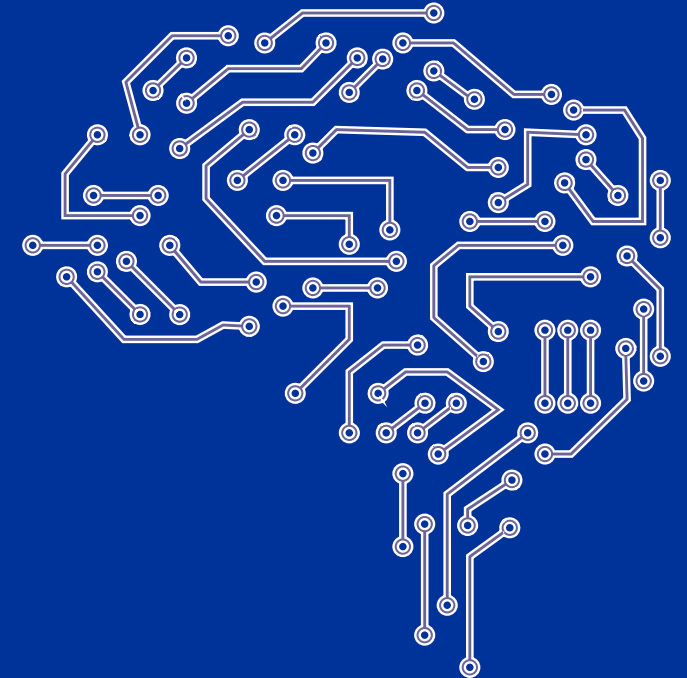


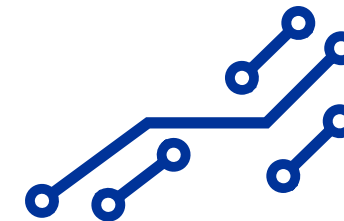
SOUTH AFRICA DATA CENTER MARKET BRIEFING

A strategic overview of the data center
investment opportunity in South Africa

A Xalam Analytics Country Report

July 2025



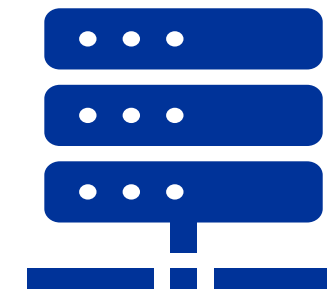


This report is part of a series of market briefs developed by Xalam Analytics at the behest of Digital Investment Facility (DIF) under the Data Governance in Africa Initiative, on the data center market opportunity in sub-Saharan Africa (“SSA”). This analysis aims to provide key insights into market demand and supply patterns for data center markets, business landscape, regulatory impact and investment returns. The research aims to provide potential investors and stakeholders with the latest information on the data center market in the SSA region.

This country review is based on our assessment of information and data as available to our research. It is further underpinned by our understanding of the marketplace along with market data and insights collected through continuous research. The numbers and estimates in this report are derived from a mix of sources, including estimates from Xalam Analytics’ economic models, data providers, regulator data and other sources as may be indicated.

This report is prepared with funds from the [Data Governance in Africa Initiative](#), a project financed by the European Union, Germany, Belgium, Estonia, Finland and France under the [Digital for Development \(D4D\) Hub](#). Its contents are the sole responsibility of Xalam Analytics and do not necessarily reflect the views of the funders.

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The South Africa data center investment case

A digital transformation, hyperscaler cloud and emerging AI opportunity in Africa's most mature economy



THE OPPORTUNITY

- **Africa's largest, and most industrialized economy;** South Africa is a regional economic and connectivity hub.
- **South Africa is a mature digital infrastructure market;** a compelling combination of scale and ultra highspeed broadband adoption – and still-deepening digitalization.
- **Africa's foremost connectivity hub;** excellent connectivity terrestrial and subsea diversity, with low wholesale fiber prices.
- **Deep enterprise demand and strong appetite for cloud services;** South Africa has a first-world corporate business structure, a deep services economy, large industry verticals; Africa's largest cloud market and by far, and a high-probability destination for global hyperscalers.
- **Strong data protection and localization framework** and flexible data center licensing regime, increasingly flexible power provisioning regime.

