Intelligent Investment

Australia Data Centres

The Next Phase of Growth

REPORT

CBRE RESEARCH
OCTOBER 2026



Executive Summary

Australia's data centre growth has historically been underpinned by cloud adoption, digitalisation and hyperscale expansion. These structural drivers remain intact, with AI introducing a new layer of compute-intensive demand.

What is changing is the scale, capital intensity, and physical requirements of development.

The next phase of growth will increasingly be determined by access to secured power, infrastructure readiness, experienced operators, and creditworthy customers. As development requirements intensify, the ability to deliver operational capacity will become an increasingly important differentiator.

AI is expanding the demand pool

Cloud adoption and digitalisation remain important structural drivers, while AI is accelerating demand for high-performance computing. Hyperscalers are increasing investment, alongside specialist Neocloud providers focused on GPU-intensive workloads.

Power is becoming the defining constraint

Australia's data centre electricity consumption is forecast to rise rapidly, increasing from approximately 5.2 TWh in FY26 to 15.8 TWh by FY30 and 34.3 TWh by FY36 under AEMO's central scenario. Access to secured power is increasingly shaping project feasibility and location decisions.

Scale and capital requirements are increasing

AI and hyperscale demand are driving larger campuses, with new developments increasingly exceeding 100 MW. This is increasing requirements for land, grid infrastructure, and capital, with major operators committing substantial investment to future capacity.

Headline pipeline does not equal deliverable supply

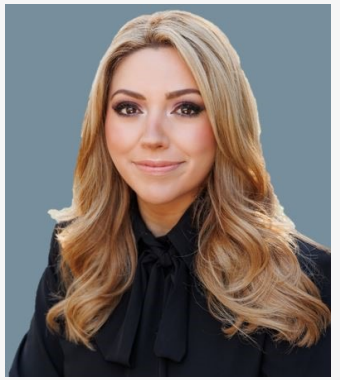
Australia has a substantial proposed development Australia has a substantial development pipeline, but power access, planning approvals, capital availability, and construction capability will determine actual delivery. Community acceptance and regulatory requirements are becoming additional considerations, particularly for large-scale developments.

Scarcity is shifting towards execution

Value is increasingly attached to assets with secured power, connectivity, development certainty, and experienced operators. Strong operator track records and creditworthy customers are becoming key differentiators as investors assess execution risk and income security.

Capital continues to deepen, but remains selective

Data centres have emerged as a major institutional asset class, with Asia Pacific direct investment reaching US$11.6 billion in 2025. However, rising capital requirements and greater scrutiny of project deliverability are reinforcing the importance of funding certainty and credible development strategies.



Sass Jalili
Head of Industrial & Logistics, Data Centre Research, Australia

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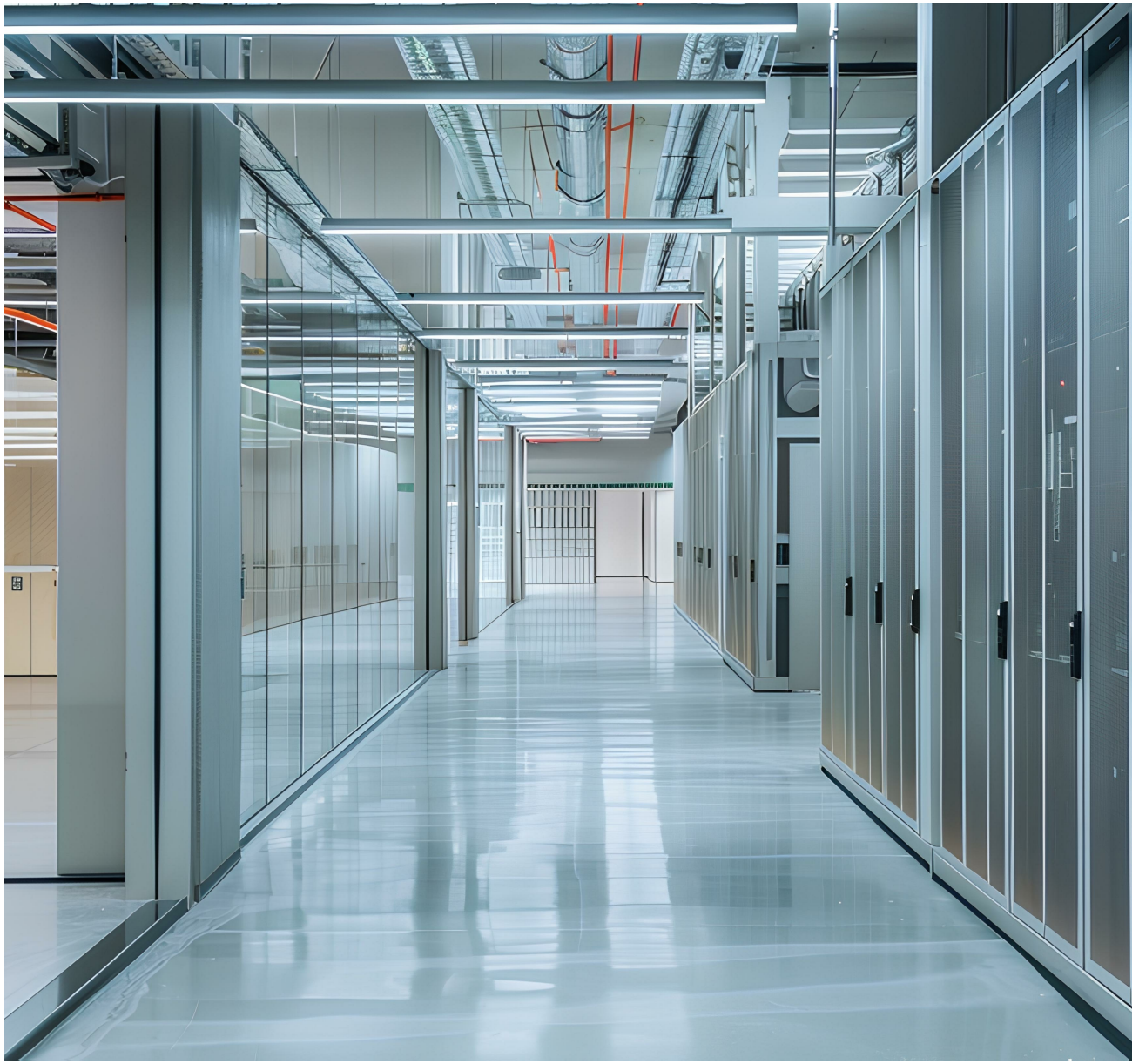
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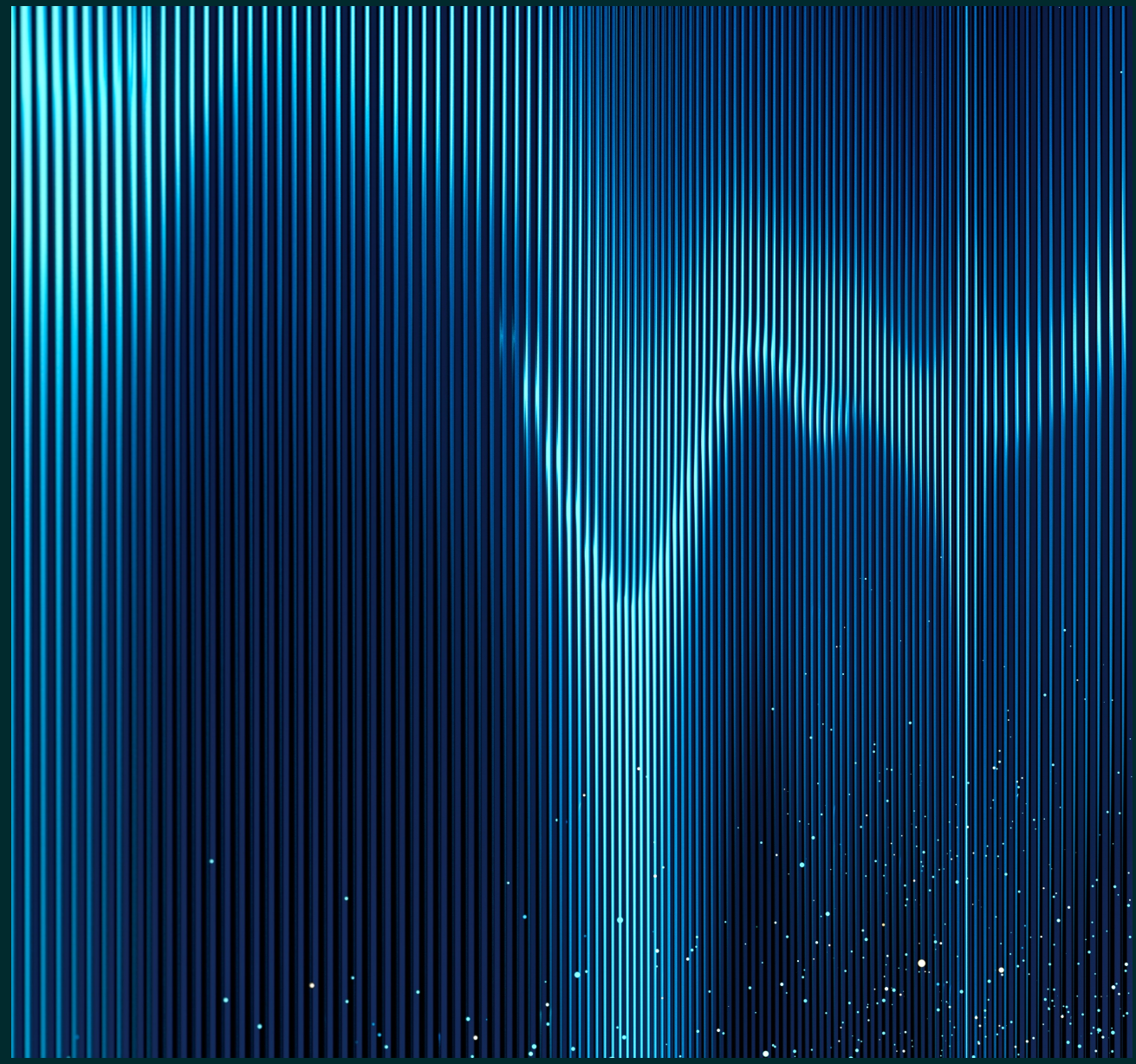
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The Next Wave of Demand

01



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Global demand is entering a new growth phase

AI is reshaping the next phase of data centre demand.

