



Data centres - implications for growth areas

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April 2026

Data Centre Industry Context

This context was presented during a webinar for NGAA Members 31 March 2026 by *Jordan Pangallo from Colliers Research*. [Colliers | AU | The Race for Data Sovereignty](#)

Data centre market supply and demand are typically measured by IT load capacity (megawatts) rather than floorspace.

Colliers' market framing distinguishes:

- *live* (operational capacity),
- *under construction* (capacity being fitted out with mechanical/electrical plant),
- *committed* (high-confidence additions within an approximate 10-year horizon), and
- *early stage* (lower-certainty, long-dated proposals that may not yet have enabling infrastructure).

Current demand side perspective

Demand is being driven by two reinforcing factors

- rapid growth in data consumption (including AI, automation, IoT and 5G) and
- increasing emphasis on *data sovereignty* and *data residency* (local storage/processing to support compliance with Australian privacy and governance settings).

Demand is now structurally outpacing supply

- demand has exceeded new supply for three consecutive years from 2023, the longest such period since tracking commenced (2005).

Market scale has expanded rapidly

- total occupancy increased from 37MW (2005) to 1,315MW (2025), with approximately 67% of growth occurring in the past five years.

Vacancy is at record lows

- around 7% nationally at end-2025 (long-term average ~21%), with tighter conditions in Melbourne (~4%) and Sydney (~5%).

New capacity is being absorbed before delivery

- approximately 81% of capacity under construction (December 2025) was reported as pre-committed (long-term average ~38%).

Deliverability is the key risk

- headline pipeline figures can overstate effective future supply because many proposals depend on power/water availability, network upgrades, and coordinated approvals.

Key constraints are:

1. **power availability** and network capacity (including the need for substations and redundancy at larger scales)
2. **water availability** and servicing pathways for cooling, and
3. **planning certainty and coordination** across agencies and utilities.

Critical Issues for Growth Area Councils

Many of the challenges faced by councils reflect gaps in current policy, planning frameworks and governance arrangements that sit beyond local government control.

1. **Absence of clear planning definitions**, standards and assessment benchmarks for data centres, which are often treated as generic industrial or warehouse uses, limiting councils' ability to manage their distinctive operational impacts and creating uncertainty for communities and proponents.
2. **Lack of clear, enforceable standards** for water use, including sourcing, recycled or non potable supply expectations, renewable energy commitments, emissions performance, accountability, and ongoing monitoring of operational impacts over the life of facilities.
3. **Misalignment between data centre development and state industrial land strategies**, including insufficient recognition of their servicing requirements, land take, employment characteristics, competition with logistics and manufacturing uses, and their ability to drive land value premiums.
4. **Data centres occupying large areas of employment land** while delivering relatively low ongoing employment outcomes, reinforcing existing jobs deficits in growth areas and creating the need for direct investment in local skills training and employment initiatives.
5. **Unclear strategic guidance on the role of data centres within industrial land hierarchies**, including suitable locations, exclusion areas, and balancing employment objectives with nationally significant digital infrastructure demand.
6. **Limited council influence over projects approved through state led planning and approval pathways**, despite councils bearing many of the local social, environmental and infrastructure impacts.
7. **Insufficient tools within existing planning systems** to manage cumulative impacts across precincts and council boundaries, particularly where multiple projects draw on constrained power and water systems.
8. **Poor coordination between land use planning and the delivery of enabling infrastructure** such as electricity transmission, substations, water, fibre redundancy

and digital infrastructure, including the local impacts of infrastructure corridors, poles, wires and easements on road reserves and urban greening outcomes.

9. **Growth areas being disproportionately targeted for data centre development** due to proximity to high voltage transmission infrastructure and large scale industrial land, at the same time as councils are delivering a significant share of national housing growth in greenfield residential areas.
10. **Competing demands for servicing of undeveloped industrial land, new residential areas and emerging commercial centres**, requiring genuine engagement by state governments with local governments to coordinate strategic planning, infrastructure investment and resourcing across agencies.
11. **Community concern, misinformation and reduced confidence** driven by uncertainty about impacts, lack of transparency and inconsistent information, placing councils at the forefront of community engagement without adequate authoritative support.
12. **Unequally distributed benefits and costs**, where data centres support the national digital economy while growth area communities experience local impacts such as reduced tree canopy, increased hard surfaces contributing to urban heat, diminished visual amenity, and challenges to achieving net zero targets.
13. **Need for stronger national leadership to provide consistent principles** on siting, environmental performance and resource use, alignment with emissions targets and infrastructure planning, recognition of cumulative and cross boundary impacts, and acknowledgement of the local costs associated with nationally significant digital infrastructure.

