

DATA CENTERS

The U.S. economy's increasing reliance on technology has placed data centers at the core of its digital evolution. Data centers are like the vital organs of the digital economy, processing and storing the information that powers everything from online transactions to AI computations.

Supporting them is a vast network of fiber optic cables and transmission lines, functioning as the circulatory system that transports data globally, much like veins and arteries carry nutrients and oxygen through the body. Together, these "digital organs" and their "circulatory system" form the backbone of modern connectivity, ensuring the seamless flow of information that sustains the increasingly digital-dependent global economy.

Data centers are facing unprecedented demand, as our **RESEARCH** demonstrates, propelled by two primary tailwinds:



The adoption of cloud computing remains robust, and cloud computing revenues by the largest providers¹ demonstrate annual growth rates of over 27% since 2016.



Generative AI has accelerated this trend, requiring immense computational power and storage capacity to train and deploy advanced models. The immediate demand from generative AI is substantial, with strong visibility over the next three to four years. However, the longer-term growth trajectory remains less certain, contingent on advancements in technology, adoption rates, and evolving use cases.

In 2023 alone, data center absorption surpassed 6,000 MW, marking a 31% increase in the sector's total capacity—a remarkable milestone that underscores its explosive growth trajectory. **In 2024, absorption neared 7,000 MW.** This is a substantial increase compared to just over 1,000 MW of leasing as recently as 2018.

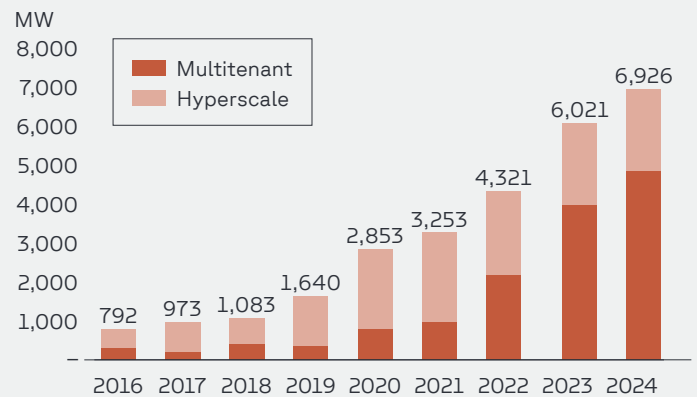
Leading tech companies are driving this momentum, as the opportunity in artificial intelligence drives significant capital expenditures to expand their digital infrastructure. The magnitude of the spend is breathtaking; in 2024, hyperscaler capital expenditures hit \$261 billion, up 51% YoY,² and are projected to accelerate further based on forward guidance from Amazon, Microsoft, and Alphabet.³

Despite the strong demand, the industry faces critical supply constraints. The rapid growth in demand is putting pressure on power grids, particularly in key markets like Northern Virginia. Companies are having to be more strategic in their site selection and development plans to ensure access to sufficient power. A shortage of suitable locations, supply chain disruptions, and power infrastructure limitations have hindered development. Vacancy rates in the sector hit a historic low of 1.7% nationally in Q4 2024, and hyperscale rents in key markets like Northern Virginia are achieving double-digit annual increases. Addressing the 47 GW of incremental power generation capacity needed to meet projected demand through 2030 remains a pressing challenge, with utilities and governments scrambling to upgrade power grids and increase resilience.

Data center development aligns with Affinius Capital's investment philosophy of identifying sectors where technology is driving outsized demand for real estate.

1. Amazon, Microsoft, and Alphabet.
2. "Cloud Capex Tracker: Robust Spending Intensity Continues." Morgan Stanley Research, 05 Nov. 2024
3. Based on Q4 2024 earnings call projections.

U.S. DATA CENTER ABSORPTION



Source: datacenterHawk, Affinius Capital Research

Together with our affiliate Corscale, we operate as a vertically integrated platform, enabling us to control the entire development process, from design and construction to leasing and management. What makes this approach work is our ability to combine proprietary designs with "powered shells" customized to meet hyperscale tenant needs. This flexibility isn't just a technical feature—it's a strategic advantage. By aligning more closely with tenant requirements, we've strengthened partnerships with industry leaders, unlocking a wealth of opportunities for our investors and solidifying our position as a trusted partner in this dynamic, fast-growing market.



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