



APLMA
Asia Pacific Loan Market Association

Network effects

How data centre financing is
reshaping loan markets in Asia Pacific

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Unlocking new opportunities



As data centres become established as critical infrastructure in Asia Pacific, the asset class is quickly becoming an essential part of the APAC loan markets. Across the region, we are seeing high demand from APLMA members for insights into data centre financing, with conversations featuring prominently at virtually every APLMA event.

This reflects the scale of the opportunities ahead for lenders and investors – as well as the challenges that come with financing capital expenditure on this scale. Data centre financing is far from straightforward. The facilities themselves are complex, and business models are diverse. Financing solutions can take on many forms and sit at different levels within the capital structure. For lenders looking to gain exposure, a strong understanding of the sector and financing structures available will be important to assessing credit risks.

The enormous amounts of funding required are also transforming financing markets as developers look to diversify their access to capital and lenders look to manage their risks. We are seeing broader institutional investor participation and increased cooperation between credit funds and banks, accelerating an emerging theme in the APAC loan markets in recent years.

The APLMA strives to advance understanding of this dynamic, growing market, in line with our mission to support the sustainable development of the APAC loan markets. We have added dedicated sessions at several events, including our Annual Conference in Singapore in 2025.

We hope this paper provides useful insight into the drivers powering the market ahead and the factors that lenders will need to consider as data centre investment accelerates.

Philip Kam
CEO, APLMA

A message from our sponsors

FitchRatings

Fitch Ratings is an award-winning provider of credit ratings, commentary and research, dedicated to providing value beyond the rating through independent and forward-looking credit opinions. Fitch Ratings is a global leader in financial information services with operations in 30 countries. Fitch has the largest on-the-ground presence in APAC among the leading international credit rating agencies, with 21 offices in the region.

Data centre financing has become an important driver of financing and investment activity globally, and the asset class is quickly gaining traction in Asia Pacific. We expect capex spending to remain vigorous in 2026, as technology companies invest to meet rising demand for cloud, streaming and AI data processing and storage.

The rapid growth of data centre financing is also bringing new financing structures and new investors into the Asia Pacific credit markets, accelerating the development of credit markets across the region and introducing investors to broader APAC investment opportunities. At the same time, the scale of financing involved makes it imperative for all market participants to have a sound understanding of the risks and credit considerations involved. In Asia Pacific, the regulatory and practical differences between individual markets add a further layer of complexity to the unique characteristics and risks associated with this rapidly evolving asset class.

At Fitch, we are committed to supporting the healthy development of the data centre financing market in Asia Pacific. We have developed a comprehensive suite of credit ratings, analysis and risks assessments to enhance the understanding of digital infrastructure projects and provide insights into the global trends and challenges impacting data centre credit.

We are pleased to support the APLMA in this initiative to raise awareness of the opportunities and challenges that may lie ahead.

LATHAM & WATKINS LLP

Latham & Watkins is a global law firm with more than 3,500 lawyers in its offices located in 14 countries across Asia, Europe, the Middle East and the US. The firm has over 60 internationally recognised practices in a wide spectrum of transactional, litigation, corporate and regulatory areas and is consistently ranked in the top tier by leading legal and business publications such as The American Lawyer, Financial Times, mergermarket, Chambers and Partners, Legal 500, and Asia Legal Business. In Asia, Latham & Watkins has over 150 lawyers operating from five financial centers – Hong Kong, Singapore, Beijing, Seoul, and Tokyo. Lauded as the “Most Innovative Firm in the Asia-Pacific” by the Financial Times, our united and diverse Asia team, including local and international lawyers, connects clients in the manufacturing, technology, consumer/retail, healthcare, telecom, industrial, financial services, infrastructure, energy, media, and real estate industries to world-class legal services in the region and to the full complement of Latham lawyers around the globe.

Surging investment in data centres is driving exciting developments across all aspects of financing. In Asia Pacific, this expansion comes with a unique set of challenges that deserve special attention from lenders, developers and other stakeholders. While it is tempting to think of data centres as high-end real estate assets, the considerations for lenders are far more complex. Each facility has a unique profile, based mainly on the terms of its customer contracts, ownership structure, access to power, water, and its technical specifications. Lenders also need to consider the evolving regulatory landscape, particularly around data sovereignty, as well as the risk of obsolescence in a time of rapid technological change. As developers race to meet surging demand, there is a high premium on speed – in contrast to the typical project financing timelines here in Asia Pacific.

Given the scale of financing involved, it is essential for lenders to pay careful attention to collateral, security and covenant arrangements before entering into any transaction. We are also seeing a sharper focus on intercreditor agreements, given the build-up of debt financing at multiple layers in the capital structure. Expert legal advice may be required to navigate these issues.

This paper is the first thematic whitepaper produced by the APLMA, examining the current state of the data centre financing market, unique challenges and features of the financing market in Asia Pacific, along with the key trends and opportunities for loan market participants.

We applaud the APLMA’s efforts to share knowledge and promote best practices in the fast-growing data centre sector.

Market overview

Asia Pacific has emerged as a key growth engine in this digital infrastructure supercycle.



1,800
Data centres
in the region

24 gigawatts
Operational
capacity by 2030

Business models take shape

Data centres are fast becoming the backbone of the digital economy, driven by rising demand for digital services, cloud computing and surging investments into artificial intelligence (AI). Asia Pacific has emerged as a key growth engine in this digital infrastructure supercycle. The region is now home to more than 1,800 data centres¹, and operational capacity is on track to double to 24 gigawatts (GW) by 2030 from about 12.7GW in the first half of 2025².

