireland, for instance, has stopped issuing new grid connections to data centres in the Dublin area until 2028. Ireland’s transmission system operator estimates that data centres will account for 28% of the country’s power use by 2031.

AI’s continued growth into 2025 will further intensify the demand for infrastructure, spotlighting the market’s navigation of land and power constraints amidst rising data centre demand.

“AI-driven data centres require two to five times more power than traditional cloud-based facilities, prompting a fundamental shift in design and site selection approaches. To address the issue, there is a need for the market to have more innovative solutions. To take advantage of the transformative power of AI and data centres, Viet Nam need to invest in infrastructure development, ensuring grid power, cybersecurity, raising data awareness and promoting data sharing. In addition, possessing high-quality human resources will also be a plus to attract investment to the markets” Thomas analyses.

Looking forward, Asia Pacific’s data centre market is poised for sustained growth as data centres have become the backbone of the digital economy, supporting the operation of a wide range of industries and enabling critical technologies. As AI continues to evolve, the need for sophisticated infrastructure will only intensify, creating new opportunities for investment and innovation.

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***Nếu có thắc mắc và câu hỏi, vui lòng liên hệ Bộ phận Truyền thông của Savills:***

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