



UPSTACK INSIGHTS

Colocation strategies for a hybrid IT world

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The evolving colocation landscape

The changing face of colocation: Trends every business must know

IT practices are evolving rapidly with the rise of AI workloads, hybrid IT models, and an insatiable demand for low-latency, high-density environments. Colocation is essential for enterprise agility, performance, and cost control. However, businesses are facing new challenges in a highly competitive environment. Colocation has long been a straightforward solution for housing IT equipment and operations, but organizations face the fact that **demand is outpacing supply in the modern marketplace**, creating obstacles for organizations of all sizes.

“North American data center capacity is at an all-time low, driven by companies trying to be the first to market in AI,” explains Jake Cummins, Partner & Managing Director at UPSTACK. With over 18 years of telecommunications expertise and recognition as a top global data center connectivity expert, Jake has witnessed the dramatic shifts in the market firsthand. The sentiment is echoed by Monica Sanchez, Managing Director at UPSTACK, who brings more than two decades of network infrastructure experience to the table. “One of the most challenging things in the last 18 months has been the rising global demand for colocation. We’re seeing inflated costs and limited availability of assets,” she says. “It’s a challenging landscape for businesses to navigate independently if they’re unfamiliar with the market dynamics.”

The surge in demand creates a perfect storm of challenges for businesses looking to secure IT capacity in a colocation facility. Whether you’re a Fortune 500 company looking to optimize your global footprint or a mid-market business exploring hybrid cloud options, your choices today will have far-reaching implications for your organization’s future.

This guide provides a comprehensive overview of the current colocation landscape, offering insights into market trends, strategies for overcoming common challenges, and practical advice for optimizing your colocation investments. Drawing on the deep expertise of UPSTACK’s advisory partners and real-world case studies, we’ll explore how businesses can best navigate this complex terrain to enhance performance, control costs, and prepare for future growth.



Trends and strategic opportunities

Examining micro trends driving colocation demand

The colocation market is undergoing rapid transformations, driven by several interconnected forces reshaping the industry landscape. With the exponential growth of AI, the rise of edge computing, and the increasing pressure on power and infrastructure capacity, businesses must adopt strategic approaches to keep pace, let alone stay ahead. **The demand for colocation has skyrocketed in recent years**, with the market [doubling since 2020](#) as enterprises seek flexible, high-performance environments to support their IT initiatives.

AI and GPU workloads: The power-hungry revolution

The excitement around artificial intelligence and machine learning has generated a rush for high-performance computing resources. **“AI’s consumption of power - and by extension, real estate assets - is creating an environment of scarcity,”** says Monica, explaining that the scale and speed of AI growth is much larger and faster than anyone expected two years ago.

This surge in AI-driven workloads places new pressures on data centers, including higher power density requirements, increased demand for specialized cooling solutions, and intensified competition for available data center space and power. These factors have also driven up the costs for colocation services, especially in facilities equipped to handle AI workloads.

“We’re talking about 100+ megawatt deployments across multiple data centers and continents -- which is unprecedented,” said Jake, adding context to the challenges of the current colocation marketplace. “Companies are racing to secure as much capacity as possible.”

Colocation growth by the numbers

12GW

Total US colocation capacity in 2024, doubling from 6GW in 2020

3%

Current colocation vacancy, reflecting record-low availability

84%

New developments pre-leased, driving up rents by 13–37% year-over-year

20%

Rise in data center demand driven by AI over the last year

Source: Data Center Dynamics, JLL Report, [September 2024](#)

The shift toward hybrid and edge IT models

As businesses aim to achieve greater flexibility and cost-efficiency, many are moving from 'all-in' cloud strategies to more balanced, hybrid approaches. "We're seeing larger enterprises moving towards colocation rather than forcing everything into the cloud," says Jake. He explains that this trend from fully dedicated cloud infrastructures to more hybrid setups is due to the challenges associated with being entirely cloud-based—particularly around cost optimization, security, and managing the complexity of cloud environments. "Companies are realizing that being 100% in the cloud comes with challenges—not just cost, but also the additional training required for managing cloud-specific infrastructure, along with other hidden hurdles," he adds.

By leveraging colocation, businesses can maintain control over critical infrastructure while benefiting from the scalability and flexibility of cloud resources. This hybrid approach also enables companies to tailor their IT environments to meet specific workload needs, ensuring they have the right balance of performance, cost, and compliance across cloud and on-premises systems.

