

December 2025

Data center ABS – Risks, yields, and ratings

Data center ABS (asset-backed securities) are a relatively new asset class, with the first data center ABS issued in 2018. Considering the nascent stage of this financing alternative, credit rating agencies are adapting their credit rating methodologies to accommodate data center ABS idiosyncrasies. For investors, data center ABS can offer an intriguing opportunity to gain exposure to the digital economy, yet they present unique risks.

Credit rating methodologies

Industry constituents are adapting to the emerging data center industry in real time. Such adaptation is evident among credit rating agencies that are evaluating the abilities of their existing ratings models to accommodate the nuance in data center securitizations. To evaluate data center ABS collateralized by tenant lease receivables, for example, credit rating agencies are interested in assessing the stability and sustainability of cash flows over the life of the security. Conventional finance concepts provide a useful starting point for this evaluation, but operational resilience, power certainty, tenant durability, and the ability to remarket capacity following a major tenant departure are additional considerations uniquely applicable to data centers. Among the big three credit rating agencies (Fitch, Moody's, and Standard and Poor's), Standard and Poor's (S&P) was the first to release guidance on how it evaluates credit related to data centers.

S&P published its first global data center criteria in June 2024 and made revisions in August 2025. S&P seeks to assess an issuance's "exposure to events that could interrupt or reduce the expected cash flow, including factors that could impede finding new tenants or selling properties."[1] To do so, it must make assumptions regarding the values of properties, revenue streams from executed tenant contracts, and tenants' abilities to meet their contractual obligations.[2] S&P gives particular consideration to the following:

---

1 *S&P Global*, "Criteria | Structured Finance | General: Data Center Securitizations: Global Methodology and Assumptions," June 13, 2024.

2 *S&P Global*, "Criteria | Structured Finance | General: Data Center Securitizations: Global Methodology and Assumptions," June 13, 2024.

1. Attributes that affect a data center's competitive positioning, including location, age, cost of power, and power efficiency.
2. The extent of diversification or concentration in the data center portfolio that could affect the timing of, and estimated income from, a future sale of the data center.
3. Expected changes to the data center's income over time that are potentially driven by delinquencies or vacancies and differing terms and conditions in new lease contracts.
4. Data center operating costs, including any capital improvements.

Most data center transactions rated by S&P are structured as ABS.[3] Through the first quarter of 2025, S&P had rated 42 data center ABS issuances totaling $16.2 billion in transaction value. As of December 2024, eighty-four percent of the issuances received credit ratings of A from S&P, which is consistent with the relatively high credit ratings assigned to senior ABS tranches in the sample of data center ABS that we collected from Bloomberg and analyzed below.[4]

Based on its methodology for rating data center securitizations released in February 2025, Moody's generally assigns higher credit ratings to ABS transactions associated with data centers that:

- have more favorable structural attributes (e.g., newer, located in primary markets, long economic useful lives);
- are operated more efficiently (e.g., lower operating costs, stable historical revenue, demonstrated growth, timely capital improvements);
- have attractive lessee demographics (e.g., long tenant history, tenant responsibility for expenses, diverse tenant base); and
- have well-structured ABS (e.g., strong over-collateralization, trust holds first mortgage liens).[5]

Fitch published an exposure draft on July 24, 2025, to solicit feedback on 1) whether the existing CMBS Large Loan Rating Criteria should be used to assess and rate structured finance data center transactions, including both CMBS and ABS; 2) the relevance of residual values to an ABS-style transaction; and 3) whether the rating approach for data center transactions with anticipated repayment date features should result in higher leverage.[6] At the time of the exposure draft's issuance, Fitch did not have any outstanding ratings on data center ABS issuances.

An earlier Fitch publication discusses data center project finance not specific to ABS. Consistent with Moody's data center securitization methodology, "contract renewal, technological obsolescence, the timing of cash flows to repay debt, leverage ratios and supply/demand fundamentals" are critical factors that influence credit ratings of data center financing transactions.[7] Of note, at the time, Fitch viewed data centers used for AI training less favorably than data centers used for cloud computing. Occupants

---

3 *S&P Global*, "How We Rate Data Centers Across Public and Private Markets," April 23, 2025.

4 *S&P Global*, "How We Rate Data Centers Across Public and Private Markets," April 23, 2025.

5 *Moody's Ratings*, "Rating Methodology: Data Center Securitizations," February 6, 2025.

6 *Fitch Ratings*, "Exposure Draft: Data Center Securitizations Rating Criteria — Effective from July 24, 2025 to September 16, 2025," July 24, 2025.

