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The impact of AI on the office sector

The rapid evolution of generative AI since the release of ChatGPT in late 2022 has had wide-ranging implications across the global economy. AI is already influencing how businesses invest, operate and organise work. For office-sector investors, the key questions are how this will affect employment growth and future demand for office space.

The release of ChatGPT in November 2022 marked the beginning of the generative AI era. Since then, AI has moved quickly into business, government and consumer use, while attracting significant investment into infrastructure needed to support AI, such as data centres, microchips, product development and enterprise adoption.

For the property sector, the immediate and visible impact of AI is large volumes of data centre development. This investment provides competition for industrial land and could potentially draw investment away from other property sectors including housing, retail and office. The latter's development could potentially restrict the attention local approvers can pay to rival housing, industrial and office projects.

To form a view of AI's potential impact on office demand, we need to look beyond broad claims about AI and jobs. The more useful question is which skills, tasks and roles AI is likely to augment or automate over the next three-five years.

AI is helping reshape the skills mix required for work

Core skills required by workers are evolving, and as AI becomes more pervasive, human-centric, technological and adaptive capabilities are expected to become more important. By contrast, the capacity of generative AI to substitute humans in executing specific skills is most profound with programming, multi-lingualism, reading, writing and mathematics. Jobs with a larger reliance on skills exposed to AI substitution are at a higher risk of replacement. Jobs requiring core and emerging skills (Graph 1) are less susceptible to redundancy.

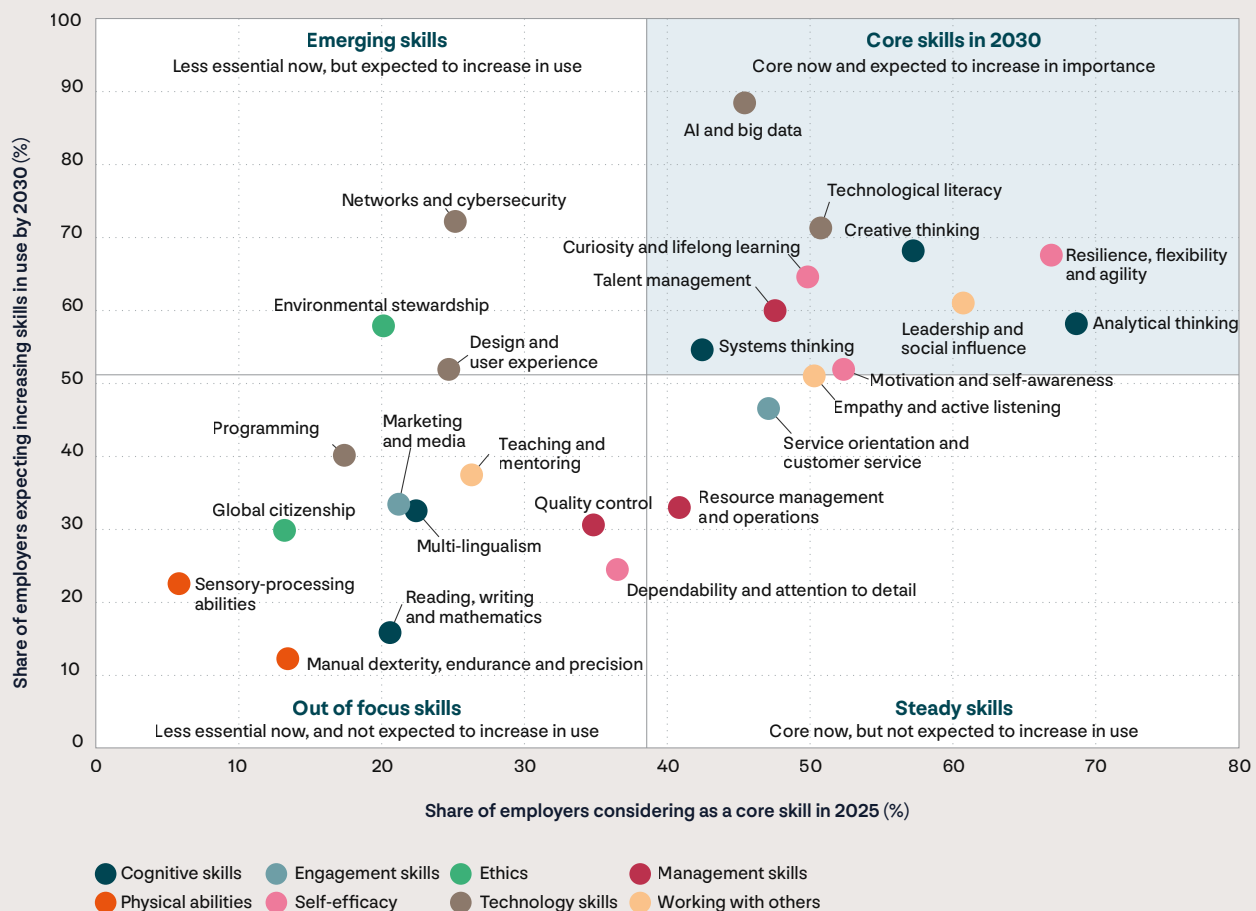
AI will increasingly automate or augment human work tasks

