

Where Are the Largest Data Center Markets in the United States?

by **King White**, on Jul 14, 2023 7:00:00 AM

In the ever-expanding world of digital technology, data centers play a crucial role in storing, processing and delivering vast amounts of information. These centers are the backbone of modern businesses, enabling cloud computing, artificial intelligence and countless other data-intensive applications. As the demand for digital services continues to grow, certain cities in the United States have attracted the most data center site selection projects and emerged as some of the largest data center markets. The United States is home to an estimated 2,700 data centers. In this blog, we will explore five of the largest U.S. data center markets and delve into the site selection factors that have propelled their growth.

Northern Virginia

Topping the list is the Northern Virginia region, often referred to as “Data Center Alley.” Situated near Washington D.C. in the area in and surrounding Ashburn, Virginia, this region has experienced tremendous growth due to its central location on the East Coast, proximity to government agencies and robust fiber infrastructure. What started back in the mid-1990s when major internet pioneers like MCI and AOL built extensive networks throughout this area has also given the Northern Virginia region a major head start to any other markets.

This Northern Virginia market is concentrated in the Loudoun County area due to significant efforts in the early cloud computing days by Loudoun County to provide major incentives and affordable power from Dominion Energy. The availability of reliable and reasonably priced

power and potential tax incentives has attracted major tech companies, colocation and cloud providers.

With more than 300 data centers, Northern Virginia boasts a massive concentration of digital infrastructure and leads the U.S. data center market. Major cloud and hyperscale providers like Amazon Web Services, Microsoft Azure and Google have several million square feet and hundreds of megawatts committed and continue to grow in the region. It is estimated that Northern Virginia has nearly 3,500 megawatts of total data center inventory, more than triple any other U.S. market.

Silicon Valley

Renowned as the birthplace of the technology revolution, Silicon Valley remains a thriving data center market. Located in the San Francisco Bay Area with a concentration in Santa Clara with its more affordable power, this region is home to tech giants, startups, and venture capital firms. Notable companies such as Apple, Google, INTEL, Salesforce, NVIDIA and Facebook/Meta have headquarters here. The demand for data centers in Silicon Valley stems from the need to be “close to home” and support the rapid innovation and digital services emerging from the tech ecosystem. Despite limited space, earthquake threats and high real estate and power costs, the concentration of the tech sector in Silicon Valley continues to drive data center development in this dynamic market.

Dallas-Fort Worth

With its central location and reasonable power and land costs, the Dallas-Fort Worth region (DFW) has emerged as a significant data center hub in the U.S. The region's favorable business environment, affordable cost of living and abundant fiber connectivity has attracted major enterprises seeking reliable data center facilities. The region has a well-developed and reliable infrastructure, including an extensive power grid, reliable power supply and fiber optic networks. This infrastructure is crucial for supporting the massive power and connectivity requirements of data centers. DFW has a lower risk of earthquakes, hurricanes and floods, making it an attractive location for data centers seeking stability and disaster resilience. In addition, the state of Texas offers tax incentives, no state income tax and a deregulated energy market, making it an attractive destination for data center operators. DFW is home to 24 Fortune 500 companies and 43 Fortune 1000 companies. Dallas benefits from its strategic location, acting as a gateway between the East and West Coast markets.

Chicago

Situated in the Midwest, Chicago has established itself as a prominent data center market. This city's favorable geographical location, extensive fiber connectivity and reliable power supply make it an ideal choice for businesses seeking a robust digital infrastructure. It is within a 500-mile radius of major cities like New York, Los Angeles, Dallas, and Atlanta, enabling efficient data distribution nationwide.

Chicago is a thriving global financial and trading hub with a concentration of financial institutions, exchanges and trading firms including the Chicago Board of Trade and the Chicago Mercantile Exchange. These entities generate massive amounts of data that need to be processed and stored, driving the demand for data center services. Additionally, its central location facilitates low-latency connections across the United States. Chicago's northern U.S. location also provides a climate benefit, as data center operators and cloud computing companies can utilize "free cooling" for the majority of the year, allowing these operators the ability to pump in outside cold air to lower their power costs.

Phoenix

Its arid climate, low natural disaster risk and abundant land availability have propelled Phoenix to become one of the largest data center markets globally, attracting major data center providers and serving as a critical hub for digital infrastructure in the southwestern United States. Phoenix benefits from its strategic geographic location. Its proximity to major West Coast cities (Los Angeles, San Francisco and Seattle) that have an elevated risk of natural disasters makes Phoenix an ideal location for data centers and colocation operators.

The city's affordability, tax policies and reasonable power costs have attracted data center developers, colocation providers, and enterprise data center operators. Phoenix serves as a bridge between the West Coast and emerging markets in the Southwest and offers ample growth opportunities for data centers looking to expand their digital footprint.

Conclusion

The United States is a hotbed of data center site selection activity, and several key markets have emerged as industry leaders. Whether it's the Northern Virginia region with its dense concentration of data centers, the tech-driven ecosystem of Silicon Valley, the central



connectivity hub of Dallas, the strategic location of Chicago, or the growing data center market in Phoenix, these metro regions represent the vanguards of possessing many of the critical site selection factors that data centers are seeking.

As technology continues to evolve and the demand for data-intensive services increases, these data center markets will play a pivotal role in enabling innovation, driving economic growth and powering the digital transformation of businesses across the United States and beyond.

Topics: Data Center | Site Selection Group | Site Selection | Dallas | Colocation | Phoenix | Chicago | Northern Virginia | Silicon Valley

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