Cloud and enterprise computing remain the foundation of global data centre demand, but AI is adding a substantially more compute-intensive layer of growth.

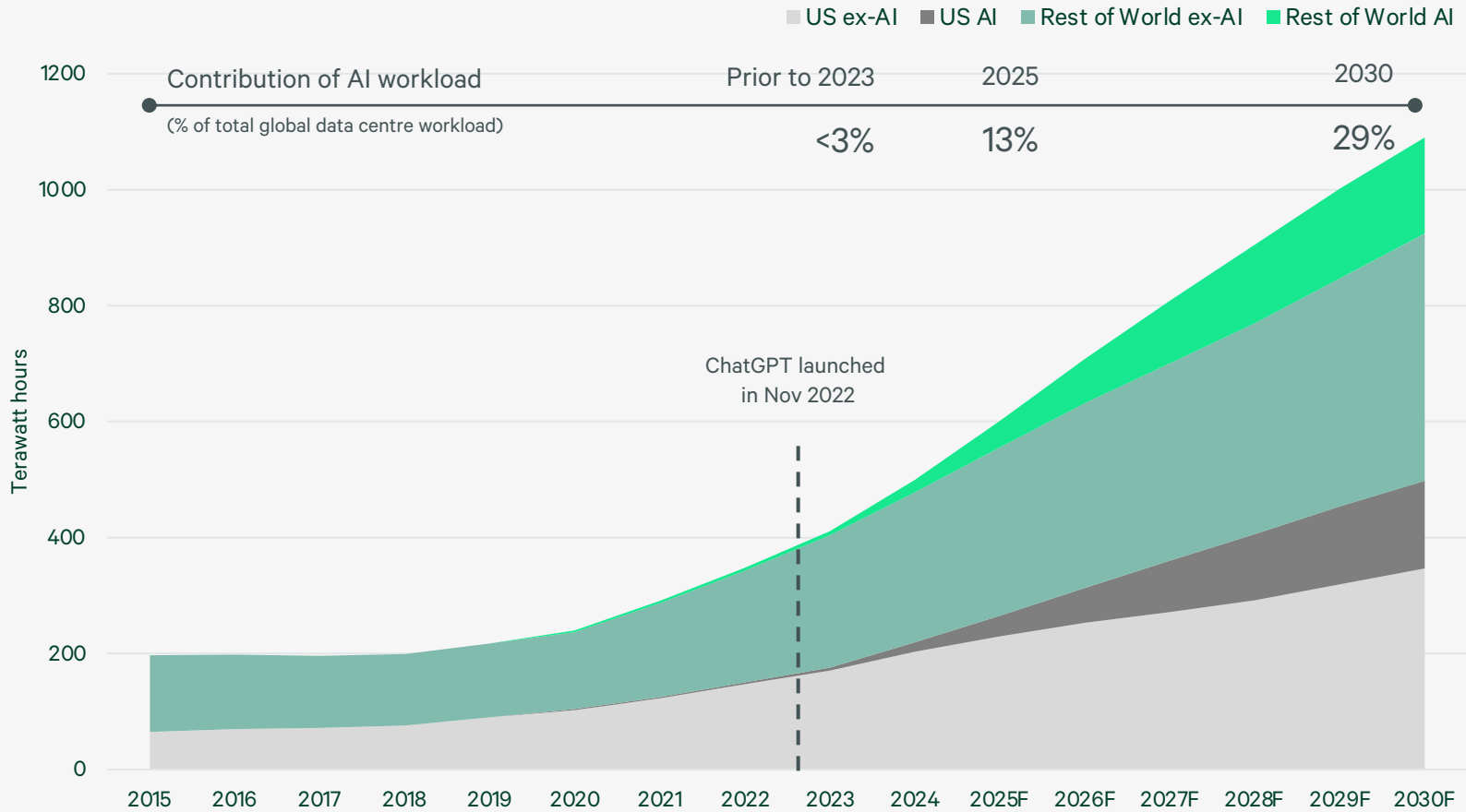
AI workloads are expected to represent a rapidly increasing share of global data centre activity through 2030, driving requirements for greater power density, advanced cooling and larger-scale infrastructure.

For Australia, this demand shift is important because the market is already a major hyperscale location and is increasingly attracting investment in AI-related infrastructure. The next development cycle will therefore be shaped not only by additional capacity, but by whether that capacity can accommodate increasingly intensive workloads.

29%

Of global data centre workloads expected to be AI-related by 2030

Global Data Centre Electricity Consumption (2015 – 2030F)



Source: Goldman Sachs, CBRE Research, February 2026.

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Investment behind the demand is accelerating

Global technology investment is translating into Australian infrastructure demand

Capital expenditure by the world's largest technology companies is accelerating sharply as hyperscalers invest in cloud and AI infrastructure.

Australia is increasingly participating in this investment cycle. Major global technology companies are expanding domestic cloud, compute and AI infrastructure, reinforcing Sydney and Melbourne as strategic locations within their regional networks.

Recent commitments from Microsoft, AWS and emerging AI infrastructure platforms demonstrate that global investment is beginning to translate into physical Australian capacity.

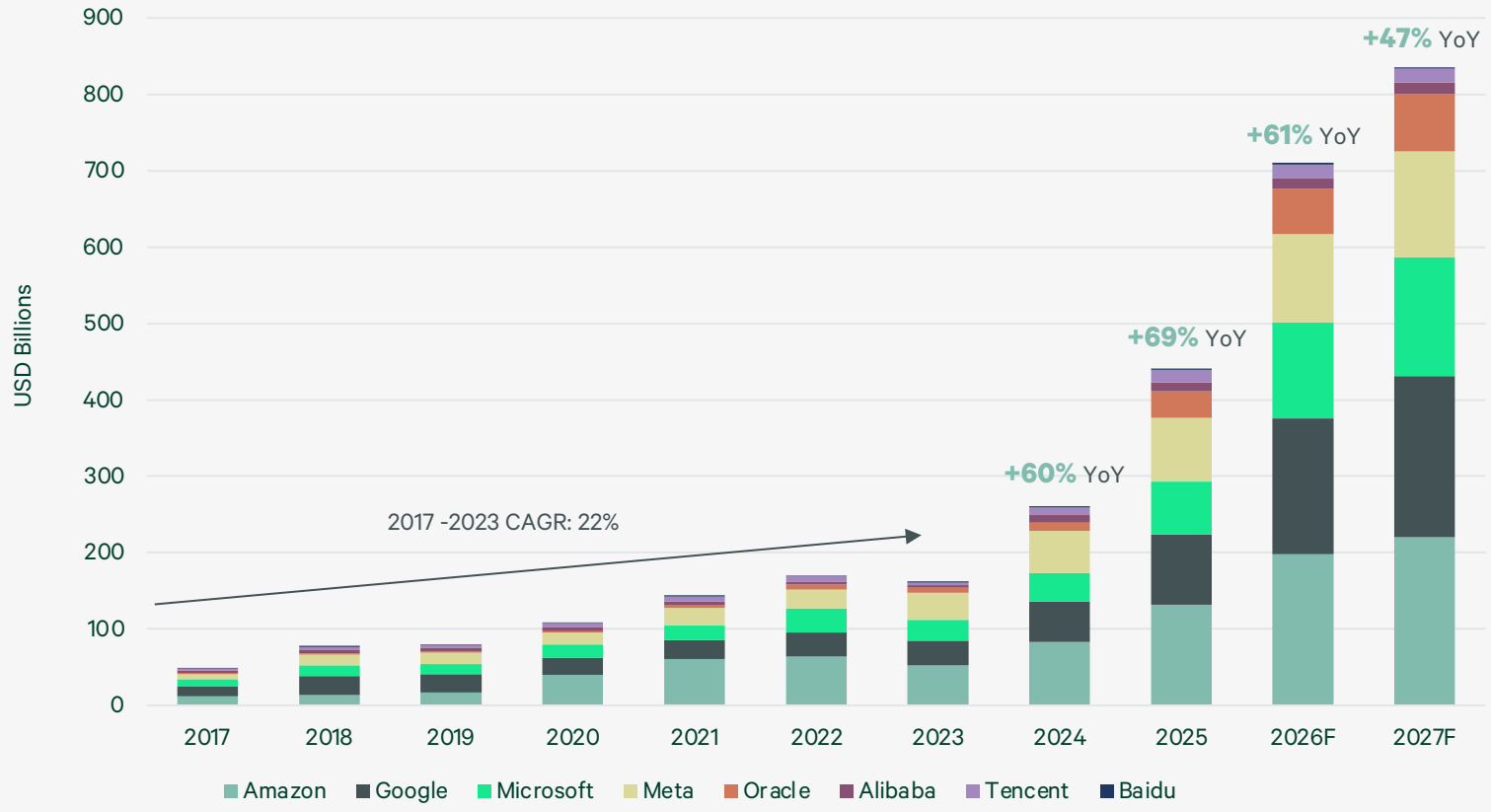
This matters for the data centre market because the scale of investment is increasing at the same time as infrastructure requirements - particularly power, cooling and connectivity – are becoming more intensive.

