Tritax Big Box
Interim Results 2025

Video Webcast

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Transcript

Ian Brown: Good morning and welcome to our results presentation for the six months ended 30th June. I'll surely hand you over to our CEO Colin Godfrey, but before I do a couple of points to note. After the presentation, there will be an opportunity for investors and analysts to ask questions. As usual, there are two ways to do this. Firstly, you can submit your question in the webcast viewer and in the interest of time we will aggregate similar questions or alternatively, you can use the dial-in details in this morning's announcement to ask your question verbally. As a reminder, we are in an offer period, so we are restricted in answering questions relating to our offer for Warehouse REIT. Thank you.

Colin Godfrey: Good morning and welcome to our results presentation for the first six months of 2025. I'm Colin Godfrey, CEO of Tritax Big Box. As usual, I'll kick off with our key messages before handing over to Frankie, our CFO to give an update on our financial and operational performance during the first half. I'll then outline the significant strategic progress that we've made in the period and finally we'll open up the lines for Q&A. As outlined at our Capital Markets Day in June. The key message I want to deliver today is that as well as driving strong operational performance, we have embedded very significant potential within our business with the ability to deliver earnings growth of 50% by the end of 2030, and this will drive exceptional shareholder value, including superior risk adjusted returns from our logistics and data centre developments, and as we outline here, we are making excellent strategic progress.

We're delivering strong performance with attractive growth across all of our key financial KPIs. Our strategic execution is progressing well with the UKCM logistics assets now fully integrated and performing well and the non-core disposal program fully on track. We've also secured a second data centre opportunity and successfully refinanced two debt facilities, and we have three powerful growth drivers that are delivering today and with a potential to deliver even more in the future. Record rental reversion supported by ongoing ERV growth as a result of being positioned in the right sub-markets and attractive logistics development pipeline that can capture the substantial and enduring demand for new buildings and exceptional returns through data centre developments. Now it's important to stress that we carefully mitigate the risk across all our development activities by deploying our capital with pinpoint precision and taking advantage of the flexibility that we've deliberately built into our pipeline. Now, I'll touch upon all of this in a moment, but for now I'll hand you over to Frankie to explain the detail behind our strong performance in the period. Frankie.

Frankie Whitehead: Thank you, Colin, and good morning everyone. Turning to the key financial highlights, as Colin says, we've delivered another period of strong performance. We've generated attractive levels of growth in adjusted EPS of 6.4% and this has supported our growth in dividend per share of 4.9% for the period. Our property valuation performance has led to growth in EPRA NTA per share of 1.4% to 188.2p and a total accounting return for the six months of 3.6%, which is ahead of this time last year. This is enhanced, however, when excluding certain non-recurring items, which I will set out on a later slide. So along with making significant strategic progress, our financial headlines demonstrate there's been another positive half for the company. Looking at income and earnings in more detail, we've continued to deliver growth in net rental income. This has increased by 17.3% to over £149 million for the half principally due to the acquisition of the UKCM portfolio in May of 2024, which has now contributed for the whole of the first half of this year.

We've recognized £13.3 million of DNA income in the period, and we continue to operate with an efficient cost base. Our EPRA cost ratio shown bottom right is 12.9%, excluding vacancy costs, which continues to be extremely competitive for a full-service development business in the UK. All of this contributes to an overall 16.4% increase in operating profit before changes in fair value and other adjustments. Our headline adjusted EPS grew by 6.4% to 4.63p and when excluding the additional level of DMA income recognised in the usual way, our adjusted earnings is 4.29p per share growth of 4.6%. In line with our policy, the overall dividend per share was 3.83p, up 4.9% from the prior period, resulting in a consistent dividend power ratio of 89%. And as the top right-hand chart shows we continue to have significant embedded rental potential, the rent already contracted plus the portfolio rental reversion means that our current portfolio ERVs sit a combined 32% ahead of today's passing rent and Colin will cover more on how we are capturing this later in the presentation. Our balance sheet remains very strong underpinned by our high-quality investment portfolio. Over the period, our portfolio value increased by 4.2% to £6.8 billion. This includes a £92 million gain on revaluation, and we continue to generate excellent opportunities to allocate our capital. As you can see on the top right, we've deployed £167 million into logistics development, £201 million pounds to launch the first two projects of our data centre strategy and we've continued to take advantage of opportunities in the market with one Big Box asset purchase for £76 million.

On the bottom right, we show that this has mainly been financed through our disposal program with £278 million of assets sold in the year to date. £73 million of this has either exchanged or completed the reducing our proforma LTV today to 30.2%. Drawing this altogether an increased to £4.7 billion or 188.2p per share up 1.4%. While we've been busy investing for growth and integrating the UKCM assets, we continue to deliver strong underlying total returns. Now this bridge obviously only covers the six month period, but starting on the left with our 2.5% earnings yield, we have incrementally added 1.4% and 0.9% to returns from our investment and development portfolios respectively delivering an underlying total accounting return of 4.8% for the six months or 9.6% when annualised.

There are two items which I've separated from this underlying performance. The first is a reduction relating to the non-core asset performance and the second is an impairment recorded against a single site held on the land option. As a result of planning related delays. Both of these items could therefore be considered as non-recurring. All of these movements combined deliver the reported total accounting return of 3.6%, and on the right, we highlight some of the key drivers of value. Our equivalent yield has remained stable at 5.7%. We continue to see attractive levels of ERV growth. This stood at 2.3% over the last six months or 6% over the past 12 months, which remains significantly ahead of inflation.

