D C D I N V E S T M E N T F O R U M 2 0 2 6

The Briefing: Direct from the Floor

New York, NY · March 23, 2026

10 Sessions · Investors Forum · Select Panel Attendance Recap, Editorial Comments & Tax Takeaways

Panels included speakers: Michael Steele, Ares Management · Chris Dolan, Crusoe · Scott Schaevitz, Barclays · Geneviève Maltais-Boisvert, DigitalBridge · Ignacio Quintana, MGX · Anubhav Raj, Aligned Data Centers · Jason Zhang, Applied Digital · Josh Pang, Apollo · Eric Wittleder, Brookfield · Jesse Burros, Switch · William Thompson, Barclays · Quynh Tran, SMBC · Andrew Thomas, Stonepeak · Sharif Metwalli, Vantage Data Centers · Tony Rossabi, OCOLO · Obinna Isiadinso, IFC · Diana Liu, Blue Owl · Doug Powers, KKR · Scott Willis, DartPoints · Hunter Newby, Newby Ventures · Lawrence Vo, Csquare · Charlie Dankner, 365 Data Centers · Chea Hart, DigitalBridge · Raul Martynek, DataBank · Ryan Mallory, Flexential · Sam Southall, Macquarie · Sara Baack, Snowhawk · Jim Hempstead, Moody's

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Memorable Lines from the Floor

"All 2026 power is spoken for. The industry is selling 2029 to 2030 right now."

"My biggest concern is transmission. We can build generation; we can't move electrons."

"We're over 9,000 craft workers a day on a single campus. Electricians making $300K in remote areas."

"You will send an email today and it'll show up three days later."

"We're not in practice. The game hasn't even started."

"Problems are just opportunities in work clothes."

"The last mile is a cell phone."

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1. Perspectives on the Digital Infrastructure Investment Cycle

Michael Steele
Partner & Head of Digital Infrastructure · Ares Management

Michael Steele, fresh from leading GCP before its acquisition by Ares, opened the morning's substantive programming with a disciplined, data-heavy case for why we are in the early innings of a genuine infrastructure supercycle. His view: hyperscaler CapEx at $600B in 2026 (up 36% YoY, 3x vs. two years ago), North American vacancy below 1% for the second year running, rental growth in the mid-to-high teens, and a market that is overwhelmingly pre-let before breaking ground. He separated the infrastructure story cleanly from the venture capital froth, pushed back on bubble fears with precision, and gave the most rigorous framework of the day for thinking about exit liquidity, including a specific 100MW single-asset ceiling for closed-end fund vehicles and a warning that paying 25–30x EBITDA for platform companies means underwriting an enormous future capital requirement on top (intrinsic value in the ground is 12–16x). He was bullish on Japan ("a time machine" for AI adoption, 10–15 years behind the US), London and Europe for data residency modes, and the inference diffusion story pushing capacity toward urban populations globally. Notably, he framed data center leases as inflation-protected instruments, CPI-linked escalators outperform fixed nominal rents, distinguishing the asset class from troubled office CRE. But his 100MW closed-fund ceiling and 25–30x EBITDA warning were implicit cautions aimed at others in the room paying those prices.

MEMORABLE LINES:

"The demand picture has never looked healthier, and all of our models are understated."
"It's very hard to have a bubble when people are constantly stress testing the downsides."
"AI inference diffusion is going to need to be near people; it's going to be in latency-sensitive zones."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• We are early in a durable, generational supercycle • Demand is real, growing, and consistently underestimated • Infrastructure market is not speculative, predominantly pre-let • AI inference diffusion will pull capacity toward urban/latency-sensitive locations globally	• Solo fireside, no divergence.

2. Billion Dollar Bets – Guiding the Course for Sustainable AI Expansion

Chris Dolan	Scott Schaevitz	Geneviève Maltais-Boisvert	Ignacio Quintana	Dan Loosemore
Chief Data Center Officer · Crusoe	*Managing Director · Barclays*	*Managing Director · DigitalBridge*	*Head of AI Infrastructure · MGX*	*Moderator · DCD*