Microsoft A$25bn AI, cloud and digital infrastructure investment to 2029.

AWS A$18.9bn cumulative investment in Australian cloud and AI infrastructure since 2012.

OPENAI + NEXTDC ~A$7bn proposed next-generation AI campus / GPU supercluster in Western Sydney.

Capital expenditure by major technology companies is accelerating



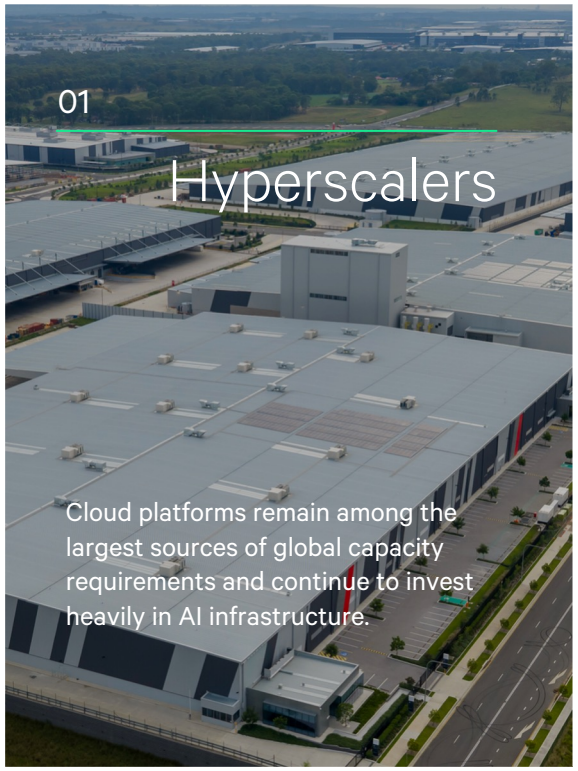
Source: Bloomberg, CBRE 2026 Asia Pacific Data Centre Trends & Outlook, CBRE Research, March 2026.

The AI investment cycle is increasing both the scale and intensity of global data centre demand.

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AI is broadening Australia's data centre demand base

AI is increasing both the scale and infrastructure intensity of Australia data centre demand



01

Hyperscalers

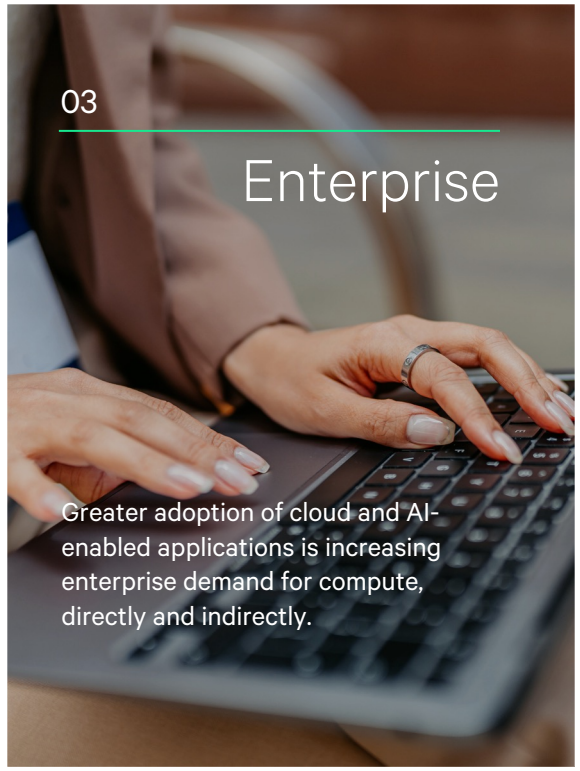
Cloud platforms remain among the largest sources of global capacity requirements and continue to invest heavily in AI infrastructure.



02

Neocloud

Specialist providers focused on GPU-as-a-Service and high-performance computing are emerging as a significant new source of demand.



03

Enterprise

Greater adoption of cloud and AI-enabled applications is increasing enterprise demand for compute, directly and indirectly.



04

Government & Sovereign Compute

Data sovereignty, cybersecurity, defence, healthcare and public-sector AI requirements are supporting demand for secure domestic infrastructure.

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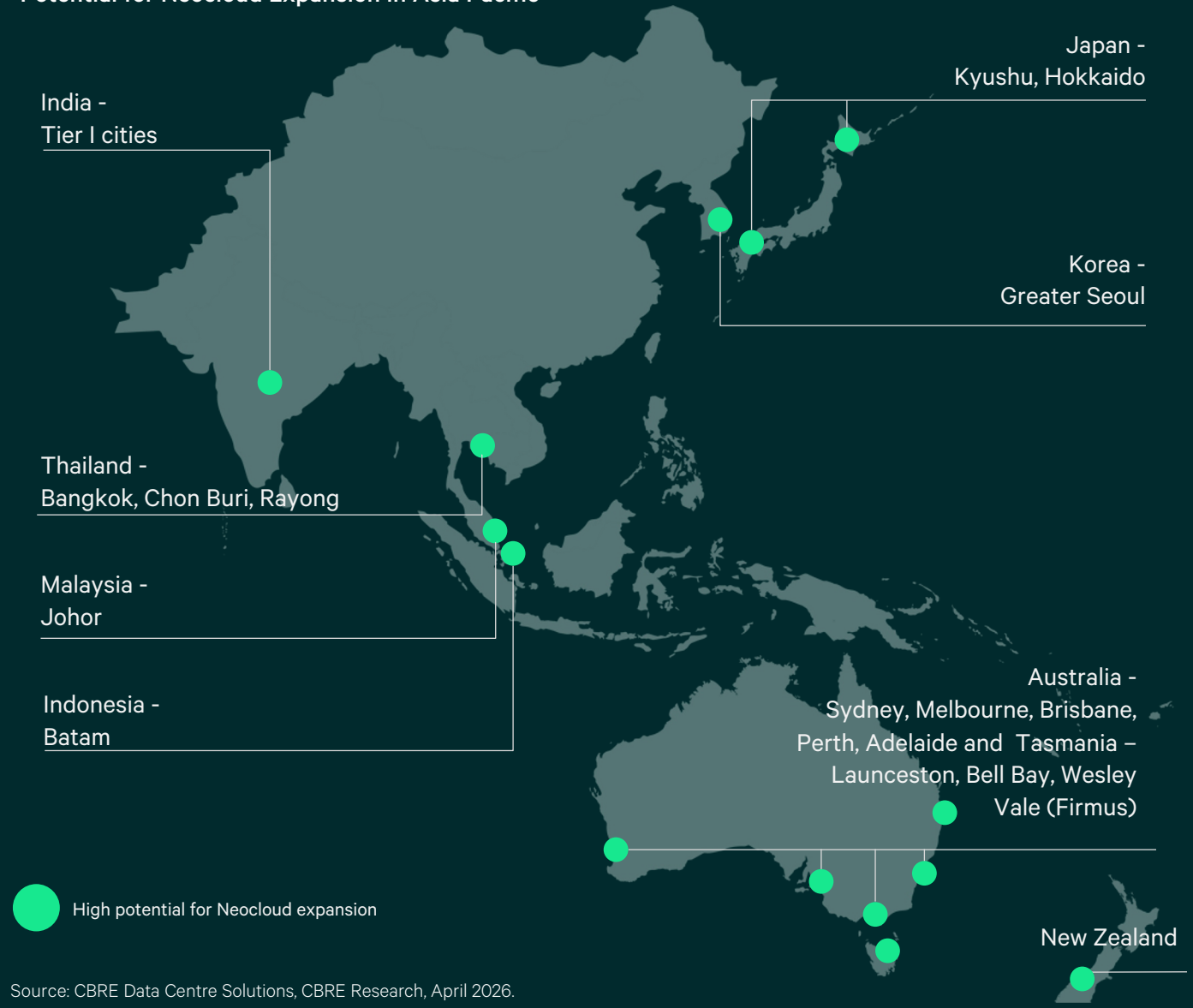
Neocloud is emerging as a new source of infrastructure demand

What is a Neocloud?

Neocloud providers are specialist cloud platforms built primarily around GPU-based computing and high-performance AI workloads. Unlike traditional cloud platforms offering broad computing services, their infrastructure is typically optimised for high-density AI training and inference.

> *Australia is increasingly attractive to Neocloud operators because of its established hyperscale ecosystem, growing AI demand and potential access to large-scale powered sites. However, the ability to secure power and AI-ready infrastructure will determine where this demand can be accommodated.*

Potential for Neocloud Expansion in Asia Pacific



Source: CBRE Data Centre Solutions, CBRE Research, April 2026.