A World Economic Forum (WEF) survey projects that the proportion of work tasks solely completed by technology will increase from 22% in 2025 to 34% in 2030. Conversely, tasks undertaken solely by humans are projected to decline to 33% in 2030, down from 47% in 2025.

Of the industries that predominantly occupy office space, Telecommunications, Insurance and Pensions Management, and Financial Services and Capital Markets are expecting that more than 95% of the decline in human tasks will occur due to automation (Graph 2).

GRAPH 1

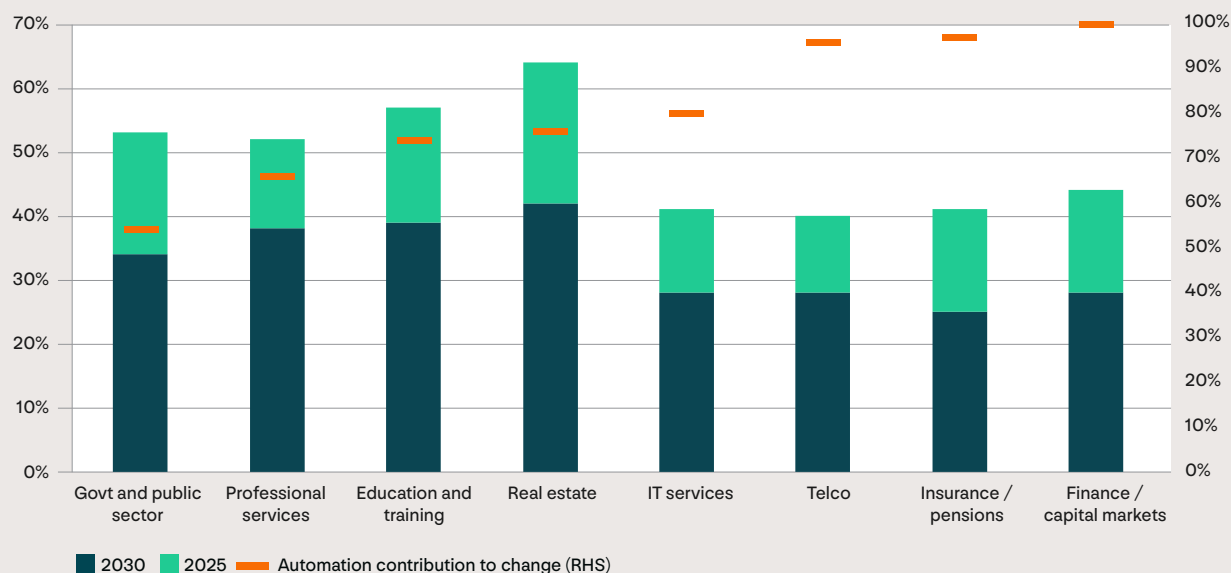
SKILLS THAT MATTER NOW AND SKILLS THAT WILL MATTER MORE BY 2030



Source: World Economic Forum

GRAPH 2

CHANGE IN PROPORTION OF HUMAN-PERFORMED TASKS ATTRIBUTABLE TO INCREASING AUTOMATION, 2025-2030 (INDUSTRIES THAT PREDOMINANTLY OCCUPY OFFICE SPACE)



Source: World Economic Forum

The WEF survey results presented in Graph 2 are consistent with findings from a generative AI capacity study (2025) by Jobs and Skills Australia, an Australian Government statutory body established in 2022. As part of the study, 357 occupations based on Australia and New Zealand Standard Classifications of Occupations (ANZSCO) were scored from 0 to 1 based on generative AI augmentation and automation exposure. The 357 occupations are assigned into 23 groups, with average scores presented in Graph 3.

