AlixPartners

2026 DATA CENTER MARKET OUTLOOK

Navigating uncertainty: The future of data centers amid disruption, innovation, and shifting investment focus

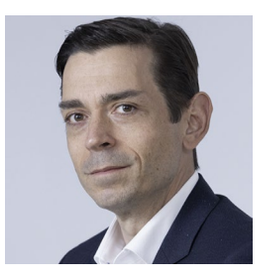
NOVEMBER 2025

400 industry insiders agree that while we are experiencing an AI boom, data center demand and the silicon architecture powering GPUs are about to change. We will soon see disruption and M&A across the industry.

Companies need to balance AI opportunities with capital needs, speed of AI implementations with efficiency gains, and regulatory risks with potential rewards. This survey attempts to lay a path forward, answering critical questions while providing a clear strategy for businesses across the globe.

Every leader must ask themselves: “Am I proactively aligning my portfolio and operating model to best capture value in this evolving digital infrastructure ecosystem? Am I designing my data centers to handle the workloads and latency required to succeed long-term across various tech life cycles? Have I built an appropriate level of redundancy and resilience to thrive even if revenue growth slows?" We believe the leaders who answer yes—and act decisively—will define digital infrastructure’s next generation.

Core Authors



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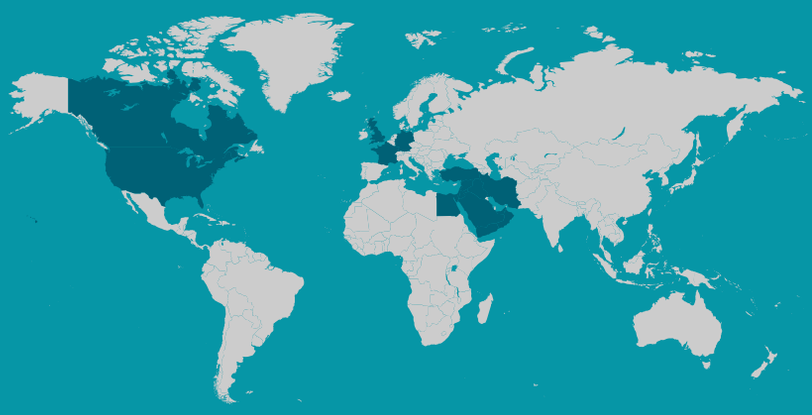
About the survey

We surveyed more than

400
senior executives

who focus primarily on data centers, across the following geographies: USA, Canada, UK, France, Germany, and the Middle East



The survey covered the complete data center value chain, ensuring a good balance of responses across investors, operators, technology providers, and real estate investment trusts (REITs). It also covered the **FIVE MAIN TYPES OF DATA CENTERS:**

01 | Hyperscale AI
New hyperscale builds optimized for AI/ML, with GPU density, liquid cooling, and huge 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.

