The real estate beneath the revolution: Why data centres deserve a closer look

Published 25 June 2025

Christopher Gannatti, CFA
Global Head of Research

Key Takeaways

- As public cloud infrastructure players ramp up capital expenditures (projecting nearly $400 billion in 2025 alone), data centre infrastructure is emerging as a critical and underappreciated pillar of the AI economy.
- Amid macroeconomic uncertainty and big tech volatility, data centre REITs like Equinix and Digital Realty offer focused exposure to the physical compute layer, with rising demand from AI-native tenants.

As questions emerge about the durability of the artificial intelligence (AI) megatrend – and as policy makers in Washington and Beijing escalate tariff threats that could reshape global tech supply chains – investors are increasingly debating whether the infrastructure build-out that defined the past two years will persist. While enthusiasm once cantered around semiconductors, foundation models and application layers, attention is shifting. Beneath the surface of these innovations lies something more tangible: the concrete, cooling and cabling of the modern data centre.

Despite being the physical foundation of every AI training run and real-time inference, data centre real estate investment trusts (REITs) have remained second-tier considerations for many investors. Why consider Digital Realty or Equinix when you can buy Nvidia or Microsoft? Yet that framing may be shortsighted.

Heading into the second half of 2025, data centre infrastructure stands not only as an essential piece of the digital economy, but also as a potential countercyclical opportunity. As hyperscalers[1] recalibrate their strategies, the facilities housing their compute clusters may offer more durable exposure to long-term AI demand than many expect. The next phase of AI investment may be less about speculative software and more about securing physical capacity, bandwidth and power.

The invisible engine of AI

Generative AI is devouring compute at a historic rate. Microsoft's Azure, Google Cloud and Amazon Web Services are all projecting unprecedented capital expenditures to support next-generation workloads. It'll be interesting for all of us to monitor how or if these figures change in the face of shifting economic tides in different countries:

- **Microsoft** plans to spend ~$80B in FY25, up from $53B two years prior, with most of that targeting data centre capacity and AI-specific infrastructure. Importantly, Microsoft favours "fungible" CapEx that can support multiple use cases and prefers to own its infrastructure—but leases powered shells when needed.[2]
- **Amazon** is guiding for ~$100B in CapEx for 2025, with the majority directed toward Amazon Web Services (AWS), which crossed $100B in annual revenue in 2024.[3]
- **Alphabet** plans to spend $75B in 2025, citing a near-term shortage of AI data centre capacity as its primary motivation.[4]

Nvidia CEO Jensen Huang underscored this urgency at the GTC 2025 conference: Demand for AI compute has grown "100 times more than we thought we needed this time last year" due to the rise of agentic AI. Looking ahead, he projected that by 2028, annual capital expenditures on AI compute infrastructure could exceed $1 trillion – underscoring not just current scarcity but the scale of investment that may be required to keep pace with accelerating model complexity and global deployment.[5]

So why not just own the hyperscalers?

It's a fair question. Microsoft, Amazon and Alphabet dominate AI infrastructure, and they benefit from vertical integration, global reach and embedded distribution. But from an investment perspective, their data centre exposure is buried under other business lines – ad tech, retail, devices and software. For example – we have been watching the headlines regarding Alphabet's monopoly in advertising, its second such verdict.[6] It's an important and developing story for Alphabet, but it is a distraction from the overall growth of data centres.

In contrast, data centre REITs and infrastructure developers offer something different: pure-play, metered exposure to the compute layer.

Data centre REITs: Evolving for the AI age

Far from passive landlords, REITs like Equinix (EQIX) and Digital Realty (DLR) are repositioning themselves to serve high-density AI workloads:

- **Equinix** has logged 22 years of consecutive quarterly revenue growth and is now targeting $9B in annual revenue. Through its xScale joint venture, it has leased more than 400 MW of hyperscale capacity to cloud providers while maintaining its premium retail colocation franchise.[7]
- **Digital Realty** has pivoted toward a full-spectrum model, combining hyperscale campuses with high-density colocation. Its recent land acquisitions in Texas and North Carolina are designed for 100MW+ scale developments. In Q4 2024 alone, DLR signed 166 new customers.[8]
- **Iron Mountain** grew its data centre revenue 25% in 2024 and is selective in hyperscale deals – it passed on a 130MW lease that didn't meet return on investment (ROI) thresholds, underscoring the financial discipline now shaping the market.[9]

These REITs are now investing in liquid cooling systems, graphics processing unit (GPU)-ready pods and modular expansions. Their tenant base increasingly includes AI labs, GPU startups and enterprise inference deployments.

