



The Race for Data Sovereignty:

Why More Australian Data is Staying Home

and what this means for the data centre property market



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KEY TERMS

Supply - refers to the IT Load (MW) of data halls to be delivered.

Take-up - refers to the demand, or leased IT Load (MW).

Supply & Take-Up Categories

- **Live** - refers to the IT Load of fitted out data halls that are operational.
- **Under Construction** - refers to the IT Load of data halls that are undergoing fitout of mechanical and electrical equipment.

- **Committed** - refers to the IT Load of projects where DC Byte maintains high confidence in its eventual addition to a market's Live Supply.

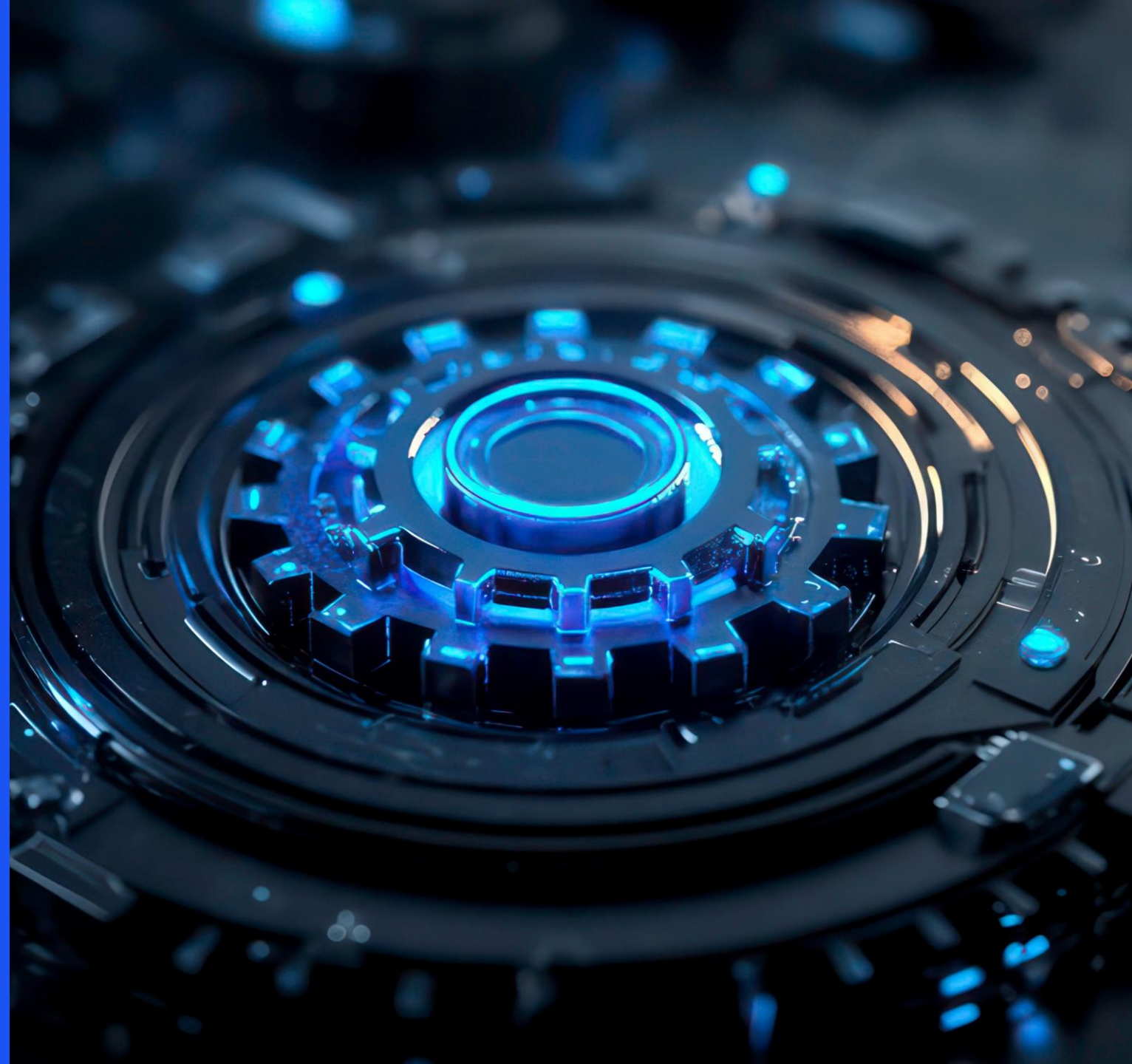
- **Early Stage** - refers to the IT Load of projects that have not secured all elements required for development (land, power, permits, etc.).