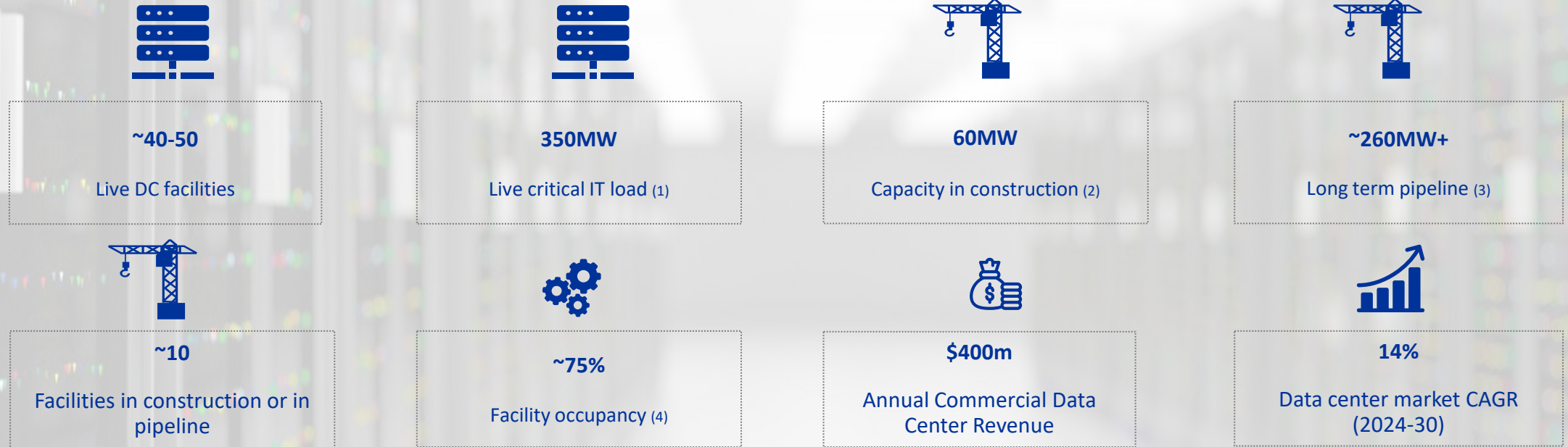


CHALLENGES & RISKS

- **Tough macro:** the South African economy has been in a general state of stagnation, the operating environment has been challenging for business.
- **Intensely competitive marketplace,** with pricing pressures.
- **Energy mix predominantly based on fossil fuels;** ~10% of energy from renewables.
- Relatively high power costs.
- **Some risk of oversupply,** given the market's large residual capacity.

South Africa data center market overview

Estimates as of 2024



(1) Capacity that is active, under lease or readily available for lease by third-party customers.

(2) IT load capacity from facilities currently in construction; construction has broken ground; ongoing civil works, installation and commissioning phases are in progress.

(3) Facilities explicitly announced or listed as in development. Some execution phases have been initiated (e.g. land control, energy supply commitments, etc.), but no actual civil works have been undertaken. Capacity expected to be available by the end of 2030.

(4) Percent of available capacity that is effectively being used by third party customers.

