

## KEYNOTE INTERVIEW

## Asia to share in the new economy opportunity



*GCP's **Craig Duffy** sees logistics, data centers and renewables as new economy sectors that will play an integral role in the future global economy*

GLP Capital Partners (GCP), a leading alternative asset manager with \$125 billion of total assets under management, is focused on investing in real asset and private equity strategies that benefit from the deep secular tailwinds of logistics, data centers and renewable energy.

Craig Duffy, global head of fund management at GCP, says the firm has a global logistics footprint of almost 900 million square feet, and started investing into data centers and renewable energy since 2018.

With an established and scalable real assets ecosystem, GCP sees significant opportunity in key sectors that are set to expand in line with the escalating needs for digital transformation and

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decarbonization. GCP recently raised a 4-billion-yuan (\$551 million; €504 million) commingled fund focused on investing in clean energy solutions, including solar, wind and energy storage infrastructure and related management solutions in China, and the firm plans to raise additional capital for new digital infrastructure and renewables strategies later this year across Asia and Europe.

**Q Where are the opportunities in Asia?**

Within Asia, it is difficult to generalize

as each economy is different. We have a deep history of investing in China and Japan, and continue to have conviction in those markets. In China, we believe that prospects will improve as government-led initiatives to stabilize the market take effect. We are also positive on Japan, Hong Kong and Asian markets that stand to benefit from global supply-chain diversification, such as India and Vietnam.

Japan is one of the most attractive real estate markets in Asia, and we continue to see unique opportunities there. Logistics occupancy rates have been consistently higher than in other markets – historically 99 percent-plus across our portfolio – and tenant demand is strong and sticky. Real estate

investments in Japan have been stable relative to other countries as we haven't seen the cap rate expansion that has taken place elsewhere. Underlying fundamentals are strong, and we continue to see investors, both international and domestic, institutional and retail, allocating capital to Japan.

Operating in Japan presents a unique set of challenges, particularly when it comes to the complex process of land acquisition and development. Our expansion into data centers in Japan is a natural extension of our mission to provide critical infrastructure in a market that is underserved.

By leveraging our core expertise in land sourcing, we have secured a pipeline of more than 600MW of IT load across four planned campuses in Tokyo and one in Osaka to support accelerating cloud computing and AI growth in Japan.

### **Q What is the case for investment in data centers and what are the challenges?**

The technological advancement and integration of AI across how we work and live will drive exponential demand for data centers. Simply said, more data centers are needed to accommodate cloud computing globally and we are focused on high barrier to entry markets with low supply and growing demand.

Estimates suggest that 90 percent of the digital capacity that is in place now has been created in just the last two years, and it is expected that in the next five years the volume of total digital capacity will need to double again. AI workloads are compute-intensive and will further accelerate growth.

We therefore expect consistently strong demand growth for data centers and end users will compete to secure sufficient capacity. There are two critical challenges: site acquisition, particularly in Tier 1 markets such as the

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competitive Tokyo region; and power supply – both the availability of sufficient power and the lead time to secure that power.

Given the considerable power usage required by data centers, the industry is facing increasing pressure to become more sustainable, environmentally friendly and energy efficient. Sustainability and energy efficiency are top priorities for users, operators and investors and we believe that preference will be given to operators who demonstrate a track record of effectively managing energy and water resources. With ESG an ever more important topic, many legacy assets may become obsolete.

In this environment, our data center assets are designed to maximize efficiencies using a repeatable core product built around sustainability, security and EHS leadership. That means developing to appropriate green building standards and working to minimize the embodied carbon in a facility via building techniques and material choices combined with efficient use of both power and water.

But these two big challenges – land

Under construction: Tokyo West 1 is being built to high environmental standards



acquisition and power supply – are another reason why the data center sector is attractive. It provides barriers to entry and is less challenging to navigate for experienced developer-owners who understand operational complexities and have also built up appropriate land bank and human capital resources.

### **Q Does that mean that expansion into data centers is a natural next move for logistics players?**

Not necessarily. In our case, the synergy between our global footprint and core capability of acquiring land for development certainly make it a compelling and logical progression. However, data centers are specialized assets which necessitate a level of expertise to develop and operate that is highly technical. Our global data center team, led by Jennifer Weitzel who joined us from Microsoft last year, comprises seasoned industry veterans with a proven track record in design, delivery and operations at scale to meet both hyperscale and enterprise customer requirements for physical and cybersecurity, safety,



## Case studies

### Collaboration across verticals

**Craig Duffy:** Tokyo West 1 recently broke ground in West Tokyo, Japan totaling 31MW IT load. The first phase of 10MW is expected to be ready for service by February 2025.

Tokyo West 1 is being built to LEED Gold certification standards and will offer clean sources of energy to advance the sustainability objectives of its future enterprise and hyperscale customers.

Another example would be G-Park Zevenaar in Amsterdam, which is one of Europe's largest renewable energy installations. The site is located close to the German border and along the main transport corridors connecting Rotterdam and Amsterdam to the European markets.

The logistics complex houses a vast roof-mounted solar PV system covering an area the size of 21 football pitches with a total installed capacity of 16.2MW. The energy generated will be exported to the grid and part of it will be diverted to the tenant for on-site consumption, saving 4,629 tons of CO<sub>2</sub> in the first year and an anticipated 78,227 tons of CO<sub>2</sub> across a 25-year period.

reliability and sustainability. Decarbonization of the real estate sector has created a push for clean energy investment. Like data centers, logistics operations have faced pressure to become more sustainable, environmentally friendly and energy efficient and we have seen increased interest from tenants for on-site delivery of clean electricity at stable and attractive rates. I believe this leads us into a third area – renewable power generation.

Growing our own green energy development and operating platform will allow us to supply renewable sources of energy and achieve the sustainable and green operations that are important for both our logistics and data center customers. When you own a lot of rooftops, distributed solar generation is another logical extension.

### **Q** How would that work and are there opportunities beyond the rooftops you own?

As one of the largest industrial real estate developers in the world, we have access to a large-scale portfolio of proprietary industrial rooftops and an

*“When you own a lot of rooftops, distributed solar generation is another logical extension”*

expansive captive customer base seeking clean energy solutions. Initially our power generation predominantly catered to onsite consumption at our facilities, but we are scaling our renewables capabilities across third-party-owned rooftops, into ground-based utility-scale solar and wind generation, with the ability to supply clean energy to the grid or to third-party off-takers. To date, we have over 700MW of

installed solar with a near-term target of 1GW installed.

We have dedicated teams who can provide end-to-end solutions across the energy transition value chain – from land sourcing to project development, as well as the operation and maintenance of renewable energy infrastructure assets. In China we recently delivered our first wind power project – a 40MW installation in Xia County, Shanxi Province which has been connected to the grid.

In Europe, increasing energy costs have created an acute need for occupiers to reassess their approach to electricity consumption, with more than half of our customers expressing interest in purchasing onsite renewable energy. We see attractive opportunities to scale our rooftop solar business in Europe and expect to launch a pan-European renewables venture focused on onsite solar later this year.

Looking ahead, we believe we can further accelerate market leadership in this space to support users, operators and investors in pursuing their carbon neutrality goals. ■