



**FUTURE TRENDS IN REAL ESTATE:**

# AI & DATA CENTRES

Insights from top industry leaders on the applications of AI in real estate and the rapid growth of the Data Centres asset class

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# WELCOME TO GRI CLUB EUROPE

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European real estate has faced significant challenges stemming from geopolitical instability, unprecedented inflation, surging interest rates, and the lingering effects of the global pandemic.

These factors have created a critical moment of adjustment for the industry, as it adapts to the evolving landscape of the twenty-first century. Pandemic-driven trends, coupled with rapid technological advances, have reshaped all sectors of the market to varying degrees.

During two days of roundtable discussions at Europe GRI 2024, top industry experts revealed their outlook on the biggest trends we can expect to see as we head into 2025. This report offers a detailed, exclusive look at the invaluable insights shared during these discussions.

Enjoy reading!

**GUSTAVO FAVARON**

CEO & Managing Partner, *GRI Club*



# INTRODUCTION

For more than 25 years, GRI Club's exclusive networking events have been providing unique opportunities for the industry's decision makers to exchange valuable insights and experiences, igniting deal flow and potentialising the real estate market.

GRI Club reports present the key takeaways from these events, including the most valuable insights, the most ardent discussions, and the most intriguing strategies.

This report offers a thorough analysis of conversations on the impact of artificial intelligence (AI) on real estate and the rapid growth of the data centres asset class that took place among the 60+ roundtable discussions at **Europe GRI 2024**, the biggest event in GRI Club history, with almost 800 of the biggest players in the industry, including investors, lenders, and operators active in the European markets.



CHECK OUT ALL THE PHOTOS FROM **EUROPE GRI 2024** 

# ARTIFICIAL INTELLIGENCE IN REAL ESTATE

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## » Introduction of AI

The current rapid development and adoption of technology contrasts significantly with the early days of computing, such as in the 1970s when using a computer required board approval. Today, data technology is ubiquitous, particularly in sectors like real estate, demonstrating how far technological evolution has come.

Artificial intelligence (AI) consists of mathematical algorithms, commonly known as machine learning, that analyse large data sets to create stochastic models. These models are capable of automating decisions or generating outputs. The models are trained on either internal or external data, depending on whether they are used for predictive or generative purposes.

AI holds almost limitless potential, particularly in sectors such as healthcare, real estate, waste management, energy, food production, transportation, and education. It has the power to significantly enhance operations across these industries but environmental concerns about the computing power required must be considered.

One of the biggest blockers to AI's development is a lack of understanding within leadership. Boards and C-suites often lack the knowledge of AI's potential and limitations, which can lead to missed strategic opportunities, poor risk assessments, and a disregard for cybersecurity and compliance needs.

When participants at Europe GRI 2024 were asked to rate their familiarity with AI on a 3 point scale, the majority of companies were still in the early stages, rating themselves as a 1. Some had started initiatives, falling into category 2, while only a handful of advanced users rated themselves as 3.

It was noted that AI should be viewed as a toolbox, not a strategy in itself. Business leaders need to identify the specific problem they want to solve and then choose the appropriate AI tool to address it. The quality and integrity of data are critical for the success of AI, making data a strategic asset.

For those not yet adopting AI, it is crucial to recognise that AI is the next step in digitalisation and is not going to disappear. Leaders must understand its potential for automating processes, optimising decision-making, and improving outcomes to remain competitive.

## Impacts of AI

Generative AI is projected to significantly boost productivity, with estimates suggesting a EUR 1.2-1.4 trillion (+8%) increase in the EU's GDP in ten years as a result of generative AI adoption. Nvidia's sharp rise in value reflects the market's confidence in AI's potential, although recent fluctuations underscore that uncertainty continues to surround it.

Some of the main advantages of AI include the ability to augment jobs, automate tasks, and create new roles, with its impact varying across different sectors. The office sector, in particular, is likely to see the most pronounced effects. Approximately 40% of global jobs, particularly in advanced economies, could be exposed to AI-driven automation.

AI is expected to bring substantial efficiency gains by speeding up processes and enabling more informed decision-making. A structured and transparent decision-making framework allows for diverse input, improving the quality of outcomes by making assumptions clearer and more rigorous.

