

Company Update

Keppel DC REIT

Singapore | Real Estate

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Equity Research

A stellar start to FY26

Rating **BUY** (as at 16 April 2026)
Last Close SGD 2.33
Fair Value SGD 2.78

- 1Q26 distribution per unit (DPU) grew 13.2% year-on-year (YoY) to 2.833 Singapore cents
- Robust portfolio rental reversions of approximately 51%; portfolio occupancy inched slightly lower by 20bps quarter-on-quarter (QoQ) to 95.6%
- Maintain BUY rating and SGD2.78 fair value estimate

Investment thesis

Keppel DC REIT (KDCREIT) is a strong proxy to the growing demand for data centre space, underpinned by increasing digitalisation and cloud adoption trends. Its tenants come from fast growing industries such as internet enterprise, information technology services, telecommunications and financial services. It has one of the longest portfolio weighted average lease to expiry (WALE) profile within the S-REITs sector, at 6.5 years by lettable area and 4.6 years by rental income, as at 31 March 2026. It has a manageable debt maturity profile with relatively low refinancing risks, in our view. While there are ongoing concerns over the credit profile of its master lessee at its Guangdong data centres following rental arrears and sluggish recovery progress, we believe there are signs that the situation has bottomed out, while the acquisition of two high quality artificial intelligence (AI)-ready hyperscale data centres in Singapore will strengthen KDCREIT's position as a top data centre owner in the region and reduce its percentage portfolio exposure to China.

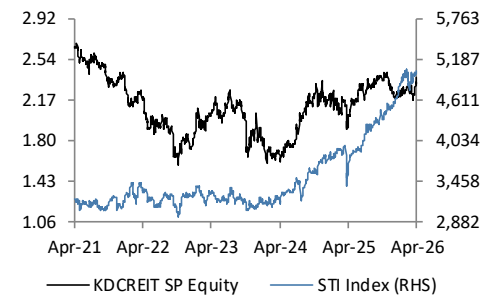
Investment summary

- **Strong start to FY26 with 1Q26 results slightly above our expectations** – KDCREIT reported a stellar set of 1Q26 results. Gross revenue and net property income (NPI) rose 18.4% and 19.4% YoY to SGD121.0m and SGD105.2m respectively. This was driven by organic growth and contributions from the acquisition of Tokyo Data Centre 3, but partially offset by the divestment of an asset in Germany. Finance costs jumped 20.8% YoY to SGD15.1m, but this was due to the drawdown of new loans to fund accretive acquisitions. KDCREIT's average cost of debt was 2.6% in 1Q26,

Security information

Ticker	KDCREIT SP EQUITY
Market Cap (SGD b)	5.8
Daily turnover (SGD m)	22.2
Free Float	80.7%
Shares Outstanding (m)	2444.5
Top Shareholder	Keppel Ltd 19.18%

Price performance chart



Financial summary

SGD m	FY25	FY26E	FY27E
Gross revenue	441	459	474
Net property income	383	426	440
Total return after tax	435	277	290
Distribution to unitholders	244	263	275
DPU (S cents)	10.38	10.75	11.24

Key ratios

	FY25	FY26E	FY27E
DPU yield (%)	4.5	4.6	4.8
P/NAV (x)	1.4	1.4	1.4
ROE (%)	5.8	6.3	6.5
Gearing (%)	35.3	34.4	34.5
Dist. Income margin (%)	55.2	57.3	58.1

Source: Bloomberg, REIT Manager, OCBC Group Research

which was lower as compared to 1Q25 (3.1%) and 4Q25 (2.8%). Management expects its full year average cost of borrowing to hover around 2.6-2.7%. Every 25bps increase in interest rates would impact its 1Q26 pro forma DPU by approximately -0.3%. Overall 1Q26 DPU grew 13.2% YoY to 2.833 Singapore cents, forming 26.3% of our FY26 forecast. We deem this to be slightly ahead of our expectations.

