

KEYNOTE INTERVIEW

Embracing diversification and consolidation



As the digital infrastructure sector grapples with power scarcity and the shifting AI landscape, investors may want to consider enterprise colocation facilities for their portfolios, says Antin Infrastructure Partners' [Maximilian Lindner](#)

The data centre market may be attracting huge quantities of capital, but that doesn't mean every project is a good fit for investors. One significant market nuance to consider is the difference between colocation data centres and hyperscaler facilities. While colocation assets may operate on a relatively smaller scale, some investors are gravitating towards the greater diversity they offer and the different risk profiles they exhibit.

Maximilian Lindner, partner at Antin Infrastructure Partners, discusses some of the benefits of colocation facilities, as well as whether cloud, fibre or any other digital asset can help

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future-proof investor portfolios. He also examines the AI mega-trend and bottlenecks that could impede further growth in the data centre space and explains why he sees major consolidation opportunities in the UK altnet fibre sector.

Q What is the core investment thesis behind enterprise colocation?

Colocation data centres benefit from

broad and diverse growth trends that drove our investments in NorthC, which operates in the Netherlands, Germany and Switzerland, and Pulsant in the UK. The colocation market is expected to continue to grow by close to 10 percent per annum over the coming years, driven by the ongoing migration from on premise to third-party data centres, an increasing focus on hybrid cloud solutions, data sovereignty and regulatory considerations, as well as the increasing importance of AI inference and AI-based applications.

A key attraction of the colocation sector is its high degree of customer diversification – both by type and sheer

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number. With hyperscale facilities, you typically have a very small number of customers who are similar in nature. By contrast, colocation serves a diverse set: traditional customers such as enterprises, MSPs, universities, healthcare and research organisations but increasingly also sovereign cloud providers, neo clouds and smaller deployments by hyperscalers. Different customer types are driven by different market and economic trends, which provides for natural diversification and downside protection.

In addition, colocation data centre platforms which focus on Tier 1 markets, such as NorthC, benefit from

structural undersupply in these locations. Moratoriums on further data centre development and grid constraints provide for long-term visibility and protection on pricing.

Essentially, the colocation market offers investors the best of both worlds: the long-term contractual protection associated with hyperscale assets, but without the binary risk of a single counterparty or contract renewal. Single colocation sites tend to have 100+ customers with staggered contract renewals, which significantly improves your negotiation dynamics.

Q What makes you confident in the sustained growth of digital infrastructure and AI?

Digital infrastructure benefits from a number of strong secular trends which will lead to continued exponential increase in data traffic on fixed, mobile and satellite networks, as well as capacity growth in the data centre space. This is triggering unprecedented, long-term investment requirements in digital infrastructure.

Within AI, we’re seeing a shift in growth dynamics, with AI inference-related workloads overtaking growth in AI training for Large Language Models. This had been the dominant theme over the past years.

We expect the trend toward AI-based applications to continue and become even more meaningful. Crucially, these solutions require a different type of data centre. The scale of the facilities used for these applications is generally smaller than the massive training sites you see elsewhere. This is where we’re starting to see an overflow effect, with hyperscalers joining facilities of larger colocation providers and deploying up to 10MW.

So even though there are concerns about a potential AI bubble, colocation data centres would face relatively limited direct impact if it was to burst as they aren’t reliant on a single counterparty or a single trend.

Q What are the most important drivers of demand for fibre and data centre platforms?

Some of the common demand drivers between fibre and data centres are the digitalisation of enterprises and the wider economy, an increase in bandwidth intensive applications, increasing importance of latency requirements and edge architectures, as well as the focus on security and redundancy.

For the data centre side in Europe, regulation around sovereignty and data security is becoming increasingly relevant. Customers want to know where their data is being stored and processed, and who might have access to it. There’s an increasing desire – and often a compliance need – for European corporates to have their data stored within Europe, or even within the same country. While IP protection is often a business-driven reason for sovereignty, GDPR and data protection are strong regulatory reasons for localised data storage.

Furthermore, the European Commission has finalised its Sovereign Cloud tender which has designated providers through which organisations related to the EU can procure sovereign cloud services. This created partnership and investment opportunities for European data centre infrastructure platforms.