While the growth of data centres is a global phenomenon, the structure of the data centre market in APAC is very different from other regions, reflecting the region’s diversity. Broadly, three distinct models are prevalent in APAC, each carrying a different risk-return profile for bank lenders and investors: hyperscale data centres, co-location facilities and enterprise data centres. Other nascent models are also gaining traction in APAC. There is growing interest in edge data centres, which are smaller facilities located closer to end users to reduce latency. Their potential is vast: the APAC edge data centre market is projected to grow at an average annual rate of 25% per year beyond 2024 and account for 24% of the global edge data centre market by 2028.³

The typical data centre developer leases out the facility as a “powered shell”, including power, water and cooling systems, while the tenant installs their own computing hardware. However, managed platforms are also gaining traction with tenants looking for a plug-and-play solution, including hardware, such as graphics processing units (GPUs) and data storage. Such models lower the barrier to entry for software applications and AI startups that are looking to expand their operations without the upfront costs of procuring advanced chips and developing their own digital infrastructure.

Examples of data centre business models in Asia Pacific

Model	Ownership structure	Main use cases	Source of cashflow
1 Hyperscale	- Massive, purpose-built campuses serving a single customer. - Facilities can be owned/operated by tech giants, platform providers or built-to-suit by developers	Large-scale cloud computing, AI applications, and global software-as-a-service (SaaS) delivery	Long-term contract with single tenant, typically serving one of the world’s 10 biggest tech companies
2 Co-location (Colo)	- Multi-tenant facilities where space, power, and cooling are leased. - Colo facilities allow companies to scale without the capital expenditure required to build their own sites	Enterprise digital transformation, hybrid cloud, and network interconnection	Multiple tenants, shorter-term contracts
3 Enterprise data centres	Privately owned and managed facilities located on or near company premises	Storage and processing of proprietary data and legacy applications	Internal company resources

Note: Information is intended for illustration purposes only and is not comprehensive.



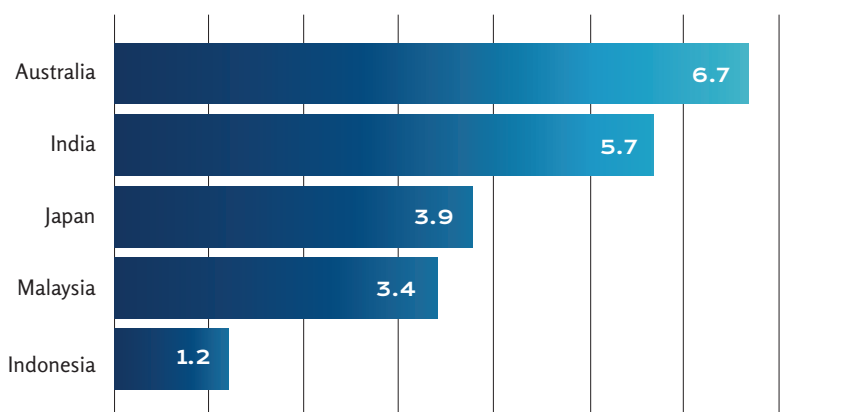
Mainland China is the largest data centre market in APAC with 37% of the region's operational capacity.

For example, in Australia, GPU-as-a-service providers are growing in influence, allowing users to access and deploy GPUs in the cloud, rather than purchasing and maintaining them on site. The business structure is still evolving, however, and lenders are more cautious when assessing the bankability of such models.

New hubs of activity

While data centre development is accelerating across APAC, some markets have firmly established themselves as hubs. Mainland China remains the largest market with 37% of APAC's operational capacity. Japan, Australia, India and Singapore follow with a collective 40% of operational capacity but account for half of APAC's development pipeline.⁴ Growth has historically been concentrated in the major cities of Hong Kong, Singapore, Sydney, Tokyo, Beijing and Shanghai, but markets like Melbourne, Osaka, Seoul and Johor are fast becoming powerhouses as developers scout for locations with easier access to power and land.

APAC Countries with over 1GW of planned capacity As of 3Q 2025



Source: Datacenter Hawk. As of 3Q 2025

Japan is increasingly looking to position itself as a leader in AI innovation and adoption – and has been rewarded with some big investments from global groups. For instance, Microsoft has said it will invest \$2.9 billion to enhance Japan's AI and cloud infrastructure.⁵ The government is also encouraging the redistribution of data centre infrastructure to cities like Hokkaido and Nagano to stem future capacity constraints in tier-one cities.

At the APLMA Japan Loan Market Conference in October 2025, speakers highlighted recent projections of an additional 3.1GW of data centre capacity to come online in Japan by 2030 – more than all of Southeast Asia combined.

Malaysia, meanwhile, has become one of Asia's most dynamic data centre markets and a preferred destination for global hyperscalers, cloud providers and enterprise operators. Its popularity is thanks to a supportive regulatory environment, its strategic location near financial hubs and attractive costs and capacity advantages.

Within the country, Johor's proximity to Singapore has transformed the Malaysian state into a foreign investment magnet: Johor is expected to account for 60% of Malaysia's data centre capacity by 2030.⁶ India, too, is primed for a data centre explosion as internet usage expands rapidly. But strained access to power, land and water in urban areas could pose a challenge for developers and financiers eyeing opportunities there.