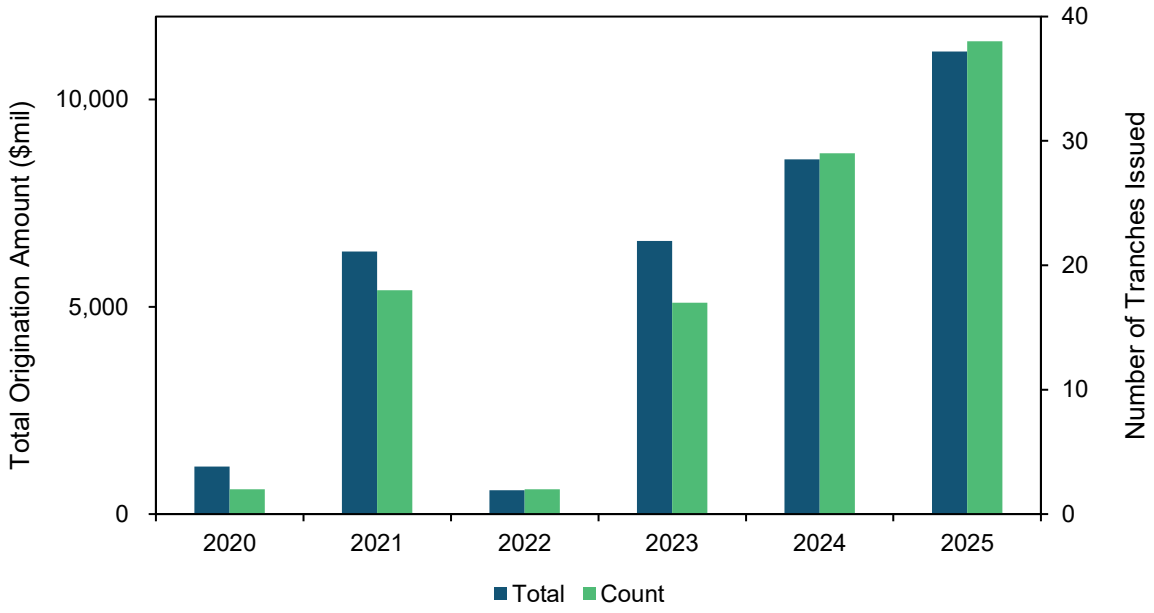
7 *Fitch Ratings*, "Fitch Ratings Outlines Key Rating Drivers in Data Centre Project Finance Market," April 19, 2024.

who use data center capacity for AI training have more flexibility when leasing space and power because their proximity to the data center is of lesser importance. Such flexibility can lead AI training-based demand to be far more volatile than other sources of demand.

Data center ABS: A descriptive analysis

To provide greater insight into data center ABS, we analyzed a sample of 69 unique ABS issuances related to data centers between April 2020 and September 2025 obtained via a search of Bloomberg.[8] These 69 ABS issuances by 19 issuers contained a total of 106 tranches with $34.4 billion in aggregate origination value.[9] Twenty-eight of the 69 issuances had multiple tranches, with a maximum of four tranches. Figure 1 below presents ABS issuance activity, by year, measured in total dollars of origination value and number of issuances. We observe elevated issuance activity in 2021 and in 2023 through 2025, relative to 2020 and 2022.[10] Sabey Data Centers was the most active issuer over the period, with seven ABS transactions, followed by Centersquare, Compass Datacenters, CyrusOne, and STACK Infrastructure with six each. DataBank issued ABS with the greatest total value of $3.2 billion.

Figure 1: Data center ABS by year



8 We searched Bloomberg for mortgage instruments where deal type equals "ABS" and asset subclass equals "Data Center."

9 Tranches that likely contained stripped out interest payments were excluded so as not to overstate estimates of data center ABS activity.

10 The dip from 2021 to 2022 stems from investors seeking higher yields and reassessing risk across their portfolios in response to rising interest rates. "Data-center companies this year as of Oct. 14 issued $550 million in securitized debt, down from $2.66 billion during the prior-year period and $6.17 billion for all of 2021, according to JPMorgan Chase & Co., whose data includes rated transactions and excludes unrated and private deals. The decline in issuance of data-center debt comes as chief financial officers across industries evaluate their funding options amid the Fed's rate-hike campaign. Within the data-center sector in particular, that calculus for some companies involves assessing whether the timing is right to tap the securitization market despite the higher costs." *The Wall Street Journal*, "Data Centers Face Higher Costs, Weaker Demand for Debt That Fueled Sector's Rise; Issuance of Asset-backed Securities in the Market has Plunged as Investors Seek Higher Yields." October 20, 2022.

