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## Capitalizing on data center demand

BY MARD NAMAN

Investor interest in data centers grew rapidly during the pandemic, as social media use, work-from-home and cloud computing amped up usage and demand. The pandemic has waned, but data center demand has not – and the upwards trajectory of the data storage needed in the new economy continues to boost investor interest.

### **Demand just keeps growing**

“The number one top trend across the industry is the continuing high demand coming from all categories but primarily concentrated on hyperscale customers,” says Michael Hohanadel, managing director and head of digital assets for Harrison Street. “The expansion coming from that cohort has been extraordinary and appears to be accelerating, not stabilizing or declining.” Hyperscale data centers generally serve a limited number of large clients, such as Google or Amazon.

All types of data centers (hyperscale, colocation, edge and carrier hotels) have the wind at their backs. “For well-built, well-positioned data centers across any subsector, there are great tailwinds,” notes Jeff DeBlock, managing director and head of North American direct infrastructure for CBRE Investment Management. “The key is finding the right location – that is, a location where the end client wants to be that has access to fiber and power.”



The long-term growth trend is positive and resilient, DeBlock believes. This trend was in place pre-COVID, and working from home during the pandemic accelerated growth in areas such as videoconferencing and ecommerce. “But the underlying trend of ever-increasing data generation from our society is here to stay,” asserts DeBlock. And all this data will need to be stored and connected inside data centers.

“Asia Pacific will be one of the regions to see the most significant growth,” says Thomas Liu, partner, head of Greater China real estate for Actis. Globally, the appetite for data will grow thanks to increasing digitization, wider adoption of the cloud, more use of 5G technology and increasing use of artificial intelligence and autonomous vehicles.

“We expect Asia Pacific to have the largest growth in data center demand in the next five years,” adds Christina Tan, CEO of Keppel Capital. Indeed, according to Cushman & Wakefield’s *2022 Data Center Global Market Comparison*, Asia Pacific is set to become the world’s largest data center region over the next decade. Singapore, Hong Kong and Sydney are ranked among the top 10 data center markets in the world.

Asia Pacific is seeing a unique confluence of factors driving faster growth than other regions of the world, according to Varoon Raghavan, co-founder and COO of Princeton Digital Group (PDG). This includes the relatively low levels of IT and cloud adoption – which is leading to catch-up demand – as well as the high base of population and the continuing growth in internet penetration.

“In addition, due to the heterogenous nature of the Asian markets, creating supply at scale continues to be challenging and represents an opportunity for growth and differentiation for data center operators able to execute consistently and provide consistent global quality across markets,” Raghavan says.

Read the full story, “Top trends in data centres,” by freelance writer **Mard Naman** in the November 2022 issue of *Institutional Real Estate Asia Pacific*, [here](#).

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