Tritax Big Box
Company Announcement

Video Webcast

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Transcript

Ian Brown: Good morning and welcome. We are very excited to be sharing more details with you on our first data centre opportunity at Manor Farm Heathrow, and a pipeline of further DC opportunities. I'm Ian Brown, head of strategy and investor relations, and I'm joined by the Chairman of Tritax Big Box, Aubrey Adams, and Colin Godfrey and Frankie Whitehead, the CEO and CFO for Tritax Big Box REIT.

Shortly, I'll hand over to Aubrey, but as a reminder, there will be a live Q&A at the end of this presentation for investors and analysts. You have two ways to ask a question, either through the web chat on the presentation viewer, or you can use the dial in detail in today's announcement to ask your question verbally. Finally, a reminder, a replay and transcript will be made available shortly afterwards on our website. Thank you.

Aubrey Adams: Good morning, everyone. On behalf of the board and I thank you for joining us this morning. We are very excited to announce Tritax Big Box's first data centre opportunity and unveil our data centre pipeline. As many of you will know, demand for data centres is growing rapidly and is expected to continue to do so. It reminds me of the launch of Tritax Big box itself back in 2013 when we pioneered an exciting and new asset class, supported by long-term fundamentals, driven by changes in the way we live and work. And like the evolution of logistics real estate, we are seeing new purpose-built and very large data centres coming to the fore. It is these 'big box' data centres that the leading hyperscalers and co-locators increasingly demand, and the key to unlocking these opportunities is power.

Tritax Management has been exploring power and investing in its power capabilities over the last four years. The opportunities we are presenting today are the direct consequence of this investment and the manager's entrepreneurial and dynamic culture. Recognising the related party nature of some aspects of this, the Tritax Big Box board has scrutinised the opportunity and take an independent professional advice where necessary. Following extensive negotiations and due diligence, the board is satisfied that Tritax Big Box shareholders are getting access to compelling opportunity that has the potential to generate very attractive returns on favourable terms.

In addition, the board has secured a right of first refusal over future data centre opportunities generated by the manager, creating a pipeline of potentially one gigawatt. This natural progression of adding data centres complements the already extensive opportunities we have within the business from the attractive UK logistics market. With a strong balance sheet and our ongoing capital rotation program, we have the financial resources to deliver our strategy and drive enhanced returns for shareholders. I'll now hand you over to Colin and Frankie to run you through our first data centre opportunity and our approach to accessing this exciting new market.

Colin Godfrey: Thank you, Aubrey, and good morning, everyone. Well, today we are outlining how Tritax is creating compelling opportunities in data centres with the potential to deliver exceptional returns. And as we'll set out over the next few minutes, we see an incredibly exciting opportunity. Very strong demand for data centres combined with a scarcity of power creates attractive market dynamics. We have the expertise to capture this market built on our experience at developing large scale logistics buildings and from the investment which Tritax Management has made in its power capabilities.

Over the last four years, Tritax Management has been investing in and exploring potential power opportunities based on a principle of accelerated delivery and assembling a first-class delivery team, including our partnership with the leading European power generator. As a result, Tritax has created an attractive pipeline of future data centre opportunities totalling one gigawatt, supported by early phase grid connections.

Today, we are announcing the details of our first opportunity at Manor Farm Heathrow. This is an absolutely prime data centre location with potential power of up to 147 megawatts in the critical Slough Availability Zone. When completed, it'll be one of the largest data centres in the UK, purpose built, and of the highest quality. And it's not just the scale of this opportunity, which makes it stand out, but the pace at which we can deliver it. In a location with an acute shortage of available power and where new applications by others are having to wait as long as 2035, we can access 107 megawatts for phase one of Manor Farm rapidly, and this means that we could potentially have a fully operational and income producing data centre as early as the second half of 2027.

The opportunity at Manor Farm has the potential to generate exceptional returns for Tritax Big Box shareholders with the phase one expected to achieve a 9.3% yield on cost and deliver a significant development profit. We are very excited about the opportunities in data centres, which complement our strategy and logistics portfolio and enhances overall returns for Tritax Big Box shareholders.

