

THE TECH BOOM AND ITS EFFECT ON REAL ESTATE

NATIONAL OVERVIEW

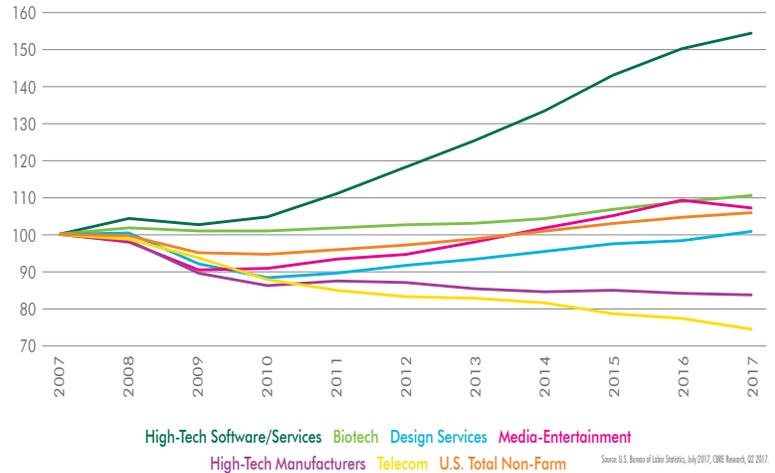
The U.S. tech industry created 1.1 million jobs since 2010 at an annual growth rate of 5%—a pace three times the national average. While the annual rate of tech industry job growth slowed to 4.1% in the first half of 2018, tech’s share of major office leasing activity increased to 21% and remained the largest sector.

Tech job creation correlates nicely with office market rent growth, with eight of the top 30 tech markets posting rent growth of 10% or more between Q2 2016 and Q2 2018.

CHALLENGES

1. Limited pool of talent for jobs requiring technical skills, such as software development.
2. Stiff competition for labor as result of the 2.7% unemployment rate among college educated workers.

US JOB GROWTH BY INDUSTRY



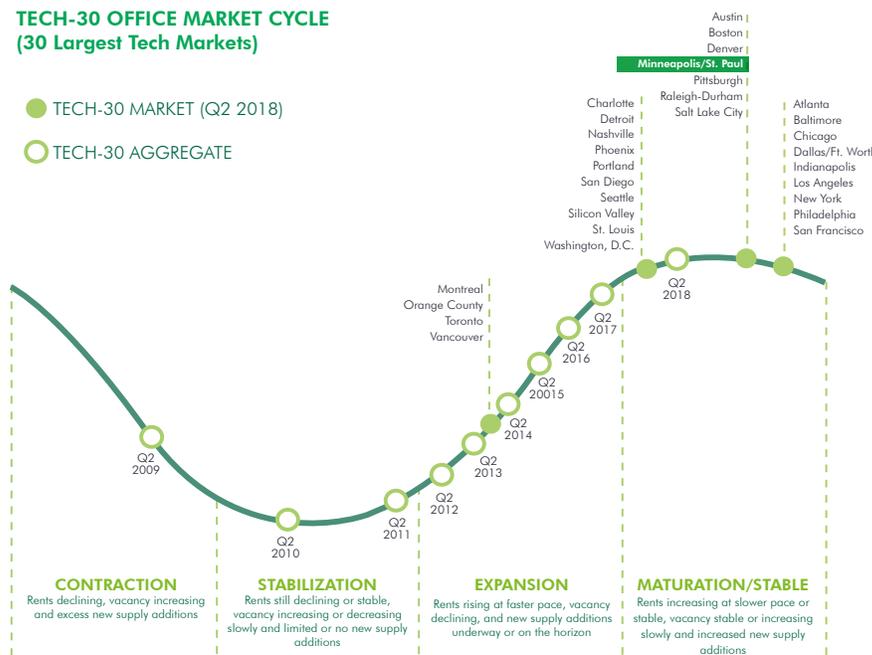
LOCAL OVERVIEW

Leading tech submarkets often outperform the broader office markets in which they are located because tenants are willing to pay a premium in areas preferred by tech talent. In the Twin Cities, the North Loop has emerged as the leading tech submarket.

- Over 1800 apartment units have been constructed in the North Loop since 2013 with another 924 units either planned or approved. The popularity of the North Loop as a housing destination for Millennials has fueled the demand for office space as employers are catering to the needs/wants of the next generation of workers.
- Office vacancy in the North Loop is 14.3% as compared to the overall Twin Cities vacancy rate of 17.7%.
- New building construction in the North Loop is attributable to both lack of supply and demand for creative buildings with full amenity packages traditionally found in downtown towers.

TECH-30 OFFICE MARKET CYCLE (30 Largest Tech Markets)

- TECH-30 MARKET (Q2 2018)
- TECH-30 AGGREGATE



OUTLOOK

With technology becoming more integral to business productivity, demand for advanced-technology products and services will only strengthen.

Tech startups, and increasingly larger private tech companies, often rely on venture capital to scale their businesses before becoming self-sufficient and, ultimately, public. The availability and flow of capital into these firms is a key component fueling employment growth for the tech industry. Funding for technology sectors represented 62% of all venture-capital investment over the past five years.

Investors’ willingness to fund technology companies at rising valuations will be critical for continued growth in the tech industry. High-tech industry expansion in the past six years has increased concern over growth sustainability but the outlook for 2019 remains positive.



FOR MORE INFORMATION:

NEIL KOLATKAR
+1 952 924 4636
NEIL.KOLATKAR@CBRE.COM