

Technological Innovation Catalyzes
Economic Prosperity and Real Estate Markets

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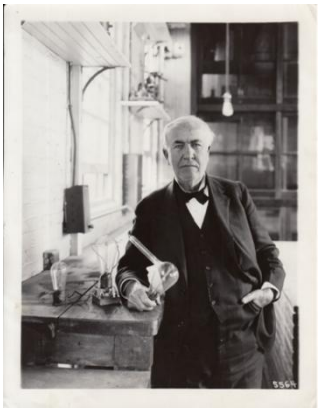
Key Points

- **Research & development** efforts lead to technological progress and economic growth, demanding specialized real estate solutions tailored to occupier needs.
- **East Coast hubs**, such as Boston, Philadelphia, and Raleigh-Durham, feature more lab space driven by federal funding that's distributed to, and prioritized by, universities and hospitals.
- **West Coast innovation** is concentrated in California and Seattle, where venture capital is the dominant funding stream. Assets here are designed for AI, software, and semiconductor manufacturing.
- **Property fundamentals** are separated geographically. Medical research buildings in the East are struggling with elevated vacancies, while advanced manufacturing facilities in the West enjoy stronger tenant demand.
- **Data center development** is supporting AI ambitions, but real estate owners are starting to position for the age of quantum computing. This technology will further rely on specialized labor pools, established R&D ecosystems, and liquid capital markets.
- **In addition to primary markets, investors with a long-term outlook** should look for opportunities in secondary markets where a strong university presence and comparatively lower wages offer key advantages.

Introduction



Innovation has long been the driving force behind technological progress, economic growth, and societal advancement. The modern research and development (R&D) facility traces its origins to Thomas Edison, who established the world's first industrial R&D laboratory at Menlo Park, New Jersey, in 1876.[1]

Unlike earlier workshops or laboratories, Edison's facility brought together scientists, engineers, machinists, and skilled craftsmen in a collaborative environment dedicated to transforming ideas into practical, marketable innovations. This revolutionary approach established a model for organized industrial research that continues to influence how companies develop new technologies today. More than a century later, modern R&D facilities have evolved into sophisticated centers that integrate advanced

[1] "Thomas Edison in lab with 'Edison Effect' bulbs."

laboratories, digital technologies, cross-disciplinary collaboration, and global partnerships to accelerate innovation.

This paper traces the origins of modern U.S. innovation clusters, explores their impact on economic prosperity at the market level, and identifies new technologies on the horizon bound to reshape the fabrics of local communities. Ultimately, the research included herein can help discerning investors understand the path of technological progress and identify real estate investment opportunities.

National Innovation

Prior to World War II, no concentrated effort existed to coordinate research at a national level. That changed in 1941, when President Franklin Roosevelt authorized the creation of the Office of Scientific Research and Development (OSRD), the first federal initiative dedicated to research funding. Importantly, the agency also established a national science and technology policy critical to coordinating priorities, identifying researchers, and optimizing the production process.

Although the OSRD only lasted through the global conflict, its legacy extends beyond supporting the war effort through the development of foundational technologies in communications, weapons, and medicine. The organization fostered research clusters that have shaped neighborhoods into the innovative markets we know today. Nearly 90 years later, many of the OSRD innovation hotspots are now home to the largest R&D facilities.

Identifying R&D Clusters

The Strategy and Research Group (SRG) of New York Life Investment Management analyzed employment figures from Oxford Economics and property data from CoStar Group to identify U.S. markets with the highest exposure to R&D work.

SRG used data from the 2024 Business Enterprise Research and Development (BERD) Survey to filter for Bureau of Labor Statistics industries where businesses spend the most on R&D. This is a proxy for R&D facility utilization – markets with above-average employment in these R&D industries should also have significant R&D footprints.

After deriving the location quotients,[2] R&D inventory was aggregated by combining the following property types:

- Flex properties with a secondary type of R&D
- Lab space in industrial properties
- Lab space in office properties

On a metro level, San Jose, San Francisco, Boston, San Diego, Los Angeles, and New York-New Jersey lead the way, collectively representing 45% of the national R&D footprint.[3] Additionally, numerous large office and industrial properties across the country dedicate sizable portions of their footprints to lab space. Per CoStar Group, U.S. lab space inventory totals roughly 89 million square feet. Boston is the biggest market for lab space with 25.9 million square feet, while New York-New Jersey (5.5 million square feet) and Philadelphia (3.9 million square feet) are also notable East Coast hubs for laboratory real estate.