The keynote panel covered enormous ground in 50 minutes: the generational build-out thesis, the capital stack evolution, geography, partnerships, and sustainability. Crusoe delivered the most technically grounded contribution: nine years of bringing compute to stranded energy gave Crusoe a head-start when grid power disappeared at scale, and the rack density trajectory, from 15 kW to 130 kW to 350 kW and now engineering for 1 MW per rack, was the starkest illustration of how fast infrastructure has been obsoleted. The surprise: it wasn't power density or cooling that made existing data centers obsolete, it was the clear height of the ceiling. A gigawatt campus was priced at $1.3 to 2 billion for infrastructure alone, $50 to 60 billion total. Barclays played capital markets realist, noting that CMBS buyers, taught to spell "data center" only a year ago, now see deal flow weekly and don't rush individual transactions. DigitalBridge flagged nine platforms, 30+ GW of lease-secured power, and 230+ data centers, but cautioned that when the parties get too big, that's when trouble arrives; and pushed back plainly on the remote campus thesis: a lot of time is being spent on coal boxes in cornfields, but the last mile is a cell phone, and proximity to population hubs has longevity that remote land does not. The governance question no one else raised: as check sizes compound and pension and sovereign capital enters with its own requirements, do companies get too big to sell? MGX was the panel's most forward-leaning voice: a 1.4 GW utility-power campus 40 minutes outside Paris, developed with the French sovereign government and Nvidia as partners, was the standout deal of the morning. The emergence of the "system integrator" model was articulated clearly, and open-ended core real estate capital was tracked at approximately $350B+ globally with only approximately 0.5% allocated to data centers, enormous runway ahead. Labor dominated the closing: gigawatt campuses require 9,000+ craft workers per day drawn from 40+ states, with electricians earning $200 to 300K/year in remote areas.

HEARD IN THE ROOM:

"When the parties get too big, that's usually when you have to start worrying."

"Are we mispricing execution? Probably yes."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• This is a generational build-out; scale is unprecedented • Execution risk is the most mispriced variable in the market right now • Partnerships across capital, sovereign, energy, and tech are essential at gigawatt scale • Labor scarcity (electricians, pipefitters) is a real, near-term constraint; 9,000 craft workers/day for one campus • Capital will find the space; the industry must keep developing new structures and silos to match deal flow	• Scale vs. specialism: large orchestrator platforms will likely dominate, but AI infrastructure complexity means specialists remain essential; not all agreed on where the balance lands • Sustainability as accelerant vs. near-term commercial constraint: one view holds sustainable choices earn political capital and accelerate development; another is focused on commercial delivery first • Geography: US-first consensus, but meaningful disagreement on whether remote power-first campuses have long-term durability vs. proximity to population hubs

3. Unveiling the Largest Digital Infrastructure Acquisition Yet

Anubhav Raj

Chief Investment Officer · Aligned Data Centers

Anubhav Raj marked his nine-year anniversary at Aligned on the morning of this session, a detail that grounded what followed in hard-won conviction rather than theory. The conversation was ostensibly about the AIP acquisition (the MGX/GIP/BlackRock consortium that took Aligned private instead of a public market exit), but it quickly became one of the day's most useful frameworks for thinking about capital vehicles. Raj's core argument: once assets reach Aligned's scale, long-duration investment-grade contracts measured in decades cannot be served well by quarterly public market reporting cycles or 10-year closed PE funds with shot-clock pressure. The AIP structure, announced September 2024, three years after Aligned had begun exploring a public market exit, was the right vehicle precisely because it didn't exist when they started the process. On the M&A landscape: 276 data center companies in the US today; probably significantly fewer in 10 years, but a rising tide with sufficient capital demand for multiple winners. On capital formation: the critical gap is around "stabilised vehicles", once assets are leased and developed, they warrant lower-cost capital with a different risk profile. On power: grid-first preference based on unit economics, resiliency, and reliability, but the grid can't keep up with the opportunity, partnership with Calibrant Energy as the bridge. On obsolescence: data centers are the electrical outlet, not the thing plugged into it, the outlet hasn't changed in decades, but what it powers has transformed over 100 years. He closed with a Henry J. Kaiser quote and the line that has since circulated widely from the event.

MEMORABLE LINES:

"We're not in practice. The game hasn't even started."
"Yes, we're in the 90s, but it's the 1890s. It's the Industrial Revolution."
"When you're making investments measured in decades, not quarters, there can be a mismatch in what the public market gives credit for."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔️ WHERE VIEWS DIVERGED
• Perpetual capital vehicles are better suited to the asset class than closed-end PE or public REITs at this scale • Consolidation is coming: 276 US data center companies won't stay that way • Grid-first remains the preference; on-site generation is a bridging tool • Stabilised-asset vehicles need to develop as a distinct capital tier	• Solo fireside, no counterpoint. But Raj's framing that the game hasn't started implicitly pushes back on the Ares 100MW closed-fund ceiling view expressed earlier