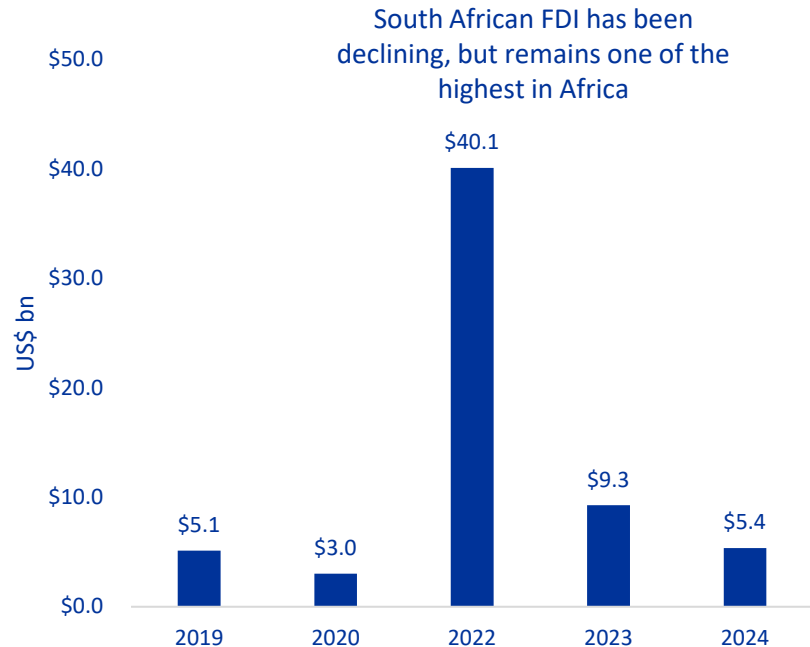
Sources: Xalam Analytics estimates, provider data

Key drivers of demand for data centers

Spending on digital infrastructure and transformation has been a bright spot in an otherwise slumping South African economy

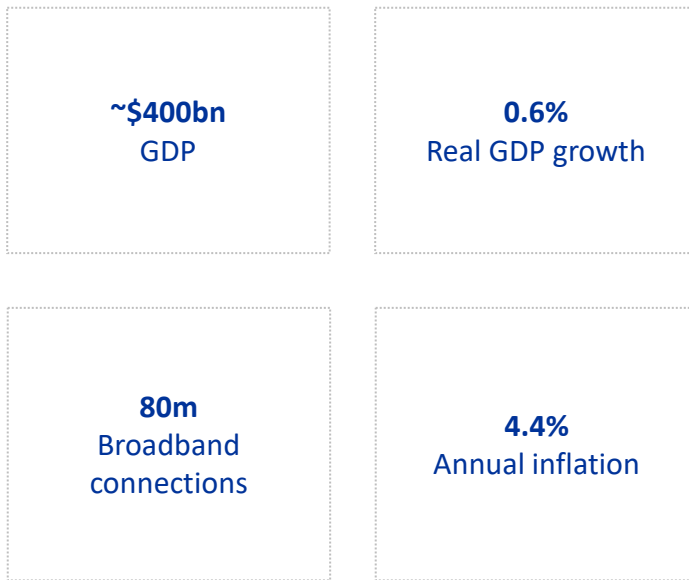
A destination for foreign direct investment

South Africa FDI – 2020 - 2024



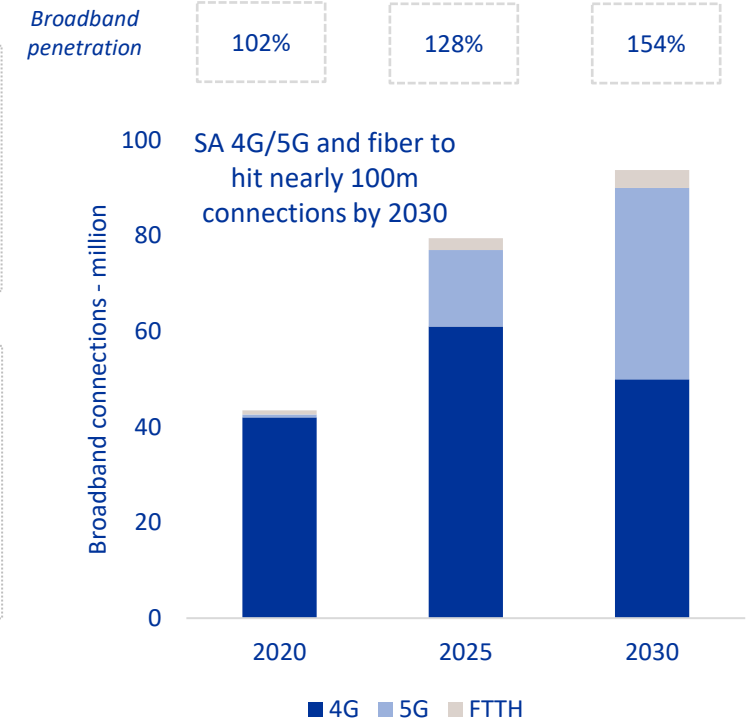
A mature economy facing considerable macro challenges

