

Where AI is changing jobs and what it means for real estate

Key takeaways

- AI's impact on jobs does not automatically flow through to real estate. Supply conditions, asset quality and the macro context mediate the relationship between workforce change and property performance.
- AI operates through three simultaneous forces — role augmentation, selective displacement and job creation — that combine differently across geographies and industries, producing four distinct labor demand trajectories.
- AI is segmenting markets, not moving them uniformly. For real estate investors and occupiers, identifying where opportunity and risk lie requires both a market-level diagnostic and an industry-level view of how space demand is changing.

AI is driving divergence across markets, industries and companies

Real estate investors and occupiers are increasingly asking a question: beyond data centers and AI leasing, how is AI actually reshaping the broader labor markets and real estate performance? Agentic AI is decoupling the longstanding link between output growth and headcount growth for knowledge work, raising fundamental questions about the long-term trajectory of space demand, particularly for offices.

Some headlines fuel the scare trade while others try to comfort by saying no material changes have happened. Both share the same flaw: they treat AI's impact as a single, uniform force, either broadly growing demand or broadly shrinking it. Different observers are picking different parts of a complex reality and treating it as the whole story, and this approach limits our ability to respond strategically.

In reality, AI is not producing a uniform outcome. It is a strong sorting mechanism, actively driving divergence at every level across markets, industries and companies simultaneously.

Complicating matters further, the sorting happening in labor markets does not map directly onto real estate fundamentals. A portfolio manager seeing strong leasing demand in their prime assets may find it hard to reconcile that experience with news about AI job displacement. Equally, one facing refinancing pressure may be tempted to overly attribute it to AI. Both instincts are real but not complete.

The actual transmission mechanism between AI's impact on jobs and real estate performance is far more nuanced, and we need the right framework to interpret it.

How AI affects jobs: three focuses, four possible outcomes

AI does not affect jobs through a single mechanism. It operates through three forces simultaneously and in different proportions depending on context:

- **Role augmentation:** AI replaces tasks in a way that reconfigures and augments existing roles without reducing headcount.
- **Selective displacement:** AI replaces specific job types, reducing headcount in targeted areas.
- **Job creation:** AI generates net new job types and expands the scale of demand in others (Jevons paradox*).

* Jevons paradox: improved efficiency tends to increase overall consumption rather than reduce it, as lower costs unlock new demand.

Current evidence suggests that displacement is moderate and much more concentrated than some headlines imply, despite certain AI-washing disguising layoffs as AI-driven. Hiring restraint is largely anticipatory, driven by perceived uncertainty rather than realized AI automation. Entry-level role compression is more pronounced, partly because it takes time for companies to figure out the right new role specs with AI's capability fully taken into consideration. Nevertheless, the economy-wide aggregated employment rate remains stable.

However, aggregate figures obscure what is happening locally. The balance of these three forces varies by industry, role type and location. This is the calibration problem most top-level AI commentary skips over.

The net labor impact from AI for any given market is a function of how these three forces combine, producing four distinct trajectories, each with a different profile and different implications for space demand.

High negative disruption	Low disruption augmentation	High offsetting disruption	AI boom upside
Role augmentation Strong Selective displacement Dominant Job creation Weak	Role augmentation Dominant Selective displacement Weak Job creation Weak	Role augmentation Strong Selective displacement Strong Job creation Strong	Role augmentation Strong Selective displacement Weak Job creation Dominant
-10% to -20%	-5% to +5% impact	>5% losses/>5% gains	>5% or more impact
What changes AI removes many white-collar jobs across back office, ops, support and junior analytical roles with limited new job creation.	What changes AI lifts productivity but does not reduce headcount. Tasks and workflows become AI-assisted; jobs largely remain.	What changes AI eliminates some roles but creates others: expanding existing roles or net new around AI ops, governance, compliance and cyber security.	What changes AI creates more work than it destroys. New demand from analysis, products and AI-enabled services across industries, e.g. healthcare.
Impact on real estate Office demand shrinks. Long leases delay impact; sublease, downsizing and valuation pressure emerge.	Impact on real estate Demand stays broadly stable. Shift toward more flexible workplace formats. Lease length vary between long-term conviction and flexibility.	Impact on real estate Demand shifts across markets, with current and future demand mismatch. Wrong offices, wrong locations, wrong roles.	Impact on real estate Demand grows unevenly. AI-native firms, premium offices and innovation hubs benefit most.

