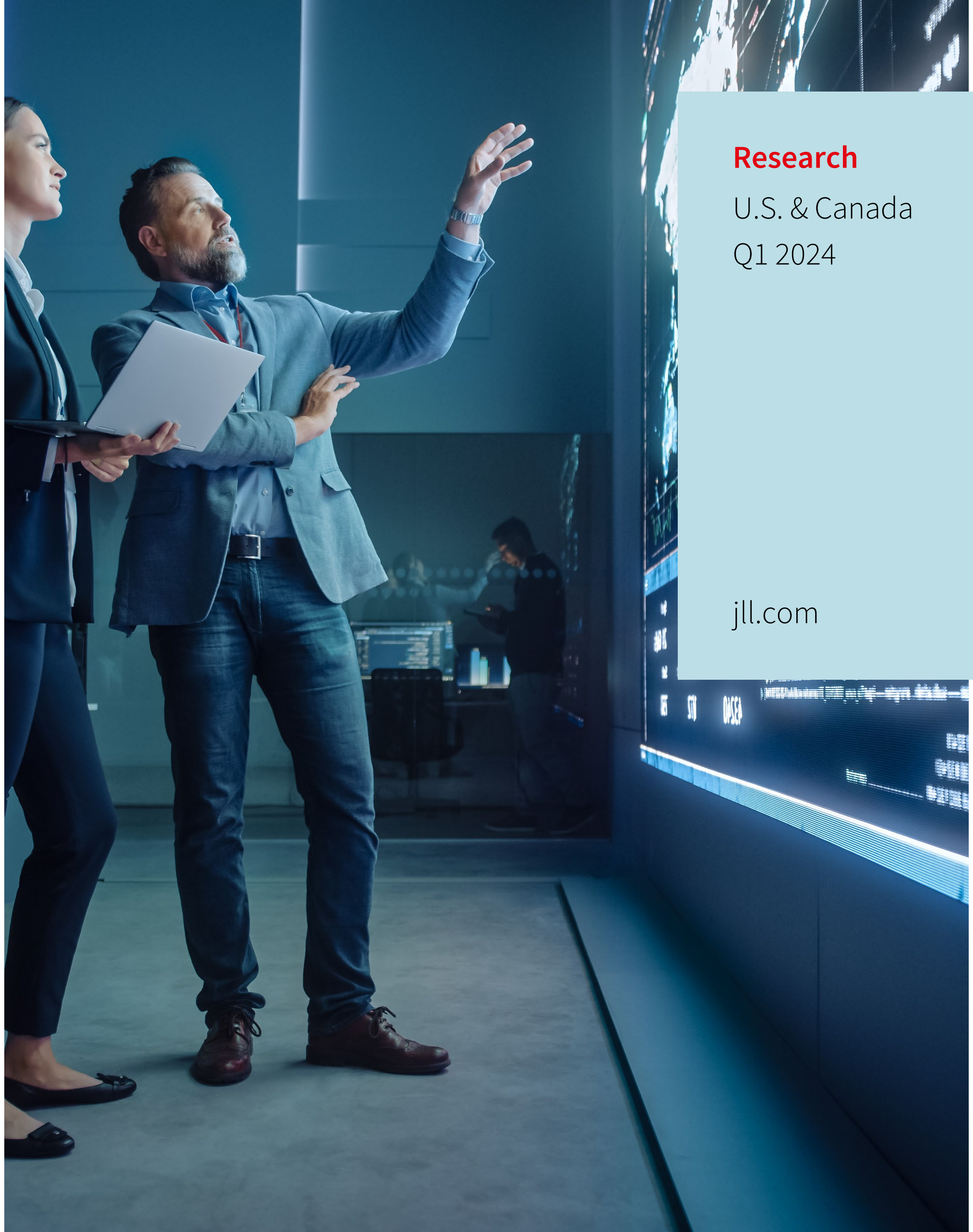
JLL Markets Perspective: Technology Industry

Explore the top 5 things to know in local markets across the United States and Canada



Research

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1 The technology industry is everywhere… and different everywhere

The technology industry is broad: It spans from the most precise manufacturing of semiconductors to the esoteric workings of the internet.

