

Follow the Hipsters

While the high-tech industry's growth is driving employers to find new locations for both talent and real estate, traditional high-tech cities are not exactly struggling. Long-standing hubs continue to function as the industry's economic engines; in fact, seven traditionally high-tech-centric markets represent more than a fifth (21.7 percent) of the 65.4 million square feet of office space under construction across the country.

Together, 14.2 million square feet of office space is under construction in the Bay Area, New York's Midtown South, Boston, Seattle, Portland and Austin. Looking beyond the top tier locations is when the economic story gets interesting.

As rents escalate and space becomes scarce in mainstay markets like San Francisco, Silicon Valley and Manhattan, the lure of more affordable prices have high-tech companies seeking talent and real estate elsewhere. The savings potential is huge: downtown Palo Alto, considered the heart of Silicon Valley, has seen such high demand that the office market is just 3.6 percent vacant with average asking rents at \$86 per square foot compared to the national average of \$30.

This even tops New York City's Plaza District at \$85 per square foot. And rents in smaller markets can be less than half that figure. "High-tech's growth is not exclusive to traditional high-tech markets anymore," said Cara Trani, co-lead of JLL's Technology brokerage group. "High-tech clusters have become much more common as high-tech innovations form the backbone of new product development in all industries."

"The race is on among cities vying to become 'the next Silicon Valley.' As a result, more incentives and tax credits become available to lure high-tech companies into markets that are in need of jobs and economic growth," she concluded.

The New Tech Frontiers

The following emerging centers have their own unique appeal to high-tech firms:

- **Detroit – Connected Cars and Ready Labor:** High-tech growth in the Motor City has been expanding thanks to increasing demand for sophisticated vehicle technology. The Motor City also has its fair share of traditional high-tech companies, including Compuware, one of the first companies to move its headquarters from the suburbs to downtown Detroit in recent years. Amazon, Microsoft, Twitter and Google have now joined Compuware in the urban core; Google even announced it would soon launch a Michigan-based fleet of 100 self-driving vehicle prototypes.
- **Charlotte – Fintech Explosion:** A financial technology ("fintech") start-up culture is rising here, largely serving the back-office functions for large banks. Evidence can be seen in innovation hubs like the Packard Place building in its central business district. As the state continues to dole out incentives, Charlotte will see relocations like Spectra, a fintech firm bringing 250 or more jobs downtown.
- **Los Angeles – New Tech, Old Hollywood:** Los Angeles' Westside is home to a burgeoning group of companies at the confluence of high-tech and entertainment. Video game creator Riot Games is likely to be joined soon by Google and advertising mogul RPA, both are actively looking for space nearby.
- **Indianapolis – STEM Central:** The talent pool from local universities producing graduates in the mathematics and science (STEM) fields is a main draw for tech companies to Indy. In addition, Indiana has one of the lowest business tax climates in the U.S., making it attractive to young start-ups and high-growth, middle-market high-tech firms. For example, California-based Systems in Motion is adding 400 jobs by 2017 and leasing new space in suburban Kokomo and Carmel.

- **Orlando – It’s a Tech World After All:** Over the past year, high-tech has become Orlando's second largest industry with a \$14 billion annual economic impact to the metropolitan area. Buildings like the Church Street Exchange - a former mall re-purposed for tech companies - have gone from mostly vacant to more than 90 percent leased in less than a year. Initiatives like the technology accelerator Starter Studio and Orlando's Digital Main Street program are also cultivating high-tech growth.
- **South Florida – South Beach, South Valley:** Miami is getting some buzz as an international high-tech hub, with Microsoft announcing Miami as its first U.S. based Innovation Center at the downtown incubator Venture Hive. However, incubators such as the FAU Research Park in Boca Raton and LAB Miami, located in the burgeoning Wynwood District, tend to feature space that caters more to creative needs. More established high-tech companies with an eye on Latin America are beginning to show interest too.

“When start-ups and established high-tech companies look to expand, understanding the dynamics of local markets and innovation clusters is essential,” said Greg Matter, co-lead of JLL’s Technology brokerage group. “While it’s common for companies to look at just one factor, such as high-tech employment, when considering new market expansions, JLL’s index shows the decision should have greater depth. Each city has its own unique qualities that should be aligned with a company’s growth objectives. Companies should look at each location’s talent pool, for example, and ask, how are investment conditions? Do we need space to expand? What are the amenities and lifestyle factors for employees?”

*JLL rates each city against six key economic drivers of high-tech growth: high-tech services concentration, job growth, wage growth, share of U.S. venture capital funding, intellectual capital, innovation and market dynamism which includes transportation and lifestyle factors.

About the High-Technology Office Outlook Report

The *2014 High-Tech Outlook* helps technology companies make informed expansion decisions and provides insight for investors looking to find the next high-tech hot spot. This year’s report digs deeper into what makes a market “cool” or “livable” with a new metric included in the index: Market Dynamism. While traditional metrics such as employment, wage growth, intellectual capital, and venture funding are essential to tracking the momentum of a high-tech market, JLL studied the various amenities in the 34 markets in this year’s report to better understand what makes a market tick.

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