TeamsFox

MICROSOFT ENFORCES STORAGE LIMITS.

WE MAKE THEM IRRELEVANT.

The IT Leader's Guide to M365 Storage Management & Cost Control

Executive Summary

The storage problem inside Microsoft 365 is no longer theoretical. Mid-July 2026, Microsoft completed its storage limit enforcement rollout across SharePoint Online. Over-quota tenants can now be placed in a read-only state until they reduce consumption or purchase additional capacity. The enforcement mechanism was announced, warned about, and then activated. Many IT teams are discovering it now, in real time, when users report that SharePoint sites are no longer accepting new files.

The enforcement timeline changes the calculation. Storage hygiene has always been a best practice. It is now an operational requirement with a tangible consequence: lockout. At the same time, July 1, 2026 brought a global Microsoft 365 price increase, making additional storage capacity more expensive to purchase. SharePoint Server 2016 and 2019 reached end of support on July 14, 2026, making on-premises storage an active migration risk. And Microsoft Copilot is indexing everything in active SharePoint sites, meaning that every gigabyte of unmanaged, outdated, or overpermissioned data is now both a storage cost and an AI governance risk.

This paper sets out the scale of the storage problem inside real Microsoft 365 environments, why Microsoft's native tooling identifies the symptom but does not solve the cause, what the regulatory and compliance dimension looks like, and how TeamsFox provides the intelligence and automation layer that turns a storage crisis into a managed, cost-controlled environment.

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Key numbers
at a glance

01 | **TeamsFox customer data**
40% of enterprise M365 storage is ROT (Redundant, Obsolete, Trivial)

02 | **Microsoft, M365 Insights,** July 2026
SharePoint storage enforcement completed mid-July 2026; over-quota tenants face read-only lockout

03 | **Microsoft, M365 Archive documentation,** July 2026
File-level archiving in Microsoft 365 Archive reached GA July 2026; individual files archived to **$0.05/GB/month**

04 | **Microsoft Purview Data Lifecycle Management gains an Archive action,** Preview August 2026, GA September 2026)
Retention policies can now automatically move inactive files to the M365 Archive tier. Policy-driven archiving without content intelligence creates new risk: a poorly scoped rule can affect millions of files before users notice.

05 | **Gartner**
70% of enterprise data is 'dark data'; collected and stored but never analyzed or used again

40%
of M365 storage is ROT

40%
Avg. storage cost reduction

$0.05
Per GB/month: M365 Archive

Why Storage Governance **Cannot Wait**

The enforcement moment

Mid-July 2026, Microsoft completed the rollout of its storage limit enforcement mechanism across SharePoint Online. The change means that tenants consuming more storage than their licence entitlement permits can be placed into a read-only state. Files remain accessible for download, but nothing new can be uploaded. Document-centric workflows stop. Teams channels that depend on SharePoint document libraries go dark. Approval processes that write to SharePoint fail silently.

This is not a warning. It is an enforcement action that has already taken effect in affected tenants. The organisations discovering it now are the ones that treated storage governance as a future problem.

Microsoft's standard SharePoint Online entitlement is 1TB of storage per organisation plus 10GB per licensed user. For a 500-user organisation on Microsoft 365 Business or E3, that means a 6TB pool. On the surface, this sounds generous. In practice, unlimited version history, Teams recording storage, mailbox attachments, and years of accumulated content can exhaust that pool faster than IT teams expect, especially in tenants that have grown through mergers, restructuring, or years of Teams-first collaboration without a decommissioning process.

The cost compounding effect

Storage problems do not arrive alone. The July 1, 2026 Microsoft 365 price increase, the first significant global licensing move in several years, raised the cost of every additional storage unit purchased to stay under quota. Organisations already buying extra capacity are paying more for it than they were at the start of the year.

The problem compounds further when AI is in the picture. Microsoft Copilot indexes everything in active SharePoint sites. Every file in an ungoverned library, whether a 2019 project archive or a duplicate version of a presentation that has been edited 40 times, contributes to the data surface Copilot draws from. Keeping ROT data online does not just cost storage. It costs AI accuracy, AI licensing value, and AI governance effort. The Microsoft 365 price increase made storage more expensive. Copilot made ungoverned storage more dangerous

The on-premises deadline

SharePoint Server 2016 and 2019 reached end of support on July 14, 2026. Organisations still running these versions are no longer receiving security updates or mainstream product support. For many of them, the question of storage migration is not separate from the question of Microsoft 365 storage management, it is the same question.

