

Powering the digital age: Data center trends and opportunities

EXECUTIVE SUMMARY

Data centers remain underrepresented in many institutional real estate portfolios despite strong historical performance in both the public and private markets. They offer stable, long-term cash flows, relative insulation from economic cycles, and strong growth potential driven by cloud adoption, AI, and the explosion of digital data.

Growth in the sector is fueled by rising digital activity and AI demand. For instance, the U.S. colocation market doubled between 2020 and 2024 according to JLL Mid-Year 2024 U.S. Data Center Report, and AI-driven applications could multiply data center needs up to 100-fold over the next decade according to Dell's Founder and CEO, Michael Dell at the South by Southwest (SXSW) conference in March 2024. Rising demand is pushing vacancies in major markets to historic lows according to DataHawk. But you can't build a data center anywhere: key site factors include access to low-cost, reliable power, robust network connectivity, disaster resilience, and renewable energy. AI and generative AI workloads are increasingly shifting new builds to non-traditional, power-rich markets.

Data centers are evolving. Traditional hyperscale and colocation definitions have become more nuanced based on the property serving cloud, AI inference, and generative (i.e, training) AI workloads, each with distinct power and density requirements. We see the most attractive risk-adjusted returns in cloud and AI inference data centers in both the U.S. and Europe,

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as they address established, durable demand. An investment in a data center located in an Availability Zone (AZ) may help mitigate exposure to fluctuations in cloud demand, while offering potential benefits from continued AI advancement. By contrast, generative AI data centers are more speculative, driven largely by forecasts of future AI adoption, and are a key source of today's near-term oversupply. We may pursue land acquisitions and site preparation for potential generative AI development but would avoid building these facilities ourselves. We also see emerging opportunities in the shift towards edge computing.

Power, cooling, and sustainability. Power remains a major cost, though efficiency has improved—average PUE fell from ~2.5 in 2007 to ~1.5 in 2024, with some facilities performing better. Liquid cooling is becoming essential for high-density AI workloads while sustainability is now a core priority, driven by regulation, tenant demand, and renewable integration that lowers both costs and environmental impact.

Looking ahead, future-proofing is essential.

Many older facilities are being redeveloped to support higher-density workloads and meet new regulatory requirements, while new data centers are designed for flexibility to adapt to evolving AI and cloud demands. With land and power increasingly constrained in major markets, these assets remain key drivers of long-term value.

Outperforming, but under allocated

Data centers are still relatively new for many institutional real estate investors, and most portfolios remain underweight in the sector. At the end of 2024, data centers made up 9% of U.S. listed REIT market capitalization according to FactSet, up from 0% in 2000. In the private U.S. commercial real estate market, they likely account for about 2% of investible assets. Their share is expected to grow steadily over the next decade.

Investor interest in data centers is driven by two key factors: 1) stable, long-term cash flows that are relatively insulated from economic cycles, and 2) strong growth potential fueled by secular trends such as cloud adoption and artificial intelligence. We also acknowledge that development yields of 8-9% look attractive relative to other property types.

The sector’s performance over the past decade-plus underscores its appeal:

PRIVATE MARKET:

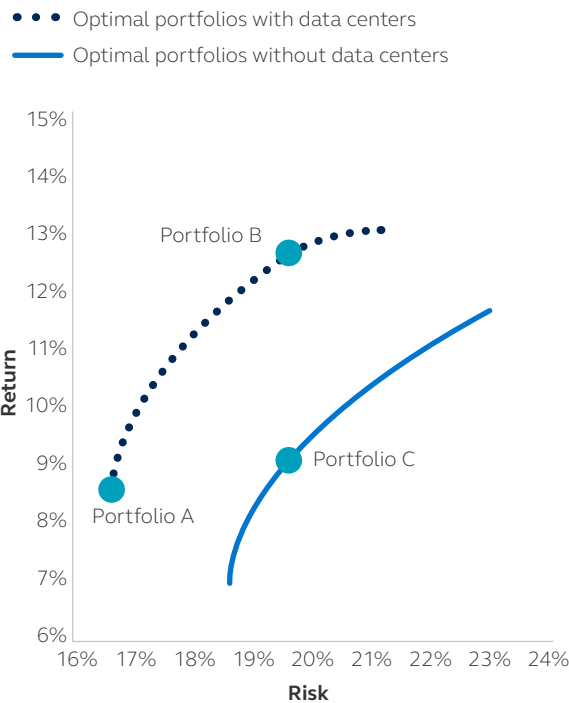
Since 2Q19, NCREIF reports data centers delivered +77% total returns (+37% appreciation, +30% income), with just one negative quarter (4Q22). By contrast, the broader U.S. commercial real estate market returned +26% (+31% income, -4% appreciation).

PUBLIC MARKET:

Listed data center REITs have returned +218.5% since 2016 according to Bloomberg data, the second-best performing REIT subsector, compared with +74% for the broader U.S. REIT market, +274% for the S&P 500, and +374% for the NASDAQ.

Using the listed REIT market where there is a longer history, our hypothetical performance analysis suggests that including data centers in a portfolio can **improve risk-adjusted returns**.

