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BRIEFING

Risk and resilience in Asia Pacific's maturing data centre market



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Data centres have evolved from a niche real estate asset class into a mainstream technology-driven investment opportunity. Many data centre projects are seen as critical digital infrastructure, with power availability, counterparty quality and contractual rigour now shaping which projects get built and financed. As AI-driven demand accelerates financing and investment increases in the sector, developers, investors and lenders are having to rethink long-standing assumptions about site selection, financing structures, contracting approaches and risk allocation.

This briefing sets out the key takeaways from a recent Clifford Chance panel discussion, *Data centres at an inflection point: managing risk in a maturing market*, held during our Asia Pacific Energy and Infrastructure Week.

- **Recent financing trends in Asia Pacific.** Data centre assets are being financed at senior, holding company and corporate levels. Financings can be structured on a single-asset or portfolio basis, covering the full development lifecycle from greenfield projects to stabilised assets. A typical financing structure combines senior operating company debt with structurally subordinated holding company financing. Beyond data centres, the next frontier is graphics processing unit (GPU) financing at scale. Capital markets solutions, such as asset-backed securitisation, may also gain traction in Asia Pacific.
- **Neocloud providers are shaping deal structures.** Neocloud providers (NCPs), a fairly new category of intermediaries, increasingly sit between data centre operators and hyperscalers. An NCP typically leases data centre capacity and on-supplies or resells GPU computing capacity to its own end customers on shorter, more flexible terms. Because the NCP rather than the data centre operator, owns the GPUs and manages the end-customer relationship, the risk profile changes materially. Data centre operators and their lenders and investors face potentially less predictable cash flows. They may also be exposed to the NCP's credit profile rather than that of a single creditworthy hyperscaler.
- **Data centre and GPU financings have fundamentally different risk profiles.** In a data centre financing, the security package is anchored in the customer contract. For data centre operators and their lenders,

an NCP tenant may create additional credit, sanctions and export control risks. This may also create a credit gap: payments from the NCP's end customers may not reach the data centre operator if the NCP experiences financial distress. By contrast, GPU lenders focus on taking security over the GPU chips. Because GPU assets depreciate as technology evolves, GPU financings are often structured with amortisation profiles that track the hardware's useful life. This differs from the bullet repayment profile commonly used in data centre financings. Residual value guarantees can also provide useful credit enhancement for GPU financings.

- **Customer contract terms are under closer scrutiny.** As part of their due diligence, investors and lenders to data centre developers are scrutinising the terms of customer contracts more closely, including parent company guarantees of customers' obligations. The customer base is also diversifying. Chinese hyperscalers and NCPs are playing an increasingly prominent role in the region alongside US hyperscalers and AI labs, particularly in Southeast Asia. Contract terms are becoming shorter than the traditional 10 to15 year period, reflecting technological change and obsolescence risk. Parties are negotiating export control and sanctions triggers, service levels, delay relief, termination protections and liability caps more closely. Lenders continue to require the customer contract to be assignable as security, together with step-in rights typically documented through a subordination, non-disturbance and attornment agreement (SNDA).
- **M&A activity is shifting towards development funding.** The dominant trend is growth through development rather than acquisition. Capital is flowing through hybrid instruments and M&A transactions targeting underlying assets or land pipelines, rather than entire platforms. Lenders and acquirers are conducting more rigorous due diligence on customer contracts, power procurement arrangements and construction programmes. Modular delivery and GPU integration sequencing are adding further complexity to that diligence process.
- **Risk mitigation starts at the design stage.** Rapid technological change, including the shift to liquid cooling and the potential of 800V direct current power, is requiring operators to redesign data centre architecture without a standardised model. This increases the risk of contractor disputes as specifications continue to change. Access to long-term power at a reasonable price with manageable curtailment risk may be one of the sector's most important issues in the region. Regulatory and planning risks are intensifying too. Examples include a pause on the construction of certain data centre projects in Thailand and parliamentary scrutiny of a proposed data centre development in Australia. Other regions see similar issues such as a UK water-use restriction that has been imposed on a data centre that relies on liquid cooling.

This briefing summarises the views expressed during the panel discussion. It does not constitute legal advice. To discuss these issues, please contact your usual Clifford Chance contact.

To find out more, read our briefing: GPU infrastructure – financing and contracting for AI compute capacity



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