

Not Just Oil And Gas: Houston's Reputation For Tech Is Growing

July 27, 2021 [Christie Moffat, Bisnow Houston](#)

Houston is often pigeonholed as a city that only specializes in energy and healthcare. Yet that perception doesn't necessarily reflect reality, as the city also has the 11th-largest [tech workforce](#) in the U.S., employed across a variety of different sectors.

Concentrated efforts to attract startups, venture capital and tech relocations to the city are paying dividends, and experts believe that Houston's offerings will only become [more attractive to tech firms](#) looking for a combination of available labor and affordability.

The Computing Technology Industry Association found that when it comes to technical jobs, around 53.5% of people considered U.S. [tech workers](#) are actually employed by organizations outside of technology companies.

That finding holds true for Houston, a city that has only one Fortune 500 tech company headquarters, but plenty of tech workers. There were 243,908 people employed in core tech occupations in Houston during 2020, according to CompTIA's [2021 Cyberstates report](#). That number grew by 3.4% from 2019, CompTIA data showed.

CompTIA considers both North American Industry Classification System occupation codes and U.S. Bureau of Labor Statistics codes to calculate the size of a given city's tech workforce. In comparison to Houston, San Francisco had 426,286 tech workers in 2020, Seattle had 326,355 and Austin had 172,961, according to CompTIA.

The size of Houston's tech workforce may come as a genuine surprise, as traditionally, the city's most visible sectors have included areas such as energy, healthcare, manufacturing and aerospace. But those sectors require a large tech

cohort to run their complex systems, according to CBRE Tech Insights Center Executive Director Colin Yasukochi.

“Houston is actually larger in terms of total tech talent than Austin. But it's not really well known for technology firms,” Yasukochi said.

Another reason for Houston’s tech workers' lack of visibility is that they account for a smaller percentage of the overall workforce than in cities frequently associated with tech. CompTIA found that Houston’s tech workers account for 7.5% of the overall workforce, compared with 16.4% in San Francisco, 15.2% in Seattle and 15.3% in Austin.

Despite the lack of visibility, Houston still has one of the largest tech workforces in the U.S. by CompTIA's count. The depth of the existing labor pool, as well as the pipeline of graduates coming out of local universities, is a significant draw for tech companies looking to expand or relocate, according to ESRP Executive Managing Director – Site Selection [Susan Arledge](#).

“It's really about, where can I find the tech talent, not just today, but in the future? What markets are sustainable?” Arledge said.

Yasukochi oversees [CBRE’s annual Scoring Tech Talent report](#), which was created nine years ago in response to the rapid growth of the tech sector. He told *Bisnow* that tech companies want to understand what the labor force looks like across the country to help inform their decision-making.

The availability of labor is arguably the biggest deciding factor for companies looking for a new city, but there’s also the cost of that labor. Average tech worker salaries in Houston were \$101,767 per annum — higher than Austin’s average of \$96,733 but significantly lower than San Francisco’s average of \$144,370, according to the CBRE report.

“When you look at, what does it cost to secure office space to put them in? That's a very small percentage of total operating costs,” Yasukochi said. “The fact that Houston might be much cheaper in terms of office rent is not that significant. It's really the wages that make the difference, assuming you can find the talent you want.”

Though there is more available labor in Houston, the city is often overshadowed by neighboring Austin, which is considered a tech cluster. Major players like Dell,

Apple, Oracle, Facebook, Amazon and Tesla all have a presence there, feeding into the abundance of venture capital, startup incubators and a large concentration of tech workers.

Austin's reputation as Texas' best tech city may be under threat, however, for one key reason: the skyrocketing cost of living. In June, the average price of a single-family home in Austin was \$595K — an increase of 40% from a year prior, [according to Redfin](#). In comparison, the average price of a house in Houston was \$300K in June, up by 20.6% from a year ago.

The cost of living, intense competition for labor and lengthening commute times have already started to deter small to mid-sized firms considering relocating or expanding in Austin, according to Arledge.

“I think it deters now. I think when someone says, 'To buy a home in Austin, here's what it's going to cost you,' it's going to make that a less attractive place for employees,” Arledge said.

Though Houston suffers from a perception problem — namely, that it's not a tech-focused city — things are starting to change. A major win for Houston happened in December when [Hewlett Packard Enterprise](#) announced it was [relocating its corporate headquarters](#) from San Jose, California, to a new facility in Springwoods Village, [recently renamed as City Place](#).

[Greater Houston Partnership](#) Senior Vice President, Economic Development [Susan Davenport](#) said that since [HPE](#)'s announcement, there has been significantly more dialogue around Houston's capabilities as a tech city.

“Seeing a headquarters, a Fortune 500 headquarters, really, I think gives a special nod perhaps to the efforts that have been ongoing to infuse digital tech,” Davenport said.

Houston's [failed bid for Amazon's HQ2 project](#) is frequently cited as a wake-up call for the city. Factors such as public infrastructure, educational institutions, the technology scene and government incentives all contributed to Houston not even making the top 20 shortlist for the project, which was ultimately awarded to Crystal City in Arlington, Virginia.

Following the rejection, Davenport said the Greater Houston Partnership worked to identify and implement strategies around improving the city's offerings for the tech sector. Some of those efforts have focused on creating an ecosystem of

startup incubators, which Davenport said now number somewhere between 35 and 40 in the Houston region.

Venture capital has also taken off, growing from \$284M in 2016 to \$753M in 2020, a nearly threefold increase, according to the Greater Houston Partnership's [Houston Tech Report](#). In 2021, VC deals in Houston had already accounted for \$705.3M by the end of Q2, according to a Greater Houston Partnership's analysis of [Pitchbook Data](#).

At the same time, investment has poured into physical facilities for Houston's technology and life sciences sectors, taking form in large-scale projects like [The Ion](#) and the surrounding [Innovation District](#) in Midtown, as well as [TMC3](#), Texas A&M Innovation Plaza and [Levit Green](#) in the Texas Medical Center.

Amid all the investment and fundraising, several well-known tech firms have opened new offices or expanded their operations in Houston over the past 24 to 36 months. Some of those names include Amazon Web Services, Bill.com, Google, Microsoft and Nuro.

Davenport said that Houston has a different value proposition to Austin and other tech hub cities, because the focus here is more business-to-business, rather than business-to-consumer. Much of the city's tech ecosystem is dedicated to solving real-world problems, like healthcare and climate change.

"For some of these companies, especially those with new solutions and innovations, they want to be in the ecosystem with customers who are constantly connecting with them on these. And that's how you see these huge-scale innovations," Davenport said.

Houston still has challenges to overcome when it comes to attracting the tech sector. The perceived risk posed by hurricanes and flooding can be a major deterrent for companies unfamiliar with the region, which is why energy companies have [traditionally dominated Houston's data center usage](#).

"Climate risk is a huge factor ... that's the one disadvantage that Houston has," Arledge said.

But as costs continue to skyrocket in traditional tech hub cities around the U.S., it's increasingly likely that Houston will continue to attract firms. Yasukochi noted that in particular, Houston has the potential to grow tech clusters connected to [life sciences](#) and aerospace, which could also draw more interest to the city.

Davenport said that the Greater Houston Partnership has redesigned its messaging and outbound work to highlight the many industries in Houston that use advanced forms of technology. At the same time, the organization is increasingly relying on hard data to demonstrate how competitive Houston is, compared with other cities.

As a site selector working with all kinds of companies, including tech firms, Arledge has also found that when it comes down to hard facts, Houston almost always ends up in the top 10 cities under consideration.

“When you start using the data, then the [old] perception tends to fade away,” Arledge said.