As has been widely reported, demand for data centres globally is growing rapidly. This growth is driven by increasing demand for data storage and processing because of the increasingly digitised way in which we live. Demand has increased further with the arrival of AI, which is currently in its relative infancy, but is expected to grow significantly as it is applied to more aspects of our lives.

London is the most important data centre market in Europe, in part thanks to its geography and network of global data routes, but the scarcity of grid connections and limited land availability means that, despite its global prominence, London is struggling to keep pace from a supply perspective.

As a result, supply of new data centres in London is highly constrained with current wait times for additional power connections taking 10 years or more. For these reasons, the UK government has recently classified data centres as critical national infrastructure, emphasising their importance to the UK economy. Annual demand is strong, driven largely by lettings to hyperscalers at facilities within the Western Corridor Availability Zones.

It is the extreme demand-supply imbalance coupled with the high profitability of data centre operators that supports the opportunity for long-term rental growth and as Aubrey mentioned in a similar manner to logistics and E-commerce, this feels very much like a market at a key inflection point with a lot of growth to come.

We believe that data centres are a natural adjacency for us and are strategically complementary. We have all sought to own and develop the highest quality assets because they typically attract strong clients that underpin our income and provide resilience in weaker economic conditions.

With logistics assets, we are pursuing a development-led route to market, which secures high returns, gives us control over the quality of the real estate and allows us to influence the least terms, and our philosophy is the same when it comes to data centres.

We want to own the most modern and highest quality data centres of scale, potentially let to some of the strongest covenants globally. This should continue to enhance the quality of our investment portfolio and further strengthen our attractive rental income.

And finally, our ongoing active management both aims to maximise returns and accretively rotate capital, providing an attractive source of funding for data centre and logistics opportunities.

So, as I have said, the outlook for the data centre market is strong and we see a clear strategic fit and Tritax Management, including its power team, has been key to unlocking this data centre opportunity for Big Box.

Tritax Management prides itself on being entrepreneurial, a characteristic which helped it to identify these potential opportunities in power.

Four years ago, Tritax Management began building out its power capabilities, originally to explore opportunities in gigafactories, making a key hire from the National Grid, and since then has been developing valuable knowledge and relationships to produce the current pipeline of opportunities.

Key to the success of this has been a power first approach. Combining a deep understanding of the UK power grid with our real estate experience. Put simply, rather than starting with land like many others and then trying to bring in power, which can often take up to a decade, Tritax Management has done the reverse by identifying accelerated routes to power and then matching that to the most suitable land solution.

In the acutely constrained market that I described earlier, the marriage value of power and appropriate land is very meaningful. This has been enabled in part through our joint venture partner, a European leader in renewable and low carbon energy generation. Tritax Management has created a pipeline of valuable grid connections that provide accelerated access to power with our JV partner being responsible for delivering the power infrastructure to our sites.

It's also worth emphasising that Tritax's expertise in securing land, navigating the convoluted UK planning regime and managing complex development projects is directly applicable to unlocking the data centre opportunity, as evidenced by our large multi-deck logistics buildings.

They're let to very sophisticated and demanding clients and are in effect large, powered shells, similar to the DCs that we will be creating.

It is therefore the bringing together of the two respective leaders in their fields that has unlocked this significant opportunity at Heathrow for Tritax Big Box.

The investment made by Tritax Management, the relationship with our joint venture partner, and our in-house experience have combined to create a valuable and attractive pipeline of data centre opportunities for Big Box.

In a similar manner to you using options on development land, Tritax Management has built a pipeline of grid connection agreements near sites suitable for data centres in the Southeast and Midlands. These agreements have the potential to deliver up to one gigawatt of power.

As we've outlined, power is the key factor in being able to capture data centre opportunities and we're excited about the potential returns that we can deliver to big box shareholders through this pipeline. Data centres can command significantly higher rents than logistics buildings, and this gives us the opportunity to enhance shareholder returns, delivering powered shell assets with a yield on cost of between 8% and 10%.

Most exciting of all is we have an opportunity that we can invest in today, in addition to others in the near to medium term.

The first of which is an absolutely prime data centre opportunity at Manor Farm near Heathrow, which could be built and income producing in the second half of 2027. Having secured the power, we can accelerate the normal timeline for data centres in this location.

