

The U.S. economy’s increasing reliance on technology has placed data centers at the core of its digital evolution. Data centers function as 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. 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 center demand continues to accelerate, propelled by two primary tailwinds:

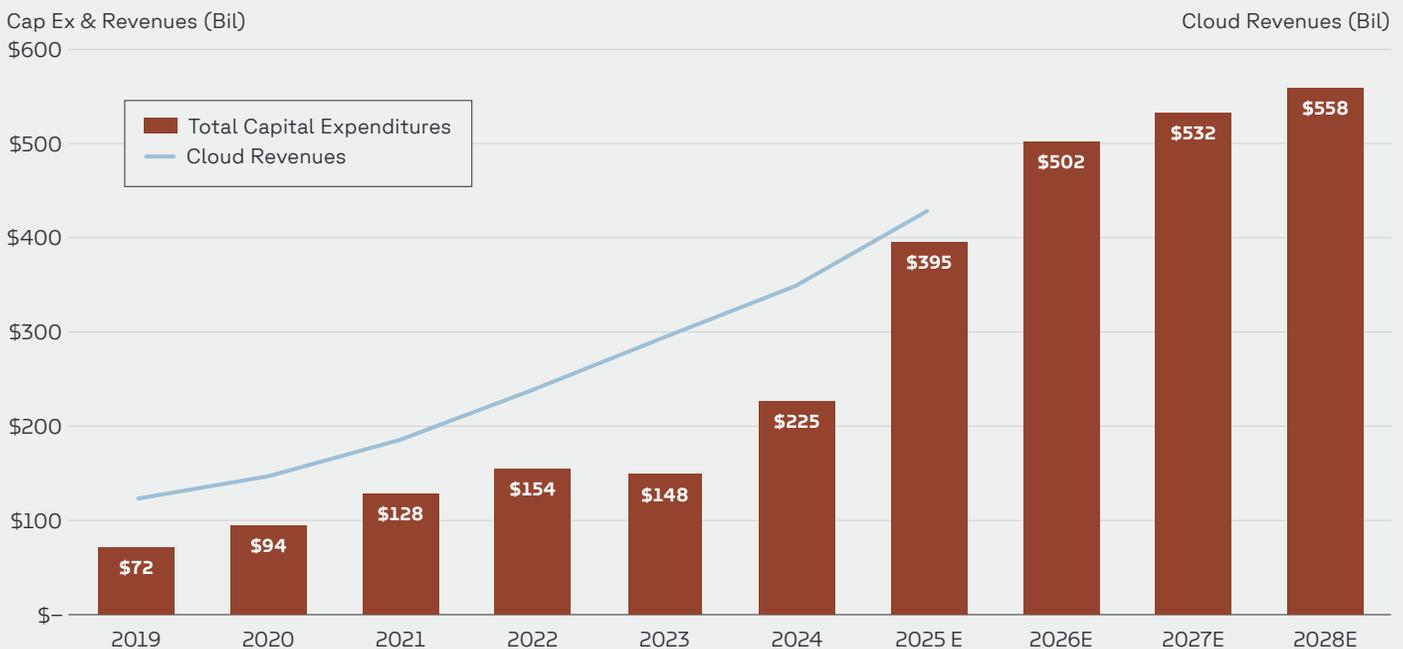


Cloud computing has become a foundational component of the global economy over the past decade. The four largest cloud providers¹ have turned digital infrastructure into a core utility, with combined cloud revenue run rates at \$440 billion annually, and growing at a compounded 22% rate since 2016.² Cloud revenue growth has kept pace with rising capital expenditures, as shown in **Exhibit 1**.



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. Overall adoption of AI tools has increased substantially, from 8% of the U.S. population in 2023 to 38% in 2025, with those self-classifying as “heavy users” increasing from 3% to 21% over the same period.³ Enterprises are embedding AI into their core operations, causing demand for high-performance, low-latency infrastructure to soar, fueling the acceleration in both cloud revenues and hyperscaler capital expenditures.

EXHIBIT 1: HYPERSCALER CLOUD REVENUES AND CAPITAL EXPENDITURES TREND



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

1. Amazon Web Services, Microsoft Azure, Google Cloud, and Oracle
 2. Through Q3 2025, per company financials
 3. <https://sparktoro.com/blog/new-research-20-of-americans-use-ai-tools-10x-month-but-growth-is-slowing-and-traditional-search-hasnt-dipped/>

Demand for data center capacity has continued to accelerate at an unprecedented pace. Net absorption increased from **6.3 gigawatts (GW) in 2023** to **9.6 GW in 2024**, and reached **16.9 GW in 2025**. This step function increase 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. The U.S. grid currently supports roughly 36 gigawatts of data center load, yet demand through 2030 is projected to require nearly 80 gigawatts,⁴ necessitating a rapid expansion of generation and transmission capacity. Similar pressures are emerging in Europe, where utilities in Ireland and the Netherlands have imposed connection moratoriums. Across major U.S. markets, interconnection queues have lengthened to four to seven years in most major metros and five to ten years in Northern Virginia, Columbus, and Northern California.⁵ 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 markets offering faster paths to energized capacity. **Of the nearly 17 GW leased in the U.S. this year, over 50% is outside the top twenty data center markets.**

