DATA CENTERS, TECH VOLATILITY, & MIDTERM ELECTION RESULTS

The stock market has swung in both directions in the days following the midterm election, driven primarily by technology and AI-related stocks. What do data center trends mean for investors?

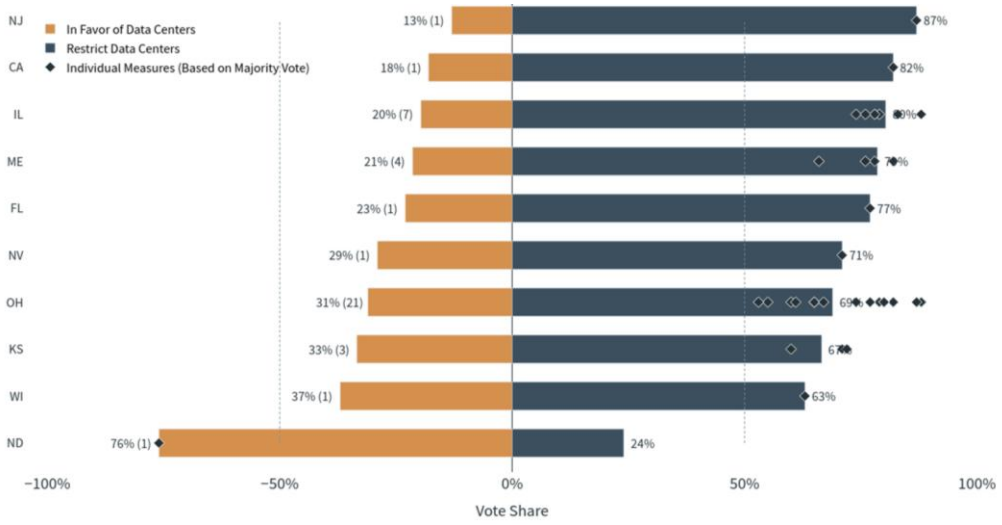
The data center buildout has been a major driver of economic activity and corporate profits as companies build AI infrastructure. Election results and related ballot measures suggest voters favor restricting this construction at all levels of government. This adds pressure to technology stocks, which have boosted portfolio returns but face questions about valuations, interest rates, and whether large AI investments will pay off. Still, volatility here is normal, and returns have been strong over longer horizons. What do the results mean for markets, and how can investors keep a broader perspective?

Voters largely sought to restrict data centers

As the accompanying chart shows, opposition to data center construction was widespread. There have been 47 local measures related to data centers this year, with 41 voted on during the midterm election across ten states. Voters supported restrictions by wide margins, with only one exception.

2026 Data Center Ballot Measures

Midterm election local ballot measures related to data center construction.
Weighted average of results and number of measures across states



Sources: Clearnomics, Ballotpedia. Latest data point is November 3, 2026.

The measures covered zoning, electricity and water usage, and data center-specific rules. One Kansas measure banned "high-impact" data centers, those using more than 10 megawatts of electricity or 100,000 gallons of water per day, for 10 years. Towns in New Hampshire and Maine approved temporary moratoriums.

The exception was Harwood, North Dakota, a town of roughly 850 people, where about three-quarters of voters rejected stricter review of large industrial projects, clearing the way for a $3 billion data center campus. Residents reportedly reasoned that one would be built nearby regardless, so allowing it within town limits would let them capture tax revenues and other benefits.

This tension between infrastructure and local communities is not new, but AI's growing demands are accelerating it. Communities have long weighed drilling sites, highways, power plants, and cell towers against jobs and tax revenues, the "Not In My Backyard" (NIMBY) dynamic. Data centers are the latest example, raising concerns about power, water, and scale. Large factories offer another parallel. In the industrial towns of the 19th and 20th centuries, whole communities were built around mills and plants. These brought jobs, tax revenues, and investment, but heavy dependence on a single economic engine created challenges, along with environmental concerns, noise, and strain on infrastructure.

The key difference is that data centers are capital intensive but not necessarily labor intensive. That they are not a significant long-term source of local jobs appears to be an important reason for the pushback at the ballot box.

