

Forbes

For Apple, The Price Is Right In Austin

Dec 13, 2018 - Jeremy Bogaisky, Forbes Staff, Aerospace & Defense Deputy Editor for Industry



Apple CEO Tim Cook

Austin has grown explosively over the past decade, but compared to the Bay Area, Apple is still likely to get a bargain on talent and real estate in Texas' capital city — and it may get more pull in the nation's capital as well.

Apple announced Thursday that it will spend \$1 billion to build a 133-acre campus in Austin that will house 5,000 workers initially, adding to the 6,200 workers it already has in the city. The new campus will have the capacity to expand to 15,000, and should make Apple the largest private employer there.

In a time when competition for tech talent is fierce, the average wage of tech workers in the Austin metro area stood at a relatively affordable \$95,000 as of April, 16th-highest in the nation, according to stats compiled by the commercial real estate firm CBRE. That compares to \$125,400 on Apple's home turf in the San Francisco Bay area, where tech wages are the highest in the nation, and \$112,600 in New York, where Amazon will build one of its two HQ2 campuses.

The Austin area has attracted a number of other tech companies in recent years, including Google and Facebook, and it's the home of Dell, but the tech talent pool is still relatively small. There are 69,600 tech workers in the Austin area, ranking 21st in the country, compared to 329,200 in the Bay Area. However, site selection consultant John Boyd says Apple is likely confident that the economic factors and hipness quotient that have driven large numbers of Americans to migrate to Austin in recent years — including many from California — will help the company bring in talent from elsewhere.

In addition to having no personal income tax and no corporate income tax, Texas also is a right to work state, which lowers construction costs, Boyd points out. "It makes it more efficient because you're not dealing with labor unions to the degree you would in California or Connecticut."

Office rents in Austin have risen 28.6% over the past five years to an average of \$3 million for 75,000 square feet, according to CBRE, but that's still well below the Bay Area average of \$5 million.

The U.S. tech sector is booming and the West Coast giants are increasingly looking elsewhere to expand. The tech unemployment rate stood at a tight 2.4% nationwide in November, according to the U.S. Bureau of Labor Statistics, amid strong job creation this fall. U.S. companies added 67,000 new IT jobs in November, following 107,000 in October.

There's not a lot of labor market slack in Austin. The metro area has gained 343,830 jobs over the past decade, growth of 41.8%, and the overall unemployment rate stood at 2.7% in October.

Another benefit for Apple in expanding in Texas: the jobs it's bringing will make it friends among Texas' congressional delegation, which is the second-largest after California's with 37 representatives in the House.

"Strengthening sway on Capitol Hill has become a key consideration for many companies in site selection," says Boyd. "The IT industry faces a myriad of legislative and regulatory issues and they're very concerned about antitrust legislation."

Apple has been largely close-mouthed since it announced in January that it was looking for a location for a major new campus, in sharp contrast to Amazon's decision to conduct a heavily publicized contest among major cities for its planned second headquarters, which the e-commerce giant ended up splitting between New York City and Northern Virginia. The only public

hint Apple gave as to the location: CEO Tim Cook told ABC News in January that it wouldn't be in California or Texas.

Boyd believes Apple is one of a number of companies that held off on making site selection decisions until after Amazon revealed where it was going.

The Raleigh-Durham area of North Carolina was thought to be a leading contender after Apple was reported in May to be in talks with officials there. It boasts major universities, low costs and a business-friendly environment, but Austin's cool factor may have helped tip the balance its way, says Boyd.

"It's the old steak and sizzle analogy — Apple needs to attract and retain premier IT workers and few markets can compete with the excitement of Austin," says Boyd.

Economic incentives were not mentioned in the announcement, and Austin may well not have offered much, if anything — Mayor Steven Adler ran for re-election on a platform of addressing the dangers the city's rapid growth pose to affordability and what makes Austin special. The area's relatively low cost of business are incentive enough, says Boyd.

Apple also said it planned to establish new offices in Seattle, San Diego and Culver City, Calif., that would house 1,000 workers each.