

REITs

Data Centre REITs: Value Emerges After The Carnage

Highlights

- Uncertain commercial returns, heavy capital requirements and rising borrowing costs have hurt leveraged neocloud providers and delayed DC IPOs. Established hyperscalers remain better positioned thanks to diversified earnings and stronger cash flows.
- Power shortages, tighter financing and environmental opposition are slowing new development, which reinforce the value proposition of operational DCs and efforts to backfill vacant capacity. AI's benefits remain intact, but infrastructure investment needs to be spread over a longer period of time.
- Maintain OVERWEIGHT. NTTDCR (BUY/Target: US\$1.29) offers the highest FY27 DPU yield of 9.4%. KDCREIT (BUY/Target: S\$2.83) has a resilient Singapore-centric portfolio and is well supported by sponsor Keppel.

Analysis

- Reality check on AI ROI.** Financial markets are reassessing whether artificial intelligence (AI) can generate sufficient commercial returns to justify the enormous upfront investment in chips, data centres (DC) and power infrastructure. Investors are demanding clearer evidence that adoption can translate into recurring revenues, productivity gains and sustainable cash flows, amid uncertainty over monetisation timelines and rising capital intensity. The upfront expenditure is immediate, but the scale and timing of the eventual payoff remain uncertain. Investors have become more selective and are scrutinising whether companies can demonstrate pricing power, profitable customer demand and disciplined capital allocation.
- Creative destruction: Neocloud providers decimated.** Neocloud providers, which rent specialised computing capacity to AI developers, operate a capital-intensive and highly leveraged business model. They must commit substantial sums to GPUs and DCs before collecting the associated revenues. This leaves them exposed to heavy debt servicing, falling GPU rental prices and technological advances that could erode the earning power and resale value of their hardware. Dependence on a small number of large customers compound these risks, while construction delays or power constraints postpone their anticipated revenues. Share prices for CoreWeave and Nebius have corrected 46% and 43% respectively thus far in 2H26.
- Many DC IPOs delayed.** Recent setbacks in DC and AI infrastructure IPOs suggest investors are becoming less willing to pay premium valuations for growth that requires substantial upfront capital. Australia's Firmus withdrew its planned IPO in October, while Blackstone-backed AirTrunk postponed its proposed US\$1.5b Singapore REIT listing, reportedly targeting completion by early-27. Weak trading debuts have reinforced this caution - South Korean digital infrastructure company Elice fell 32% on its first trading day on 20 Oct 26.

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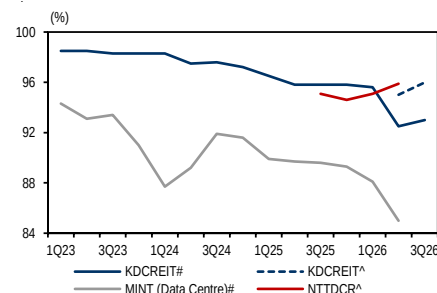
OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (\$)	Target Price (\$)
KDCREIT	KDCREIT SP	BUY	2.13	2.83
NTTDCR USD	NTTDCR SP	BUY	0.865	1.29
MINT	MINT SP	SELL	1.80	1.72

Source: UOB Kay Hian

Portfolio Occupancy – Data Centre



#By lettable area. ^By revenue generating power capacity.

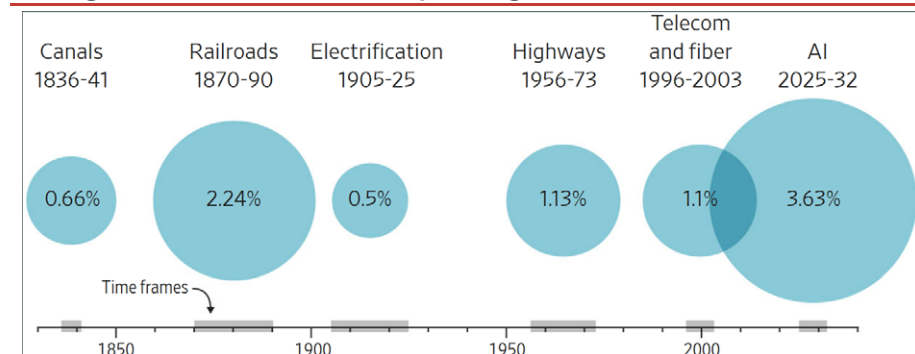
Source: UOB Kay Hian

Peer Comparison

Name	BBG Ticker	Trading Code	Rec	Curr	23 Oct 26 Price	Target Price	Mkt Cap (US\$m)	Hist	Curr	Yield (%) Fwd 1Y	Yield (%) Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
Keppel DC REIT	KDCREIT SP	AJBU	BUY	S\$	2.13	2.83	4,574	4.9	5.3	5.4	5.5	54.3	36.2	1.23
NTT DC REIT USD	NTTDCR SP	NTDU	BUY	US\$	0.865	1.29	901	9.0	9.4	9.6	9.8	45.5	31.0	0.76
Mapletree Ind Trust	MINT SP	ME8U	SELL	S\$	1.80	1.72	4,021	7.1	6.4	6.5	6.8	66.3	37.5	1.11