Table 1 below summarizes the frequency of tranches by S&P rating and tranche level (senior versus junior).[11] More than forty ABS issuances had ratings from S&P, and the senior tranches with ratings were all rated A or A-. Among eleven junior tranches with ratings from S&P, two were rated BBB, eight were rated BBB-, and one was rated BB-.

Table 1: S&P credit rating of data center ABS from 2020 to Q3 2025

	Number of tranches	
S&P rating	**Senior**	**Junior**
A	11	0
A-	33	0
BBB	0	2
BBB-	0	8
BB-	0	1
Rating not available	30	21
Total number of ABS	**74**	**32**

Table 2 below presents mean coupon rates and issue prices by year, separately for senior and junior tranches. By issue year, the senior tranches had mean coupon rates ranging from 2.87% in 2021 to 5.84% in 2023. The mean coupon rates for junior tranches ranged from 3.88% (2021) to 6.65% (2024). Spreads have generally narrowed over the period, on average.[12] ABS were issued at or near par value in 2020 and 2021, but the mean issue price for senior (junior) tranches dropped to $95.55 ($89.68) in 2023 before recovering to $98.71 ($98.46) in 2025.

[11] The majority of the ABS transactions with ratings in Bloomberg had ratings from S&P, and few had ratings from Fitch or Moody's.

[12] We calculated the spread as the ABS issuance's coupon rate less the yield on the 5-Year Treasury Bill on the ABS issuance date.

Table 2: Average coupon rate and issue price by tranche and issue year[13]

	2020	2021	2022	2023	2024	2025
Senior tranches:						
Coupon rate	2.90%	2.87%	5.68%	5.84%	5.46%	5.46%
Spread	2.56%	1.79%	2.17%	1.67%	1.38%	1.45%
Issue price	$99.65	$99.87	$97.24	$95.55	$97.19	$98.71
Number	2	10	2	15	20	25
Junior tranches:						
Coupon rate	N/A	3.88%	N/A	5.60%	6.65%	5.97%
Spread	N/A	2.82%	N/A	1.58%	2.64%	2.05%
Issue price	N/A	$98.69	N/A	$89.68	$98.76	$98.46
Number	0	8	0	2	9	13

Risk-opportunity tradeoffs for investors

Credit rating agencies' evaluations of data center ABS are just one data point of many available for consideration by prospective and current investors. At issuance, ABS are typically sold to institutional investors seeking stable, long-term returns. This sophisticated investor group must evaluate the unique risk-return profile of data center ABS in comparison to other available investment alternatives. For example, compared to ABS associated with other underlying asset types (e.g., auto loans, consumer credit card balances), data center ABS present investors with unique risks and opportunities. In terms of risks, there is uncertainty pertaining to the extent of long-term demand for data center capacity that may lead to obsolescence. Furthermore, data center ABS typically include a relatively small number of tenant leases, offering limited diversification. The industry, which includes companies that have yet to turn a profit, is in an introductory/growth stage that provides limited basis for future forecasts. From an opportunity perspective, tenants that occupy hyperscale data centers have relatively high credit quality (on average). High tenant relocation costs may weigh favorably on lease renewals. Finally, continued growth in cloud-based computing and more advanced algorithms are encouraging catalysts for data center demand. Table 3 elaborates on these factors relevant to data center ABS investors.

[13] In Table 2 we report the mean coupon rate, mean spread, and mean issue price. The results are qualitatively the same if we analyze the medians.

