PEI

PERE

Data Centers

October 2026 • pei-privaterealestate.com



CLOUDING THE AI ERA

How power, demand and development are reshaping valuations

EXPERT COMMENTARY

Data centers often steal the headlines, but digital infrastructure is a broader asset class, says Matteo Colombo, head of digital infrastructure investments at L&G



Digital infrastructure: Beyond the data center

For most of modern economic history, infrastructure has been defined by the assets that move people, goods and energy. Today, data deserves a place on that list.

Every video call, online purchase, cloud-based application and artificial intelligence prompt depends on an increasingly complex network of physical assets.

These assets make the transportation, processing and storage of information possible.

The digital economy is not a virtual concept. In fact, it depends on tangible infrastructure, such as data centers, fiber networks and telecommunications towers.

SPONSOR
L&G

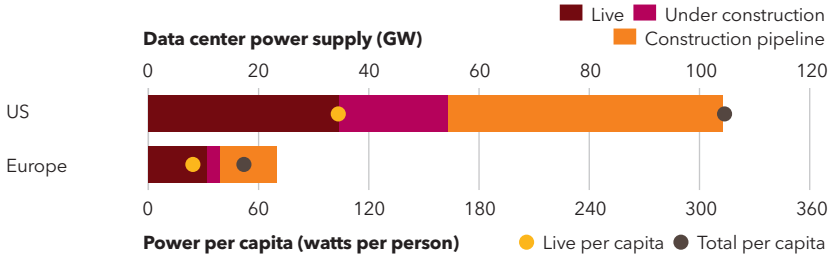
Mission critical

The importance of these assets is being recognized at the highest levels of government. In September 2024, the UK classified data centers as critical national infrastructure, placing them alongside essential services such as energy and water. That designation reflects a broader reality: digital infrastructure is no longer merely supportive of economic activity. It is foundational to it.

Important infrastructure, however, requires substantial investment. The level of financing needed to support digital infrastructure is significant. Our own research suggests that in Europe, data centers will represent a $551 billion market by 2030 as demand grows. Take other forms of digital infrastructure into account, such as fiber networks and towers, and that figure rises to $830 billion.

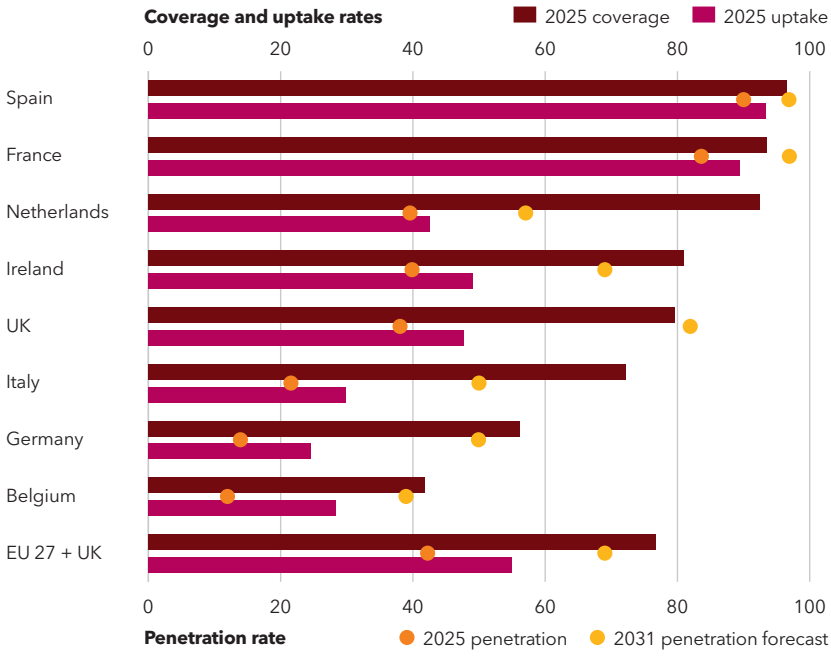
L&G estimates that cumulative investment in digital infrastructure could reach approximately €2.5 trillion by 2030, driven by growing demand for cloud computing, AI, connectivity and data processing. Several structural forces are converging to support this growth. AI is the most obvious. As organizations race to adopt increasingly

The US has 5x more live data center power per capita than Europe in 2026



Source: BloombergNEF, Our World in Data, L&G Research, July 2026

Fiber coverage, uptake and penetration rates are highest in Spain and France (%)



Source: FTTH Council, L&G Research, May 2026

sophisticated models, demand for computing power, data storage and low-latency connectivity will only continue to accelerate.