The image here is a CGI of the Manor Farm Scheme. The first thing to note is how similar it looks to our existing big boxes.

Turning now to the scheme detail. Outlined on the right is the location of the 74-acre site, just to the west of the M25 motorway and close to Heathrow Airport. 13 acres of the site is currently being used for industrial open storage. And this is the proposed location for the first data centre, which I will expand on shortly. This site is within the Slough Availability zone, which is acutely constrained due to a shortage of grid connections. Land with power within a pre-existing availability zone is highly sought after. Hence, why this site is so prime. The site is adjacent to existing fibre infrastructure, so it has great access to the necessary connectivity.

And critically, we have secured two independent grid connections which provide unprecedented power resilience, enhancing the attractiveness of the site to potential data centre operators. The scheme itself is based upon two phases.

Phase One provides the potential for 107-megawatt data centre, with a further medium-term Phase Two opportunity of 40 megawatts. Both are subject to planning permission. In addition to the data centre, Phase One will also incorporate a utility scale battery storage facility, operated by our JV partner.

And to put this all into context, Manor Farm is an opportunity to create one of the largest and most cutting-edge data centres in the UK, right at the heart of the London market, one of the most important in the world. I'll now hand you over to Frankie to cover the returns and capital requirements.

Frankie Whitehead: Good morning. Now, turning to some of the details on our new joint venture arrangement, which Tritax Big Box has acquired from Tritax Management. The JV holds the necessary grid connection agreements and is the vehicle, which will be delivering the power and necessary infrastructure to the Manor Farm site. Our JV partner will be predominantly responsible for its delivery.

Tritax Big Box will wholly own the site at Manor Farm, which sits outside of the JV and holds the exclusive rights to the power. The oversight of the technical aspects surrounding power delivery and services to deliver the data centre will be provided by Tritax Management.

We expect to be able to deliver the power necessary for Phase One during the second half of 2027, which is significantly quicker than applying for new grid connections in today's market. The marriage value of our JV partnership, with our JV partner providing the power solution and Tritax's land-sourcing and development expertise means that significant value should accrue to Tritax Big Box shareholders on day one in respect of the Manor farm transaction.

This partnership really does accelerate our ability to deliver at Manor Farm along with our future pipeline.

We've outlined here an indicative timeline within which we can deliver Phase One at Manor Farm. The application for planning permission was submitted in December last year, and we expect determination in the second half of 2025. Walking through the capital requirements, it is important to note that construction will be contingent upon securing both planning permission and a pre-let agreement and therefore will have been materially de-risked at the point further significant capital is invested into the site.

We would expect to commence construction during the first half of 2026, with practical completion expected potentially as early as the second half of 2027, at which point the scheme would be income producing.

To provide some guidance, we expect CapEx of approximately £80 million in 2025, the majority of which relates to the acquisition of the site. As part of this investment, Tritax Big Box has acquired the 50% stake in the Manor Farm JV and secured a first right of refusal across future data centre opportunities from Tritax Management for £6.1 million.

Looking into 2026 and 2027, we would expect CapEx totalling approximately £185 million across this two-year period. This includes a 5% development management fee in line with market terms payable to Tritax Management, which is contingent on the granting of data centre planning consent.

In addition, the board has approved two further payments, both contingent upon delivery of a fully let Phase One data centre, and therefore only payable once significant value has been generated for shareholders.

The first being contingent consideration to AIPUT for the land, based on a 21% share of the total Phase One profit. And secondly, a 17.5% profit share payable to Tritax Management. Following negotiations with the board of Tritax Big Box, again contingent on delivery of the fully let Phase One data centre, with 50% of which will be payable in Tritax Big Box shares, ensuring continued alignment.

As you know, we've placed continued focus on maintaining our strong balance sheet and have an ongoing capital rotation program. Given the project timings and the phasing, which occurs over a three-year timeframe, we expect to fund this opportunity through existing balance sheet resources and capital recycling over the period. The delivery of Phase One generates a very attractive yield on cost to Tritax Big Box of 9.3%, which is a return net of all the costs outlined here.

Looking further at the attractive returns on offer, we believe this opportunity at Manor Farm has the potential to deliver truly exceptional returns to Tritax Big Box shareholders. We will be seeking to deliver this project on a powered shell basis, which we believe offers shareholders the most attractive risk-return combination and builds upon our experience in delivering large-scale logistics facilities.