Additionally, **edge computing is reshaping the future of colocation**, driving investment in facilities that can deliver low-latency services crucial for IoT, 5G, and other next-gen technologies. According to a Gartner [report](#), by 2025, over 50% of enterprise-managed data will be created and processed outside traditional cloud-based locations, primarily at the edge. This shift is fueling the growth of the global edge data center market, which is [projected to grow](#) from \$13.0 billion in 2023 to \$39.8 billion by 2030. As businesses move toward distributed workloads across cloud, edge, and on-prem environments, colocation facilities with high-performance systems located close to end users are becoming increasingly valuable for reducing latency and improving connectivity.

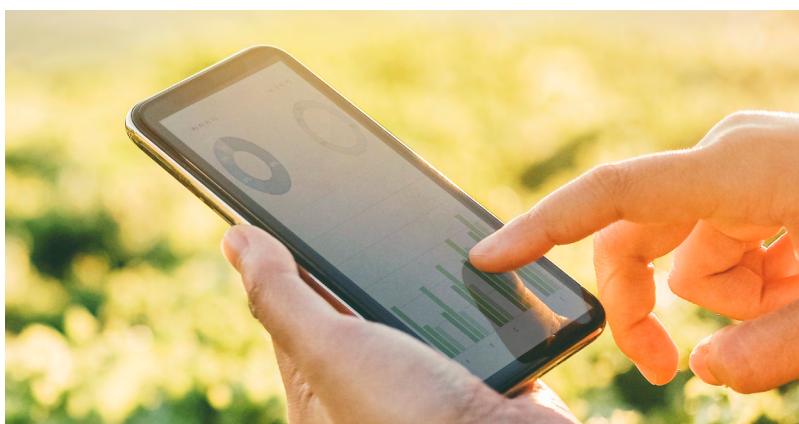
"We're seeing this shift not just because of cloud limitations but also because businesses need to ensure high availability and lower latency in their critical applications. Edge deployments allow for greater proximity to end users, which is key for applications requiring real-time data processing," adds Jake. This convergence of hybrid and edge models sets the stage for the next wave of IT innovation as enterprises seek to optimize their infrastructure for scalability and performance.



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Jake Cummins

Partner & Managing Director,
UPSTACK



Grappling with energy and capacity constraints

With demand growing, businesses face significant challenges securing the space and power they need to support their operations and growth. Unfortunately, data centers around the globe are struggling to keep pace as they grapple with the challenges of diminishing capacity. According to CBRE's [Global Data Center Trends 2024](#) report, sourcing power remains a top priority for data center operators worldwide, with vacancy rates declining across most global markets due to the strong demand. For instance, Singapore faces a near-record low vacancy rate of just 1%, reflecting global power scarcity and rising demand in major colocation markets.

Aside from capacity constraints, the challenges are compounded by the increasing cost of power and the growing need for sustainable energy solutions. Many regions are facing energy shortages and rising operational costs, driving up the price of colocation services. “The next few years will be especially challenging,” says Monica. “We’ll start seeing more power come online towards the end of 2025 and certainly by 2030, but **businesses need to plan proactively to secure capacity before other high-demand sectors like AI and GPU-heavy industries claim it.**”

“Right now, the biggest challenge is finding availability, period,” says Jake, succinctly capturing the current market situation. He explains that the rise in demand is creating disparities between AI and non-AI companies. AI-heavy organizations drive up prices and consume more power, leaving mid-market and enterprise companies not primarily focused on AI, feeling the strain as they compete for limited resources. “We’ve seen cases where clients were going through their internal process, only to find out later that another company had taken the remaining power. That’s the kind of unprecedented demand we’re dealing with.” As a result, businesses face higher prices and more challenging negotiations to secure the infrastructure they need to continue growing.



Five keys for navigating the colocation market

Navigating the colocation crunch: Proactive strategies for growth

As the demand for colocation services continues to outpace supply, businesses must adopt proactive and flexible strategies to secure the infrastructure they need to support their growth. UPSTACK emphasizes the importance of early planning, strategic partnerships, and the use of market intelligence to navigate the increasingly competitive colocation market. Here are five key strategies UPSTACK recommends.