“Stakeholders need to navigate regional differences, liquidity constraints, credit risks and technological changes to access opportunities in this dynamic sector”

Ng Ka Man
co-chair of the APLMA’s Energy and Infrastructure Finance Committee and Deputy General Manager, Head of Project Finance, Bank of China (Hong Kong) Limited.

The differences between APAC markets are not lost on lenders and investors. At APLMA conferences in Mumbai, Taiwan, and Singapore in 2025, the unique characteristics and fragmented nature of Asia’s distinct markets were among the key discussion points. These challenges, however, aren’t holding back investors and developers. The growth potential in the region means it is a market they cannot ignore.

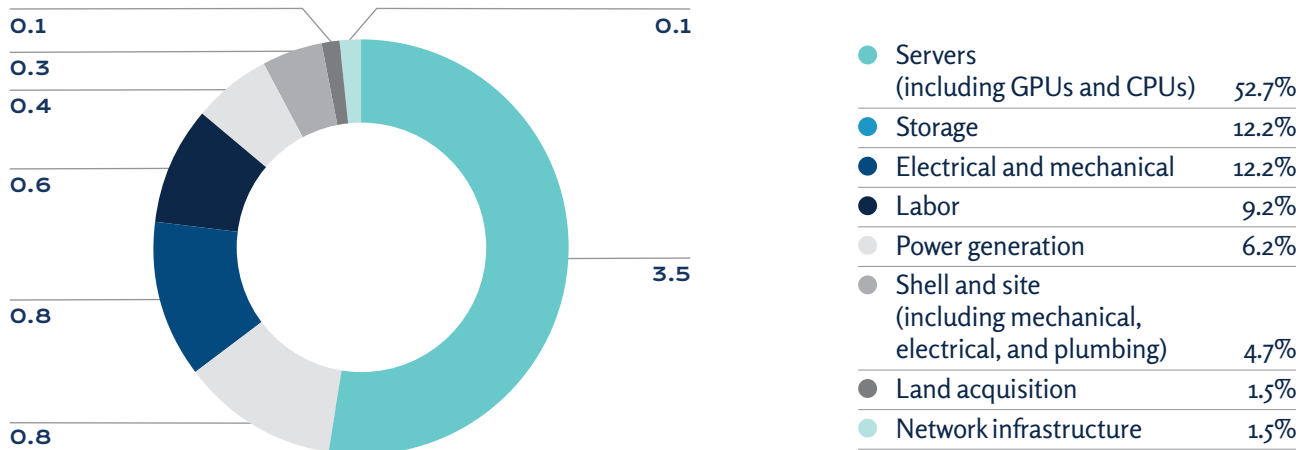
Financing at scale

The huge capital requirements associated with data centres and digital hardware are driving significant financing activity. The US, by far the biggest market for data centres globally, is leading the way with a growing number of jumbo financings. In late 2025, for example, Meta Platforms and Blue Owl Capital sealed a mammoth \$27bn debt financing to fund the buildout of the Hyperion greenfield data centre campus in Louisiana.⁷ Stargate Project, backed by investors including OpenAI and Japan’s SoftBank Group Corp, is planning to invest \$500 billion⁸ over the next four years to build new AI infrastructure, including data centres, in the US. Large project loans for the first phase of facilities are already under discussion.

Recent deals in APAC are also growing larger. Australia-based hyperscale data centre specialist AirTrunk has led the way on the loans front, having raised a total of A\$18 billion in sustainable financing to date – making it one of the largest issuers of sustainable financing in the global data centre sector.⁹ Others like Singapore-based Princeton Digital Group used multiple funding tools last year, including preferred equity investment, green loans, project financing and holding company (holdco) loans to fund their expansion.¹⁰ It is this breadth of funding activity that makes the data centre market such an important catalyst for the APAC financing markets.

“From a financing perspective, due to the significant capital requirements for data centre development, traditional and innovative financing structures are all being employed, ranging from real restate, project finance, portfolio financing, holdco financing, securitisations and project bonds to green loans and private credit solutions,” said Ng Ka Man, co-chair of the APLMA’s Energy and Infrastructure Finance Committee and Deputy General Manager, Head of Project Finance, Bank of China (Hong Kong) Limited. “As well as understanding these diverse structures, stakeholders need to navigate regional differences, liquidity constraints, credit risks and technological changes to access opportunities in this dynamic sector.”

Global distribution of capital investments for data centres
2025 – 2030E, \$ Trillion



Source: Fitch Ratings, McKinsey & Company

The funding challenge

The rapid growth of data centres in APAC poses risks around three main areas: regulation, liquidity and credit.

For lenders and sponsors keen to capitalise on the opportunities in APAC, this is not a simple plug-and-play asset class. Given that each APAC market has its own framework for data centres – and all are at different stages of technological development – financiers have to navigate a complex environment as well as challenges that are unique to the region.

The first of those is the sheer amount of capital needed to finance the asset class. In the first nine months of 2025, data centre operators and investors committed nearly \$38 billion for APAC projects and platforms, nearly eight times what was raised during the same period in 2024.¹¹

Globally, data centres are projected to need \$6.7 trillion in investments by 2030.¹² In Asia Pacific, Knight Frank estimates the region needs \$750 billion to deliver its existing data centre pipeline.¹³

Market sources put development costs for data centres at anywhere from \$10 million to \$15 million per megawatt of data centre capacity, meaning a 100MW centre will need roughly \$1 billion to \$1.5 billion of investment.

