

# DIGITAL CORE REIT

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## Proposed Acquisition of Core Data Centres in Frankfurt and Dallas

22 SEPTEMBER 2022

Core | Sustainable | Growth



# IMPORTANT NOTICE

This presentation should be read in conjunction with the announcement released by Digital Core REIT on 22 September 2022 titled "PROPOSED ACQUISITION OF (I) A 25.0% INTEREST IN A DATA CENTRE LOCATED IN GERMANY OR (II) (IN THE EVENT THE EQUITY FUND RAISING TAKES PLACE) AN 89.9% INTEREST IN A DATA CENTRE LOCATED IN GERMANY AND A 90.0% INTEREST IN A DATA CENTRE LOCATED IN THE UNITED STATES OF AMERICA"

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Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Manager on future events.

Holders of Units ("**Unitholders**") have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

BofA Securities (Merrill Lynch (Singapore) Pte. Ltd.), Citigroup Global Markets Singapore Pte. Ltd. and DBS Bank Ltd. were the joint issue managers, global coordinators, bookrunners and underwriters for the initial public offering of units in Digital Core REIT.

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# TRANSACTION OVERVIEW

# DELIVERING GROWTH AND LONG-TERM VALUE

Proposed Acquisition of Data Centres in Frankfurt and Dallas Enhances Digital Core REIT's Portfolio and Returns



Source: Data as of 30 June 2022.

Note: Figures on this page assume the acquisition of the Frankfurt Facility and the Dallas Data Centre under the Equity Fund Raising Scenario detailed on page 6.

1) New Core Data Centres defined as the two proposed data centres to be acquired, the Frankfurt Facility and the Dallas Data Centre.

2) Based on net rentable square feet.

3) Based on annualised rent as of 30 June 2022.

# TRANSACTION OVERVIEW

Flexibility in Acquisition and Funding Structure to Optimise Value Creation for Unitholders Regardless of Market Conditions with Continued Commitment by the Sponsor

## Debt Funded Scenario

### Proposed Acquisition

- 25.0% interest in a data centre located in Frankfurt, Germany (the “**Frankfurt Facility**”) to be acquired from Digital Realty Trust L.P. (the “**Sponsor**”)

### Agreed Value<sup>(1)(2)</sup>

- US\$558mm

### Total Acquisition Cost<sup>(3)</sup>

- Purchase Consideration: US\$140mm
- Total Acquisition Cost: US\$146mm

### Sources of Funds (US\$mm)



### Uses of Funds (US\$mm)

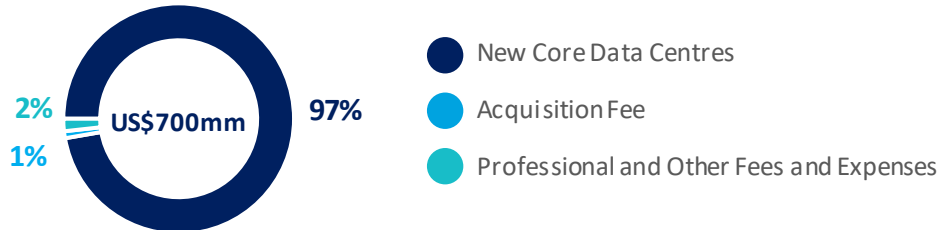
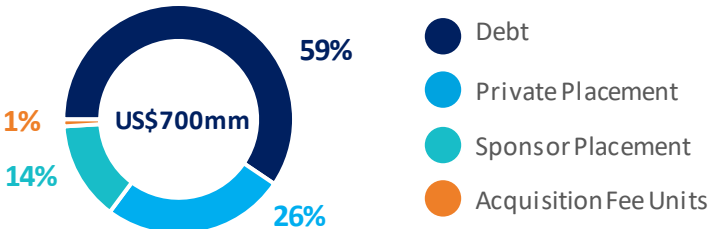


## Equity Fund Raising Scenario

- 89.9% interest in the Frankfurt Facility; and
- 90.0% interest in a data centre located in Dallas, United States (the “**Dallas Data Centre**”) and together with the Frankfurt Facility, the “**New Core Data Centres**”) to be acquired from the Sponsor

- US\$757mm

- Purchase Consideration: US\$681mm
- Total Acquisition Cost: US\$700mm



Source: Data as of 30 June 2022.

Note: See Acquisition Announcement, dated 22 September 2022 for further details on the Debt Funded Scenario and Equity Fund Raising Scenario. For the Frankfurt Facility, values based on a EUR:USD exchange rate of 1.00.

1) For the Frankfurt Facility, the stated agreed value is based on the higher of valuations performed by Cushman & Wakefield of Washington, DC, Inc. and CBRE Limited (“**CBRE**”) on a 100% basis as at July 2022, being US\$558mm (US\$558mm) and EUR527mm (US\$527mm) respectively. For the Dallas Data Centre, the stated agreed value is based on the higher of valuations performed by Cushman & Wakefield of North Carolina, Inc. and CBRE on a 100% basis as at July 2022, being US\$197mm and US\$199mm respectively.

2) The stated agreed value of each of the New Core Data Centres was negotiated on a willing-buyer and willing-seller basis and takes into account the independent valuations of each of the New Core Data Centres.

3) Purchase consideration represents 25.0% ownership of the Frankfurt Facility under the Debt Funded Scenario and 89.9% ownership of the Frankfurt Facility and 90.0% ownership of the Dallas Data Centre under the Equity Fund Raising Scenario. The total acquisition cost is the purchase consideration inclusive of transaction costs and the acquisition fee payable to the manager of Digital Core REIT for the transaction.

# NEW DATA CENTRES HIGHLIGHTS

Purpose-Built, High-Quality Data Centres Located in Core Markets in Frankfurt and Dallas with a Combined Average Age of 3 Years


## Frankfurt Facility: DIGITAL FRANKFURT



	<b>Frankfurt</b>	<b>100%</b>
GERMANY	SOSENHEIM	FREEHOLD
<b>US\$558mm</b>	<b>450,662</b>	<b>34,098</b>
AGREED VALUE <sup>(1)</sup>	SQUARE FEET <sup>(2)</sup>	IT LOAD (kW)
<b>91%</b>	<b>4.7 years</b>	<b>2.5 years</b>
OCCUPANCY <sup>(2)</sup>	WALE <sup>(3)</sup>	PROPERTY AGE <sup>(2)</sup>

## Dallas Data Centre: 1215 INTEGRITY DRIVE

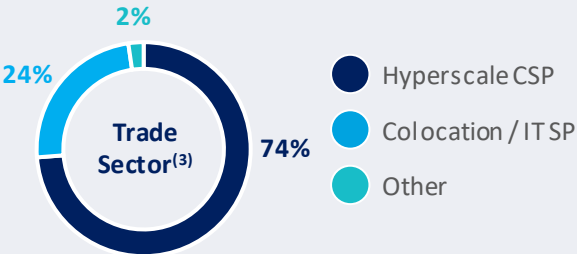


	<b>Dallas</b>	<b>100%</b>
UNITED STATES	TEXAS	FREEHOLD
<b>US\$199mm</b>	<b>117,876</b>	<b>6,975</b>
AGREED VALUE <sup>(1)</sup>	SQUARE FEET <sup>(2)</sup>	IT LOAD (kW)
<b>100%</b>	<b>15.4 years</b>	<b>4.7 years</b>
OCCUPANCY <sup>(2)</sup>	WALE <sup>(3)</sup>	PROPERTY AGE

## New Core Data Centres: CUSTOMERS

Top 5 Customers	% of Total Annualised Rent
1 Fortune 25 Tech Company	38%
2 Fortune 50 Software Company	35%
3 IT Service Provider	20%
4 Global Colocation/IX Provider	4%
5 Global IT Solutions Provider	2%
Total – Top 5 Customers	99%

**73%** INVESTMENT GRADE<sup>(3)</sup> **15** TOTAL CUSTOMERS



Source: Data as of June 30, 2022.

Note: Property statistics are presented on a 100% basis.

1) For the Frankfurt Facility, the stated agreed value is based on the higher of valuations performed by Cushman & Wakefield of Washington, DC, Inc. and CBRE on a 100% basis as at July 2022, being EUR558mm (US\$558mm) and EUR527mm (US\$527mm) respectively. For the Dallas Data Centre, the stated agreed value is based on the higher of valuations performed by Cushman & Wakefield of North Carolina, Inc. and CBRE on a 100% basis as at July 2022, being US\$197mm and US\$199mm respectively.

2) Based on net rentable square feet.

3) Based on annualised rent as of 30 June 2022.