On-premises storage that needs to move to SharePoint Online lands in a tenant that may already be under quota pressure, making migration planning and storage governance a single, urgent workstream.

The organisations most at risk from storage enforcement are not the ones that ignored Microsoft's warnings.
They are the ones that planned to address storage governance 'after the busy period'.

The Storage Problem Inside a Real M365 Tenant

Most IT teams have an approximate sense of their total storage consumption. Very few have file-level visibility into what is actually driving it. The gap between those two things is where the ROT lives, and where the storage cost sits.

What ROT looks like in practice

ROT stands for Redundant, Obsolete, and Trivial content. It is not a theoretical concept. It is the project folder from three years ago that nobody has opened since the project ended, still occupying 60GB of SharePoint storage because nobody archived or deleted it. It is the 300 versions of a pricing spreadsheet saved automatically because the library has unlimited version history enabled. It is the monthly reporting pack distributed by email for six years, sitting simultaneously in 30 inboxes, in a shared mailbox, and in a Teams channel, with no copy being the acknowledged master. It is the Town Hall recording from 2023 that nobody has watched since the week it was uploaded, consuming 15GB of OneDrive storage under the meeting organiser's account.

TeamsFox data across customer deployments shows that 40% of enterprise Microsoft 365 storage falls into this category. Not 40% is suboptimal or could be rationalised with effort. 40% can be deletedor archived without any user or any business process noticing the difference. The storage cost of that 40% is entirely avoidable. The compliance risk of retaining personal data within it is entirely unnecessary. And the AI quality risk of Copilot drawing from it is entirely self-inflicted.

Version history: the invisible storage multiplier

SharePoint's version history settings are one of the most significant and least-understood storage drivers in a typical Microsoft 365 tenant. Many tenants retain legacy configurations from earlier SharePoint deployments: unlimited major versions, a high count of minor draft versions, and no automatic cleanup mechanism. A 10MB document that has been edited 50 times occupies 500MB of storage in version overhead alone. A SharePoint document library with 10,000 files and unrestricted versioning can consume five to ten times its apparent storage footprint in historical versions that users have never accessed and will never access again.

Version history has genuine value for recovery and audit purposes. The question is not whether to retain versions, but how many, for how long, and on which content. Most tenants have no policy that answers those questions at a file or library level. The default is unlimited, and the cost accumulates silently.

Teams: the ungoverned storage surface

Microsoft Teams has become the default collaboration surface for most enterprise Microsoft 365 users, and it carries a hidden storage cost that most IT teams underestimate. Every Teams channel has a SharePoint document library behind it. Every channel meeting recording is stored as a video file, either in SharePoint or in the organiser's OneDrive, depending on the meeting type. Every file attachment shared in a Teams chat creates a copy in the sender's OneDrive. Tabs that embed SharePoint lists, wikis, or Power Apps add further storage overhead on top.

The result is a storage surface that grows with every meeting recorded, every file shared, and every channel created, without any automatic decommissioning or lifecycle management applied. When a project ends and the Teams channel is abandoned rather than archived, the storage it consumed stays live, quota-consuming, and indexed by Copilot, indefinitely.

Mailboxes and the long tail of email storage

Exchange Online mailboxes remain a significant storage surface in most Microsoft 365 tenants, even as day-to-day collaboration has moved to Teams. Large attachments, calendar archives, and years of email thread history accumulate in primary mailboxes, archive mailboxes, shared mailboxes, room mailboxes, and group mailboxes. Many of these receive no storage governance at all. IT teams apply retention policies and auto-archive rules as a compliance measure, but without intelligence about which mailboxes are the largest, which contain the most attachable content, and which have the highest ratio of historical to current content, right-sizing mailbox storage is not a managed process, it is a capacity-and-compliance guessing game.

The Gaps Microsoft's Native **Tooling Leaves Open**

Microsoft has invested in storage administration tooling. The SharePoint admin center shows site-level storage consumption. Microsoft 365 Archive provides a low-cost archival tier. Purview retention policies and lifecycle management features address compliance-driven content handling. These are the destination and the framework. They are not the intelligence layer.

