



2027 Data Center Market Outlook

A momentous year ahead as demand outpaces supply and regulations loom

September 2026

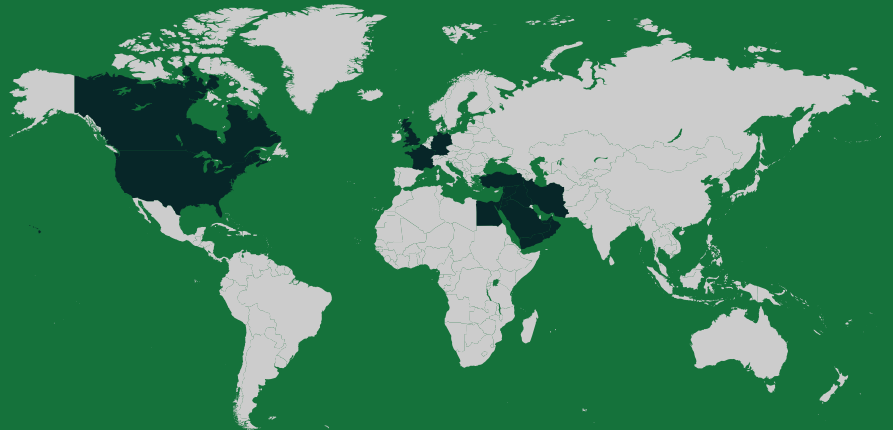
About the survey

We surveyed more than



480
senior executives

from the data center ecosystem,
across the following geographies:
U.S., Canada, UK, France, Germany,
Netherlands, UAE, and Saudi Arabia.
(June–July 2026)



The survey covered the complete data center value chain, shedding light on how builders, operators, AI infrastructure players, investors, and lenders see the data center sector evolving, it also covered the **five main types of data centers**:



01 | **Neocloud / AI factory**

Purpose built data centers optimized for AI/ML, with high-density GPU clusters, advanced liquid cooling, and outsized power needs.



02 | **Hyperscale**

Massive cloud-provider facilities (tens to hundreds of MWs), built for scale, efficiency and reliability



03 | **Edge**

Small, distributed sites placed near users/devices to cut latency and support real-time applications (e.g., 5G standalone, AR/VR)



04 | **Colocation (Colo)**

Third-party sites where multiple customers rent space and share power, cooling, and space, and access to internet, cloud providers and SaaS



05 | **Enterprise data centers**

Owned by one organization, on-premises or campus-based, for internal IT and sensitive workloads

2027 outlook vs. last year: Key differences

64%

of respondents have
demand visibility
≤ 12 months

▲ +7 pts
vs. last year

83%

agree that inference
silicon will require a
different architecture

▲ +11 pts
vs. last year

89%

agree that data
centers are being
built efficiently

▲ +16 pts
vs. last year

45%

prioritize growth
over profitability

▼ -15 pts
vs. last year

46%

planning major capacity
additions (~50–250 MW)

▼ -11 pts
vs. last year

54%

cite regulatory constraints
as a top obstacle

Not surveyed last year

1 AI inference requires different silicon than AI training

52%

of operators rated technology shifts as the top data center disruption factor, with the silicon architecture change as the primary mechanism.

- Europe 58% vs. U.S. 46%
- The UK (74%) and Middle East (72%) are far more concerned about tech-driven disruption, suggesting readiness challenges.

83%

expect inference silicon to use a different architecture than today's GPUs (up from 72% in 2025).

86%

of operators expect moderate-to-major upgrades, redesigns, or replacements of existing facilities.

This is much more than a swap-the-chip event. In the UK, 54% expect major upgrades or full replacement. Other geographies (U.S.: 35%, Germany: 38%, France: 34%, Middle East: 43%) also anticipate major upgrades.

Key themes



The reason for the shift is tactical and structural

AI training demands robust computational power, the kind GPUs were built to deliver. Inference has different criteria: It is memory-constrained, time-sensitive, and lower-precision. Winning in inference will require purpose-built silicon, not repurposed training hardware.



The mismatch necessitates physical plant changes

Facilities built between 2022 and 2024 were engineered for 20–40kW GPU training racks. Inference-native silicon increasingly demands 80–150kW+ of power, direct liquid cooling, and different network topologies.

Hyperscalers are designing the next generation of inference silicon themselves, which provides the ability to engineer current facilities with future requirements in mind. Mid-tier colo operators and PE-backed platforms, however, face heavy disruption: They inherit the infrastructure consequences of others' architectural decisions, with less capital to respond.

Europe's main scaling constraint is a lack of AI-ready facilities (46% vs. U.S. 26%), while the U.S. flags GPU/hardware lead times (48% vs. 34% Europe). Simply put, Europe needs AI-ready facilities first.



This is a balance-sheet challenge disguised as a technology swap

The change in silicon architecture is the vector through which technology disruption becomes a capex surprise, lease renegotiation lever, and asset repricing trigger event. Operators that proactively certify inference-ready infrastructure will command lease premiums and lower their vacancy risk.

2 Pricing power remains strong, but disruption looms

70%

of respondents still report strong or moderate pricing power for data center capacity. Only 2% see flat or declining rates.

60%

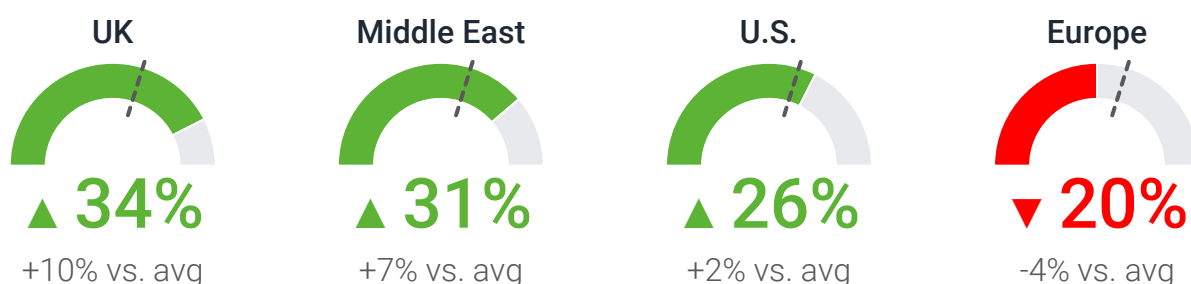
of respondents see a major market disruption as extremely or very likely in the next 24 months.