Based on this study, accounting, financial services, administration and human resources, IT and telecommunications are more exposed to generative AI automation.

If increased automation results in fewer workers in these industries and occupations, future office space could be affected. While this remains a potential future risk, we are yet to see conclusive evidence that AI automation is replacing white-collar jobs.

AI cannot automate all tasks

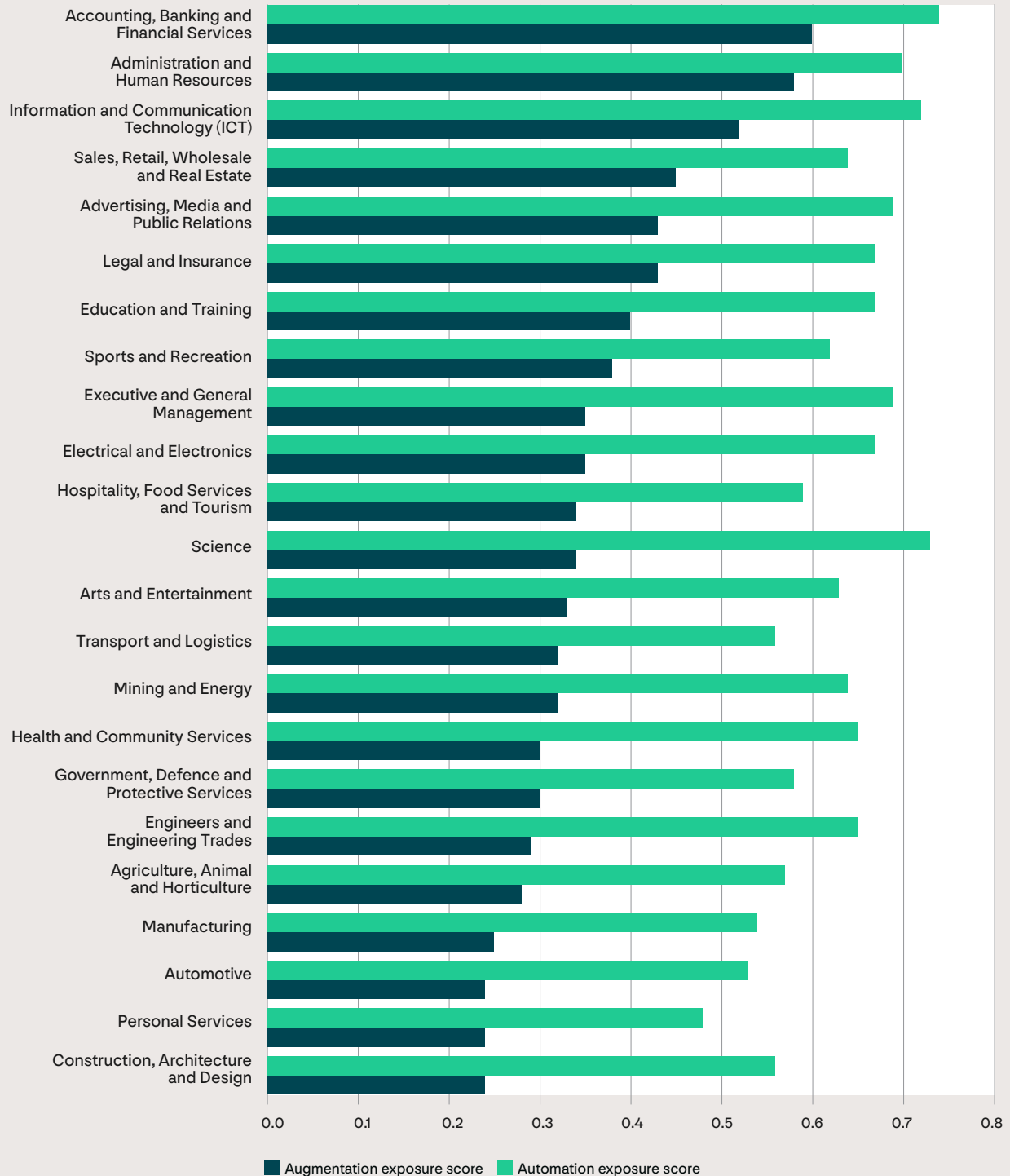
There are core limitations preventing full task and role automation. AI can still hallucinate, struggle with complex reasoning and produce inconsistent outputs when prompts are poorly framed or too much information is provided. It also lacks the broader context and accountability that human workers are able to bring to business decisions.

