



Handicap Property Capex Amid Technology and Tenancy Rapid Changes

Capital expenditures could strain cashflows that data center properties in investor portfolios generate going forward. Data center and computing technologies rapidly evolve. Data center operators need to continuously deploy capital to keep the data centers up to date with necessary upgrades and maintenance. Deferred maintenance or insufficient capex may lead to underperformance issues. This could make the data center less appealing to tenants as leases roll over. It could also trigger early lease terminations. Data center tenants can have performance-driven early termination options, as we recently [discussed](#).¹

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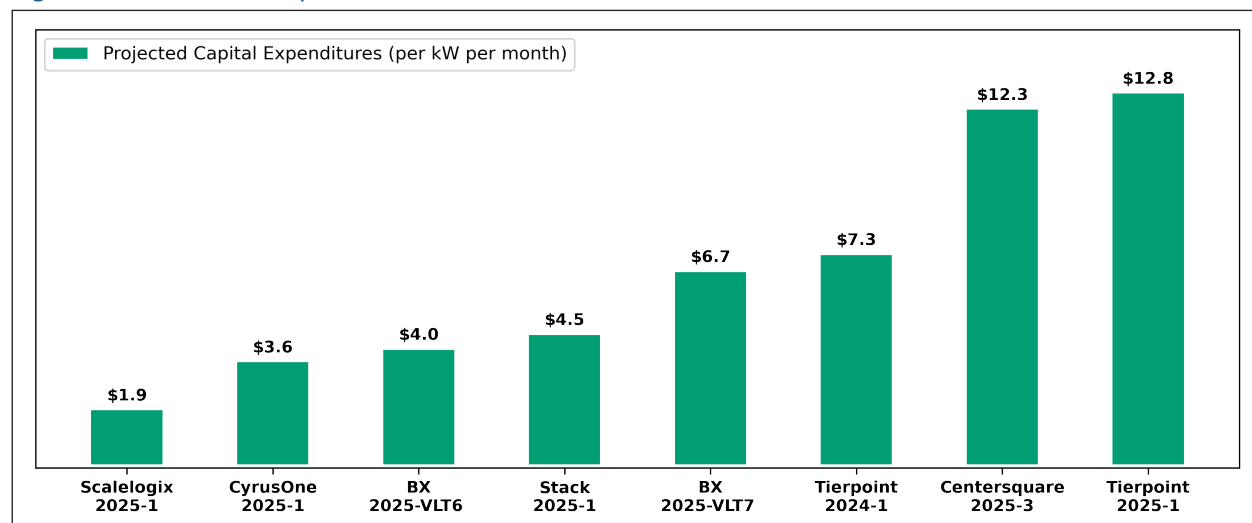
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Projecting data center capital expenditures (capex) over the property lifecycle is not straightforward. We find that capex estimates vary widely across data centers in recent transactions. The budgeted capex could be as low as \$1.92 per kW per month (in Scalelogix 2025-1, with an annual 2.0% escalator) or as high as \$12.83 kW/mo. (Tierpoint 2025-1), based on deal presales (Figure 1). To be sure, capex comparisons across deals are not precise. In some cases we see the capex estimates include items such as replacement reserves and leasing costs. Other deals separate estimates for various capex items in a way that makes it difficult to make apples-to-apples comparisons.

Figure 1. Data Center Capex Estimates



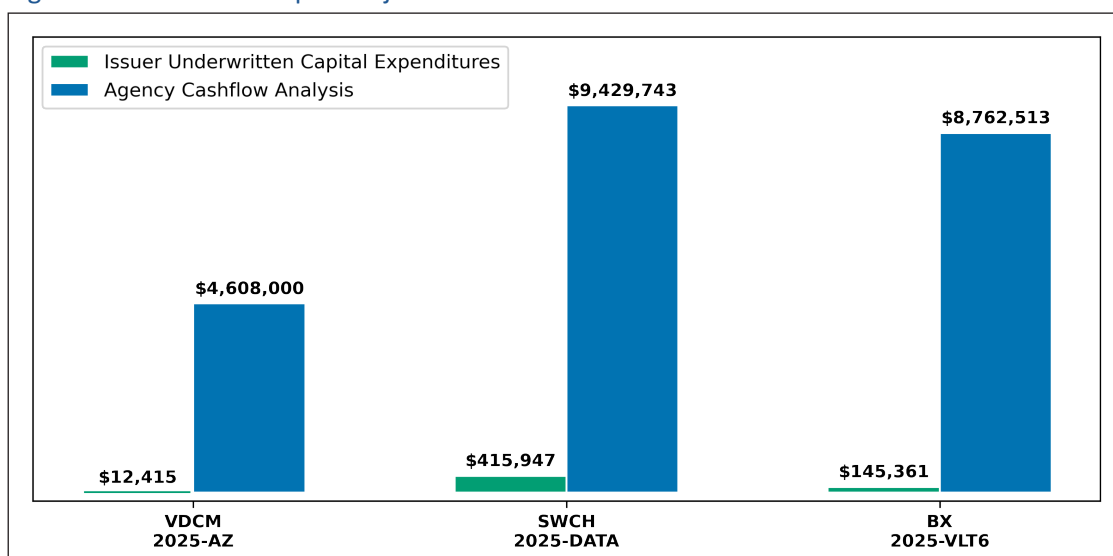
Source: Deal Documents and Academy Securities

¹ "Early Terminations: Tenant-friendly Provisions to Move up Data Center Rollovers," Securitized Products Special Topics, Academy Securities, April 30, 2025

Diverging Capex Estimates Drive Large NCF Haircuts

The capex projections we see in recent deals also stand out as showing large differences across the estimates of issuers, appraisers, and rating agencies. The agencies assume significantly different capex levels compared to the issuers' underwritten projections. For example, in VDCM 2025-AZ Fitch assumed \$4.6 million capex in its cashflow analysis of the three underlying hyperscale data centers in Goodyear, AZ. In contrast, the underwritten capex level was a mere \$12,415. Agency cashflow analyses also show large capex differences in deals such as SWCH 2025-DATA and BX 2025-VLT6 (Figure 2).