Source: Bloomberg, UOB Kay Hian

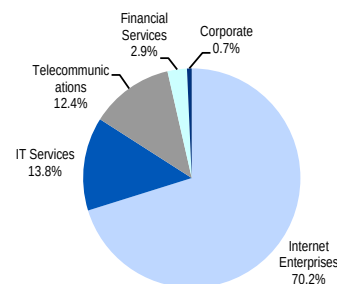
Average Annual Infrastructure Spending As % Of GDP



Source: Stijn Van Nieuwerburgh

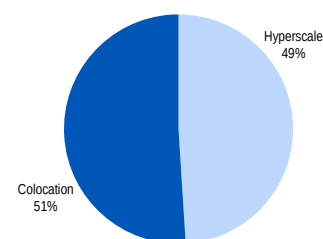
- Funding squeeze for AI-related companies.** AI infrastructure companies are facing tighter bond-market funding conditions as investors demand higher returns to compensate for their heavy debt burdens. CoreWeave illustrates this pressure – the yield on its dollar bond maturing in Oct 31 briefly exceeded 16% on 15 Oct 26, reflecting a sharp deterioration in investor confidence. The cost of insuring Oracle's debt against default reached record highs above 300bp, surpassing levels seen during the 2008 Global Financial Crisis. CoreWeave and Oracle's debt/total assets are 45.5% and 41.3% respectively. They face more expensive refinancing and new borrowings, which constrain their future expansion.
- Pacing out the AI investment cycle.** Columbia Business School economist Stijn Van Nieuwerburgh estimates that the US AI infrastructure buildout could require investment on an extraordinary scale - he puts the cost of a 1GW AI campus at US\$41b and estimates that a 188GW expansion completed by 2032 would require US\$9t, equivalent to average annual investment of 3.2% of GDP over 2025-32. We opine that the benefits of AI are real, but the investment on AI infrastructure must be paced out over many years.
- Hyperscalers remain dominant.** Hyperscalers, such as Microsoft, Amazon and Google, are better insulated from the recent squeeze in AI funding, thanks to their diversified earnings, substantial operating cash flows and stronger access to capital markets. Nevertheless, they are not immune. The squeeze could affect them indirectly if cash-constrained AI customers reduce cloud spending, potentially weakening utilisation and returns on new infrastructure. Their share prices have stayed quite resilient.
- Orderly preparation for Anthropic's IPO.** Anthropic's IPO appears to be on track, with planned investor engagement and prospectus providing a structured path towards a potential listing. The company is targeting a mid-November debut, with its prospectus potentially becoming public in late-October. This suggests steady execution, although the final timing remains subject to market conditions and further adjustments.
- Restricted new supply favours existing DCs.** The pace of new supply coming on-stream is curtailed by: a) shortage of electricity generation capacity, b) the pullback in funding for new DCs, and c) local communities' resistance over the environmental impact caused by the construction of new DCs. The limited supply is positive for existing operational DCs, as: a) operational DCs become more valuable with less competition from new supply, and b) it supports efforts to lease up vacant capacity.
- NTTDCR and KDCREIT are high-quality core holdings.** NTTDCR has a low leverage of 32.5% as well as capacity to execute accretive acquisitions in global DC hubs such as Frankfurt and Tokyo. KDCREIT benefits from a Singapore-centric portfolio, which is highly supply-constrained and delivers healthy rental growth supported by AI-driven colocation demand.

