

Principal Real Estate

Principal Digital Real Estate Fund

2nd Quarter 2024 Investor Update

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Data Center Market Update

Market Observations

Across the four quadrants

Private Equity

- Asset sale transactions have been limited; sellers are staying on the sidelines due to interest rate volatility
- Most asset sales have been joint venture sales where sellers retain some control and upside but can recycle capital to more lucrative developments
- M&A market remains attractive to capitalize future development

Public Equity

- Data center REITs are still standing firm, but some softening in the European colocation market weighed on 4Q23 earnings
- Digital Realty entered a joint venture with Blackstone to develop ~500 MW in Frankfurt, Paris, and Northern VA
- Potential for NOI growth as rents are marked to market in coming years

Private Debt

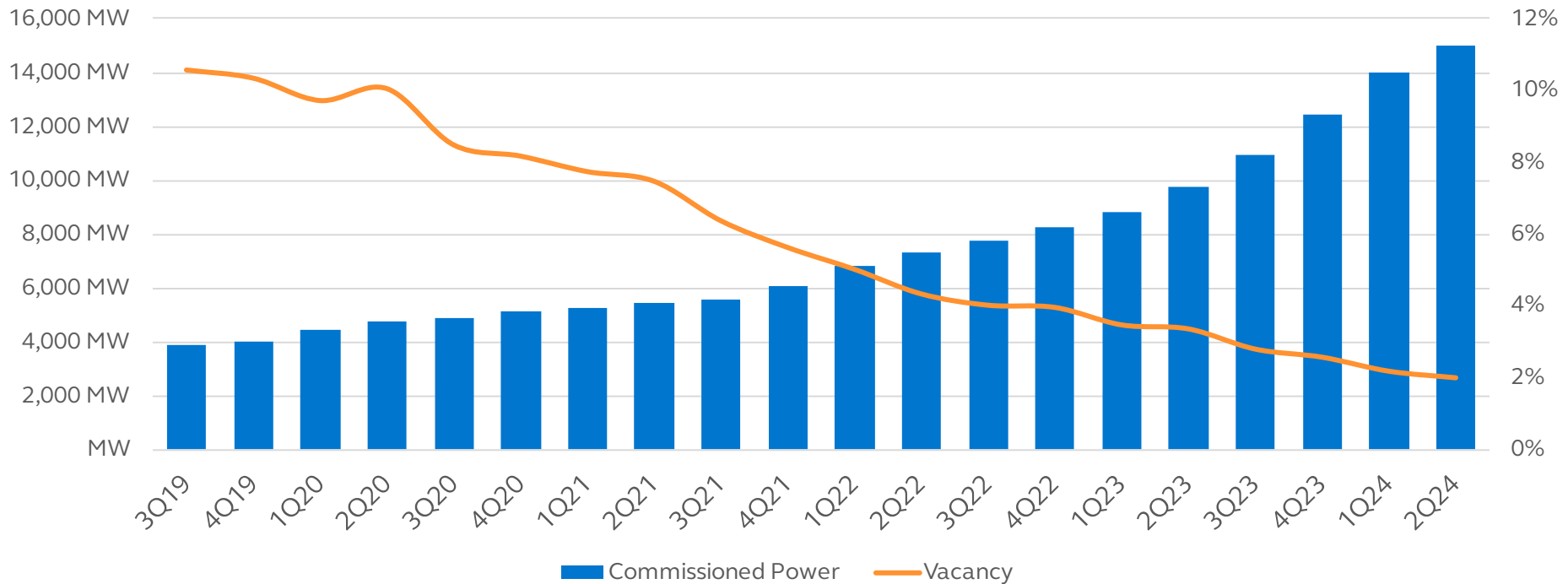
- Lender interest continues to grow due to strong market fundamentals, loan performance, and institutional capital funding project sponsorship
- More loans are being syndicating due to increasing loan amounts
- Strong asset performance allowing developers to access higher leverage with comfortable debt yields and DSCRs

Public Debt

- Large size of transactions driving many stabilized financings to public markets
- Borrowers increasingly turning to SASB market for financing larger turn-key facilities
- Corporate debt beginning to be accessed by developers, with issuances often achieving “green financing” standards

