# Data Centers.  They're kind of a big deal.

Long gone are the days when data centers were viewed as a niche real estate asset. They have evolved into one of the defining infrastructure investments in the AI era, attracting significant investor interest as demand for digital infrastructure continues to accelerate.

As Australia expands its digital infrastructure, balancing the challenges of power generation, grid capacity and regulation with opportunities it presents will be essential to building a resilient, sustainable and globally competitive digital economy.

**Creative Solutions**
As demand for data centers continues to grow, some governments and industries have already come up with interesting solutions. Whether they will work in the long term is yet to be seen.

China has submerged a data center approximately 10 meters underwater to address the huge energy and water requirements needed to keep servers cool, in turn reducing energy consumption and overall land footprint.

There also have been growing discussions around placing data centers in space. While the concept is very interesting on paper and will theoretically solve a lot of the environmental and land use complications - not to mention eliminate the prospect of a noisy data center in your neighborhood - it also presents enormous operational, engineering and economic challenges.

**Australian Perspective**
Whether underwater, in orbit or through technologies yet to be envisioned, this industry is constantly evolving and innovating and has already transformed Australia's infrastructure and real estate landscape.

Australia is emerging as a major destination for data center investment, attracting global operators and institutional capital. A data center under development in Sydney is set to be the largest in the southern hemisphere and recent investments reflect the growing momentum.

Stockland and EQT backed EdgeConneX have formed a joint venture to develop a data center, with Stockland allocating up to 10% of its capital to the sector. IREN has announced AUD $10b investment to build a data center in South Australia and Blackstone's AirTrunk is committing a large amount of capital to build solar farms to have clean energy to match their growing digital needs.

**Global Perspective**
Australia's proximity to Asia-Pacific markets further strengthens its position as a regional data center hub. JMES Partners recently visited Singapore and held discussions with world's leading private equity, investment and real assets firms regarding AI integration and future of data centers.

To provide further insight, we spoke with **Daniel Yee**, who leads JMES' Real Assets practice:
*"Data center investment has taken a firm hold across Asia, with activity in key hubs such as Singapore, Hong Kong and Japan, along with growth in emerging markets including India, Malaysia, Indonesia and Thailand.*

*As one of the fastest-growing segments in the region, data centers offer significant investment opportunities for local and international players who can identify and navigate the nuances inherent in the dynamic economic landscape that various markets in Asia represent.*
*As investors look to emerging markets to take advantage of a rapidly expanding digital economy and a surge in AI computing, they also have to contend with high population-dense cities with variable power reliability, aging energy infrastructure, limited land availability and differing government and regulatory incentives.*

*To make the most of the opportunity at hand, our clients are increasingly looking to bring on a diverse range of professionals spanning everything from those with corporate finance to technical engineering to local land acquisition skills."*

Our colleagues at **EMM Research** and **Jackson Lucas** also shared insights on the evolving data centre market in the United States:

*The United States remains the world's largest data center market, with massive capital and demand; however, power has emerged as a major constraint. The rapid expansion of AI has accelerated development across major hubs such as Northern Virginia, Texas and Arizona, forcing developers to compete for grid capacity, transmission infrastructure and planning approvals. Increasingly, electricity availability has become the deciding factor in project viability. At the same time, data centers are the target of increasing political pushback. New York just became the first state to temporarily ban data center construction for one year to get a better handle on the pros and cons with respect to environmental impacts, energy demand, and water usage.*

*Communities and policymakers are scrutinizing projects over concerns around energy use, water consumption, noise and the impact on local infrastructure. As a result, developers are expanding into secondary markets, investing alongside utilities and exploring alternative energy and cooling solutions. The US experience offers a preview of the challenges other markets, including Australia, are likely to face as digital infrastructure investment continues to accelerate.*

**Lisa Flicker**, Senior Managing Partner and Head of Real Estate at Jackson Lucas further noted: *"The market has reached the point where data center success is no longer determined solely by access to capital or land. Companies increasingly need people who can navigate the intersection of infrastructure, energy, government, capital markets and stakeholder engagement, so the search for the right talent is highly specialized and high-impact. In the AI economy, power is the new oil and the people who know how to secure it, scale it, and monetize it have become the most valuable talent in the industry."*

Going forward, the rapid rise of data centers reflects far more than the growth of a single asset class. It represents a fundamental shift in how economies are built, powered and connected in the AI era, while also reshaping the skills, talent and leadership required to support this transformation. The skills of the future will combine technical expertise with commercial acumen and stakeholder engagement, making talent one of the industry's most critical competitive advantages.