Role augmentation is strong across the board. A market’s industry composition and employment structure are the primary factors determining the potential scale of job displacement vs. creation, and thus the trajectory it tracks. And critically, each trajectory carries observable indicators, making this a practical diagnostic tool, not just a theoretical one.

Why markets show different outcomes: supply, macro and the full picture

AI's impact on jobs and thus real estate demand is only one variable. To understand why property markets are sending mixed signals, two additional layers need to be mapped.

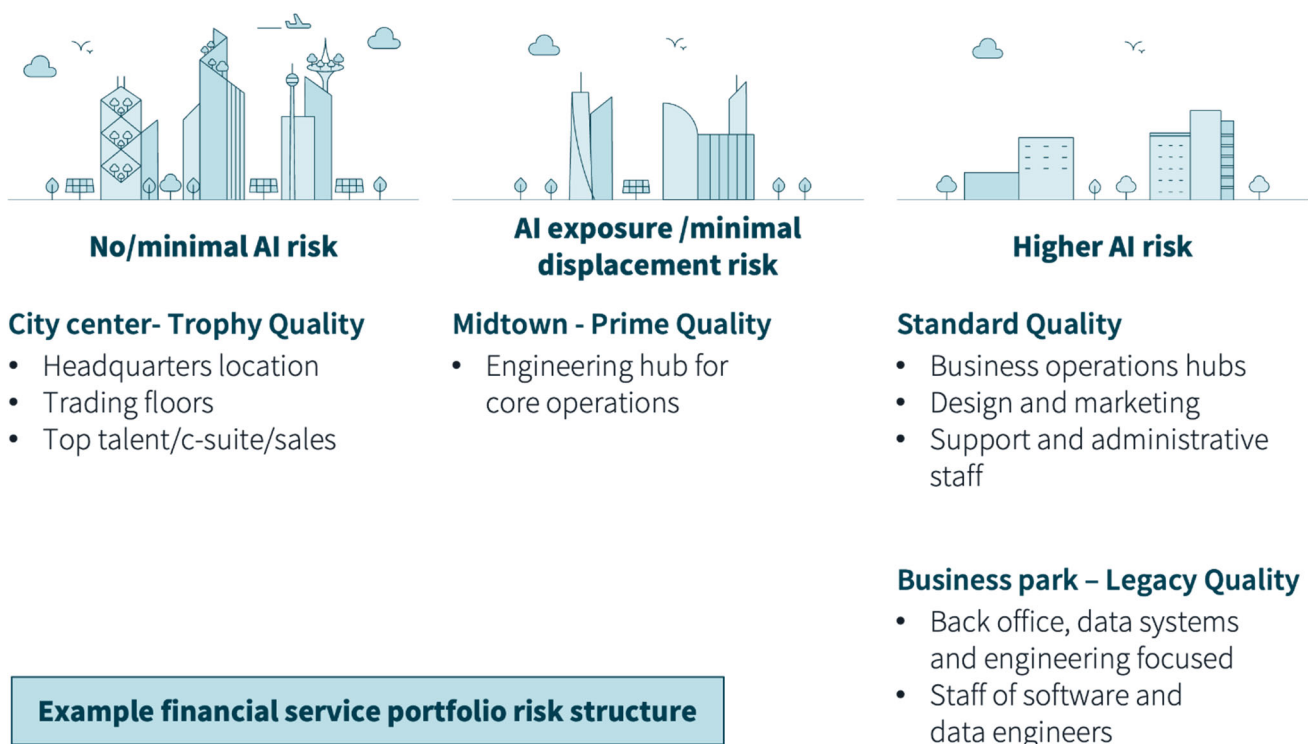
The supply side

Across property types, supply dynamics vary significantly, and in some cases move in the opposite direction to what AI's labor impact alone would predict.

