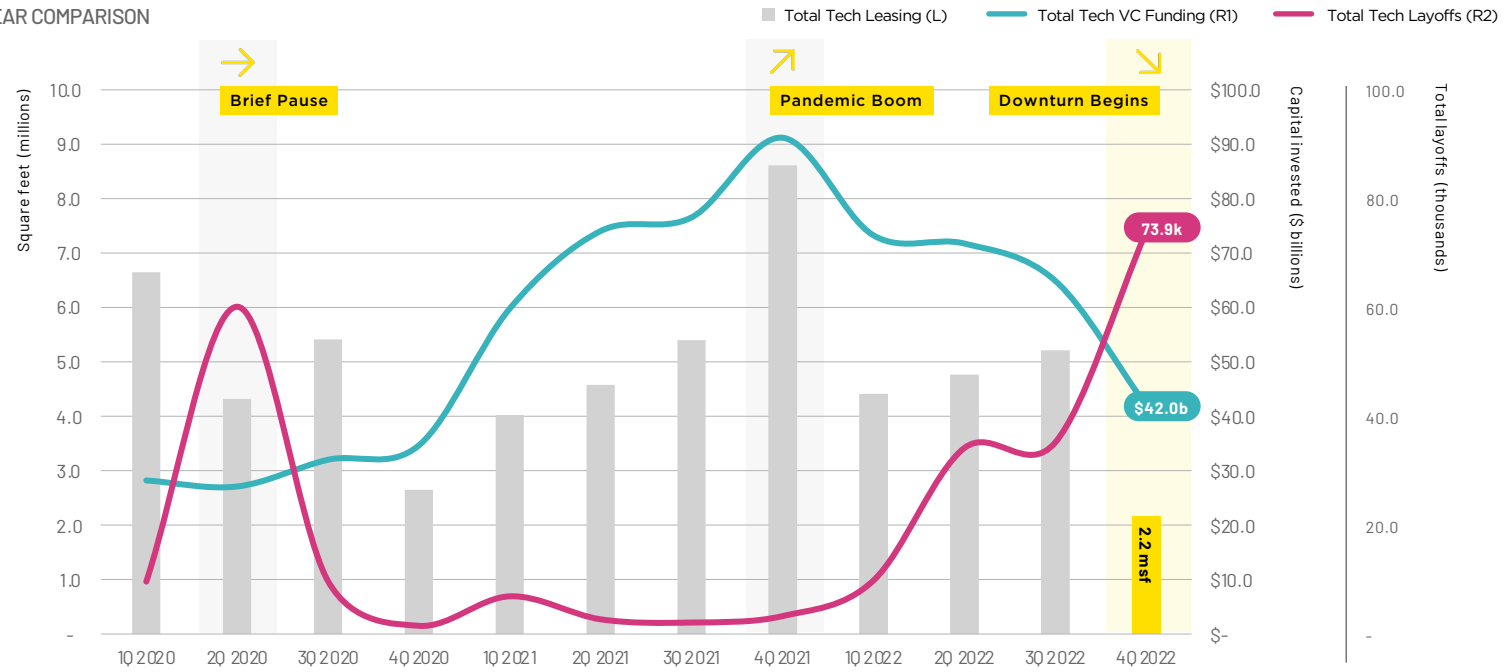
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Office leasing within the tech sector dwindled at the close of 2022, as venture capital funding stalled, industry layoffs surged, and companies continued contemplating how to use office space going forward.

Tech Leasing[1], VC Funding[2], and Layoffs[3]

3-YEAR COMPARISON



Note: Tech leasing includes leases over 20,000 square feet across Savills US office markets

Sources: [1] Savills Research; [2] Pitchbook, [3] Layoffs.fyi

Key Shifts

2020 → Brief Pause

Brief pause to tech growth in the earliest stages of the pandemic as leases were put on hold, investment was stifled, and jobs were cut as companies processed Covid-19 impacts. As the year ended, many tech companies resumed aggressive hiring, focusing on the opportunity to tap into new labor pools through the hiring of remote employees.

2021 ↗ Pandemic Boom

VC funding hit a record-high as 2021 closed, and tech behemoths and startups alike aggressively hired amid the war for talent. The increased adaption of remote work suppressed the correlation between employment growth and an equivalent growth in office demand seen pre-pandemic.

2022 ↘ Downturn Begins

Global economic volatility, inflation, high interest rates, earnings pressures, and a decrease in VC funding pushed the tech sector into cost-cutting mode. This resulted in significant layoffs and a marked slowdown in leasing activity as the year closed.

Tech Trends to Watch in 2023

01 Low Office Demand

Tech layoff announcements have continued, and companies within the industry are increasingly under pressure from investors and boards to control costs. Coupled with a shift towards remote-work styles, **office demand from the tech sector will likely be tempered in 2023.**

02 Tenant-favorable Conditions

As labor market dynamics shift, office utilization is paradoxically expected to rise as employers wanting greater office attendance will have more leverage to get it. **Astute company leaders who establish their "purpose of place" in the near-term will be able to take advantage of tenant-favorable market conditions and upgrade their employee experience for dramatically less than what it would have cost pre-pandemic.**

03 Return to Office

The novelty of remote work is wearing off for many tech employees who want further connection to their colleagues and organizations. As more companies establish coherent visions for how they intend to use office space going forward, **we expect tech workers to migrate to firms that align with how they want to work: in-office, hybrid or remote.**