64%

of respondents have strong demand certainty only for 12 months or less (up 7% vs. last year).

Figure 1: Pricing power is unevenly distributed, and highest in supply-constrained areas

--- Global average: 24% report strong pricing power



Key themes



AI infrastructure is the soft spot

Only 15% of AI infra operators report strong pricing power vs. 24% industry-wide, making it the least confident segment in the market. Compute and token prices have fallen sharply, so the players closest to AI workloads are least able to pass costs through.



Tenuous demand visibility and anticipated disruptions are driving pressure

68% of respondents in North America see a major market disruption as “extremely” or “very likely” in the next 24 months, and the global figure of 60% rises to 80% when “somewhat likely” is included. This sits on top of short demand visibility: Most respondents lack demand certainty beyond 12 months, with only a select few confident beyond two years.



The C-suite implication

The market is pricing near-term strength and medium-term uncertainty simultaneously. Strong pricing today combined with the disruption expected in the months to come, along with low demand visibility, is the setup that rewards keeping options open and punishes reliance on a single demand scenario.

3 Rising distress levels threaten to squeeze out small operators

64%

of respondents believe that distressed situations in the data center market will increase in the next 12-18 months, up 3% from last year – only 12% disagree. European distress sentiment is relatively the lowest (59%), likely due to far lower capital deployment compared to the U.S.

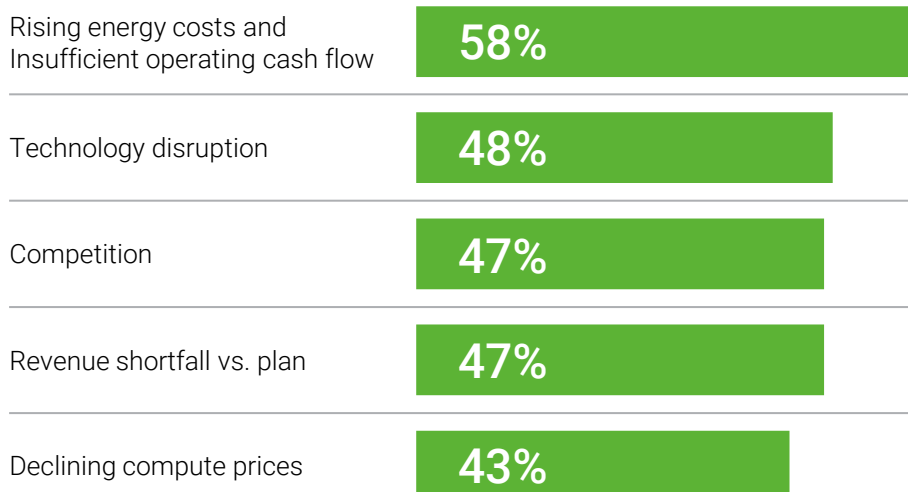
~90%

believe operators must invest significant capex to keep pace with technology shifts, yet two-thirds can't see demand past 12 months. That capex locks in multi-year depreciation schedules against a single-cycle visibility window, creating a growing gap between book value and generated income. When that gap forces write-downs, it trips debt covenants, restricts borrowing capacity, and exacerbates liquidity issues, increasing the likelihood of distress.

The causes of distress combine to squeeze margins: Costs escalate (unhedged energy, compressed refresh cycles, financing challenges driving higher cost of debt), revenue underperforms expectations (thin demand visibility, pockets of eroding pricing power), and the gap shows up as cash flow that can't simultaneously service debt and fund the next buildout cycle.

The impact of rising energy costs is felt more in Europe (65%) than the U.S. (53%), reflecting the impact of greater exposure to unhedged/fixed pricing, higher baseline energy costs, and a tighter regulatory environment.

Figure 2: Root causes among those expecting distress in the next 12–24 months



The small operator squeeze

Facilities of 50MW or less face a compounding set of disadvantages: lower confidence in build efficiency (60% vs. 90% for large operators), disproportionate exposure to debt-maturity mismatches (83% of the sub-50MW segment flags this as an obstacle), and less pricing power.

As capital concentrates on large, modern, power-rich assets, the smallest players face the greatest risk of being left behind in the capex cycle.

4 Data center M&A is a matter of 'when,' not 'if'

62%

of respondents believe data center M&A is already attractive or will become attractive within 12 months (79% in the Middle East). Not a single respondent said deal activity is "not on the horizon."

Acquiring new capabilities and capacity is driving data center industry M&A activity, and it's moving faster than anyone expected

The #1 catalyst for impending M&A activity is telco monetization of data center assets (73%), while operator-on-operator mergers for scale are the second-most-cited driver of expected deal activity (71%). This is well ahead of divesting non-core assets to refocus portfolio or to reduce debt. The catch is that 88% say only selective assets (those with modern technology and/or significantly extra power and land) will find buyers. Older, power-constrained facilities are getting left behind.