City snapshots

Sydney: largest pipeline, with significant barriers to delivery (utilities and approvals). Around 72% of space under construction was reported as leased (above long-run averages).

Melbourne: very strong near-term demand; around 97% of capacity under construction was reported as pre-committed. A large share of longer-term capacity is concentrated in Melbourne's west and north.

Brisbane: comparatively small pipeline; at current demand levels the total pipeline (including early stage) could be absorbed in under four years, signalling the need for additional deliverable supply to meet steady growth.

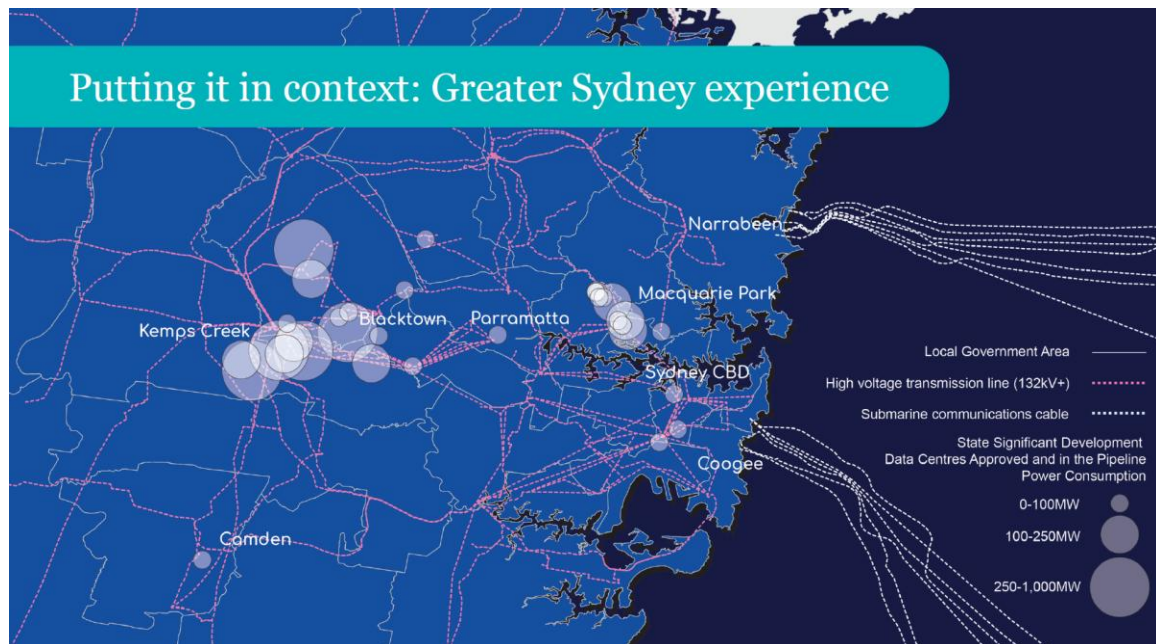
Adelaide and Perth: smaller markets; Perth was noted as having potential to expand via projects under construction and longer-term proposals.

NSW Experience

NSW Government uses the existing state significant assessment pathway for data centers, developed **without meaningful input from Councils** that are experiencing the highest levels of concentrated development. This leaves them without the ability to guide the delivery of development that will materially impact its economy and local community.

