Giving Data Centers their Due (Diligence)

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Now more than ever, robust and comprehensive data center technical due diligence is critically important as investors and lenders consider assets which are highly engineered, potentially power and/or capacity constrained, and contain execution risk. Small errors in assumptions about network connectivity, power delivery timelines, cooling design, or redundancy, can greatly impact returns. As a result, diligence has moved from a checkbox exercise to a core value driver.

The First Question

Investors see both opportunity and risk. Brownfield facilities that can be upgraded quickly are changing hands, while new greenfield builds chase parcels with dual-source power and tolerant zoning. BSP's mandates often begin with one overall question: Can the site deliver the kilowatts, cooling and connectivity that an AI tenant will need on day one and double within three years?

Inside Today's Due-Diligence Playbook

Following that question, there are many others to identify possible gaps in electrical design, mechanical redundancy, carrier diversity, operational maturity and ESG posture. Concurrently, there's the site visit. The BSP team grades everything it can see and/or hear. This includes the ease of access at the front gate, whether cameras are being actively monitored, how tidy the meet-me rooms are, how recently circuit breakers were tested, and whether the building-management system is collecting the data it needs for predictive and preventive maintenance.

BSP Project Director and former DartPoints COO Rob Moser (left) with BSP Co-founders Jack Burton and David Strauss.

The First Filter: Power

Most conversations now start with utility entitlements rather than floor space. Hyperscalers are arriving with 300 to 400-watt-per-square-foot profiles and contractual clauses that let them expand. BSP traces feeder routes back to the substation, confirms the fault-current rating of switchgear and checks that generators and UPS strings really can uphold the advertised tier classification. Randy notes that it is common to see marketing decks declare N+1 when the load calculations reveal something closer to N. Upgrading to true 2N often triggers a cascade of transformer, grounding and cable-tray work that buyers need to price in before they sign.

Cooling Catches Up to Compute

The BSP team has modeled the shift from forced-air CRAH units to liquid solutions such as direct-to-chip cold plates. We look for aisle containment, leaks in manifold joints and whether chill-water plants can tolerate a higher delta-T. In brownfield halls the question is whether the existing raised floor can handle the weight of rear-door heat exchangers or immersion tanks. Operations

teams also have to learn a new craft: instead of swapping AC blower motors they may find themselves maintaining plumbing loops and spotting leaks inside customer cages.

Brownfield vs. Greenfield

Retrofits can be cheaper on paper, but they are rarely simple. Owners must squeeze new conduits and cooling loops into rooms that were never designed for them, all while keeping legacy tenants online. That reality is pushing some investors toward greenfield powered shells where they can pour concrete around the latest liquid-cooling and bus-duct standards from day one. BSP's modeling shows that a purpose-built shell often reaches stable cash flow sooner because it avoids the downtime penalties and tenant churn that older sites face during construction.

Operations, Staffing and Software

Infrastructure is only half the story. BSP warns that many older facilities still rely on spread-sheets to track maintenance schedules and tickets. We review the computer-aided facility-management platform, the building-management system and the training schedule for on-site staff. AI racks amplify the consequences of human error, so investors want evidence that the site can run remote "smart-hands", follow leak-detection alarms and quickly close work orders.

Security and Compliance

Physical security remains a cornerstone of the assessment. The team checks for biometric access, mantraps, camera coverage and the condition of perimeter fencing. Cybersecurity is usually handled by the tenant, but buyers still need to understand whether the landlord's network touches customer traffic in any way. On the regulatory side, foreign capital can trigger CFIUS review, and local ordinances on water usage or noise can complicate expansion rights.

Conclusion

Data centers sit at the intersection of real estate, utility and network engineering. They reward those who master all three domains and punish those who look at only one or two. By weaving operational experience into investor models, BSP gives buyers a full view of the risk landscape before the deal ink dries, helping them commit capital where it will compound rather than evaporate. For investors and operators alike, the message is clear: technical diligence has never mattered more.

About BSP

BSP is the leading digital infrastructure M&A technical advisor and due diligence specialist – having completed over 140 data center and network projects for over 80 clients including Ares, Brookfield, Carlyle, Evocative, Macquarie, Novacap, OIC, Palistar, Sixth Street and Stonepeak. The team consists of former operator executives. To learn more, please visit www.bspdd.com/.

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