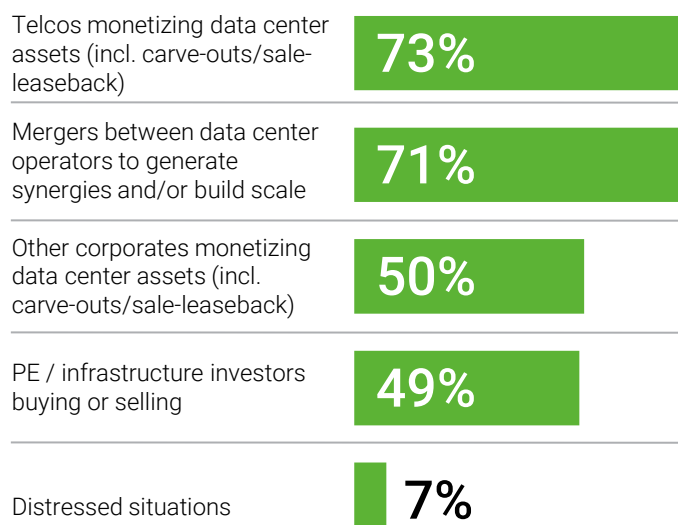
Additionally, the nature of M&A deals points to the formation of a new hybrid asset: 82% expect M&A between data center and energy players within 24 months.

85%

of respondents say they are very or somewhat likely to participate in carve-out or sale-leaseback transactions in the next two years.

U.S. 89% vs. Europe 78%; UK at 86%

Figure 3: The top catalysts for impending M&A activity



Key themes



This validates a core thesis: Telcos are cashing out

Telcos are now seen as the primary source of sellable assets. This is a particularly strong trend in Europe because of telcos' attempt to deleverage. In France (84%) and in Germany (82%), respondents expect telco monetization to drive M&A. In the U.S., only 69% of telcos follow this strategy.



The barriers to telco carve-outs aren't financial; they are structural and operational

Respondents named the complex separation of technical assets (networks, IT), legacy technology and heavy capex requirements, and regulatory/anti-trust hurdles as the main barriers and challenges in executing these carve-outs. The difficulty sits in disentangling the asset from the telco's network estate and funding its modernization.

5 The capex efficiency paradox: Build confidence outpaces run efficiency

The industry has near-universal confidence in how data centers are built, yet the confidence doesn't carry into operations. The gap between how efficiently assets are financed and run is widening.

90%

agree that data centers are being built efficiently in terms of capex deployment, compared to 83% who believe they are being run efficiently. The 7-point gap widens to 12 points among operators, those closest to the work.

45%

of respondents said their organizations are prioritizing growth over profitability, a significant decrease from 60% in 2025. This signals a shift away from the "scale at all costs" approach.

#1

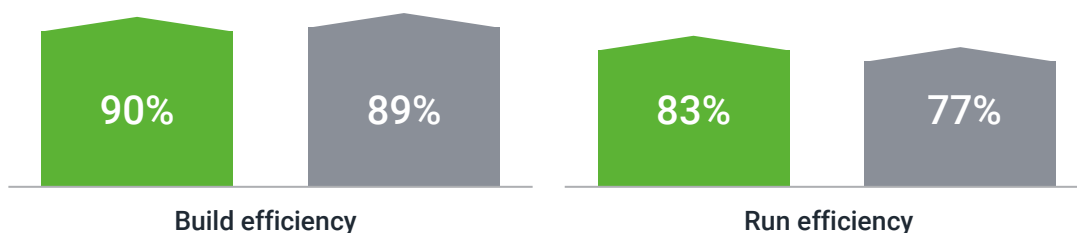
profitability is #1 priority for those closest to returns on invested capital (investors and lenders): 51% of lenders and 50% of operators rank margin and return on invested capital (ROIC) above all else.

27%

Less than 30% of organizations consider their operating models highly mature for scaling AI and GPU workloads. Maturity is the highest among operators with significant existing or planned capacity.

Figure 4:
The confidence gap

■ All respondents
■ Operators



Run efficiency confidence is highest at the industry level and erodes as you move closer to operators, the least confident of any player type. The maturity data explains why: the widening gap reflects differences in how standardized and automated the operating model actually is.

Key themes



The ecosystem no longer shares a common goal

Profitability is the overall main goal at 40%, but only by a single point over infrastructure scaling. Lenders and operators prioritize profitability, builders prioritize scaling, and AI infrastructure operators prioritize monetization.



The people closest to operations are the least confident

At 89%, operators are among the most confident that assets are being built efficiently, tied with builders. But they are the least confident among players that opex is optimized, at 77%. This gap reflects the difference between the industry's ability to build and its ability to effectively run new builds.



The problem is structural, not external

The most cited cause among those with doubts about run efficiency is an outdated or inefficient operating or organizational model, ranking above market energy costs and weak capacity planning. Only 27% of respondents believe their operating model is highly mature, meaning its operations are standardized, scalable, and automated. Nearly three-quarters of market executives acknowledge their operating model isn't ready for the workloads it's already underwriting. If this isn't corrected soon, it will hinder growth.

6

Building at scale: Two-thirds cite construction timeline slippage as a top execution risk

Nine in ten operators are adding capacity at scale, while the economics of building, financing, and completing that capacity are splitting the market in two.

#1

Regulatory constraints and local community pushback are the **leading obstacles to data center capex financing**, beating conservative underwriting of AI demand (48%) and energy supply risk (46%).

49%

Cooling (49%) has overtaken power availability (44%) as **the top constraint to scaling AI infrastructure**.

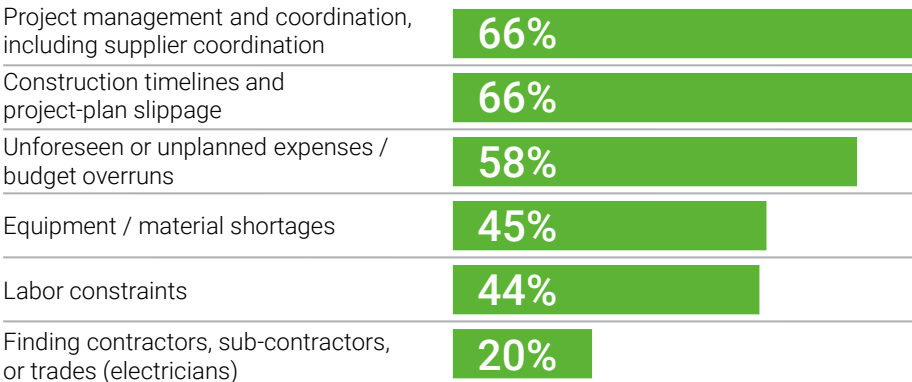
61%

Expect **space-based orbital compute** to be commercially viable within five years, given the current pace of data center infrastructure scaling.

