

Intelligent Investment

2026

Tech Gateway Office Markets

REPORT

Tech Growth
Cycle Accelerates
Leasing Activity

CBRE RESEARCH
MAY 2026



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Key Takeaways

CBRE's Tech Gateway Office Markets report provides an in-depth analysis of how the tech and artificial intelligence (AI) sectors influence office market fundamentals.

The report focuses on 12 markets across the U.S., three in Canada (Toronto, Montreal and Vancouver) and two in Europe (London and Paris), selected for their prominence as tech-innovation hubs. These markets range from epicenters of tech growth to major hubs of tech talent.

This report is helpful to both real estate investors and occupiers. Investors can analyze top tech markets to formulate investment and asset management strategies. Occupiers can better understand cost and competition dynamics in these markets to support location strategy and real estate decisions.

AI Venture Capital Investment

\$578 billion

in U.S.
since
2020

80%

to San
Francisco
Bay Area

San Francisco, Silicon Valley, New York and London have been the top markets for AI company venture capital investment since 2020.

Capital Expenditures by Global Tech Firms

\$1.1 trillion

since 2020,
mostly for AI
infrastructure

\$3.7 trillion of additional capex is expected over the next five years, according to Bloomberg estimates.

Tech & AI Office Leasing

23%

tech industry share of Q1 2026 total leasing in the U.S., up from 17% in 2025. In Canada, the tech industry accounted for 32% of total leasing in Q1, up from 15% in 2025.

AI could be a sizable driver of future office space demand beyond San Francisco and Silicon Valley, where 21 million sq. ft. has been leased by AI companies since 2019. Manhattan, Boston, Seattle and London combined for 10.9 million sq. ft.

Impact on Office Market Fundamentals

8.1 million

sq. ft. of AI tenants are currently in the market for office space across the five largest U.S. tech gateways

Tech and AI company growth has increased in most tech gateway office markets. San Francisco and Silicon Valley have seen the greatest demand growth and rent increases.

Tech Industry Outlook & AI Impact on Jobs

AI is expected to become a major growth driver for the tech industry and office space demand over the next decade. As AI adoption scales across industries and transforms business, the commercial real estate market will be reshaped. Talent-rich tech gateway office markets will likely benefit should AI create more jobs than it replaces.

Overview of Tech & AI Sectors

AI investment has revived technology industry growth in key gateway office markets. San Francisco, Silicon Valley, Manhattan, Boston, Seattle and London have benefited from increased venture capital (VC) investment and office leasing activity.

AI refers to software that performs tasks traditionally requiring human intelligence, such as learning, reasoning, decision-making and prediction. In many cases, it can do so faster and at greater scale than people, leading to what many describe as a cognitive revolution.

The further development and application of this software to cognitive tasks, robotics and smart devices requires vast amounts of capital. U.S. based AI startups have raised \$578 billion in VC between 2020 and Q1 2026, three-fourths of it in the past two years alone. VC investment is expected to remain elevated for years, driving a growing pipeline of AI-related IPOs.

Large technology firms are making unprecedented capital investments to build the infrastructure that powers AI. Capital expenditures by these hyperscalers totaled approximately \$1.1 trillion between 2021 and 2025, largely

for data centers, chips and computing capacity. This is expected to rise to \$3.7 trillion over the next five years, or roughly \$740 billion annually, according to Bloomberg estimates.

The impact of AI-related VC funding and capex likely will surpass that of all other U.S. industrial booms, including the Internet/dot-com era of the late 1990s.

While implementation and application of AI services, tools and devices will span many more years, their implications for commercial real estate are already apparent. Office markets with high concentrations of AI-related companies have benefited from increased office space demand.

For more in-depth analysis of AI's impact on the economy and jobs, read CBRE's [AI's Impact on the Economy, Employment & Productivity](#).





Office Leasing Activity by Tech & AI Sectors

U.S. tech industry office leasing totaling 36.7 million sq. ft. accounted for 16.8% of all leasing activity in 2025 (Figure 1).

This was a substantial improvement from a cyclical low in 2023 when tech office leasing totaling 23.8 million sq. ft. accounted for 12.7% of all leasing activity. Large AI leases further increased the tech industry share of total office leasing to 22.7% or 11.5 million sq. ft. in Q1 2026, up from the 15.3% share or 7.9 million sq. ft. of leasing in Q1 2025.

In Canada, the tech industry accounted for 14.7% of total leasing in 2025 or 2.8 million sq. ft. (Figure 2). This square footage volume was 55% higher than 2023 but well below peak levels in 2019, similar to the U.S. The tech industry share of total Canadian office leasing increased to 32.2% or 1.4 million sq. ft. in Q1 2026.