Crucially, there is growing acceptance that tasks requiring responsibility, ethical judgement, trust, creativity, persuasion and other soft skills cannot be reliably delegated to probabilistic systems without human oversight. In essence, we return to the sentiment expressed by IBM nearly 50 years ago. “A computer can never be held accountable, therefore a computer must never make a management decision.”

Although AI’s ability to overcome these limitations will improve as new models are released, there is uncertainty as to where that improvement reaches a ceiling.

GRAPH 3

JOBS AND SKILLS AUSTRALIA – EXPOSURE TO GENERATIVE AI AUTOMATION AND AUGMENTATION



Source: Jobs and Skills Australia

AI's impact on office demand by industry

The impact of AI on jobs remains uncertain. In the near term, roles with a high share of routine cognitive work may face greater displacement risk. Over the medium to long term however, AI could primarily act as an augmentative technology. This includes improving productivity, increasing firms' output, creating new capabilities and redeploying labour into higher-value functions.

Employment markets are also expected to evolve: over 60% of jobs in the US in 2018 were not "invented" in 1940 (Autor et. al., 2022). We expect that as AI adoption grows, it will create demand for new skills and new jobs.

Table 1 summarises our view on the potential impact of AI on employees across selected office-occupying industries.

TABLE 1

AI'S POTENTIAL IMPACT ON EMPLOYEES DIFFERS BY INDUSTRY

Industry	Potential labour force impact in Australia	Potential impact on office demand in Australia Background Context	
		Near/medium-term (1-5 years) (ranked by most positive impact)	Longer term (5-10 years)
Engineering, planning, construction services	AI to improve productivity but structural labour demand remains high for development of infrastructure, energy transition, data centres and housing.	Moderate expansion	Stable to moderate expansion
Government	Focus likely to be on workflow redesign rather than job cuts. There are sensitivities around AI replacing roles, but government needs to be seen to be delivering services efficiently.	Stable	Stable
Finance & Insurance Services, Wealth Management	Growth in employees facilitating AI adoption and roles exploring new business opportunities using AI with proprietary datasets. Likely contraction is back-office and frontline customer service roles, some of which sit outside CBD markets and with some offshore.	Moderate contraction to stable	Stable to moderate expansion
Legal	AI increasingly being used for research, drafting, review and summarising contracts and written material. This could place downward pressure on graduate roles and perhaps these productivity gains could reduce billable hours. Alternatively, it may improve efficiency allowing more focus on high value advice. Corporate in-house lawyer teams may shrink.	Moderate contraction to stable	Stable
Accounting	Tax, audit support, compliance and bookkeeping are routine and rules based making them susceptible to automation. Similar to legal, junior roles likely more at risk.	Moderate contraction to stable	Stable
IT and technology	US tech companies have announced more than 123,000 cuts so far (to June) this year, a 65% increase on last year ² . This trend will be felt locally in Australia but offset partly by growth in areas around AI integration and governance, cybersecurity, big data and software engineers.	Contraction (through sublease space from large tech tenants)	Expansion
Administrative and support services	Clerical, receptionist, customer service, telemarketing, document management, recruitment roles requiring routine cognitive tasks less in demand as generative AI becomes more capable.	Contraction	Contraction

¹ No footnote supplied

Context around headline-grabbing redundancies in the tech sector

Several major technology companies this year have announced staff reductions. Table 2 provides context around some of those announcements.

