

DIGITAL CORE REIT

CUSTOMER SITUATION OVERVIEW

JUNE 2023

Core | Sustainable | Growth



SUMMARY OVERVIEW

SITUATION OVERVIEW

- Digital Core REIT's second-largest customer, a global colocation and interconnection provider representing approximately \$16.3 million, or 22.4% of annualised rent⁽¹⁾, filed for bankruptcy protection in the state of New Jersey on 4 June 2023
- The customer is deployed across six data centres representing 26.6% of total portfolio value⁽²⁾
- The customer occupies 100% of three shell & core facilities in Silicon Valley; 100% of two shell & core facilities in Los Angeles; and 1.5 megawatts, or 4%, of a fully-fitted facility in Frankfurt
- The customer has remained current on its rental obligations through the month of May
- The customer has not yet determined which leases it may accept or reject, but has disclosed that it has obtained \$200 million of debtor-in-possession financing to support its business going forward, including paying suppliers in the ordinary course
- Over the past several months, the Manager has performed property diligence, market evaluations and valuation assessments of the facilities leased to the customer. Given tight market conditions and below-market rents, the Manager expects to be able to minimize any potential DPU impact and maintain or enhance long-term value and returns for unitholders
 - All else equal, if 100% of the annual revenue from this customer were to be eliminated, the Manager estimates that Digital Core REIT's distribution per unit, or DPU, would be reduced by approximately 2.00 U.S. cents⁽³⁾
- Digital Realty remains committed to Digital Core REIT's long-term success and the Manager will continue to explore opportunities for the Sponsor to demonstrate its support as it gains greater visibility on the outcome of the situation

1) Based on annualised rent as at 31 March 2023.

2) The appraised values and portfolio values (at share) are based on the last appraised value as at 31 December 2022 and do not include any capitalised transaction costs, straight-line rent or property additions.

3) Impact to DPU based on \$22.9 million of annual revenue, including rental revenue and tenant reimbursements (at share).

DILIGENCE OVERVIEW



PROPERTY DILIGENCE

Engaged a third-party data centre engineering consultant to conduct extensive site visits to evaluate the property condition, identify any required upgrades (i.e., potential CapEx requirements), gauge overall site utilization and to assess the marketability of each asset



MARKET EVALUATIONS

Evaluated current data centre market fundamentals for each metro, including current in-place rents relative market rents and future data centre supply in each market



VALUATION ASSESSMENTS

Hired a third-party appraiser to perform preliminary valuation assessments of the single-tenant data centres under the assumption that the customer rejects each of the leases and fully vacates each of the buildings

CUSTOMER PROFILE

CUSTOMER PORTFOLIO PROFILE

Los Angeles

2

Single-Tenant
Shell & Core
Data Centres

Silicon Valley

3

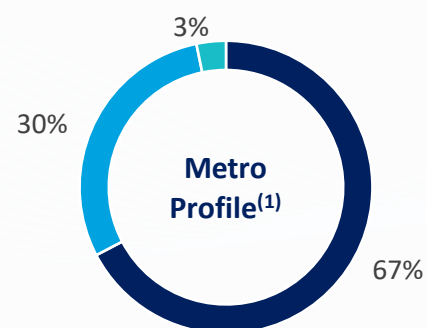
Single-Tenant
Shell & Core
Data Centres

Frankfurt

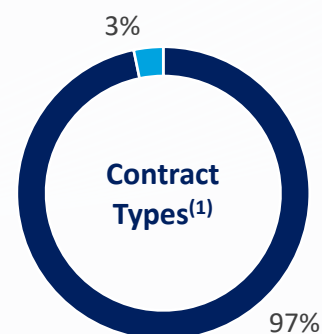
4%

of Net Rentable
Square Feet at the
Frankfurt Facility

● Silicon Valley
 ● Los Angeles
 ● Frankfurt



● Triple Net
 ● Gross + E(lectricity)



CUSTOMER FINANCIAL PROFILE

(USD in millions)

