

4 - 2012 | A Report on New York's Start-Up Scene

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Location Matters | New York City

The ability to socialize and collaborate in real social settings is one of the founding blocks of creating a community. For start-ups, this simple notion is one of the most important considerations when choosing where to work. Midtown South's dominance in attracting all types of start-ups can be attributed to its cultural and geographical importance, advancing start-ups to network across multiple platforms.

The benefits of easy collaboration among tech based companies paired with high demand for creative space in Midtown South has led to an explosive rise in tech's real estate and economic footprint which has, on average, increased by 44.74% since Q1 2012. The average asking rental price per square foot increased from an estimated \$38 per square foot (Q1) to roughly \$55 per square foot (Q4) for Class B buildings in Midtown South.

Tech start-ups, in particular Fashion Tech/E-Commerce, Media Tech, and Mobile Tech, are keen on Midtown South and are willing to take on leases despite a landlord driven market. As these three sectors continue to drive the tech scene in New York, their VC funding has kept pace with their growth. Over the past year, some of the largest rounds of funding went to New York based start-up like Fab, Quirky, and Flurry, who received \$105 million, \$68 million, and \$25 million in funding, respectively.

Tech's Footprint on Real Estate

Lower Manhattan:

Since the financial collapse of 2008, Lower Manhattan (LoMa) has struggled to regain its once dominant real estate position. As more landlords are converting their office buildings to residential properties or hotels, available office space is diminishing. However, LoMa stands to benefit from the recent marketing efforts of the New York City Economic Development Corporation (NYCEDC) which has driven the trend to diversify and entice start-ups to the area. Take the H.E.L.M., a competition aimed at attracting any and all things tech, has benefited from bottom-line focused start-ups that have been growing at an accelerated pace. "The reality is that there are deals to be made," according to Trevor Summer, President, LocalVox, a marketing and social media agency. Simply on a price per square foot basis, LoMa offers start-ups the ability to take on full floors at a price considerably more attractive than Midtown South.

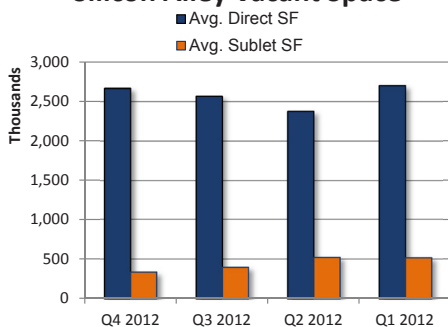
The surge in activity in LoMa has many start-ups eyeing office space in an area that has traditionally been dominated by financial institutions. The announcement and arrival of media juggernauts Conde Nast and XO Group, is similar to PayPal's move to Boston's Financial District, which helped diversify Boston's stagnant commercial real estate market.

Midtown South:

The rise of New York's tech scene in Midtown South (Silicon Alley) has helped the city's real estate market outperform many other US cities. The tightest submarket in the country, Midtown South has been a hub for start-ups and seasoned tech companies alike. Given the high demand and low supply of office space in all of Midtown South, rents have increased by nearly 10% since Q1 2012, with asking rent reaching nearly \$70 per square foot, further tightening the market in Q4.

Tech start-ups, particularly Media, Mobile, and Fashion-Tech, have been able to take advantage of networking and cross platform collaboration within the start-up scene in Midtown South. Location only matters if it's vital to a start-up's success. As available space becomes more scarce, start-ups have begun exploring alternative locations that are in close proximity to the tech scene but with the flexibility of negotiating more favorable leases with eager owners.

Silicon Alley Vacant Space



Tech's Footprint on Real Estate

NoMad:

North of Madison (NoMad), has been a pioneer in the creation of organic growth in office space. An area that was once plagued by retailers selling cologne by the gallon, NoMad has gone through a cultural shift since the arrival of the Ace Hotel. As tech's footprint continues to grow, freelancers and artists are gravitating towards NoMad, reshaping the up-and-coming neighborhood into a "new" SoHo. The stock of prewar buildings and access to transportation lends itself naturally to start-ups. Demand for creative space continues to drive rental activity in NoMad as the creative community has been able to network within the scene, creating synergy along the Broadway corridor.

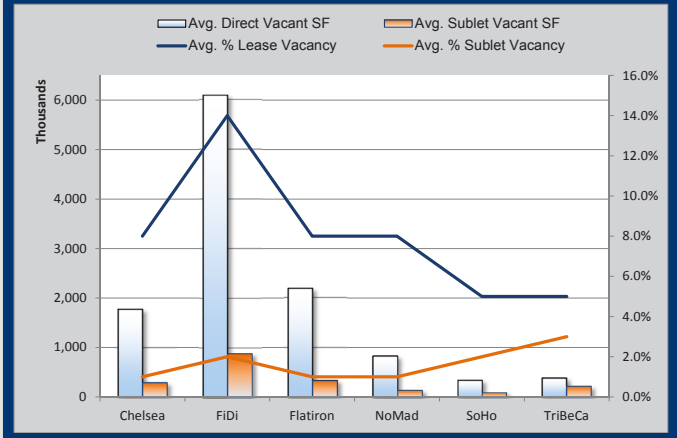
Companies to Watch

The New York tech scene flourished in 2012. Funding rounds across all levels were strong, leading to entrepreneurs working across multiple platforms to expand their business and real estate footprint. Companies like LovaVox and Booker (formerly GramercyOne) all took space South of Chambers Street.

LocalVox, the local, social, and mobile marketing platform, raised \$7.4 million in Venture Round funding in October. Named the third hottest startup in NYC by Business Insider and the best high tech tool for new business entrepreneurs by Good Day New York, the capital came during a time when the young company was expanding at an accelerated pace that they needed their own space to grow into. After bouncing around from SoHo to TriBeCa, LocalVox recently settled down in LoMa where they took over roughly 10,000 square feet.

Booker, formerly GramercyOne, and a former division of SpaBooker, have been around since 2007. The cloud based management software company has changed the way local services are managed by businesses. Booker has replaced disconnected software, and unifies the essential components of running a service business into a single web-based platform. Since receiving \$14.5 million in Series A funding, Booker has been expanding their real estate footprint by taking nearly 20,000 square feet of real estate. The competitive price per square foot has allowed companies, like Booker, to expand in a non-threatening way to their P&L statement. Early stage start-ups and more seasoned tech based companies are finding office space to grow into in a more fiscally responsible way.

Q4 Vacancies



VC Transactions | Series A

Company	Funding	Venture Capital Firm	Company Location
Nordstromrack.com	\$12 Million	Fashion Tech / E-Commerce	New York, NY
Cibiem	\$10 Million	Bio Tech	New York, NY
Percolate	\$9 Million	Ad Tech	New York, NY
This Technology	\$7.5 Million	Ad Tech / Software	New York, NY
Datadog	\$6.2 Million	Software / IT Data	New York, NY

TechStarter Research Marketing & Real Estate Consulting

TechStarter is the creative division of ABS Partners, one of the largest owners of office space/real estate in New York. It is the research marketing, leasing, and management team that handles all start-up requirements. TechStarter places importance on the micro and macro segments of the start-up/ tech scene, focusing on sustainability, growth, and synergy. Simply put, TechStarter helps start-ups better understand real estate and their real estate footprint.

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