4. Breaking the Power Barrier: Strategies to Fuel Data Centers' Next Decade of Growth

Jason Zhang
Co-Founder & President · Applied Digital

Josh Pang
Head of Digital Infrastructure · Apollo

Eric Wittleder
MD, Investments · Brookfield

Jesse Burros
CIO · Switch

Camarin Madigan
Firmwide Co-Chair, Data Centers · Perkins Coie

The most technically dense panel of the day, and arguably the most useful for anyone deploying capital into power or data center infrastructure. Applied Digital laid out a clear 0 to 5 year / 5+ year framework for grid power sourcing: existing utility capacity and IPP market purchases in the near term, then new dedicated generation from year five or six onward, with utility depreciation curves extending 25 to 30 years. A point that often gets lost: Applied Digital drew a clear distinction between data center and power as separate asset classes requiring separate capital structures and investor bases. The risk profiles, return expectations, and off-taker dynamics are different enough that conflating them is itself a source of mispricing. Apollo added the multi-stage capital stack view: interconnection deposits, bridge loans, equipment financing, construction loans, project finance, ABS, and long-term insurance takeout, all necessary for a single 1 GW campus priced at $10 to 15 billion before GPUs. Brookfield kept the focus on risk allocation; the principle that capital follows correct risk assignment is a clean analytical frame for any JV negotiation. Switch was the panel's most pragmatic operator voice, framing gigawatt sites not as monolithic builds but as "ecosystems," like a fashion district or furniture district, where grid connectivity draws the entire cluster. The investment logic underneath that framing was direct: a site without a credible path to grid connection will not attract the surrounding cluster of customers, utility support, and capital partners that make a campus durable over a 15-year lease horizon. The most pointed observation from the floor: all 2026 power is already sold and the industry is selling 2029 to 2030 right now. Utilities including Georgia Power and Alabama Power have considerably raised interconnection deposit requirements, a deliberate move to separate serious developers from those simply positioning land for resale. The speed-round closing, each panelist naming a different bottleneck, was the session's standout moment: power, execution/labour, capital formation, and supply chain equipment including substations and component shortages. A sharp tell was offered for evaluating emerging power technologies: when hyperscalers tell you to build it and sell it back to them in a package, they probably don't trust the technology's maturity.

HEARD IN THE ROOM:

"All 2026 power is spoken for. The industry is selling 2029 to 2030 right now."

"When hyperscalers tell you to build it and sell it back to them in a package, they probably don't trust the technology's maturity."

"Signing the lease and negotiating the deal is the easy part. Bringing on the capacity in 24 months, that's the challenge."

Breaking the Power Barrier continued...

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔️ WHERE VIEWS DIVERGED
• Grid-first is the consensus preference; behind-the-meter is a bridging tool only • The power/compute gap is not closing; all 2026 power is spoken for • Labor shortages are as serious as the power conversation, just less reported • Utilities are raising deposit/collateral requirements to filter real players from queue-holders • Multi-layered JV capital structures are now essential for gigawatt-scale projects • Power and data center infrastructure require separate capital structures, separate investor bases, and separate risk frameworks	• Grid vs. behind-the-meter at multi-gigawatt scale: one view holds campuses above 1 GW may need to flip to behind-the-meter; another holds any site without a clear grid path won't attract the broader ecosystem long-term • Nuclear/SMR: genuine enthusiasm from some panelists vs. practical skepticism from others on siting timelines and public perception • Bottleneck ranking: all agreed on the list, power, execution/labour, capital formation, supply chain, but differed on order of severity

5. Powering AI: The New Space Race

William Thompson
Senior Thematic Investing Research Analyst · Barclays

William Thompson delivered the day's most data-rich solo presentation, a chart-driven analytical framework for modelling hyperscaler compute demand and the power infrastructure required to serve it. His core argument: reasoning models require exponentially more compute per task than single-shot LLMs (he cited Jensen Huang's wedding seating example, a reasoning model getting the right answer using 150,000 tokens where a conventional model got it wrong), which means compute demand forecasts that don't account for this multiplier are systematically understated. His Barclays tech team models $1 trillion in hyperscaler CapEx by 2028 and 65+ GW of incremental compute power deployed, primarily in the US, likely translating to over 100 GW of actual power demand when PUE and gas turbine derating factors are included. His most contrarian contribution: transmission is the single most under-discussed constraint in the sector. A gas turbine ordered today delivers in 2029, plus two years to commission, meaning AI timelines and power timelines are not even close to aligned. He was also notably skeptical on SMR/nuclear near-term impact and raised community resistance as an underappreciated systemic risk. His framing of the US–China AI arms race added urgency: China is taking an "elevator approach" while the West builds incrementally.

