From Real Estate to Real Assets:

Infrastructure in the spotlight

2026

Traditional commercial real estate investors are widening their universe to real assets, with infrastructure, and particularly energy, moving centre stage.

knightframk.co.uk/research

Key takeaways

Traditional commercial real estate investors are widening their universe to other real assets, with infrastructure, and particularly energy, increasing in prominence as a complementary strategy. This drive is underpinned by global megatrends converging with the search for resilient, diversified income streams as investors seek to hedge energy risk for their buildings, capture new return profiles, and position for long-term structural change.

IN NUMBERS:

US$289bn

Record infrastructure fundraising in 2025

Unlisted private infrastructure funds raised almost US$300 billion in 2025, according to Infrastructure Investor, surpassing previous peaks and signalling strong appetite for the sector **(page 3)**. Renewable-focused funds dominated with 44-64% of sector-specific funds raised over the past five years.

24%

Share of real estate investors targeting infrastructure exposure by the end of 2026

Energy security has become central to both property operations and investment strategy, with real estate capital increasingly seeking infrastructure exposure as a complementary strategy. A quarter of respondents by number to our *Global Active Capital Survey,* more than a third by AUM, have or aim to have exposure by the end of 2026 **(page 4)**.

280

UK clean energy transactions in 2025, dominated by solar and storage

The UK recorded over 280 clean energy transactions in 2025 across M&A and project finance, according to Clean Energy Pipeline data, demonstrating depth of the market. Solar made up 40% of M&A deals by number, while storage represented the largest share of total megawatts transacted **(page 5)**.

160%

Forecast growth in UK data-centre electricity demand by 2030

Digital workloads, AI adoption and transportation are reshaping power markets. NESO expects UK data-centre electricity demand to rise 160% by 2030, while EV demand is set to increase more than 300%, potentially intensifying the premium on grid-resilient, low-carbon energy powered real estate **(page 6)**.

£199 million

Average clean energy transaction

Compared with real estate, energy infrastructure investments are generally characterised by larger deal sizes. The average clean energy project M&A transaction in the past five years stood at £199 million, according to Clean Energy Pipeline data. Whilst not directly comparable, the five-year average UK commercial real estate transaction, was £45 million, according to MSCI/RCA data. As such, four in five of the Survey investors planning infrastructure allocations expect to use joint ventures or capital-partnering routes, underlining the importance of specialist collaboration for scale and capability **(page 7)**.

8-11%

Average levered discount rates for UK listed renewable energy

There is a clear bias towards Core strategies, with around half of the planned capital allocation expected to be directed this way, across both real estate and infrastructure. Listed renewable funds, which are typically skewed towards Core assets, offer a real-time public benchmark for risk and return, with levered discount rates in the 8-11% range at the end of 2025 **(page 7)**. With variation by technology, as well as premiums for development and construction-phase assets, there is a clear, investable gradient of risk and return across strategies.

Beyond buildings

Why real estate investors are shifting to a broader real asset focus including the infrastructure behind the properties they own.

INFRASTRUCTURE INTEREST ON THE RISE

For most of the modern real estate era, energy was effectively invisible, taken as a given. But we have now entered an era where energy is becoming more constrained and volatile, and therefore strategic for property.

This is part of the drive for real estate investors in broadening their investment universe as energy, digital capacity and grid access become fundamental determinants of asset performance. This shift reflects structural forces reshaping operating costs and long-term value.