Vacancy Rate - refers to the percentage of available Live Supply by Total Live Supply for colocation.

SECTION 1

Data Consumption and Data Sovereignty

The Twin Engines Driving Data
Centre Growth



Twin Drivers of Data Centre Demand: growing data consumption and the increasing importance of data sovereignty

Data creation is accelerating exponentially


AI, cloud, IoT and 5G are driving a structural surge in data generation and usage.

Data sovereignty is now a strategic national priority

Governments are increasingly requiring data to be stored and processed locally to protect security, resilience and economic value.

Local data residency is driving sustained demand for onshore data centres

Performance, compliance and risk management are pushing businesses toward Australian-based data infrastructure.



The average household on the network now downloads eight times more data than it did a decade ago.



SECTION 2

The Supply-Demand Mismatch

Implications for
Data Centre Investment

The numbers tell a compelling story: Implications for Data Centre Investment

40
-fold

In the past 20 years, total data centre occupancy in Australia has grown 40-fold, from just 37 MW in 2005 to 1,315 MW in 2025.

67%

Remarkably, 67% of that growth has occurred in the past 5 years alone driven by the pandemic, remote work, and the rise of AI as more data is created and stored in Australia.

27
times

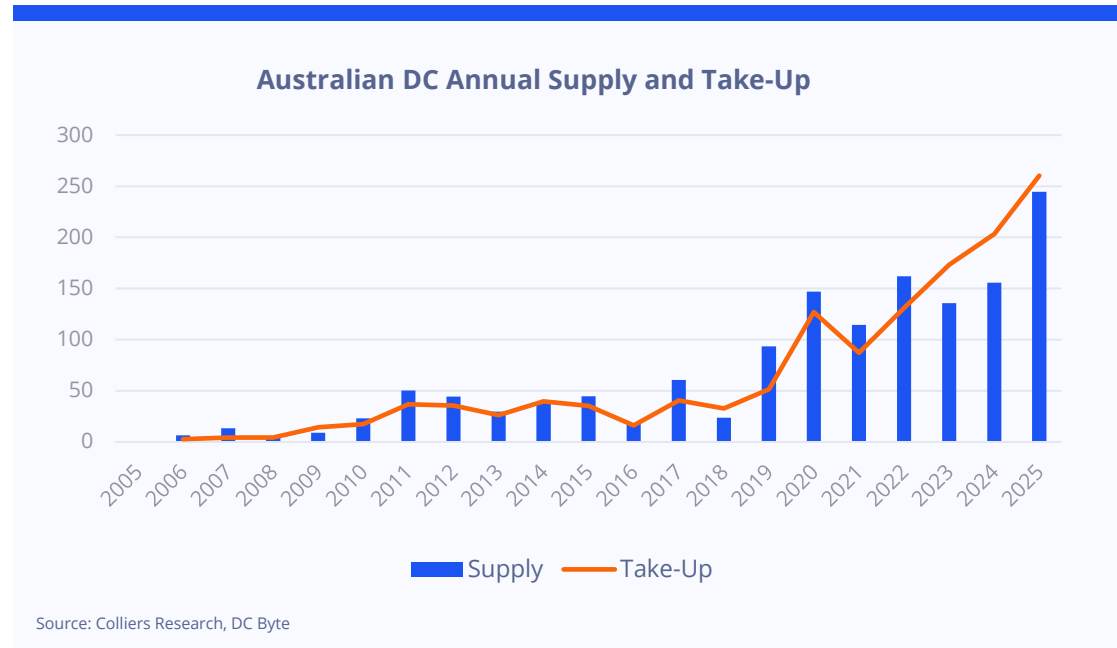
Take-up for data centres built for hosting AI workloads has risen nearly 27 times in the past 5 years.