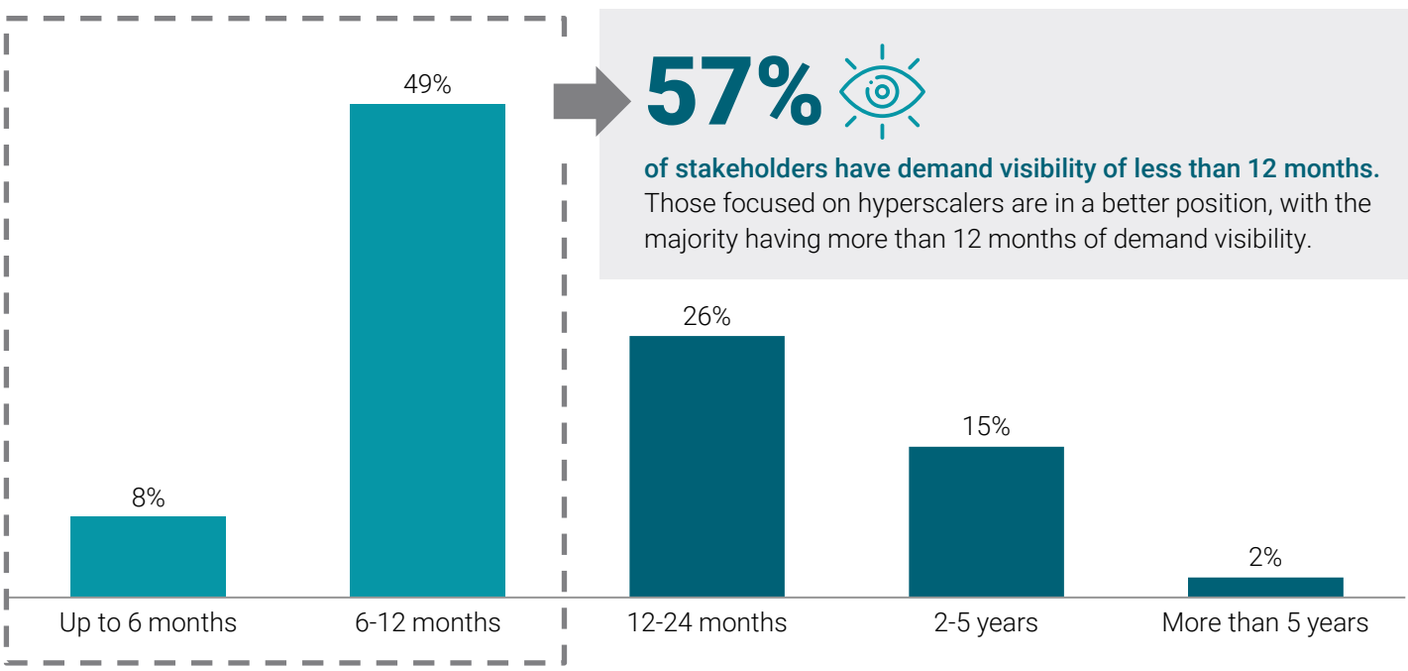
The paradox: Insatiable compute demand vs. little visibility beyond 12 months

The data center industry is rapidly expanding, with most survey respondents agreeing it is in a growth phase (65%) and planning substantial capacity additions (57% of respondents indicated 50–250 MW, nearly doubling today's footprint).

AI and cloud migration continue to drive near-term demand, though **there is a lack of consensus on the demand profile.**

While **demand for AI infrastructure continues to grow**, the nature and distribution of that **demand are beginning to shift.**

FIGURE 1: HORIZON OF DEMAND CERTAINTY



57%

of stakeholders have demand visibility of less than 12 months. Those focused on hyperscalers are in a better position, with the majority having more than 12 months of demand visibility.

Survey respondents identify cybersecurity as an ever-growing concern for data centers, citing mounting threats to both data and network infrastructure and highlighting that network security is increasingly targeted by attacks. As the growth of cloud, edge, and IoT technologies broadens data center networks and increases operational complexity, respondents emphasize the need for innovative solutions to protect network data and prevent system intrusions. They also stress the importance of adopting quantum-resilient cybersecurity infrastructure and measures—such as advanced encryption and protocols—to ensure data centers remain secure as quantum computing capabilities emerge and disrupt conventional defenses.

Disruption and shift in investment focus

Changes are afoot.

98%

of respondents agree or strongly agree that AI inferencing will most influence market growth moving forward.

72%

say it will be with a different silicon architecture than today's data centers.

