From Cloud to Capital: Unlocking Exit Liquidity for Data Centers

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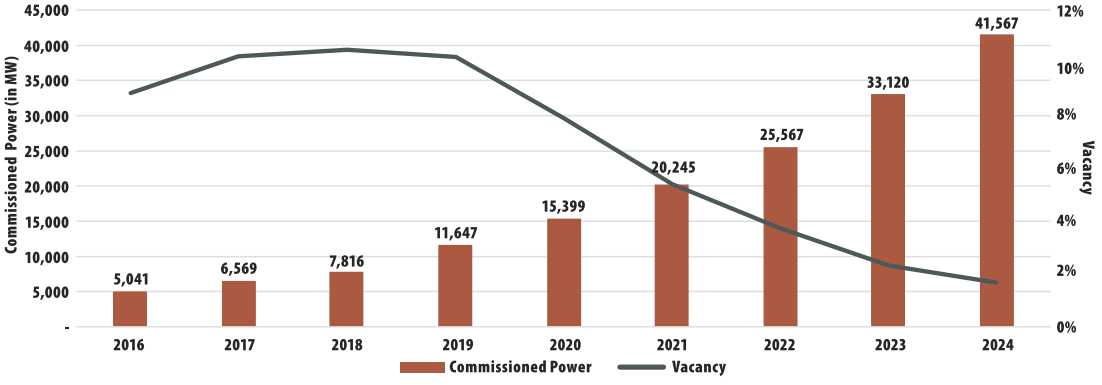
Data centers have rapidly emerged as a cornerstone of the modern economy, driven by the explosive growth of cloud computing and generative AI. This surge in demand—led by hyperscalers such as Amazon Web Services (AWS), Microsoft, and Google—not only is reshaping digital infrastructure but also has implications for the real estate capital landscape. With nearly all new supply pre-leased and long term, creditworthy tenants in place, the sector offers a compelling risk-return profile. Although long-term capital investment requirements are rising in the US and Europe—*estimated at $85 billion annually—the scale is actually below historical transaction volumes across traditional asset classes.* As capital rotates out of legacy sectors and into future-facing themes, we believe that data centers are uniquely positioned to absorb growing investor allocations, drawing interest from core real estate, infrastructure, and institutional investors alike.

Demand Drivers

Over the past few years, data centers have become the heart of the digital economy. What was once infrastructure powering tech companies is now indispensable to every industry, from finance to logistics to health care. This shift isn't just about storage—it's about scale, speed, business efficiency, and the seamless delivery of digital experiences. The cloud made computing more elastic; AI is making it insatiable. As companies embed generative models into daily operations and consumer apps run queries that are exponentially more compute intensive than a standard web search, the demand for high-performance, low-latency infrastructure has exploded.

This shift is not theoretical. The US and European data center markets have grown by more than 63% in just two years, with approximately 16,000 megawatts (MW) of absorption, as shown in Exhibit 1. Cloud adoption was the first wave, stretching existing infrastructure to meet surging enterprise and consumer demand. Generative AI poured fuel on the fire. The power and processing intensity of AI workloads is forcing a re-architecture of data infrastructure, prioritizing proximity to power, fiber, and talent. The result is a supply race for computing capability—and the implications for economic productivity, real estate investment, and global competition are only beginning to take shape.

Exhibit 1: US and European Data Center Commissioned Power and Vacancy Rate



Sources: datacenterHawk, Affinius Capital Research

Exhibit 2: Hyperscaler Capital Expenditures by Year

	Capex (in Billions)				
	Amazon Web Services	Google	Microsoft	Meta	Total
2019	$17	$24	$14	$15	**$70**
2020	$40	$22	$15	$15	**$92**
2021	$61	$25	$21	$19	**$126**
2022	$64	$31	$24	$31	**$150**
2023	$53	$32	$28	$27	**$140**
2024	$83	$53	$44	$39	**$218**
2025	$104	$75	$80	$65	**$324**

Sources: Company financials/projections, Affinius Capital Research; Microsoft data as of June 2025