Figure 1: U.S. Office Leasing Activity & Tech Industry Share

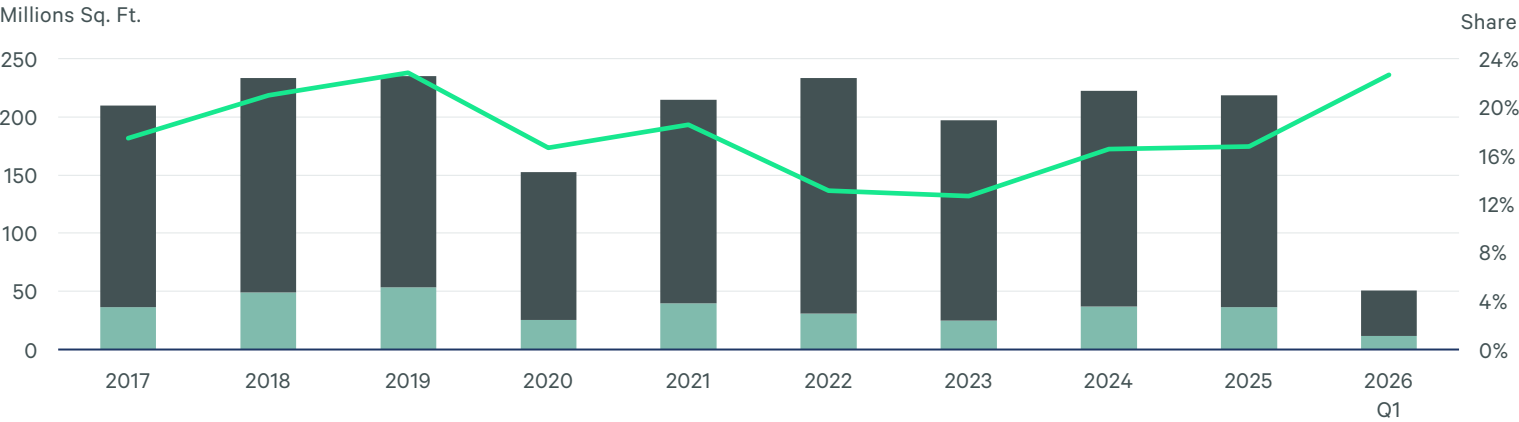
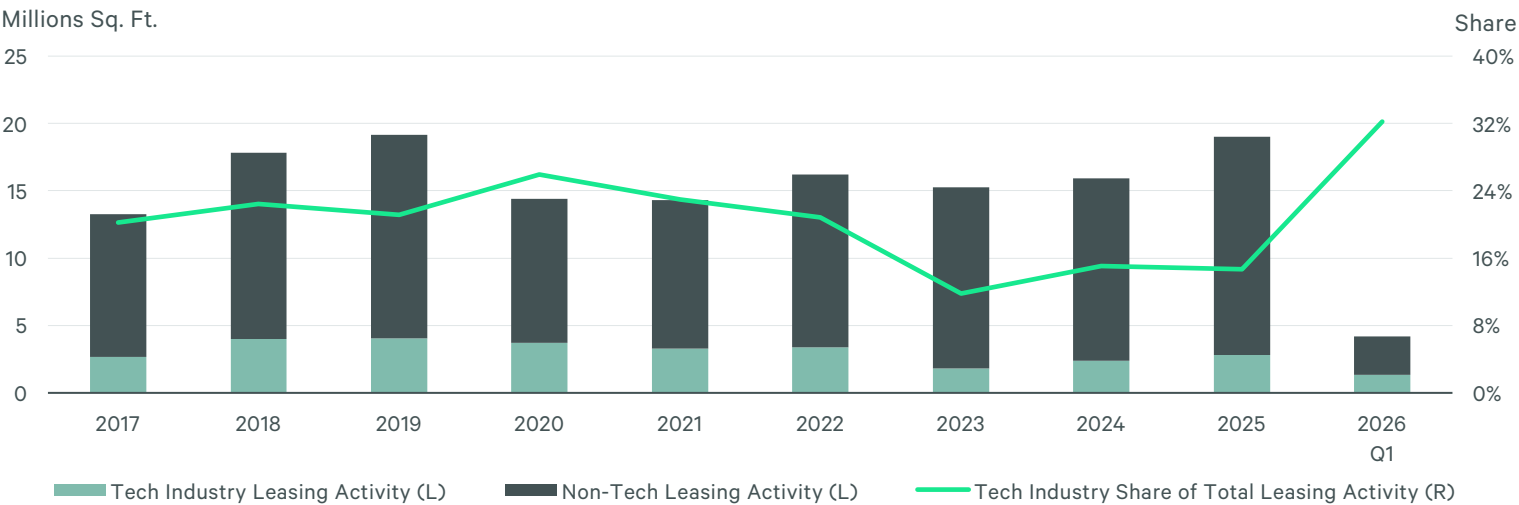


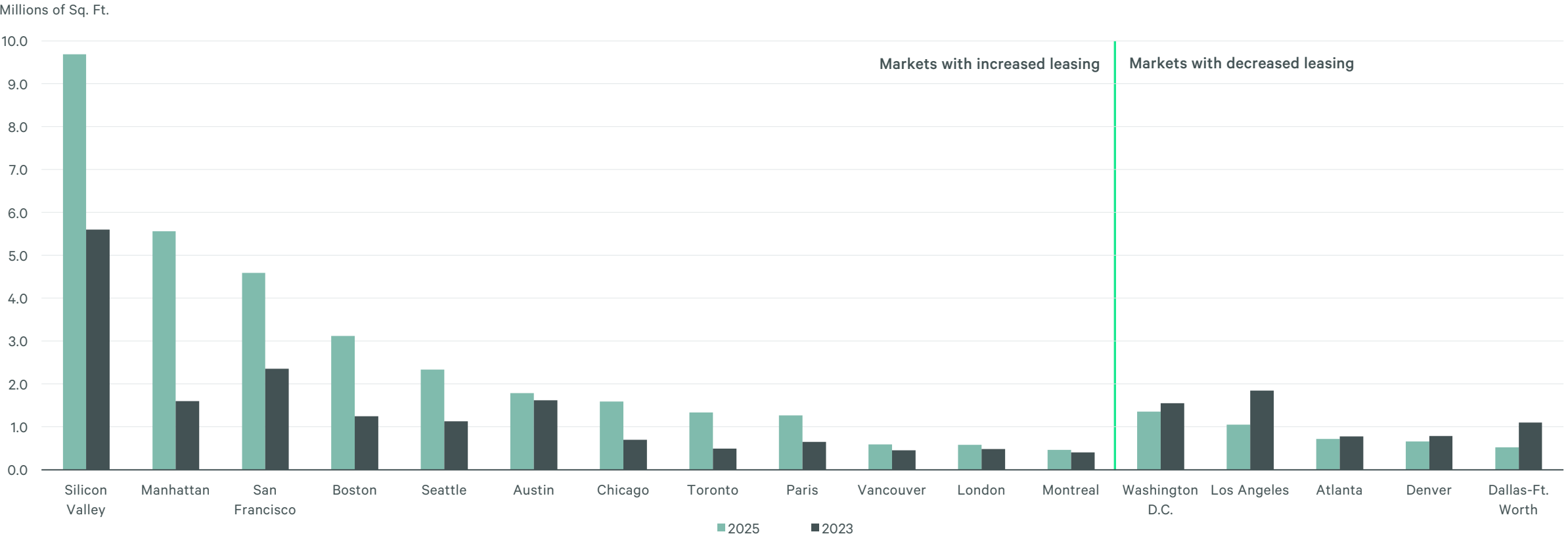
Figure 2: Canada Office Leasing Activity & Tech Industry Share



Note: Leasing activity includes all transactions ≥ 10,000 sq. ft.
Source: CBRE Research, Q1 2026.

