

Data centres and digital infrastructure are increasingly recognized as essential to Europe's digital strategy and long-term competitiveness. For the second consecutive year, data centres ranked as the most favoured sector in Europe in the ULI Emerging Trends in Europe report.¹ The sector is rapidly evolving from a niche play to a mainstream asset class, driven by a growing pool of investors, managers, and developers eager to participate in this structural growth story. The European data centre market is still catching up to the rapid expansion seen in the U.S., mirroring the lagged growth pattern previously observed in European logistics.

Data centre demand continues to accelerate, propelled by two primary tailwinds:

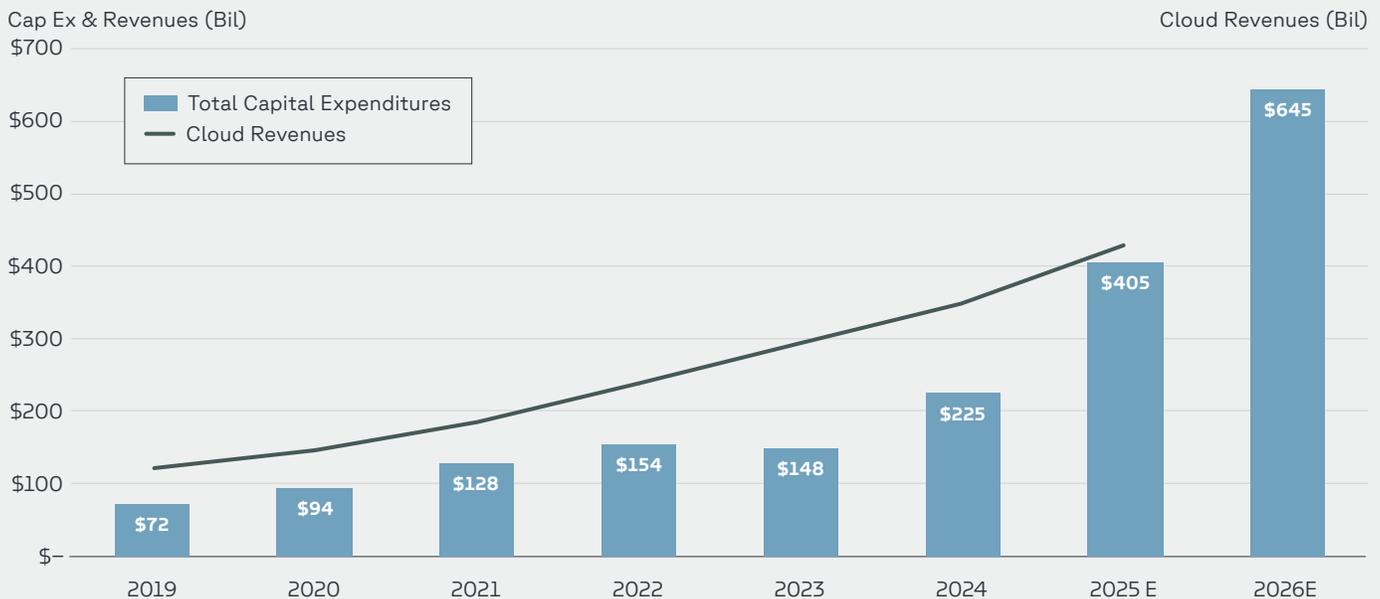


Cloud computing has become a foundational component of the global economy over the past decade. The four largest cloud providers² have turned digital infrastructure into a core utility, with combined cloud revenue run rates at \$440 billion annually, and growing at a compounded 22% rate since 2016.³ Cloud revenue growth has kept pace with rising capital expenditures, as shown in the chart below.



Generative AI has accelerated this trend, requiring immense computational power and storage capacity to train and deploy advanced models. A single large-language-model query consumes roughly ten times the power of a standard web search. Enterprises are embedding AI into their core operations, causing demand for high-performance, low-latency infrastructure to soar, fuelling the acceleration in both cloud revenues and hyperscaler capital expenditures. While this demand is accelerating globally, Europe has so far captured a relatively modest share, with approximately 1.6 GW of data centre absorption in 2025 compared with around 17 GW in the U.S.⁴ It is our view that AI driven real estate absorption in Europe remains limited today and that scaling will require the assemblage of large, contiguous sites with access to significant power capacity.

HYPERSCALER CLOUD REVENUES AND CAPITAL EXPENDITURES TREND



Source: Company Filings, Bank of America, Affinius Capital Research

1. ULI. Emerging Trends in Real Estate Europe 2026
2. Amazon Web Services, Microsoft Azure, Google Cloud, and Oracle
3. Through Q3 2025, per company financials
4. datacenterHawk, Q4 2025

Demand for data centre capacity has continued to **accelerate at an unprecedented pace**. This step change represents the convergence of the buildout of AI training infrastructure, the ongoing migration of enterprise workloads to the cloud, and rapidly growing inference applications as large language models move from development to production deployment. The supply response, while aggressive by historical standards, has been unable to keep pace, not due to lack of capital or developer activity, but because power has become the binding constraint.