Location	Net Rentable Square Feet	At Share		2022 Appraised Value ⁽²⁾	
		Annualised Rent ⁽¹⁾		Amount	% of Total
		Amount	% of Total		
Los Angeles					
3015 Winona Avenue	74,620	\$2.1	2.9%	\$48.6	3.4%
200 North Nash Street	102,245	2.7	3.6%	62.1	4.3%
Total: Los Angeles	176,865	\$4.8	6.6%	\$110.7	7.7%
Silicon Valley					
2401 Walsh Avenue	151,139	\$4.2	5.8%	\$99.0	6.9%
2403 Walsh Avenue	93,546	2.6	3.6%	61.2	4.3%
1500 Space Park Drive	46,454	4.1	5.7%	103.5	7.2%
Total: Silicon Valley	291,138	\$11.0	15.1%	\$263.7	18.4%
Frankfurt					
Wilhelm-Fay-Strasse 24 ⁽³⁾	4,356	\$0.5	0.7%	\$6.0	0.4%
Total: Customer Assets	472,359	\$16.3	22.4%	\$380.4	26.6%
Other Data Centres	728,275	56.5	77.6%	1,049.9	73.4%
Total Portfolio	1,200,634	\$72.8	100.0%	\$1,430.2	100.0%

Note: Portfolio statistics and financial figures shown at share.

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3) Figures represent the customer's deployment and space at Wilhelm-Fay-Strasse 24. Appraised value based on the customer's proportional share of the building.

PROPERTY DILIGENCE

LOS ANGELES



3015 Winona Avenue



200 North Nash Street



2401 Walsh Avenue



2403 Walsh Avenue



1500 Space Park Drive



Wilhelm-Fay-Strasse 24 (FRA30)

Location	3015 Winona Avenue	200 North Nash Street	2401 Walsh Avenue	2403 Walsh Avenue	1500 Space Park Drive	Wilhelm-Fay-Strasse 24 (FRA30)
Data Centre Type	Shell & Core	Shell & Core	Shell & Core	Shell & Core	Shell & Core	Fully-Fitted
Lease Structure	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net	Gross + E(lectricity)
Marketability Score	AVERAGE	HIGH	HIGH	HIGH	HIGH	HIGH
Current Rent vs. Market Rent ⁽¹⁾	Below Market		Below Market			Below Market

IN EVENT OF LEASE REJECTION

Potential Impact to Asset Valuation ⁽²⁾	3% Impact to Total Asset Value	3% Impact to Total Asset Value	Minimal Impact
Potential Downtime ⁽¹⁾	0 – 18 Months		
Potential Debt-Funded CapEx ⁽¹⁾	\$5 million – \$10 million Per Data Centre		
Potential Pro Forma Leverage ⁽¹⁾⁽³⁾	35% – 40% Aggregate Leverage		

1) Per management estimates.

2) Based on preliminary valuation assessments performed by a third-party appraiser and subject to change.

3) Pro forma leverage based on potential impact to asset valuations and potential requirements for debt-funded capex.

MARKET EVALUATIONS: SILICON VALLEY SPOTLIGHT

OVERVIEW OF KEY LOCATIONS



1500 Space Park Drive



2401 Walsh Avenue



2403 Walsh Avenue



 NVIDIA



KEY HIGHLIGHTS

**Below Market on
In-Place Rents⁽¹⁾**

**Limited Land / Sites
Available for
New Data Centre
Developments**

**Limited Available Real
Estate Also Subject to
Competing Uses
(e.g., Residential)**

2028

**Earliest Date for New Utility
Power to be Provided For
Data Centre Developments**

1) Per management estimates.

