



Tech's Great Migration

Insights to Emerging Tech Hubs across the U.S.

Telstra Ventures

Preamble.



As we reflect on the past 12 months, we want to understand - how have the events of 2020 impacted the startup and Venture Capital landscape in the U.S?

Will we see tech startups move away from the Bay Area? Will emerging tech hubs take hold as new tech epicenters? The truth is, we won't know the outcome for some time, as behavior patterns take hold. We intend to keep a close eye on this data and the trends that emerge in the years to come.

“During the past 12 months, COVID required the VC community to think, act, and work differently. An emerging sentiment took hold that ‘you don’t need to be in the Bay Area’ to build the next unicorn or decacorn,” said Mark Sherman, General Partner at Telstra Ventures.

“Telstra Ventures believe that extraordinary entrepreneurs can build great companies anywhere. We’re excited to see VC investments increase across the US as the rise of new tech hubs creates jobs and drive innovation,” added Sherman.

Key Points.

1

Don't believe the hype. Not a lot of startups are leaving Silicon Valley*

- 96.9% of startups stayed in the Bay Area during 2020
- 1.2% relocated from the Bay Area
 - 21% relocated to another city within California
 - 21% moved to New York
 - 12% to Texas
 - 6% to Colorado
 - 4% to Massachusetts
 - 4% to Washington State

*Includes all companies that were operating independently in 2019 and have raised non-debt funding

2

Five emerging tech hubs that increased VC investments at the highest rate during 2020*

- Dallas / Fort Worth, Texas (66%)
- Portland, Oregon (58%)
- Atlanta, Georgia (51%)
- Salt Lake City, Utah (38%)
- San Diego, California (34%)

*Based on the estimated VC investment growth versus the previous year.

3

Denver, Colorado, saw the most significant growth in the number of startups*

- Denver, Colorado (21% growth on 2019)
- Dallas / Fort Worth, Texas (18%)
- Minneapolis, Minnesota (18%)
- Los Angeles, California (17%)
- Houston, Texas (16%)

*Filtered for cities that ended 2019 with at least 250 companies.

4

VCs increase VC investments in sectors impacted by COVID*

1. Health Tech (24% increase in investments y-o-y)
2. Cloud, Network, Security (21%)
3. EdTech (12%)
4. FinTech (11%)
5. SaaS & Enterprise (7%)
6. Data & Machine Learning (7%)
7. Logistics & Industrial Tech (2%)

*Filtered for cities that ended 2019 with at least 250 companies.

One year on.



It's been almost a year since COVID-19 completely disrupted our lives.

This analysis uncovers the effects of 2020 and its impact on startup hub ecosystems and VC investments across the U.S.

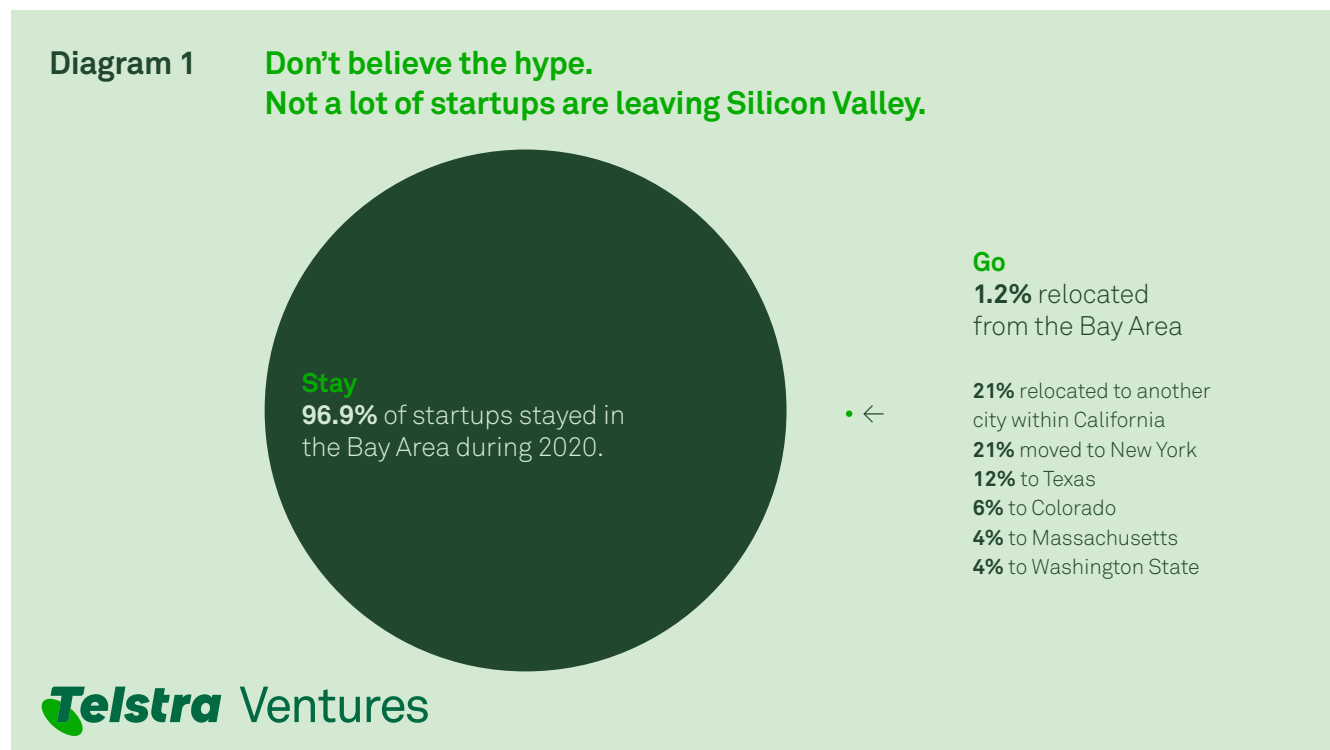
Specifically, we look at:

1. Which cities are attracting startups; is there movement away from the Bay Area and New York startup tech hubs?
2. Which sectors saw the biggest increase in VC investments?
3. Which cities or regions saw the most growth in VC investments?
4. Which were the top sectors that attracted VC investments in these cities or regions?

This result is “a snapshot in time of the startup and VC landscape across the U.S.” to enable thought-provoking discussion.

The Bay Area exodus is greatly exaggerated.

There's been some debate on whether the startup community will continue to thrive in the long-held startup hub of Silicon Valley or whether they are truly embarking on a new home outside the Bay Area.



For over two decades, there was only one place to go if you wanted a tech career or to launch your startup - Silicon Valley.

“The Bay Area will continue to be the epicenter of tech for years to come,” said Mark Sherman, General Partner at Telstra Ventures.

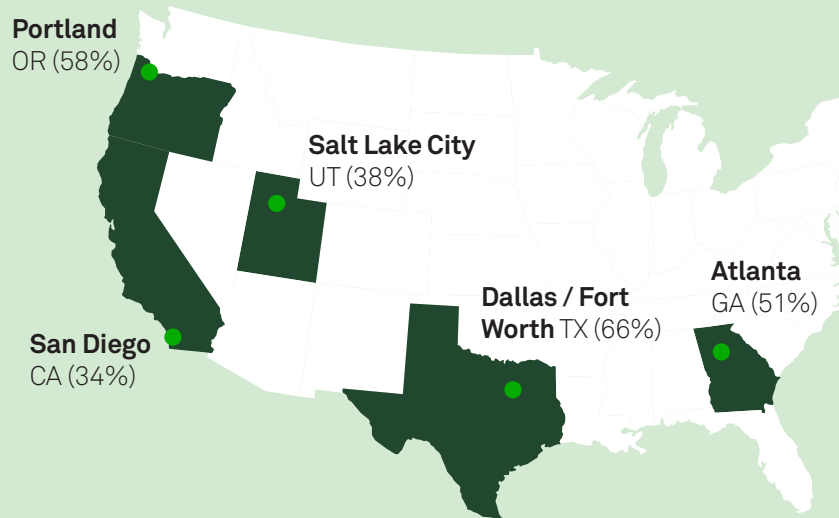
“Places like Silicon Valley exist because tech companies and VC firms benefit from the talent pool, the entrepreneurial spirit, and the culture of innovation that the emerging hubs can't replicate today.”

That being said, the events of the past year have changed the way we work forever. The workforce is now more fluid, distributed, and empowered to be successful, regardless of location. The talent pool may be relocating closer to family, but most companies founded in Silicon Valley, are staying put.

VC investments grow across emerging tech hubs.

