

A SURGE OF BITS AND BYTES: THE STATE OF TECH AND INNOVATION IN LOWER MANHATTAN



THE TECH INDUSTRY IS A DRIVER OF THE CITY'S ECONOMY

One New York City industry is indisputably thriving: technology. Since the global recession of 2008, while other industries slowed or stagnated, the tech industry multiplied investment dollars, added jobs, and fueled leasing.

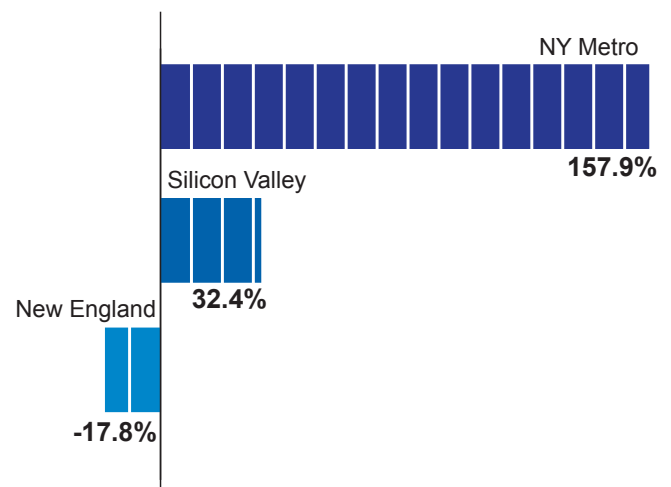
From 2003 to 2013, the number of venture capital deals in the New York Metro Region jumped 158%, outpacing other well-established tech regions. Venture capital deals in Silicon Valley grew just 32% during the same time period, while New England saw an 18% decrease in deals. ¹

This influx of capital spurred tremendous growth in business development and employment. Tech averaged 5.3% annual growth in GDP and added 98,000 jobs in New York City. ²

These growing companies made a notable impact on the real estate market. Citywide tech leasing activity more than doubled, from 1.1 million square feet in 2011 to 2.5 million square feet in 2012. In the first half of 2013, the industry leased nearly 3 million square feet, already surpassing 2012 year-end totals.

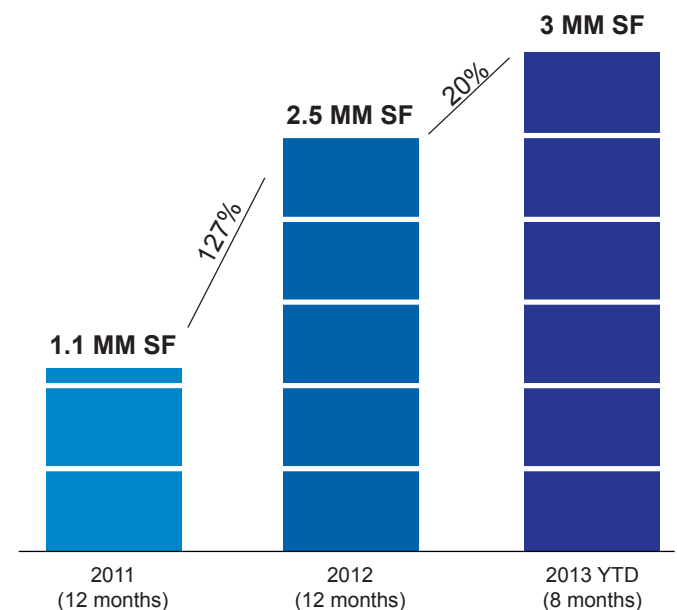
Tech also showed a steady annual uptick in its share of total leasing citywide, from 4% in 2011 to 8% in 2012, and 22% in the first half of 2013.

