

Big Tech backs off property expansion—could other businesses follow?

Article

The news: Big Tech companies like **Meta** and **Amazon** are pulling back on planned office expansions as more employees opt for remote work, [per](#) Bloomberg.

Where Big Tech leads, most businesses follow: Many companies waited for guidance from **Google, Apple, Amazon**, and others before enacting their remote work strategies, and their moves on physical locations will be watched closely.

Big Tech companies went on a **real estate shopping spree** during the pandemic. In context, **Google, Meta, Microsoft**, and Amazon, amassed more than **8 million square feet of space** in Manhattan to better position themselves for expansion and talent acquisition.

Now, Meta and Amazon are cutting back on office expansions.

- Meta backed off taking an additional 300,000 square feet of space at 770 Broadway and is pausing plans to build offices in its Hudson Yards property.
- “We are working to ensure we’re making focused, balanced investments to support our most strategic long-term priorities,” said Meta spokesperson **Jamila Reeves**.
- Amazon, which purchased the **Lord & Taylor** building in midtown Manhattan for **\$1 billion in 2020**, has similarly reduced the square footage it had **intended** to lease from **JPMorgan Chase & Co.**

Google is increasing office investments: Google, on the other hand, is **maintaining** its expansion plans and intends to **spend \$9.5 billion** on offices and data centers in the US, mostly to support the 12,000 new full-time jobs it aims to fill by the end of the year.

- Existing offices and campuses already in operation in **Pennsylvania, New York**, and **Massachusetts** will all get upgrades.
- "It might seem counterintuitive to step up our investment in physical offices even as we embrace more flexibility in how we work," Google CEO **Sundar Pichai** said in the blog post announcing the investments. "Yet we believe doing so will make for better products, a greater quality of life for our employees, and stronger communities."
- **Google is spending to maintain campuses and offices it already owns**, in contrast to Meta and Amazon, either for occupancy by its employees or for leasing to potential customers.

The problem: Real estate prices aren’t coming down, which means businesses might aim for a more permanent solution to their low in-office staffing issues, especially as five- and seven-year leases expire.

- Solutions could range from cutting down their office footprint to setting up remote office hubs designed for hot desks and transient workers while maintaining remote work strategies.

- Recent backpedaling on offices and expansion could cause a ripple effect across manifold industries cutting back on office space plans. This could challenge the office market in various cities.

Industries that Offer the Most Potential According to US Investors, Q3 2020 & Q3 2021

% of respondents

	Q3 2020	Q3 2021
Information technology	47%	45%
Healthcare	57%	41%
Energy	26%	37%
Real estate	23%	32%
Financials	23%	29%
Communication services	27%	23%
Consumer staples	33%	21%
Utilities	20%	20%
Industrials	15%	19%
Materials	15%	18%
Consumer discretionary	14%	16%

Note: this quarter; respondents were asked to select their top three

Source: E*trade, "E*trade Financial Q3 2021 Streetwise Report" conducted by Dynata, July 12, 2021

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