18%

expect nuclear SMRs to be commercially viable within two years, 3x last year's conviction, but still the lowest across all emerging technologies.

Figure 5: Leading pain points in deploying data center capex



Key themes



Power anxiety is easing, but structural problems remain

Ninety-seven percent expect energy constraints to persist over the next three to five years, yet most now believe behind-the-meter investments and large-scale power purchase agreements (PPAs) can manage the problem. This is a shift in sentiment from panic to operational planning. Conviction in nuclear has tripled, though the timeline risk on small nuclear reactors (SMRs) to come online is real: they show the lowest confidence among emerging technologies to materialize within two years. A more realistic timeline is five years or more.

The U.S. still reads power as constrained: 40% cite 12-to-36-month lead times vs. Europe 26%; the U.S. is deploying at roughly 5x Europe's rate and scale, making interconnection queues longer and transmission upgrades more complex, as every megawatt of new capacity competes against a deeper backlog of projects already waiting for power.



Supply chain bottlenecks persist, but no single chokepoint dominates

Construction execution remains stubbornly challenged: timeline slippage and supplier coordination are each cited by 66% of respondents as a top pain point. Power and chips are the top constraint, but there are a host of chokepoints after that: high-voltage electrical equipment (50%), cooling (44%), and network/fiber (44%) emerge as the most-cited chokepoints, with new bottlenecks surfacing as old ones ease. The industry is playing defense across a fragmented supply chain with no silver bullet. The ability to manage complex, multi-vendor buildouts is scarce, but increasingly urgent.

7 The AI insiders who aren't buying their own hype

The neoclouds that run day-to-day AI workloads are the industry's most pessimistic participants. Falling compute prices for older assets and financing challenges, along with uncertain demand beyond 12 months, may lead to a day of reckoning for neoclouds that can't compete at scale.

Figure 6: Neoclouds are prioritizing monetization as pricing challenges compound

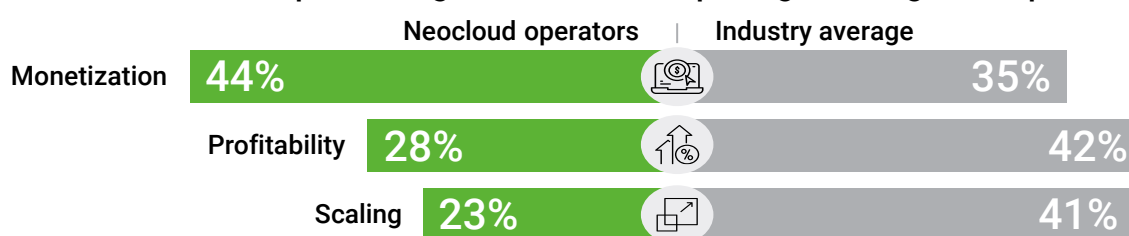
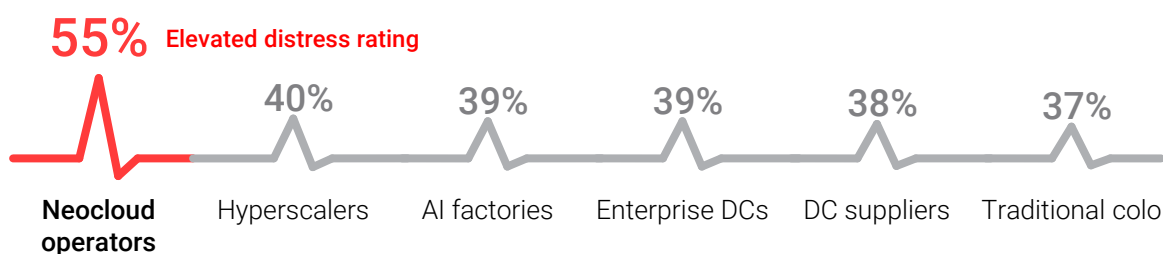


Figure 7: Neocloud distress risk leads the rest of the ecosystem



Key themes



The bears closest to the boom

With the fall in token prices, compute rental costs dropped an estimated 60–75% in 18 months. Neoclouds are the most sensitive to pricing landscape changes and the least confident about where the market is going next. They fear demand drop most: 49% cite it as a key disruption risk, versus 24% industry-wide.



Scaling shifts to monetization, and the business model shifts with it

Neoclouds are repositioning; asset monetization is now the primary growth driver (44%), while capacity scaling has been deprioritized (23%). To escape commoditized GPU leasing, leading players are layering software and services to build full-stack platforms that enable customers to develop, deploy, and iterate on AI faster. Sixty percent will use third-party partnerships to add capacity, adopting an asset-light model to address financial constraints. Neocloud players are also diversifying enterprise customers away from concentrated anchor-tenant revenue.



Sorting, not survival-for-all

Respondents are split on the neocloud outcome; 27–32% each see demand-driven growth, consolidation, or a split into a few large winners and many smaller followers as most likely. Neoclouds break the tie, with 38% picking the split into a few large winners as the most likely outcome, compared to 28% of others. As GPU prices fall and financing tightens, operators without hyperscaler anchor contracts face the toughest math.

The troubled neocloud market is heading toward a separation between the companies that secured the right contracts early and the long tail that didn't.

