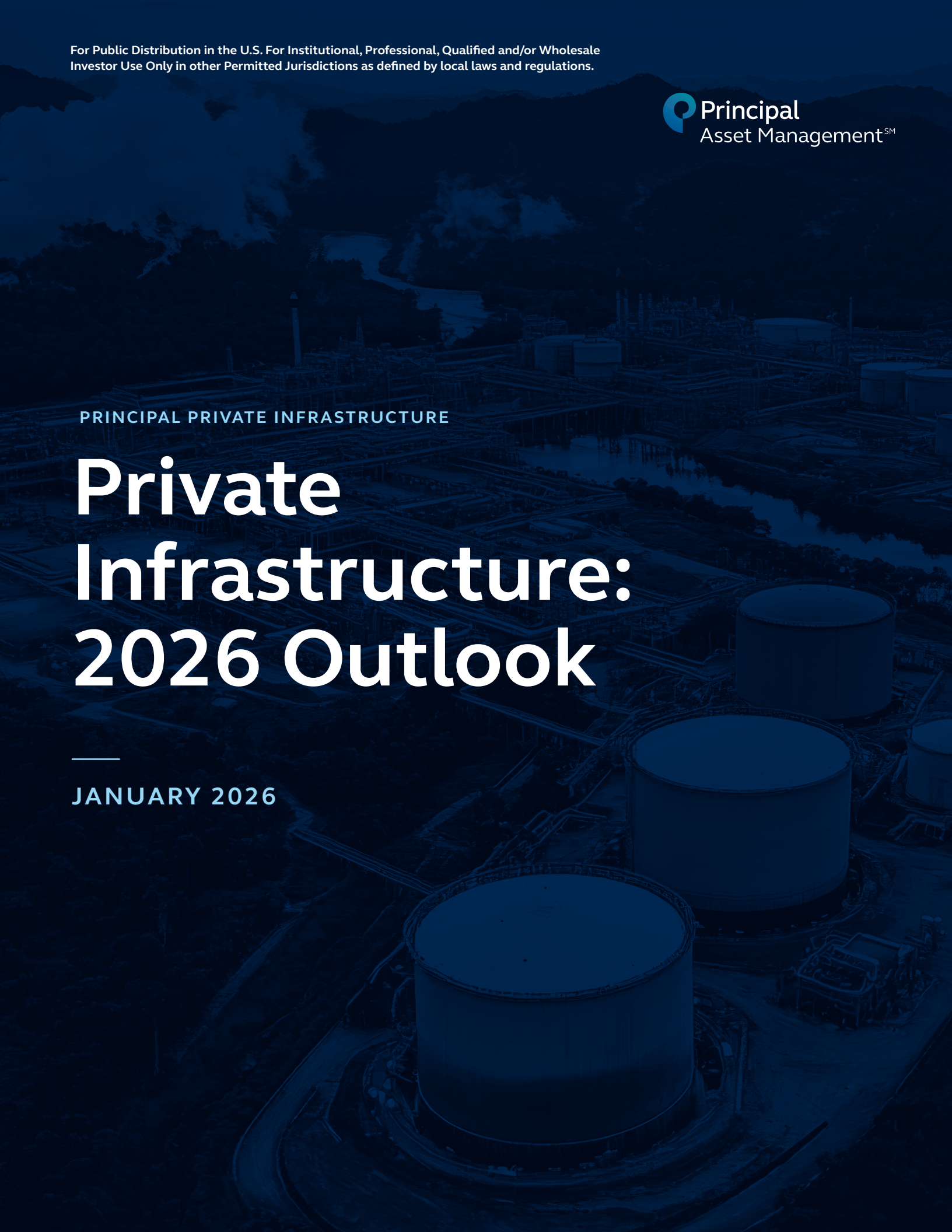
Principal Asset Management℠

PRINCIPAL PRIVATE INFRASTRUCTURE

Private Infrastructure: 2026 Outlook

JANUARY 2026



Key takeaways

- 2025 posted the highest deal volumes for infrastructure in history:
  - Overall infrastructure deal volume increased to $1.56tn, up from $1.12tn in 2024 (+39% YoY).
  - Infrastructure debt deal volume increased to $1.05tn, up from $790bn in 2024 (+33% YoY).
  - Prior to 2025, the highest infrastructure deal volume was in 2022 with $1.26tn (overall) and $603bn (debt).
- Infrastructure debt funds represent only 8.1% of infrastructure AUM (as of Q1 2025) which is expected to present abundant opportunities for dedicated credit managers given approximately $322bn of infrastructure equity dry powder remained as of year end 2025.
- The continued public infrastructure funding deficits and high levels of dry powder in private equity indicate continued heightened levels of activity in 2026 for both private infrastructure equity and debt investors.

We are primarily focused on the following key themes:

1. Sustained demand for artificial intelligence (AI) capacity is expected to continue to drive growth in data centers, power supply, and fiber.
2. Acceleration of capital deployment driven by grid modernization, energy security, and industrial onshoring.
3. Urbanization driving need for social infrastructure investment in developed and emerging markets.
4. Continued growth of private capital and the emergence of asset backed finance as a receptive market for infrastructure execution.

Sector outlook summary

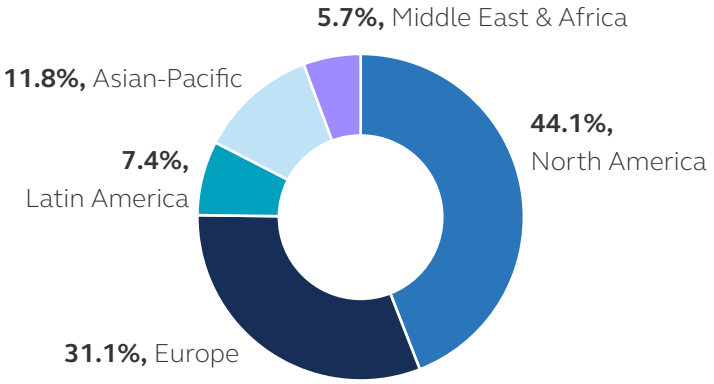
KEY: ↑ Increasing ↔ Neutral ↓ Decreasing ● 100% ◕ 75% ◑ 50% ◔ 25%

Sector	2025 global volume	2026 expected deal velocity	2026 expected relative value
Energy	$270.9bn	◕	↑
Power	$618.0bn	●	↔
Digital	$367.3bn	●	↑
Transport	$200.6bn	◑	↔
Social	$100.2bn	◔	↑

Source: Infralogic, Preqin, and Principal Asset Management, January 2026.

