

KEYNOTE INTERVIEW

Powered land is becoming the industry's scarcest asset



*As AI drives demand for ever-larger facilities across Asia-Pacific, investors are focused on the ability to secure power rather than the buildings themselves, says Macquarie Asset Management's **James Kemp***

The Asia-Pacific data center market has undergone a dramatic transformation over the past decade. Facilities have grown larger, power requirements have surged and competition for grid access has intensified.

At the same time, the rise of AI is creating a new wave of demand that is reshaping where data centers are built and how investors evaluate opportunities.

James Kemp, head of real estate, Asia-Pacific at Macquarie Asset Management, says value creation is moving up the data center value chain as powered land is becoming more prized and AI is impacting the next phase of growth across the sector.

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Q How has the data center sector evolved across Asia-Pacific in recent years?

Across the evolution of the sector, a few things stand out. The size of the data center has increased significantly over the last 10 years, requiring much greater funding per asset.

Access to power has become difficult because of demand pressure on grids and, in some markets, social pushback against new developments. There has also been a significant expansion

in valuation and trading multiples for large-scale colocation operators. Investors have placed a premium on businesses that can offer immediate scale, particularly given the challenges of building scale in a power-constrained environment.

At the same time, many colocation operators are changing their business models. Demand growth and long lead times for power are pushing operators to take on more front-end risk through land banking and efforts to secure power earlier in the development process.

Today, success depends on obtaining access to powered land. We are also seeing the emergence of the next phase

of data center demand from AI companies seeking gigawatt-scale campuses. These users are often more flexible on location and energy latency than traditional occupiers.

Taken together, these trends are shifting the investment proposition across the data center value chain.

Q Where do you see the greatest opportunities emerging across the data center value chain today?

Our view is that value creation has moved upstream in the data center value chain. While operations remain important, the highest-value component today is the ability to energize land. We still see operations as an important and valuable component in the chain, but the provision of these services is maturing, and what is most valuable today is powered land.

Capturing that value requires a broader capability set than many investors have traditionally needed. It starts with sourcing and structuring land transactions, navigating planning processes and understanding the design requirements of different end users. It also requires the ability to identify and secure power solutions.

Often, securing power involves much more than applying and waiting for a response. Utilities are becoming more cautious about allocating capacity to speculative data center projects without clear visibility on end-user demand.

As a result, even for a strategy focused just on powering land, the ability to engage with hyperscalers and colocation operators is becoming an important factor in obtaining power access.

Once land has been powered, there are multiple paths available, from selling the site through to developing a powered shell, partnering with an operator or helping seed a larger operating platform. The key differentiator is the ability to secure and energize the land in the first place.

Q How concerned should investors be about access to power as demand continues to accelerate?

In most markets, the issue is not that grids lack power. The challenge is how long it takes to connect to that power. Many existing grid systems were not designed to accommodate modern data center requirements. Moving from a distribution-level connection to transmission-level access often requires significant time and investment. As a result, the primary risk is less about whether power can eventually be secured and more about how long it takes to obtain it.

Speed matters because delays can affect development timelines, increase holding costs and make it harder to satisfy current demand. To improve outcomes, investors need the capability to access power through multiple pathways.

These can include gas generation, renewable energy solutions and front-of-the-meter battery energy storage systems.

There are also opportunities to work more creatively with grid operators through optimization strategies and capacity-sharing arrangements supported by behind-the-meter storage.

The challenge for market participants is that every site may require a different solution. There is no single answer to securing power, which is why expertise across energy infrastructure, storage and grid optimization is becoming more valuable.

Q How is AI changing data center development requirements, and where are the investment implications most significant?

AI users generally have two distinct requirements: inference and training.

Inference workloads have their own requirements but are more likely to compete with hyperscalers and colocation operators for traditional locations. Training workloads, however, are

different. They prioritize locations with access to very large amounts of power at the lowest possible cost and can often tolerate greater power latency.

That dynamic opens opportunities in more regional locations outside traditional availability zones. It also supports development models that emphasize speed, efficiency and lower construction costs, including single-story modular facilities.

We are beginning to see AI training demand emerge across APAC. These companies are typically focused on securing real estate and infrastructure solutions while retaining responsibility for the chips themselves.

Their priorities are speed, access to power and the ability to develop large-scale campuses that can support requirements of 1GW or more. There is also a strong focus on reducing the cost of power wherever possible, including through battery storage and other efficiency measures.

From an investment perspective, AI training facilities introduce several considerations. Many projects have limited alternative-use potential, creating greater dependence on the underlying customer. In some cases, investors may face single-tenant exposure where the customer's credit profile does not resemble that of a traditional institutional-grade occupier.

The capital requirements are also substantial. Large amounts of preferred equity are appearing in capital structures, while transaction arrangements are evolving to include parent-company guarantees and residual-value protections designed to attract the scale of capital required.

As AI adoption continues to accelerate, these projects are likely to become a more prominent part of the data center landscape.

For investors, understanding the differences between traditional hyperscale demand and emerging AI requirements will be critical to identifying where value can be created in the next stage of the sector's evolution. ■