VIRTUS doubles spare capacity after acquiring Slough datacenter from Infinity

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London-based VIRTUS Data Centres has acquired a Slough datacenter from Infinity SDC following a deal struck with VIRTUS investors Brockton Capital and Singapore Technologies Telemedia (ST Telemedia). The acquisition doubles VIRTUS' spare capacity in the busy London market, with the multi-tenant datacenter (MTDC) operator now having 35MW available for customers and prospects. It also frees Infinity SDC to focus on its remaining portfolio, which includes the Here East facility at Stratford that will come online next year and its second datacenter in Romford, also under construction.

THE 451 TAKE

The London MTDC market has seen considerable growth in recent years. And while we expect more supply to come online next year, this will be in line with rising demand. The market operates with about 70% utilization of operational space today. Providers such as VIRTUS that can offer high-quality, highly efficient and well connected datacenter space, serving the London market with multiple sites, are doing well and will continue to do so, especially with more US cloud service providers choosing UK colocation for both reach and compliance with European data regulations. These customers are increasingly demanding insight into a provider's ability to scale in location and offer greater power densities. The LONDON4 acquisition allows VIRTUS to provide this without having to wait for a new build to come online.

CONTEXT

VIRTUS Data Centres investor ST Telemedia was the largest shareholder in Equinix in its earlier days. It is also an investor in Level 3, which partners with VIRTUS to deliver DDoS security in its datacenters. Brockton Capital is one of VIRTUS Data Centre's early supporters.

VIRTUS commenced operations in 2008, and in 2009 acquired its first freehold site in Enfield, London and secured 8MVA of power. LONDON1 provides 30,000 square feet of technical space. LONDON2 opened in Hayes, just outside of London and a stone's throw from Slough, last year. It will offer 65,000 square feet of technical space once fully built. VIRTUS' LONDON3 datacenter is currently under offer, and delivery of new technical space is scheduled to go live in Q1, 2017. In recent years, the provider has seen significant growth across its portfolio, from which it offers carrier-neutral flexible space coupled with flexible contracts aimed at hybrid datacenter enterprise users and service providers. Its focus has been on the public sector, cloud, financial services, life sciences and education sectors.

The Slough datacenter acquisition includes the entire business operations, run as a separate Infinity holding company, for Infinity Slough – now branded VIRTUS LONDON4. The deal closed Friday, giving VIRTUS instant control over operations staff, building assets and customers. VIRTUS said operations at the datacenter will remain the same – it will continue to offer a mix of wholesale and retail space.

The acquisition follows investment made by ST Telemedia in VIRTUS earlier this year –it acquired a 49% stake in VIRTUS via a JV with Brockton Capital. The funding was designed to allow for further expansion in the UK market. VIRTUS is now considering its fifth datacenter location for London: VIRTUS operates LONDON1 in Enfield, LONDON2 in Hayes and LONDON3 on the same site is earmarked.

Infinity SDC Limited started its business in 2006 offering wholesale space. It has gradually moved into the retail colocation space, offering larger-sized retail deals. Infinity SDC is led by private investment firms including Rothschild Investment Trust and Lansdowne Partners. Today, it operates a datacenter with 10,000 square meters of technical space (28MVA) at Romford (Romford North) and it is building a second site in the same suburb (Romford South) that will bring 5,600 square meters to market next year. It also operates a 6,200-square-meter datacenter at Stockley Park. Romford has become a cluster for financial services and telecommunications customers while Stockley Park has attracted business form the public sector.

Infinity's main focus for 2016 will be the development of its Here East datacenter, which will offer more than 100,000 square feet of technical space. Constructed as part of a wider 1.2 million square feet digital hub for education, media and technology companies at the London Olympic Park site in Stratford, Here East will be launched mid-2016.

LONDON4

LONDON4 is part of the Slough Trading Estate datacenter ecosystem, located 24 miles from central London. It first opened in January 2014, and has 9,500 square meters of technical space over two floors (34MVA) – about half of this is operational and a quarter of the site overall is occupied today. The site was designed so it could be subdivided allowing for deals from a rack in shared space to a dedicated data hall with its own power and cooling. It can offer up to 40kW per rack, which ties in with VIRTUS' focus on high-density use cases. Chilled-water cooling and cold air containment is offered at the rack level. The datacenter also has a café, and 1,800 square meters of office space. VIRTUS eventually plans on connecting its Hayes facility with LONDON4, with many of the same providers – COLT, Level 3, Virgin Media, BT and EU Networks offering fiber connections for both facilities.

Seven customers inside LONDON4 already use a VIRTUS datacenter as part of a dual-site strategy, and similar certifications – ISO 27001 and IL3 – have been attained across both portfolios. On site staff offer 24x7 security and technical support, and VIRTUS has already incorporated its iTracs DCIM system that provides real-time monitoring dashboards and self-service tools for remote management. Traditionally the site has attracted retail users, systems integrators and customers from the education sector.

COMPETITION

As a location, Slough offers strong connectivity and available power. This has made it a favorable choice for a number of datacenter operators, including Equinix, which uses the location to serve financial services markets. CenturyLink also operates a large datacenter there (part of its Savvis acquisition) and IO is a more recent entry to the market. Virtus would have already come up against many of these providers offering space from nearby in Hayes. It will also compete with Digital Realty in outer London locations and Global Switch in London's Docklands for wholesale deals, and myriad retail colocation providers including Interxion.

SWOT ANALYSIS

STRENGTHS
VIRTUS is cementing its commitment to the London market even further with its Slough acquisition, at a time when the market is seeing some uncertainty brought about from the possible divestment of assets of other providers and consolidation.

WEAKNESSES
The MTDC provider is committing to a fair amount of capacity in a location less than 10 miles away from an existing build, which also offers room for VIRTUS to grow. There has been a significant amount of wholesale supply come online in Slough in the last year.

OPPORTUNITIES
Customers are increasingly demanding MTDC providers highlight ability to scale, provide reach and innovate with both technology and contract frameworks. VIRTUS has the agility to offer both innovation and scale and financial backing to commit to further growth.

THREATS
VIRTUS' success in London will rely on economic conditions and increasingly its position in terms of European data regulations. Some companies that might have used wholesale space to provide infrastructure as part of a whole-of-European strategy, will be assessing their UK datacenter needs, especially those with significant business operations in countries that are strict about data sovereignty.