2025 observations and 2026 outlook

- 2025 was a robust year in private infrastructure with $1.56tn in global activity driven by significant activity in the power and digital sectors, noting all major sectors were up YoY.
- Total global infrastructure debt volumes reached $1.05tn in 2025 with an 80/20 split across bank loans and capital markets (vs. 85/15 split in 2024).



Source: Infralogic, January 2026

We believe private capital will expand across risk spectrum in infrastructure

- As deal flow increases in 2026 across IG, HY, and equity opportunities, we expect clients to have increased capital allocation appetite towards HY and selective emerging markets.
- As project costs and project valuations continue to rise, there will be a greater need for borrowers to seek out a variety of capital solutions to bridge the funding gap.
- We believe well structured private capital HY transactions currently provide some of the most attractive risk-adjusted returns. These transactions back mission critical infrastructure assets, with resilient valuations, and are expected to continue to provide opportunities in 2026.

- Investment grade (IG) opportunities continued to see significant activity while attractive high yield (HY) opportunities continued to expand for institutional investors. Infrastructure debt maintained a strong premium to public comparables while offering spreads of +200-250 bps for IG issuances, +325-400 bps for BB issuances, and +425-650 bps in low BB and single B issuances.
- Infrastructure equity investment continued to see high volumes; approximately $510bn (33%) of total global volumes.
- Infrastructure equity deal flow was largest in core and core-plus strategies, while fundraising was most successful in opportunistic strategics – showing investor appetite for different types of risk-return profiles across the asset class.

Private infrastructure deal flow to maintain levels in 2026

- Megatrends across AI and data consumption, digitalization, grid modernization, energy security, urbanization, and the emergence of new asset backed financing structures.
- We expect corporates and financial sponsors to continue seeking innovative financing solutions in the private markets that require bespoke structured solutions for capital intensive projects.
- Government deficits are expected to continue to widen the “infrastructure gap” globally, furthering the need for access to flexible private capital.

Source: Infralogic, Preqin, and Principal Asset Management, January 2026.

Infrastructure megatrends to follow

#1 Sustained demand for AI capacity is expected to continue to drive growth in data centers, power supply, and fiber

2025 data center transaction volume grew at a rapid pace reaching over $260bn globally (+80% YoY).

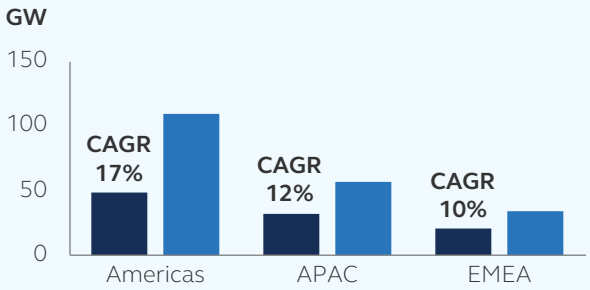
- Average deal size of $1.21bn (+56% YoY).
- Global data center debt issuance doubled to $202bn, up from $101bn in 2024.
- Capex spending by the Big Tech corporates was roughly $400bn in 2025, up 68% from 2024.

As average transaction size continues to increase, a widening gap between large-cap and middle market data center deal activity is expected.

- Middle market opportunities are likely to skew towards more customized, club-style investments.
- Large-cap transactions will require participation across the full capital market spectrum.

Exponential growth of AI, cloud computing, and advanced digital infrastructure is fundamentally reshaping electricity consumption patterns in the U.S.

Growth in data center capacity (2025-2030)



Source: JLL, January 2026

In 2024, U.S. data centers consumed approximately 180 terawatt-hours (TWh) of electricity, accounting for about 4% of total domestic power consumption. Projections indicate that by 2030, this consumption could rise to nearly 12% of the total U.S. electricity demand.

Nearly 100 GW of new global data center capacity is expected to come online between 2026 and 2030, requiring up to $3tn in additional investment.

- Power infrastructure has emerged as the primary constraint amid multiyear grid interconnection and equipment delays in core markets where “speed to market” is crucial for data center development.
- Transmission constraints and grid congestion are pushing developers and tenants toward alternative power strategies, creating incremental investment opportunities across power generation, storage, and grid supporting assets.
- Behind-the-meter (BTM) power is increasingly viewed as a preferred solution, particularly in the U.S. where co-located generation is being deployed for both temporary and permanent power to bypass grid delays.
- Renewables paired with battery storage are becoming a core component in helping manage AI driven load volatility, firm intermittent generation, and accelerate grid interconnection timelines given renewable projects are typically faster to build.
- We believe long-term solutions will require integrated investments in resilient, efficient power infrastructure to sustainably support the explosive growth in AI demand in the coming years.

In our view, private investments will be key to funding this next phase of the AI-driven infrastructure buildout

- Infrastructure private equity and strategic joint-ventures will play a large role in new development.
- Developers of all sizes will require off-balance sheet financing vehicles and project finance debt solutions provided by private capital investors.

The role for private markets (across equity and credit) is critical, complemented by continued capital investment from public markets into utilities and Big Tech.

Source: Infralogic, International Energy Agency (IEA), McKinsey, and JLL, January 2026

#2 Acceleration of capital deployment driven by grid modernization, energy security, and industrial onshoring

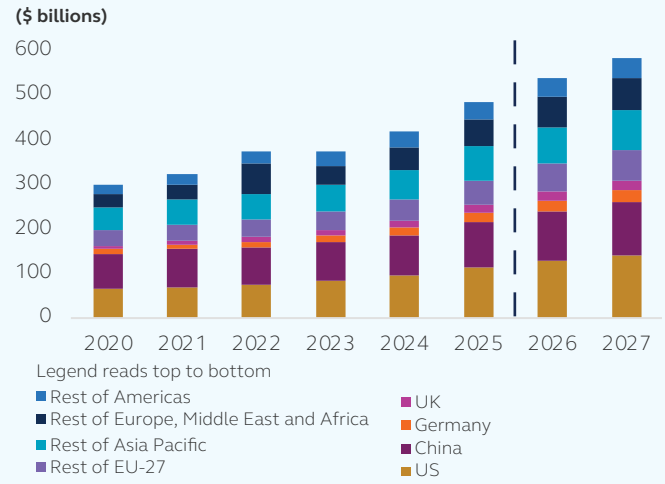
The world is currently in the early stages of aging grids and scarcity of capacity available to meet the sheer amount of power usage forecasted.

