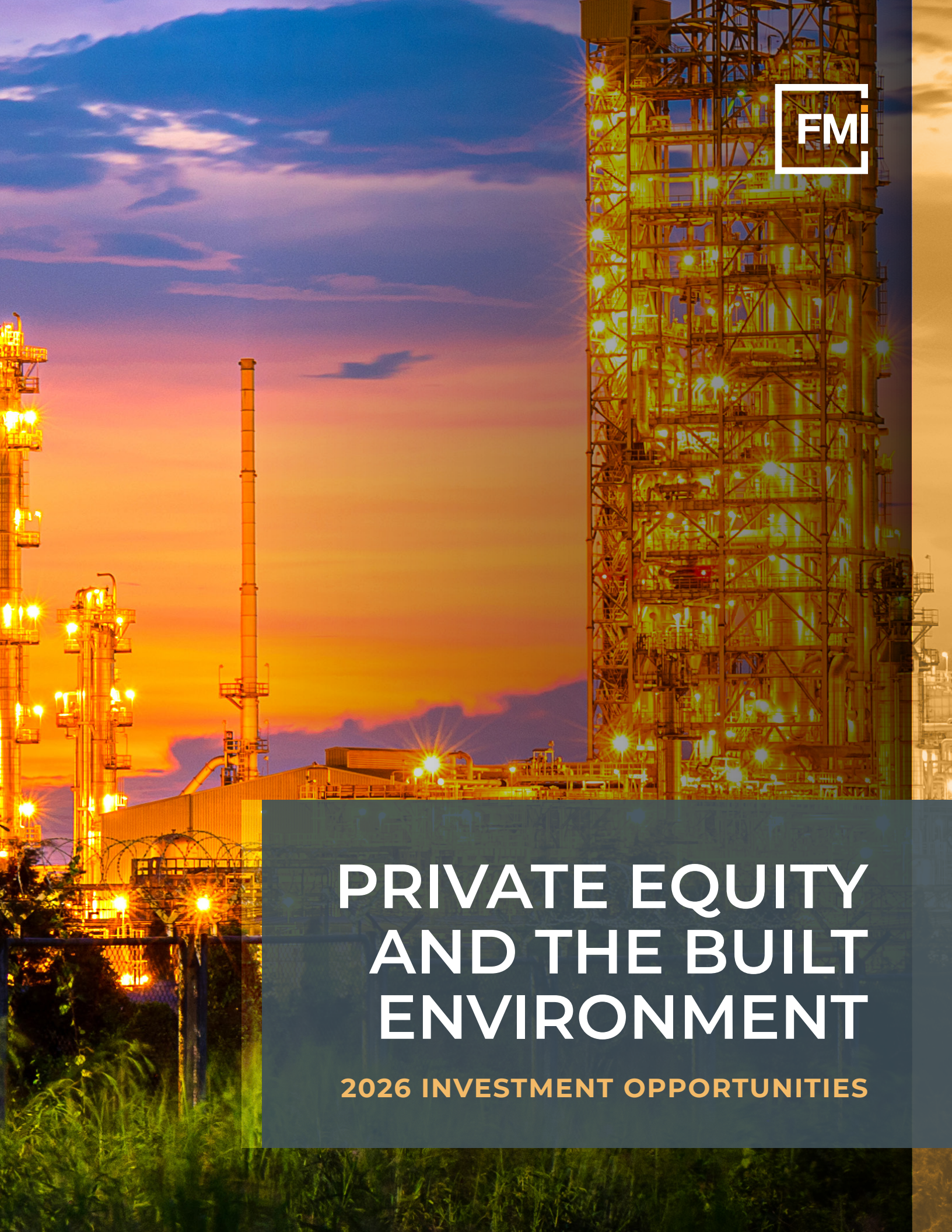


PRIVATE EQUITY AND THE BUILT ENVIRONMENT

2026 INVESTMENT OPPORTUNITIES

INTRODUCTION

As private equity (PE) looks for opportunity in sectors that are durable, scalable and resilient to the impact of AI, it's looking to the built environment. According to Pitchbook, 501 deals were inked in the first three months of this year alone (the highest quarterly total ever), up 32.2% from the same period last year. Deal value was also impressive, rising 12.4% year over year to $24.4 billion. Sponsor-backed exit activity was even stronger, with the total value of sponsor exits more than doubling from $3.6 billion in the first quarter of 2025 to $9.5 billion in the opening period of 2026 across 58 transactions.

