1Q24 Business & Operational Update

Thank you for joining us.

Key Highlights

The Digital Core REIT team delivered a prolific 91-day start to the year, with only a slight assist from the leap-year calendar.

- In January, we closed a series of agreements to put the bankruptcy of our second-largest customer behind us, including the sale of two Silicon Valley properties at book value, or a 4.4% cap rate, generating US$160 million of proceeds.
    - As an aside, the asset sales early in the quarter did lead to a year-over-year decline on the top-line, but on a like-for-like basis, cash same-store NPI was up 11% year-over-year, driven by a combination of rental escalators, property-level outperformance and the burn-off of free rent.
- In February, we raised another US$120 million through a successful private placement of 192 million units at US$0.625.
- In early March, we reached a formal agreement with our Sponsor to acquire an incremental 24.9% interest in our Frankfurt facility at a 6% discount to appraised value – reflecting our Sponsor's strong support and commitment to our long-term success.
- In late March, we amended our credit agreement to pay down US$140 million of floating rate debt on our U.S. dollar term loan at 6.4% – while preserving the commitment and providing the ability to draw back down again on the term loan as needed.

- We also brought Mizuho into our bank group to arrange a new Yen-denominated term loan to provide intermediate-term financing for our investments in Japan. We subsequently entered into a swap agreement to fix the rate on our incremental Yen-denominated borrowings for a four-year term at an all-in cost of 1.5%.

- Despite the stubbornly high interest rate environment, the steps we took to proactively manage our balance sheet brought down our weighted average cost of debt by eighty basis points during the quarter.

- On the last business day of the quarter, we closed the acquisition of an incremental 10% interest in our flagship Osaka data centre for ¥7.725 billion, or approximately US$51.5 million, at a 1% discount to appraised value.

- Last Thursday, we hosted a joint AGM and EGM. Unitholders overwhelmingly supported the interested party transaction with our Sponsor, and a little over 24 hours later, we closed on the acquisition of the incremental 24.9% interest in the Frankfurt facility, again, at a 6% discount to appraised value.

- Over the course of the quarter, we bought back nearly eight million units at an average price of just under fifty-eight cents and a 14% discount to NAV – demonstrating our prioritisation of value creation over AUM growth – and generating 60 basis points of accretion, while adding just 30 basis points to leverage.

- When we have ample liquidity and all material information has been publicly disclosed, we believe that buying our own assets in the public market at a meaningful discount to intrinsic value represents a unique opportunity to create value for unitholders.

- Upon completion of the asset sales, the equity fundraising and the follow-on investment in the Osaka data centre, aggregate leverage was 33.6% as at 31 March, down nearly seven hundred basis points from year-end. Pro forma for the additional investment in the Frankfurt facility, which closed last Friday, current leverage is 35.1%, at the low end of our target range.

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Market & Portfolio Update

Let's turn to our Market & Portfolio Update on page three.

We enjoyed an equally productive first quarter in terms of portfolio management as well as balance sheet management.

- In early January, we terminated our second-largest customer's lease in Frankfurt as part of the broader transaction to resolve the bankruptcy. We expect to retain the majority of the existing end-user customers, and to crystallize value by re-leasing this capacity at favorable terms.

- We also signed a new lease with an existing customer, a leading global cloud provider, to expand their footprint on the campus, generating 20 basis points of positive net absorption in Frankfurt during the first quarter, despite the bankrupt customer lease termination.

- Finally, both anchor customers on the Frankfurt campus, a AAA-flat and a AA-plus cloud provider, renewed their existing lease agreements during the first quarter for five years of additional term at a positive 2.0% cash rental reversion. Both customers effectively exercised renewal options in their existing lease agreements, somewhat limiting the ability to capture embedded growth potential, but significantly enhancing the duration and stability of this high-quality cash flow stream.

    - As shown at the bottom lefthand corner of page two of our presentation, our current WALE is 2.8 years, unchanged from the prior quarter. However, keep in mind that both the assets we sold in January had more than nine years of remaining lease term, contributing significantly to the overall portfolio WALE.

- All else equal, given the passage of a quarter of a year and the sale of the two Silicon Valley properties, overall portfolio WALE would have dropped to two years as at 31 March. Said differently, first-quarter leasing and investment activity contributed 0.8 years to overall portfolio WALE.