MEMORABLE LINES

"My biggest concern is transmission."
"We can build generation; we can't move electrons if we can't move them across the grid.
We're measuring AI in dog years."
"On the US-China AI arms race: the session framing was that China is taking the elevator approach while the West builds incrementally."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• Compute demand is growing faster than any current model captures • Power constraints are real and multi-dimensional: generation, transmission, and permitting each a separate bottleneck • Community resistance/NIMBYism is a systemic risk that doesn't get enough airtime • Labor is under-discussed relative to power	• Solo keynote, no direct counterpoints on stage. But his transmission-first framing diverges from much of other panel consensus that treated grid power as essentially solvable with enough capital

6. How Are Investment Strategies Adapting to the Acceleration of AI?

Quynh Tran	Andrew Thomas	Sharif Metwalli	Micah Bible
Deputy Head Global Structured Finance · SMBC	*Senior Managing Director · Stonepeak*	*CFO · Vantage Data Centers*	*Partner/Moderator · Deloitte*

This panel, with the investment community at the center, tackled how investors are adapting strategy as AI reshapes the asset class. The most striking shift: within the last two years, all diligence for new programmes now starts with power, not location. Stonepeak put it bluntly: tier-one markets only, with $200M+ land commitments required up front, and minimum 36 MW facility sizes (hyperscalers won't look at a campus unless there's a path to 200 to 300 MW+). Vantage detailed how AI-ready facilities require 50 to 100+ kW/cabinet (vs. 5 kW historically), with customers demanding cooling flexibility that totals more than 100% of the building. Greenfield development at 9 to 10% unlevered yield on cost vastly outperforms M&A at 5 to 6% cap rates. SMBC brought the lender's view: hyperscalers are signing 15-to-20-year contracts with utilities for nuclear restarts, things the market won't do today, and the critical question is whether cloud data centers can convert to AI, not the other way around. The "year of the wrapper" framing came up again; bespoke credit enhancement structures being developed to bring non-investment-grade neocloud counterparties into the financeable universe. Multi-tenant enterprise portfolios are getting a second look from investors who spent two years chasing hyperscale-only plays.

HEARD IN THE ROOM:

"The question isn't whether cloud data centers can handle AI. It's whether they can convert to it."

"2026 is the year of the wrapper."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• Power is now the first diligence item for every new programme • Contract tenors have extended to 18–20 years; triple-net leases are standard • Market premium exists for AI-ready facilities, speed of delivery, and scale • 2026 called "the year of the wrapper", credit enhancements for non-IG counterparties • 2026 called "the year of the wrapper" – credit enhancements for non-IG counterparties	• Neocloud trajectory: will they become durable enterprise platforms or remain dependent on hyperscaler backstops? No consensus • Speed of insurance and pension capital adoption: some see rapid growth once the asset class is understood; others note institutional approval processes lag deal pace • Cloud-to-AI conversion readiness as the key design question vs. building AI-native from scratch

7. International Investment – Which Global Markets Offer the Largest Returns?

Tony Rossabi *CEO · OCOLO*
Obinna Isiadinso *Global Sector Lead, Data Centers & Cloud · IFC*
James Raddings *Digital Portfolio Lead · DCD*
Diana Liu *Principal · Blue Owl*
Doug Powers *Principal · KKR*

The International Investment roundtable had the broadest geographic sweep of any session, ranging from Kuala Lumpur to Paris to Sydney to Nairobi. KKR/CyrusOne presented the European demographic thesis most clearly: Europe tracks US data center adoption on a per-capita/per-GDP basis with a consistent two-year lag; the same pattern held for internet, then cloud, and now AI. The surprise statistic of the afternoon: Australia has leased more data center capacity than Europe over the past two years, despite a fraction of the population, with the Australian government now steering investment toward Tasmania and Darwin. IFC brought the developing-market lens: hyperscalers are prioritising large regional hub markets including Brazil, India, and Malaysia, now seeing projects at 100 to 300+ MW. India stands out with costs of 7 to 9M per MW (vs. 10 to 12M globally), driven by locally produced inputs, cheaper labour, and 18 to 24 month build times. Malaysia's current 1.3 GW capacity is projected to add another 2 GW over three to five years. The Indian government recently announced procurement of 40,000 GPUs. IFC's country selection framework ranked 140 markets across economic scale, infrastructure quality, cloud and colo demand, and regulatory environment, identifying 10 to 15 primary markets globally with a layer of secondary markets monitored as potential future primaries. IFC's most creative deal structure: a two-tranche pre-lease financing for Yonder Group in Malaysia, funding core-and-shell before a contract was signed; the hyperscaler deal closed two months later. A data center IFC invested in Turkey underperformed commercially for years, but because it was built to standard in a strong location, a buyer was found a decade later. Built to lower standards, there would have been no exit. Regulatory environment was emphasised as the most overlooked factor in international investment decisions. Blue Owl noted that Asian hyperscalers remain on shorter-horizon development commitments than their US counterparts, a meaningful divergence that affects how capital is underwritten in those markets.