A common theme amongst hyperscalers (Alphabet, Amazon, Meta, Microsoft, SpaceX) is a sharper focus on headcount expenditure as they fund investment into AI infrastructure. Morgan Stanley estimates AI-related investment could reach US\$1.2 trillion and US\$1.4 trillion in 2027 and 2028 respectively, compared with around US\$700 billion in 2026.

Tech sector employment growth is slowing but this is in context of extraordinary levels recorded over 2020-22. Graph 4 illustrates employment growth in 22 listed companies within six industries. Median growth in employees for this selection of companies was 63.4% over 2020-22 but decreased to 5.6% over 2023-25, resulting in median annualised growth of an impressive 9.2% over the six-year period.

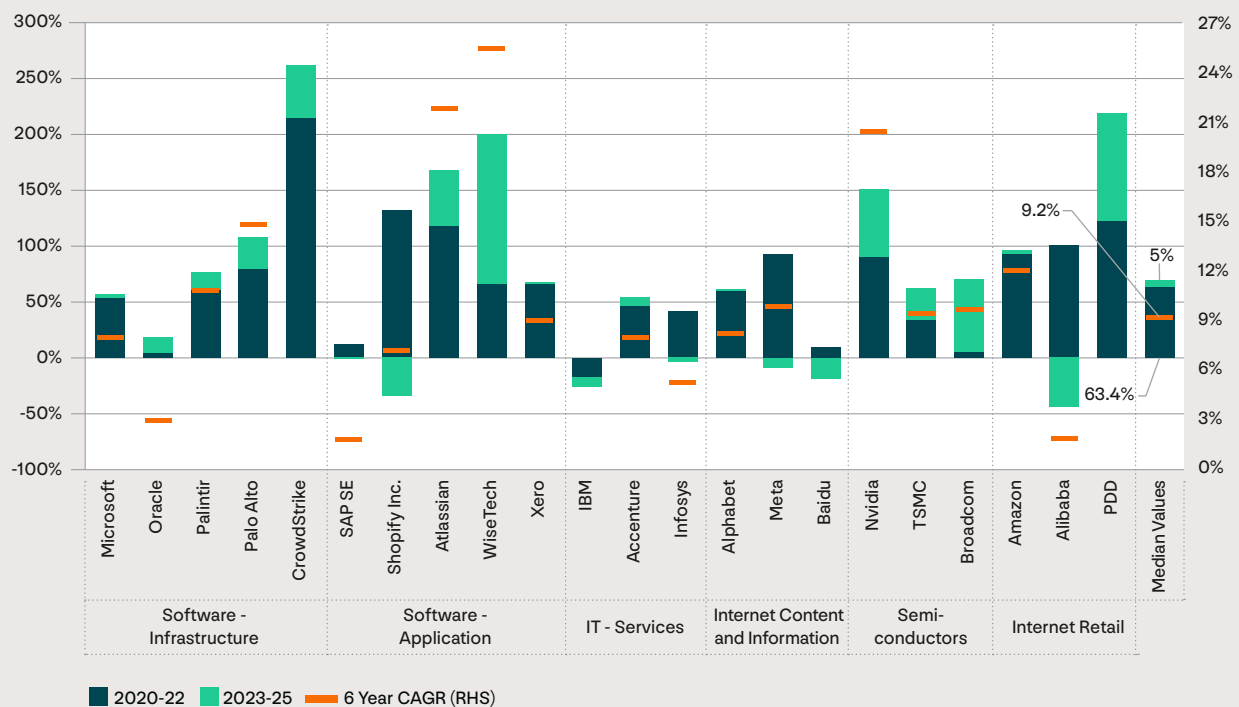
TABLE 2

SELECTED ANNOUNCED TECH SECTOR JOB CUTS

Company	Announcement	Background Context
WiseTech	2,000 jobs to be cut over a two-year period (February 2026)	- WiseTech's 2025 merger with e2open doubled WiseTech's number of employees overnight (from 3,600 to around 7,000) - Prior to the job-cut announcement, WiseTech's share price had fallen ~60% over the preceding six months, not long after the e2open acquisition was completed (in early August) - Software engineering, product and development, customer service / support and internal operations are where roles will be replaced by AI
Atlassian	1,600 jobs globally (10% of workforce) of which 500 are in Australia (March 2026)	- AI changes the mix of skills and number of jobs in certain areas - Number of employees had grown 50% since June 2023 - Share price was down ~75% from January 2025 to just before the cuts were announced
Oracle	30,000 (of 160,000 employees) have lost their jobs so far (April 2026)	Oracle is ramping up investment in data centres in order to better compete against cloud rivals such as Alphabet and Amazon. Free cash flow is negative so cutting staff supports financial performance
Accenture	Over 11,000 (of 791,000 employees) laid off in three months to September 2025	- Despite the cuts, there was still employee growth in the year of the cuts (2025) - The layoffs are part of an \$865 million restructuring that is expected to result in headcount growth in areas such as AI and digital services
