



## News

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# Tritax Big Box targets exceptional returns from 147 MW data centre development opportunity

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21 Jan 2025

- **Delivering potential 9.3% yield-on-cost and significant development profits to shareholders**
- **Targeting delivery of 107MW Phase 1 data centre in H2 2027**
- **Expected to be one of the largest data centres in the UK on completion**
- **Additional c.1GW pipeline of data centre opportunities across the UK**

Tritax Big Box REIT plc has purchased a 74-acre site at Heathrow, London within the Slough Availability Zone, a key FLAP-D prime EMEA data centre location (the “Manor Farm site”).

Simultaneously, the Company has acquired a 50% share in a joint venture (“the JV”) with a leading European renewable and low carbon energy power generator (“the JV Partner”). The JV enables accelerated power delivery to the Manor Farm site using pre-existing grid connection agreements. The acquisition of an interest in the JV constitutes a related party transaction for the purposes of the UK Listing Rules, further details of which are set out below.

Subject to receiving planning consent, the acquisition of the land and stake in the JV facilitates an accelerated timeline to the potential delivery of up to 147 Megawatts (“MW”) of power to support the development of a major data centre scheme at Manor Farm.

In addition, Tritax Management LLP (“Tritax Management” or “the Manager”), working with the JV partner, has created a further pipeline of potential data centre opportunities in key locations within the UK utilising power availability of c.1 gigawatt (“GW”).

### **A prime location for a latest generation data centre of significant scale**

- The 74-acre Manor Farm site, located within the Slough Availability Zone near Heathrow Airport, is adjacent to key data cable routes providing high levels of connectivity and making it attractive to hyperscaler and co-location operators.
- The site has the potential for an initial data centre of 107 MW (“Phase 1”) on land currently used for open industrial storage, targeting commencement of construction in H1 2026.
- The site also offers the potential for further expansion with a possible second phase data centre (“Phase 2”) of 40 MW (both of which are subject to planning) bringing the site’s total potential to 147 MW.
- Phase 1 is expected to be one of the most advanced data centres in Europe totalling 448,000 sq ft of data halls across three floors.
- The JV provides the site with grid connections to two independent transmission substations providing exceptional resilience in addition to co-located utility scale battery storage.

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## Targeting exceptional returns and accelerated timeline with 9.3% yield on cost<sup>[1]</sup> and significant development profits

- The Phase 1 data centre will be developed on a “powered shell” basis, conditional on the receipt of planning consent and securing a pre-let:
  - Indicative capex costs of approximately £365 million are inclusive of land, construction, JV stake acquisition, transaction costs and fees, and the Company’s 50% share of the power related infrastructure costs.
  - The Company expects to fund this project through a combination of existing financial resources and its ongoing capital recycling programme.
  - The Company believes the “powered shell” model provides attractive returns without taking on operational risk and draws upon its strong track record in delivering large scale logistics buildings let to sophisticated and demanding clients.
- Based upon expected rental levels<sup>[2]</sup>, the anticipated yield on cost from Phase 1 is approximately 9.3%, complementing the returns within our logistics development pipeline which typically targets a 6-8% range, and is particularly attractive given the prime London location, the scale of data centre and the accelerated timeline for delivery.
- With prime data centre assets currently commanding a stabilised investment yield of 5.0-5.5% the scheme is expected to deliver significant development profit to the Company’s shareholders, in addition to generating an attractive income stream and diversifying the Company’s range of clients.
- A planning application for the development of Phase 1 has been submitted, and a determination is expected in H2 2025. Assuming a pre-let is achieved ahead of this, construction of Phase 1 would commence in H1 2026 with practical completion and income recognition expected in H2 2027.

## Tritax Management has created a potential data centre pipeline of up to 1 GW

- Acute scarcity of deliverable grid connections has restricted the development of data centres in this prime location.
- The Manager, having identified the site’s potential for a data centre, has secured a JV partner enabling contracted and accelerated power delivery to Phase 1 of the Manor Farm site in H2 2027, using the JV partner’s pre-existing grid connection agreements.
- Through this approach, the Manager has unlocked power faster than applying directly to the grid where power could have taken more than 10 years to secure.
- The JV holds the rights to the Manor Farm grid connections and will own the power infrastructure, with the JV Partner responsible for the delivery of power and the associated infrastructure. Meanwhile the Company can utilise 100% of the power and is responsible for delivering the land and real estate components (which sit outside the JV and will be owned outright by the Company).
- Based upon independent valuations, given the intrinsic value of the JV attached to the land purchased, the Company expects to benefit from an initial value increase above the cost of investment in the site.
- In a similar manner to land options used within the Company’s development pipeline, the Manager has built a pipeline of additional grid connection agreements across the UK

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## **An attractive market at a key inflection point, underpinned by long-term demand drivers and scarcity of powered land**

- Global demand for data centres, driven by growth in cloud computing and higher AI adoption, is expected to rise between 19-22% annually from 2023 to 2030<sup>[3]</sup>
- London's global standing and connectivity has made it Europe's primary data centre market and one of the largest globally.
- Data centre providers are struggling to keep pace with strong demand for capacity. The market is constrained by significant barriers to new supply due to a lack of suitably located land with access to appropriate power within an acceptable timeframe.
- The UK Government has recently classified data centres as critical national infrastructure, emphasising their importance to the UK economy.

