

## Dallas vs. Austin: Competition for tech companies, talent heats up amid coastal exodus



By Brian Womack – Staff Writer, Dallas Business Journal - Feb 15, 2021

Amid all the talk about Texas gaining relocations from California, Austin has bolstered its resume in recent months as Dallas played a quieter role in technology.

Last year, Oracle, the Fortune 100 database and software company, said it was relocating from Silicon Valley to Austin. That came just days after Tesla CEO Elon Musk — arguably the biggest name in tech, if not corporate America right now — announced his move to the state’s capital. This year, there has been word of others shifting their headquarters, including data-center company Digital Realty.

Austin’s tech strength is bolstering at a particularly crucial time as companies look to find new places to put down roots, including making significant investments. The state’s capital, which has a long tradition with innovative companies, has attracted widespread hiring from places such as Apple and Facebook in addition to relocations.

That’s not to say that the Dallas region isn’t getting its share of corporate relocations, including from California. Charles Schwab, CBRE and McKesson are large companies that many metros in the country would scramble to have. And Dallas has attracted some names in tech, even if some aren’t as well known — and large offices without the headquarters themselves.

The Dallas Regional Chamber has been in conversations with companies tied to technology on the West Coast, said Mike Rosa, senior vice president of economic development at the DRC. The area is well-suited for many businesses as they look for corporate relocations or expansions, he said.

Discussing HQ relocations and office expansions, Rosa said the chamber is "aware of California companies and California tech companies that are looking pretty hard at Dallas-Fort Worth, and Dallas-Fort Worth makes sense for them."

"We're in a great position," he added.

He said the companies are in Los Angeles and the Bay Area and others in the country, noting technology doesn't have to be narrowly defined.

Mark Cuban, Dallas' most recognizable technology-minded son, said the region could land its share of tech companies. After the announcement about Oracle, he took to Twitter to make a case for his local area, talking up its advantages over the rest of the state for companies considering a move.

"We get the Fortune 500 companies to move here, and the entrepreneurs that create business to fit their ecosystems move here quietly and grow into major corporations," Cuban said in an emailed response to questions. "Smaller tech companies will find it far cheaper with a much more target-rich environment of customers."

The Dallas region should benefit as a mature region, according to John Boyd, a site selection expert. The area has a "diverse market," which will help it in some key sectors.

It should be "another exciting year for Texas," Boyd said. "You're seeing this unprecedented migration of people out of expensive high tax markets like California, New York. ... Companies are really focused on traditional business climate factors like never before."

## **Dallas closing the gap?**

Austin and Dallas aren't the only beneficiaries of the coastal relocation wave. Hewlett Packard Enterprise recently announced a headquarters relocation to the Houston area, along with others.

While some cities may fare better than others in Texas, it's a position many states would love to have. For the metros, it's a question of who gets the rewards. The state's reputation for lower costs and a more business-friendly approach are serving it well, observers say.

Both Dallas and Austin are higher performers for the state, though the capital city can edge out North Texas.

Austin came in at No. 3 in a report last year by CBRE ranking the "Tech 30 Markets" while the Dallas metro was No. 7. Austin showed high-tech job growth of 23 percent for the 2018-2019 period, a quicker pace than the previous two-year period — though Dallas shrunk the gap.

In another report — the "CompTIA Tech Town Index" — Austin took the top spot again in 2020. The Dallas area came in at No. 2, jumping from its No. 7 spot in 2019. Factors in the rankings

included the number of ads for IT positions from August 2019 through July of last year — along with the cost of living and percentage-job growth, the report showed.

A key dynamic at play: raw population size. The Dallas metro is one of the largest in the country at No. 4, with roughly 7.5 million in 2019. Austin is a fraction of that at roughly 2.2 million.

The Dallas area's tech talent pool is the fifth-largest in North America at nearly 180,000 and the fourth in the U.S., topping markets such as Seattle, Boston and Los Angeles, according to a CBRE report last year. Austin was just outside the top 20 with about 76,000, even as it had a somewhat higher concentration.

"Austin gets the hype, and Dallas gets the jobs," said Bud Weinstein, a professor emeritus of applied economics at the University of North Texas. "DFW has nothing to worry about."

### **'Brand and reputation'**

Austin's reputation, which stretches to the Silicon Valley, has made it one of the country's key players when folks think about innovative cities outside the Bay Area.

That technology focus is no accident, according to Angelos Angelou, principal executive officer. He also spent nearly 12 years with the Austin Chamber of Commerce as vice president of economic development and chief economist.

"Austin is the high-tech market — that's what it has focused (on) for the last 30 years since I was with the Austin Chamber of Commerce," Angelou said. "And it's fulfilling that promise. We have the brand and the reputation today. It's kind of all on automatic pilot."

A driver of that reputation: South by Southwest. The event, at least before the challenges of COVID-19, had emerged as one of the more important tech gatherings of the year for journalists and companies. It gets credit for being a crucial tipping point for the success of Twitter by some, with guests that have ranged from Mark Zuckerberg to Elon Musk.

But it's more than that. Apple is the Austin region's sixth-largest employer with 7,000 employees. Google, which is set to move into a new tower next year, has 1,100 workers in the area. Facebook had a few hundred more than that, according Austin Business Journal research.

