NEWMARK

2025 Data Center Site Selection Dynamics in Europe

TRENDS, SITE SELECTION STRATEGIES AND THE CURRENT LANDSCAPE

JULY 2025

Introduction

The data center industry is experiencing incredible growth, and the way companies choose locations is evolving fast. As site selection criteria shift, it's fascinating to see which factors are driving decisions. Our brief, Data Center Dynamics in Europe, examines current market trends, recent developments, and what's ahead for the data center landscape across Europe. From a site selection standpoint, we offer practical insights to help inform your strategy and serve as a valuable resource for strategic planning and location decision-making processes.

We explore the following key areas:

1. **Market Trends & Investments:** Overview of Europe's data center market development, key trends, major investment locations and the factors driving data center location-decisions.
2. **Power Market and Infrastructure:** Analysis of the data center power demand, planned infrastructure investments, electricity rates, renewable energy adoption, and their implications for the industry.
3. **Regulatory Landscape:** Snapshot of the evolving regulations shaping data center deployments and the varying regulatory intensity across European markets.
4. **European Incentives & State Aid:** Outline of various incentives and governmental support schemes designed to attract investments in the data center industry.

Our goal is to provide a detailed and nuanced understanding of the data center landscape in Europe, highlighting both opportunities and challenges. This document aims to serve as a valuable resource for your strategic planning and location decision-making processes. We would welcome your feedback to the report as we continue to monitor and analyze the evolving trends in the data center sector.

"The key factors behind data center site selection are evolving at breakneck speed. Careful due diligence is essential to ensure sound investments, as best practices adapt to rapid changes in energy, infrastructure, and Europe's shifting AI-driven market landscape."

Bob Hess
Vice Chairman, Newmark Global Strategy

Authors:

DAVID DERA
Senior Managing Director

JOHANNA VON SEIDEL
Director

KAROLINA KROL-SKOWYRSKA
Director

PATRYK DYBEK
Consultant

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Data Center Activities & Investments

EUROPE: A TOP THREE GLOBAL DATA CENTER MARKET

~ 11 GW

Europe's total capacity in Q1-2025

Distributed across ~3,000 data centers

FLAPD[1] ACCOUNTS FOR ONE THIRD OF EUROPEAN MARKET

~ 40 %

of total installed capacity in Europe is located within FLAPD market

Total amount is 4.6 GW, with another 3.3 GW currently under construction or planned

EUROPE: AN ATTRACTIVE REGION FOR DATA CENTER FOREIGN DIRECT INVESTMENTS (FDI)

€ 86 bn

of total spent by ten largest data center investors in Europe (2016-24)

Announced CapEx in European countries increased by ~10 % from 2023 to 2024

1) FLAPD (Frankfurt, London, Amsterdam, Paris and Dublin) are the top five data center hubs in Europe in terms of infrastructure, connectivity, and market demand

By beginning of 2025, the total data center capacity in Europe reaches ~11 GW with a projected pipeline of additional ~20 GW. Germany and United Kingdom had the highest number of data centers, with 529 and 523 facilities, respectively. Between 2018 and 2024, the European data center market recorded a compound annual growth rate (CAGR) of 12.8%.

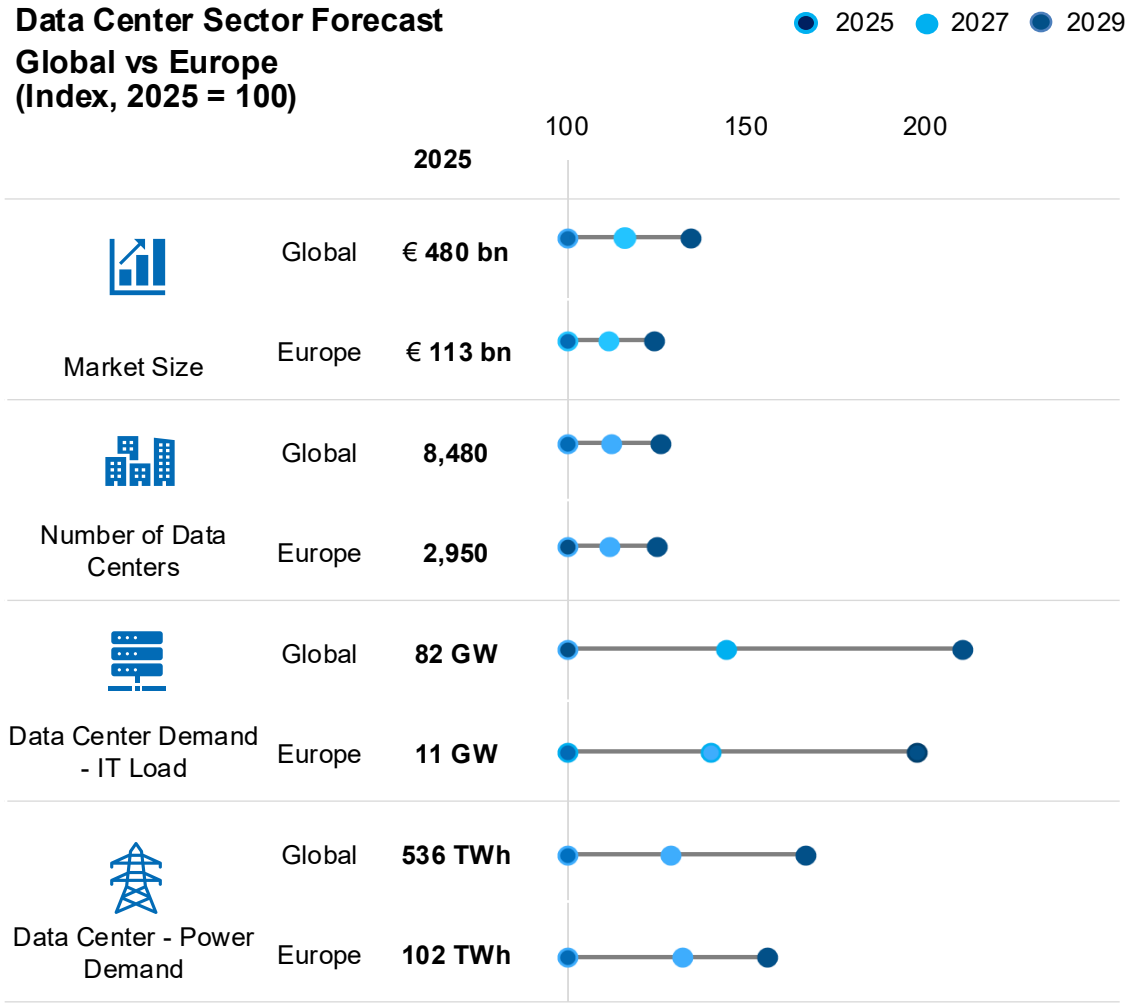
The five largest European markets for data centers – London, Frankfurt, Amsterdam, Dublin, and Paris – have a total capacity of 4.6 GW, with an additional 3.3 GW currently under construction or planned. London, the largest market to date, holds the highest operational capacity of ~1.5 GW, followed by Frankfurt with ~750 MW.

Between 2016 and 2024, the ten largest foreign investors in data centers in Europe committed over €86 billion in total. Amazon was the leading investor, allocating nearly €20 billion - with around half of that directed to the UK. The UK emerged as the primary destination, attracting almost €47 billion in data center investments over the period.

Europe's data center sector is set for substantial growth in the next years, but power constraints and increasingly stringent regulations pose major challenges

Europe's data center sector is expected to grow over the next few next years, with these six key trends shaping the landscape:

1. **Strong Demand vs. Limited Supply**: The demand for colocation data center space in Europe is expected to surpass new supply in 2025, driven by hyperscalers and emerging AI providers. This supply-demand imbalance will likely lead to price increases of >10% or more in key markets such as FLAPD.
2. **Record Growth Amid Power Constraints**: Data center supply in Europe's largest markets is projected to grow by approx. 30% year-over-year in 2025. However, vacancy rates are expected to hit historic lows (below 10%), reflecting the difficulty providers face in keeping up with demand due to power and land constraints.
3. **Market Concentration in FLAPD markets**: FLAPD markets remain central to Europe's digital economy, serving as gateways to global networks and financial hubs. A high share of data center take-up will continue to occur in these primary markets, highlighted by the recent announcement of a gigawatt-scale cluster near Paris.
4. **Shift to Tier 2 and Tier 3 Markets**: Significant grid and power constraints, including limited substation capacity and delayed grid interconnections, in major hubs like Frankfurt and Amsterdam are prompting many operators to shift towards secondary and emerging markets (e.g. Spain, Portugal, Italy, Nordics) where their requirements can still be met.
5. **Increasingly Stringent Regulations**: With environmental concerns moving higher on the policy agenda, Europe's data center operators need to adapt to a growing number of regulations that demand not only reduced power usage and emissions, but also long-term commitments to sustainable infrastructure and greener operational practices.
6. **AI-Focused Data Centers**: New data centers tailored for AI providers and compute-intensive workloads are set to launch in 2025 to meet the growing demand.