Income growth has been a key component of the portfolio capital value performance of plus 1.4% over the six months and our overall portfolio reversion, which provides significant near-term opportunities to the business, increases to a very attractive 29%. Turning to look at our operational performance in more detail, we're pleased to report that our active asset management continues to deliver good levels of rental growth, and you can see here that we've added £5.6 million to our annual rents across the six months. As we outline in the chart on the top left, 17.2% of our contracted rent was either reviewed or subject to lease events in the period delivering a like for like rent uplift of 10.3% across those leases. Of particular note is the continued strong performance we see in our open market reviews, which delivered a 23.5% average uplift in passing rent.

Our rental performance in any given year is determined by the proportion of our leases subject to review or lease events. As you can see on the bottom left, 2025 is a year of proportionately lower reviews, but as we look forwards, we have a larger level of reviews falling due in 2026 and 2027, which should lead to an acceleration in income capture. Now looking onto the right, I've shown more detail on how a vacancy within the portfolio is evolving and particularly highlighting the difference between our underlying portfolio and those newly developed assets coming through our development pipeline.

As you can see at the full year, we reported overall vacancy of 5.7%. Looking at the movements and line with our active asset management ambitions, we've taken the opportunity to take four units back for renovation. One speculatively developed unit reach practical completion where there is very strong current interest and this was coupled with a small amount of other lease expires. So, at the half year our overall portfolio vacancy was broadly stable at 5.6% with an underlying vacancy of 2.6% and after the period end, we were pleased to report the letting of one newly developed unit at rugby. As a result, you can see the proforma vacancy figure reduces by over 110 basis points to 4.5% as we stand here today. Turning to our development progress, this slide demonstrates how we continue to create value through our development pipeline.

Consistent with last year, we're expecting our activity to be second half weighted in the we had 0.8 million square feet of developments reaching completion, adding £1.5 million to passing rent, and with the potential to add a further £2.6 million subject to leasing. 0.4 million square feet of this was delivered under a DMA contract. We've commenced 1.1 million square feet of new development starts up slightly from this time last year with the potential to add over £10 million of rental income. In terms of our current development activity, this consists of 2.5 million square feet being actively developed, of which 54% has either been pre-lit or pre-sold under a DMA contract. And as I mentioned post, we're really pleased to have secured the new letting at rugby on the largest of our recently completed developments. This adds £3.9 million to contracted rent and Colin will expand on this in a bit more detail shortly.

As you know, enhancing our sustainability performance is embedded across all our activities and this continues to contribute to preserving and creating value. We've outlined here some of the key targets across our four sustainability pillars, and I'm glad to say we're making good progress towards our 2025 targets. To highlight a few of these, our investment portfolio remains very highly rated from an EPC perspective with 81% of our portfolio rated EPC B or higher. We're continuing to expand our rooftop solar program. During the year to date, we have added nearly four megawatts of new solar capacity with a target of increasing the overall portfolio to over 30 megawatts by the end of the year.

Our natural capital plans are ongoing and we're making good progress, creating positive impacts for the young people that live in and around the communities within which our assets are located. And this is all continuing to be reflected in our strong ESG ratings including MSCI, GRESB and CDP as outlined along the bottom of the slide. Turning now to our balance sheet, I've already highlighted that this remains strong, and it provides us with financial flexibility whilst insulating us from some of the volatility we continue to see in the capital markets. Let's start on the top left where our debt maturity profile is well diversified by both source and maturity, noting that during the period we have successfully refinanced two loans that were due to mature in the following 12 months. This includes a £150 million bilateral loan and a £400 million RCF. These loans have further extension options attached to them as indicated on the chart. And moving along the bottom from a corporate perspective, our LTV remains well positioned at 30.9% or 30.2% when including the post disposals. Our available liquidity remains healthy at nearly £0.5 billion.

Our average cost of debt remains stable at 3.2%, of which 86% of drawn amounts were either fixed or hedged. Our net debts to EBITDA and interest cover ratios at 7.9 times and 4.5 times respectively solidly support our Moody's credit rating, which remains a Baa1 positive. And in the right-hand chart we show that the potential from our rental reversion and vacancy capture shown in the blue is expected to far exceed the likely increase in finance costs shown in gold as we gradually refinance our facilities into the future, thus underpinning our future earnings growth. Looking forward, we are continuing to invest for future growth. We are reiterating the guidance we set out at our recent Capital Markets Day. We are maintaining our logistics development CapEx guidance of £200-250 million and our yield on cost target range of six to 8%.

Our data centre CapEx guidance for this year of £200 million has been incurred fully in the first half as expected to secure our Manor Farm and second data centre projects. In respect of these two projects, any material CapEx from this point will be contingent on securing planning consent. The yield on cost targets for our data centres are extremely compelling at 9% to 11%. We've increased our guidance for DMA income for this year from £10 million to approximately £15 million. And finally looking at disposal guidance as we previously outlined for this financial year, we anticipate £350-450 million of disposals, and we have conducted over £275 million in the year to date.

On a longer-term basis, we increased our disposal guidance to between £250-350 million pounds per annum to support our capital rotation into the range of accretive opportunities as set out here. So, drawing this altogether, it's been another period of progressive operational and financial performance for the business. We've increased our net rental income by over 17% adjusted EPS by 6.4% and we've delivered a strong underlying 4.8% total accounting return for the half or 9.6% when annualised and we continue to be in a very strong position looking forwards supported by our strong balance sheet and our multiple proven funding levers. This underpins our three very clear and compelling growth drivers, which we are delivering against, and it's important to note that due to the careful way we think about and manage risk, we believe this gives us the ability to deliver superior risk adjusted returns through our high quality investment portfolio and through our attractive logistics and data centre development opportunities. And with that, I'll hand you back to Colin.