# PRO FORMA DIGITAL CORE REIT PORTFOLIO

Equity Fund Raising Scenario

CURRENT

PRO FORMA

PORTFOLIO VALUE (US\$)<sup>(1)</sup>

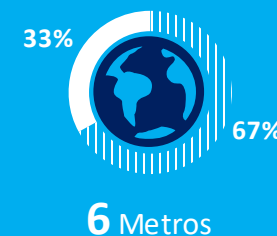
US\$1.4 Bn

US\$2.0 Bn

## GEOGRAPHY



Metros <sup>(2)</sup>	
Northern Virginia	39%
Silicon Valley	35%
Toronto	19%
Los Angeles	7%



Metros <sup>(2)</sup>	
Frankfurt	33%
Northern Virginia	23%
Silicon Valley	21%
Toronto	11%
Dallas	8%
Los Angeles	4%

## CUSTOMERS



16  
Customers

68%  
Investment Grade Customers<sup>(2)</sup>

Top 5 Customers <sup>(2)</sup>	
Fortune 50 Software Company	36%
Global Colocation/IX Provider	24%
Social Media Platform	19%
Global Tech. Solutions Provider	11%
IT Service Provider	7%

25  
Customers

70%  
Investment Grade Customers<sup>(2)</sup>

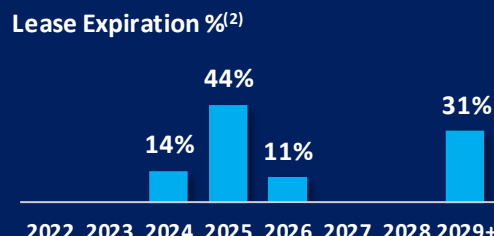
Top 5 Customers <sup>(2)</sup>	
Fortune 50 Software Company	36%
Global Colocation/IX Provider	16%
Fortune 25 Tech Company	16%
Social Media Platform	11%
IT Service Provider	8%

## STABILISED CASH FLOWS



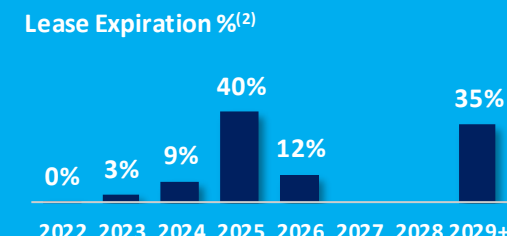
5.2 YRS  
WALE<sup>(2)</sup>

100%  
Occupancy<sup>(3)</sup>



5.9 YRS  
WALE<sup>(2)</sup>

98%  
Occupancy<sup>(3)</sup>



Source: Data as of 30 June 2022.

Note: Portfolio statistics are calculated on a 100% basis unless otherwise noted. Any discrepancies between the listed amounts and totals thereof are due to rounding.

1) Based on balance sheet value of adjusted deposited properties as of 30 June 2022, which includes adjustments for non-controlling interests, any capitalised transaction costs, straight-line rent or property additions. Pro forma value inclusive of the purchase consideration of the NewCore Data Centres.

2) Based on annualised rent as of 30 June 2022.

3) Based on net rentable square feet.

■ Denotes New Market and Customer

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# STRATEGIC **RATIONALE**

## SUMMARY OF STRATEGIC RATIONALE

# DIGITAL CORE REIT

1

**ENTERING**  
Core Global Markets

2

**ENHANCING**  
Portfolio Quality

3

**ACHIEVING**  
Scale and Diversification

4

**INVESTING ACCRETIVELY**  
Seeding Growth

# ENTRY INTO ATTRACTIVE CORE DATA CENTRE MARKETS

Equity Fund Raising Scenario

## INTERNATIONAL EXPANSION INTO EUROPE

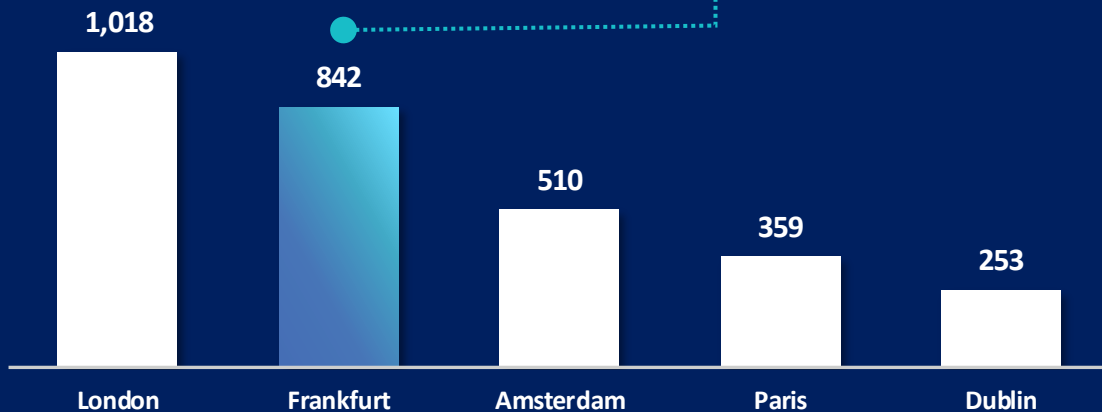
### FRANKFURT

- One of the fastest growing data centre markets in Europe
- Largest financial hub in continental Europe and home to the European Central Bank
- One of the most connected cities in Europe, home to DE-CIX, the world's largest internet exchange

EUROPE

### Top 5 EMEA Data Centre Markets

Multi-Tenant Commissioned Power in MW<sup>(1)</sup>



Source: datacenterHawk as of June 2022.  
1) As of 2Q 2022.

New Market

## PRESENCE IN TOP 5 NORTH AMERICA MARKET

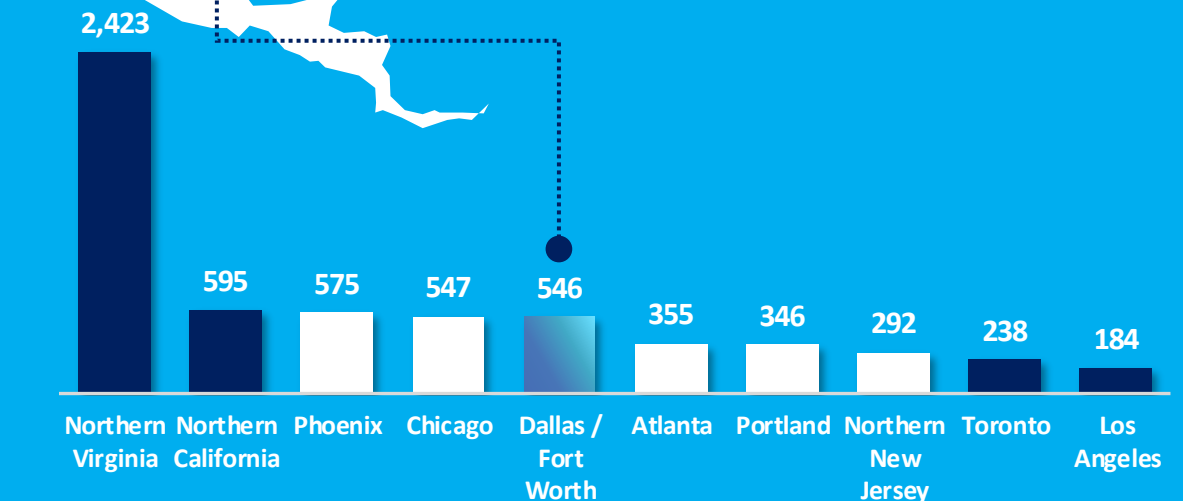
### DALLAS / FORT WORTH

- Logical waypoint between the East and West Coasts with favourable tax incentive
- Business-friendly environment—Cost of doing business in Dallas is 4% lower than the U.S. national average
- High-bandwidth, low-latency access to all other markets from Dallas

NORTH AMERICA

### Top 10 North America Data Centre Markets

Multi-Tenant Commissioned Power in MW<sup>(1)</sup>



Existing Market

# FURTHER EXPANSION INTO DEVELOPED MARKETS

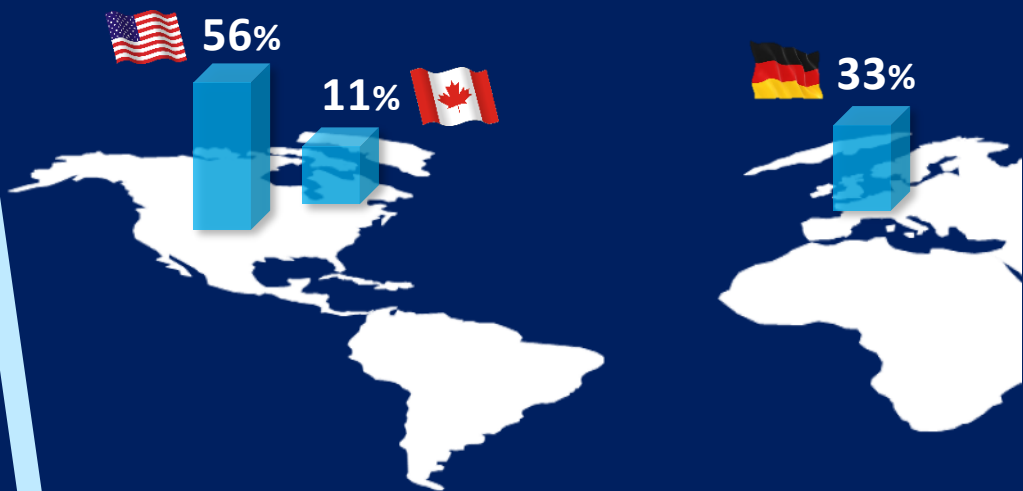
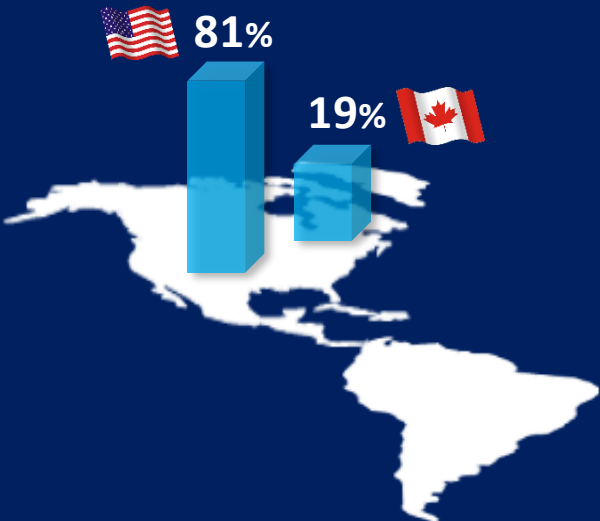
Equity Fund Raising Scenario