Data Center Space Markets

New quarter, same trend

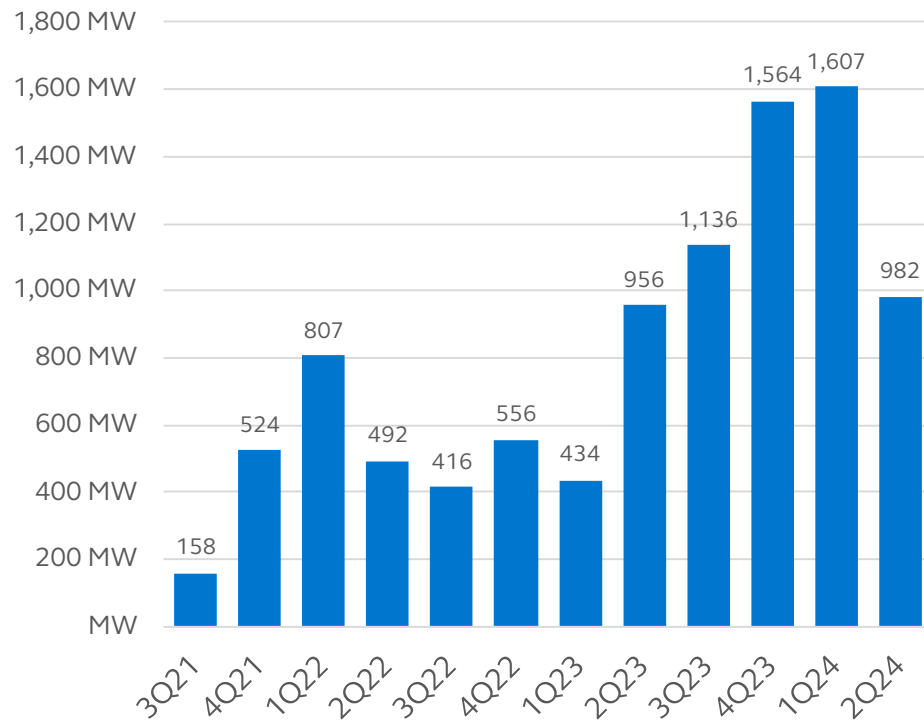


- Commissioned power in North America has increased by over 5% in each of the last 11 quarters
- Vacancy rates in North American have declined in each of the last 16 quarters