Pennsylvania is emblematic of this shift. As the second-largest natural-gas-producing state with substantial nuclear and hydro capacity, it offers a diversified, reliable, and competitively priced energy mix combined with strategic proximity to East Coast population centers. Hyperscalers have moved decisively:

- Amazon purchased land adjacent to the Susquehanna nuclear plant for \$650 million, securing up to 1.9 GW of carbon-free power.
- Microsoft entered a 20-year, \$16 billion deal to restart Three Mile Island, adding 835 MW of clean energy.
- Google signed a \$3 billion, 20-year PPA for 670 MW of hydropower from the Holtwood and Safe Harbor dams.

Similar dynamics are emerging across U.S. and European markets where strong energy profiles, land availability, and regulatory support are redirecting hyperscale investment away from historically dominant nodes.

Despite this compelling supply-demand imbalance, media skeptics 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.



4. Goldman Sachs, "Generational Growth: AI, Data Centers, and the Coming U.S. Power Demand Surge", April 28, 2024

5. Eastdil Secured, as of Q3 2025

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 signaled that they expect to roughly double their data center 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."



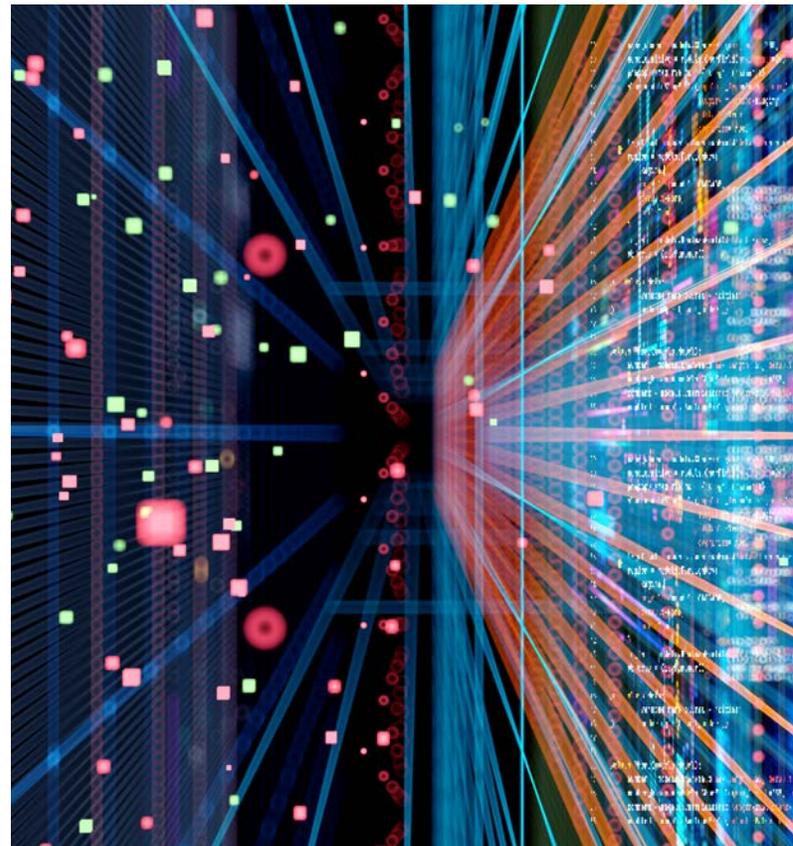
"Google Cloud's backlog increased...reaching **\$155 billion**...driven primarily by strong demand for enterprise AI," and "we've signed more billion-dollar deals in the first nine months of 2025 than in the past two years combined."



"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."

That said, we do not claim to forecast which specific use cases will dominate or how quickly monetization will scale. Our investment thesis rests on more concrete ground: we are constructing mission-critical infrastructure for the world's most capitalized enterprises, secured by long-dated leases and investment-grade credit, in a market where supply constraints ensure pricing power for those who can deliver energized capacity. These supply constraints are reflected by the fact that of the 18 GW currently under construction, 93% is pre-leased.⁶

As an emerging sector, there are limited examples of fully realized investment cycles and successful exits at scale. However, our **RESEARCH** suggests capital formation is deepening rapidly, with institutional allocators increasingly comfortable underwriting data center investments and a growing universe of buyers, from REITs to infrastructure funds to hyperscalers themselves pursuing forward acquisitions, providing liquidity for those seeking to monetize 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 center development exemplifies Affinius Capital's investment philosophy: identifying sectors where technology is fundamentally reshaping demand, in this case for physical infrastructure. Together with our affiliate Corscale,⁷ 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 represented 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 centers as a core component of our strategy for 2026 and beyond.

6. datacenterHawk, as of Q3 2025

7. 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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