Ben McCarthy, managing director and head of Asia Pacific structured finance at Fitch Ratings, believes this will have a lasting impact on the region's debt markets. "Liquidity in the data centre financing segment is strong, but we are beginning to see borrowers look for diversification and lenders talk about exposure limits," he said. "The amount of debt funding needed to support investments on this scale will test the limits of any market."

For lenders, risks revolve around three main areas: regulation, liquidity and credit.

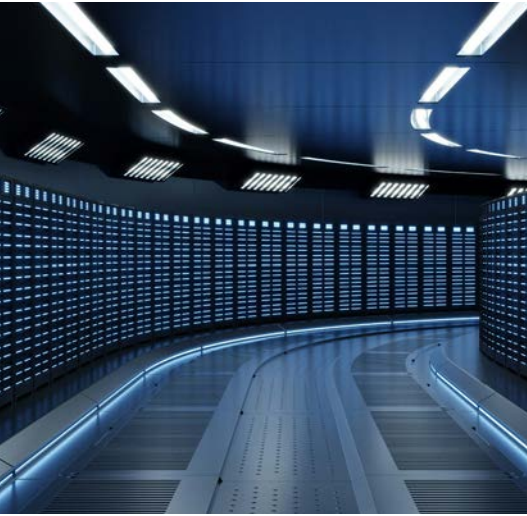
Many markets in APAC have data sovereignty rules that may limit the ability of data centre operators to serve international customers

1 Evolving regulation

The rapid boom in the use of cloud computing and AI adoption means regulations are also evolving fast. Several markets have introduced restrictions on the use of land, power and water for data centres in order to protect scarce resources.

Singapore, for instance, imposed a moratorium on new data centre construction from 2019 to 2022¹⁴, before opting for a phased lifting of the ban and implementing strict guidelines on developing energy and water-efficient centres. Taiwan, meanwhile, stopped approvals in mid-2024 for data centres larger than 5MW in the regions north of Taoyuan, due to insufficient power supply.¹⁵

Data sovereignty regulations may also dramatically affect data centre operators in the years ahead. For instance, Vietnam requires providers that collect or process certain kinds of data to store the information locally and establish a local presence. Markets like China, India, Indonesia, Thailand and Malaysia also have variations of data sovereignty rules, aimed at prioritising local handling and storage of sensitive data. For data centres, this means a facility built in a specific jurisdiction to serve a global tenant will have to adhere to that country's rules, and may limit its ability to serve international or global customers.



With a relatively short industry track record and high refinancing requirements, lenders will need to take a view on whether data centre leases will be renewed when they expire.

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Credit assessments need to take into account the potential to upgrade facilities as technical requirements change.”

Sajal Kishore
Managing Director,
Head of Europe, Middle East,
Africa and Asia Pacific, infrastructure
and project finance, Fitch Ratings

2 The limits of liquidity

While data centre developers have tapped equity, loans and other fundraising avenues, banks remain central to data centre financing. Recent data centre loans have attracted crowds of lenders, and bankers are enthusiastic about the sector. However, some financial institutions are beginning to reach sector or single-borrower limits as the market expands, which could reduce liquidity available for future transactions. A lack of liquidity in local currencies could also lead to developers taking on additional foreign exchange risks. Strong interest from institutional investors offers an alternative source of funding, and may allow lenders to recycle their capital. Potential outlets include secondary sales to credit funds or refinancings in the capital markets. However, the institutional capital markets for data centres are still untested in APAC.

3 Assessing credit risks

Data centre financings depend heavily on long-term contracts with some of the world's biggest technology companies – household names with high credit ratings. The structure of the APAC market, however, adds complexity. In the US market, facilities are typically developed, owned and operated by big technology companies, such as Meta or Google, which limits counterparty risk. But in APAC, lenders must often navigate relationships with the owners of the land, the developer of the data centre, the operator and the end customer.

Data centres differ from conventional real estate assets and require more complex credit assessments – often using project financing techniques. For greenfield developments, lenders in APAC are often looking for pre-leasing commitments and top-tier anchor tenants before committing financing. Credit assessments can be further complicated by a mismatch between data centre lease contracts and loan tenors. Contracts in Asia tend to average eight to 10 years, those in Australia can go up to 12-13 years, and those in the US typically see an initial 15-year leasing contract plus five years. But typical loan tenors for APAC data centre development range from five to seven years, creating a refinancing hurdle further down the line.

Industry participants stress that top-tier tenants are sticky, and moving racks of servers elsewhere is a major investment. Globally, however, the industry has only a short track record, and lenders will need to take a view on whether the lease will be renewed when it expires. Lenders also need to be aware of fast-changing market conditions and the growing risk of hardware becoming obsolete as new technologies gain traction. The most advanced chips that power AI-ready data centres might today be expected to last for five years, but their useful life could be cut sharply as more advanced GPUs become available. That has implications for any financing using GPUs as collateral – as well as potentially the lifespan of the data centre itself.

Even where data centre developers do not provide the hardware, their customers' requirements are evolving quickly. Most APAC facilities today support cloud computing workloads and are air-cooled, while liquid or immersion cooling may be more efficient for the newest AI-ready servers. Sajal Kishore, managing director, head of Europe, Middle East, Africa and Asia Pacific, infrastructure and project finance, at Fitch Ratings, notes that obsolescence of buildings is entering the picture. Vertically-built data centres, for instance, may have less capacity for expansion or retrofitting in the future, compared to flatter structures with more land available. Financing retrofits or building improvements may also be complicated where lenders have security over the existing assets. “Credit assessments need to take into account the potential to upgrade facilities as technical requirements change,” he said.