With no signs of interest cooling — and with enduring positive market trends continuing to grow — investing in the built environment is becoming increasingly compelling. We are seeing these dynamics develop in real time, and the opportunity is only accelerating.

> ***"The built environment is the fundamental enabler of the U.S. economy which creates a durable and enduring theme for private equity to invest around."***
>
> **— PAUL GIOVANNONI**
> *FMI Partner, Private Equity Consulting Services*

This report explores four exciting areas across the built environment that are benefiting from macro themes and where investment opportunity remains strong. Developing the appropriate investment strategy around these themes demands more than surface-level analysis. It requires advisors with direct industry expertise who can uncover critical nuances, deliver rigorous strategic diligence, and develop value creation plans that position sponsors to achieve superior outcomes across their portfolios.

OUR TEAM HAS IDENTIFIED FOUR SECTORS THAT ARE FERTILE GROUND FOR EXCEPTIONAL RETURNS:

01 **Nonresidential Electrical Services:** Firms that design, install, service and supply electrical systems

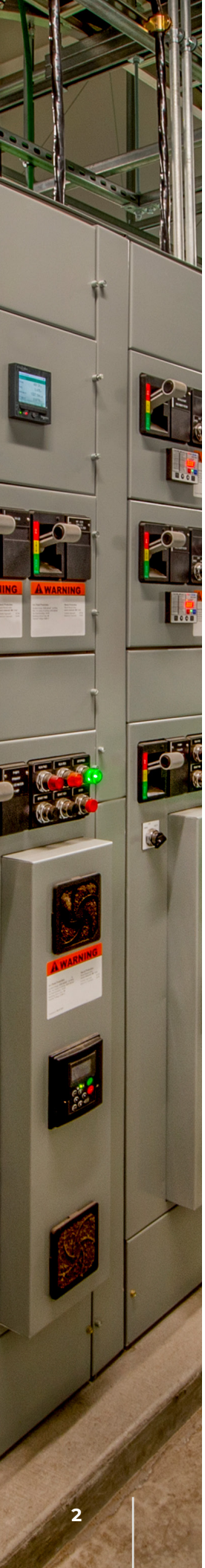
02 **Data & Digital Infrastructure:** Engineering and construction services firms supporting data center infrastructure

03 **Water & Wastewater:** Firms that support water and wastewater infrastructure buildout, compliance and maintenance

04 **Industrial Services:** Field service firms serving the industrial market from design through MRO

While there are important nuances to each sector, all are expanding. The expansion is being driven by domestic industrialization, local and regional population growth trends, electrification themes, government regulation, and insufficient or aging infrastructure and facilities. These factors create opportunities to invest in firms with specialized expertise and scalable platforms.

Much of these sectors remain highly fragmented, with significant opportunity for true value creation through technology enablement, process improvement and professionalization. The opportunity for institutional capital to deploy into founder-led businesses is immense. This is especially true at the lower end of the middle market ($5 million to $20 million in earnings) where roll-up strategy opportunities are abundant.



NONRESIDENTIAL ELECTRICAL SERVICES

$254B
2026 total U.S. market

$320B+
projected by 2030 at a 5.9% CAGR

OVERVIEW

As electricity demand continues to rise, firms that design, install, and service facilities and infrastructure are well positioned for growth. The nonresidential electrical services market across commercial, institutional, industrial and infrastructure segments represents a compelling platform investment opportunity, supported by nondiscretionary demand, strong industry fundamentals and a highly fragmented competitive landscape.