Data centres will act as a great adjacency for us to allocate capital towards, complementing our exposure to the very compelling UK logistics market. For Phase One at Manor Farm, we are targeting a yield on cost of 9.3%, which enhances the already attractive returns on offer from our logistics development pipeline of between six to 8%. With prime yields on both stabilised logistics assets and data centres at around five to 5.5%, we also expect to capture significant development profit along the journey, which will sit alongside our existing developments.

In terms of driving capital growth for Manor Farm Phase One, we would expect to generate a profit on cost of over 40%. And achieving a 9.3% running yield at PC is particularly compelling here, given the super prime nature of the asset in its strong West London location. And of course, we would be looking to enhance this over time through rent reviews within the lease structure.

And finally, in the event that we were unable to secure a data centre planning consent, given both contingent profit payments in relation to the site would fall away, we have also underwritten this acquisition for a logistics scheme in line with our usual logistics returns.

So, in summary, applying our usual low-risk approach to development, combined with the potential for very strong returns, makes this an extremely exciting opportunity for Tritax Big Box shareholders. And with that, I will pass you back to Colin.

Colin Godfrey: So, to conclude, both Manor Farm and the future pipeline provide exposure to a very attractive, but scarce real-estate asset class. These opportunities give us access to a very strong and structurally supported market that is at an inflection point and which could steepen its growth trajectory still further.

And they have the potential to deliver exceptional returns for Tritax Big Box shareholders, complementing the already very attractive returns that we can deliver through our logistics development pipeline. And against those exceptional returns, we've taken steps to reduce risk. We will only be deploying large amounts of capital once planning and a pre-let have been secured. We have a strong balance sheet, which combined with our proven ongoing capital rotation program, provides an attractive source of funding for these opportunities.

And finally, looking to the longer term, Tritax has created a potential pipeline of future data centres totalling one gigawatt, over which Tritax Big Box will benefit from a first right of refusal.

With 11 years at the centre of UK Logistics, combined with our power capabilities, we are confident and excited about the significant data centre opportunities ahead, offering Tritax Big Box the potential to become one of the UK's market leaders in data centre real estate. Thank you for joining us. We'll now go to Q&A.

Q&A

Ian Brown: Good morning, everyone. And welcome to the Q&A part of the presentation. We'll begin as usual with questions from the webcast. And as a reminder, you can type your question into the webcast viewer to submit a question. You're also able to submit questions over the conference call line. I think Laura is on the line to help us with those questions. But we'll begin with the webcast Q&A. And the first questions coming from James Carswell at Peel Hunt who has asked, "Is the 9.3% yield on costs before or after the payaways to the vendor and Tritax Management?"

Colin Godfrey: Okay. It's Colin. Morning, James. Thanks for the question. So, the answer is it's after, and it includes the cost of the land, all fees, the construction costs of the building that we're looking to construct there. Obviously, that will be subject to the requirements of the pre-lessee, and after deduction of all of the profit-share payaways. So, it is essentially a fully net fee that we will benefit from at 9.3%.

Ian Brown: Net yield on cost?

Colin Godfrey: Net yield on cost.

Ian Brown: Okay. Great. Next question comes from Elliot Basford at CCLA. He asks, "Your announcement reads the grid connection ownership is retained by the JV partner. Is there an alternative use for the asset if the JV partner walks away?" This is an important point of clarification, actually on this.

Colin Godfrey: Okay. So, it's Colin again. So, it's the JV itself which retains control of the power, and we are now a 50% interested party in that JV. So, we, alongside the power generator, control the power. It can't be taken elsewhere unless we agree to it. And obviously the intention here is that we're going to utilise that power for this site. If, however, we were unfortunate enough not to receive planning consent here, then we could port that power to an alternative site, one that may already have data centre consent by way of example, or another site that we felt was suitable. But we do believe that given the recent government announcement and the fact that data centres have been classed as mission-critical infrastructure, that we have an excellent opportunity to achieve planning consent for this very special site in this location at Heathrow.