Figure 1: Top 20 Markets by R&D Inventory

	Market	Total R&D Inventory (Million SF)	R&D Employment	Share of Workers	Location Quotient
1	San Jose	61.4	234,130	20.2%	4.34
2	San Francisco	61.2	262,440	10.8%	2.33
3	Boston	58.4	257,270	9.4%	2.02
4	San Diego	33.5	119,540	7.6%	1.64
5	Los Angeles	24.4	263,620	4.2%	0.90
6	New York-New Jersey	22.9	344,190	3.4%	0.74
7	Washington, DC	21.0	275,710	8.2%	1.76
8	Detroit	20.4	169,860	8.3%	1.79
9	Minneapolis	17.1	91,950	4.6%	0.99
10	Dallas-Fort Worth	12.8	277,930	6.4%	1.39
11	Philadelphia	12.7	139,440	4.5%	0.96
12	Denver-Boulder	12.3	120,080	6.5%	1.40
13	Baltimore	11.3	86,440	6.0%	1.28
14	Raleigh-Durham	10.9	99,100	8.8%	1.89
15	Phoenix	9.9	107,250	4.4%	0.94
16	Seattle	8.9	247,060	11.6%	2.50
17	Chicago	5.6	184,410	3.9%	0.83
18	Austin	5.4	135,780	9.7%	2.08
19	Houston	4.7	117,120	3.4%	0.72
20	Salt Lake City	3.4	94,100	6.6%	1.41
	United States	586.6	7,367,550	4.7%	

Source: CoStar Group, U.S. Bureau of Labor Statistics via Oxford Economics

The table above ranks the top markets by total R&D inventory, inclusive of both R&D and lab space. Additionally, aggregate R&D employment by market is also shown, as well as each metro's location quotient. For a map showing primary R&D focus for each market, please see Appendix A.

Oxford Economics data shows R&D's concentration of each market's total labor pool, which is a reflection of their prominence. For example, San Jose, San Francisco, Boston, Seattle, and Austin all have at least 100,000 R&D workers, which as a share of each market's total employees amount to more than twice the U.S. concentration. Meanwhile,

[2] Location quotients measure the concentration of an industry's employment relative to the national average, with values below 1.0 indicating below-average specialization and values above 1.0 indicating above-average specialization.

[3] CoStar Group

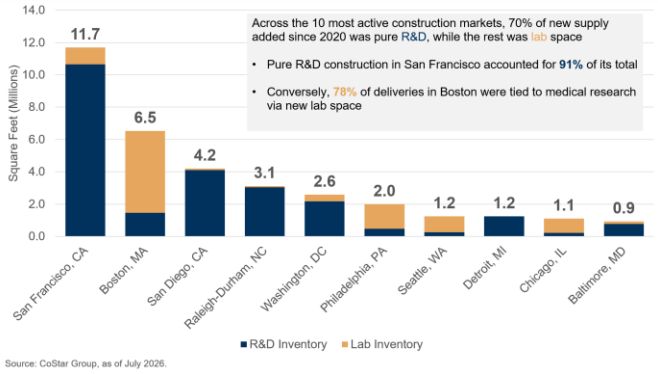
Los Angeles and New York-New Jersey have more than 250,000 R&D jobs, but their location quotients are less than 1.0, signifying diversity in their local economies and much less reliance on research & development workers.[4]

Overall, San Francisco, Baltimore, and Salt Lake City have seen the largest increases in R&D location quotients since 2000, while San Jose stands out with the largest decrease of the top 20 markets.

R&D Market Fundamentals

R&D development activity has been accelerating recently, with many of the largest markets recording around half of all new supply since 2000 in just the past five-plus years. For examples, San Francisco has added roughly 11.7 million square feet of R&D space since 2020, accounting for 48% of inventory expansion dating back to 2000. Other markets with recent surges in new construction include Boston (45% of completions since 2000 coming after the pandemic), Raleigh-Durham (59%), Seattle (41%), and Chicago (41%).

Figure 2: Top R&D Growth Markets Since 2020



Active construction pipelines have weighed on property fundamentals in select markets. The four fastest growing markets (San Francisco, Boston, San Diego, and Raleigh-Durham) have seen significant increases in vacancy between the first quarter of 2020 and the second quarter of 2026. The fundamental mismatch between supply and demand can be attributed to large project completions coinciding with a pullback in biotech funding and space requirements following a pandemic-driven surge.