The ongoing shift toward electrification — combined with rapid growth in AI, data centers and IoT-enabled technologies — is driving sustained demand for system upgrades, mission-critical infrastructure and recurring service contracts. At the same time, tightening regulations (including the updated NFPA 70B standard) and an aging building stock are making electrical maintenance and modernization increasingly non-discretionary. Nearly half of all nonresidential buildings were constructed between 1960 and 2009, creating significant long-term demand for repair, retrofit and replacement services.

Capacity constraints are further strengthening the opportunity. As large strategics and PE-backed platforms focus resources on data center development and other large-scale projects, local and regional providers are gaining opportunities to serve higher-value end markets such as healthcare and light industrial facilities. Consolidation remains in the early innings, with successful acquirers building scale through geographic density, cross-selling capabilities and operational professionalization.

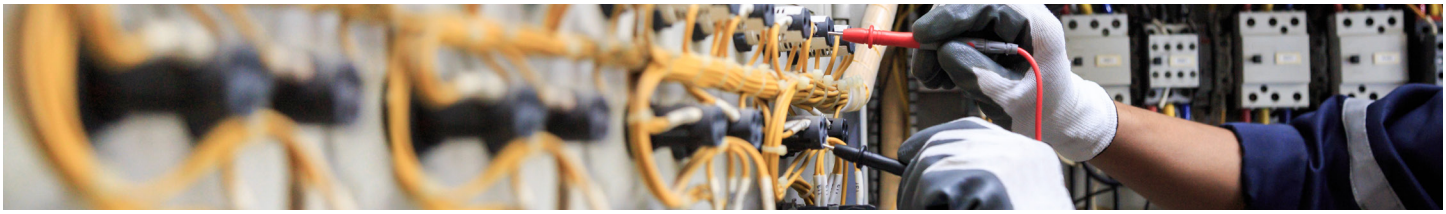
DEMAND DRIVERS

ELECTRIFICATION AND MODERNIZATION OF BUILDING SYSTEMS

The broad industry shift away from fossil-fuel-dependent systems toward electrically powered alternatives is fundamentally reshaping demand for electrical contracting services. As buildings increasingly adopt electric HVAC, industrial processes and other electrically intensive systems, the resulting load growth is creating structural, recurring needs for service panel upgrades, transformer maintenance and capacity expansions. This trend is amplified by a regulatory environment that's tightening compliance requirements, with standards like NFPA 70B converting maintenance from optional best practice into an enforceable mandate. Collectively, these forces are embedding nondiscretionary, recurring demand into the electrical services market that's independent of broader construction cycles.

GROWTH OF MISSION-CRITICAL AND TECHNOLOGY-DRIVEN INFRASTRUCTURE

The rapid proliferation of AI workloads, IoT devices and data-intensive computing is accelerating investment in mission-critical facilities like data centers, which require high-density power infrastructure, built-in redundancy and continuously maintained electrical systems. By 2030, U.S. electricity consumption for data processing is projected to exceed that of all energy-intensive manufacturing combined, underscoring the scale of infrastructure investment required.



These segments carry high technical complexity and stringent uptime requirements, making maintenance deferral rare and creating durable, high-value service relationships. This dynamic is also elevating barriers to entry, rewarding service providers with specialized capabilities and driving outsized spending in high-growth niches.

AGING BUILDING STOCK AND RETROFIT DEMAND

With more than half of U.S. nonresidential buildings constructed between 1960 and 1999, and a median construction year of 1981, a large portion of the existing building stock is at or near the end of its electrical system lifecycle. This aging infrastructure is converting once-deferrable maintenance and repair work into critical, time-sensitive upgrades needed to meet modern safety codes, energy standards and resiliency expectations. The commercial and institutional installed base has also grown substantially, with building numbers up 22% and total floorspace up 35% over the past 15 years, steadily expanding the addressable market for retrofit and service work. Combined, these dynamics support sustained repair and retrofit spending projected to exceed $612 billion cumulatively through 2030.