The acceleration of tech industry office leasing was concentrated in a few key U.S. tech gateway markets. Silicon Valley, Manhattan, San Francisco, Boston and Seattle more than doubled their combined amount of office space leased between 2023 and 2025 (Figure 3). Silicon Valley had 9.7 million sq. ft. leased by tech companies in 2025, well ahead of Manhattan (5.6 million sq. ft.) and San Francisco (4.6 million sq. ft.). Twelve of the 17 tech gateway office markets had increased tech leasing activity, with the largest percentage gains in Manhattan, Toronto, and Boston.

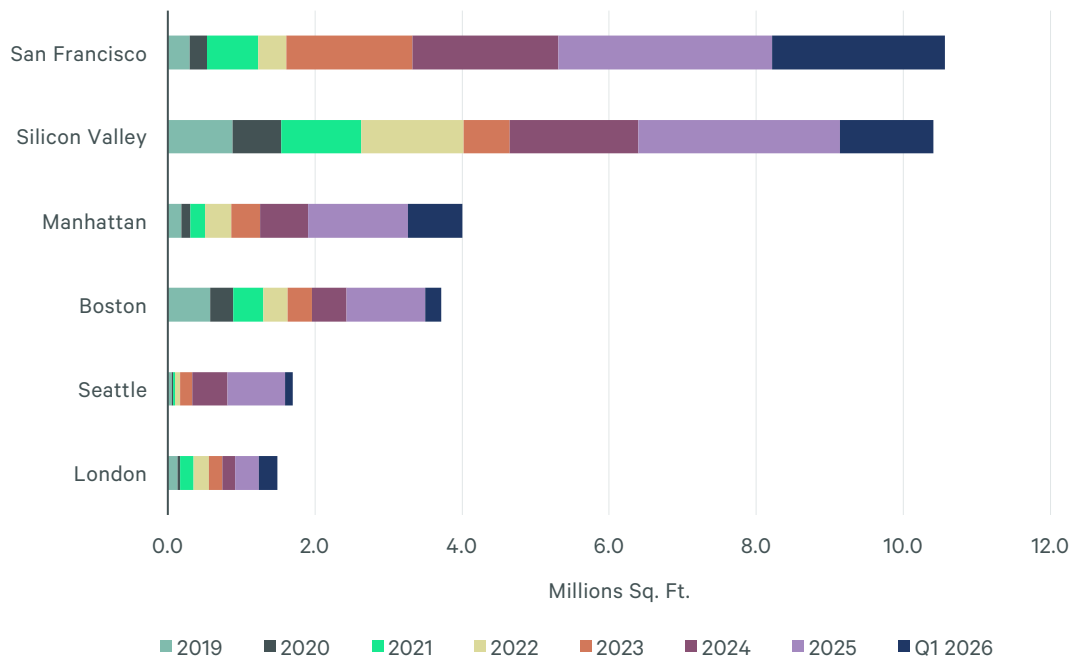
Figure 3: Tech Industry Office Leasing Activity by Market



Note: Leasing activity includes all transactions ≥ 10,000 sq. ft. Silicon Valley and Boston include office and R&D property leases.
Source: CBRE Research, Q4 2025.

AI company office leasing was even more concentrated than the tech industry overall. San Francisco (10.6 million sq. ft.) and Silicon Valley (10.4 million sq. ft.) accounted for 66% of the square footage leased in the six largest AI markets from 2019 to Q1 2026 (Figure 4). The next highest markets were Manhattan (4.0 million sq. ft.) and Boston (3.7 million sq. ft.), with Seattle and London having less than half those levels.

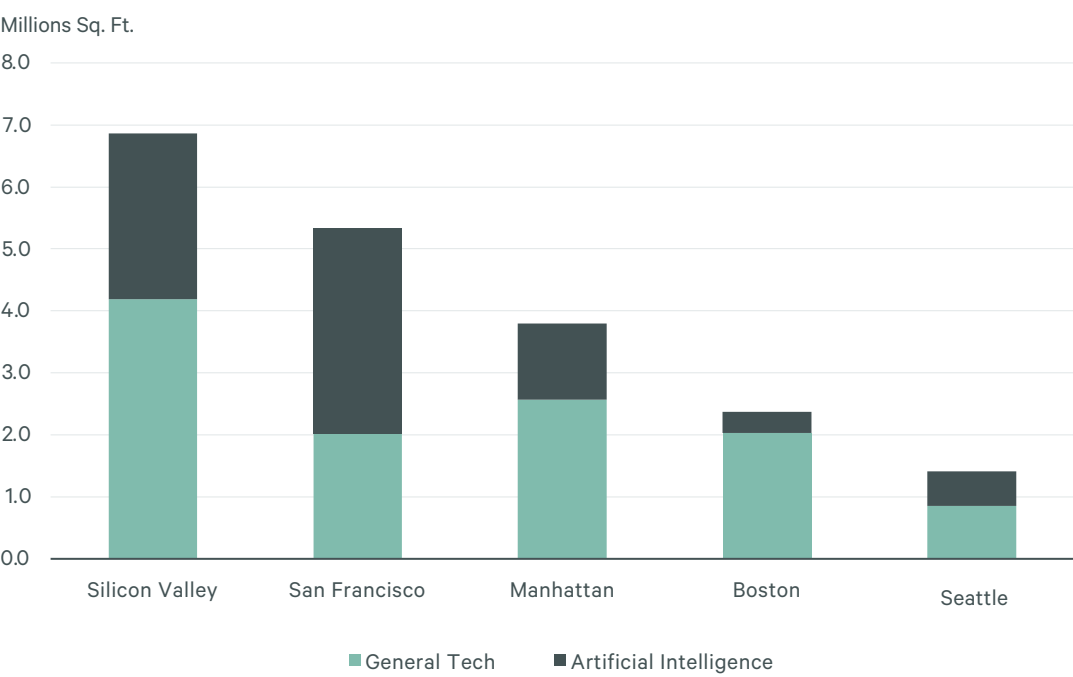
Figure 4: AI Company Office Leasing Activity by Market & Year



Note: Includes all leases of VC-backed companies and some public companies whose primary business is AI products and services. Silicon Valley and Boston include office and R&D property leases.
Source: CBRE Research, Q1 2026.