Measuring AI's impact can be challenging and may take several years, but performance improvements can be gauged by comparing pre and post-AI decision outcomes. Although it's difficult to pinpoint the exact contribution of AI, data analysis reveals positive trends and highlights the value AI can add to decision-making processes.

One of AI's major strengths lies in its ability to process unstructured data, such as documents and PDFs, which were previously hard to analyse. This advancement opens up new possibilities for extracting insights from previously untapped sources.

The adoption of AI will vary by sector, depending on their digital maturity and reliance on manual labour. Sectors such as healthcare, finance, renewables, and manufacturing may see increased demand for specialised real estate as AI transforms their processes.

In real estate, AI is becoming essential for enhancing operational efficiency, with companies that successfully integrate AI likely to gain a competitive advantage. While AI's exact impact on workspaces is uncertain, it could either reduce the need for office space by streamlining operations or create demand through the generation of new roles.

Significant investments in AI from venture capital and big tech, particularly in industries like healthcare and manufacturing, are expected to drive innovation. This influx of funding may lead to greater demand for real estate in tech-driven industries as these sectors continue to expand.

## AI Adoption

When selecting AI vendors and partners, businesses should focus on practical solutions that address real problems, avoiding the allure of hype. It's important to choose partners who understand the environmental impact of AI and who can help develop internal capabilities, ensuring long-term success.

Before adopting AI, companies must set clear priorities, whether it's improving efficiency, decision-making, or reducing costs. Without these objectives, AI adoption may not be as effective.

The true value of AI lies in the data used to train models. Data engineering is essential, and neglecting it now could lead to greater costs in the future. A top-down approach is required for successful data-driven decision-making, meaning that senior leaders must prioritise reshaping internal processes with data at the core, or else AI initiatives may falter. Leadership commitment is key to driving the necessary cultural shift within organisations hesitant to adopt these systems.

AI implementation often involves a period of testing and iteration, learning from small-scale projects over time. A key aspect of successful AI integration is identifying critical decisions, whether big or small. Business decisions are often based primarily on implicit knowledge, but structuring and making these processes explicit can improve outcomes and provide more solid justification for decisions. Failure is part of the process, but these experiments ultimately lead to stronger decision-making frameworks.

For companies new to AI, particularly small and medium-sized enterprises (SMEs), there's a decision to be made between using external advisors or developing internal capabilities. Companies also need to adopt a long-term vision for AI integration, viewing it as part of a broader digital transformation rather than a short-term fix. The choice between outsourcing AI solutions or building internal capabilities, such as hybrid models, is critical for long-term success.



Whether to develop technology internally or rely on external expertise depends largely on a company's size and the complexity of its data needs. Larger firms may find it beneficial to embed technology directly into their teams, while medium-sized companies might benefit from external expertise to implement such solutions.

External advisors can be particularly useful for medium-sized businesses with limited budgets, providing guidance on implementing AI and shedding light on areas where the company lacks expertise. In contrast, some companies have chosen to invest heavily in building internal AI capabilities, which allows them to create proprietary solutions and potentially gain a competitive advantage over those relying on off-the-shelf products.

Smaller companies face particular challenges when adopting AI, often relying on best-in-class software solutions while needing to develop custom modules to fill gaps. Consulting AI experts for advice before purchasing solutions can help SMEs navigate these challenges and make more informed decisions, especially given the immense number of products on offer.



## » Real Estate Applications

### Real Estate Revolution

AI is transforming industries, including real estate, by driving efficiency, fostering innovation, and creating new investment opportunities. Its potential to reshape the real estate sector lies in improving investment processes, enhancing property management, and opening access to new markets.

The impacts on the real estate industry could be substantial, with the possibility of streamlining operations and creating new opportunities across the entire lifecycle, such as property selection, cash flow modelling, tenant onboarding, and automating administrative tasks. This, in turn, can boost efficiency, sustainability, asset values, and tenant experiences.

While the real estate sector has been slower to adopt AI compared to other industries, its potential value is significant, with estimates ranging between EUR 100 billion and EUR 170 billion. Reflecting the growing focus on AI integration, many real estate firms have increased hiring for AI talent, aiming to embed these technologies into their operations.

### Use Cases

AI is also driving demand for new types of real estate, such as data centres and logistics hubs, as advancements in AI-enabled monitoring and automation continue to grow. Government policies, particularly in the UK, are supporting AI research and fostering innovation hubs, potentially contributing to real estate growth in these areas.