INVESTMENT OPPORTUNITIES

Electrical contracting service firms include the design, construction and modernization of power and low-voltage systems that form the backbone of modern buildings and infrastructure. These services span the full lifecycle of a facility, from initial design and construction to long-term reliability and performance.

Testing, inspection, certification and compliance (TICC) service firms deploy and maintain building control engineering or tech- and data-enabled energy efficiency and demand-side management. Owners often outsource to them to avoid having to train their own facilities managers on new, more complex systems or hiring dedicated talent, which is in short supply.

Electric equipment distributors/VARs source, manage and supply the physical electrical equipment installed and retrofit in facilities, including medium and high-voltage transformers, metal-enclosed switchgear, automatic transfer switches, generator sets, uninterruptible power supply (UPS) systems, power distribution units (PDUs), coolant distribution units (CDUs), precision cooling units, and structured cabling components. They often integrate commissioning and maintenance services into the portfolio and are a critical element of the electrical system ecosystem.

Get more details in our Key Trends Shaping the Electrical Landscape overview.

WHAT TO WATCH FOR

These are among the most common challenges we advise clients on as they evaluate and build platforms in this sector:

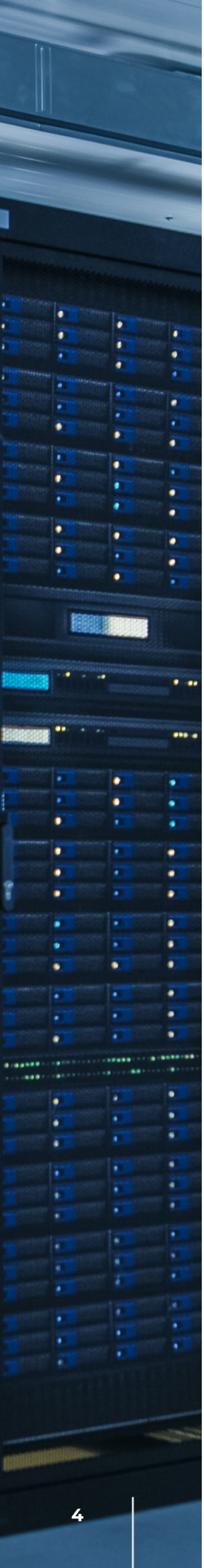
Labor scarcity and wage inflation — Qualified electricians and low-voltage technicians are in critically short supply. We work with clients to assess whether a target has the recruiting infrastructure and apprenticeship pipeline needed to scale without margin erosion.

Project mix drift — Chasing large-scale data center work can quietly cannibalize the capacity needed to serve a recurring commercial and institutional base. We help clients build the project selection discipline to protect their core before it becomes a structural problem.

Material cost volatility — Copper, switchgear and transformer lead times remain unpredictable. We evaluate contract structures and procurement maturity to identify exposure before it compounds at scale.

Operational Safety — Services firms are exposed to execution and safety risk that can impact margins and client relationships. We assess operational standards and develop customer roadmaps for value creation and improvement.

Operational Efficiency — Ensuring a firm is operationally effective with the process and systems to consistently deliver margins. We evaluate operational performance and develop execution roadmaps to implement best-in-class execution.



DATA & DIGITAL INFRASTRUCTURE

16% CAGR
estimated expansion of U.S. data center construction-related spending from 2025 to 2030

$348.5B
in cumulative spend from 2026 to 2030 (CPiP)

OVERVIEW

The data center market is the infrastructure layer of the AI economy, and it's scaling at a pace the service ecosystem cannot yet match. Construction spend (Construction Put in Place, or CPiP) for the U.S. data center market grew from $9.9B in 2021 to $41.5B in 2025 and is forecast to reach $100.8B by 2030, growing at 16.0% CAGR. Adding to the greenfield opportunity is ~50 GW of existing installed base and roughly 25 GW currently under construction which provides ample need related to service/maintenance and retrofit activities.