HEARD IN THE ROOM:

"Australia has leased more data center capacity than Europe over the past two years."
"Regulatory environment is the most overlooked factor in international investment decisions."
"Three to five years from now, the markets we consider secondary could be the primary markets."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• Europe offers strong, durable returns; the two-year lag thesis is reliable • India, Malaysia, and Brazil are the primary emerging-market growth stories • Regulatory environment is most overlooked factor • International-standard construction protects exit value and attracts hyperscaler tenants • Pre-contract financing is more common • Secondary markets today, SE Asia, Eastern Europe, and select African markets are potential primaries om 3-5 Years	• Australia vs. Europe as the near-term opportunity: Australia's outsized leasing activity over the past two years surprised the room • Spec development tolerance in emerging markets: cautious voices see it as premature risk; others view it as necessary to compete for hyperscaler tenants • AI vs. cloud demand timing in Asia: hyperscalers are still on shorter-horizon commitments in Asia than in the US

8. Edge: How Is the Edge Market Expanding in the US?

Scott Willis *President & CEO · DartPoints*

Miles Loo *Executive Vice Chairman · Newmark*

Hunter Newby *Chairman & CEO · Newby Ventures*

Lawrence Vo *VP, M&A · Csquare*

Charlie Dankner *CSO · 365 Data Centers*

Chea Hart *Principal · DigitalBridge*

The edge roundtable was the day's most operationally grounded session and the only panel focused on non-hyperscale infrastructure. DigitalBridge joined as the panel's institutional investor voice, noting 99% of his time is spent in the data center sector. The unanimous view: 2026 is the year inference workloads move from pilot to scale in non-tier-one markets, driven by three converging forces: GPU-as-a-service enabling distributed compute, power constraints forcing operators closer to demand centres, and genuine enterprise adoption of AI for pharmaceutical analysis, financial services, and oil and gas. The panelists largely rejected the term "edge" as misleading, preferring "non-tier-one markets." DartPoints made the compelling returns case: colocation is still delivering 12 to 15% unlevered returns vs. roughly half that in hyperscale. Newby Ventures offered the day's most provocative prediction: within 36 months, AIs talking to each other will consume so much bandwidth that the public internet will degrade to the point where you send an email today and it shows up three days later. 365 Data Centers argued the biggest opportunity is consumer AI adoption beyond ChatGPT, which will require ultra-low-latency inference as close to people as possible. Multiple speakers flagged execution headwinds: permitting delays stretching to 2 to 3 years, political pushback against data centers, talent shortages for distributed portfolio management, and supply chain constraints including ethernet cables, precious metals, and substation equipment.

HEARD IN THE ROOM:

"You will send an email today and it'll show up three days later."
"Colocation is still delivering 12 to 15% unlevered returns vs. roughly half that in hyperscale."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• Inference is the real inflection point for non-tier-one markets; 2026 is the year it scales • Power is the binding constraint, not capital or demand • Platform/portfolio plays outperform single-asset strategies in distributed markets • Enterprise is pulling back from public cloud for sensitive workloads; on-premises AI is real • GPU-as-a-service unbundles compute from location, enabling distributed deployment	• Speed to market via brownfield retrofits vs. long-term capability via purpose-built facilities: meaningful disagreement on whether legacy assets can support next-generation AI density requirements • Internet infrastructure readiness: one view holds the public internet is not designed for agentic AI traffic and will degrade within 36 months; others focused on power and colocation as the nearer-term constraints • Hyperscaler competitive threat at the edge: one view sees the market moving toward non-tier-one operators near-term as enterprise pulls back from public cloud; another notes tier-one operators continue to absorb significant enterprise demand

