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Data Center Profits:

How You Can Collect Digital Rent Checks Without Ever Moving Your Mouse

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By Jim Pearce and the team of analysts at Investing Daily

Every minute, more than 350,000 tweets are sent, 400 hours of videos are uploaded to YouTube, 4 million posts are made on Facebook, and more than 4 million Google searches are conducted.

Together, this activity (and these examples only scratch the surface) generates an estimated 2.5 quintillion bytes of data every day.

All of this data must be stored somewhere, which brings us to Digital Realty Trust (NYSE: DLR).

Digital Realty is a real estate investment trust (REIT) that operates data centers. Way back in 2004, DLR recognized the enormous opportunities in data storage. Since then, the REIT has become a truly global presence with 205 data centers covering 32 million rentable square feet in 12 countries.

This capability makes the REIT one of the most internationally diversified data center operators, allowing it to tap into many markets and also create the redundant network expected by its customers, which include top-shelf firms such as IBM (NYSE: IBM), Facebook (NSDQ: FB), Oracle (NYSE: ORCL) and Verizon (NYSE: VZ).

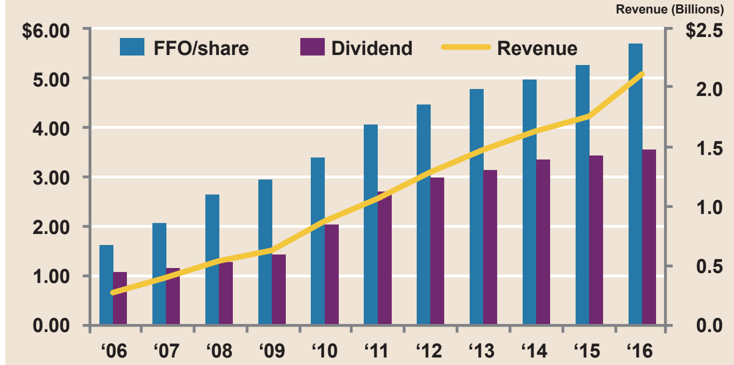
Digital Realty's FFO (funds from operations), which is what dividends is paid from, has grown at an annual average rate of more than 12% over the past decade. That's been incredibly lucrative for DLR investors.

Since the REIT first started trading in 2004, the share price has risen more than sevenfold. However, capital appreciation isn't the only source of profit for investors.

As a REIT, Digital Realty must distribute at least 90% of its taxable income to shareholders. As earnings have grown, so has the payout. Currently yielding almost 4%, since 2004 Digital Realty has raised its annual dividend from $1 to more than $4, making it one of the biggest dividend payers in the industry.

The growth doesn't end there. Most analysts expect double-digit stock price gains well into the future. Factor in the consistent annual dividend increases and you're looking at an enticing total return package.

Unwavering Growth Digital Reality's revenue and dividends rose steadily through booms and busts



Source: S&P Global

Those gains should continue over the long haul, as our society becomes more data-dependent. The hardware giant Cisco Systems (NSDQ: CSCO) predicts that data center traffic will grow to 15.3 zettabytes by 2020, up from 4.7 zettabytes in 2015.

To give you an idea of how much information this figure entails, a single zettabyte equals the storage capacity of 250 billion DVDs—more than the 500,000 movies in existence. The world's 8.6 million data centers handling existing traffic aren't enough to meet the rising demand, and more data centers will need to be built in the hundreds, if not thousands.

Positioned for Growth

Digital Realty has been positioning itself to take advantage of these trends. In 2017 the REIT acquired 12 income producing assets plus 6 development projects across the U.S. from DuPont Fabros for $7.6 billion. That comes on the heels of an $875 million investment in 2016 to buy eight European data centers.

Over the years, Digital Realty also bought other companies that added complementary services and technologies. Further acquisitions are on the drawing board for the future.

For instance, in 2015 the REIT acquired networking innovator Telx. The acquisition gave Digital Realty control of Telx's "meet-me" rooms, where different data companies can physically connect their servers to one another without racking up significant costs. These new services dramatically increased Digital Realty's value to its customers.

At the same time, the REIT hired more sales staff with proven track records of driving revenue and earnings growth. That gives Digital Realty state-of-the-art technology and a sales force with the clout and know-how to get in front of customers.

Stable Income

Also attractive is the steadiness of Digital Realty's business. As you can see from the chart, the REIT performs well in economic booms and busts because companies still need to store and access data. Digital Realty's funds from operations—an important measure of a REIT's financial health—continued growing during the last recession, funding dividend increases when the global economy was in the doldrums.

Despite appreciating rapidly, Digital Realty's shares are also stable and 70% less volatile than the market, making this an ideal stock for conservative investors who want growing dividend checks with low risk to capital.

IMPORTANT NOTES:

Guidance concerning the stocks highlighted in this report is believed to be accurate and represent our best advice at the time of writing. However, market conditions change constantly and guidance at the time of this writing may not reflect our latest advice. For our current take on any stock in this report, it is vitally important that you check the Portfolio tables on the website and confirm that the stock still earns a buy rating. Furthermore, confirm that the stock trades below our current buy limit. Do not buy any stocks above our recommended buy limits. If a stock's price exceeds our buy limit, wait for a pullback or invest in another Portfolio holding that trades below our buy limit. Any advice in the Portfolio tables, a recent issue of the publication, or our email alerts always trumps older advice in this special report. We reserve the right to substitute special reports as market trends dictate.

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