Source: Newmark analysis of data from Statista Market Insights, Cloudscene, ICIS, IEA *Note: Figures for 2025 are estimations*

The Future of Data Centers: Key Trends & Growth Drivers

AI & GEN AI
AI-driven applications require massive computational power, driving data center expansion

GROTH OF EDGE COMPUTING
New technologies like edge computing and 5G enhance data processing efficiency, driving demand for modern data centers

INCREASED OUTSOURCING
Many businesses are shifting to external data center providers for cost savings and operational flexibility

BUSINESS CONTINUITY & RESILIENCE
Companies rely on data centers for resilience and operational stability

SMALL MODULAR REACTORS
Hyperscalers test SMRs for 24/7 carbon- free on-site power as compute demand soars

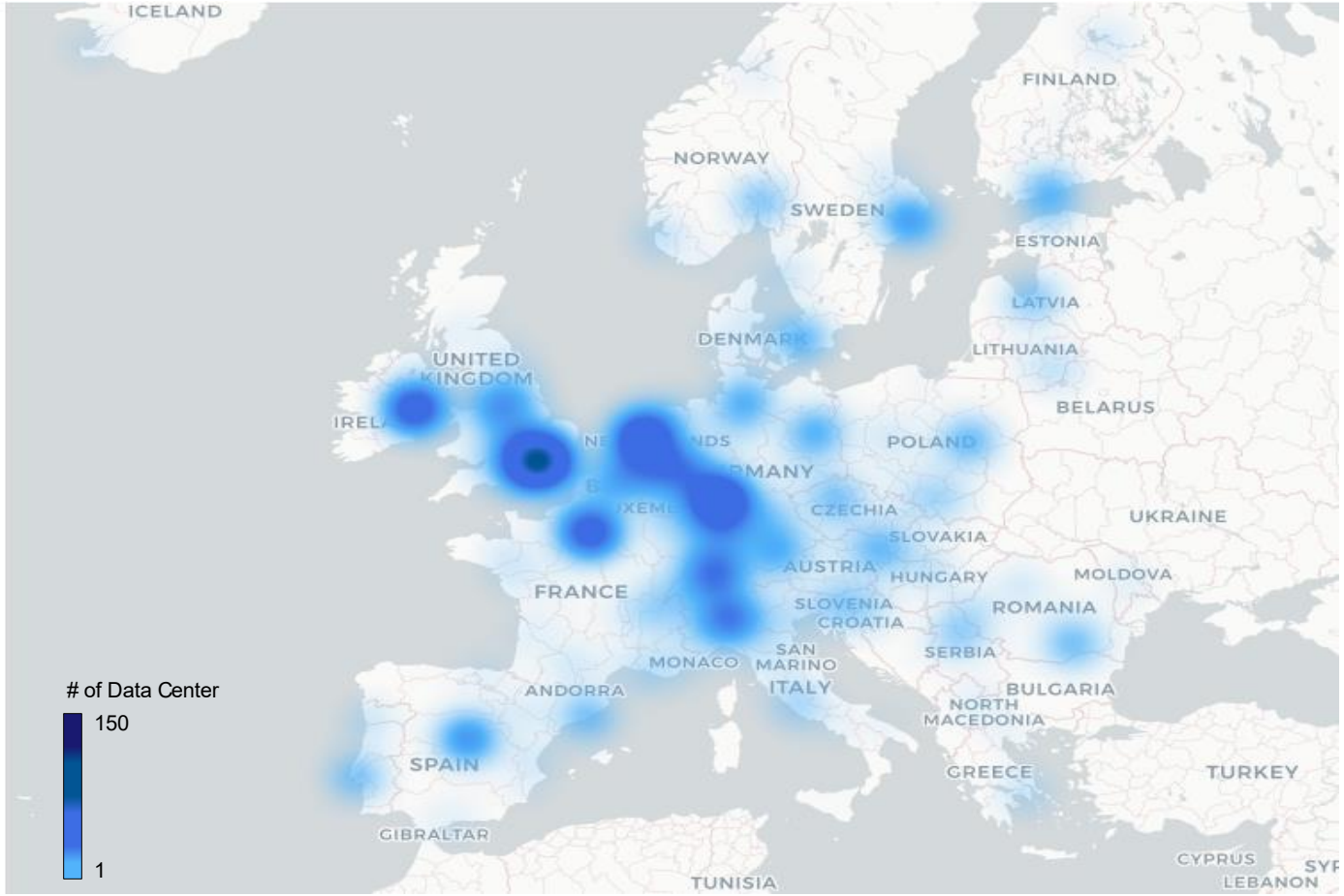
NEED FOR LOWER LATENCY
Industries demand faster data access and reduced delays, leading to more localized data center development

STRICTER REGULATIONS & DATA SOVEREIGNTY
Governments are enforcing laws that require local data storage, impacting data center strategiesoperational flexibility

DIGITAL TRANSFORMATION
Businesses are increasingly adopting digital-first strategies, accelerating data center investments

The majority of data centers are situated in the western part of Europe, with Germany having the highest number, followed by the UK

Total Number of Data Centers in Europe (2025)



Key Insights:

- By beginning of 2025, there were approx. **3,000 data** centers across Europe.
- Germany, with a total of **529 data centers,** is the biggest market in Europe, surpassing the United Kingdom's **523 data centers.**
- The UK attracted the most foreign investors, with approximately **€ 50 billion invested between 2018 and 2024**.
- Frankfurt, together with London, Amsterdam, Paris, and Dublin (the FLAPD market) are the leading locations in the **€ 113-billion-euro European** market.
- In the third quarter of 2024, **Stockholm** recorded the highest vacancy rate among major European data center markets with a **~20% vacancy rate.**

Source: Newmark analysis of various sources incl. CloudScene and DataCenterMap

Note: The number of data center is an estimate as official statistics are not available

FLAPD markets dominate the European data center market with a combined operational capacity of around ~4.6 GW

Overview of Europe's Leading Data Center Locations

FLAPD Market Snapshot 2024/25

~4.6 GW	Frankfurt, London, Amsterdam, Paris, and Dublin (FLAPD) lead the market with a combined ~4.6 GW live capacity and 3.3 GW of future pipeline (under construction & planned)
~1.5 GW	London holds the highest operational capacity (~1.5 GW live and 1.5 GW pipeline), followed by Frankfurt (~750 MW live and 925 MW pipeline)
~150	London also has the largest number of data centers (150) and available operators (~50)
19%	Frankfurt and Dublin recorded the highest market growth in FLAPD between 2016 and 2024 (19% and 18%)

Source: Newmark analysis of various sources incl. CloudScene and DataCenterMap

Note: Market classification is based on data center power consumption

Site Selection Process: 10 Critical Challenges for Data Center Location Strategy

1. Energy Demand

Competitive energy price and stability of provider is essential to maintain optimal operations. Proximity to energy sources, especially renewables, can influence the energy mix and overall efficiency.

2. IT & Tech Know-how

A skilled workforce is vital for the operation. Regions with a strong educational infrastructure and a pool of IT professionals can provide the necessary know-how.

3. Proximity

Proximity to users can reduce latency, while proximity to IT hubs can provide better access to skilled labor and tech ecosystems.

4. Regulations

Compliance with local and international regulations, including data protection laws, is a must. Locations with favorable regulatory environments can ease the operational burden.

5. Real Estate Options

Factors such as the size of the site, its scalability potential, access to necessary infrastructure, and the cost of acquisition or lease are critical. The given may require different real estate options depends of its type.

6. Operating Costs

Locations with lower utility rates, tax incentives, and affordable labor can significantly reduce operating cost.

7. Connection & Network Infrastructure

Data centers require robust network infrastructure to ensure high-speed connectivity and low latency. Cybersecurity measures are also crucial to protect data integrity.

8. Emissions

Data centers are significant energy consumers, and their emissions impact is a growing concern. Selecting a site with access to renewable energy sources can mitigate this impact and align with global sustainability goals.

9. Incentives

Financial incentives such as tax breaks, grants, and subsidies can make certain locations more attractive by reducing initial and ongoing costs.

10. Other Factors

Sites should be assessed for risks such as natural disasters, political stability, and economic conditions, which can affect both the construction and ongoing operation of a data center.