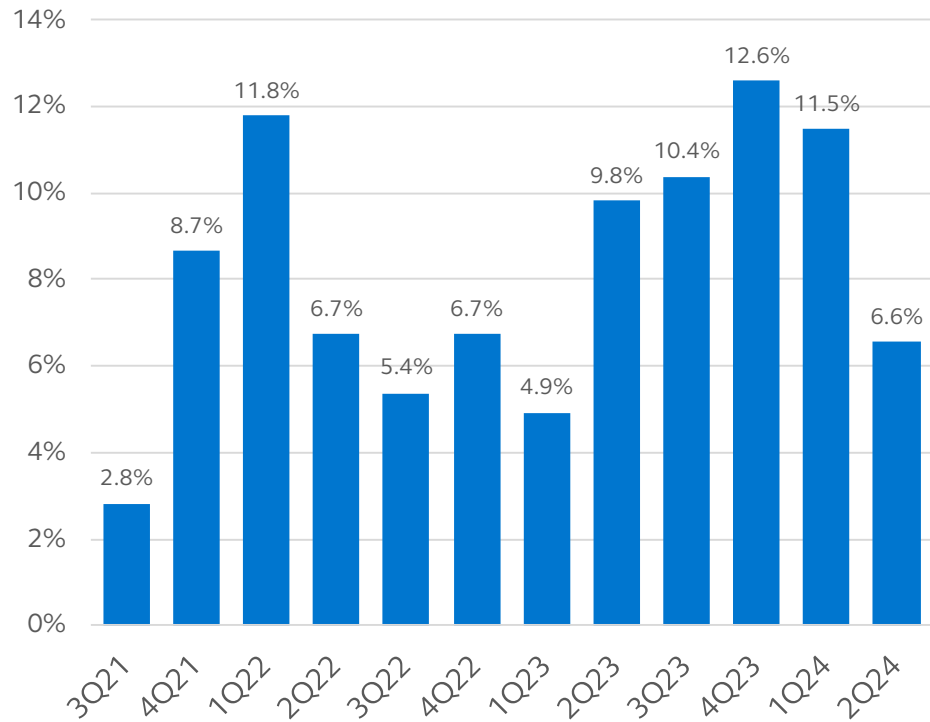
Data Center Space Markets

Absorption ticks down

Quarterly Absorption in MW



Quarterly Absorption as % of Inventory

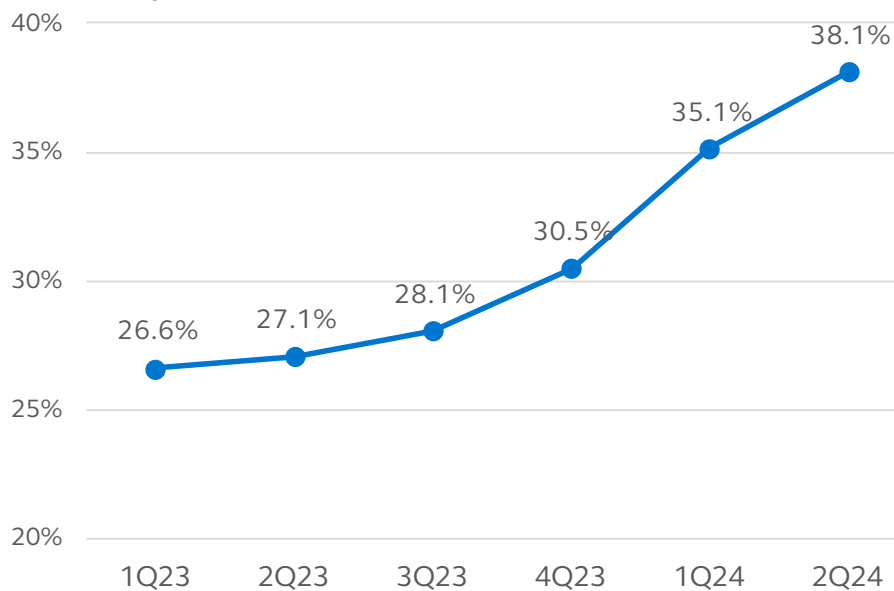


- Streak of record-breaking quarters broken; lowest quarterly absorption since 2Q 2023
- As a percentage of total inventory, absorption was the lowest since 3Q 2021