Like in all industries, metro areas carve out their specialty based on adjacent industries and/or the educational institutions in their town. In Washington DC, tech has a cybersecurity flavor based on the prominence of U.S. government. In Boston, the strength of its universities and the medical industry and robotics has made it a life sciences hub, and tech companies are concentrated in adjacent verticals.

Coastal hubs lead in overall tech jobs – New York, San Francisco and Silicon Valley are the top three. However, central low-cost markets have been rapidly growing. Dallas-Fort Worth saw the second-highest increase in tech jobs between 2019-2023. Canadian markets saw strong tech growth: Toronto ranked third in total jobs added and Vancouver added the highest percentage of tech jobs, at 68% from 2019-2023.

Looking ahead, the search for top talent and cost-consciousness will drive where tech companies locate jobs and real estate. The answer will look different for each market, driving growth throughout North America.

Explore each of the local market *Top 5 Things to Know* pieces to learn more about what tech looks like in each metro

2 Technology companies make sharp pivot to strongly encourage return to the office

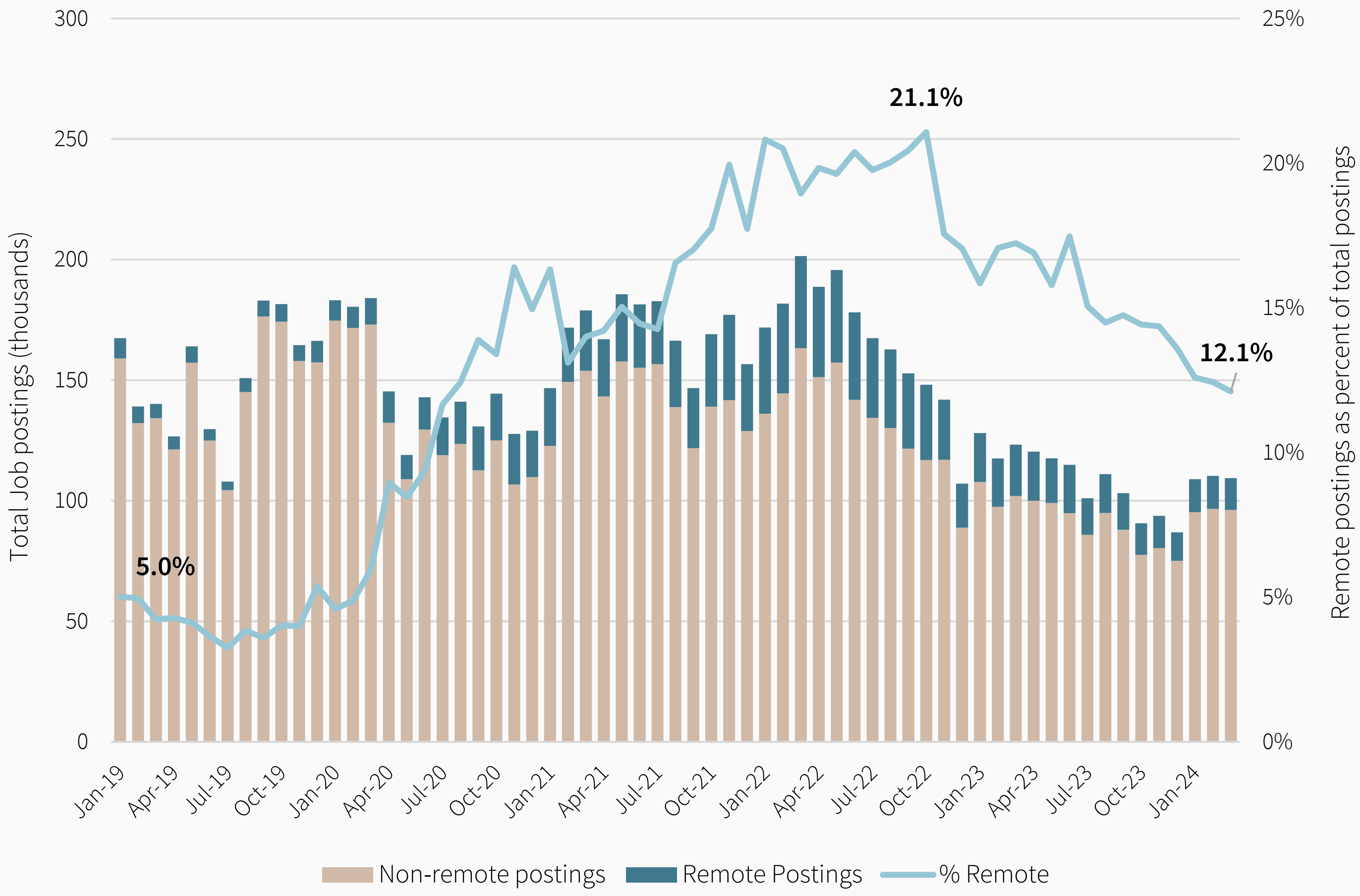
Tech companies were quick to embrace remote work during the pandemic. But as the years continued, research started to show that in-office work better supports onboarding, mentorship, inclusion and engagement, and, in some settings, productivity. Pivoting from being vocal advocates of work-from-anywhere policies, many Tech companies began encouraging, then mandating, a return to office in 2022 and 2023.