For private equity, the most compelling opportunity is among the fragmented, specialized services firms that build, power, cool and maintain the facilities. These businesses sit at the intersection of two powerful forces: a structural, multi-decade capital cycle driven by demand for AI compute, and a service ecosystem that's deeply fragmented, technically specialized and chronically underinvested from an institutional standpoint. Many of the best targets are founder-led regional operators generating $10-100 million in revenue with no institutional ownership, unsophisticated management bench and a limited path to hyperscale and colocation contracts without a strategic gameplan.

DEMAND DRIVERS

Limited availability of developable land in core data center hubs like Northern Virginia is forcing developers to look further into suburban and rural areas. According to Data Center Map, 67% of planned facilities are in rural communities, and a Pew Research analysis found that 75% of them will rise in the Midwest and South, led by Virginia, Texas, Georgia and Illinois. While not in my back yard (NIMBY) concerns may impact location decision, they are not slowing demand. Developers will find places to build, potentially creating new markets and increasing the value of local/regional expertise that can complete projects.

New interest in retrofitting outdated data centers is piqued by two very different trends. Rehabs are a smart option in communities where NIMBY sentiment is sufficient to halt construction of new facilities. As use trends shift from big data to AI services, existing centers must evolve to meet higher rack density requirements. Pent-up demand is compressing project timelines from 10 to 15 to 5 to 7 years.

Buildings that are large and technically complex change the scope of services necessary to keep the space functioning properly. The average facility has grown 141% since 2010, and site acreage is up 123%, all while building system complexity is also on the rise. These conditions produce unprecedented opportunities for companies with expertise in power management, compliance and monitoring, and security, and provide infrastructure and site development services.

INVESTMENT OPPORTUNITIES

SPECIALIZED SERVICE FIRMS

Mega projects like data centers need unique services to become functional and stay operational, including specially trained mechanical design and engineering service providers, and value-added resellers who deliver engineering specification, system design, factory configuration, project coordination and other offerings. There's also an opportunity for niche service providers. Commissioning and testing companies verify that systems function correctly and to specification. Building management systems and data center infrastructure management integrators design, maintain and report on data centers' digital monitoring and automation systems. All these services are requirements — non-negotiable and non-deferrable — creating steady demand unfazed by market conditions and budget cycles.

Beyond highly technical trades, even non-technical support services such as janitorial, landscaping and facilities maintenance often require specialized protocols to operate within mission-critical data center environments. The highly controlled nature of these facilities creates barriers to entry, allowing service providers with the necessary experience, certifications and operating procedures to establish durable competitive positions.

SPECIALTY ENGINEERING FIRMS

Firms in this space provide the technical mechanical, electrical and plumbing (MEP) engineering and design services that underpin every data center facility, covering MEP systems from initial concept through construction documentation. The shift toward AI-ready infrastructure has significantly elevated the complexity and value of this work because designing for hybrid cooling systems, advanced power distribution, and BMS integration commands higher fees and longer project engagements than conventional data center design.

Beyond project-based work, firms that achieve preferred-partner status or offer ongoing BMS and DCIM managed services can convert one-time design engagements into recurring, program-based revenue streams with strong forward visibility.

SITE DEVELOPMENT AND GEOTECHNICAL AND ENVIRONMENTAL FIRMS

Niche contractors like these remove friction from conversions and new construction projects with site analysis, development and technical planning, environmental assessments and regulatory compliance. Those with the ability to scale a capable workforce will be able to expand market share.

Explore more data and digital infrastructure insights in our Private Equity Sector Brief on Data Centers.

WHAT TO WATCH FOR

These are the areas where we most consistently add value for clients navigating this fast-moving sector:

Customer/project coordination — Many regional specialists rely heavily on one or two hyperscaler or colocation relationships. We stress-test revenue durability and help clients understand what a single contract renegotiation would actually mean for the platform.

Workforce specialization gaps — Talent for high-density power, hybrid cooling and DCIM integration is scarce and highly mobile. We assess key-person risk and help clients build retention and succession plans before they become a value creation issue.

