BERNSTEIN
SOCIETE GENERALE GROUP

US Communications Infrastructure

Quick Take: Data centers and neoclouds - winners and losers if frontier models do slow development



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Over the weekend, Dario Amodei published an essay arguing frontier models should deliberately start to slow capability gains. Sam Altman endorsed the essay, as did Elon Musk. The framework is really around minimizing security risks - independent reviewers, coordination on safety standards, and international cooperation - at this point, it's not a call for a lowering of capex or stopping model training. However, many investors have started to question what happens if training slows.

From the infrastructure and neocloud perspective: **a decline or slowing in training pulls demand away from rural data center locations, many of which have been purpose-built for this latency-insensitive training demand**. We have a development pipeline of 488GW of nameplate capacity in the U.S. (170GW of which we consider to be credible). Of that pipeline, 36% sits in rural areas, another 34% in Tier 3 markets (like West Texas). That means 70% of the development pipeline is built with training (or latency-insensitive inference) in mind.

There is little debate that inference will take an increasing share of AI data center capacity over time. The big questions are a) how fast is that demand shifting and b) how latency-sensitive will it be? Unfortunately, the answer is not straightforward - we don't yet know what the (profitable?), widely adopted use cases will be. Certainly some will be latency insensitive or tolerant: bulk document, synthetic data generation and distillation, overnight batch scoring, etc. will all be fine in more training-type data centers. However, more agentic workflows requiring serialized tool calls, real-time voice applications, live translation, payment fraud authorization, and robotics are likely to need lower-latency infrastructure.

Regardless of the shift timing and the overall latency sensitivity of inference, Tier 1 metros are the safest and most valuable, with Tier 4 rural markets being the riskiest. Impacts will disproportionately hit portfolios of new, not-yet-leased construction for the developers and contracted-but-not-sold and/or shorter-term contracts for the neoclouds.

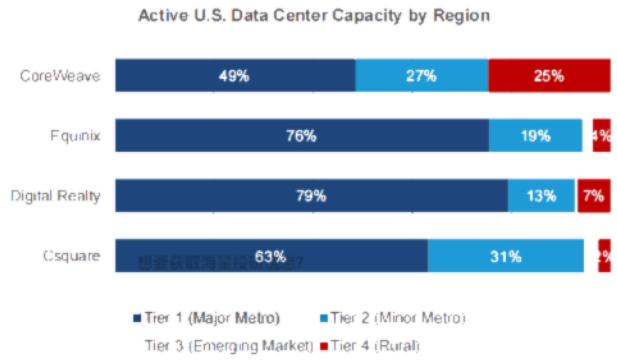
The most exposed name in our coverage is CoreWeave. We estimate that 25% of their existing active U.S. power with an additional ~74% of their contracted power is situated in Tier 3 and Tier 4 markets. The backlog is primarily comprised of take-or-pay contracts, so we do not anticipate a threat there, but could see a pullback in demand for the contracted-not-yet-sold rural power if training development slows.

Conversely, **EQIX, DLR, and CSQR are all insulated with 95%, 92%, and 94% of existing U.S. capacity sitting in Major (Tier 1) and Minor (Tier 2) Metros**. Most future development will also fall within Tier 1 and 2 Metros. Finally, Interconn strength for all three of these companies (especially EQIX), and will sup their Tier 1 and 2 locations in a more inference-based market.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.
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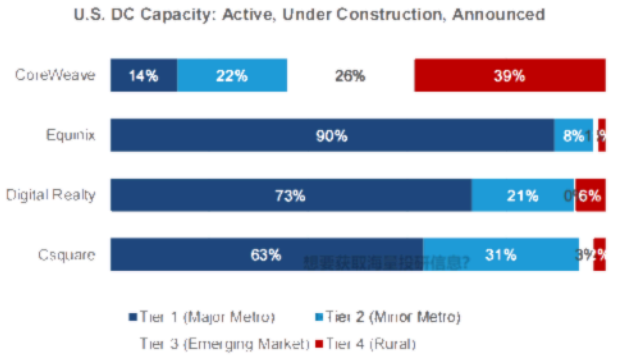
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EXHIBIT 1: **U.S. Data Center Capacity Active Today (% of U.S. footprint, GW)**



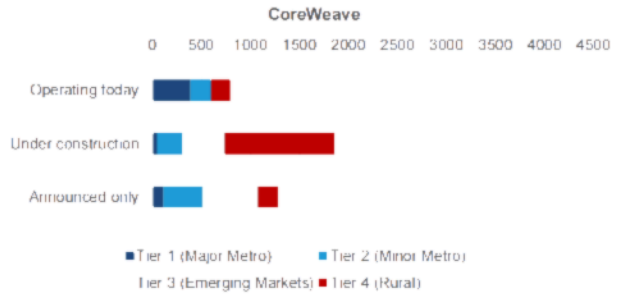
Source: Aterio Data as of August 31, 2026; Bernstein Research and Analysis

EXHIBIT 2: **U.S. Data Center Capacity Active, Under Construction, and Announced (% of U.S. footprint, GW)**



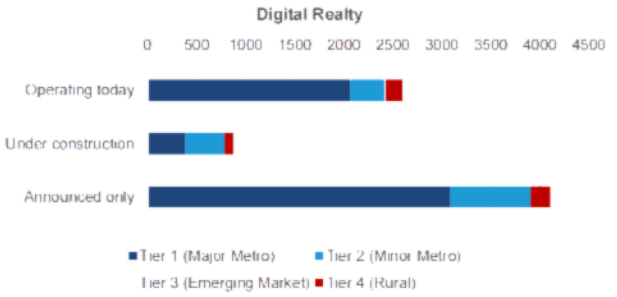
Source: Aterio Data as of August 31, 2026; Bernstein Research and Analysis