Colin Godfrey: Thank you, Frankie. Well, I'll now provide an update on our strategic progress, starting with an update on the occupational market. Let's first look at occupational demand for industrial logistics. Structural demand drivers such as shifting consumer behaviour, evolving supply chains, and the drive for sustainability continue to underpin long-term demand and at the same time, there remain significant and systemic barriers to new supply in the UK, particularly the challenging planning process which limits the speed that new projects can come to market. After a subdued start to the year, leasing activity picked up from May and we saw 11.7 million square feet of take-up in the first half up 12% year on year as shown on the left. Despite macroeconomic uncertainty, this robust demand reinforces the critical nature of logistics buildings. Space under offer at mid-year remains solid at 9.9 million square feet and looking forward, we expect second half demand to be consistent with recent years. Market vacancy, as shown bottom left, has increased to 7.1%, but going forward the 12-month development pipeline will be lower with speculative space under construction, significantly down to 7.3 million square feet from 12.8 million at the year end.

And our own portfolio is well placed. Inquiry levels are up compared to the year end including more pre-let conversations and we have a higher proportion of demand at a more advanced stage of negotiation than we did six months ago. The market also continues to see good levels of rental growth. MSCI rental values increased by 2.4% in the first half with our own portfolio performing in line with this. Turning to the data centre market on the right market dynamics remain very strong with approximately 2.1 gigawatts of additional demand anticipated by 2029 compared to the current installed base of 1.1 gigawatts. This is evidenced in the exceptional interest that we've seen in our Manor Farm project with discussions advancing with 15 potential clients.

Turning back to our strategy, it's important to emphasise that we've developed this in anticipation of the change in market conditions that we see today. We believe our high-quality portfolio underpins the strong income characteristics of our business providing shareholders with a high degree of resilience. We actively manage assets to really drive value, and we optimise our portfolio by constantly recycling capital into higher returning opportunities, particularly into our development pipeline, which now encompasses data centres. This strategic focus gives us three very clear growth drivers that you can see here on the right, capturing record rental reversion, developing our attractive and flexible logistics pipeline and driving exceptional returns through data centres.

Let's look briefly at each of these growth drivers in turn. First, how we are capturing our record rental reversion. Now, as Frankie outlined, we've already made excellent progress in the first half of this year and there's plenty more to come. We show here the benefit of capturing our record rental reversion and reducing vacancy, which could add £83.8 million to contracted rent. And as highlighted on the right, we anticipate capturing approximately 77% of that over the course of the next three years. And it's worth noting that these are all at today's ERVs and UK rents continue to grow underpinned by the strong structural drivers that I mentioned earlier. Capturing rental reversion requires very little capital and we have a strong track record of meeting or exceeding RVs thanks to our team's expertise. So, we're confident in our ability to capture this inherent opportunity that sits within our business and which to a degree is just a factor of time in terms of its delivery.

I'd now like to look at our active asset management in more detail, including UKCM. The acquisition that we completed in May of last year. We successfully integrated the UKCM Logistics assets into our own business earlier this year. This means that we have the same visibility and data analytics as we do for our Big Box portfolio. Our asset managers have created business plans for each property and are actively progressing these opportunities. And you can see this clearly in the financial performance that has been delivered over the period during which we've grown rents by over 13%, adding £4.5 million per annum. This has been the strongest performing part of our portfolio since acquisition. It's adding an extra dimension to our business, enhancing our customer offer and driving returns to shareholders. And on the right, you could see that we've made excellent progress in selling UKCM's non logistics assets, which now represent less than 3% of our GAV. We've now sold assets in every sub-sector, and I'm pleased to report that we're tracking precisely on plan. Consistent with our guidance, we expect to fully exit these non-core assets by May of next year. And values, which in aggregate are in line with the acquisition price that we paid. So UKCM has already been a great success for us, and we expect that to continue.

Turning now to our second growth driver logistics development. Here, we continue to deliver attractive returns whilst creating new best in class buildings for our investment portfolio. Our development model is highly flexible, capital efficient and gives us the ability to deploy capital with precision and accurately match market conditions. Our approach to development minimises risk and maximises returns such as the use of long dated options to control development land, which is capital efficient and flexible as shown bottom left. The 2.5 million square feet of space that we currently have under construction has a rental potential of £23.1 million, and of this 54% is either pre-let or pre-sold, meaning that £11.1 million is already secured and will add to passing rent upon practical completion. We have a very attractive pipeline of potential pre-let opportunities with nearly a million square feet currently in solicitor's hands and with the potential to add £8.8 million to our annual rental income.

We've also got strong interest in our speculative space of 1.2 million square feet with the potential to add a further £10.7 million to annual rent. And as Frankie mentioned earlier, shortly after the period end, we announced a significant letting at one of our speculative developed buildings at Rugby. This letting to a leading data management business highlights the attractions of the location and our successful approach to development setting a record rental level for the park, adding £3.9 million to our annual rent roll and at a yield on cost at the upper end of our guidance range with high levels of occupier interest, we expect development lettings to be second half weighted consistent with 2024 and we're applying the same low risk and high return philosophy to opportunities in data centres our third growth driver. Power is the scarce ingredient required to unlock value from data centres and as outlined at our capital markets day, we've invested further in our pipeline of power grid connection agreements totalling over one gigawatt and necessary land in the key locations desirable to data centre operators focused on the London availability zone, but crucial to near term value capture is the accelerated pace of our power delivery sequenced to go live annually from 2027 through to 2031.

We're pursuing a pre powered shell model, meaning we only deploy significant amounts of capital in construction of data centres when projects are substantially de-risked.

At Manor Farm, we're putting this low risk and high return approach into practice. We have 107 megawatts of power with a firm delivery date in the second half of 2027 and benefit from an additional 40 megawatts of power available from 2029. And we're making excellent progress with exceptional levels of occupy interest in this scheme with commercial terms expected to be negotiated during the third quarter and aiming to secure a pre let by the end of this year. Planning is progressing as anticipated with a scheme now at the planning inspectorate and we would anticipate hearing more on that during the course of Q3.