More tech and AI company leasing is expected over the next 12 to 18 months. The gross square footage of tenants in the market—those actively seeking office space for expansion, relocation or renewal—has increased in the top tech gateway markets. San Francisco and Silicon Valley have the highest demand from tech and AI-related tenants, each exceeding 5 million sq. ft. (Figure 5). AI companies’ share of total tech tenant demand was highest in San Francisco at 62%. Silicon Valley and Seattle each had a 39% share, followed by Manhattan at 32%.

Figure 5: U.S. Tech Industry Office Tenants in the Market, Year-End 2025



Notes: Includes all tenant sizes. Seattle includes only downtown Seattle and the Eastside.
Source: CBRE Research, March 2026.

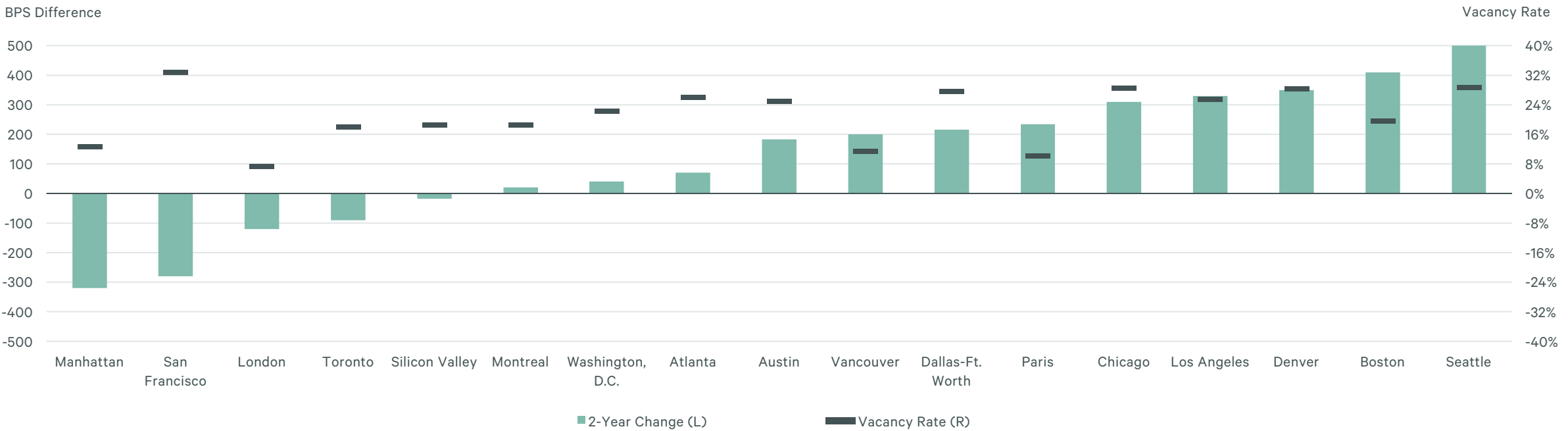


Office Market Fundamentals

Tech and AI industry growth has had an outsized impact on office market fundamentals in San Francisco and Silicon Valley compared with other tech gateway office markets.

Overall office vacancy rates declined fastest in Manhattan and San Francisco, each by about 3 percentage points between 2023 and 2025 (Figure 6). London, Toronto and Silicon Valley also had decreased vacancy, while the other 12 tech gateway markets ranged from almost no change in Montreal to a 5.0% increase in Seattle. Even with elevated tech and AI demand, San Francisco had the highest vacancy rate at 32.8% in Q4 2025.

Figure 6: Office Vacancy Rate by Market, Q4 2025



Note: Boston includes Downtown and Cambridge.
Source: CBRE Research, Q4 2025.

Net absorption was concentrated in the same markets that had lower vacancy due to stable supply and increased demand. Manhattan, San Francisco, London, Toronto and Silicon Valley each had net absorption exceeding 1.4% of their total building inventory in 2025 (Figure 7). Manhattan and San Francisco had the highest demand at 3.3% and 3.2% of their total building inventory, respectively.

Rent growth thus far appears unrelated to tech and AI company growth in nearly all markets (Figure 8). London and Paris had the highest asking rent growth from Q4 2024 to Q4 2025.

Certain submarkets and high-quality building categories within tech gateway markets have seen rent growth related to demand by tech and AI companies. These submarkets include San Francisco’s downtown and Mission Bay, Silicon Valley’s Sunnyvale, Mountain View and Palo Alto, Seattle’s Bellevue and Manhattan’s Flatiron and Park Avenue South/Madison Square districts. Higher-quality, well-located buildings with nicely fit-out spaces within these submarkets have received the highest demand and rent increases.

Figure 7: Net Absorption Growth by Market in 2025 (% of Total Building Inventory)