Templates for success

The range of financing solutions in APAC is broadening as the industry expands, presenting opportunities in project financing, asset-backed financing, mezzanine loans and holding company debt.

Financing structures

Despite the challenges, the APAC data centre sector has enjoyed strong access to capital – especially from the local bank loan market. Loans for the sector totalled USD15.8 billion in the first half of 2025, according to an LSEG analysis, up 420% on the same period a year earlier. Australia, Singapore and Malaysia led the growth in volumes. As the industry scales up, the use of debt financing is broadening to include senior debt, asset-backed lending, project financing, green financing, and private credit. In Malaysia, for example, early data centre financings were denominated in ringgit and secured against the land being developed – borrowing from the standard real estate development template. This, however, covers only part of the capex required.

At the APLMA Malaysia Loan Market Conference in July 2025, market participants discussed the use of US dollar funding to match cashflows from end-customers, as well as the growth of project finance structures, particularly for larger or greenfield developments. This is because project finance allows developers to ringfence project risks and use non-recourse or limited recourse debt, backed by contractual frameworks and security packages. Such structures are appealing to both developers and lenders as they align risk allocation with project fundamentals.

Financing can be structured in different ways: on a project finance basis, as real estate financing or receivables financing, and as holding company (holdco) or operating company (opco) debt, with mezzanine portions and private credit bridging the gaps. “There is a lot of liquidity, and a lot of investment required,” said Chuan Wei Kong, a finance partner at Latham & Watkins. “There is a space for everyone to play in.”

Holdco financing has gained traction in certain markets across APAC, with banks and institutions attracted to the higher interest margins on offer. Some investors will accept financings with limited security and payment-in-kind (PIK) interest structures in return for higher returns. Others worry that holdco financing allows borrowers to add more layers of debt and impacts their ability to enforce a claim if things go wrong. “For holdco financing lenders, the general view is that the fewer lenders between them and the asset, the better from an enforcement and value recovery perspective,” said Kong. “That’s why we are seeing some banks adopt the position that there should be limited layering of debt between the holdco level and senior project financing level, though there should be other considerations at play including the value of the portfolio of data centre assets versus the overall leverage in the structure.”

Data centre-related syndicated loans in APAC
USD bn





Data centres are prime candidates to open the ABS market, and once they do, that will attract more investors, and the depth and pool of liquidity will increase.”

Sajal Kishore
Managing Director, Head of Europe,
Middle East, Africa and Asia Pacific,
infrastructure and project finance,
Fitch Ratings

Lessons from the US

Debt layering aside, the financing toolkit varies between regions. The US, with a mature, liquid and deep structured finance market, has seen heavy use of asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) for data centre projects. The first data centre ABS in the US dates back to 2018.¹⁶ Additionally, private placements have come to the fore in the US in the past 18 months as campus sizes grow substantially.

Recent deals include Blackstone-backed data centre operator QTS Realty Trust’s sale of \$1.65 billion of privately-placed high-grade bonds in August 2025¹⁷ to fund US projects. On the ABS side, AI, cloud and data centre provider Switch closed its fourth ABS in October 2025, raising nearly \$659 million. That brought its total ABS issuance to about \$3.5 billion and made it the largest single issuer of data centre ABS since 2024.¹⁸

Perhaps most notably, US social media and technology giant Meta, via special purpose vehicle Beignet Investor, raised some \$29.3 billion in October 2025 from a 144A bond for Blue Owl Capital’s investment in a data centre joint venture. Other hyperscalers followed: Google owner Alphabet raised about \$25 billion in a 14-tranche bond in November last year, and Amazon priced a \$15 billion six-part deal in the same month.¹⁹ Some borrowers have also raised finance specifically tied to the GPUs – the powerful and expensive chips that are in high demand around the world. CoreWeave, a US data company offering GPUs as a service, has completed multiple deals on this basis, including a \$2.6 billion loan in July 2025 to purchase the latest Nvidia chips for a data centre servicing OpenAI.²⁰

GPU financing is becoming more common particularly in the US, says Don Stokes, an infrastructure and project finance partner at Latham & Watkins, with private capital coming in to fund these critical advanced chips, usually in a separate facility to the financing of the development of the physical data centre. In such cases, there may be no inter-creditor arrangement between the GPU financiers and those funding the actual data centre, he adds. These deals illustrate how financing can be tailored to suit specific borrowers and specific business models. The big question is to what extent some of these US structures can be replicated in APAC.

Fitch’s McCarthy reckons the US structured finance model – be it a project bond, an ABS or CMBS – can be done in Asia, but no deal of that type has been printed so far. The challenge is that with the exception of Australia, China, Japan and Korea, many APAC countries do not have a deep structured finance market. This means more issuers may opt for project finance bond structures to appeal to investors already comfortable with the product. ABS deals are perhaps the most realistic prospect. As developers hit bank limits, they will have to turn to real money investors that are structure-agnostic and who can provide loans, bonds or structured deals.

“They can do ABS structures in Asia,” said Kishore. “Given the depth and liquidity of the market in APAC, one would expect a market like Australia to be where issuance would start. The question is when and how much issuance can come. But data centres are prime candidates to open the ABS market, and once they do, that will attract more investors, and the depth and pool of liquidity will increase.”



