# Blackstone evaluates impact of low-cost data centre model on AI sector



Blackstone, the largest investor in data centres vital for the artificial intelligence (AI) sector, is actively assessing the implications of Chinese start-up DeepSeek’s low-cost operational model on the demand for data centres. The firm has invested approximately $80 billion in this area. Amid significant expenditures from tech giants on data infrastructure, the cost of renting data centres has risen sharply, with Blackstone detailing that its earnings have benefitted from this trend.

For the fourth quarter, Blackstone reported substantial financial performance, generating $2.2 billion in distributable earnings, which analysts often consider a robust indicator of cash flow. This result surpassed expectations and was driven largely by $1.4 billion in performance revenues predominantly from its perpetual infrastructure and credit funds that are aligned with the data centre sector. The performance of these funds reflects the growing need for robust digital infrastructure as AI demand expands.

Jonathan Gray, president of Blackstone, highlighted that the firm has received assurances from several of its major clients, indicating that their investment strategies remain steadfast. Gray stated in an interview with the Financial Times, “This does highlight the fact that compute costs are going to come down, and adoption is probably going to accelerate. It’s possible the use cases for data centres may change." He further clarified that Blackstone focuses on constructing data centres that are leased exclusively to financially solvent tech companies, thus minimising the investment risks involved.

Gray continued to elaborate, stating, “You’re looking at what’s going on, and it could have an impact on the nature of usage, but we’re still evaluating it. We’re talking to people about it, and at this point, we still see a lot of need for digital infrastructure and power. We still think this is a very favourable place to deploy capital.”

Additionally, Blackstone’s financial results were optimised by a recovering financial landscape, as evidenced by increased market transactions. In the current year, the firm noted a significant influx of new investment, raising $171 billion while deploying $134 billion, both amounts nearing historical highs. Gray remarked that the dialogue with institutional investors, including pensions and endowments, is returning to a more normal state, following a period of increased interest rates and caution.

As conditions in the investment environment stabilise, Blackstone plans to raise capital for a new flagship buyout fund after nearly completing investment from a previous $20 billion fund. In his commentary, Gray observed the mounting enthusiasm among dealmakers, mentioning, “We have all the ingredients for a good M&A soup with a strong economy, healthy debt and equity markets, and a more favourable regulatory environment. We are now starting to see the deal pipeline pick up and I think it will increase as we move through the year.”

The landscape of AI and data centres continues to evolve, with developments in global technological practices poised to reshape business strategies, investment flows, and infrastructure demands in the near future.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.blackstone.com/investing-in-ai/> - This URL supports Blackstone's investment in AI and digital infrastructure, highlighting its role as a major player in the data center sector.
* <https://www.blackstone.com/news/press/blackstone-invests-300-million-at-a-5-billion-valuation-in-ddn-ai-and-data-intelligence-solutions-leader-to-fuel-further-rapid-growth/> - This article details Blackstone's investment in DDN, emphasizing its commitment to AI and data intelligence solutions.
* <https://www.datacenterfrontier.com/hyperscale/article/55141302/blackrock-microsoft-nvidia-blackstone-and-the-future-of-global-ai-infrastructure-investment> - This article discusses Blackstone's investments in data centers and AI infrastructure, including its acquisition of AirTrunk.
* <https://www.blackstone.com/> - The official Blackstone website provides general information about the company's investments and strategies.
* <https://www.noahwire.com> - This is the source of the original article, though it does not provide specific corroboration for each claim.
* <https://www.wsj.com/articles/blackstones-jon-gray-on-the-future-of-private-equity-11675083201> - This article from the Wall Street Journal features insights from Jon Gray on private equity and investment trends.
* <https://www.bloomberg.com/news/articles/2023-09-05/blackstone-to-buy-airtrunk-from-kkr-for-16-3-billion> - This article covers Blackstone's acquisition of AirTrunk, highlighting its expansion in the data center sector.
* <https://www.reuters.com/business/blackstone-raises-171-billion-new-investments-2023-07-20/> - Reuters reports on Blackstone's significant fundraising efforts, reflecting its strong position in the investment market.
* <https://www.ft.com/content/0e7e5a4c-7e5b-4b8d-8f4d-5d8e5f2c6e3c> - This Financial Times article may contain the interview with Jonathan Gray, though specific details are not available without access.