

Special Report

Digital Infrastructure REITs

The Strategic Role of Data Center and Telecom REITs



Executive Summary



Digital Infrastructure Is Now Core Economic Infrastructure

Data centers, cell towers, and fiber networks have become essential to the global digital economy. Data center REITs act as strategic enablers, allowing hyperscalers and enterprises to scale rapidly while offering investors stable, long-duration exposure to a critical asset class.

AI, Cloud & Hyperscalers Are Driving Structural Demand

AI, generative models, cloud migration, and digital services are fueling unprecedented demand for power-dense data centers. Gen-AI is expected to drive **~40% of data center growth through 2030**, with global data center **capex projected at ~\$7Tn by 2030**, over **40% in the U.S.**

Strong Pricing Power and Operating Fundamentals

Tight supply, power constraints, and prime locations are driving pricing power across digital infrastructure. The **data center infrastructure market grew ~18% YoY in Q3 2025**, with high occupancy, rising renewal rents, and longer lease tenures supporting resilient cash flows.

Financial Outperformance vs. Traditional REITs

Data center REITs have outperformed broader REIT indices over the past five years and delivered higher dividend yields recently. In Q3 2025, the sector recorded **~21% YoY FFO growth**, reflecting strong AFFO expansion and NAV support.

Institutional Capital Is Being Reweighting Toward Digital Infrastructure

Actively managed funds were **~2.5% overweight U.S. data center REITs in Q3 2025**, driving cap rate compression versus office and retail assets. Telecom towers and edge infrastructure add stable, income-oriented diversification supported by 5G rollout.

The Digital Infrastructure Shift

Structural demand from AI, cloud, and 5G is driving demand for digital infrastructure and defining data centers as foundational infrastructure assets

AI and High-Performance Computing (HPC) Boom



- Governments are digitizing critical services—healthcare systems, digital IDs, and administrative portals—driving the need for secure, high-availability data infrastructure.
- This structural shift positions data centers as essential public-utility-like assets supporting national digital infrastructure.

- The surge in AI workloads—particularly large language models and generative AI—is driving unprecedented demand for compute-intensive infrastructure.
- Gen-AI-related demand alone is projected to contribute roughly 40% of total data center growth through 2030, requiring advanced power and cooling capacity.

Public Sector Digitalization



Emerging Tech Ecosystem: 5G, IoT, and Edge Computing



- Enterprises continue shifting workloads to the cloud and scaling SaaS adoption, sustaining strong base demand for colocation and hyperscale capacity.
- U.S. cloud and non-AI data center demand has grown exponentially through 2023, with hyperscalers expanding their U.S. footprint aggressively.

- The rollout of 5G and proliferation of connected devices are fueling the need for distributed edge data centers closer to end-users.
- These trends enhance latency-sensitive applications—from autonomous vehicles to industrial IoT—further diversifying demand beyond hyperscalers.





Cloud Migration and SaaS Expansion



Source: McKinsey

Capex on Data Center Infrastructure

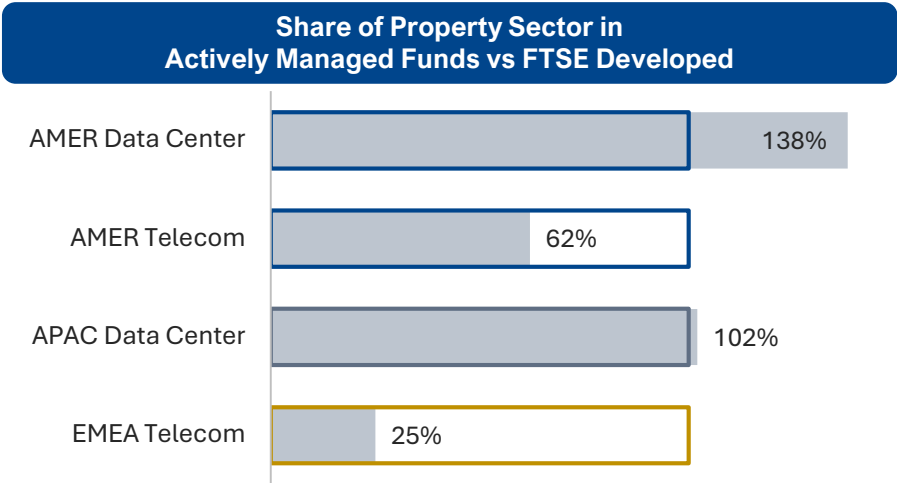
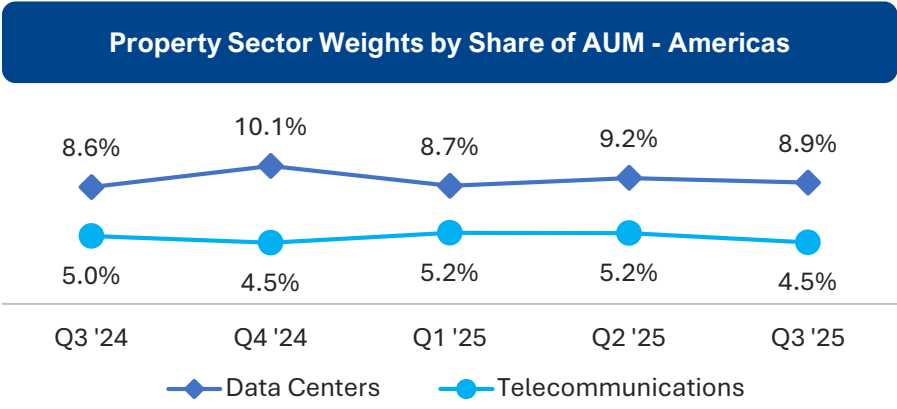
By 2030, companies will invest ~\$7 trillion in capital expenditures on data center infrastructure globally. More than 40% of this spending will be invested in the United States by Hyperscalers and other large tech companies and enterprises