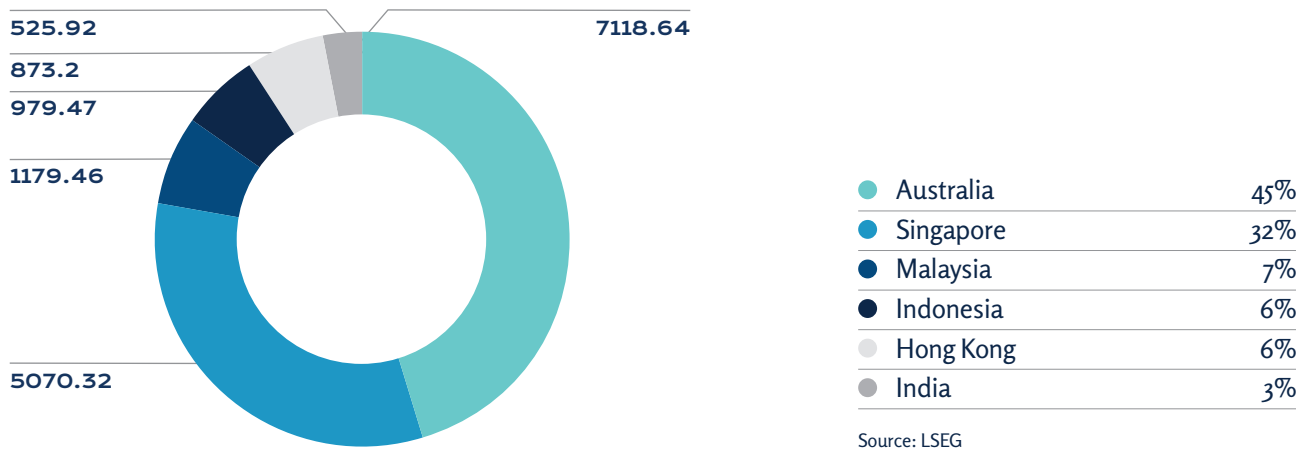
Asia-specific development

In a way, Asia is charting its own path for data centre financing. For example, one of the first receivables-backed financings for a GPU-as-a-service provider in APAC was structured as a sale of customer receivables to a bank, using invoice discounting techniques rather than a secured loan. In less-developed markets, multilateral development banks also have a role to play – as illustrated by the Asian Development Bank’s support for a colocation facility in Thailand in 2025.²¹

As platforms mature, some data centre businesses are gearing up for public listings and are increasingly looking for pre-IPO financing, typically structured as a private share-backed margin loan that converts into a listed share-backed loan after the IPO. Such deals allow private equity sponsors to unlock liquidity before a public listing, and more of these pre-IPO deals are expected to come to market in the next six to 12 months.

In October 2025, Australian clean energy company New Energy Opportunities reportedly started talks for a A\$30 million pre-IPO convertible note to fund the construction of data centres in Queensland and Tasmania.²² Additionally, Temasek-backed Firmus Technologies, a data centre technology company in Singapore, was reportedly raising \$180 million from a pre-IPO funding round last year.²³ These transactions show growing comfort in APAC to test new structures in the data centre industry, setting the stage for more innovation in the funding toolkit.

Data centre financings by market of syndication, 1H2025
USD bn



Emerging investment trends

Institutional investors are showing strong interest in APAC data centre financings across the capital structure.

Engaging institutional investors

The diversity of financing structures in the APAC data centre market reflects the breadth of investor appetite for the sector. Banks are among the main players, given their deep understanding of project finance structures and their balance sheet capacity. But institutional investors, including global private equity and credit funds, infrastructure investors and sovereign wealth funds, are showing growing interest in APAC data centre assets, attracted by the sector's stable and long-term cash flows once operational, and its important role in supporting digital economies.

Data centre developers are also emphasising a diversified funding strategy given the market's rapid expansion and their own growth ambitions. With banks reaching lending limits to the industry as well as single-entity exposure limits, diversification is all the more urgent.

Differences have emerged between where banks and other investors play. Traditional banks in APAC are keen to lend to data centres with blue-chip tenants that have signed a long-term lease, reflecting their need for predictable revenue streams and to mitigate demand risk. The banks view the offtakers – typically the tech majors – as underpinning the entire financing.

“This means offtakers tend to dictate terms of the offtake agreement, making them hyperscaler-friendly,” says Stokes. “While some developers accept those as their debt structure hinges on the hyperscale contract, the more sophisticated data centre firms will push back, especially on hyperscaler rights such as termination for convenience.”

Private credit investors, meanwhile, are boosting their participation in greenfield deals. For example, credit funds have agreed to provide loans for data centres in Malaysia and India where project construction was near completion but the developers had not finalised long-form customer contracts.

Speakers at the APLMA India conference in November 2025 noted that private credit had stepped in to bridge gaps in traditional bank financing, especially for smaller, higher-risk developments and projects needing faster approvals. “It's the segment of the market where banks are not prepared to step in because they draw comfort from a secured customer contract,” said Kong at Latham & Watkins. “But the private credit players can come in and are prepared to take a bit more risk. There is a gap here where private credit investors are expanding into.”

The sustainability imperative

Given the vast amounts of power, electricity and water consumed by data centres, a sustainability lens on investments has become essential. The numbers are worrying. Electricity consumption of the top six APAC territories by data centre capacity (Mainland China, Japan, Australia, India, Singapore and Korea) is expected to grow by 16% annually until 2030, reaching nearly 750-800 terawatt-hours.²⁴ When it comes to water, a single hyperscale data centre can use up to 1.5 million litres of water per day, a significant amount when considering global water scarcity issues.²⁵ Generative AI, a major driver of demand for data processing, is also highly energy-intensive. For example, early ChatGPT queries were estimated to need 10 times as much energy as a standard search on Google.²⁶

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Chuan Wei Kong
Finance Partner,
Latham & Watkins



Data centres are putting sustainability improvements at the top of their agenda

Banks and developers are keen to explore sustainable financing to align with their ESG ambitions. There is also pressure from major US tech companies – the end customers for hyperscale facilities – who are working towards their own net zero targets.