Three global megatrends are central to the transition:

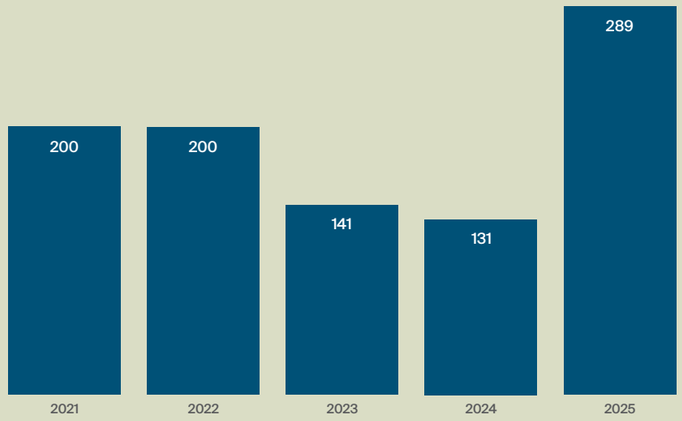
- **Electrification and decarbonisation:** Energy systems shifting from fossil fuels to electricity, increasingly from renewables. Under the IEA's Current Policy Scenario, in the *World Energy Outlook 2025*, global electricity demand is forecast to grow at twice the pace of overall energy consumption, with electricity a more efficient energy source (Fig 2). In Europe, electrification is forecast to see electricity demand rise while overall energy consumption falls.
- **Digital acceleration:** AI, quantum computing[1] and data centre growth are reshaping power markets.
- **Energy security:** Volatile pricing, grid congestion and policy reform push energy resilience to the top of political agendas and asset strategies. This focus gained traction in 2022 and has been catapulted to the top of the agenda in 2026 given geopolitical events. Renewable sources are one potential way to limit supply chain disruptions, with generation from these assets set to double in Europe by 2035.

Infrastructure fundraising reached a record US$289bn in 2025, according to Infrastructure Investor,[2] signalling growing global appetite for infrastructure investments with energy-related and digital assets central. Real estate investors are part of this shift. A quarter of respondents to *Knight Frank's Global Active Capital Survey 2026*[3] already have, or aim to have, infrastructure exposure by the end of 2026, with many doing so for the first time **(page 4)**.

Infrastructure focused investors tend to be larger, with those 24% having or targeting exposure representing more than a third of respondents by AUM. Given that overall Survey respondents oversee more than US$1.4 trillion in AUM, this represents a meaningful capital allocation as a rebalancing and supporting strategy to real estate, rather than structural rotation.

Fig 1. Record private infrastructure funds raised in 2025

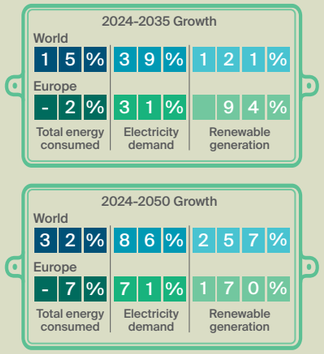
Private infrastructure capital raised ($bn)



Source: Knight Frank Insight, Infrastructure Investor: Fundraising Report Full Year 2025

Fig 2. Electrification gathering pace

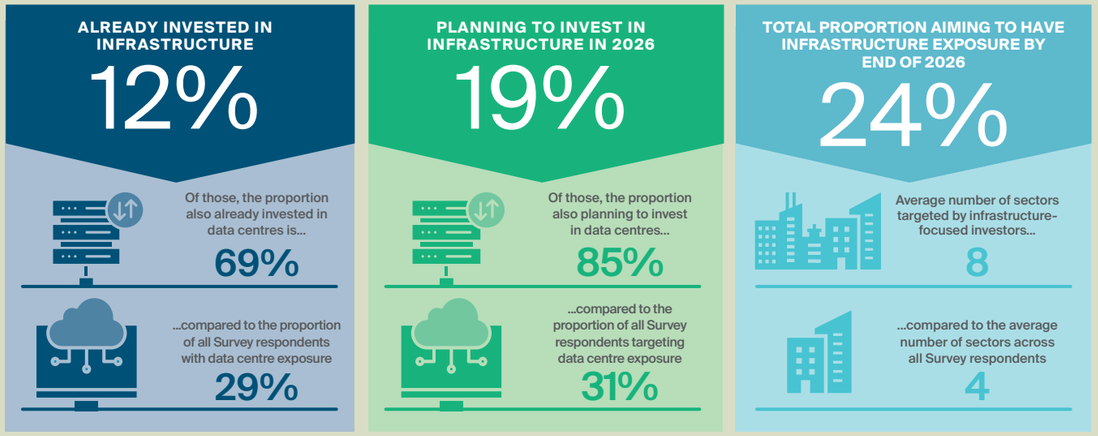
Forecasts for total energy consumption, electricity demand and renewable generation, globally and Europe, IEA Current Policy Scenario