The hyperscalers are the driving force behind this demand. AWS, Microsoft, and Google have turned cloud computing into a core utility of the modern economy, and the scale of their infrastructure needs reflects that reality. As of 2024, cloud revenues for the big three were still growing at a 22% annual clip, and since 2016, the compound growth rate has been an eye-popping 27%. Both AWS and Microsoft have crossed the $100 billion global annual revenue run rate just from their cloud businesses. The hyperscalers are at the forefront of generative AI as well; their unmatched scale in computing as well as proprietary training data and a deep bench of AI talent give them a structural advantage in this new era. And as generative AI workloads push the limits of what infrastructure can handle, these companies are doubling down—because every dollar of cloud revenue today is a signal to invest even more for tomorrow. The flywheel is in motion: more AI means more demand for cloud, which means more investment in infrastructure, which in turn widens the gap between the hyperscalers and everyone else. This isn't a one-time capex cycle; it's an arms race. Each company is investing aggressively to build the infrastructure needed not only to meet current enterprise and consumer cloud demand but also to power the AI platforms that will define the next decade. Exhibit 2 shows the capital expenditures of the major hyperscalers over the past several years, largely targeting building out their digital infrastructure. Based on public statements, these are projected to increase substantially throughout 2025 and have more than doubled in the past two years.

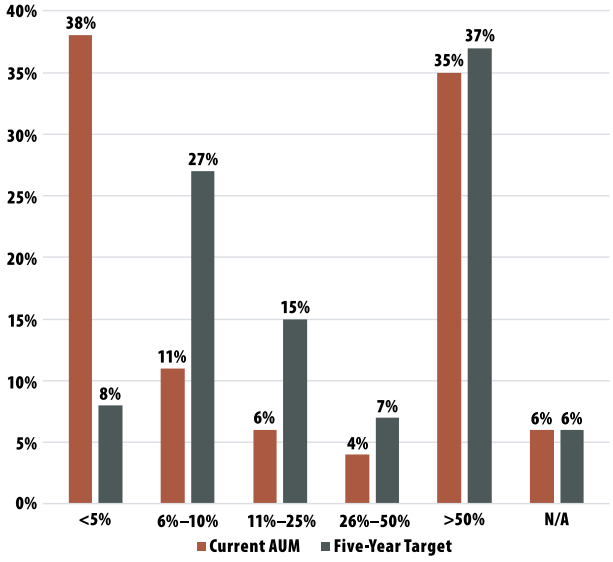
At the same time, power constraints are functioning as a governor on supply expansion. The underlying infrastructure isn't keeping pace with demand—particularly when it comes to electricity. In the US, for example, today's grid supports around 36 gigawatts (GW) of capacity, but the growth trajectory through 2030 requires an additional 47 GW just for data centers.[1] Utilities weren't equipped for this kind of demand surge, and now the scramble is on. The federal government is responding with grid modernization programs, faster transmission approvals, and multistate coordination—but timelines are long, and hyperscalers aren't waiting. They are striking their own deals for alternative power (including nuclear) and betting on new power technology, not just as a backup plan: the energy equation is now core to digital infrastructure strategy.

At the same time, AI is reshaping what a data center even is. Traditional cloud workloads already demanded scale and redundancy; generative AI takes it a step further, requiring unprecedented power density, specialized silicon, and advanced cooling solutions. That shift is pushing developers to rethink design from the ground up. Flexibility is key: facilities need to handle everything from real-time inference to model training, often in the same building.

The question isn't whether the data centers will get built—the demand is there, and the pipeline is already massive—the question is what happens next. When these facilities come online, will the capital be there to acquire these assets? Historically, long-term owners of real estate—pension, sovereign, and core funds—haven't always operated at the edge of technological disruption. But data centers aren't just another property type any longer; they are infrastructure for the digital economy. Traditional real estate underwriting was

1. Carly Davenport et al., Generational Growth: AI, Data Centers, and the Coming US Power Demand Surge, Goldman Sachs Equity Research, April 28, 2024.

Exhibit 3: Investors Plan to Increase Data Center Allocations



Sources: CBRE US Investor Intentions Survey, CBRE Global Data Center 2024 Investor Sentiment Survey

designed for office leases and retail anchors, not 300 MW hyperscale campuses. That shift requires a new playbook—and a new kind of capital readiness. Stated differently: is the money ready for the machines?

New Demands, New Dollars: Capital Formation in the AI Data Center Era

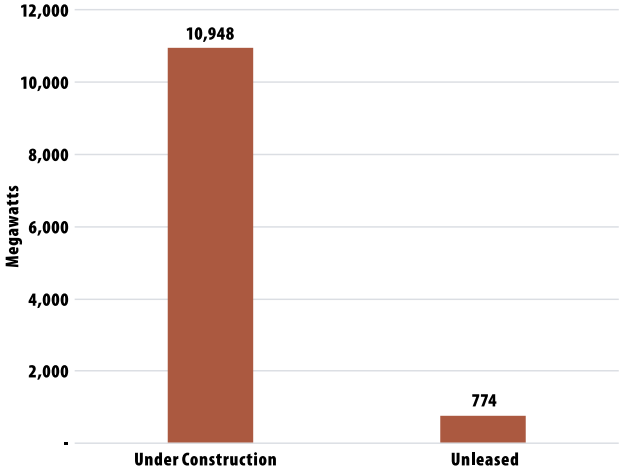
To size the capital requirements at the point of takeout, we apply a set of conservative baseline assumptions, using the US market as a case study:[2]