Sample South Africa economic indicators - 2024



A sophisticated digital customer base

broadband connections by type - million



Sources: Statistics South Africa, SARB; Xalam Analytics estimates, provider data

Data center market conditions

South African market conditions have been mostly favorable to data center project development

Data privacy, hosting & environmental regulations



- The government sees digital transformation as a critical component of its growth agenda.
- The Protection of Personal Information Act (POPIA) came into effect in 2020 with companies required to comply with its provisions by 2021. Data can only be transferred abroad if the country to which it is being transferred complies with EU General Data Protection Regulation, if the user complies with the transfer and the receiving party provides written notice of the measures it is taking to protect the data.
- South Africa continues to build upon its strategy of being Africa's main hub for data centers and cloud computing. In 2024, the government passed the National Policy on Data and Cloud to leverage data and cloud services to drive economic growth and innovation.
- In late 2024, the government released a National AI Policy Framework, a blueprint for harnessing AI for economic development.
- Banks, public sector organizations face stringent local hosting requirements.

Electricity & Fiber Markets



- The South African energy mix is predominantly based on fossil fuels.
- ~8% of energy from renewables (~12% from clean if including power).
- Aggressive policy steps in accelerating transition to renewables.
- Plans to double clean energy stock by 2030 – to ~14GW+2.5GW nuclear.
- South Africa's wholesale fiber regulatory regime is the most open in Africa, a highly competitive terrestrial fiber and international bandwidth markets.
- Africa's foremost connectivity hub; excellent connectivity terrestrial and subsea diversity, relatively low wholesale fiber prices.
- A preferred route to the Internet for Southern Africa's landlocked countries.

Investment Incentives



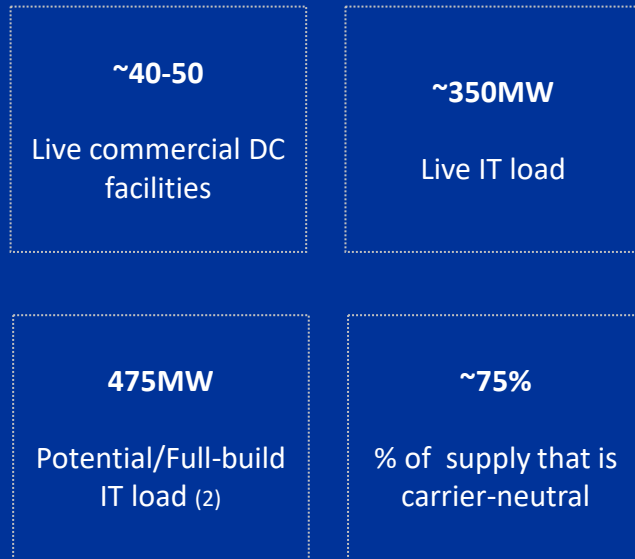
- Limited exchange controls.
- Tax allowances for greenfield or brownfield projects.
- One-stop shop investor windows to streamline business processes.
- Variety of investment schemes, employment and skills development initiatives.
- Development of special economic zones.