For example, life sciences is a sector well-placed to benefit from AI. AI is accelerating drug discovery and genomic research, yet lab space vacancy rates remain elevated following a wave of supply built during the pandemic boom. The technology sector tells the opposite story: total tech employment in the U.S. declined 1.5% between 2025 and 2026, yet office leasing demand from the sector keeps rebounding, driven by AI company expansion, increasing workplace utilization and a persistent undersupply of premium office space.

In the office market specifically, the post-pandemic slowdown in construction across large gateway cities in the U.S., Europe and Asia Pacific, combined with aging building stock, means that high-quality space is increasingly in short supply. This is creating pockets of both resilience and stress that are not visible from the demand side alone.

Quality remains the distinguishing feature of demand across geographies and within them. AI has been amplifying the office market bifurcation even further, separating assets that attract the most resilient tenants and those that do not. Additionally, it is not just which company occupies a building, but which functions are located there.

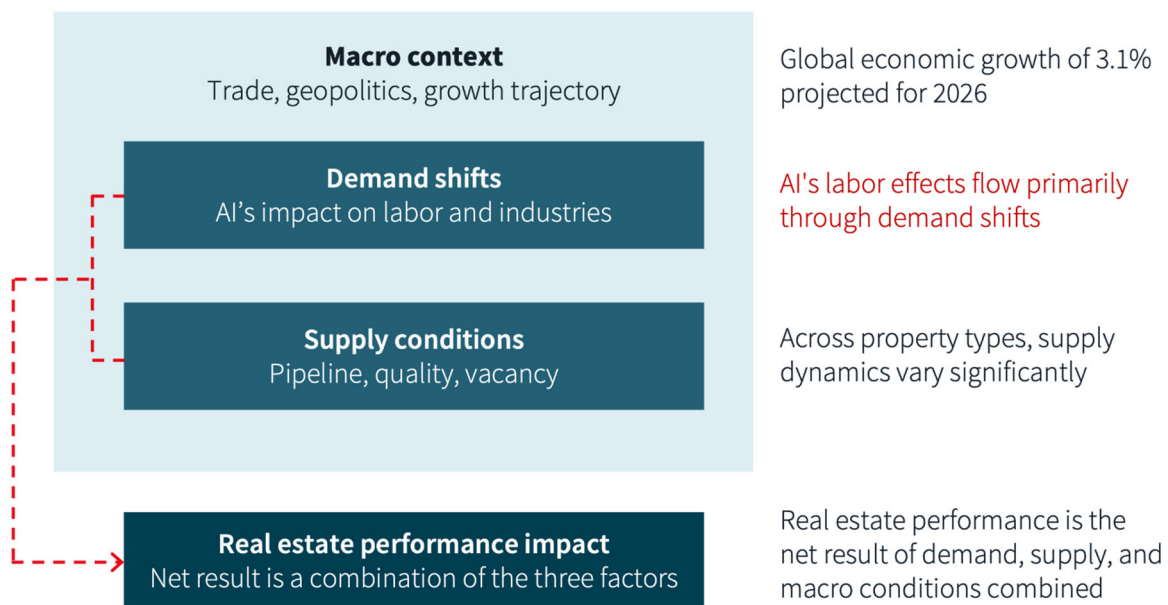


Broader macro factors

AI is not the only force reshaping headcount. Deglobalization, tariffs and geopolitical uncertainty are acting simultaneously. However, conflating these factors with AI overstates AI's short-term role and leads to the wrong conclusions.

Historically, mass job displacement tends to occur only during periods of widespread economic distress, never simply when a particular technology shows great promise. It is worth noting that broader economic growth remains steady if slow: the International Monetary Fund (IMF)'s latest World Economic Outlook projects global growth of 3.1% in 2026.