Gap 1 | Bytes without context

The SharePoint admin center shows total storage consumed per site and per tenant overall. What it does not show is which files are driving the consumption, which files have not been opened in more than two years, which libraries have version history consuming five times the apparent file size, or which content is duplicated across multiple locations. IT administrators can see that a site is consuming 200GB. They cannot see that 140GB of that is version overhead on 1,200 files, that 35GB is a set of meeting recordings from 2022 that nobody has watched since, and that the remaining 25GB contains content not accessed in over three years.

The Microsoft 365 admin center tells you how full the tank is. It does not tell you what is in it, what should stay, and what should go. Acting on storage consumption without that file-level intelligence means guessing or manually auditing, at a scale where neither is practical.

Gap 2 | Native ROT identification does not exist at file level

Microsoft 365 includes last-modified and last-accessed metadata on individual files, visible through SharePoint site analytics and the Microsoft 365 admin center. It does not surface a prioritised view of ROT by storage weight, by risk, or by archival opportunity. There is no native report that identifies the 500 files accounting for the largest share of inactive storage in a tenant, ranks libraries by version overhead ratio, or flags content that meets ROT criteria across Teams, SharePoint, OneDrive, and Exchange in a single consolidated view.

Finding the content worth acting on requires either manual analysis across individual sites, or scripting against the Microsoft Graph API, which most IT teams do not have the capacity to build, maintain, or operationalise. The result is that ROT identification, when it happens at all, is a one-time project rather than a continuous governance process.

Gap 3 | M365 Archive without a decision engine

File-level archiving in Microsoft 365 Archive reached general availability in July 2026. Individual files can now move to the $0.05/GB/month tier without archiving the whole site. For organisations paying standard rates for additional SharePoint storage, that is a real cost saving.
Microsoft is extending this further with Purview Data Lifecycle Management (Roadmap ID 561208, GA September 2026): retention policies will be able to trigger automatic file movement to the Archive tier for OneDrive and SharePoint content. Compliance-scoped content can now move to cheaper storage without manual administrator intervention. Neither capability closes the intelligence gap.
M365 Archive does not decide what to archive. Purview retention archiving only governs content already covered by a retention policy.
The 70% of dark, unclassified content in a typical tenant, with no label, no owner, and no policy assignment, receives no archive trigger at all. And for policy-scoped content, the archive decision is based on inactivity timestamps and retention categories, not on ROT classification or business context.
A policy cannot distinguish between a dormant project folder and a technical standard that is rarely opened but operationally critical. Get the policy scope wrong and it archives millions of files before anyone notices. Purview provides the trigger. TeamsFox determines what it should fire on: file-level ROT identification, ranked by storage weight, with projected savings calculated before a single file is moved.

Gap 4 | Version governance is not automated

Microsoft 365 provides version history controls at the library and site level. Administrators can set limits on the number of versions retained and can manually delete version history on individual files. What Microsoft does not provide is a proactive, tenant-wide view of which libraries have grown version-bloated, how much storage is consumed by version overhead as a proportion of total storage, or an automated policy that trims version history based on file age, access frequency, or business rules defined at the governance level rather than the individual site level.

Version governance, like ROT governance, is a structural problem that requires a systematic solution, not a one-time admin operation performed on individual libraries by administrators who discovered the problem by accident.

Gap 5 | No consolidated view across managed tenants

MSPs and CSPs managing Microsoft 365 across multiple client environments face the storage governance problem at scale. Each tenant has its own storage position, its own ROT profile, its own quota risk, and now its own enforcement deadline timeline. Native Microsoft tooling is per-tenant. There is no consolidated view across managed environments, making storage governance a manual, tenant-by-tenant exercise at a time when multiple clients may be facing enforcement simultaneously.

The organisations best positioned to address this problem quickly are those that can see across all their managed tenants in a single view, prioritise the most at-risk environments, and apply governance actions at scale. TeamsFox's multi-tenant architecture is designed for exactly this.