Tech industry fully remote postings declined from 21.1% in October 2022 to 12.1% in March 2024. However, remote postings for tech industry jobs are still more prevalent than in other office-using industries – remote jobs comprised 8.2% of postings for other office-using industries in March 2024. Furthermore, remote posting are more than double their share of pre-pandemic levels.

More tech companies are connecting compliance to hybrid policies (typically 3-days per week) to performance reviews. Foot traffic is increasing at tech offices: in the Bay Area, major tech headquarters have seen consistent growth in the return to office rate, with some exceeding pre-pandemic occupancy.

Fully remote positions declining at technology companies

Most offer a hybrid schedule of 2-3 days per week with varying levels of mandates



Source: JLL Research, Lightcast

3 Optimizing footprint and workforce while driving revenue

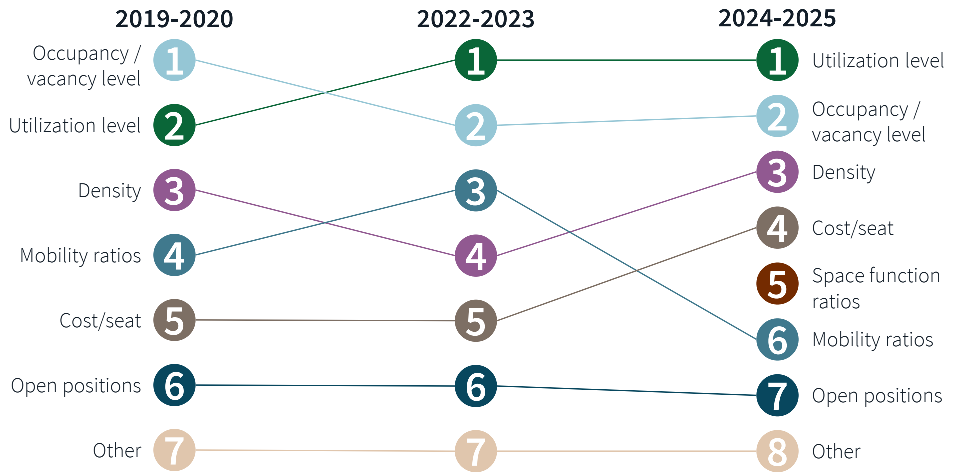
Technology companies are doing more with less real estate as they optimize portfolios.

Efficiency: To drive efficiency, tech firms are relying on metrics. In 2024, 80% of tech clients surveyed stated that they apply utilization data to space planning, up from 63% in the 2019 survey. Utilization level was the top metric applied to space planning in 2022 and 2024 surveys. Cost per seat rose from fifth to fourth priority from 2019-2024, showing increasing cost-consciousness.