Compressed timelines and cost exposure — Shortened project cycles create real execution pressure. We evaluate whether operational infrastructure is ready to absorb a full pipeline before the backlog arrives, not after.

Permitting and community friction — Local opposition can delay even well-capitalized projects indefinitely. We help clients assess geographic concentration and pipeline resilience beyond what the backlog alone suggests.

WATER & WASTEWATER

$90.7B
2026 total U.S. market

8%
compound annual growth rate (CAGR) from 2025-2030

$625B
is needed to repair the nation's drinking water infrastructure, according to the ASCE

OVERVIEW

Growth in water supply and wastewater/stormwater construction is propelled by local/regional population growth dynamics, regulatory requirements, climate change impacts, industrial activity and the proliferation of data centers and semiconductor facilities. The sector is facing large-scale replacements and upgrades to existing infrastructure and facilities alongside construction of new, modern systems. These assets must withstand weather extremes and enable more efficient use, pushing utilities toward expanded storage, treatment upgrades and non-potable reuse. An FMI analysis shows that sewage and waste disposal is the strongest sector, followed by water supply.

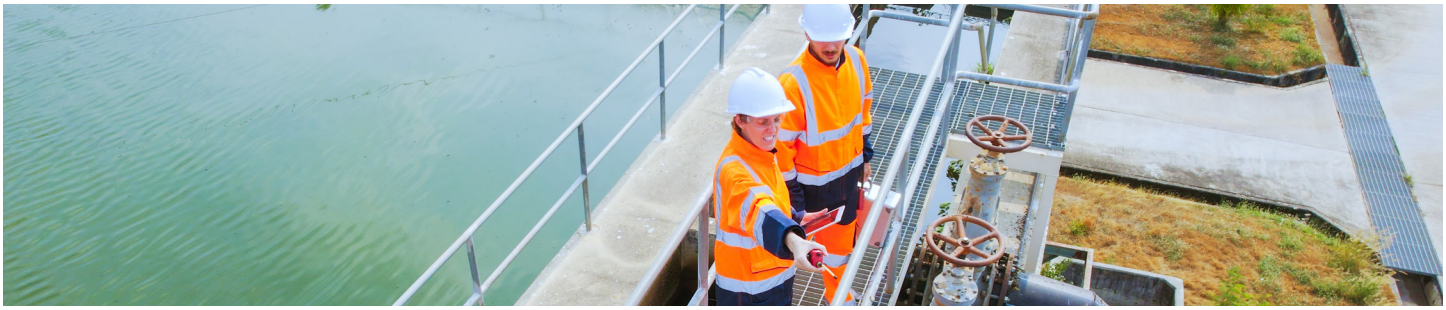
DEMAND DRIVERS

Infrastructure renewal, including aging and buried systems, low-capacity service mains, at-risk legacy plants and lead pipes, is buoying demand for new construction, upgrades and replacements. The Lead and Copper Rule requires counties to replace remaining lead service lines, at a cost of up to $10,000 per line. The EPA estimates the cost of this cumulative effort at approximately $45 billion, and the Infrastructure Investment and Jobs Act included a 5-year, $15 billion allocation for this purpose. In late 2025, the agency announced roughly $7 billion of new Water Infrastructure Finance and Innovation Act (WIFIA) funds as part of an ongoing push to restore buried legacy water lines and infrastructure.

The agency's data also show that investment in sewage and wastewater alone is supported by $6.5 billion in WIFIA financing and $550 million for State Water Infrastructure Finance and Innovation Act. Finally, water systems not previously at risk of flooding or extreme weather will need to be hardened or relocated to address threats from climate change.

Regional population growth and economic development activity are straining local systems, particularly in the South and West, and in urban infill and suburban areas. Need is also rising from high water use sectors, like manufacturing and data centers, that put pressure on water systems to deliver reliable cooling water and higher quality supply. All these factors prompt water authorities to invest in capacity additions and infrastructure upgrades, like water recycling/non-potable re-use, reclamation, system efficiency desalination, aquifer storage and stronger pretreatment and discharge systems.

