



Global Hills Group News

New York Sees Startup Funding Spike In 2021

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New Yorkers are used to being at the center of the action. From finance to media to advertising to fashion, theirs is the city where trends get set and big deals get made.

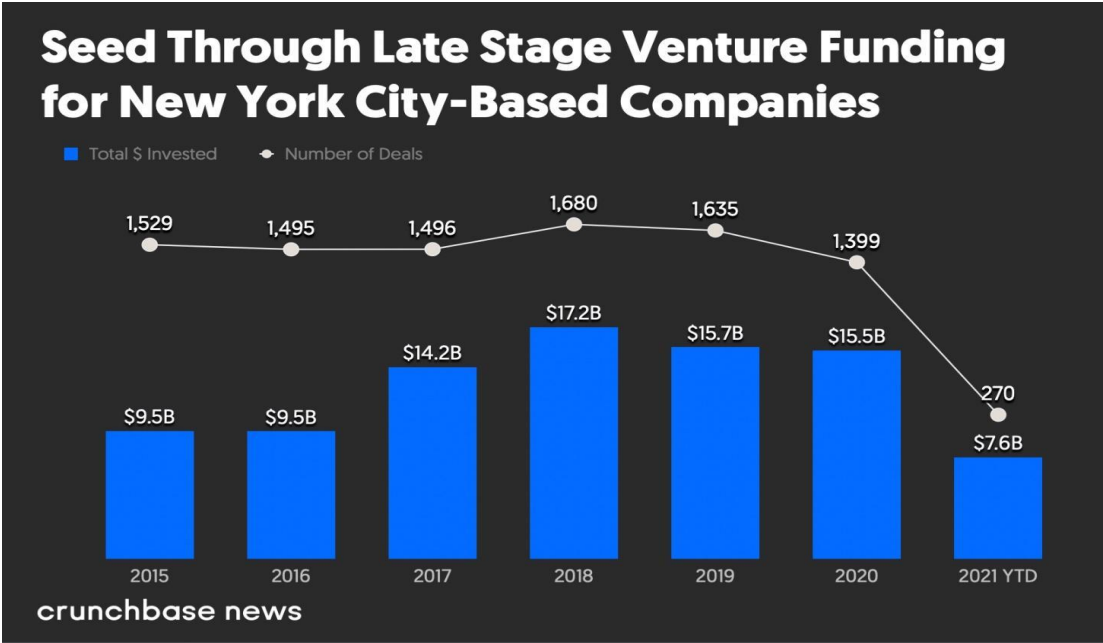
In the tech and venture capital world, however, not so much. While New York is certainly no slouch in technology or startup generation, it's not the epicenter of that scene. The most valuable U.S. tech companies are on the opposite coast, and Northern California historically gobbles up the lion's share of venture funding.

Recent funding data shows New York is catching up, though. So far this year, New York companies have pulled in \$7.6 billion in seed through late-stage venture funding. If investment continues at this pace, the city will be on track for a record-setting year.

“It doesn’t surprise me that we’re on pace to do more,” said [Cynthia Franklin](#), the director of entrepreneurship for the Berkley Center for Entrepreneurship at NYU’s [Stern School of Business](#). “Despite the fact that 2020 was such a strange year, there have been several sectors that have been doing quite well.”

While the pandemic had a devastating impact on many small New York businesses, technology startups in a number of sectors — such as fintech, e-commerce, gaming and telemedicine — saw sharp growth in demand, Franklin notes. In essence, shifts in consumer and business behavior that were already underway accelerated during the past year.

Cash-flush venture funds have been pouring more money into local companies in these spaces too, with a sharp rise in large rounds this year. For a multiyear perspective, we lay out New York funding totals for 2021 and the past five calendar years in the chart below:



As you can see, the 2021 funding spike is a sharp contrast to other recent years. For 2018 to 2020, annual investment ranged from \$15.5 billion to \$17.2 billion — big sums, but not a huge year to year fluctuation in funding.

But as more nations emerge from the pandemic lately, unbridled optimism is widespread in the venture space. This past December, January and February have been the [three peak funding months](#) of the past two years.

Rounds are getting bigger, exits too

New York is part of this bullish trend. So far this year, at least 25 New York-headquartered companies have raised venture or growth rounds of \$100 million and up (see [list](#)).

At least five NYC companies, meanwhile, pulled in \$300 million or more in 2021, as we highlight in the chart below:

Company	Business	Funding Round
UiPath	Robotic process automation	\$750M Series F
Ro	Health care and telehealth	\$500M Series D
Dataminr	AI for risk detection	\$475M Series F
Attentive	Text message marketing	\$470M Series E
Squarespace	Tools for website building and marketing	\$300M Growth Round

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In addition to big rounds, we’re also seeing big exits for NYC-headquartered companies. [DigitalOcean](#), provider of a cloud computing platform for small and medium-sized businesses, [made its market debut](#) Wednesday, securing a valuation around \$4.4 billion. A few weeks earlier, insurance provider [Oscar Health](#) went public as well, and was recently valued at around \$5.4 billion.

Probably the biggest is yet to come — robotic process automation software giant [UiPath confidentially filed to go public](#) in December. The company raised a \$750 million pre-IPO round in February at a \$35 billion valuation.

Another big one waiting in the wings is [Compass](#). The venture-backed real estate brokerage is aiming for a \$10 billion valuation in its upcoming [New York Stock Exchange](#) listing.

NYC startups thrive across industries, spread locations

As we look at funding more broadly, New York stands out as one of the more diversified startup ecosystems, with a large presence spanning fintech, digital media, consumer, real estate, enterprise software, health and, increasingly, biotech. In short, it seems pretty much anything that doesn't require a giant manufacturing facility can scale up there.

That diversification is observable across stages. And while we've been focusing so far on later-stage rounds, it's worth noting that New York's early-stage and seed funding activity has also held up at healthy levels in 2021.

So far this year, investors have put roughly \$200 million into reported seed-stage deals, and \$1.5 billion into early-stage rounds (Series A and B), per Crunchbase data. Businesses securing larger early-stage rounds run the gamut from [natural language processing](#) to [blockchain infrastructure](#) to smart [dog collars](#).

Now, as we've noted before, headquarters don't always [translate into headcount](#). Growth-stage companies in particular are commonly based in one city, but have their staff spread out across the country or the globe. This is the case for UiPath, [Ro](#), Compass, [Squarespace](#) and

others. (Plus, of course, this past year workers who can telecommute have largely been doing so.)

Still, headquarters location matters. By and large, New York-based companies will have their executive team in the city, maintain office space, host events locally, and draw on the area's considerable talent pool to fill core positions.

Where to go from here

As funding for New York startups continues to rise, it's hard to envision what might slow things down beyond a broader nationwide or global contraction in investment.

After all, when it comes to tech and entrepreneurial hubs, New York has the usual required elements: A huge and diverse population of skilled workers, leadership in a broad array of industries, several prominent research universities, and easy access to capital.

Plus, as we mentioned before, New Yorkers are used to their city taking a lead role in emerging industries. For tech, perhaps it's only a matter of time.

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