9. Are Current Data Center Growth Projections Sustainable?

Raul Martynek	Ryan Mallory	Sam Southall	Sara Baack	Jim Hempstead
CEO · DataBank	*CEO · Flexential*	*Managing Director · Macquarie Group*	*Founding Partner · Snowhawk*	*Managing Director · Moody's Ratings*

The closing main-stage panel brought together operators, an investor, a new fund founder, and the credit rating community; no one was playing to the same gallery, and the result was the day's most honest conversation about sustainability of the growth thesis. DataBank opened with specifics: a major campus underway in South Dallas with the first 240 MW phase leased, 192 MW in Virginia, 120 MW in Atlanta, and operations across 25 markets with the widest US geographic reach of any operator. DataBank also flagged the ABS market as an underappreciated but now well-established financing vehicle: stabilized assets contributed to a vehicle, leveraged at investment-grade pricing, with a track record of execution that deserves more attention. Flexential had raised approximately $1 billion in new private equity the week before the event and reported real enterprise use cases driving 30 to 40% quarterly data growth in healthcare, finance, and logistics. Snowhawk delivered the day's best analogy and most useful historical contrast. During the dot-com workout, the single largest customer of their data center business was SantaClaus.com, followed by several other companies of similar durability. The contrast with today's counterparties could not be sharper: the largest, most creditworthy businesses in the world, with $400B balance sheets, real customers, and real free cash flow. Snowhawk also noted that before AI, data centers were sited around fiber routes, not power; AI turned that logic upside down, and the consequences are still playing out. Macquarie introduced the "digestion phase" framing the room immediately adopted, and made the sharpest long-term investment call: training demand is real now but likely plateaus around 2030; inference node clusters close to enterprises are where durable 10 to 15 year value accrues. The image that landed: "Had a big meal. We might need to sit down for a few hours." The neocloud moat question was raised directly: can OpenAI, Anthropic et al. evolve into permanent businesses with real moats, or will they increasingly compete with hyperscalers? Moody's grounded the conversation in the credit cycle: $400B in hyperscaler cash and $200B/year free cash flow act as a structural shock absorber that makes a sudden "pop" unlikely even if a digestion phase arrives.

HEARD IN THE ROOM:

"Had a big meal. We might need to sit down for a few hours."
"Your counterparty is not SantaClaus.com. It's the largest, most creditworthy businesses in the world."
"When money stops showing up, resets happen even when fundamentals are sound."

AGREED · DIVERGED

✓ WHERE THEY AGREED	↔ WHERE VIEWS DIVERGED
• Growth is sustainable at a high level; the demand drivers are real and compounding • Discipline in capital allocation, power securing, and supply chain is non-negotiable • Hyperscaler balance sheets act as a structural shock absorber; a sudden "pop" is unlikely • Neocloud evolution is the most important unresolved question for 10-year investors • The ABS market is an established and underutilised financing vehicle for stabilized data center assets	• Training vs. inference: training likely plateaus ~2030; inference node clusters near enterprises are the durable bet; operators building for enterprise hybrid demand • Digestion phase severity: hyperscaler balance sheets may prevent a sudden stop; others hold that when money stops showing up, resets happen even on sound fundamentals • AI factory economics: developing at 10% yield on cost vs. 6% market cap rate; whether durably value-creative remains unresolved

10. What the Room Left Believing

SETTLED

- Power is the bottleneck, not capital, not land, not demand. The finish line keeps moving. All 2026 power is sold. The industry is selling 2029 to 2030 today.
- This is not the dot-com bubble. Your counterparty is not SantaClaus.com. It is the largest, most creditworthy businesses in the world, with $400B balance sheets, real customers, and real free cash flow. The demand is structural, not speculative.
- Execution and labor are the underreported second-order constraints that will surface as the biggest near-term pain point; 9,000 craft workers per day for a single gigawatt campus. Signing the lease is the easy part. Delivering the capacity in 24 months is the challenge.
- The 1890s Industrial Revolution framing, not the late-1990s tech bubble, is the right historical lens. We are at the epicenter of a change of civilization.
- Inference is where the durable 10 to 15 year value accrues. Training may plateau around 2030; inference node clusters close to enterprises are the long game.
- Capital is constrained, not absent. New silos including insurance, open-ended real estate, and sovereign capital represent enormous runway; approximately $350B+ in open-ended core real estate capital globally has allocated only approximately 0.5% to data centers. Contract structures are evolving to unlock it: longer tenors, triple-net, residual value guarantees.
- Power and data center infrastructure are distinct asset classes. They require separate capital structures, separate investor bases, and separate risk frameworks. Conflating them is a source of mispricing.
- Before AI, data centers were sited around fiber routes. AI turned that logic upside down, and the consequences of that inversion are still playing out.

