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For further information:

CBRE

Corporate Communications

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## CBRE Forecasts Japan Data Center Spike

### **New report identifies onshore data center trends and implications as an alternative investment class**

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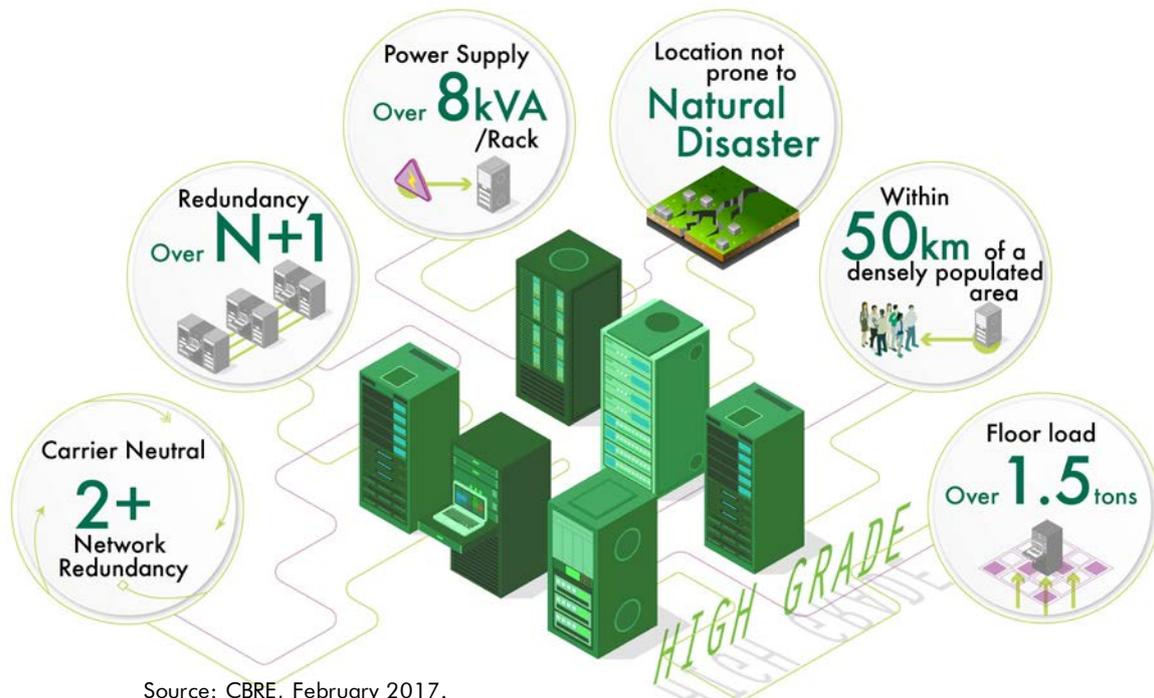
Demand for data centers in Japan will experience major near-term growth, driven by the growing adoption of cloud computing, according to CBRE. The *Data Center: Bringing Cloud Back to Earth* report, published today by CBRE Research, estimates that demand for data centers in Japan will continue to gain traction as an alternative investment, as real estate investors look to diversify portfolios.

The report provides new insights into data center business models in Japan and the primary factors to consider when evaluating data centers as a real estate investment class.

Data centers are facilities that allow computers to be securely housed and operated with 365 day, 24 hour consistency. According to the report, major findings include:

- From an investment perspective, cap rate for data centers is estimated to be 5.5% to 7.5%. It will likely attract investors seeking higher yield under the current environment where expected NOI yields have declined to record lows below 5% for traditional asset types.
- Demand for data centers in Japan is expected to see major growth, driven by the growing adoption of cloud computing. In addition to growth in the new demand, there is also likely to be demand from customers switching from obsolete data centers.
- Japanese major data center service providers have started to say that it is now difficult for them to continue investing in the real estate part of their data centers because of the high construction cost in Japan. It could become more common for land and buildings to be spun off into separate operations.
- CBRE Research has categorized the main criteria for assessing the quality of data centers when considered as real estate. The specific criteria that high-grade data centers need to meet today are shown in Figure 1.

**Figure 1 : High grade data center**



Source: CBRE, February 2017.

Redundancy: Inclusion of additional components in case of failure in other components.

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