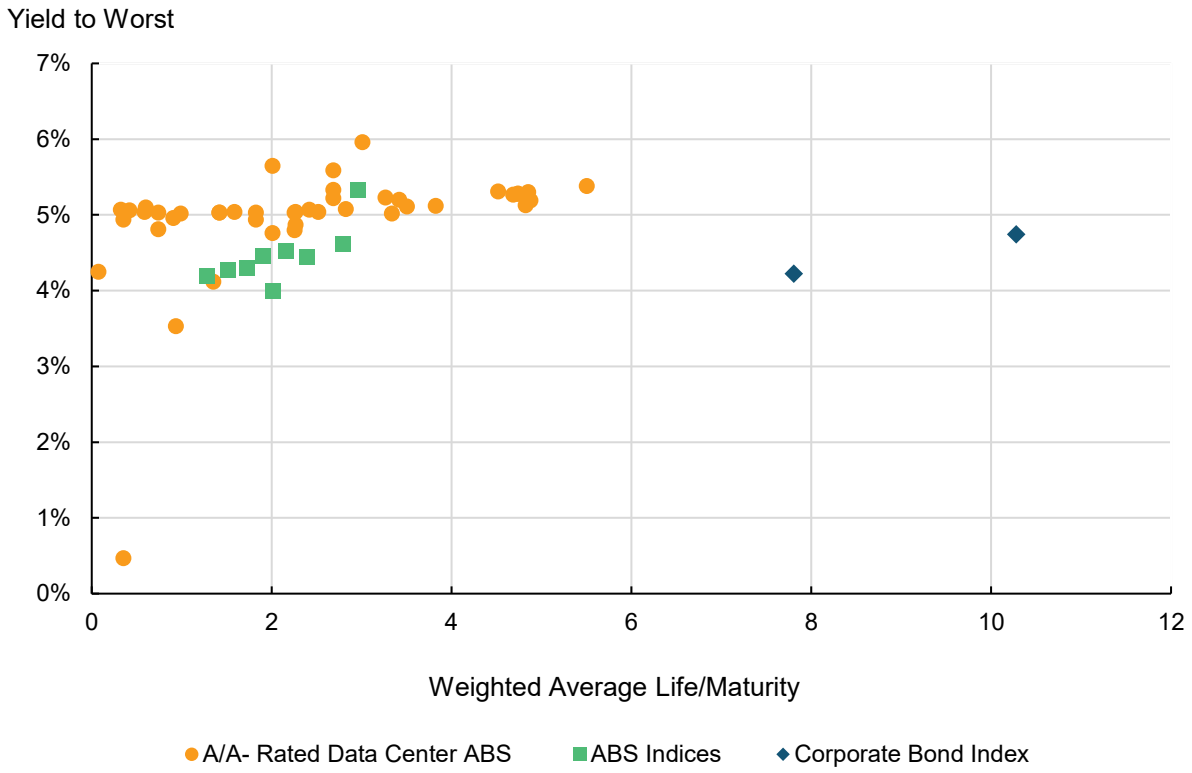
Table 3: Risks and opportunities relevant to data center ABS investors

Risk	Description
Demand uncertainty	Development of more efficient AI that requires less compute power, an inability of AI capabilities to reach lofty expectations, and regulatory intervention that limits AI's societal disruption would all put downward pressure on demand for data center capacity, creating uncertainty surrounding the extent of long-term demand.
Default risk of early-stage AI company tenants	Long-term commitments in colocation facilities from earlier-stage AI companies with evolving business models that have yet to turn a profit, have higher default risk.
Risk of obsolescence	Data center owners and tenants require the most current technology to remain competitive. If the technological innovation cycle is shorter than the estimated useful lives of the infrastructure, data center owners could be left with obsolete infrastructure not yet paid for and no tenant demand.
Lack of diversification	ABS structured around auto loans, credit card balances, and single family home mortgages are comprised of thousands of receivables. Data center ABS can be structured around a single tenant in a hyperscale facility or a few tenants in a colocation facility.[14] Because of the small size of the asset pool, non-payment of one tenant or borrower can have an out-sized effect on security returns.
Limited history	The data center industry is still in an introduction/growth stage. The limited history makes it difficult, even for sophisticated intermediaries such as credit rating agencies, to forecast lease renewal rates, monthly rents, and default rates.
Power and construction risk	Delays in securing grid connections or power purchase agreements can postpone commissioning and debt service. Rising costs for electrical and cooling equipment, coupled with long lead times, increase the likelihood of budget overruns and draw deferrals.
Opportunity	**Description**
High credit quality of hyperscale tenants	Hyperscale data center tenants tend to be disproportionately new-economy companies, such as Alphabet, Amazon, and Microsoft, which are of high credit quality and have relatively low default risk.
High tenant switching costs	High relocation costs on account of moving IT infrastructure, even for tenants at turnkey facilities, may engender a captive tenant base.
Favorable technological trends	The trend toward cloud-based computing and more computationally intensive algorithms and applications is unlikely to reverse, suggesting demand dynamics for data center resources will be favorable in the near to medium term.

[14] For example, the collateral of the Vantage Data Center Series 2024-1 ABS included 10 U.S. data centers and three Canadian data centers managed by Vantage Data Centers Management Co., LLC, and Vantage Data Centers Canada Management, L.P. *S&P Global*, "Presale: Vantage Data Centers Issuer LLC/Vantage Data Centers Canada L.P. (Series 2024-1)," September 23, 2024.