STILL OPEN

- The neocloud moat question: GPU arbitrage is today's business. What is the 2030 business? Can OpenAI, Anthropic et al. become permanent platforms with real moats, or do hyperscalers squeeze them out?
- Exit liquidity at company (not asset) level: nobody has convincingly solved the 25 to 30x EBITDA platform exit. At what scale do platforms become too big to sell?
- Transmission: the single most under-discussed constraint in the sector. Generation can be built; electrons cannot be moved without it.
- How fast does the digestion phase arrive, and which pools of capital flinch first? Had a big meal. We might need to sit down for a few hours.
- Nuclear/SMR: genuine excitement, genuine skepticism, no consensus on timeline. It is always nice to talk about nuclear unless it is in your backyard.
- Edge infrastructure readiness: will the public internet hold under agentic AI traffic, or does distributed inference require a fundamentally new network architecture?
- Secondary markets today, including parts of Southeast Asia, Eastern Europe, and select African markets, could be the primary markets of 2029 to 2030. Three to five years from now, the markets we consider secondary could be the primary markets. Who would have thought St. Louis was becoming a major market?

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11. Tax Takeaways for Assembly Companies' Clients

Agreed Upon Market Factors

• **Functional obsolescence** is accelerating faster than depreciation schedules: rack density has moved from 15 kW to 130 kW to 350 kW and is now being engineered at 1 MW per rack. Buildings built two years ago are obsolete not from power density or cooling failure, but because of clear height at the ceiling.

• **Superadequacy** is now documentable market fact: AI-ready facilities are being designed with cooling infrastructure where air and liquid cooling percentages, added together, exceed 100% of building capacity. Customers demand this flexibility over 15 to 20 year leases.

• **AI-ready vs. legacy** cap rate spread is an assessable value bifurcation: greenfield AI-ready development underwrites at 9 to 10% unlevered yield on cost; stabilized assets trade at 5 to 6% cap rates. That spread is documented, market-evidenced, and growing.

• **Triple-net, 15-to-20-year CPI-linked leases** are now the standard market structure. These are the income approach inputs assessors will rely on aggressively. Managing those inputs is the primary lever.

• **All 2026 power is sold.** The industry is selling 2029 to 2030 today. Power delivery timelines, not construction timelines, are gating occupancy and assessable value realization.

Forward Thinking Concepts

• **Generation and transmission** are two distinct, independently documentable external obsolescence arguments. A gas turbine ordered today delivers in 2029 and takes two more years to commission. Assessor models address neither the generation lag nor the transmission bottleneck as separate constraints.

• **Neocloud counterparty credit risk** as income approach discount: GPU-arbitrage tenants are not hyperscaler balance sheets. The market is developing "wrapper" structures specifically because neocloud counterparties are non-investment-grade. That credit distinction is an income approach variable assessors are not yet pricing.

• **Training demand** likely plateaus around 2030; inference migration to edge and enterprise locations follows. Filing functional obsolescence arguments now, ahead of that evidence curve, is the opportunity. The market is pricing this already.

• **Reproduction cost** new is being systematically understated: a single 1 GW campus costs $10 to 15 billion before GPUs. Skilled trades earn $200 to 300K per year in remote markets. Substation equipment lead times are stretching. These are documentable reproduction cost inputs that assessor models do not yet reflect.

• Before AI, data centers were sited around fiber routes. AI turned that upside down: sites now follow power. Sites selected for power rather than connectivity carry different highest-and-best-use profiles that historical comp sets do not capture.

Audience: Who This Affects

• **Hyperscalers:** Investment-grade triple-net leases will attract aggressive income approach assessments. Reproduction cost understatement and external obsolescence from power delivery constraints are the primary levers. Campus-scale assets (200 MW+) are structurally difficult to comp and hard to sell whole, creating additional exit value arguments.

• **Edge and Non-Tier-One Colo Operators**: Delivering 12 to 15% unlevered returns vs. roughly half that in hyperscale. Assessors in non-tier-one markets are behind the curve on these valuations. Permitting delays of 2 to 3 years and supply chain constraints are documentable external obsolescence factors specific to these markets.

• **Enterprise Users:** Enterprises are pulling AI workloads back on-premises. On-premises AI deployments at 5 kW to 400 kW density ranges create valuation complexity that general industrial assessor models do not address. Personal property classification within these deployments warrants immediate review.

