



Market Insight Report Reprint

Malaysia MTDC market expects accelerated growth in the wake of pandemic-induced hyperscale expansion

June 2 2021

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Our new TBI report examines the overall size, scope and growth of the multi-tenant datacenter market in Malaysia. Malaysia's datacenter market is growing, particularly due to the COVID-19 pandemic, which has driven demand for digitalization and cloud-based services.

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Introduction

451 Research has released a new Technology & Business Insight (TBI) report, Malaysia: Leased Datacenter Market, which examines the overall size, scope and growth of the multi-tenant datacenter (MTDC) market in Malaysia.

This report is a follow-up to our 2018 report on Malaysia, which is an emerging datacenter market in the Southeast Asia region. Additionally, the report provides an overview of the competitive dynamics in the Malaysian market, a 451 Research Market Map of the competitors in the area, market share of the dominant providers, supply-demand and utilization trends, and discussion of planned MTDC builds.

THE 451 TAKE

Malaysia's datacenter market is finally seeing a breakthrough in growth, particularly due to the COVID-19 pandemic, which has driven demand for digitalization and cloud-based services. Local providers swiftly launched expansion of their facilities in anticipation of hyperscalers flooding into the market. Rapid expansion could lead to supply outpacing demand because it is highly dependent on the pace of hyperscalers entering the market. Providers could look no further than Microsoft, which took more than four years before Keppel came on board to build its facility in the Johor southern state.

Context

In the long term, growth will likely be anchored to retail colocation that could see steady demand from local enterprises, as well as the financial services sector complying with new risk management regulations. Tightening regulations on data localization could also shift demand to the domestic market. As cloud adoption gathers speed, the more traditional leased colocation providers are falling behind network-based providers with managed services offerings. Likewise, providers that are already in the market could reap the benefits by building fast to meet the demand, while some foreign investors could hesitate to make a move on the market due to the current political situation in the country.

This TBI long-format report provides current supply-demand and utilization trends in Malaysia, as well as market-specific analysis. It also highlights prominent MTDC providers in Malaysia and provides a market outlook for each. Our intended audience includes:

- Datacenter providers assessing market share, market positions and expansion opportunities
- Datacenter providers and telecommunications companies in other regions considering expanding to, or in, Malaysia
- Hosting and cloud providers considering datacenter leasing decisions and expanding to, or in, Malaysia
- Financial professionals considering investments in datacenter properties and companies
- Real estate and planning professionals interested in a Malaysia datacenter market analysis and provider-by-provider analysis of the MTDC space

In this latest report, MTDCs are considered multi-customer colocation and wholesale facilities. Single-user enterprise datacenters and single-tenant datacenters are specifically excluded from this analysis, with a few exceptions where knowledge of the datacenter's placement adds color to the overall market. Some of the report's key findings:

- The Malaysian datacenter market may have its best growth ahead with the entry and expansion by hyperscalers to meet growing domestic demand following the COVID-19 pandemic. Both wholesale and retail are likely to see growth, with demand for space growing by over 10% in 2021 and demand for power expected to rise by at least 10MW in 2021. Providers that are already in the market would have the advantage of moving fast to capture the demand, going by the slew of expansion activities planned and land deals transacted by the local companies.
- Despite the outlook, foreign investors are not rushing to pile into the market with Malaysia's continuing political uncertainty. The current administration has launched its MyDigital roadmap to outline plans for growth in hyperscale cloud adoption, but its policy changes on submarine cable network deal a blow to investor confidence.
- With long-standing high network connectivity cost, the Malaysian market remains localized and will likely continue to lag Singapore. However, it may be the next best alternative in the region as providers grapple with Singapore's moratorium on datacenter construction. Malaysia has plenty of land and offers other advantages such as attractive power tariffs and favorable government policies for foreign datacenter investors. The growth story in the region will likely continue as international financial institutions shift part of their regional operations to Singapore considering the growing Chinese oversight in Hong Kong.

451 Research would like to thank all the datacenter providers in Malaysia that contributed information for this report.

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