We will only deploy further significant capital when we've received planning and have secured a pre let on attractive terms. Based on current anticipated timelines construction will begin in early 2026, in which case the data centre could be built and be income producing by the second half of 2027. Our power first approach means that this is an exceptionally rapid timetable in a location that is significantly power constrained and where many others are having to wait until the mid 2030s to have access to power, but we're not stopping at Manor Farm. As outlined at our capital markets day, we've purchased a second site for a major new 125-megawatt data centre project located within the London availability zone. We're targeting a 10% to 11% yield on cost in this case generating £23-25 million per annum in rent. With subject to planning and in line with our pre-let driven approach to construction, the data centre could be income producing in tandem with power delivery in 2028, deploying capital only when the project has been substantially de-risked.

Drawing our three growth drivers together, we believe that we have inherent organic growth opportunities that are compelling and exceptional for a UK listed REIT. You can see the building blocks here by capturing rental reversion, building out our logistics development pipeline and adding new exciting data centre opportunities. We have the potential to increase annual rental income from £300 million to circa £790 million per annum and to grow adjusted earnings by 50% by the end of 2030. And assuming a primarily disposal driven funding model. These figures ignore the possibility of further market rental growth or any yield compression so there is further upside potential. We therefore have a truly compelling combination of reliable growing income and opportunities to drive both income and capital growth to maximise returns for shareholders.

To conclude, we believe our business offers shareholders a compelling combination of superior risk adjusted earnings growth underpinned by resilience. This is built on the quality, growth and efficiency that we're delivering across the business. The quality of our portfolio provides resilience through the economic cycle and delivers exceptional compounding income from assets that make up 91% of our GAV. Building on this, we have powerful organic growth drivers, which I've talked about in detail. For each of these, we see ways to maximise returns while minimising risks. And finally, we have an efficient low cost and agile structure benefiting from triple net leases and with access to multiple funding sources at attractive costs. And our strategy is really working. We're delivering attractive earnings growth, dividend progression, and sector leading total accounting returns. We've got one of the lowest cost ratios for a REIT with an attractive development pipeline and we've got an incredibly strong balance sheet. Bringing all of this together, we're in a great position to deliver strong earnings growth and superior risk adjusted returns for our shareholders. That concludes the presentation. Thank you for listening. I'll now hand over to Ian to coordinate Q&A. Ian.

Ian Brown: Good morning, everyone, and welcome to the q and a section of this morning's presentation. We're joined this morning. In addition, with Tim O'Reilly on my left, our Director of Strategic Power who joined Tritax management nearly four years ago from the National Grid and Henry Stratton on my far right are Head of Research. We've got Serghei on the line who's going to help us with the calls, and we'll probably begin the Q&A with the phone lines please. Serghei,

Operator: Thank you. As a reminder to ask a question about the phone, please signal by pressing, so please make sure the function is switch on, please stop to allow you signal to reach our equipment. The first question is from John Vuong from Kempen. Please go ahead.

John Vuong: Hi, good morning. Thank you for taking my question. Thank you. Mentioned there's 1.2 million square feet of space on the negotiation. In what stages are these negotiations and how much do you expect to convert over H2?

Colin Godfrey: Hi John. Well, there are various stages of negotiation. We do have some overlap in terms of interest in some of those buildings. So, it is not as though it's a single occupier. It does take time to convert lettings on a pre-let basis. By way of example, it can take 12 plus months in the current market. Spec lettings tend to be quicker, and we would expect to convert some of that during the second half, but not necessarily all of it, but we'll obviously keep you appraised of progress, but we are very optimistic about the outturn for that interest in those buildings.

John Vuong: Okay, that's clear. And then you also mentioned there's another 2 million square feet of space on a discussion, but just looking at these as well as the negotiations, what are your thoughts on ERV growth over say the next 12 months?

Colin Godfrey: Well, we've given medium term guidance of 3-5% for our market. I think for our business we are pretty optimistic. The MSCI data you've seen is delivering over 4% on an annualised basis for the first half and our business is tracking that very closely. And indeed, that was the same case last year. There are some regional differences in the data points, but generally speaking we feel that those sorts of numbers are sustainable in the market where we've got controlled levels of supply and still maintaining attractive levels of demand. Henry, do you want to expand on that at all?

Henry Stratton: Yeah, I think just to add to that on the regional element, there are some differences emerging. We're seeing regions continue to move through their cycle, but it's as much now about spec building size as well as location. And that's I think really the key to the rental growth story across the UK. It's become more detailed, more nuanced if you like, but certainly there's still strong pockets of growth in the market at the moment.

Colin Godfrey: Thanks for your questions, John.

John Vuong: Fair. Thank you.

Operator: Thank you. Our next question is from Rob Jones from BNP Paribas Exane. Please go ahead.

Rob Jones: Thank you. Fantastic. Pronunciation three from me. One is Manor Farm, one is UKCM disposals, and then the third one on Occupy Market activity, taking reverse order. So, Colin, I think you said market wide tenant demand for H2 expect to be consistent with recent years, but within your own portfolio inquiry levels are up. And Frankie, you kind of commented on that this morning since about May time. What I wanted to know is in terms of that increased level of potential occupier interest, is that driven by a function of the space that you have available or do you think it is a genuine pickup in interest levels? I don't know how one might measure that.

Colin Godfrey: Look, I think the market situation is fairly consistent. I'll hand over to Henry in a moment, but yes, of course. I mean the market's been fairly footloose in recent times, so if you haven't been creating spec opportunity then you are less likely to capture your fair share of lettings in the market. So that's been an important part of our program. And as a consequence, Rob, yes, there is an element of our activity increase that comes from having really high-quality spec buildings available in key markets. Henry, do you want to sort of expand on the market element of that?

