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Bigger Data Centers, Bigger Capital Demands

Major-scale projects are reshaping financing models—but speed to market is still key.

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Bigger data centers are demanding bigger bets on capital, reshaping how developers and lenders approach project financing. Once a specialized corner of the market, the data center sector is now a central focus for investors, even as constraints around power access, regulation and infrastructure redefine how projects get built.

MSI Economics predicts that construction spending on new data centers nationwide will rise from roughly $11 billion in 2022 to about $86 billion in 2026, driven by continued demand from cloud, enterprise, AI and high-performance computing users. Capital needs have grown alongside the sector, and while AI has accelerated the trend, the underlying expansion predates the current cycle.

The most significant shift for capital markets is scale. Hyperscalers are developing campuses exceeding 100 megawatts, well beyond the 10- or 20-megawatt facilities once considered large. Projects at this scale generally require more capital, longer lead times and far greater infrastructure coordination. As a result, financing increasingly shapes how these projects are structured, sequenced and delivered.

The Deals Setting the Template

Two recent financings highlight both the scale and structure of capital entering the sector. Over the past year, funds and accounts managed by Pacific Investment Management Company (PIMCO), one of the world's largest fixed-income investors, were key participants in two large private-debt transactions: a $27 billion financing supporting Meta's Hyperion data center campus in Louisiana and a $14 billion financing tied to Oracle's Stargate-linked development in Michigan.

These deals, in which Greenberg Traurig served as legal advisor to PIMCO, underscore how the model is changing. Data center projects are increasingly financed through complex, multi-party capital stacks that combine private credit, institutional investors and strategic end users. They also illustrate how ownership and financing structures, such as joint ventures that shift development costs off hyperscaler balance sheets while preserving tenant control, are evolving to accommodate these gigawatt-sized projects.

In the Hyperion project, Meta partnered with Blue Owl Capital in a joint venture in which Blue Owl is providing the majority of development capital while Meta remains the primary end user. At full scale, the campus is expected to require up to five gigawatts of power and is designed to support large-scale AI workloads, including next-generation GPUs to train Meta's open-source large language models.

Why the Financing Is More Challenging

Projects at this scale are reshaping the financing model. Land assembly, major electrical and cooling equipment, and, most importantly, power capacity often must be secured long before tenant revenue arrives. That generally pushes debt and equity into earlier-stage exposure compared to traditional real estate or infrastructure financing. Phasing, joint ventures, milestone-based funding and structured partnerships have become standard tools for spreading risk across parties and over time. Hyperion's joint-venture structure is one example of that approach.

Power now sits at the center of these projects. Campuses measured in hundreds of megawatts—or sometimes gigawatts—depend on grid capacity and utility timelines that move on regulatory rather than commercial schedules. As project sizes have grown, the gap between when developers need power and when it can be delivered has generally widened. Power procurement alone often requires navigating interconnection agreements, transmission upgrades and regulatory approvals across multiple jurisdictions. Environmental review, permitting and land-use approvals sit on top of that, each capable of delaying delivery by months.

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For lenders and investors, the credibility of the power and regulatory path is becoming as central to underwriting as tenant credit or project economics, often with capital committed before these issues are fully resolved. That dynamic helps explain why these deals increasingly rely on a mix of private credit, infrastructure capital, bank lending and hyperscaler support, rather than any single source.

What This Means for Investors and Developers

The defining challenge in most of these projects is timing risk. Capital is being committed while power, permitting and tenant arrangements are still developing, and the projects that get built are likely those that can adapt to uncertainty without losing investor confidence. Demand is rarely the question at this scale. Sponsors must demonstrate a credible path through the slower-moving constraints between signed financing and an operating campus, with particular focus on grid delivery, regulatory approvals and construction milestones.

In this environment, several considerations are taking on greater importance for investors navigating this space:

- **Prioritizing infrastructure visibility.** Early clarity on power availability, grid timelines and utility requirements is increasingly critical to attract capital.
- **Incorporating regulatory risk up front.** Permitting, zoning and environmental review should be evaluated alongside financial metrics, with closer attention to entitlement timelines and approval risk.
- **Building flexibility into capital structures.** Phased investment, joint ventures and structured partnerships allow capital to be deployed in stages and adjusted to manage exposure and adapt to changing conditions.
- **Emphasizing execution experience.** Delivery increasingly depends on coordination across real estate, energy and regulatory processes, placing a premium on experienced operators and advisors like Greenberg Traurig who bring a multidisciplinary team approach.

In today's rapidly evolving digital environment, the key to success is all about timing and execution. The ability to align capital, infrastructure and regulatory strategy early in the development process will likely determine projects that advance versus those that stall. In this industry, speed to market remains paramount.

Learn more about how Greenberg Traurig's multidisciplinary team supports data center projects at every stage, from site selection and financing to construction and operations.

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