

London's VIRTUS breaks the traditional colocation mold

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London-based colocation and wholesale operator VIRTUS Data Centres, which offers well-connected space on the outskirts of the city (where prices are lower for power and land) has opened its newest facility LONDON2, in Hayes. Once fully built, it will bring 6,068 square meters of technical space to market that will be delivered out of six data halls (one hall has been fitted out for launch). VIRTUS secured 20MVA for the facility, which has been designed to cater for both high and low-density customers.

The company operates another 3,000-square-meter datacenter in Enfield, also just inside the M25 ring road that circles the city. Since opening LONDON1 in Enfield in 2011, VIRTUS has been adding services to colocation, including flexible pricing and contracts. It also offers access to third-party support services. Its focus has been on allowing customers to scale up and down with demand.

LONDON2 has been design certified Tier III by The Uptime Institute (an independent division of The 451 Group) and VIRTUS says it has managed to remove some of the cost associated with building in such high levels of resilience. This means it can provide a number of additional services free of charge and pass savings on to customers with lower prices.

In Hayes, 30% of the first phase has already been sold, with five customers already moved in – these include customers from LONDON1 expanding their operations (cloud company Exponential-e and colocation provider C4L). LONDON2 already provides access to more than 10 carriers, including six fiber providers – BT, Virgin Media, Colt, euNetworks, Zayo and SSE Telecoms – and VIRTUS says demand is already leading it to draw up designs for LONDON3, which could be located on the same site.

The facility has also renewed interest the investment community. Deutsche Bank provided £50m in debt funding that will be used for building new services, ducts for connectivity for LONDON2 and for

building LONDON3 in September. This is on top of a commitment from ongoing backer Brockton Capital, which says it plans to provide a further £100m funding over five years.

The 451 Take

VIRTUS rolls out facilities with a sales pipeline in mind, and is increasingly targeting US companies. It believes the London market will continue to provide strong levels of demand for quality space, but admits economic stability in the UK is not yet guaranteed. Despite this, the company has an experienced build-and-operate team that it says can roll out datacenters at two-thirds the cost of an average Tier III facility. As a result, it is seeing a lot of interest for new flexible contracts from cloud providers and enterprises migrating from in-house to colocation environments.

LONDON2 in Hayes

On top of being one of a handful of Tier III-certified facilities in London (Telecity and Colt also have Tier III datacenters in London), VIRTUS believes it is the first to be certified for its use of fresh-air cooling. It uses an adiabatic system by Excool. It has also secured energy from 100% sustainable sources and VIRTUS claims the facility – with a BREEAM Excellent rating – can achieve a power usage effectiveness (PUE) of less than 1.2.

VIRTUS CEO Neil Cresswell says he believes there is strong demand for Tier III facilities in London, especially from companies starting to migrate to hybrid cloud and those providing cloud to enterprise customers. While most of the interest in Hayes has come from cloud providers, it has also been in talks with financial services companies looking for proximity hosting. Overall, it says the pipeline for Hayes is strong, with 30 to 50% of engagement coming from the US, and the rest from Europe and the UK. It believes most customers are looking for between 50kW and 1MW.

VIRTUS has recently started targeting smaller US cloud providers with an outsourced sales presence in the US, but says it has fielded interest from some major Internet companies operating mega datacenters seeking a presence in London.

Connectivity and services

VIRTUS is reducing connectivity costs for telecommunications providers wanting to enter LONDON2 by building its own connectivity ducts – a network of ready-made tunnels for providers to connect fiber from existing routes north and south of the facility (Hayes is also situated between London and the datacenter hot spot of Slough). It says this makes LONDON2 a more attractive proposition for fiber providers. The project is a first for London, and follows its partnership with euNetworks that already provides ducts into LONDON2.

Other services

VIRTUS is not averse to innovation. 451 Research reported on its Colocation on Demand offering, which allows customers to track datacenter use through an iTRACS datacenter infrastructure management (DCIM) portal back in March. VIRTUS says it will eventually add new services to this portal developed with its own IP, including levels of automation for the delivery of order and invoicing forms.

In addition, VIRTUS plans to strengthen its Cloud Connect ecosystem, which includes Amazon Web Services and Microsoft Azure (as part of Level 3), C4L, Daisy and Exponential-e, among others. It is also looking to increase partnerships in other geographies. In the UK, it said it could consider working with datacenter providers such as Next Generation Data in Wales, which offers lower-cost space – perfect for storage and archiving – in geographically dispersed locations.

Competition

London is not a quiet market and competition comes from some of the strongest players in Europe today,

including Equinix, Digital Realty (on the wholesale side) and Telecity. With the rise in interest for proximity hosting, VIRTUS could also find itself up against Interxion. Smaller players in London that it may not see as competition now could also provide some concern in future as the market undergoes consolidation as part of its evolution. The company needs to look beyond UK borders. Efforts in Iceland and the Nordics, where power prices are cheap, may not have not been as detrimental as many first thought. However, other European locations such as Amsterdam and Frankfurt are providing competition for datacenter providers in London targeting the US due to strong market outlooks, cheaper offerings and dense connectivity options.

SWOT Analysis

Strengths

VIRTUS claims to have reduced the build cost of Tier III datacenters by focusing on the efficiencies in the blueprint for LONDON2 and it is using these savings to attract investment and drive the delivery of new services to win over customers.

Opportunities

London may now have more supply but there is also demand, especially out of the US. Having a service that can meet strong resilience, and now out of two redundant datacenters, will only strengthen its proposition.

Weaknesses

The company operates only out of London and cannot offer services and space elsewhere in Europe or the world under one contract like its biggest competitors will do.

Threats

London may be seeing signs of economic recovery, but the UK is not in the clear yet. The market is still brittle, and this could affect both investment in VIRTUS and the speed of demand acceleration in future.

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