Henry Stratton: Rob, I'd say three things I think to the market. First of all, that diverse demand is very much there in the market at the moment. So, we've got all of our main categories active in different ways. So, whether that's manufacturing, still looking to evolve their networks, supermarkets particularly interesting at the moment, looking to upgrade and modernise their portfolios, particularly around the cold store element, bringing in new technology. And of course that's playing into trends like the need for additional power. E-commerce is in the market directly also through the 3PLs. And the three pls are picking up work. As many are using them for solutions in the near term as they look at the challenges that continue to exist in the supply chain. So that's an encouraging picture and as we talked about in the presentation, certainly we've seen a recovery in activity from May after a slow start to the year with the tariff picture, et cetera. So, the second then is that we're seeing that change from those three structural drivers and that continues to drive the activity that we talk about over the medium term, that lift and that growth is still there. Those structural drivers remain very supportive for our sector. And then just overall on those numbers, I think some important differentiation across the market as a whole requirements are down slightly from the end of last year, but in our portfolio they're up a fraction as Colin mentioned, there's more of further stages of negotiation, which is encouraging.

Colin Godfrey: Thanks Henry.

Rob Jones: Okay, great. And then just taking the last two together, UKCM, so cumulative disposals to date, have you got a figure, and I remember we've seen a figure before about 3% in terms of the disposals proceeds to date versus say acquisition price, which I guess is the figure I care most about one book value. And then the last one is on Manor Farm, which was the, so Amy Peckham who's obviously the case officer and her wider planning inspector team. What gives you confidence, Colin, that you might anticipate hearing more on Manor Farm in Q3? Because I think that this decision date is currently pencilled in for some day in Q4. I think it's the 14th of October or something like that.

Colin Godfrey: Yeah, thanks Rob. So, look, the first answer is that we've disposed of £280 million, sorry, £275 million worth of assets. We've got another £8 million exchanged. So, in total £283 million completed and exchanged. We've got £49 million under offer as well. So, assuming that the under offer moves through to exchange, it would leave us with around about £133 million to go. I think we are really happy with the program of disposals there. It's absolutely on time and we're broadly in line with the acquisition level that we pay for those investments when we acquired 13 months ago in May last year. So absolutely on target in terms of the financial metrics for that portfolio as well. And UKCM has performed very well for us since we've acquired it. As I said earlier, the logistics component part of that alone, we've delivered 13% uplift in rent since we acquired the portfolio as to Manor Farm. Perhaps I can ask Tim just to talk you through that last piece of the question on timing.

Tim O'Reilly: Yep, absolutely. So, as you say Rob, we are currently looking for an appeal decision on the 14th of October. So, the hearing's been scheduled, and representations are being made with the legal teams. In terms of ongoing process around pre-let, so we are active on the pre-let process currently. We've got a number of people or a number of parties in the data room scouring the detail of the scheme with very positive feedback so far. And we're searching to down select to a first stage offer process in Q3 and then two final stage two bids in Q4, at which point we'll then select our preferred operator.

Colin Godfrey: And I think it's just worth.

Rob Jones: Very clear,

Colin Godfrey: I think it's just worth just overlaying on that Rob, that obviously the UK government has categorized data centres as critical national infrastructure and supportive of its AI expansion plan and our project to Manor Farm is one of the most important buildings of its type and would be one of the largest and most sophisticated data centres in the UK. So very important in terms of what the government's trying to achieve.

Rob Jones: Yeah, thanks very much. Yeah, impressive ERV growth today and strong performance across the portfolio the stock should be up more. But yeah, thank you very much.

Colin Godfrey: Thank you, Rob.

Operator: Thank you. Our next question is from Callum Marley from Kolytics. Please go ahead.

Callum Marley: Morning guys, and thanks for taking my questions three quick ones. The first one you mentioned in the press release that a reduction in completion reflects mostly strong comp in 2024. Where are the current development completion levels of 0.4 million and post period letting levels of 0.4 million relative to pre-COVID levels and is this more of a normalised run rate going forward?

Colin Godfrey: Crikey, that's a tricky question. I'm trying to think back to pre-COVID levels. Look, I think it's fair to say that pre-COVID, obviously there was an explosive level of occupational demand and development activity post-COVID. There was initially a lull while everyone tried to work out what was going on, there were some constraints in relation to workforce activity with construction of course, but the market got a handle on that. And then there was this obviously very significant demand push if you like, from occupiers particularly backed off against an increase in demand from online. It took a while for that to come through because of course pushing the button on development, bringing the materials site, et cetera, takes time. But generally speaking, I would say that we're round probably back to pre-COVID levels around that. Would you say Henry, what's your sort of take on that?

Henry Stratton: Yeah, so for the market, absolutely. So, the last couple of years we've seen low 20 million square foot of take up in the UK, different numbers from different agencies, but that's the (INAUDIBLE 47.11) numbers that we use. We think we're broadly on track for that this year as we talked about. And that's pretty consistent with what the market was doing pre-2020. And obviously as Colin said, we had that explosion in between. So, the market really is levelled out back around these numbers. But I think the important element here is also the diversity that's in the market these days. There's a lot of organisations looking to evolve their supply chains, revisiting their networks, and that's driving this rotation of space towards higher quality new buildings of the type that we own and develop. And so critical for us is having the capability to be able to meet that demand in the current environment and meet the requirements that occupiers have to not only hold more stock but also run more efficient supply chains and high quality buildings with the associated benefits are the key way to do that.

Colin Godfrey: And I think just to finish on that point, I mean as a business, the way we think about this and remember our development land platform is highly flexible. It's very, very capital efficient because it's mainly controlled through option agreements. And so, in the context of changing market dynamics, we're able to flex that within a fairly short period of time. So, we are not heavily committed to development any particular point in the market cycle, and we've got a really good line of sight on demand coming through that we look to match with our development activity.