Source: Newmark research

Data Center Power Market and Infrastructure

DATA CENTER POWER DEMAND TO INCREASE SIGNIFICANTLY

236 TWh

Forecasted data center power demand in 2035 in Europe

Data centers are projected to account for 5.7% of total European power demand by 2035

RENEWABLES IN THE POWER MIX

48 %

Share of renewables in the EU power generation mix

2024 marked the lowest emissions from the EU power sector with a 13% drop compared to 2023

ESTIMATED NEEDED INVESTMENTS IN THE EUROPEAN ELECTRICITY NETWORK

€ 100 bn

needs to be invested annually in Europe's electricity network in the next decade

Between 2010 and 2020, Europe invested €50 bn - €60 bn annually – this needs to double in the next two decades

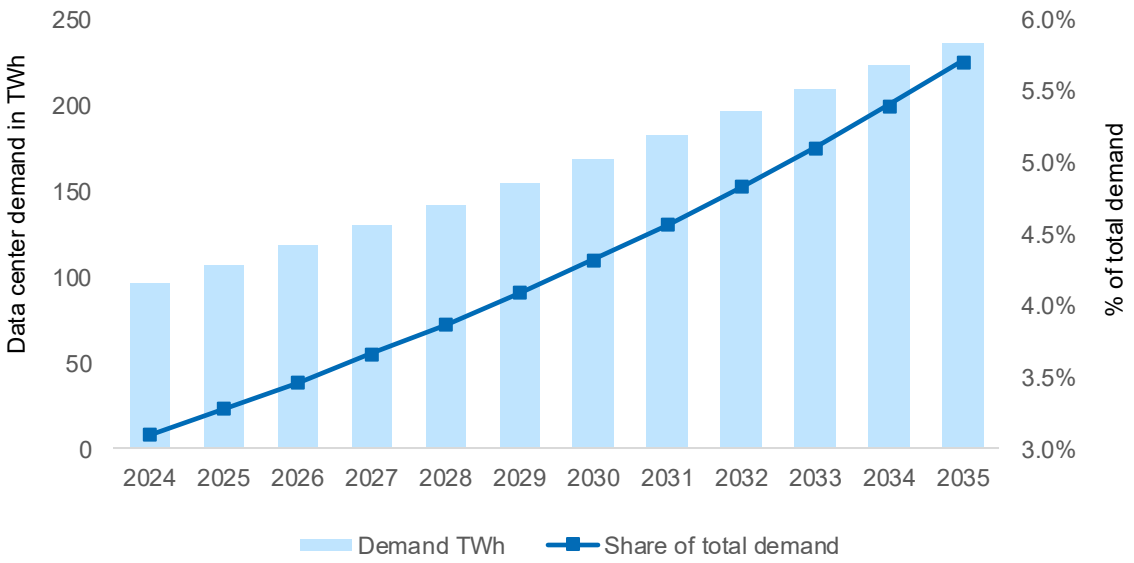
Power demand from data centers in Europe is projected to rise from 96 TWh in 2024 to 236 TWh by 2035, increasing their share of total electricity demand from 3.1% to 5.7%. By 2035, it is forecasted that the majority of European data center power demand (40%) will come from Germany, France and UK.

In 2024, renewables made up 48% of the EU's power generation, with nuclear at 24% and fossil fuels at a record-low 28%. Wind outpaced natural gas, while hydro and solar PV grew by 40 TWh. In 2025, renewables are set to grow further, potentially exceeding 50% of the energy mix.

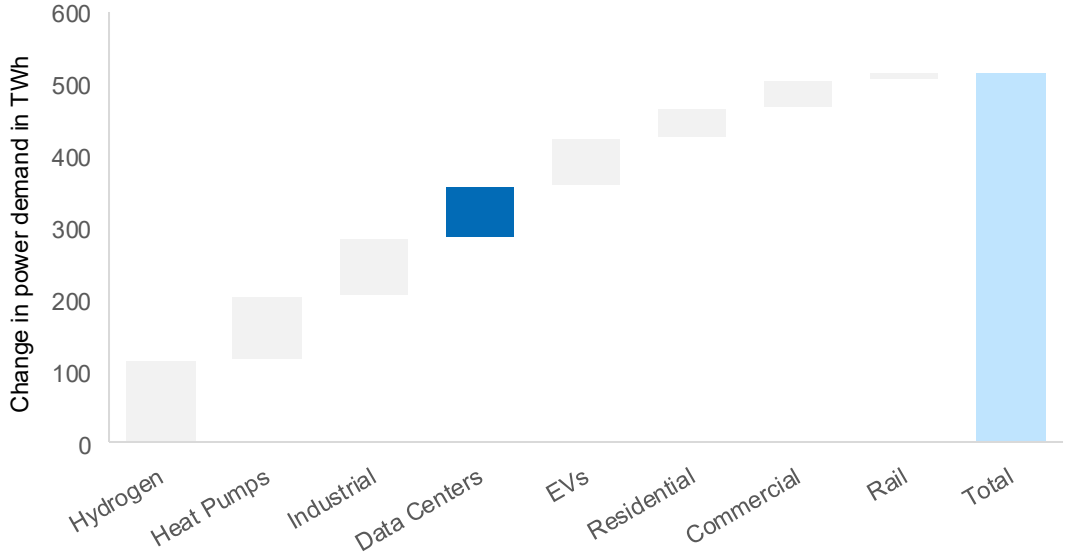
Europe's electricity network needs upgrades to support renewable energy and the growing demand for electricity also for data centers. It Is estimated that the network requires €100 bn annually investments in the next decades to modernize infrastructure, enhance capacity, and ensure energy security.

Data center power demand in Europe is set to surge from 96 TWh in 2024 to 236 TWh by 2035 with data centers becoming a key force shaping the energy landscape

Data Center Power Demand and Share of Total Demand



Change in European Power Demand by Sector 2024 vs 2030

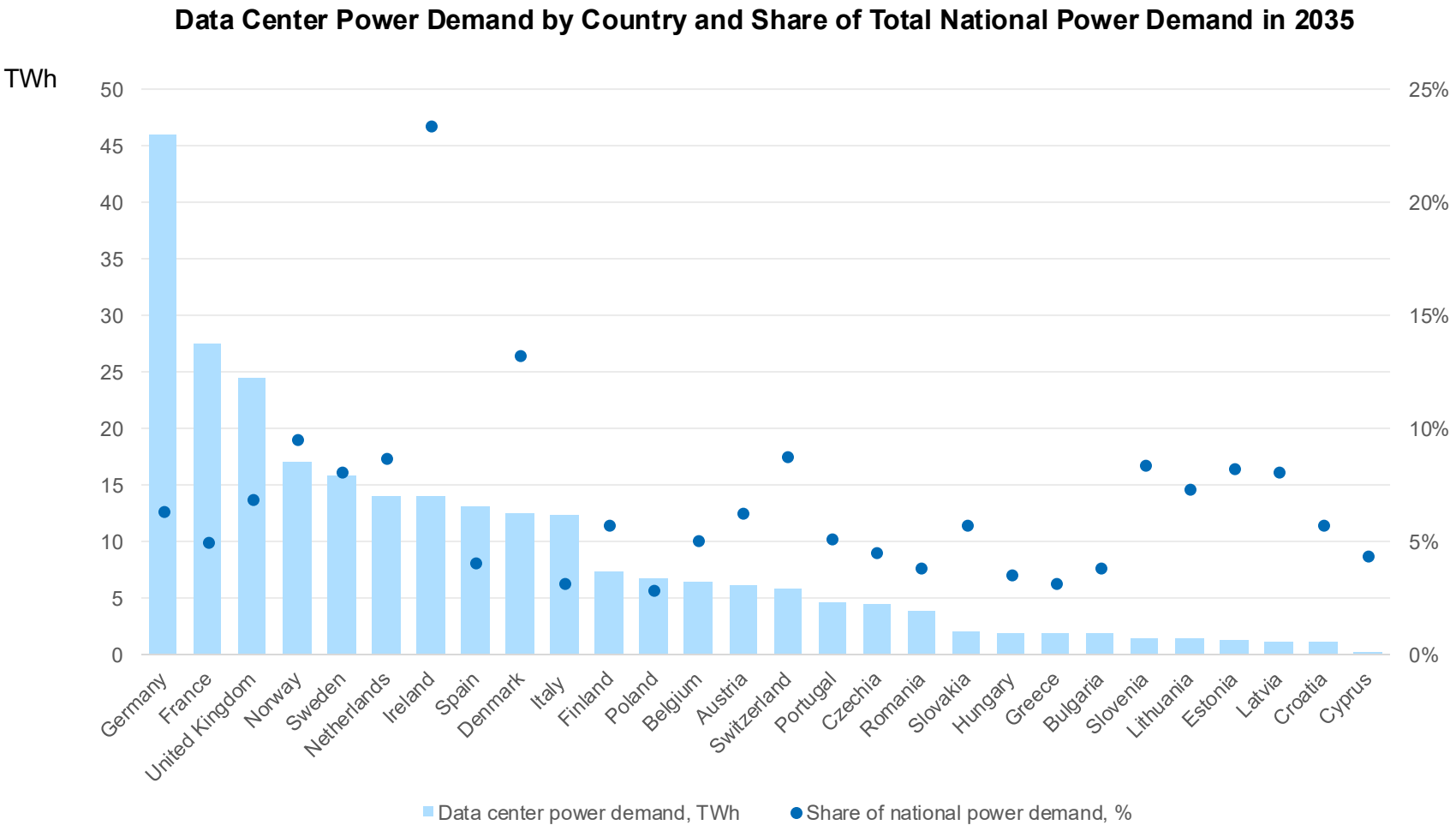


Key Insights:

- Power demand for data centers in Europe is projected to rise from 96 TWh in 2024 to 236 TWh by 2035, increasing their share of total electricity demand from 3.1% to 5.7%.
- Despite the overall increase in demand due to electrification, data centers' growth will remain strong, contributing significantly to the future power needs of Europe.
- From 2024 to 2030, data centers are expected to account for 14% of the 515 TWh growth in European power demand, surpassing electric vehicles' demand and nearly matching the industrial sector's recovery from the 2022 crisis.