- Grid modernization and reliability upgrades, such as hardening infrastructure and deploying smart-grid systems, are growing strategic priorities in many markets, to facilitate the expected load demand from the acceleration in AI, electrification, and digitization.

In the U.S., supply constraints are intensifying.

- Coal continues to be retired and permitting for renewables is slow, creating an electricity supply constraint with many power regulators warning that most of the region could face power supply shortfalls over the next decade.
- Efficient distribution remains a challenge, with approximately 30% of U.S. transmission lines and 50% of distribution infrastructure nearing their end-of-life. Capacity prices in the Pennsylvania–New Jersey–Maryland (i.e., PJM) market have risen dramatically in recent years, which highlights the premium to be ascribed to reliability.

Global grid investment (by market)



Source: BloombergNEF, December 2025

Investment momentum is accelerating globally.

- In 2025, global capital spending on grids increased by 16% (15% in 2024), which marks the second consecutive year of double-digit growth.
- The U.S. had the highest levels of grid investment in 2025, at approximately $115bn (about 25% of the global total). China and Europe are also key contributors, each representing 20%.

Despite this growth, grid investments remain challenging as they do not generate immediate financial returns and their value comes mainly from preventing failures rather than increasing revenue.

Global macro pressures are amplifying the need for resilient infrastructure as countries are facing surging demand for infrastructure and power, disruption to supply chains, strained international relations, volatile energy commodity markets, and nearshoring of industry to bolster national security.

Favorable policy-driven reforms to address grid related challenges (interconnection queues, permitting, energy security) are critical to increasing private capital's speed to deploy in this super-cycle.

Global factors including the growth of power demand, geopolitical uncertainty, and decades of investment neglect have led to increased attention towards grid investment and the need to accelerate capital deployment.

- Investments are being hampered by supply chain, regulatory hurdles, and labor constraints.
- Innovative policy solutions to help ensure speed, efficiency, and replicability will open the doors to private capital investment, much needed in strengthening the global grid.

Source: BloombergNEF, Robeco, U.S. Energy Information Agency, Reuters, and Principal Asset Management, January 2026.

#3 Urbanization driving need for social infrastructure investment in developed and emerging markets

In 2025, more than half of the world's population lived in urban areas with cities accounting for 45% of the global population compared to 20% in 1950. Global population forecasts through 2050 are expected to continue their upward trajectory with an expectation that two-thirds of the increase will be concentrated in urban areas, driven primarily by emerging and developing regions. Largest increases are expected across Asia and Africa.

As urbanization intensifies, demand for investment in new and aging social infrastructure (hospitals, schools, housing, waste, water, heating) is expected to grow and outpace available funding. Addressing these pressures may require greater private capital involvement, with an emphasis on asset quality, operational resilience, and efficient use of existing urban space to support long-term urban development.

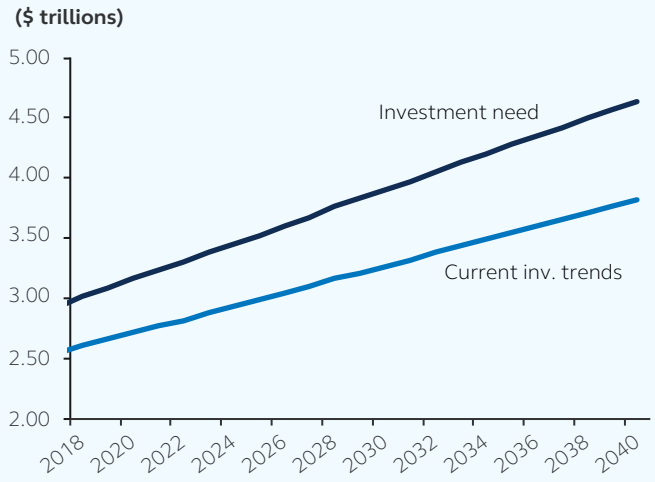
Between projected infrastructure needs and current investment trends the funding gap is expected to widen by 2040, with a need for private capital and public-private-partnership to fill the gap.

Social infrastructure is especially exposed to this shortfall because it generates limited direct revenues and remains heavily dependent on constrained public funding sources.

In developed markets, fiscal constraints are limiting the pace of infrastructure replacements and resiliency updates. Aging populations, higher healthcare and social spending, and tighter public balance sheets are reducing governments' ability to self-fund large-scale projects. As a result, many jurisdictions face growing backlogs of deferred investment.

In emerging markets, rapid urban growth is driving the need for new social infrastructure capacity, but funding capacity remains constrained. Cities are expanding faster than public balance sheets can support, with municipal revenues often insufficient to fund large capital programs. Higher macro volatility and weaker counterparty credit profiles further limit traditional public-sector financing.

Global infrastructure investment at current trends and need



Source: Global Infrastructure Hub, 2021

We believe these short and long-term urbanization trends in both developed and emerging markets will inherently increase the role and need for private infrastructure capital. Innovative public-private-partnerships and an abundance of private capital, particularly long-duration equity and institutional debt, can help bridge the funding gap and is well suited to social infrastructure investments that benefit from long useful lives, are mission critical, and are typically supported by contracted or availability-based payments.

Across both developed and emerging markets, mobilizing private capital is becoming central to meeting social infrastructure needs.

As urbanization continues to concentrate demand for essential services, the ability to structure investable infrastructure projects and attract private capital will play a key role in determining how narrow the investment funding gap can become.

Source: Infralogic, UN DESA, World Bank, and Statistica, January 2026.