The Compliance and **Regulatory Dimension**

Storage governance is not purely an operational and cost question. It sits at the intersection of multiple compliance frameworks that impose real obligations on how long data is retained, how it is protected, and when it must be deleted. Managing those obligations inside an ungoverned Microsoft 365 storage environment is significantly more difficult and more error prone than managing them in a clean, well-structured one.

GDPR and the data minimisation principle

The General Data Protection Regulation's Article 5(1)(c) requires that personal data be adequate, relevant, and limited to what is necessary in relation to the purposes for which it is processed. This is the data minimisation principle, and it applies directly to storage governance. Personal data that is no longer necessary for its original purpose should not be retained. A Microsoft 365 tenant filled with years of accumulated ROT almost certainly contains personal data, in email attachments, in SharePoint documents, in Teams recordings, and in form submissions, that no longer meets this standard.

This does not mean that every piece of historical data must be deleted immediately. It means that organisations need a systematic process for identifying data that has outlived its purpose and acting on it, and that process requires file-level visibility across the full M365.estate. Storage hygiene and GDPR data minimisation are not separate workstreams. They share the same foundational requirement: knowing, at file level, what data exists, how old it is, and whether a legitimate basis for retaining it still applies.

NIS2 and data availability

NIS2 requires covered organisations to maintain the availability and integrity of their critical systems and data. Storage governance plays a direct role here. Backup coverage depends on knowing what data exists and where it lives. Recovery time objectives depend on storage architecture. Data integrity depends on governance that distinguishes between current, authoritative data and outdated or redundant copies. An organisation whose SharePoint environment contains significant ROT alongside its critical operational data faces a recovery and integrity challenge that is more complex and slower to resolve than one whose storage is clean and well-structured.

The specific NIS2 obligations for individual organisations depend on sector, size, and service classification. TeamsFox recommends engaging legal and compliance advisors to assess specific requirements. What we can say with confidence is that any governance work done on storage structure, data classification, and lifecycle management will support NIS2 readiness regardless of the specific obligations that apply.

Retention and deletion obligations

Most European organisations are subject to a patchwork of data retention obligations that require keeping certain categories of data for defined periods and, equally importantly, deleting data once that period has expired. Managing these obligations in a Microsoft 365 environment containing years of accumulated ROT alongside genuinely required data creates significant compliance risk. Purview retention policies help, but they operate on top of the storage environment rather than cleaning it. Applying precise retention rules to a storage estate that contains duplicate files, versions of versions, and content whose provenance is unclear produces uncertain compliance outcomes.

A well-governed storage environment, in which content is classified, versioned appropriately, and subjected to regular lifecycle review, is the foundation that makes retention policy enforcement reliable. Without it, retention is policy on paper with uncertain enforcement in practice.

AI readiness and the EU AI Act

The EU AI Act's full high-risk framework applies from August 2, 2026. Among its requirements is the expectation that AI systems operating on data relevant to high-risk decisions use reliable, high-quality data inputs. Microsoft Copilot and M365 AI agents draw from the full SharePoint estate. A storage environment containing 40% ROT is an AI data environment with 40% quality risk: outdated documents treated as current, duplicate files creating conflicting information, and stale data surfaced in AI outputs that affect real business decisions.

Storage governance is the prerequisite for AI governance. The two white papers TeamsFox has published in this series are not separate topics. They are sequential steps in the same readiness journey. You cannot govern AI responsibly if you have not first governed the data it draws from.

The TeamsFox Framework: 5 Pillars of M365 Storage Management

TeamsFox

TeamsFox's approach to storage management is built on five pillars that cover the full lifecycle of storage governance: from initial intelligence and ROT identification through to archiving, version governance, and continuous cost control. These pillars reflect capabilities TeamsFox has proven in production Microsoft 365 environments across Europe, MENA, and Asia.

Pillar 1: Tenant-Wide Storage Intelligence

1

See the full picture before you act

Effective storage governance starts with intelligence, not action. Before archiving, deleting, or restructuring, IT teams need a complete, prioritised view of what their storage estate actually contains. TeamsFox provides file-level storage analytics across Teams, SharePoint, OneDrive, and Exchange in a single consolidated view. Not site-level totals: file-level detail, ranked by storage weight, last access date, version count, and content type.
This view surfaces what Microsoft's admin center cannot: the 200 files accounting for 40% of a site's storage, the 15 libraries with version overhead exceeding their actual file size, the Teams channels whose recording storage has been growing unchecked for two years, and the shared mailboxes whose storage has never been reviewed. Intelligence at this level turns storage governance from a guessing exercise into a prioritised, evidence-based workplan.