PERCENT CHANGE IN VENTURE CAPITAL DEALS, 2003-2013



Source: Q1 2013 Money Tree Report, published by Pricewaterhouse Coopers and the National Venture Capital Association with data from Thomson Reuters

TECH LEASING IN NEW YORK CITY, 2011-2013 YTD



Source: Jones Lang LaSalle

¹ Q1 2013 Money Tree Report, published by Pricewaterhouse Coopers and the National Venture Capital Association with data from Thomson Reuters, www.pwcmoneytree.com

² BLS and Moody's Analytics from the NYC Jobs Blueprint released by the Partnership for New York City, April 2-13, www.pfnyc.org

LOWER MANHATTAN IS HOME TO A BUDDING CULTURE OF TECH & INNOVATION

The area south of Chambers Street is now home to 600 tech companies, up from nearly 500 companies a year ago — a 24% increase.³ Lower Manhattan's tech community ranges from start-ups—more than 100 of them—to well-known industry names like Fast Company and Refinery 29, to major corporations, including Sapient and Investment Technology Group. The roster is a compilation of companies classified as tech and information, and that ecosystem is enriched with digitally-based media and creative companies.

Increased leasing among these companies has bolstered the Lower Manhattan market. Total leasing among tech companies in Lower Manhattan grew from 180,000 square feet in 2011 to 274,800 square feet in 2012, a 53% jump. As of August 2013, the industry already surpassed the 2012 year-end total, reaching 351,300 square feet.

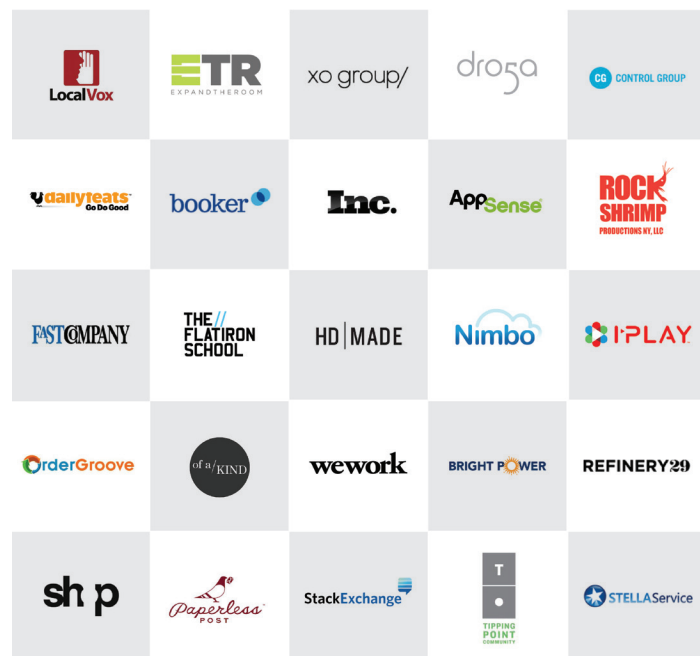
³ For the purposes of this study, "technology companies" are firms catalogued by the federal government under the following North American Industry Classification System (NAICS) categories: 334-All six-digit NAICS under Electronic Computer Manufacturing, 3353-All six digit NAICS codes under Electrical Equipment Manufacturing, 454111-Electronic Shopping, 454112-Electronic Auctions, 511210-Software Publishers, 518210-Data Processing, Hosting, and Related Services, 519130-Internet Publishing and Broadcasting and Web Search Portals, 5415- All six-digit NAICS codes under Computer Systems Design and Related Services, 519110- News Syndicates, 519120-Libraries and Archives, 519190- All Other Information Services, 541830 -Media Buying Agencies, 541840 -Media Representatives, 611420-Computer Training, and 54171-Scientific Research and Development Services.

The Alliance for Downtown New York compiled the number of unique Lower Manhattan-based technology companies using data from Dunn & Bradstreet, Jones Lang LaSalle, CBRE, the city's "Made in NY Digital Map" and tenancy data gathered independently by the Downtown Alliance.