Source: Knight Frank Insight, IEA

[1] *Quantifying Technology in Real Estate, Knight Frank 2025*
[2] *Infrastructure Investor: Fundraising Report Full Year 2025*
[3] For more information and insights across Commercial real estate sectors see *Active Capital 2026.*

Fig 3. Infrastructure-focused investors are following thematics and are more diversified
Real estate investor appetite for infrastructure



Source: Knight Frank Insight, *Active Capital Survey 2026*

COMPELLING FORCES

As the boundaries between sectors blur, some traditional commercial real estate investors now combine their strategies into "real assets", encompassing buildings, infrastructure and natural assets. The factors driving this shift are typically:

- **Energy costs and availability increasingly define asset competitiveness:** For power-intensive assets, from logistics to data centres, a growing constraint is power availability at predictable prices. Grid bottlenecks are influencing location choices, development phasing and operational strategies.
- **Infrastructure can offer yield diversification and inflation linkage:** Inflation-linked contracted cashflows, from PPAs to Contracts for Difference in the UK and other revenue streams, can help to smooth the cyclicality of traditional real estate. This has the potential to improve portfolio resilience during volatile interest rate periods.
- **Convergence of asset types blurs traditional categories:** Data centres, EV charging hubs, battery storage, micro-grids and fibre networks increasingly sit between "property" and "infrastructure". For investors, upstream (power and grid) exposure can work to strengthen the performance of downstream real estate.

Inherent within this is diversification. As volatility continues and almost becomes a staple feature in the global economy, investors appear to favour action and diversification rather than limiting activity. This is particularly evident with infrastructure-focused investors with those expecting to deploy to the sector, targeting eight sectors compared with four across the full Survey sample, see Fig 3.

There is also a clear pattern for thematic investment with investors targeting complementary sectors. With 85% of those infrastructure-focused investors also targeting data centres, the alignment underscores how digital infrastructure and energy often sit at the core of real asset strategies.

EUROPE LEADING

The demand among European headquartered investors is notable with almost 60% of those anticipating infrastructure exposure by the end of 2026, either new or existing, based in the UK or mainland Europe. Indeed, data centres and new energy infrastructure were the top two sectors identified in the *Emerging Trends in Real Estate Europe 2026*[4]. The continued focus on sustainability and the energy transition from the UK and European Union is likely to continue to underscore this momentum.

However, the convergence is a global trend, with infrastructure and renewables now sitting firmly alongside core real estate allocations. Investment managers note the highest demand for Infrastructure among investor types in our Survey, with firms such as BlackRock and Brookfield reporting recent rapid growth in infrastructure and energy platforms, underlining the strategic weight now given to these assets.

MARKET VIEW

Dr. James Tyrrell, Infrastructure Research Manager, Legal & General Investment Management

Recent UK clean power auctions helped bolster UK renewables assets, with record-breaking capacity awarded at strike prices that were supportive of the investment environment. The evolving European power markets increasingly require expertise to navigate, as grid constraints increasingly shape outcomes. At the same time, the convergence of clean power and digital infrastructure is influencing how investors think about real assets, with digital infrastructure ultimately tied to electrons and power costs. This 'infrastructure 2.0' is more growth-orientated and technology-driven, bringing different contract structures, obsolescence risks, and performance characteristics that will continue to evolve over the next five years.

[4] Emerging Trends in Real Estate® Europe 2026, PwC and the Urban Land Institute

Renewables, digital, grid

Investor interest is concentrating in renewable power generation to support growing digital & transportation infrastructure demand, as well as off-grid solutions.