- **Portfolio rental reversions were solid at approximately 51%, but attributable to smaller leases that account for a small proportion of its portfolio** – Notwithstanding the ongoing Middle East conflict, KDCREIT was able to deliver healthy operating metrics. Portfolio rental reversions came in at a robust 51% which came largely from Singapore, although we estimate that this was attributed to only approximately 0.3% of its rental income. 6.1% and 6.0% of KDCREIT's rental income will expire over the remainder of FY26 and FY27, respectively. We expect rental reversions to moderate, as some of these expiring leases already had their contracted rates marked to market over the past couple of years. Overall portfolio occupancy inched down 20bps QoQ at 95.6%. In Singapore, its Keppel DC Singapore 1 asset recorded lower occupancy of 50.9%, versus 53.3% in the preceding quarter. Management shared that more time is needed on backfilling the vacant space, as it is looking at a transformational asset enhancement initiative (AEI), which requires detailed planning. Meanwhile, the Middle East conflict is expected to have limited first-order impact on KDCREIT's portfolio, as net electricity costs account for less than 3% of operating expenses, with power procurement contracts in place through end-2026. This is mostly related to the landlord's share of utility costs for the common areas in Singapore. That said, the second-order impact is worth monitoring, as higher energy prices can impact its tenants and potentially affect the outlook for rental reversions in the future. Management shared that for every 10% increase in net electricity costs, this would impact its pro forma FY25 DPU by -0.1%.
- **Aggregate leverage ratio edged lower by 0.2ppt QoQ to 35.1%** – KDCREIT's balance sheet remains strong, as its aggregate leverage ratio declined marginally from 35.3% as at 31 December 2025 to 35.1%, although this was due to foreign exchange (FX) translation effects with the depreciation of the JPY and EUR against SGD. Credit metrics are also healthy, with an industry leading trailing 12-month interest coverage ratio (ICR) of 7.2x. A 100bps increase in interest rates will lower its ICR to 5.3x. We maintain our forecasts for now as we see some upside risks to KDCREIT's current cost of debt amid the uncertain interest rate environment. Reiterate **BUY** on KDCREIT with an unchanged fair value estimate of SGD2.78.

Potential catalysts

- Stronger-than-expected increase in portfolio valuations.
- DPU accretive acquisitions.
- Ramp up in occupancy at its Singapore, Dublin and Malaysia data centres.

Investment risks

- Slowdown in data outsourcing trend.
- Compression in cap rates could lead to the overpayment for acquisitions.
- Changes in regulatory landscape for the countries which KDCREIT operates in.

Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield		ROE (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
KEPPEL DC REIT (KDCREIT SP Equity)	20.3	19.3	1.40	1.39	22.4	21.4	4.6	4.7	6.6	6.8
CAPITALAND ASCENDAS REIT (CLAR SP Equity)	16.7	16.0	1.1	1.1	19.5	18.9	5.9	6.1	6.6	6.9
MAPLETREE INDUSTRIAL TRUST (MINT SP Equity)	16.3	16.2	1.2	1.2	19.0	19.9	6.3	6.0	7.3	7.1
MAPLETREE LOGISTICS TRUST (MLT SP Equity)	21.7	20.7	1.0	1.0	23.9	23.5	5.7	5.9	4.4	4.5
FRASERS LOGISTICS & COMMERCI (FLT SP Equity)	19.3	18.2	0.9	0.9	20.5	19.6	5.9	6.0	4.4	4.7

Source: Bloomberg

Price/Book chart (x)