In 2025:

- 18 state significant data centres in Sydney's growth areas
- data centres in Sydney consumed 2.6 TWh of electricity (equivalent to powering approximately 338,000 homes) and 3.5 billion litres of drinking water over the year.
- Looking ahead, 135 GL of projected annual data centre water demand by 2030 and 11% of total energy grid supply use by 2035.
- Legislative Council Inquiry into scale and trajectory of data centres
- Infrastructure NSW released NSW Data Centre Consultation Paper



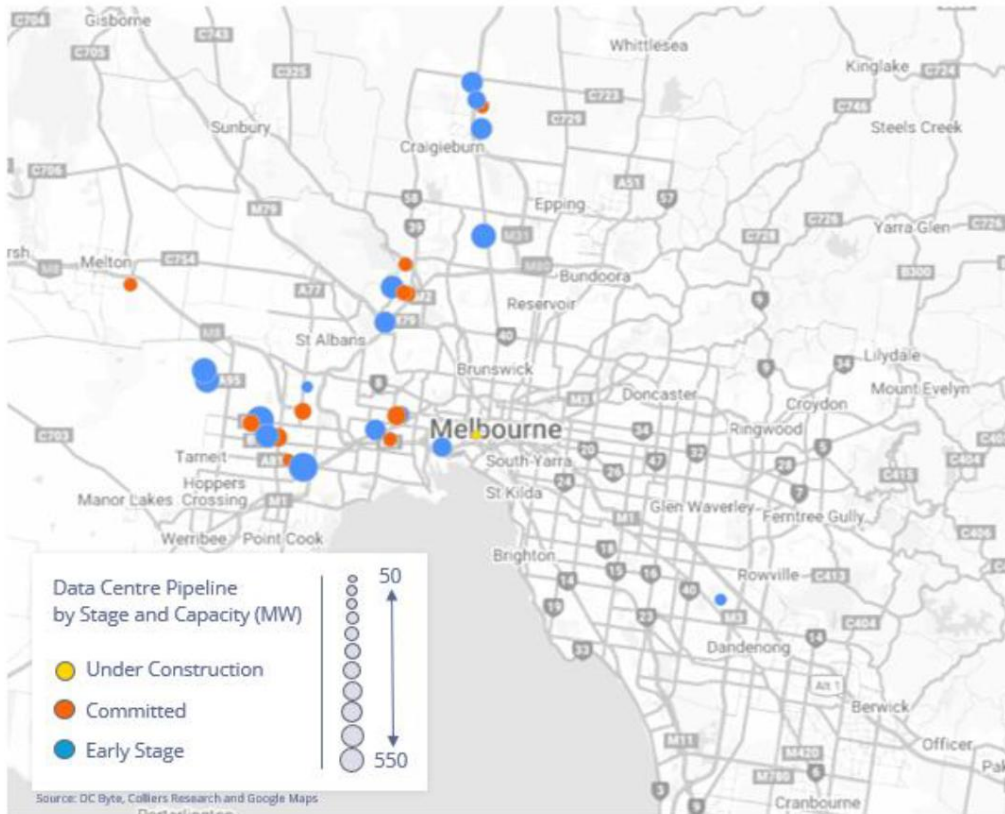
Source: Astrolabe Group, Data Centres: what they mean for Growth Area Councils

Victorian experience

National demand side is now heavily focused on Melbourne due to projected significant population-driven growth (Melbourne is set to become Australia's largest city by 2032).

Nearly half of Australia's longer-term committed and early-stage data centre capacity is located in Melbourne. However around 97% of Melbourne's under-construction data centre pipeline is already pre-committed, reflecting very strong near-term demand.

The time for Melbourne’s existing vacant capacity to be consumed if no new supply were delivered, based on average take-up over the previous three years, is approximately four months, compared with an estimated eight years using the same approach in 2023.



Source: [Colliers Research, The Race for Data Sovereignty: and what this means for the data centre property market December 2025](#)

National Policy Context

Growth area councils are in the forefront of Australia’s government-incentivised, investor-driven data centre development **at the same time** as they are delivering 26% of the National Housing Accord targets primarily in greenfield, residential developments.

While the federal and state governments are actively attracting and expediting data centre investment¹, growth area councils are bearing the brunt of community concerns² while managing the social, economic and environmental implications of these new developments.

