

REPORT REPRINT

VIRTUS expanding with two more MTDC facilities in London market

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The company's new datacenter site to the west of London will provide a total of 40MW of customer IT capacity when fully built out.

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VIRTUS Data Centres has secured a UK campus midway between Slough and London's Docklands, where it will build its fifth and sixth datacenters in the market. Called LONDON5 and LONDON6, they will provide a total of 40MW of customer IT capacity when fully built out. VIRTUS has already secured 110MVA for the eight-acre site that it is labeling as a 'megacampus' near the Stockley Park business park in greater London.

This new campus will allow VIRTUS to construct datacenters much larger than it has to date. VIRTUS will leverage the existing shell and core of buildings already on site, which means it could bring its first hall online at LONDON5 in as little as six months (although official launch is likely to be scheduled for June 2018). The provider is already running at about 75% utilization at its other sites, where it has 43MW commissioned in total, and customers are seeking growth options. The site is not far from Slough (seven miles), and is 16 miles from central London. It is also located close to major fiber routes.

THE 451 TAKE

VIRTUS, backed by ST Telemedia and Brockton Capital, has been lucky to secure available land for its new build in London. We hear suitable sites are more difficult to come by. And, even more important than the land in some markets, is the power, and VIRTUS has managed to leverage its long-term negotiation of power for the region - where it operates a number of other datacenters - which means it has access to 110MVA from day one. This new investment also means VIRTUS can react much faster to market demand for hyperscale cloud facilities. Cloud providers are seeking space fast across the market, and often won't wait for lengthy builds to come online. This new site will also allow VIRTUS to meet any requirements, from first right of refusals from existing customers, and to meet the requirements of its growing ecosystem.

CONTEXT

VIRTUS Data Centres is 49% backed by ST Telemedia, with Brockton Capital holding a slight majority share in the JV venture. ST Telemedia invested in VIRTUS in 2015, with the company seeing additional investment for further London expansion.

It first entered the market in 2011 with LONDON1 in Enfield, London, then built LONDON2 in Hayes in 2014. It then acquired LONDON4 from Infinity SDC providing it with footprint in Slough. VIRTUS did intend to build LONDON3 at its Hayes site (hence the naming convention), but instead chose to use additional space on its Slough site so it could leverage LONDON4's connectivity by tethering in to the site.

LONDON3 is being constructed now. It will add 32,291 square feet of technical space in two phases, the first of which will come online in the summer of 2018.

VIRTUS offers carrier-neutral wholesale datacenter space, and also has some retail colocation halls. It promotes flexible use of space across its estate and inside its datacenters, with contracts that allow customers to flex up and down. Its focus is largely on the cloud providers entering the London market, but it also services the public sector, education institutions, financial services and life science verticals, among others.

NEW SITE

The site VIRTUS has chosen is west of Zenium Data Center's Stockley Park site, which Zenium acquired from Infinity SDC last year. As an area inside the M25 ring road that circles London, Stockley Park has been popular with a number of industries seeking outer locations in London's commuter belt, including the pharmaceutical industry (GlaxoSmithKline has a large office there) and technology companies like Toshiba, Apple, Cannon and Rackspace.

The eight acres that VIRTUS has acquired came with two existing logistics sheds adjacent to one another, and VIRTUS will use these for a brownfield development. VIRTUS has already started work on LONDON5 so it can fit out space for one customer. Once fully built, the sites will offer about 183,000 square feet of technical space, and 371,086 square feet gross.

Connectivity runs close by the site, and VIRTUS intends to dig the last mile to the datacenters. It will also offer dual connections to the electricity grid.

LONDON DEMAND

It's been an interesting year for providers in the London multi-tenant datacenter market – consolidation, Brexit and incoming data regulations are all raising concerns. But the market has proven its resilience, experiencing its strongest year yet in terms of supply growth.

Providers brought a record 463,018 square feet of operational supply online through 2016. Colocation providers in London (wholesale and retail) as of the close of Q3 2017 offer more than 4.72 million square feet of supply, 77% of which is leveraged by customers.

Many projects are scheduled to come online through the remainder of this year. The entrance of large cloud providers and growing colocation adoption by managed service providers and systems integrators will drive a lot of the demand for wholesale and retail supply. The market is also seeing renewed interest from the enterprise community.

COMPETITION

VIRTUS Data Centres competes with a number of providers in the London market – wholesale and retail (mostly where retail providers are trying to win large cloud deals).

When it comes to wholesale-only deals, it competes against the likes of Colt Data Centres, NTT Gyron, Digital Realty and ARK Data Centres, which all operate on the outskirts of London city. It will also compete with relative newcomer Zenium, which now offers datacenter space in Slough and Stockley Park in the UK.

SWOT ANALYSIS

STRENGTHS

VIRTUS has proven that you can do flexible colocation at scale, and this has been a hit with large cloud providers entering the London market.

WEAKNESSES

The provider promotes lower costs as part of its USP, which means margins are a little bit lower, but it now has the backing of ST Telemedia to help fund expansion.

OPPORTUNITIES

There is a requirement for providers to have space online now - or within six months - to secure some of the larger cloud deals in the market today.

THREATS

A number of providers are trying to build speculatively in today's market, including KAO Data, which will bring a large site online in Harlow, UK, this year. NTT Gyron also has a large campus it recently brought online, and Digital Realty is developing further in this market. But in many cases, the competition is also building with tenants in mind.