EXHIBIT 1: Data centers and real estate: Portfolio risk / return allocations



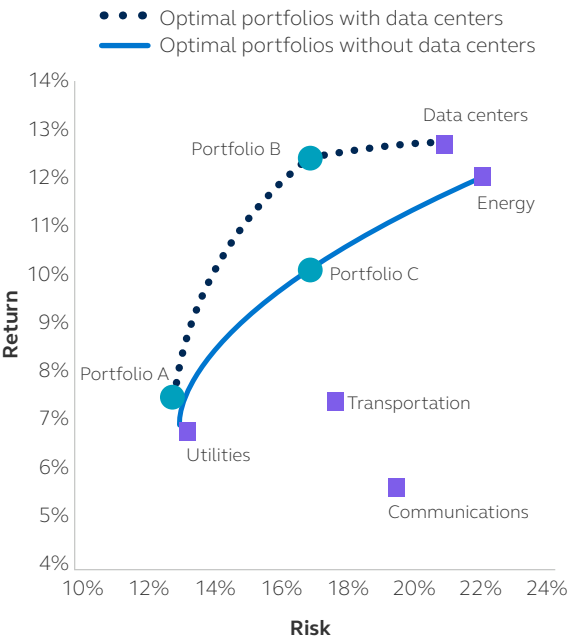
Monthly data 12/31/2015–6/30/2025	Portfolio A	Portfolio B	Portfolio C
Industrial	0.00%	30.00%	60.00%
Data centers	43.04%	70.00%	0.00%
Apartments	56.54%	0.00%	40.00%
Office	0.00%	0.00%	0.00%
Retail	0.42%	0.00%	0.00%
Returns	8.58%	12.75%	9.14%
Volatility	16.67%	19.66%	19.65%
Return/risk ratio	0.5145	0.6486	0.4652

Correlations	Industrial	Data centers	Apartment	Office	Retail
Industrial	1.00	0.58	0.63	0.65	0.49
Data centers	0.58	1.00	0.37	0.37	0.20
Apartment	0.63	0.37	1.00	0.76	0.77
Office	0.65	0.37	0.76	1.00	0.75
Retail	0.49	0.20	0.77	0.75	1.00

Source: Principal Real Estate, FTSE-NAREIT Monthly Data from 12/31/2015–06/30/2025. For illustrative purposes only and investors cannot invest directly in an index. It does not represent an actual investment strategy and is not intended to predict or guarantee future results. Actual outcomes may vary significantly.

We recognize that data centers sit at an intersection: they can be included in both real estate and infrastructure portfolios, and even “digital real assets” strategies that span both. It really depends on how an investment manager frames the strategy and the nature of the assets. As a result, we also analyzed the hypothetical performance of including data centers in a portfolio of listed infrastructure and real assets. The benefits are similar to our conclusions about real estate as shown in the two charts below.

EXHIBIT 2: Data centers and listed infrastructure: Portfolio risk / return allocations



Monthly data 12/31/2015–8/31/2025	Portfolio A	Portfolio B	Portfolio C
Utilities	72.00%	0.00%	37.00%
Transportation	18.00%	0.00%	0.00%
Energy	0.00%	39.00%	63.00%
Communications	0.00%	0.00%	0.00%
Data centers	11.00%	61.00%	0.00%
Returns	7.59%	12.44%	10.11%
Volatility	13.02%	17.02%	17.05%
Return/risk ratio	0.5830	0.7308	0.5927

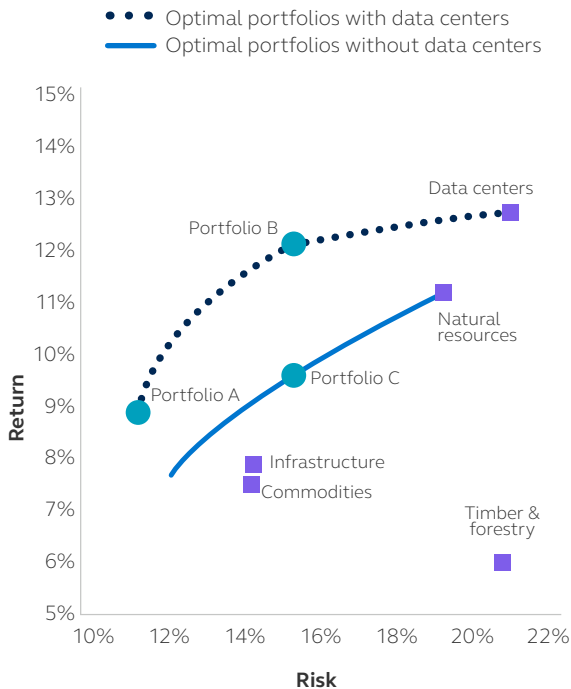
Correlations	Utilities	Transp.	Energy	Comms.	Data centers
Utilities	1.00	0.60	0.52	0.72	0.51
Transp.	0.60	1.00	0.72	0.51	0.28
Energy	0.52	0.72	1.00	0.37	0.23
Comms	0.72	0.51	0.37	1.00	0.59
Data centers	0.51	0.28	0.23	0.59	1.00

Source: Principal Real Estate, FTSE-NAREIT Monthly Data from 12/31/2015–08/31/2025. For illustrative purposes only and investors cannot invest directly in an index. It does not represent an actual investment strategy and is not intended to predict or guarantee future results. Actual outcomes may vary significantly.