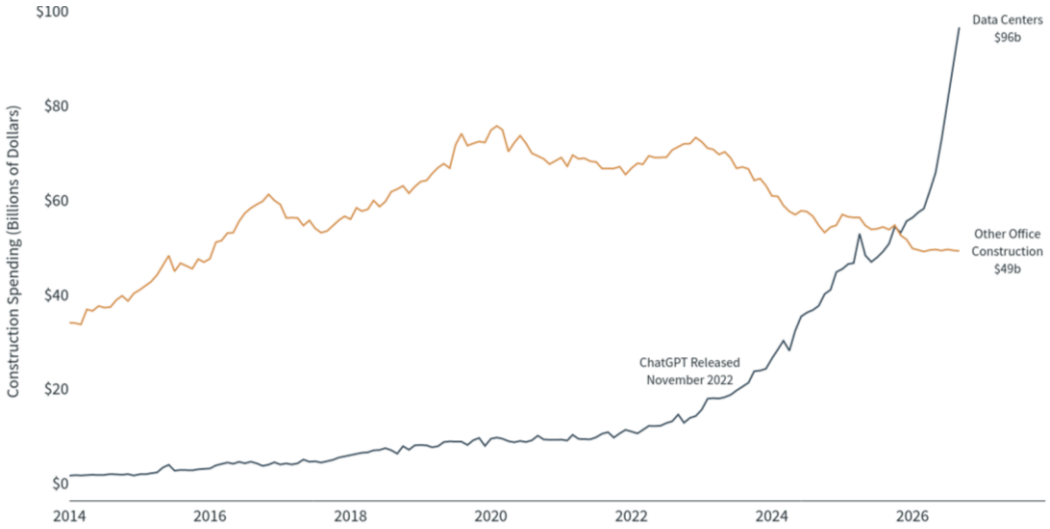
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Data center construction has supported the economy

Why have data centers become such a focus? Websites, e-mail, online shopping, and AI chats all rely on servers. A data center is essentially a huge warehouse of servers, spanning a few dozen to 1,000 acres and running around the clock.

Data Center Construction Spending

Annual pace of data center construction (not including hardware costs) versus all other office construction, seasonally adjusted



Sources: Clearnomics, Census Bureau. Latest data point is September 2026.

As the chart above shows, data center construction spending, excluding the hardware inside, has risen sharply since ChatGPT's launch in late 2022. The Census Bureau estimates it at $96 billion annualized, well above the roughly $49 billion spent on all other office construction. This buildout helped the gross private domestic investment component of Gross Domestic Product (GDP), which measures business spending on structures and equipment, accelerate to 3.3% in the third quarter, according to the Bureau of Economic Analysis.

It's important to separate AI's hoped-for long-term benefits, such as productivity gains and new business models, from what drives AI trends today: physical infrastructure construction. This resembles the 19th-century railroad boom, when laying track created jobs and demand for steel, separate from the longer-term gains faster transportation eventually delivered. Restrictions may slow construction, but whether AI truly boosts productivity will determine the longer-term trajectory of AI adoption.

Technology and AI stocks can be volatile

The Magnificent 7 technology stocks (Meta, Amazon, Apple, Alphabet, Nvidia, Microsoft, and Tesla) have gained around 140% since 2022 and rose about 340% from the start of 2023 to their recent peak, outpacing the S&P 500 and the Nasdaq. There have also been large pullbacks along the way, including the current one.

The reaction has differed across AI-related companies. Semiconductor makers and "neoclouds," new public cloud computing companies, fell more sharply after the election, while the "hyperscalers" funding the AI buildout pulled back less despite cash flow concerns.

Such pullbacks are not unusual, even for companies with strong fundamentals. In 2022, when interest rates rose rapidly, the Magnificent 7 fell nearly 50% before recovering and generating healthy returns for long-term investors. Transformational technologies have often faced public and regulatory resistance during their buildout phases. Today's volatility also reflects uncertainty: it is unclear whether new restrictions will be widespread and lasting, or whether economic incentives will win communities over. For investors, this is a reminder that AI is not a single investment but a long-term theme that can support portfolios over time.

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