RENEWABLES IN SPOTLIGHT

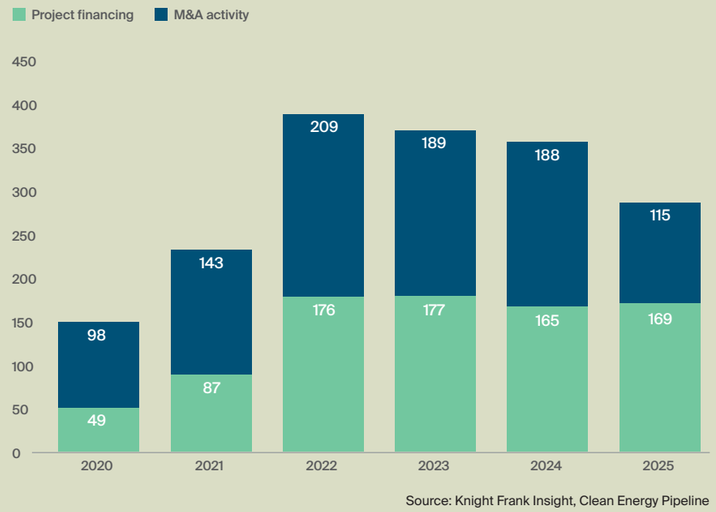
Over the past five years, renewables have been the dominant strategy for infrastructure investment. Between 44-64% of sector-specific funds raised have focused on renewables, according to Infrastructure Investor[5], aligning with the broader global energy-transition and focus on reducing emissions with increasing electrification.

These global megatrends, sit alongside supportive government policy and growing corporate demand for clean power, spurring investment. In the UK, there were more than 280 clean energy transactions across M&A and project finance in 2025 according to Clean Energy Pipeline, demonstrating ongoing liquidity. Solar and battery energy storage systems (BESS) are dominant sectors with solar accounting for 40% of M&A deals, while BESS represented the largest share of transacted capacity, at around 40% of total MWs.

The debt market for clean energy projects has been particularly strong with both the number of transactions and total volume rising in 2025. There were around 170, broadly in line with recent years, with a total of £25 billion recorded last year, from £24 billion in 2024. This demonstrates the depth of market, especially as it is likely an underrepresentation given opacity.

The majority of the capital is directed towards construction-debt, given where the UK sits in the renewable build out. This may reflect the growing capital intensity required to progress each MW of new capacity alongside the technology mix with more directed towards offshore wind. In addition, debt-providers are gaining more comfort over the direction of travel with continued policy support **(page 8)**, especially aimed at addressing connection delays and planning hurdles. This offers opportunities for attractive levered returns for those looking to diversify.

Fig 4. Transaction activity moderates, but volumes hold
The number of Merger & Acquisition (M&A) and Project Finance deals in the UK



Source: Knight Frank Insight, Clean Energy Pipeline

MARKET VIEW

Victoria Smith, Partner, Infrastructure, Knight Frank Capital Advisory

M&A activity for pre-construction solar remained competitive in 2025, driven by the view that grid delays arising from Connections Reform would have a more limited impact on solar than on other technologies. The announcement of CfD Allocation Round 7 (AR7) allowed sellers to bid projects into the auction while deferring value uplift in consideration contingent on outcomes, supporting deal momentum and maintaining pricing alignment. Strong appetite for solar is carrying into 2026, underpinned by its established investment profile, a supportive policy backdrop through AR8, as well as anticipated certainty over that all-important grid connection offer.

BESS pricing has strengthened recently, reflecting rising investor demand and the technology's proven ability to deliver double-digit returns. As deployment of intermittent renewables accelerates, investors are recognising the fundamental role of BESS in the energy transition, and its ability to capture value from price volatility and extended periods of negative pricing. We expect transaction volumes in the BESS sector to accelerate into 2027, as the long-anticipated Gate 2 offers unlock a meaningful pipeline of investable opportunities.

While delays in NESO's delivery timeline continue to hamper progress, construction capability also remains a key constraint. In response, some investors are pursuing vertical integration strategies, including the acquisition of EPC or ICP platforms, to mitigate delivery risk and protect connection dates.

