Data centre trends for 2026: Power, cooling, M&A and the future of digital infrastructure

Webinar

Thursday 8th January

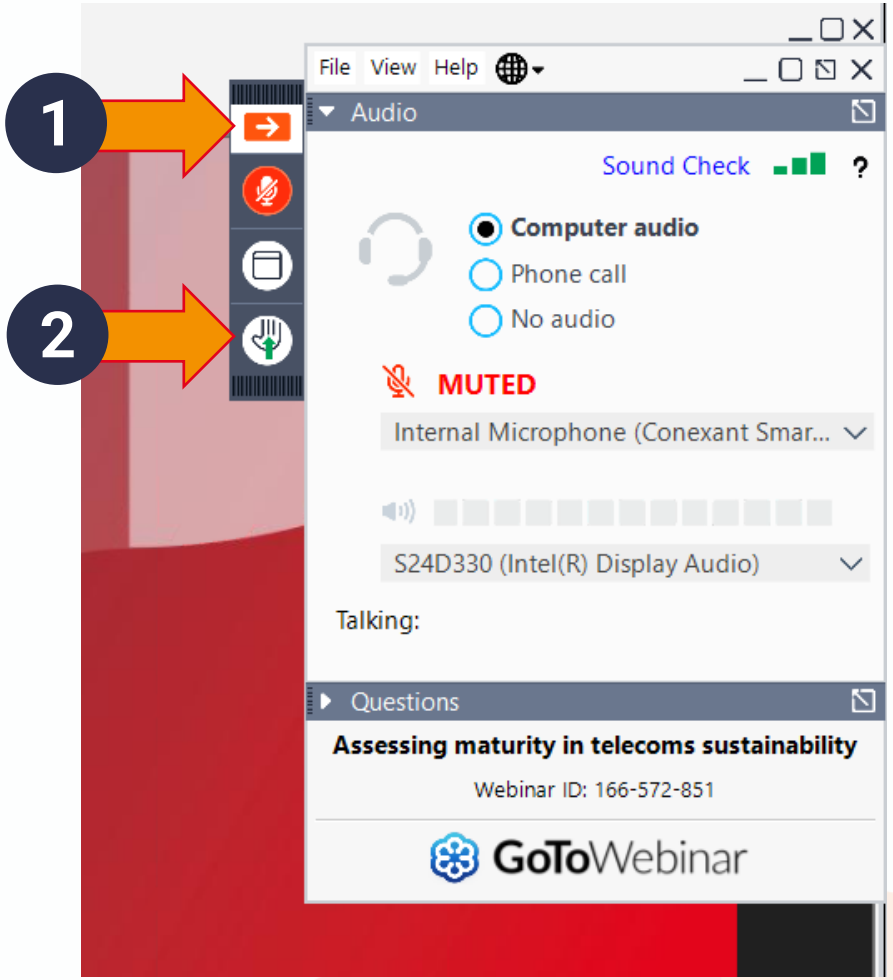
STL PARTNERS

Agenda

1. Introductions
2. STL Partners presentation
3. Q&A
4. Wrap up

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- Feel free to type questions throughout the session for the Q&A at the end
    - Any questions that we don’t answer live will be answered offline and shared in a summary Q&A document
- We’ll send you the slides and a recording shortly after the session, please do share with colleagues



Our presenters



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Agenda

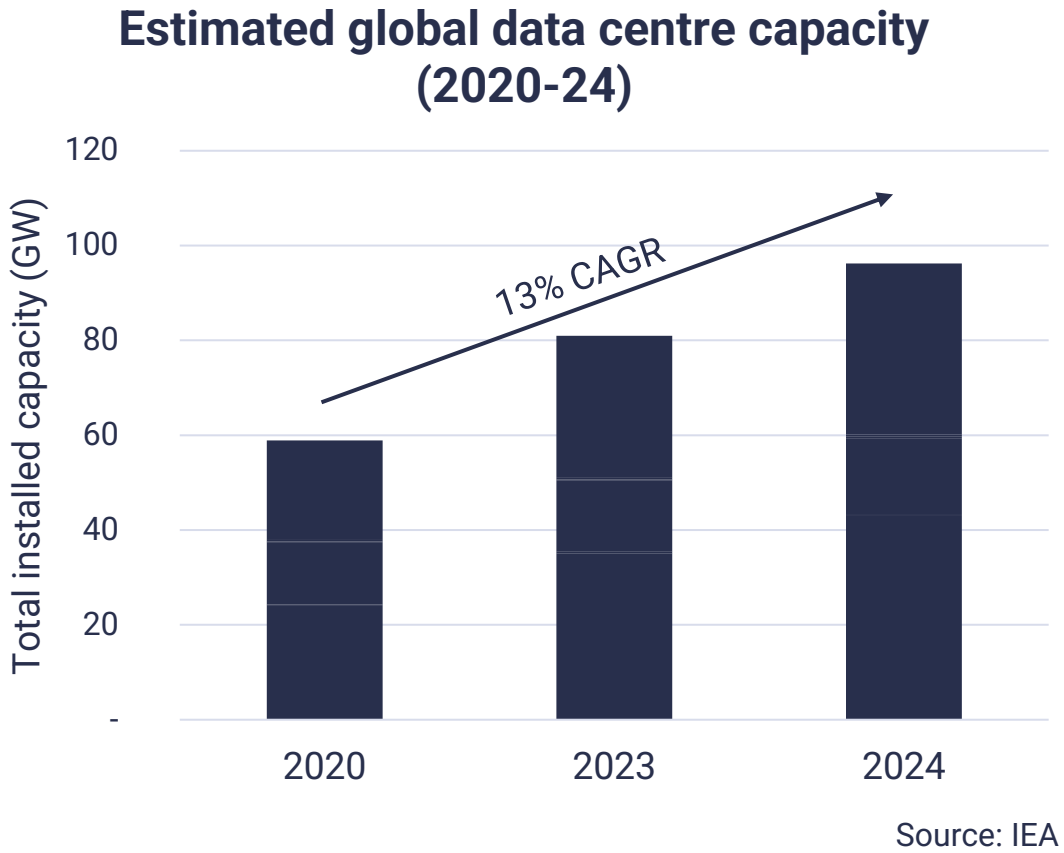
1	**Introductions**	
2	**STL Partners presentation**	
2.1	**Prediction 1**	Tilly Gilbert
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2.3	**Prediction 3**	Ayaan Patel
2.4	**Prediction 4**	Chris Barraclough
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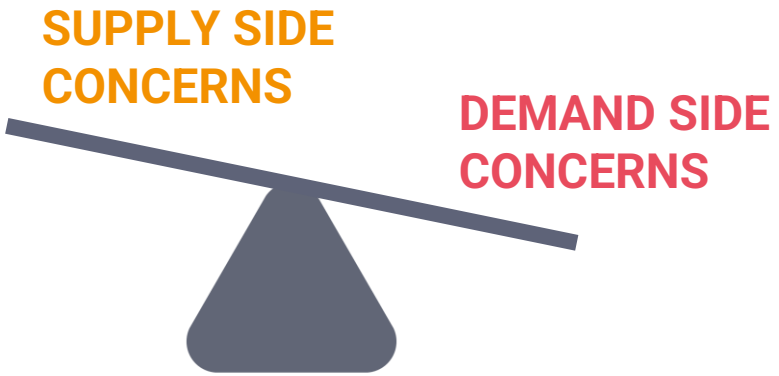
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4	**Wrap up**	

Prediction 1: The data centre industry will take the risks of commoditisation seriously in 2026

As a growth industry, the data centre ecosystem has been more supply than demand side focused