Ian Brown: Okay, great. Next question comes from Elliot again, asking, "Can you provide some more colour on how this is being funded, and could you give an update on the capital recycling and the disposal of non-core assets?" Frankie, you happy to do that?

Frankie Whitehead: Good morning, all. This is Frankie. So, from a funding perspective, obviously this is a multi-year project, so we have good visibility on the cash flow requirements, the balance sheets in a really strong position with a modest LTV, and we've got an active capital recycling program. So, it'll be a combination of existing resources and our capital recycling program. Just on to the UKCM sales, it's going very well. It's going in accordance with our expectations. We've completed a number of transactions, got a healthy level of transactions in solicitor's hands, and we would expect to update the market further on that at the end of the month within our forthcoming trading update.

Ian Brown: Great, thanks, Frankie. Another question from CCLA. They ask, "What would the yield on cost be if the business was internalised and fees paid to Tritax Management were kept within the business?"

Colin Godfrey: Aubrey, you happy to take that one?

Aubrey Adams: Yes, I mean the question of internalisation is something we obviously do think about, but any internalisation would obviously take quite a lot of time. I don't think it would actually make any difference at the moment to the yield on cost on this particular deal.

Colin Godfrey: No, I mean, just to follow up with that, I think this transaction is an example of the benefits of external management. This wouldn't have come about if we hadn't been externally managed. And we can talk shareholders through the genesis of this one-on-one, but I mean essentially our peers that are internally managed by way of example haven't invested in the way we have in the Tritax Management business to generate this power opportunity, which has come about over a four-year time horizon.

Ian Brown: Perhaps as a follow-on question actually related to that, Bjorn Einsmann from Panmure Liberum asks, "Can you give us a bit more detail about the related party transaction? Why would this development attract a profit share for management as opposed to other developments?" And could we just explain the governance around that?

Aubrey Adams: I mean, in terms of the actual deal itself, the board's view is this is probably one of the best sites available in the whole of the UK. So, it's a very attractive opportunity. In terms of internal governance, the board has been involved in this right from the outset, and indeed we discuss the whole question of investing in DCs at our strategy day and then the opportunity came forward from Tritax. And could I just say I'm particularly pleased and the board is particularly pleased that we were offered this deal because it would've been very easy for Tritax to look to perhaps use it to seed a separate fund. So, I think, as Collins mentioned, it's a good example of the benefits of external management that they put in a major investment into finding this opportunity. And then as I say, we were very pleased that they brought it to us.

Colin Godfrey: Frank, would you like to just, for clarity, explain what the related parties' components are of the transaction so that people are clear on that?

Frankie Whitehead: Sure. So obviously there is full disclosure in the RNS this morning. The first element is that Tritax Big Box has essentially acquired the 50% interest in the JV vehicle from Tritax Management. So that's an element and also there is a new agreement in place between Tritax Big Box and Tritax Management to oversee and be responsible for the full delivery of the development of the data centre. So those are the two elements.

Ian Brown: Thanks. Great. Next question's coming from Suresh Goyal at Green Street who asks, "How does this change the strategy for Big Box? Will data centre development be looked into in tandem with Big Box logistics developments? And for the one-gigawatt potential pipeline, would you always underwrite a logistics scheme in case planning isn't granted?"

Colin Godfrey: Thank you for the question. So, look, we're not changing our name and logistics is going to be at the core of what we do as a business. I think you referred back to Frankie's slide, I think it demonstrates that the core quality income that we have in our investment holdings, the arbitrage that we were able to deliver through our logistic development activity with a target yield on cost of six to 8%, currently trending at around seven and moving up, and then the particularly attractive yield on cost range that we are targeting for our one gigawatt pipeline of opportunities beyond the Manor Farm project within the eight to 10% category for powered Shell.

Now clearly that's very attractive and these buildings and facilities are of significant scale and require significant capital, but it's not an either/or. We don't see the move into data centres as cannibalising our activity in our development of high-quality logistics assets. And clearly the objective here is to make sure that every component part of our business is operating as efficiently as possible to maximise tech returns for the business overall. So, it's really a complementary component where we're adding to the business. It's not going to detract from any existing part of our business operations.

Ian Brown: Great. Mark Mosey at Bank of America asks, "Should we assume phase two will need the same price per megawatt?" Which he's calculated at £3.4 million or an additional £136 million for Phase Two, if you'll give some guidance around that.