TECH IN LOWER MANHATTAN 2013

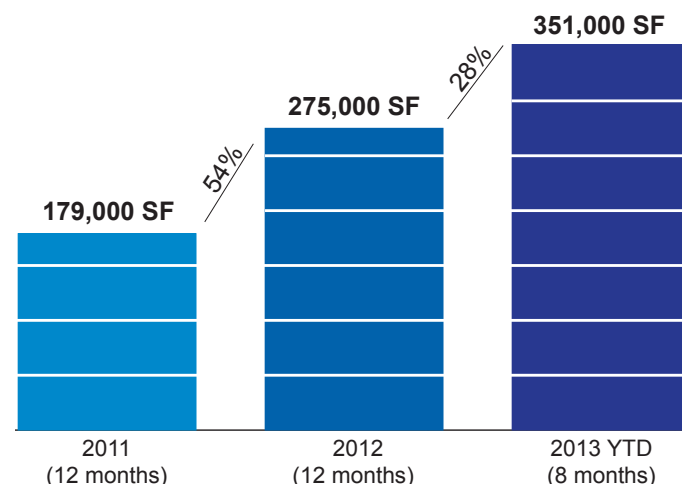
- 600 tech companies
- 351,000 SF Tech Leasing through August 2013
- \$231 MM Venture Capital Funding through July 2013

LOWER MANHATTAN TECHNOLOGY, INFORMATION, MEDIA & CREATIVE SERVICES COMPANIES



Source: Dunn & Bradstreet, Jones Lang LaSalle, CBRE, the city's "Made in NY Digital Map," and the Downtown Alliance

TECH LEASING IN LOWER MANHATTAN, 2011-2013 YTD



Source: Jones Lang LaSalle

THE STATE OF TECH AND INNOVATION IN LOWER MANHATTAN

Much of that leasing was the result of established firms moving to Lower Manhattan. From 2011 to mid-2013, 25 tech companies relocated to the district. More than 50% of those moves were from Midtown South, a market that has grown increasingly tight and held the lowest vacancy rate in the nation since the first quarter of 2009.

In total, tech companies in Lower Manhattan raised \$231 million in the first seven months of 2013, accounting for 14% of tech start-up venture capital citywide. Within that district, the World Trade Center submarket raised \$120 million in venture capital funding—the second largest amount of any submarket outside Midtown South.⁴

Tech tenants are in good company with media and other creative firms, with whom they share a synergy, seeking a similar labor force, customer base and audience, as well as a robust exchange of ideas. These industries have also increased their footprint in Lower Manhattan in recent years, with numerous relocations to the area.

Since 2011, 31 creative services tenants have signed leases to relocate to Lower Manhattan, including HarperCollins Publishers and Bobby Flay's Rock Shrimp Productions. Nielsen Media Research and Condé Nast have also committed to move to Lower Manhattan. They will join the ranks of 77 existing media tenants, including XO Group, which publishes TheKnot.com, and Mansueto Ventures.

"One of the most attractive things about Lower Manhattan is the convenience of transportation. Another great thing is the growing number of other creative professionals who are opening their businesses down here."

—David Liu, Co-founder of the XO Group

"In 2003, we moved to Lower Manhattan. It was the area's history, resources, and potential that made it the obvious choice for us then and an ideal location for us now. We are proud to work locally and to experience the positive impact our projects have on the neighborhood."