One example of where AI is playing an increasingly significant role is in the multi-family housing market, where it can be used to predict tenant behaviour, such as the likelihood of churn or rent increases, ultimately improving occupancy rates and rental performance.

AI can also significantly accelerate progress towards net zero goals by optimising energy use, improving data management, and enabling predictive maintenance in buildings and infrastructure. Through advanced data analytics and machine learning, AI can analyse vast amounts of energy consumption data to identify inefficiencies, recommend retrofits, and optimise heating, cooling, and lighting systems in real time.

Generative AI and prompt engineering further streamline data collection, allowing organisations to manage and audit energy data more accurately for regulatory compliance. Additionally, AI-driven predictive maintenance reduces waste and extends asset lifespans by addressing potential issues before they escalate, ultimately lowering emissions and promoting sustainability in the built environment.

## Decision-Making Data

In the real estate sector, where firms have traditionally relied on instinct and experience, it is important to remember that the shift to data-driven decision-making doesn't replace these qualities but rather enhances them. By integrating better data, companies can support their initial instincts more effectively. A culture of experimentation and a willingness to fail are crucial for learning and progressing with AI adoption.

AI is set to play a pivotal role in decision-making, particularly through recommendation engines. These systems will create suggestions, while humans will continue to curate and review them, shifting the roles involved in the process. For instance, in real estate, AI might propose investment options, but the final decisions and terms will still be adjusted and refined by humans.

The use of AI varies depending on the type of decision. Investment decisions, such as whether to invest in a fund or property, differ from operational decisions, like signing leases or assigning expenses. AI can help streamline both types of decisions, enabling faster and more efficient processes.

AI also accelerates the speed at which teams can make decisions when dealing with large portfolios or multiple transactions. However, the nature of private real estate investments means that performance feedback takes longer compared to listed investments, where market feedback is more immediate.

Centralising data is crucial for long-term AI scalability. Starting small with AI is beneficial, but firms run the risk of creating isolated AI systems that don't communicate with each other. Complete data centralisation remains a challenge, as different departments often manage their own data separately. Centralising data, or at least connecting these data "islands" with "ferries" or bridges between systems, is a practical interim solution to facilitate broader integration.

As AI becomes more integrated, real estate companies must adapt to the growing availability of public data, such as information on energy usage. Failing to leverage this data effectively could result in missed opportunities to gain valuable insights that improve decision-making and operational efficiency.

Attributing overall performance improvements directly to AI is complex. However, AI can enhance decision-making transparency, making outcomes more explainable and building trust between stakeholders and teams. This trust fosters better performance

## **Productivity and Analysis**

AI's potential is not only as a powerful decision-making tool but also a productivity enhancer, especially in tasks like lease management. It can convert unstructured data, such as PDF format leases, into structured, usable data, making it easier to track critical information like rental rolls and break clauses. This streamlining of processes boosts operational efficiency across the board.

In environments with frequent transactions, AI proves particularly useful. It can be employed to analyse tenant behaviour, manage risks, and even automate processes like leasing, taking a prospect from initial interest through to lease signing without human intervention. Analytical tools, such as cloud-based models and chatbots, are also instrumental in generating data-driven recommendations for underwriting assumptions and analysing key portfolio metrics.

AI can be useful in identifying supply-constrained markets, such as identifying optimal locations for logistics hubs based on factors such as distances from key ports, delivery destinations, or competing facilities, as well as gauging potential new supply risks. These insights can be vital for forecasting rental growth, directly influencing the attractiveness of investments.

The effectiveness of AI can be measured through two key metrics in business: the availability of information and time-to-market. The availability of investment memo data how quickly and easily it can be accessed during decision-making - reduces the effort needed to obtain it. Additionally, time-to-market refers to how long it takes to conduct new research, such as evaluating the physical climate risk of a portfolio, with the goal of continually reducing this timeframe for more responsive decision-making.

## **Planning**

In planning applications, AI could streamline processes by automating tasks such as validating applications, reducing delays caused by errors, and allowing planners to focus on making determinations rather than correcting mistakes.

This would be especially useful for assessing householder applications, which account for over half of all planning submissions. Additionally, AI can improve resource efficiency by quickly processing large volumes of data, helping planners extract valuable insights from documents.

