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Meta, Lyft, and Salesforce shed millions of square feet of office space

Article

The news: Tech companies are abandoning real estate, leaving US cities with rising office vacancies.

- **Meta**, **Lyft**, and **Salesforce** are among the companies shedding millions of square feet of office space in San Francisco, Silicon Valley, New York, Austin, and beyond.
- The tech sector has collectively placed about **30 million** square feet of office space back on the sublease market, compared with the **9.5 million** square feet it was trying to sublease in Q4 2019, according to CBRE data reported in the Wall Street Journal.
- Up to 30 North American markets where tech has an office presence could be affected.
- Salesforce, one of San Francisco's biggest employers, is trying to shed about one-third of space in its 43-story tower.
- In Austin, Meta is trying to sublease space in an under-construction skyscraper where it was supposed to be the anchor tenant.
- In July, **Amazon** and Meta began scaling back on property plans, with the former halting construction on six new office buildings in Bellevue and Nashville.

Glut of space: The office abandonment trend is a reversal of Big Tech's bullish gobbling up of real estate in recent years. With companies like **Google**-parent **Alphabet** continuing with headstrong expansion.

- With many cities still recovering from the pandemic turning their urban cores into ghost towns, tech's retreat could dull the rebound and have negative consequences for restaurants, tenant-improvement contractors, and transportation services.
- The national office vacancy rate is now at **12.5%,** up from **9.6%** in 2019 and the highest since 2011, according to CoStar Group data.
- Landlords may not be able to sell premium-priced offices to tenants in other recession-wary sectors, which raises the possibility of mortgage defaults—another blow to the economy.

Workers vs. real estate: The reason behind tech's acquisitions was to win the talent war with amenity-filled workspaces. But less space is needed with fewer workers on payroll due to layoffs.

- Although Alphabet continued its expansion plans as late as this summer, with investors pushing the tech giant to cut costs, we might see more layoffs and space reduction soon.
- R&D and biotech lab spaces are essential, but large office footprints don't make financial sense in light of the rise of remote work. Tech is trying to appease investors by slashing its workforce and real estate, but only cuts to the latter will have long-term benefits.

- **With layoffs, tech is bloodletting its most vital asset**: the skilled workers who may be hard to hire back in the future if other sectors and companies like **TikTok** that are still hiring are able to retain them.

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