Source: IEA



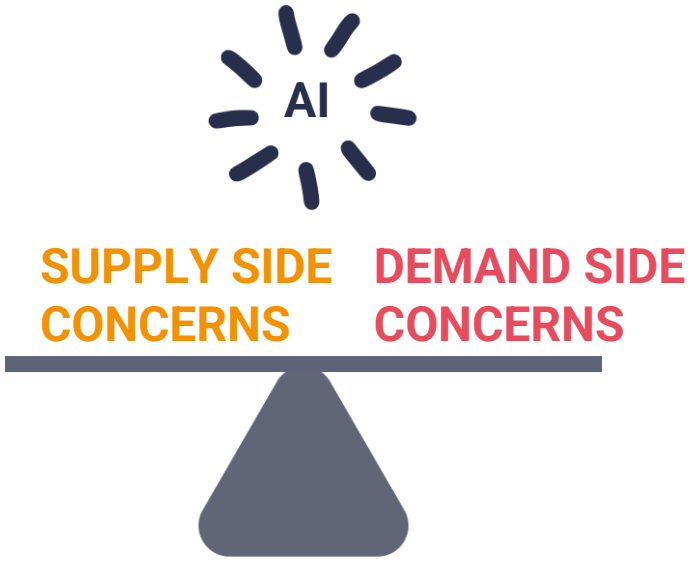
- Power availability
- Grid connections
- Land and planning
- Cooling and equipment
- Build timelines

- Evolving demand patterns
- Impact of AI on infrastructure
- New customer acquisition strategy

In reality, there are not that many ways that colocation providers currently differentiate their offerings

Tier one data centre market (e.g. FLAP-D)		
	Data centre A	**Data centre B**
Rack size	Standard 42U	Standard 42U
Power density	5-10kW	5-10kW
Redundancy	Tier III equivalent	Tier III equivalent
Connectivity	All major carriers	All major carriers
Uptime SLA	99.999%	99.999%
Price per rack per annum	£6,000	£6,000

As the AI training investment cycle slows, the data centre industry will need to shift its focus



DATA CENTRES

- **Same** SLAs, connectivity and pricing
- **Differentiate based** on ?

Examples of others who have invested to drive differentiation

AIRLINES

- **Same** aircrafts and journey times
- **Differentiate based** on brand positioning and additional services (bags, priority boarding)

CONSTRUCTION MATERIALS

- **Same** product standards and pricing
- **Differentiate based** on logistics reliability (e.g. guaranteed delivery windows) and technical advisory

TELECOMS

- **Same** performance (e.g. coverage, latency) and SLAs
- **Differentiate based** on account management, digital experience and bundling with additional services

Data centre operators should seek to make clear strategic choices on what to differentiate on and why



Infrastructure

- Specialised secure and sovereign infrastructure for AI training
- Connectivity-optimised infrastructure for low latency use cases



Services

- Remote hands and eyes
- Security-as-a-service
- Private cloud



Customer experience

- Self-service portal or API integration into client portal
- Customer-level carbon emissions reporting



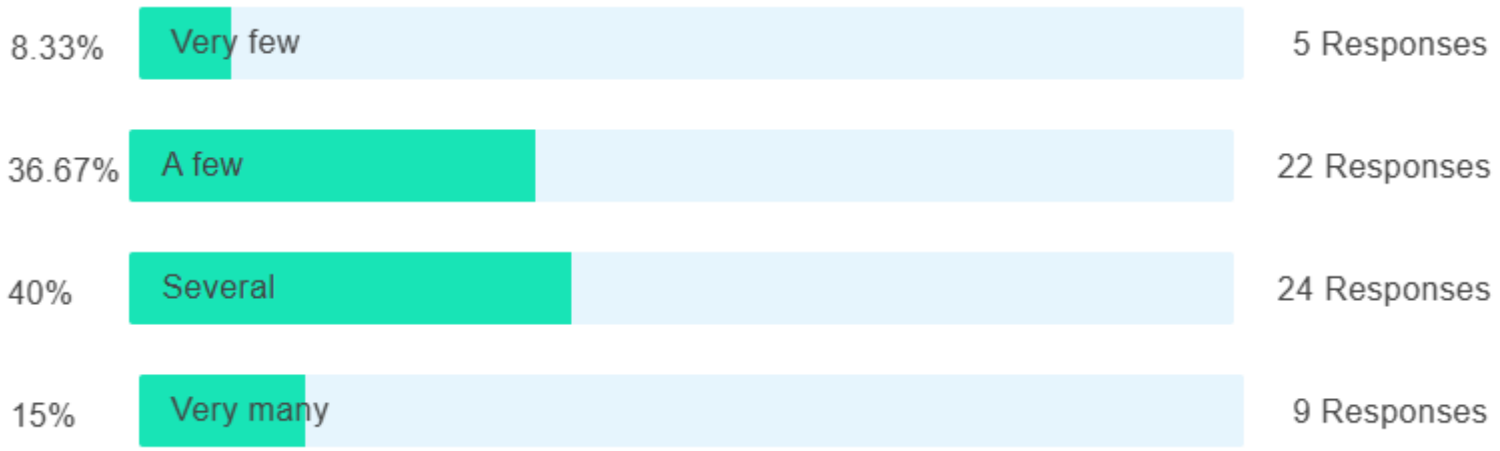
Commercial and marketing

- Industry-specific marketing and reference architectures
- Ecosystem and marketplace builder with certified reference stacks

Poll: What proportion of operators will seek a differentiated proposition in 2026?

- Very many
- Several
- A few
- Very few

What proportion of operators will seek a differentiated proposition in 2026?

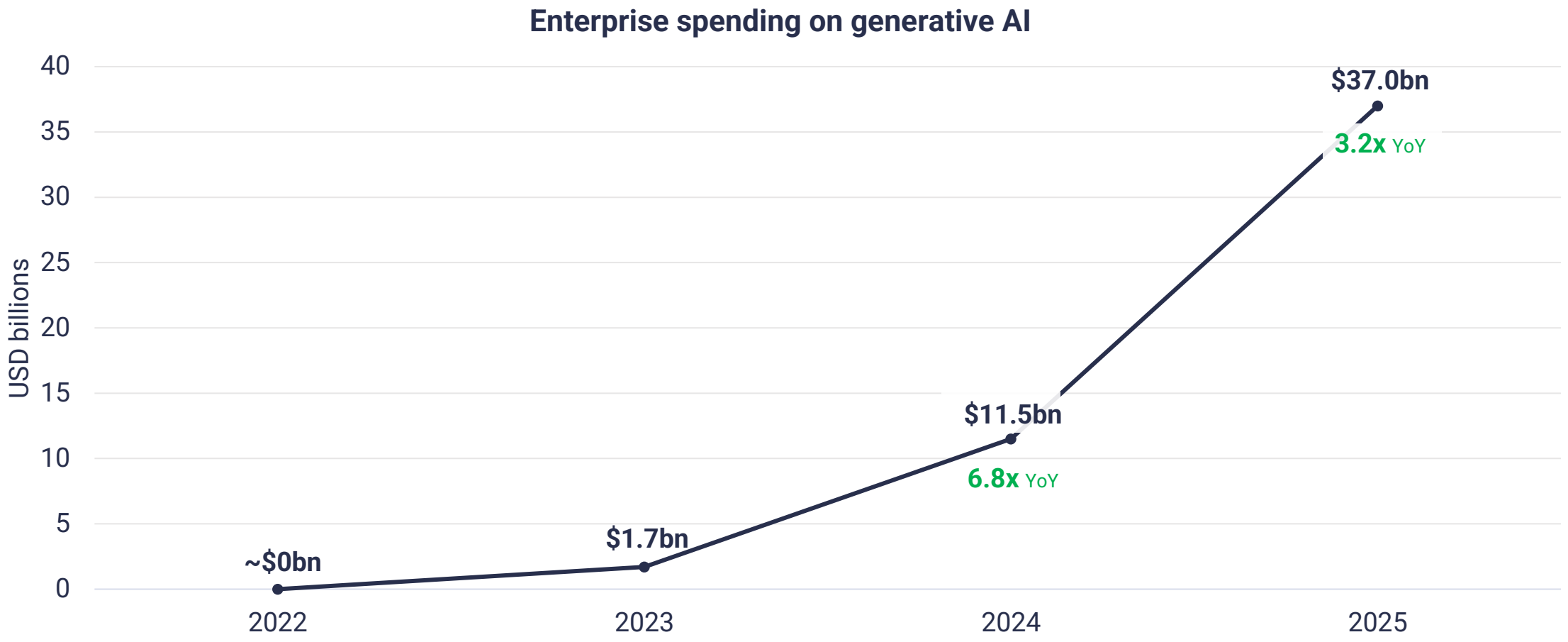


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Prediction 2: Demand for liquid cooled capacity in MTDCs will hit an inflexion point in 2026