And there's venture capital. Jim Breyer, one of the more prominent names in the Silicon Valley that saw promise in Facebook early on, has opened the only office outside Menlo Park, Calif., in Austin for his firm.

## VC surging in DFW

The success in Austin is nothing new – it's been a 10-15-year trend, according to Joshua Baer, founder of Capital Factory, a coworking community and mentorship-based accelerator designed to help startups find their first investors, customers and employees that operates in Austin and Dallas. It's something that has been building and finding traction amid challenges in California and COVID-19.

He said the whole state is in a good spot, noting the importance of getting good workers as that helps drive corporate interest in relocations and investments.

"Austin is obviously a huge winner in that; Texas is a huge winner in that, and Dallas is a huge winner in that," Baer said, adding that the talent dynamics in Dallas and Austin are different. "That's the big win for Texas. ... People are moving here and that's why the companies need to be here."

In the Austin area, the value of VC deals during 2020 rose to more than \$1.75 billion, a slight decline from the previous year, according to a spokesperson for CB Insights in conjunction with the PwC/CB Insights Q4 2020 MoneyTree Report.

While easily more prominent than the performance by the Dallas area, North Texas managed gains with \$1.1 billion. And not just that. It was the best year by value of deals in nearly two decades.

And the Dallas region has had some wins. Last year, it attracted DZS. The former Bay Area company sells into the telecommunications industry and has over a \$400 million market valuation. Supply-chain software company Slync.io also moved from California to North Texas.

Another way that Dallas is closing the gap with Austin: salaries. Tech salaries, a key consideration for folks looking to move to the region, are both around \$95,000 on average annually, according to a report by Dice in November 2020.

Some point to another idea in the Dallas area. Sometimes those jobs aren't tied to tech companies commonly associated with the core of tech. There are IT jobs within corporations that are among the world's biggest, even if they're in transportation or energy.

Or, it might be with companies outside of Silicon Valley players that are working on some cutting-edge stuff, such as biotech. Last year the most prominent funding in the Dallas region was with Caris Life Sciences, which helps professionals treat cancers more accurately.

## Digital Realty and the Dallas area

And a win for the state's capital can have some benefits for the local region. Digital Realty, which also has a presence in North Texas, expects to grow both the Dallas area and Austin as key corporate hubs, even though Austin has the official headquarters tag, according to a person familiar with the matter.

The Dallas region already is a hub for some good-sized data center companies, including CyrusOne, which has a market valuation of over \$8 billion recently, and DataBank, which announced a \$1.4 billion acquisition last year.

Yet there could be challenges. Cuban sees a "little bit of an edge" for Austin in getting significant-tech relocations in the short term. Still, there is the problem of the rising cost of living as it attracts more from California.

Angelou said the region is looking to address the challenges around rising housing costs. "We recognize that Austin needs to eventually have its housing market stabilize," he said, noting that it's difficult with so much demand now.

## Finding winners

Dallas has some assets — and those aren't going away.

Southern Methodist University and the University of Texas at Dallas are producing graduates with technical degrees that can start companies or join others.

Cuban pointed to the region's strength in logistics, bolstered by the central location that's made it a hub.

"Logistics is one of the hottest areas for tech," Cuban said. "People need to get product from somewhere to somewhere over there and the technology behind that from autonomous vehicles to robots and Cobots (robots that work closely with people) is exploding. DFW is in better shape to leverage what is next than any other area in the country."

Already, o9 Solutions, a technology provider for global logistics, landed a \$100 million investment from KKR. Earlier this year, Slync.io, one of the companies that moved to DFW in 2020 from California, announced a \$60 million funding effort.

It's a very diverse market with strengths of financial services, telecommunications, defense and cybersecurity, and the region could reach beyond that as it makes its case, observers say.

## **'Some work we can do'**

Tech giants such as Amazon, Uber and Microsoft and others have been investing in North Texas. Then there are the myriad of locally based traditional players such as Texas Instruments, Match and AT&T. Rosa points out DFW has strength in multiple industries.

"I do think we've got some work we can do on our tech brand," Rosa said. "Our story is so good. We continue to focus on it with marketing and messaging and meeting with lots of new companies and getting the word out."

Bryan Chambers, vice president of Ventures at Capital Factory, points to one key local effort. In the latter part of last year, Mayor Eric Johnson announced new task force on innovation and entrepreneurship.

Chambers, who is on the task force, said the effort could help locally, including getting more people talking about start-ups.

"I'm hopeful," he said, noting he's encouraged by more traditional investors in DFW paying more attention to start-ups.

There are other key advantages, including a centrally located airport, a reputation for being business-friendly, and lower living costs.

Weinstein says the region could see more tech companies make more significant moves to Dallas over the next decade. While the number of announcements grow, it's not exactly surprising. After recessions, companies and their leadership are more likely to make a relocation of some kind. More executives are worried about costs, so they start to make their moves sometimes.

And then there's the shift to work-from-home. That's freeing up companies to think more about a distributed workforce — and beyond California or New York, where costs are a growing concern in challenged economies.

"Ultimately, it's about the bottom line," Weinstein said. "And now with everybody working remotely — and with all the tools we now have to work remotely — I think that's going to accelerate the trend."