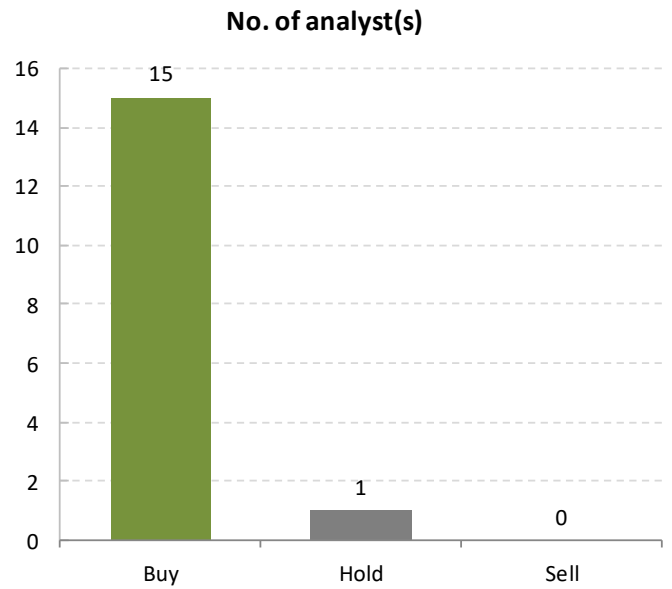
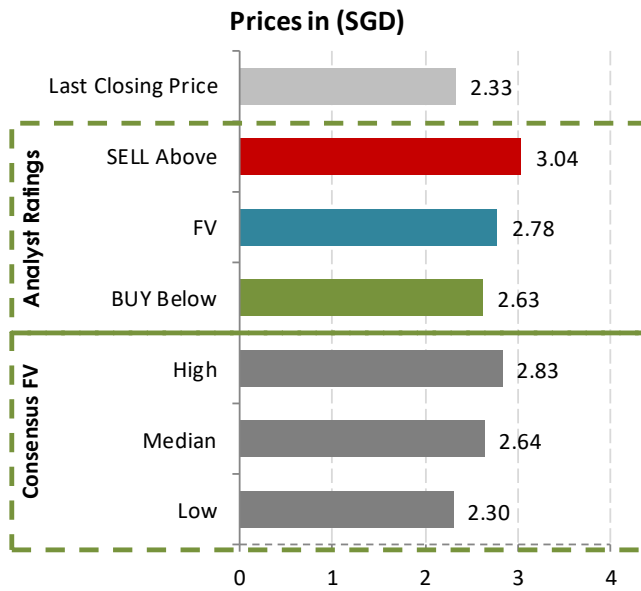
Source: Bloomberg

Dividend yield chart (%)



Source: Bloomberg

Analyst ratings vs street ratings



Source: Bloomberg, OCBC Group Research

Company overview (as of 31 December 2025)

Company description

Keppel DC REIT was listed on the Singapore Exchange on 12 December 2014 as the first pure-play data centre REIT in Asia.

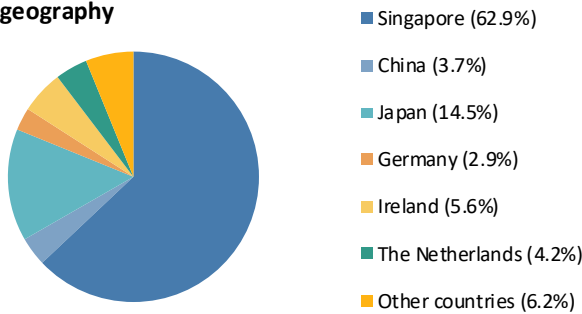
Keppel DC REIT’s investment strategy is to principally invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets which are used primarily for data centre purposes, as well as real estate and assets necessary to support the digital economy.

Keppel DC REIT’s investments comprise a mix of colocation, fully-fitted and shell and core assets, as well as debt securities, thereby reinforcing the diversity and resiliency of its portfolio.

Keppel DC REIT is managed by Keppel DC REIT Management Pte. Ltd. (the Manager) and is sponsored by Keppel, a global asset manager and operator with strong expertise in sustainability-related solutions spanning the areas of infrastructure, real estate and connectivity.

