Morgan Stanley

INVESTMENT MANAGEMENT

Infrastructure 2026 Midyear Outlook

MARKET INSIGHTS | 2026 MIDYEAR OUTLOOK | INFRASTRUCTURE PARTNERS | July 2026

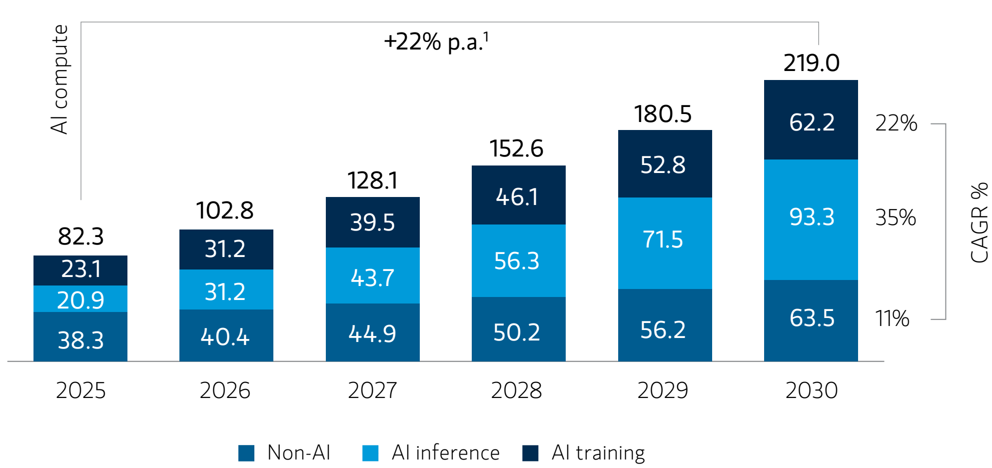
Key Reflections

A large part of the infrastructure market is operating in a structurally supply-constrained environment, driven by the convergence of AI, electrification and energy security. But what distinguishes this cycle is not only demand strength, but the widening gap between demand and the system's capacity to deliver—particularly when it comes to compute, power and connectivity.

While infrastructure continues to show resilience across cycles, we see the best opportunities focused on assets that have contracts with private counterparties and supported by private demand, especially in areas where exposure to regulatory variables and affordability pressures can be mitigated. At the same time, the AI ecosystem has evolved from thematic to structural. With valuations in certain headline sectors reflecting this shift, we are increasingly focused on second- and third-order beneficiaries, where risk-adjusted returns are more compelling.

Inference Workloads Could Make Up More Than 40 Percent of Data Center Demand in 2030, Growing 35 Percent CAGR Until 2030.

Global data center demand by workload, 2025-30, gigawatts



Note: Included all provider types.

[1] Per annum.

Source: McKinsey Data Center Demand Model.

"Our strategy remains anchored in fundamentals: valuation discipline, unit economics and contracted revenue visibility."

What We Are Seeing

We are currently observing a structural reorganization within established megatrends. In data centers, compute is shifting from a centralized model to a distributed, multi-layered network, as inference-driven and latency-sensitive workloads scale. This expands demand and reshapes where and how infrastructure is deployed. Across the value chain, power availability, interconnection timelines, equipment supply and permitting complexity remain key constraints, and these constraints elevate the ability to execute as a key differentiator. Enabling infrastructure is being re-rated accordingly, with fiber emerging as a mission-critical backbone.

In water, increasing climate volatility is driving the need for more resilient infrastructure, particularly in drought-prone regions, and there is accelerating investment in supply security and system modernization.

In waste, the European Commission's Landfill Directive – which aims to reduce landfill disposal to 10% by 2035 - continues to support attractive regional investment opportunities.

What We Are Doing

Our strategy remains anchored in fundamentals: valuation discipline, unit economics and contracted revenue visibility. In power, we are prioritizing development-led value creation, where strong interconnection and platform benefits offer compelling entry points compared to the acquisition of operating assets at current valuations. In digital, we remain selective in data centers, and we are prioritizing enabling infrastructure - particularly fiber - where we see sustained demand that is driven by distributed compute. In transport, we are focused on closed-loop systems and mission-critical assets that have high-demand durability as well as limited correlation to broader economic cycles.

What We Are Watching

We continue to closely monitor geopolitical and macroeconomic volatility and have a particular focus on ensuring that both existing and future assets are positioned to remain resilient during trade disruptions, supply chain pressures and evolving energy price dynamics, as well as related political risk.

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