—SHoP Architects

CARLEY RONEY & DAVID LIU, CO-FOUNDERS OF THE XO GROUP



FREE WI-FI IN PUBLIC SPACES



⁴ Jones Lang LaSalle

THE STATE OF TECH AND INNOVATION IN LOWER MANHATTAN

56 TECHNOLOGY & CREATIVE SERVICES RELOCATIONS TO LOWER MANHATTAN, 2011-Q2 2013

	Tenant Name	Building Address	Industry	Previous Location	Quarter
2013 (6 months)	Swanke Hayden Connell Architects	100 Broadway	Architecture	Midtown South	Q2 2013
	Paperless Post	115 Broadway	Technology	Midtown South	Q2 2013
	Barker DZP	30 Broad Street	Advertising	Midtown South	Q2 2013
	Mobotix	80 Broad Street	Technology	Midtown	Q2 2013
	Artspace	75 Broad Street	Technology	Midtown South	Q2 2013
	Carl Fischer Music	48 Wall Street	Media	Midtown South	Q2 2013
	Dom & Tom	55 Broadway	Technology	Midtown South	Q2 2013
	OpenMarket	100 Wall Street	Technology	Midtown South	Q2 2013
	Li-Saltzman Architects	50 Broadway	Architecture	Midtown South	Q2 2013
	City & State	61 Broadway	Media	Midtown South	Q2 2013
	HarperCollins Publishers	195 Broadway	Media	Midtown	Q1 2013
	Village Voice Media	80 Maiden Lane	Media	Midtown South	Q1 2013
	OrderGroove, Inc.	75 Broad Street	Technology	Midtown South	Q1 2013
	GameChanger	86 Chambers Street	Technology	Midtown South	Q1 2013
	STELLAService	75 Broad Street	Technology	Midtown South	Q1 2013
	Terry Hines & Associates	90 Broad Street	Advertising	Midtown South	Q1 2013
	SmartAsset	44 Wall Street	Technology	Outside U.S.	Q1 2013
	Evisors	55 Broad Street	Technology	Midtown South	Q1 2013
2012 (Year-end)	Beyer Blinder Belle Architects & Planners	120 Broadway	Architecture	Midtown South	Q4 2012
	Refinery 29	225 Broadway	Media	Midtown South	Q4 2012
	Application Security	55 Broad Street	Technology	Midtown	Q4 2012
	Rock Shrimp, Inc.	115 Broadway	Performing Arts	Midtown South	Q4 2012
	Simmons-Boardman Publishing Corporation	55 Broad Street	Media	Midtown South	Q3 2012
	Door3	22 Cortlandt Street	Technology	Midtown South	Q3 2012
	American Reprographics Company	14 Wall Street	Technology	Midtown South	Q3 2012
	Insight out of Chaos	80 Broad Street	Technology	Midtown South	Q3 2012
	Garic, Inc	26 Broadway	Technology	Midtown	Q3 2012
	Half Yard Productions	50 Broad Street	Performing Arts	Relocation	Q2 2012
	TriTek Solutions	22 Cortlandt Street	Technology	Midtown	Q2 2012
	Gallery Systems	5 Hanover Square	Technology	Midtown	Q2 2012
	RealMatch	90 Broad Street	Technology	New Jersey	Q2 2012
	Investment Technology Group, Inc.	1 Liberty Plaza	Technology	Midtown	Q1 2012
	Zeta Interactive	90 Broad Street	Advertising	Midtown	Q1 2012
	Ipreeo	65 Broadway	Technology	Midtown	Q1 2012
	Harry Fox	40 Wall Street	Media	Midtown South	Q1 2012
	New York City Opera	75 Broad Street	Performing Arts	Midtown	Q1 2012
	Digital First Media	5 Hanover Square	Media	Midtown	Q1 2012
	Goldstein Hill & West Architects	11 Broadway	Architecture	Midtown South	Q1 2012
	Eye Mall Media	48 Wall Street	Advertising	Midtown	Q1 2012
	Argent Software	100 Wall Street	Technology	Midtown	Q1 2012
2011 (Year-end)	Allmenus	11 Broadway	Technology	Midtown South	Q4 2011
	Coverago	100 Broadway	Media	New Jersey	Q4 2011
	DeSola Group	120 Wall Street	Advertising	Midtown	Q4 2011
	Don Congdon Associates	110 William Street	Media	Flatiron	Q4 2011
	BAMKO	125 Maiden Lane	Advertising	Los Angeles	Q4 2011
	Omni Markets	125 Maiden Lane	Technology	Midtown South	Q4 2011
	ARUP	77 Water Street	Architecture	Midtown	Q3 2011
	SS&C	40 Wall Street	Technology	Midtown	Q3 2011
	Sino Television	40 Exchange Place	Media	Midtown South	Q2 2011
	Condé Nast	1 World Trade Center	Media	Midtown	Q2 2011
	The Knot	195 Broadway	Media	Midtown South	Q2 2011
	Downtown Magazine	64 Fulton Street	Media	Midtown South	Q2 2011
	American Media, Inc.	4 New York Plaza	Media	Midtown	Q1 2011
	MultiCultural Radio Broadcasting	40 Exchange Place	Media	Midtown South	Q1 2011
	Telco Experts	120 Broadway	Technology	Midtown	Q1 2011
	Caruso Painting and Decorating Corporation	32 Broadway	Interior Design	Midtown	Q1 2011

