



Cell towers have entered a new era of opportunity

Recent market action is beginning to reflect improving fundamentals, a move we have anticipated for some time. Towers' critical role in the digital economy supports the long-term opportunity.

by **Alec Overby**, Portfolio Manager, U.S. Real Estate

KEY TAKEAWAYS

The towers recovery is underway

Tower REITs gained 18.6% in October through the 23rd as headwinds faded, with an added boost from reports that SpaceX is considering a terrestrial network that could increase leasing demand.

Towers and satellites are complementary

Towers are critical infrastructure supporting a more connected world. Rather than competing, towers and satellites serve distinct needs: towers deliver capacity; satellites extend coverage.

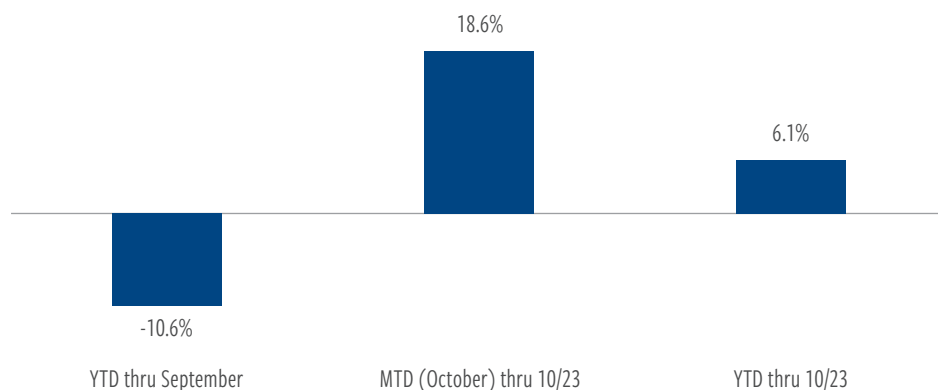
Improving fundamentals support valuation upside

Towers still trade at a 6.2x price-to-cash-flow discount to the broader REIT market. Expected improving cash flow could narrow that gap, with renewed carrier investment providing another potential catalyst.

After declining 10.6% year to date through September 30, tower stocks gained 18.6% in October through the 23rd, bringing year-to-date returns back into positive territory (Exhibit 1). That reversal is consistent with a fundamental recovery we have been expecting—and publicly forecasting—for some time.

EXHIBIT 1

Towers October rally pushes performance into positive territory



At October 23, 2026. Source: Bloomberg. Based on FTSE Nareit All Equity REITs Index.

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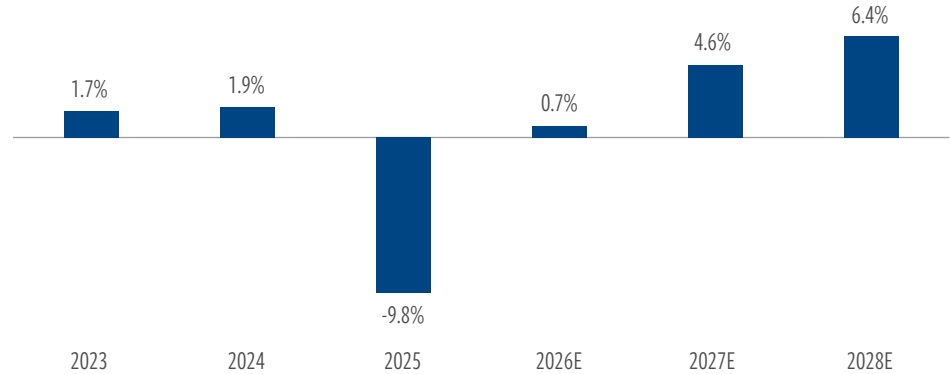
Our conviction has been grounded in the essential role towers play in today's connected world. Towers are critical infrastructure connecting the computing power of data centers and the cloud with consumers and businesses. As mobile video, fixed wireless, connected devices and AI-enabled applications drive greater data consumption, wireless networks need the capacity towers provide.

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Now the fundamental and market stories are beginning to converge. We forecast cash flow growth approaching 5% in 2027 and more than 6% in 2028 as previous headwinds diminish (Exhibit 2).

EXHIBIT 2

We anticipate stronger cash flows as headwinds fade



At October 23, 2026. Source: Cohen & Steers estimates, Bloomberg.
There is no guarantee that any market forecast will be realized.

And a potential new catalyst is emerging: Reports that SpaceX is considering a sizable terrestrial network suggest that satellite connectivity could ultimately create additional tower demand rather than displace it. That news drove a one-day climb of 5.2% in tower REITs on October 23.