Data centers may be viewed as infrastructure because they share many defining traits with traditional infrastructure assets such as toll roads, utilities, and airports:

- 1. Essential service function:** Data centers act as “digital utilities,” providing the physical backbone for cloud computing, AI, streaming, e-commerce, and nearly all internet-based services, making them increasingly indispensable to modern economies.
- 2. Long-term, contracted revenues:** Lease structures often create stable, utility-like cash flows, similar to infrastructure concessions. The infrastructure equipment affiliated with a data center has a typical life span of 20-25+ years (if properly maintained). Data centers benefit not only from the long leases, but also from the extended useful lifelong infrastructure of the building’s supporting improvements.
- 3. High barriers to entry:** Developing competitive data centers requires significant capital investment, specialized technical expertise, access to reliable and affordable power, and proximity to network hubs, paralleling the challenges of building railroads, pipelines, or power plants.
- 4. Structural demand growth:** Demand is driven by long-term secular trends including cloud adoption, AI training, 5G, streaming, rather than short-term economic cycles, aligning them more closely with infrastructure than with cyclical real estate.
- 5. Lease Structures:** leases are based on power availability and have nothing to do with the actual size of the usage area, which is completely different than all the other types of commercial real estate.

EXHIBIT 3: Data centers and real assets: Portfolio risk / return allocations



Monthly data 12/31/2015–9/30/2025	Portfolio A	Portfolio B	Portfolio C
Commodities	56.00%	0.00%	18.00%
Infrastructure	19.00%	0.00%	27.00%
Natural resources	0.00%	41.00%	54.00%
Timber & forestry	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%
Data centers	24.00%	59.00%	0.00%
Returns	8.89%	12.11%	9.63%
Volatility	11.47%	15.40%	15.41%
Return/risk ratio	0.7746	0.7867	0.6251

Correlations	Commodities	Infra.	Natural resources	Timber & forestry	Property	Data centers
Commodities	1.00	0.46	0.71	0.52	0.46	-0.03
Infrastructure	0.46	1.00	0.69	0.64	0.87	0.51
Nat. Resour.	0.71	0.69	1.00	0.75	0.67	0.12
Timb. & forest.	0.52	0.64	0.75	1.00	0.74	0.30
Property	0.46	0.87	0.67	0.74	1.00	0.46
Data centers	-0.03	0.51	0.12	0.30	0.46	1.00

Source: Principal Real Estate, FTSE-NAREIT Monthly Data from 12/31/2015-09/30/2025. For illustrative purposes only and investors cannot invest directly in an index. It does not represent an actual investment strategy and is not intended to predict or guarantee future results. Actual outcomes may vary significantly.

Not a new asset class...

Data centers are not new, however, **Principal Asset Management began investing in the asset class nearly two decades ago.**

PLANO, TEXAS (2007):

150,000-sq-ft powered shell, expandable to 350,000 sq. ft., LEED Silver certified, engineered for 175 MPH winds and dual 30 MW feeds; sold to a Fortune 500 tech company in 2008.

SAN ANTONIO, TEXAS (2008):

150,000-sq-ft on 33 acres next to Microsoft's 470,000-sq-ft center, with room for 200,000 sq. ft. expansion; sold to a Fortune 10 company in 2011.

...But a secular mega trend has emerged

Between 2020 and 2024, the U.S. colocation market doubled in size according to JLL, even before hyperscaler buildouts. AI may accelerate demand further; Dell predicts AI could drive a 100x increase in data center needs over the next decade. Drivers include:

63%

of the global population active on social media

96%

of internet users connect via mobile devices

242%

projected growth in connected devices by 2030

422

million homes with smart home technology

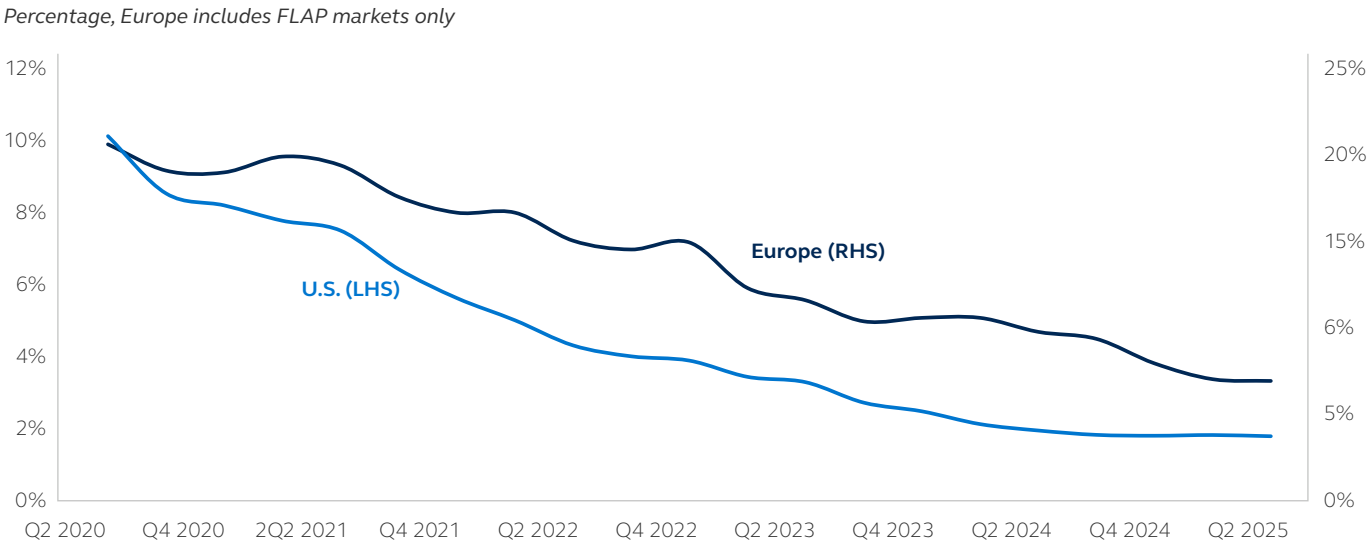
55%

of internet users aged 16+ shop online weekly

Together, these forces are fueling an unprecedented wave of digital activity. In fact, the volume of digital data created, consumed, and stored is expected to increase by 2.6x in the next five years according to IDC Global Datasphere. This will require even more physical infrastructure to support it.

→ **The result:** Demand for data center space is rising far faster than supply, pushing vacancy rates in major markets to historic lows, which is below 2% nationwide.

EXHIBIT 4: Data center vacancy rate by region



Source: datacenterHawk, Principal Real Estate Q2 2025

Navigating the next phase

Long-term prospects remain strong, with projected U.S. data center revenue per available facility (RevPAF) growing at a 5.4% CAGR from 2025–2029 and 5.2% in Europe according to Green Street.

Yet the sector faces new considerations:

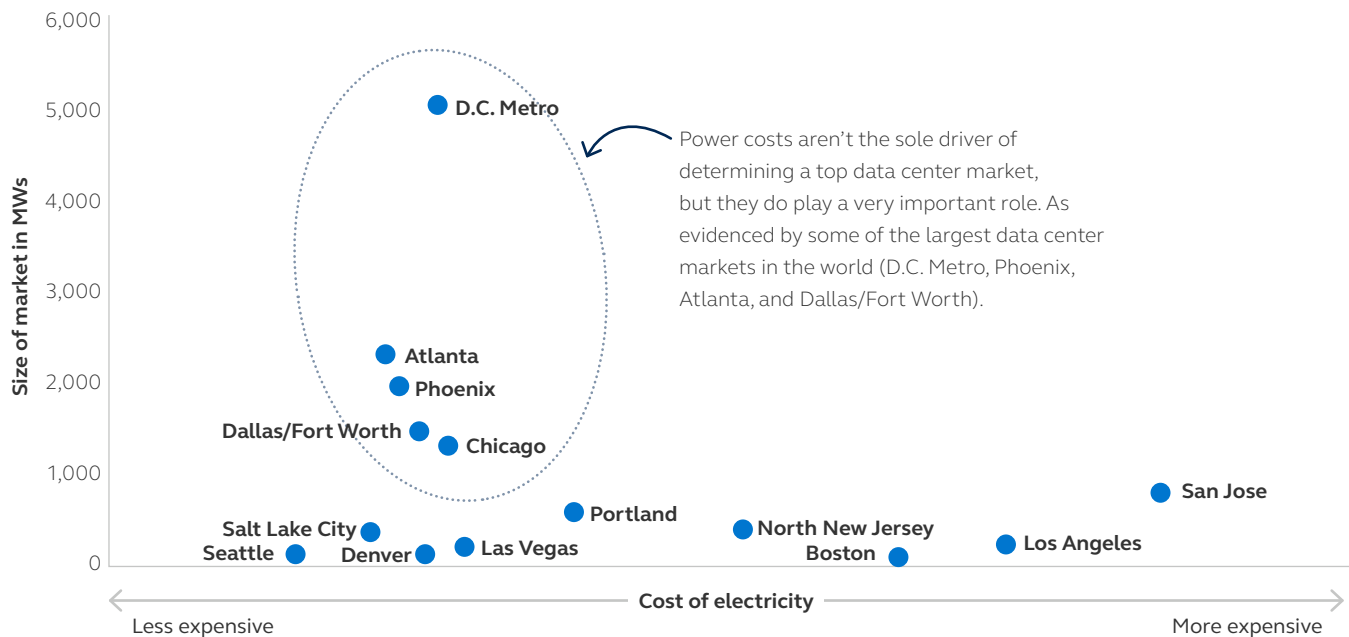
- ⚠️ AI innovations may alter data growth patterns.
- ⚠️ Rapid capital inflows raise questions about asset quality and location.

Key theme #1: Location matters

Critical factors include: low-cost, reliable power; low natural disaster risk; strong network connectivity; favorable tax regimes; renewable energy access; and sites outside FEMA 500-year floodplains. Simply put, data centers are complex and can't be built just anywhere.

Leading U.S. hubs include Northern Virginia, Dallas-Fort Worth, Phoenix, Atlanta, and Chicago. In Europe, FLAP-D markets (Frankfurt, London, Amsterdam, Paris, Dublin) dominate, with emerging hubs in Madrid, Warsaw, Milan, Zurich, and Stockholm.