In the U.S., the labor market remains a net creator of jobs, while employment in Europe has been broadly stable relative to growth expectations, despite economic headwinds from trade and geopolitics. Asia Pacific, although moderating under tariff pressure, continues to expand at around 4% and is still the largest contributor to global growth, with markets like India showing some of the strongest white-collar hiring momentum globally. The fear of AI-driven mass job displacement is running ahead of the evidence.



Why markets show different outcomes

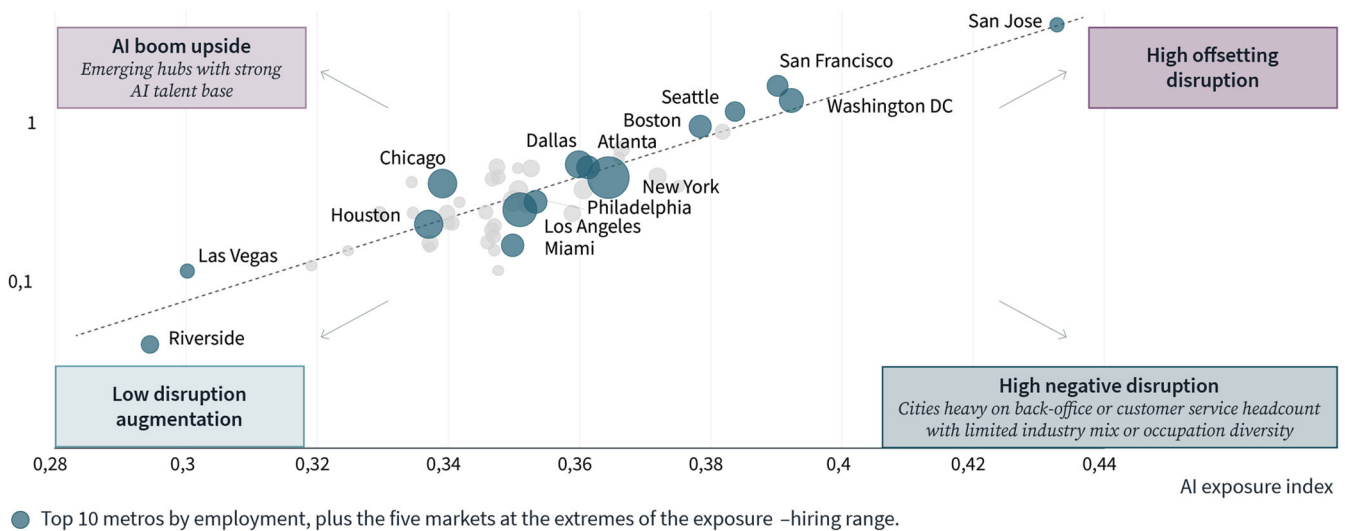
Property performance in any given market is shaped by its AI labor outlook, supply position and broader economic exposure. No single variable tells the full story.

In gateway cities, job exposure and opportunity tend to move together rather than in opposition. A research partnership between JLL, MIT Sloan School of Management and MIT Center for Real Estate finds that the U.S. markets with the highest AI exposure also tend to have the strongest AI-driven opportunities. San Francisco, for example, follows the “High Offsetting Disruption” trajectory, with both high displacement and high AI job creation. Since 2025, nearly 30% of its total leasing has come from AI companies.

Correlation between AI Exposure and Opportunity in major US markets

Rey Bao, et al., MIT Center for Real Estate & MIT Sloan School of Management

AI job posting intensity (log scale)



Note: AI Exposure Index uses capability-based assessment by Eloundou et al.. AI Job Posting Intensity uses monthly average AI/ML hiring per 10K workers since ChatGPT launched in 2022. Size of bubble: total employment. Source: MIT Real Estate Action Lab, Rey Bao et al., JLL Research, Lightcast, US BLS, OEWS.