The new middle layer: CoreWeave and the rise of the AI cloud specialists

Somewhere between the hyperscalers and REITs sits a rising breed of "AI-native" cloud infrastructure firms. The most prominent is **CoreWeave**:[10]

- Originally a crypto miner, CoreWeave now leases GPU infrastructure and operates more than 250,000 Nvidia GPUs across 32 data centres.
- Its revenue grew 737% year-over-year (YoY) in 2024 to $1.9B. Microsoft alone accounted for 62% of that revenue.
- It is targeting a $32B–35B initial public offering (IPO) and has raised more than $12B in debt and equity to fund expansion.

CoreWeave's approach is emblematic of a new market niche: hyperscalers and AI developers leasing GPU-rich capacity from specialized providers. The economics are risky, as CoreWeave carries high debt and client concentration, but the model proves there's room for vertical scaling outside of Big Tech.

A global build-out: Segro, SoftBank and the new geography of compute

- **Segro**, the UK REIT known for logistics, has entered the data centre space via a £1B joint venture with Pure Data Centres. This is their first "fully fitted" facility, designed to host AI workloads and pre-let to a hyperscaler.[11]
- **OpenAI** and **SoftBank** are planning to invest up to $500B in new AI data centres globally via the Stargate project, starting in Texas and potentially expanding to the UK depending on regulatory and energy availability.[12]
- **Huawei's** CloudMatrix 384, powered by its Ascend 910C chips, is China's answer to the Nvidia GB200 platform. While less efficient per watt, it shows the global arms race in AI infrastructure is not constrained to the West.[13]

The result? Data centres are not just a U.S. or hyperscaler story. They are now a global competitive asset class.

Conclusion: Owning the compute layer

AI's future will be built in concrete and cooled by water. Whether via hyperscaler CapEx or REIT expansions, capital is flooding into the foundational layer of compute.

Data centre REITs offer a unique and underexposed angle: reliable cash flow, long-term leases and rising pricing power from AI-optimized capacity. For investors looking to own the infrastructure fuelling the AI economy – without the baggage of ad tech or retail – these assets may deserve a premium, not a discount. In short, don't overlook the real estate beneath the revolution. It's where the future gets built.

[1]Term used to reference the biggest computing infrastructure providers, most often Microsoft, Amazon and Alphabet.
[2]Source: Rangan et al., "Investing aggressively ahead of AI opportunity while remaining prudent, focused on long-term ROI - MSFT NDR takeaways," Goldman Sachs Research, 24/03/25.
[3]Source: https://www.aboutamazon.com/news/company-news/amazon-ceo-andy-jassy-2024-letter-to-shareholders
[4]Source: Kendrick Cai, "Alphabet reaffirms $75 billion capital spending plan in 2025 despite tariff turmoil," Reuters, 09/04/25.
[5]Source: Tae Kim, "Nvidia's Disconnect: An Improving Business With a Cheaper Stock," Barron's, 21/03/25.
[6]Source: Tae Kim, "Google Is Ruled a Monopolist for Second Time in Latest Federal Trial," Barron's, 17/04/25.
[7]Source: https://www.equinix.com/newsroom/press-releases/2025/02/equinix-reports-strong-fourth-quarter-and-full-year-2024-results
[8]Source: https://www.digitalrealty.com/about/newsroom/press-releases/123308/digital-realty-reports-fourth-quarter-2024-results
[9]Source: Dan Swinhoe, "Q4 2025 data center colocation results: Digital Realty, Equinix, and Iron Mountain," Data Center Dynamics, 27/02/25.
[10]Source: Tabby Kinder & Robert Smith, "CoreWeave tests investor risk appetite with $7.5bn in looming debt repayments," Financial Times, 21/03/25.
[11]Source: Joshua Oliver, "Segro partners with Oaktree-owned Pure on 1 billion GBP data centre in London," Financial Times, 3/25/25.
[12]Source: Hammond et al., "OpenAI and SoftBank weigh UK investment for Stargate AI project," Financial Times, 17/04/25.
[13]Source: Patel et al., "Huawei AI CloudMatrix 384—China's Answer to Nvidia GB200 NVL72," SemiAnalysis, 16/04/25.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. **Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request. This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment. An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks. The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes. This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or

guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements. WisdomTree Issuer ICAV The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares. The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification. Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product(s) mentioned herein. The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent. For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto. **For Investors in Malta:** This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority. **For Investors in Monaco:** This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.