EXHIBIT 5: Power costs to market size comparison (U.S. only)



Source: Green Street. Includes labor and direct personnel, repairs, and maintenance.

Generative AI is shifting the landscape further. Unlike traditional cloud and enterprise data centers that cluster in major metro areas, AI data centers require enormous power and land, pushing them into smaller, non-traditional markets. U.S. examples include Mount Pleasant, WI; Kuna, ID; Council Bluffs, IA; Papillon, NE; and Umatilla, OR. In Europe, AI facilities are moving to power-rich regions like Northern England, Hamina (Finland), and Murcia (Spain).

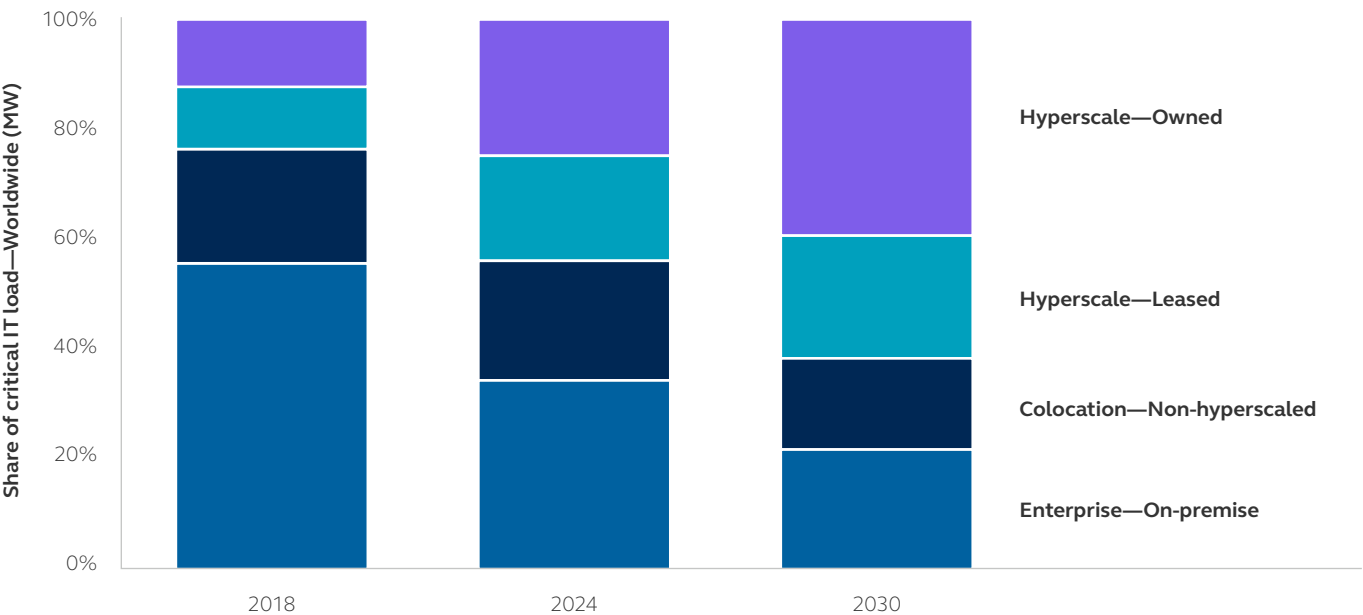
Key theme #2: Evolving data center types

Traditionally, data centers were categorized based on ownership and tenancy:

- **Enterprise:** Single-tenant facilities with limited scalability requirements, typically used to handle organizations' internal data and IT workloads. For instance, a bank that runs its own data center to manage customer transactions. Many enterprises have or are shifting away from building / owning facilities and instead lease from colocation providers or have moved workloads to public cloud. According to Synergy Research Group, they accounted for 56% of data center capacity in 2018 compared to 34% today and it's expected to drop to 22% by 2030.
- **Hyperscale:** Single-tenant facilities, typically leased for 15 years with options to extend. Usually leased by large global technology companies. They account for nearly 44% of the worldwide capacity of all data centers according to Synergy Research Group. Over half of that hyperscale capacity is built and owned by large cloud providers (known as Cloud Service Providers or CSPs) with the balance being leased according to Synergy Research Group. Looking ahead to 2030, hyperscale will account for 61% of all capacity.
- **Colocation:** Multi-tenant facilities where companies lease space (usually 5–7 years) to house their IT equipment. This accounts for 22% of data center capacity in 2024 and, while colocation share of total capacity will slowly decrease by 2030 according to Synergy Research group, colocation capacity will continue to increase each year at nearly double-digit rates.

We focus our attention on leased hyperscale properties and colocation since they are income producing real estate. Green Street estimates that 50% of data centers in the U.S. are owned by third-party landlords (based on % of live mega-watt) compared to 65% in Europe and 80% in Asia-Pacific. As a rule of thumb, the more complex the business environment, the more likely a data center is to be third-party leased.

