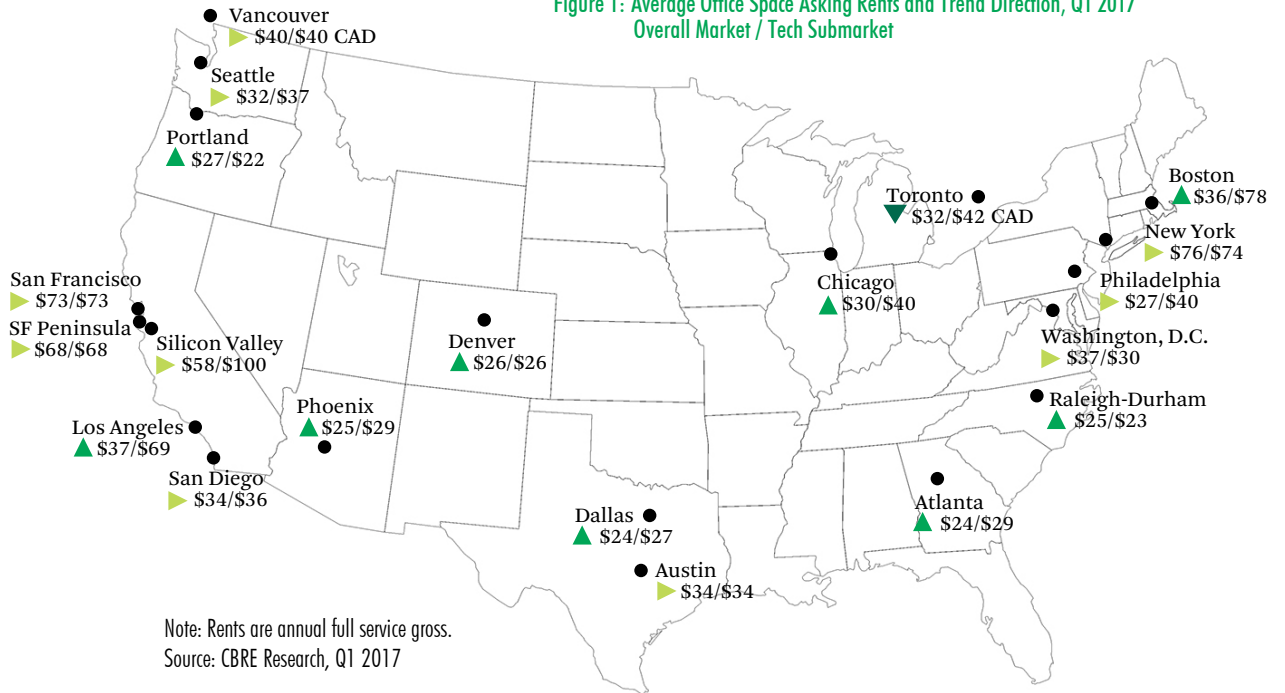


May 2017

# Resilient tech demand persists

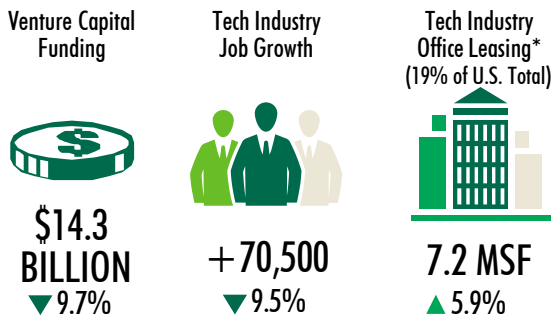
Figure 1: Average Office Space Asking Rents and Trend Direction, Q1 2017  
Overall Market / Tech Submarket



## TECH INDUSTRY OVERVIEW

Tech company leasing activity increased slightly to 7.2 million sq. ft. as sentiment for further growth in the industry continues. Other fundamentals remain on track with venture capitalists funding \$14.3 billion to private companies during the first quarter and the industry adding 70,500 jobs.

Figure 2: U.S. Tech Industry Indicators, Q1 2017  
Compared with Q1 2017



\*Tech industry portion of major leasing in each of the 54 markets tracked.  
Source: Mattermark, Q1 2017, U.S. Bureau of Labor Statistics, CBRE Research, Q1 2017.

## OFFICE MARKET PERSPECTIVES

### WEST:

- **San Diego** tech sectors of robotics, drone, MedTech, CleanTech, gaming and software continue to expand their footprint.
- Several media companies are expanding in Santa Monica and positive absorption in **Los Angeles** is continuing to drive up rental rates.
- Sublease availability in **Silicon Valley** is rising due to increased M&A activity and “rightsizing” of larger tenants while demand for space under 20,000 sq. ft. remains very active.
- Stable market conditions supported by resilient tenant demand in **San Francisco** is keeping rents and vacancy flat.
- Nearly 1.5 million sq. ft. is under construction or renovation in **Portland**.

**OFFICE MARKET PERSPECTIVES**

- Sublease or shadow space is low in **Seattle-Bellevue** due to strong demand from tech tenants.
- Large blocks of space are scarce with only a few options are available in **Downtown Vancouver** pushing tech demand to expand in suburbs until new construction is completed.
- Tech demand in **Downtown Tempe** and **Old Town Scottsdale** has decreased vacancy rates substantially.

**CENTRAL:**

- **Chicago** is experiencing a moderation in tech activity with most new construction geared toward established tech firms.
- Tech demand in the **West Loop** of **Chicago** has boosted tech occupancy to 4.2 million sq. ft.
- Co-working is attracting both startups and established firms co in **Boulder** and **Denver**.