Portfolio AUM breakdown (as at 31 Dec 2025)

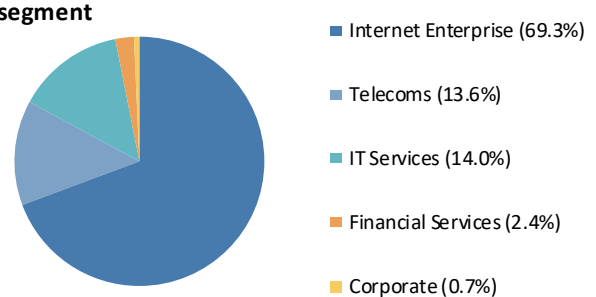
By geography



Source: REIT Manager

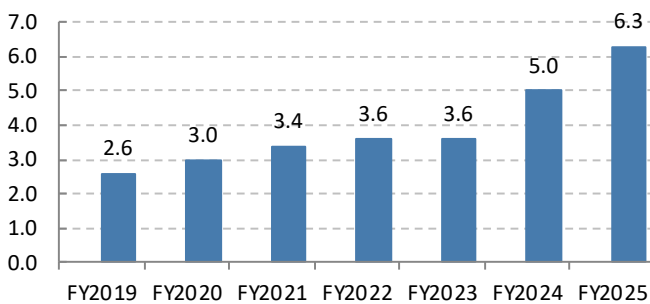
Rental income breakdown (for Dec 2025)

By segment



Source: REIT Manager

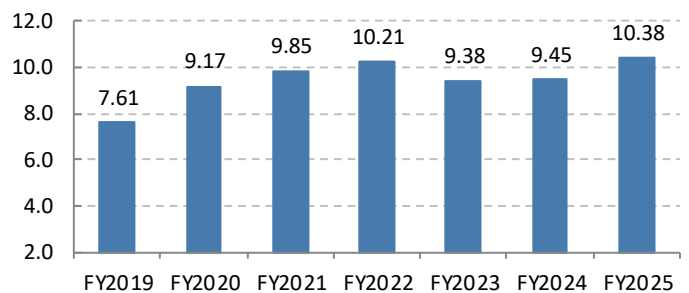
Portfolio AUM (SGD'b)



Source: REIT Manager

Distribution per unit

S cents



Source: REIT Manager

Company financials

Income statement

Year Ended 31 Dec (SGD m)	FY24	FY25	FY26E	FY27E
Gross revenue	310.3	441.4	458.9	474.0
Property operating expenses	-50.0	-58.1	-33.0	-34.3
Net property income	260.3	383.3	425.9	439.6
Manager's fees	-27.8	-37.6	-45.9	-46.4
Trustee's fees	-0.6	-0.7	-0.9	-0.9
Finance costs, net	-36.1	-33.6	-57.2	-55.1
Total return before tax	340.8	472.7	312.7	327.7
Income tax expense	-26.8	-38.0	-36.0	-37.7
Total return after tax	314.0	434.7	276.7	290.0
Total distribution to unitholders	166.9	243.5	262.9	275.2

Balance sheet

As at 31 Dec (SGD m)	FY24	FY25	FY26E	FY27E
Investment properties	4,904.0	6,133.4	6,192.3	6,197.3
Total non-current assets	5,095.5	6,232.2	6,383.8	6,388.8
Cash and equivalents	316.7	351.9	322.5	359.6
Total current assets	447.7	649.0	621.9	665.8
Total assets	5,543.2	6,881.2	7,005.7	7,054.6
Liabilities ex. debt	400.8	260.8	341.6	345.4
Total debt	1,715.5	2,390.2	2,411.0	2,432.0
Total liabilities	2,116.3	2,651.1	2,752.6	2,777.4
Total unitholders' funds	3,372.0	4,168.5	4,187.3	4,207.1
Total equity and liabilities	5,543.2	6,881.2	7,005.7	7,054.6

Key rates & ratios

	FY24	FY25	FY26E	FY27E
DPU (S cents)	9.45	10.38	10.75	11.24
NAV per unit (S cents)	152.6	170.8	171.3	171.8
DPU yield (%)	4.1	4.6	4.6	4.8
PER (x)	13.34	12.19	20.90	19.97
P/NAV (x)	1.5	1.3	1.4	1.4
NPI margin (%)	83.9	86.8	92.8	92.8
Distributable Inc. margin (%)	53.8	55.2	57.3	58.1
Aggregate leverage ratio (%)	31.5	35.3	34.4	34.5
ROE (%)	5.0	5.8	6.3	6.5
ROA (%)	3.0	3.5	3.8	3.9

Sources: REIT Manager, OCBC Group Research

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