Durable secular demand and fading headwinds were already driving a recovery in cash flow growth. The potential emergence of a new large-scale carrier should only accelerate it. Valuations do not yet reflect this possibility, setting the stage for a meaningful re-rating.

The road to recovery in cash flow growth

Share price weakness from 2021 through 2025 reflected an unusual concentration of headwinds that weighed on cash flow growth. The Sprint network consolidation and subsequent DISH lease cancellations removed duplicate equipment from tower sites and pressured rental income. At the same time, carrier investment slowed after the initial 5G buildout, limiting new leasing available to offset those cancellations. Asset sales reduced the contribution from income-producing assets, while higher interest rates increased refinancing costs and compressed valuations.

Those headwinds have faded. The major Sprint and DISH lease cancellations were one-time events and are now substantially reflected in results. No remaining tenant outside the three national carriers represents more than 1% of U.S. tower revenue, reducing the risk of another comparable cancellation cycle. The effects of asset sales and the most significant refinancing resets are also increasingly priced into the earnings base.

As these finite drags roll off, cash flow growth has a clearer path to recovery, and that recovery does not depend on a sharp near-term acceleration in carrier spending. Renewed carrier investment would only provide additional upside.

We believe the rebound we're seeing now is consistent with growing recognition of improving fundamentals that had been developing beneath the surface, even as tower shares continued to struggle. Importantly, the fundamental recovery does not require a new source of carrier demand. The potential emergence of another large-scale terrestrial carrier would represent incremental upside to an investment case already supported by recovering cash flow growth and secular demand for network capacity.

EXHIBIT 3

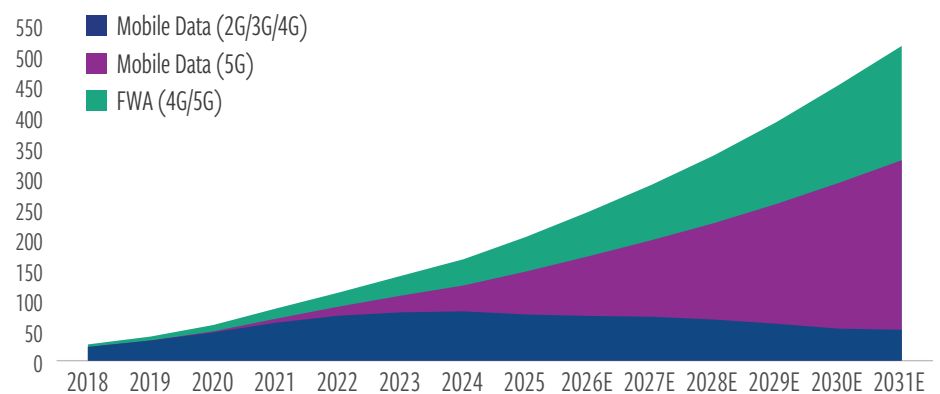
Global mobile data use continues to climb (Exabytes per month^(a))

At June 30, 2026, unless otherwise noted.

Source: Ericsson Mobility Report, Cohen & Steers estimates.

Data quoted represents past performance, which is no guarantee of future results. There is no guarantee that any market forecast will be realized.

(a) One exabyte equals one billion gigabytes.



A perceived threat could become a new growth catalyst

Some investors have viewed satellite connectivity as a potential threat to towers. We see the technologies as serving complementary functions.

Satellites extend coverage; towers provide capacity. Satellites can efficiently bring connectivity to remote and sparsely populated areas where terrestrial deployment is less economic. Towers provide the dense, high-capacity infrastructure required where data usage is concentrated, particularly for indoor service and increasingly data-intensive applications.

Recent reports that SpaceX is considering building a sizable terrestrial network reinforce the potential connection between the two forms of infrastructure. The ultimate size and scope of any SpaceX deployment remain uncertain. But a meaningful terrestrial build could create something the U.S. tower industry has lacked: an additional large-scale source of carrier demand.

The precise number of sites is less important to the investment case than the potential emergence of another substantial user of macro tower infrastructure. Our scenario analysis indicates that a sizable new network build could add approximately 100–200 basis points to current net organic revenue growth over a multi-year deployment period, without requiring any acceleration in activity from the three incumbent national carriers.

That incremental revenue could have an outsized effect on cash flow, because much of it would leverage infrastructure already in place. And any competitive response from incumbent carriers seeking to strengthen their own networks could provide an additional source of leasing activity.

Once again, this possibility represents upside to our existing outlook, which is already positive. Our expectation for recovering tower cash flow growth does not depend on a SpaceX build or a significant acceleration in investment from the existing national carriers.

Valuations offer additional potential

Despite the recent rebound, tower valuations remain substantially lower than earlier in the cycle: Shares currently trade at a 4.1x discount to the broader REIT market on price-to-cash-flow multiples, compared with a 6.6x premium in 2020 (Exhibit 4).