Enterprise spending on generative AI solutions is accelerating, as initial training investments become monetisable



Sources: Menlo Ventures

DLC operational maturity is increasing, while early demand signals hint at a 2026 inflection point

Supply is growing as developments complete…

HOME › NEWS › THE DATA CENTER CONSTRUCTION CHANNEL

Telehouse completes 3MW expansion at Paris campus

Company adds liquid-cooling capacity at Magny 2 data center

DATA CENTER STHLM°4 SOUTH

THE AI-READY DATA CENTER

12 Mar 2025

Kao Data Announces Construction of a New 17.6MW, Liquid Cooled, AI Data Centre in Harlow

…coupled with early DLC/AI productisation

High-Density Colocation

Robust colocation optimised for HPC and AI with top-tier power, cooling, and efficiency.

Equinix Private AI with NVIDIA DGX systems

Turnkey, ready-to-run AI development platform

This is met by strong US demand signals…

HOME › NEWS › THE INVESTMENT & MARKETS CHANNEL

Colovore secures $925m debt facility from Blackstone for liquid-cooled data center build-out

Company secures funds for build-out in Reno, Austin, and Chicago

May 13, 2025 By: Dan Swinhoe Have your say

…and green shoots for European demand

DeepL deploys Nvidia DGX SuperPOD at EcoDataCenter in Falun, Sweden

SuperPOD features the DGX GB200 NVL72 system

10 Mar 2025

Ori Selects Kao Data for its First UK AI Cloud Region

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Nailing your strategic entry into the HPC market is crucial for long term success as an MTDC operator



When to invest?

- It is crucial to engage customers to understand their HPC infrastructure roadmap given the divergence of infrastructure requirements
- Invest in modular enabling infrastructure if demand signals are strong from current customers
- Don’t retrofit an entire data hall to an assumed specification, retain flexibility for different operating models



Who to target?

- Demand for HPC-ready colocation in MTDCs will skew towards AISPs, challenger neoclouds, financial services and digitally-native enterprises
- MTDCs looking to grow revenues in HPC-ready colo should identify targets and understand their IT HPC roadmap
- Most deployments are net new so value propositions versus other deployment models (eg IaaS) is crucial



What deployment model?

- There is a wide variety of deployment models for HPC deployment, between and within operators
- For single-tenant data halls or cages, the hand-off point lies at the primary loop inlet into the in rack or in row CDU
- Shared space DLC case studies are limited, but there is evidence of operator-owned CDUs with a hand-off point at the rack on the IT coolant loop

STL recommends defining your market entry strategy as a priority across two high-level customer segments

Engage current and prospective customers

Understand their AI roadmaps, and how your colocation offering can support this

Large anchor customers

- 10+ racks in dedicated data hall or cage
- Highly consultative sales engagement and customised deployment
- *Tenant-owned dedicated banked CDU*

Key next steps:

- Build your business network of decision makers within the concentrated pool of prospective near-term tenants
- Invest in infrastructure which enables rapid TTM
- Promote flexibility and this TTM as a key differentiator versus current 3-4 month lead times on DLC fit out

Small, shared space customers

- 1-8 racks in a shared space
- Consultative sales approach with productised deployment model
- DCO-owned banked CDU or tenant-owned in rack CDU

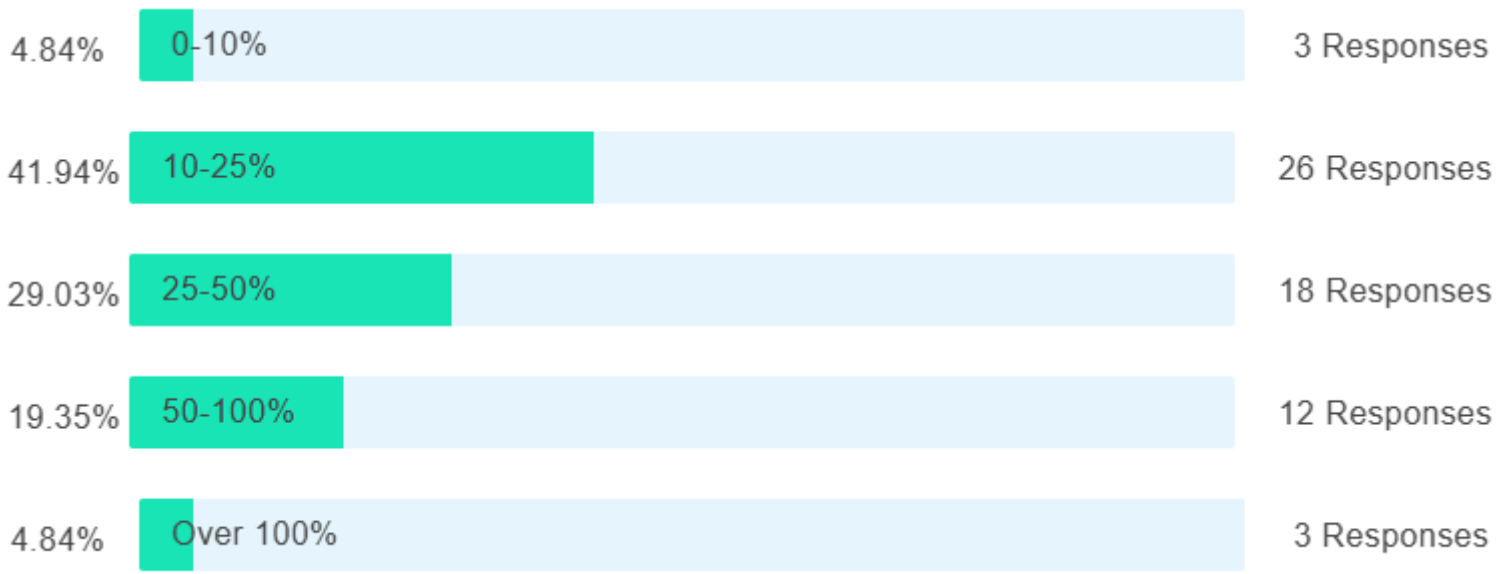
Key next steps:

- Define your HPC colocation service portfolio
- Refine your narrative versus IaaS offerings
- Promote your services to existing and prospective customers through case studies, ROI definition and a public innovation lab where possible

Poll: At what rate will demand for liquid cooled capacity in MTDCs grow in 2026?

- 0-10%
- 10-25%
- 25-50%
- 50-100%
- Over 100%

At what rate will demand for liquid cooled capacity in MTDCs grow in 2026?