Frankie Whitehead: Yeah, so we haven't given any explicit guidance on phase two at this stage. Timing wise, that will come through over the medium term. I think it's fair to say that we would expect enhanced financial returns off the back of that, so an enhanced yield on cost principally for the reasons that the full land cost and the full infrastructure cost has been built into the phase one returns that we set out. So, if phase two does come through, the full component of that is already spoken for, so you won't need to effectively replicate the cost of that on to phase two.

Colin Godfrey: I'm going to add, Frankie, just to provide a full picture there. There is potential for the pre-LC on the Phase One site to have a requirement for the Phase Two power, and therefore the full 147 megawatts could be fully incorporated within the Phase One building. And then they just take down the power on a phase program, the first component being in 2027, and then the second component which we are expecting to be delivered in 2029.

Ian Brown: Okay. Next question comes from, again, Bjorn at Panmure Liberum asks us for any risk of planning not being obtained as a result of the site's proximity to Heathrow Airport.

Colin Godfrey: Well, thanks for the question. No, we don't believe that the proximity to Heathrow will affect planning. I mean, there are already data centres that are in close proximity to Heathrow. This site is not directly under the flight path. And as I said earlier in the call, the UK government has made a priority of spearheading the UK as an international leader in data centres and recognising the potential benefits of AI to the UK economy going forward. And so, we're expecting that data centre planning applications will be prioritised. Clearly, Slough is an area where the council has a significant experience of dealing with data centre planning applications, and our planning application has already been submitted and there's been significant dialogue with the planning authority, noting that the site that we are looking to put the phase one building on is already used for industrial open storage. So, if you like, a dirtier use than is being planned and therefore we do not consider the prospect of data centre use in this location to be provocative in any way.

Ian Brown: Great. Okay. And then just as a follow up point, Crispin at Nuvion was asking what the current income is from the industrial open storage at the site at the moment?

Colin Godfrey: Sure. Frankie, you want to answer that one.

Frankie Whitehead: Obviously, as Colin said, it's currently being used for industrial open storage and the total rent roll is a fraction over £2 million currently.

Colin Godfrey: And sorry, I think there's a component part of the former question, Ian, which I failed to answer, and I just remembered. It was the underwrite component you talked to and what we will typically do... I mean it's important to note that data centres under the use classes planning order were previously sui generis. The planning regime was changed in 2020. Data centres were removed and there was some head scratching as to where they'd gone.

It has been essentially been proven through planning case law subsequently that data centres are now classed under the B8 category, which is the same as logistics, the principle being that it's storage of data and as a consequence, if you have B8 logistics consent, it's interchangeable with data centre use save that, of course, you have to get detailed consent from the planning authority for that particular type of building. And the reason I mentioned this is obviously important in terms of underwrite. So yes, wherever possible and in most instances, we will be underwriting a logistics development position, and we have done that here at Manor Farm, but obviously looking to arbitrage the upside benefit from the data centre opportunity to the extent that we are looking to achieve that on planning terms.

Ian Brown: Great. Okay. Next question comes from Sam King at BNP. Two parts of this question. First, "What are the main factors that have enabled the board to get comfortable with the profit share arrangements, particularly with regards to Tritax Management?" The second leg of the question is, "Yield on cost is attractive but appears lower than peers. Can you give some guidance on that?" And then the third piece is regarding the future one-gigawatt pipeline. Can you give a rough indication of future development costs as well?

Aubrey Adams: So, shall I take the first part?

Colin Godfrey: Yeah.

Aubrey Adams: Hi, everyone, it's Aubrey again. Just in terms of what the board has done, obviously we've taken extensive advice using mainly our existing advisors, particularly on the valuation metrics. CBRE have confirmed values to us right the way through the chain, so that's including the existing use, the use with planning, and also if we get a DC consent. We've also used our usual team of lawyers, advisors, and of course, ultimately because this is a related party transaction, there is a fair and reasonable opinion coming from Jeffries and Jeffries with whom we've worked very closely have confirmed that it is a fair and reasonable deal and they as well have taken a lot of advice from advisors who are experts in this field.