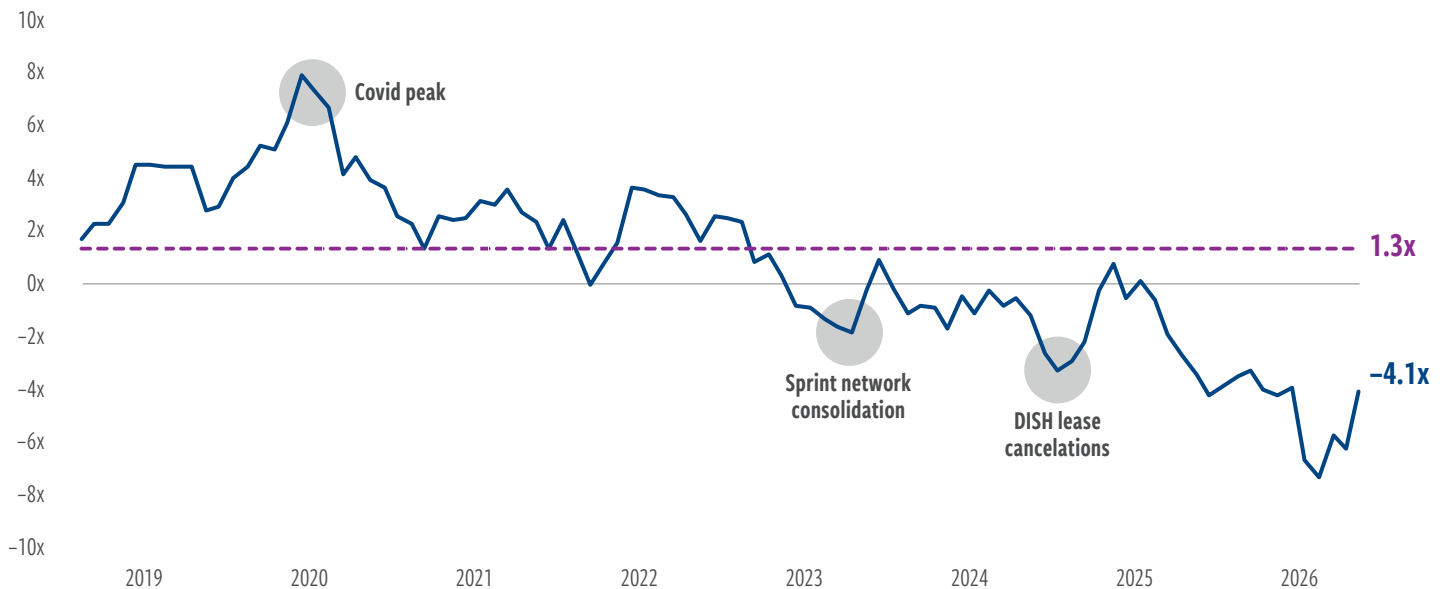
We believe continued improvement in cash flow growth could narrow that gap. This creates the potential for returns from both underlying earnings growth and valuation re-rating, with renewed carrier investment providing another possible source of upside.

What the market once viewed as a disruption risk could ultimately become another catalyst for an asset class whose fundamental recovery is already underway.

EXHIBIT 4

Tower valuations have overcorrected

Tower cash flow multiple spread to REITs^(a)



At October 26, 2026. Source: Cohen & Steers, Bloomberg.
(a) Cash flow multiples represented by FAD multiples.

Towers and satellites complement each other as data demand climbs



Towers



Satellites

Economic function	Serves concentrated demand where usage supports terrestrial investment	Extends geographic reach where terrestrial investment is uneconomic
Capacity scaling	Adds radios, sectors, spectrum and nearby sites; frequent spectrum reuse improves capacity economics	Adds beams, spectrum and satellites, but users share capacity across larger service areas
Service profile	High-throughput, low-latency and indoor service in traffic-dense locations	Wider coverage; messaging and lower-intensity data where a clear satellite path is available
Carrier implication	Primary outlet for capacity spending, densification and (potentially) new terrestrial network deployment	Extends coverage and adds resilience beyond the terrestrial grid
Long-term role	Scales capacity as connected users, devices and data-intensive applications increase	Expands coverage and brings more users and applications into the wireless ecosystem

About the author

Alec Overby, CFA, Vice President, is a portfolio manager on the U.S. real estate team. He has 21 years of experience. Prior to joining the firm in 2017, Mr. Overby was a senior analyst and assistant portfolio manager on the global real estate securities team at EII Capital Management. Previously, he was an analyst at Millennium Management and Zilkha Investments. Mr. Overby has a BA from Vanderbilt University and is based in New York.



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