Figure 3: Historical Vacancy and Rent Growth

Market	Q2 2026 Vacancy Rate	Q1 2020 Vacancy Rate	Q2 2026 Asking Rent Per SF	Asking Rent Growth Since Q1 2020
Boston	24.5%	10.1%	$42.42	30.0%
San Francisco	22.7%	7.5%	$36.35	13.0%
Seattle	22.5%	3.9%	$38.10	0.4%
Chicago	20.3%	7.9%	$22.06	40.2%
San Diego	19.6%	10.1%	$40.11	29.0%
Raleigh-Durham	18.6%	15.7%	$24.64	41.3%
Philadelphia	18.5%	7.0%	$23.79	42.3%
Denver-Boulder	18.2%	9.4%	$17.53	25.7%
Baltimore	15.0%	14.0%	$17.35	23.9%
Houston	15.0%	12.9%	$18.93	42.7%
New York-New Jersey	15.0%	11.1%	$29.89	24.2%
United States	**14.0%**	**8.4%**	**$26.40**	**25.6%**
San Jose	13.8%	10.6%	$34.31	12.5%
Austin	11.3%	32.4%	$26.68	8.3%
Salt Lake City	11.1%	9.0%	$15.01	32.2%
Washington, DC	10.1%	7.0%	$25.25	33.7%
Los Angeles	9.2%	6.0%	$25.81	22.8%
Phoenix	8.4%	8.7%	$20.19	45.9%
Dallas-Fort Worth	7.8%	6.4%	$16.68	40.8%
Minneapolis	7.6%	5.4%	$12.49	38.7%
Detroit	7.6%	6.1%	$12.75	21.7%

Source: CoStar Group. Data as of Q2 2026.

Moreover, high interest rates and a challenging IPO environment affected VC investors' ability to recycle capital, leading start-ups to conserve cash by paring back their space needs. Lastly, uncertainty around federal research funding further dragged on long-term leasing commitments by companies across the property spectrum.

Figure 4: Vacancy Forecasts

Market	Q2 2026 Vacancy Rate	Q2 2027 Vacancy Rate	Q2 2028 Vacancy Rate
Boston	24.5%	23.9%	23.1%
San Francisco	22.7%	20.5%	18.9%
Seattle	22.5%	14.6%	12.3%
Chicago	20.3%	17.9%	17.5%
San Diego	19.6%	17.7%	17.4%
Raleigh-Durham	18.6%	19.8%	19.2%
Philadelphia	18.5%	16.1%	15.1%
Denver-Boulder	18.2%	18.1%	18.2%
Baltimore	15.0%	13.1%	12.9%
Houston	15.0%	15.3%	15.3%
New York-New Jersey	15.0%	13.9%	13.5%
United States	**14.0%**	**13.5%**	**13.0%**
San Jose	13.8%	13.5%	12.6%
Austin	11.3%	11.4%	10.0%
Salt Lake City	11.1%	8.2%	9.8%
Washington, DC	10.1%	9.0%	9.5%
Los Angeles	9.2%	10.2%	9.8%
Phoenix	8.4%	8.4%	8.5%
Dallas-Fort Worth	7.8%	7.9%	8.0%
Minneapolis	7.6%	8.3%	8.4%
Detroit	7.6%	8.6%	8.8%

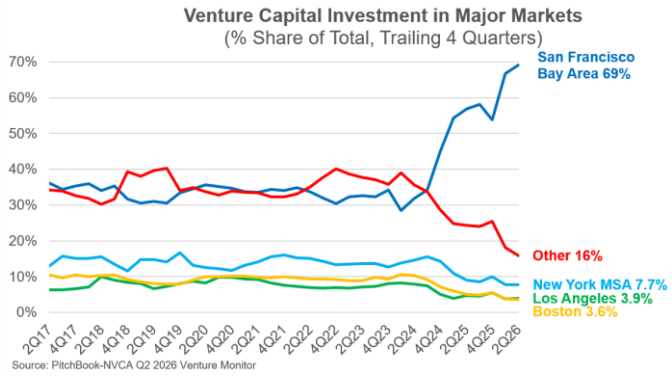
Source: CoStar Group. Data as of Q2 2026.

[4] New York-New Jersey's highest LQs are in Educational Services (1.77), Information (1.70), and Finance and Insurance (1.48). Los Angeles' highest LQs are in Information (1.77) and Real Estate (1.30).