MARKET EVALUATIONS: LOS ANGELES SPOTLIGHT

OVERVIEW OF KEY LOCATIONS



3015 Winona Avenue



200 North Nash Street

SUBSEA CABLES

Pacific Light Cable Network

Landing Points

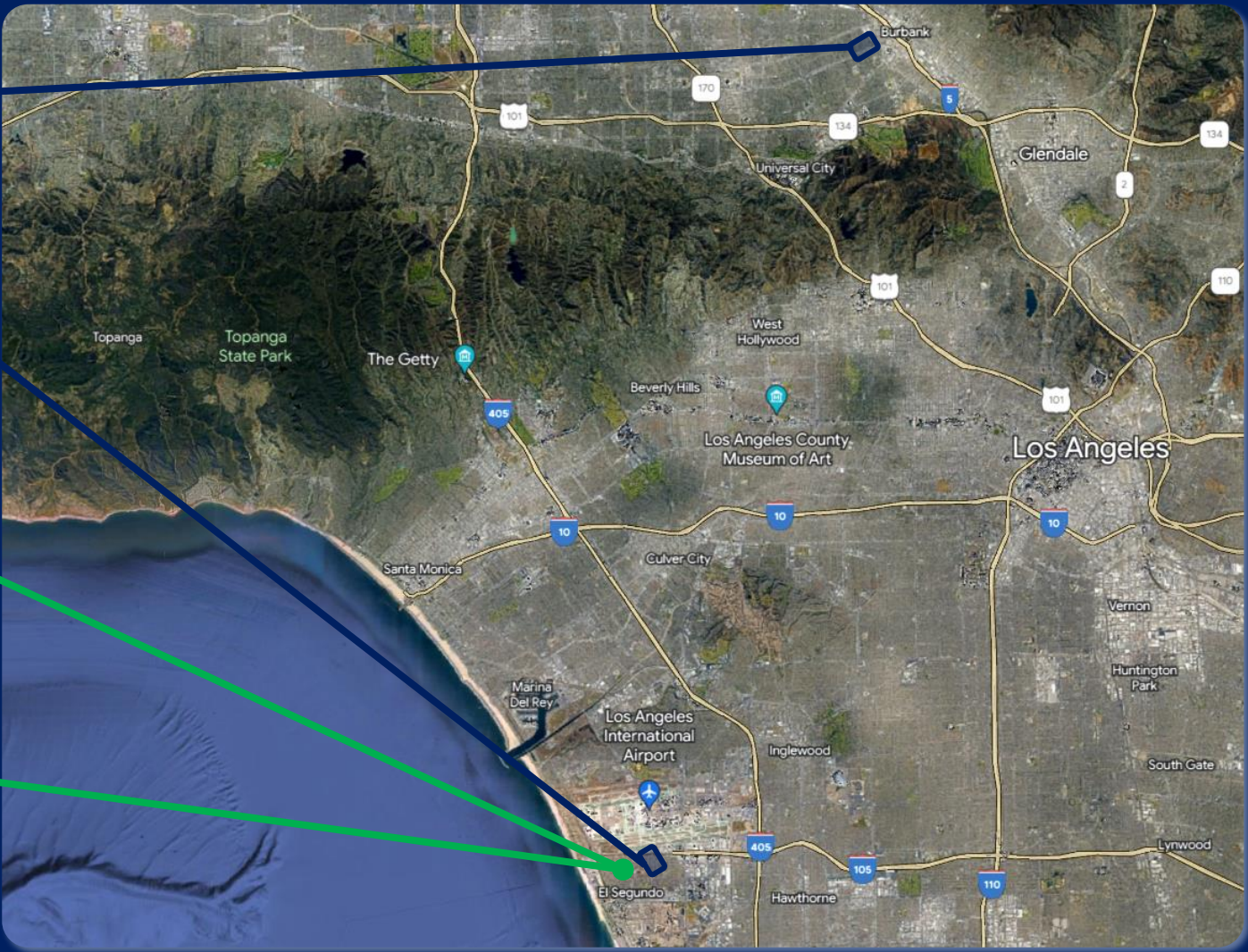
El Segundo, CA
Toucheng Taiwan
Baler, Philippines



Curie

Landing Points

El Segundo, CA
Balboa, Panama
Valparaiso, Chile



KEY HIGHLIGHTS

Below Market on
In-Place Rents⁽¹⁾

120+
Digital Realty Customers
Located in Los Angeles

EL SEGUNDO, CA
International Network Point,
Connecting Asia and
South America

BURBANK, CA
Home of Media and Content
Studios and Companies

1) Per management estimates.