At the same time, concerns around data sovereignty are forming a vital factor when it comes to demand. Governments and businesses are increasingly seeking to ensure that critical data is stored, processed and governed within trusted jurisdictions. This is particularly acute in Europe. It is estimated that currently more of the continent's data is stored in the US than domestically. Across Europe, the combination of digital sovereignty ambitions, cloud adoption and AI deployment is creating powerful demand for infrastructure capable of supporting the next phase of economic development.

Data centers have been an intense focus amid this backdrop. There is a risk, however, that investors overlook a simple truth: data centers alone do not create a digital economy.

Digital infrastructure functions as an ecosystem. Its economic contribution and societal impact are generated through the interaction of data centers, fiber networks and towers. Understanding that relationship may be critical for investors seeking holistic exposure to one of the defining infrastructure themes of the coming decades.

Building connectivity, driving economic growth

Every AI query submitted through a smartphone, every business application hosted in the cloud and every video streamed across a broadband connection relies on a chain of infrastructure assets working together. Towers transmit signals. Fiber networks carry data across increasingly vast distances. Data centers process and store that information. For digital infrastructure to truly deliver its economic benefit, all of these elements require attention. And we should remind ourselves why it is so critical to support this investment theme.

In many respects, digital connectivity has become a prerequisite for participation in modern society. Access to high-quality broadband can influence everything from educational outcomes and healthcare provision to employment opportunities and financial inclusion. In our view, regions with reliable connectivity are often better positioned to attract businesses, support innovation and facilitate economic growth.

This is particularly relevant across Europe, where connectivity remains uneven. While major metropolitan areas benefit from significant digital investment, many regional and rural communities continue to lag.

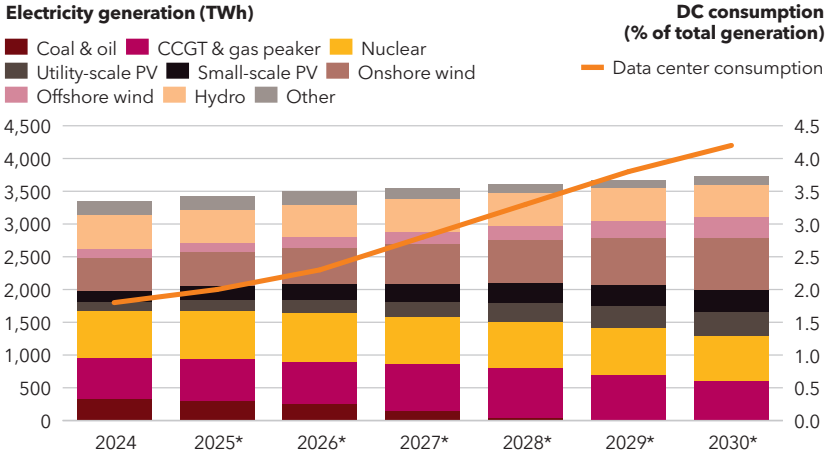
One estimate from specialist consultancy Analysys Mason suggests that €200 billion worth of investment is needed to provide high-speed internet to 99 percent of homes in the UK, European Union and Norway. Programs such as the UK's Project Gigabit and the EU's Digital Decade strategy seek to make this a reality, extending such high-speed broadband and digital services to underserved areas.

The benefits are substantial. Improved connectivity enables remote working, expands access to digital services and helps businesses reach customers beyond their immediate geography. Small and medium-sized enterprises might participate more

effectively in national and international markets. Manufacturers may be able to adopt increasingly sophisticated automation technologies. Public services can operate more efficiently. In short, digital infrastructure helps unlock productivity.

But the connectivity story is also a reminder that digital infrastructure should not be viewed solely through the lens of data centers. For sure, these facilities sit at the heart of the AI revolution, providing the computing power required to train and deploy large-scale models. And their importance is growing still. They do not, however, operate in isolation. It is the interconnectedness between digital infrastructure assets that has the greatest implications for investors.

Data centers are projected to take a larger share of total energy generation across Europe



*Forecast
Source: BloombergNEF, L&G Research, 2025

Why diversification matters in digital infrastructure

In recent years, capital has flowed disproportionately toward data centers. Given the growth outlook for AI, that focus is understandable. Yet concentrating exclusively on one segment of the ecosystem risks missing the broader opportunity. A diversified digital infrastructure investment strategy can offer exposure to multiple growth drivers rather than a single one.

Data centers benefit directly from increasing computational demand. Fiber networks benefit from rising data traffic volumes and the expansion of high-speed connectivity. An increased focus on data sovereignty may well increase these flows. Towers benefit from growing mobile data consumption and continued network densification. They may also be positively impacted by the growing adoption of 5G, which is lagging in Europe compared with the US.