Source: CoStar, CBRE, Downtown Alliance

WHY TECH COMPANIES ARE GROWING IN LOWER MANHATTAN

Lower Manhattan's infrastructure and amenities foster growth and collaboration, and attract desirable employees. The district has more fiber optic lines than anywhere else in the country, and free Wi-Fi in many public spaces.

With twelve subway lines, 30 bus routes, the New Jersey PATH and six ferry terminals — as well as unbeatable walkability and bike friendliness — Lower Manhattan is also eminently accessible for clients, investors and commuting employers. The transit system puts Lower Manhattan within 30 minutes of neighborhoods showing the fastest growth in high-value workers over the last ten years in the entire New York Metro region. Those neighborhoods include Williamsburg, Park Slope, Brooklyn Heights, Downtown Manhattan, Hoboken, and Jersey City. Transit options will be enhanced even more with the additions of Fulton Center in 2014 and the World Trade Center Transportation Hub in 2015.

Lower Manhattan's recreation and entertainment options are another draw for tech companies. These include free music and events in public spaces, 90 acres of parks, esplanades, and open space, 35 coffee houses, and over 1,000 places to eat, drink and shop. More than 100 of these establishments are open late during the week — until at least 9:00 p.m. — and on weekends. They provide opportunities for serendipitous run-ins with professionals in other industries, like advertising executives, CFOs of finance firms, designers and other industries in the local business community.

Major retail development projects will add even more shopping and dining options, with 980,000 square feet of new and repositioned retail scheduled to open between 2014 and 2015 at Brookfield Place (formerly the World Financial Center), Fulton Center and the Seaport.

"Tons of investment capital is coming into New York City, not just locally, but also from Silicon Valley in California. We are on the brink of a large wave of tech companies coming downtown. The time is right."

— James Hirschfeld, *Paperless Post*

"From its roots as a community of entrepreneurs to its current status as a center of finance, Lower Manhattan is where little guys like us have felt empowered to make big things happen." — *Refinery 29*

ALEXA HIRSCHFELD & JAMES HIRSCHFELD, CO-FOUNDERS OF PAPERLESS POST



90 ACRES OF OPEN SPACE



LOWER MANHATTAN OPENS ITS DOORS TO TECH

The district offers affordable space in technologically-advanced buildings, and, as the local economy diversifies, landlords are changing their buildings to appeal more to tech, media and other creative tenants.

About 9.2 million square feet is available for lease within the next six months in Lower Manhattan, and that space is competitively priced over other markets with tech appeal. On average, Lower Manhattan asking rents are \$14 per square foot less than Midtown South, \$22 less than Midtown, and \$6 less than San Francisco. The delta is greater for Class A rents — Lower Manhattan is \$23 per square foot less than Midtown South, \$25 less than Grand Central and \$4 less than San Francisco.⁵ The discounts are enhanced by financial leasing incentives unique to the district, including a real estate tax abatement that offers up to \$10 per square foot over the course of 5 years to eligible tenants relocating to Lower Manhattan.

Additionally, Take the H.E.L.M is a NYCEDC-sponsored competition designed to entice tech and other critical high-growth industries to move to Lower Manhattan. The contest awards up to \$250,000 toward office build-outs for winning companies who locate in the district.