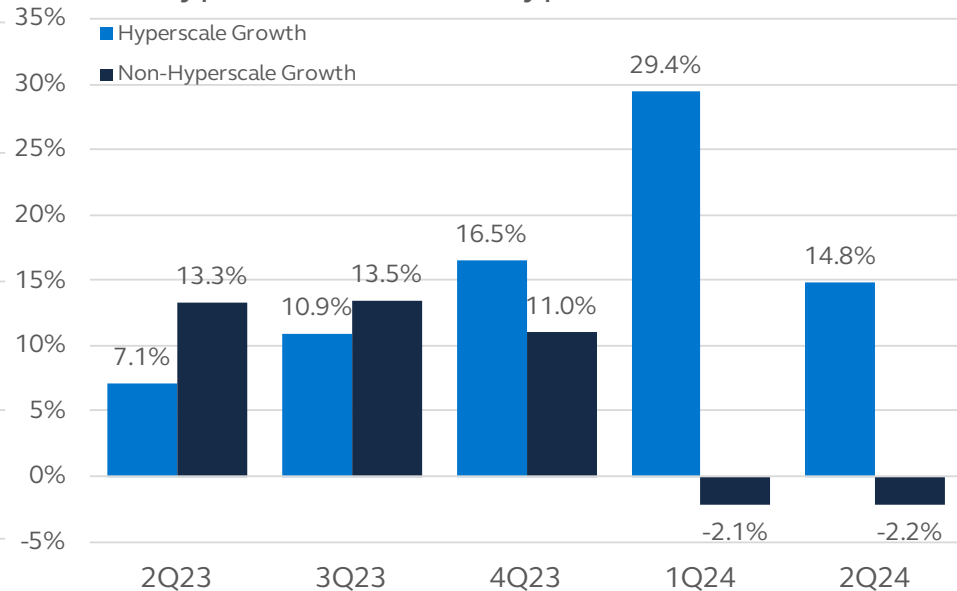
Data Center Space Markets

Hyperscalers driving growth

Hyperscale User Leased % of Total MW



Hyperscale vs Non-Hyperscale Growth



- Hyperscalers have been leasing more space than they are building
- Quarterly growth in hyperscale leasing outpacing non-hyperscale leasing for three consecutive quarters
- Enterprise users continue to move to the cloud

Data Center Space Markets

Pricing update

Rents continuing their rise

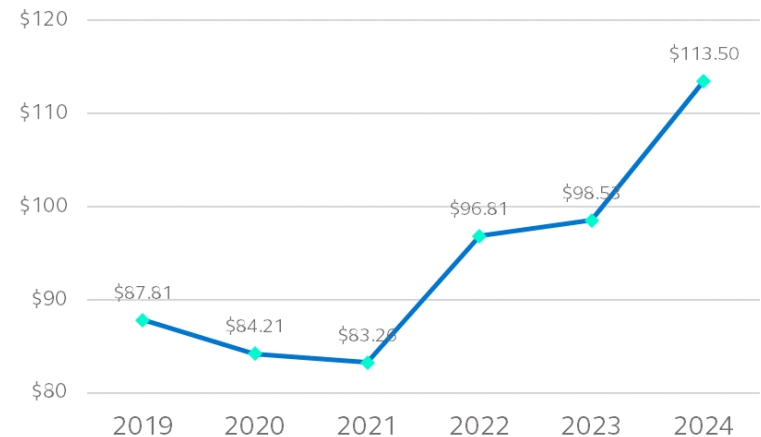
- Hyperscale rents have increased ~8.4% per year since their floor in 2021
- Wholesale rents have increased ~7.0% per year since their floor in 2021
- Rents dipped prior to 2021 as the market matured; record demand is now pushing rents up again
 - A deal that would have been signed ~\$80/kW a few years ago would now get done at \$120/kW+

Lease structures continue to evolve

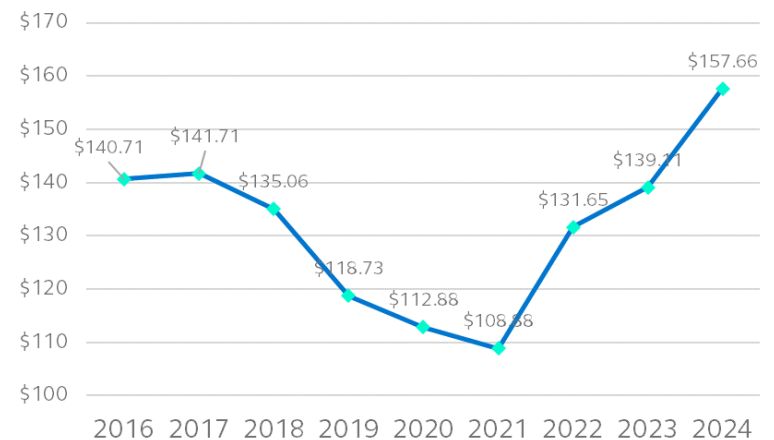
- Improvements in rent, escalations
- Landlords are shifting more operational risks to tenants and tenants are becoming more willing to accept
- Tenants willing to discuss various lease structures to keep data hall designs state-of-the-art

Source: datacenterHawk, 30 June 2024

Average Large Hyperscale Rents



Average Wholesale Rents



Fund Update

Principal Digital Real Estate Fund

Fund Objectives

- Principal Digital Real Estate Fund, LP (the “Fund”) is a closed-end, commingled fund with a six-year term that is sponsored and managed by Principal Real Estate Investors, LLC.
- Invest in data center development or value-add acquisition opportunities that we believe are capable of generating attractive risk-adjusted returns of 19% - 21% internal rate of return, levered, after fees and expenses.