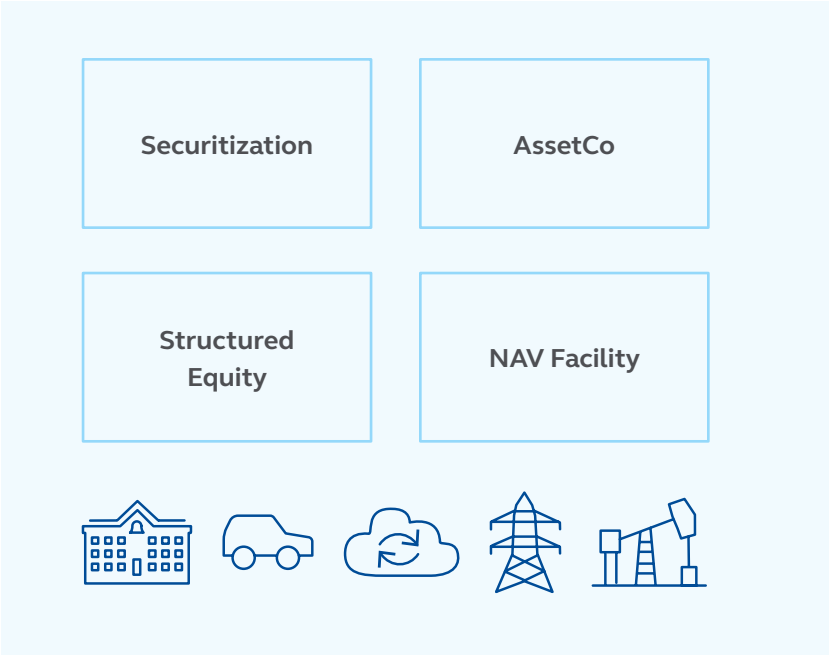
#4 Continued growth of private capital and the emergence of asset backed finance as a receptive market for infrastructure execution

Asset backed finance (ABF) refers to lending secured by a diversified pool of receivables, contractual cash flows, or hard assets typically pledged to a newly established funding vehicle.

The ABF market is vast, spanning public and private markets across numerous asset classes. It has become a meaningful component of institutional alternative portfolios amid bank retrenchment and the rise of private capital; historically, rooted in everyday consumer and business activities such as mortgages, credit cards, autos, aircraft, and royalties, it has increasingly expanded into niche financing areas as borrowers and lenders recognize its structural advantages over corporate credit.

ABF solutions for borrowers can vary depending on need:

- **Securitization:** Bankruptcy remote financing vehicle set up to own a pool of receivables, contracts, or small assets via a short-term warehouse or long-term asset backed security (ABS).
- **AssetCo:** Ring-fenced pool of operating assets that tend to be lumpier in size than securitization and more infrastructure like (renewables, transport, digital).
- **Structured equity:** Corporates may seek to raise cost-effective capital by structuring a solution around hard assets or receivables instead of common equity.
- **Net Asset Value (NAV) facility:** Borrowing base structure linked to asset values rather than cash flows.



Furthermore, many characteristics of ABF are akin to traditional infrastructure debt:

- Secured by hard assets and cash flows; downside protection features through collateral rights and covenants; controlled waterfalls; contractually amortizing; inflation linked; legal separation.

The dynamics of ABF provide a natural evolution to traditional infrastructure debt that is grounded in asset-level risk but shifts the analysis from a single asset to more granular and diversified pools providing several credit enhancements.

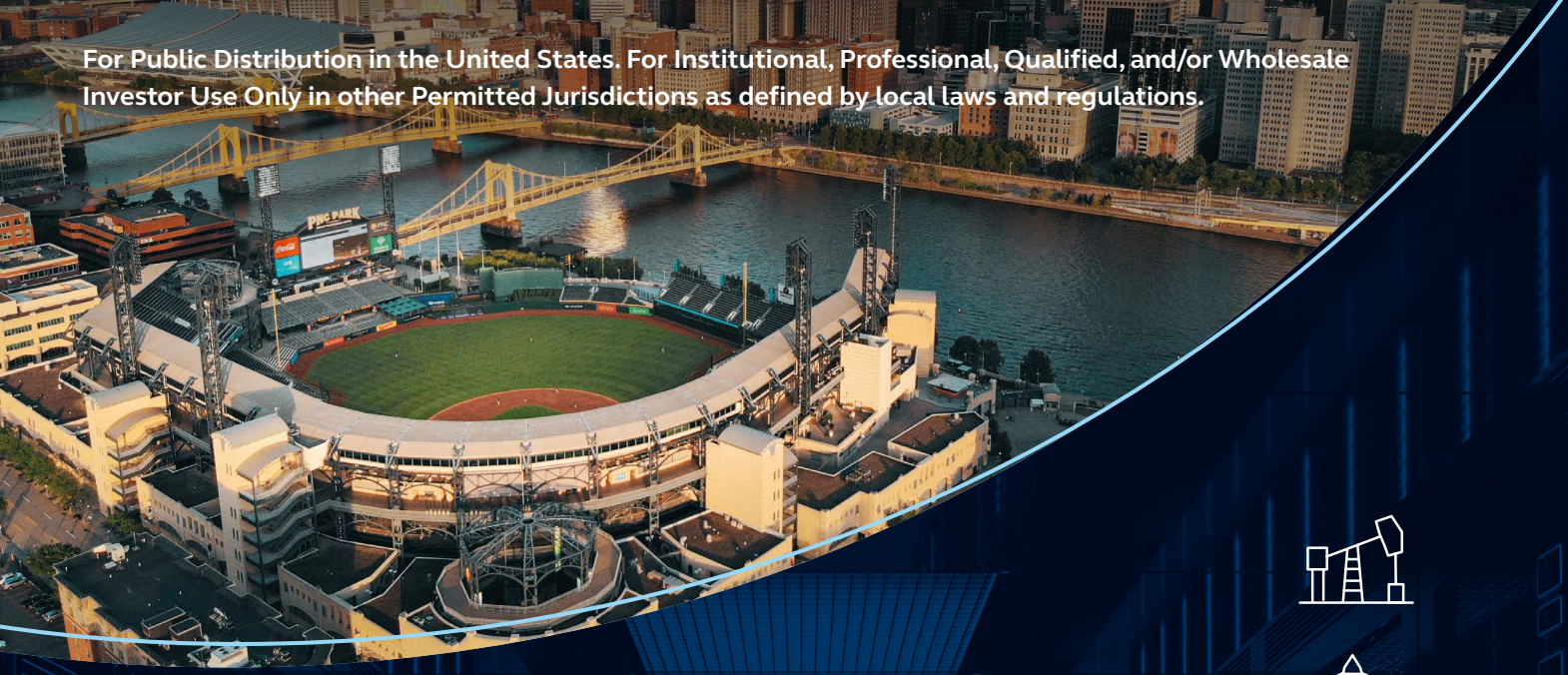
- These pools may be dynamic based on borrowing base and/or eligibility criteria.