1 Early planning and forecasting

A critical step in staying ahead of capacity constraints is regularly assessing your current and future infrastructure needs. By developing long-term capacity plans that account for potential growth, AI-driven workloads, and shifting technology trends, businesses can better position themselves to secure colocation resources when they become available. Early planning ensures businesses can leverage flexible power ramps and other solutions to manage growing demand without being caught off guard.

2 Leverage market intelligence

To make informed decisions about where and when to secure capacity, businesses need access to real-time data on market trends, availability, and pricing. This intelligence can be gathered through trusted partners who engage deeply with the market. By working with advisory partners with a broad view of the colocation landscape, businesses can stay ahead of competitors and seize opportunities before prices rise or resources become scarce. Leveraging this market intelligence ensures that strategic decisions are well-timed for the best results.

3 Build strategic relationships

In a highly competitive environment, having a partner with strong, established relationships across the colocation supplier ecosystem can make the difference between securing essential capacity and missing out. Instead of


navigating the landscape alone, businesses can benefit from having a partner with a supplier-agnostic approach, who can provide them with access to multiple suppliers and help secure capacity through multi-site agreements, greater flexibility, and more favorable terms. By working with an experienced advisory partner, businesses can ensure they're getting the best solutions without being locked into a single provider.

4 Explore secondary markets

Given the constraints in major colocation hubs, businesses should consider expanding their footprint into secondary markets with more available capacity. These markets often provide a better balance between location, cost, and availability, allowing businesses to meet their infrastructure needs while keeping costs manageable. In many cases, the trade-offs of being in a secondary market can be mitigated with the proper connectivity solutions.

5 Optimize your existing footprint

Businesses should look at ways to optimize their current colocation footprint to maximize the use of available resources. This can include implementing density optimization strategies to increase power and space utilization or upgrading to more efficient equipment that frees up additional capacity. By making the most of their existing deployments, businesses can defer the need for additional space and mitigate the impact of rising costs.



UPSTACK'S EXPERTISE

Navigating the colocation landscape

UPSTACK's approach: Expertise meets client-centric service

The colocation landscape is complex and rapidly evolving. Having a knowledgeable and dedicated partner can make all the difference. UPSTACK offers businesses a strategic advantage through an approach that combines deep industry expertise, proprietary global market intelligence, and extensive experience navigating diverse data center environments. Most importantly, UPSTACK's deep commitment to client success ensures that each solution is tailored to meet specific business needs—helping clients navigate market challenges, optimize their infrastructure, and achieve long-term growth with confidence.

Leveraging market intelligence and global insights

Central to UPSTACK's success is its ability to provide clients with up-to-date, comprehensive market intelligence, providing a significant advantage when securing colocation space and negotiating contracts. **"We are engaging the market daily across geographies** around the globe," explains Jake. "We're seeing all these deals and requests and are paying close attention as we document it, providing our entire organization with insights into different markets and the available opportunities."

These insights are the bedrock for UPSTACK's ability to guide clients through long-term infrastructure planning - including pre-sale opportunities for future capacity -- positioning them to thrive in the colocation market. "Whether it is real estate or power limitations, we make sure clients aren't caught without options for growth," noted Monica.



Whether it is real estate or power limitations, we make sure clients aren't caught without options for growth.

Monica Sanchez

Managing Director, UPSTACK

Building and maintaining strong industry relationships

UPSTACK's deep expertise within the supplier ecosystem is a cornerstone of the value it offers to its clients. By negotiating, managing, and supporting thousands of technology deployments across diverse environments, UPSTACK can secure optimal terms, gain insights into capacity and emerging technologies, and navigate complex negotiations with greater efficiency. This breadth of experience allows UPSTACK to stay ahead of industry trends and proactively respond to market shifts, ensuring clients benefit from both immediate and long-term advantages in their colocation and IT strategies.

This broad network also allows UPSTACK to offer clients a more comprehensive range of tailored solutions that meet their unique needs. Jake highlights the impact of these relationships: “Suppliers often recognize that UPSTACK advisors bring vetted, technically sound opportunities, which positions us as trusted partners. This helps us **secure space and power more efficiently while negotiating favorable terms** for our clients.” UPSTACK’s presence in the global market and the relationships it builds are a key factor in its ability to deliver seamless, strategic solutions that drive long-term success for its clients.