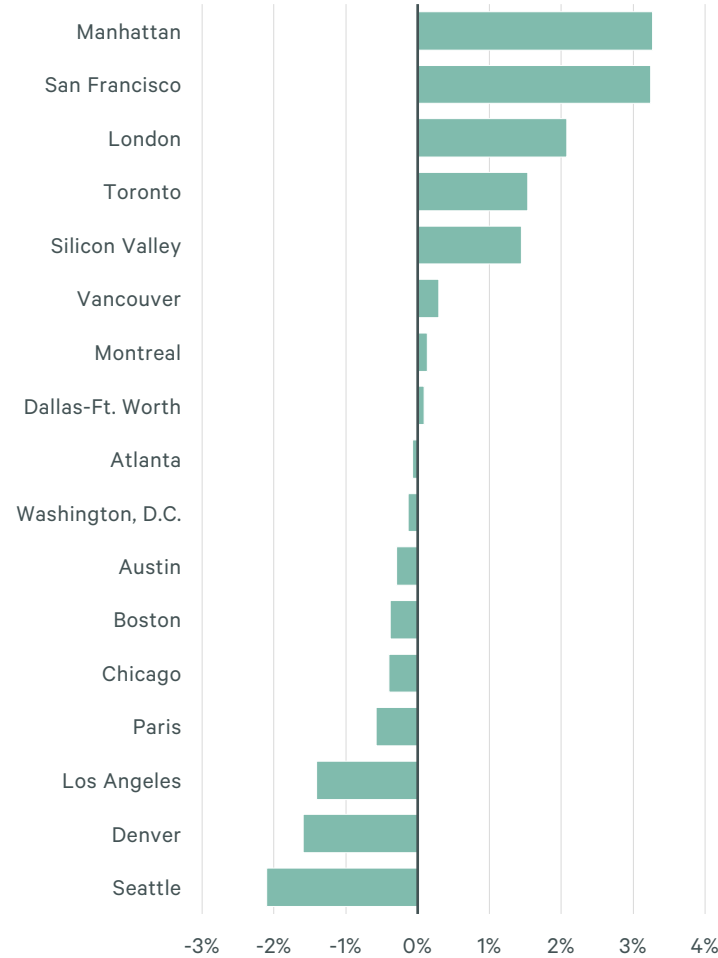
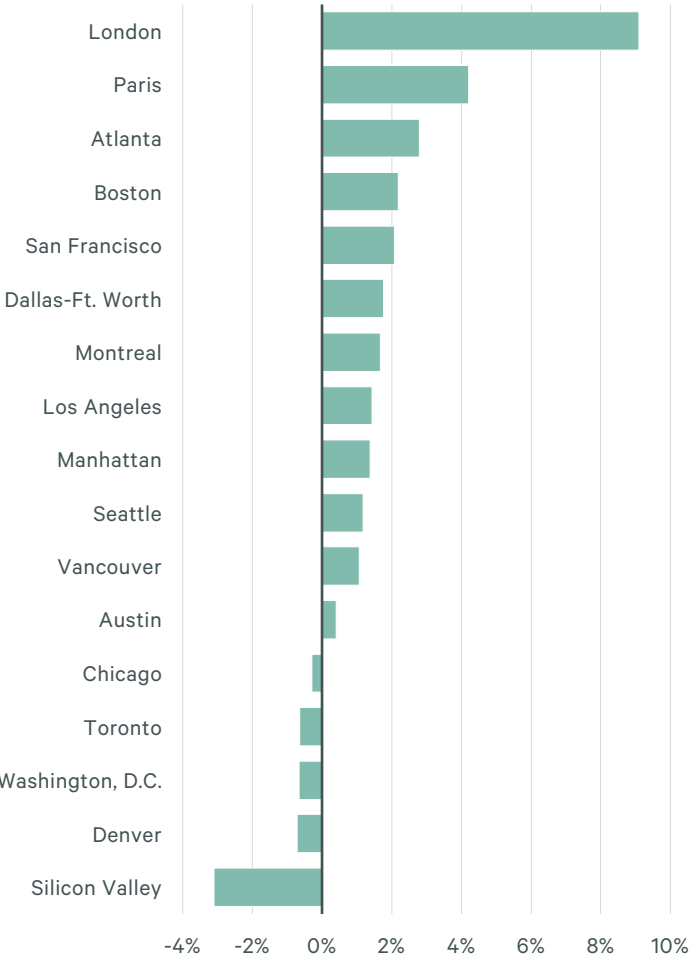


Figure 8: Annual Rent Growth by Market, 2025



Notes: Direct annual average full-service asking rents in local currency. Prime rents for London City and Paris. Boston includes Downtown and Cambridge for rents and net absorption. Source: CBRE Research, Q4 2025.

In Focus | Top European Tech Gateways

London and Paris are often referred to as the twin engines of European technology. London has the most VC funding and unicorns, while Paris has become one of Europe's fastest-growing AI markets. Government support for the tech and AI industries, along with world-class universities, attract and feed talent directly into elite research labs and technology companies. Most prominent U.S.-based tech and AI companies recognize this innovative talent and have established a significant presence in both London and Paris.

London

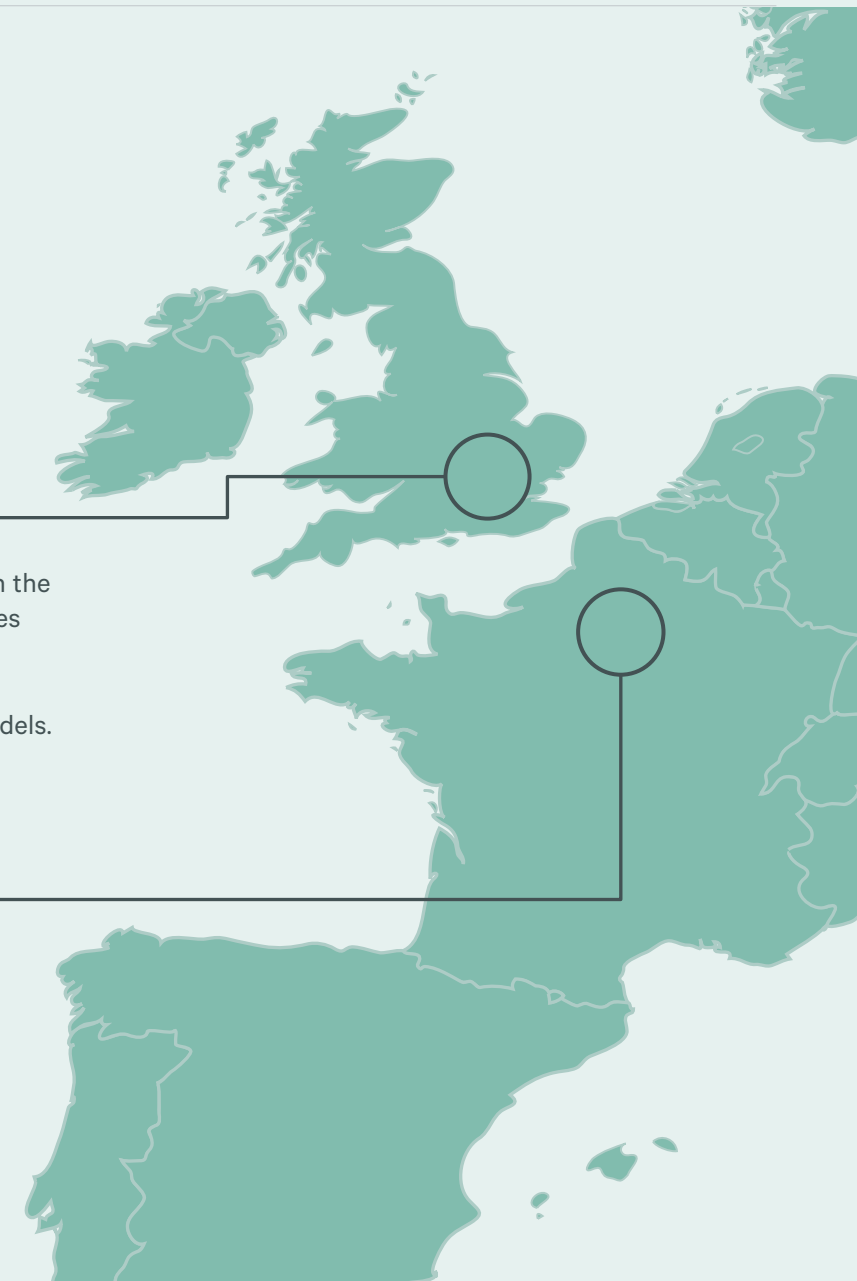
In Central London, AI companies accounted for one-third of office space leased by tech occupiers in 2025, up from about half that amount in the previous three years. Increased leasing from AI and tech companies has been for both traditional and flexible office space. Most AI companies are clustering along the recently opened Elizabeth subway line and other major transport stations. While there is not a single dominant AI submarket cluster in London, the knowledge quarter surrounding King's Cross has attracted many AI research organizations and large tech companies. AI development activity is diverse, spanning autonomous vehicles, cybersecurity, drug discovery, fintech and large language models.

