Datanomics Collective Write-Up
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Our team decided to focus on technology companies. A preliminary analysis revealed that 20.6% of technology companies that Savills has data for are located in Manhattan. This was contrary to our hypothesis that the majority of tech companies would be located in Silicon Valley. So, our question is: Is it worth it for technology companies to be located in Manhattan, or should they consider moving to Silicon Valley?

For our analysis, we defined Silicon Valley as the markets of San Francisco and South Bay/San Jose. Only leases in the technology industry with square feet over 10,000 feet were considered, based on the direction from Savills and their presence in that market. Lastly, leases are grouped by "Costar ID" so that leases for the same company in the same building are not counted more than once.

Firstly, we looked at the number of leases in Manhattan, Silicon Valley, and all other markets (cities) for tech companies. We cut off data before Q3, 2021 because COVID caused a large dip in 2020, and then a subsequent recovery led to an enormous increase in leases during the beginning of 2021. The amount of new leases in "all other" markets (not Manhattan or Silicon Valley) and Manhattan slightly decreased. However, the number of leases in Silicon Valley increased. For verification, we conducted an F-test and obtained a statistically significant result, implying that the number of leases in Silicon Valley was increasing over time. With the emigration of tech companies out of Manhattan and the increasing number of leases in Silicon Valley, Silicon Valley has become an attractive destination for companies considering the move.

Next, we analyzed rent prices. Manhattan and then Silicon Valley had the highest rent prices when compared to all other markets, respectively. However, both were moving in a downward direction, with Silicon Valley decreasing at a faster rate than Manhattan. Companies should not be concerned when moving from Manhattan to Silicon Valley as leases are and can only get cheaper. Lower price should not be mistaken for lower quality because Silicon Valley has a higher percentage of high-quality building leases compared to New York (56% to 47%). Interestingly, the prices of all other leases have been steadily increasing.

According to the overview, tech companies prefer wide-open floor plans with more space. Leases in Silicon Valley have more square feet on average (80,781) than leases in Manhattan (59,291). This is a good beginning indicator for Manhattan managers that more space is available for business in Silicon Valley.

According to the Census Bureau, the population of Silicon Valley has been declining in the past few years. However, this is not a huge concern since affordability affects high-paid tech employees (with an average software-engineer salary of $173,529) minimally, and recent data shows only 40% of office capacity, meaning more employees work remotely and could live in another area.

Other factors that make Silicon Valley a more attractive option than Manhattan is the 31% lower average commute time (U.S. Census Bureau), and the close talent pool from Stanford and UC-Berkeley, which are 2 of the top 5 undergraduate computer science programs in the nation and are both located directly in Silicon Valley (US News). In conclusion, Manhattan companies should consider moving to a high-growth area like Silicon Valley.

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