CURRENT PRESENCE<sup>(1)</sup>

PRO FORMA PRESENCE<sup>(1)</sup>

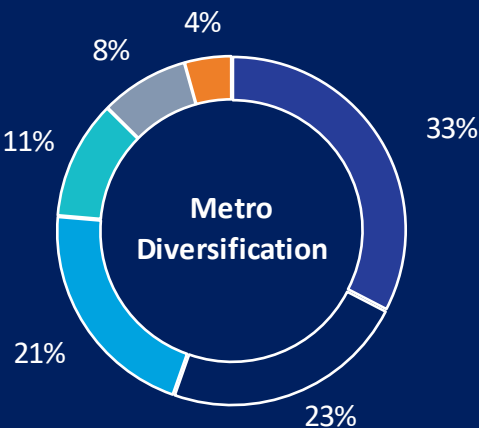
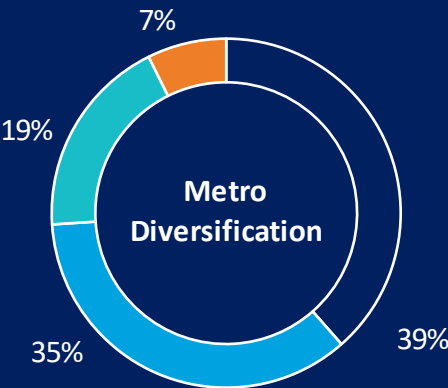
## COUNTRY EXPANSION

- Leading global economies
- Stable policy environment and supportive legislation



## METRO EXPANSION

- Extensive private and public infrastructure in place
- Business-friendly environments



Source: Company data as of 30 June 2022.  
Note: Portfolio statistics are calculated on a 100% basis unless otherwise noted.  
1) Figures based on annualised rent as of 30 June 2022.

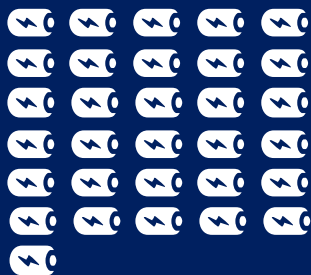
# DATA CENTRES POWERED BY RENEWABLE ENERGY

Equity Fund Raising Scenario



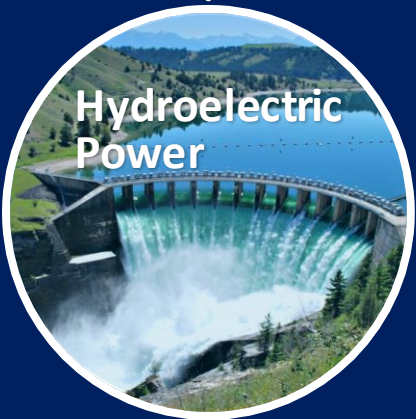
DIGITAL  
FRANKFURT

**21,217 TONS**  
CO<sub>2</sub> Reduction Per Year<sup>(1)</sup>



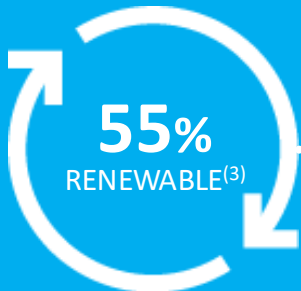
**3,110**  
Equivalent  
Homes  
Powered  
Annually<sup>(2)</sup>

FRANKFURT



**100%**  
RENEWABLE<sup>(1)</sup>

DALLAS

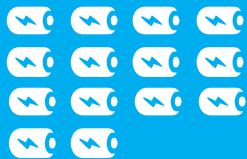


**55%**  
RENEWABLE<sup>(3)</sup>



1215  
INTEGRITY DRIVE

**11,446 TONS**  
CO<sub>2</sub> Reduction Per Year<sup>(3)</sup>



**1,442**  
Equivalent  
Homes  
Powered  
Annually<sup>(2)</sup>

Source: Sponsor data as of 31 December 2021.

1) Based on 2021 certification from Süwag Vertrieb AG & Co. KG.

2) Based on U.S. EPA statistics and calculations.

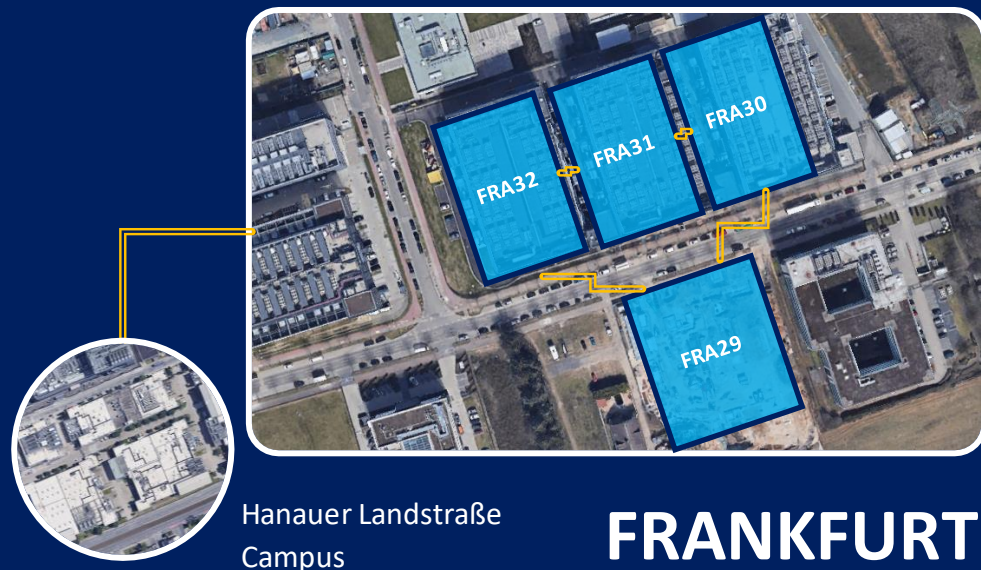
3) Based on a wind power agreement entered into between Sponsor and E.ON Climate and Renewables North America, LLC and a power and renewable energy credit agreement between Sponsor and Citi.



= 100 Homes Powered

# INTEGRATED DATA CENTRES LEVERAGING PLATFORMDIGITAL®

Equity Fund Raising Scenario



## FRANKFURT

€173 Bn

13 miles

520+

GDP of Frankfurt  
Among the Highest in Europe

From Digital Realty's  
Hanauer Landstraße Campus  
(700+ Carriers / ISPs)

Digital Realty Customers  
Located in Frankfurt



**PlatformDIGITAL®**  
Provides Customers a Trusted  
Foundation Where They Can  
Scale Their Business and Access  
Cloud and Network Providers,  
Allowing Them to Quickly Grow  
to Meet Their Evolving Digital  
Infrastructure Needs