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Australia is well positioned within the global AI economy

*Australia's AI credentials are translating into physical infrastructure demand. Australia currently has ~1.5 GW of live data centre capacity, with a further ~2.2 GW in the future pipeline**

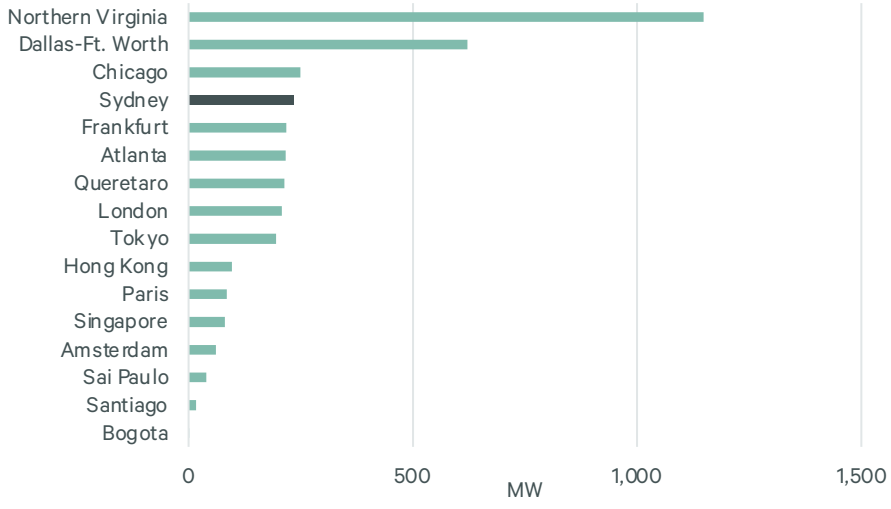
Australia combines high AI adoption, a strong research base and accelerating infrastructure investment

Australia entered the current AI investment cycle with an established hyperscale and colocation ecosystem, deep capital markets and strong international connectivity, supported by extensive terrestrial fibre networks and subsea cable infrastructure linking Australia to major global digital markets.

Its position is increasingly supported by three complementary attributes:

- relatively high AI adoption
- globally significant AI research capability
- accelerating investment in domestic compute infrastructure.

Sydney ranked among the leading global markets for net data centre absorption between Q1 2025 and Q2 2026.



AI Adoption

Among the world's leading markets for AI adoption

39.5%
AI diffusion rate, Q1 2026

11th
Australia's global ranking for AI adoption

+14.5%
Relative growth in AI adoption from H1 2025 (34.5%) to Q1 2026 (39.5%)

AI Development

Australia has an increasingly influential AI research base

4th
Australia ranked fourth in the world for highly cited AI publications in 2024

14
Australia contributed 14 of the world's top 100 most highly cited AI papers

On Stanford's dataset, only the US, China and Hong Kong recorded a high count in 2024.

US - 46
China - 41
Hong Kong - 15
Australia - 14
UK - 9
Germany - 8

AI Infrastructure

Investment and development activity is accelerating Australia's AI infrastructure build-out

Established hyperscale ecosystem
Major global cloud platforms already operate at scale across Australia.

Growing AI infrastructure pipeline
Investment is expanding beyond conventional cloud capacity into higher-density AI and GPU infrastructure.

Growing appeal of regional locations
Power availability, renewable energy resources and land capacity are increasing the attractiveness of regional locations for large-scale AI infrastructure development.

Source: CBRE Data Centre Solutions, CBRE Research.

*Reflects total 'build' capacity and excludes planned and early-stage projects.

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AI readiness is redefining data centre quality

Traditional cloud and enterprise data centres were primarily designed around lower-density CPU-based workloads. AI infrastructure requires a different physical blueprint, with substantially greater power density, cooling intensity and network requirements.

New AI-ready facilities increasingly require high-capacity power connections, liquid cooling systems, reinforced floor loading and high-bandwidth connectivity to support GPU-intensive workloads. As compute requirements become more intensive, not all existing facilities will be capable of accommodating next-generation workloads, creating greater differentiation between assets.

Location and tenant covenant remain fundamental, but infrastructure capability will increasingly influence utilisation, competitiveness and long-term asset value.

Traditional

Lower rack densities

Predominantly air cooling

Conventional power architecture

Lower concentration of electrical load

VS.

AI-Ready

Higher rack densities

GPU-intensive workloads

Greater power requirements

Advanced cooling, including liquid cooling

Higher floor-loading requirements

Greater network bandwidth

More intensive infrastructure design

Across Asia Pacific, AI-focused facilities can require more than double the power density of traditional facilities.

Investment Implications



Legacy

Limited ability to accommodate substantial increases in rack density or cooling requirements.



Adaptable

Existing infrastructure capable of selected upgrades or higher-density deployments.



AI-Ready

Purpose-designed power, cooling, connectivity and physical infrastructure capable of supporting intensive AI and HPC workloads.

Source: CBRE Research.

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Australia in the Asia Pacific Context

02



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Australia remains one of Asia Pacific's leading data centre markets

Asia Pacific's data centre market is expanding rapidly, but markets are developing from very different starting points. Australia combines two characteristics that distinguish it within the region:

1. Already substantial installed capacity base
2. Strong pipeline of future development.

Mature markets such as Singapore and Hong Kong retain significant infrastructure bases, however, face greater constraints on future expansion, while several emerging markets are growing quickly from comparatively small existing capacity. Australia sits between these groups - combining the scale and maturity of an established market with a comparatively strong future growth trajectory.

Australia remains well positioned within this landscape due to:

Scale An established base of major operators and hyperscalers.

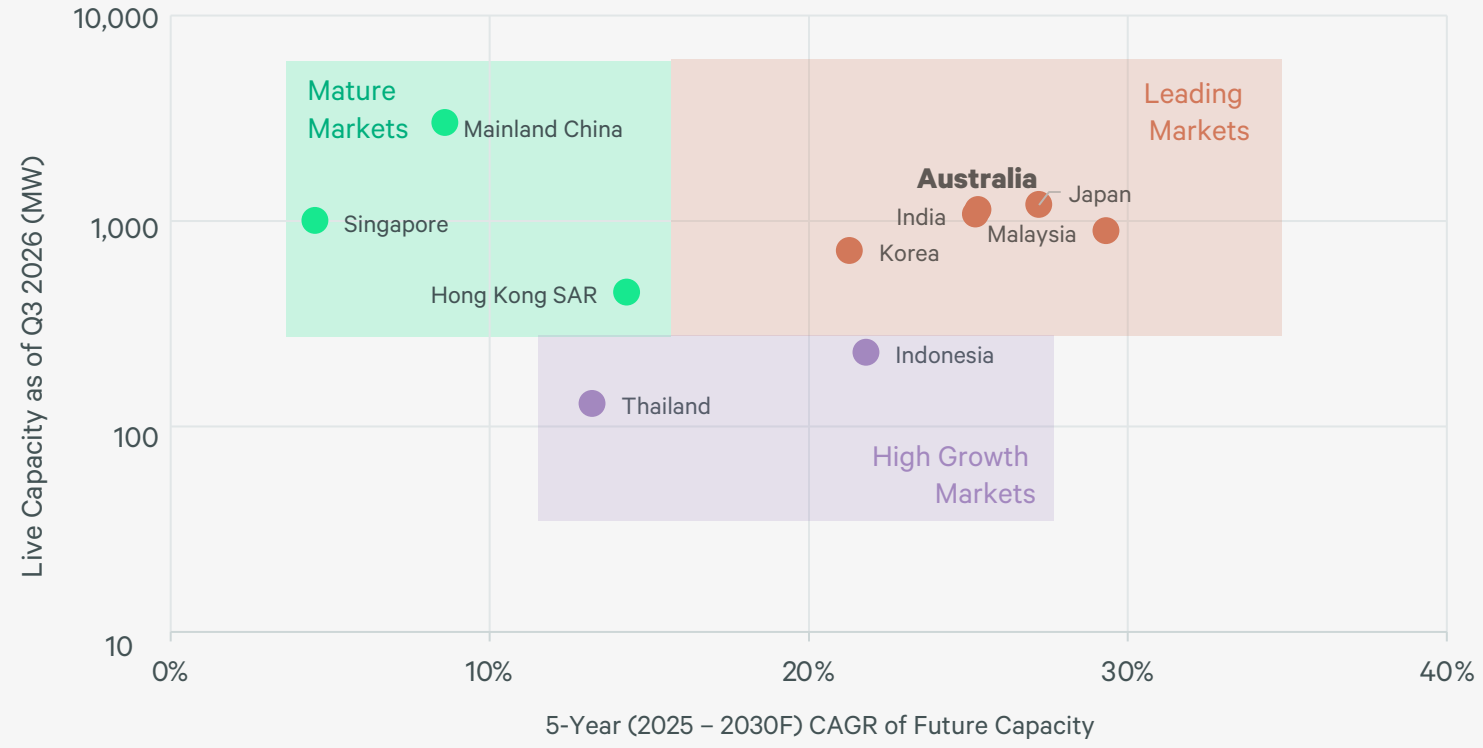
Maturity Institutional capital, experienced developers and an established operating ecosystem.

Connectivity Strong domestic and international network infrastructure.

Investment Environment Mature legal and investment frameworks, alongside growing access to renewable energy resources.

Demand A sophisticated, highly digitised economy increasingly adopting cloud and AI services.

Asia Pacific Live and Future Data Centre Capacity



Note: The 5-year CAGR assumes all under construction and announced supply pipeline to be completed over the next five years. Korea data cover only Greater Seoul. Thailand data cover only Greater Bangkok. Mainland China data cover only tier-1 cities.

Source: CBRE Data Centre Solutions, CBRE Research, September 2026.

Sydney and Melbourne account for approximately 87% of Australia's live data centre capacity and remain the dominant markets for future development. However, growth opportunities are broadening geographically, with significant expansion planned in Perth, Brisbane and Darwin, alongside emerging regional locations such as Wagga Wagga.

