

Emerging Technology Advisory Group

Cybersecurity: A Major Capital Opportunity

Each day the world creates 2.5 quintillion bytes of data, with 90% of all existing data created over the past two years alone.¹ With more of our business and personal lives being stored and logged online, the need for cybersecurity has never been more urgent.

Damages related to cybercrime are estimated to surpass \$6 trillion globally by 2021, doubling the 2015 total.² Attacks over the past three years have released hundreds of millions of personal records to the wider internet, including credit ratings (Equifax), social profiles (Myspace), health information (Anthem), and even critical government held data (Aadhaar). Spending on Cybersecurity across all global industries increased by more than 5% in each of the last four years. Projected spending through 2021 is expected to increase even more dramatically with initial estimates between 12 and 15% and a cumulative spend as high as \$1 trillion.³ This estimate may change rapidly in response to the impending proliferation of connected devices.

Throughout the U.S. there are currently just under 750,000 people working in the industry, with more than 280,000 unfilled positions in technically and financially driven states like California, Texas, Florida, Virginia, and New York.⁴ These locations match the major cybersecurity employers and investment targets in the San Francisco Bay Area, Washington, DC, New York City, and Dallas markets. Much of this demand centers around two areas: network maintenance and administration and the design and development of cybersecurity systems.

In 2017, more than \$5.6 billion in venture capital and private global equity funding poured into nearly 200 cybersecurity firms⁵, a rise of more than \$1 billion from 2016 totals.⁶ Denver (thanks to KKR's buyout of Optiv) and the Bay Area led the way with more than \$1 billion invested in both

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markets. Other key markets receiving over \$100 million included New York, Boston, Charlotte, Washington, DC, and Dallas, maintaining the pattern of cybersecurity companies locating near their key clients in the software, financial, and defense industries. Washington, DC, will continue to be a market to watch in the future as a variety of government agencies move more processes online and require greater security. A recent study discovered that the population of cybersecurity engineers and analysts is 3.5 times as big as the rest of the U.S. combined.⁷

1 IBM, 10 Key Marketing Trends for 2017

2 Steve Morgan, Cybersecurity Ventures, 2017 Cybercrime Report

3 Morgan, Cybersecurity & Cushman & Wakefield Research

4 Cyberseek.org, 2017

5 Morag McGreevey, Cybersecurity Ventures, 2017 Venture Funding Report

6 Ashlyn Still, Reuters Graphics, Zombie Capital: Cyber Security Venture Capital Funding on the Rise While Exits Fall (2018)

7 Robert Ackerman and Mike Janke, Why the Hub of US Cybersecurity- the DC Beltway- Produces So Few Commercial Cyber Startups

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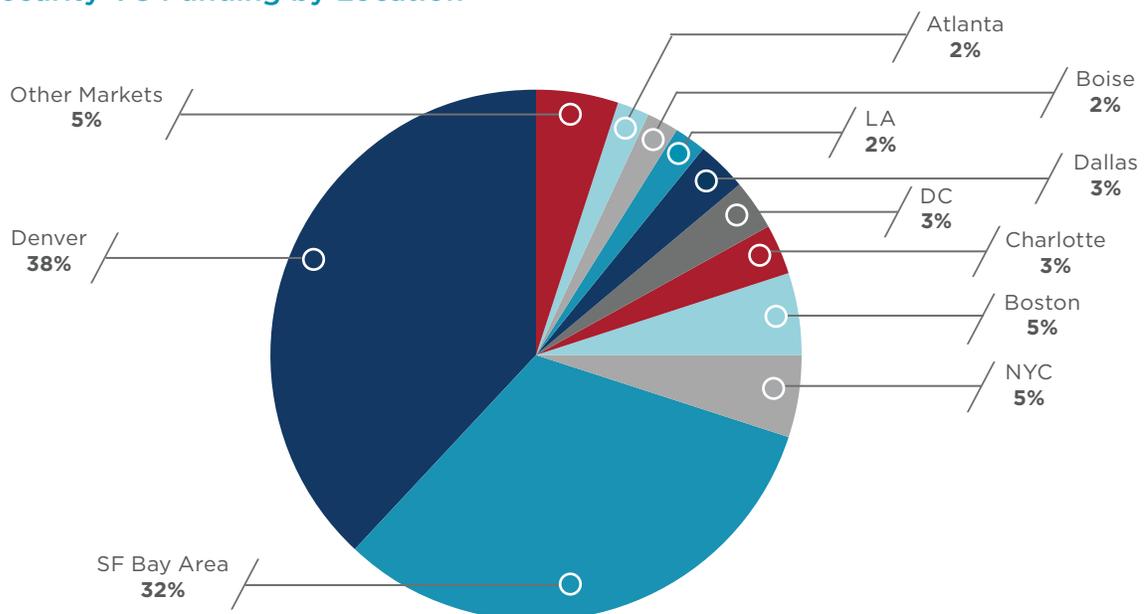
Real Estate Demand from Cybersecurity Firms