Figure 2. Data Center Capex Projections



Source: Deal Documents and Academy Securities

The agencies higher capex assumptions lower projected net cash flows (NCF), creating large “haircuts”. This warrants investor attention. For example, in BX 2025-VLT6 Moody’s NCF is 15.0% below the lender’s NCF. The capex projection is a significant driver of the agency vs. underwritten NCF difference. At the same time, appraisal estimated capex can be higher than the agency’s. In VDCM 2025-AZ the appraiser’s estimate is \$9.0 kW/mo, compared to the agency’s \$6.0 kW/mo. All told, the wide range of capex estimates creates underwriting uncertainty on future cashflows.

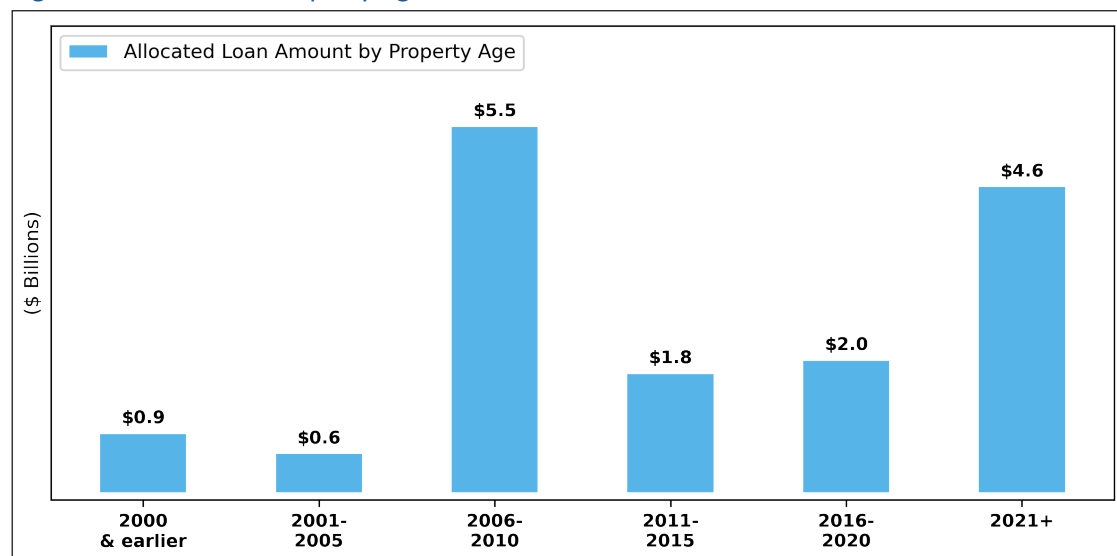
Capex May Rise Only Very Late into Data Center Property Lifecycle

In deal disclosures operators suggest that maintenance capex requirements are low even deep into a data center lifecycle. For example, in BX 2025-VLT7 the operator indicates it typically targets ~\$4.0 kW/mo. over a 30-year lifecycle. A total of 5% of the amount is deployed in years 11-15 to replenish UPS batteries. The remaining amount is deployed in years 21-30 for ongoing refresh of critical systems such as UPS pods, rooftop cooling units and static transfer switches. Such projected allocations indicate investors may see limited capex sensitivity over quite a few years on exposure to recently built data centers.

Data Centers Capex: Mixed Estimates on a Key Cashflow Driver

Property age and condition unsurprisingly impact any capex concern. The risk is clearly lower for newly built properties such as those in HYPER 2025-1 or GSMS 2025-800D. In turn, data center portfolio exposures with properties that were built many years apart require property-specific analysis (Figure 3). For example, BX 2025-VLT6 includes two properties built in 2023 and one in 2020, but also one property built in 2002. Still, capex estimates may not be vastly different based just on property age, at least according to appraisals. In VLT6, the appraiser assumed \$8.0 kW/mo. for the 2023 built assets, and \$9.0 kW/mo. for both the 2020 and 2002 built assets.

Figure 3. Data Center Property Age



Source: Morningstar Credit, Deal Documents and Academy Securities

Distinguish Between BBnB and Maintenance/Upkeep Capex Projections

Newly built data centers could include significant capex reserve if they have booked-but-not-billed (BBnB) leases. In a BBnB lease the data center operator “books” the lease but the tenant has not taken occupancy and is not yet paying rent, as we recently [discussed](#).² The operator is building out capacity or working on interior infrastructure to onboard the tenant. Sponsors typically fund reserves at issuance when the pool has BBnB lease exposure. For example, BX 2025-VLT6 included \$49.4 million buildout capex reserve. Such reserves are separate from any capex estimates or reserves associated with future maintenance and upkeep needs.

² “BBnB: Check Your Booked-But-not-Billed Data Center Exposure,” Securitized Products Special Topics, Academy Securities, July 10, 2025

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