August 31, 2012, 8:56 p.m. ET

The Joys of Urban Tech

Goodbye, office parks. Drawn by amenities and talent, tech firms are opting for cities

By **RICHARD FLORIDA**

For as long as many of us can remember, high-tech industries have flourished in the suburban office parks that are so ubiquitous in Silicon Valley, North Carolina's Research Triangle and other "nerdistans." But in recent years, high-tech has been taking a decidedly urban turn.

Silicon Valley remains the world's pre-eminent center of high-tech industry, of course. But even in the Valley, denser, more mixed-use and walkable places, like downtown Palo Alto, are becoming the preferred locations for start-ups and smaller firms. And many other start-ups— Pinterest, Zynga, Yelp, Square and Salesforce.com, to name just a notable few—are taking up residence in downtown San Francisco.

Agence France-Presse/Getty Images
New York City's Silicon Alley is now home to more than 500 new start-up companies like Kickstarter and Tumblr. Here, Tumblr-founder David Karp at company headquarters in New York earlier this year.

New York City's Silicon Alley—after a false start during the tech bubble of the late 1990s—is now home to more than 500 new start-up companies like Kickstarter and Tumblr, not to mention the gigantic Google satellite in the old Port Authority Building on Eighth Avenue between 15th and 16th streets.

Across the Atlantic, London's once- derelict Shoreditch district—now known as Tech City or

Silicon Roundabout—has been transformed into a thriving high-tech district housing 3,200 tech firms and 48,000 jobs, according to a recent report from the Centre for London.

In Los Angeles, Silicon Beach, a roughly three-mile strip between Santa Monica and Venice, has become a notable start-up hub, because its walkability and urban-like amenities make it the place where young techies prefer to live, work and play, according to L.A.-based venture capitalist Mark Suster.

Seattle's South Lake Union District development, pioneered by Microsoft co-founder Paul Allen, is transforming a once moribund manufacturing area into a major center for new technology,

with Amazon's new headquarters at its hub, as well as a number of biotechnology research centers.

Out in the Nevada desert, Zappos CEO Tony Hsieh is looking to remake downtown Las Vegas as a creative center, moving the company's headquarters to the old city hall and luring start-ups from California. "When you're in a city," Mr. Hsieh told Fortune magazine, "the bar or the restaurant becomes an extended conference room." Since the neighborhood lacked them, "the idea went from 'let's build a campus' to 'let's build a city.' "

"I love the idea of an urban corporate campus with all the energy and variety that provides," Twitter co-founder Jack Dorsey tweeted last February, after opening his company's new headquarters in a formerly derelict Art Deco building in San Francisco's Mid-Market neighborhood.

Venture capital icon Paul Graham notes that, for all its advantages and power, Silicon Valley has a great weakness. The high-tech "paradise" created in the 1950s and 1960s "is now one giant parking lot," he writes. "San Francisco and Berkeley are great, but they're 40 miles away. Silicon Valley proper is soul-crushing suburban sprawl. It has fabulous weather, which makes it significantly better than the soul-crushing sprawl of most other American cities. But a competitor that managed to avoid sprawl would have real leverage."

Still, escaping sprawl is only part of the explanation. There are also the distinct lifestyle advantages of setting up shop in the hurly-burly of real urban

Peter Arkle

districts. Compared with previous generations, today's younger techies are less interested in owning cars and big houses. They prefer to live in central locations, where they can rent an apartment and use transit or walk or bike to work, and where there are plenty of nearby options for socializing during nonwork hours.

"It's not that young people wanted to live in Mountain View in the past," Mr. Suster blogged. "In fact, so many did not that companies like Google & Yahoo had free buses with Wi-Fi from San Francisco to their Palo Alto and Sunnyvale headquarters."

Or, as one high-tech entrepreneur told the authors of the Centre for London report: "We moved here out of pressure from the [software] developers to move somewhere better. And by better, I think they mean somewhere which has lots of bars and lots of places you can eat."

But it goes well beyond the young and trendy. With all their cultural and intellectual amenities, urban centers are also the preferred locales for many leading scientists and engineers. Microsoft opened its new research lab in New York City last May because the top scientists it wanted to bring on board preferred to stay in the city.

An even bigger part of the story is rooted in the changing nature of technology itself. A generation or so ago, the fastest-growing high-tech companies were more like factories. They developed proprietary software systems, designed and manufactured chips, built computers and created the infrastructure that made the Internet possible. Whether it was Microsoft or Apple, they deployed big engineering teams—and they needed big suburban campuses to house them.

The changing nature of technology—cloud-based applications in particular—enable new start-ups to succeed more quickly, with smaller teams and much smaller footprints.

The speed of technology has also accelerated. The companies that succeed are the ones that stay in the closest contact with their end-users and first adopters, as MIT's Eric Von Hippel has shown. When a company is located in a city, many of those end-users can be found right on its doorstep.

At the same time, high-tech products and industries are more multidisciplinary than they used to be. Success often requires excellence in more than one field of technology and in other lines of business. East London's tech scene is led not by tech firms per se but by "digital creative" companies that combine computer technology with music, art and narrative—and musicians, artists and writers cluster in cities.

Software for social media and apps requires intuitive, easy-to-use interfaces that seamlessly convey information. Design is central to successful new hardware products as well, the most obvious examples being Apple's iPads and iPhones. Design talent is overwhelmingly concentrated in big cities, with their leading design schools and multiple industries that draw upon such skills.

Other areas of high-tech are premised less on breakthrough innovations and more on the application of technology to massive new markets in retailing, advertising, media, financial services, education, publishing, communications, fashion and music. Big cities like New York and London are where those industries—and the talent that powers them—are most concentrated.

Cities are central to innovation and new technology. They act as giant petri dishes, where creative types and entrepreneurs rub up against each other, combining and recombining to spark new ideas, new inventions, new businesses and new industries.

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