State of data center supply

South Africa is Sub-Saharan Africa's largest commercial colocation market – and the gap vs. African peers is getting bigger

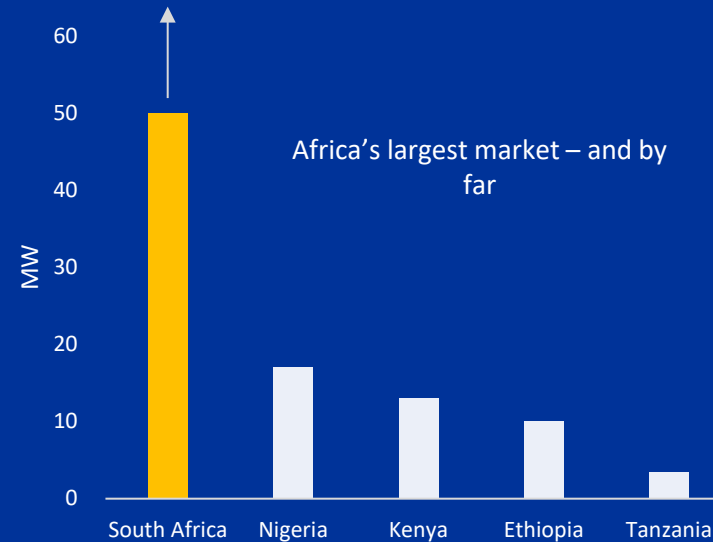
South Africa data center supply – 2024E

Sample market indicators (1)



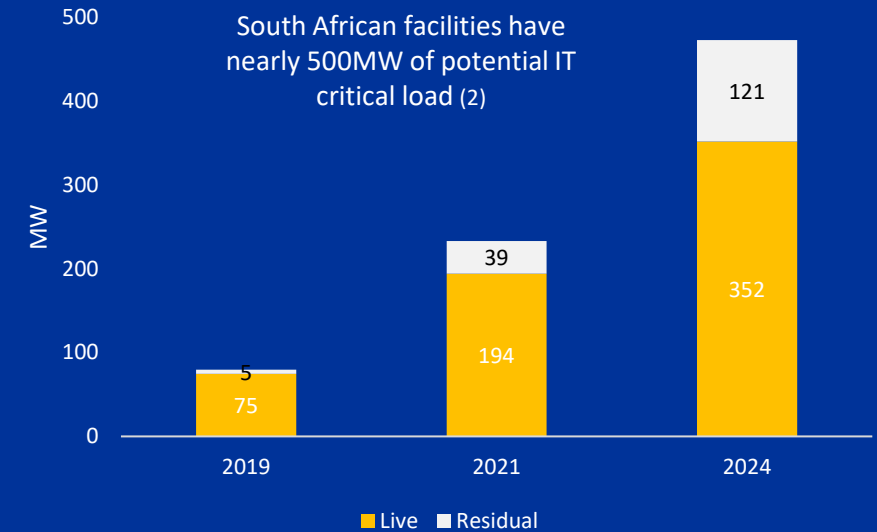
South Africa vs. SSA peers

Critical IT load – MW (3)



South Africa data center – Live vs. potential IT load

Critical IT load - in MW



(1)Numbers are rounded up (2) Potential/Full-build load is facility capacity assuming that all phases of development have been completed. Additional CapEx would be needed to make the residual capacity operational.
(3)South Africa is off-scale vs. African peers.

Sources: Xalam Analytics estimates, provider data

South Africa data center metros

South African capacity is distributed between economic, connectivity and cloud hubs

Cape Town

- South Africa's second largest economic province – Western Cape.
- A cloud hub – at least 2 public cloud regions – an economic hub and a connectivity hub.
- ~7 of SA's existing and planned submarine cable landing stations are in the Western Cape province, including cables carrying 70%+ of SA's traffic.



Johannesburg/Gauteng

- The Gauteng province is South Africa's economic and political hub.
- The largest metro market in Africa.
- Home to nearly half of Africa's live capacity
- Home to 4 of South Africa's cloud regions.
- A regional hub for landlocked neighboring Southern African markets.

*Including the broader Gauteng province

Durban

- An emerging South African hub.
- The 7th largest metro hub in Africa.
- ~5 existing and projected cable landing points.