Diagram 2

Five emerging tech hubs that increased VC investments at the highest rate during 2020*



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*Based on the estimated VC investment growth versus the previous year.

Disruptive ideas are finding room to move and grow in emerging startup hubs. Denver, Colorado, saw the most significant growth in the number of startups, with Dallas and Minneapolis tied for second place.

Emerging tech hubs create jobs, create value for housing markets and create tax dollars for communities to invest in their future.

Table 1:
Top 10 cities attracting the most startups in 2020*

Rank	City	Year over year % change
1	Denver, CO	21%
2	Dallas / Ft. Worth, TX	18%
3	Minneapolis, MN	18%
4	Los Angeles, CA	17%
5	Houston, TX	16%
6	Portland, OR	15%
7	San Diego, CA	14%
8	Washington, D.C.	14%
9	New York, NY	13%
10	Atlanta, GA	12%

*Filtered for cities that ended 2019 with at least 250 companies.

But, VC investments are closing all across the U.S.

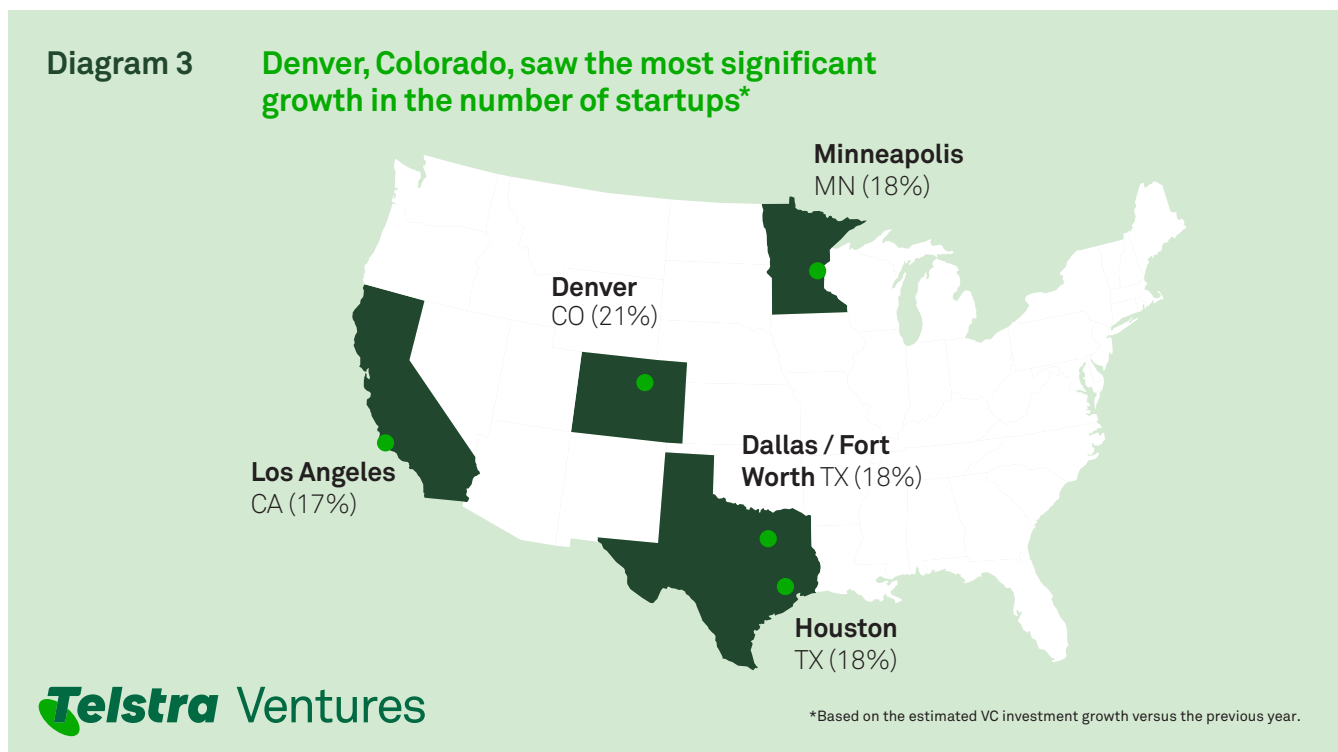
VC investments continued in the Bay Area - showing an increase of 4% compared to 2019.