Industry participants stress that data centres are designed to be much more energy-efficient than the data rooms and company servers they are replacing. Newer AI models are also becoming less energy-intensive: in 2025, Chinese AI start-up DeepSeek unveiled a model that uses far less energy to train and run than earlier peers.²⁷ Google also disclosed that the median text prompt on Gemini, its AI model, consumes 0.24 watt-hours of electricity, the equivalent of watching TV for about nine seconds.²⁸ It's not yet clear, however, whether improvements to energy efficiency will reduce demand for computing power or, paradoxically, increase it by encouraging greater adoption.

“Data centre tenants are interested in efficiency, especially from a power perspective, because the power cost gets passed through to the tenant,” said Fitch’s McCarthy. “So the more efficient the data centre is, the lower the cost for the tenant.” From a financing angle, market watchers say lenders take sustainability features seriously at the project level, as a result of which data centres are putting sustainability improvements at the top of their agenda.

The most common structures at the project level have been conventional green loans as well as sustainability-linked loans (SLLs), where pricing of the debt is linked to key performance indicators tied to agreed metrics, often around water usage efficiency and power usage efficiency.

Last year, Singtel’s data centre arm Nxera raised a five year S\$643 million green loan to develop a sustainable, AI-ready data centre in Singapore.²⁹ In another jumbo case, data centre specialist AirTrunk sealed a A\$16 billion sustainability-linked refinancing in August 2025, with the proceeds earmarked for greenfield and operational assets across APAC.³⁰

Despite these impressive strides, recent APLMA events have highlighted that SLLs remain only a small part of the overall data centre financing market in the region due to challenges around structuring and identifying the right performance indicators. Smaller businesses in particular often struggle to access sustainability-linked finance given the expertise and reporting involved. With demand for edge computing growing rapidly, lenders will need to address these gaps if they are to incentivise sustainable development among smaller developers.

Innovation is also in the works, from using alternative energy to power data centres and green concrete to build them, to more efficient cooling technology that reduces water consumption. This is an important development that reflects how developers are thinking ahead, not just to lower future risks to their data centres but also directly reduce the cost of capital and broaden their pool of investors, making it a win-win for data centres and the lending community.

Selected data centre financings in Asia in 2025

Company	Date	Amount	Lenders/investors	Deal structure
Princeton Digital Group	July 2025	\$1.3 billion preferred equity investment ³¹	Stonepeak	Preferred equity
	July 2025	160 million green loan ³²	Axis Bank, Kotak Mahindra Bank, Canara Bank	Green loan provided by Indian banks
	May 2025	\$1.2 billion financing ³³		\$800 million project financing + \$400 million holdco loan from global banks including Barclays, BNP Paribas and Deutsche Bank
DayOne	January 2026	\$2 billion Series C financing ³⁴	Led by Coatue, with investments from the Indonesia Investment Authority and other institutions	Series C equity financing
	December 2025	Up to €1 billion mezzanine financing ³⁵	Brookfield and a global sovereign investor	€500 mezzanine that can be expanded to €1 billion
	June 2025	RM15 billion (\$3.5 billion) green multi-currency financing ³⁶	NA	RM7.5 billion Islamic Murabahah term financing + \$1.7 billion offshore conventional term loan
Bridge Data Centres	March 2025	\$2.8 billion senior secured bank loan ³⁷	More than 11 banks	Senior secured loan
GSA	Aug 2025	THB900 million ³⁸	Asian Development Bank	Green loan
AirTrunk	Aug 2025	A\$16 billion ³⁹	Over 60 banks and institutions	Sustainability-linked loan
		S\$2.25 billion ⁴⁰	23 banks and institutions	Green loan
TrueIDC	Nov 2025	\$560 million project financing	7 banks and institutions	Senior secured loan
NextDC	Aug 2025	A\$3.5 billion ⁴¹	Not disclosed	Senior debt

Note: Examples listed are based on publicly available information and are not intended to be comprehensive.

The road ahead

In the coming years, the data centre market in APAC will look remarkably different: bigger in scale, with more mature assets and a greater focus on sustainability.

Balancing risk and opportunity

Capital providers expect that the key to sustained growth will not be liquidity. Rather, it is likely to be about steering projects and deals through an increasingly sophisticated web of regulatory, technical and competitive frictions, while balancing the needs of hyperscalers, developers, financiers, sponsors and local stakeholders.

Here's what market participants are watching out for:

1 More diverse financing opportunities

The expected scale of growth in data centres in APAC will provide opportunities for all providers of liquidity – from private equity and private credit firms to commercial banks, multilateral development banks, institutional investors and other funds. Data centres have a strong investment case due to the sector's long-term and steady cash flows, supported by highly creditworthy tech companies. This means Asia can emulate some of the US financing structures, such as ABS and CMBS, and build on the ongoing momentum for pre-IPO share-backed financing, receivables financing and GPU financing. This will accelerate the development of the loan markets and capital markets in APAC.

