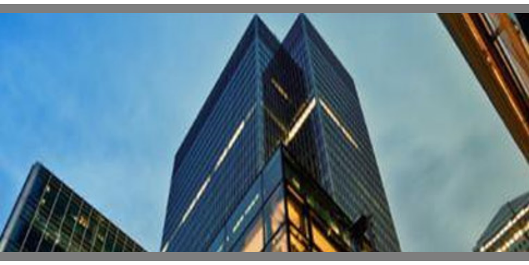
Securitized Products Special Topics

Data Center Campuses: Phased Buildouts to Scatter Investor Exposures



Rise of Data Center Campuses Brings Up Issues to Watch on Individual Buildings

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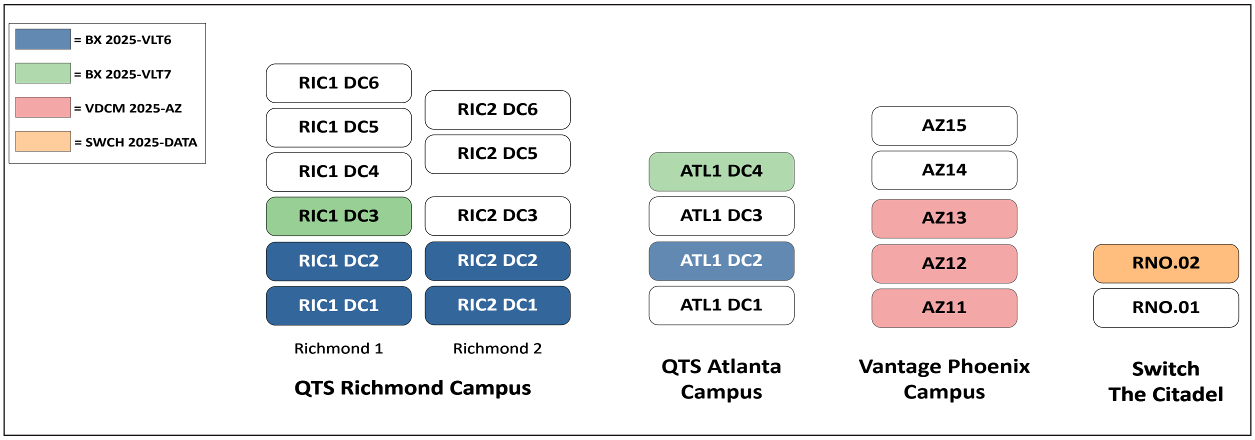
Investors increasingly will see separate buildings in the same data center campus sprinkled across different transactions over time. Sometimes various buildings on the campus may pop up as collateral years apart. Data center developers are now focused on campuses that grow in stages over many years. Long lead times for power availability, technology flexibility, and financing-driven risk mitigation are some of the reasons behind phased campus buildouts and staggered stabilization dates.

The data center campus approach raises issues for the construction/project finance funding as well as for investor exposures to the stabilized buildings. Execution risk is a key aspect to monitor on the construction side. On stabilized properties, which are showing up in securitization deals, investors may wonder about underwriting and relative value aspects such as: (1) Is it better to have exposure to the early buildings in the campus, the later ones, or it doesn't matter? (2) Could any construction snags in late phases negatively impact already stabilized properties in the campus? (3) Would any power issues equally affect all campus buildings, or are there sensitivity differences across buildings to campus-wide issues?

Outstanding deals already include a smattering of different buildings on the same campus. Examples include ATL1DC2 in the $2.05 billion Blackstone Data Center Portfolio in BX 2025-VLT6, and ATL1DC4 in the $1.5 billion Blackstone Data Center Portfolio 7 in BX 2025-VLT7. Both properties are part of QTS Atlanta Metro campus (Figure 1). In a similar vein, RIC1DC1-2 and RIC1DC3 are also data center buildings in the VLT6 and VLT7 pools, respectively. Both properties are part of a QTS campus in Richmond, VA.