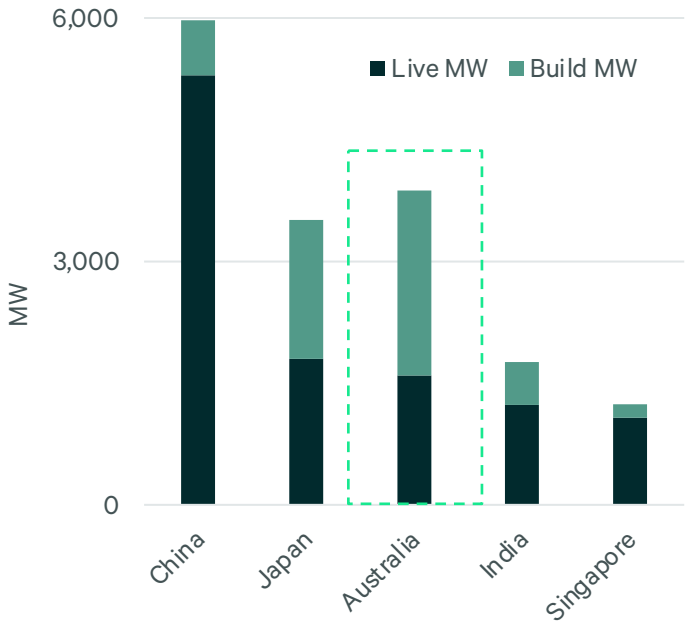
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Australia's structural advantages remain durable

These advantages underpinned Australia's investment appeal in our 2025 report and remain relevant in 2026.



Top 5 countries in Asia Pacific by Live Data Centre Capacity



ECONOMIC & POLITICAL STABILITY

Long-term investment requires confidence in regulation, property rights and market institutions.

ESTABLISHED CLOUD ECOSYSTEM

Major global cloud and technology providers already have substantial Australian operations.

SOPHISTICATED CAPITAL MARKETS

Domestic and international infrastructure, real estate and private capital are increasingly active in the sector.

CONNECTIVITY

Australia is supported by extensive domestic fibre and international subsea connectivity.

RENEWABLE ENERGY POTENTIAL

The transformation of Australia's electricity system creates both challenges and opportunities for large energy users seeking renewable supply.

DOMESTIC & REGIONAL DEMAND

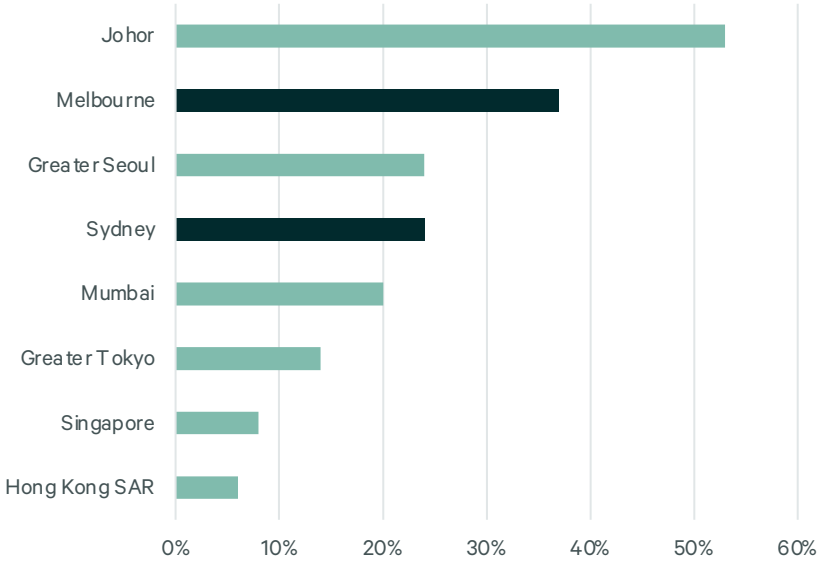
Australia combines a significant domestic digital economy with potential to support regional workloads.

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The competitive equation is changing

Power has always been critical to data centre development. What has changed is the scale of the requirement and the speed at which capacity is needed. As facilities become larger and more power intensive, access to secured power is increasingly influencing project feasibility and location selection, including growing interest in industrial and non-residential locations capable of accommodating large-scale infrastructure.

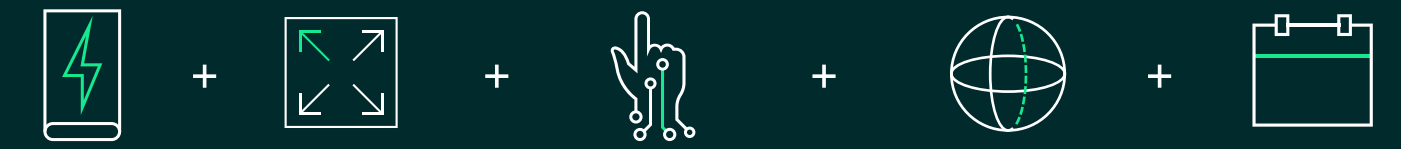
Asia Pacific Live Data Centre Capacity Growth Q4 2024 – Q1 2026



The Previous Development Equation

Connectivity + Land + Cloud Ecosystem

The Next Development Equation



Secured Power + **Scalable Land** + **AI-ready Infrastructure** + **Connectivity** + **Delivery Certainty**

Sydney and Melbourne remain among the region's fastest-growing established markets. However, future development will increasingly depend on access to secured power, scalable land and suitable non-residential locations capable of supporting large-scale AI infrastructure.

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Power Becomes the Location Strategy

03



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Australia's data centre power requirements are entering a step-change

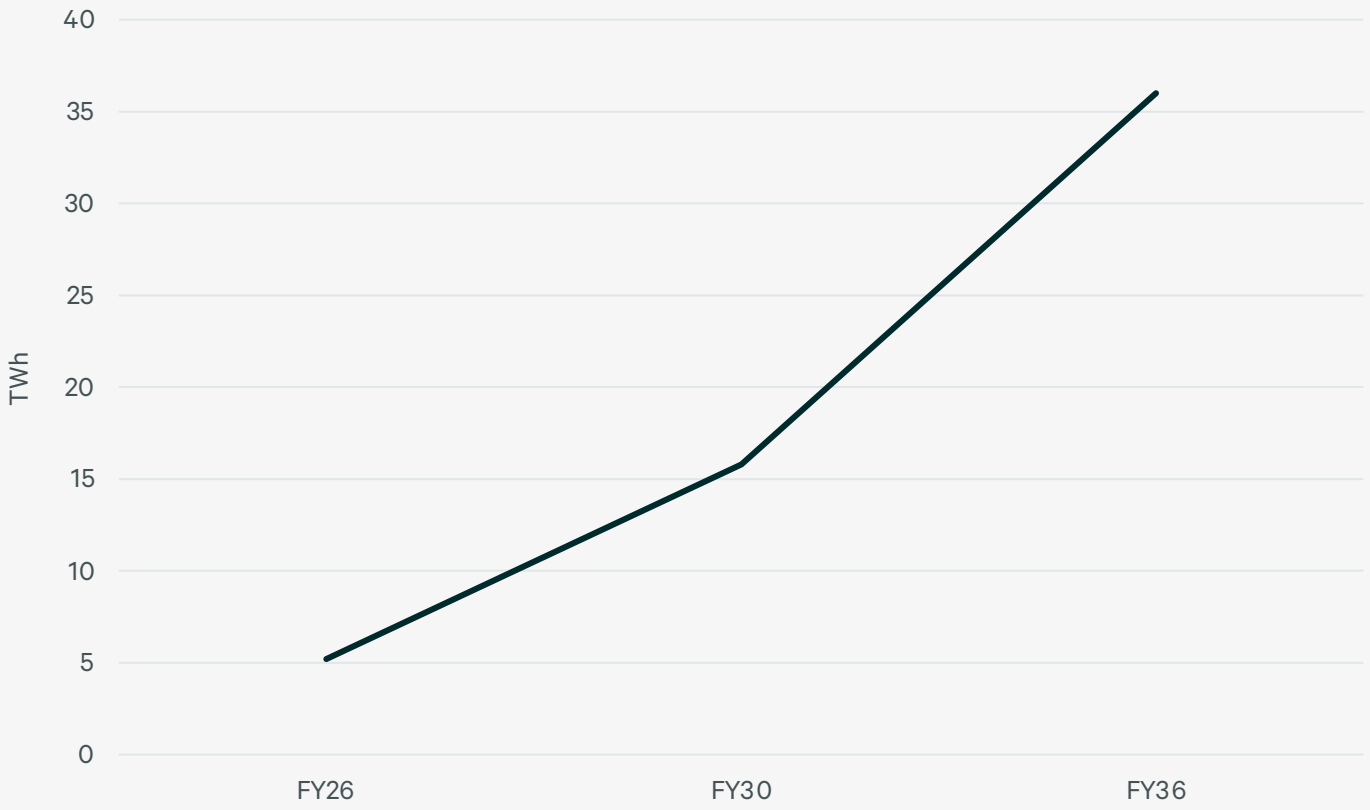
Australia's data centre electricity demand is set to rise sharply as cloud, AI and high-performance computing requirements expand.

Under AEMO's central scenario, national data centre electricity consumption is forecast to increase from 5.2 TWh in FY26 to 15.8 TWh by FY30 and 34.3 TWh by FY36 - more than a six-fold increase over the decade.

New South Wales and Victoria are expected to account for more than 85% of data centre electricity consumption within the National Electricity Market through FY36. In these two states, data centres are forecast to consume around 12% of grid-supplied electricity by FY30, rising to approximately 19% by FY36.

Rising compute requirements are materially increasing the importance of access to scalable power for future data centre development.

Australia data centre electricity consumption is forecast to increase more than six-fold by FY36



Source: AEMO/Oxford Economics Australia data-centre-energy-demand forecast, CBRE Research. August 2026.

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Power availability is beginning to broaden the geography of development

Australia's data centre footprint remains highly concentrated in Sydney and Melbourne, which account for 87% of both live and build + planned capacity.

However, as new campuses require substantially more power, access to scalable electricity is becoming a stronger determinant of where future development can be delivered.