SRG utilizes a proprietary precision investing approach to evaluate long-term demand drivers on a market and submarket level. We found that R&D property fundamentals are expected to improve over the next two years, though the rebound is not likely to be broad-based. Specifically, large East Coast markets heavily exposed to medical research via significant lab footprints, such as Boston and Raleigh-Durham, are forecasted to see vacancy rates remain elevated over the next 24 months, while Philadelphia should see a modest pullback.[5] However, West Coast research hubs dedicated to AI, software, and semiconductor manufacturing will likely see gains in occupancy. San Francisco and Seattle are forecast by CoStar to post vacancy declines of 400 and 1,000 basis points, respectively, through the second quarter of 2028, while San Jose and San Diego are also likely to see their vacancies move lower during this period.

A major contributor to this geographic bifurcation is the funding ecosystem. While East Coast markets rely more on federal grants to allocate research priorities among universities and hospitals, West Coast funding is much more dependent on venture capital. To that point, the graph below illustrates the San Francisco Bay Area benefitting significantly more from private sector funding, which in turn should help drive an expected rebound in R&D property fundamentals.

Figure 5: Venture Capital Investment by Market



Research Ecosystems

On a national level, investment in research and development is critical to economic prosperity, advancing technology, and fostering innovation.

Markets renowned for innovation feature deep ecosystems anchored by universities with leading science departments, entrenched employment bases, and generational economic opportunity. Successful enterprises have a profound effect on the surrounding metropolitan area, as their growth attracts skilled employees, other transformative companies, and venture funding, creating a self-sustaining cycle of economic expansion.

The leading innovation markets all include academic institutions rich in scientific research for human capital. San Jose (60.1%), San Francisco (56.9%), Boston (56.8%), and Seattle (50.7%)[6] all have a college-educated share of the working age population comfortably above the U.S. average of 38.7%. That allows employers and researchers to solidify a talent pipeline by partnering with local universities.

Since the middle of the 20th century, innovation clusters have served as springboards for rapid economic growth, fostering competition among not just metropolitan areas, but countries, for human and venture capital.

Competition for talent and funding also plays out on the global stage. Increasingly, national priorities and ambitious agendas are reoriented as leaders allocate resources towards cutting-edge technology and its military and supply-chain applications.

The Global Innovation Race

The latest data from the World Intellectual Property Organization (WIPO), a United Nations agency, shows that global R&D spending amounted to $2.87 trillion in 2024, up 3.2% from the prior year. Countries in Asia comprised roughly 45% of the total, driven by China's centralized support for strategic industries, as well as advanced manufacturing output in Japan and South Korea.

Figure 6: R&D Spending by Country

Research & Development Spending by Country, 2024			
Rank	**Country**	**R&D Spend (Billion USD)**	**% of Global Total**
1	China	785.92	27.4%
2	United States	781.77	27.2%
3	Japan	186.03	6.5%
4	Germany	132.18	4.6%
5	Republic of Korea	126.41	4.4%
6	United Kingdom	86.51	3.0%
7	India	75.73	2.6%
8	France	65.84	2.3%
9	Turkey	43.18	1.5%
10	Brazil	38.39	1.3%
11	Russia	38.07	1.3%
12	Canada	33.23	1.2%
13	Italy	32.46	1.1%
14	Spain	28.95	1.0%
15	Israel	26.46	0.9%

Source: World Intellectual Property Organization

[5] CoStar Group

[6] See Appendix B for a detailed case study explaining the origins of Seattle's tech cluster.

In a milestone moment, WIPO data revealed that China eclipsed the U.S. in total R&D spending for the first time ever in 2024, $785.92 billion to $781.77 billion. China's ascension to the top spot also saw its share of world R&D expenditures jump from 4.0% in 2000 to 27.4% in 2024, while the U.S. share has declined from 36.9% to 27.2% over the same period. This trend is likely to manifest in China developing increasingly more innovation hubs to attract scientists and compete with research and publications originating out of the U.S.

WIPO regularly updates its Global Innovation Index (GII) based on an analysis of patent filings, scientific article publications, and venture capital activity. GII's data is geocoded and aggregated to identify regional densities of inventors, scientific authors, and venture capitalists that transcend political boundaries.

State-side, the San Jose-San Francisco cluster is the most prominent and it is the third largest in the world.[7] The area's strength resides in its global share of VC deals (6.9%) and share of patent applications under the WIPO Patent Cooperation Treaty[8] (3.9%). Additionally, San Jose-San Francisco leads the U.S. in VC investment (69% share of total investment) as well as R&D and lab space, with a footprint of roughly 123 million square feet.[9]

U.S.–China Competition

The United States has long been at the economic apex of the world, as high-growth entrepreneurship and risk-taking have led to massive productivity gains and new business formation. At the forefront of this trajectory have been the nation's innovation clusters – hubs where researchers and business leaders spearhead new product discoveries. These dynamic ecosystems play important roles in national prosperity and economic security, while also dictating the make-up and performance of local economies and property markets.