• **Neocloud and GPU-as-a-Service Platforms:** Credit enhancement wrapper structures are being developed specifically for non-IG counterparties. These structures carry income approach and personal property classification implications that are largely unaddressed in current assessment practice.

Real Property Implications

• **Campus-scale sites** (200 MW+) are being valued as single assets by assessors but structured as multi-building portfolios for financing and exit. The assessment unit-of-analysis question, single asset vs. portfolio, is a jurisdiction-specific lever.

• **On-campus substation ownership** warrants jurisdiction-by-jurisdiction review for real vs. personal property classification. At $10 to 15 billion per GW before GPUs, the substation and transmission infrastructure allocation is material.

• **Buildings designed for AI** training workloads may have limited alternative use. Functional obsolescence arguments tied to ceiling height, structural load, and cooling over-specification are documentable from market evidence now available.

Personal Property Implications

• **GPU and TPU financing** are now a distinct capital stack layer, separate from real property financing. The line between real property (the data center shell, power infrastructure) and personal property (compute hardware, cooling systems, switching gear) is being drawn explicitly by the market for financing purposes. That same line drives assessment classification.

• **Rack density** transitions from air-cooled to liquid-cooled (DLC) have introduced mechanical trades, pipe fitters, and plumbers into data center construction at scale. Infrastructure that was previously personal property in character (cooling systems) is increasingly embedded in the building. Classification reviews at the facility level are warranted.

• **Modular and pod-based compute deployments** (containerized liquid-cooled systems delivered by truck) are a growing format for edge locations. These are clearly personal property in most jurisdictions and should be segregated from real property assessments accordingly.

Sales and Use Tax Implications

• **Gigawatt-scale construction** is drawing from 40+ states simultaneously, with electricians earning $200 to 300K per year in remote markets. Multi-state construction activity creates nexus and exemption certificate complexity that is often undermanaged at this scale.

• **Power infrastructure and generation assets** (gas turbines, substations, on-site generation) are being financed separately from the data center. The sales and use tax treatment of these assets, and the exemptions available for manufacturing or industrial power in relevant jurisdictions, are high-value review items.

• **GPU financing structures** (equipment financing, ABS, insurance takeout) involve multiple transfers of title and possession. Sales and use tax exposure at each transfer point warrants review, particularly where the equipment crosses state lines during deployment.

Real Estate Advisory Implications

• **The market is moving from closed-end PE fund** vehicles toward perpetual, open-ended, and stabilized-asset vehicles. This changes the holding period assumption and therefore the investment approach to assessment management. Long-hold vehicles have more time to benefit from sustained appeal strategies.

• **Pre-contract financing** is now market standard for large projects. Financing is secured before a lease is signed. Assessment exposure begins at construction, before income is stabilized. Early engagement on assessment strategy is essential.

• **Exit liquidity** at the company level (not just the asset level) remains unresolved at 25 to 30x EBITDA multiples. Assessors will use company-level transaction evidence aggressively. Separating real property value from enterprise value in contested assessments is a growing need.

WHY ASSEMBLY

Our Differentiators

Our edge is simple: we identify winning arguments on data center valuation before they become widely known, developed through decades of real estate acquisition and development experience and actual appeal results. We are real estate people tracking market dynamics, not just tax compliance practitioners. We are committed to attending conferences like these so we can be ahead of the curve and systematically translate forward-looking market signals into assessment strategy.

Proof Point: At the height of the industrial market, in a prime northern NJ corporate park, we won what we believe to be uniquely successful appeals on two Gen 2 data centers. Assessed at over $76M, we reframed both assets away from the market-ready powered shell narrative and drove values down below park land value, from $200+ PSF to $160 PSF. Our approach to include feedback from both west coast data center specialist appraisers and local NJ industrial experts and determined neither got the valuation right as they provided very high values. Having inspected the inside and understanding reality, we formed a unique strategy, building a case around actual power upgrade costs, industrial obsolescence (filled truck doors, lost turnaround space, an obsolete mezzanine), and what these buildings actually were versus what assessors assumed they were. We engaged an out of state appraiser that agreed. By rethinking the asset class entirely, we negotiated over $1.7M in annual tax savings per building for both landlord and tenant. At the time, no one was appealing industrial buildings with rents rising. We were.

For More:

If you are an Assembly Companies client, consider this fresh intel we may be able to put to work on your current assets and any new ones in the pipeline.

If you are not yet a client and are interested in a confidential second opinion, we welcome the introduction. We work on contingency and only engage where we believe we can help.

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