In response to some of these emerging concerns the Australia Government has released a statement of five [expectations for data centres and ai infrastructure](#)

¹ Australian Government 2025, [National AI Plan](#), outlines actions to attract investment, and NSW Government 2023 planning reform [State Significant Development Warehouses and Data centres](#) enabled proposals for data centres that have a total power consumption of more than 15 megawatts from 1 June 2023 or Capital investment value of more than \$40 million to be assessed as State Significant Development. The Victorian Government is actively incentivising data centre investment through its [Invest Victoria](#) initiatives and [AI Mission Statement](#)

² Lucas, C and White, D 2026, [Life next to an AI mega-factory](#), [Sydney Morning Herald](#), 1 March 2026

[developments](#)³ that aim to incentivise investment in data centres that support everyday digital services, create jobs, strengthen the economy, enable cutting-edge scientific research and help meet sustainability goals.

The State government should ensure that these expectations of data centre development are met through the strategic and statutory planning processes. Data centre development proposals should demonstrate how they are aligned with local, regional and state planning priorities and contribute to the nationally agreed goals of sustainable urban growth, as set out in the Australian Government's [National Urban Policy](#).

Overview of Federal and State AI and Data Centre policy

Jurisdiction	AI and Data Centres Policies	Overview
Australian Government	National AI Plan 2025	Outlines the government's ambition to capture the opportunities of AI and ensure its benefits are shared by the Australian people.
	Expectations of data centres and AI infrastructure developers	Marking a significant shift from a market-driven approach to one that treats data centres as major national infrastructure .
New South Wales	State Significant Development (SSD)	Defined Data Centres and identified Large projects (>15MW) are often classified as State Significant Development (SSD), streamlining their assessment through state rather than local councils
Victoria	Victoria Government AI Mission Statement	Sets out the Victorian Government's plan to responsibly develop and adopt artificial intelligence (AI).
	Sustainable Data Centre Action Plan	The action plan aims to strengthen Victoria's position as a global investment destination for data centres.
Western Australia	WA Data Centre Prospectus 2022	Promoting Western Australia as the 'southern hemisphere's growing hub for data centre operations'.
South Australia	SA Government Planning Regulations 2025 Amendments	The Planning, Development and Infrastructure (General) Regulations 2017 (the Regulations) were amended to prescribe that data centres can now be approved through the essential infrastructure pathway under section 130 of the PDI Act.
Queensland	Queensland Government Data Centres Strategy and Principles – (2016)	

³ Australian Government 2026, [Expectations for data centres and AI infrastructure developments](#), Department of Industry, Science and Resources, Canberra.

Data Centres in growth areas

Data centres represent a distinct form of industrial development. While they support the national digital economy and attract significant private investment, they are also infrastructure-intensive, long-lived and characterised by low ongoing employment. Their impacts are often cumulative and precinct-wide, rather than site-specific. These characteristics warrant careful consideration by growth area councils.

Matters for councils to consider when assessing data centre applications

1. Industrial land displacement and opportunity cost

Data centres typically occupy large parcels of industrial or employment land for extended periods, with limited capacity for adaptive reuse. Although they can deliver strong rates revenue and private investment, they generally support far fewer ongoing jobs than traditional industrial uses such as manufacturing, logistics or advanced manufacturing.

Councils may wish to consider whether:

- The proposed site is strategically important for future employment growth.
- Approval would contribute to the long-term loss of high-value employment land.
- Cumulative approvals could exacerbate existing local jobs deficits common in growth areas.

This is not intended to oppose data centres outright, but to ensure land use decisions reflect broader economic development objectives, not market value alone.

2. Power supply, grid capacity and transmission impacts

Power availability is often the primary driver of data centre location, scale and timing. Individual facilities can require electricity demand comparable to tens of thousands of households, with implications that extend well beyond the subject site.

Councils may wish to consider:

- The scale, certainty and staging of electricity demand across construction and operation.
- Requirements for new substations, high-voltage transmission lines or on-site generation.
- Encroachment of transmission infrastructure into road reserves, open space or future urban areas.
- Impacts on public realm outcomes, including tree planting and streetscape design.
- Understanding who bears the cost, risk and long-term responsibility for enabling infrastructure is critical.

3. Water use, security and competing demand

Many data centres rely on significant volumes of water for cooling, often drawing from potable supplies. This raises particular challenges in growth areas experiencing population growth, housing expansion and increasing climate stress.