Client-centric philosophy

Core to UPSTACK’s success is its client-centric philosophy, which extends far beyond the initial deployment. UPSTACK isn’t a supplier; it’s a strategic partner that supports clients through the entire lifecycle of their technology infrastructure journey, at no additional cost. “We do not leave the customer,” says Monica. “Instead, we become a valuable extension of the client’s team, from pre-sales to contract negotiations and beyond. **Our goal is to guide our client through every necessary shift**, ensuring that every decision remains the right one throughout the entire lifecycle.”

From the initial discovery process to ongoing project management, UPSTACK remains closely involved with clients, whether they are determining where to place workloads to maximize performance and efficiency or navigating challenges like scaling infrastructure and managing evolving compliance requirements.

Jake explains, “We’re constantly advocating for our clients and securing space and power faster, ensuring they stay ahead in a competitive market.” This proactive, hands-on approach ensures clients receive tailored, forward-thinking support at every step, from securing critical resources to adapting to market trends and evolving technologies. UPSTACK fosters long-term relationships built on trust, expertise, and shared success by providing continuous guidance and ensuring strategic flexibility.

Partnering for success in a dynamic market

The colocation landscape is evolving at breakneck speed, driven by unprecedented demand for AI workloads, hybrid IT strategies, and edge computing solutions. Navigating this competitive environment requires deep industry expertise and a proactive and flexible approach to securing critical infrastructure.

At UPSTACK, we combine our extensive industry relationships, data-driven market intelligence, and client-centric philosophy to deliver tailored solutions that meet your unique needs. Whether you’re optimizing global operations or preparing for future growth, our advisory partners and customer experience team will guide you every step of the way—from initial planning to long-term success.

Ready to optimize your colocation strategy and secure the capacity you need? [Contact UPSTACK today](#) to discover how we can help you navigate the complexities of the modern colocation market, overcome challenges, and achieve your business goals with confidence.



Simplify IT with UPSTACK

UPSTACK takes a supplier-neutral approach and helps you navigate through challenges to find the best fit for your business across the full technology ecosystem.

Data Center Colocation

- Multi-Site Colocation
- Hyperscale Cloud Connections
- Global Infrastructure Services
- High-Density Workloads
- Multi-Megawatt Deployments
- Edge Data Centers

Unified Communications

- Hosted PBX
- Audio & Video Conferencing
- Endpoint Options
- Messaging
- Collaboration
- Application Integration
- MS Teams Integration
- Cloud Faxing

Mobility

- Carrier Contract Negotiations
- Mobility Help Desk
- Device Procurement & Configuration
- Wireless Expense Management
- Device Lifecycle Management

Business Continuity

- Managed or Self-Managed Backup
- Image-Level VM Backups
- Near Real-Time Data Replication
- Annual Failover Testing

SD-WAN

- Business Continuity
- LTE / 5G Failover
- Secure SD-WAN
- Branch Office Connections
- Hybrid Networks
- Secure Access Service Edge (SASE)

Security

- Risk & Vulnerability Assessments
- Managed Security Services EDR/MOR/XOR
- Unified Threat Management (UTM)
- DDoS Mitigation
- Secure Service Edge (SSE)
- Physical Security

Private and Public Cloud

- Private Cloud
- Infrastructure as a Service (IaaS)
- Cloud Security
- Hybrid Cloud
- DaaS/VDI
- Cloud Migration

Internet of Things (IoT)

- Asset Tracking
- Fleet Management
- Smart Cities
- Medical IoT
- Industrial IoT (IIoT)
- Supply Chain Management

Network Connectivity

- Broadband
- DIA
- SD-WAN
- MPLS
- 4G / 5G Fixed Wireless
- Private Line (DWDM, L2 Ethernet, Point-to-Multipoint)
- Cloud Connectivity
- Data Transport/ Transit
- Satellite

Customer Experience Suite

- OmniChannel Contact Center as a Service (CCaaS)
- Artificial Intelligence (AI) & Machine Learning (ML)
- Robotic Process Automation (RPA)
- Quality Assurance/Management (QA/QM)
- Reporting & Analytics
- BI Tools
- Customer Engagement / Relationship Management
- Workforce Management (WFM)
- Business Process Outsourcing (BPO)
- CRM Integration



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