AI also has the potential to make the planning system more accessible by summarising complex technical reports and providing translations. While AI can enhance the efficiency of planning processes, it should complement human creativity in areas such as design, operations, and placemaking, rather than replace it.

## » Risks and Concerns

### Rise of the Machines

Technological advances have historically created new jobs, but concerns about AI's impact on employment persist, with discussions focusing on the risks of job displacement. However, AI is seen as a tool for making recommendations, with humans retaining the role of curators. Jobs are more likely to shift towards those who can effectively use AI, rather than being entirely replaced.

Some companies are using AI to enhance human capabilities, viewing it as a “co-pilot” that supports workers rather than an “autopilot” that results in full automation. Human oversight remains crucial, as decisions can deviate from AI's recommendations, but any deviation must be substantiated.

While the impact of AI on job creation and space demand will vary across industries, it has the potential to both create high-value jobs and displace workers in sectors reliant on administrative tasks. There are concerns about a potential skills gap if tasks typically performed by junior staff become automated.

Overall, AI is expected to augment roles, allowing employees to focus on higher-value tasks rather than replacing them completely, meaning that businesses should move away from viewing AI as a replacement for humans and instead see it as a tool that enhances productivity. Integrating AI into teams is essential for success, requiring rapid iterations and the embedding of tech experts, such as data engineers, within teams to streamline decision-making processes.

Firms that fail to adopt AI risk losing younger, tech-savvy talent, as individuals with programming and AI skills will leave for companies that allow them to apply and develop their expertise. This trend highlights the importance of AI adoption in retaining talent within real estate companies, which face challenges in attracting tech-focused professionals. The real estate sector must bridge the gap between traditional practices and new digital-focused projects to remain competitive.

Due to its nascent stage of adoption, it must be remembered that the overall impact of AI on the economy and the labour market currently remains uncertain, presenting both risks of structural unemployment and opportunities for productivity gains and job creation.

## Other Concerns

AI predictions are inherently probabilistic, which means there is always a risk of incorrect outcomes. While some errors may be harmless, such as inaccurate Spotify recommendations, others can have serious consequences, such as in welfare benefit decisions.

AI's accuracy is limited by the data it is trained on, and if that data contains biases or inaccuracies, the results may be skewed. Additionally, AI can be misused for unethical purposes, underscoring the importance of transparency, accountability, and public awareness in its application.

AI also introduces new cybersecurity threats, including deep fakes, malicious prompt engineering, and data pollution. These risks should be mitigated through comprehensive company-wide awareness and education, particularly at the board level, where decision-making can guide proper safeguards.

The cost of AI, particularly generative models, can be high due to the computational and data requirements. Small Language Models (SLMs) are emerging as a cost-effective alternative to Large Language Models (LLMs). Key cost drivers include human resources, data engineering, and regulatory compliance, all of which need careful management to avoid budget overruns.

Lastly, AI adoption may face resistance from certain segments of the population, particularly older individuals, who may be less comfortable with digital solutions. This is particularly relevant in sectors like senior housing, where AI could offer significant benefits but may be met with pushback from less tech-savvy users.



# DATA CENTRES

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## » Emergence and Investor Interest

Data centres are increasingly recognised as a major asset class within the real estate sector, driven by exponential growth in data demand, AI, and high-performance computing (HPC) applications. Market projections indicate a rapid expansion, with revenues anticipated to reach more than USD 400 billion globally in 2024, underscoring a general sentiment that data centres are largely “recession-proof”.

Investment interest is at an all-time high, with institutional investors and alternative funds seeing data centres as a crucial component of future infrastructure. However, while optimism remains strong, the sector faces substantial medium-term challenges, including power availability, sustainability requirements, and skill shortages in key trades, such as electrical engineering, all of which impact expansion timelines and costs.

Investments in data centres lie at the intersection of real estate and infrastructure, with each perspective shaping distinct investment approaches. For infrastructure-focused investors, data centres are comparable to private equity assets, where the value and exit strategy depend on tenant expansion, typically with co-location clients.

Real estate investors, however, grapple with potential obsolescence, especially if facilities lack long-term tenants and are prone to rapid technological shifts. To mitigate these risks, some operators are adopting a diversified leasing strategy, spreading out revenue among multiple tenants rather than relying on a few large clients.