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Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

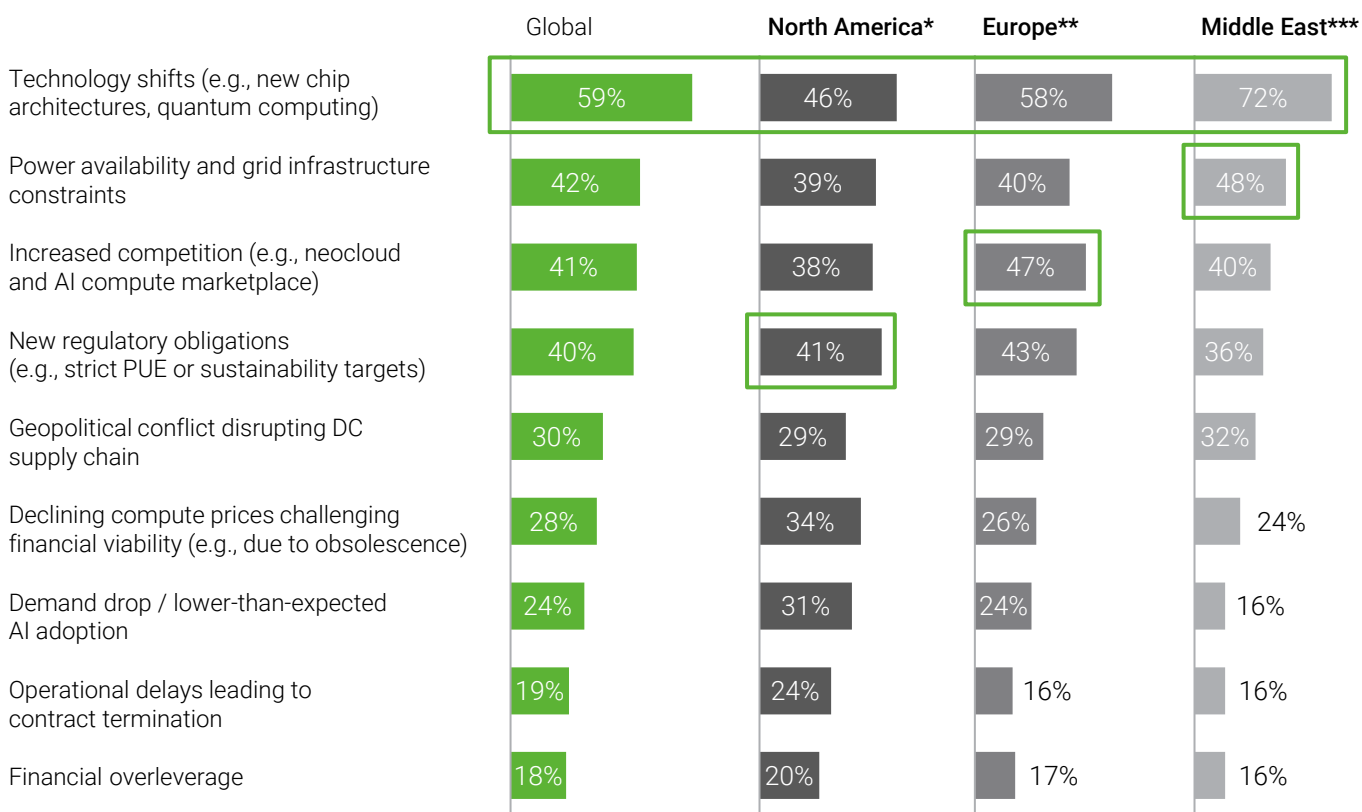
Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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1. Inference / technology shift

Primary disruption factors expected to impact the data center sector (% of respondents)

Q: What do you expect will be the key disruption factors impacting the data center industry in the next 24 months?



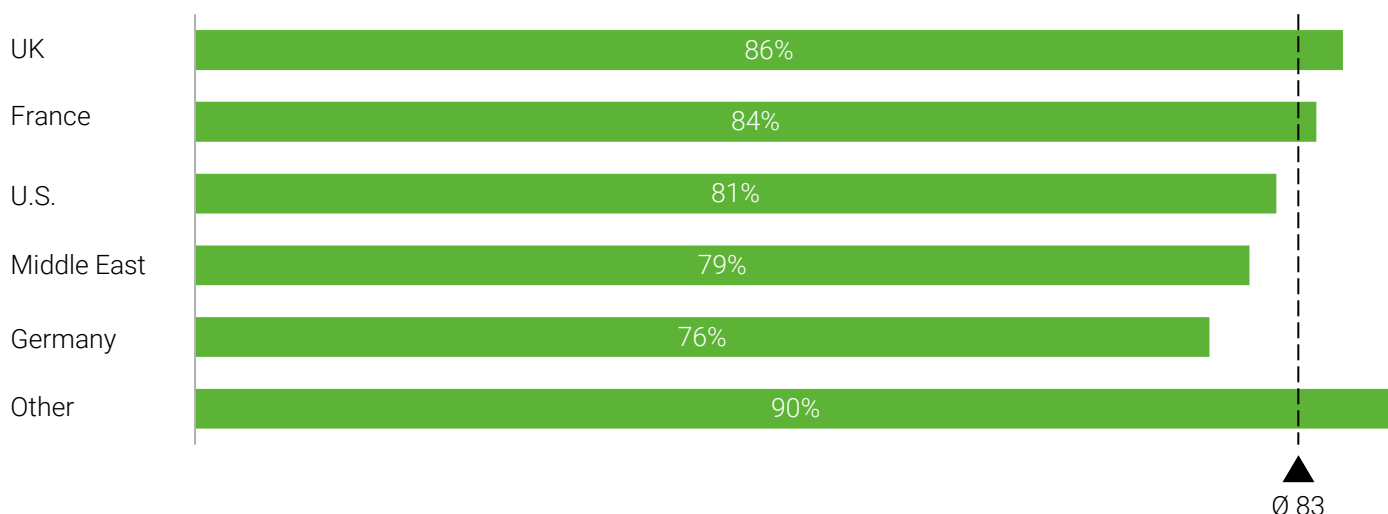
*North America data includes U.S. and Canada