Callum Marley: Okay. And on the second one, the medium growth opportunity on slide 25 of your presentation has changed by about £60 million from the investment update or the investor update, particularly as it relates to the timing of the

£128 million logistics development pricing, rent. Has anything changed there regarding your view on logistics development, timing,

Colin Godfrey: And so which section in particular are you referring to there? Callum,

Callum Marley: The £128 million in the investor update and then the on slide 25, it's changed your total medium opportunity,

Colin Godfrey: It's just pushed back a bit.

Frankie Whitehead: I think it's a function of timing, Callum. So, what we would've reported at the CMD would've been based on the December position given we hadn't updated the market since then, we've rolled forward six months. So, it's a feature of timing that's driven that change.

Callum Marley: Again, no, nothing in terms of your outlook or any concerns.

Frankie Whitehead: No, obviously ERVs have moved on as well in the meantime. So, it is a bit of timing and a bit of the ERVs being applied to current portfolio as of 30th June.

Callum Marley: Okay. And then the last one just on that, if the development environment for logistics remains muted or potentially gets worse, how flexible is your strategy in pivoting more towards the one gigawatt of identified data centre capacity? Would you deploy more into that segment over the next 12 or 24 months? And then as a follow up, what is the typical power capacity range that you are targeting for new data centre developments? And we expect more in that a 100-to-200-megawatt range.

Colin Godfrey: Yeah, Callum. Okay, so I'll take the first part of that before handing over to Tim. I think look, we look to maximise returns for our business on a risk adjusted basis and every component part of our business is we are looking to optimise returns from, so they're not mutually exclusive, they don't cannibalise one another. So, it's not as though we are in a situation we're going to reduce logistics development in favour of data centre development. By way of example, yes, DCs have got the potential deliver higher yield on cost and potentially higher profit on cost. There's quite a long incubation period that we've taken to make sure we've got the right size on our power first strategy and we're looking to deploy that obviously from 2027 to 2031 broadly in terms of power delivery timelines. But look, we see the logistics development opportunity as remaining very positive. I think that the market has been a little bit subdued. We'd hope that it would loosen up a bit, become a bit more positive, but the macro-economic backdrop has influenced that, but it's still pretty good. The market's pretty good and I think it could get better off the back of a little more macroeconomic positivity and geopolitical improvement. Tim, over to you on the power delivery on DCs?

Tim O'Reilly: Sure. So, we are currently focused on projects that are broadly sort of 50 megawatts plus. Obviously the larger those projects, the greater the economies of scale, particularly from power and infrastructure deployment. Though we are keen to meet occupational demand, so in terms of what the occupiers need on a facility and a campus basis, so preference for those larger schemes, but still flexible to deliver the space that makes most sense for operators.

Ian Brown: And Callum, just to pick up on your point, sorry, just to pick up on your point about the income bridge, the capital markets day, that medium term is encompassing the full five years that is associated with the earnings growth aspiration as presented within the results today. That is consistent with how we've previously presented that medium term bucket. So that's the primary delta between those two numbers.

Callum Marley: Okay. Thanks for the clarification. Thank you.

Colin Godfrey: Thanks for your questions,

Operator: Thank you. A reminder to ask a question, please signal by pressing *1 and our next question is from Suraj Goyal from Green Street. Please go ahead.

Suraj Goyal: Morning all. Thanks for taking my questions. This couple from me, one around ERVs and one around developments. So, on ERVs for the logistics portfolio, I see that the first half 25 print represents acceleration versus the first half of last year. Want to know what is driving that? And also, how many prints are you expecting over the second half to make the like-for-like ERV disclosure and what we expect those prints to be. And then other industrial pairs are showing some softer prints in urban markets and area that you started to increase your exposure to. Are you wary or concerned at all over the short to medium term trajectory? I just wanted to hear your thoughts on that and then I can dig into the development side.

Colin Godfrey: Okay. So, should we tag team on that, Henry? I mean would you want to start off?

Henry Stratton: Yeah, shall I start off? On ERV this quarter, I think also translating that across the market, we've seen headline rents increase in three of the seven regions in the first half of this year. And so, we still got this picture of decent rental growth certainly by longer term standards as we've talked about. And so that's filtering through into the market as a whole, as I say in this more nuanced picture between some pockets of oversupply but plenty where again, those challenges don't exist. So that's the backdrop I think from the wider market in terms of the first half of this year.

Colin Godfrey: Yeah, I mean one of the other things I would just point to is look, ERV growth is based recorded based on prime rental growth for a particular region. So, is that a highest rent where that's moving to period to period? It doesn't necessarily, well, it doesn't record the underlying rental growth that one can see. So just to give you an example, and this is kind of to the last point that you mentioned, Suraj in London, by way of example, we've seen prime rents flatline now for, what is it about two and a half years. But underlying that the fringe prime good secondary market is still performing strongly and very, very crudely, there's been a push down effect from occupiers that have hit a bit of a glass ceiling of affordability and they've been looking for more affordable space. And of course, if you're able to offer a high quality building that's perhaps been refurbished in a really good location, then an occupier can take that for say £25 a foot instead of £30, £35 a foot, then you can see why those dynamics are playing out.

So, we're still seeing good levels of rental growth in, if you like, some of the submarkets, not necessarily at the prime rental level. The other thing to notice is that prime rents do tend to sort of jump. So, if you have the best park in a region and it's the last plot and you get a bit of competitive tension for that, the rent can jump quite considerably. Once that last plot's taken, there's nothing else to deliver a new prime rental time because you've got no new building to provide that until such time as the next part comes along, for instance, to provide that opportunity. And so, you can see gaps. And so, looking at the headline level and saying to yourself, okay, well there's been zero rental growth in ERV level in a particular region, it doesn't tell the full story. You've really got to unpeel the onion and understand what's happening underneath that. And that's where we are delivering as a business very, very strongly.

