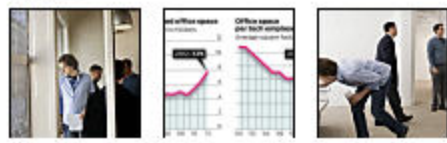


Allure of city itself a factor in S.F.'s tech boomCasey Newton
Sunday, April 15, 2012(page 1 of 2) SINGLE PAGE PRINT EMAIL SHARE COMMENTS (8) FONT | SIZE: Jason Henry / Special To The Chronicle
Nat Friedman (in light shirt), CEO and co-founder of Yammer, checks out office space at 611 Mission St. in San Francisco.

Here's one way San Francisco's current tech boom differs from the dot-com era: This one is creating many more jobs.

The city will have 28 percent more technology positions by the end of this year than it had at its 2000 peak, according to a new analysis of state employment data by real estate consultant Jones Lang LaSalle.

IMAGES



Technology is San Francisco's fastest-growing sector, and now occupies more office space in the city than any other industry.

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The city will have 44,305 tech jobs by the end of the year, up from 36,921 last year and 34,442 in 2000, according to the analysis. The estimates are based on data from the California Employment Development Department, Moody's Economy.com and Jones Lang LaSalle.

Tech workers make up an increasing share of the city's workforce. This year nearly 1 in 4 nongovernment office jobs in San Francisco - 22.3 percent - are in tech. In 2000, tech jobs accounted for just 14.5 percent of the jobs.

San Francisco still has almost 40,000 fewer office jobs today than in 2000, the result of significant losses in the legal and financial services industries. But tech firms are helping to fill that gap, and appear poised to continue their record growth, analysts say.

"If you look at the growth cycle of social media, mobile and cloud computing, it's still very early overall," said Colin Yasukochi, vice president of research at Jones Lang LaSalle, who performed the data analysis.

That sentiment is reflected by the city's largest tech companies, all of which plan to hire significant numbers.

Business software maker Salesforce, which has 3,000 employees in the city, plans to hire 2,000 more. Social gaming leader Zynga doubled its staff last year, to 3,000 employees, and recently acquired new space in its headquarters in SoMa with an eye toward expansion.

New leases by tech firms

Expansion plans are also reflected in the leases signed by larger tech firms over the past year, with large new spaces being acquired by Twitter, Macys.com, Riverbed Technology, Kabam, StumbleUpon and LinkedIn, among others.

The tech sector occupies less square footage than it did in 2000, when many employers rented more space than they needed based on growth plans that didn't pan out. But the percentage of office space that tech occupies is creeping up - from 9 percent last year to 12 percent this year.

Tech companies' expansion has begun to transform the Mid-Market district, where a controversial tax incentive passed last year spurred Twitter to sign a lease for 400,000 square feet amid plans to hire 2,000 people. The social network is being followed to Mid-Market by tech firms ZenDesk, Zoosk, CollSocket and OneKingsLane, which have expansion plans of their own.

With the growing footprint comes a risk - the more space tech occupies in the city, the more deeply a bursting bubble would be felt in the city's economy. For the most part, though, business and civic leaders say they are confident the current growth cycle will continue for a few more years.

Tech action mainly in S.F.

The city's surge in tech jobs reflects another difference between today and the dot-com era: San Francisco, not Silicon Valley, has emerged as the center of the current tech boom. With the exception of Facebook, which recently moved from Palo Alto to Menlo Park, most of the high-profile companies from the current surge have chosen to locate their headquarters in the city.

The city's lifestyle and cultural amenities have drawn young workers adept at engineering, design and social media, which are top concerns for current tech companies. That differs from the dot-com era, when winners like Google and eBay were still building out the basic infrastructure of the Web.

"In 2000 you were hearing more about network technology and Internet technology," said Colleen McCreary, chief people officer at Zynga. "There wasn't this spirit of bringing the world together, of being creative and using both sides of your brain. Most of the consumer applications you've seen become successful this time are like beautiful works of art. And San Francisco is just primed for that."

McCreary joined Zynga about three years ago, when it had 130 employees. Today the company is hiring in more than 25 areas, including game studios, mobile development and its Zynga.com platform.

"The difference between 2000 and today is the breadth, scale and strength of the firms powering today's growth," Mayor Ed Lee said in an e-mail. "I am bullish on our future because San Francisco will always be a place where entrepreneurs can take new ideas and build great companies around them."

The rise of Airbnb

The rise of travel startup Airbnb illustrates how San Francisco has been able to capitalize on tech trends.

Growing up in Atlanta, co-founder Joe Gebbia devoured news about Silicon Valley companies like eBay and PayPal and became determined to join them.

"It just became clear to me that if you want to be an entrepreneur, you come to San Francisco. There's something about it," Gebbia said. "And that notion has proved true."

After meeting as students at the Rhode Island School of Design, Gebbia and Airbnb co-founder Brian Chesky moved to San Francisco. In 2007, when a big design conference came to town and hotel rooms filled up, they began selling spots - breakfast included - in their SoMa loft.

Their twist on traditional bed and breakfasts was a hit with guests. But the founders, who were soon joined by programmer Nathan Blecharczyk, struggled to find investors. Few were willing to take a chance on an idea that many found bizarre - renting out space in your home to strangers.

Missed out on Airbnb

"We couldn't wrap our heads around air mattresses on the living room floors as the next hotel room and did not chase the deal," wrote Fred Wilson, a prominent venture capitalist based in New York, on his blog. "Others saw the amazing team that we saw, funded them, and the rest is history."

In 2009 the founders were accepted into Y Combinator, a prestigious startup incubator headquartered in Mountain View. Funding soon followed, and by January, Airbnb users had booked over 5 million nights at spots in 192 countries.

"What makes San Francisco special is the attitude," Gebbia said. "It's forward-thinking. There's an appetite for risk that may be different from other parts of the country. It makes doing a crazy idea - and this was a crazy idea in the early days - it made getting something like that off the ground possible."

The company employs 125 people, with plans to hire 75 more this year and up to 300 more next year.

Making money before IPO

Facebook's purchase of Instagram for \$1 billion last week fueled speculation that tech companies have become overvalued once again. But amid the chatter, some of the city's elite tech companies say they have become profitable long before serious discussions of an initial public offering begin. Among them is Dropbox, the online storage company that last month moved into a new 87,000-square-foot space.

The company, which gives away some storage for free and charges for extra, employs 100 people today. But in October the company announced that it had raised \$250 million, at a reported valuation of \$4 billion, and has made hiring a high priority. The company's expectations are so high it won't even say how many people it might bring on.

"Given the environment we're in, and how fast Dropbox is growing and how well it's doing, we don't have an upper limit," said Ruchi Sanghvi, vice president of operations at the company.

Sanghvi, who has been working at Dropbox herself for all of a month, echoed a sentiment shared by tech companies across the city.

"We're just trying to find as many smart people as we can," she said.

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