



## 2 Ways to Invest in Data Centres

### Description

Data centre real estate investment trusts (REITs) are companies that own real estate for the purpose of housing data centres. These types of data centres are known as colocation data centres. In the high-tech world, a colocation is real estate that is outsourced to different companies who rent the space and network infrastructure needed to operate their software, hardware, and growing data needs.

Leasing space from a data centre is an attractive proposition for companies that don't have the necessary expertise within their organization or don't want to deal with the headaches of running their own complex infrastructure and data centre. From an investor standpoint, the great news is that data centre tenants are usually required to enter long-term contracts that ensure a steady income stream and include contractual rental rate increases.

There are quite a few data centre REITs listed on American exchanges such as **Equinix** and **Digital Realty Trust**, which are two of the largest players in the industry. But what about Canada?

### Summit Industrial Income REIT ([TSX:SMU.UN](#))

Summit owns a portfolio of industrial properties across Canada and has entered a partnership with Urbacon to build data centres in key Canadian markets. The partnership with Urbacon, a privately owned company, brings a great deal of experience building and managing data centre properties in Canada.

While Summit's initial investment was the purchase of a 50% interest in a data centre in Richmond Hill, Summit has exclusive rights to participate in Urbacon's future data centre projects in Canada. With the initial Richmond Hill data centre now fully leased to a major cloud provider under a long-term contract, construction had already begun on a second data centre at the same location to meet the growing demand.

### Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#))

[Brookfield Infrastructure Partners](#) owns one of the largest and most globally diverse infrastructure networks around and it recently closed an acquisition of **AT&T's** data centres for US \$1.1 billion at the beginning of 2019.

Brookfield Infrastructure Partners has established a new wholly owned company named Evoque Data Center Solutions to manage the acquired AT&T resources, which include 18 data centres in the United States and 13 outside the United States.

While still a smaller segment of revenue, data infrastructure made up 6.25% of the funds from operations for Brookfield Infrastructure Partners in 2018. The addition of the U.S. data centres rounds out a growing global portfolio of data centres that provide services to customers under long-term contracts.

## Investor takeaway

The bear case against investing in data centres is the ever-increasing trend towards SaaS (Software as a Service) products that don't require a company to host their own hardware and software. But for every business dollar that is transitioning towards cloud products, the companies building these cloud products need more processing power and storage than ever before. Rapidly growing cloud companies rely on the flexibility of scaling their operations in colocation data centres, so they can add more capacity on demand.

Data centre REITs are well positioned to profit from these [cloud computing companies and the growing demand for data centre space](#). This offers investors a unique opportunity to take advantage of the growing demand in combination with a predictable and recurring income stream.

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## Date

2025/08/18

## Date Created

2019/04/17

## Author

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