Differentiating between enterprise-level services for smaller firms and hyperscalers for large tech companies like Amazon and Microsoft, investors observe higher kilowatt rates in co-location facilities within city hubs versus hyperscalers, where lower per-kilowatt pricing reflects scale and efficiency.

Despite the rapid growth in demand for data centres, there is a lag in supply. Many investors remain confident in this demand, particularly from AI and other computationally intensive applications. The challenge for data centre operators is keeping up with this demand while securing the necessary infrastructure and power.

Speculative development has become increasingly common, especially for hyperscalers, where phased builds - often in 10-20 megawatt increments - help meet rising demand. However, timing is critical; facilities must be ready as demand peaks, or clients may seek alternative sites.

## » Impact of AI

The growing influence of AI on data centres is reshaping both demand and operational requirements, driving significant investment and impacting real estate valuations. With AI's intensive data storage and computational power needs, data centres are under pressure to adapt infrastructure to support these technologies.

The distinction between data storage and computational power is critical; while traditional data storage requires considerable space, AI model training demands advanced facilities capable of high power density and efficient cooling systems. As a result, facilities near cities that support real-time AI inference are in high demand, while more remote locations with low-cost power suit AI model training needs.

AI's rise is anticipated to drive an 80% annual growth in demand for data storage and computational power. This expanding need requires technological upgrades, with the vast majority of experts expecting AI to have the most substantial influence on data centres over the next three to five years. This trend underscores the importance of adapting to AI-specific requirements, such as liquid cooling for HPC and other energy-efficient solutions.

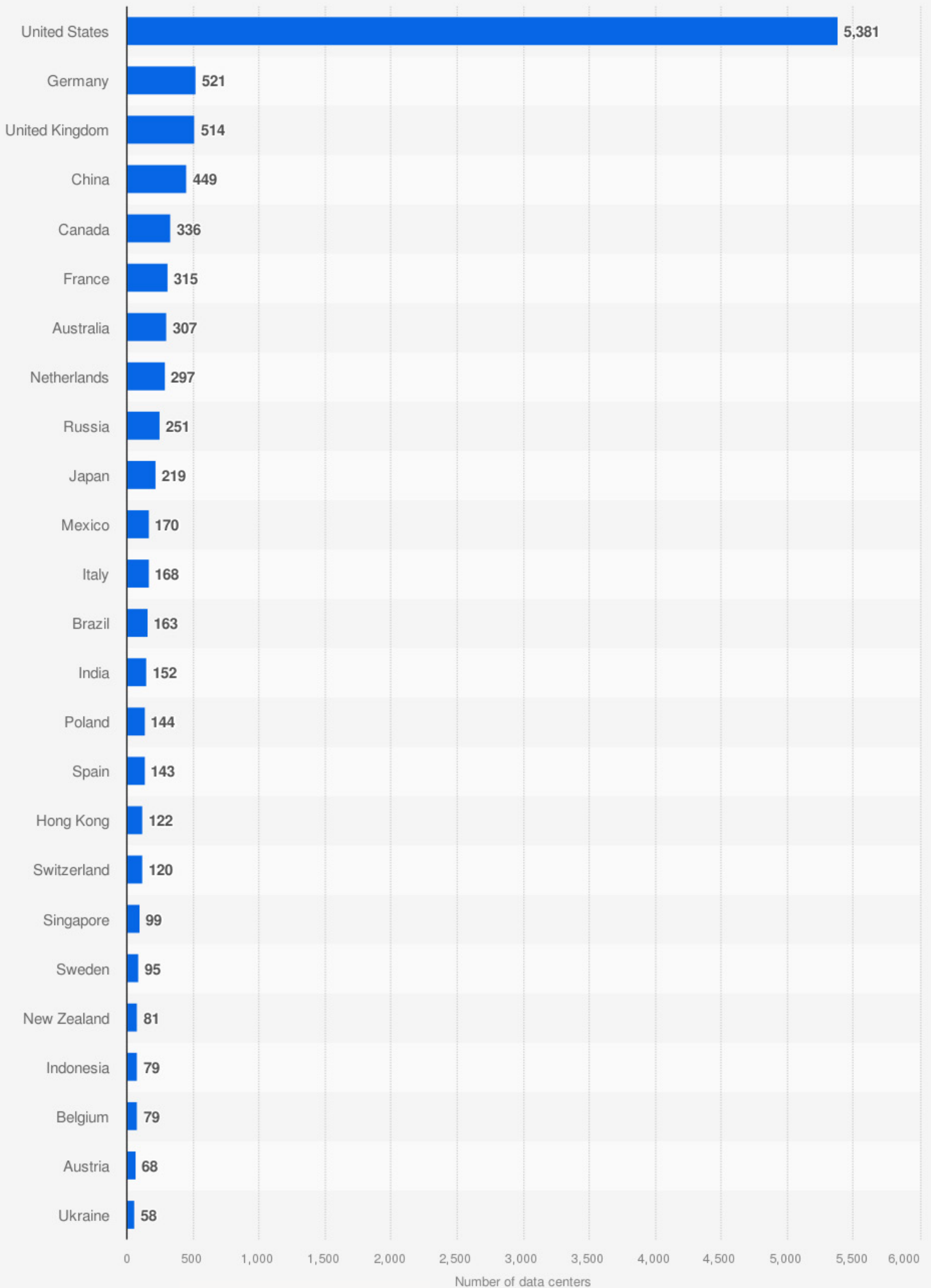
AI-driven investment in data centres also affects real estate value determinants, which rely on income-generating potential, growth prospects, and market interest rates. Like the logistics sector during e-commerce's expansion, AI-oriented data centres could see higher valuations and strong returns as they meet surging demand.

