

### Key Indicators



Under Construction

**172 MW**

### MORE INFORMATION

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### GLOBAL DATA CENTER ADVISORY GROUP

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### Market Overview

Sydney has continued its progression as a hyperscale cloud destination, with Amazon Web Services, Microsoft Azure, Google Cloud, and Alibaba all continuing their local market inroads in a bid for further market share. Each has been intrigued by the plethora of locally based mid- and large-size enterprises currently reviewing their IT strategy, along with the many government and educational organizations pursuing modernization initiatives from the NSW government and ATO on down. As each service signs up new clients, the need for further local capacity continues to grow, leading to large-scale development. AirTrunk is leading the way in large development, with SYD2 aiming for year-end completion and the second phase of SYD1 in serious planning. The developments support the company's continued growth across Asia, with sites in Singapore, Hong Kong, and Tokyo all under construction. Fujitsu recently announced a further expansion to their Western Sydney site, with another 20 MW coming online early next year, and the Alpha DC Fund, NextDC, Macquarie, and Digital Realty are all working on new capacity. The local investment acquisition market has stayed quiet to date in 2020, though anecdotal reports of investors looking for acquirable assets continue to circulate. Other assets throughout the country have traded hands, with the A\$417 million sale-and-leaseback of Telstra's Melbourne-area campus as the largest single-asset transaction to have been signed for this year. Assisted by an exceptionally rare 30-year lease term, the acquisition could show the potential for data centre deals with strong tenancy. All considered Sydney remains a strong and well-provisioned market which should continue well into the next couple of years.

*The three major global cloud services have each upgraded their local offerings of late, adding further benefits for local companies to migrate to the cloud.*

### Ecosystem Developments

- As speculated in our previous report, the **ATO** has signed a 10-year, A\$73.1 million contract to migrate their workloads from Global Switch to Canberra Data Centres to localize all data management with an Australian-owned firm. The deal enables the agency to modernize their overall IT infrastructure, with the overall aim for more flexible contracts across the platform. Macquarie signed a similar deal earlier this year for government capacity in Canberra.
- In other Macquarie news, the operator announced a 10 MW lease at their upcoming IntelliCentre 3 East facility with an as-yet unnamed company. Due in February, IC3 East is Macquarie's third campus in the Sydney area, with one campus in Canberra also already completed and another on the way.
- Managed services provider **AC3** has followed the ATO out of Global Switch, agreeing to move to Equinix by early 2021. The move was required due to the many government organizations contracted with AC3, and buoyed by the many existing agreements between the services provider and the global REIT.
- Linode** released a new container management system to select locations across their platform, with Sydney joining three US markets for initial rollout. Called Linode Kubernetes Engine, the update will allow easier management across Linode compute nodes.
- Google** has launched its Bare Metal Solution for Google Cloud in Sydney, with the local market joining eight other major markets globally offering the service. The solution offers customers the ability to run their own applications in Google facilities that may not be optimized for the cloud, with cross connects available to Google services.
- Equinix** announced the availability of Alibaba Cloud to their clients mid-year, with Sydney and 16 other major markets providing this service at launch. Alibaba Cloud now offers full integration with Platform Equinix and the Equinix Cloud Exchange Fabric.

### Ecosystem Developments

- **Cloudflare** recently released their Cloudflare Network Interconnect product, allowing users to directly connect to Cloudflare services rather than utilizing the public cloud. The company is partnering locally with PCCW, Equinix, and Megaport to offer this platform, and Sydney is joining 22 other major metros to have this service at launch.
- **Microsoft** is adding further availability zones to each current region globally, with Australia East (based in Sydney) among the first to receive upgrades. Further availability zones should add more robust coverage in each market with larger overall footprints.
- **Amazon Web Services** signed an important new client of late, with the New South Wales government joining in on the federal Digital Transformation Agency agreement with the major cloud services provider. The previous federal deal was agreed in 2019 at a cost of A\$39 million as the government sought to simplify cloud services acquisition across all government agencies. In further Amazon news, the company signed an agreement with Wipro to create the Wipro-AWS Launch Pad in Parramatta to showcase scalable solutions from the coexistence of the two platforms.
- In a similar transaction, the New South Wales government also signed a deal with **Vault Cloud**, with the five-year agreement aiming to boost usage of locally based cloud service firms while assisting the government with further managed services. To provide full support for the deal, Vault has announced a new cloud region in Western Sydney, hosted by Canberra Data Centres.
- The **University of Sydney** joined the move to the cloud, signing a deal with Tribal Group for all student management services. The British services firm specializes in the education sector, with efficiency gains and cost savings mentioned as key drivers behind the migration.
- **5G Networks** closed their acquisition of ColoAU in July, with two data centres in Sydney (at Equinix and NextDC) included in the deal. The A\$2.9 million deal will allow 5G to leverage further network capabilities, and is the latest in a string of recent acquisitions for the company.

*Over 170 MW of new data centre capacity is under construction throughout Sydney, with locally based AirTrunk leading several projects to be completed over the next two years.*

### Construction Update

OPERATOR	PROJECT	SIZE (SQM)	POWER (MW)	STAGE / EST. DELIVERY
AirTrunk	SYD2	32,000	110	Under Construction / Q4 2020
	SYD1 (Phase 2)	12,000 (est)	40	In Planning
Fujitsu	Western Sydney	4,500	20	Under Construction / Q1 2021
Macquarie	Intellicentre 3 East	13,400	11	Under Construction / Q1 2021
Alpha DC Fund	KDC Sydney 1	5,300	7 (est)	Under Construction / Q2 2021
NextDC	S3	5,000 (est)	12	Under Construction / Q2 2022
Digital Realty	Erskine Park III	8,234	12	Under Construction