EXHIBIT 3: **CoreWeave Data Center Capacity (Nameplate GW Contracted, U.S.)**



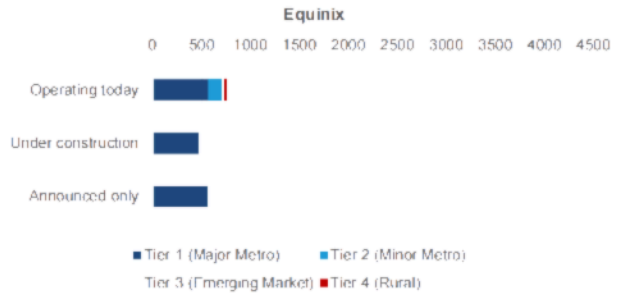
Source: Aterio Data as of August 31, 2026; Bernstein Research and Analysis

EXHIBIT 4: **Digital Realty Data Center Capacity (Nameplate GW, U.S.)**



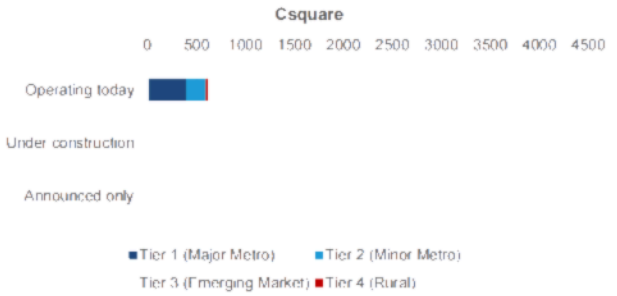
Source: Aterio Data as of August 31, 2026; Bernstein Research and Analysis

EXHIBIT 5: **Equinix Data Center Capacity (Nameplate GW, U.S.)**



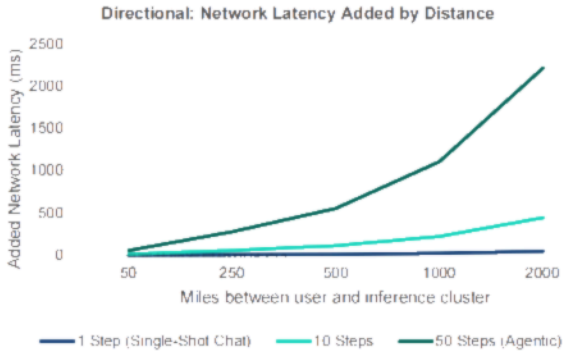
Source: Aterio Data as of August 31, 2026; Bernstein Research and Analysis

EXHIBIT 6: **Csquare Data Center Capacity (Nameplate GW, U.S.)**



Source: Aterio Data as of August 31, 2026; Bernstein Research and Analysis

EXHIBIT 7: **Directional Network Latency Added by Distance**



Source: Bernstein Research and Analysis

METRO TIERING:

- **Tier 1 (Major Metro):** Northern Virginia, Dallas–Fort Worth, Silicon Valley, Phoenix, Chicago, Atlanta, New York / Northern New Jersey
- **Tier 2 (Minor Metro):** Columbus, Hillsboro/Portland, Reno/Sparks, Las Vegas, Salt Lake City, Austin, San Antonio, Houston, Charlotte, Raleigh/RTP, Denver, Minneapolis, Seattle, Miami, Boston, Philadelphia, Los Angeles / Inland Empire, San Diego, Sacramento, Detroit, St. Louis, Kansas City, Nashville, Richmond, Washington DC / Maryland, Baltimore, Toronto, Montréal, Vancouver, Calgary, Edmonton
- **Tier 3 (Emerging):**West Texas (Abilene, San Angelo, Permian, Panhandle), Central & Southern Utah (Delta, Howell), Eastern & Central Oregon (Boardman, Prineville), Central Louisiana, Mississippi, Indiana (New Carlisle, Indianapolis), Iowa (Des Moines, Council Bluffs), Omaha, SE New Mexico (Lea/Permian), Augusta and outer GA, Pennsylvania (Scranton/NEPA, Lehigh Valley, Harrisburg, Pittsburgh), Southside VA, Hampton Roads, upstate NY, Ohio secondary (Cleveland, Cincinnati, Dayton), Tucson, NC/SC/FL/TN/AL/KY/WI/OK/AR secondary metros, Central Washington (Quincy, Wenatchee), Boise, Cheyenne, Fargo, Sioux Falls, New England secondary, Delaware, California non-metro
- **Tier 4 (Rural):** Single-site rural builds across the US - rural Minnesota, Kansas, Maine, and other tertiary US sites outside any recognized data center cluster

INVESTMENT IMPLICATIONS

We maintain our Outperform ratings on EQIX ($1270), DLR ($226), and CSQR ($27).

We maintain our Underperform rating on CRWV ($74).

BERNSTEIN TICKER TABLE

			11 Sep 2026 Closing		TTM	Adjusted EPS				Adjusted P/E (x)	
Ticker	Rating	Cur	Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
CRWV (CoreWeave)	U	USD	88.99	74.00	(37.3)%	USD	(1.20)	(4.56)	(4.77)	N/M	305	38.7
CSQR (Csquare)	O	USD	17.42	27.00	NA	USD	0.00	(1.34)	(1.06)		(13.0)	(16.4)
DLR (Digital Realty)	O	USD	188.58	226.00	(8.3)%	USD	3.87	3.09	3.21	48.7	61.0	58.8
EQIX (Equinix)	O	USD	1,037.72	1,270.00	13.9%	USD	14.96	17.79	20.87	69.4	58.3	49.7
SPX			7,656.98									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

CRWV valuation is EV/EBIT (x);

Source: Bloomberg, Bernstein estimates and analysis.