Source: Newmark analysis based on ICIS and GS Research

Germany, France, and the UK dominate Europe's data center power demand – esp. Denmark and Ireland facing challenges due to high power demand share



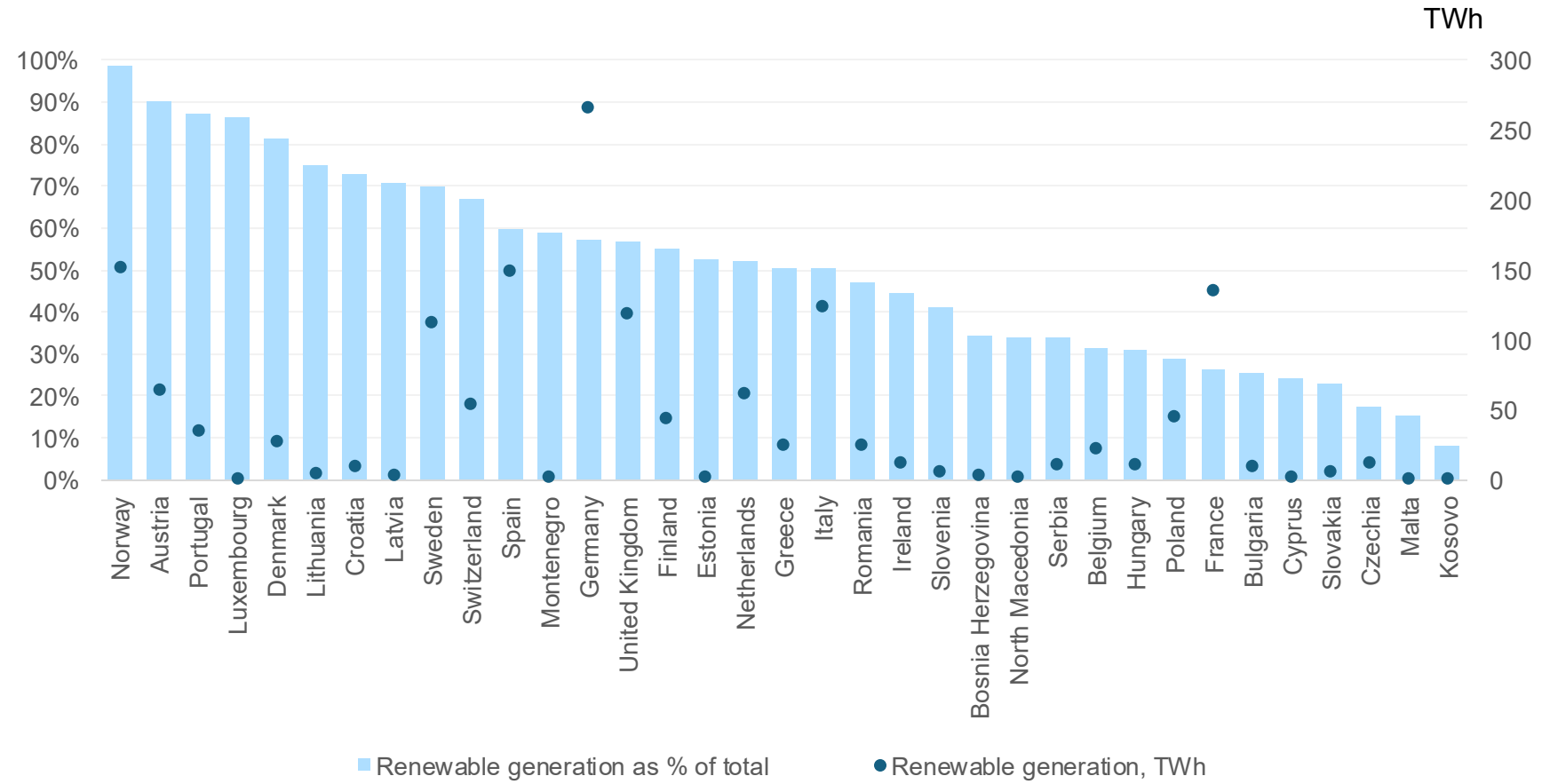
Key Insights:

- By 2035, it is forecasted that the top **10 countries** will account for **79% of European data center power demand**
- Major markets like **Germany, France, and UK** will likely see the **highest levels of data center power demand**, due to a combination of their population size, total power demand levels, renewable availability, and a high GDP
- Smaller markets such as **Denmark** and **Ireland,** will continue growing, though **saturation may limit significant further expansion**
- New data center hotspots like **Spain and Portugal will benefit from renewables and low power costs**

Source: Newmark analysis based on ICIS

Renewable energy availability driving the growth and sustainability of data centers, shaping future power strategies as well as location decisions

Share of Renewable and Total Renewable Generation in 2024



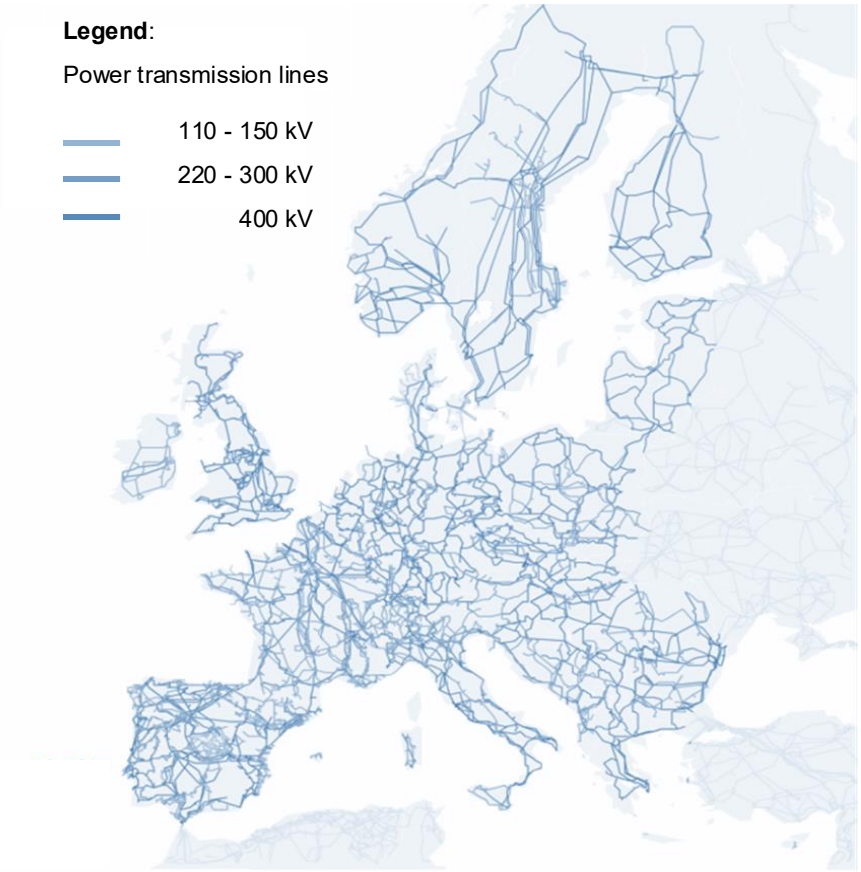
Key Insights:

- **Renewable availability** plays a critical role in the development of data centers in Europe, as **operators aim to reduce costs and enhance sustainability** by using 'green' energy.
- Countries like **Norway and Sweden**, with high renewable shares, will remain attractive for data centers due to their **power price advantages** and **favorable climate**.
- The **total amount of renewable generation is also important**, as it determines the availability of energy for data centers via Power Purchase Agreements (PPAs). It is expected that in the coming decade Germany is set to lead in renewable generation, followed by Spain, Norway, France and UK.

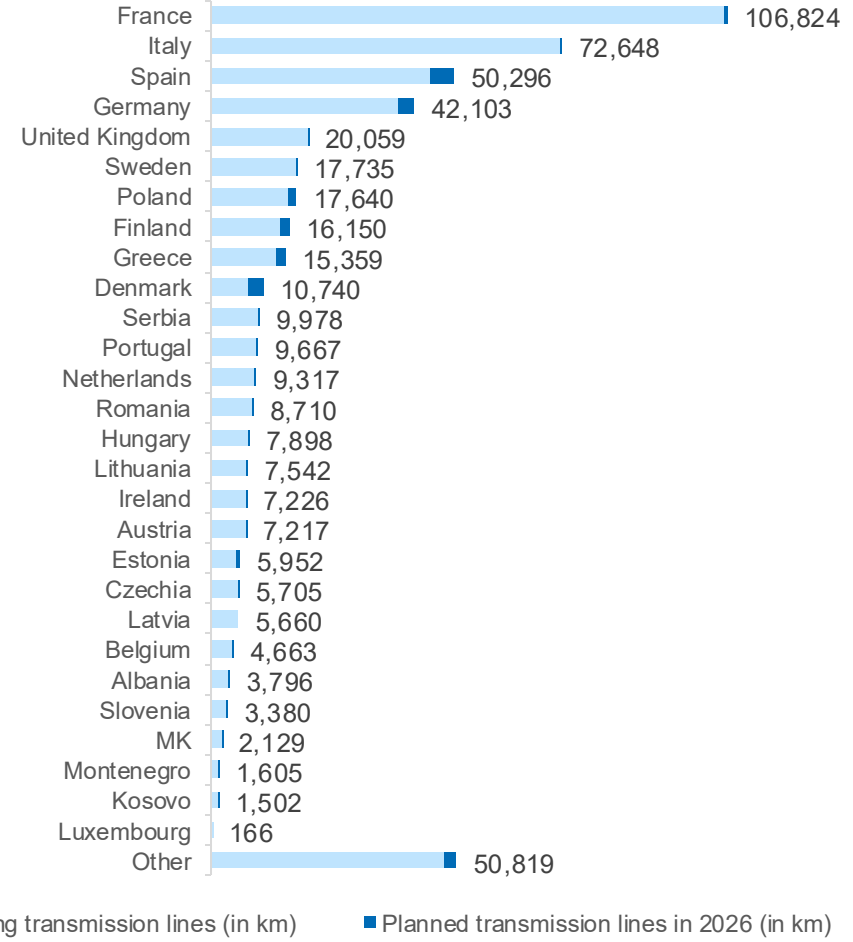
Source: Newmark analysis of data from Ember Climate and Eurostat