Meta	Announced April 2026. Cutting 8,000 jobs (10% of workforce) and is closing 6,000 open roles	- In May shifted 7,000 employees to new roles related to AI - Number of employees grew 35% in the five years to December 2025 so some pullback - Meta investing heavily into data centres and may be prepping to launch a cloud business
Microsoft	In May, announced offering (for the first time) voluntary retirement to 7% of its 125,000 American workforce. In July, announced it will cut 4,800 jobs (2.1% of its global workforce)	- The 4,800 cut roles not being replaced by AI. Restructuring of its struggling gaming division will involve 3,200 job cuts - Seen to be managing down its workforce to pay for AI investment, which is expected to total US\$250 billion in 2028 (Morgan Stanley)
Amazon	In January cut 16,000 roles, 1% of its 1.58 million workforce	- Pouring an estimated US\$200 billion into AI infrastructure in 2026 alone. Cutting jobs helps fund its investments 57,000 corporate jobs have been cut since 2022, roughly 16% of that workforce

GRAPH 4

EMPLOYMENT GROWTH, SELECTED LISTED COMPANIES



Source: IFM Investors

This data in Graph 4 excludes employment at the major privately-owned generative AI companies, which has grown strongly:

- **OpenAI:** currently has 4,500 employees but is looking to expand to 8,000 by end-2026
- **Anthropic:** from a few dozen founders in 2021 to between 3,000 – 5,000 employees in 2026

Graph 5 expands on the dataset in Graph 4, capturing 20 large, listed companies in each of the six industries globally, totalling around 8.2 million employees as at the end of 2025. The expanded dataset corroborates the conclusions drawn from Graph 4: tech sector industries and internet retail in general recorded strong employment growth over 2020-22, and although that growth has subsequently slowed, it remains positive.

There is limited evidence that AI is the dominant contributing factor to recent tech-sector job cuts. Some losses over the past 12 months are likely attributable to companies redressing the period of rapid employment growth over 2020-22, including growth linked to M&A activity stimulated by very low interest rates.

