

NAVIGATING CANADA'S DATA CENTRE BOOM

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Thanks to rapid developments in cloud computing, artificial intelligence (AI), and other digital services, [Canada's digital economy](#) is booming. That growth underscores the need for more data centre facilities, which provide the physical infrastructure for the digital sector.

However, while Canada's data centre sector is experiencing unprecedented growth, Canada [ranks last](#) among the world's largest developed economies in terms of publicly available computing infrastructure and performance. That could be why the Canadian government is [increasingly focused](#) on building the country's digital infrastructure.

Data centres are [reshaping the commercial real estate market](#). And with its low energy costs, cool climate, stable electricity grid, and land availability near urban centres, Canada is a [top global destination](#) for these facilities. In fact, Canada's data centre market is [projected](#) to reach \$22.2 billion USD (approximately \$31.1 billion CAD) by 2030, up from \$10.3 billion USD (approximately \$14.4 billion CAD) in 2023.

Key Trends in the Data Centre Industry

Canada's continued growth in the data centre market will be shaped by a few key trends. The digital economy and other related factors will affect how – and how much – the market expands. In turn, the market itself will impact local economies, job creation, and renewable energy development.

- **Unprecedented digital growth:** Businesses and consumers are increasingly adopting digital lifestyles, fueled by cloud computing, AI, and 5G networks. That has contributed to unprecedented growth in the data centre industry. Global data centre capacity is [projected to grow](#) from 17 GW in 2022 to more than 35 GW by 2030, a compound annual growth rate of 15%. For that reason, data centre expansion will likely be the [largest](#)

[driver](#) of new global electricity demand over the next five years.

- **Tech investment:** Industry leaders like Amazon Web Services and Microsoft have made [substantial investments](#) in Canadian cloud computing capabilities, which has helped drive data centre growth. These companies are now developing larger campuses in suburban and rural areas to support expanding AI workloads and long-term power needs.
- **Economic boost:** Data centres [create jobs](#) and stimulate local economies. In the U.S., data centre-related jobs increased 20% between 2017 and 2021.
- **Renewable energy development:** While data centres consume a significant amount of energy, they can also drive renewable energy development. The [industry is adopting](#) energy-efficient technologies like modular construction and increased rack density.

Policy and Incentives Driving Data Centre Growth

Investors and developers can also take advantage of favourable federal policy initiatives. As the [first country](#) to launch a [national AI strategy](#), Canada has a [number of specific initiatives](#) intended to bolster Canada's digital infrastructure, with [more funding expected](#) for AI initiatives.

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For example, in March, the government launched the \$300 million [AI Compute Access Fund](#) for affordable access to high-performance computing power for small- and medium-

sized Canadian enterprises to develop AI products and solutions. This is part of the government's \$2 billion [Canadian Sovereign AI Compute Strategy](#), which already includes \$700 million for building Canadian AI data centres. The government is also [tackling increased cyber threats](#).

Additionally, the Alberta government is targeting [\\$100 billion in private investment](#) in data centre development over the next five years. Other dedicated national programs to encourage data centre development include:

- the [Global Innovation Clusters program](#), which encourages industry leaders to collaborate on large-scale digital projects;
- the [Strategic Innovation Fund](#), which invests in innovative projects; and
- the [Scientific Research and Experimental Development tax incentives](#), which encourage businesses to conduct research and development in Canada.

Commercial Real Estate Opportunities

Data centres are a lucrative opportunity for real estate investors and developers due to their stable returns, low vacancy rates, and long-term leases. Notably, vacancy rates in the U.S. sit at a record low of 2.8%. With high demand and limited supply, data centres are attractive to investors seeking steady rental income.

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At the same time, data centre construction, operation, and maintenance are affordable in Canada with its low electricity prices, renewable energy sources, and cool climate. That makes the country an attractive option for companies looking to build data centre facilities, especially since the decline of traditional office and retail spaces has left empty industrial buildings primed for modern transformations. Developers can use that existing infrastructure to reduce costs significantly.

Legal Considerations and Site Selection

Data centres are essential to the digital economy, and Canada is investing in that future. However, there are [key legal issues](#) for investors and developers to consider. For example, data centres consume large amounts of energy, so developers must apply for and negotiate electrical utility agreements, transmission service agreements, and licenses to facilitate interconnection to the grid.

“...governments and development agencies are working to pre-identify sites with the necessary power, water, and fibre infrastructure...”

Strategic site selection is increasingly critical in the data centre lifecycle. Before choosing a facility site, developers need to know the electrical transmission requirements, land acquisition costs, and local zoning and land use regulations. According to a recent ULI webinar, “[Data Centres: Canada's Real Estate Gold Rush](#)”, governments and development agencies in markets like Alberta are working to pre-identify sites with the necessary power, water, and fibre infrastructure to accelerate project timelines. Developers are also engaging earlier in the process to assess long-term infrastructure availability and minimize permitting or interconnection delays.

As always, companies must conduct thorough due diligence, considering both financing options and tax implications.

Looking to the Future

The next phase of digital growth brings significant opportunities for communities, developers, and investors. If current trends continue, Canada's ability to scale digital infrastructure could become a defining economic story in the years ahead. 📈

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