This value is tempered by the need to navigate challenges like power sourcing and sustainable cooling, especially as government regulations increasingly emphasise environmental considerations.





## Leading countries by number of data centres as of March 2024



## » Eyes on Europe

Making up twelve of the top twenty-five countries globally, by number of data centres, the European data centre market experienced nearly 20% growth year-over-year in Q1 2024, with Paris leading at over 40%. However, the core FLAP markets (Frankfurt, London, Amsterdam, and Paris) continue to face supply shortages and high demand. Preleasing is now a standard practice, underscoring the urgent need for ongoing investment in new facilities.

Demand remains strong despite economic challenges, with net absorption nearly doubling from the previous year across FLAP markets, reaching 487.6 MW. Rising construction costs and demand have driven rental rates up, particularly in Frankfurt and London, with Frankfurt seeing a 15% increase over 18 months. While supply increased, availability remained flat as new facilities were quickly leased, with Amsterdam recording the largest availability drop from 98.6 MW to 65.4 MW.

### FLAP Markets

Frankfurt's data centre market, with a vacancy rate of only 6%, has extremely high demand from hyperscalers and enterprises, who often pre-lease space before facilities open. Despite efforts to add capacity, challenges around securing power, land, and permits limit supply.

In London, demand remains robust, particularly from hyperscalers in the western corridor, though scarce power availability pushes data centre growth further outside the city's core.

Amsterdam, a major connectivity hub, faces strict regulations and limited power that slow data centre development, though a planned 2025 substation upgrade may help increase supply.

Paris is now Europe's third-largest data centre market, with rising demand and costs driven by hyperscaler expansions; regulatory and zoning issues, especially in the north, present obstacles to further growth.



## » Regulations

The EU is enforcing stringent energy efficiency standards for new data centres, mandating a Power Usage Effectiveness (PUE) of 1.2 to ensure better energy management across infrastructure, such as cooling. However, many older data centres will face significant challenges meeting these new metrics.

Adding to these pressures, Germany's Energy Efficiency Law, set to come into effect in 2026, requires data centres to achieve specific PUE targets and transition entirely to green energy. The EU expects similar regulatory frameworks to be adopted across Europe, reinforcing the shift towards sustainable operations.

The limited compliance windows - PUE of 1.5 by 2026 and 1.3 by 2028 - offer a short timeline, leaving many operators with the choice to invest heavily in refurbishing facilities or consider new builds. This choice is particularly challenging for smaller firms who may lack the expertise and resources to meet these standards. Larger hyperscalers like Google and Amazon are better positioned for compliance due to their operational scale and resources.

Additionally, regulatory demands are fueling data centre growth across Europe. The EU's General Data Protection Regulation (GDPR), considered the world's most stringent privacy and security law, restricts American data centres from hosting European data, meaning countries like Spain and Italy will need to scale capacity significantly to accommodate increasing data storage needs, further driven by AI advancements.