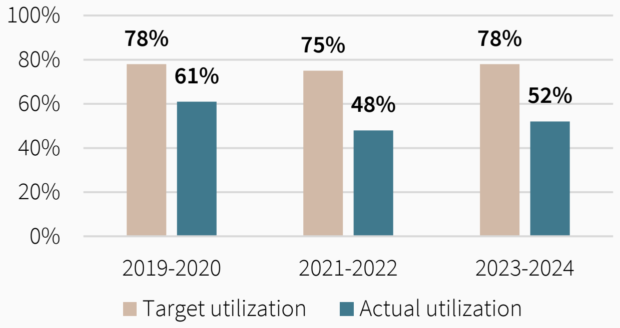
Hybrid: All tech companies in the Fortune 100 have a hybrid policy, typically 2-3 days per week. Tech occupiers hope to optimize space utilization and reduce footprint and cost through hybrid work. Office utilization has remained a challenge: companies weigh mandates and subleasing space to increase utilization with allowing employees flexibility and ensuring the right mix of space for optimal productivity.

Focus space: Reducing footprint also pushes employees into closer proximity, which could increase sense of belonging and serendipitous connection. While collaboration is important, with more time in the office having quiet space is essential, too; 35% of tech companies in the occupancy planning survey increased focus space in the last year.

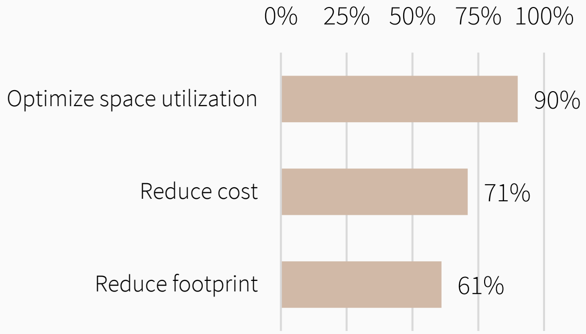
Utilization and vacancy level remain the most relevant occupancy planning metrics for tech companies



Tech industry office utilization remains substantially below target



Goals for tech occupiers' hybrid program



Source: Global JLL Occupancy Planning survey, 2024

4 Finding the right talent: Grow here, cut there

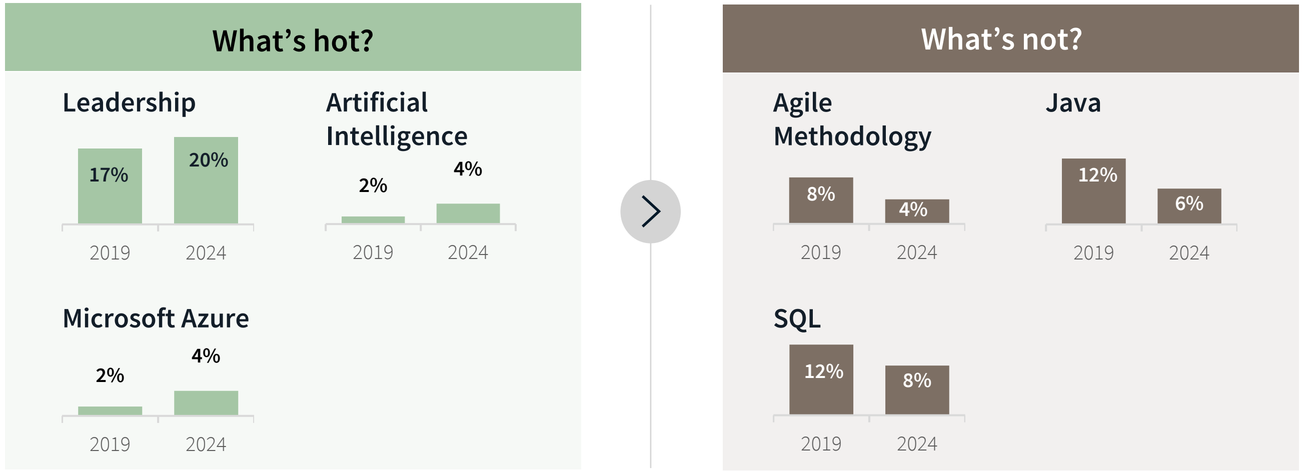
Technology companies are repositioning their workforce. Even though major technology companies have gone through rounds of layoffs in the past few years, overall headcount for most of these companies is higher than at the end of 2021.