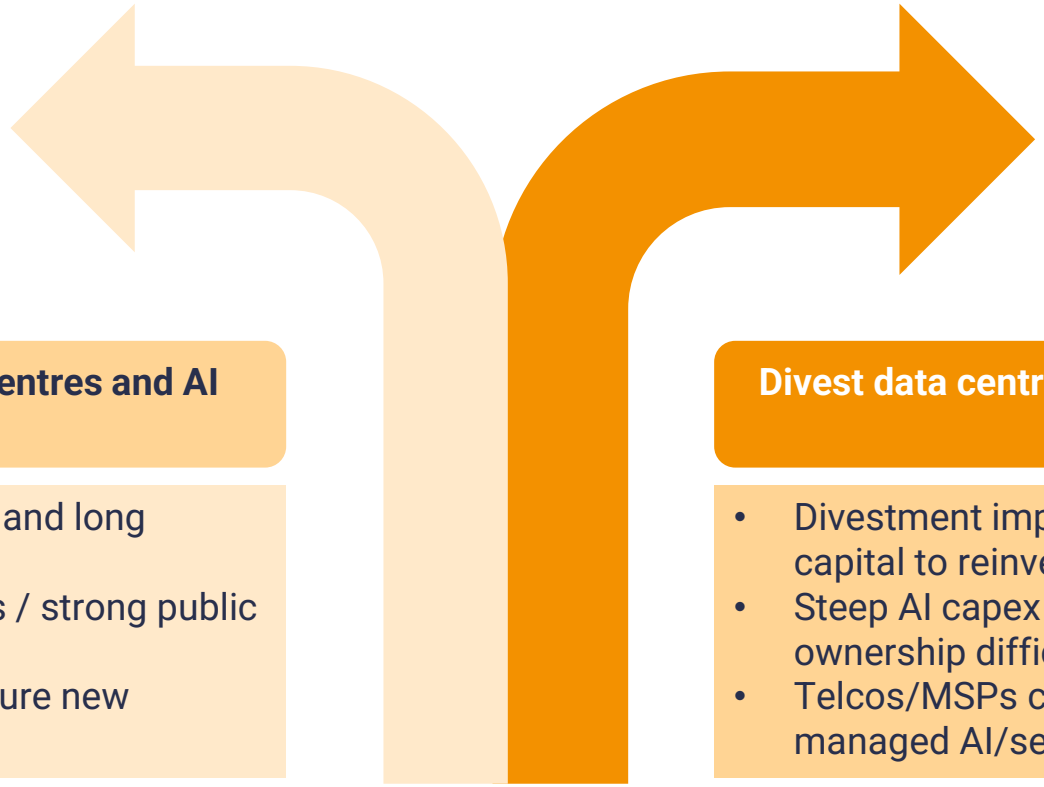
Agenda

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Prediction 3: More telcos and MSPs will divest their data centre investments

Data centre divestment will move more telcos/MSPs towards an asset-light model

Rising AI demand, higher capex and investor pressure on ROCE are driving a divergence in strategies



Increase investments in data centres and AI infrastructure

- Requires scale, capital access and long payback tolerance
- Best fit for national champions / strong public sector demand
- Creates an opportunity to capture new customer archetypes

Divest data centre investments and refocus on services

- Divestment improves ROCE and creates free capital to reinvest into high return services
- Steep AI capex requirements makes ownership difficult to justify
- Telcos/MSPs can differentiate through managed AI/security and compliance layers

Verdict: For many telcos/MSPs, AI capex inflation and ROCE pressure outweigh the benefits of owning data centre infrastructure, leading to increased divestment

AI capex and investor pressure will push more telcos/MSPs toward divestment and service-led focus



Capex requirements are rising

- Legacy facilities require major power/cooling upgrades and investment in chips to support AI and high-density workloads
- Retrofit costs and longer payback periods are pushing mid-tier operators out of the market

Data centres and services operate differently

- Different customer needs, sales cycles and talent pools create strategic and organisational friction
- Conflicting investment priorities (stable infrastructure returns vs higher-growth services) slow decision-making

Opportunity to sell at high valuation

- Strong demand from specialist DC investors enables attractive exit valuations
- Proceeds can be redeployed into higher-return growth areas (services, AI platforms, network), strengthening free cash flow

Existing deals

redcentric
business technology. managed.

- *Sold UK data centres to focus on MSP growth*

colt

- *Divested multiple European facilities while retaining network/service capabilities*

BT altice

- *BT, Telefonica and Altice have all sold data centre assets, freeing up capital to focus on their core services*

These deals illustrate how some telcos/MSPs are prioritising asset-light models and ROCE-driven focus

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Ownership will separate: specialists will own infrastructure while telcos/MSPs own customer relationships and services

Ownership model

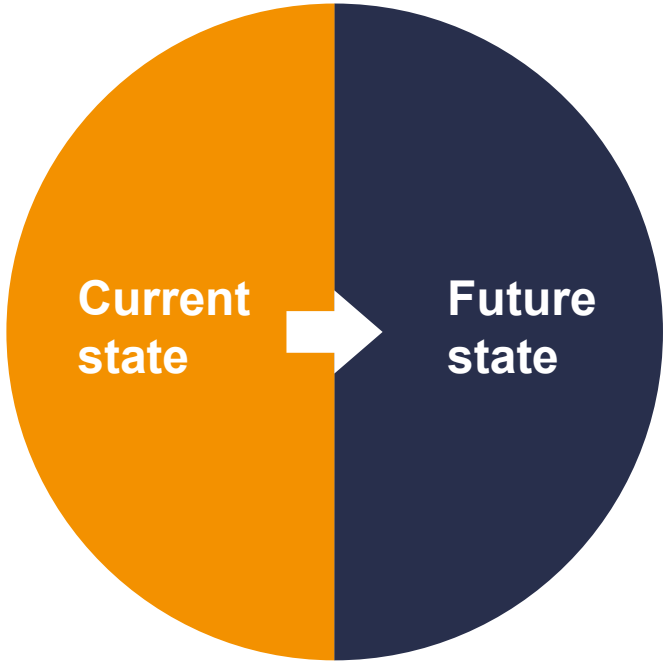
- *Telcos/MSPs own both infrastructure and services (hybrid, vertically integrated models)*

Market structure

- *Highly fragmented with regional/local operators lacking scale*

Margin profile

- *Commodity colocation economics with heavy-capex, low differentiation and modest ROCE*



Ownership model

- *Specialists own data centre infrastructure, telcos/MSPs own customer relationships and service layers*

Market structure

- *Consolidated to a smaller number of scaled platforms (and the emergence of sovereign AI telcos)*

Margin profile

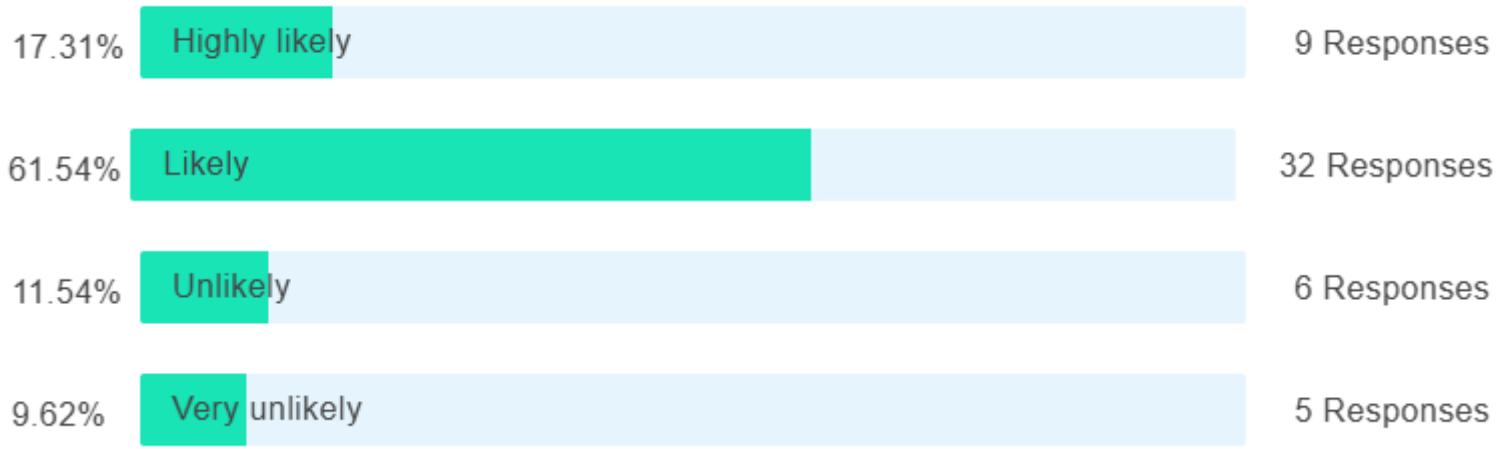
- *Specialists earn scale-led infra returns while divested telcos/MSPs capture premium service margins (managed AI, security, compliance)*

Telco/MSP divestment creates consolidation opportunities for operators, and increases demand for AI-ready capacity to be delivered via partnerships

Poll: What is the likelihood of data centre divestment by operators and MSPs increasing in 2026?