EXHIBIT 6: Data center capacity trends



Source: Synergy Research Group

However, AI has introduced nuance:

- **Cloud Data Centers:** Public and private cloud providers hosting servers, elastic compute, storage and networking equipment. You can think of them as the infrastructure behind Amazon Web Services (AWS).
- **Inference AI Data Centers:** A facility built to deploy and execute pre-trained machine learning models on incoming data in real time. They are optimized for high-throughput, low-latency AI inference workloads, rather than general-purpose computation or storage. The properties are often placed closer to end users (i.e. near cities and regional hubs) rather than more distant cloud centers. You can think of them as the infrastructure behind a ChatGPT prompt.
- **Generative AI Data Centers:** High-powered AI training facilities with massive computational needs, higher rack density, high bandwidth GPU/TPU traffic, and growing use of liquid cooling. You can think of them as the infrastructure behind teaching an autonomous car to drive on the road.

One emerging trend is the shift towards edge computing, where data centers are placed closer to end users to reduce latency and enhance performance. They are typically small or mid-sized facilities that can run with lower latency, less bandwidth strain and faster response times. They are critical for autonomous vehicles, smart manufacturing and the Internet-of-Things (IoT).

Where we see the best risk-adjusted returns (U.S. and Europe):

We believe that **cloud and AI inference data centers**, both in the U.S. and Europe, offer the most attractive risk-adjusted returns. These facilities cater to established, robust demand for data storage, processing, and distribution from existing tenants, providing more predictable cash flows.

We think investing in data centers located in an Availability Zone (AZ) are compelling. While the term AZ is most commonly associated with cloud providers, it is not limited to cloud. In fact, we believe that AZs are ideal locations for corporate AI inference data centers. Investment in a data center within an AZ may help mitigate exposure to fluctuations in cloud demand, while offering potential benefits from continued AI advancement. It also underscores the critical importance of location in data center strategy.

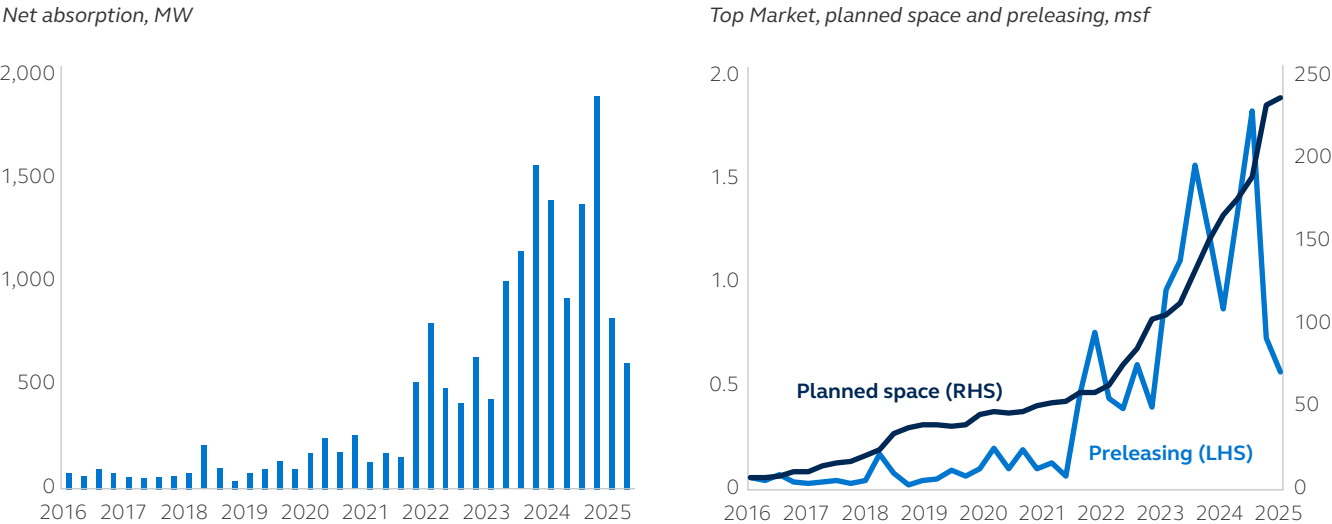
By contrast, **generative AI data centers** are more speculative, driven by projections of future AI demand and a primary contributor to near-term oversupply. They are typically located in smaller, less expensive markets to accommodate their enormous scale. While we may consider acquiring and preparing land for generative AI development, we would generally avoid constructing the facility ourselves.

We also see both opportunities and challenges in **edge Data Centers**. While it allows for greater responsiveness and efficiency, it also complicates sourcing appropriate sites due to urban density, existing infrastructure, and reliable power. Investors have the potential to identify and retrofit existing assets to meet the requirements of edge computing, presenting a unique investment opportunity in a rapidly changing landscape.

WHAT IS AN AVAILABILITY ZONE?

An AZ is a cluster of data centers within a single region, interconnected via high-speed, low-latency fiber, typically allowing communication in just a few milliseconds or less. While AZs are usually separated by several miles to ensure resilience, they remain close enough to support rapid data transfer. Each AZ operates with independent power, cooling, and networking, so an outage in one zone does not affect the others. By deploying workloads across multiple AZs, organizations can maintain continuity even if a single data center, or an entire AZ, experiences a failure. For example, Amazon Web Services (AWS), which popularized the term, operates five distinct AZs in its Northern Virginia region. While the term AZ is mostly used in the cloud world, they are not limited to Cloud and, in fact, we believe they are ideal locations for corporate AI inference data centers. We therefore believe that investment in a cloud data center location in an AZ may help mitigate exposure to fluctuations in cloud demand, while offering potential benefits from continued AI advancement.