## DALLAS

100k

14 miles

250+

Business Located in  
Dallas / Fort Worth Region

From Digital Realty's  
2323 Bryan Gateway Data Centre

Digital Realty Customers  
Located in Dallas

 Digital Core REIT Data Centre

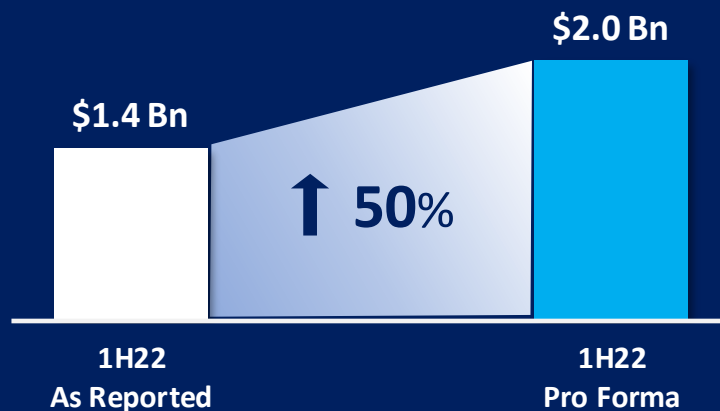
 Digital Realty Data Centre

# SCALING AND DIVERSIFYING

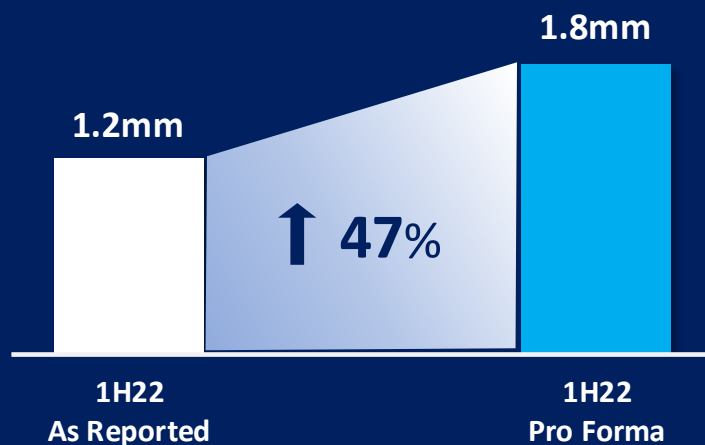
Equity Fund Raising Scenario

## INCREASING SCALE

### Portfolio Value<sup>(1)</sup>

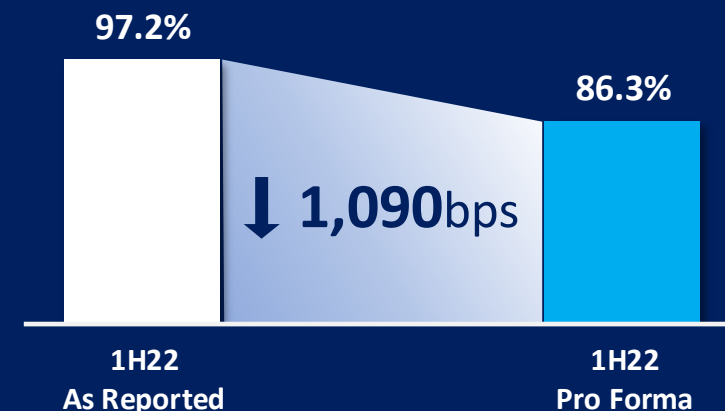


### Net Rentable Square Feet

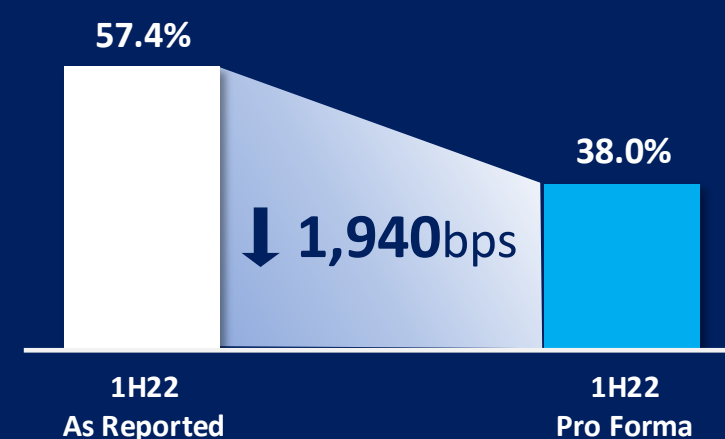


## DIVERSIFYING PORTFOLIO CONCENTRATION

### Top 5 Customers<sup>(2)</sup>



### Top 5 Leases<sup>(2)</sup>



Source: Company data as of 30 June 2022.

Note: Portfolio statistics are calculated on a 100% basis unless otherwise noted.

1) Based on balance sheet value of adjusted deposited properties as of 30 June 2022, which includes adjustments for non-controlling interests, any capitalised transaction costs, straight-line rent or property additions. Pro forma value inclusive of the purchase consideration of the New Core Data Centres.

2) Based on annualised rent as of 30 June 2022.

# DRIVING GROWTH THROUGH ACCRETIVE ACQUISITIONS

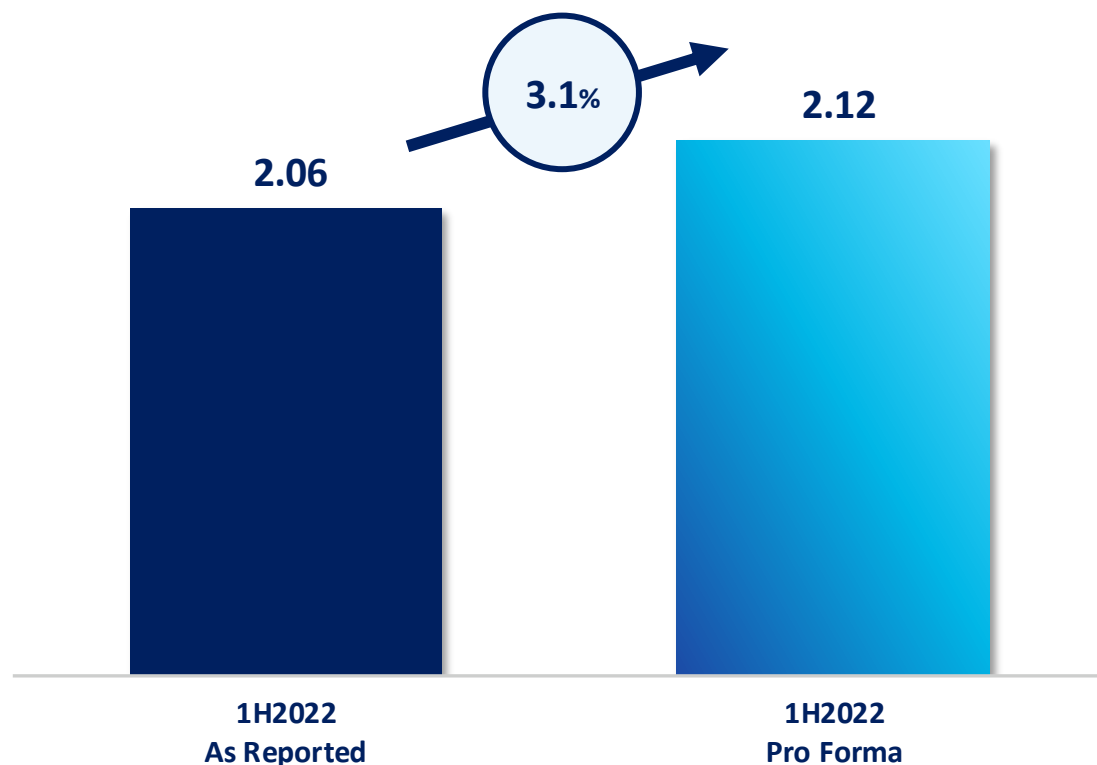
Equity Fund Raising Scenario

Investing Accretively with Organic Growth Opportunities from Increased Occupancy, Contracted Rental Escalations and Rental Reversions

## DPU ACCRETION<sup>(1)</sup>

### Distribution Per Unit (“DPU”)

(US Cents)



## OPPORTUNITIES FOR GROWTH



### Increased Occupancy

- Drive occupancy of Frankfurt Facility from 91% currently to 100%, creating embedded potential revenue uplift at the facility



### Contracted Escalations

- Built-in contractual rental escalations
- Average rental escalation of approximately 1.6% on the New Core Data Centres



### Rental Reversions

- Strong local market factors supporting positive rental reversions
- Tightening supply dynamics in Frankfurt leading to upward rental reversion over past twelve months

Source: Company data as of 30 June 2022.

1) Please refer to the Acquisition Announcement dated 22 September 2022 for further details on the Pro Forma Financial Effects of the Proposed Acquisition, including key assumptions.

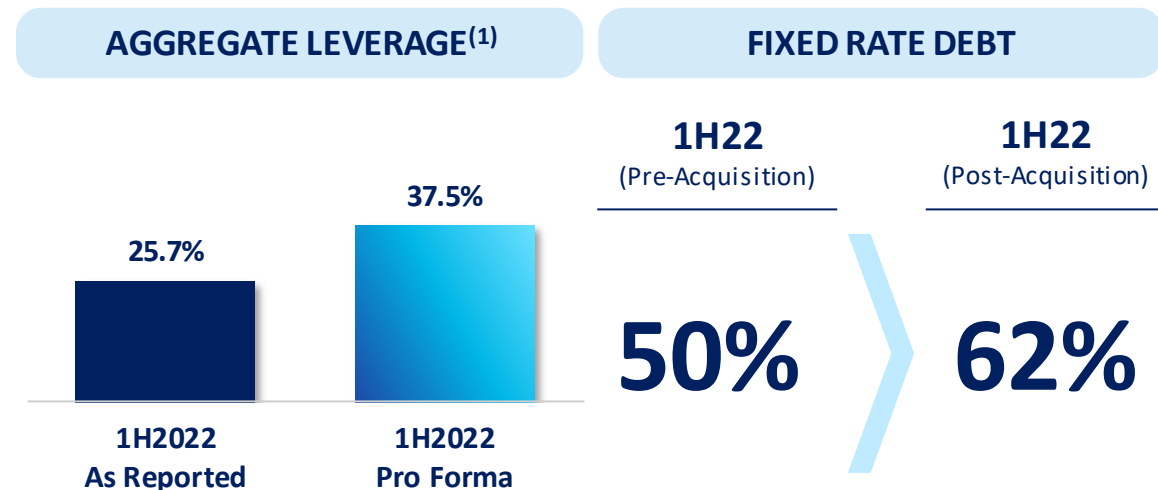
# FURTHER RUNWAY FOR GROWTH

Equity Fund Raising Scenario

## Flexible Capital Structure Positioned to Fuel Growth and Expansion Runway

### AGGREGATE LEVERAGE<sup>(1)</sup>

### FIXED RATE DEBT



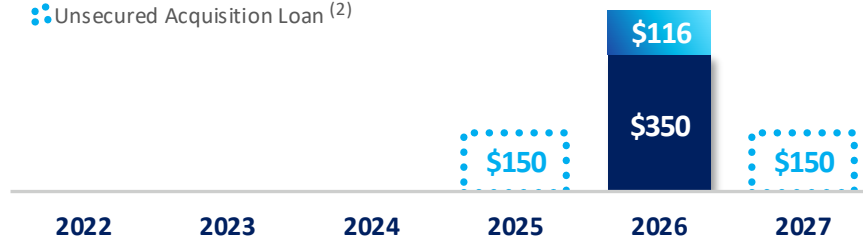
### DEBT MATURITY SCHEDULE

**4.3 YEARS**

WEIGHTED AVG.  
DEBT MATURITY

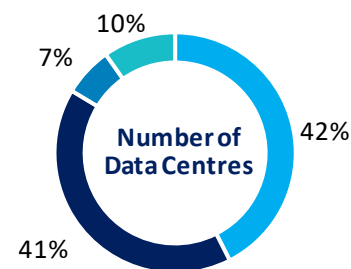
(in US\$ Millions)

- Unsecured Term Loan
- Unsecured Revolving Credit Facility
- Unsecured Acquisition Loan <sup>(2)</sup>



DIGITAL REALTY

### Current Sponsor Portfolio<sup>(3)</sup>



- North America
- EMEA
- APAC
- Latin America



North America

Latin America



EMEA

APAC

### GLOBAL ROFR

- ✓ Global mandate
- ✓ 250+ existing data centres
- ✓ Stabilized income-producing real estate assets
- ✓ Minimum occupancy of at least 90%
- ✓ Average rental rate at least comparable to market
- ✓ No material asset enhancement required within two years
- ✓ Suitable for acquisition by Digital Core REIT

Source: Company data and Sponsor's filings as of 30 June 2022.