- Highly likely
- Likely
- Unlikely
- Very unlikely

What is the likelihood of data centre divestment by operators and MSPs increasing in 2026?

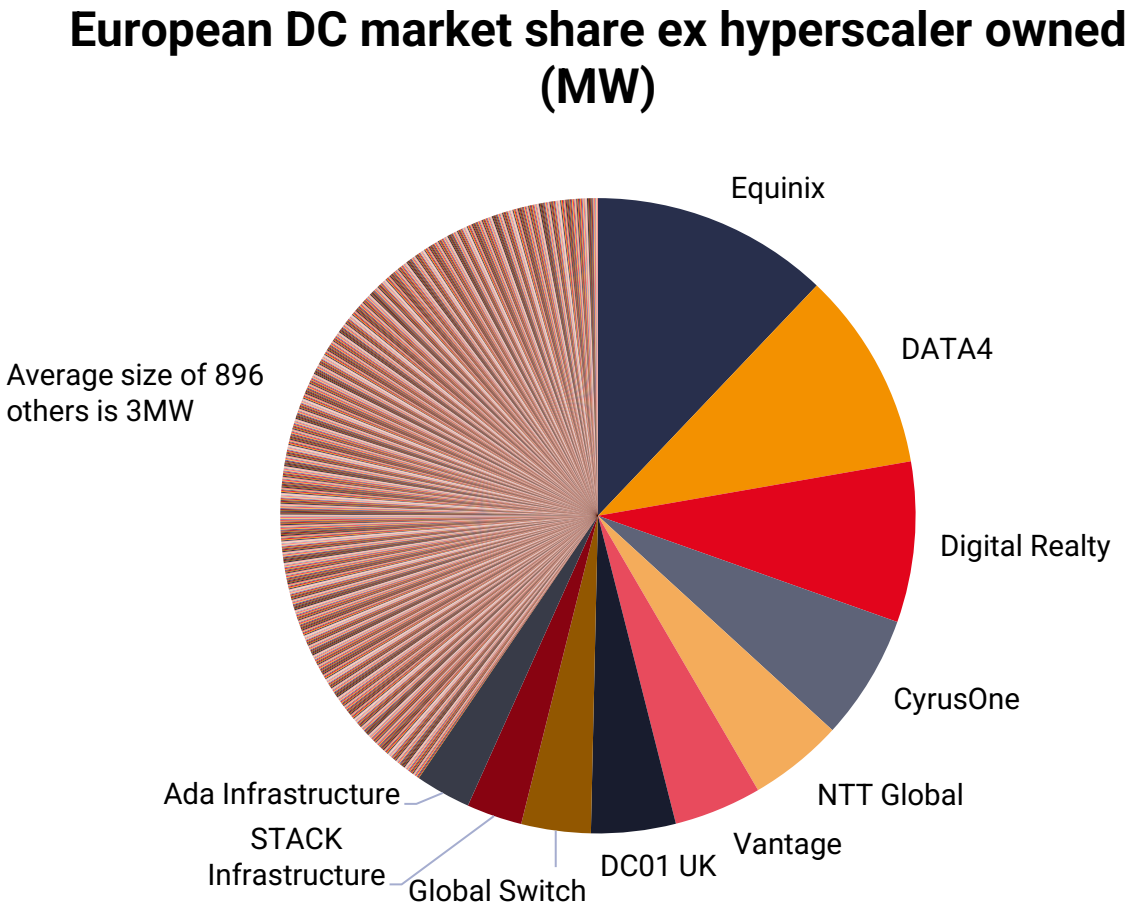


Agenda

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2	**STL Partners presentation**	
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Prediction 4: 2026 will see an acceleration in DC market consolidation – in Europe at least

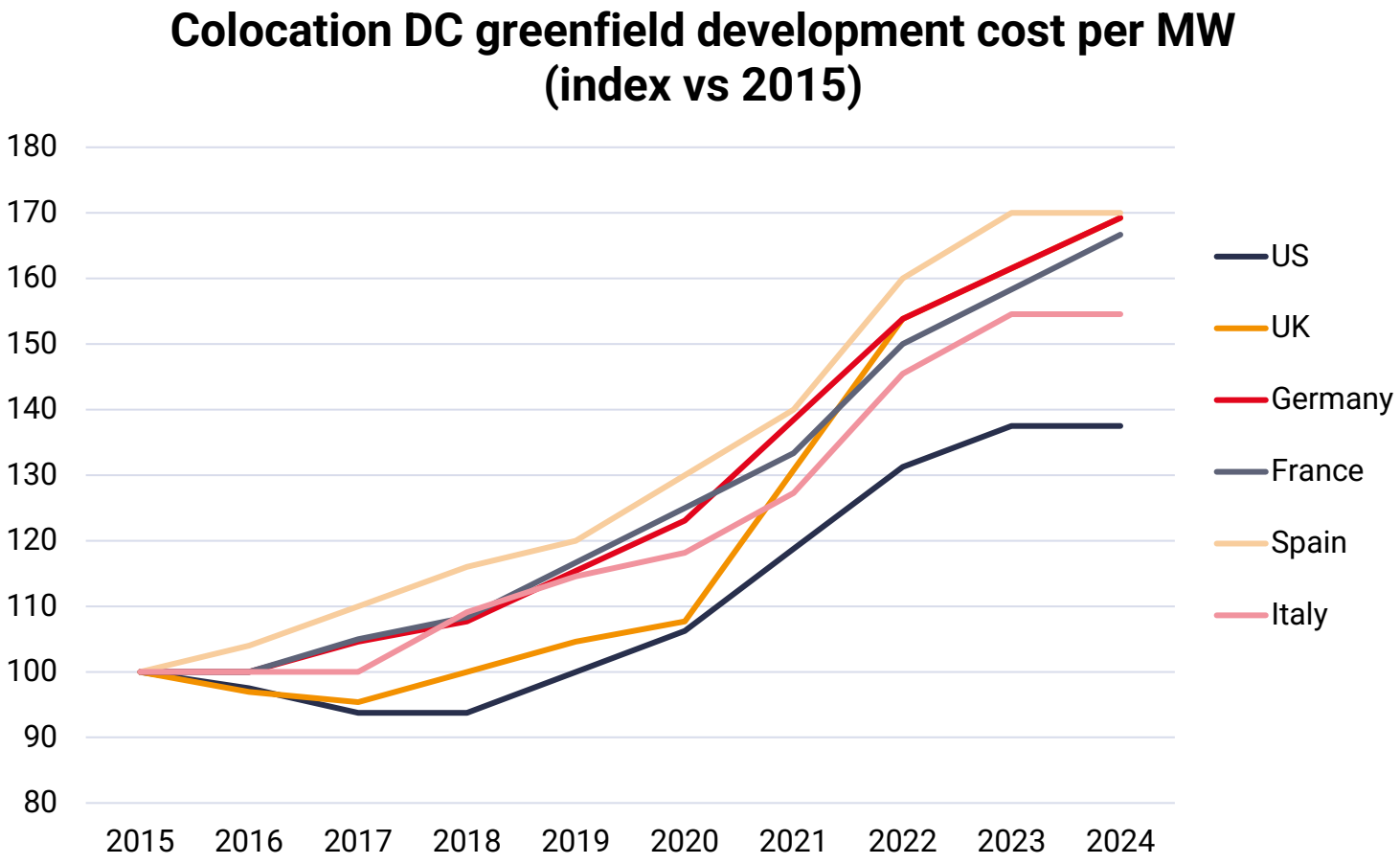
In many regions, such as Europe, the DC market has a big head and a very long tail of small operators



- Top 10 European operators account for around 58% of non-hyperscaler DC capacity
- Very long tail of 896 operators with aggregate capacity of around 3GW – ripe for consolidation