An increasing number of corporate infrastructure borrowers (fiber, towers, data centers, solar, midstream, transportation) are utilizing different types of ABF structures vs. traditional corporate credit to finance their business models, and we expect the trend to continue.

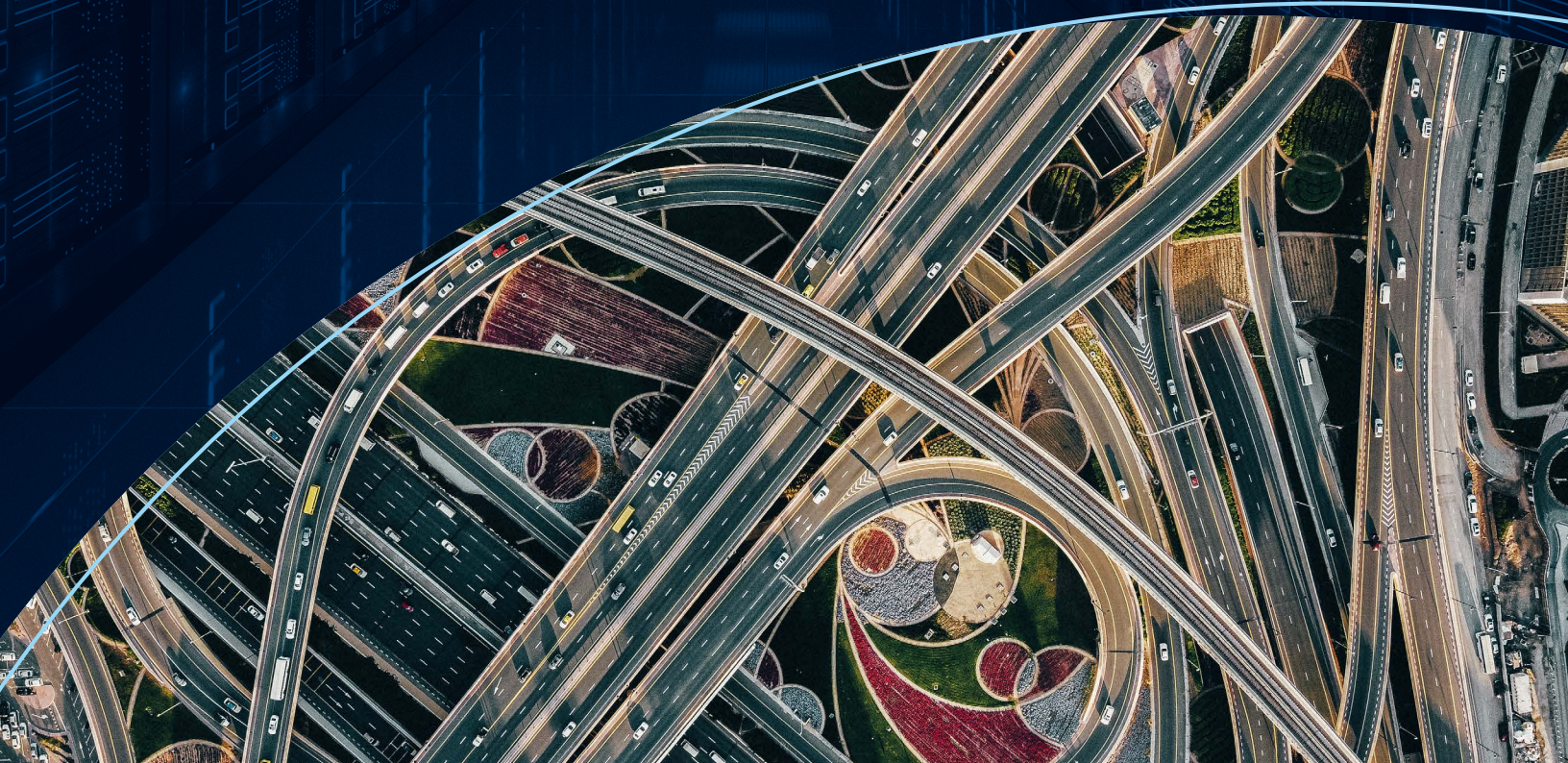
ABF is expected to emerge as a core funding channel for infrastructure borrowers, providing access to replicable capital at scale, while complementing traditional infrastructure finance.

The opportunity for investors to participate in new private market ABF structures will continue, as new structures emerge, underpinned by well-known and bankable infrastructure assets.

Source: Infralogic, Principal Asset Management, January 2026.



Sector outlooks

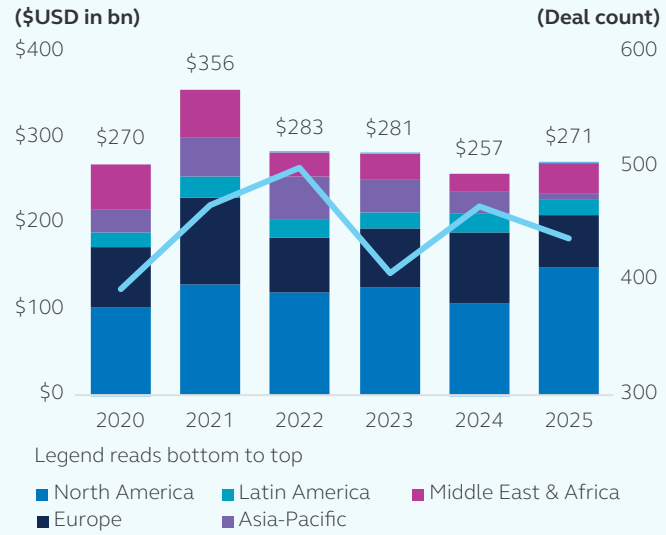


Energy

Sector overview

- Energy is a broad asset class comprising mainly oil & gas infrastructure across upstream, midstream and downstream subsectors. Midstream includes core assets such as liquified natural gas (LNG) terminals, pipelines, and storage assets. Adjacent growth areas include carbon capture and sequestration, renewable fuels, hydrogen, and critical minerals.
- In 2025, energy deal flow reached $271bn globally across 437 transactions.
- Energy security concerns, exacerbated by geopolitical tensions, have prompted countries to diversify their supply chains and prioritize domestic production.
- Natural gas is becoming increasingly viewed as part of a more permanent solution, rather than just seen as a transitional fuel.

