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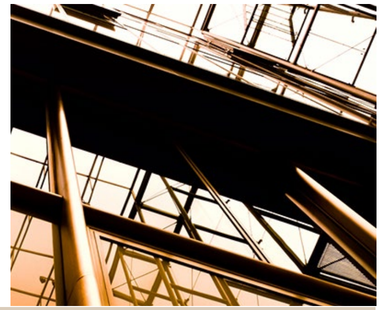
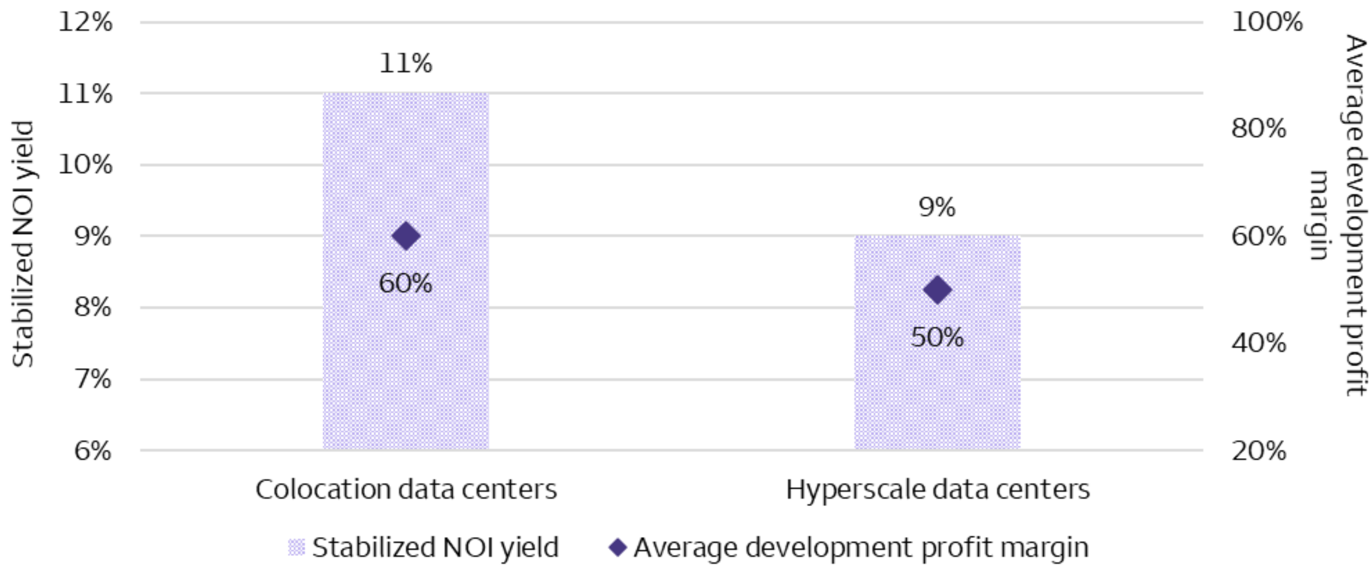
Investment Institute

Chart of the Week



Weekly analysis of key themes in markets May 12, 2026

Data-center REITs offer exposure to AI theme



Sources: Green Street and Wells Fargo Investment Institute. Data as of February 28, 2026. Chart represents U.S. colocation and hyperscale estimates by Green Street. NOI = net operating income. Estimates can vary greatly based on market, operator, interconnection density (colocation only), and development budget. Stabilized NOI yields and development profit margins for powered-shell and triple-net leases would be lower. **Past performance is no guarantee of future results.**

Momentum behind artificial intelligence a tailwind for Data Center REITs sub-sector

As artificial intelligence (AI) investment and implementation have accelerated, data-center real estate investment trusts (REITs) have experienced unprecedented demand. Larger data-center REIT's income sources are often diversified by a range of offerings, and we see colocation and interconnection as particularly notable features of the business.

Colocation allows multiple tenants — ranging from hyperscalers to smaller enterprises — to operate within the same facility. As illustrated in the chart, on average, colocation data centers generate higher stabilized net operating income yields and represent higher average development profit martins compared to hyperscale data centers. Meanwhile, interconnection enables lower-latency connections and translates to higher tenant retention.

What it may mean for investors

We are favorable on the Data Center REITs sub-sector as we believe it possesses durable growth prospects, attractive margins, and solid pricing power. We also view the sub-sector as an attractive route for gaining exposure to the AI theme within the Real Estate sector, particularly as AI use cases continue to expand and support sustained demand and pricing power.

John Sheehan, CFA, *Equity Sector* Analyst and **Amanda Martinez,** *Equity Sector Analyst* Excerpted from Investment Strategy report (May 4)

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Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. There are special risks associated with an investment in **real estate**, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Other risks associated with investing in listed real estate investment trusts (REITs) include the use of leverage, unexpected reductions in common dividends, increases in property taxes, and the impact to listed REITs from new property development.

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