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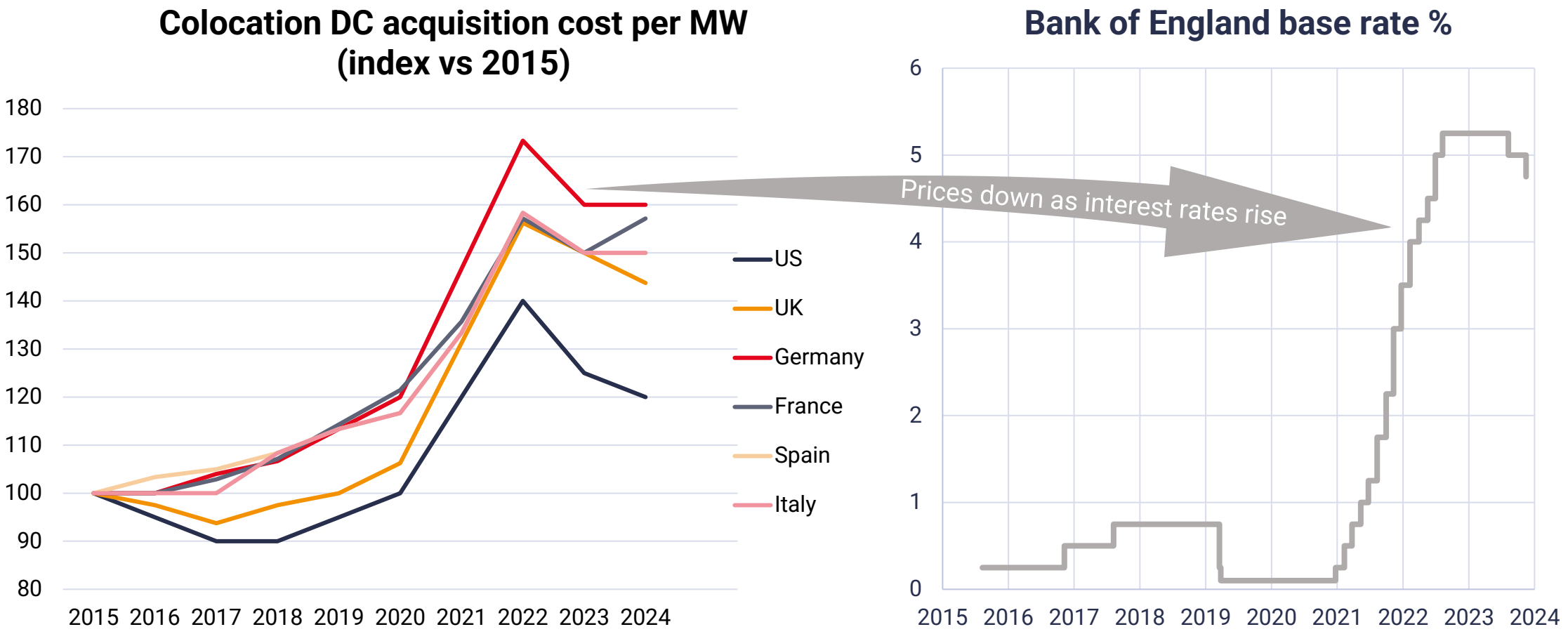
Higher land & construction prices, coupled with liquid cooling systems for HPC, is pushing DC development costs up



- Ongoing capex and opex costs also increasing – e.g. liquid cooling systems, skilled staff, etc.
- Only DC operators with strong balance sheets and financial backing will thrive

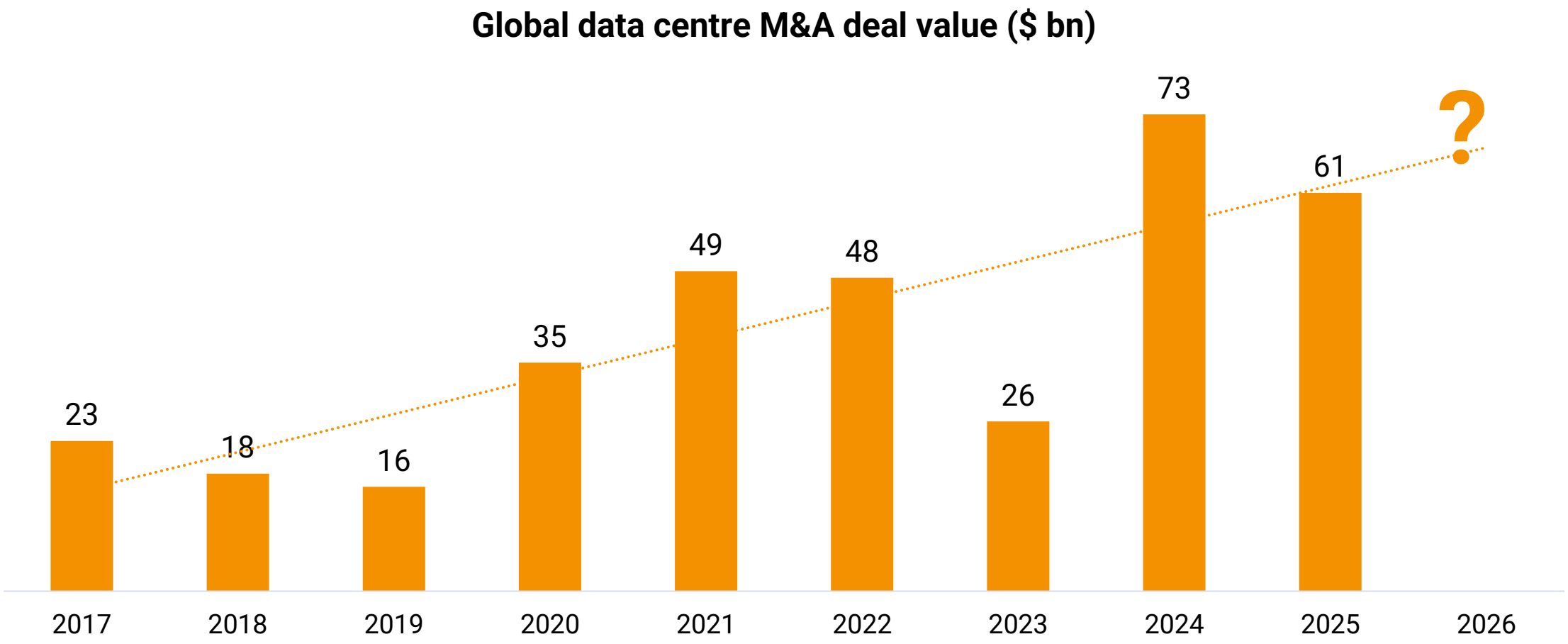
Sources: Industry reports (Uptime Institute, Turner & Townsend, CBRE, JLL), news articles and analyses. Key figures from Green Street, Nareit, Savills, Cushman & Wakefield, WiredRE, AKCP, etc.

DC acquisition costs have also risen although higher interest rates have pulled valuations back from their peak



Sources: Industry reports (Uptime Institute, Turner & Townsend, CBRE, JLL), news articles and analyses. Key figures from Green Street, Nareit, Savills, Cushman & Wakefield, WiredRE, AKCP, etc.
https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp

Assuming interest rates do not rise sharply, we expect a strong data centre M&A market in 2026