Deal trends



Source: Infralogic, January 2026

Sector outlook

- We expect the energy sector to have similar deal velocity in 2026 as well as provide strong high relative value, noting 2025 volume was primarily carried by a 'smaller' number of megadeals (compared to other sectors with more deals and less size per deal).
- Increased regional energy security is expected to be a driving force of growth in the energy sector for 2026 and beyond.
- Countries are likely to strengthen energy security by bolstering regional supply chains and growing upstream and midstream infrastructure in particular.
- LNG will remain a key area of focus in the near-term as we're beginning to see project developments across new jurisdictions with the ability to invest across the capital stack.

What we're watching

- Geopolitical tensions between leading oil & gas producing nations and the impacts on product volumes.
- Energy sector tailwinds, global policy stances, the dramatic growth in power demand, Western nations' pivot to further diversify gas inflows, and energy security priorities.
- Continued global demand for LNG driving investment in export terminals and regasification facilities.
- Creation of direct gas supply lines to data center operators to bridge the gap until permanent pipeline connections are made.
- Investment focus on sustainability continues to vary across the world, with the continued acceptance of natural gas as a transition fuel.

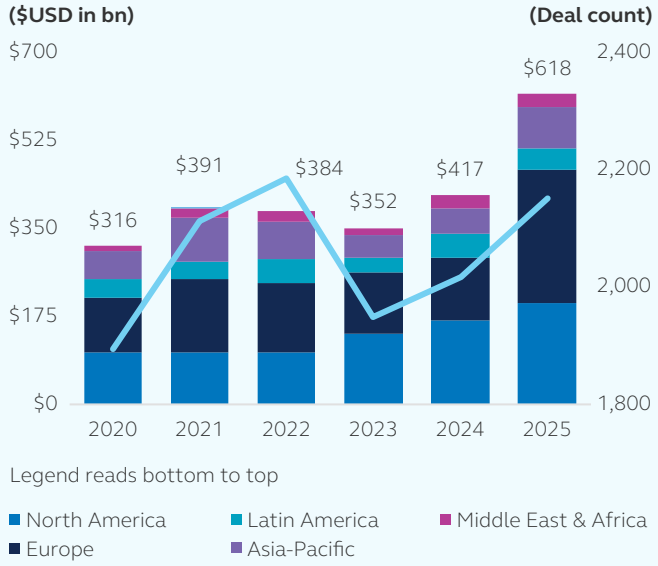
Source: Infralogic, Principal Asset Management, January 2026.

Power

Sector overview

- Power includes thermal and renewable generation, transmission and distribution of electricity. For Principal, thermal power generally includes gas-fired assets as well as district heating and behind-the-meter (BTM) assets. Renewable power mainly includes wind, solar, battery storage, hydro, and geothermal. Distributed generation and microgrids are a key growth area for core power opportunities.
- In 2025, power deal flow reached $618bn globally across 2,152 transactions.
- Gas-fired capacity remains a primary power source due to its flexibility and reliability, important for both energy security and trends such as AI and digitalization; however, renewables continue to be the fastest growing subsector.
- Traditional centralized power plants (thermal and renewable) are complemented by distributed energy resources such as C&I, community and rooftop solar, battery storage, and microgrids.

Deal trends



Source: Infralogic, January 2026

Sector outlook

- We expect the power sector to have increased deal flow in 2026 and remain consistent in relative value compared to recent years.
- AI, digitalization and electrification trends in transportation and heating will add to demand pressures, potentially outpacing infrastructure readiness.
- In the U.S., renewables may continue to dominate new capacity additions along with traditional power picking up momentum in 2026 due to the One Big Beautiful Bill Act (OBBBA) being signed into law and the acceleration of sunset dates for Inflation Reduction Act (IRA) tax credit incentives.

What we're watching

- Resurgence in new-build for gas-fired generation including centralized and BTM facilities, largely needed for powering AI data centers.
- The need for new generation is contending with development challenges.
- Newbuild costs for traditional power are rising, which is raising valuations for existing plants (up to 40-50%+ higher per kilowatt than years prior).
- Broadening range of technologies and sponsors being active in the market, with energy storage projects in particular gaining market share alongside established solar and wind deals as well as newly eligible credits from advanced manufacturing, clean fuels, geothermal, and other sectors.
- Increased investment in distributed energy resources (DER) including distributed generation, community solar and microgrids.

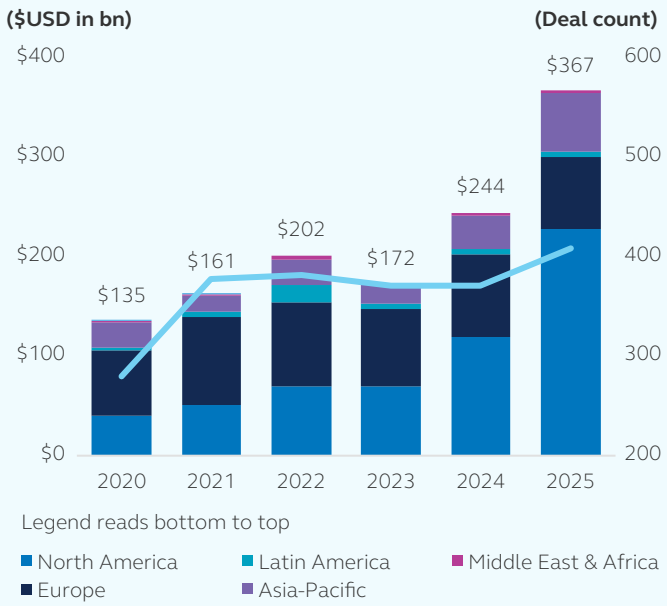
Source: Infralogic, Principal Asset Management, January 2026.

Digital

Sector overview

- Digital infrastructure continues to expand as a subsector, but generally includes core areas of data centers, fiber optic, and cell tower assets. Growth areas include wireless and distributed antenna systems, as well as various internet of things (IoT) applications. Digital infrastructure increasingly intersects with nearly all other infrastructure asset classes due to the digitalization megatrend.
- In 2025, digital deal flow reached $367bn globally across 408 transactions.
- Digital infrastructure is experiencing exponential growth in 2025, propelled by surging demand for connectivity, cloud computing, and data analytics.
- Operators are increasingly adopting energy-efficient technologies and renewable energy to power their facilities, while surging data center demand requires immediate and/or bridging solutions such as gas-fired BTM power supply.

