

DATA CENTERS AND RESIDENTIAL PROPERTY VALUES

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In Brief

Data centers are essential infrastructure for the digital services that households and businesses use every day. As demand for cloud and networked applications grows, communities are seeing more proposals for large data center campuses and, with them, questions about potential impacts on nearby home values.

Independent research on the drivers of residential property values consistently finds that school quality and access to employment are primary determinants of long-run home price performance.¹⁻⁴ Data centers influence both drivers: they add high-value taxable property that supports public school funding, and they create and anchor jobs directly and indirectly.

Available empirical evidence does not show a broad, systemic pattern of data centers depressing surrounding home values.

Key takeaways:

- Key drivers of home values are school performance and job growth.¹⁻⁵
- In Northern Virginia, home values increased the closer you got to data centers, after controlling for other factors that normally influence price.
- Data from the Zillow Home Values Index show that less than 1% of ZIP codes with large data centers saw home values decline over the last five years. Over the same period, roughly two-thirds of ZIP codes with large data centers appreciated at the same or a higher rate than their state averages.

Key Drivers of Home Values

School quality and residential prices

A large body of economic research has examined how school spending and school performance are capitalized into nearby home values:

- A National Bureau of Economic Research study of school finance reforms found that a one dollar increase in per-pupil state aid was associated with about a twenty dollar increase in per-pupil housing values, indicating that households place a substantial premium on better-funded schools.¹
- Multiple analyses of metropolitan housing markets show that homes in areas with high test scores or top-rated schools sell at significant premiums relative to otherwise similar homes in lower-performing districts, and that these premiums can be on the order of tens or even hundreds of thousands of dollars in high-cost regions.²⁻⁴

These studies reach a common conclusion: buyers systematically bid up prices near strong schools, and increases in school spending and measured performance are reflected in higher surrounding property values over time.

Because local public schools in the United States are primarily funded by property taxes, large capital investments that expand the local tax base without adding large numbers of new students can be particularly powerful. They give school districts more resources per pupil, which tends to support higher achievement and, in turn, higher home values.

Employment access and housing prices

Access to jobs is the other major structural driver of housing demand. Empirical studies that isolate changes in local employment from other conditions generally find that when tradable-sector or export-oriented firms — businesses that sell goods and services into national or global markets rather than only the local area — add jobs,

nearby rents and sale prices rise, particularly in markets where housing supply is constrained.⁵ Data centers are a textbook example of this kind of export-oriented infrastructure: they serve regional, national, and global users while concentrating investment and payroll in a specific community.

The mechanism is straightforward: more and better-paid jobs increase household incomes and competition for well-located housing, especially where new construction is limited by infrastructure, geography, or regulation.



How data centers connect to these value drivers

Modern data centers interact with both of these fundamentals:

- **Tax base and school funding**
Because they require substantial investment in buildings and equipment, data centers typically generate significant real and personal property tax revenue relative to their use of local public services. That revenue can support K-12 school operating budgets, capital improvements, and related community investments without adding large numbers of students to the system.
- **Employment and economic spillovers**
Data centers create construction employment during build-out; permanent high-skilled jobs in operations and engineering once operational; and additional indirect and induced jobs in the surrounding economy. A PwC analysis estimates that each direct data center job supports more than six additional jobs elsewhere in the U.S. economy and that data center employment has grown faster than overall national employment in recent years.⁸

Taken together, these effects mean that well-sited data centers tend to reinforce, rather than undermine, the two structural conditions that support residential property values: strong schools and durable job bases.

Quantitative Evidence from Northern Virginia

Northern Virginia is the largest and most mature data center market in the world. It is also a region with extensive residential neighborhoods in close proximity to large clusters of data center facilities. That combination makes it an important test case for the claim that data centers depress nearby home values.

Study design

The George Mason University Center for Regional Analysis examined more than 2,000 for-sale home transactions in Northern Virginia using a standard hedonic regression framework.⁶ The model controlled for:

- **Home characteristics:** age, living area, bedroom count, lot size, and housing type.
- **Location characteristics:** distance to primary roads, the Metrorail system, Dulles International Airport, downtown Washington, office-zoned land, industrial land, and the Potomac River.
- **Data center proximity:** distance from each home to the nearest data center.