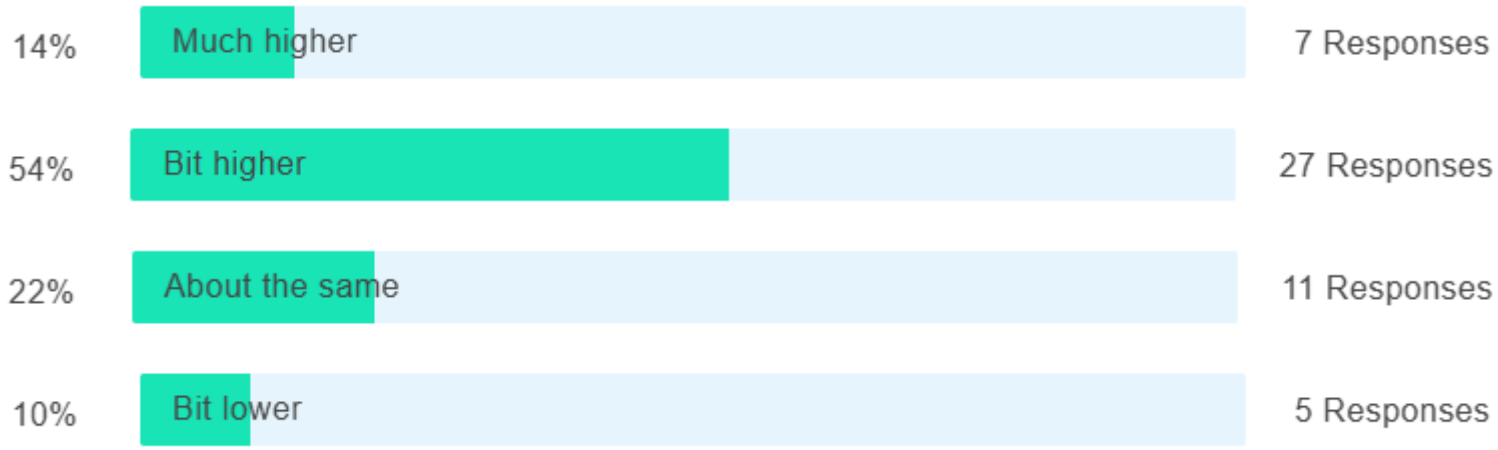


Sources: Synergy Research, S&P Global (for 2025 through November)

Poll: How do you think 2026 European DC M&A deal value will compare to 2025?

- Much higher
- Bit higher
- About the same
- Bit lower
- Much lower

How do you think 2026 European DC M&A deal value will compare to 2025?

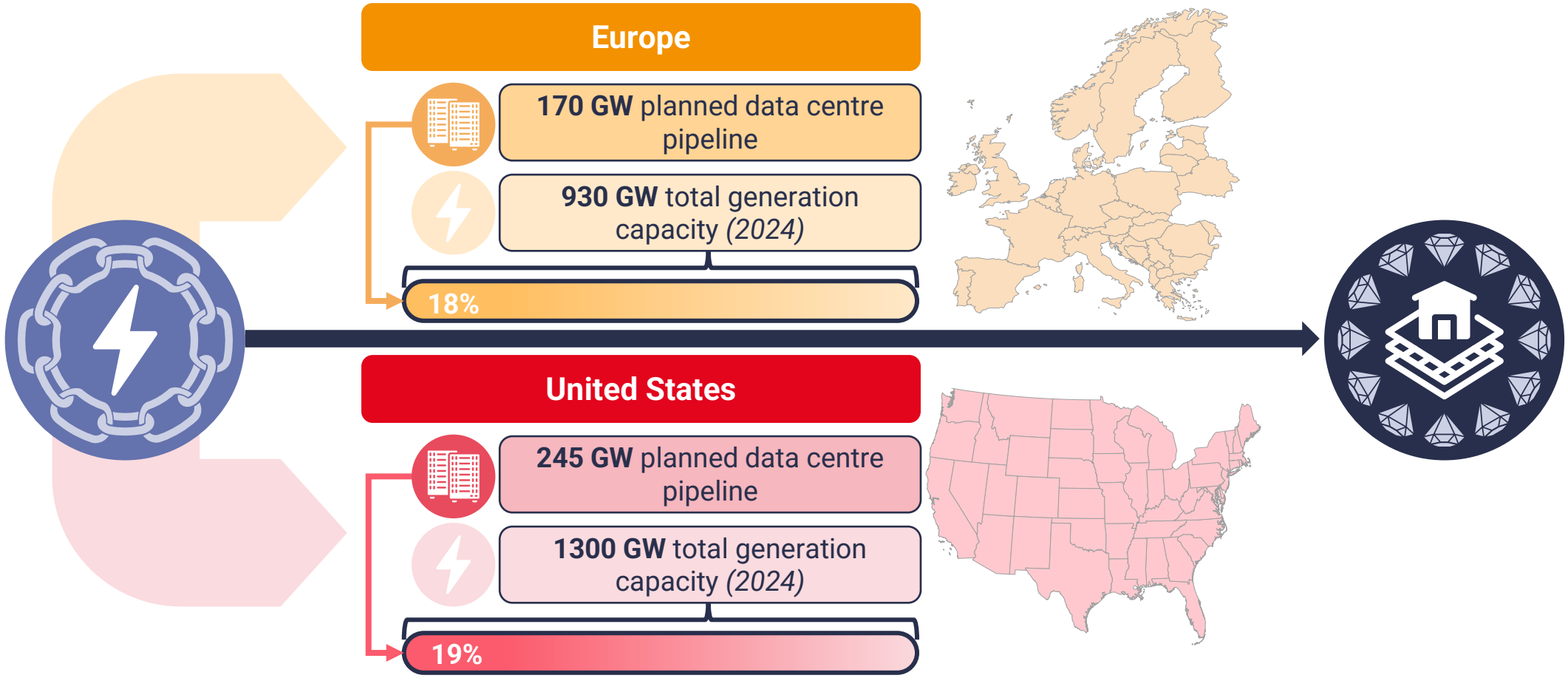


Agenda

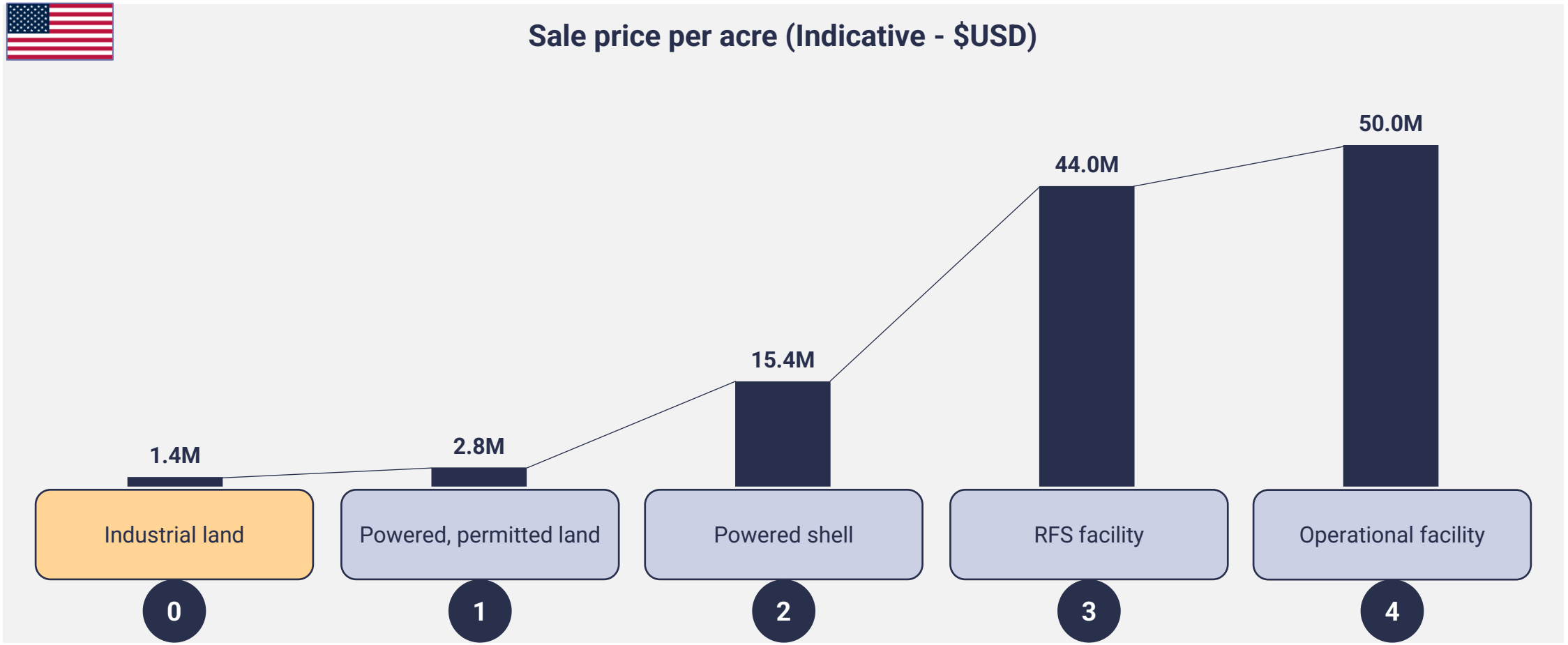
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4	**Wrap up**	