12%

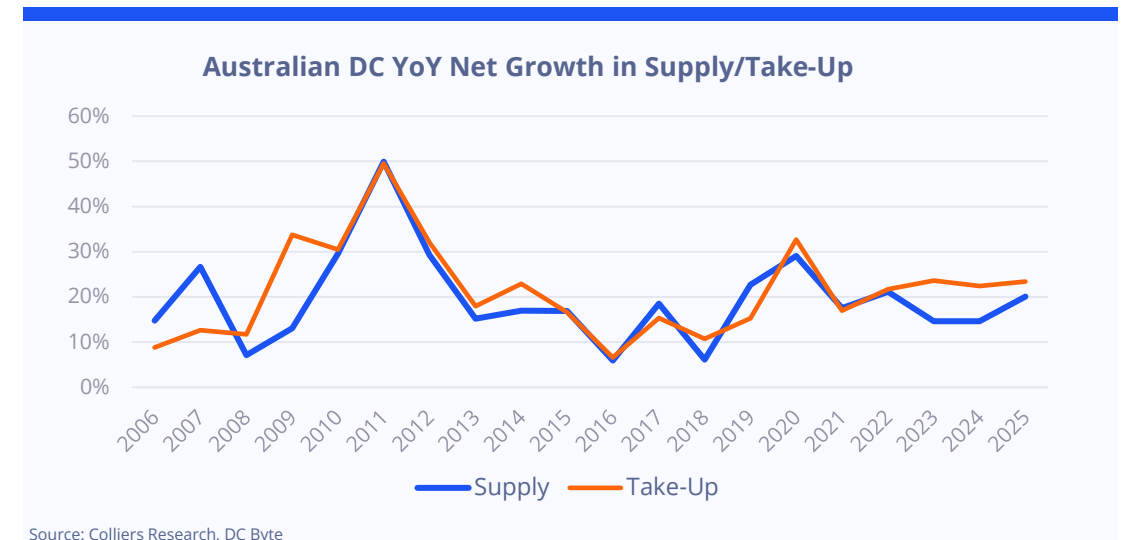
The share of total Australian data centre capacity used for public sector data has risen from less than 1% in 2015 to 12% in 2025. In the past 5 years, data centres hosting the public cloud has been the largest growth in takeup by data centre type.

Demand Outpacing Supply

Australia's data centre market has reached a critical inflection point, with demand now growing faster than supply and capacity take up exceeding new deliveries for three consecutive years since 2023.