In effect, the question was: after accounting for everything else that normally drives price, does being closer to or farther from a data center still matter for what a buyer is willing to pay?

The statistical fit of the model was strong, with an R-squared of approximately 0.87, meaning the variables in the model explained nearly eighty-seven percent of the variation in sale prices across the sample.

Results

The coefficient on the data center distance variable was negative and statistically significant: in plain language, homes closer to data centers sold for more, not less, all other factors being equal. As the distance from a data center increased, observed sale prices tended to decline slightly, after controlling for the many other factors included in the model.

The authors concluded that they found no statistical evidence that proximity to a data center harms residential values in Northern Virginia, and in fact, observed a modest positive association between being near a data center and higher sale prices once other influences were considered.⁶

The detailed regression results underlying these findings are summarized in the appendix.



National Home Price Trends Near Large Data Centers

While the Northern Virginia analysis focuses on price differences at a single point in time, communities are often most concerned with how home values change over time in areas that host large data center campuses.

To address that question from a different angle, Tract compiled a national dataset of ZIP codes that contain substantial data center campuses.

Study approach

The internal analysis⁷ proceeded in three steps:

1. Identify large campuses
All United States ZIP codes containing at least one data center campus of approximately twenty-five acres or more were identified.
2. Collect home value data
For each of these ZIP codes, Tract obtained five years of historical home value data from the Zillow Home Values Index (ZHVI), which provides a smoothed, repeat-sales-based measure of typical home values.
3. Compare to state benchmarks
For each ZIP code, five-year appreciation in the local ZHVI was compared to five-year appreciation in the corresponding state-level ZHVI, creating a simple measure of whether the ZIP code tracked, lagged, or outperformed its state.

Findings

Across 130 ZIP codes containing large data center campuses:

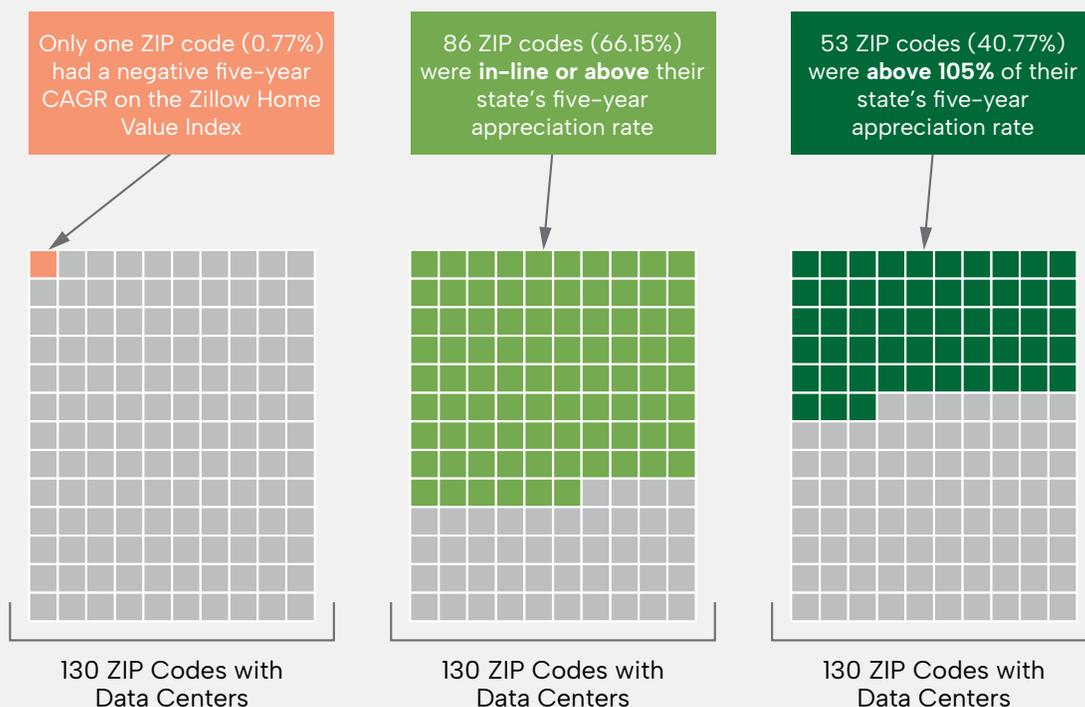
- Less than 1 percent of ZIP codes with data centers experienced a decline in home values over the five-year study period.
- Roughly two-thirds of ZIP codes with data centers matched or exceeded their state's five-year appreciation rate.
- More than forty percent of ZIP codes materially outperformed their state benchmark, indicating that in many cases neighborhoods with major data center investments saw stronger home price growth than their broader state markets.