- average price per MW of $10 million[3]
- 7,000 MW of annual new development completions, consistent with absorption levels in the past two years

Combined, this creates a capital need of approximately $70 billion annually for US data centers.[4] Where will this capital be sourced? One indication of a growing appetite for data center investment is shown in recent industry survey data, which highlight increasing allocation targets to this growing sector.

- In the 2025 edition of the ULI *Emerging Trends in Real Estate United States and Canada*,[5] the top property sector for both investment prospects and development prospects for the second year in a row was data centers, with an improving outlook for both in 2025 versus 2024.

Exhibit 4: US Data Center MW Under Construction, Total and Unleased



Sources: datacenterHawk, Affinius Capital Research; as of 4Q2024

- As shown in Exhibit 3, while *38% of investors currently allocate less than 5% of the real estate portfolios to data centers, this is projected to fall to just 8% over the next five years*. Target allocations in the 6%–10% and 11%–25% ranges are set to rise significantly, signaling growing investor interest.

It's no surprise that investors are circling. *Long-term leases backed by high-credit tenants have always been a cornerstone of institutional real estate—and today's data center market delivers that profile.* The driving force behind current development isn't speculative demand—it's the cloud giants themselves: AWS, Microsoft, Google, Meta. These companies have fortresslike balance sheets and strong credit profiles. Because power constraints and construction complexity create real barriers to entry, developers with access to capital and land are locking in tenants early. As shown in Exhibit 4, 93% of the nearly 11,000 MW currently under construction in the US is already pre-leased. The 774 MW of current US data center construction that is not pre-leased (7% of total construction) compares with an average of 6,450 MW of domestic absorption in the past two years.

2. This is conservative, meaning we overestimated the capital needed over the next several years. No reliance can be placed on these projections.
3. This is a high-level estimate that would vary significantly by both market and type of development, whether powered shell, turnkey, or build-to-suit.
4. For Europe, similar assumptions would be 1.5 GW of annual completions and a capital need of $15 billion annually.
5. *Emerging Trends in Real Estate United States and Canada 2025*, ULI Knowledge Finder, Oct. 29, 2024.


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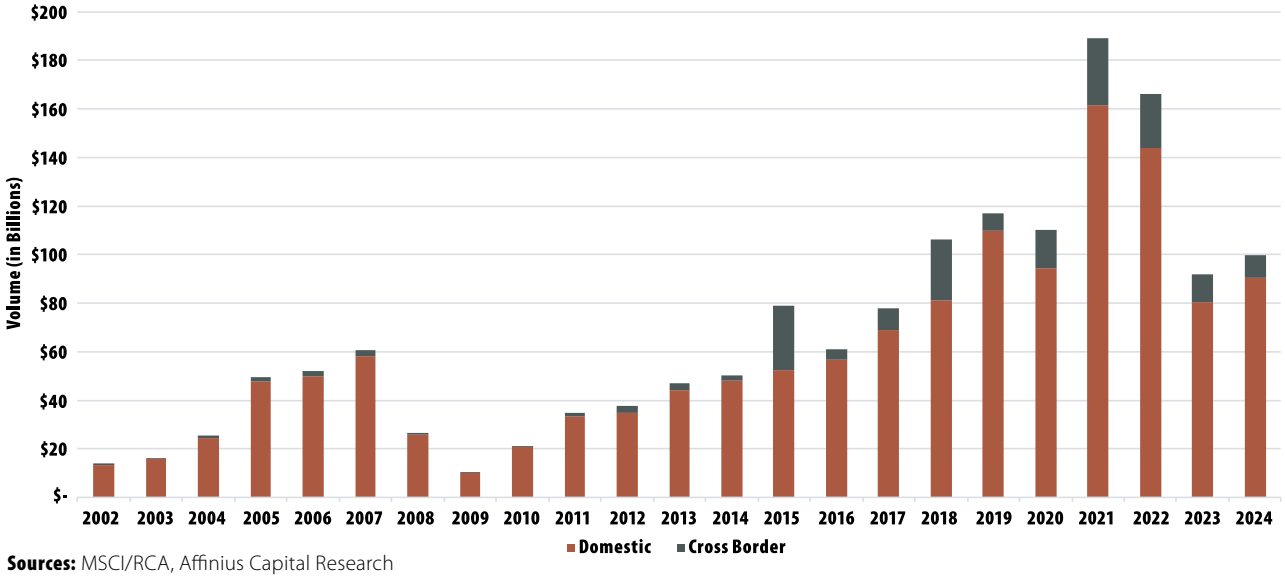
Exhibit 5: US Industrial Transaction Volume