Rental Income By Trade Sector



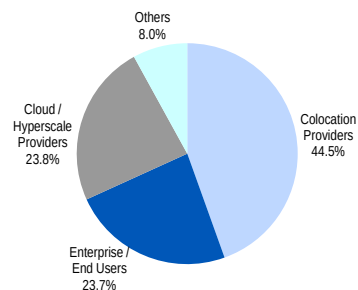
Source: KDCREIT

Monthly Base Rent By Tenant Type



Source: NTTDCR

Data Centre Rental Income By Tenant Type



Source: MINT

Keppel DC REIT (BUY/KDCREIT SP/Target: S\$2.83)

- KDCREIT's Singapore-centric portfolio benefits from constrained data centre supply, with rental reversions reaching 16% in 3Q26 and NPI rising 13% yoy in 9M26. Long leases with portfolio WALE by lettable area at 6.5 years provide income stability. Master leases for its fully fitted and shell & core DCs have built in rental escalations at 2-4% per year.
- Asset enhancements for SGP 8, redevelopment of SGP 1 and new contracts in Australia provide avenues for earnings growth. Sponsor Keppel's acquisition pipeline offers further expansion opportunities, including hyperscale DCs in Singapore and Western Tokyo from 2028.
- Hyperscalers accounted for about 70% of rental income.

NTT DC REIT (BUY/NTTDCR SP/Target US\$1.29)

- NTTDCR has rights of first refusal over more than 160 stabilised DCs, providing substantial sponsor acquisition pipeline. Low gearing of 31%, US\$261m of debt headroom to 40% gearing and no debt maturities until FY29 support its expansion plans.
- Committed leases would lift occupancy to 99.2%, with most new leases expected to contribute revenue from 3QFY27. Proposed amendments to performance fees would reward DPU growth above 3% and reduce dilution by pricing management fee units at NAV or higher.
- Hyperscalers accounted for about 49% of monthly base rent.

Mapletree Industrial Trust (SELL/MINT SP/Target: S\$1.72)

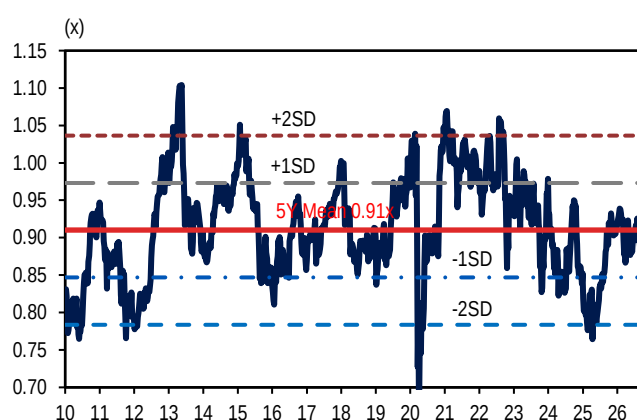
- Occupancy fell 3.6ppt qoq to 82.5% in 1QFY27 following lease non-renewal in San Diego and tenant downsizing in Atlanta, with the full impact of the San Diego vacancy expected in 2QFY27. Smaller DCs serving enterprise customers contribute 23.7% of gross rental income, leaving a sizeable portfolio segment requiring repositioning.
- Aggregate leverage rose 3.5ppt qoq to 37.5% after borrowings funded the redemption of S\$300m of perpetual securities. Replacement of S\$600m of interest-rate hedges expiring in FY27 at higher rates is expected to increase borrowing costs, adding pressure to DPU.
- Hyperscalers accounted for about 24% of gross rental income for MINT's DC portfolio.