Figure 1. Select Outstanding Data Center Campus Exposures



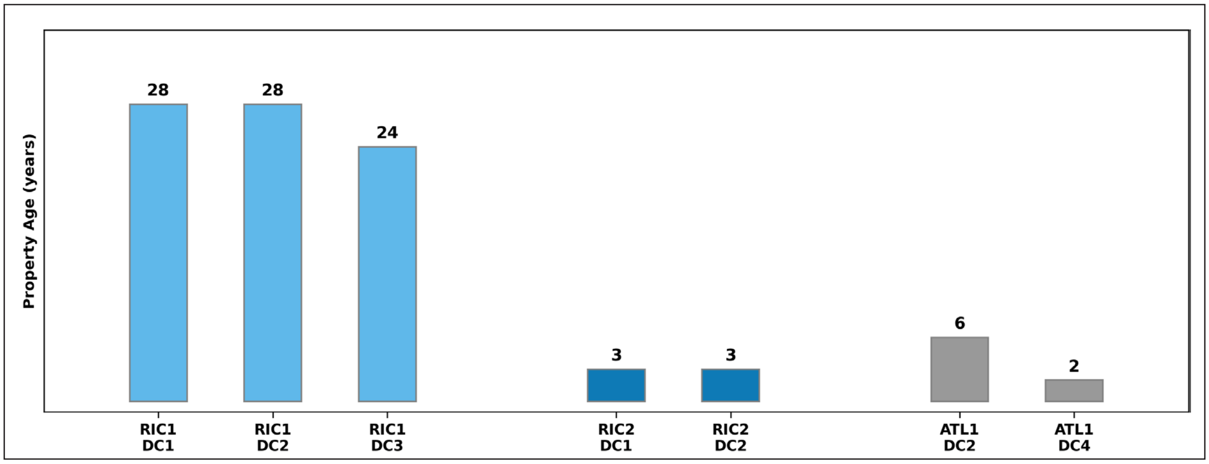
Source: Deal documents and Academy Securities

Track Outstanding Data Center Campus Properties

The outstanding campus exposures, and loan/property performance of the different on-campus buildings, may inform investors how to underwrite such exposures ahead of an upcoming wave of campus collateral. We flag a couple of aspects:

- **Wide property age ranges.** Some of the campus properties we identify across different transactions were built many years apart. For example, RIC1DC3 was built in 2002. The adjacent RIC1DC1-2 was built in 1998. Two other properties on campus in BX 2025-VLT6 – RIC2DC1 and RIC2DC2 – were built in 2023. Generally, data center property age and condition influence capex needs, as we previously discussed.[1] The presence of different property ages on the same campus may add another wrinkle to track.

Figure 2. Campus Building Property Age



Source: Deal documents and Academy Securities

- **Future buildouts.** The $735 million VDCM 2025-AZ is an example of a transaction backed by the first buildings on a campus, with the developer expecting other campus buildings to come online down the road. Three properties in a data center campus in Phoenix, AZ, back VDCM 2025-AZ (Vantage AZ11 through AZ13). The properties occupy 24.4 acres of the campus overall 50-acre site. A fourth property, 64-MW AZ14, was under construction at issuance, according to deal documents. A fifth property, 48-MW AZ15, was in a proposal stage. In turn, RNO.02 (in the $2.4 billion SWCH 2025-DATA deal) is another securitized property that is part of a large under-construction data center campus. The asset is within Switch's The Citadel campus in McCarran, NV, ~24 miles east of Reno. The campus includes 1.9 million sf of data center space, including the non-collateral RNO.01, the largest data center in the world by square footage, according to a presale. Once completed, the data center will have up to 650MW of power. A company video update of The Citadel expansion has an interesting aerial overview of the campus. The video provides a sense of how a multi-phase data center buildout looks like.