The UK's Building Safety Act adds another regulatory layer, exacerbating delays due to planning constraints and incomplete project designs, which often push contractors into tendering without sufficient design detail, increasing project risks.



## » Challenges

### **Technological and Asset-Related Risks**

The rapid growth of AI and HPC has driven a steep rise in power density requirements for data centres, jumping from 3 kilowatts per rack to as much as 30. This shift demands advanced cooling technologies, such as liquid cooling, which are incompatible with many existing facilities, effectively rendering older data centres obsolete.

Although quantum computing is still only on the horizon, it is set to introduce significant challenges, particularly the need for extremely low temperatures for cooling, which makes it less viable in the near future. Data centre operators must consider how to future-proof their facilities by designing them to accommodate whatever technologies may emerge over the next decade.

Investors are increasingly wary of these rapid technological advancements, recognising that facilities built today may require costly upgrades or risk becoming outdated in just a few years due to new energy standards and operational demands. This uncertainty complicates long-term investment strategies, as projecting returns beyond a five-year horizon has become risky.

Investors generally view data centres as long-term investments, though exit timing and value can be uncertain. Successful projects depend heavily on experience and a strong track record, as well as on financing structures, typically targeting a 10-13% yield on cost with 60-65% financing.

While hyperscalers like AWS provide stable demand, co-location facilities in urban centres are especially attractive due to high proximity demand. Some data centre operators, particularly those targeting smaller companies, are betting on building strong client portfolios to mitigate risks associated with changing technology. By securing a diverse range of clients, operators can aim to protect their investment.

Additionally, as data storage becomes more compact and efficient, some fear that data centres may lose value if the industry trends toward smaller physical storage spaces. With high construction and equipment costs, data centres pose substantial financial risks if they cannot be repurposed effectively.

### Power Problems

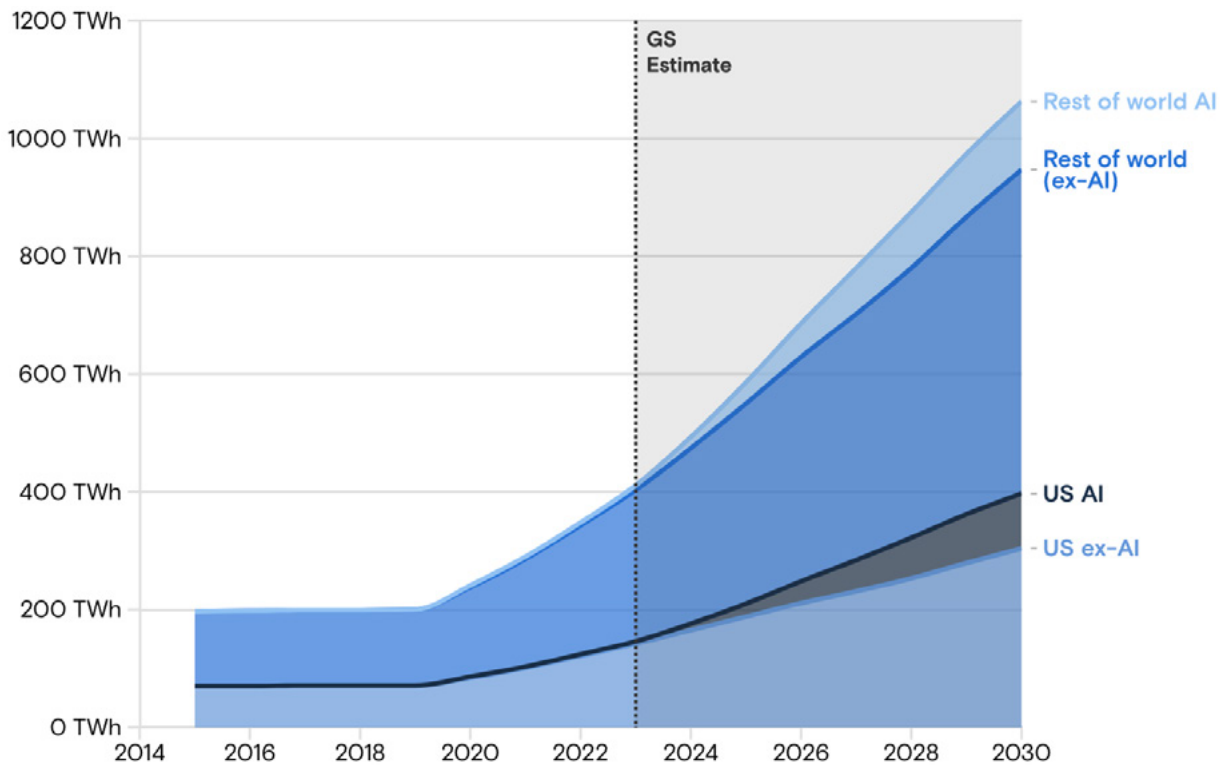
For data centre developers, power availability has overtaken location as the top priority due to the high energy demands of these facilities. While grid upgrades are ideal for meeting these needs, they often take 5-15 years, far exceeding the timelines for data centre construction.