POTENTIAL NEAR-TERM IMPACT

IMPACTED PROPERTIES

LOS ANGELES		SILICON VALLEY			FRANKFURT
3015 Winona Avenue	200 North Nash Street	2401 Walsh Avenue	2403 Walsh Avenue	1500 Space Park Drive	Wilhelm-Fay-Strasse 24 ⁽⁴⁾

Customer Market Occupancy⁽¹⁾



Status of Leases

No Determination of Either Assumption or Rejection
(Rent to be Paid Until an Event of Rejection)

Annualised Rent⁽²⁾
(at Share)

\$2.1 million	\$2.7 million	\$4.2 million	\$2.6 million	\$4.1 million	\$0.5 million
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Appraised Value⁽³⁾
(at Share)

\$48.6 million	\$62.1 million	\$99.0 million	\$61.2 million	\$103.5 million	\$6.0 million
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MITIGANTS



Core Markets

Assets are located in key data centre markets with limited supply



Below Market Rents

In-place rents are below market with a marketability score of either average or high



Ability to Operate Colocation

Potential to maintain end-user customers and operate as colocation facilities

POTENTIAL IMPACT

The Manager expects to be able to minimize any potential DPU impact and maintain or enhance long-term value and returns for unitholders

All else equal, if 100% of the annual revenue from this customer were to be eliminated, the Manager estimates that Digital Core REIT's distribution per unit, or DPU, would be reduced by approximately 2.00 U.S. cents⁽⁵⁾

Digital Realty remains committed to Digital Core REIT's long-term success and the Manager will explore opportunities for the Sponsor to demonstrate its support as it gains greater visibility on the outcome of the situation

1) Per public company filings as at 31 March 2023.

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3) The appraised values and portfolio values (at share) are based on the last appraised value as at 31 December 2022 and do not include any capitalised transaction costs, straight-line rent or property additions.

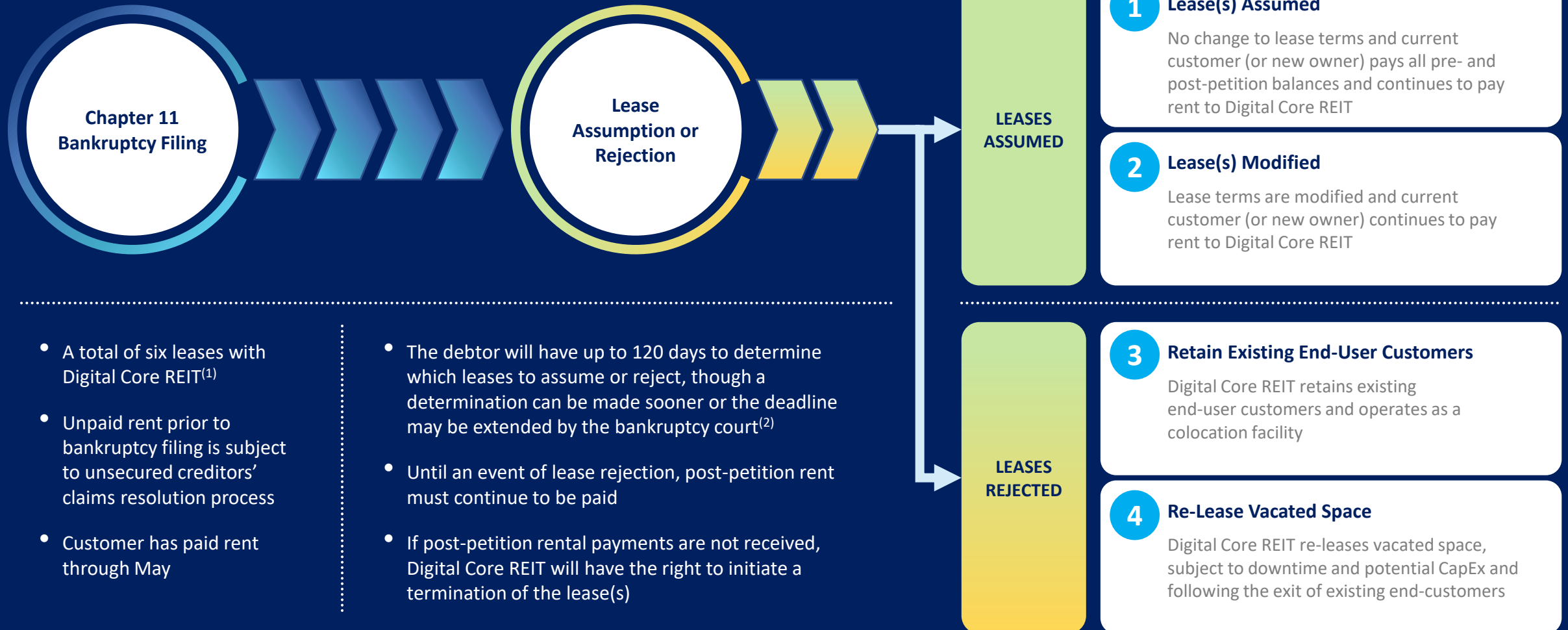
4) Figures represent customer's deployment and space at Wilhelm-Fay-Strasse 24. Appraised value estimated to reflect the customer's proportional share of the building.