S-REIT Yield Spread



Source: UOB Kay Hian

S-REIT P/NAV



Source: UOB Kay Hian

Peer Comparison

Name	BBG	Trading			Price	Target	Mkt Cap	Yield (%)				Debt to	Debt to	P/NAV
	Ticker	Code	Rec	Curr	23 Oct 26	Price	(US\$m)	Hist	Curr	Fwd 1Y	Fwd 2Y	Equity (%)	Assets (%)	(x)
HEALTHCARE														
First REIT	FIRT SP	AW9U	NR	S\$	0.176	n.a.	292	12.3	11.1	10.2	n.a.	96.3	45.7	0.77
PLife REIT	PREIT SP	C2PU	BUY	S\$	4.07	5.02	2,078	3.8	4.4	4.5	4.5	53.4	33.7	1.58
HOSPITALITY														
CapLand Ascott	CLAS SP	HMN	BUY	S\$	0.82	1.00	2,474	7.4	7.5	7.7	7.7	71.4	37.7	0.72
CDL HTrust	CDREIT SP	J85	BUY	S\$	0.705	1.11	708	6.8	7.8	7.8	7.6	66.4	35.3	0.51
Centurion Acc REIT	CAREIT SP	8C8U	BUY	S\$	1.04	1.39	1,406	6.2	6.9	7.9	7.9	43.8	29.9	1.19
Far East HTrust	FEHT SP	Q5T	BUY	S\$	0.51	0.80	822	7.3	6.8	7.3	7.5	42.6	32.8	0.58
INDUSTRIAL														
AIMS APAC REIT	AAREIT SP	O5RU	NR	S\$	1.40	n.a.	903	7.0	7.1	7.6	8.1	78.0	37.4	1.10
CapLand Ascendas	CLAR SP	A17U	BUY	S\$	2.23	3.25	8,714	6.7	6.7	7.3	7.7	72.8	39.7	0.98
Daiwa Hse Log Trust	DHLT SP	DHLU	NR	S\$	0.40	n.a.	220	10.8	n.a.	n.a.	n.a.	78.9	40.1	0.64
Digi Core REIT USD	DCREIT SP	DCRU	BUY	US\$	0.44	0.93	562	8.2	7.8	9.3	9.3	67.9	39.2	0.56
ESR-REIT	EREIT SP	9A4U	NR	S\$	1.99	n.a.	1,260	11.0	11.1	10.9	11.2	99.2	41.4	0.80
Keppel DC REIT	KDCREIT SP	AJBU	BUY	S\$	2.13	2.83	4,574	4.9	5.3	5.4	5.5	54.3	36.2	1.23
Mapletree Ind Trust	MINT SP	ME8U	SELL	S\$	1.80	1.72	4,021	7.1	6.4	6.5	6.8	66.3	37.5	1.11
Mapletree Log Trust	MLT SP	M44U	HOLD	S\$	1.09	1.13	4,382	6.7	6.3	6.3	6.4	85.2	40.5	0.87
NTT DC REIT USD	NTTDCR SP	NTDU	BUY	US\$	0.865	1.29	901	9.0	9.4	9.6	9.8	45.5	31.0	0.76
UIBREIT	UIBREIT SP	UIBU	BUY	S\$	0.78	1.16	834	n.a.	9.0	8.9	9.2	65.9	36.4	0.91
OFFICE														
Keppel REIT	KREIT SP	K71U	BUY	S\$	0.815	1.06	3,175	6.4	6.6	6.7	6.5	78.2	40.0	0.66
RETAIL														
Frasers Centrepoint	FCT SP	J69U	BUY	S\$	2.18	2.92	3,478	5.7	5.7	5.9	6.0	54.2	38.7	0.94
Lendlease REIT	LREIT SP	JYEY	BUY	S\$	0.55	0.80	1,362	6.7	6.7	6.7	6.8	73.0	38.9	0.78
Starhill Global	SGREIT SP	P40U	NR	S\$	0.505	n.a.	919	7.3	7.5	7.7	7.9	61.6	35.8	0.71
DIVERSIFIED														
CapLand China Trust	CLCT SP	AU8U	NR	S\$	0.61	n.a.	839	7.9	7.8	8.1	8.3	97.2	41.1	0.59
CapLand Int Comm Trust	CICT SP	C38U	BUY	S\$	2.30	3.11	14,348	5.0	5.1	5.6	5.7	57.8	37.4	1.07
Frasers L&C Trust	FLT SP	BUOU	BUY	S\$	0.905	0.96	2,696	6.6	6.6	6.5	6.5	58.7	35.4	0.81
Mapletree Pan Asia	MPACT SP	N2IU	BUY	S\$	1.17	1.67	4,840	6.8	6.8	6.9	7.0	63.8	37.7	0.68
OUE REIT	OUREIT SP	TS0U	NR	S\$	0.345	n.a.	1,494	6.5	7.1	7.3	7.4	80.7	42.1	0.62
Suntec REIT	SUN SP	T82U	BUY	S\$	1.40	1.67	3,244	5.0	5.4	5.6	5.6	70.6	43.0	0.69
INTERNATIONAL (US / EUROPE)														
Stoneweg EU Trust EUR	SERT SP	SEB	NR	€	1.46	n.a.	907	9.2	9.1	9.4	9.9	93.2	43.6	0.72
Elite UK REIT GBP	ELITE SP	MXNU	NR	£	0.305	n.a.	270	9.9	10.0	10.4	10.1	58.1	34.8	0.69
IREIT Global	IREIT SP	UD1U	NR	S\$	0.166	n.a.	175	9.4	8.6	8.6	8.6	94.9	45.5	0.37
KORE REIT USD	KORE SP	CMOU	BUY	US\$	0.148	0.25	155	1.7	5.8	10.2	15.4	82.9	43.3	0.21
Prime US REIT USD	PRIME SP	OXMU	NR	US\$	0.107	n.a.	154	5.7	9.3	12.1	n.a.	87.5	44.9	0.20
Utd Hampshire REIT USD	UHU SP	ODBU	BUY	US\$	0.43	0.63	262	10.2	10.7	11.4	11.5	73.8	40.4	0.59

Source: Bloomberg, UOB Kay Hian

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