By 2026, Europe's grid will expand by 25,000 km to accommodate the rapid growth of renewable energy, particularly in Spain, Denmark, and Germany

Transmission Line Network in Europe



Existing and Planned Transmission Lines (in km)



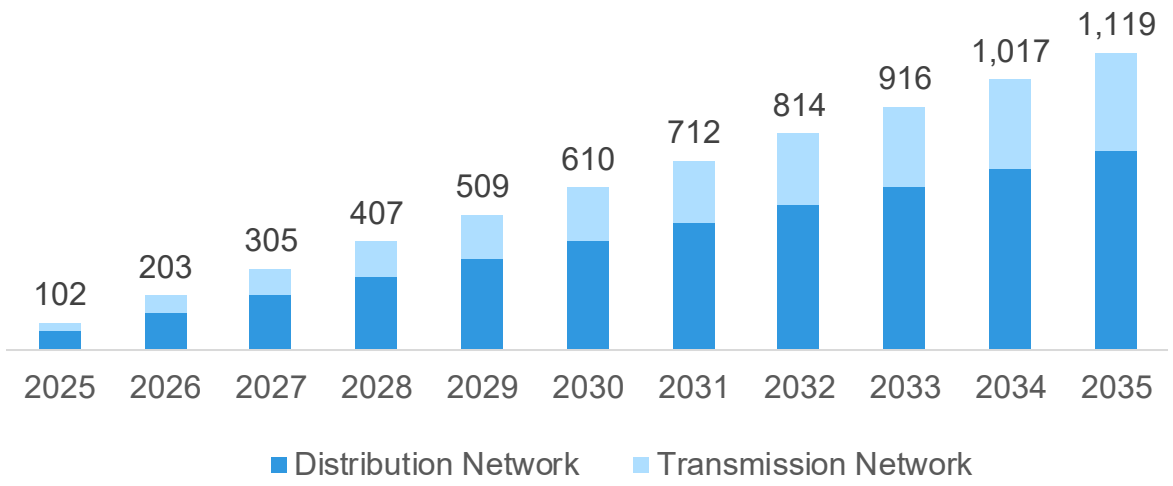
Key Insights:

- According to grid plans from 35 countries, over 25,000 km of new lines are planned between now and 2026 (**+5.3%** of total network).
- **France** has the **largest transmission network** in Europe, historically designed around its nuclear plants, which **require fewer upgrades** compared to other regions.
- In countries like **Spain, Denmark and Germany**, where renewable energy is expanding rapidly, **the grid must adapt,** especially in Germany with its many decentralized small-scale producers.

Source: Newmark analysis of data from Ember Climate, Fraunhofer Institute and ENTSO-E

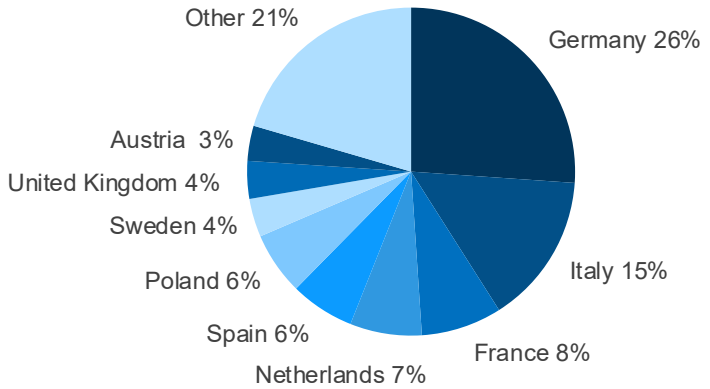
Over the next decade, an estimated €100 billion per year needs to be invested in Europe's electricity grid, with Germany to cover over 25%

Estimated Investments Needed in the European Electricity Network (in bn EUR)



Estimated Investments Needed in the Electricity Network by Country

Total Investments (2021-2030): 679 bn EUR



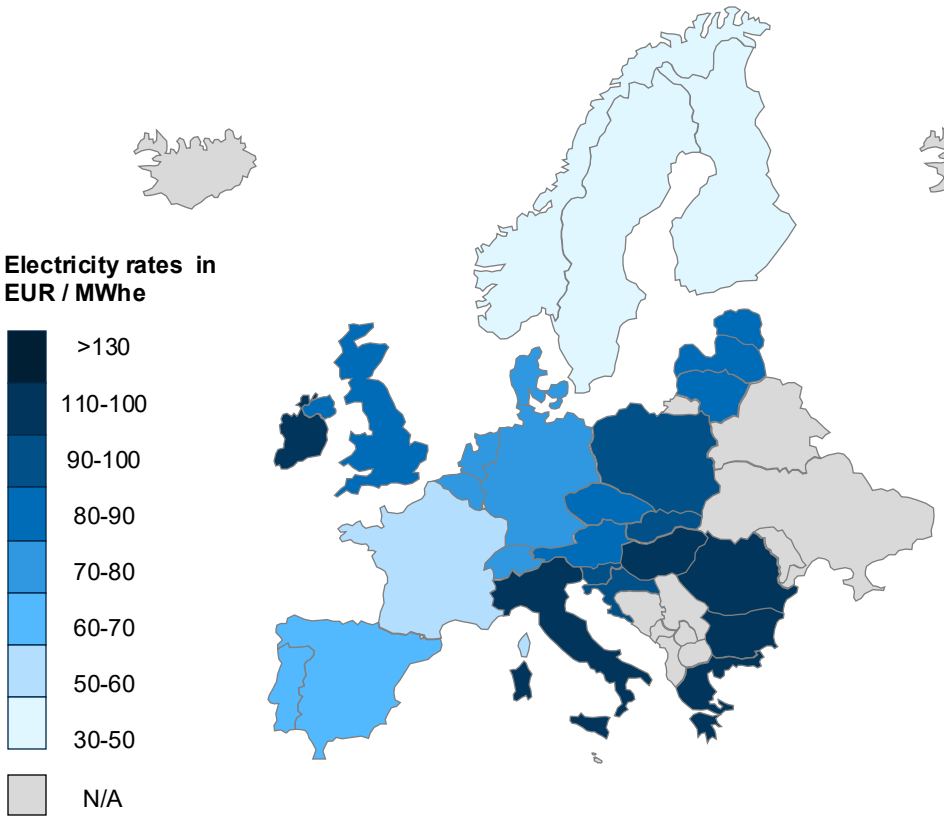
Key Insights:

- Investment in Europe's electricity grid is crucial to **integrate renewable energy**, meet rising demand from the **electrification of transport and heating**, and support **data center growth**. It is also essential for enhancing grid security, enabling cross-border trading, and modernizing infrastructure with smarter, more efficient technologies.
- Between **2010 and 2020, Europe invested approximately €50 billion to €60 billion annually** in electricity infrastructure, which includes grid upgrades, interconnections, and renewable energy integration. **Investments are needed to double in the next decade**, with projections ranging up to €100 billion annually.