For a more in-depth analysis of London's AI ecosystem, see CBRE's recent report [London's Future: AI-Driven Office Demand](#).

Paris

Paris has emerged as a leading global AI hub due to France's National AI Strategy to rapidly scale innovation, start-up funding and top-tier talent. Leading AI companies have a major presence in Paris alongside a dense network of startups, research institutions and scale-ups.

AI companies in Paris have clustered around a large startup campus known as Station F, as well as the surrounding 13th arrondissement. While this area has become the heart of Parisian tech, AI companies and startups are increasingly clustering in the northern part of the Central Business District and even further north where large-scale office buildings are available. France is also substantially growing its data center capacity to support the AI industry.





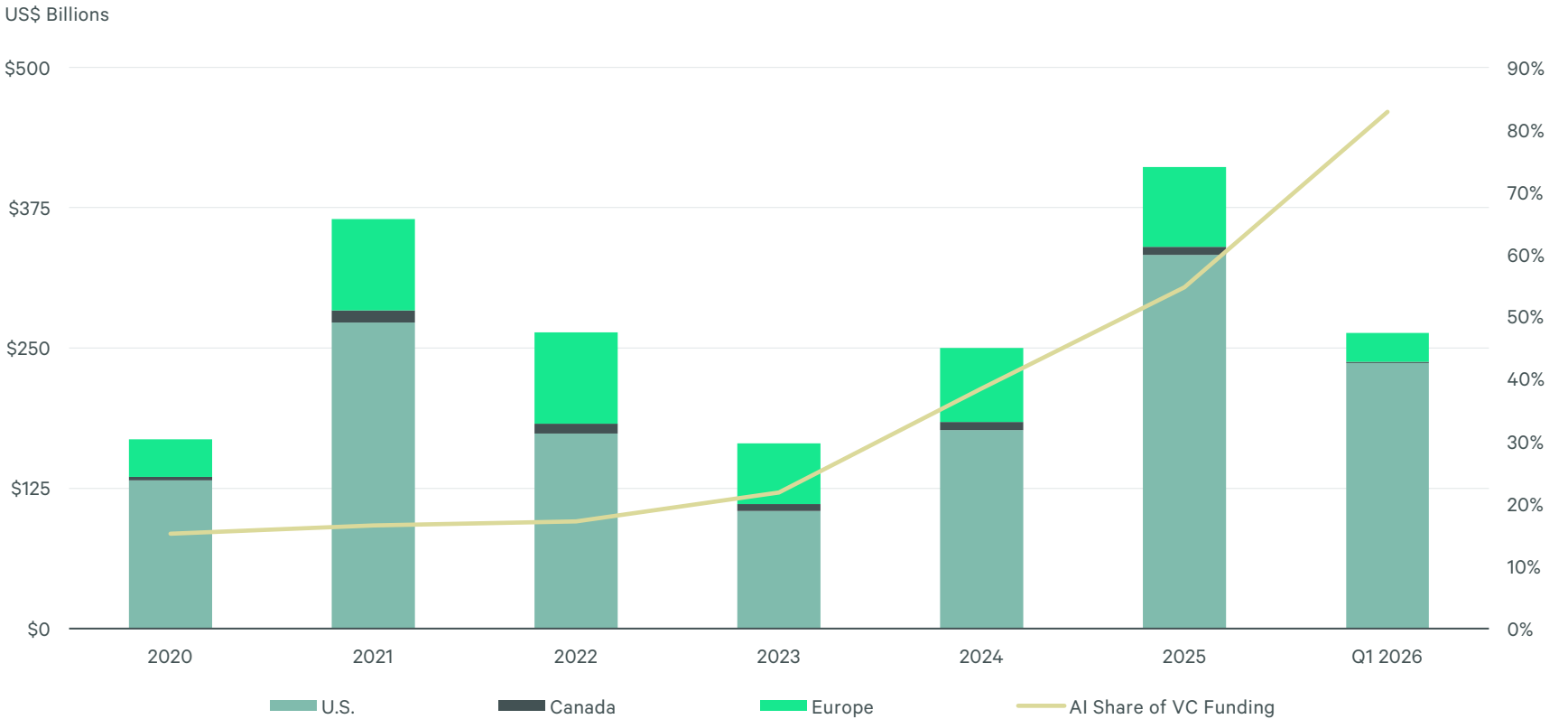
Outlook for Tech & AI Sectors

AI is expected to become a major driver of tech industry jobs and office space demand over the next decade. The ability to automate tasks and enhance routine and cognitive activities will create entirely new business opportunities, much like mobile internet devices enabled the app economy more than a decade ago.