Deal trends



Source: Infralogic, January 2026

Sector outlook

- We expect volume in the digital infrastructure sector to continue to increase in 2026 and beyond given current AI and digitalization trends, as well as provide increasingly attractive relative value.
- The average deal size in the space continues to increase and we have begun to see club-style institutional investors transactions in the larger deals in addition to smaller ones.
- In 2026, digital infrastructure is expected to continue underpinning transformative advances across industries, with big data and utilities combining with government, public markets and private capital to solve the most pressing needs of the modern economy (with power supply being the largest obstacle for growth).

What we're watching

- The convergence of data centers and power, with potential trends such as:
  - Renewables being paired with flexible backup sources and energy storage on the same site as the data center itself.
  - Sponsors increasingly targeting investment in infrastructure connected to AI computing data centers.
  - Utility campuses for data centers.
- Reduced reliance on connections to the main power grids, which can be costly and take long periods of time to construct.
- Expanding the search for more alternative power sources (i.e. nuclear, geothermal, and fuel cell).
- Continued investment in fiber networks and towers to support increasing bandwidth demands, particularly in rural and underserved areas.

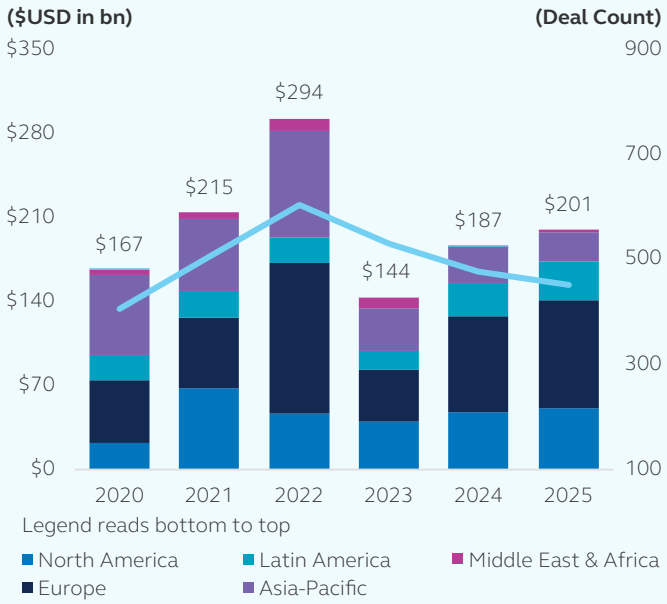
Source: Infralogic, Principal Asset Management, January 2026.

Transport

Sector overview

- Transportation infrastructure is a traditional asset class including surface transportation (roads and rail), marine (seaports and terminals) and air (airports and terminals). Growth areas in transport are in essential service providers, expanding logistics such as cold storage and packaging, as well as electrical vehicle (EV) infrastructure, such as charging networks.
- In 2025, transportation deal flow reached $201bn globally across 453 transactions.
- Transportation infrastructure is essential for both developed and emerging markets and is continually cited as a key problem in the "infrastructure gap" where private capital can help meet demographic needs.
- The integration of multimodal transportation systems is gaining traction to improve connectivity, as well as innovative systems to reduce congestion such as managed lanes.

Deal trends



Source: Infralogic, January 2026

Sector outlook

- We expect the transportation sector to see continued growth in Europe given the continuous need for reinvestment, while U.S. deal activity is expected to remain relatively flat given the accessibility of tax-exempt and municipal bond markets; relative value in the sector should remain steady on a global basis.
- Governments and private stakeholders are expected to increase investments in EV charging networks, green logistics corridors, and smart traffic management systems.
- Funding mechanisms, such as public-private partnerships, should play a critical role in addressing infrastructure deficits and enabling transformative growth in the sector.

What we're watching

- Continued strong deal flow out of Europe for core transportation investments.
- A revamping of federal caps for public activity bonds (PABs) to catalyze private infrastructure development.
- More local administrations (state and municipal) working together with investors to structure and deliver the next generation of U.S. transportation projects.
- Additional deal flow in service businesses tied to major transportation infrastructure assets such as airports.
- Ongoing procurements of managed lanes programs.
- Additional congestion relief projects in the U.S., following the implementation of New York's congestion tolling program.

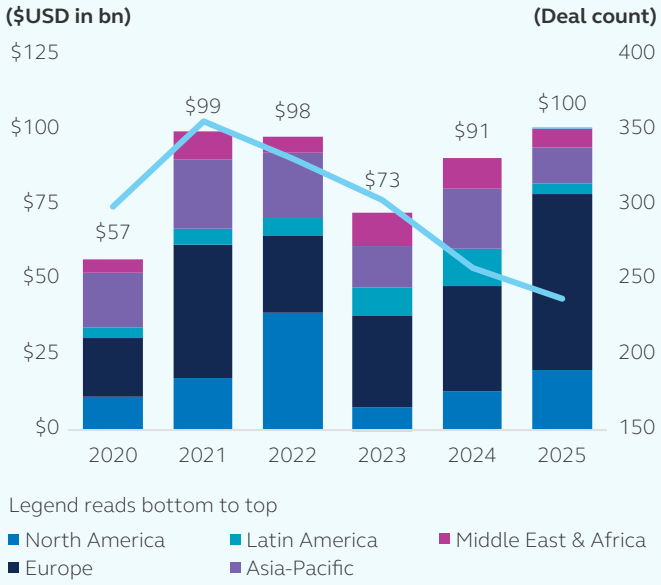
Source: Infralogic, Principal Asset Management, January 2026.

Social

Sector overview

- Social infrastructure is a broad and diverse subsector that spans several different types of assets from civic facilities (state education, healthcare, and military housing) to stadiums and arenas. Water and wastewater are also often considered social infrastructure
- In 2025, social deal flow reached $100bn globally across 237 transactions
- Often the biggest driver for social infrastructure deal flow is public-private partnerships or outright privatization (or concession) of civic services
- Growth areas in social infrastructure depend on the expansion of public-private partnerships.