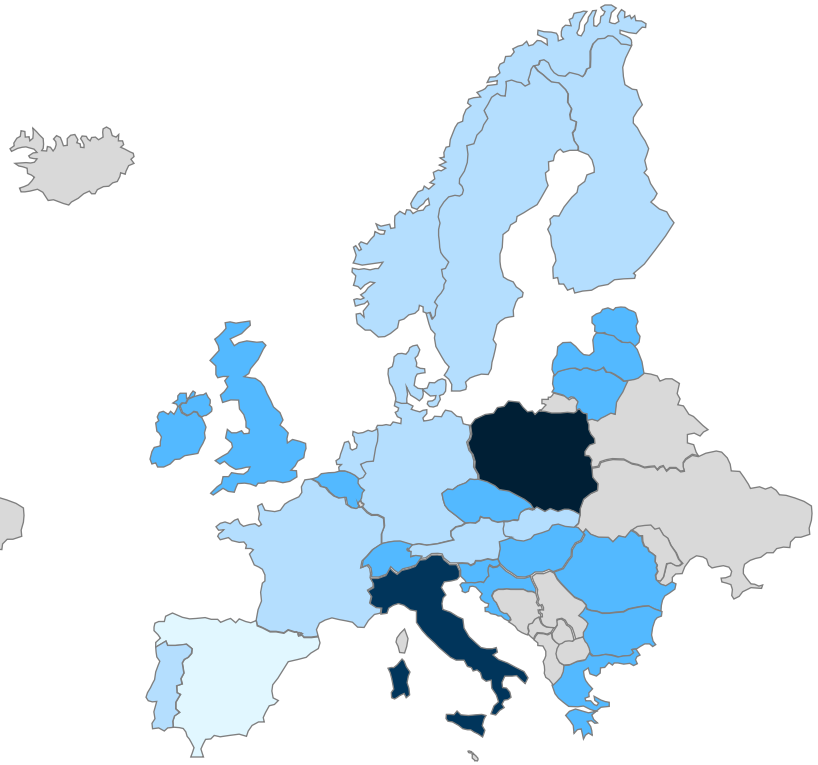
Source: Eurelectric 2024, Bruegel **assumes that transmission investment needs are approximately half the distribution investments (based on Eurelectric study)*

Power prices will shape data center growth in Europe, with renewables driving low-cost markets and nuclear power supporting long-term cost competitiveness

Average Wholesale Electricity Prices in 2024*



Average Wholesale Electricity Forecast 2025-35*

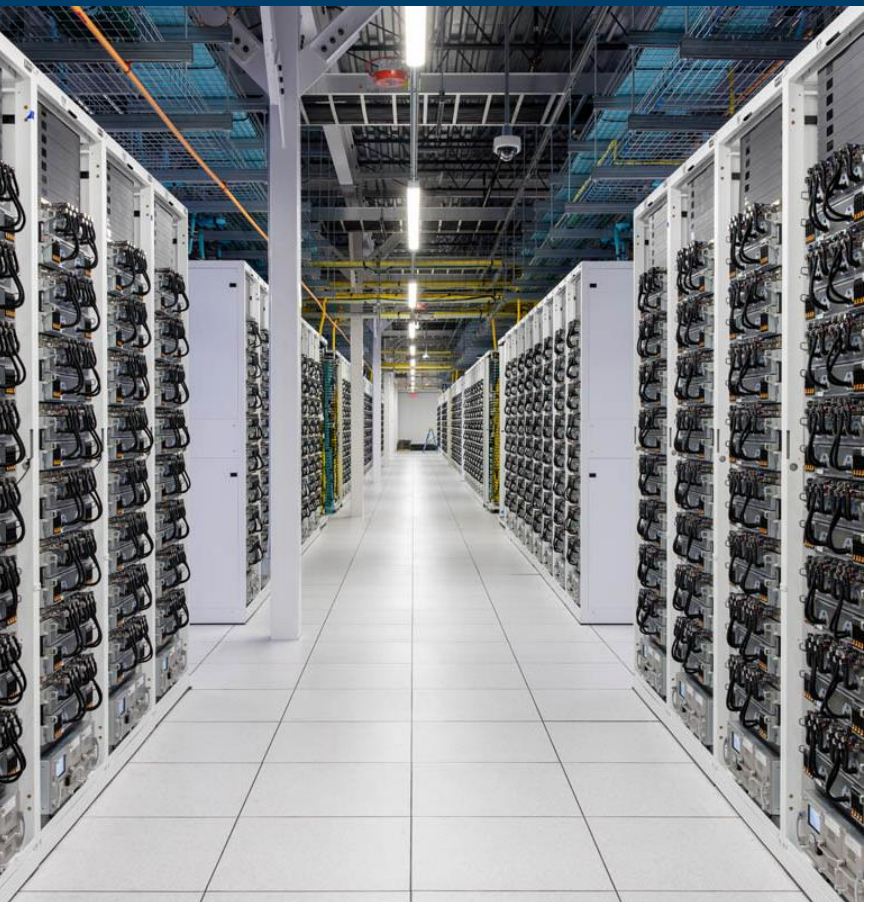


Key Insights

- The **Nordic region** benefits from low power prices due to its hydro and wind capacity. As renewable energy grows across Europe, prices are expected to align through greater integration and shared resources
- Over the next decade, it is forecasted that **Spain and Portugal** see price reductions from expanding solar and wind
- Countries like **France**, with significant nuclear energy, have competitive power prices now and will maintain this advantage through 2035
- **Italy and Poland** face high power prices due to slow renewable expansion and rising carbon costs. By 2035, they are expected to remain among the highest-cost markets

Source: Ember-Climate, ICIS **does not include additional costs such as transmission fees, taxes, and surcharges*

EU Data Center Regulations



HISTORICAL FOUNDATIONS

Europe started the regulatory path with voluntary guidelines like 2008's EU Code of Conduct

In the past, data center regulations were minimal and fragmented, focusing on basic operational safety with little emphasis on energy or privacy. Europe had early voluntary guidelines like the EU Code of Conduct (2008), while the U.S. relied on industry self-regulation. Asia's rules were sparse, and sustainability was rarely addressed, though power consumption concerns began emerging by the late 2010s.

TODAY'S TIGHTROPE

New regulations on the EU level and national level

Today, data center regulations are strict, driven by GDPR, EU's EED, and DORA. AI and edge computing strain power grids in hubs like Amsterdam and Dublin. The Netherlands has banned new hyperscale data centers nationwide, except in designated areas, to control energy consumption and site selection.

HORIZONS AHEAD

Tighter regulations will enforce sustainability and interoperability, raising costs for operators

By 2030, regulations will tighten further, prioritizing sustainability (e.g., Europe's Fit for 55 targets), AI resilience, and digital sovereignty. Global energy demand may double to 100 GW, prompting stricter carbon rules and interoperability mandates (e.g., EU's Data Act). Operators will face higher costs but opportunities in green tech and resilient infrastructure.

From Compliance to Opportunity: What EU Regulations Mean for Operators

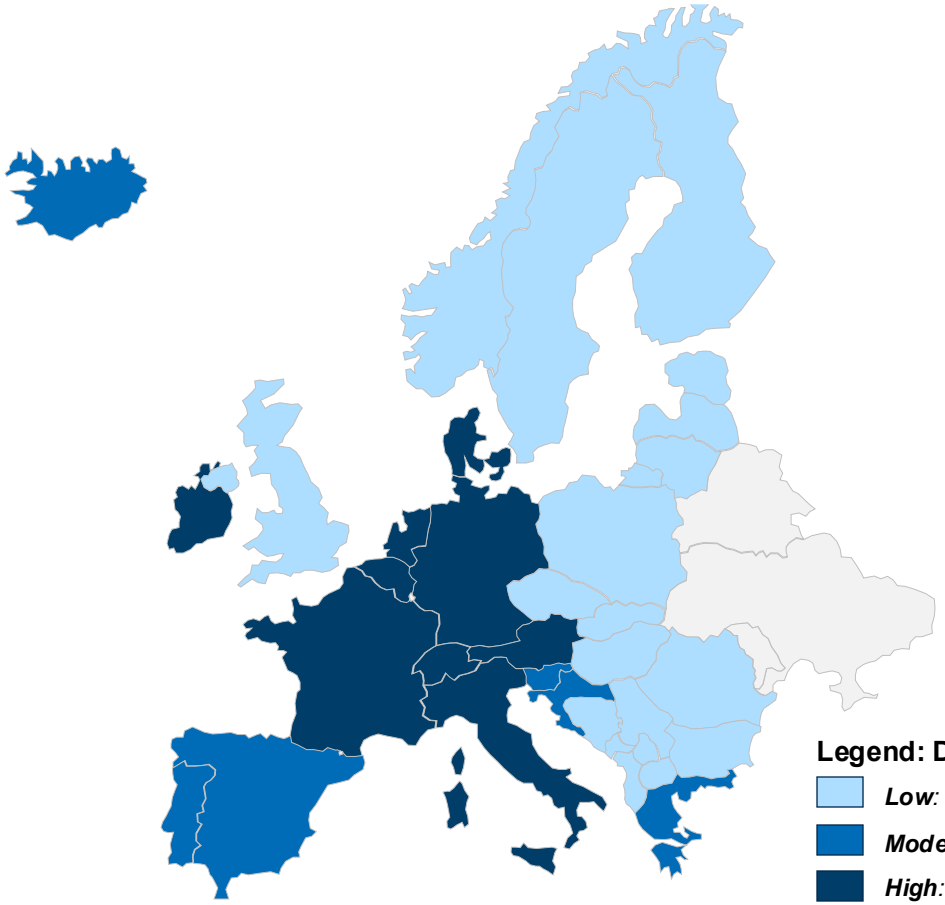
Overview of selected EU regulations impacting the data center landscape