Key data center market players

South Africa is a mature, increasingly crowded, and specialist-dominated data center marketplace

The Global DC Specialists



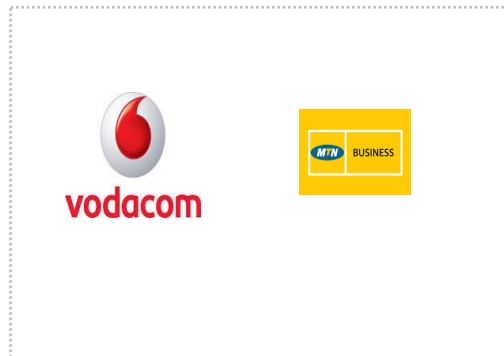
The Regional DC Specialists & Infracos



MSPs and System Integrators



The MNOs



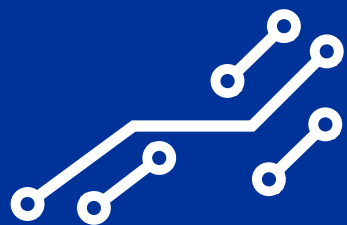
A highly competitive market



- The South African colo market is highly competitive. Providers come in various forms and shapes, from global and regional specialists to system integrators and mobile network operators (MNOs).
- The market has a mature competitive structure, dominated by affiliates of carrier-neutral global DC providers, who control nearly three-quarters of live colocation capacity.
- African carrier-neutral specialists are the second largest group.
- MNOs are relatively marginal players in terms of scale - <5% of live supply.



GLOSSARY & KEY DEFINITIONS



Key definitions

Data center	While there are a variety of definitions for data centers, this market review is focused on commercial facilities , that is, facilities that lease colocation white space and power capacity to third-party customers on open, commercial terms, and in exchange for a fee. Captive facilities (bank data centers, telco switch sites and similar) are excluded from this assessment. Estimates focus on facilities at Tier II standard and above, unless otherwise indicated. Where applicable, these estimates include cloud hyperscaler self-built facilities.
Live critical IT load	Capacity that is active, under lease or readily available for lease.
Full build capacity	Data center facilities are typically built in phases; the full-build capacity is capacity assuming all potential phases of build have been completed and are live.
Capacity in construction	Facilities that have broken ground; ongoing civil works, installation and commissioning phases.
Pipeline	Facilities explicitly announced or listed as in development. Some execution phases have been initiated (e.g. land acquisition, power supply commitments, etc.), but no actual civil works have been undertaken.
Carrier-neutral	Facilities not specifically affiliated to a connectivity or cloud vendor, with capacity available to all third-party customers, on equal commercial terms, without explicit or implicit constraints or favoritism. This market review uses a loose definition for carrier-neutral, referring to facilities that are purely carrier-neutral, recognized by the market or effectively managed as such.

Glossary

Below are some of the key abbreviations used in this report

AI	Artificial Intelligence
ASN	Autonomous System Number
bn	billion
CAGR	Compound Annual Growth Rate
CapEx	Capital Expenditures
CDN	Content Delivery Network
Colo	Colocation
DC	Data Center
DIF	Digital Investment Facility
EAC	East African Community
EU	European Union
F	Forecast
FBB	Fixed Broadband
FDI	Foreign Direct Investment
FX	Foreign Exchange
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
ICT	Information, Communications and Technology
ISP	Internet Service Provider
IPP	Independent Power Producer
IT	Information Technology

kW	Kilowatt
kWh	Kilowatt Hour
LLM	Large Language Models
m	million
MNC	Multinational Corporation
MNO	Mobile Network Operator
MRR	Monthly Recurring Revenue
MSP	Managed Service Provider
MW	Megawatts
NDC	National Data Center
OEM	Original Equipment Manufacturer
POP	Point of Presence
PUE	Power Usage Effectiveness
RFS	Ready For Service
SEZ	Special Economic Zone
SSA	Sub-Saharan Africa
USD	US dollar
PUE	Power Usage Effectiveness
RFS	Ready For Service
SSA	Sub-Saharan Africa
YE	Year end



Global
Gateway



Learn more:

<https://d4dhub.eu/initiatives/data-governance-in-africa>