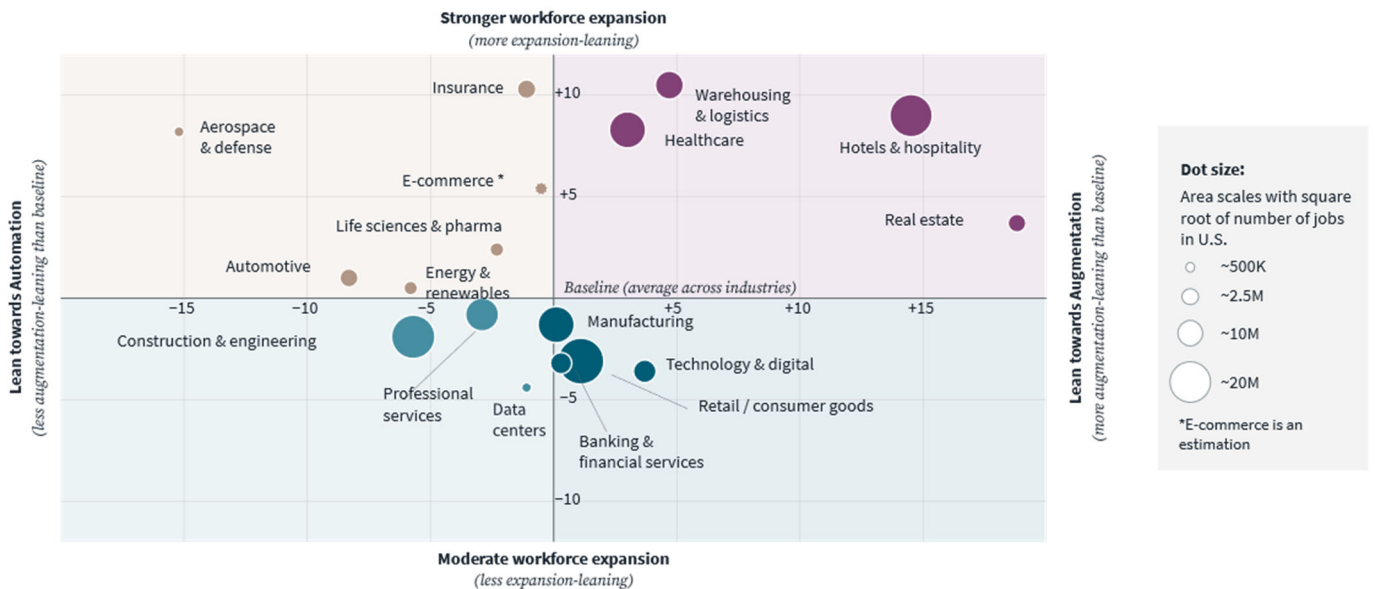
This is a counterintuitive but critical insight for investors assessing geographic risk. The more useful lens is not exposure but adaptability: how quickly can a market absorb disruption and redeploy its labor into emerging roles? Less diversified markets with limited adaptive capacity face a different outlook and represent a different risk profile for investors holding assets in those locations.

How companies are planning headcounts and AI's role in it

Our market-level framework tells us why geographies diverge. For investors assessing tenant exposure and occupiers making portfolio decisions, the industry level is where the sorting becomes actionable.

JLL's 2026 Future of Work survey examines two key dimensions of company planning: their plan on workforce expansion vs. reduction, and their lean toward AI automation vs. augmentation. The results show that all industries are still planning to grow their workforces, with 60% of companies continuing to expand headcount in the next 3-5 years. The difference lies in the pace and composition of growth and which part of the industry is leading that growth. Just like the property market, this is a story of differentiation, not decline.

Critically, the same **four trajectories** that apply at the market level also play out within industries. A sector's position in the quadrant is a strong indicator of which trajectory it will follow.



Source: JLL 2026 Future of Work Survey, US BLS

Industries with stronger workforce expansion:

- **Prioritizing AI augmentation (e.g., logistics, healthcare, hospitality):** The core value delivery is place-based and frontline worker-heavy, making AI a tool for operational augmentation rather than workforce substitution, leaving underlying growth drivers intact.
- **Prioritizing AI automation (e.g., aerospace & defense, insurance, energy):** These industries have strong structural growth drivers independent of AI, such as demographic shifts, geopolitical investment cycles and risk complexity. While their engineering-heavy and data-intensive workflows offer significant AI streamlining potential, automation and headcount expansion are happening in parallel.