Many tech companies have been investing heavily in AI-focused roles while letting go of some administrative, sales, finance or recruiting roles. There is a renewed focus on roles that will help generate new revenue streams versus support the existing operation.

Companies are also using "hubs" or "centers of excellence" to centralize global operations, sometimes shifting administrative tasks to lower-cost markets Asia or Europe and driving improvements for repetitive tasks.

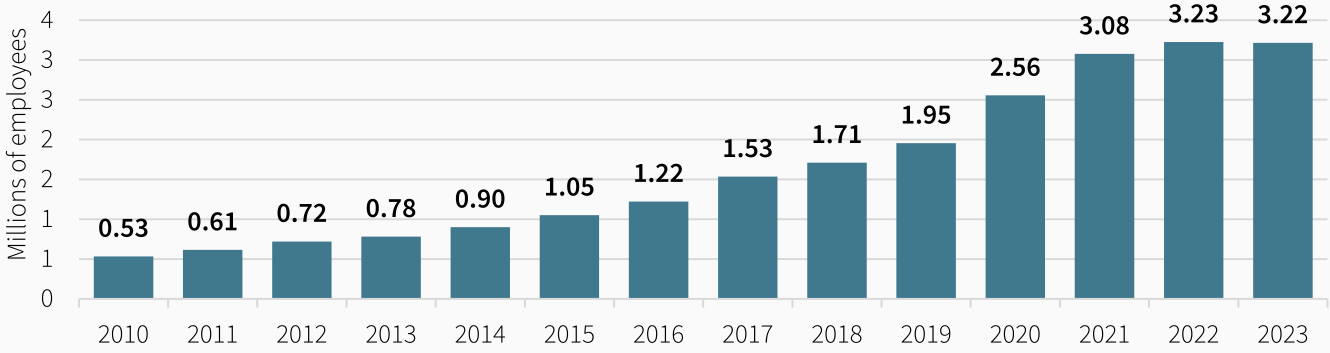
Software development remains the top category for technology industry jobs, at 11.5% of all postings in March 2024. However, this category has also seen the largest decline its percentage of all postings, dropping from 16.4% of postings in January 2019. Specific programming languages are out, and skills relating to Artificial Intelligence and Cloud computing are in.

Between 2019-2024, demand for leadership, AI and cloud computing increased, while specific programming languages declined, based on skills mentioned in job postings



Source: Lightcast

After rapid growth, employee headcount at leading software and internet companies has plateaued



