

Office Leasing Feedback from International Roadshow

San Francisco Business: Titans and Unicorns - Update Three



TITANS AND UNICORNS

Technology companies in the US are being compared to the mythological characters from ancient times. Established names like Microsoft, Google, Facebook, Amazon, Cisco, Oracle and Apple are the **titans** of the Tech industry. They are now so financially substantial that they are acquiring real estate and other businesses using their own equity.



The challengers to these titans are known as **unicorns**. Unicorns are defined as tech businesses valued at \$US1 billion or more. Many are now ripe for IPO after creating a business with a unique offering, obtaining adequate funding and either growing revenues or even being profitable. In most cases they are delaying listing because private funding is so readily available. Whilst remaining private they have worked out how to trade shares privately so that talented employees can be offered equity and are able to participate in the value of the business. The unicorn companies include airbnb, Jawbone, Dropbox, Uber, Cloudera, Pinterest, SurveyMonkey, and many others - There are so many new unicorns.



SCALE

These businesses are across the United States but most are embedded in San Francisco or immediately south in Silicon Valley in areas such as Palo Alto, Mountain View, Menlo Park, Cupertino, Redwood City, Santa Clara and San Jose. In these locations titan companies like Apple, Symantec, Oracle and Google dominate the landscape. I stopped counting the number of buildings at Googleplex when it exceeded 30. Employees were riding multi coloured bikes around the streets from one building to another, whilst a google map's car drives around and a small crowd gathers around a google driverless car. How long will it be before cars will drive all of us? It was like nothing we've seen before. These titans virtually control their suburbs.

What I have also found interesting are the size of the deals. Google has just done a deal for another 180,000 sqm in Silicon Valley with one developer and that deal was brokered by Knight Frank's US partner Newmark Cornish Carey. In San Francisco, Salesforce have committed to the largest tower which is under construction. The building will be 127,000 sqm and Salesforce will take 66,300 sqm. There was talk that LinkedIn purchased land just out of the city and were readying for construction when key staff announced they wouldn't work there. LinkedIn have subsequently committed to a further 45,000 sqm in the city which suits their staff just fine.

CBD LOCATION

There are some trends I can see. Unicorns are taking space in the city. Unicorns are chasing the best staff and some staff are defecting from the titans for the new opportunity and future with a smaller group, like a unicorn. The city means more amenity and less travel time. No matter how you travel to Silicon Valley, it takes time. My trip, even leaving early was 1 hour and 15 mins, and it was congested.

THE SEARCH FOR 10X ENGINEERS

Technology companies are chasing engineers and 'Super Engineers' (or "10x Engineers"), those that create the latest software, those with the concepts and ideas. They are like demi gods. However, there is a limited pool of talent, so the Tech companies are beginning to search further afield for these skilled individuals, building teams around them wherever they might be located. This presents a great opportunity for Australia with our well educated, English speaking, population.

The unicorns like the industrial style spaces in convenient, but slightly grungy areas where space costs less, but still offers A grade facilities. Many don't want an expensive look, but they definitely need A grade services.

It's all about data. Broadband cable is essential to carry data fast. Up and downloading files quickly is vital. Some areas are not adequately serviced, so they just don't work.

SPATIAL EFFICIENCY....OR NOT

I heard nothing about space planning efficiency. What I saw were different types of work spaces and in many cases, additional areas where staff could go and work in different ways. Every staff member has a desk. Dropbox had a kitchen breakout area of over 1,000 sqm and it was the most popular and most used area of their space. That space reflected about 15% of the total tenancy.

There is no doubt that San Francisco has come alive and is experiencing tremendous prosperity. Tech is filling space and making new developments viable and this is having a very positive impact on the city. I saw this in the number of people in bars/restaurants who wanted to be entertained. There is greater interest in top end fashion and club memberships.

SO WHAT CAN WE LEARN...

What I see for Sydney are some real learnings:

Many buildings won't be suitable for these users because they are too old and haven't been upgraded. Old buildings on the fringe of the city refurbished to an A grade standard with internal amenity will be attractive;

- There is a strong possibility we will see centralisation from Macquarie Park to the CBD, as San Francisco is seeing out of Silicon Valley;
- Efficiency isn't a key consideration for space planning for tech, but expansion within the building is;
- I see more space being taken because Sydney can offer skilled people and can also act as a support centre. However, we need to harness the interest and ensure that these companies are made aware of our best development stock. This is where Knight Frank will be your point of difference – we are committed to ensuring that our clients stock is at the forefront of the tech companies thinking, and that they bring their requirement to us first.

Let us work with you to secure this new breed of tenants, the Titans and the Unicorns, as well as the excellent local startup Tech companies. This is the new wave of occupier, and now is the time to ride that wave.

For further information contact Kymbal Dunne or any of our Office Leasing professionals.

WEALTH REPORT

The Wealth Report - 2015



[Download \(PDF\)](#)

GLOBAL CITIES

Global Cities Report - The 2015 Report



[Download \(PDF\)](#)

SKYSCRAPERS

Global Cities - Skyscrapers 2015 Report



[Download \(PDF\)](#)

COMMERCIAL PROPERTY RESEARCH



CAPABILITY STATEMENT

Global Cities - Skyscrapers 2015 Report



CONTACT US

Contact Kymbal Dunne if you are interested and would like to have your property promoted to a much larger audience.



Kymbal Dunne
Director
Office Leasing
Kymbal.Dunne@au.knightfrank.com
D +61 2 9036 6801
M +61 419 992 068