For B2B fibre, the same trends result in a supportive environment for both long-haul fibre and metro connectivity. Large consumers of capacity such as hyperscalers are looking for high-quality, holistic and redundant solutions across borders to connect subsea landing stations with key data centre hubs and availability zones.

At the same time, enterprises and telco operators require more dense and high-capacity metro networks to handle exploding data traffic. Our portfolio company Eurofiber benefits from both of these trends as it can offer unique routes across the Netherlands, Belgium, Luxembourg,

France and Germany, and also operates highly dense metro networks, in the Netherlands in particular.

Q In some mature markets, the bottleneck for data centre growth has shifted from land availability to grid capacity. How can the industry future proof portfolios against power scarcity?

Access to power is certainly the key bottleneck today. But a data centre's impact on water and other public goods must be considered too. Here, we need to focus on community engagement - being a 'good citizen' and a partner to local stakeholders. Where data centre developments have failed in Europe is usually due to a lack of proactive engagement with stakeholders. This leads to local opposition. Avoiding that pushback is vital for the growth of the industry.

For our existing sites operated by NorthC and Pulsant, the ability to secure incremental power is one of our key value-creation levers. We find that getting an incremental grid connection for an existing site is often much quicker and easier than securing a big new allocation for a greenfield site. This requires open dialogue and partnership with Distribution Network Operators (DSOs), Transmission Network Operators (TSOs) and local municipalities.

When we look at new greenfield developments, confirmed availability of power is the essential selection criterion. However, we need to differentiate between contractual and physical availability.

You often find situations where capacity is committed by the DSO on paper, but the physical upgrade required to actually deliver that power could take multiple years. There's a very different risk profile between power you can use straight away and power that relies on the success and timing of grid upgrades. We scrutinise this very carefully.

Q As hardware cycles accelerate, how do you ensure that a data centre built today doesn't become technically obsolete or stranded before the end of its investment horizon?

We have to remind ourselves of what we're actually investing in. As a hyperscale or colocation data centre operator, you aren't investing in the IT equipment itself. You're providing the space, power, cooling, connectivity, etc. As such, you aren't exposed to the rapid life cycles of the hardware - your customers are.

As the data centre operator, it's important to ensure that, as the equipment evolves, you can continue to provide those core services in an efficient and competitive manner. In addition, customer selection with a focus on customers that have viable long-term business model is key.

With NorthC, we ensure that for any new data centre we build, there's a flexible design from the start. We achieve this through a modular approach. Within a single data centre, different rooms and areas can cater to different requirements and use cases. You then need to ensure that the facility can be continuously upgraded. If you build with that flexibility in mind, those upgrades can be done in a way that's cost-effective, efficient and remains aligned with the shifting requirements of customers.



Q With the UK 'altnet' fibre sector undergoing consolidation, how can providers differentiate themselves from the competition and take on established networks?

To take on established names like BT Openreach, it comes down to scale. To be a relevant partner for retail internet service providers (ISPs), you need to provide large-scale coverage of a country or a meaningful region. ISPs don't want to contract with dozens of small or medium-sized platforms; they want big solutions that cover a significant share of a country. This was the case with CityFibre, in which we've invested and is today the largest independent wholesale provider in the UK. The firm already serves 4.7 million homes and has a target to reach 8 million homes, supported by very strong ISP partner contracts.

In terms of the consolidation

opportunity, there's currently a long tail of small local and regional players in the UK. In the long term, many will not be financially viable as standalone businesses, and this provides a massive opportunity for market consolidation through CityFibre's wholesale platform. The differentiation here is the ability to generate immediate commercial synergies through agreements with its ISP partners, which include Sky and Vodafone.

However, I'd like to note that consolidation shouldn't come at the expense of competition. We believe consolidation must happen to ensure the financial viability of the sector. But it has to be done in a way that protects genuine competition. All investors should be aligned in wanting to create a healthy, sustainable market with multiple national platforms. It's in the interest of the consumer to avoid a return to the monopoly or duopoly structures of the past. ■