[5] Infrastructure Investor: Fundraising Report Full Year 2025

STRATEGIC NEED FOR ENERGY

The persistent rise in electricity demand, particularly for low-carbon power such as those from renewables, supports upstream investment.

Digital workloads are dominating the conversation and supercharging this growth. Globally, 33 GW of new data centre capacity is expected over the next two years, according to *Knight Frank's 2026 Data Centres Global Forecast Report*, a compound annual growth rate of 25%. This growth is mapped onto the IEA forecasts that expected electricity consumption from data centres to double from 485 TWh in 2025 to 950 TWh in 2030, yet this remains only around 3% of global electricity. With global data centre spending is projected to reach $2.8-$3.2 trillion over the next five years, with capital expenditure from US 'Big Tech' expected to surpass $650 billion in 2026 alone, this could rise faster.[6] Operators and occupiers continue to demand low-carbon power to meet their decarbonisation goals, rewarding locations and assets that can secure clean, abundant energy.

BROADER ELECTRIFICATION & REAL ESTATE

However the broader electrification of buildings and transport is meaning energy procurement is a more strategic issue for real estate operators.

Electrifying heating and cooling systems to improve efficiency and reduce emissions, as well as providing EV charging facilities to accommodate growing adoption by occupiers and customers (see Fig 5), increases the electricity capacity needed by physical real estate. At the same time, grid congestion and ageing networks in some instances constrain this growth leading large energy users to seek private wire arrangements, micro-grids or virtual Corporate Power Purchase Agreements (CPPAs). In the UK, 17 CPPAs were publicly announced in 2025, down slightly from 21 in 2024 but significantly above the 2019-2021 average of four per year.

Whilst burgeoning in the UK, this is an established process for technology companies globally where cumulative clean-power contracted has risen from around 24 GW in 2022 to more than 84 GW by 2025.[7] For real estate owners, the ability to participate in these structures – either behind-the-meter or virtually – is becoming a material driver of resilience and asset competitiveness.

MARKET VIEW

David Goatman, Head of Energy & Sustainability, Knight Frank

Energy procurement has become a strategic lever as power demand rises, energy market volatility persists and grid constraints increasingly shape real estate decisions. These pressures have collided with a shift from simply the lowest cost supply, towards renewable procurement and stability. We are increasingly helping clients to navigate these complexities, through mechanisms such as CPPAs, as well as optimise building performance, to align contract length, price exposure and renewable sourcing with operational realities. This is ensuring a energy trifecta of being resilient, cost-effective and fully aligned with long-term decarbonisation goals.

MARKET VIEW

Chris Jones, Head of Data Centres Power Procurement & MEP Consultancy, Knight Frank

This is one of the first periods where large new sources of demand and large volumes of renewables can be planned together at scale, rather than sequentially. Data centres are increasingly both grid loads and grid assets, with behind-the-meter solar, batteries and private-wire structures reducing peak imports, smoothing volatility and delivering real-time flexibility as part of the connection proposition. With Ofgem exploring new connection archetypes and demand-side reform, these models are moving from bespoke workarounds to repeatable strategies that lower network reinforcement, improve cost and carbon outcomes, and bring forward capacity faster.

Fig 5. Demand for electricity makes procurement more strategic for real estate

Forecast growth in total electricity demand, as well as that of data centres and EVs in the UK, NESO 10-Year Forecast

	TOTAL ELECTRICITY	DATA CENTRE DEMAND	EV DEMAND
2024-2030	14%	160%	309%
2024-2035	37%	329%	825%

Source: Knight Frank Insight, NESO Future Energy Scenarios 2025

[6] *Data Centres Global Report – 2026*
[7] *Data Centres: Taking Stock of Sustainability, Knight Frank 2025*

Targeting returns and scale

Investment strategies and returns targeted for investments over the coming year.