At the same time, we saw VC investments flow to the burgeoning hubs of Dallas (66% increase in the number of VC investments versus 2019), Portland (58%), Atlanta (51%), and Salt Lake City (38%).

“Our investments are spread out all over the world, and the US is no different. From Austin, Boston, Denver, Los Angeles, New York, Seattle, and San Diego, we’re excited to see the VC investments increasing into emerging tech hubs,” said Mark Sherman, General Partner at Telstra Ventures.

“More investments mean more jobs, a healthier economy, and it pushes innovation forward,” Sherman added.

VC investments are often announced months after they take place, which is why we’ve had to estimate the final 2020 investment count for different sectors and regions.



But, VC investments are closing all across the U.S.

Table 2:
Top 10 cities with the highest growth rate in VC investments in 2020

Rank	City	Year over year % change*
1	Dallas / Ft. Worth, TX	66%
2	Portland, OR	58%
3	Atlanta, GA	51%
4	Salt Lake City / Provo / Ogden, UT	38%
5	San Diego, CA	34%
6	Chicago, IL	25%
7	Houston, TX	18%
8	Raleigh-Durham, NC	17%
9	Boston/Cambridge, MA	17%
10	Pittsburgh, PA	16%

*Filtered for cities that ended 2019 with at least 250 companies.

'New and old guard' companies like Tesla and Oracle announced their intent to relocate to Austin, Texas, in 2020.

However, it was Dallas and Fort Worth that had VCs' attention, with a 66% boost in the number of VC investments made in 2020.

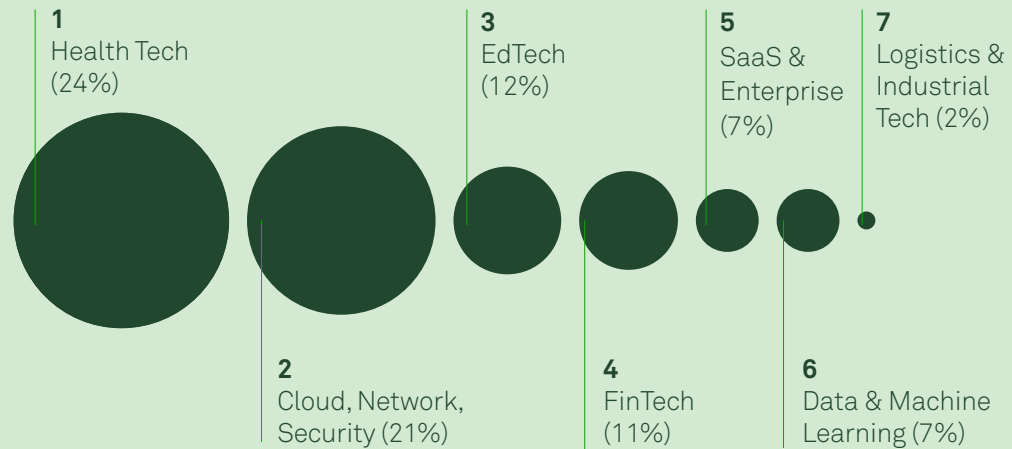
Atlanta is third on our list for growth seen in VC investments where Airbnb just announced its expansion to include another office in the same city.

Atlanta houses a thriving startup community including Calendly, FullStory, and Mailchimp, showing a healthy and growing community of startups and VCs.

Investment in Health Tech explodes in 2020.

Diagram 4

VCs increase investments in sectors impacted by COVID*



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*Filtered for cities that ended 2019 with at least 250 companies.

The effects of COVID impacted the number of VC investments across multiple sectors. 2020 saw VC investments increase over 2019, with significant growth across Health Tech and Cloud, Network, and Security Tech.

Here's what we found:

- Health Tech saw the most considerable growth in VC investments with a 24% increase in investments versus 2019.
- Cloud, Network, Security Tech held second place with 21% growth.
- EdTech (12%) and FinTech (11%) came in at the third and fourth positions, respectively.

Investment in Health Tech explodes in 2020.

Table 3:
VCs increase investments in sectors impacted by COVID*

Rank	City	Year over year % growth**
1	Health Tech	24%
2	Cloud, Network, Security Tech	21%
3	Ed Tech	12%
4	FinTech	11%
5	SaaS & Enterprise	7%
6	Data & ML	7%
7	Logistics & Industrial Tech	2%

* Does not include debt rounds.