Deal trends



Source: Infralogic, January 2026

Sector outlook

- We expect the social infrastructure sector to continue its typical steady deal flow while offering steady relative value to investors.
- Deal flow within social infrastructure has consistently increased in recent years, eclipsing $100bn in 2025 and we expect that trend to continue for the foreseeable future.
- Within social infrastructure, we see short-term opportunities in the stadium and arena spaces that present uniquely attractive opportunities.
- Longer-term, we continue to see water and wastewater (and other social-environmental services) to be a major area for private capital investment.
- The expanding universe of opportunities in the social infrastructure space and/or more demand-based opportunities (versus more conventional availability-based models) could drive an increase in relative value.

What we're watching

- Water utilities across U.S. and Europe could see continued evolving public to private relationships (as well as increased investment in water resources).
- Logistics businesses are benefiting from the acceleration of new digital technologies, global supply chain shifts, and the evolution in how communities live and work.
- Modernization of stadiums and arenas in Europe and U.S. markets.
- Climate resiliency projects for hospitals, school, district energy and water infrastructure.
- While the university P3 sector, comprised of energy and social projects, continued to show strength in 2025 we remain cautiously optimistic in seeing how the higher education space is turning to P3s for a variety of different asset sectors.

Source: Infralogic, Principal Asset Management, January 2026.

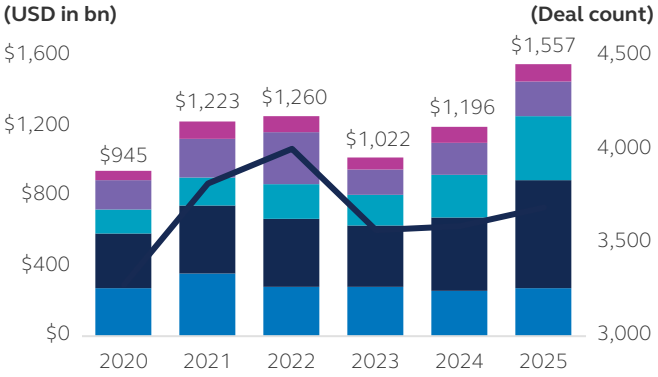
Geography trends

Recent trends: By geography

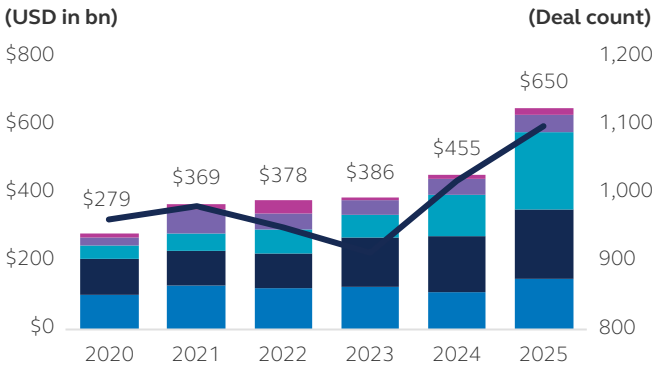
Legend reads bottom to top for every chart below

Energy | Power | Digital | Transportation | Social

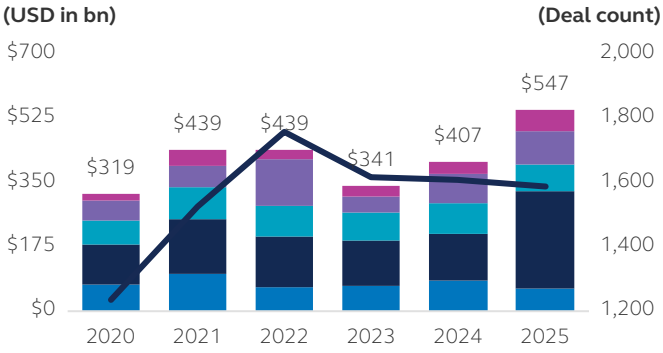
Global deal volume (2020-present)



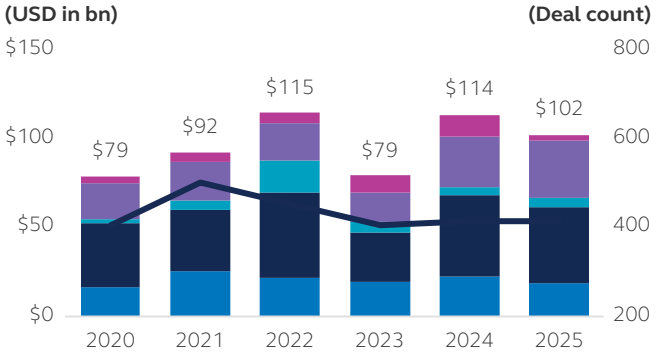
North America deal volume (2020-present)



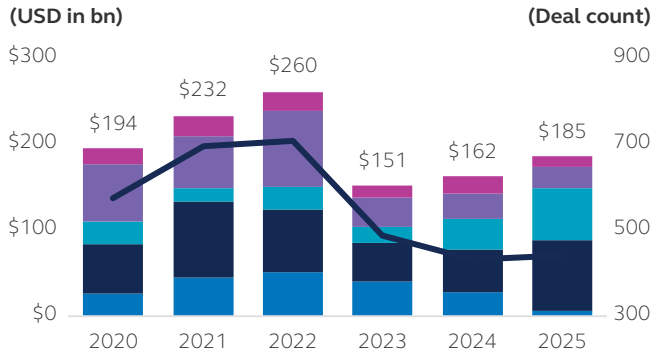
Europe deal volume (2020-present)



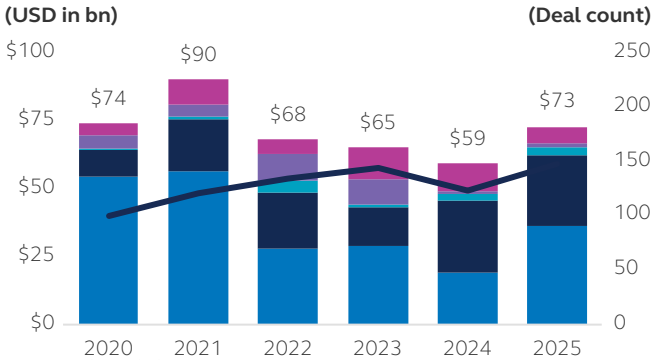
Latin America deal volume (2020-present)



Asia-Pacific deal volume (2020-present)



Middle East & Africa deal volume (2020-present)



Source: Infralogic, January 2026.

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