While U.S. economic might and breadth of capital markets is unmatched, the country risks permanently ceding its innovation leadership to its primary geopolitical rival, China. As discussed in a recent SRG paper,[10] China's economy has witnessed tremendous growth since its accession to the World Trade Organization in 2001. While its momentum has cooled considerably in the aftermath of the pandemic, China has made good on its pledge to become a global technology leader.

Beijing launched the "Made in China 2025" initiative in 2015, distributing vast amounts of state support to companies in preferred industries to boost their competitiveness and reduce the nation's dependence on foreign technology. Over the past decade, China's innovations have led to market leadership positions in electric vehicles, lithium-ion battery production, and solar panel manufacturing output. These massive improvements resulted from China's pivot from low-cost manufacturing toward higher value-add manufacturing, aided by a surge in domestic R&D spending, with long-term implications for U.S. economic prosperity, security, and competitiveness.

AI: The 21st Century Battlefield

Ambitious nation states have long sought technological supremacy to maintain economic and military superiority over their adversaries. While historically that competition manifested in designing stronger ships or faster planes, 21st century military might is increasingly contested in the cyber realm as well. Beyond armed conflicts, considerable technological resources are also committed to neutralize the threat of malicious attacks on critical infrastructure, potentially destabilizing the social order.

Traditional predictive and prescriptive models, which estimate probabilities of an outcome and recommend action given narrowly defined constraints, are being augmented by powerful general purpose AI systems. These advanced models can parse both structured and unstructured data to address not just a single predefined problem, but reason through complex scenarios and take permitted action.

Massive amounts of computing power are required to train and run these models, which has necessitated an unprecedented build-out of data centers. The repercussions of these investments have been far-reaching – pushing up materials and labor costs, challenging power grids, and upending debt markets.

Beyond geopolitical and military applications, this new era of technological progress will also transform commercial sectors and, by extension, property markets. SRG discussed the implications

[7] Kyle Bergquist and Jeff Slee. (2025, October 2). *Revisiting the 2025 GII Ranking of World's Top 100 Innovation Clusters: New Venture Capital Deals Metric.* World Intellectual Property Organization.
[8] The WIPO Patent Cooperation Treaty (PCT) assists applicants in seeking patent protection for their inventions internationally, helps patent offices with making patent granting decisions, and facilitates public access to a wealth of technical information relating to these inventions.
[9] CoStar Group
[10] Stewart Rubin, Matt Wnek and Marshall Swett. (2026, February). *American Economic Power Translates Into CRE Opportunity.* New York Life Real Estate Investors Strategy & Research Group.

on commercial real estate from advances in AI in a recent white paper, highlighting R&D facilities, life science laboratory space, medical office buildings, and technology-oriented campuses as likely future winners.[11]

Shifting Federal Policies for the Quantum Age

Quantum computing relies on the principles of quantum mechanics, the science analyzing the atomic interactions of matter, energy, and light, to process information and solve problems far beyond the capabilities of today's machines. Quantum computing has advanced significantly over the past two years, attracting public and private capital as the technology rapidly approaches the commercialization stage.

The field has national security implications, as well as applications for industries spanning drug discovery, cybersecurity, financial services, and climate science. The Trump administration has put scientific research front and center over the past few months, aiming to advance the nation's scientific research efforts and prepare the government for the age of quantum computing.

To that end, the president signed two executive orders in June.[12] One directs the Energy Department and other federal agencies to collaborate with academics and the private sector to introduce a quantum computer capable of conducting scientific research by 2028. The second order focuses on security and instructs agencies and government security experts to develop defenses by 2031 protecting critical infrastructure from advanced quantum hackers.

Meanwhile, in July, the administration announced changes to how it intends to deploy its approximately $200 billion annual federal research and development budget. [13] Drawing from guidance by the White House Office of Science and Technology Policy, the priority is supporting individual scientists through fellowships and awards, thereby minimizing university involvement. By overhauling the research funding framework, the administration hopes to remove government bureaucracy obstacles and catalyze technological advancement.