EXHIBIT 7: Markets have accommodated new supply



Source: datacenterHawk, Principal Real Estate Q2 2025

Key theme #3: Power and energy efficiency

A hyperscale data center with 40 MW of capacity consumes as much electricity as roughly 36,000 homes, and demand is climbing as generative AI drives higher workloads. Power is therefore one of the largest cost line items for data center landlords, though most expenses are ultimately reimbursed by tenants. According to Green Street, utilities account for about 35% of costs at colocation facilities and closer to 45% at hyperscale sites.

Nearly all data centers draw their electricity directly from the grid, since only utility-scale infrastructure can deliver the round-the-clock, high-capacity power they require. On-site generators are widely installed but serve primarily as backup. Many hyperscale operators also sign long-term power purchase agreements (PPAs) with renewable developers, but these contracts offset usage rather than replace grid reliance. It's also worth noting that the market is starting to self-select the most reliable data center developers / investors by requiring significant upfront deposits to fund the purchase of equipment as well as complete feasibility studies.

This reinforces and underscores that power pricing is a key factor in site selection of a data center, though operators are also pursuing other ways to control costs.

Improving efficiency has been a central focus. Power Usage Effectiveness (PUE), the ratio of total facility energy to IT energy, has improved from roughly 2.5 in 2007 to just above 1.5 in 2024 according to Uptime Institute's 2024 Global Data Center Survey. However, we believe this average for the entire market and Principal Asset Management is developing new Data Centers in the 1.3 range. This is consistent with leaders in the sector that are also reporting strong results:

1.09 PUE global average achieved by Google in 2024	1.15 PUE global average reported by AWS, outperforming cloud average (1.25) and enterprise average (1.63)	1.39 PUE global average reached by Equinix, a 6% year-over-year improvement
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Much of these gains reflect advances in server and networking hardware, particularly AI accelerators and GPUs that deliver more computation per unit of energy. Upgraded infrastructure, including high-voltage direct current (HVDC) distribution and modular UPS systems, further reduces losses. Software and operational improvements help by dynamically adjusting cooling and power allocation and reducing idle time on servers.

Cooling has become equally important, as rising electrical loads generate more heat. This trend is accelerating with AI workloads, which operate at far higher densities. For example, Nvidia's Hopper GPU architecture (2024) was designed for ~41 kW per rack, while its Blackwell generation (2025) is built for 120 kW. A roadmap announced in 2025 projects racks reaching 600 kW by 2027.

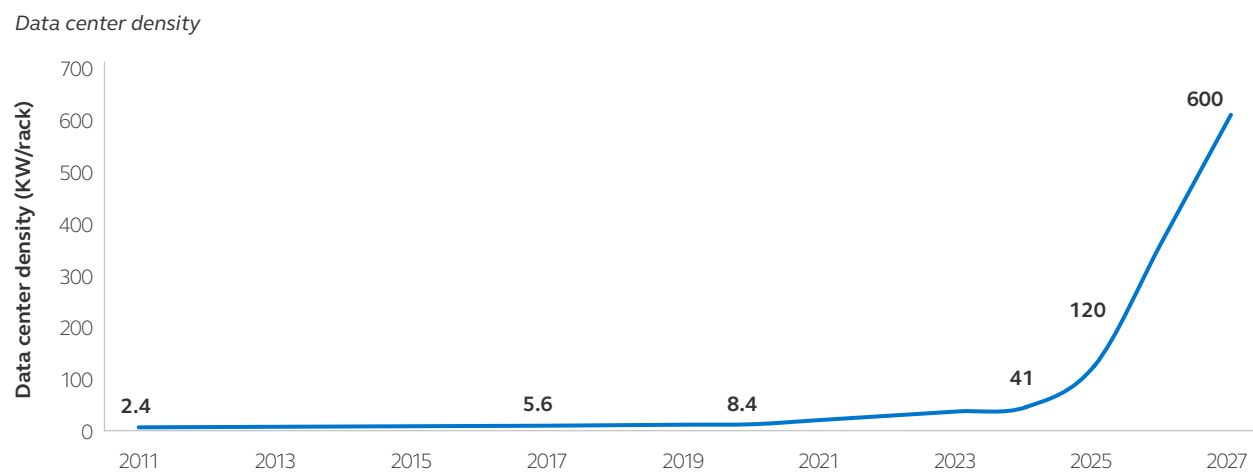
Historically, two main cooling methods have been used:

- 1 Closed-loop air-cooled chillers:** Reject heat to ambient air using refrigerant loops and fans. They consume less water but require more energy.
- 2 Evaporative systems (cooling towers, adiabatic, direct/indirect evaporative cooling):** More water-intensive but generally more energy-efficient.

In regions with water constraints, or abundant renewable power, developers are increasingly adopting air-cooled chillers, which circulate water in a closed loop to remove heat from data halls and release it outdoors.

However, rising rack densities are pushing these systems beyond their limits. Liquid cooling, which delivers coolant directly to server racks, is becoming essential for handling the extreme heat of AI and other advanced workloads. Unlike air systems, liquid cooling supports significantly higher power densities.