Designers & Manufacturers	Energizers	Company	FY-2025 CapEx Guidance	Q1-2025 Global Cloud Market Share
Servers; ~3.5	Electrical & Mechanical Equipment; ~0.8	 amazon web services™	~\$100B	~29–32%
	Power Generation; ~0.4	 Microsoft Azure	~\$82B	~22–23%
	Network Infrastructure; ~0.1	 Google Cloud	~\$75B	~10–12%
	Labor; ~0.6	 Meta	~\$69B	N.M.
Storage; ~0.8	Builders			
	Shell & Site; ~0.3			
	Land Acquisition; ~0.1			

Source: McKinsey, Company Reports

Allocation Trends in Digital Infrastructure REITs

Active managers are overweight U.S. data center REITs, while telecom and international markets (APAC and EMEA) remain under-allocated



U.S./Americas Data Center Overweights:

Actively managed funds were ~2.5% overweight Data Center REITs relative to the FTSE/EPRA Nareit Developed Extended Index in Q3 2025, highlighting strong conviction in data center growth prospects and resilient recurring income profiles within U.S./Americas portfolios.

Telecommunications Underweights Across Regions:

In Q3 2025, telecom REITs were underweight across regions: by ~2.8% in the Americas, ~0.8% in EMEA versus the benchmark, while APAC funds had no dedicated exposure to telecom infrastructure in Q3 2025 — reflecting active managers’ relative allocation preferences in the period.

Premium Allocations in the Americas

Data center and telecommunications infrastructure sectors in the Americas enjoyed premium allocations versus their index weights in Q3 2025, signaling continued institutional preference for digital infrastructure due to resilient cash flows, secular growth visibility, and defensive characteristics.





APAC & EMEA: Under-Allocated but High-Growth Markets

Despite limited current REIT allocations, APAC and EMEA are seeing rapid growth in data center and digital infrastructure. APAC alone had ~12.7 GW operational capacity and ~3.2 GW under construction in H1 2025, highlighting a strong medium-term runway for increased institutional investment.

Source: Nareit, Cushman & Wakefield

Global Digital Infrastructure REIT Landscape

Leading data center and telecom REIT platforms with global footprints, high occupancy, and critical digital assets

