



TECH CITIES 10

Human capital in the digital economy is footloose, and can choose where to work, almost anywhere in the world. A great deal of it chooses San Francisco – why?

FIG. 1: San Francisco at a glance, composite rankings



Categories are weighted
Source: Savills World Research



San Francisco is tech city par excellence and home to many of the top pioneering US, and therefore, global enterprises of the digital age. It vies closely with Austin, Texas to occupy second position in our Tech Cities ranking. It scores high on the ‘business environment’ and ‘Tech environment’ measures but loses to youthful Austin only on its ability to attract quite so much talent - and its real estate costs are much higher (these two factors might be related).

San Francisco is constantly competing with Silicon Valley to the south for talented tech workers but this rivalry is what our Tech Cities programme is all about. San Francisco is attracting increasing numbers of tech companies, start-ups, scale-ups and entrepreneurs despite the fact that it already accommodates nearly twice as many people per square mile than Silicon Valley to the south – and a much wider range of inhabitants. Some of this can be put down to the changing demographics in the tech industry. →

	Population per sq mile
San Francisco/ Oakland Metro area	1,214
San Jose/ Santa Clara Metro area (Silicon Valley)	620





“A wide variety of talent is something that San Francisco’s city dwellers benefit from bumping in to on a daily basis”



Below: The ‘Tech Mecca’ is becoming more difficult to afford – particularly for young people

FIG. 2: Tech Cities: overall rankings

1	AUSTIN	7	SINGAPORE
2	SAN FRANCISCO	8	DUBLIN
3	TEL AVIV	9	BERLIN
4	NEW YORK	10	HONG KONG
5	STOCKHOLM	11	SEOUL
6	LONDON	12	MUMBAI

Silicon Valley houses ‘old tech’ - longer-established businesses originating from the far-distant era of the 1990s or even earlier. Its origins and early infrastructure even had their origins in post-war defence and science programs. But this tech boom is all about the younger generation. In the last industry cycle, the dotcom boom was led by senior web developers and others that had been in the business. This time, it is 22 year olds founding companies, with no spouse and no kids. This boom is about the cloud, apps and gaming, and the 20-somethings are leading the way. They want to live and work in San Francisco, which has been a draw for other tech firms to relocate from Silicon Valley.

We think it is this sheer concentration of people in the San Francisco metro area is one of the things that gives the city its advantage in the competition for global talent within Northern California. The digital economy is about people, not hardware. Consequently, the quality and quantity of technical facilities in Silicon Valley are less important than it was. It is the quality and quantity of human capital working within the facilities that matters much more – and it would seem that cities are better attractors of human capital than out-of-town business parks.

The tech industry has always been highly innovative and creative, but now the game is one with applications in all walks of life, not just in computer science related industries. This means that the outlook and expertise of the tech industry is broadening; artists, designers and

inventors of all sorts are as much a part of the tech talent pool as software engineers and mathematicians. We argue that cities are better at reflecting this spectrum of life than purpose-built campuses whose purpose has changed.

A wide variety of creative talent is something that San Francisco’s city dwellers benefit from bumping into on a daily basis. This interaction doesn’t just occur in the working environment, on campus, but on the street, in coffee shops, bars, nightclubs, galleries, museums, theatres and a whole host of other places of interaction found in cities but not suburbia.

It is these environments that our tech cities have in spades compared to out-of-town business parks and which makes them so important to innovative industries where human capital is the key asset. San Francisco is a high scorer on quality of life measures and also has an established infrastructure plus tech funding, venture capitalists, R&D, legal and tax frameworks and links with other tech hubs around the world. San Francisco has a liberal business environment as well as a liberal social environment.

The biggest threat to San Francisco’s dominance of the tech scene may turn out to be the costs of paying for the quality of life enjoyed within its confined boundaries, with real estate costs rising, this ‘Tech Mecca’ is becoming more difficult to afford - particularly for young people.

Although the city is attracting workers, (jobs growth in San Francisco was 4.5% in the year to January 2015), residential rents grew by 11.6% in the same year. This was the 3rd highest rental growth in the USA after Denver and neighbouring Oakland CA (which is itself part of the San Francisco metro area).

As a consequence, San Francisco has a much older population than its biggest rival, Austin. The ‘Millennial to Boomer ratio’ (the number of 15 to 34 year olds compared to the number of 50 to 69 year olds) in Austin is much higher than San Francisco. Austin proves that cities with a great lifestyle offering but cheaper real estate are probably the biggest threat to the old giants like San Francisco, Silicon Valley and the global cities. Even small cities can attract tech talent and those that do, win.

San Francisco can fight back if it monopolises on its biggest assets and can create new neighbourhoods within the greater metro area at affordable prices and with that attractive, signature San Francisco culture and lifestyle.

For city leaders, this means that the arts and cultural offering of the city and its environs will be just as important as its business, finance and technical capabilities. In the battle for the top tech brains, will it be Burning Man or SxSW that attract the biggest festival following? ♦