

Marshall & Stevens

# DATA CENTERS FORUM

## Part One – Key Takeaways

### Overview

**The Marshall & Stevens Data Center Forum - Part ONE: Power, Financing, & Alternative Investments**, explored how power, capital, and market forces are converging to shape the future of digital infrastructure. The discussion highlighted power as the ultimate constraint on growth, the financing structures fueling expansion, the rise of alternative investors—including offshore funds—and the broader trends redefining valuations and investment strategies.

**Moderator: Ralph Consola** – Executive Managing Director, Marshall & Stevens

**Panelists: Anthony Orso** – President, Capital Markets Strategies, Newmark Group; **Christy Rivera** – Partner, Norton Rose Fulbright; **Winston Connolly** – Director, Connolly Inc; **Sam Sixt** – Principal, I Squared Capital; **Charles Miller** – President & CEO, NgenX Energy

Marshall & Stevens is a leading independent valuation consulting, transaction advisory, and litigation support firm. We work with clients across industries to deliver clarity and perspective on complex financial and infrastructure matters. Hosting this forum reflects our long-standing commitment to bringing together expertise, insight, and forward-looking discussion on the forces shaping tomorrow's economy.

The following themes and key takeaways highlight critical insights from Part One of the Data Centers Forum.

### Themes

- **Power constraints and grid limitations**—including turbine lead times of up to 80 months and multi-gigawatt requirements—are reshaping site selection, deal structures, and energy strategies.
- **Financing models** are adapting to unprecedented scale, with projects now reaching \$20–30+ billion and requiring separate capital streams for energy and data center infrastructure.
- **Alternative and offshore investors**—from family offices to Cayman-based structures—are broadening liquidity and introducing new structuring approaches.
- **Market dynamics**—from the repowering of retired coal and peaker plants to the integration of carbon capture—are redefining valuations and long-term investment.



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# Key Takeaways

## Power as the Foundation for Growth

- **Power scarcity is now the central constraint** for data center development—demand is outpacing grid capacity, with turbine lead times stretching to 80 months and gigawatt-scale projects requiring tens of billions in capital.
- **Grid dependency is no longer reliable;** data centers increasingly require behind-the-meter generation (turbines, batteries, CHP) to ensure resiliency.
- **Third-party power ownership is growing:** Investors are stepping in to own/operate power plants so operators can focus on their core business.
- **Time-to-market is decisive:** Being able to secure power and interconnection earlier allows developers to command higher lease rates.
- **Permitting and interconnection delays** are now as big a bottleneck as generation capacity.
- **Bridge power vs. prime power:** Many “temporary” behind-the-meter solutions are effectively becoming long-term power strategies.

## Investor Appetite & Financing Dynamics

- **Financing structures are diversifying:** Developers use construction loans, development facilities, ABS, CMBS, and project finance-style structures.
- **Deal sizes are ballooning:** Projects once measured in hundreds of megawatts now reach multi-gigawatt scale, requiring \$10–30+ billion.
- **Strong tenant credit drives bank appetite:** Hyperscalers’ long-term leases make data centers attractive for lenders seeking stable, investment-grade cash flows.
- **Energy financing is structurally separate** from data center financing, adding complexity but also creating distinct investment streams.
- **Depreciation and tax incentives are minor factors**—they help but don’t drive deal economics.
- **Terminal value is uncertain:** Unlike power assets, the residual value of data centers after 20 years is difficult to predict, raising long-term financing questions.

## Alternative Investors & Emerging Capital Sources

- **Strategic use of Cayman investment vehicles** in data center financing not only attracts a broader range of investors but also enhances the competitiveness and efficiency of financing deals in the sector.
- **Family offices, sovereign wealth funds, and offshore structures (notably Cayman)** are expanding the investor pool, attracted by stable cash flows and inflation-linked contracts
- **Cayman Islands structures provide tax neutrality and flexibility**, enabling broader cross-border participation via SPVs, exempted companies, SPC's, and Unit trusts.
- **Global capital is active:** Asian banks, Middle Eastern equity, and event-driven hedge funds are entering the space in different niches (land banking, energy, data centers).
- **Collaboration between traditional and alternative investors is increasing**, though competition for certain deals remains strong.

## PANELIST CONTACT INFORMATION

**Ralph Consola**  
Executive Managing Director  
Marshall & Stevens  
rconsola@marshall-stevens.com

**Anthony Orso**  
President,  
Capital Markets Strategies  
Newmark Group  
anthony.orso@nrmk.com

**Christy Rivera**  
Partner  
Norton Rose Fulbright  
christy.rivera@nortonrosefulbright.com

**Winston Connolly**  
Director  
Connolly, Inc  
winston@connollyinc.ky

**Sam Sixt**  
Principal  
I Squared  
sam.sixt@isquaredcapital.com

**Charles Miller**  
President & CEO  
NgenX Energy  
cjmiller@ngenxenergy.com

## Market Trends Shaping the Investment Landscape

- **Repowering old, conventional energy sites is a new opportunity:** Retired coal/peaker plants with existing interconnections are being converted into data center hubs.
- **Power-first deal flow dominates valuations:** Land or sites with guaranteed power access are commanding premiums even before tenant commitments.
- **Green and carbon capture considerations matter:** Tenants, banks, and regulators still prioritize renewable or “greenwashed” structures, even as grid constraints force pragmatism.
- **Regional dynamics are shifting:**
  - Houston remains underdeveloped due to hurricane risk.
  - New York faces political barriers to dedicating grid power for data centers.
  - Mexico and South America are emerging markets.
- **New technologies (battery storage, modular generation, fuel cells):** Resiliency is increasingly supported by smaller modular power blocks with distributed batteries, rather than single large systems. Fuel cells are also being piloted in microgrids of 10–15 MW but remain limited at hyperscale.
- **Political and regulatory incentives** (e.g., in Pennsylvania, Mexico): Pennsylvania is drawing hyperscalers with cheap gas, pro-growth legislation, and reindustrialization efforts repurposing coal and steel regions. In Mexico, higher lease rates and geopolitical shifts—such as Chinese firms avoiding U.S. exposure—are fueling new data center development.