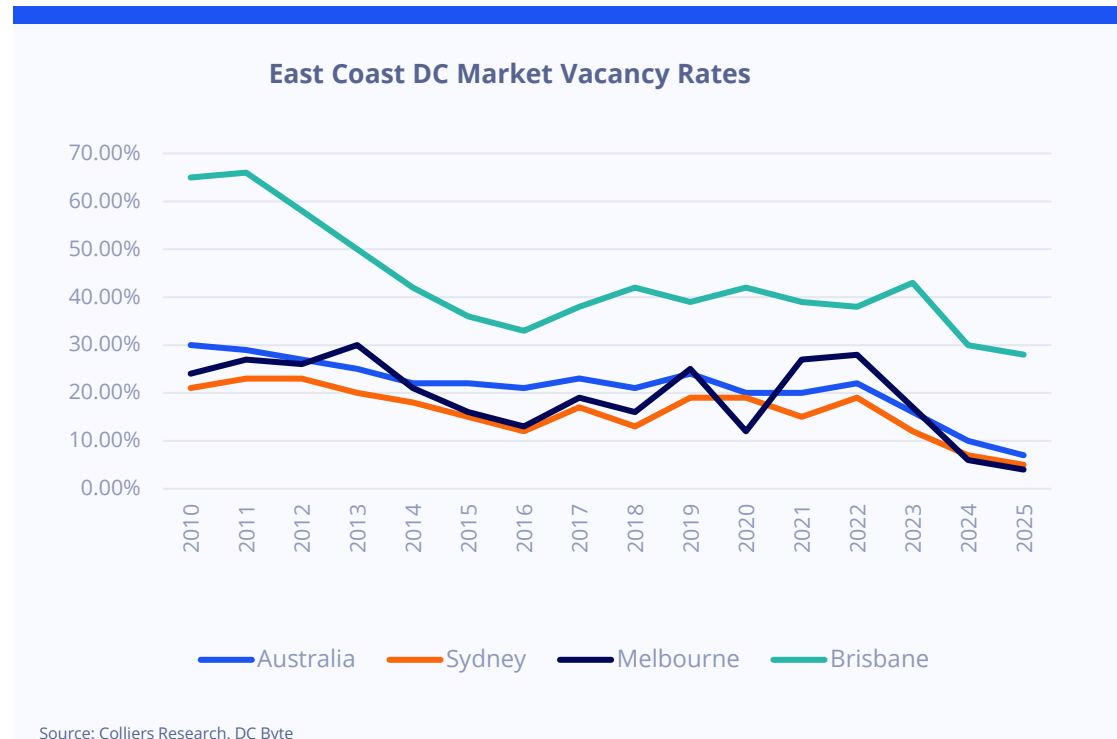


Australia is in the longest sustained period on record where data centre demand is growing faster than supply, driven by AI workloads, cloud migration, and data sovereignty requirements all converging rather than short-term market cycles.



Vacancy Rates Are at Record Lows

Australia's data centre vacancy rates have fallen sharply due to a supply and demand imbalance, with the national rate dropping to a record low of 7% in Q4 2025 compared with a long term average of 21%.



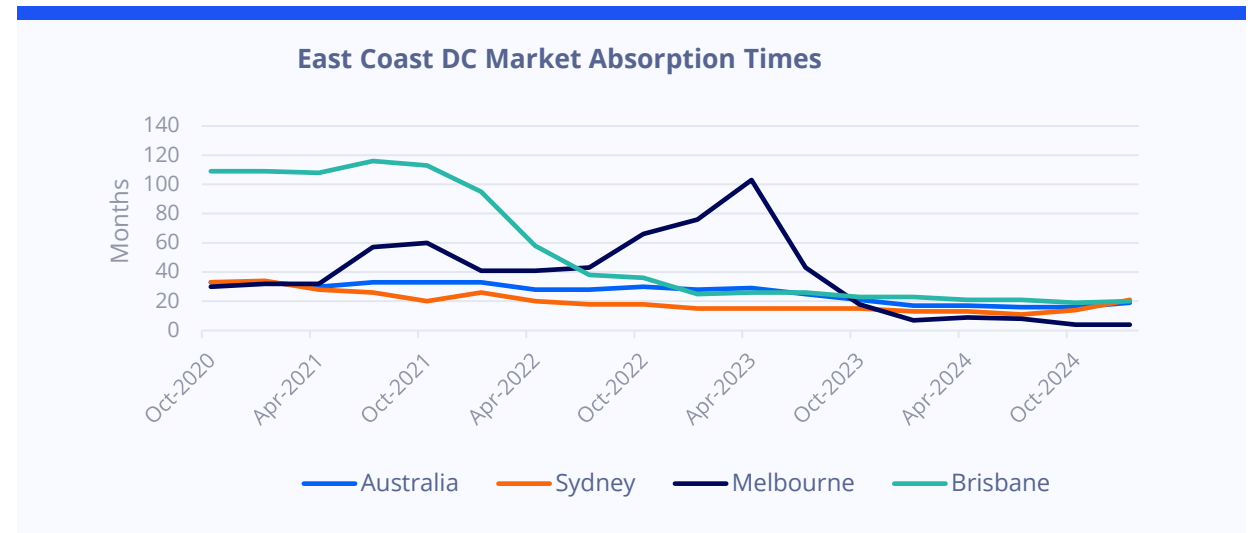
These vacancy figures underscore a key point: supply is not keeping pace with demand, and the market is absorbing available capacity at a much faster rate than in previous years.