Prediction 5: Power constraints in 2026 will result in new entrants to data centre industry

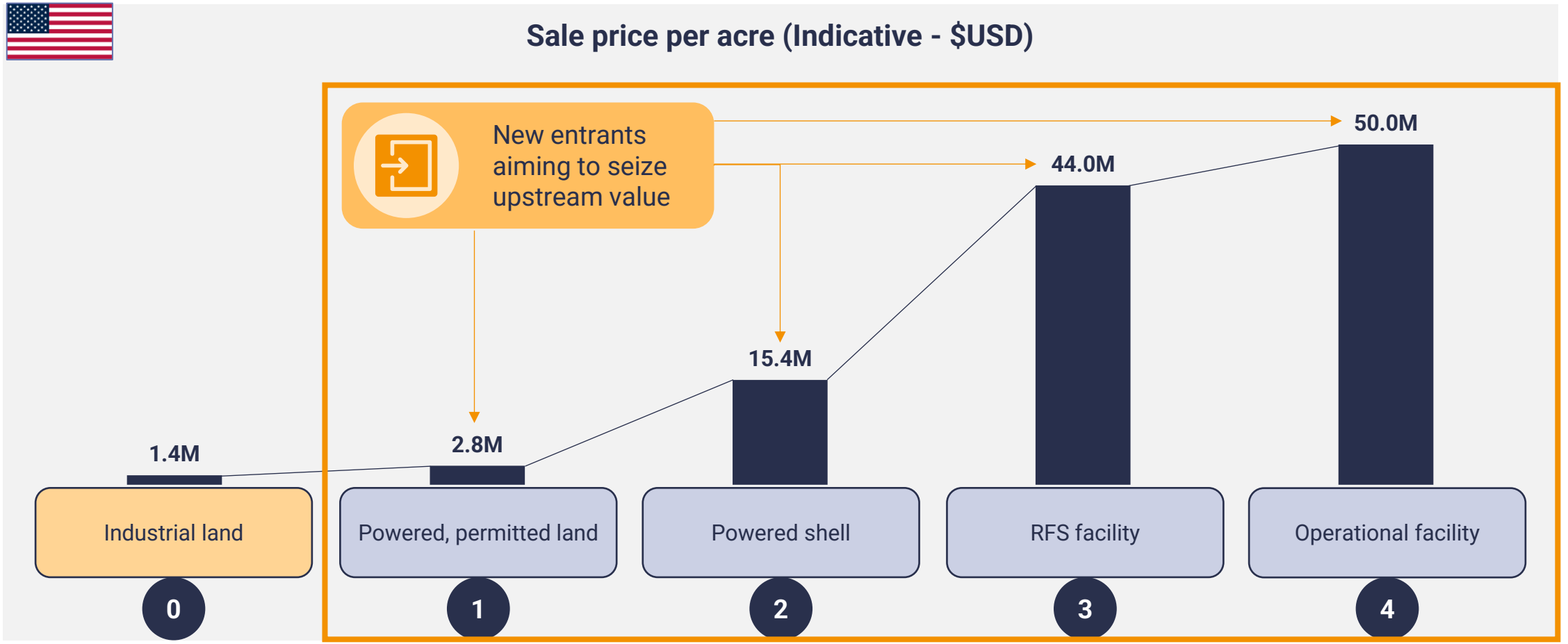
Power constraints across core data centre markets are significantly enhancing the value of powered permitted land



Premiums from redeveloping land to be powered and permitted for data centres is encouraging new entrants



Premiums from redeveloping land to be powered and permitted for data centres is encouraging new entrants



Non-traditional entrants are partnering with data centre developers to capture this value

Energy developers

- Provision of already-powered land co-located with existing energy generation assets, such as renewable sites
- Development of new powered land leveraging experience and strong national market position
- Ongoing provision of power to developed data centre site once completed via PPAs (power purchase agreements) or private wire

E.G.

IBERDROLA

ECHELON DATA CENTRES

Real estate developers

- Access to a portfolio of existent powered land (e.g. ex-industrial estates)
- Strong expertise and resources in securing planning permission to develop site
- Access to capital intended for infrastructure development

E.G.

SEGRO SLOUGH ESTATES GROUP

pure DC

This trend will continue, supplying range of new partnership opportunities for data centre developers to explore in 2026

Data centre operators should actively evaluate vertical integration as a means to optimise new site development



Velocity to market



New capabilities



Local expertise

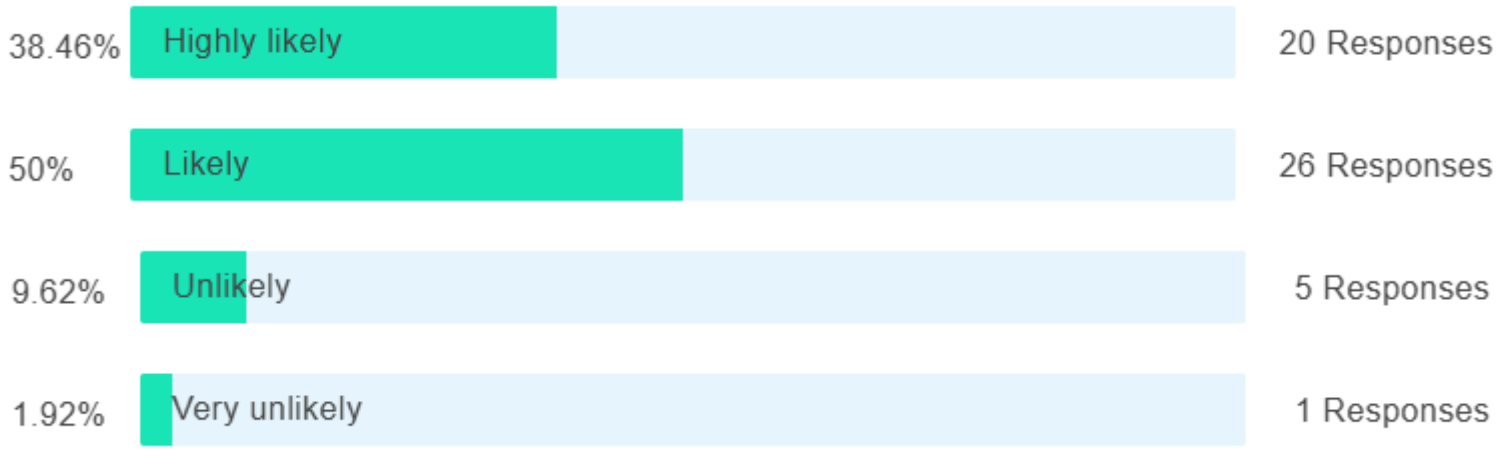


Capital investment

Poll: What is the likelihood that a new range of entrants, such as energy and real estate developers, enter the data centre market in 2026?

- Highly likely
- Likely
- Unlikely
- Very unlikely

What is the likelihood that a new range of entrants, such as energy & real estate developers, enter the market in 2026



Poll: Which trend , if true, would have the highest impact in 2026?

1. The data centre industry will take risks of commoditisation seriously in 2026
2. Demand for liquid cooled capacity in MTDCs will hit an inflexion point in 2026
3. More telcos and MSPs will divest their data centre investments in 2026
4. 2026 will see an acceleration in DC market consolidation – in Europe at least
5. Power constraints in 2026 will result in an increasingly complex range of new entrants into data centres

Which trend, if true, would have the highest impact in 2026?



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