1) Aggregate leverage was computed based on gross borrowings / deposited properties. Under Para 9.7 of the Property Funds Appendix, if a property fund invests in real estate through the shareholdings in unlisted SPVs, the aggregate leverage of all SPVs held by the property fund should be aggregated on a proportionate basis (i.e., 90%) based on the property fund's share of each SPV. 1H2022 based on as reported Gross Borrowings of US\$350mm as of 30 June 2022 with Pro Forma 1H2022 Gross Borrowings estimated at US\$766mm.

2) Based on unsecured acquisition loan of EUR300mm (US\$300mm).

3) As of 30 June 2022.

# DIGITAL CORE REIT

1

## ACQUISITION OF HIGH-QUALITY DATA CENTRES IN CORE MARKETS

High-quality portfolio across leading data centre markets in Europe and North America

2

## IMPROVED DIVERSIFICATION

Material improvement in geographic and customer diversification, reducing concentration risk and enhancing exposure to key growth sectors and investment grade customers

3

## FOCUSED ON LONG-TERM VALUE CREATION

Purpose built data centres primarily powered by renewable energy are expected to significantly improve overall portfolio quality

4

## DPU ACCRETIVE

Proposed acquisition expected to achieve 3.1% DPU accretion

5

## PORTFOLIO POSITIONED FOR GROWTH

Organic growth opportunities through existing vacancy in Frankfurt and unmatched Sponsor pipeline



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# DEBT FUNDED SCENARIO

# BENEFITS FROM FRANKFURT FACILITY ACQUISITION

Debt Funded Scenario

The Frankfurt Facility Enhances Income Diversification Across an Attractive Market and Customer Base with Strong Growth Prospects

## IMPROVED CUSTOMER BASE

**92%**

HYPERSCALE  
CSPs<sup>(1)</sup>

Majority of Frankfurt customers focused on hyperscale segment, **including the addition of a new global hyperscaler**

## ATTRACTIVE DATA CENTRE MARKET



Home to World's Largest  
Internet Exchange



Europe's  
Financial Hub

## INCOME STABILITY WITH GROWTH PROSPECTS

**4.7 Year**

WALE<sup>(1)</sup>

4.7 year WALE offers strong income stability from an expanded customer base

**↓630bps**

TOP 5 CUSTOMER  
CONCENTRATION<sup>(1)(2)</sup>

Annualised rent contribution from Top 5 Customers declines from **97.2% to 90.9%**<sup>(1)(2)</sup>



Major Companies Headquartered in Frankfurt

**91%**

OCCUPANCY<sup>(4)</sup>

Strong occupancy of 91% with near-term opportunity to increase towards 100%

**1H22**  
(Pre-Acquisition)

**68%**

INVESTMENT  
GRADE<sup>(1)</sup>

**1H22**  
(Post-Acquisition)

**72%**

INVESTMENT  
GRADE<sup>(1)(2)</sup>



**842 MW**

Commissioned Power<sup>(3)</sup>



Vacancy Rate<sup>(3)</sup>



**Rental  
Reversions**

Tightening supply environment leading to potential market rent reversions in the future

Source: Company data as of 30 June 2022 and datacenterHawk as of August 2022.

1) Based on annualised rent as of 30 June 2022.

2) Based on 90% stake in existing portfolio and 25% stake in the Frankfurt Facility.

3) As of 2Q22.

4) Based on net rentable square feet.

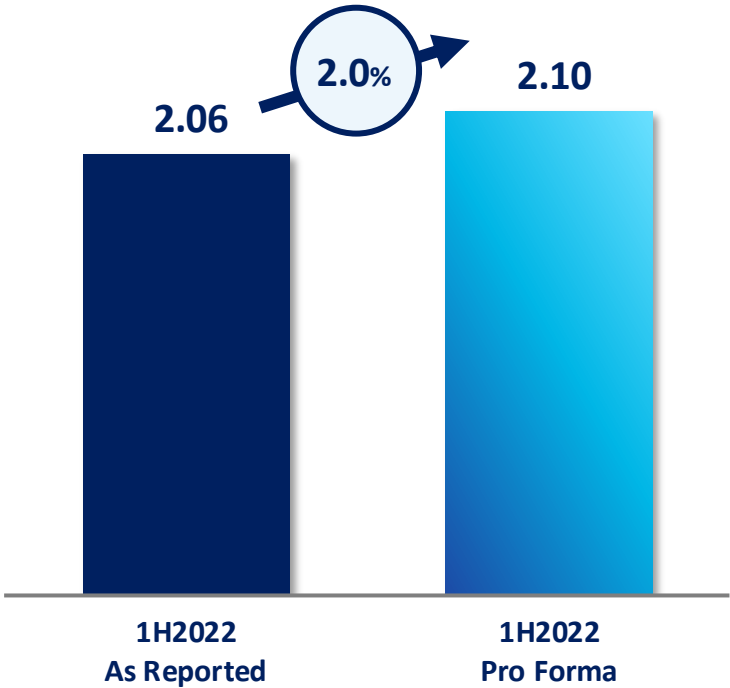
# FINANCIAL HIGHLIGHTS OF FRANKFURT FACILITY ACQUISITION

Debt Funded Scenario

The Frankfurt Facility Delivers DPU Accretion While Preserving a Flexible Capital Structure to Fuel Growth

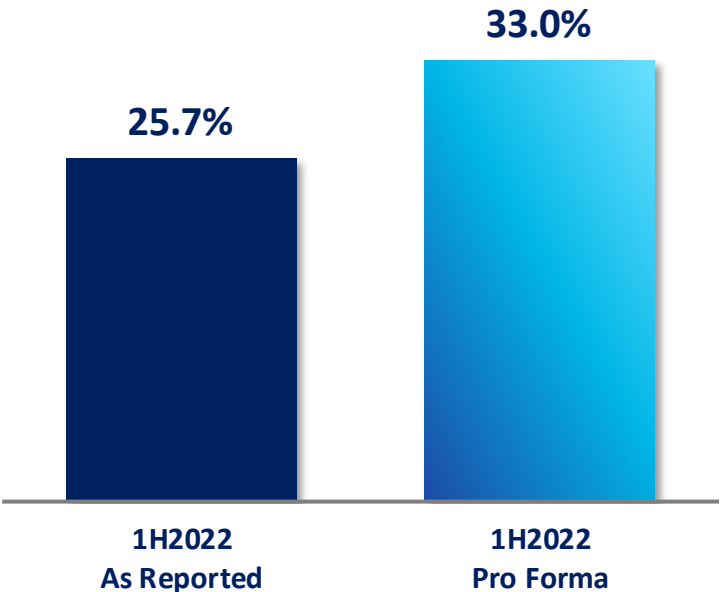
## DPU ACCRETIVE

Distribution Per Unit (“DPU”)<sup>(1)</sup>  
(US Cents)



## STABLE & MANAGEABLE LEVERAGE

Aggregate Leverage<sup>(1)(2)(3)</sup>  
(%)



## ATTRACTIVE DEBT PROFILE

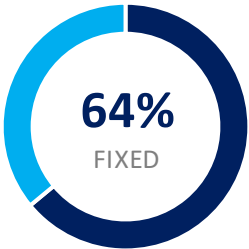
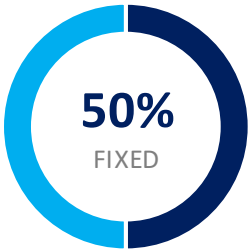
As Reported

Pro Forma<sup>(4)</sup>

■ Unsecured ■ Secured



■ Fixed ■ Floating



Source: Company data as of 30 June 2022.

- 1) Please refer to the Acquisition Announcement dated 22 September 2022 for further details on the Pro Forma Financial Effects of the Proposed Acquisition, including key assumptions.
- 2) 1H2022 based on as reported Gross Borrowings of US\$350mm as of 30 June 2022 with Pro Forma 1H2022 Gross Borrowings estimated at US\$494mm.
- 3) Based on balance sheet value of investment properties as of 30 June 2022, which includes any capitalised transaction costs, straight-line rent or property additions.
- 4) Assumes US\$144mm of unsecured borrowings with the majority swapped to fixed rate.