Industries with moderate workforce expansion:

- **Prioritizing AI augmentation (e.g., technology, financial services):** Industries here produce digital or cognitive outputs that AI can most directly augment, enabling the same or greater output from leaner teams. Headcount growth continues, but through the form of more compact and higher-output teams.
- **Prioritizing AI automation (e.g., professional services, data centers):** Industries here are undergoing the most deliberate operational restructuring driven by AI, actively rebuilding delivery

models and workflows. The result is that organizations produce more with lean teams and the capacity freed by AI automation, especially in the few industries with labor shortages.

In addition to the cross-sector divergence in headcount growth prospects, what drives growth within each sector is also different. Space demand is shifting both in size and portfolio composition as a result.

Life sciences' space requirements, for example, are shifting away from conventional lab infrastructure toward compute-intensive R&D environments that demand proximity to power supply, high-capacity data infrastructure and AI talent. Financial services are compressing their mid/back-office headcount, with footprint optimization in those functions likely to follow in the near term. In the meantime, strong demand is being sustained for top-tier assets in major financial centers.

The core implication for investors is that industry-level aggregates alone are no longer sufficient to understand AI's impact. Opportunity and risk both sit at the occupation level. More intelligence on tenant composition and likely AI impact will identify assets at risk and opportunities to reposition assets to meet the evolving AI-led transformation.

For occupiers, understanding the relative balance of automation and augmentation for their industry and markets is crucial. With sufficient adaptability in the portfolio, corporate real estate leaders can formulate the talent strategy, forecast headcount needs more accurately and identify the right space and locations.

What investors and occupiers should do now

The sorting is already underway. Navigating the AI-driven change with conviction requires both a sharper analytical framework and market intelligence across asset classes, geo markets and industries.

For investors, outperformance in the current cycle will depend on driving income growth rather than yield compression. This requires looking beyond broad market and sector allocations to identify the specific intersection of AI-led growth, diversified and adaptable economies, and constrained supply fundamentals.

For occupiers, portfolio strategy can no longer be built on static headcount assumptions. As the three forces on labor continue to develop and impact different markets and sectors, the additional variability in workforce planning and location requirements points to a continued need for adaptable portfolios.

This is not the first time the real estate industry has navigated structural shifts — from suburban to urban after the Global Financial Crisis, from volume to quality after COVID. Each time, the winners were those who repositioned ahead of the data. AI is no different in this sense. In a time of heightened market complexity, the winning players will be those who act with the right framework, not those who wait for transaction numbers to confirm what the labor market is already showing.

Research authors

Yuehan Wang

(GJ=<G3 @N<M-C % IM@QJ!)

Real Estate Technology

Yuehan.Wang@jll.com

Matthew McAuley

4@IDJM% IM@QJ!

Market Intelligence Research

Matthew.McAuley@jll.com

Phil Ryan

4@IDJM% IM@QJ!

Global City Futures

Phil.Ryan@jll.com

Steven Lewis

(GJ=<G) @<? !!

Insight and REMS Research

Steven.Lewis@jll.com

Daniel Littman

4@IDJM% IM@QJ!

Office Capital Markets Research

Daniel.Littman@jll.com

Amber Schiada

) @<? UJ*! ?PNMDN!

Sectors Research

Amber.Schiada@jll.com

!

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To find out more about JLL services, contact:

Alexandra Bryant

\$&0 !

Value & Risk Advisory

Alexandra.Bryant@jll.com

Thomas Mundy

&S@>PQD@% IM@QJ!!

Advisory

Thomas.Mundy@jll.com

Peter Miscovich

. <I<BDIB% IM@QJ!

Consulting

Peter.Miscovich@jll.com

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