- Given the recent extension of the in-place cash flow stream in addition to materially better-than-expected performance relative to underwriting and the 6% discount to appraised value, the Frankfurt facility investment looks like a very good deal for unitholders – particularly for investors who participated in the 1Q24 private placement at a further discount to net asset value.

- Turning to Toronto – we did sign one small interconnection contract during the first quarter, and we have multiple renewal leases currently out for signature, but – leasing activity remains much slower than we would have hoped or expected. We have recently approved a modest capital investment to refresh the vacant suites to ensure they show well and are immediately ready for occupancy, but we still need to see a resurgence of demand in Toronto and to land the right requirement to line up with the size of the available capacity.

- The outlook is fortunately brighter in Southern California, where we have begun to reposition and re-lease the two properties we will be taking over from our second-largest customer later this year.

- We are truly fortunate to have the strong support, operational expertise, and active engagement of our Sponsor's global platform in this endeavor. The exercise spans across functions, including Design & Construction, Operations, Portfolio Management, Product Management, Sales, Sales Engineering and the Legal team.

- More broadly speaking, data centre fundamentals continue to tighten across the core global markets where we have a presence, with a rapidly strengthening tailwind from artificial intelligence workloads.

- In his 2023 letter to shareholders, JP Morgan Chase CEO Jamie Dimon predicted that AI may be, *"as transformational as some of the major technological inventions of the past several hundred years: Think the printing press, the steam engine, electricity, computing and the Internet."*

- Amazon CEO Andy Jassy echoed these comparisons in his 2023 letter to shareholders, stating that, *"Generative AI may be the largest technology transformation since the cloud, and perhaps since the Internet."*

- Google CEO Sundar Pichai has recently and repeatedly emphasized that AI will be: *"more profound than fire or electricity."*

- Finally, the International Energy Agency recently published its Electricity 2024 – Analysis and Forecast to 2026 report and predicted that, *"Electricity consumption from data centres, artificial intelligence (AI) and the cryptocurrency sector could **double** by 2026."*

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Sustainability

These forecasts clearly bode well for data centre demand, but they also underscore the importance of the sustainability initiatives outlined on page four.

We recently published our second annual sustainability report, in accordance with the Global Reporting Initiative, or "GRI," Standards.

As part of the publication process, we refreshed our materiality assessment to determine which ESG issues are most material to our business by engaging with internal as well as external stakeholders, culminating with the 10 material factors represented in the infographics in the middle of page four of the presentation.

We also established quantitative long-term targets and have committed to taking steps to mitigate our impact on the environment, including a 30% reduction in our Scope 1 and Scope 2 emissions and a 12% reduction in our water intensity by 2030.

We believe ESG is a continuous journey, and while Digital Core REIT is still at the outset of its journey, ESG is a top corporate priority for the organisation. We are committed to integrating material ESG issues into our strategy and business operations to promote the development and adoption of sustainable corporate practices and policies. We are also committed to regularly and transparently communicating with stakeholders on our ESG performance, risks, and opportunities.

Finally, we are committed to doing our part to create a more sustainable future for our customers, investors, employees, and the communities we serve.

Sustainable Growth

Let's turn to page five to discuss the path forward.

In the immediate term, we remain keenly focused on repositioning and re-leasing the vacancies in L.A. and Toronto and driving additional upside through lease-up of the recently acquired vacancy in Frankfurt.

We are also focused on preserving liquidity and the flexibility of our balance sheet in the current macroeconomic environment. Our leverage remains at the low end of our 35%-40% target range. One hundred percent of our debt is unsecured; substantially all our debt is hedged against rising rates; and we own the freehold to 100% of our assets.

We have over US$20 million of cash on our balance sheet, plus nearly US$300 million of availability on our line of credit, and our weighted average debt maturity is over two-and-a-half years.

We intend to preserve the flexibility of our balance sheet, while prudently utilizing our debt headroom over time to continue to execute upon accretive investment opportunities, expand our asset base and enhance our geographic, as well as customer diversification.

Current data centre fundamentals and long-term digital demand trends are highly supportive of our business. In addition, we continue to enjoy strong support from our Sponsor – a leading global data centre owner and operator. We believe our Sponsor acquisition pipeline is unparalleled in the industry, and we have a unique opportunity to source accretive investments in state-of-the-art digital infrastructure around the globe.

I'm proud of what the Digital Core REIT team accomplished in the first four months of the year and look forward to working alongside them to capitalise on the tremendous opportunity ahead of us to continue to create durable value for unitholders.