Absorption Timelines Are Compressing Rapidly

Australia's vacant data centre stock could be fully absorbed in just 1 year and 7 months at current take up rates, with Melbourne leading the tightening after absorption time collapsed from over 8 years in early 2023 to just 4 months by Q1 2025.

Sydney and Brisbane are close behind at under 2 years, with Brisbane's compression especially stark given no new supply since Q2 2023, underscoring strong demand for both national and state level data residency and infrastructure located near major population centres.



Source: Colliers Research, DC Byte

Absorption times are trending downward across all major markets, reflecting the broader acceleration in data centre demand nationwide. This trend reinforces the need for proactive investment and development planning, particularly in cities where supply pipelines have not kept pace with demand.

Outlook

As of December 2025, 81% of all data centre capacity currently under construction has already been pre-committed which is well above the long-term average of 38%.

Australian DC Outlook

Despite a national pipeline of over 8,000 MW, only a quarter is realistically deliverable due to infrastructure constraints, costs and regulatory barriers, meaning full delivery could take decades.

At current demand levels, however, available committed capacity could be fully absorbed within nine years, underscoring the urgency to accelerate infrastructure delivery.

8.181

MW

in committed and early
development stage

1,609

MW

MW available and committed
with the right elements (only
25%)

9

Years

for the committed pipeline to
be absorbed assuming average
take-up

20

Years

for the full pipeline to be
delivered, given barriers to
entry

Planning, Engineering & Design Perspective: Data Centre Pipeline Far from Oversupplied

Future data centre supply is constrained by infrastructure, not zoning

Power, water and certainty of delivery timing remain the critical barriers to bringing new capacity online.

Large-scale data centres face the same delivery risks as major housing projects

As campuses scale to 30 ha and 500 MW+, outcomes are increasingly shaped by infrastructure sequencing, planning approvals and utility lead times.

Oversupply is unlikely without major structural reform

Despite positive policy signals, demand will continue to outpace delivery unless there is a step-change in infrastructure investment and approvals.

“Inefficient planning and infrastructure frameworks that constrain housing supply also govern data centre development. These shared constraints, coupled with extended delivery timelines, mean data centre oversupply is a distant concern.”

Chris Gallagher

Director,
Strategic Development
Engineering & Design

Why More Australian Data is Staying Home

Sydney Outlook

Strong Pre-Commitment Levels

- 72% of space under construction is already leased: nearly double the long-term average of 40%.

Nation-Leading Supply Pipeline

- The largest development pipeline in the country is underway.
- Though most of this pipeline has significant barriers to entry.

Future Bottlenecks Likely

- High demand and slow future supply could create constraints within the next decade.



Why More Australian Data is Staying Home

Melbourne Outlook

Significant Population-Driven Growth

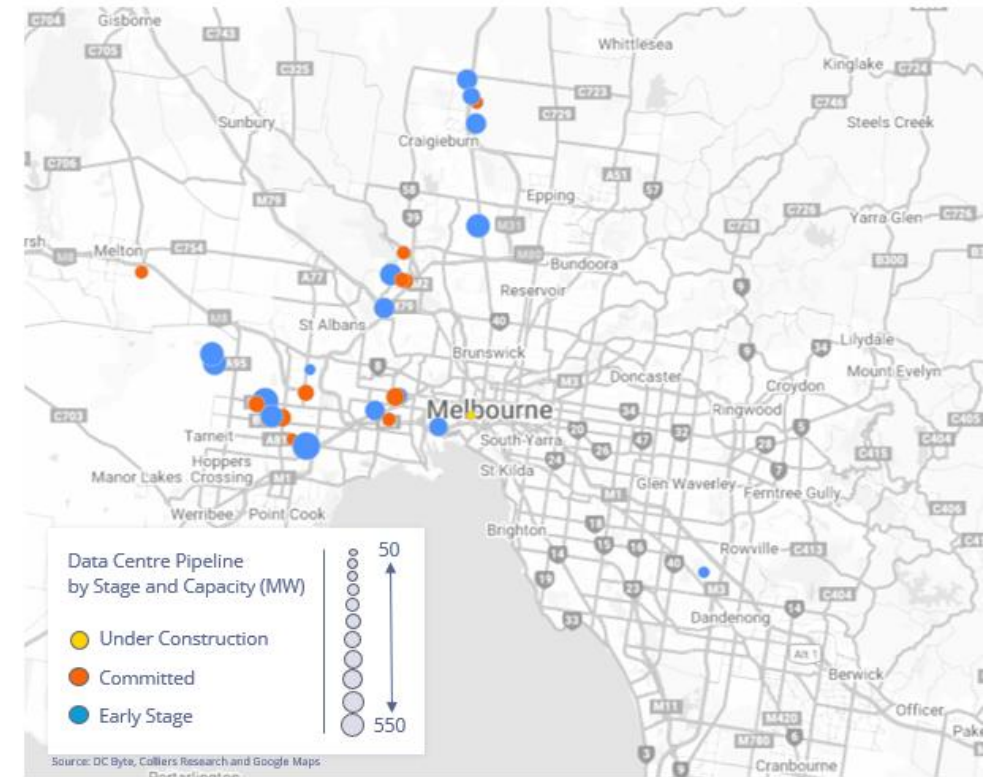
- Melbourne is set to become Australia's largest city by 2032, reinforcing its role as a long-term hub for data generation and local data centre infrastructure.

