

Recap of Raymond James' Data Center Symposium 2025

Exploring U.S. data center market demand drivers and growth outlook

Raymond James hosted its annual Private Data Center Symposium in January. Led by Raymond James' telecom services equity research Managing Director Frank Louthan, the symposium brought together leaders from data center operators and product manufacturers to discuss recent market trends in pricing and costs, power availability, sustainability, and transaction activity. We are pleased to share some key observations from the symposium below, and welcome the opportunity to discuss further with you.

COMPANIES REPRESENTED



KEY OBSERVATIONS



Data center demand is skyrocketing

The size of the global data center market is expected to reach \$365B+ within the next decade, with U.S. demand comprising a fifth of that, due to increases in requirements from AI development, cryptocurrency mining, cybersecurity risks, connected consumer and industrial devices, and data storage



Hyperscale and colocated data centers see construction increases

New, large-scale and co-tenancy builds near existing internet hubs or along active fiber networks seek to minimize server latency for customers while maximizing racking density to support growing data storage and processing demand



Power availability constraints are driving price increases

Doubling of wholesale per-kilowatt price since the advent of AI reflects limited transmission capacity, lack of new internet exchange construction, local and federal regulatory barriers, and difficulty pulling in utility availability schedules



New builds require creative approaches to transmission, pipelines, and turbine access

While the surge in AI and the resulting increased need for power has led to a slight step back from net zero promises, renewables remain one of the lowest cost options as power purchase agreements and carbon offset arrangements become more commonplace



Operating expenses cover value of land, building frames, and all internal infrastructure

Although investments in land and building construction remain high, they are dwarfed on a scale of ~3x-5x by the costs of the equipment and manufactured products installed within, creating a huge runway for manufacturers to upsell, expand offerings, and innovate



Technological innovation and manufacturer availability drives data center efficiency

Advancements in newer technologies like liquid cooling and aisle containment have spurred manufacturer availability of relevant products and systems to continue supporting data center growth and operations, with value placed on customized solutions and preemptive mitigation of technological obsolescence



Private equity activity in the data center space is increasing

The increase in market demand and expansion of vendor selection have stimulated the creation of joint ventures and partnerships, especially between smaller operators, as well as acquisitions – with over 80 relevant deals closed by PE firms in the past two years alone



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