5) Impact to DPU based on \$22.9 million of annual revenue, including rental revenue and tenant reimbursements (at share).

POTENTIAL LEASE OUTCOMES

CHAPTER 11 BANKRUPTCY PROCEEDINGS

POTENTIAL LEASE OUTCOMES



1) The customer's subsidiary in Germany is not included in the court-supervised process.

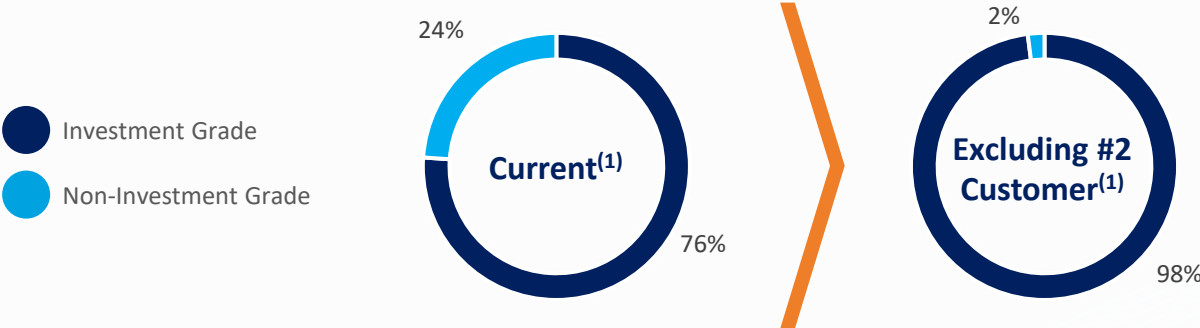
2) This is done in connection with a sale process, under the Chapter 11 plan, or on a standalone basis pursuant to a motion filed with the bankruptcy court.

LONG-TERM VALUE CREATION

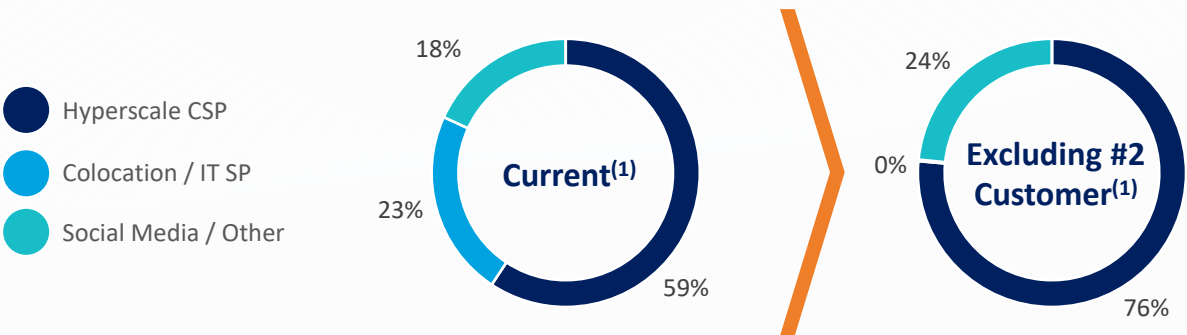
Focused on Delivering Long-Term, Sustainable Value for All Stakeholders