Fund Updates

- Investment period extended by 12 months to April 2025, allowing for ability to re-allocate capital from existing assets or recycle up to 25% of committed capital
- Early financing discussions at multiple assets
- Broke ground on Skybox Lancaster development

Fund Profile

June 30, 2024

Fund commencement date	December 23, 2020
Commitment period expiration ¹	April 30, 2025
Fund expiration ²	April 30, 2027
Number of Fund investors	19

Equity Summary

Equity commitments to Fund	\$533.1 million
Since inception paid in capital	\$297.5 million
Distributions since inception	\$0.0 million

Valuation Summary

Gross asset value	\$411.7 million
Net asset value	\$296.0 million
Leverage ratio ³	20.9%

¹Initial expiration extended by 12 months.

²Subject to potential extension.

³Leverage ratio is economic share of the principal balance of the loan / economic share of the market value of the asset.

Investment Updates

Property Summary

Property	Total Value (Gross)	Cost Basis	Current Capacity	Occupied Capacity	Leased Capacity	Targeted Capacity ¹
Digital Crossroad Hammond	\$227,900,000	\$207,169,841	15 MW	14.2 MW	14.2 MW	15 MW
Atlanta DC	\$89,700,000	\$78,815,631	5.6 MW	5.6 MW	13.6 MW	23 MW
Crane Forest Grove DC	\$15,200,000	\$15,218,534	0 MW	0 MW	0 MW	24 MW
Skybox Lancaster DC	\$61,200,000	\$61,223,921	0 MW	0 MW	0 MW	72 MW
Total	\$394,000,000	\$362,427,927	20.6 MW	19.8 MW	27.8 MW	134 MW

¹Targeted capacity refers to power anticipated to be built and commissioned while under fund ownership. Some sites may have potential for additional power.

Investment Update

Digital Crossroad Hammond

Power Status

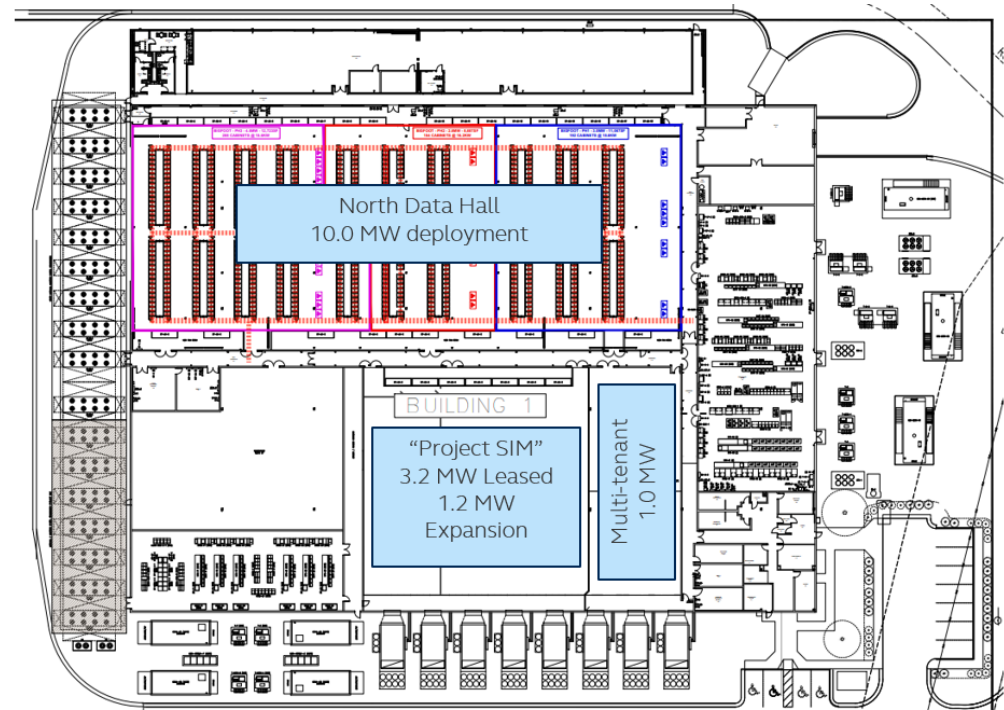
- 15 MW critical power fully utilizing 20 MW utility feed for building 1
- Executed Engineering Service Agreement and received load letter from utility for 200 MW (150 MW critical power) future development capacity
- Initial 67 MW available 4Q25, full 200 MW available 3Q26