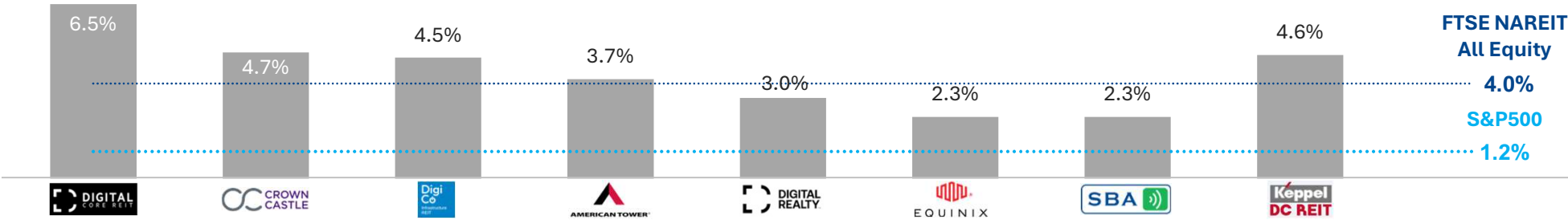
REIT	Focus	Country	Market Cap (\$Bn)	Key Information
 DIGITAL REALTY	Data Centers		57.2	<ul style="list-style-type: none"> 4th Largest Publicly Traded U.S. REIT 300+ data centers in 50+ metros, 5K+ customers, and 99.999% uptime
 EQUINIX	Data Centers		78.7	<ul style="list-style-type: none"> World's largest Data Center REIT 270+ Data centers and 10K+ Customers across 75 Metro locations
 AMERICAN TOWER	Telecommunications		85.9	<ul style="list-style-type: none"> Its portfolio includes 149K+ communications sites 30 US Coresite Data centers across 22 countries
 CROWN CASTLE	Telecommunications		39.6	<ul style="list-style-type: none"> Their portfolio consists of ~40K cell towers and 90K route miles of fiber 30+ years of experience owning and operating network assets
 SBA	Telecommunications		20.7	<ul style="list-style-type: none"> Leading REITs based on market capitalization in the S&P500 Owner and operator of wireless communications infrastructure globally
 DIGITAL CORE REIT	Data Centers		0.8	<ul style="list-style-type: none"> Pure-Play Data Centre S-REIT Operates 11 Data Centers with ~98% occupancy
 Keppel DC REIT	Data Centers		4.2	<ul style="list-style-type: none"> First pure-play data center REIT in Asia Investing in a portfolio of data centers and digital infrastructure assets
 NTT DCREIT	Data Centers		1.1	<ul style="list-style-type: none"> 6 assets Across U.S., EMEA, APAC with ~95% occupancy rate Its sponsor NTT GDC is the 3rd largest DC provider globally (ex. China)
 DigiCo Infrastructure REIT	Data Centers		1.0	<ul style="list-style-type: none"> Leading Global player in carrier and cloud-neutral digital infrastructure Its portfolio includes 13 Properties with ~76 MW Installed IT capacity

Source: Bloomberg, Company Websites

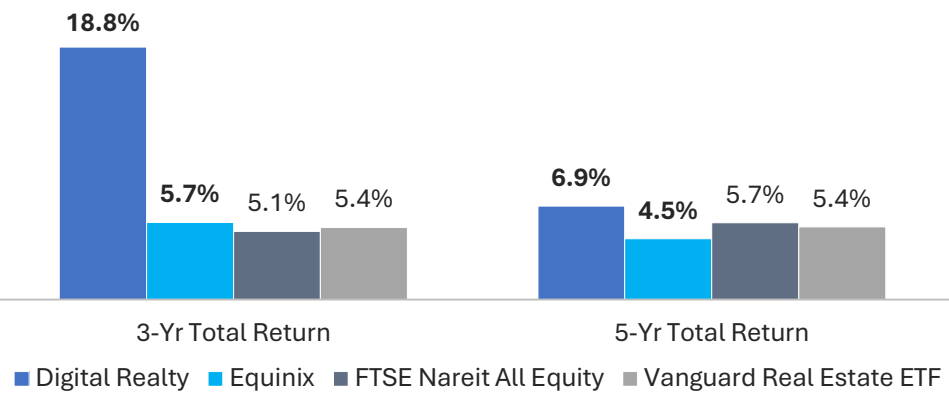
AFFO Growth and Returns and Dividends

Digital infrastructure REITs have delivered higher dividend yields, returns, and AFFO growth vs broader equity and real estate benchmarks

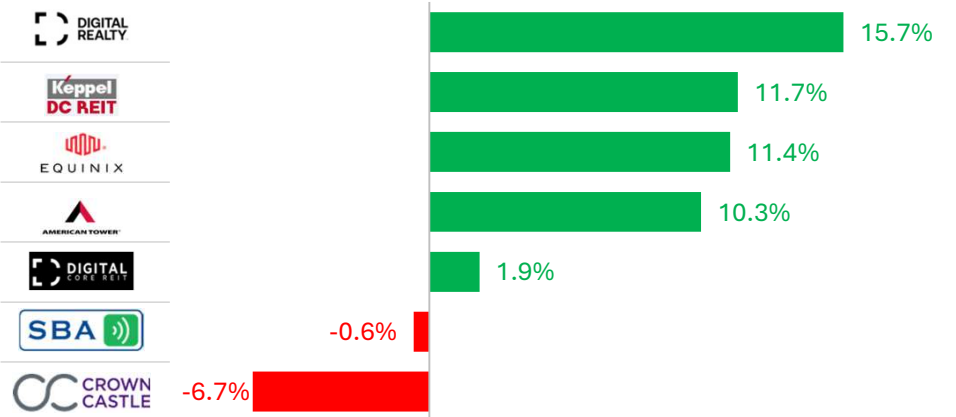
Digital Infrastructure REITs have provided greater Dividend Yields in the last 12-months compared to the S&P500 and the FTSE NAREIT All Equity Index



Data center focused REITs have outperformed both the FTSE NAREIT All Equity Index and the Vanguard Real Estate ETF over the past 5-years.