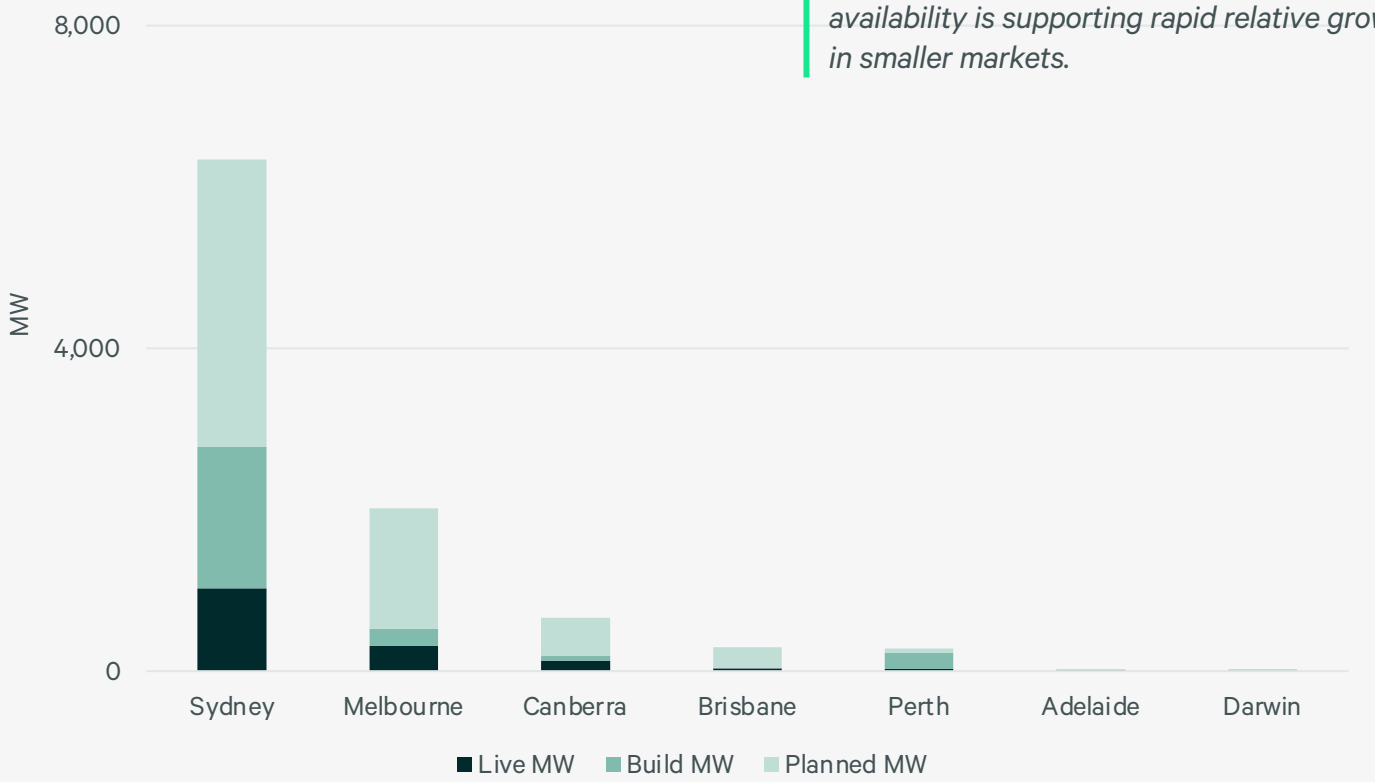
This is creating significant relative growth in smaller markets. Build + planned capacity is equivalent to around 10x Perth's current live capacity and 8x Brisbane's, while Darwin's pipeline is almost 20x its existing base.

Power availability is therefore unlikely to displace Sydney and Melbourne as Australia's core markets, but it is increasing the relevance of alternative locations that can offer scalable power, land and connectivity.

The optimal location increasingly sits at the intersection of connectivity and power.

Live capacity vs future pipeline by city

Sydney and Melbourne retain close to 90% of Australia's live and future capacity, but power availability is supporting rapid relative growth in smaller markets.



Source: CBRE Data Centre Solutions, CBRE Research, September 2026

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Data centre campuses are getting larger

The scale of new data centre development has increased materially. Across Asia Pacific, average new-build capacity now exceeds 100 MW, while major hyperscale and AI campuses are increasingly being planned at several hundred megawatts.

Larger campuses create economies of scale, but they also substantially increase requirements for power, land and supporting infrastructure.

Larger campuses require:



More power
Larger and more secure grid connections



More land
Greater site area and expansion capacity



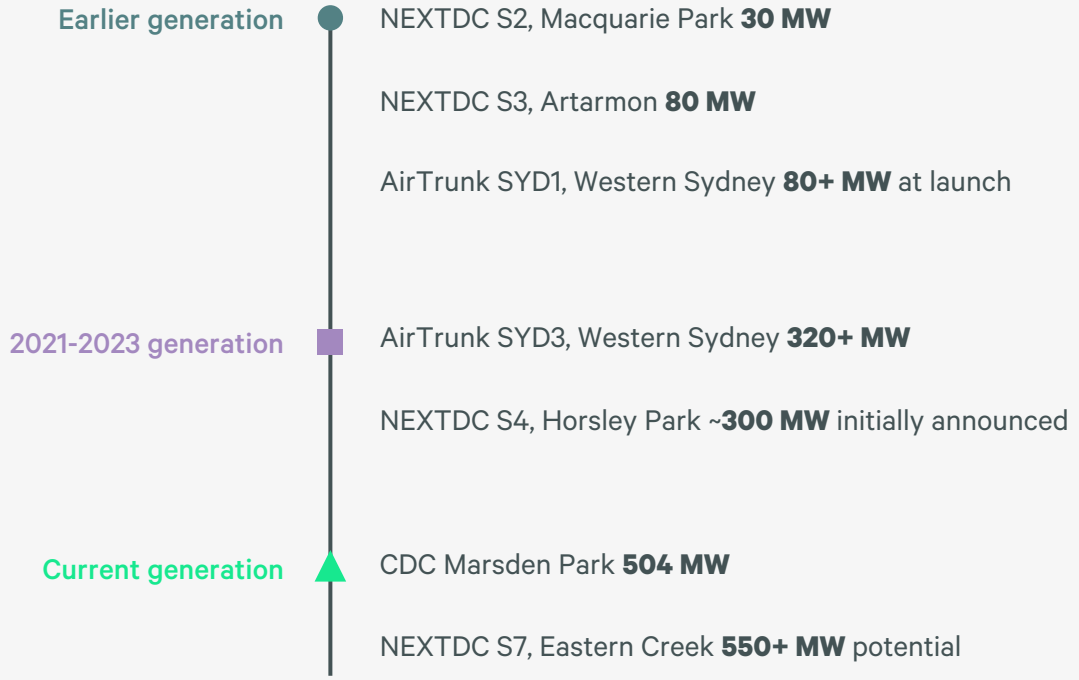
More infrastructure
Substations, cooling, fibre and supporting networks



Longer planning horizons
Greater complexity in approvals and delivery

For Australia, site feasibility increasingly depends on securing a broader infrastructure ecosystem, including power, land and connectivity. This is expanding development interest into regional locations, where larger sites may offer greater capacity for future growth.

Examples of announced Sydney data centre projects



Larger campuses, greater community considerations

*As data centre development expands into regional locations, community investment is becoming increasingly important. In Wagga Wagga, IREN has proposed **over A$200 million** in council rates, infrastructure contributions and community benefits over 30 years as part of its planned development.*

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Headline Pipeline vs Deliverable Capacity

04



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Australia's capacity pipeline spans different stages of maturity

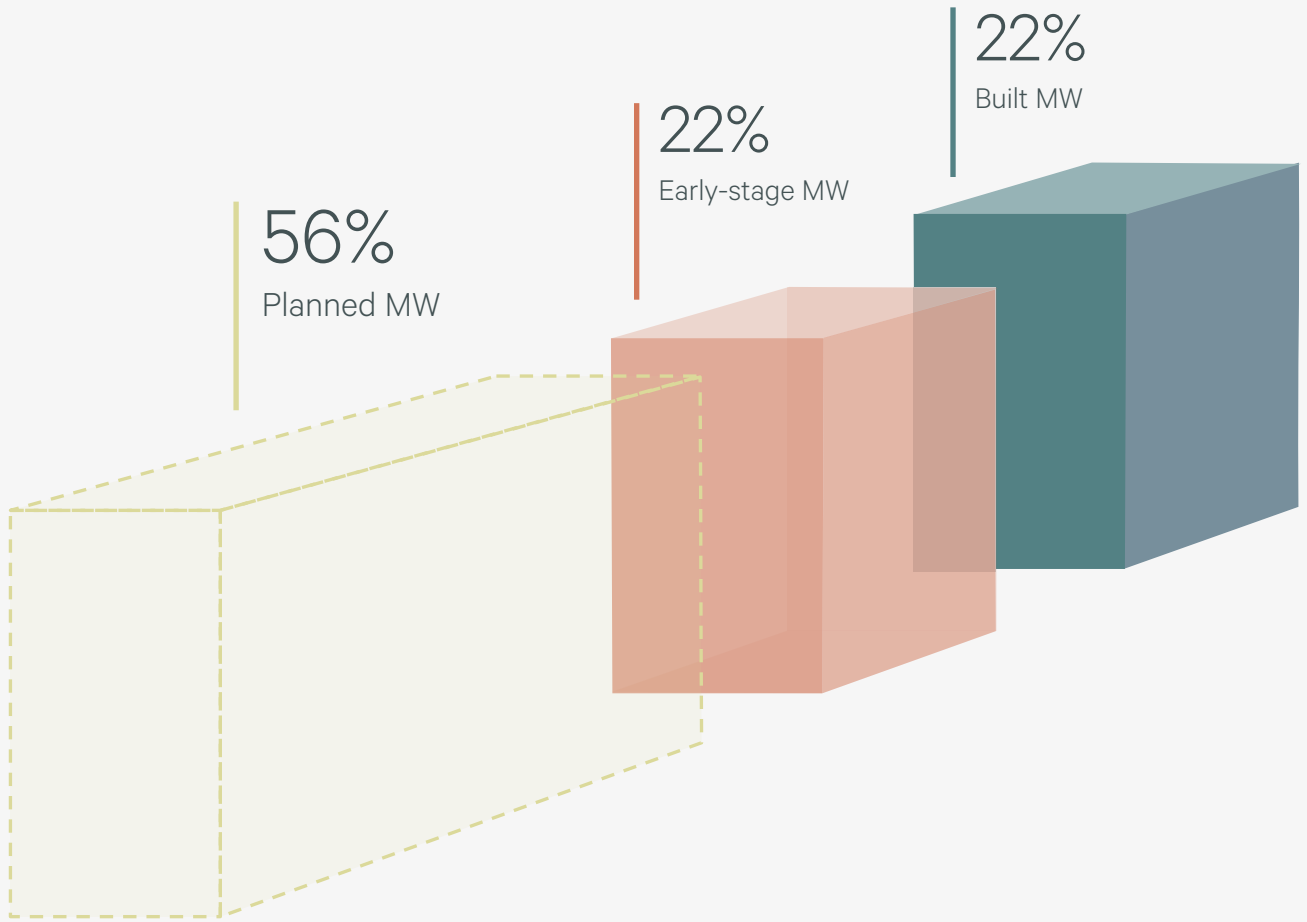
Australia's development pipeline has expanded materially, but headline capacity alone provides an incomplete indication of future supply.

