

REIT on the Money

Critical Facts About Today's Listed Real Estate Market

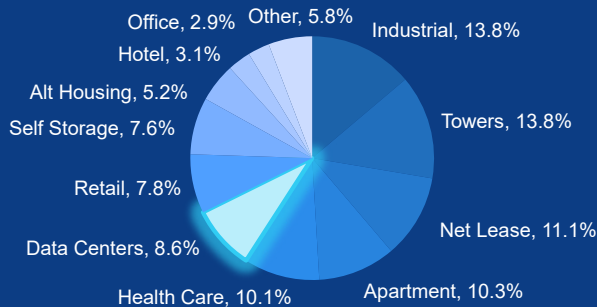
The Takeaway: Data Center REITs Poised to Benefit from the AI Revolution

It seems difficult to talk business these days without artificial intelligence (AI) making its way into the conversation. As the "AI Revolution" starts to unfold and applications expand into various verticals, the scope of how real estate will be affected is uncertain. Yet, one of the most immediate impacts we're already seeing is the soaring demand for data centers, which house the computing capacity required for AI.

Fact#1: Data Centers are already 3x the size of the Office Sector in the REIT universe.

Two data center REITs – Equinix Inc (EQIX) and Digital Realty Trust Inc (DLR) – together account for 8.6% of the U.S. REIT investible universe, greater than REIT exposure to retail and dwarfing exposure to office.

U.S. REIT Investible Universe

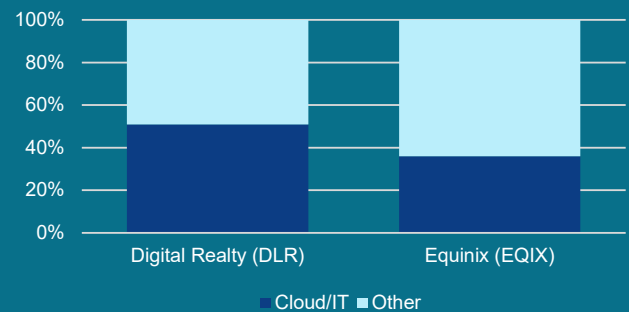


Source: FTSE Nareit All Equity REITs Index as of June 8, 2023.

Fact#2: Data centers are poised to see incremental demand from the development of AI.

Key data center tenants include top tech companies like Amazon, Alphabet Google, Microsoft, Apple, IBM, Meta Platforms, and Oracle. These companies' intended investment in cloud computing to facilitate AI deployment is expected to continue to drive data center demand for the foreseeable future.

Percentage of Annualized Rental Revenue from Cloud/IT Providers



Source: Green Street as of May 30, 2023.

Fact# 3: Data Center REITs control the majority of hyperscale cloud on-ramps for major providers.

On-ramps provide cloud connectivity via a fast and secure solution, and DLR and EQIX control the majority of hyperscale cloud on-ramp nodes for the largest cloud platforms like Amazon Web Services, Microsoft Azure, Google Cloud, and Oracle.

Market Share of Hyperscale Cloud on Ramp Nodes



Percentage of Cloud Edge Nodes only includes markets where Equinix has an IBX. Cloud Provider Websites as of December 2022. Source: Equinix as of May 8, 2023.

■ EQIX and DLR ■ Other

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FTSE Nareit All Equity REITs Index (FNER)

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This benchmark is a broad-based index which is used for illustrative purposes only and has been selected as it is well known and easily recognizable by investors. However, the investment activities and performance of an actual portfolio may be considerably more volatile than and have material differences from the performance of any of the referenced indices. Unlike these benchmarks, the portfolios portrayed herein are actively managed. Furthermore, the portfolios invest in substantially fewer securities than the number of securities comprising each of these benchmarks. There is no guarantee that any of the securities invested in by the portfolios comprise these benchmarks. Also, performance results for benchmarks may not reflect payment of investment management/incentive fees and other expenses. Because of these differences, benchmarks should not be relied upon as an accurate measure of comparison.

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