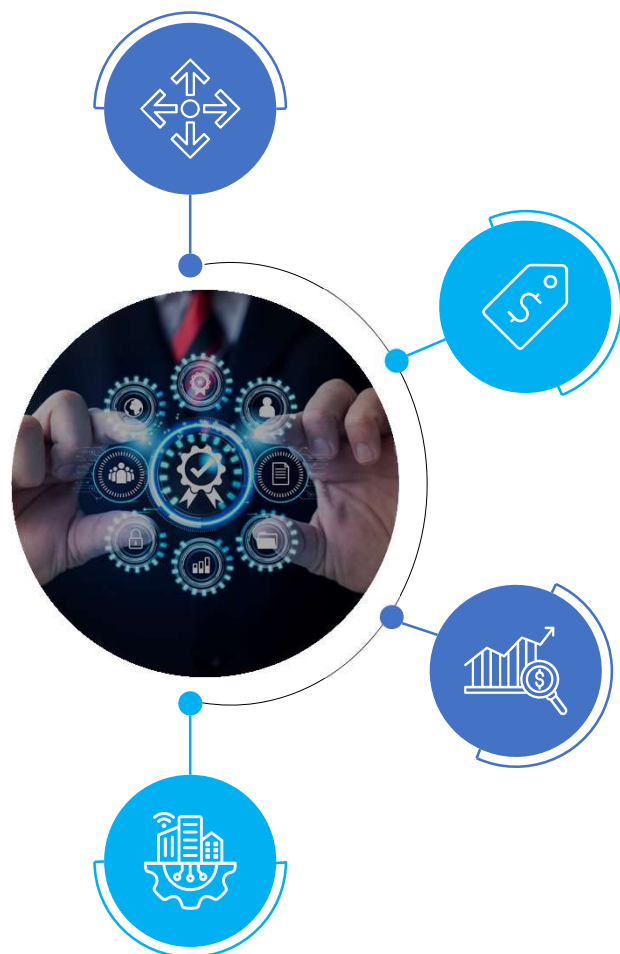
Most Digital Infrastructure REITs have recorded strong AFFO Growth in the third quarter of 2025 (Y-o-Y, compared to the same quarter in 2024)



Source: Bloomberg data as on 16th January 2026, Company Q3 Quarterly Earnings Presentations

Key Drivers Supporting Digital Infrastructure REIT Valuations

Structural demand, pricing power, strong cash flow growth, and institutional capital flows are reinforcing long-term valuation upside



01

Sustained End-User Demand Driving Capacity Expansion

AI, cloud computing and hyperscaler expansion continue to support demand for data centers, translating into long-term contracted revenue visibility for REITs. According to industry data, the data center physical infrastructure market grew ~18% YoY in Q3 2025. Hyperscalers remained the core demand engine, with the Top 10 Cloud segment growing by more than 30% globally and posting even stronger gains in North America.

02

Strong Pricing Power & Premium Rents in Constrained Markets

Digital infrastructure assets benefit from strong pricing power due to strategic location advantages and scarcity. In Q3 2025, Digital Realty reported ~8% cash renewal rent growth, while peers such as American Tower, Crown Castle, and Equinix saw YoY increases in organic tenant billings. AI-ready infrastructure (GPU-optimized, liquid-cooled facilities) support superior rental yields, resilient cash flows and valuations relative to traditional REIT sectors.

03

Robust Financial Metrics – AFFO/FFO Growth & Lease Terms

Leading data center REITs continue to outperform broader REITs, supported by hyperscaler partnerships and strong backlog visibility. In Q3 2025, the sector delivered ~17.3% YoY FFO growth, with Equinix, Digital Realty, and American Tower reporting AFFO growth of ~2%, ~13%, and ~10%, respectively. These metrics reflect strong NAV and AFFO expansion, supporting valuation multiples and investor confidence in long-term cash flow resilience.

04

Institutional Capital Endorsement & Diversified Digital Infrastructure Returns

Digital infrastructure REITs trade at premium valuation multiples relative to traditional property sectors, reflecting investor confidence in durable growth and resilient cash yields. Institutional capital inflows have driven sustained cap rate compression, highlighting the sector's superior risk-adjusted return profile. Telecom tower and edge REITs provide diversified, income-oriented cash flows, enhancing diversification alongside high-growth data center assets.

Source: Company Websites, Aranca Insights



2500+

Global Clients

500+

Strong professional team across
multi-disciplinary domains

120+

Sectors and sub-sectors
researched by our analysis

80+

Countries where we have
delivered projects

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