⁵ Source of availability and rents: Cushman & Wakefield

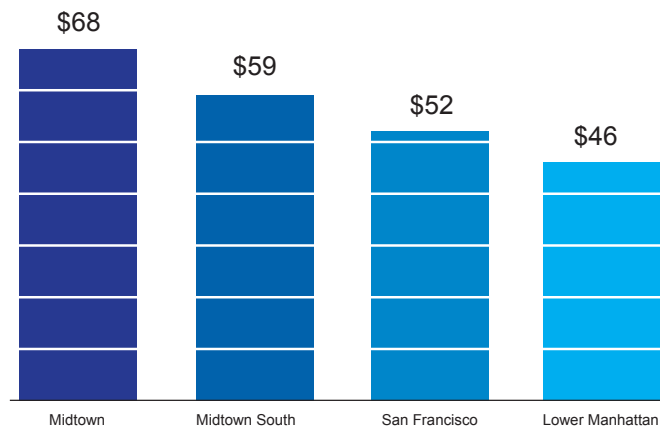
From historic landmarks to modern glass and steel towers, buildings across Lower Manhattan are technologically advanced, with LEED certification and Energy Star ratings, multiple fiber carrier options, and efficient floor plates. Many of these buildings are also getting tech-friendly make-overs as owners add high-capacity bike storage, exposed ceilings and other design features, room to grow or shrink, and accommodating events and employees working late hours.

A recent increase in co-working and incubator programs also offers flexibility with a professional feel for start-ups, including space offered by the Hive at 55, WeWork and TippingPoint, plus Regus and two other short-term office providers.

WEWORK AT 222 BROADWAY

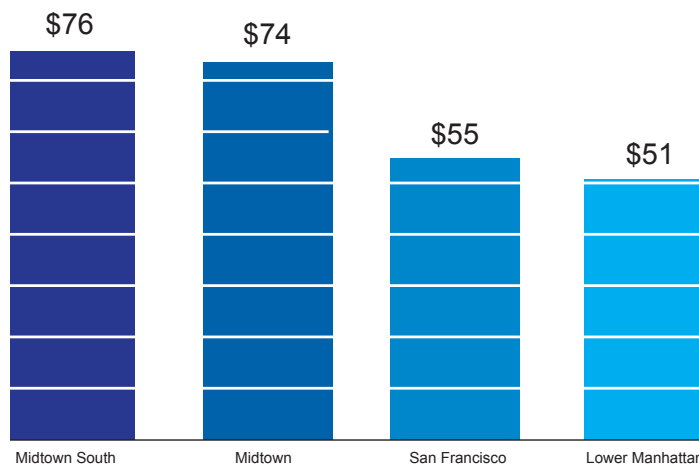


OVERALL AVERAGE ASKING RENTS, Q2 2013



Source: Cushman & Wakefield

CLASS A AVERAGE ASKING RENTS, Q2 2013



Source: Cushman & Wakefield

LAUNCH IT HERE

A new, community-led initiative intends to harness the dynamic potential of this burgeoning industry. Developed by the Alliance for Downtown New York in collaboration with a group of technology, venture capital, urban planning and real estate professionals who share a desire to build community, LaunchLM aims to unite Lower Manhattan's current and future innovators to collaborate, network and share ideas and resources.

Efforts underway by LaunchLM include:

- A new website, www.LaunchLM.com, serving as the digital hub for the initiative and the Lower Manhattan tech community. The website features details on events, workspaces, parks, restaurants, nightlife and ways to get involved with LaunchLM and other tech companies in the district.
- An expansion of free WiFi, creating a seamless connectivity along the Water Street corridor. The expansion is scheduled to launch by the end of 2013, and made possible by a grant from NYCEDC.
- Ongoing programs and events that will bring together existing Lower Manhattan technology companies through lectures, networking and happy hours.
- A presentation on the market's assets and amenities geared to entrepreneurs in the market for office space.

- A tool to help companies identify Lower Manhattan buildings with tech-friendly features.

LaunchLM ties together the area's rich history and compelling contrasts to an emerging cluster of innovators, creators, makers and doers, positioning Lower Manhattan as the neighborhood where new ideas are born and creatives can work together as they build and grow. LaunchLM will foster a connected, ambitious, bold, and optimistic community, inviting the technologists, innovators and entrepreneurs who are authoring the future to make the neighborhood their own and Launch it Here.

LAUNCHLM.COM



Join the **INNOVATORS, CREATORS, MAKERS, AND DOERS** who are **LAUNCHING** it here in
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