PRO FORMA COMPANY PROFILE

Credit Quality



Trade Sector



LOOKING AHEAD

- Existing portfolio benefits from improved credit quality of customers (excluding the second-largest customer, 98% of the customer roster is investment grade)
- Customer profile also shifts towards a greater concentration of hyperscalers (excluding the second-largest customer, 76% of customers are hyperscale cloud service providers)
- Focused on minimizing any potential impact from this customer situation while also backfilling and driving additional upside through lease-up of existing vacancy in Toronto and Frankfurt
- Upon greater clarity regarding the customer leases, management will also seek to enhance the company's geographic and customer diversification

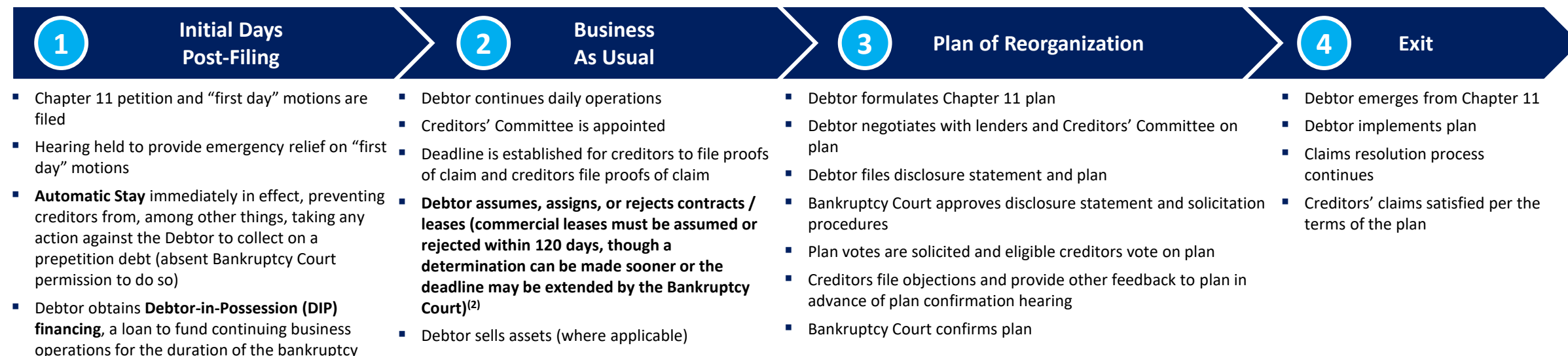
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APPENDIX

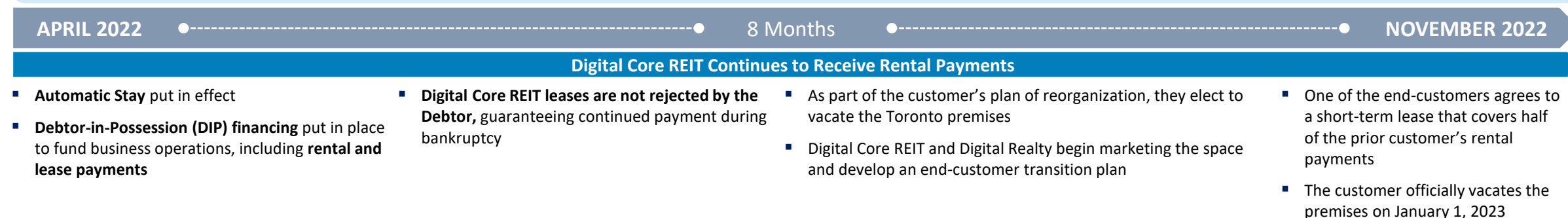
CHAPTER 11 BANKRUPTCY PROCESS AND TIMELINE

ILLUSTRATIVE: SUMMARY OF CHAPTER 11 REORGANIZATION PROCESS

Chapter 11 Bankruptcy allows companies to continue operating their businesses while pursuing a reorganization⁽¹⁾. Upon filing for Chapter 11, the business is referred to as the “Debtor” and any entities, including vendors and landlords, that are owed money from the Debtor are called “Creditors”. Filing for Chapter 11 gives a Debtor an opportunity to restructure its business affairs, debts, and assets, so it can reemerge as a healthy organization.