Sources: MSCI/RCA, Affinius Capital Research

The industrial sector offers a powerful case study for where digital shifts in the economy reshaped the investment thesis. What was once a relatively overlooked segment of commercial real estate—low-rent warehouses on the periphery of major markets—evolved into a high-demand asset class as e-commerce exploded. Fulfillment centers and distribution hubs became critical nodes in a newly digitized supply chain, with companies such as AWS, Walmart, and FedEx leading the charge. Through this transformation, industrial became a favored asset class, as shown in Exhibit 5. US industrial transaction volumes averaged $36 billion annually leading up to the global financial crisis, increased to $59 billion annually from 2012–2017, and continued to accelerate to an average of $138 billion per year from 2018–2022.[6] The sector drew in not just traditional real estate investors but also new entrants—logistics specialists, infrastructure funds, and global capital providers—each seeking exposure to what had become one of the most compelling growth stories in real estate.

When viewed through the lens of broader real estate capital flows, the scale of investment required to meet near-term data center takeout needs appears not only achievable but also relatively modest. US industrial real estate averaged nearly $140 billion in annual transaction volume over a five-year period. By comparison, the projected $70 billion in annual capital demand for data centers represents only half that figure, suggesting this wave of digital infrastructure investment is well within reach for capital markets that have already proved their ability to scale.[7]

For additional context, total US commercial real estate transaction volume has averaged $543 billion annually over the past decade. At that scale, data centers would require just 13% of historical deal volume to satisfy projected takeout needs—hardly a stretch, especially given the sector's growth profile, tenant quality, and the investor overallocations needed in the near term, as shown in Exhibit 3. Even on a sector-by-sector basis, the numbers reinforce the point: over the past decade, apartment ($190 billion), office ($116 billion), industrial ($106 billion), and retail ($71 billion) have all consistently cleared annual transaction thresholds equal to or greater than what data centers will require. And with traditional office volumes declining amid shifting demand, data centers may be well positioned to absorb share as capital rotates into higher-growth, tech-driven segments of the market.

6. Europe had similar increases in industrial transaction volume, from averaging $32.6 billion annually from 2012–2017 to $56.7 billion from 2018–2022.
7. A similar comparison for Europe would be $57 billion in annual transaction volume for industrial over a five-year period versus $15 billion in data center annual demand—less than one-third of industrial volume.

Additionally, data centers could attract increased capital flows from other sources as well:

- Data centers sit at the intersection of real estate and infrastructure. Infrastructure funds are increasingly targeting power and data center investments and have $353 billion of dry powder as of December 2024, according to Preqin.
- Family office and high-net-worth investors may be disproportionately attracted to the net-lease, bond-like attributes of a stabilized data center investment.
- The public markets have already demonstrated an appetite for the sector; the combined market capitalizations of Digital Realty Trust and Equinix have increased by $75 billion over the past five years and would have increased more if not for high-profile take privates such as QTS and CyrusOne.
- Hyperscalers also have balance sheet capacity to own some of their real estate, if market conditions required. Our expectation is that hyperscaler build to own could reduce the $70 billion annual US requirement to below $50 billion. That said, recent preferences have been speed to market, and 73% of US hyperscaler activity in major markets over the past few years has been to lease versus own.

Conclusion

The transformation of data centers from a niche asset to critical digital infrastructure mirrors the rise of industrial real estate in the 2010s. Fueled by hyperscalers and generative AI, data center development is accelerating at a historic pace, with 11,000 MW currently under construction—93% of which is already pre-leased. These are not speculative builds; they are tailored solutions for the largest and most creditworthy companies in the world, built to power the next generation of cloud and AI platforms.

Against this backdrop, the capital required to support the sector's continued expansion—estimated at $70 billion annually in the US and $15 billion in Europe—is entirely manageable in the context of broader real estate markets. These figures represent just 12% of average global commercial real estate volume and are well within the range of established sectors such as industrial and multifamily. Importantly, investor interest is rising in parallel: allocation targets to data centers are increasing, infrastructure funds are flush with capital, and the sector is attracting interest from both institutional and private sources. In short, the demand is real, the capital is ready, and data centers delivering over the next several years should see strong demand from market participants. ■

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