1 "Data Centers Capex: Mixed Estimates on a Key Cashflow Driver," Securitized Products Special Topics, Academy Securities, September 17, 2025

Watch Tenant Expansions and Contractions within Campuses

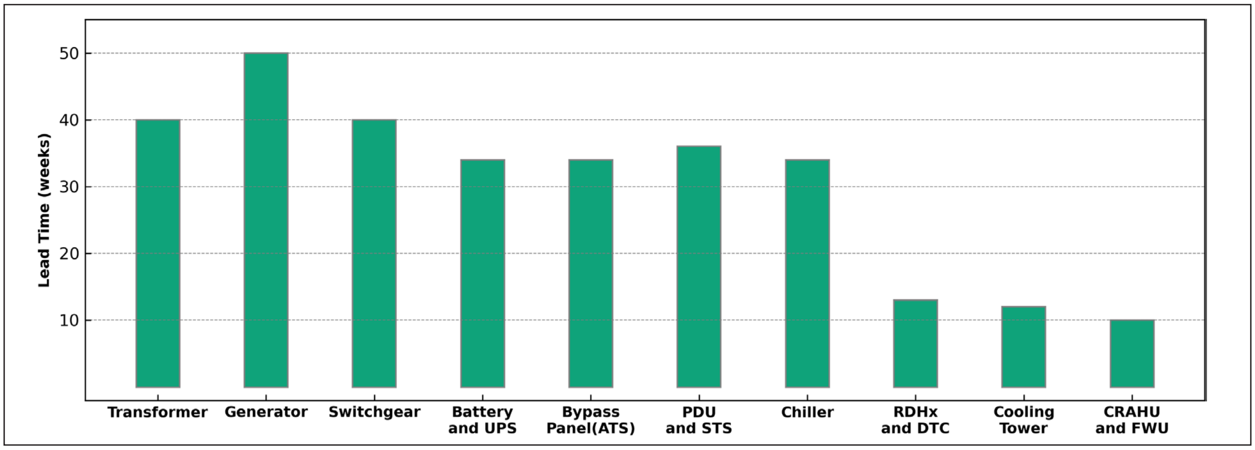
Expansions or capacity readjustments in a data center campus potentially may affect tenants' footprint across different buildings within the campus. Larger tenants typically prefer to scale within the existing environment rather than add capacity at a facility with a different provider, according to rating agencies and market participants. Such preference is a credit positive for the overall campus. But in a multi-year phased buildouts, tenants may also have a preference to shift over time to the newer buildings.

Deal documents disclose expansion options to non-collateral campus buildings. For example, in VDCM 2025-AZ the collateral tenant pre-leased one of the two remaining non-collateral campus buildings. The tenant had an option to lease the last under-construction building. We would closely track any early termination provisions in the campus early buildings.[2] The deal prospectus explicitly notes that the other two data centers expected to open on the AZ1 campus may compete with the collateral assets. All told, we cannot rule out a data center owner providing tenants with flexibility of shifting their capacity across the campus buildings over time.

Technological obsolescence also can impact tenant preference for later campus buildings. By building in phases, developers can incorporate new technology in later buildings without redesigning or retrofitting earlier structures, according to data center contractors. As such, the overall campus can maintain long term relevance amid rapid technological changes. But early buildings may become less relevant or less competitive.

Data center contractors also note the challenges campus utility expansions pose. Adding new feeders, transformers, chiller, or generator lines may involve temporary outages or controlled shutdowns. While we do not have anecdotal evidence (or the technical expertise) to assess the impact, if any, of such potential disruptions on existing campus buildings, it is an aspect that warrants attention. In most cases deal documents clearly disclose that both collateral and non-collateral properties share the same campus power arrangements. Construction delays may be impactful. 57% of data center projects experienced a construction delay of three months or more in 2025, according to JLL. Data center equipment lead times remain elevated, at 42 weeks on average (Figure 3).

Figure 3. Data Center Equipment Lead Times (in weeks)



Source: JLL and Academy Securities

2 "Early Terminations: Tenant-friendly Provisions to Move up Data Center Rollovers," Securitized Products Special Topics, Academy Securities, April 30, 2025

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Device Payment ABS: Expect Stable Performance as Collateral Evolves

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ARDs: Missing Anticipated Repayment Not Unusual, May Warrant Workout

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CRE CLO Mods: Rising Volume Not Immediately Telegraphing Distress

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Recovering Shortfalls: Credit IO Value in Distressed Office

Releasing Holdbacks: RENT is Writing Up Bonds

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Blanket NRAs: Shutting Down Advances Upends Credit IO Trades

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Recovering the Non-Recoverable: Liquidation Nuance Bolsters Paydowns

Special Servicer Replacements: 1740 Broadway Crystalizes Implications

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