Much like global R&D spending, the U.S. and China likewise dominate quantum computing investment. The U.S. leads the way with roughly $22 billion in cumulative investment, followed by China's $18 billion. Globally, governments account for 70% of funding, harking back to the national strategy implications discussed earlier. However, the U.S. bucks the trend, as private capital comprises an increasing share of quantum investment, validating the promise of the technology.

Quantum Real Estate Poised To Emerge as an Asset Class

Commercial real estate services firm JLL is tracking the growth of what it calls quantum real estate, the "physical infrastructure supporting the research, fabrication, and deployment of quantum computing systems."[14] To date, the company has identified more than 240 quantum facilities in 35 countries, as well as a $4 billion construction pipeline, comprised of research labs, data centers, and fabrication sites.

Current quantum research is conducted in highly controlled environments within specialized R&D facilities. The layout and equipment vary depending on the type of quantum research being performed, but typical spaces feature an electronics workshop, a precision optics lab, and a server room. Since outside disturbances can affect quantum states and alter an experiment's results, these facilities shield from electromagnetic interference while precisely controlling vibration, temperature, and airflow. Over time, as the technology advances, quantum computing is expected to shift to the cloud and much of the infrastructure will likely be housed in traditional data centers.

At this stage, these buildings are utilized for technological research and are thus dependent on human capital, and not power needs which drive data center location strategy. And with a typical footprint of less than 150,000 square feet, quantum facilities have more design similarities with lab spaces in Boston than the sprawling data center campuses in Arizona and Texas.

According to JLL, the most advanced quantum hubs enjoy government support, a sufficient scale of private sector quantum businesses, and proximity to leading research institutions. National laboratories and universities with renowned science departments serve as anchors not only to push research forward but to also develop the highly skilled labor force to operate the buildings.

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[11] Stewart Rubin, Matt Wnek and Marshall Swett. (2026, July). *Commercial Real Estate Entering the Age of Artificial Intelligence.* New York Life Real Estate Investors Strategy & Research Group.
[12] Amrith Ramkumar. (2026, June 22). *Trump Seeks to Boost Quantum Computing With New Executive Orders.* The Wall Street Journal.
[13] Amrith Ramkumar. (2026, July 21). *White House to Redirect Billions in Research Funds Toward AI, Away From Colleges.* The Wall Street Journal.
[14] Andrew Batson and Daniel Thorpe. (2026, July 15). *The Future of Quantum Real Estate*

JLL's quantum timeline anticipates hybrid quantum-classical systems will be ready for mainstream applications by the end of the decade, accompanied by continued blending of R&D labs and traditional data center functionality. Location strategy during these years is likely to feature the beginning of a shift away from the educational hubs.

The first years of the 2030s are expected to witness "quantum advantage," whereby quantum computing begins real-world applications faster, more accurately, and cheaper than existing supercomputers. At this stage, cloud providers will be demanding higher security standards that will dictate building designs. These developments are likely to introduce profound implications for the commercial real estate industry.

Much remains uncertain about the growth trajectory of quantum technology, though a few high-conviction assumptions can be made. First, quantum hardware providers stand to benefit during the initial build-out stage of quantum advantage. Then, once quantum machines are ready for commercial use, the economic gains will likely flow to companies with vast troves of proprietary data and complex problems that can be best optimized with quantum computing.

The industries likely to benefit most from the new technology are financial services (portfolio optimization), chemicals and life sciences (molecular simulation), and travel, transport, and logistics (supply chain optimization).[15]

The markets best positioned to emerge as quantum hubs are those that will cultivate highly specialized labor pools alongside strong R&D ecosystems and liquid capital markets. Beyond the traditional research hubs in Boston and California, investors should be aware of strong secondary markets that are primed for growth in R&D and quantum technology.

Among them are Chicago and Denver-Boulder, which are backstopped by strong schools and comparatively lower wages than the established coastal markets. Notably, both markets have quantum tech hubs designated by the federal government with the goal of establishing national quantum hardware supply chains. In fact, Chicago is home to two of the Department of Energy's five National Quantum Information Science Research Centers.[16]

Meanwhile, the DMV region (District of Columbia, Maryland, and Virginia) continues to position itself as a leading cluster, owing to world-class university research and dedicated quantum programs (University of Maryland, George Mason University, and Georgetown University, among others) as well as proximity to federal defense and intelligence customers. Northern Virginia's quantum research should benefit from its established tech and cyber ecosystem concentrated in cloud computing, cybersecurity, and AI.