Construction Status

- Final north data hall turned over in April and full 15 MW is commissioned
- Future development sites rough graded to be pad ready
- In preliminary design phase for additional on-site substation to support the full campus

Leasing Status

- 89.4% of the commissioned 15 MW is leased (10 MW to high performance cloud computing tenant, 3.2 MW to online gaming tenant)
- 1.2 MW subject to online gaming tenant expansion right until 10/24
- In discussions regarding best execution on remainder of campus



Investment Update

Atlanta DC

Power Status

- Working with Georgia Power for expanding transmission lines or exploring the possibility of an on-site substation

Construction Status

- Additional 8 MW of capacity scheduled to deliver by year-end to CoreWeave

Leasing Status

- 13.6 MW currently leased
- 5.6 MW currently occupied
- Discussing potential densification with Morgan Stanley



Investment Update

Crane Forest Grove

Power Status

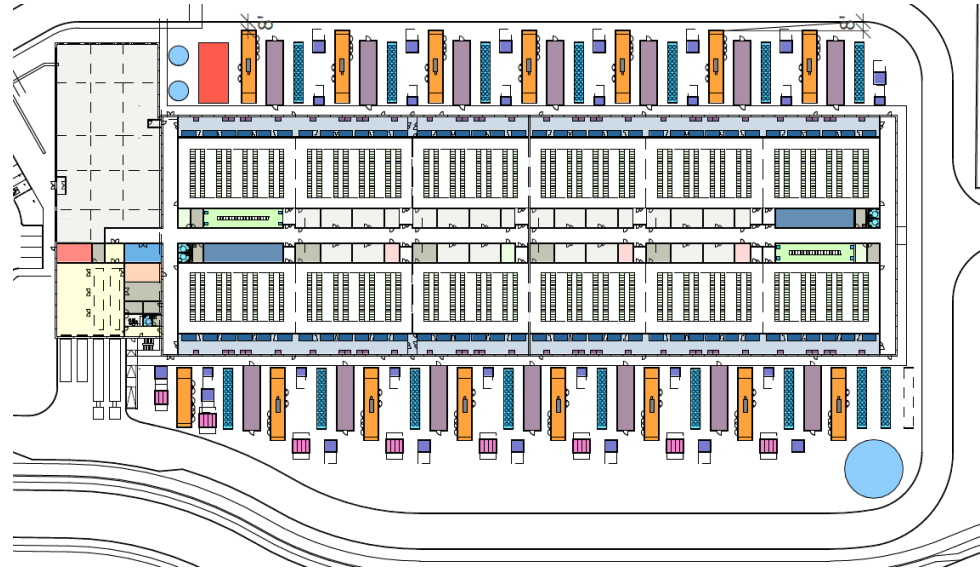
- FGLP to supply 8 MW of critical power per year
- Assisting FGLP with transformer procurement for their substation

Construction Status

- Complete site plan and land use application submitted to city in 1Q
- Currently planning four 6 MW data halls with N+1 redundancy
- Long lead equipment RFP process underway

Leasing Status

- Strong enterprise prospects in the Portland market, not limited to hyperscale or AI users
- Advantageous position near Pacific sub-sea cable
- Continued strong leasing fundamentals with rising rates and improving lease terms



Investment Update

Skybox Lancaster

Power Status

- Signed Facility Extension Agreement with utility to provide 150 MW total (100 MW critical) to the site
- Submitted ERCOT large load study to provide additional 150 MW to the site (300 MW total)
- Long-lead interconnect & substation equipment ordered
- Substation energization expected 4Q25

Construction Status

- Initial site work commenced in 2Q24
- Delivery of turnkey space expected in 2026

Leasing Status

- Signed LOI with a hyperscale tenant for full building, lease negotiations continue to progress
- Lease structured as a NNN BTS
- Fund obligated to provide powered shell and turnkey build-out; tenant will fund the turn-key build-out