# PRO FORMA HIGHLIGHTS FROM FRANKFURT FACILITY ACQUISITION

Debt Funded Scenario

CURRENT

PRO FORMA

PORTFOLIO VALUE (US\$)<sup>(1)</sup>

US\$1.4 Bn

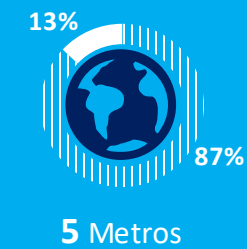
US\$1.5 Bn

## GEOGRAPHY



Metros<sup>(2)</sup>

Northern Virginia	39%
Silicon Valley	35%
Toronto	19%
Los Angeles	7%



Metros<sup>(2)</sup>

Northern Virginia	33%
Northern California	31%
Toronto	16%
Frankfurt	13%
Los Angeles	6%

## CUSTOMERS



16

Customers

68%

Investment Grade Customers<sup>(2)</sup>

Top 5 Customers<sup>(2)</sup>

Fortune 50 Software Company	36%
Global Colocation/IX Provider	24%
Social Media Platform	19%
Global Tech. Solutions Provider	11%
IT Service Provider	7%

23

Customers

72%

Investment Grade Customers<sup>(2)</sup>

Top 5 Customers<sup>(2)</sup>

Fortune 50 Software Company	37%
Global Colocation/IX Provider	22%
Social Media Platform	16%
Global Technology Solutions Provider	10%
Fortune 25 Tech Company	6%

## STABILISED CASH FLOWS

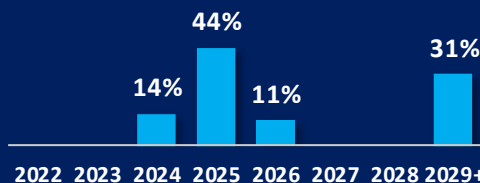


5.2 YRS  
WALE<sup>(2)</sup>

100%

Occupancy<sup>(3)</sup>

Lease Expiration %<sup>(2)</sup>

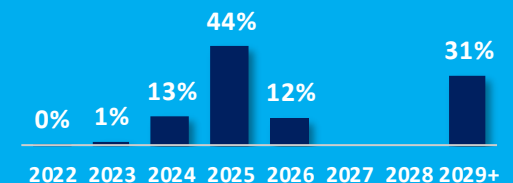


5.2 YRS  
WALE<sup>(2)</sup>

99%

Occupancy<sup>(3)</sup>

Lease Expiration %<sup>(2)</sup>



Source: Data as of 30 June 2022.

Note: Portfolio statistics are calculated on a 100% basis unless otherwise noted. Any discrepancies between the listed amounts and totals thereof are due to rounding.

1) Based on balance sheet value of adjusted deposited properties as of 30 June 2022, which includes adjustments for non-controlling interests, any capitalised transaction costs, straight-line rent or property additions. Pro forma value inclusive of the purchase consideration of the Frankfurt Facility.

2) Based on annualised rent as of 30 June 2022. Pro Forma has been adjusted for 90.0% stake in the existing portfolio and a 25.0% stake in the Frankfurt Facility.

3) Based on net rentable square feet. Pro Forma has been adjusted for a 90.0% stake in the existing portfolio and a 25.0% stake in the Frankfurt Facility.

■ Denotes New Market and Customer

SEPTEMBER 2022 | 22

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# PROPERTY OVERVIEWS

# Frankfurt Facility

## DIGITAL FRANKFURT (SOSSENHEIM)



## SUMMARY OF SELECTED INFORMATION

Address	Wilhelm-Fay-Straße 15 and Wilhelm-Fay-Straße 24, Frankfurt, Germany
Land Lease Title	Freehold
Completion Year	2017 (Phase I) / 2022 (Phase IV)
Property Type	Fully-Fitted
Occupancy (as of 30 June 2022)	91%
Net Rentable Square Feet	450,662
Customer IT Load (kW)	34,098
1H22 Cash Net Property Income (US\$ mm)	US\$12 million
Valuation by Cushman (EUR / US\$ million) <sup>(1)</sup> Based on 100%	€558 million / US\$558 million
Valuation by CBRE (EUR / US\$ million) <sup>(1)</sup> Based on 100%	€527 million / US\$527 million
Agreed Value (EUR / US\$ million) <sup>(1)</sup> Based on 100%	€558 million / US\$558 million
Number of Customers	12
WALE by Annualised Rent as of 30 June 2022 (Years)	4.7 Years
WALE by Net Rentable Square Feet (Years)	4.8 Years

1) For the Frankfurt Facility, valuations are based on a EUR:USD exchange rate of 1.00.

# Dallas Data Centre

1215 INTEGRITY DRIVE RICHARDSON, TX 75081 (USA)



## SUMMARY OF SELECTED INFORMATION

Address	1215 Integrity Drive, Richardson, Texas, U.S.
Land Lease Title	Freehold
Completion Year	2017
Property Type	Fully-Fitted
Occupancy (as of 30 June 2022)	100%
Net Rentable Square Feet	117,876
Customer IT Load (kW)	6,975
1H22 Cash Net Property Income (US\$ mm)	US\$5 million
Valuation by Cushman (US\$ mm) Based on 100%	US\$197 million
Valuation by CBRE (US\$ mm) Based on 100%	US\$199 million
Agreed Value (US\$ mm) Based on 100%	US\$199 million
Number of Customers	5
WALE by Annualised Rent as of 30 June 2022 (Years)	15.4 Years
WALE by Net Rentable Square Feet (Years)	15.4 Years

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# INDEPENDENT MARKET RESEARCH

Provided By:



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# FRANKFURT: OVERVIEW

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- Frankfurt is one of the fastest growing data center markets in Europe, leading the industry along with London. Although the London data center market is more mature, Frankfurt's characteristics are more accommodating for rapid expansion. Because of this, Frankfurt actually leads London in total capacity. Several characteristics leading to Frankfurt's growing data center industry include:
  - **Major Financial Hub** – Frankfurt is home to the Deutsche Bundesbank (German Federal Bank) and the European Central Bank, as well as several other leading commercial financial institutions.
  - **Central Location** – Frankfurt's location makes the city one of the most central cities in not only Germany, but also Europe.
  - **Availability of Land** – Unlike many developed European cities, Frankfurt has ample land suitable for data center development.
- Frankfurt is Germany's fifth largest city, with a population of approximately 750,000. The city is also the center for the Frankfurt Rhine-Main metropolitan area, the third largest in Germany with a population near 6 million. As home of the European Central Bank, Frankfurt holds substantial authority over European economic and currency decisions, making it the financial capital of continental Europe. It is estimated Frankfurt's importance as a European financial center will only increase due to the effects of Brexit. Frankfurt has a healthy economy, with a GDP of €173 billion, among the highest in Europe by GDP per capita. Frankfurt also reports 922 jobs per 1000 inhabitants, giving the area the highest concentration of jobs in Germany.
- Frankfurt benefits from something many European markets lack, namely, land able to satisfy hyperscale demand. Increasing enterprise and hyperscale leasing drives the need for data center providers to build larger facilities on land capable of supporting multiple buildings. As such, the heaviest investment occurs in areas able to sustain wholesale growth, such as Frankfurt, Amsterdam, Dublin, and London suburbs like Slough. For Frankfurt, however, land is less expensive than other European markets, making it an ideal location for hyperscale users and data center providers to build.
- Data center demand in Frankfurt comes from a variety of industries, but primarily is driven by the financial and information sectors. Frankfurt is undoubtedly the economic seat of Europe, due to the presence of the European Central Bank and Deutsche Bundesbank headquarters, as well as numerous commercial banks. Financial institutions create ample data center demand, needing low-latency transactional processing, and highly sensitive information storage. Frankfurt is also considered the internet capital of Europe, with the German Internet Exchange processing 6.1 terabits of traffic per second in September 2020. As such an important connectivity hub, Frankfurt becomes an essential location for a company's trans-European operations.
- Enterprise demand in Frankfurt comes from both domestic and international companies. Germany is home to many large companies, such as Volkswagen, Mercedes, Siemens, Bosch, Adidas, Porsche, Audi, and SAP, among many others. In general, German companies prefer to have their primary data center operations in Germany, with much of that demand landing in Frankfurt. Additionally, hyperscale cloud service providers find Frankfurt a highly attractive location due to the city's location and connectivity.

# FRANKFURT: OVERVIEW (Continued)

## POWER OVERVIEW

- Power rates in Germany are among the highest in the EU, partly due to the German Renewable Energy Sources Act introduced in 2000
- The act intends to make Germany greenhouse gas neutral by 2050, transitioning from fossil fuels and atomic energy to other renewable sources
- To fund the transition, Germany taxes power usage at higher rates than any other EU country
- For industrial companies, power usage is taxed at a rate of 45.5%
- According to Eurostat, Germany's industrial power cost rates averaged €0.15/kWh
- The base rate without taxes was approximately €0.08/kWh, on par with most EU countries, but the high tax rates push Germany's tax rate to the highest among the EU
- In 3Q 2020, Germany announced their intentions to invest €750 million to improve the power infrastructure in Frankfurt due to the increasing data center development in the area

## TAX INCENTIVES OVERVIEW

- Currently, Germany offers no official data center tax incentives, although efforts are underway from data center providers in Germany to obtain similar tax breaks offered to other industries

## HAZARD RISK OVERVIEW

- Frankfurt is a safe data center market, from a natural disaster risk perspective
- The city's central location eliminates risk from coastal storms and surges
- Seismic and volcanic activity is extremely low, with any earthquake events occurring below 4.0 magnitude
- The closest volcano is the Laacher See Volcano, over 60 miles NE from Frankfurt. Although the volcano is considered active, activity is low

## CONNECTIVITY OVERVIEW

- Frankfurt is one of the most connected cities in Europe, home to the DE-CIX internet exchange
- DE-CIX is the world's largest internet exchange in terms of traffic, processing 6.1 terabits per second, and connects to over 850 ISPs
- Germany's fiber infrastructure is somewhat dated, with most information running through copper lines, and not fiber optic
- This leads to low data transfer rates and higher latency. Frankfurt, however, has a much more developed fiber optic cable system, increasing the market's interconnection strength