Councils may wish to consider:

- Total and peak water demand under normal and extreme conditions.
- Whether recycled water, wastewater, rainwater harvesting or alternative cooling technologies have been fully explored.
- The resilience of proposed water arrangements during drought and supply interruptions.
- Cumulative impacts on local water systems where multiple facilities cluster.

4. Environmental impacts, urban heat and amenity

The physical scale and operational characteristics of data centres create environmental impacts distinct from other industrial uses. Large building footprints, heat exhaust and mechanical plant can contribute to urban heat and affect surrounding amenity.

Assessment may consider:

- Long-term heat contributions and mitigation measures.
- Noise impacts from cooling equipment and backup generators.
- Visual bulk and design quality, particularly near sensitive uses or gateways.
- The effectiveness of landscaping and shading given security and operational constraints.

5. Interface, safety and land-use compatibility

Data centres often require significant security, backup generation and fuel storage, which can constrain surrounding land uses and future development potential.

Councils may wish to consider:

- Appropriate separation distances from schools, waterways, biodiversity areas and cultural heritage sites.
- Risk buffers associated with generators, fuel storage and electrical infrastructure.
- Whether the development may limit future redevelopment or intensification of adjoining land.

6. Employment outcomes and local economic benefit

While ongoing employment is typically modest, councils identified opportunities to improve local benefit outcomes where appropriate. Councils may explore whether broader economic contributions can help offset low employment density over the life of the facility.

These may include:

- Commitments to local construction employment and procurement.

- Investment in local skills development, training pathways or apprenticeships.
- Partnerships with TAFEs, universities or research institutions.

7. Innovation in water, energy and precinct integration

Data centre development can create opportunities to trial or embed innovative approaches, particularly in precincts with multiple facilities. Potential opportunities include:

- Reuse of treated wastewater or sewage for cooling.
- Rainwater capture at a precinct scale.
- Recovery and reuse of waste heat for adjacent uses.
- Integration with battery storage, renewable generation or microgrids.

8. Cumulative impacts and clustering

Councils are concerned about the rapid escalation and clustering of data centre approvals, often across municipal boundaries. This reinforces the importance of precinct-, corridor- and region-scale thinking rather than purely site-by-site assessment.

Considerations include:

- Aggregate impacts on power, water and industrial land supply.
- Long-term lock-in of precincts to a single dominant use.
- Lack of practical tools to determine appropriate thresholds or overall capacity.

Local government opportunity – facilitating social licence

Facilitating social licence is increasingly challenging given the extent of community uncertainty and opposition. Local government is best placed to undertake extensive community engagement and to negotiate with proponents on how industry can contribute to strategic, long-term community outcomes. Councils may wish to consider identifying and seeking a range of offset or contribution-based incentives as part of approval processes.

Potential social licence offsets and community contributions

1. Urban greening contributions

Including tree canopy replacement or enhancement in alternative locations where on-site planting is constrained, and funding for heat mitigation initiatives in surrounding neighbourhoods.

2. Investment in local skills development and education

For example partnerships with suburban study hubs, TAFEs, universities, digital skills programs, or scholarships targeted to growth area residents.

3. Direct funding or in-kind support for local community infrastructure

such as libraries, learning hubs, co-working or innovation spaces that support digital inclusion and workforce participation.

4. Energy-related community benefits

such as local renewable energy projects, neighbourhood batteries, or contributions to community energy resilience initiatives aligned with council net zero plans.

5. Water stewardship offsets

including investment in recycled water infrastructure, stormwater harvesting projects, or water efficiency upgrades that benefit local communities and public assets.

6. Public realm and amenity improvements

to offset visual and land use impacts including streetscape upgrades, improved pedestrian and cycling connections, and landscaping around infrastructure corridors.

7. Funding for independent monitoring and transparent public reporting

on emissions, water use, noise and heat impacts to improve community confidence and accountability over the life of facilities.

8. Local procurement and social procurement commitments

that prioritise local suppliers, apprenticeships, traineeships, and employment opportunities during both construction and operational phases.

9. Community benefit funds or agreements

that provide councils with flexible funding to address locally identified priorities directly linked to the impacts of data centre development.