Supply Mostly Locked In

- Around 97% of Melbourne's under-construction data centre pipeline is already pre-committed, reflecting very strong near-term demand.

Pipeline Concentration

- Nearly half of Australia's longer-term committed and early-stage data centre capacity is located in Melbourne.



Why More Australian Data is Staying Home

Brisbane Outlook

Brisbane Growth Momentum

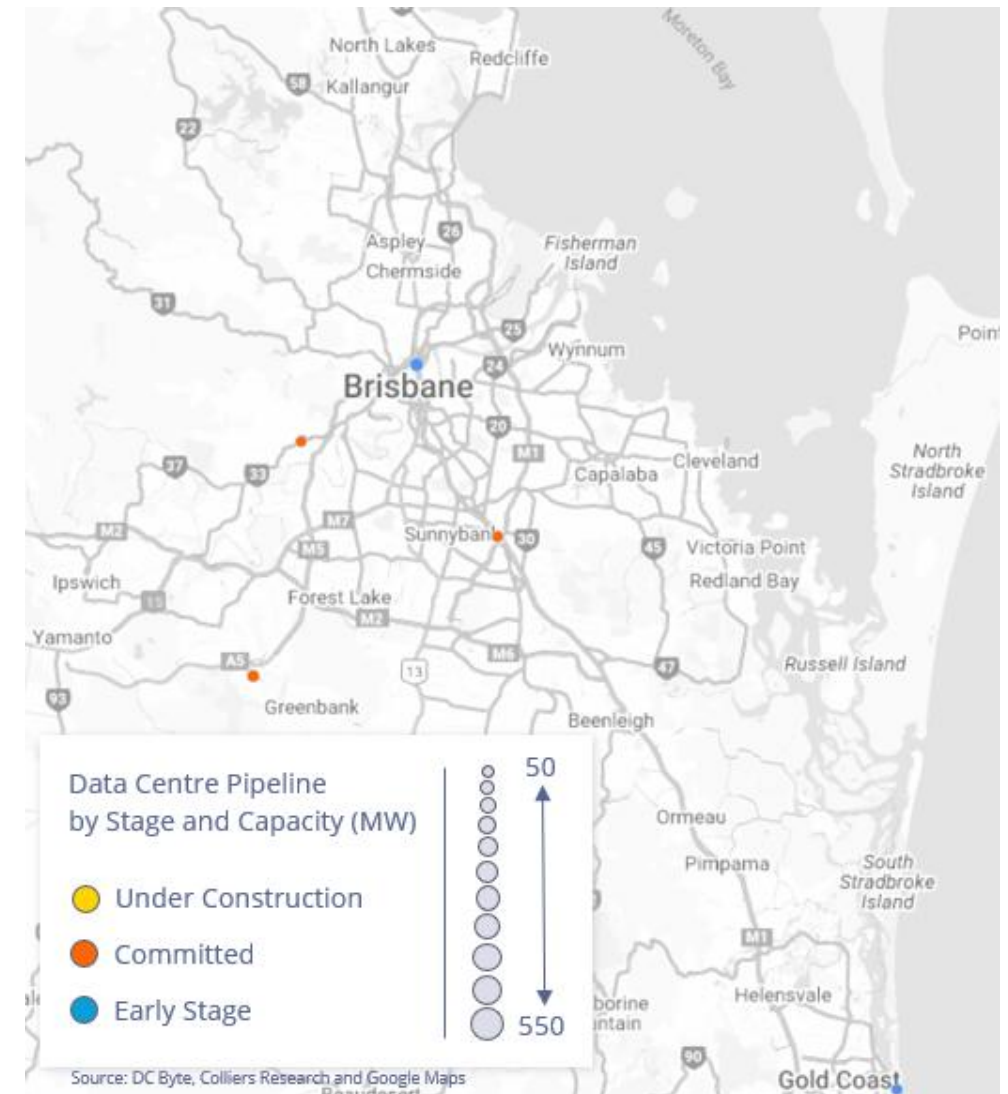
- Brisbane accounts for 20% of Australia's population but delivered 29% of national population growth to December 2024, strengthening its role in the national data centre landscape.