While each asset class may experience different market cycles, together they form the foundation of the digital economy. A diversified approach may also serve to reduce concentration risk to any particular market cycle. Importantly, these assets are linked by common structural themes. Cloud adoption requires data center capacity, but also high-performance connectivity. It is also worth noting that cloud adoption in Europe, while rising, lags the US – another reason why the continent represents a potentially fertile investment opportunity.

Additionally, AI demands computational power, but depends equally on networks capable of moving vast volumes of data. Data sovereignty objectives may require new data centers, yet these facilities must remain connected to users, businesses and wider communications networks. This interdependence creates a compelling case for diversification across the digital infrastructure spectrum.

Furthermore, L&G research suggests that portfolios combining data centers with tower and fiber assets may be able to deliver stronger risk-adjusted revenue growth and greater revenue stability than portfolios concentrated in a single subsector. Diversification can also help mitigate regulatory and technological concentration risks while broadening exposure to innovation across the wider ecosystem.

The societal benefits are similarly interconnected. Consider a regional business seeking to adopt AI-enabled services. Access to a nearby data center alone is insufficient. That business also requires reliable fiber connectivity, mobile coverage for its workforce and resilient communications networks. Digital inclusion ultimately depends upon the entire ecosystem functioning effectively.

This holistic perspective becomes even more important when considering Europe's broader economic ambitions. The continent is simultaneously pursuing digitalization, decarbonization and greater strategic autonomy. Increasing AI adoption is boosting demand for data processing. The electrification of economies is increasing demand for smarter energy systems. Governments are seeking greater control over critical data assets and digital supply chains.

These trends are increasingly converging. Digital infrastructure and clean power infrastructure are becoming more interlinked as rising demand from data centers places additional pressure on electricity grids and renewable energy systems. The next generation of digital infrastructure investment will therefore require careful coordination across multiple infrastructure networks, from fiber cables to power grids and data centers themselves.

We believe investors who focus solely on data centers risk overlooking these broader dynamics and the opportunities they create elsewhere in the value chain. ■

For professional clients only. Capital at risk.

Key Risks
The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

Important Information
The views expressed in this document are those of Legal & General Investment Management Limited and/or its affiliates ("LGIM"- or "L&G", "we" or "us") as at the date of publication. This document is for information purposes only and we are not soliciting any action based on it. The information above discusses general economic, market or political issues and/or industry or sector trends. It does not constitute research or investment, legal or tax advice. It is not an offer or recommendation or advertisement to buy or sell securities or pursue a particular investment strategy. Past performance should not be taken as an indication or guarantee of future performance and no representation, express or implied, is made regarding future performance.

No party shall have any right of action against L&G in relation to the accuracy or completeness of the information contained in this document. The information is believed to be correct as at the date of publication, but no assurance can be given that this document is complete or accurate in the light of information that may become available after its publication. We are under no obligation to update or amend the information in this document. Where this document contains third-party information, the accuracy and completeness of such information cannot be guaranteed and we accept no responsibility or liability in respect of such information.

This document may not be reproduced in whole or in part or distributed to third parties without our prior written permission. Not for distribution to any person resident in any jurisdiction where such distribution would be contrary to local law or regulation.
© 2026 Legal & General Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No. 119272. Registered in England and Wales No. 02091894 with registered office at One Coleman Street, London, EC2R 5AA.

L&G Global

Unless otherwise stated, references herein to "L&G", "we" and "us" are meant to capture the global conglomerate that includes:

- European Economic Area: LGIM Managers (Europe) Limited, authorised and regulated by the Central Bank of Ireland as a UCITS management company (pursuant to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and as an alternative investment fund manager (pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended).
- USA: Legal & General Investment Management America, Inc. (d/b/a L&G – Asset Management, America) is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"). L&G – Asset Management, America provides investment advisory services to U.S. clients. L&G's asset management business more broadly—and the non-L&G – Asset Management, America affiliates that comprise it —are not registered as investment advisers with the SEC and do not independently provide investment advice to U.S. clients. Registration with the SEC does not imply any level of skill or training. L&G – Asset Management refers to the global asset management business of L&G Group PLC.
- Japan: Legal & General Investment Management Japan KK (a Japan FSA registered investment management company).
- Hong Kong: issued by Legal & General Investment Management Asia Limited which is licensed by the Securities and Futures Commission.
- Singapore: issued by LGIM Singapore Pte. Ltd. (Company Registration No. 202231876W) which is regulated by the Monetary Authority of Singapore.

The L&G Stewardship Team acts on behalf of all such locally authorised entities.

Certain of the information contained herein represents or is based on forward-looking statements or information, including descriptions of anticipated market changes and expectations of future activity. Forward-looking statements and information are inherently uncertain and actual events or results may differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information. There is no guarantee that L&G's investment or risk management processes will be successful.