Beyond consideration of non-data center ABS, investors may alternatively evaluate data center ABS against other investment opportunities of comparable credit quality, such as in other asset classes or in other fixed income securities (e.g., an index of highly rated corporate bonds). Figure 2 below plots the yield-to-worst and weighted average time-to-maturity of data center ABS rated as A or A- against ABS indices and corporate bond indices rated Aa or A.[15] The yield-to-worst is the lowest yield resulting from all possible redemption scenarios. Highly rated data center ABS generally offer a comparable or higher yield than non-data center ABS or corporate bond indices that investors can realize over a much shorter period.

Figure 2: Yield and maturity of S&P-rated data center ABS versus non-data center ABS indices and corporate bonds[16]



15 All yields and maturities are measured as of November 17, 2025.

16 Data is from Bloomberg. The yield-to-worst is the lowest yield resulting from all possible redemption scenarios on callable securities or the highest yield resulting from all possible redemption scenarios on puttable securities. The ABS indices included in Figure 3 include: ICE BofA AAA-A US Fixed Rate Asset Backed Securities Index; ICE BofA AAA US Fixed Rate Credit Card Asset Backed Securities Index; ICE BofA AAA US Fixed Rate Home Equity Loan Asset Backed Securities Index; ICE BofA AAA US Fixed Rate Miscellaneous Asset Backed Securities Index; ICE BofA AAA US Fixed Rate Automobile Asset Backed Securities Index; ICE BofA 0-3 Year AAA US Fixed Rate Asset Backed Securities Index; ICE BofA 1+ Year AAA-A US Fixed Rate Asset Backed Securities Index; ICE BofA 0-5 Year AAA-A US Fixed Rate Asset Backed Securities Index; and ICE BofA 0-5 Year AAA US Fixed Rate Asset Backed Securities Index.

Conclusions

In a previous *Insights*, we discussed the growth of investments in data centers and the growth in data center securitizations. Significant data center construction and growth in computing capacity are expected through at least 2030. Data center ABS are an increasingly prominent source of financing that contains features appealing to both issuers and investors.

In this *Insights*, we examined how the methodologies of credit rating agencies are evolving to reflect the complexity and significance of data center ABS within structured finance. Credit rating agencies are adapting their rating methodologies to more directly consider distinguishing features of data center ABS. Data center ABS provide investors with an opportunity to gain exposure to a new and growing sector of the economy, while also presenting unique risks to be carefully considered. Our analysis of data center ABS issuances reveals strong credit ratings and competitive yields, positioning data center ABS as a viable alternative to traditional fixed-income investments. The next phase of data center growth will depend on managing power availability, construction reliability, and tenant diversification. Financing structures that do not address these issues directly may face higher borrowing costs and narrower investor demand.

About the Finance Practice

CRA's Finance Practice provides advanced consulting services to corporate clients and attorneys. We specialize in applying the tools, principles, and findings of finance, economics, and accounting to complex litigation and business problems. Companies, law firms, and government agencies rely on CRA for high-quality research and analysis, expert testimony, and comprehensive support in litigation and regulatory proceedings. Our reputation is built on exceptional client service and our ability to present innovative and pragmatic solutions to complicated challenges. For additional information about how CRA's experts can help you with your litigation and regulatory needs, please visit: **www.crai.com**.

Contacts

Tiago Duarte Silva, PhD
Vice President
+1-617-425-3128
tduarte@crai.com

Ana L. Balcárcel, PhD
Principal
+1-617-425-3341
abalcarcel@crai.com

Keith Czerney, PhD, CPA
Associate Principal
+1-312-619-3899
kczerney@crai.com

CRA Charles River Associates

The conclusions set forth herein are based on independent research and publicly available material. The views expressed herein are the views and opinions of the authors and do not reflect or represent the views of Charles River Associates or any of the organizations with which the authors are affiliated. Any opinion expressed herein shall not amount to any form of guarantee that the authors or Charles River Associates has determined or predicted future events or circumstances and no such reliance may be inferred or implied. The authors and Charles River Associates accept no duty of care or liability of any kind whatsoever to any party, and no responsibility for damages, if any, suffered by any party as a result of decisions made, or not made, or actions taken, or not taken, based on this paper. If you have questions or require further information regarding this issue of *CRA Insights: Finance*, please contact the contributor or editor at Charles River Associates. Detailed information about Charles River Associates, a trademark of CRA International, Inc., is available at www.crai.com.

Copyright 2025 Charles River Associates