

Microsoft Azure Local

Version 2605

Offering summary

Azure Local demonstrates Microsoft's long-term commitment to bridging the functionality gap between public cloud and on-premises environments. Moreover, it does so by building on key elements of Windows Server¹ and taking a 'cloud inspired' approach that leverages its experience delivering a hyperscale public cloud (i.e., Azure). Although none of the above is in doubt, the main focus for this specific Virtified Loop is the data centre use case and therein lies the challenge.

Azure Local comes in differing styles with varying features and capabilities that must be considered. Several of its 'deployment methods' have the potential to support data centre requirements (e.g., hyperconverged, disaggregated and Microsoft 365 Local)². However, only hyperconverged can be considered as an established solution at this time; all other deployment methods have only become available in recent months (1H26).

The disconnected operations deployment method is of particular interest because it can support varying network scenarios (e.g., unreliable or 'zero' internet connectivity) and may satisfy IT compliance requirements (e.g., sovereign or legislative). However, it requires approval from Microsoft and is not available for general use.

Although Azure Local has a rapid release cycle that delivers additional functionality, current releases are only supported within a 6-month timeline. This is likely to provide additional strain on production support.

For these reasons we do not consider Azure Local as a suitable candidate for traditional data centre requirements at this time.

Virtified will continue to monitor progress including early adopter feedback.

Strengths

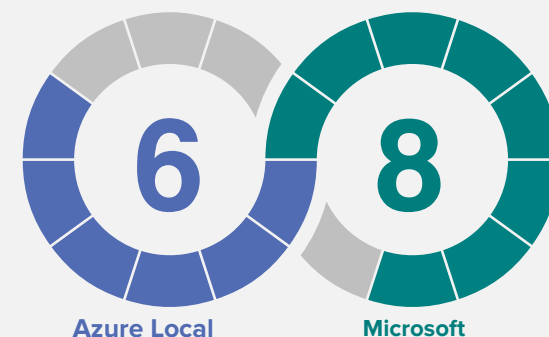
- Modern design:** Azure Local jettisons much of the legacy client-server era management architecture in favour of cloud-like tooling (e.g., Azure Resource Manager [ARM]).
- Hybrid environments:** For data centre use cases, Azure Local is best suited for hybrid cloud requirements that prioritise Microsoft and Azure public cloud.

Challenges

- Support:** Refer to Recommendation 3.
- Feature limitations:** Although Azure Local's functionality is generally sufficient, functionality and maturity vary based on deployment method (take particular note of disconnected operations).
- Management consistency:** Although Azure Arc and ARM are key to its modern management tools, in some cases Azure Local depends on traditional tools such as Windows Admin Center, SCVMM and PowerShell.
- Documentation:** Rapid release cycles mean that new features and functionality are not always reflected in current documentation. Overlap with Windows Server/Hyper-V compounds this issue.

The Virtified Loops for VHCI evaluate 120 technical criteria and a specific set of business metrics. Different weightings are applied to each use case. Virtified Loops are an independent and objective review of the provider and offering, which has been undertaken by Virtified Pty Ltd on a best-effort basis and in the interests of supporting improved decision-making. Virtified Pty Ltd does not receive any financial compensation for the analysis contained therein. Put simply, Virtified Loops are not 'cash for comment'.

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Data centre use case	
Compute	S
Containers & Cloud-Native Integration	S
Core	S
Data Protection & Resiliency	S
Hardware Acceleration & Offload	S
Identity and Access Management (IAM)	L
Management and Administration	S
Memory	L
Network	S
Security	S
Software-Defined Networking	L
Software-Defined Storage	A
Storage Interconnect	B
Storage Services	S
Virtual Resource Management	S
Customer Sentiment (Offering)	x
Documentation	x
Provider	
Financial Viability	+
Corporate Governance	A
Environmental Sustainability	S
Customer Sentiment (Provider)	S
Customer Sentiment (Support)	x
Partner Sentiment (Provider)	S
Value	S

Legend

L	Leader	+	Positive
A	Advanced	/	Neutral
S	Standard	?	Unclear
B	Basic	x	Negative

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Recommendations

1. Perform a thorough technical analysis of the Azure Local architecture and potential deployment methods suited to your data centre requirements. Prioritise public cloud where possible.
2. Take a cautious approach when considering Azure Local for your existing Microsoft-centric data centre requirements. In particular, ensure that external connectivity will meet your security requirements.
3. Assess the potential risks associated with Microsoft support (including extended response times and escalation challenges)⁴. Pay particular attention to the six-month support window.
4. Avoid migrating existing data centre workloads that will result in duplicated workflows and overlapping management tooling (e.g., Windows Admin Center, SCVMM). Favour Arc-enabled services when assessing workload suitability.
5. Seek direct feedback from existing customers in regard to their experiences specific to your needs.
6. Ensure cost visibility at all stages: ensure procurement teams are involved, seek licensing experts where necessary and integrate with IT financial management tools.

Key considerations

1. **Support:** Refer to Recommendation 3.
2. **External storage:** The disaggregated deployment method adds support for Fibre Channel storage from Dell, Everpure, Hitachi, HPE, Lenovo and NetApp.
3. **Skills and experience:** The operational 'fit' of modern, DevOps-centric skills and culture will be critical to success.
4. **Connectivity:** 'Disconnected operations' is the only deployment option for organisations and/or environments that cannot connect beyond the firewall (e.g., 'air gapped', dark site).
5. **Operating system dependencies:** Management functionality varies based on operating system (e.g., Azure Site Recovery Configuration requires Windows Server 2016).
6. **Pricing and licensing:** Customer sentiment continues to highlight the complexity associated with Microsoft offerings.
7. **Geographic availability:** Azure Local is only supported in 8 public Azure regions worldwide⁵.

Provider summary

Microsoft has an enviable financial position. Its scores are among the highest when evaluating profitability and efficiency, growth and scalability, health and resilience. The provider has invested in environmental sustainability commensurate with its relatively large carbon footprint and must continue progressing toward its sustainability targets.

In contrast to these highlights, Virtified's analysis also indicates declining sentiment regarding customer support. There are also rising concerns about Microsoft's pricing model that can lead to increasing budget variability and unpredictability.

- Website: microsoft.com
- Headquarters: USA
- Ownership: Public
- Employees: 228,000
- Total revenue: US\$281.7B (FY2025)

Note 1: Refer [Microsoft Learn](https://microsoft.com/learn) for guidance on comparing Azure Local and Windows Server.

Note 2: Multi-rack deployments are excluded from our analysis because they are in preview as at the time of publishing.

Note 3: Arc-enabled Azure Kubernetes Service (AKS) is in preview for disconnected operations and does not support GPUs at this time.

Note 4: Virtified's sentiment analysis of Microsoft covers over 1,800 data points over the eighteen months prior to the initial publication date of this Virtified Loop.

Note 5: As at the time of publishing, Azure Local is supported in East US, West Europe, Australia East, Southeast Asia, India Central, Canada Central, Japan East, South Central US and US Gov Virginia.

For more information go to virtified.com

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