

# High Tech Boom Drives Surge in Northern Virginia's Data Center Demand

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The ongoing response to the coronavirus pandemic, with its reliance on Zoom meetings, video downloads, e-commerce and distance learning, has made data centers one of the hottest segments of commercial real estate.

“With more people using the internet, broadband speeds rising, more consumers watching online video, the number of mobile devices exploding, and web page sizes steadily increasing, internet traffic is exploding and shows no sign of slowing anytime soon,” Alan Breznick concluded in a recent whitepaper report on behalf of [edgecommex.com](http://edgecommex.com), a builder and operator of data centers.

While data centers are located throughout the Commonwealth, Northern Virginia has been the global crossroads for internet traffic since 1969 when the

federal government began experiments that created the world's largest intersection for public and private communications networks. In the past 10 years, the area has developed into the most active data center market on the planet with up to 70% of the world's internet traffic traveling through the area.

Loudoun County alone is home to more than 100 data centers, amounting to more than 10 million square feet of data center space, mostly located in the Ashburn corridor, which has become known as "data center alley."

Demand has skyrocketed for greater data center capacity as digital traffic continues to surge. Developers are broadening their sights to seek approval for additional Loudoun County sites including South Riding, Herndon, Sterling, and around Dulles International Airport. Properties in Fairfax County near the southern boundary of Dulles are also being considered, as well as sites in less expensive locations around Manassas and Gainesville in Prince William County. Some of the land is being bought now to hold for long term future expansion – a strategy known as "land banking."

Digital Realty, the largest developer in Northern Virginia's data center market, is currently proceeding through Loudoun County's permitting process to build an additional 7.5 million-square-foot facility, which will be the largest multi-tenant data center campus in the world, located on its 424-acre "Western Lands" site bordering Dulles.

Amazon Web Services already operates more than 50 data centers with four million square feet of existing space in Northern Virginia. They are currently seeking approval to grow further, with plans to build an additional 2.5 million square feet near Dulles, including 11 two-story data center buildings located on 24 acres next to the airport. If approved, the data centers will locate on land currently used for industrial purposes – far removed from residential developments.

Other companies such as Google and Microsoft are also adding facilities in the area to support their "cloud computing" businesses.

As operators have been aggressively buying land around Dulles, land prices for data center sites have been rising drastically, according to Rich Miller, founder and editor of Data Center Frontiers, which tracks the industry.

Google paid about \$425,000 an acre for its site in 2017, Cyrus One paid about \$1 million an acre for nearby property in late 2018, and recently Amazon paid

about \$1.5 million an acre for its Dulles property.

“These data centers are the backbone of Loudoun’s economic success,” Loudoun County Board of Supervisors Chair Phyllis J. Randell noted. Nevertheless, one criticism has been that while the centers generate significant tax revenue, they produce few jobs for local residents.

Loudoun County’s Economic Development Director Buddy Rizer doesn’t agree. “It generates jobs and income for a substantial number of Loudoun’s households as well as a stream of tax revenues that contributes to the public facilities that all Loudoun’s residents enjoy,” Rizer explains. “And it supports the global scale businesses Loudoun County seeks to attract.”

In a recent filing, Loudoun County planners pointed out, “The draw of a best-in-class high tech workforce that is well educated and highly skilled is a key contributor to the growth of Loudoun’s successful economic development.”

“Data centers contribute more than \$300 million annually in local tax revenue, which in turn saves the average Loudoun County household more than \$2,100 in taxes every year,” according to Matt Letourneau, Loudoun County Supervisor for the Dulles District.

A recent study by the Northern Virginia Technology Council estimated that “for every dollar in Loudoun County expenditures that the data center industry caused in 2018, it generated \$15.10 in local tax revenue. Property taxes would have had to rise 21% without the data center-induced tax revenue.” The lower tax rate also creates an attractive business climate that brings other businesses to the area.

The data center boom in Loudoun County’s commercial real estate market is a key driver in the long-term strength of the county’s residential market as well. Northern Virginia Realtors® understand and capitalize on the development in the area that drives employees and residents to live in this growing, tech-booming region.