**Europe data includes UK, France, Germany, Netherlands

***Middle East data includes UAE and Saudi Arabia

Expectation of moderate-to-major upgrades, redesigns, or replacements of existing facilities (% of respondents)

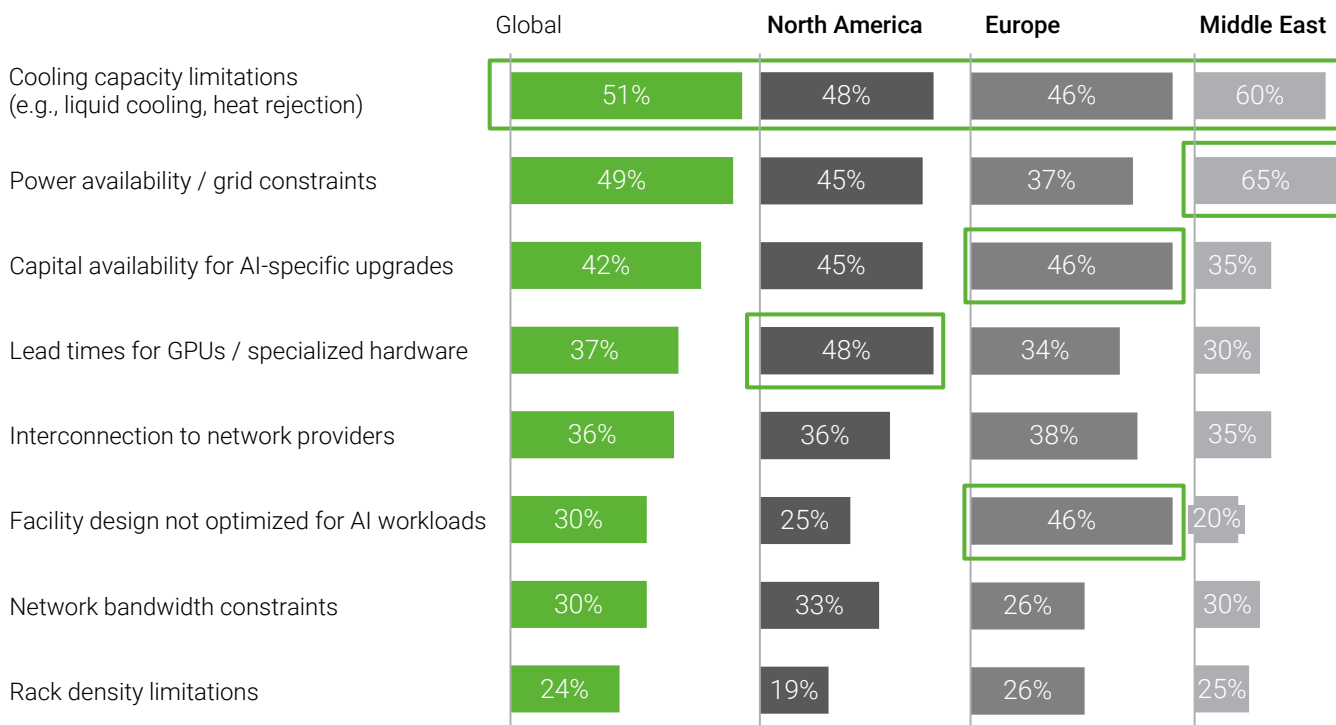
Q: When next-generation of silicon (AI chips) arrive, particularly inference-specialized/optimized architectures, to what extent do you expect the data center infrastructure will need to be upgraded or replaced?



1. Inference / technology shift cont'd

Constraints to scaling AI Infrastructure (% of respondents)

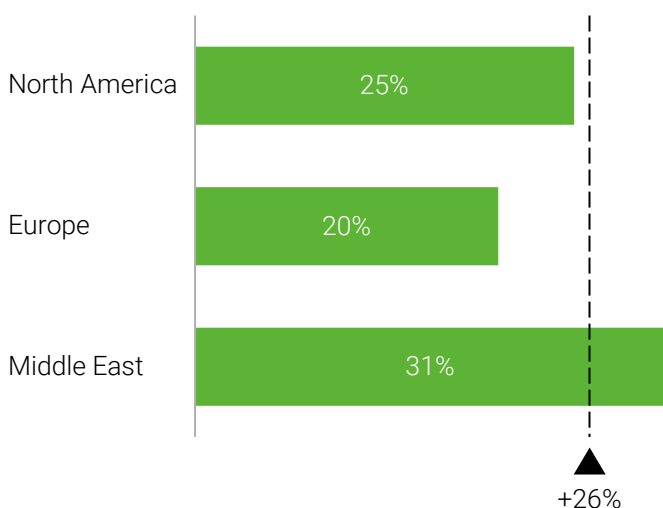
Q: What are the primary constraints limiting your ability to scale your AI compute infrastructure?



2. Pricing

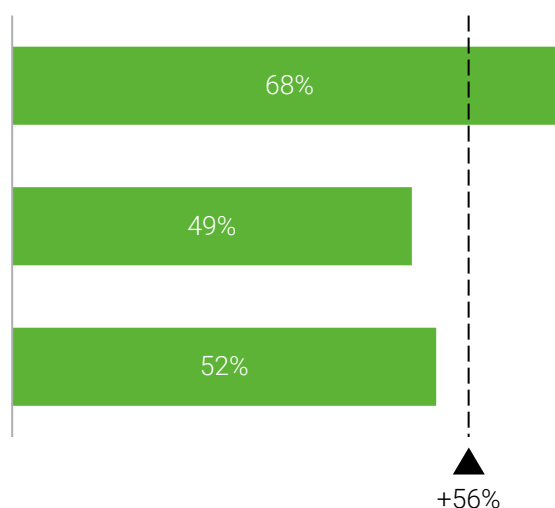
Strong pricing power (prices increasing significantly)

Q: How would you characterize pricing power for data center capacity in your primary market today?