Evolving federal, state and local regulations require major investments in plant and equipment upgrades, new construction and TICC. Beyond tightening lead and copper rules, attention is also focused on detection and removal of forever chemicals or PFAS (per- and polyfluoroalkyl substances), necessitating updated treatment solutions like reverse osmosis and granular activated carbon. The Value of Water Campaign estimates the cost treatment infrastructure improvements at $39.4 billion. Stable revolving loan programs will support the mandated upgrades to meet current standards.



INVESTMENT OPPORTUNITIES

EXPERIENCED FIELD SERVICES FIRMS

Firms with a deep knowledge and talent base in water systems have a competitive advantage. High-value services include water line construction and replacement activities like excavation, grading, trenching, drilling and removal/installation. Additionally, firms that service "inside the fence" treatment facilities are benefiting from macro demand drivers as these facilities scale to meet growing capacity needs.

NICHE ENVIRONMENTAL SERVICES

Specialized consultants deliver specific expertise that's often impractical to maintain in-house. Stormwater management firms work directly with field services firms to ensure proper practices and compliance before, during and after projects. Resilience retrofits and new construction are supported by environmental consultants and firms specializing in operations and management. Geotechnical and environmental experts deliver vital expertise on projects in technically demanding environments.

INSPECTION, MONITORING, COMPLIANCE AND RISK FIRMS

The expertise these firms provide is especially valuable as the regulatory environment changes rapidly and is often too complex and volatile for in-house staff to manage. Inspection and compliance companies ensure facilities meet local, state and federal requirements. Risk management professionals assess potential threats from extreme weather, climate change and physical attacks that endanger water supplies, treatment and distribution.

Find more details on what's influencing the water sector in our PE Sector Brief on Utility Services.

WHAT TO WATCH FOR

Water infrastructure offers durable, mandated demand, but it requires navigating a distinct set of counterparty and execution dynamics. These are the areas we advise on most frequently:

Public sector dependency — Most work flows through municipalities and utilities with constrained budgets and political cycles. We help clients understand true funding predictability behind a backlog that may look more stable than it is.

Regulatory timing uncertainty — Federal mandates drive demand, but implementation timelines shift. We advise clients on avoiding over-reliance on regulatory triggers that may not materialize on schedule.

Workforce depth — Experienced crews in directional drilling, trenchless technology and treatment facility construction don't scale on demand. We help clients evaluate whether a target's talent base can actually support the growth plan.

Operational Efficiency and Safety — Services firms are exposed to execution and safety risk that can impact margins and client relationships. We assess operational standards and develop customer roadmaps for value creation and improvement.

INDUSTRIAL SERVICES

$245B
estimated current market, projected to exceed $300 billion by 2030

5.2%
compound annual growth rate (CAGR)

$61B
in annual spending on MRO alone

OVERVIEW

The industrial services market presents a compelling private equity opportunity anchored by its mission-critical, non-deferrable nature — facility owners consistently prioritize maintenance and operational continuity over cost deferral, as downtime far exceeds the cost of proper upkeep. At $245 billion in 2026 and projected to surpass $300 billion by 2030, the market benefits from powerful structural tailwinds that include accelerating reshoring of manufacturing, rapid growth in data centers and AI infrastructure, and an aging industrial base where nearly 70% of facilities were built before 1990 — all of which sustain demand across both new construction and MRO services.

The MRO segment in particular stands out for its recession-resilient, recurring revenue characteristics, with multi-year service contracts providing predictable cash flows and strong customer retention. MRO is projected to grow at a 7.6% CAGR through 2030, outpacing the broader market. Critically, the landscape remains highly fragmented with thousands of local and regional firms lacking the scale or service breadth increasingly demanded by owners, creating a clear pathway for private equity to build differentiated, multi-trade platforms through targeted acquisitions and operational professionalization.

DEMAND DRIVERS

Reshoring activity, driven in part by memories of supply chain disruption during the global pandemic, puts pressure on facility owners to create new, specialized industrial facilities and renovate and rehab existing property, plant and equipment. While government policies like tariffs and tax incentives have been touted as catalysts for more reshoring, their tangible impact remains unclear. Market dynamics and economic realities are the most effective influencers for now.