# FRANKFURT: 2Q22 MARKET UPDATE

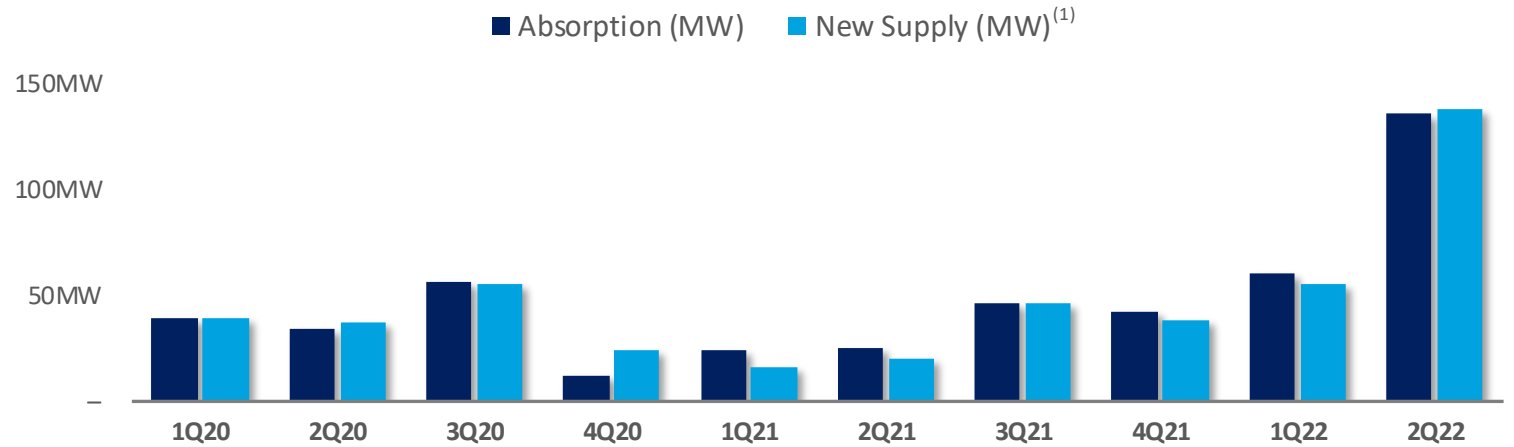
## 2Q22 MARKET ACTIVITY

- The EU Council has agreed on a final draft of their Renewable Energies Directive and an Energy Efficiency Directive
- If passed by the EU Parliament into law, operators and providers in EU member countries will then be required to monitor and report data against Power Usage Effectiveness (PUE), Energy Re-use Factor (ERF), Renewable Energy Factor (REF) and Water Usage Effectiveness (WUE)
- Operators and providers will need to collect data against the four metrics for 2023 to commence reporting in 2024

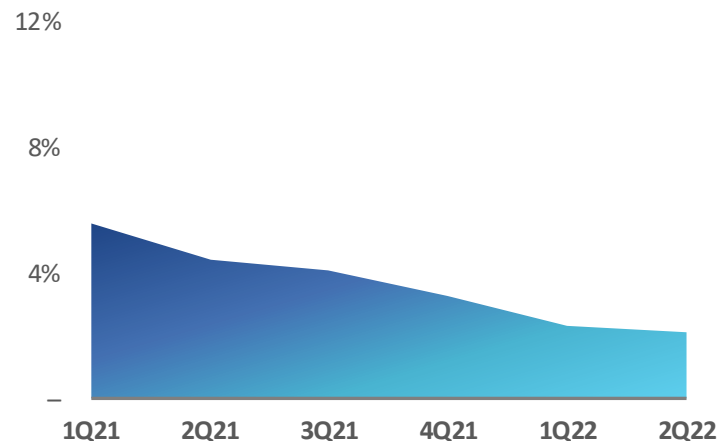
## 2Q22 DEVELOPMENT ACTIVITY

- Interxion kicks off construction of its FRA18-22 campus after securing 10 MW pre-lease; will offer up to 83 MW and 485,000 SF across five data centers
- Alibaba launches its third data center in Germany in response to growing demand for cloud services, meeting Germany's stringent sovereignty and compliance laws as well as security standards for AI applications
- Schwarz Group launches Stack IT, its own cloud platform as an alternative solution to non-European providers; Stack IT was previously the internal IT division of Schwarz Group, providing infrastructure and IT solutions to its different companies
- Alternative investment firm Angelo Gordon to invest €500 million as part of a joint venture with Data Center Developers for greenfield and brownfield developments across Germany, as well as the operation of existing assets

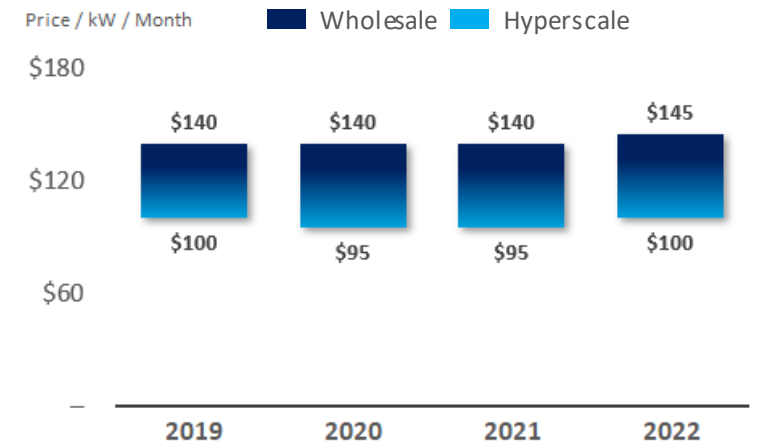
## ABSORPTION AND SUPPLY



## VACANCY (%)



## PRICING<sup>(2)</sup>



Source: datacenterHawk as of August 2022.

1) Calculated based on the change in commissioned power quarter over quarter.

2) Wholesale pricing represents deals with a deployment size from 250kW to 4MW and hyperscale pricing represents deals greater than 4MW.

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# DALLAS/FORT WORTH: OVERVIEW

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- The Dallas/Fort Worth (DFW) data center market has grown steadily over the past fifteen years. Demand in the DFW market often originates from companies with a large presence in the area. However, many companies outside the area evaluating the DFW market find it appealing. Data center users find the Dallas/Fort Worth market attractive because of the following five attributes:
  - **Favorable Business Environment** – DFW is home to over 100,000 businesses with an economy that grows by approximately 6% annually
  - **Competitive Colocation/Cloud Environment** – A large number of qualified operators deliver facilities, services, and expertise to the region's many companies who outsource their information technology (IT) infrastructure
  - **Reasonable Power Cost** – Compared to other primary data center markets, electricity in the DFW area is relatively inexpensive
  - **Robust Infrastructure** – The region's electrical and telecommunications infrastructure is both dense and diverse
  - **Tax Abatement Incentives** – The State of Texas passed legislation in 2013 to grant tax breaks for large colocation and enterprise users
- The economy over the last several years in Dallas/Fort Worth has drawn large corporate relocations to the market. Most companies go to Texas due to the state's central location, affordable real estate prices, and good tax incentives. According to Moody's, the cost of doing business in Dallas is 4% lower than the national average, and less than half the cost of doing business in New York or San Francisco. The DFW area in particular has a diversified labor force, with strong growth recently from the technology and services industries. Between February 2019 and February 2020, the DFW market created jobs at a 2.6% rate which is better than the rest of the state (2.0%) and the United States overall (1.5%), as per the Bureau of Labor Statistics. In addition, the DFW market's unemployment rate is currently under 6%, continuing to decline to healthy rates after the initial unemployment spike due to the pandemic.
- The initial growth of DFW's data center market originated in the downtown area of Dallas. Because the downtown area is rich in telecommunication infrastructure, several buildings office buildings were retrofit to accommodate data center users (e.g. Infomart Dallas, 2323 Bryan, etcetera). These buildings typically attract smaller colocation customers along with telecommunications companies. As the colocation market grew significantly in 2009 and 2010, these companies expanded into the northern suburbs of the Dallas area. Cities like Richardson, Plano, Far North Dallas, and Carrollton benefited from the growth by offering sites and buildings with expansion opportunities. In addition, most colocation providers in the DFW market are choosing to construct new facilities instead of retrofitting existing buildings worthy of conversion.
- Data center requirements in the DFW market come from companies both in and out of the market. A significant amount of growth in the region can be directly tied to business growth. The area is home to the corporate headquarters of eighteen Fortune 500 companies including Exxon Mobil, JC Penney, AT&T, Texas Instruments, and others. State Farm's data center in Richardson, just south of their 2.5 million SF regional office campus, is a good example (among others). In addition, a portion of the data center activity has come from companies tasked with upgrading aged data center infrastructure within an owned facility. Instead of reinvesting in the existing operation, many of those companies have chosen to house their infrastructure with colocation providers, fueling development in the area. This trend is pervasive across all major markets.
- Companies from outside the Dallas market view the area as strategic for multiple reasons, including its central location. For enterprises that have data centers in primary coastal markets such as Northern California or New York City, the DFW market is a logical location to be in the center of the United States. In addition, the steady colocation supply delivered over the past few years puts DFW in a position to compete for large, national projects. Larger colocation providers completed record transaction sizes in DFW over the past few years, with some being as large as 10 MW of critical load.
- The DFW market has been the beneficiary from the growth of cloud computing as well. Cloud providers, including IBM Softlayer and Rackspace have placed their infrastructure with larger colocation providers. For instance, at Digital Realty's 68-acre Richardson campus, a major portion of the 86 MW at the campus is accounted for by cloud providers. Additionally, hyperscale cloud companies are actively developing their own data centers and leasing capacity throughout the region. It's anticipated this trend will continue, as data center users further embrace cloud computing and cloud providers rely on larger colocation providers for infrastructure support.
- From a demand perspective, the DFW market averages approximately 30 MW of net new growth per year. This growth traditionally comes from financial, technology, managed services/cloud, telecommunications, and the healthcare industry. To handle the anticipated demand, several providers have announced expansions and/or entrances into DFW. It's anticipated that pricing will remain aggressive in the DFW market given the amount of supply and new companies that are entering the market.