DIGITAL CORE REIT: SUMMARY OF 2022 CUSTOMER BANKRUPTCY IN TORONTO



1) Chapter 11 may also be used to liquidate businesses.

2) This is done in connection with a sale process, under the Chapter 11 plan, or on a standalone basis pursuant to a motion filed with the Bankruptcy Court.

COMPONENTS OF A DATA CENTRE

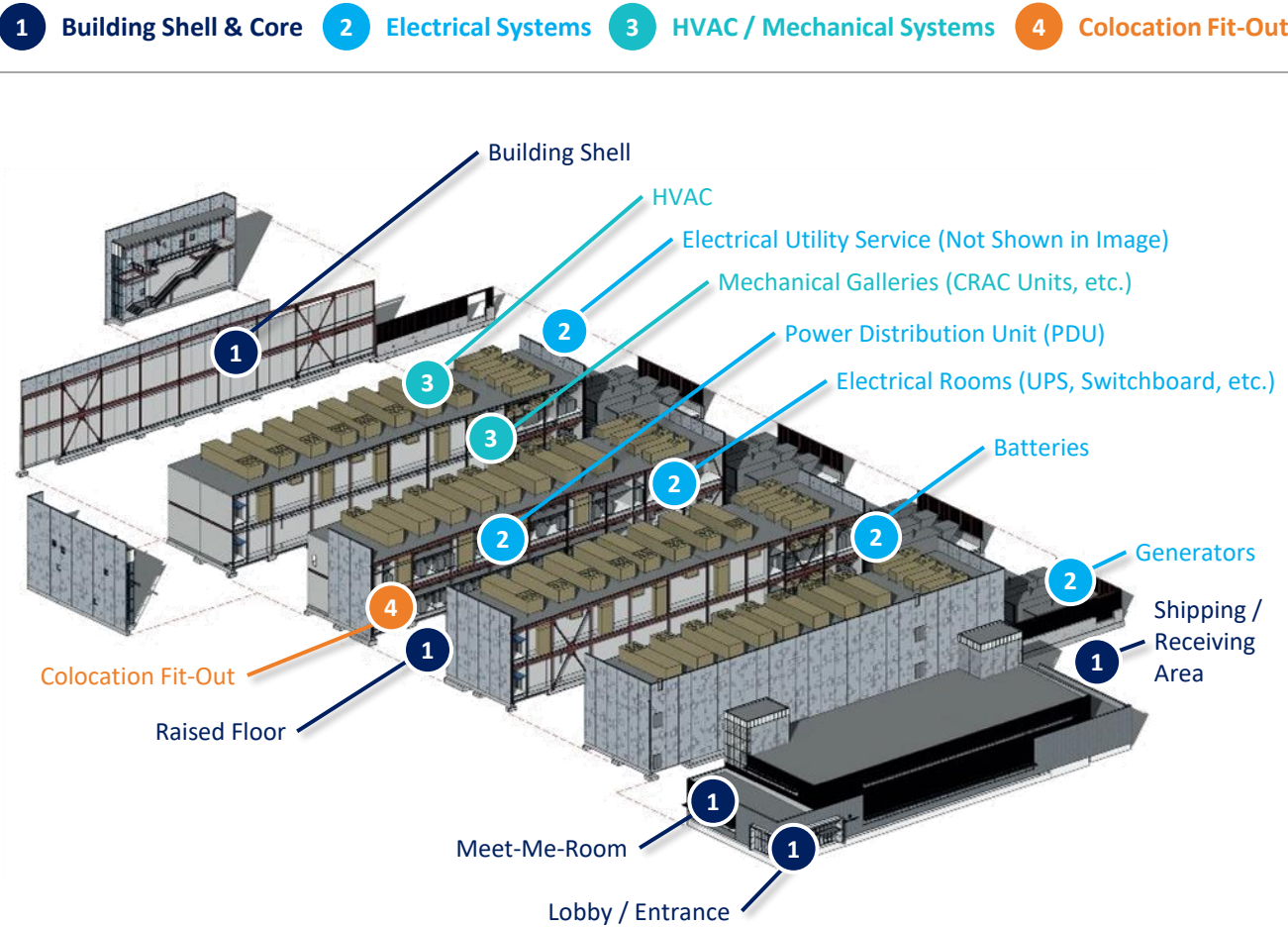
DATA CENTER LAYOUT

DATA CENTRES

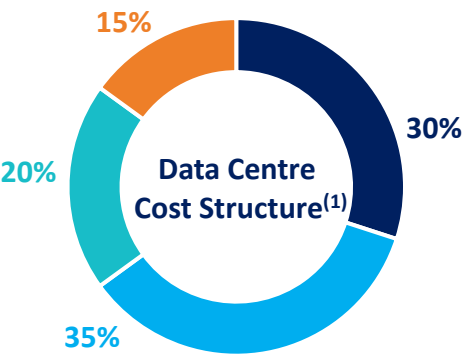
Data centres are designed to house servers and network equipment. Data centres provide a highly reliable, secure environment with redundant mechanical, cooling, electrical power systems and network communication connections.

SERVERS

Computer servers, which process and store data, are supplied and owned by customers.



DATA CENTER COST DISTRIBUTION



1 Building Shell & Core

- Building Shell (including Roof)
- Raised Floor
- Lobby / Entrance / Meet-Me-Room
- Shipping / Receiving Area

2 Electrical Systems

- Generator
- Batteries
- Power Distribution Unit (PDU)
- Uninterruptible Power Supplies (UPS)

3 HVAC / Mechanical Systems

- Computer Room Air Conditioner (CRAC Unit)
- Energy Efficient DSE

4 Colocation Fit-Out

- Racks and Cages
- Hot and Cold Aisle Containment Systems

1) Percentage costs for data center development shown are based on a sample Digital Realty data center build and are not necessarily representative of all development projects.

TYPES OF DATA CENTRE SPACE

SHELL & CORE



Infrastructure Requirements	<ul style="list-style-type: none">▪ Building Shell & Core
Typical Size	<ul style="list-style-type: none">▪ Entire building; can typically support 5+ MW
Time to Deploy	<ul style="list-style-type: none">▪ Ground-up development can take 18 to 24 month
Contract Length	<ul style="list-style-type: none">▪ 10+ years
Contract Types	<ul style="list-style-type: none">▪ Triple Net (single-tenant)