Limited Supply Pipeline

- Despite this momentum, Brisbane has 2 MW under construction and just 27 MW in the committed or early-stage pipeline.

Rapid Absorption Risk

- At current demand levels, the entire pipeline could be absorbed in under four years, signalling the need for new stock to meet steady demand.



Why More Australian Data is Staying Home

Adelaide and Perth Outlook

Construction Remains Limited

- There are currently no sites under construction in Adelaide.
- Two sites and 6 MW is under construction in Perth, both North.

Strong committed pipeline in Perth

- An additional 2 data centres could be built from 2028 onwards in Perth, with the potential to more than double capacity.

Capital Markets & Investment Outlook

- Digital infrastructure is driving exponential land value uplift, with data centre-capable sites commanding significant premiums due to power access, scalability and long-term income security.
- Data centres are increasingly the highest and best use for industrial land, often outcompeting traditional logistics and manufacturing through higher revenue potential and stronger tenant covenants.
- Rising data centre development is absorbing prime I&L land, tightening industrial supply and lifting underlying industrial land values and rental prices across key precincts as sites are repriced for digital use.
- According to PERE's Perspectives 2025 Study, data centres are now the most favoured real estate sector among institutional investors.

“Australia is fast emerging as a global hub for AI infrastructure, underpinned by world-class digital connectivity, geopolitical stability and a mature data centre ecosystem. For institutional investors, the convergence of these fundamentals present a rare opportunity to capitalise on long-term digital transformation at scale.”

Gavin Bishop

Managing Director,
Industrial & Logistics

Why More Australian Data is Staying Home

Key Takeaways

01 Data Growth & Sovereignty Key Drivers

Australia's data centre market is expanding due to rising data usage and a push for local data storage to meet privacy laws and reduce foreign access risks.

02 Demand Is Outpacing Supply

Data centre demand has outpaced new supply YoY since 2023, the longest period of demand growth exceeding supply.

03 Vacancy Rates Are at Record Lows

National vacancy rates of data centres hit a new low of 7%. Meanwhile, Melbourne sits at 4% one of the lowest globally, whilst Sydney and Brisbane have seen significant reductions to 5% and 28% respectively.

04 Absorption Timelines Are Compressing Rapidly

Data centre capacity is being taken up faster than ever. If current rates of demand continue, vacant data centre stock could be fully absorbed in just 1 year and 7 months. This is a dramatic shift from the 3 years and 1 month it would have taken to fill vacant stock in 2021.

05 Infrastructure Constraints Are Slowing Delivery

Only 25% of the 8,181 MW pipeline is ready for development. Power, water, and planning delays mean full delivery could take 20+ years, while demand could absorb committed stock in just 9.

06 Investment Opportunity Is Clear

With demand rising and supply constrained, Australia offers a prime opportunity for strategic investment in sovereign-ready digital infrastructure. Major deals like AirTrunk's A\$24B acquisition show strong investor interest.