EU Regulation	General Data Protection Regulation (GDPR)	Energy Efficiency Directive (EED)	Climate Neutral Data Center Pact	Corporate Sustainability Reporting Directive	EU Data Act
Focus	**Data Residency**: EU citizen data must be stored within the EU or in jurisdictions with equivalent protection. **Regulatory Compliance:** Organizations must align infrastructure with GDPR requirements. **Market Shift**: Growing demand for sovereign data centers and dedicated government cloud solutions.	**Sustainability Focus:** Since September 2024, all data centers ≥ 500 kW must report energy performance annually, including PUE, renewable energy use, water consumption, and waste heat reuse. **Stricter PUE Targets**: As of January 2025, new facilities in cooler climates are required to meet a Power Usage Effectiveness (PUE) of ≤ 1.3. Existing facilities must comply by 2030	**Regulatory Mandate**: Since 2023, data center operators in the EU must report annual energy and water usage. **Net-Zero Goal:** Aims for climate-neutral data centers by 2030. **Key Commitments:** Energy efficiency, clean energy, water conservation, circular economy, and heat reuse.	**Disclosure Requirement:** Companies are required to publicly disclose their climate transition plans. **Implementation Obligation:** Firms should actively work towards achieving stated climate goals.	**Cloud Switching & Portability:** Cloud and edge service providers should ensure that users can switch providers without undue burden or delay. **Enforcement of Action:** The Act enforces user rights to data portability and mandates cloud providers to enable smooth switching and interoperability
Implication	**Operators should navigate regulatory requirements thoughtfully while exploring opportunities in the growing sovereign cloud market**	**Operators are encouraged to invest in energy-efficient infrastructure to support compliance and maintain a competitive edge**	**Operators are encouraged to strengthen their sustainability initiatives to align with reporting requirements and advance toward climate neutrality**	**Data center operators should implement credible sustainability strategies to support compliance and transparency**	**Operators are expected to adapt systems and practices, balancing compliance costs with opportunities in sustainability**

Source: Newmark Research based on EU regulatory texts (GDPR, EED, CSRD, CNDCP, EU Data Act), European Commission, 2024

Apart from EU regulations, most countries have implemented additional country-specific rules related to data protection, energy efficiency and sustainability

Country Ranking based on Data Center Regulation Intensity



Legend: Data Center Regulation Intensity

- ***Low**: Delayed EU regulation adoption, minimal local rules, or non-EU status*
- ***Moderate:** Alignment with EU regulations without significant variation*
- ***High**: Additional national burdens or stricter enforcement of regulations*

Key Metrics

- **Implementation Speed**: Timeliness of adopting EU directives (e.g., EED coordinator appointed, NIS2 transposed)
- **National Additions**: Presence of stricter local laws or restrictions (e.g., Germany's PUE targets, Netherlands' moratorium)
- **Enforcement Strength**: Evidence of active oversight or penalties (e.g., Ireland's GDPR fines)
- **Infrastructure Context**: Power availability, data center prevalence, and renewable energy use affecting compliance feasibility

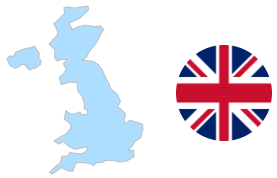
Other Aspects Considered

- **Energy & Sustainability**: EED and CSRD reporting requirements and national efficiency mandates
- **Cybersecurity**: NIS2 and DORA obligations, adjusted for local thresholds and critical infrastructure status
- **Data Privacy**: GDPR, EU Data Act enforcements plus, supplementary national rules (e.g., Denmark's 2018 Act)
- **Market Maturity**: Degree of data center activity influencing regulatory focus and capacity

Source: Newmark Research based on EU regulatory texts (GDPR, EED, CSRD, CNDCP, DORA, EU Data Act), European Commission, 2024

National regulations impacting the data center industry across Europe

Selected Examples



UK

After Brexit, the UK classified data centers as **critical national infrastructure** (CNI), increasing government support but adding potential administrative burdens. Unlike the EU's stricter framework, the UK's **Data and Access Bill** (DUA) takes a risk-based approach, making regulations more flexible.

France

France imposes stricter regulations on data centers than the EU baseline, focusing on sustainability and data protection. The **REEN Act** (2021) enforces **stricter environmental standards**, while the French Data Protection Act adds tougher consent requirements beyond GDPR. These measures make France one of the most regulated markets for data centers in Europe

The Netherlands

The Dutch government has strict rules for data centers, requiring them to design and operate with a **Power Usage Effectiveness (PUE) below 1.2**. The government implemented a nationwide ban on new hyperscale data centers, allowing them only in designated areas outside big cities

Ireland

Ireland's data center regulations align with EU directives but are strengthened by the Planning and Development (Amendment) Act, which limits new developments in grid-constrained areas. The focus on **renewable energy and efficient grid use** makes Ireland more restrictive than many other EU countries.

Spain

Spain's Climate Change and Energy Action Plan targets **74% renewable energy by 2030 and 100% by 2050**. AWS and Microsoft are investing in renewable energy projects in Zaragoza, aligning with national objectives and reinforcing the region's commitment to green data center operations.

Germany

Germany's Energy Efficiency Act (EnEG) mandates data centers **to use at least 50%** unsubsidized renewables by 2024, **rising to 100% by 2027**. By mid-2025, they must adopt energy management systems, and high-consumption centers (2.5+ GWh) **must publish energy-saving plans**

Low Regulation Intensity *Moderate Regulation Intensity* *High Regulation Intensity*

Source: Newmark Research

Governmental Support Programs

CLEAN INDUSTRIAL DEAL	INVEST AI	NATIONAL PROGRAMS
€100 bn	€20 bn	Q2 2025
will be mobilised to support EU-made clean manufacturing	*for AI gigafactories*	*European Commission will simplify state aid rules*
A plan to support the competitiveness and resilience of the industry, by increasing renewable energy sources and reducing energy costs, which will make data center investments more profitable	Investment in AI gigafactories across Europe will drive data center development	Data centers can already benefit from various support mechanisms such as regional aid, electricity tax relief, capital allowances, or fast-track procedures

The Clean Industrial Deal, InvestAI, and various national incentives in Europe together will provide strong support for the growth and development of data centers. The Clean Industrial Deal focuses on decarbonization and competitiveness, promoting the transition to renewable energy sources and reducing greenhouse gas emissions.
This is critical for data centers, which have high energy consumption.

InvestAI, a major initiative by the European Commission, aims to mobilize €200 billion for investment in artificial intelligence (AI), which requires significant computing power and data storage. In addition, various national incentives across Europe aim to attract data center investment by reducing their investment and operational cost.

Clean Industrial Deal – strategic EU plan for increasing competitiveness and accelerating decarbonization that will lower energy costs for data centers

The plan outlines actions to turn decarbonization into a driver of growth for European industries. EU initiatives focuses on two main sectors: **energy-intensive sectors** and **clean tech**. The goal is to provide the industry with the clean energy it needs, at prices that are competitive with those in non-EU markets. These changes will allow data centers to benefit from **lower energy costs** and **better energy infrastructure**, which will speed up their development.

Key measures are:

Regulatory support for energy projects & infrastructure

The Deal aims to **reduce permitting times** for grid, energy storage, and renewable energy projects. Initiatives like the European Grid Package will **simplify Trans-European Networks for Energy**, ensure cross-border project planning, streamline permitting, enhance grid planning, boost digitalization, and prioritize supply needs.

Data Centers will benefit from steady and secure supply of clean and more affordable energy

State Aid instruments & simplified rules

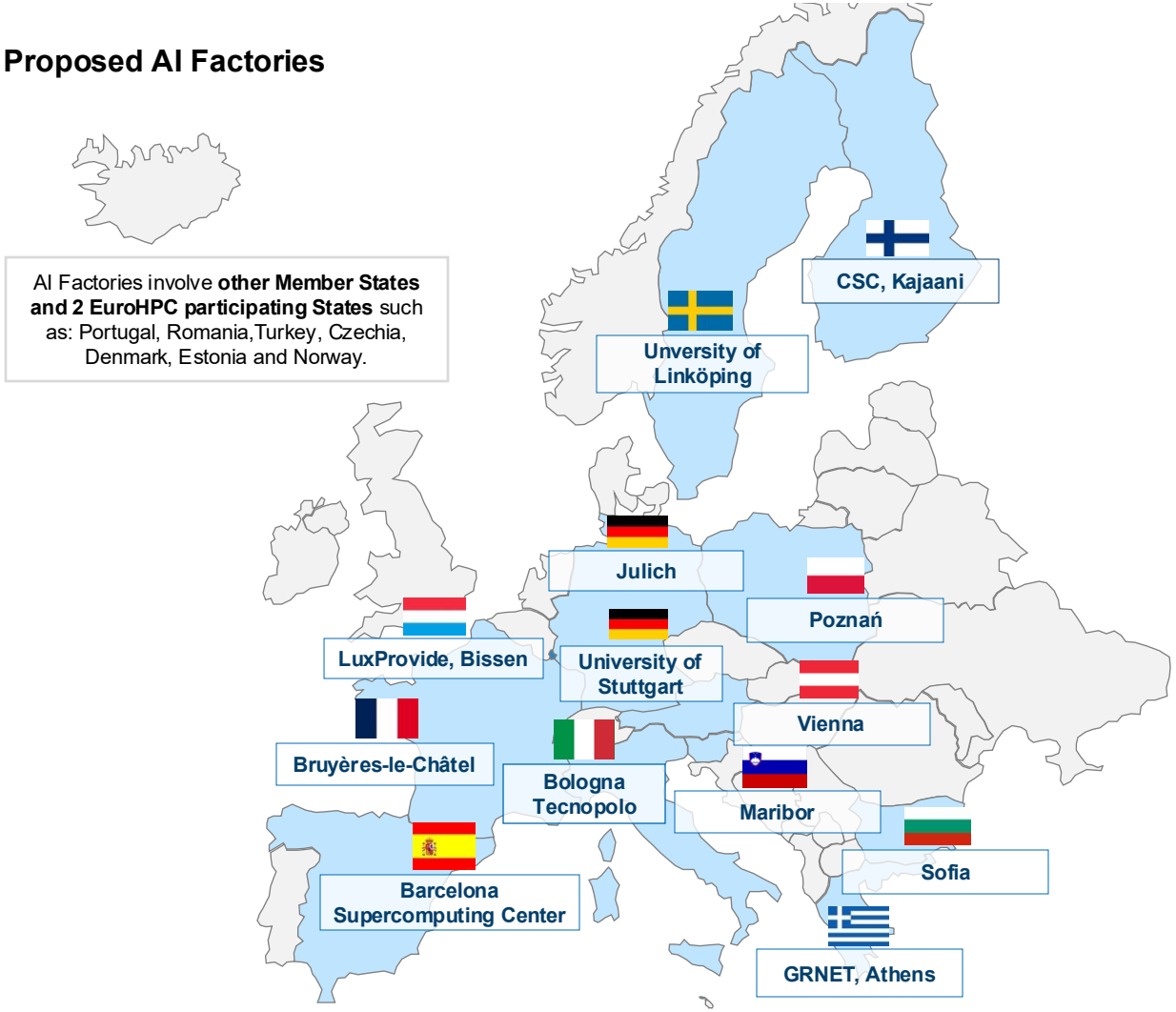
Member States are encouraged to introduce **new incentives**, such as tax exemptions, guarantees, or grants, and streamline procedures. The Commission aims to **accelerate the state aid approval process**. The Clean Industrial Deal State aid framework and recommendation to member states on new incentives are to be adopted in the **second quarter of 2025**.