ONLY 37%

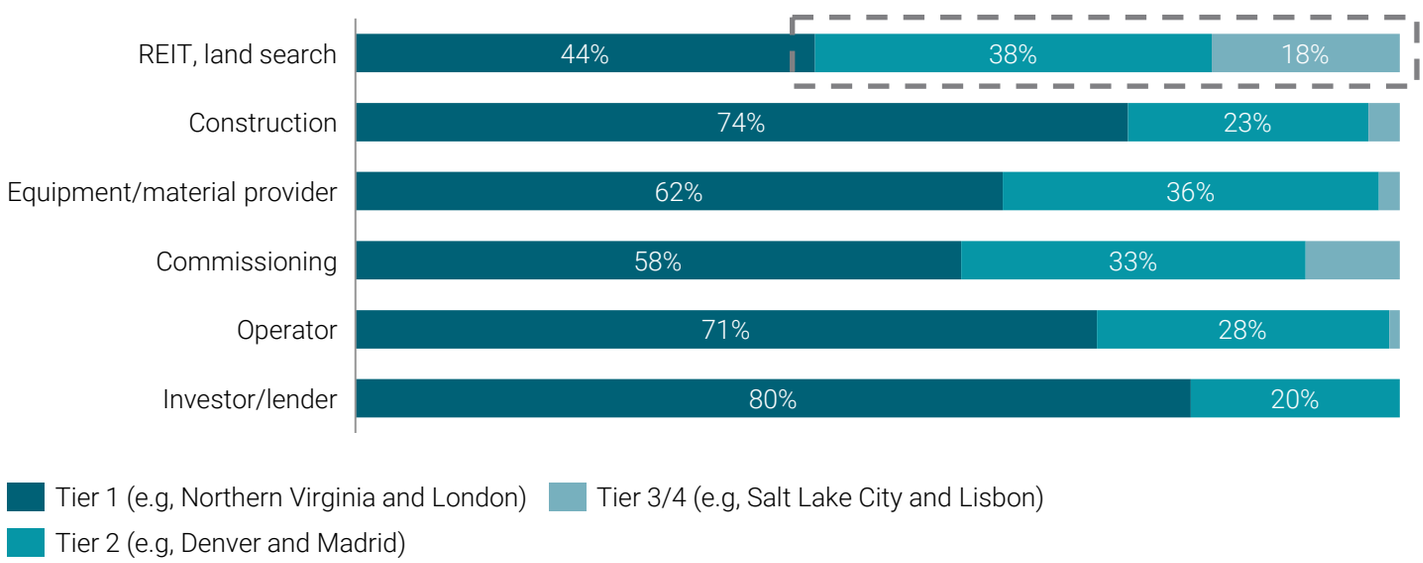
of respondents agree that the increased demand created by continued LLM training will last

Quantum computing is expected to disrupt data centers in the future (according to 47% of respondents, compared to 28% who disagree) because it can leapfrog GPU-centric architecture, which fundamentally disrupts current market dynamics. However, actors along the value chain disagree on when this disruption will materialize. 54% believe it will happen in two to five years, while 38% see it happening between five and 10 years from now.

Investment pivots to Tier 2 markets:

While Tier 1 hubs dominate the current investment landscape (69% of respondents said they will attract the most investments in the next two years), rising costs, grid constraints, and incentives are prompting interest in Tier 2 and edge locations, particularly in France (39%) and Canada (40%). Interestingly, REIT, land search, and land ownership respondents have a more balanced view between Tier 1 (44%) and other cities (56%), which may signal an upcoming shift in investment focus. Early movers can gain regulatory and cost advantages.

FIGURE 2: EXPECTATIONS IN TERMS OF MAJORITY OF INVESTMENTS VS LOCATION



Local energy solutions are more critical than ever

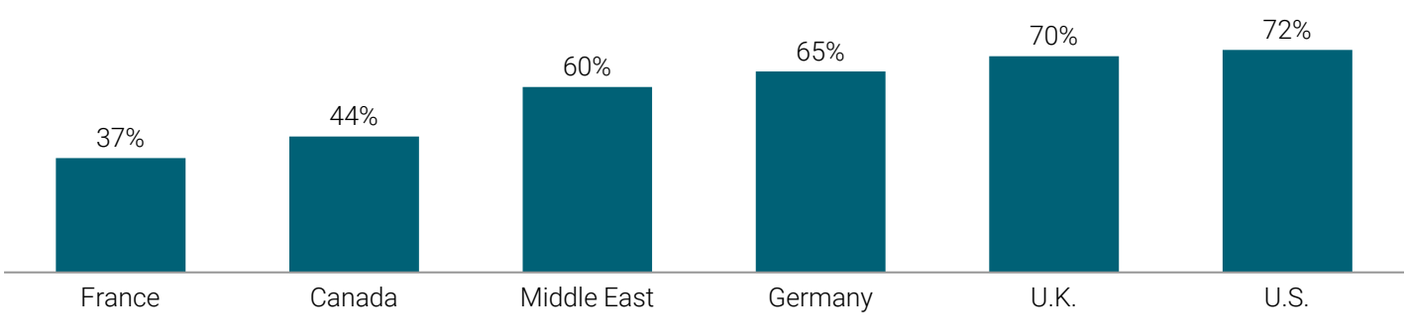
Significant energy-related capital expenditure is on the horizon. We expect to see widespread adoption of renewables and decarbonized energy, advanced cooling, nuclear energy (even in Germany), and small modular nuclear reactors (SMR) as credible alternatives within a decade.

80%

of respondents state that they believe nuclear energy will play a key role in meeting the growing demand.