Colin Godfrey: Thank you, Aubrey. Coming to the second component part of that in terms of yield and cost, our research has suggested that our peer group, and typically within the market, one sees a yield on cost in the range that we're targeting of 8 to 10% for powered shell transactions. And it can be an excess of that, say between 10 and 12%, with operational risk. Now, we're not seeking to take operational risk here. We are not running a data centre business. It's a very different proposition. We don't think that that sits well against the high quality, long-term income that we're generating within Big Box. So, we are seeking quality returns at a low risk in point.

And just to reiterate, this is a powered shell proposition that we're looking to deliver here. So, we think it's absolutely in the sweet spot and probably at the upper end given the quality of the building and the likely high quality of the pre lessee. As to development costs, you happy-

Frankie Whitehead: Yeah. Just on the pipeline. So, I think needless to say that Big Box is not financially committed to any of that pipeline at this stage. The one gigawatt is split across multiple projects, and therefore, those projects again will be on a multi-year phase basis. So again, we'll have full visibility on that CapEx program. At this stage, we are in the early phases of appraising those projects, and therefore, I don't think it's appropriate to give guidance at this stage on what that may look like.

Ian Brown: Okay. Great. Paul May at Barclays asks, "What type of tenant are you targeting?"

Colin Godfrey: Okay. Well, we haven't spoken to anyone at this stage, Paul. Thanks for the question. We are aware of significant levels of occupier interest in the market, both from hyperscalers ... I mean, I'm not naming anyone specifically, because we haven't contacted them, but the likes of Alphabet, Google, Microsoft, et cetera. But also, obviously there are some very higher calibre co-locators that have requirements in the market.

Just to put some of this in perspective, there was around 100 megawatts of new power delivered into the DC market in 2024. So, the first phase of this building is pretty well equivalent or slightly bigger than the new power delivery into the market last year. And I think just adding to that, I mean, Tim here, who's our power expert, perhaps might want to just chip in. He's got something to say about the question.

Tim O'Reilly: Yeah. I'd just like to add that the design that we've put forward is somewhat generic in its initial form and will be suitable for really high-quality cloud services use, but also AI depending on the requirements of the incoming tenants. So, as we go through the detailed design phase, we'll bespoke the building to the specific tenants' needs, to deliver a really high-quality product for the occupier.

Colin Godfrey: Thanks, Tim.

Ian Brown: Great. Next question comes from Mark Mozy asking about would we raise equity for the additional one gigawatt, and should we assume the same nine-ish triple net yield on costs?

Colin Godfrey: You okay with that one, Frankie?

Frankie Whitehead: Yeah. So, from a funding perspective, clearly, we've set out our intentions around the financing of Manor Farm. I think looking forward, it all depends on the opportunities and the timing surrounding the opportunities. At this stage, I think it's quite appropriate that all funding routes are open to us, and we explore all of those. That includes further capital recycling, use of balance sheet, indeed equity, and/or other private capital or JV arrangements. And we'll be looking to make the right decision for shareholders at the appropriate time.

Ian Brown: Great. Should we quickly turn to the phones just to see if there's any questions on the phone? Laura, I don't know if we've had any questions come in on the phone lines.

Operator: Thank you, Ian. Just a reminder, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. We'll pause for just a moment while waiting for them to queue for questions. Thank you.

We'll now take our first question from Marcus Phayre-Mudge from Columbia Threadneedle. The line is open. Please go ahead.

Marcus Phayre-Mudge: Hi. Good morning, everybody. I hope you can hear me. Unfortunately, I'm driving. Quick question. When did Tritax management first get involved with this site? And then, a follow-up question, if I may. Thank you.

Colin Godfrey: Charlie, the timing of the ...

Charlie Withers: The initial involvement in that would've been during the middle part of last year, where it sorts of dovetailed in with the identification of the availability of the two power connections that our PowerBox team have identified and having identified the availability of those, then the identification of the Manor Farm site followed on from that.

Marcus Phayre-Mudge: And why wasn't it bought straight into Big Box at the time? I'm just trying to understand the need for the projects management to essentially act as a middleman in the deal. I mean, I know you're externally managed and your point was if you were internally managed, for some reason the opportunity wouldn't have arisen. I don't quite understand that. It's the same people involved, but just trying to get my head around whether the REIT is always going to be on the tail end of these situations and provide the funding and the exit rather than the sort of ... By the way, much credit to you for your entrepreneurial spirit on this great real estate deal. Just trying to understand the gestation for future transactions and other deals that come along in other markets outside of logistics.

