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Tech in 2013: Midtown South Still Beats Lower Manhattan

By Karsten Strauss

Despite lower rents and greater vacancies in lower Manhattan, technology and media firms will not likely leave the Midtown and Midtown South neighborhoods they've come to call home.

The much publicized scramble by companies in the tech and media sphere – both startups and established firms – to put down roots in Midtown South has led to surging rents and little available space. But intimidating prices will likely lead to more such firms seeking coworking space rather than moving to entirely new neighborhoods, said **Ashkán Zandieh**, director of the TechStarter report for **ABS Partners**.

One of Mr. Zandieh's clients, the CEO of a tech-media firm he would not name, said it would be more attractive to remain in the **General Assembly** coworking space at **902 Broadway** than it would be to lease space in Lower Manhattan due to the proximity the firm now has to other startups of its kind. "The success of the startup scene is directly tied to the success of the coworking scene," Mr. Zandieh said.

New York venture capital firms invested \$2.3 billion in 397 deals in 2012, an 18 percent decrease in dollars and a 4.3 percent decrease in deals in 2011, according to the MoneyTree Report by PricewaterhouseCoopers LLP and the National Venture Capital Association. This could translate to smaller early stage funding for startups and less money to spend on office space. "It does have a negative effect on dedicated space," Mr. Zandieh explained. Leasing coworking space will be the option chosen by burgeoning tech and media firms, he said.

Popular coworking locations in Manhattan include **Grind** at **419 Park Avenue South**, **AlleyNYC** at **500 Seventh Avenue** and **Projective Space** at **447 Broadway** and **72 Allen Street**.

Building owners looking to market their buildings as a coworking environment will need large floor plates, an abundance of natural light, strong fiber optic connections and, preferably, a tech and media tenant already in place, as startup firms "may be hesitant to move into a building where there isn't a startup already," Mr. Zandieh said.



An attractive location for tech and media, 915 Broadway houses Artspace, Adap TV and cloud services firm, Flurry.

The outliers in the equation are more established firms that have settled in their own dedicated offices outside of Midtown South and the Silicon Alley area because they don't feel that close proximity to similar firms is as essential. **Moda Operandi** moved from 72 Madison to **315 Hudson Street**, taking nearly 24,882 square feet, while **Fab.com** leased 23,500 square feet at **95 Morton Street**.

Brooklyn has become a landing zone for technology and media firms as well, offering office and coworking space in the **The Yard** at **33 Nassau Avenue**, **Industry City**, Dumbo, **Greenpoint CoWorking** at **240 North Henry Street** and **Secret Clubhouse** at **117 South 3rd Street** in Williamsburg.

Though Brooklyn offers greater opportunity for larger spaces, proximity to Silicon Alley and the Union Square transportation hub is what many firms are looking for. "Major hubs for transportation are the lifeline for these startups."

Companies that have achieved a certain level of establishment and funding, and are looking to expand operations to New York from elsewhere in the country or from overseas, will not likely see Brooklyn as an option. "You move to New York, you move to Manhattan," Mr. Zandieh said.



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