However, nuclear will not help in the next 10 years unless—at least in the U.S.—we see the U.S. Army Corps of Engineers erect nuclear power plants on public land.

FIGURE 3: FAVORABILITY TO START A DATA CENTER WITH CONVENTIONAL ENERGY



Behind-the-meter is the only option for operators, for now.

85%

of respondents state an overwhelming interest in behind-the-meter solutions—energy solutions installed on the consumer's side to provide on-site power generation, like solar, which bypass the electric meter. Just a few years back, a behind-the-meter solution-powered data center was not sufficient for a hyperscaler - but now, only **3%** of respondents consider behind-the-meter solutions **not to be important**. Together with an alignment on inference as the future growth engine, respondents align on this path across the value chain and geographies.

In the meantime, **64% of respondents are amendable to starting with starting a new data center with a conventional energy supply** (provided it isn't powered by coal and that there is also a subsequent plan to move later to low-carbon energy). In addition, the heat generated by data centers is already being offloaded to local communities as a form of community engagement, providing localized heating at vastly lower costs—like in Sweden, with the Stockholm Data Parks Initiative.

THE TOP ESG

considerations according to respondents are:

Data center decarbonization	**26%**
Regulatory compliance	**23%**
Focus on diversity and inclusion	**21%**

Long holding periods

Investors are generally prepared for long holding periods for their data center assets, with 93% stating holding periods will exceed five years, but only 11% plan to retain them for more than 10 years (21% for edge and hyperscale data centers).

Geopolitical and regulatory pressures limit options

96%

of investors and lenders say that geopolitical uncertainty significantly impacts their investment plans

While access to power and supply chain limitations are clear issues, regulatory hurdles and the complexity of obtaining construction permits are the biggest inhibitors to data center development across the board: 23% of respondents cite this as the number one issue, ahead of funding and energy access.

84% of respondents agree that public incentives and favorable regulation for data centers and power generation play a key role in attracting more investments.

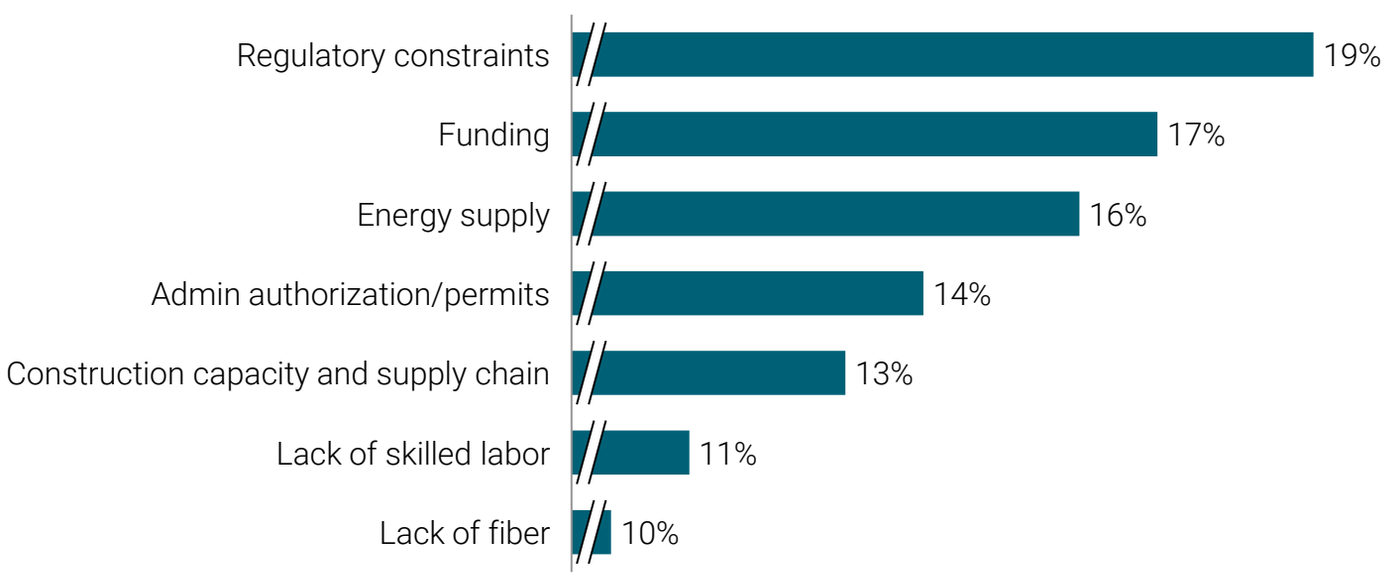
Primary public incentives are expected to be:

37%
on the state and local level

35%
on the federal level

28%
via public-private partnerships

FIGURE 4: RESPONDENTS' NUMBER ONE GROWTH OBSTACLES



To be successful, strong partnerships with communities and lobbies are imperative to build trust. We have seen greater resentment towards data center builds in Virginia, often driven by perceptions about wasting water and energy. On the other hand, we have seen three nuclear reactors come online in the last 12 months, and another 10 approved for construction in April 2025 alone. The U.S. and Europe may need to ease the regulatory regime or risk falling behind in development, which the U.S. government has stated is a priority issue.

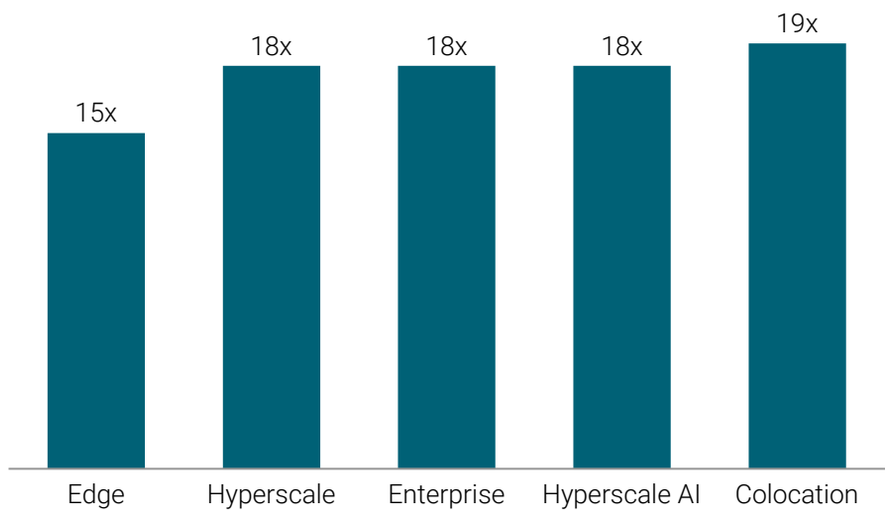
The investment paradox—high valuations but distress looming for the unprepared

86%

of respondents irrespective of location or role expect data center asset valuation to remain high (73% say in the range of 15-25x EBITDA).

Factors like environmental sustainability, energy efficiency, and location will drive higher valuations.

FIGURE 5: EBITDA MULTIPLE BY DATA CENTER TYPE



YET THERE WILL BE DISTRESS:

61%

of respondents anticipate potential industry distress (vs. 24% who do not), primarily because of rising energy costs (25%), competition (23%), and technology disruption (21%).

44%

of respondents expect that enterprise data centers will tend to disappear in the next five to 10 years (vs. 41% who disagree, and the rest neutral), with an even higher proportion for those currently focused on enterprise data centers (53% expect it, versus 42% for other types of data centers, as shown in Figure 5). There will be a shift from enterprise data centers to colocation or hyperscale, as it will become too complex for companies to manage both traditional and AI workloads (as the latter requires different hardware with a much shorter replacement cycle).

M&A and tech alliances accelerate:

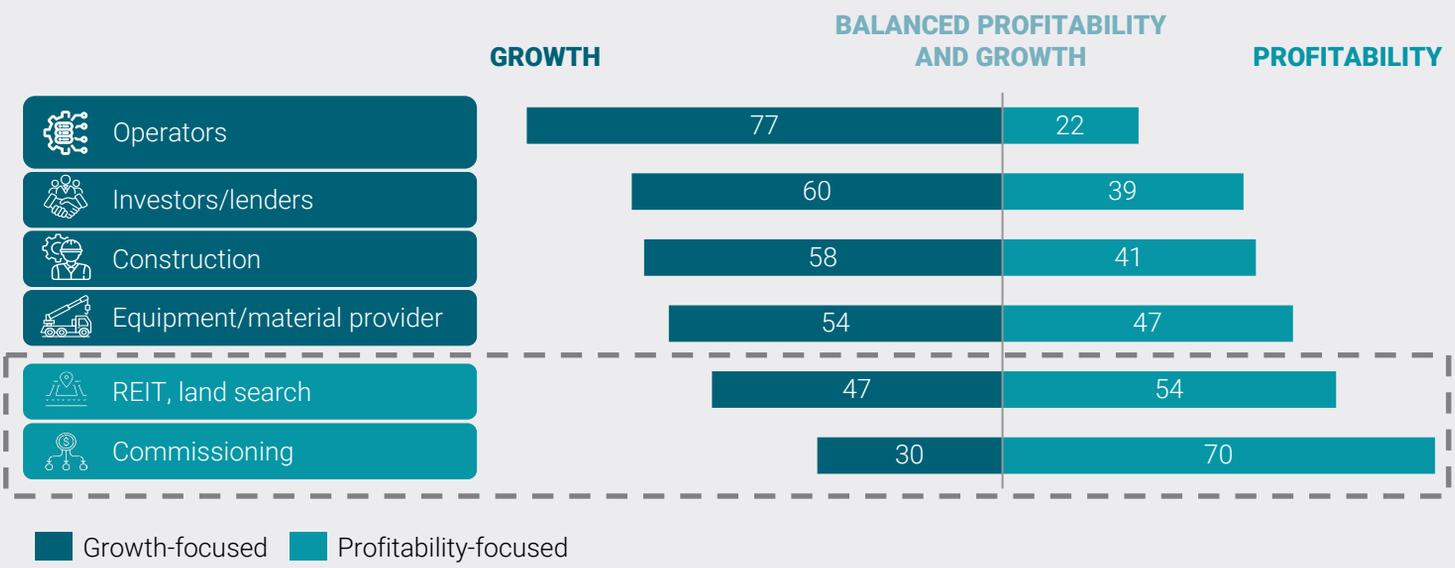
Cross-industry joint ventures, especially with AI and GPU technology providers, are increasing, with strong interest in accessing specialized capacity and innovation via M&A before valuations rise. 68% of respondents expect M&A activity (including carve-outs, distress sales, brown-field sales for retrofitting into AI colocation facilities, and mega platforms sales like Aligned Data Centers) to increase within the next 12 months, yet surprisingly, in light of consistent energy constraints, only 7% of respondents expect to see joint ventures between data center operators and energy providers.

Speed over efficiency

The data center industry is currently prioritizing speed over efficiency:

When asked for their main business priority between growth and profitability, 60% of respondents answer growth. This is particularly the case for those driving large investments — i.e. operators and investors — where, respectively, 77% and 60% of respondents prioritize growth. Conversely, those who need to drive revenue currently prioritize profitability over growth. This is the case for 70% of those commissioning new builds and 54% of REITs/land search companies.

FIGURE 6: RESPONDENTS' BUSINESS PRIORITY BY COMPANY TYPE



of respondents believe existing facilities are already well-run and well-built

which differs from what we hear from the front lines. Having executed numerous projects in the last 12 months, we see vast differences in the operational efficiency of both AI and legacy data centers. Some vendors even admit behind closed doors that price is not an issue; what matters is the ability to deliver on time. Clearly, the primary focus is on accelerating time-to-market to meet the immense demand, particularly for AI builds, rather than on obtaining the lowest cost per MW. This focus is expected to shift back to efficiency once demand stabilizes and market pressures begin to erode margins (e.g. once there is greater transparency on GPU costs per hour between neoclouds and hyperscale AI, and availability in certain locations increases).

THE TOP THREE INEFFICIENCIES
in terms of operating expenses, according to respondents:

Service operations	**16%**
Energy costs above market standards	**16%**
A lack of digitization	**15%**

Automation, a focus on operational excellence, the ability to quickly integrate new technological advances, and talent development are key to reducing operating expenses and future-proofing investments.

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The way forward

The data center industry stands on the brink of a dramatic transformation — a battleground where speed now eclipses efficiency and long-held certainties are being upended by relentless technological disruption and tightening regulatory pressures. Tech giants are pouring unprecedented capital into data center infrastructure, racing to dominate the rapidly evolving AI landscape. This surge has triggered a frenzy in demand as they strive to outpace one another in the AI arms race.

We believe only those bold enough to prioritize adaptability, innovative modular designs, energy sources like nuclear, and digital automation — coupled with a deep understanding of power and latency — will survive.

ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

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.