For MSPs and CSPs, this intelligence is available across all managed tenants in a single multi-tenant dashboard. The highest-risk environments can be identified and prioritised without logging into each tenant individually

Pillar 2: ROT Identification and Prioritisation

2

Find the 40% that is costing you money and delivering nothing

TeamsFox applies ROT analysis across the full M365 estate to identify content that meets the criteria for redundant, obsolete, or trivial classification. Redundant content: files that exist in multiple copies across different locations. Obsolete content: files that have not been accessed for a defined period and show no active usage patterns. Trivial content: temporary files, auto-saves, draft versions, and system-generated files that contribute to storage consumption without delivering business value.

The output is not a raw list. It is a prioritised workplan: the highest-storage-impact ROT at the top, with projected savings from archiving or deletion, risk indicators for content that may still be needed, and a clear classification of why each item meets ROT criteria. TeamsFox

TeamsFox result: 40% average storage cost reduction. Applied directly: a 1,000-user tenant with significant ROT reduces active storage consumption and eliminates over quota enforcement risk before it becomes a lockout.

Pillar 3: Smart Archiving and Lifecycle Automation

3

Microsoft built the destination. TeamsFox builds the route

Microsoft 365 Archive's general availability at file level in July 2026 creates a genuine cost optimization opportunity for any organisation with significant inactive content. At $0.05/GB/month versus standard SharePoint pooled storage rates, archiving inactive files to the M365 Archive tier delivers measurable and immediate cost reduction. The challenge is that M365 Archive does not decide what to archive. It provides the tier. The decision engine needs to sit elsewhere.

TeamsFox integrates with M365 Archive to provide exactly that decision layer. ROT analysis identifies files meeting archival criteria. TeamsFox surfaces the projected cost impact before any file is moved. Archiving actions can be reviewed, approved, and executed from a single interface, with audit trails showing which files were archived, when, by whom, and why.
Content that is archived is not deleted: it remains accessible and recoverable, it simply moves from an active storage quota to the Archive tier, reducing active consumption immediately.

Pillar 4: Version and Metadata Governance

4

Version history is a feature. Unlimited version history is a storage risk

TeamsFox surfaces version governance as a specific, addressable storage opportunity. Version overhead analysis identifies the libraries and sites where version history has grown disproportionate to the underlying file activity, quantifies the storage impact of current versioning settings, and recommends version count limits calibrated to the actual recovery and audit requirements of each library type.
This is not a one-time cleanup. TeamsFox monitors version overhead continuously and alerts when libraries exceed defined thresholds, so that version governance is enforced as an ongoing policy rather than discovered as a crisis. The combination of initial remediation and continuous monitoring means that version overhead, one of the most significant and least-visible storage multipliers in a typical M365 tenant, becomes a managed variable rather than an uncontrolled accumulation.

Metadata governance supports version governance by ensuring that content is classified and tagged in ways that support accurate retention policy application, recovery prioritisation, and archival decision-making. Data that is well-described is easier to govern. Data that carries no classification metadata is governed by default, which in practice means governed by whoever created it, on whatever terms they chose at the time.

Pillar 5: Continuous Cost Control and Enforcement Protection

5

From reactive capacity purchasing to proactive storage governance

The standard response to storage enforcement risk is to purchase additional capacity. This is the Microsoft-preferred outcome and it is the most expensive way to manage the problem. Additional SharePoint storage purchased at standard rates costs significantly more than the $0.05/GB/month M365 Archive tier, and more than the cost of not storing ROT content in the first place. Every gigabyte of additional storage capacity purchased because ROT was not addressed is a cost that good storage governance would have eliminated.

TeamsFox provides continuous storage governance that prevents enforcement risk from developing. Storage consumption is tracked against licence entitlement in real time. Alerts fire when consumption is trending toward quota limits, not after the limit has been exceeded. ROT analysis runs on a schedule, not as a one-time project, so that new ROT is identified and actioned as it accumulates rather than allowed to compound over years. The result is a storage position that stays well within entitlement, at lower cost than purchased capacity, with higher data quality than an ungoverned environment delivers.