# DALLAS/FORT WORTH: OVERVIEW (Continued)

## POWER OVERVIEW

- Texas is unique in that it is decoupled from the interconnected power grids serving the eastern and western United States
- Among the contiguous 48 states, Texas is the only one that has a standalone electric grid entirely within the state
- This means that with few exceptions, Texas produces the electricity consumed within its borders and therefore is not subject to the Federal Power Act, a Depression-era law where the Federal Power Commission oversees all interstate electricity sales
- The Electric Reliability Council of Texas (ERCOT), a nonprofit corporation governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature, is responsible for managing 90% of the electricity in the state of Texas
- The State of Texas introduced competitive electric markets in 2002, creating a system where electric generation and supply is a retail business competing for customers while the transmission—often the incumbent owners of power lines—remains heavily regulated
- The confluence of a competitive market, the abundance of in-state power sources (notably natural gas), and a standalone power grid have driven power costs in the Dallas/Fort Worth market down over the past few years
- This low-cost power makes DFW more competitive, attracting both regional and national transactions.

## HAZARD RISK OVERVIEW

- Despite being relatively free of natural disasters, new entrants to the Dallas/Fort Worth market can sometimes worry about tornado risk
- In addition, small earthquakes that have rattled the market recently have raised safety concerns. Data center providers in DFW know to address these concerns by designing facilities that meet building codes and withstand seasonal bouts of high-powered winds.

## TAX INCENTIVES OVERVIEW

- Texas legislators passed a bill in 2013 to eliminate taxes paid on qualifying hardware and software purchases for data centers
- While the exemption does not cover local sales taxes on purchases, data center owners/operators/occupants are 100% exempt from the 6.25% state sales and use taxes for up to fifteen years on electricity consumption and equipment purchases
- This exemption includes purchases of servers, generators, storage devices, software, and other systems necessary for data center operations
- To qualify, the data center must:
  - Total 100,000 SF of gross building area
  - Achieve a capital investment of \$200+ million over a five-year period
  - Create at least twenty permanent jobs for locals
  - Pay wages equivalent to 120% of the national average

## CONNECTIVITY OVERVIEW

- Multiple carriers' fiber networks blanket the DFW Metroplex connected to a robust last-mile infrastructure
- Alpheus (a regional fiber provider based in Texas), CenturyLink, Cogent, EarthLink, FiberLight (another regional player based in Atlanta, GA), Level 3, Sprint, Verizon, Windstream, and XO all serve the Metroplex
- Long-haul fiber from multiple carriers connect the urban centers of both Ft. Worth and Dallas
- Telecom giant AT&T relocated their world headquarters to downtown Dallas in 2008 and the company's long-haul fiber is prevalent in DFW. AT&T fiber runs through the Alliance Airport area (home to the new Facebook data center) south to downtown Ft. Worth, then west to downtown Dallas, and winds up into the northern suburbs of Carrollton and Lewisville—an area with several large colocation data centers
- To the east in Dallas' northern suburbs of Richardson and Plano, enterprise-grade fiber infrastructure attracted the majority of DFW's new data center construction in the past five years

# DALLAS/FORT WORTH: 2Q22 MARKET UPDATE

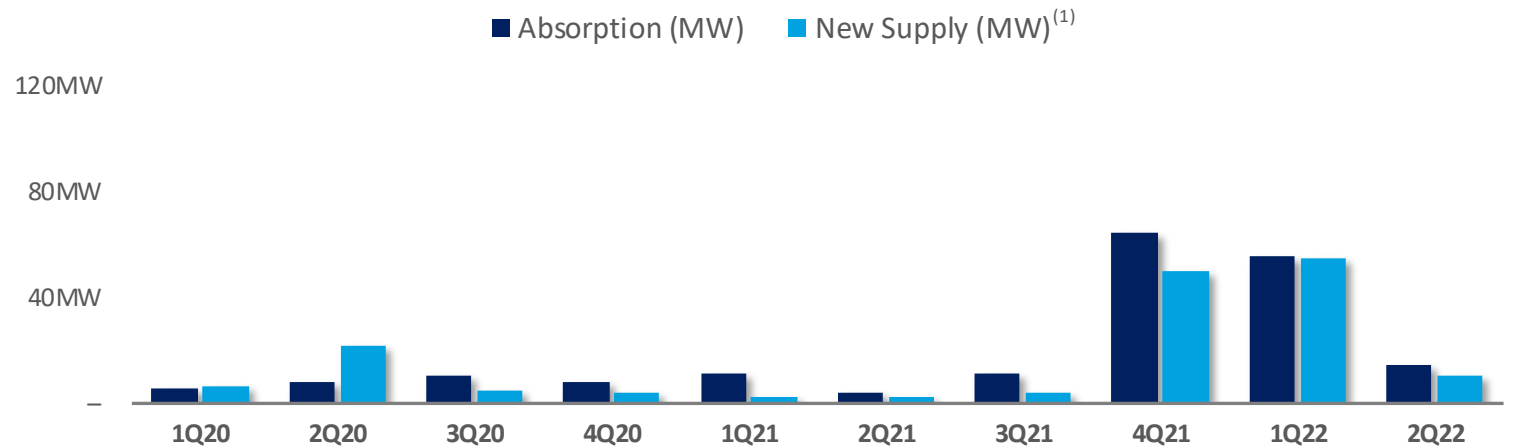
## 2Q22 MARKET ACTIVITY

- Dallas has witnessed consistent demand in recent years, with each of the last eight quarters having a lower vacancy than the previous
- As providers seek opportunities to capitalize on the incoming demand, the most interest is in the suburbs south of Dallas
- One reason is the Eastern District of Texas, which has grown a nationwide reputation as one of the most plaintiff-friendly court regions regarding intellectual property law
- The northern suburbs of Plano, Frisco, and Allen are located in Collin and Denton County, which lies within the Eastern District, while counties to the south do not
- Another primary reason for data center growth moving South is the land opportunities available

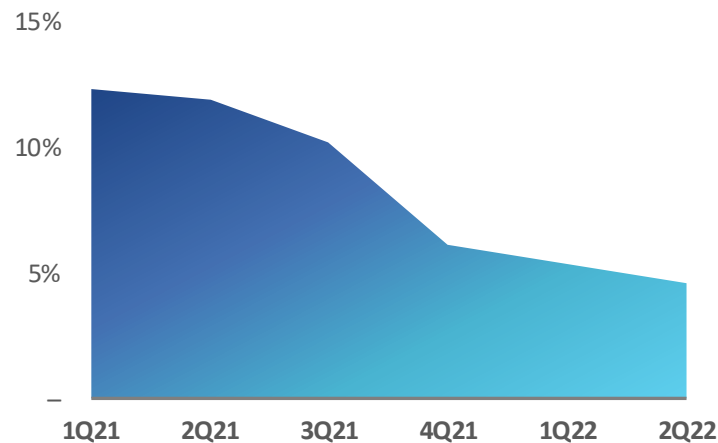
## 2Q22 DEVELOPMENT ACTIVITY

- Google launches its first Texas cloud region in Dallas
- Stream Data Centers purchased 64.8 acres for data center development South of Dallas in Wilmer
- QTS filed for an expansion of over 640,000 SF to their Fort Worth data center
- VPLS acquired Carrier-1's data center with up to 10 MW of capacity at 1515 Round Table
- CyrusOne signs 40 MW wind and solar power purchase agreement with Gexa Energy to supply their North Dallas facilities

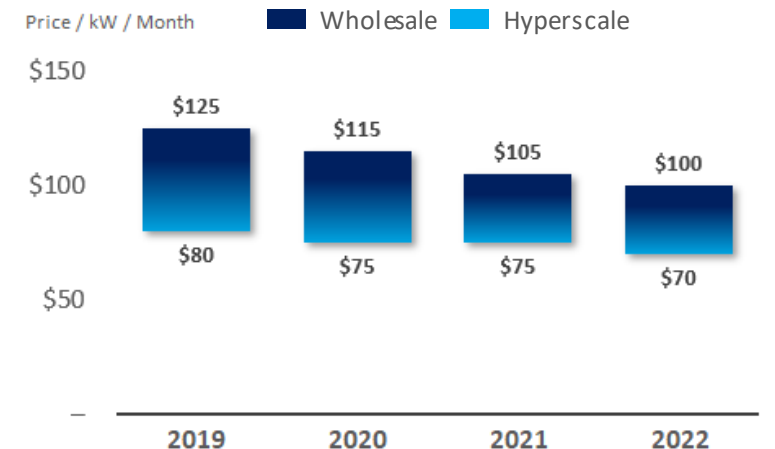
## ABSORPTION AND SUPPLY



## VACANCY (%)



## PRICING<sup>(2)</sup>



Source: datacenterHawk as of August 2022.

1) Calculated based on the change in commissioned power quarter over quarter.

2) Wholesale pricing represents deals with a deployment size from 250kW to 4MW and hyperscale pricing represents deals greater than 4MW.

# DIGITAL CORE REIT

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Core

| Sustainable

| Growth

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