2017 saw a major increase in leasing to cybersecurity companies across the country, with 1.4 million square feet signed for over the past year, 1.2 million of which was new. This was a big increase over 2016, which saw just under 800,000 square feet secured by the sector, and represents 2% of the more than 49 million square feet of office space in total taken nationally in 2017. Of the 1.2 million square feet of new space taken nationally, more than 800,000 square feet of this was throughout the San Francisco Bay Area in neighborhoods such as the Financial District and SoMa in San Francisco, Santa Clara, Redwood City, and both the downtown and near-airport neighborhoods in San Jose. The Washington, DC, area was a distant second at more than 132,000 square feet leased in the year, followed by Detroit, Dallas, and New York City.

As for individual deals, the six largest were in the Bay Area, with Okta's signing for more than 207,000 square feet at the Norges Bank- and Kilroy-owned 100 First Plaza in San Francisco as the largest and following up on their IPO earlier in the year. Okta plans to move to the new space in mid-2018 and occupy for ten years. Gigamon renewed and added on to their space in Santa Clara for more than 151,000 square feet, and Sonicwall took up nearly 75,000 square feet in Milpitas. Cybersecurity companies in these markets are prioritizing lease flexibility and scalability as they occupy more space to accommodate their growth. As a result, developing and employing an effective real estate strategy has become vital to the success of new leases across different markets.

The continued and future importance of cybersecurity remains an attractive opportunity for both investors in the sector and those who lease space to the industry.

2017 Cybersecurity VC Funding by Location



Source: Cybersecurity Ventures, Cushman & Wakefield Research

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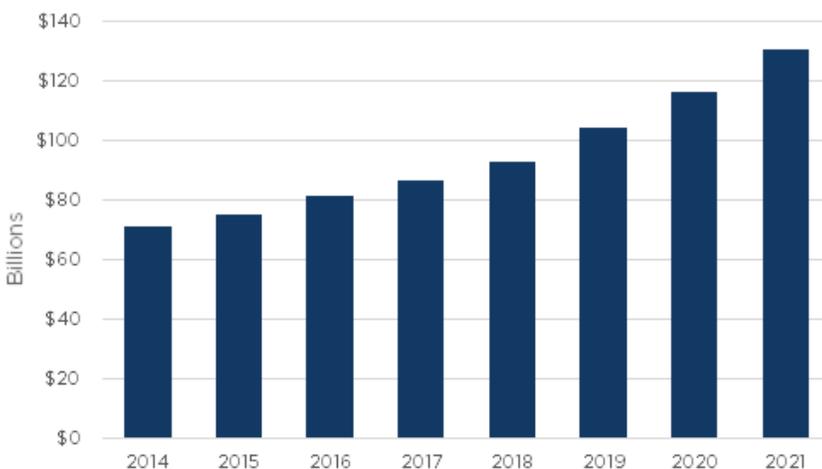


Top 10 Markets by New Leases, Including VC Funding & Job Listings (2017)

MARKET	SQUARE FOOTAGE LEASED	VENTURE CAPITAL FUNDING	JOB OPENINGS
San Francisco Bay Area	830,469	\$1,653,840,000	13,567
Washington, DC	132,000	\$150,900,000	56,762
Detroit	38,087	\$12,000,000	4,460
Dallas	34,754	\$133,000,000	9,719
New York City	30,151	\$278,530,000	19,132
Kansas City	26,955	\$0	1,944
Tampa	22,600	\$30,000,000	3,812
Atlanta	19,828	\$75,000,000	8,522
Denver	17,704	\$1,949,000,000	5,397
Austin	16,817	\$52,000,000	2,626

Source: Cushman & Wakefield Research, Cybersecurity Ventures, Cyberseek

Total Spend on Cybersecurity - All Sectors



Source: Gartner, Cybersecurity Ventures





About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.



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