**SOUTH:**

- Sublease space increased in **Austin** indicating tech companies are slowing hiring, but, large projects at the Domain and Crow are fully leased before completion.
- Tech firms accounted for 11% of the top leases in **Dallas/Ft. Worth**.
- Tech innovation centers are locating in **Atlanta** to take advantage of the young talent produced by quality institutions.

**EAST:**

- Few large-blocks of space are available in **Raleigh-Durham** but a number of new buildings delivering this year will alleviate some pressure.
- **Philadelphia** fintech companies are hiring at a rapid pace.

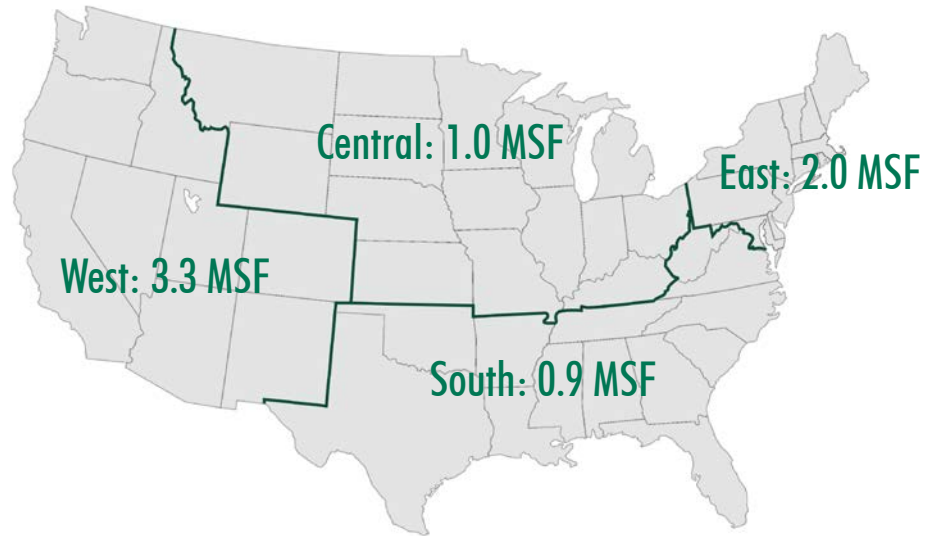
- Tech leasing activity contributed more than 400,000 sq. ft. of net demand in **Washington, D.C.** during 2017.
- Tech firms accounted for the largest volume of net expansions in **New York** during early-2017 for an increase of 526,000 sq. ft.
- Migration into downtown **Boston** has resulted in more than 3 million sq. ft. leased during the past 3 years, pushing rents higher.
- Tech demand is outstripping supply for desirable options in **Toronto** for spaces larger than 10,000 sq. ft.
- Landlords are reposition aged assets in **Waterloo** as local tech companies grow organically and start to look for space outside of incubators.

Figure 3: Top 15 Leases of the Quarter

Tenant	Square Footage	Market
Spotify AB	378,243	New York
IPSoft	139,642	New York
SS&C Technologies	135,572	New York
NTT Data	126,715	Dallas/Ft. Worth
Snap	121,326	New York
Wayfair	110,000	Boston
Adobe	109,000	San Francisco
Toshiba America	96,352	Orange County
Integrity Applications	94,900	Northern Virginia
Cotiviti	86,620	Philadelphia
Mimecast North America	80,000	Boston
Toshiba America	70,558	Orange County
Blizzard Entertainment	65,006	Orange County
Ford Motor Co	60,648	Ft. Lauderdale
PayPal	59,824	Baltimore

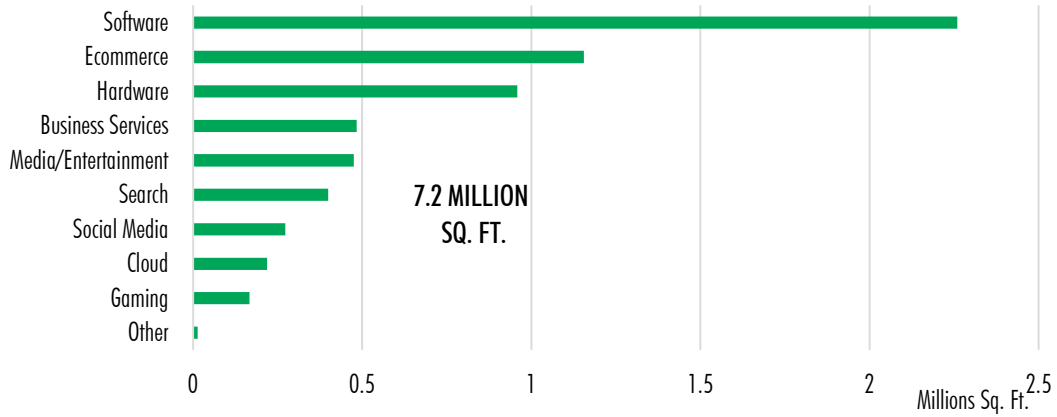
Source: CBRE Research, Q1 2017.

Figure 4: Top Tech Leases of the Quarter by Region – U.S. Total: 7.2 Million Sq. Ft.



Source: CBRE Research, Q1 2017.

Figure 5: Top Tech Leases of the Quarter by Tech Subsector



Tech industry portion of major leasing in each of the 54 markets tracked by CBRE.

Source: CBRE Research, Q1 2017.

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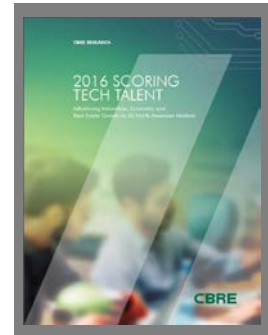
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