> **TeamsFox** customers average 30% licence cost reduction, 60% admin time reduction, and 40% storage cost reduction. For an organisation currently purchasing additional SharePoint storage to manage a quota crisis, the ROI case for a governance-first approach is direct and quantifiable.

30%
Avg. licence cost reduction

60%
Avg. admin time reduction

40%
Avg. storage cost reduction

A Practical AI Governance **Checklist for IT Leaders**

The questions below give IT leaders a structured starting point for assessing storage governance maturity in their Microsoft 365 environment. Each section surfaces immediate priorities and identifies where the highest-risk gaps typically sit.

Storage visibility

- ☐ Do you have file-level visibility into what is consuming storage across SharePoint, Teams, OneDrive, and Exchange?
- ☐ Can you identify the 100 files or libraries accounting for the largest proportion of your total storage consumption?
- ☐ Do you know which sites are at risk of approaching quota limits in the next 90 days?
- ☐ Is your storage consumption tracked against your licence entitlement continuously, or only when someone checks manually?

ROT identification

- ☐ Have you completed a file-level ROT analysis across your tenant in the last 12 months?
- ☐ Do you have a current view of content that has not been accessed in more than 24 months?
- ☐ Can you identify duplicate files across different SharePoint sites and OneDrive accounts?
- ☐ Do you know what proportion of your storage is consumed by version history overhead versus actual file content?

Archiving and lifecycle

- ☐ Are you using Microsoft 365 Archive or Azure-equivalent archival tiers for inactive content?
- ☐ Do you have an automated process for moving files meeting archival criteria out of active storage?
- ☐ Are Teams channel recordings subject to lifecycle policies that delete or archive them after a defined period?
- ☐ Is there a decommissioning process for Teams channels and SharePoint sites when projects end?

Version and metadata governance

- ☐ A re version history limits set at the library level, or do libraries retain unlimited versions by default?
- ☐ Is version overhead monitored and alerted on when it exceeds defined thresholds?
- ☐ Is content classification and tagging applied consistently enough to support accurate retention and archival decisions?
- ☐ Are retention policies in Purview applied to a well-governed content estate, or to an environment where unclassified ROT sits alongside governed content?

Enforcement protection

- ☐ Do you know your current storage consumption as a percentage of your total licence entitlement?
- ☐ Have you assessed which sites are at risk under the storage enforcement mechanism that completed rollout in July 2026?
- ☐ Is there a process for acting on quota alerts before they result in read-only lockout?
- ☐ If you are an MSP or CSP, do you have a consolidated view of storage risk across all managed tenants?

Conclusion

Storage governance inside Microsoft 365 has moved from a best practice to an operational requirement. Enforcement is live. The read-only consequence is real. The cost of additional capacity is rising. And Microsoft Copilot is indexing every gigabyte of ungoverned data, making storage quality a direct input into AI accuracy and AI governance.
Microsoft has provided the tools to address the destination: Microsoft 365 Archive for inactive content, Purview for retention policy enforcement, and the admin center for site-level storage visibility. What Microsoft has not provided is the intelligence layer: the file-level ROT identification, the version overhead analysis, the cross-tenant consolidated view, and the continuous governance process that keeps storage well within entitlement without requiring IT teams to run manual audits or purchase capacity they should not need.

The organisations best positioned for what comes next, including AI workloads that depend on clean data, compliance frameworks that require data minimisation, and a Microsoft licensing environment that is getting more expensive, are the ones that address storage governance now, as a systematic, continuous, intelligence-driven process rather than a quarterly fire drill.

Microsoft enforces storage limits. We make them irrelevant.

TeamsFox

TeamsFox provides the storage intelligence, ROT identification, archival automation, and continuous governance that turns a storage enforcement risk into a managed, optimised, cost-controlled M365 environment.

About TeamsFox

TeamsFox GmbH is a Franco-German Microsoft 365 management and optimisation platform. Headquartered in Dusseldorf, Germany, TeamsFox is trusted in 20+ countries across Europe, MENA, and Asia.

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