PERE

By: Charlotte D'Souza
PUBLISHED: 12 June, 2024

DEALS

BGO's Carrafiell: 'Tectonic technological shifts' drive latest investment

Through a third investment in Bulk Infrastructure, the New York-based firm looks to meet demand for AI-ready data centers, says its co-CEO.

New York-based manager BGO has made a new equity investment into Bulk Infrastructure, a developer and operator of data centers across the Nordics. At €350 million, the latest investment, announced last week, was "sized to accommodate more ambitious development and growth targets than we had originally envisaged," according to BGO's co-CEO John Carrafiell.

Through its European business, BGO has now made three separate investments into Bulk since 2020, taking the total to more than €640 million and the firm's ownership stake to approximately two-thirds. BGO declined to disclose the investment vehicles involved.

The second-largest shareholder remains Bulk's founder and executive chairman Peder Naerboe. Under Naerboe's leadership, Bulk intends to invest more than €1 billion by 2026 to scale its data center platform within the Nordics.

The latest capital injection from BGO reflects "recent leasing success and the extraordinary AI-driven specific demand we are seeing since summer 2023," Carrafiell told PERE. He attributed this explosion in demand for data centers that are equipped to run artificial intelligence systems to the simultaneous confluence of "two tectonic technological shifts," namely the H100 graphics processing unit [GPU] chip developed by Nvidia and designed to accelerate AI applications, and the breakthrough advancements in large language models (LLM).

Where data centers currently account for just over 1 percent of electricity demand in Europe, the expected growth of AI servers – which are far more energy intensive than traditional servers –will increase European data centers' power demand by more than 8 percent over the next 10 years, according to a 2024 report by Goldman Sachs.

To run the latest GPU systems, data centers need more advanced mechanical, electrical and plumbing systems in order to distribute a higher power load and cooling, which would be very difficult and costly to retrofit in existing data centers, added Carrafiell.

Bulk currently has three data center sites in Norway and Denmark. These include the N01 Data Center Campus, which will have a capacity of 400MW by 2026 from 100 percent renewable power; Bulk has ambitions to grow this to 2GW in the medium term. Carrafiell said the scalability of the N01 site is a "perfect fit" for large-scale AI-driven deployments of 100MW or more.

Where it was once critical for data centers to be based near large population centers in order to store and retrieve cloud-based data efficiently, Carrafiell said this proximity matters less with AI. Instead, all the accelerated computing and LLM work is done in the data center by server systems that interact with each other, as opposed to the outside world.

Carrafiell said this makes the Nordics "equally good or even better than Northern Virginia or the traditional European tier one 'FLAP-D' markets of Frankfurt, London, Amsterdam, Paris and Dublin," as access to very large quantities of baseload power is the bigger priority than proximity to population clusters.

Bulk will remain focused on the Nordics "for the time being," said Carrafiell. He added the Nordics are also attractive for data center tenants owing to the availability of 100 percent renewable energy and its comparatively lower cost versus other European markets, the competitive latency afforded by the region's strong fiber connectivity to Europe and the US, and the cooler climate. The data center market in the Nordics is set to grow by 30 to 55 percent in the coming year, according to research by JLL.

BGO is continuously looking for opportunities to expand its data center activities across Europe, said Carrafiell. Outside of Bulk, the US manager has made other data center investments in the UK and Italy.

BGO occupies fourth position on the 2024 PERE 100, having raised $19 billion for private real estate investment in the past five years.