Aubrey Adams: Marcus. Hi, there. Aubrey here. And I think you're saying, well, why didn't we think of this ourselves? Well, the simple reason was that it was generated out of something which was clearly out with our investment mandate. The Blyth scheme, I think if we had said if Big Box had decided to invest in that, you'd wonder what we were up to. So, it was something that we did not have anyone within our team, the team that looks after us, who had the expertise to actually develop this idea. And so, it evolved as a process that we started to recognise that there was a real opportunity in DCs.

The key to it was power and TML had invested hugely in that. And then, we were able to identify a site, or TML was able to identify a site, which happened to be in a fund which was also managed. Therefore, the related party bid. I mean, if it hadn't been for that, then we clearly wouldn't have to go through the whole process of dealing with a related party transaction.

Marcus Phayre-Mudge: Yeah. Thank you.

Ian Brown: And just as a point of clarification, the land is being acquired by Big Box from the current owner, which is Airport Industrial Property Unit Trust. So, it's not acquiring the land from Tritax Management. There hasn't been a two-step process to get the land to Big Box.

Colin Godfrey: Yeah. I think just to follow up from that, Marcus, it's Colin. I mean, look, it can work the other way around. Okay? So, we have the potential to create DC opportunities on land that we own and manage, or we have options over.

But in this instance, the TML team had, in the first instance, as I said, it was a power-led approach and essentially taken that power and tried to work out what the best site was for delivery of this project, which in itself actually is quite interesting because it has this significant battery component as well. And you can't place the battery facility in immediate adjacency to the building. And the configuration of the site here just lends itself very, very neatly to that, because the battery facility is standing some distance away from the building but also in close proximity to the main road.

Ian Brown: Brilliant. Okay, great. And then, in terms, I don't know if there's any further questions, Laura, from the phone lines?

Operator: There are no further questions. Once again, just as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you.

Ian Brown: I'll just take one quickly from the webcast. We've got quite a few to work through on the webcast, probably not time to go through all of them. I think probably two further. One from Andrew Saunders at Shore Capital, in fact, and also one from Tom Musson. If your success in delivering the one-gigawatt data centre pipeline, at that point, what does the split of the business look like between logistics and data centres?

Colin Godfrey: Well, I think we've already alluded to the fact that our development activity in logistics has been successfully funded by a capital rotation program, and one expects the same principles to apply in relation to this current data centre opportunity at Manor Farm. And Frankie's already answered the question in terms of capital delivery for the future one-gigawatt development pipeline.

But the answer to that partly depends upon how much of that pipeline we end up retaining in the longer term and whether or not ... I mean, by way of example, in terms of diversification, there is the potential to consider joint venture funding platforms and that type of thing. So, we're not giving any hard and fast target at this current time as to the extent to which data centres will fall within the overall business composition. But clearly, if we are growing our data centre skillset and income stream within the business, then we would expect it to be, well, an increasing component part of the overall income from the business.

And just to provide a bit more colour. There was about 9% rental growth in the DC market in the UK, I believe, in 2024. It's a market where given the supply-demand dynamics, we believe that there will continue to be strong rental growth. There's very significant demand. As we've outlined, supply is highly constrained predominantly by power, but also suitable sites because the operators of these buildings are understandably very choosy about where they go. So, we expect that to continue. The ability to deliver these buildings, therefore, I think is particularly attractive in the context of, I think, longer term rental growth prospects, despite the fact that they are traditionally leased on inflation linked terms, but quite long lease terms.

Ian Brown: Great. Thanks. And I think that's probably about all the time we've got, so I'll hand back to you to conclude.

Colin Godfrey: Well, thank you, Ian, and thank you for everyone that's taken the time to join us on this Q&A session this morning and join the webcast. We appreciate your support and if you have any follow-up questions on an independent basis, then please do reach out to Ian and we'd be delighted to meet up or have a call. Thanks for joining us. Have a good day. Bye-bye.