

Data Center REITs Research

They are super interesting because there's so much at play. On one side, we cannot deny the growth of the cloud and overall demand for mobile/video/internet of things. On the flip side, efficiency in technology could hurt demand for more square footage and overall increases in rates aren't good either.

There are 5 major players: CoreSite (COR), Digital Realty (DLR), Equinix (EQIX), CyrusOne (CONE) and QTS Realty (QTS).

They're all a bit different in a way as for example, DLR and EQIX have a larger international presence.

They're worth a spot in your portfolio, as far as which one is going to shine the brightest its tough to say. They are all growing but they're not your normal real estate investment as their gains are also very dependent on the tech sector.

If you believe tech is going to keep growing (we believe it will given the unrelenting growth of the cloud, IoT, blockchain, crypto mining, big data, streaming, etc) these companies are set up for solid returns just check these stats below.

According to the International Data Corporation, vendor revenue from sales of infrastructure products (server, storage, and Ethernet switch) for cloud IT, including public and private cloud, grew 45.5% year over year in the first quarter of 2018, reaching \$12.9B. IDC also raised its forecast for total spending on cloud IT infrastructure in 2018 to \$57.2B with year-over-year growth of 21.3%. Public cloud infrastructure quarterly revenue has more than doubled in the past three years to \$9.0B in 1Q18, growing 55.8% year over year. Private cloud revenue reached \$3.9B for an annual increase of 26.5%. The combined public and private cloud revenues now represent 46.1% of the total worldwide IT infrastructure spending, up from 41.8% a year ago.



As you can see the industry keeps chugging forward and these companies are looking abroad to capitalize. A couple of examples include DLR's acquisition of Ascenty, a leading data center provider in Brazil in late September and CONE's \$12M investment for a 10% equity stake in ODATA Brasil and ODATA Colombia, investing in fast-growth data center markets in Latin America.

DLR's most recent quarter posted revenue growth of 33.4%, EQIX has 17% growth, CONE has 18%.

It's hard to say who the winner is going to be but from a general perspective we feel this industry can make its way into a portfolio. Some other things to note is that DLR and EQIX larger positions internationally also open them up to currency risks but at the same time also allows them to make more due to economies of scale.

Like we said data center REITs are extremely interesting because there are a ton of factors that can effect the outcome