CBRE's project database shows the capacity is distributed across operational, under construction, planned and early-stage projects, each carrying a different level of development certainty.

The distinction between these stages is increasingly important as the scale and complexity of new development increases.

Only around one-fifth of identified future capacity is currently under construction, with the majority remaining at planned or earlier stages of development.

Share of Australia's future data centre pipeline (MW) by development stage



Source: CBRE Data Centre Solutions, CBRE Research, September 2026

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Government policy is reshaping data centre development requirements

Federal and state governments are introducing new frameworks to support data centre investment while addressing increasing demands on power, water and community infrastructure.

5 expectations

National Data Centre Expectations covering national interest, energy transition, sustainable water use, jobs and research capability, with implications for project assessment and investment decisions.

FEDERAL GOVERNMENT

National policy and standards

National AI Plan (December 2025)

Establishes the national strategic framework for AI investment, digital infrastructure and domestic computing capability.

National Data Centre Expectations (March 2026)

Sets five expectations covering national interest, energy transition, sustainable water use, jobs and skills, and research capability. Projects meeting these expectations may receive priority in Commonwealth regulatory processes.

Proposed Mandatory Standards (July 2026)

Large data centres would be required to underwrite additional renewable electricity generation, meet grid connection costs, support demand flexibility and improve water efficiency. These proposed requirements could increase development costs and influence project feasibility and delivery timelines.

NSW GOVERNMENT

Policy framework and guidelines

Data Centre Policy Framework (August 2026)

Introduces six principles addressing environmental performance, infrastructure cost recovery, energy and water supply, community benefits and workforce development. Includes a 75-day assessment commitment for qualifying projects, alongside proposed electricity and water pricing reforms.

VIC GOVERNMENT

Sustainable development planning

Sustainable Data Centre Action Plan (2026)

Supported by A$5.5 million in government funding, the plan coordinates land-use planning, energy, water and workforce considerations to support sustainable development.
New planning expectations emphasise appropriate locations, grid readiness, water security and local community impacts.

Implications for development and investment

Evolving government requirements are increasing the importance of power availability, infrastructure funding and environmental performance in determining project feasibility. These factors may influence development costs, delivery timelines and the relative investment attractiveness of sites with secured infrastructure access.

Source: Australian Government Department of Industry, Science and Resources; NSW Government; Victorian Government, CBRE Research.

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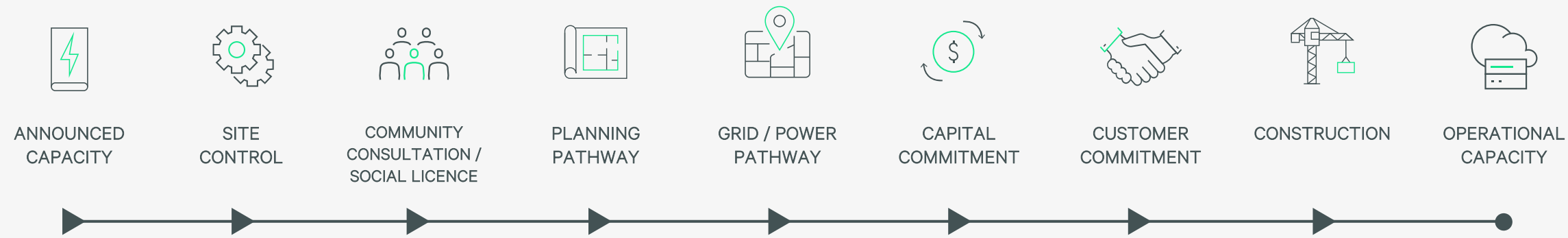
Headline pipeline is not the same as deliverable supply

A large proposed pipeline can give the impression that future supply is plentiful.

Each stage introduces execution risk, with planning approvals, community acceptance and access to secured power increasingly influencing the timing and scale of capacity ultimately delivered.

For occupiers, investors and developers, understanding delivery probability is increasingly as important as measuring the headline pipeline.

In practice, projects must pass through multiple stages before capacity becomes operational.



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Execution capability will differentiate future supply

Strong demand does not eliminate execution risk. As infrastructure requirements become more complex, delivery capability is becoming an increasingly important source of competitive advantage.

As developments become larger and more complex, delivery certainty will increasingly differentiate projects within Australia's data centre pipeline.



BRISBANE/PERTH

Principal Advantage
Significant relative pipeline growth

Key Delivery Considerations
Power access and customer commitments

SYDNEY

Principal Advantage
Established ecosystem and customer demand

Key Delivery Considerations
Power and suitable site availability

CANBERRA

Principal Advantage
Government and sovereign demand

Key Delivery Considerations
Specialist requirements and customer concentration

MELBOURNE

Principal Advantage
Larger development sites and campus potential

Key Delivery Considerations
Grid capacity and infrastructure timing

Execution constraints:

Power
Securing grid connections and sufficient electricity capacity remains a critical determinant of project delivery and timing.

Planning
Development approvals, zoning requirements and community considerations can extend project delivery timelines.

Construction
Specialist labour availability, equipment procurement and contractor capacity can affect project costs and delivery schedules.

Cooling
Specialist labour availability, equipment procurement and contractor capacity can affect project costs and delivery schedules.

Capital & Occupier Commitments
Large-scale developments require substantial upfront capital, with customer commitments supporting investment decisions and project progression.

Sustainability/Policy
Energy, water, emissions and increasingly formal expectations for large-load developments

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Capital, Investment & Value

05



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Expanding investable universe in Australian Data Centres

Data centres continue to attract significant institutional capital, with direct investment across Asia-Pacific reaching US$11.6 billion in 2025, reflecting the sector's growing importance as a core infrastructure asset class.

In Australia, this investment opportunity is expected to expand considerably, with CBRE's October 2026 research forecasting the country's investable data centre universe to grow by approximately 90% to A$57 billion by 2030.

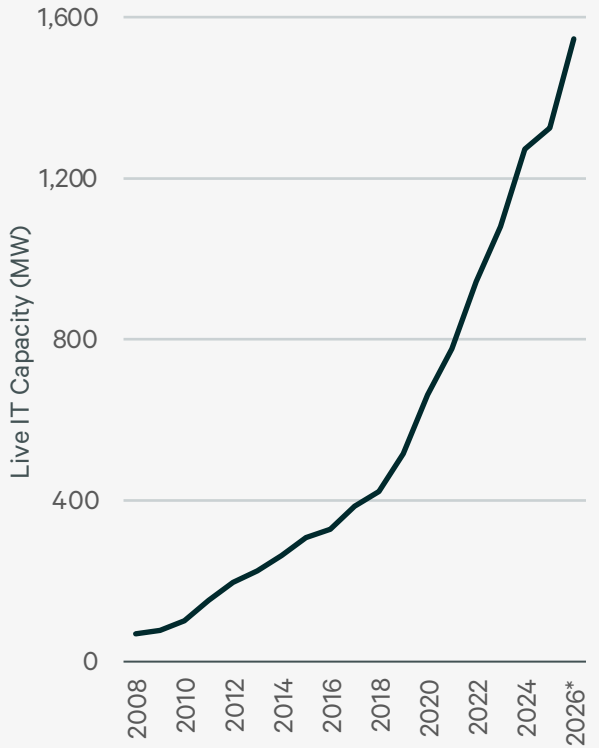
Investor participation is broadening across infrastructure funds, superannuation funds, sovereign wealth funds, private equity and specialist operators, with opportunities spanning both operating platforms (OpCo) and underlying infrastructure (PropCo). Australian institutional capital is already active in the sector, with Future Fund and Commonwealth Superannuation Corporation holding significant ownership stakes in CDC Data Centres.