Suraj Goyal: Oh, perfect. Thank you. That's very helpful. I'll quickly go onto the second question. So, development is of course a big part of your strategy. It's clear that you continue to target 2 to 3 million square feet of development starting in the year with a decent amount being speculative. How confident are you with speculative development given the ongoing economic uncertainty? I appreciate that there have been some improvements since May, and you have clearly alluded to it in the presentation. Are there any new tenant types you're targeting? Because one thing I'm kind of thinking here is with development economics still fairly attractive, how can we be confident that supply won't accelerate at any given moment?

Colin Godfrey: Okay, so look, the first thing, as I said earlier, our development activity is very flexible. You'll have seen from our presentation that we've delivered a high level of pre-lets in terms of our activity is something we consistently monitor.

We are constantly monitoring the level of occupational interest in the market's recorded by agencies. We are talking to our existing customers and those that are showing interest in our sites, it gives us a really good line of sight. You've seen announcements recently by way of example of companies such as Amazon that have got a 10 million square foot requirement in the UK market. You won't be surprised to hear that we are talking to Amazon. We are their largest landlord in Europe. We've done more business with them than anyone else in the last six years. We own and have developed some of their most strategically important buildings in the UK marketplace. So, it just gives you a feel that there is some really good activity being undertaken and occupies that are certainly the largest scale occupiers that are performing well and are investing in their businesses. Henry, do you want to just expand a little bit?

Henry Stratton: Yeah, can I just put a couple of numbers on that? So, first half of this year, 4.5 million square foot of take up out of the 11.7 was absorbed by speculatively developed buildings. So that's up 1 million square foot on the first half of last year. So nearly 40% of take up in the first half of this year went to newly developed speculative buildings. Of course, occupies have the opportunity to see those there in front of them and make decisions around them. So that's an encouraging backdrop from the development side and long-term, typically about two thirds of demand is absorbed by new buildings either through speculative developed or built to suit pre-let activity. Again, first half of this year that was about 70%. So that development business is a key way to access demand in the market. And then just on the supply side and concerns going forward, I think one thing to note is that the market is well-informed around supply these days.

A number of organisations do a very good job of communicating on this. And if you look at a market like the Northeast, you'll see a good example. It came out of the pandemic with an oversupply of space and very little has been built speculatively in that market since. And we've seen a fairly consistent process now of available space declining in that market. And again, we're seeing rents move up as a result. So, I think there's a well-informed market now around this on the development side, which is to the benefit of everybody operating in this space.

Colin Godfrey: And just to finish on that, I mean the supply piece in terms of its elasticity is driven by two component parts. The first one is planning. If you look at a history, there's fairly consistent levels of planning consents being delivered in the UK. And the second one of course is the ability to deliver those buildings on the ground. And so, we monitor development starts, and at the other end of the spectrum, obviously we are monitoring the planning applications, but on the development starts point, as we said in the presentation, the number of development starts is reducing. And so, when we think about the vacancy rate that's aged up to 7.1%. One of the reasons why we think that it will reduce again assuming steady state level of take up in the marketplace is because there are fewer number of development starts on the ground. And that will manifest in a reduced level of buildings available to let during the course of 2026 into 2027. And as Henry said, part of the unpeeling of the onion of vacancies, understanding how much of that space is new modern and how much of its grey space against the backdrop of take up. And as Henry said, there's two thirds of take up is for new buildings. So, if you're not in the development game, then you're going to miss out on a very significant amount of opportunity for lettings.

Suraj Goyal: Very clear. Thank you very much.

Operator: And my next question is from Paul May from Barclays. Please go ahead.

Paul May: Hi guys. Just a couple of quick ones, appreciate lots of positive commentary and a lot of questions on the market, but the underlying data does to suggest it's not as strong as you're highlighting in terms of basic rates continue to increase in pretty much all markets take up levels are down year on year and down on 23, which itself is a pretty poor year. So, what makes your portfolio different? I mean, noting prime rents broadly flattish in many markets. Obviously, you've delivered growth, you're confident on leasing up your developments. Just wonder what differentiates your product and your assets and your locations versus the broader prime market, which seems to be struggling.

Colin Godfrey: Well thanks Paul. That's amazing endorsement that you've just made for our business.

And I think you are absolutely right. I mean we pride ourselves on having, I think the highest quality, in my view, the highest quality logistics portfolio in Europe. It's very modern. You recall that we had over a 10-year track record of 100% occupation and zero voids until we started acquiring smaller scale buildings. And I think that talks to the strength of occupational demand for our buildings, partly because they are in the main larger scale buildings. These larger scale buildings are led to larger scale financial covenanted occupiers. They invest in those buildings in many ways but including automation and as a consequence of which they take longer term leases. So, they're long-term strategic decisions that they're making in those buildings. And because we are essentially kings of the larger scale market, and when you note and you look at the numbers, the demand factors have been stronger for larger scale buildings in recent times.

So, this is one of the reasons why we perform very well. But we do see this as two ends of the spectrum really. It's the largest scale buildings, but also obviously as a consequence of the UKCM acquisition, we've concentrated on... have a southeast focused portfolio in MLI and smaller scale logistics, but not at the uber prime end of the market. And that talks to the point I was making earlier where there's still really good rental growth levels in some of those submarkets in the subprime levels. So, it is really understanding the nuances both geographically, timing and quality of buildings, size of buildings, et cetera, to make sure that you are in the optimized locations to maximise returns for your portfolio.