Conclusion

Markets like Boston, San Jose (Silicon Valley), and San Francisco have spawned dominant technologies and products across biotechnology, pharmaceutical, and software industries. These areas rely on entrenched cultures and ample access to public and private sector funding to sustain their advantages over other markets, acting as a de facto barrier to entry.

Meanwhile, national security imperatives are beginning to dictate R&D investment in new markets. Even as artificial intelligence investment continues to captivate investor attention, focus is beginning to shift towards the next frontier: quantum computing. The technology is still in its infancy but holds tremendous potential for business applications and a need for highly specialized facilities to power it. Chicago, Denver-Boulder, and the DMV corridor should benefit over the coming decade.

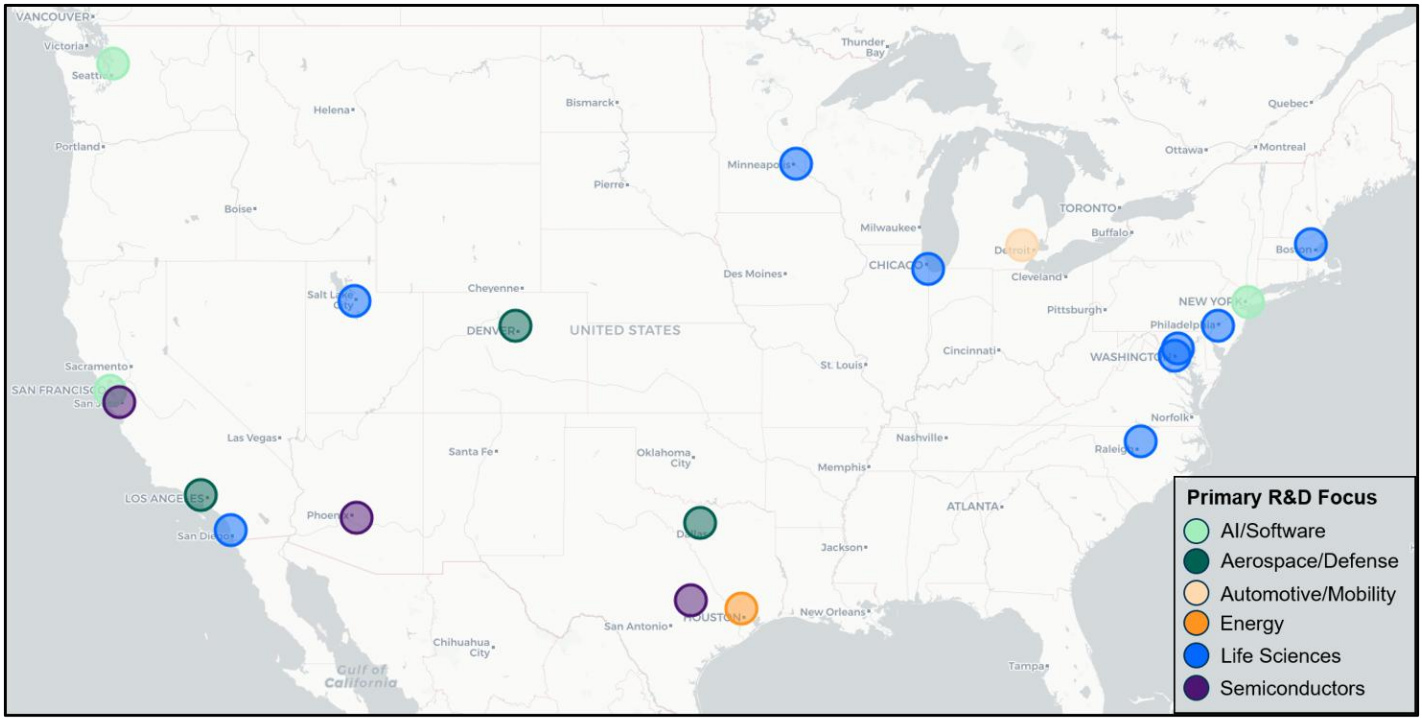
More recently, R&D property fundamentals have been impacted in the past few years by oversupply, a challenging financing backdrop, and shifting post-pandemic research priorities. However, most large research clusters appear to be near peak vacancy for this cycle, with markets heavily exposed to the ongoing AI boom likely to outperform those more concentrated on medical research. The nascent revival in onshoring of manufacturing activity, particularly in sectors with national security implications, should provide an additional tailwind to demand for R&D space. That would place West Coast hubs in a favorable position to experience occupancy gains over the next two years.