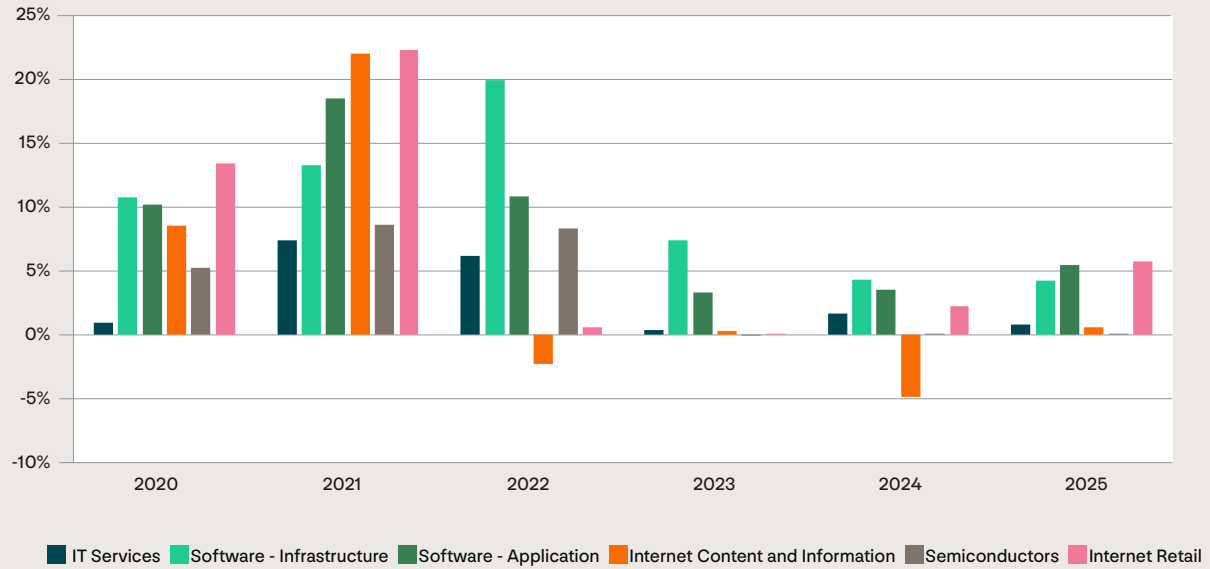
A possible near-term risk to office occupier demand from tech sector tenants is that further job cuts could be required to help fund investment in AI infrastructure or broader AI adoption. However, recent conditions in the San Francisco office market – widely regarded as the AI epicentre – partly counter that view. Seven consecutive quarters of positive net absorption have resulted in vacancy falling from 36.9% in Q3 2024 to 29.2% in Q2 2026. AI companies have recorded year-to-date net absorption of 3.2 million square feet.

Financial services enter the era of AI-executed workflows

The large presence of finance and insurance industry employees in Sydney and Melbourne (Graph 6) makes banking and finance especially important to this analysis. Assumptions about how AI could impact employment in this industry have direct implications for occupier demand within these office markets.

GRAPH 5

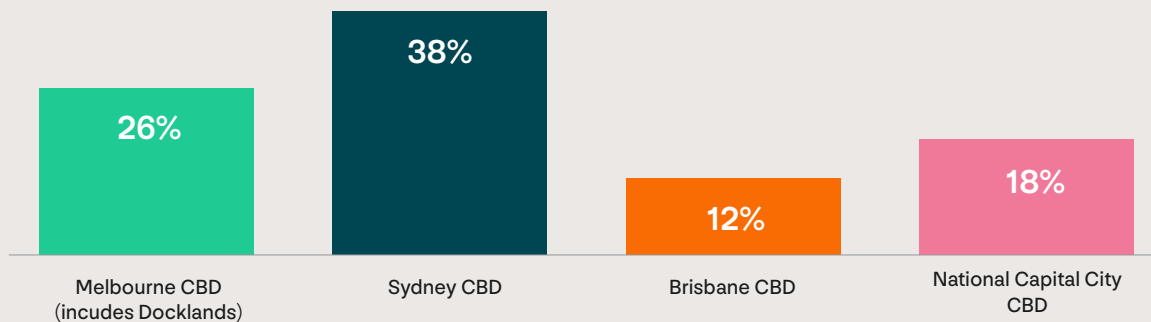
MEDIAN EMPLOYMENT GROWTH OF SELECTED LARGE, LISTED COMPANIES WITHIN TECH SECTOR INDUSTRIES AND INTERNET RETAIL



Source: IFM Investors

GRAPH 6

FINANCE AND INSURANCE OFFICE WORKFORCE SHARE OF TOTAL OFFICE WORKFORCE



Source: IFM Investors, Oxford Economics

The finance industry is beginning to transition towards a “human-in-the-loop” model where AI executes analysis and workflow tasks, while humans provide oversight, judgement and client interaction. Roles centred on repeatable processes with documentation or structured data are ripe for AI automation. These include data entry, transactions, settlements, payments operations, accounting, reconciliation and documentation, as well as customer service positions handling routine and scripted interactions. However, the financial services industry is heavily regulated and even simple errors can have material consequences. Trusted guardrails, checks and balances would be essential before roles are replaced at scale.

Roles less susceptible to automation include those requiring judgement, accountability, relationship management, complex advisory, risk assessment and strategic decision-making. These are more likely to be carried out by mid-to-senior level professionals, with AI expected to augment work rather than replace it.