Disruption in next 24 months very or extremely likely

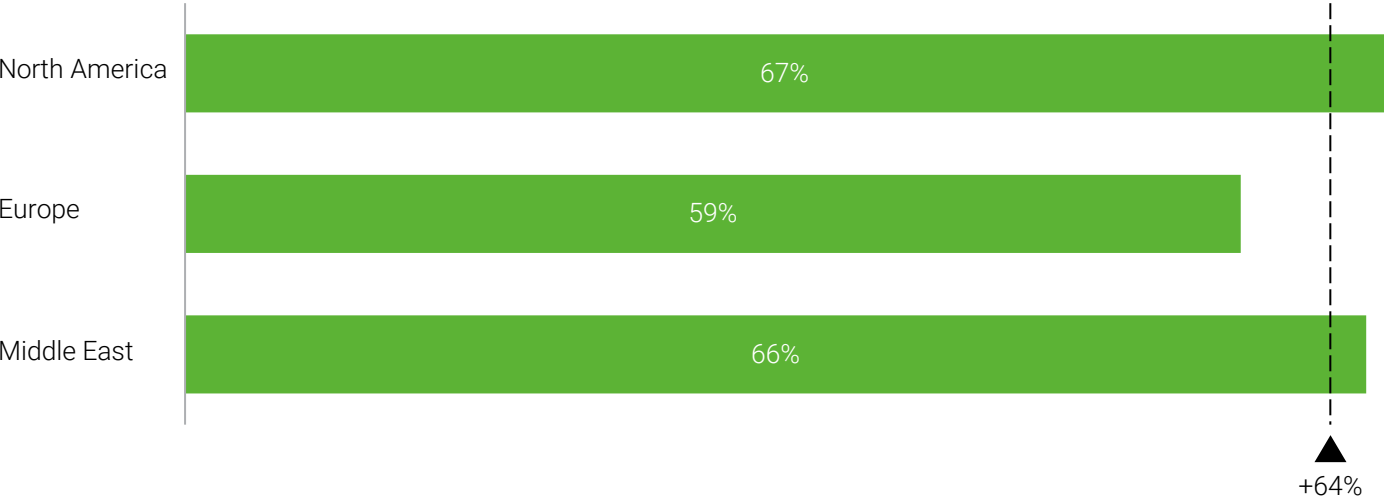
Q: How likely is it that there will be a major disruption in the data center market in the next 24 months?



3. Disruption / distress

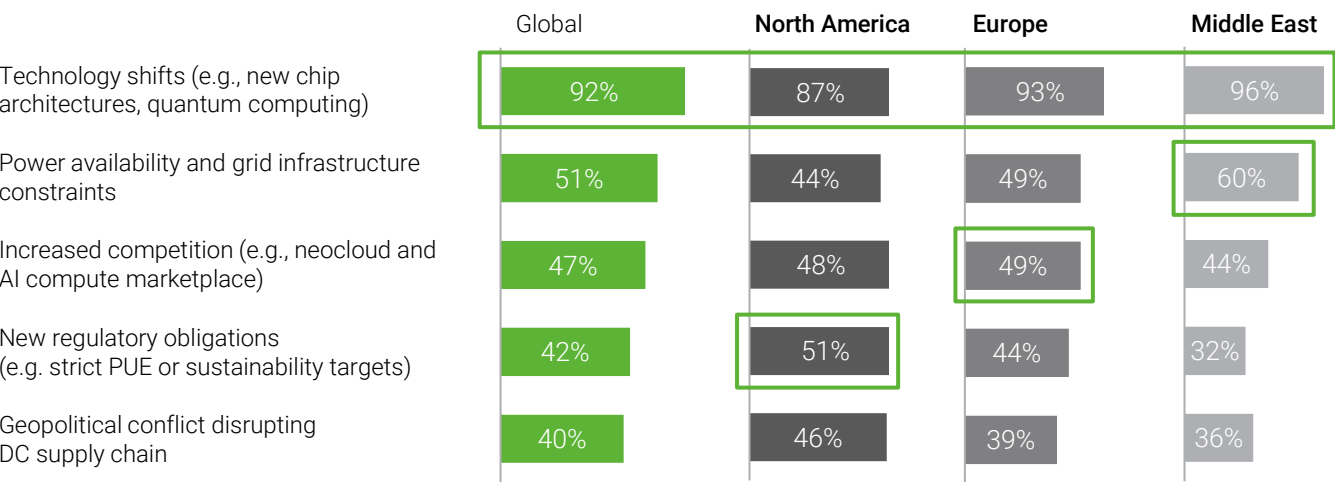
Believe in increasing distress in the next 12 months (% respondents who agree or strongly agree)

Q: Considering your primary region / market and primary data center type, how strongly do you agree or disagree with the following statement: "There will be increasing distressed situations in the data center market in the next 12-18 months"



Primary disruption factors expected to impact the data center sector (% of respondents)

Q: What do you expect will be the key disruption factors impacting the data center industry in the next 24 months?