Customization	<ul style="list-style-type: none">▪ Highly customizable; can be structured as a build-to-suit
Staffing Requirements	<ul style="list-style-type: none">▪ Customers supply own on-site staff

FULLY-FITTED



Infrastructure Requirements	<ul style="list-style-type: none">▪ Building Shell & Core▪ Electrical Systems▪ HVAC / Mechanical Systems
Typical Size	<ul style="list-style-type: none">▪ Medium (300+ kW) to very large compute deployments (5+ MW)
Time to Deploy	<ul style="list-style-type: none">▪ Can execute a solution for medium to large deployment in weeks / months
Contract Length	<ul style="list-style-type: none">▪ 5 to 10+ years
Contract Types	<ul style="list-style-type: none">▪ Triple Net, Gross + E(lectricity)
Customization	<ul style="list-style-type: none">▪ Customize data center environment to specific deployment needs
Staffing Requirements	<ul style="list-style-type: none">▪ Customers sometimes opt to have their own on-site staff

COLOCATION



Infrastructure Requirements	<ul style="list-style-type: none">▪ Building Shell & Core▪ Electrical Systems▪ HVAC / Mechanical Systems▪ Colocation Fit-Out (Racks, cages, etc.)
Typical Size	<ul style="list-style-type: none">▪ Small (one cabinet) to medium (racks) data center deployments
Time to Deploy	<ul style="list-style-type: none">▪ Provides agility to quickly deploy computing infrastructure in days
Contract Length	<ul style="list-style-type: none">▪ 2 to 3 years
Contract Types	<ul style="list-style-type: none">▪ All-in (includes cost of electricity)
Customization	<ul style="list-style-type: none">▪ Consistent designs and operational environment; limited customization
Staffing Requirements	<ul style="list-style-type: none">▪ Leverage optional skilled remote hands and on-site customer support

DIGITAL

CORE REIT

Core

Sustainable

Growth