Advanced technology, fueled by sensor and software innovation, stiffer efficiency standards and decarbonization directives, make constructing and maintaining state-of-the-art facilities and mechanical systems more complicated. As facility floorplates grow and the risk of costly downtime increases, highly qualified service providers are required. Compliance requirements and digitization mandates (IoT, AI, sensors) also must be monitored and in some cases certified, putting additional strain on owners and managers.

Increased third-party demand is motivating owners to invest in outsourced MRO because they are unable to replace skilled employees who are retiring. Owners need talent across all trades and specialties, including piping, electrical, sensors, rigging, etc. Continuing interest in safety and quality assurance also compels owners to seek outside technical expertise that is readily available.

INVESTMENT OPPORTUNITIES

MULTI-TRADE SERVICE AND MAINTENANCE PROVIDERS

Offering coverage across multiple trades, these services firms are reliable sources of skilled workers. Able to scale to the evolving needs of industrial facility owners, they streamline management and lighten administrative load. Industrial owners provide long-term opportunities for MRO service providers, often under attractive MSA and T&M contract structures that create revenue stability and stickiness.

SPECIALIZED NICHE FIRMS

With the growth of high-value markets like pharmaceuticals and semi-conductors, the need for specialized providers with expertise in areas like clean-room design and installation, refrigeration, and high-purity process piping is growing and creating opportunity with firms that are challenged with delivering the resources necessary to capitalize on industry growth.

Take a closer look in our Private Equity Sector Brief on Industrial Services.

WHAT TO WATCH FOR

The non-deferrable nature of MRO is a genuine advantage, but building a scaled, multi-trade platform is harder than it looks. These are the risks we most commonly help clients identify and navigate:

Trade coverage gaps — The multi-trade model only holds if the platform can actually staff across all disciplines. We assess coverage depth early and build any gaps directly into value creation planning.

Reshoring dependency — Reshoring is a real tailwind, but its pace and geography are uneven. We help clients avoid over-indexing into geographies where demand is policy-driven rather than structurally anchored.

Customer concentration in MRO — Long-term MSA contracts create valuable revenue visibility, but also meaningful single-point-of-failure risk. We create go-to-market strategies to develop a more diversified revenue mix.

Safety culture — A serious incident in an industrial environment doesn't just create direct liability — it can trigger contract reviews across the entire platform. We treat safety culture as a diligence priority, not an integration afterthought.

Integration complexity across trades — Combining firms with different union agreements, licensing requirements and billing structures is considerably more complex than single-trade roll-ups. We've seen underprepared integration plans destroy operating leverage faster than acquisitions can create it.

HOW TO INVEST IN THE BUILT ENVIRONMENT

Complexity is the throughline connecting each of the four sectors explored in this paper — and it is precisely that complexity that makes the built environment such a compelling opportunity for private equity. Systems and infrastructure are growing more sophisticated, regulations more demanding, and the skills required more specialized. This raises barriers to entry, rewards experienced operators, and creates durable demand that transcends economic cycles.

The opportunity is real, urgent, and growing. Record deal activity in Q1 2026 reflects what savvy investors already understand: the built environment is not a cyclical bet, but a structural one. Electrification, AI-driven data infrastructure, water security, and industrial reshoring are combining to rise beyond any trend line. They're historical forces reshaping the American economy for decades to come. Realizing that potential, however, requires navigating a range of risks, from evolving regulatory requirements and labor constraints to technology shifts, customer concentration and integration challenges. Success depends not only on identifying attractive assets, but also on understanding the operational and market dynamics that drive long-term value creation. For PE sponsors willing to apply rigorous diligence, deploy capital with operational discipline, and partner with advisors who bring deep sector expertise, the built environment offers an exceptional combination of growth, resilience, and value creation potential.

> The window is open.
> **The opportunity is now.**

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