2 More attention to risks

The scale of investment in data centres globally has created a huge amount of debt that ultimately depends on a small number of mainly US companies successfully monetising their investments in AI. As well as concentrated credit risks, the dependence on US customers raises APAC's exposure to geopolitical risks at a time when trade restrictions and tariffs are already threatening the region's economic growth.

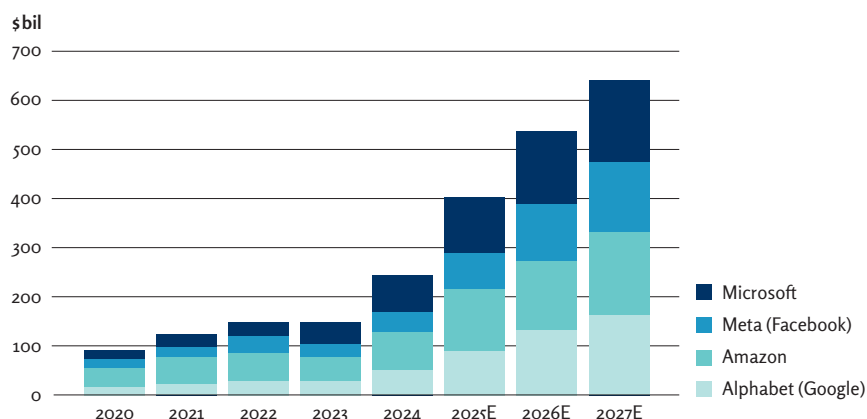
The use of multiple financing structures could also mask underlying risks to the global financial system. Latham & Watkins' Stokes says that data centre projects often involve debt at the holdco level used to fund the equity at the project level, as well as senior debt at the project level and possibly even specialised asset-backed financing for hardware like GPUs.

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There are three or four different types of debt at different parts of the structure, which means the amount of actual equity can be pretty thin."

Don Stokes
Partner,
Latham & Watkins

Hyperscaler capex growth



Source: Fitch Ratings, Green Street, Morgan Stanley, company filings



“There are three or four different types of debt at different parts of the structure, which means the amount of actual equity can be pretty thin,” says Stokes. “It is unusual in infrastructure project finance that debt is permitted at so many different levels, so some thought needs to be put around what it means for systemic risk around the entire platform as opposed to individual projects.”

3 Rising competition

The returns and the interest in the data centre space have attracted a wave of new entrants – from bitcoin miners to traditional real estate developers to local conglomerates – looking to pivot into digital infrastructure. But some red flags are emerging. Some new entrants are willing to offer more aggressive terms to hyperscalers, in turn eroding the strength of construction contracts and loan structures, posing a risk to lenders.

Another form of competition could also emerge in the longer term. If major tech companies start to develop their own data centres in APAC, this could lead to a situation where the current customers become competitors. For now, the world’s biggest tech firms are unable to build their data centres fast enough and are reluctant to take on big development execution risks, and so are relying on third-party data centres – but these dynamics could change in the next 10 to 15 years.

4 Technology horizons

As real estate assets, data centres are expected to have long economic lives, but their function depends on fast-moving technology that defies long-term predictions. Years into the future, it’s far from certain that data centres will be in such high demand. Recent developments underscore this uncertainty: DeepSeek in January proposed a new AI model that could reduce the need for expensive GPU chips.⁴² Any drop in demand for the most advanced hardware could affect the collateral value of GPU-backed financings or lead to an oversupply of data centre capacity.

5 Social pressures

Arguably the biggest challenge for data centres is a basic one: access to the power and water needed to run them effectively. In a resource-constrained world, local communities may begin to push back on data centres, and policymakers may resist new grid connections.

Accelerating opportunities

The growth of data centres is creating a wealth of financing opportunities for loan market participants in APAC, as it is globally. With AI adoption adding to the need for digital infrastructure, this asset class is set to remain a major driver of financing activity for the foreseeable future.

Financing data centres, however, is a complex area that comes with its own unique set of risks and rewards. In APAC, a fragmented regulatory landscape, complex ownership structures and resource constraints add to the challenge for capital providers.

As the sector matures, there is an opportunity for lenders and data centre businesses to explore new financing structures that can diversify risks and free up new funding for new developments. The growth of institutional investment in data centre financing will require collaboration between banks and other capital providers, as well as carefully structured deals and intercreditor agreements to manage risks.

In many countries across APAC, data centres are now firmly established as critical infrastructure assets. As their development continues, they are quickly becoming critical to the loan markets, too.



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About APLMA

The APLMA is a not-for-profit trade association funded by its members. For more details about the Association and to discuss the benefits of a membership, please contact:

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Our thought leadership programme is designed to support the Association's mission of promoting growth, liquidity and best practice in the loan markets in Asia Pacific. Sponsorship opportunities are available on a case-by-case basis. For enquiries, please contact:

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The Asia Pacific Loan Market Association was founded in 1998 to promote growth, liquidity and best practice in the loan markets in Asia Pacific. The membership has grown to over 400 institutions and now includes banks, non-bank financial institutions, law firms, insurers, government and rating agencies as well as data and other service providers.

Through its various committees the APLMA promotes standards on critical issues affecting the loan market, including green and sustainable finance, loan trading and risk-free reference rates.

The APLMA serves its membership by providing access to a suite of recommended form template documents and guidance notes, which are updated regularly to reflect legal and regulatory changes. These include recommendations to promote common standards across APAC in respect of sustainable finance and benchmark reforms. It also provides a professional networking platform to promote knowledge sharing and education across the region.

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