To address this gap, some companies are turning to alternative energy sources, with several hyperscalers, including Google and Microsoft, recently making moves to adopt nuclear power. Hydrogen power is increasingly being considered for backup power generation as an alternative to diesel generators.

From the perspective of limited partners (LPs) and capital partners, few would ever consider entering a deal unless power supply has already been secured. Securing power and negotiating favourable deals also depends on the company's track record.

Large, well-established developers or those with significant experience in energy projects tend to have better bargaining power and faster responses from energy providers. Newcomers to the data centre space face greater challenges and risks in this area.

### Data centre power demand



Source: Masanet et al. (2020), Cisco, IEA, Goldman Sachs Research

Another point of concern is a trend for public and political resistance to new data centre developments in certain regions across the US, Europe, and Asia. In many European countries, power demands and environmental concerns have caused the rejection of planning permissions. In Ireland, political opposition over energy consumption has led to calls for a moratorium on new projects, while in contrast, the UK's decision to classify data centres as Critical National Infrastructure (CNI) has boosted investor confidence.

Germany presents specific difficulties in terms of securing power for data centres, making certain urban areas with strong power access more valuable. In rural or less strategically located areas, the future value of these data centres becomes even more uncertain.

In Spain, it is possible to secure power before finalising land purchases, which offers a strategic advantage. This is not the case in all countries, and in places like Italy, the power approval process can be more uncertain and involve government decisions, increasing the risk for investors.

Discussions noted that securing local tenants and working with municipalities, especially within innovation parks, can provide a strong connection with the community and political support, which can be crucial for long-term success.

A significant portion of the conversation focused on the use of green energy in data centres, with increasing pressure for data centres to be powered by 100% green energy. Some scepticism was expressed regarding companies claiming to be fully green, due to difficulties in moving away from oil and gas. Nevertheless, the shift toward green energy is becoming more achievable and cheaper, with positive momentum in the industry.



## **Destination Difficulties**

Investments in data centres are not typically seen as a land play but rather as a “shovel-ready” infrastructure development, making the selection of the correct location critical for success.

Urban locations with strong power infrastructure are ideal, especially for AI applications that require low latency to function efficiently. Hyperscalers often require more space, but their demand for prime locations can be less critical compared to co-located data centres that serve multiple clients.

Land costs are usually 15-20% of the overall project costs, and securing power is a major factor. The availability of power remains a key determinant of success in data centre development. Developers often look for land with existing power infrastructure, such as industrial sites with surplus power from shuttered factories, making them particularly valuable, especially as energy prices rise.

In contrast to residential and logistics sectors, where demand is more stable, data centres face the risk of becoming obsolete quickly. The question arises about whether the land beneath these centres retains value or if it becomes worthless without the data centre’s purpose. For urban locations, proximity to power sources or logistics hubs could offer some protection, but more remote locations may be more vulnerable to losing value.

## **Supply Chains**

Despite some easing of pandemic-related issues, many players report persistent delays in manufacturing or delivering essential data centre equipment. Large companies with significant buying power continue to block-book production slots, creating additional challenges for smaller or new entrants.

To address these supply chain constraints, businesses are encouraged to foster strong supplier relationships, diversify their sources, use digital tracking tools, and adopt fair contract terms. Prompt payments and a focus on sustainability are also recommended to build a positive reputation and reduce risks.

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# GRI Club



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