Data Centers will benefit from a broader offer of incentives across Europe

Source: Newmark analysis based on data from the European Comission

InvestAI initative and European AI gigafactories will further boost large-scale data center investments throughout Europe

Proposed AI Factories



Key Insights

European Commission announced the **InvestAI initiative**, that aims to mobilize **€200 bn for investment in artificial intelligence** (AI). Here are some key changes from the InvestAI initiative that could be beneficial for data centers in Europe:

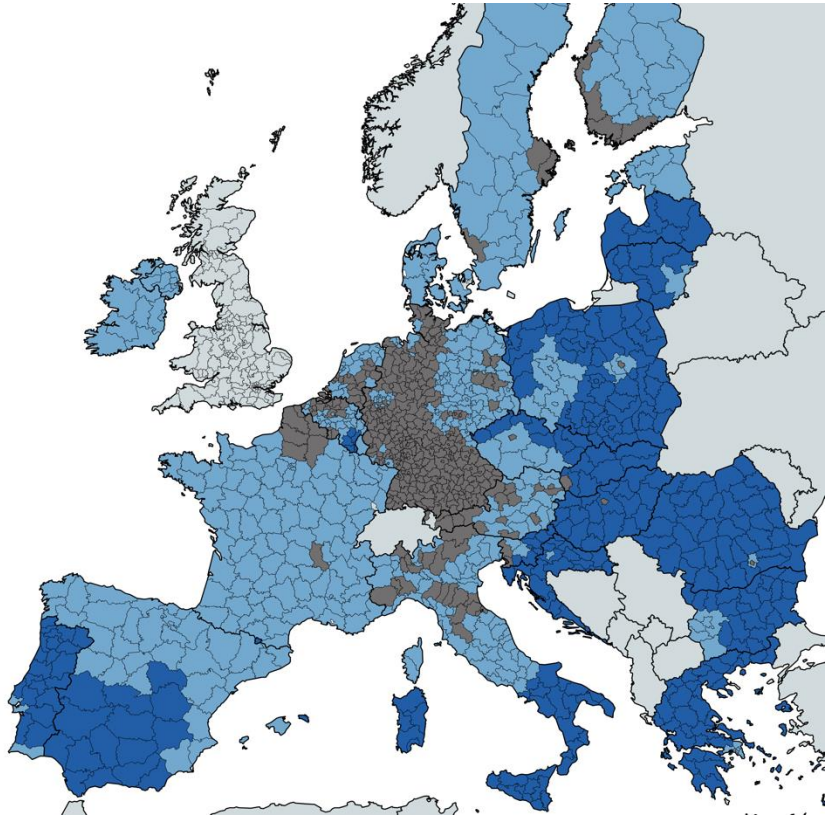
- **Investment in AI Infrastructure**: The initiative includes a new European fund of **€20 bn** for AI gigafactories. The Commission has already announced the initial **13 AI factories.** The existing support for AI Factories of **€10 bn**, co-financed by the EU and the Member States, is already the **largest public investment in AI in the world**, and will unlock over ten times more private investment. These gigafactories will provide the necessary infrastructure for developing and training complex AI models, which require extensive computing power and data storage.

- **Financing**: InvestAI aims to foster innovation and the adoption of advanced technologies. The Commission's initial funding for InvestAI will come from existing EU funding programs which have a digital component, such as **Digital Europe Program** and **Horizon Europe**, and **InvestEU**. Member States can also contribute by programming funds from their **Cohesion envelopes**. Funding of AI gigafactories with a mix of grants and equity will serve as one of the pilot cases for strategic technologies announced in the Competitiveness Compass. Data centers may benefit from this as necessary component for AI development.

Source: Newmark analysis based on data from the European Comission

EU member states have adopted national support programs – the maximum amount of potential incentives for data centers projects varies by region

Regional Aid Map (2024)



Region	Non-assisted area	C-Regions	A-Regions
Color on the map			
Aid Intensity for companies[1]	0%	10 - 45%	30 - 70%
Aid limit (EUR mn)	0	8.25 - 37.13	24.75 - 57.8

Key Insights

- Data Center projects can be **subsidized by regional aid mechanisms**. The amount of state aid **depends on the region** where the project is located (so called C-regions and A-regions). Regions with lower GDP per capita can subsidize projects with the highest intensity.
- The maximum amount of regional aid is also determined by size of the company (micro-, small or medium einterprises can get state aid higher of +10 pp or even +20 pp than large enterprises).
- The maximum aid is calculated on based on the amount of the eligible costs, which are **the investment costs** in tangible and intangible assets and/or **the estimated 2-year wage costs** of the jobs created within the new project. Eligible costs may include the purchase of land, buildings, construction works, and the purchase or financial leasing of machinery.
- Member States determine **the detailed rules for granting regional aid**, **the form of aid** (e.g., cash grant, tax incentive, soft loan) and **the application procedure**.
- If the regional aid is higher than the limit indicated for the given region, it must be **approved by the European Commission**.

Source: Newmark analysis of data from the European Commission Note (1): Aid intensity is calculated based on the project's CAPEX. The level of intensity depends on the company size

European countries use various incentive schemes to attract data center projects – most countries offer electricity tax exemption

Selected examples

To attract data center projects European countries introduced **various incentives that aim to reduce capital expenditures, operational costs or speed-up the investment process**. These incentives include:

Incentive Type	Electricity Tax Exemption	Capital allowances on qualifying CAPEX	Business rates relief	Reduced VAT on electricity consumption	Corporate income & social security tax reduction	Administrative support
Focus	Total or partial electricity tax exemption for data centers under certain conditions	Eligible equipment may include energy-efficient UPSs (uninterruptible power supply), cooling systems, and lighting	Data centers may be eligible for a reduction in their business rates bill	Data centers may qualify for a reduced VAT rate of on electricity consumption instead of the standard rate	Data centers may be eligible for tax incentives or exemptions from social security contributions	Data Centers may be granted *Strategic Investment Status* to speed–up procedures regarding building permits or connection to electrical grid
Applicable in Countries	**Finland** **Germany** **Norway** **Sweden** **France**	**UK** **Ireland** **Netherlands**	**UK**	**Netherlands**	**Finland** **Sweden**	**Greece** **France**

Source: Newmark analysis based on data from the European Commission

Newmark Global Strategy Consulting: Contacts and Contributors

Robert Hess
Vice Chairman
m +1 847 254 0681
robert.hess@nmrk.com
Chicago, IL, United States

David Dera
Senior Managing Director
m +49 173 762 3037
david.dera@nmrk.com
Berlin, Germany

Johanna von Seidel
Director
m +49 162 381 4965
johanna.vonseidel@nmrk.com
Berlin, Germany

Karolina Krol-Skowyrska
Director
m +48 790 650 999
karolina.krol@nmrk.com
Warsaw, Poland

Patryk Dybek
Consultant
m +48 790 559 690
patryk.dybek@nmrk.com
Warsaw, Poland

Karol Rybaczuk
Consultant
m +48 577 293 153
karol.rybaczuk@nmrk.com
Warsaw, Poland

NORTH AMERICA
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MIDDLE EAST
Saudi Arabia
United Arab Emirates

Headquarters
125 Park Avenue
New York, NY 10017
t 212-000-0000

nmrk.com

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