This potential favors many tech-oriented economies and office markets such as the San Francisco Bay Area, where VC funding, office leasing and job growth for AI companies have surged. Other markets seeing early benefits include Manhattan, Seattle, Boston, London and Paris.

VC funding reached a record high of \$411 billion across 18,314 deals in the U.S., Canada and Europe in 2025 (Figure 9). AI companies drove VC funding higher and accounted for 55% or \$225 billion in 2025, more than double the \$96 billion in 2024. In Q1 2026, AI accounted for \$218 billion or 83% of the \$264 billion in total VC funding.

Figure 9: Venture Capital Funding by Region

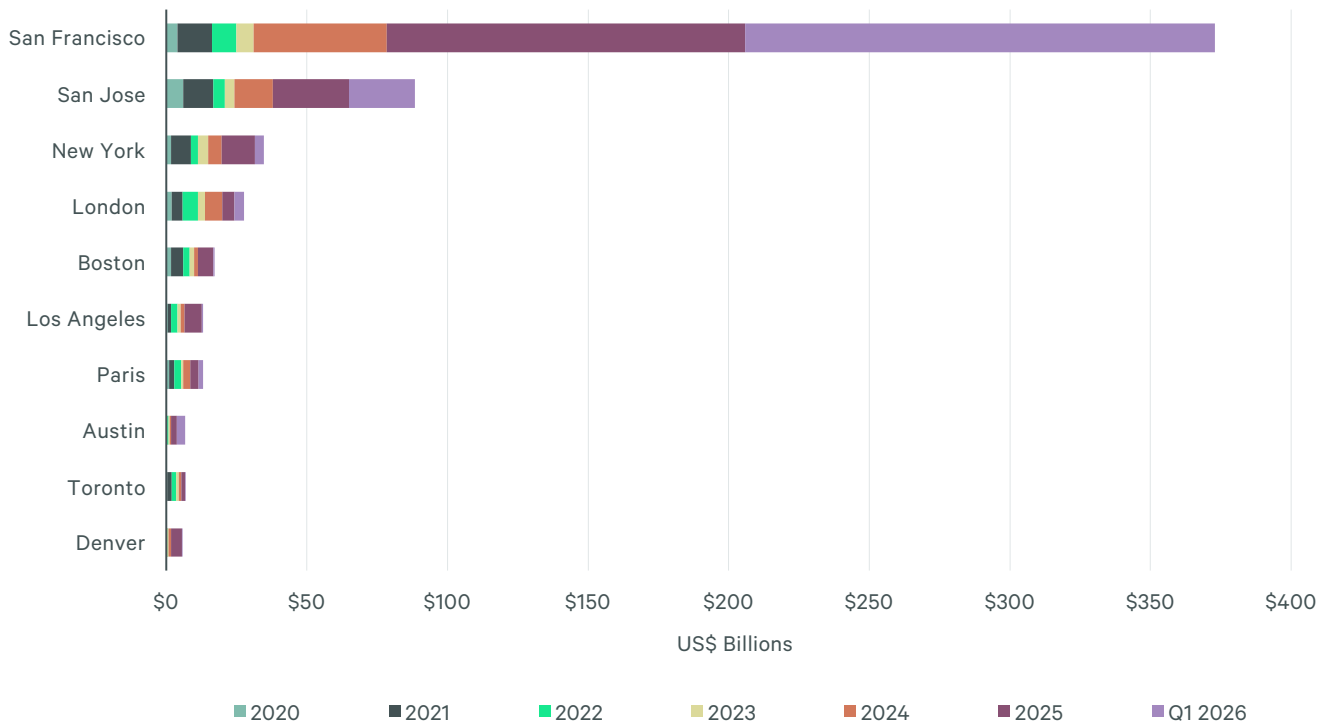


Source: CBRE Research, Pitchbook, Q1 2026.

The San Francisco Bay Area accounted for 80% of the \$578 billion of U.S. AI VC funding between Q1 2020 and Q1 2026 (Figure 10). Toronto received the highest amount in Canada at \$7 billion. In Europe, London secured \$28 billion, followed by Paris with \$13 billion.

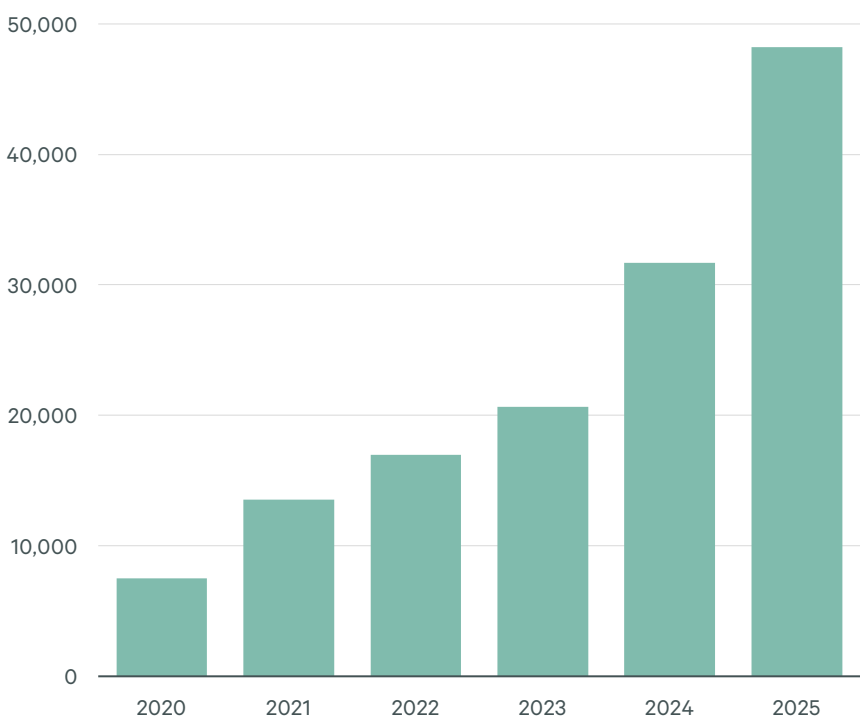
The high level of VC funding has fueled employment growth at AI companies. The 15 largest VC-backed AI companies by funding volume have recorded rapid global workforce growth to 48,000 in 2025 from about 7,500 in 2020 (Figure 11).

