Japan Inbound Capital Intelligence

Foreign Investor Weekly

Edition **#003** Covering **2026-09-01 to 2026-09-08** Article **11** of 18

DEAL MONITOR: REAL ASSETS · JAPAN INBOUND CAPITAL INTELLIGENCE #003

GIC and Equinix sell 90% of two Inzai hyperscale sites to Keppel DC REIT for ¥190bn — Japan's data-centre trade grows an exit route, a listed wrapper and a regulator in one week

Sources: Keppel Ltd media release, 2026-09-01; Keppel DC REIT SGX acquisition announcement, 2026-09-01; Mingtiandi, 2026-09-01; Japan Exchange Group ETN notice, 2026-09-02

Keppel DC REIT and Keppel Ltd agreed to buy 90% effective interests in Tokyo Data Centre 4 and 5, two freehold hyperscale colocation sites in Inzai City, Chiba: the REIT takes 88.62%, Keppel 1.38%, and the existing operator keeps 10%. The price is ¥190.0bn on a 100% basis (about US$1.19bn), a 2.1% discount to JLL Morii's independent valuation of ¥194.0bn at 31 July; the REIT pays ¥168.4bn for its share, with total outlay ¥170.7bn. Keppel's documents describe the sellers only as "a leading global institutional investor with a deep portfolio of real assets and an established global data centre owner and operator"; Mingtiandi, reading Equinix's filings, identifies them as the GIC–Equinix Japan xScale joint venture, with GIC selling its full 80% and Equinix going from 20% to 10% and staying as operator. That JV was formed in 2020 as a more-than-US$1bn partnership, GIC 80% and Equinix 20%. The sites are Equinix TY12x and TY13x: TY12x opened in March 2021 and supports 54MW at full build; TY13x opened in June 2023 with 8MW in its first phase and 36MW at full build. Both are 100% occupied by four investment-grade clients, with a blended lease expiry of 8.3 years, contracted rent escalation of about 2.8% a year, and in-place rents at least 30% below market. Keppel cites Tokyo data-centre rents rising from ¥17,000–20,500 per kW per month in 2021–23 to ¥20,500–30,000 in 2024–25.

Funding is 43% equity and 57% yen-denominated debt: about S$591.1m from a private placement, S$788.6m of debt drawdown, and S$11.7m in units for the manager's fee. The REIT's aggregate leverage rises from 34.0% to 38.0%, its pro forma average cost of debt is 2.7%, and the loans are to be fully hedged before completion. The placement launched at S$2.096–2.142 to raise no less than S$600m; SGX approved 297,620,000 new units on 7 September, which at the announced range means the placement was upsized above the floor [S]. Pro forma FY2025 distribution per unit rises 2.6%. Japan's share of the REIT's rental income goes from about 9% to about 23%. AUM rises from S$6.3bn to about S$7.6bn across 27 data centres in ten countries, and completion is expected in the fourth quarter of 2026. It is Keppel DC REIT's second Inzai purchase in about 12 months, after Tokyo Data Centre 3 for ¥82.1bn in September 2025. Keppel disclosed no cap rate or net-property-income yield. ¥190bn for 90MW of designed capacity is about ¥2.1bn per MW at full build, and about ¥3.1bn per MW on the 62MW currently built [S].

Sector Read. Until this week the Japan data-centre trade was a private-market bet with no proven way out. This deal answers the exit question with a number: a Singapore-listed REIT paid close to appraised value, funded 57% with yen debt at a sub-3% average cost, for a sovereign fund's development-stage position six years after entry — a completed private-to-listed round trip for foreign capital in Japanese hyperscale [S]. Three details change the entry maths for anyone underwriting today. First, the assets are under-rented by at least 30% against a rent band whose top end has moved up by nearly half in two years; anyone holding 2021–23 vintage leases in Greater Tokyo has the same embedded reversion, and anyone buying stabilised assets is paying for it. Second, the buyer prices off yen debt, not the currency: the 2.6% accretion is a spread between asset yield and a 2.7% borrowing cost, so a BOJ hike after 17–18 September pressures the next deal's spread, not this one's, which is hedged [S]. Third, the FSA has now said it will review "investment and lending policies, project screening, and risk management for data centers and other facilities"; Kyodo's account of the same draft policy does not mention data centres, so the clause rests on Nikkei alone until the FSA publishes. The demand side is domestic and large: Nikkei's survey of 26 operators has AI data-centre capacity going from 1.1GW at end-2025 to 4.9GW by 2033 on about US$60bn of construction, with 22 of the 26 intending to build more and no foreign investor named; NTT's own plan is about 1GW domestic capacity by FY2033; Itochu will invest "several hundred billion yen" by 2030 to build around ten facilities with JR East for lease to US tech tenants, on a build-lease-divest model. Bloomberg reports the state's roughly $640bn AI and chip programme is converting to built assets slowly in the regions, and ABN Amro Clearing will become the first major global clearer on TOCOM's electricity-futures market from as early as September. The sister trust Keppel REIT, meanwhile, exited Japan: it sold KR Ginza II to Hulic for ¥11.5bn, a 28.4% premium to its 2022 cost.

How to act: read the JLL Morii valuation basis (at 31 July 2026) as the current mark for stabilised Inzai hyperscale and back-solve a yield from ¥190bn against the disclosed rent bands and 62MW built / 90MW designed before quoting one. Have the bank-debt leg of any Japan data-centre deal term-sheeted before the FSA finalises its 2026 policy (term to June 2027). Track Itochu's ten sites as the next divestment pipeline. On power, check whether TOCOM liquidity via ABN Amro Clearing allows an onshore hedge from the fourth quarter; until then, price hedging on the European Energy Exchange.

From Japan Inbound Capital Intelligence, edition #003 (2026-09-08). All articles in this edition