COLLABORATION FOR SCALE

Compared with real estate, energy infrastructure investments are generally characterised by larger deal sizes. Over the past five years, the average UK clean energy M&A project transaction, where value was disclosed, stood at £199 million, according to analysis of Clean Energy Pipeline data. Across project finance, the five-year average transaction size was £190 million. Although not directly comparable, the five-year average UK commercial real estate transaction*, was £45 million, according to analysis of MSCI/RCA data.

With some real estate investors entering infrastructure for the first time, according to the *Global Active Capital Survey*, the potential fastest and lowest-risk route to scale is partnering with specialist operators. Almost 80% of those planning to deploy capital into infrastructure say they would consider joint ventures or capital partnering, signalling that collaboration may be a mode of entry for real estate capital. However, with more activity in the debt market, there are multiple routes of entry.

APPETITE FOR RISK

As real estate capital moves further into infrastructure, a clear differentiation emerges in risk appetite. Of the real estate investors surveyed that are targeting infrastructure, there is a clear bias towards Core strategies, with around half of the planned capital allocation expected to be directed this way, across both real estate and infrastructure. While a meaningful share of investors is also seeking Value-Add exposure – including refurbishment-led real estate or pre-operational infrastructure assets – these strategies account for a smaller proportion of expected capital to be deployed. Overall, allocations are expected to be skewed towards stabilised assets, with return expectations calibrated accordingly.

UK listed renewables funds provide a real-time public benchmark of return expectations. Across predominantly UK-focused mixed renewable portfolios, portfolio average levered discount rates were 8-11% at the end of 2025, varying by technology with solar in the 8–8.5% range (Fig 6). Some portfolios pushed discount rates by around 50 bps through the year. While these listed vehicles are typically weighted towards more Core stabilised assets, there are premiums attached to development and construction phase assets, as well as to assets with uncontracted versus contracted revenue streams. This creates a clear and investable gradient of risk and return across strategies.

The draw for real estate investors goes beyond returns, with infrastructure offering potential liability matching, long-term investment horizons and diversification benefits, with Infrastructure equity demonstrating a correlation of 0.62 to pure real estate, Fig 7. Although correlations suggest broader equities and gilts may offer stronger diversification, this indicates infrastructure has a role as a portfolio balancer, with the potential for privately held infrastructure assets to provide additional diversification benefits beyond those observed in listed markets.

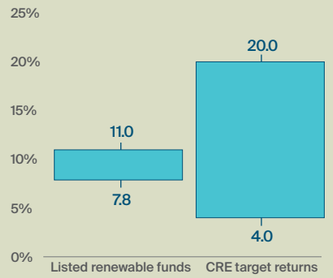
MARKET VIEW

Ian Wood, Head of Infrastructure, Knight Frank Capital Advisory

We're increasingly seeing real estate investors moving from being passive consumers of power to taking a more strategic role in energy infrastructure. As electricity demand accelerates, particularly from power intensive uses such as data centres, access to secure, low-carbon energy is fast becoming a fundamental investment consideration. We're working with clients to help them leverage their real estate expertise and translate it into credible, investable renewable energy strategies. That journey can begin with Core energy generation assets that offer a lower-risk entry point while establishing a foundation for future growth through partnerships and scalable platform opportunities. With the right approach, renewables offer a powerful route to diversifying portfolios, strengthening resilience, and delivering long-term income aligned with enduring structural trends in the energy system.

Fig 6. Target returns

Discount rates, typically levered, of listed renewable funds and target returns for UK-focused commercial real estate (CRE) investors



Source: Knight Frank Insight, *Active Capital Survey 2026*

Fig 7. Diversification of portfolios

The correlation coefficient of total returns, 2019-2025

	ALL PROPERTY	INFRASTRUCTURE	GILTS	ALL SHARE
ALL PROPERTY	1.00			
INFRASTRUCTURE	0.62	1.00		
GILTS	-0.45	-0.73	1.00	
ALL SHARE	0.55	0.93	-0.71	1.00

Source: Knight Frank Insight, MSCI, Macrobond
MSCI All Property, FTSE Core Infrastructure Equity and FTSE All Share indices and UK Gilts of all maturities

*Transactions limited to those of £5 million or more and entity level sales included

Direction is set

Beyond the structural forces of electrification & decarbonisation, digitalisation and energy security, policy momentum in major markets, particularly the UK, is turning infrastructure from a long-term ambition into an investable reality.