Taken together with the Northern Virginia regression analysis, the national trend data provide no evidence of a broad pattern of value erosion in residential markets that host large data center facilities. Instead, they indicate that home values in these areas have generally kept pace with, and often exceeded, statewide appreciation.

In Closing

Home values are shaped far more by schools, jobs, and overall community strength than by any single land use, and current evidence does not show data centers systematically dragging down nearby home prices. For communities, the real opportunity is to insist on thoughtful design, buffering, and engagement while channeling new tax revenue and jobs into better schools, services, and quality of life.

Key Study Findings



Reference and Source Information

Tables

Variable	Coefficient	T-Test	Prob. Level	Significant (Y/N)
Intercept	502,657	41.288	0.000	Yes
Age	-2,951	-35.179	0.000	Yes
No. of Bedrooms	24,247	14.141	0.000	Yes
Living Area	156	114.041	0.000	Yes
Lot Size	29,707	27.143	0.000	Yes
Dist. to Primary Rd.	-8,475	-10.805	0.000	Yes
Dist. to Metro	-6,251	-7.717	0.000	Yes
Dist. to Dulles	2,282	4.532	0.000	Yes
Dist. to Downtown	-14,762	-29.869	0.000	Yes
Dist. to Potomac	-71	-0.182	0.428	No
Dist. to Industrial	47,523	21.376	0.000	Yes
Dist. to Office	5,737	4.608	0.000	Yes
Detached Home	210,703	-18.355	0.000	Yes
Townhome	115,572	42.47	0.000	Yes
Dist. to Data Center	-15,886	31.106	0.000	Yes
Model R²	0.8672			

Figure 1: Multi-variable Regression Analysis of Factors Impacting Home Values

Number of ZIP codes analyzed with data center campuses over 25 acres	130	
Number of states analyzed	30	
DC ZIP code count with negative 5-year CAGR on Zillow Home Value Index	1	
% that saw negative 5-year CAGR on Zillow Home Value Index	0.77%	
	Count	Percentage
Below 95% of 5-year state appreciation rate	44	33.85%
In-line with 5-year state appreciate rate	33	25.38%
Above 105% of 5-year state appreciation rate	53	40.77%
Total	130	100.00%
In-line or above 5-year state appreciation rate	86	66.15%

Figure 2: Home Appreciation Benchmarking of ZIP Codes Containing Data Centers

Endnotes

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3. Grace Chen, "What Is the Connection Between Home Values and School Performance?" *Public School Review*, updated June 27, 2025. Available at: <https://www.publicschoolreview.com/blog/what-is-the-connection-between-home-values-and-school-performance>
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6. Keith Waters and Terry Clower, *Data Centers and 2023 Home Sales in Northern Virginia*, George Mason University Center for Regional Analysis, August 2025.
7. Tract internal analysis of Zillow Home Values Index data for 130 U.S. ZIP codes containing data center campuses of approximately twenty-five acres or more, comparing five-year ZIP-level appreciation to state-level ZHVI appreciation, 2018–2023 (unpublished).
8. PwC. *Economic, Environmental, and Social Impacts of Data Centers in the United States*. Prepared for the Data Center Coalition, September 2023.

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3200 Cherry Creek South Drive
Suite 700
Denver, Colorado 80209

tract.com