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European Private Equity's AI Infrastructure Push Hits Real-World Limits

By Steve Denby | Senior Partner | April 2026



Executive Summary

Private equity firms are pouring capital into Europe's AI infrastructure opportunity—but the narrative is becoming more complex.

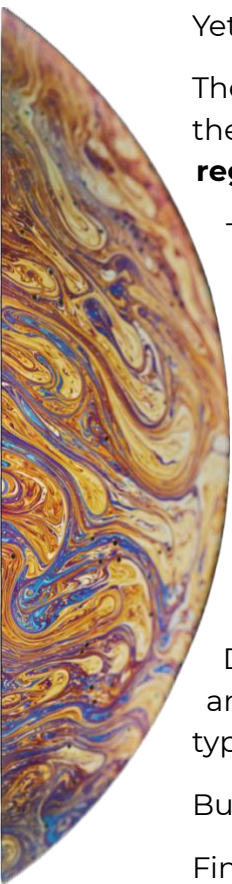
While debt markets are opening to fund hyperscale data-centre buildouts, high-profile project delays are exposing a less comfortable truth: capital is no longer the primary constraint—execution is.

A Market Defined by Momentum and Friction

Over the past 12 months, AI infrastructure has become one of the most aggressively pursued themes in European private equity.

Large-scale financings—such as Mistral's **\$830m debt raise to fund a new AI data centre near Paris**—illustrate the scale and speed at which capital is mobilising.

Banks and private credit funds are increasingly willing to back these projects, reflecting a growing consensus: AI infrastructure is evolving into a **core, infrastructure-like asset class**.



Yet, this momentum is now colliding with a series of structural constraints.

The decision to pause OpenAI's proposed **£31bn UK data centre project** underscores the challenge. Despite strong capital backing, issues around **energy availability, regulatory complexity and cost inflation** have forced a rethink.

The message is becoming clear across the market—**ambition is outpacing deliverability**.

Capital Is Abundant but Selective

The influx of capital into AI infrastructure is undeniable.

Private equity, infrastructure funds and credit providers are converging around a shared thesis: owning the “picks and shovels” of AI—compute, power and data storage—offers more predictable returns than betting on software winners.

Debt markets, in particular, are playing an increasingly central role. Transactions are now being structured with **significant leverage from day one**, a model more typical of mature infrastructure assets than emerging technology platforms.

But lenders are not indiscriminate.

Financing is flowing toward projects that can demonstrate:

- secured access to power
- credible construction and delivery plans
- alignment with national or EU-level strategic priorities

In effect, the underwriting lens is shifting from **growth potential to execution certainty**.

The Physical Constraints Behind the Boom

Europe's AI infrastructure push is ultimately grounded in physical realities.

Data centres require vast amounts of:

- **electricity**, often in regions where grid capacity is already stretched
- **land**, typically in proximity to urban or industrial hubs
- **regulatory approvals**, which remain fragmented across jurisdictions

Recent data suggests vacancy rates in key European data-centre markets have tightened significantly, reflecting supply constraints rather than lack of demand.

For private equity investors, this creates a paradox.

Scarcity is driving **valuation upside**, particularly for assets with secured power and permits. But the same scarcity is also **slowing deployment**, extending timelines and increasing execution risk.

A Changing Playbook for Private Equity

The implications for private equity are material.

Historically, value creation in technology investments has centred on:

- product development
- go-to-market acceleration
- margin expansion



In AI infrastructure, the playbook looks very different.

Success is increasingly determined by the ability to:

- secure and manage **critical resources (power, land, permits)**
- structure and deploy **complex capital stacks**
- navigate **policy and regulatory environments**

In other words, the skill set is shifting from traditional tech investing toward a hybrid of **infrastructure development and financial engineering**.

Exit Dynamics: Scarcity Premium Meets Scrutiny

Exit conditions are evolving in parallel.

On one side, the scarcity of high-quality, operational AI infrastructure assets is supporting strong valuations. Investors are willing to pay a premium for platforms that have already navigated the most challenging phases of development.

On the other, buyers are becoming more cautious.

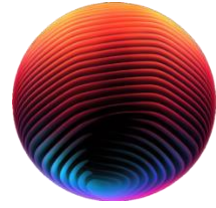
Projects still exposed to:

- power uncertainty
- construction risk

- regulatory delays

are facing deeper diligence and, in some cases, pricing pressure.

The result is a bifurcated market, where **fully de-risked assets command a premium**, while others struggle to clear.



The Bigger Picture

Europe's push to build sovereign AI capability is adding further momentum to the sector. Governments and regulators are increasingly supportive of domestic infrastructure investment, recognising its strategic importance.

But policy support alone cannot resolve the underlying constraints.

For private equity, the opportunity remains compelling—but it is no longer straightforward.

The next phase of AI infrastructure investing in Europe will be defined less by how much capital is available, and more by who can deploy it effectively in a constrained environment.

In that sense, the sector is entering a more mature phase—one where execution, not enthusiasm, will determine returns.