A$35 bn

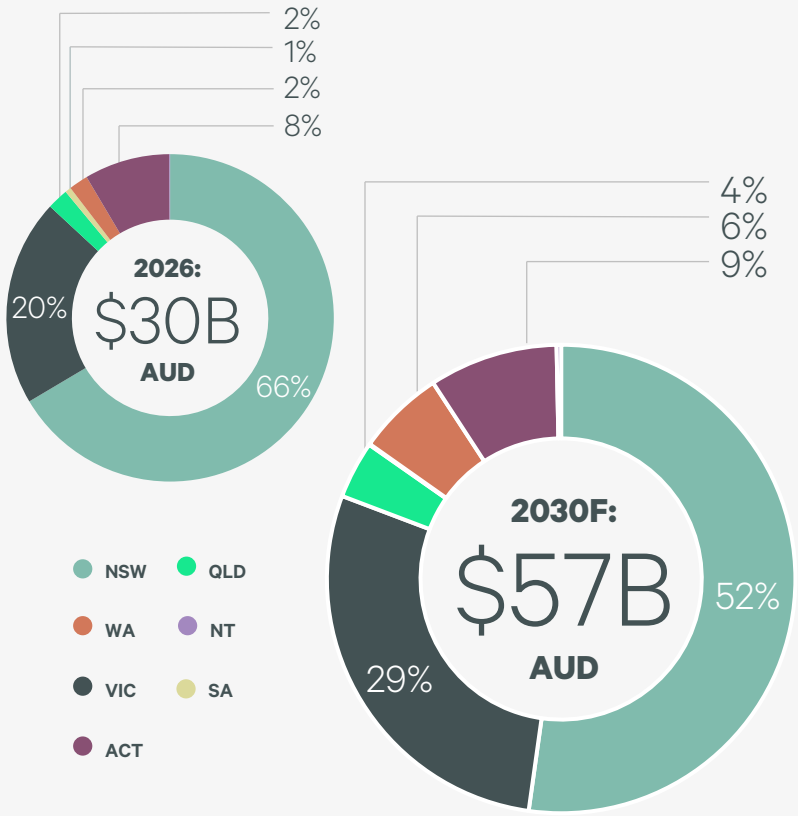
Raised by Australian data centre operators in 2026 to early September – up from A$24bn in 2025, across debt and equity funding.

Source: RBA, CBRE Data Centre Solutions, CBRE Research. As of October 2026.

Australia live IT capacity trend



Australia's Investable Universe 2025 vs. 2029F



Note: investable universe reflects operational and under construction capacity potentially accessible to institutional investors. Capital stock calculated by multiplying capacity (MW) by an estimated replacement cost of A$17 million per MW, based on recent Australian market build cost benchmarks for investor-grade data centres.

Source: CBRE Research. As at 3Q26.

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Data centre investment opportunities span multiple ownership structures

Data centre investments offer different levels of infrastructure ownership, operational exposure and capital requirements. Investors can participate through direct ownership, joint ventures or platform acquisitions, with risk-return characteristics varying by investment structure.

Data Centre Investment Routes

Direct Acquisition/ Development

Type of Investment
Direct ownership of development

Development Expertise
Varies by strategy

Operational Exposure
Varies by asset

Return Profile
Rental income and/or development returns

Joint Venture

Type of Investment
Partnership with developer/operator

Development Expertise
Shared with partner

Operational Exposure
Shared or allocated by agreement

Return Profile
Shared income and capital appreciation

M&A

Type of Investment
Acquisition of operating platform or equity stake

Development Expertise
Typically provided by acquired platform

Operational Exposure
dependant on platform structure

Return Profile
Platform earning and capital appreciation

Examples of Data Centres Available for Investment

	Shell & Core	Powered Shell	Operational
Investor Responsibility	Landlord leases building shell to operator: landlord **leases out shell building**; Operator brings in power and fit-out (including M&E).	Landlord leases powered shell to operator: landlord **brings in power and leases out shell building**; tenant fits out shell building.	**Fully-fitted product** - lease to end users/customers
Revenue Stream	Rent	Rent+ premium for power	Service fees
Lease Term (Landlord to Operator)	15 years+	15 years+	Retail - Three to five years Wholesale - Five years to 10 years
M&E ownership	Tenant (Operator)	Tenant (Operator)	Investors (as Operator)
Landlord Ongoing CapEx Obligation	Structural repairs	Structural repairs	M&E equipment replacement
CapEx	Property basic settings	Property basic settings power connection	Property basic settings power connection M&E (e.g. racks, security facilities)
Landlord Ongoing OpEx Obligation	None (triple net lease)	None (triple net lease)	Comprehensive facilities management; security; sales & marketing

Source: CBRE Asia Pacific Data Centre Solutions, CBRE Research.

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Infrastructure certainty is driving data centre investment value

As Australia's data centre sector expands, access to secure power, connectivity and supporting infrastructure is becoming an increasingly important determinant of asset value. These attributes are difficult to replicate and may create scarcity premiums for well-positioned assets.

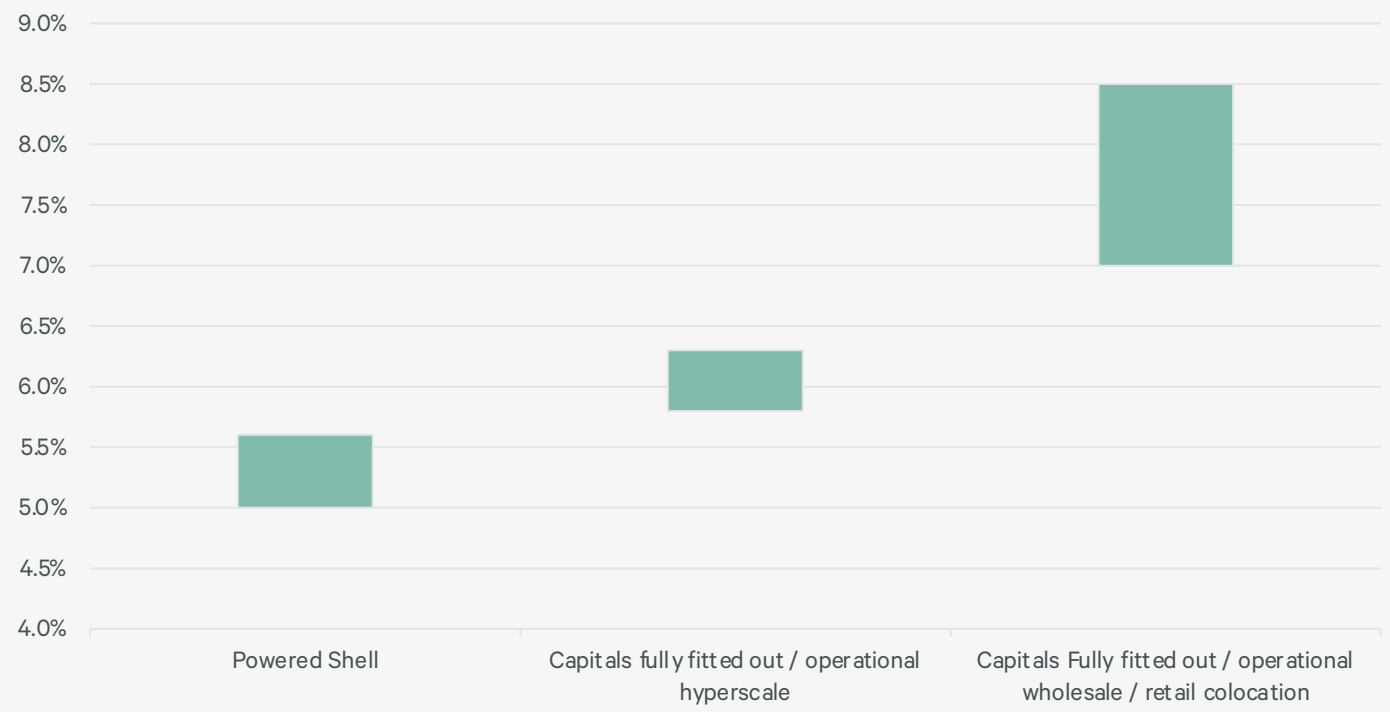
Power certainty: Access to sufficient electricity capacity, with a confirmed and deliverable connection pathway.

Location and connectivity: Proximity to customers, network infrastructure and established data centre ecosystems.

Scale and planning: Sites capable of supporting large-scale development, with appropriate planning approvals and infrastructure access.

Income and delivery certainty: Quality operators, ccreditworthy customers, long-term contractual income and greater confidence in project completion.

Data Centre Estimated Yield Range - Sydney and Melbourne



Estimated yields vary across data centre investment structures, reflecting differences in operational exposure, income characteristics and capital obligations. Powered shells exhibit the lowest estimation yield range, while fully fitted colocation facilities attract higher yields.

Note: Assuming modern development to prime covenant.

Source: CBRE Research, October 2026.

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Outlook

06



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Five themes will define Australia's next phase of data centre growth



AI will accelerate infrastructure requirements

AI-driven workloads will add to existing cloud demand, increasing requirements for power density, advanced cooling and supporting infrastructure.

1



Power availability will reshape development geography

Sydney and Melbourne will remain Australia's dominant data centre hubs, but access to scalable power will increasingly influence where future capacity is developed.

2



Deliverable supply will take precedence over announced pipelines

As development pipelines expand, power access, planning approvals, capital commitments and construction capacity will determine how much proposed supply becomes operational.

3



Asset quality will become increasingly differentiated

AI readiness, scalability, infrastructure resilience and delivery certainty will become more important in determining asset competitiveness and long-term value.

4



Capital will increasingly target infrastructure scarcity

Institutional investment will continue to broaden, with well-positioned assets offering secured power, connectivity, scale and strong customer covenants attracting heightened investor interest.

5

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