### **Contractual arrangements**

The land at Manor Farm is being acquired from Airport Industrial Property Unit Trust<sup>[4]</sup> ("AIPUT"). The JV stake is being acquired from Tritax Management. All return related figures in this announcement are presented net of the following consideration and fees payable to AIPUT and Tritax Management as outlined below:

- AIPUT will receive:
  - An initial £70 million consideration for the land at the Manor Farm site, based on a logistics underwrite; and
  - A further consideration of 21% of the Phase 1 development profits<sup>[5]</sup>, contingent upon full delivery of a practically complete and let data centre.
- Tritax Management, which has made significant investments in its power capabilities, including establishing a dedicated power team who have been instrumental in originating the data centre opportunity for the Company, will receive:
  - £6.1 million in consideration for its 50% ownership of the JV, including a first right of refusal for the Company on the Manager's data centre pipeline;
  - A development management fee, in line with market terms, of up to 5% of the development cost<sup>[6]</sup> of the scheme, contingent upon receiving planning consent; and
  - A profit share<sup>[7]</sup> of 17.5% of the total Phase 1 development profits, contingent upon full delivery of a practically completed and let data centre, of which 50% will be applied to the subscription or acquisition of shares in the Company<sup>[8]</sup>.
- In connection with these arrangements, the Company has entered into a development management agreement with Tritax Management pursuant to which Tritax Management has been appointed to provide development management and technical services, including pursuing planning, overseeing construction, pre-letting services, technical electricity expertise and overseeing the technical aspects of the Company's role in the JV and all power related elements.
- Tritax Management is a related party of the Company pursuant to UKLR 11.5.3R. The development management fee and profit share payments outlined above to Tritax Management are deemed to be relevant related party transactions under UKLR 11.5.4R.
- The Board considers that the agreement regarding the development management fee and

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concerned and the Directors have been so advised by Jefferies International Limited in its capacity as sponsor.

### **Aubrey Adams, Chairman of Tritax Big Box, commented**

“This is a decisive and exciting first step for the Company in the very attractive data centre market which the Manager has unlocked with its power and real estate capabilities. This gives the Company a considerable competitive advantage in capturing the growing demand for data centre infrastructure. The combination of Manor Farm’s prime London location and accelerated access to critical grid connection agreements creates the opportunity to develop quickly one of the UK’s largest data centres and deliver exceptional returns for our shareholders.

“Over the past four years, the Manager has independently developed and invested in its power capabilities, securing a joint venture arrangement with one of Europe’s largest major renewable and low-carbon energy generators which the Company is now acquiring at Manor Farm. This provides accelerated access to power in this prime data centre location, where a lack of power has significantly restricted the development of these nationally critical infrastructure projects. Having taken extensive and independent professional advice, the Board of Tritax Big Box has successfully negotiated preferential access and terms for this opportunity, which generates exceptional returns and complements our logistics development pipeline. The Board has also negotiated a right of first refusal with the Manager for all future data centre opportunities with up to c.1 GW of power capacity.”

[1] This is a target only and not a profit forecast. There can be no assurance that this target will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, investors should not place any reliance on this target in deciding whether or not to invest in the Company.

[2] Independently verified by a third-party agency using comparable evidence

[3] Source: McKinsey & Company

[4] AIPUT is an independently owned Jersey Property Unit Trust managed by Tritax Management LLP which, for the avoidance of doubt does not form part of the Manager’s group, and therefore, is not a related party of the Company for the purposes of the UK Listing Rules. The independent unit holders of AIPUT approved the sale of land at Manor Farm to the Company via a vote.

[5] AIPUT will receive 30% of the real estate and battery storage related profits equivalent to 21% of total Phase 1 profits.

[6] The development management fee is payable by reference to different milestones, with 2.5% payable in quarterly instalments contingent and commencing from the start of

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satisfactory planning permission and the date of exchange of an acceptable pre-letting agreement.

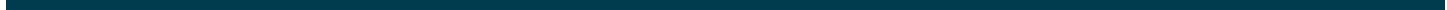
- [7] The Phase 1 profit in respect of the above contingent profit share arrangements is calculated as the fair value of the asset base at the time of completion (as confirmed by an independent valuer) less all associated costs.
- [8] Subject to a 12 month lock up arrangement.

## Downloads

| Title                  | Download |
|------------------------|----------|
| Manor Farm RNS (Final) |          |

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