Anthropic’s May 2026 release of ten AI agents for financial services accelerates this shift from assistive AI to workflow automation. The AI agents are designed to automate labour intensive tasks,

including transaction reconciliation, settlement processing, month end close preparation, general ledger checks and financial crime screening. These agents operate across multiple systems, assemble evidence, apply rules and escalate only residual judgement to human staff. Early adopters include major global institutions such as Goldman Sachs, Citi, Visa, AIG, Blackstone and JPMorgan.

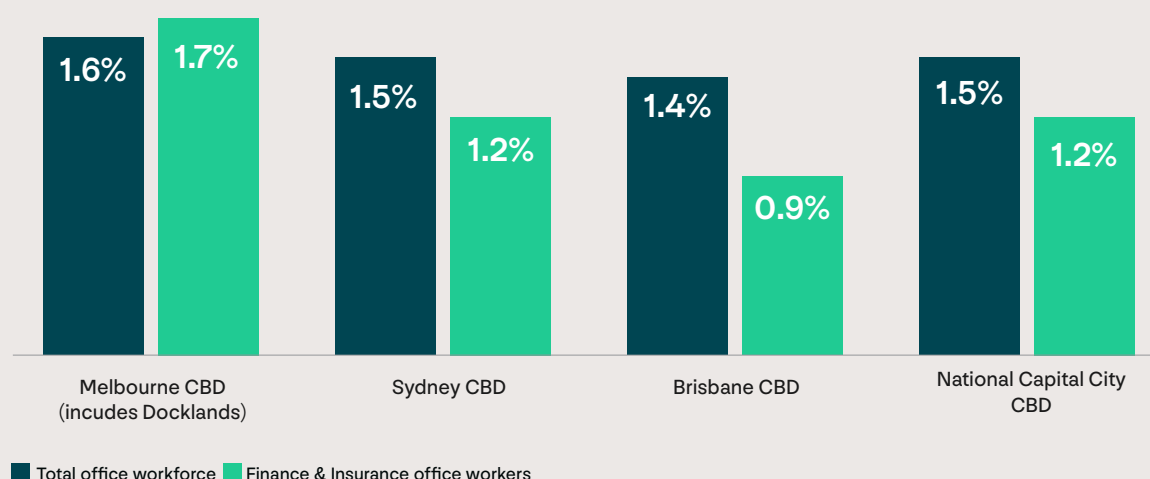
Given the prominence of finance industry workers in Sydney CBD and Melbourne CBD office markets, these markets appear more exposed if AI-led productivity gains reduce headcount in selected finance roles.

If that scenario were to unfold, we would not expect contraction to occur quickly because AI adoption is still developing. The outcome could instead be subdued if job losses are offset by new roles supporting AI adoption, or if some affected roles sit outside CBD markets or offshore.

Despite the potential risks, Oxford Economics remains positive about future growth in the Finance and Insurance office workforce from 2025 to 2035 (Graph 7). Oxford forecasts suggest expansion of office footprints by the finance and insurance industry rather than contraction.

GRAPH 7

OFFICE WORKFORCE 10-YEAR ANNUALISED GROWTH RATE (2025-35)



Source: IFM Investors, Oxford Economics

AI: Office demand shock is far from certain

AI is already changing how businesses think about productivity, roles and investment. But its impact on white-collar employment, and therefore office demand, is still far from settled.

Some roles are likely to be reduced, others redefined – and new functions will emerge, offering opportunities for upskilling, as businesses learn how to use the technology effectively.

For real estate investors interested in the office sector, AI-linked staffing changes should be taken seriously, but not viewed in isolation. Many

recent employment decisions also reflect the economic cycle, margin pressure, heavy investment requirements and a period of rapid hiring, including growth through mergers and acquisitions.

The critical signal will be how industries adapt: which tasks are automated, which roles become more valuable, which are redefined to supervise growing interest in automation, and where new sources of labour demand appear. AI is a structural risk for office markets and its evolution should be watched closely, not treated as a straight-line forecast for weaker office demand.

Contact our Client Solutions team

To discuss what the evolution of AI could mean for office markets and long-term property investment, please reach out to our Client Solutions team.

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