Paul May: Cool. So, you shouldn't be concerned by the lower pre-letting level at all. You say very, very confident at leaving over the second half.

Colin Godfrey: I think, as I said earlier, the occupational market has been impacted by macroeconomic and geopolitical factors and that has been sustained for longer than I think we'd hoped. But I do talk to a pressure cooker of demand building. We know that a lot of occupiers want bigger, more efficient buildings. They want to consolidate from older, smaller, organically acquired buildings in their history. They want to invest in their businesses; they're just looking for a little bit more confidence before doing so. But some of them are running out of time and some of them are saying to us, look, we realise now that this is this disruptive world that we are living in is the new norm and we're going to have to start making decisions to invest in our businesses with confidence for the future despite continuation of weak and macroeconomic conditions. So, I think that I certainly don't see that occupational picture is going to get worse. I mean, as I mentioned earlier, the development starts in 2026 and thinking about the supply demand dynamics, we think quite favorable. It's just a point in time now you're looking at data points that perhaps don't look quite so rosy. But looking forward, I think we feel pretty confident in the market opportunity and certainly into the medium term.

Paul May: Okay. A separate question on the DMA situation. Obviously, you seem to be recurringly delivering above the guided recurring DMA income. Just wondered at what point, probably a couple of questions. At what point do you potentially increase your recurring DMA over the medium term from t £3-5 million? Is that a possibility? And then the second question, looking at your adjusted numbers, it appears you've taken about £4.5-5 million of recurring DMA in your adjusted numbers. So, does that imply you're not assuming anything to come through in the recurring numbers in the second half and just as understanding your adjusted earnings x the DMA, whether effectively that will be zero from DMA in the second half? Thanks.

Frankie Whitehead: Yeah, thanks for the question, Paul. So, look, DMA, as we've said in the past, it's a variable number so it is quite hard to guide to over a longer term basis where we do have contracts in place, we tend to update the in year guidance or the guidance of the following year. At the moment, there are no plans to adjust a longer-term outlook. So, the £3-5 million of DMA would remain as things stand today, all of our DMA contracts would conclude in FY25. So, there is nothing currently that is live to generate DMA income in 26. If and when that is the case, we'll update on that accordingly. In terms of the recognition of that, we've taken the same stance that we have in all of the years gone by. If there is up to £4 million pounds of DMA in the first half, we'll recognise that within the adjusted EPS number and therefore we won't be including any further DMA in that excluding DMA number for the second half. So, it is fully taken in the first half.

Paul May: Perfect. Thank you very much. Thank you.

Operator: If there are no other questions in the phone queue we would like to hand the call back over to Ian for any webcast questions.

Ian Brown: Thanks, Ian. Great, thank you Serghei. So, we've got a couple of questions from the webcast. The first one was just a bit of a, what was the £200 million of CapEx related to DC's spent on and how much was paid to Tritax management?

Frankie Whitehead: Should I take that? Yes. So, £201 million invested into data centres in the first half. That is all in keeping with guidance and expectation. That is a combination of land and investment in power connections. Obviously, the Manor Farm site is one of those. There was a second project that we talked to in the capital markets today. We haven't given the location there, but that site is in the broader London availability zone. So, it's a combination of land and power with regards to Tritax management, I think as set out in our January of 25 announcement on Manor Farm, there was £6.1 million paid as consideration for Big Box's investment in the JV. So Tritax management held the investment in the JV vehicle with JV partner and with the power connection for Manor Farm and Big Box essentially stepped into that for a consideration of £6.1 million.

Ian Brown: Great, thanks. A couple of questions from Bjorn Zietsman, Panmure Liberum. Can you give us a sense of the age of the vacancy within your portfolio and how much of the space is spec that is not let up since COVID? Second question is which regions are suffering from oversupply, and which are seeing the strongest take up? And the final question is, can we again confirm that the reiterated guidance to grow adjusted earnings by 50% is on a per share basis? I can't see this mentioned in the numbers.

Colin Godfrey: Okay. I'll take the first one of those. The only building that we have, I think it's a little over two years now in terms of vacancy, is a 300,000 square foot building at Little Brook in London, east side of London Market. It's been a little bit subdued, but as to the remainder of our development portfolio, we're typically operating within a sort of 12-month time horizon. So, on a rolling basis in terms of development completions and getting those buildings let, so they're letting up pretty quickly. We've got no long-term vacancy in our ongoing spec development program and obviously the pre lets are by the nature of the name or already let before we start building the buildings.

Ian Brown: Much worth adding as well that a lot of that vacancy we inherited through the UKCM acquisition as well within the underlying investment portfolio as well.

Colin Godfrey: Sorry, I thought that the question was about the development vacancy, but it's a good point here. Thanks.

Frankie Whitehead: Just on the 50% adjusted earnings ambition, look firstly, that's obviously very attractive for any business in today's market. Breaking that back broadly is a 7% CAGR between now and end of 2030. I think the one thing I would say there is that one should not straight line that over that period we're going through a period of investment, particularly into the data centre opportunities that will lead to an acceleration of that earnings growth as we move through time and as through some of those data centre schemes come on board. So that's the first thing. And then yes, reiteration around its conversion on a per share basis that is predicated on a business plan that is self financed. I think that is in keeping with the guidance we've given around CapEx deployment and how we expect to fund that through disposals and use of balance sheet. So yes, that does convert to a 50% earnings growth on a per share basis.

Ian Brown: Great. I think that concludes the Q&A. There are no further questions either on the webcast or on the phones.

Colin Godfrey: Great. Thanks Ian. Well, it just remains for me to thank everyone who's joined us on the webcast, on the phones today. Thank you for listening. Thank you for continuing to support Tritax Big Box REIT and we look forward to catching up with you again soon. Have a good day.