In Europe, demand for data centres is expected to grow to approximately 35 gigawatts (GW) by 2030, up from 10 GW today. To meet this new IT load demand, more than \$250 to \$300 billion of investment will be needed in data centre infrastructure, excluding power generation capacity.⁵ **Within the EU, wait times for securing a grid connection can range from two to ten years, depending on the country. In the “FLAP-D” data centre hubs, developers face queues to obtain a connection that averages seven to ten years.**⁶ As a result, vacancy rates have fallen below 1% in many key markets, and developers with permitted sites and secured power allocations are commanding unprecedented pricing power, while hyperscalers increasingly redirect capital toward secondary markets offering faster paths to energised capacity.⁷ Europe’s second tier markets account for around 15% of the total operational capacity in the region comprising 1,587 MW live capacity, however they are on track to more than double in size if the development pipeline (3,678 MW) is built out.⁸ European secondary data centre markets like **Madrid, Milan, Oslo, Warsaw, Berlin, Brussels, Munich, Stockholm, Vienna, and Zurich** are rapidly scaling as primary hubs, as **London, Frankfurt, Paris, Amsterdam, Dublin** face power and land constraints.

Despite this compelling supply-demand imbalance, media sceptics have begun questioning whether an “AI bubble” is inflating, arguing that hyperscaler capital spending has outpaced plausible revenue trajectories and will inevitably result in stranded capacity. While capital markets have historically overbuilt during technological inflection points, and not every AI venture will deliver on its promise, this concern misreads both the current capacity deficit and the nature of the opportunity. Much of the capacity being delivered today is best understood as the **foundation layer**, which is the buildout required to train and deploy large language models, rather than the full expression of AI demand. The next leg of growth is likely to be driven less by training and more by **inference at scale**, as AI applications, tools, and agentic workflows become embedded across enterprise and consumer use cases. Importantly, hyperscalers are not building ahead of this future, they are playing catch-up to current demand, constrained more by power and delivery timelines than by customer appetites.



5. Mckinsey. The role of power in unlocking the European AI revolution. 24 October 2024

6. International Energy Agency. Overcoming energy constraints is key to delivering on Europe’s data centre goals. 16 November 2025. Note: FLAP-D includes Frankfurt, London, Amsterdam, Paris & Dublin

7. datacenterHawk

8. Cushman & Wakefield. EMEA Data Centre H1 2025. Note: includes Lisbon, Madrid, Helsinki, Oslo, Berlin, Dubai, Abu Dhabi, Johannesburg, Stockholm, and Cardiff Newport

Our direct conversations with hyperscale operators consistently reveal the same dynamic: they are failing to meet internal deployment targets, constrained by power availability, and are generating strong returns on incremental investments. This dynamic is reinforced by management commentary: both Microsoft and Amazon have signalled that they expect to roughly double their data centre footprint over the next two years, underscoring that leading operators view today's capacity as insufficient for the deployment targets already in motion. The below excerpts from Q3 2025 earnings calls highlight this dynamic:



"We're going to continue to be very aggressive investing in capacity because we see the demand... as fast as we're adding capacity right now, we're monetizing it...it's still quite early."



"Demand again exceeded supply across workloads, even as we brought more capacity online."



"Google Cloud's backlog increased...reaching **\$155 billion**...driven primarily by strong demand for enterprise AI," and "we've signed more billion-dollar deals in the first nine months of 2025 than in the past two years combined."



"We are...operating...in a compute-starved state," and "there's a lot more compute that we could put towards these that would unlock a huge amount of opportunity in the core business."

As an emerging sector, there are fewer examples of fully realised investment cycles and successful exits at scale. However, our **RESEARCH** suggests capital formation is deepening rapidly, with institutional allocators increasingly comfortable underwriting data centre investments at both the development and stabilised income producing stages and a growing universe of buyers, from REITs to infrastructure funds to hyperscalers themselves pursuing forward acquisitions, providing liquidity for those seeking to monetise assets. The sector's maturation is proceeding quickly, and we expect exit markets to continue broadening as operational track records lengthen and the asset class becomes better understood by traditional real estate capital.

Data centre development exemplifies Affinius Capital's investment philosophy: identifying sectors where technology is fundamentally reshaping demand for physical infrastructure. Together with our affiliate Corscale,⁹ we operate a vertically integrated platform controlling the entire development and investment process, from site selection and design through construction, leasing, capital markets and asset management. While powered shells presently represent the majority of our activity, one of our competitive advantages is our ability to create bespoke turnkey solutions for hyperscalers utilizing creative lease and ownership structures, a flexibility that has strengthened partnerships with industry leaders. This is not speculative development; it is build-to-suit and pre-leased construction backed by investment-grade tenants signing long-term leases, generating durable cash flows with embedded growth as power costs and scarcity drive rental escalations. The sector's extraordinary growth trajectory, combined with our operational capabilities and tenant relationships, positions data centres as a core component of our strategy for 2026 and beyond.



9. Corscale, LLC and Patrinely Group, LLC are subsidiaries of the same parent company, Crimson Interests, LLC. Affinius Capital owns a minority interest in Crimson Interests, LLC. Another company controlled by certain owners of Affinius Capital has a separate ownership interest, and combined, these companies own a majority interest in Crimson Interests, LLC. Please see Part 2A of Affinius Capital Advisors Form ADV for more information



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