EXHIBIT 8: AI calls for massively denser rack deployments



Source: 2011, 2017, and 2020 data points reflect average density per rack as reported by Uptime Institute in December 2020. 2024, 2025, and 2027 data points reflect Nvidia GPU architecture specifications.

Looking ahead

Efficiency gains from these new technologies will likely increase utilization rates, but they may not reduce overall consumption. Instead, greater efficiency can encourage even larger clusters and denser deployments—a pattern similar to Jevons Paradox, where expanding capacity ultimately leads to higher demand.

Key theme #4: Sustainability

Sustainability is now a core element of data center development. Hyperscale tenants have made bold environmental commitments and often require providers to meet strict sustainability standards. A Forrester survey of 1,033 global sustainability decision-makers at colocation firms found that 80% factor environmental criteria into bids, RFPs, or sales discussions. In response, 83% of providers highlight sustainability to win new business, while 75% report losing deals or capital due to weak programs.

In Europe, regulation is driving the shift as well. Germany's Energy Efficiency Act, for example, mandates power efficiency targets tied to a data center's operational start date. Meeting these Power Usage Effectiveness (PUE) thresholds demands energy-efficient designs for new builds and upgrades for existing facilities.

One of the clearest strategies is renewable integration, either through direct procurement or renewable energy credits, to reduce carbon impact. Although the "One Big Beautiful Bill Act" (OBBBA), signed July 4, 2025, accelerates clean energy tax credit phaseouts, the momentum toward renewables remains strong, in our view. Beyond compliance, sustainability lowers customer costs and helps operators secure community support, often easing permitting approvals.

→ **Bottom line:** Whether driven by customer requirements, competitive positioning, regulatory pressure, cost savings, or community relations, we think sustainability both benefits the environment and makes strong business sense.

What does this all mean for future development?

Existing facilities are being redeveloped. Some older data centers that were designed for traditional workloads are being retrofitted to meet new regulatory standards or support emerging workloads. For example, a former bank-owned data center commissioned nearly 15 years ago was upgraded and fully leased to a specialty cloud provider. With strategic retrofits, it now supports one of the world's largest AI/ML supercomputing deployments.

Land and power are the critical assets. In major markets, both are increasingly scarce. As a result, even facilities with outdated MEP systems can hold significant value because of their utility connections and land position.

New data centers are being designed with flexibility. With the rapid evolution of AI applications and the increasing density of AI training architectures, predicting data center requirements even five years into the future is quite challenging. Given that data centers are designed for a 20+ year useful life and most lease terms are 15 years, developers are “future proofing” by designing with flexibility to adapt to both current and future tenant requirements. This adaptability is especially important for data centers that may need to support high-density AI training operations today, while being able to transition to lower-density AI inference in the future.

Conclusion

Data centers remain a relatively new asset class for many institutional investors, with most portfolios still underweight. They have delivered strong performance in both public and private markets, driven by stable, long-term cash flows and robust growth from cloud adoption, AI, and broader digital trends. The long-term growth prospect remains strong given the emergence of a secular mega trend, but the sector also faces new considerations as AI innovation may alter data growth patterns and there's been rapid capital inflows. This puts a focus on several key considerations including location, type, power, and sustainability, with successful sites offering reliable, low-cost power, strong connectivity, and access to talent.

Traditionally data centers were defined as either hyperscale or colocation based on tenant size, but properties are now increasingly separated into cloud, AI inference, and generative AI centers based on their workloads. Each has distinct risk-return profiles. We are focused on cloud and AI inference data centers that have durable demand given the rapid and sustained expansion of AI applications but are cautious on generative AI data centers that we view as more speculative given uncertainty around the long-term scale of training demand. By contrast, the rapid and sustained expansion of AI applications is driving significant growth in both inference and storage requirements, positioning AI inference data centers as the more durable and attractive segment of the market. We also see emerging opportunities to identify and retrofit existing assets to meet the requirements of edge computing, presenting a unique investment opportunity in a rapidly changing landscape.

Energy efficiency and cooling are critical, with innovations like liquid cooling enabling higher-density AI workloads while sustainability initiatives, including renewable integration and energy-efficient design, offer operational and competitive benefits. Looking forward, future development emphasizes flexibility and future-proofing, with new and retrofitted facilities designed to adapt over a 20+ year lifespan, supporting both high-density AI training today and lower-density inference in the future, thereby preserving long-term asset value and operational resilience.

Risk Considerations

Investing involves risk, including possible loss of principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed. Potential investors should be aware of the risks inherent to owning and investing in real estate, including value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk. All these risks can lead to a decline in the value of the real estate, a decline in the income produced by the real estate and declines in the value or total loss in value of securities derived from investments in real estate.

Data center properties and will only be attractive to a unique type of tenant. A limited tenant base increases the risk of vacancy. Additionally, a property designed to be a data center property, may be difficult to relet to another type of tenant or convert to another use and will be more likely to become functionally obsolete when compared to other properties. For example, if converted to industrial use, the expected rents would be lower than that projected for data centers. Thus, if operating a data center were to become unprofitable, the liquidation value of properties may be substantially less than would be the case if the properties were readily adaptable to other uses.

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