Source: Public filings data pulled from S&P CapitalIQ

5 AI and supporting verticals retain investor interest despite sharp decline in overall venture capital funding

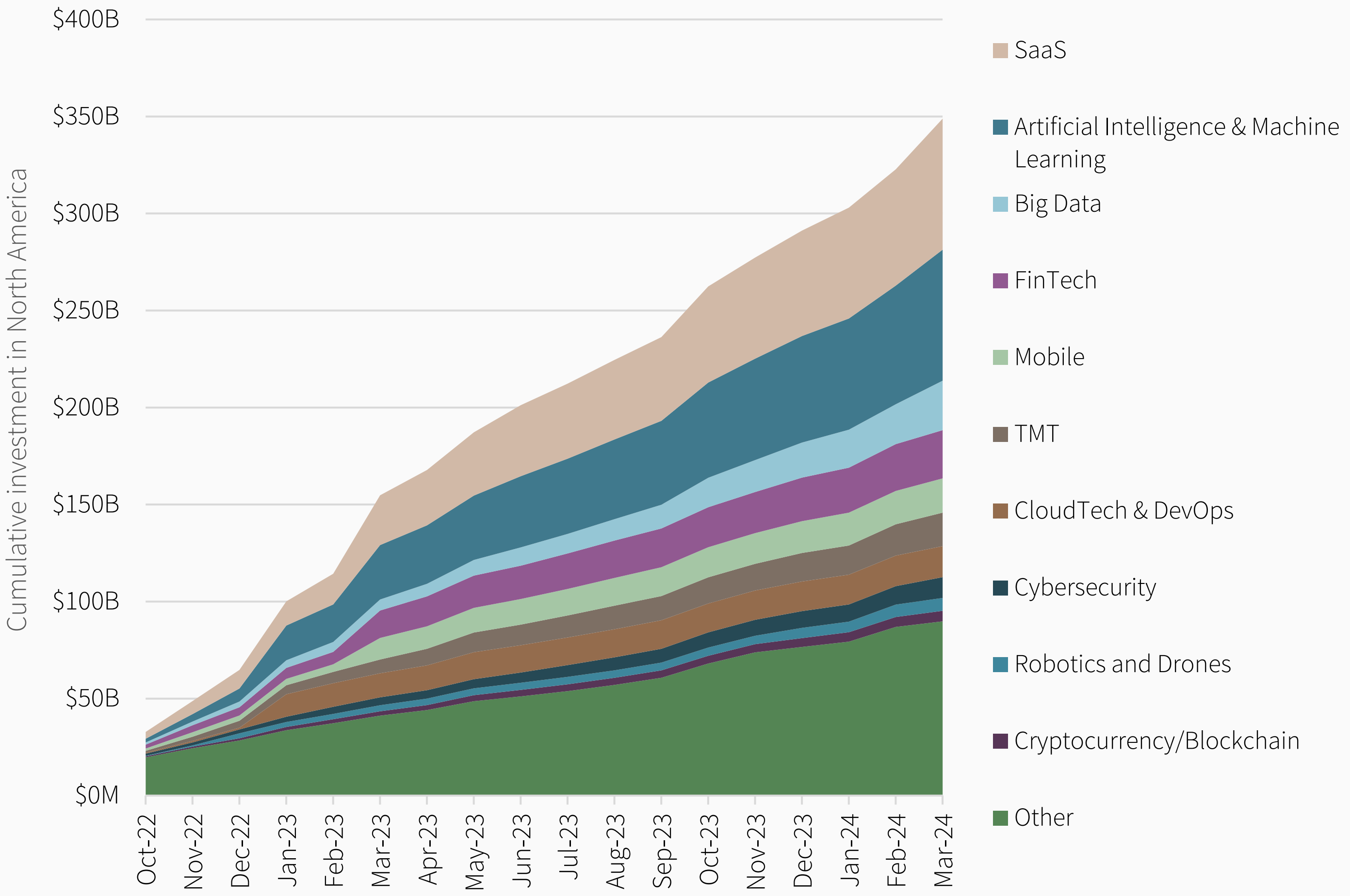
Venture capital funding supports the growth of early-stage tech, allowing them to bolster headcount, which could lead to increased real estate needs.

VC funding for the technology industry overall was down 29% from 2022 to 2023, and this trend continued in Q1 2024, which was down 36% from the four quarters prior. In 2023, VC investment was low due to inflation, higher interest rates and longer holds on investments due to a slower IPO market.

However, buzz surrounding artificial intelligence buoyed the segment and its adjacent verticals. AI funding totaled $67.48 billion over the last 18 months, accounting for 20% of total funding. Adjacent segments, Big Data and Robotics also saw an increase in funding, showing investor excitement around these rapidly-advancing technologies.

San Francisco's ecosystem of VC firms, startup companies and talent coming from Bay Area universities continue to position it as the North American VC capital, accounting for 27% of tech VC funding in the region. Since 2013, AI-focused companies have grown their real estate space at about a 37% compound annual growth rate (CAGR), across all property types. With interest and funding, it will provide significant real estate demand in the future.

AI and related verticals resilient even as overall venture capital funding declines



Source: PitchBook Data, Inc.; Data has not been reviewed by PitchBook analysts

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