[15] Henning Soller, Duc Nam Nguyen, Martina Gschwendtner, Victor Kermans, Waldemar Svejstrup and Waris Ziarkash. (2026, April 28). *McKinsey Quantum Technology Monitor 2026: A commercial tipping point.* McKinsey & Company.

[16] U.S. Department of Energy National Quantum Information Science Research Centers. (n.d.). *National Quantum Information Science Research Centers.* U.S. Department of Energy

Appendix A

Top 20 Markets by R&D Focus



Source: Ranking of top 20 markets per analysis of CoStar Group data. Primary R&D focus per research from CBRE and local economic and government agencies. Map created by New York Life Real Estate Investors' Strategy and Research Group.

Appendix B

Seattle vs Albuquerque: A Case Study[17]

The U.S. business landscape is dotted with countless examples of companies' transformative impact on labor and property markets. A most consequential one was Bill Gates and Paul Allen's decision in 1979 to relocate Microsoft to Seattle (Bellevue), where both were born, from Albuquerque. This event is a clear case study of how innovation clusters manifest into self-sustaining ecosystems and the profound effect that high-tech jobs have on local economies.

In the late 1970s, Seattle was still reliant on its traditional manufacturing and lumber industries, which were declining rapidly. The resulting outflow of the population and notorious crime plagued the city, making it an unlikely destination for a budding technology company.

Albuquerque, meanwhile, appeared to have all the right ingredients in place to support a high-tech sector, including the Sandia National Laboratories and the University of New Mexico. Furthermore, Albuquerque's college-educated share of its population was just five percent less than Seattle's.

Early in 1979, Seattle and Albuquerque were on similar economic trajectories, but Microsoft's explosive growth helped transform Seattle in consequential ways. After Microsoft relocated, Albuquerque's tech scene lost a generational catalyst, and its gap with Seattle of college-educated workers grew to 14% by 1990 and swelled to 45% by 2012. Quality of life measures also diverged, with violent crime now far more prevalent in Albuquerque than in Seattle.

Location	Violent Crimes per 100k People, 10/24 to 9/25	% Change from prior year	Murders per 100k People, 10/24 to 9/25	% Change from prior year
Albuquerque	1,053.4	-15%	15.4	-20%
Seattle	737.3	-7%	4.6	-30%
United States	***335.5***	***-9%***	***4.3***	***-18%***

Source: FBI. Data as of September 2025, released January 2026.

Seattle has flourished since 1979 due to the compounding effects of economic development, which over time amplify small difference between cities with similar long-run growth prospects. Microsoft's arrival altered Seattle's business landscape in three notable ways:

- **First, it supercharged Seattle's attraction to other tech companies.** One of these was Amazon, which landed in Seattle 15 years after Microsoft. With the area already buzzing with high-tech activity, there was plenty of venture capital and software engineers to help grow Jeff Bezos' new business. Companies also benefitted from Washington State's tax structure, which features no state income tax, compared to New Mexico's 5.9%. [The calculus is changing for Washington earners with the introduction of a 9.9% individual income tax set to begin on January 1, 2028. Additionally, the state has levied a capital gains tax since 2022. Since 2025, the rate is 7% on the first $1 million in long-term capital gains and 9.9% for gains over $1 million.]
- **Second, it helped fuel the growth of the entire Seattle tech ecosystem.** Microsoft veterans with ample liquidity launched new companies, fueling a self-sustaining cycle where business success continues to draw in outside entrepreneurs, new ideas, and capital. Notably, Seattle's R&D location quotient is currently 2.50, while Albuquerque's is a respectable 1.41.
- **Third, it expanded Seattle's labor market beyond the tech industry.** Decades of growth in Microsoft's payrolls and their salaries have fueled demand for local services, leading to the creation of various positions, from teachers and doctors to restaurant owners and carpenters.

Ultimately, Albuquerque's Microsoft loss can be ascribed to a variety of factors. While the Sandia and Los Alamos national laboratories hosted significant human capital, including physicists and engineers, the work they performed was primarily for national defense. There was less of a pathway for commercial applications backed by venture capital similar to Seattle or Silicon Valley. Additionally, since Microsoft was still a nascent tech start-up, there was no coordinated effort to convince the company to remain in Albuquerque. Once Microsoft's dependence on its first major customer, which was based in Albuquerque, ended, the company had little reason to remain in New Mexico.

[17] Enrico Moretti, *The New Geography of Jobs* (New York: Houghton Mifflin Harcourt, 2012), 74-81.

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