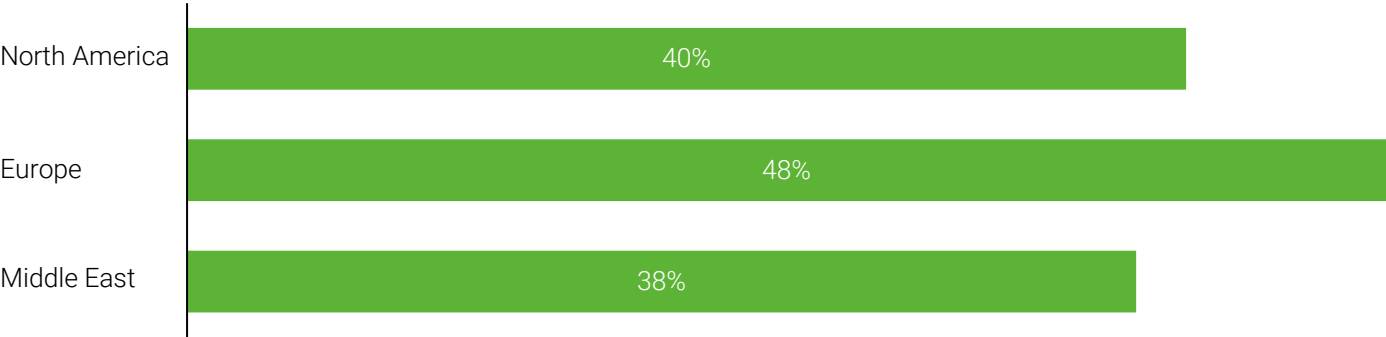


4. M&A

Increase of M&A attractiveness within the next 12 months

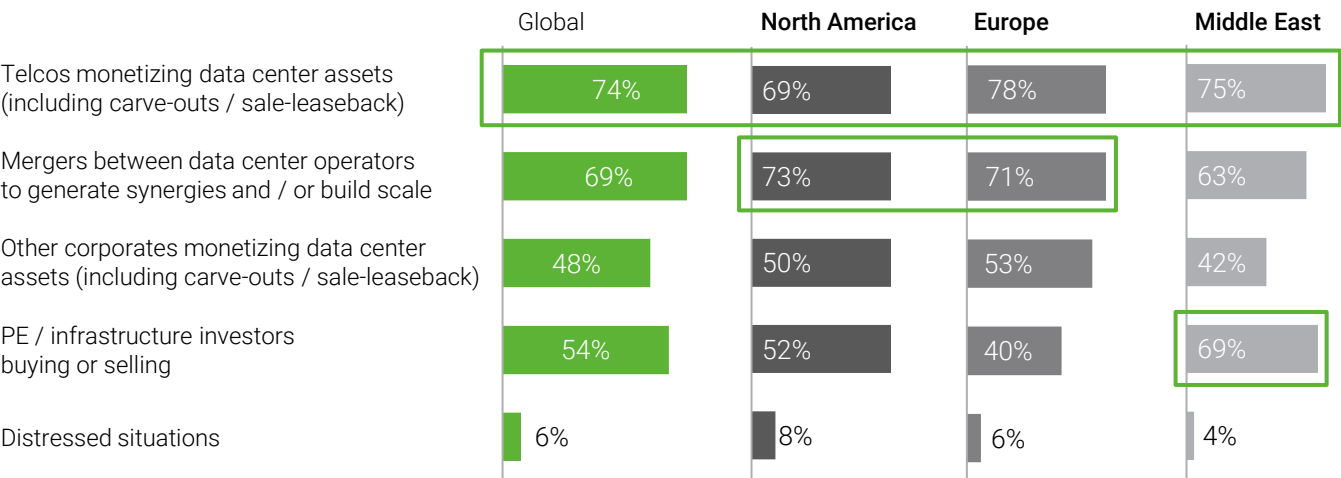
(% respondents who agree or strongly agree)

Q: In your primary region / market and thinking of your primary data center type, when do you think M&A attractiveness will increase?



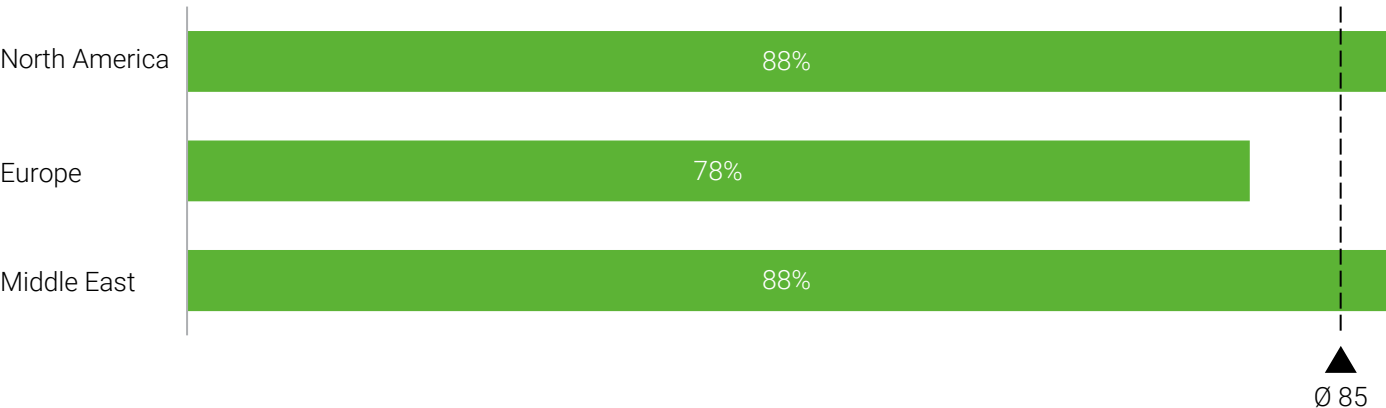
Major driver of M&A activity (% of respondents)

Q: If you believe there will be an increase in M&A activity, what do you believe will be the major drivers?



Organizations to participate in carve-outs or scale leaseback transactions very or somewhat likely

Q: How likely is your organization to participate in carve-outs or sale-leaseback transactions involving data center assets in the next 2 years?



6. Building / construction

Availability of power for new data center development

Q: How would you characterize the availability of power for new data center development in your primary region / market?