**Based on the estimated percentage growth of VC investment versus the previous year

2020 forced many families to balance life, family, and work commitments under one roof. Childcare support, mental health, and financial planning assistance became a top priority when they were previously not on the agenda.

As people become more sensitive to their financial and mental wellness, we see a boost in the number of mental health and family benefits platforms available across the country.

Table 4:
Health Tech: VC investment growth by city

Rank	City	Year over year % growth*
1	Salt Lake City / Provo / Ogden, UT	200%
2	Atlanta, GA	114%
3	Columbus, OH	89%
4	Dallas / Ft. Worth, TX	77%
5	Orlando, FL	68%
6	Houston, TX	67%
7	Omaha, NE	60%
8	Charlotte, NC	60%
9	San Diego, CA	48%
10	Boston/Cambridge, MA	42%

*Based on the estimated percentage growth of VC investment versus the previous year

VC investments grow in Cloud, Network & Security Tech.

Cloud, Network, and Security Tech saw a significant increase in VC investment growth across emerging tech hubs like Atlanta (126% growth y-o-y), Washington (92%), and Portland (44%).

Table 5:
Cloud, Network & Security Tech: VC investment growth by city

Rank	City	Year over year % growth*
1	Atlanta, GA	126%
2	Washington, D.C.	92%
3	Portland, OR	44%
4	Los Angeles, CA	43%
5	New York, NY	35%
6	Boston/Cambridge, MA	31%
7	Austin, TX	20%
8	Bay Area, CA	16%
9	Chicago, IL	12%
10	Seattle, WA	11%

*Based on the estimated percentage growth of VC investment versus the previous year

Table 6:
EdTech: VC investment growth by city

Rank	City	Year over year % growth*
1	Dallas / Ft. Worth, TX	500%
2	Atlanta, GA	440%
3	Philadelphia, PA	230%
4	Portland, OR	200%
5	Phoenix, AZ	140%
6	Columbus, OH	140%
7	Miami, FL	140%
8	Pittsburgh, PA	140%
9	Chicago, IL	94%
10	Seattle, WA	47%

*Based on the estimated percentage growth of VC investment versus the previous year

Innovation did not slow down in 2020.

The significant growth of VC investments throughout 2020 highlights a significant trend - innovation did not slow down - in fact, it's happening faster than ever.

Entrepreneurs continue to innovate, despite the challenges brought by COVID-19.

“We hope our data analysis starts a thought-provoking discussion in an area that we are very passionate about - attracting and supporting extraordinary entrepreneurs on their journey;” concluded Mark Sherman, General Partner at Telstra Ventures.

Methodology.

- We gathered data from 27 regions, including the San Francisco Bay Area, New York City, and 25 emerging tech hubs, in our analysis.
- In total, our analysis looked at more than 35,000 companies across the regions that received VC funding.
- We looked at 15,000 investments in those regions in 2019-2020.
- We estimated the number of 2020 investments based on the current data available adjusted for delays in actual funding and funding announcements.
- Our analysis includes data from Crunchbase, PitchBook Data Inc* and proprietary Telstra Ventures sources. *Data has not been reviewed by PitchBook analysts.
- We use a proprietary methodology to calculate the lag of investments into our database to extrapolate a complete 2020 data set.
- For our analysis on startup growth in each region, we only included the cities that had at least 250 venture-backed companies at the beginning of 2020.
- For the VC investment growth analysis, we only included cities that recorded 50 new VC investments during 2019.
- Additionally, for the analysis of VC investment growth across sectors within critical regions, we omitted cohorts with less than five VC investments in 2019.
- Companies or single VC investments may be accounted for in multiple sectors.



Telstra Ventures is a strategic growth investor in lighthouse technology leaders, backed by Telstra Corporation, one of the 20 largest telecommunications providers globally, and a number of leading global institutional investors. With offices in San Francisco, Sydney, Melbourne, and Shanghai, Telstra Ventures have invested in over 70 innovative businesses that bring disruptive technological solutions and radical thinking to customers.

Telstra Ventures is Australia's largest Venture Capital Fund and through our Revenue Bearing Relationships (™) Platform has delivered \$US300M in revenue to our portfolio and continues to offer entrepreneurs access to genuine revenue growth and shortens the time to reach global scale, which in turn can deliver improved financial returns to our investors.

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