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April issues a verdict on the data center build-out

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Last month, I described a market trying to find clarity in chaos and called for painting with a finer brush. April supplied a new canvas. The S&P 500 finished April up roughly 10.5 percent – its best month since 2020. The Nasdaq added more than 15 percent and the Dow gained more than 7 percent. By early May, the S&P had closed above 7,200 and kept rising. A market that had been bracing for stagflation sprinted in the opposite direction.

The reversal was not built on better headlines. The standoff with Iran that closed the Strait of Hormuz remains unresolved. After Iran briefly reopened the strait on April 17, talks broke off and a blockade was implemented. Brent crude settled near \$110 and West Texas Intermediate just above \$100, with S&P Global telling the world to plan for “higher for longer.” The Federal Reserve held rates at 3.50 to 3.75 percent on April 29, with four dissents. Payrolls came in at 177,000 and first-quarter GDP rebounded to 2 percent annualized from 0.5 percent. The economy is strong, and while the consumer is still buying everything except homes, the real strength is coming from the companies pouring concrete, copper, and silicon into the ground to meet the massive need for computing resources.

That is the story that took over the market in April. Five of the largest technology companies reported earnings, each one expanding its capital spending plans. Alphabet, Amazon, Microsoft, and Meta now expect to spend \$650 billion to \$725 billion combined on AI infrastructure in 2026. That figure exceeds the GDP of Switzerland and rivals the annual federal Medicare budget. Amazon committed \$200 billion, Microsoft \$190 billion, Alphabet \$180 billion, and Meta raised its range to \$125 billion to \$145 billion. Apple, the lightweight at \$13 billion, gets a free ride on Google’s Gemini integration. Alphabet CEO Sundar Pichai delivered the quote of the quarter: cloud revenue would have been higher, he said, with more compute. Translated: demand is greater than supply, and the only way to capture it is to build.

The data center build-out is not just a tech story. It is an industrial story touching more sectors than most readers realize. Global data center capacity has climbed from 42 gigawatts in 2023 to 62 gigawatts in 2025, with some estimates pointing to 200 gigawatts by 2030. These numbers

measure electricity, not computing power. A gigawatt is the rate at which a data center pulls power from the grid, the way miles per hour measures how fast a car is moving.

One gigawatt is roughly the steady output of a large nuclear reactor, or enough to power 750,000 American homes at the same time. The industry has added 20 nuclear reactors' worth of demand in the past two years, and is on track to add seven times that again by 2030. The 200-gigawatt target is more electricity than Germany consumes at peak, all of it dedicated to computing. The total price tag could reach \$6.7 trillion, — more than the annual GDP of Japan. Outside of China, no country can invest at this rate, which is why dollars are flowing into U.S. equities.

The ripple effects spread far beyond Nvidia chips. Power generation is the binding constraint, not silicon. Gigawatts measure the load at any single moment. Terawatt-hours measure the total electricity used over a year. By 2030, annual data center consumption is on track to roughly double to 945 terawatt-hours, comparable to all of Japan's yearly use and roughly a quarter of what the United States consumes in a year.

Hyperscale operators are signing direct contracts with power producers, restarting nuclear plants, and co-locating campuses next to natural gas turbines. Companies that build the grid, the substations, and the back-up generators have suddenly become AI plays. So have makers of high-voltage switchgear, transformers, and copper wire. Liquid-cooling specialists, once a sleepy HVAC niche, are growing because air alone cannot dissipate the heat from modern chips. Optical networking firms benefit because every GPU cluster requires miles of fiber. Data center real estate trusts have moved from "AI laggards" to "AI leaders" as tenants pre-lease facilities years before they break ground.

Construction firms, electrical contractors, and industrial gas suppliers all draw revenue from the same trough. Thomas Edison once observed that opportunity is missed by most people because "it is dressed in overalls and looks like work." Few descriptions fit this list better. Analysts estimate 1.6 million AI-related jobs have been created in the past two years, 600,000 more tied directly to the data center boom, and every direct data center job tends to support six others nearby.

None of this means the spending is risk-free. Twelve states have introduced bills to slow or pause hyperscale construction, citing electricity strain, water consumption that could reach 1.7 trillion gallons by 2027, and surprisingly few permanent jobs once the cranes leave. Memories of the 1999 fiber build-out haunt the conversation. That cycle was speculative supply chasing imaginary demand. This cycle is real demand chasing constrained supply, with capacity pre-sold years in advance. The two cycles look similar from the outside. They are not the same.

The lesson of April is not that the bubble talk has ended. The lesson is that spending is producing results flowing through an unusually wide range of industries, not least the end-users of the technology. For long-term investors, the question is no longer whether the build-out will continue.

Multiyear backlogs answer that. The question is which businesses will earn durable cash flow from it. Companies with strong balance sheets, recurring revenue, and disciplined capital allocation are the ones whose stories will survive the next sell-off.

The market always finds a reason to be nervous. Right now, the concrete is still curing, the fiber is still being pulled, and the transformers are still rolling off flatbeds. Stay invested. Stay diversified. And follow the wires.

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