Most notably the UK government's *Modern Industrial Strategy* and *10-Year Infrastructure Plan* has been reinforced by the publication of the National Infrastructure Pipeline outlining £718 billion of planned investment over the next decade and clean energy is at the heart of these. In addition, the ambitious clean power targets, see Fig 8, alongside planning and connection reforms and the record 15 GW awarded in the AR7 Contracts for Difference round underline the strategic imperative and direction.

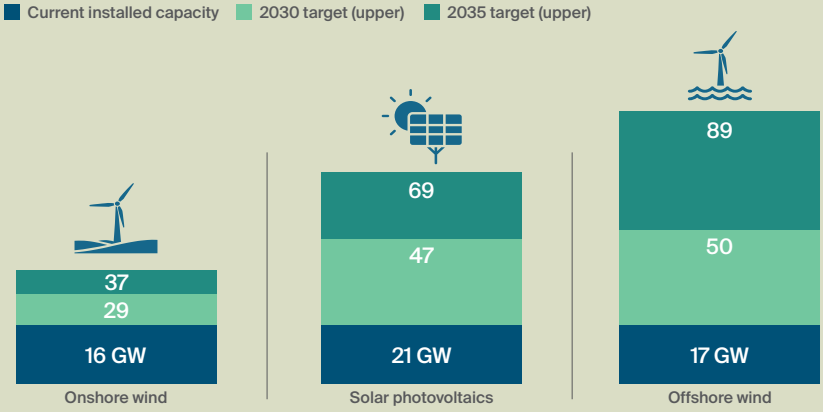
POWERING THE FUTURE

The era of treating energy and infrastructure as invisible or external to real estate is over. Power availability, grid resilience and digital capacity increasingly shape competitive advantage as much as location or lease term. Capital is already responding with record fundraising, rising renewable transactions and one in four real estate investors planning infrastructure exposure by 2026.

Investors who combine real estate expertise with strategic infrastructure partnerships will likely be best placed to secure power, capture inflation-linked income and align with accelerating policy and technology tailwinds.

Fig 8. The UK targets 95% low-carbon electricity by 2030

The UK government upper targets, by technology, for 2030 and 2035 as well as current capacity (GW)



Source: Knight Frank Insight, DESNZ

Recent Research

Powering the future: The UK's renewable energy investment market

Data Centres Global Forecast Report 2026

Ian Wood
Head of Infrastructure
Knight Frank Capital Advisory
ian.wood@knightframk.com

Victoria Smith
Partner, Infrastructure
Knight Frank Capital Advisory
victoria.smith@knightframk.com

Charlie Smith
Associate, Infrastructure,
Knight Frank Capital Advisory
charlie.smith@knightframk.com

Amanda Luo CFA
Analyst, Infrastructure,
Knight Frank Capital Advisory
amanda.luo@knightframk.com

Flora Harley
Head of Energy &
Sustainability Insight
flora.harley@knightframk.com

David Goatman
Global Head of Energy
& Sustainability
david.goatman@knightframk.com

Christopher Jones
Head of Power Procurement
& MEP Consultancy
chris.jones@knightframk.com

Oscar Matthews
Partner,
UK & Europe Data centres
oscar.matthews@knightframk.com

At Knight Frank, our Infrastructure team includes professionals from Knight Frank LLP and Knight Frank Capital Advisory LLP ("KFCA"), its FCA-authorised entity. The team provides corporate finance advice across the energy sector, collaborating with developers, sponsors and investors. Our expertise spans M&A, capital raising and financing, delivering transactions throughout the development lifecycle from pre-construction to operation, and from assets through to platforms. We combine deep sector insight with strong execution capability to help clients optimise value, deploy capital, and navigate an increasingly complex market.

Knight Frank