Figure 10: Artificial Intelligence VC Funding for Top 10 Metro Areas



Source: CBRE Research, Pitchbook, Q1 2026.

Figure 11: Global Employment for 15 Largest VC-Backed AI Companies



Note: 15 largest AI companies determined by total VC funding raised.
Source: CBRE Research, Pitchbook, February 2026.

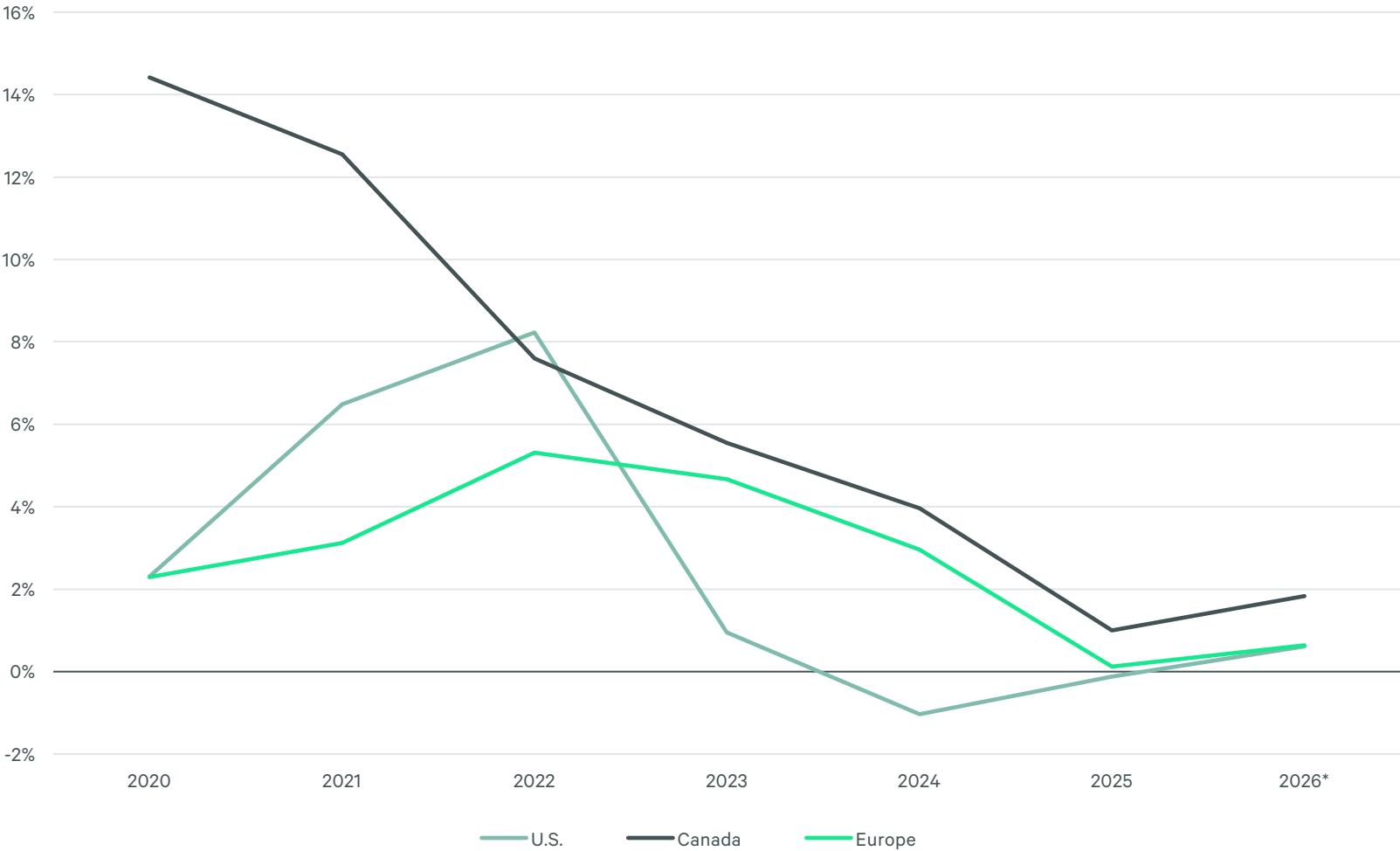
The costs required to build AI infrastructure and develop models and tools have created a capital crunch and put an emphasis on reducing operating expenses. As a result, many tech companies are repositioning their workforces and capital expenditures toward AI development and deployment that has resulted in a growing number of job cuts.

Executive search firm Challenger, Gray & Christmas reports that 4.5% of the 1.2 million U.S. job cuts in 2025 were AI-related. In Q1 2026, AI accounted for 12.7% of 217,000 job cuts across all industries. While AI-related job cuts are increasing, other contributing factors include capital management considerations.

Tech industry job growth in the U.S., Canada and Europe is expected to be positive in 2026, according to Oxford Economics, although growth rates have slowed considerably over the past several years (Figure 12). In 2026, tech industry job growth will be less than 1% in the U.S. and Europe and under 2% in Canada.

The rebound in tech hiring is mostly for specialized AI talent. In the San Francisco Bay Area, more than half of the tech talent job postings require AI skills, according to jobs data company Lightcast.

Figure 12: Tech Industry Annual Employment Growth by Region



*Forecast
Source: CBRE Research, Oxford Economics, Q4 2025.

The technology industry is in the early stages of what could be a large growth cycle driven by AI development and deployment. AI innovation will likely create more jobs than it replaces and increase office space leasing demand in tech gateway office markets.



Prospects for tech companies remain strong as the need for technological advancements grows with the global economy. AI is one of the most anticipated technologies garnering substantial new investments, including VC funding to startups and large capital expenditures by major public companies.

Despite some uncertainty about the degree of AI's economic impact, one thing is clear: As AI adoption scales across industries, its effects on productivity, capital allocation and space demand will be significant, reshaping the commercial real estate market in years ahead.

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