

BRIEF | Intelligent Investment

# Silver Linings Appear in 2022’s Shrunken Venture Capital Pool in NYC

By Nicole LaRusso, Ben Wurtzel

Although the landscape for tech startups changed dramatically in 2022, an examination of venture capital activity in the five boroughs revealed that the city’s entrepreneurial economy remains fundamentally healthy. While large funding rounds have fallen by the wayside, the high volume of small and medium sized deals suggests that many of the city’s junior firms are in growth mode, even as larger employers pull back on hiring.

While total venture capital volume to NYC fell by 50% from \$42.5 billion in 2021 to \$21.1 billion in 2022, the total number of deals dropped by a more modest 23% and small (<\$10M) and medium-sized (\$10M-\$50M) deals fell by 12% and 23% respectively. The dollar amount for investments of less than \$10 million rose 9% year-over-year to \$2 billion, providing a boost to the city’s earliest stage startups. Moreover, a broader cross-section of startups were the recipients of mega deals (\$100M+) in 2022.

Total Venture Capital Funding

**\$21.1 Billion**

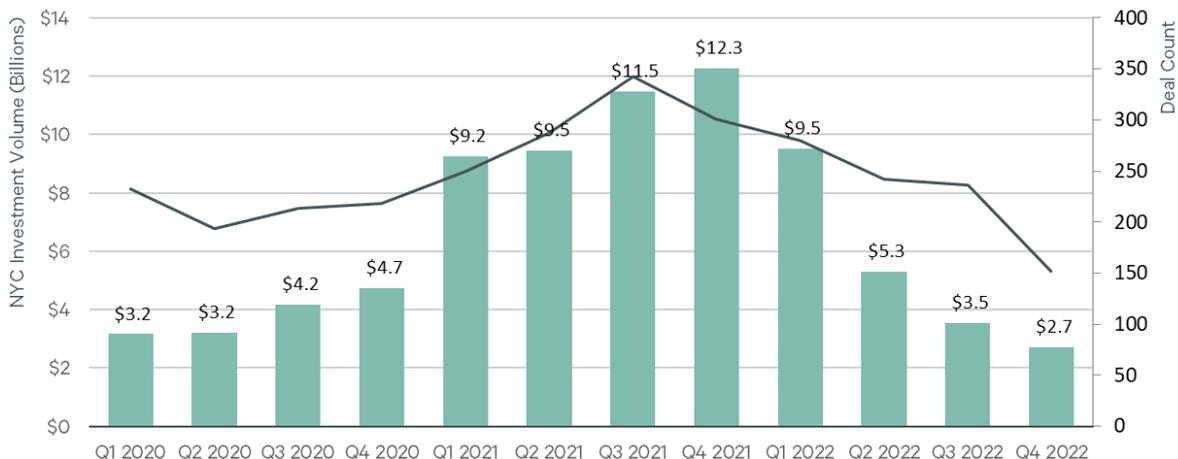
Number of Individual Investments

**910**

YoY Increase in Small Deals (<\$10M)

**+9%**

**FIGURE 01: Venture Capital to New York City Shrinks in Face of Market Turmoil**  
Venture Capital Volume and Deal Count to New York City, Q1 2020 – Q4 2022

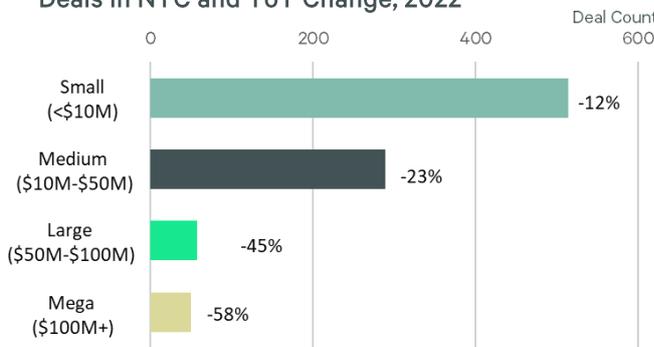


Source: CB Insights, CBRE Research, Q1 2023.

While headlines of major layoffs at the largest tech employers are dominating headlines, the continued flow of capital to startups speaks to the resiliency of the tech sector in which employment at medium and small firms appears stable. Venture capital is essential for expanding a company’s payroll, and tech employees with skills in software development, data management, and artificial intelligence remain in demand.

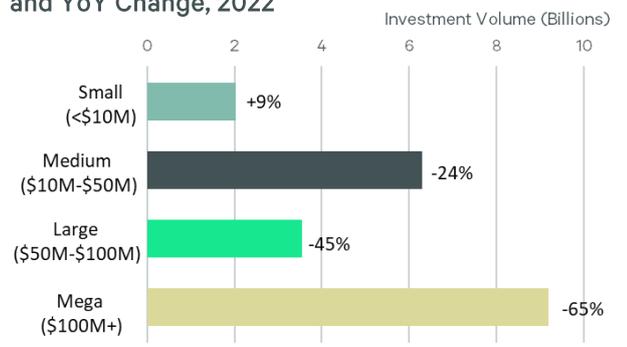
**Deals Under \$50 Million Remain Resilient as Money Flows to NYC Startups**

**FIGURE 02: Number and Size of Venture Capital Deals in NYC and YoY Change, 2022**



Source: CB Insights, CBRE Research, Q1 2023.

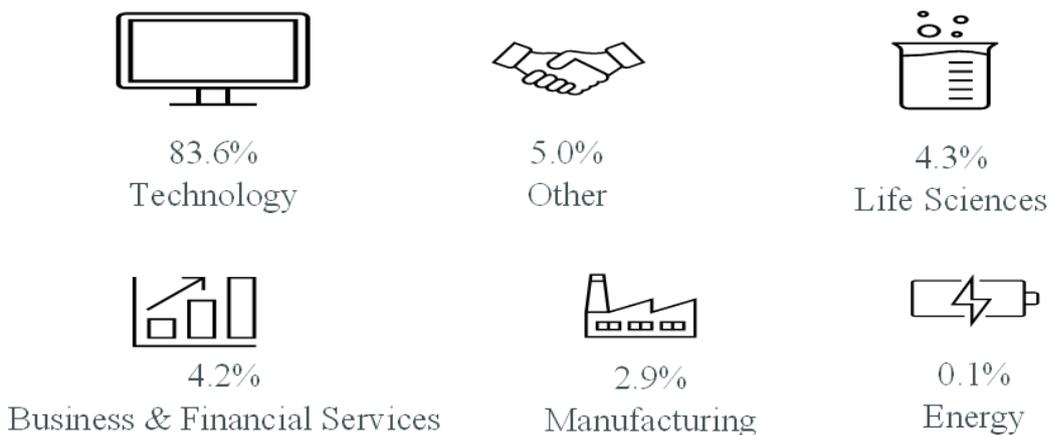
**FIGURE 03: Investment Volume by Size Cohort and YoY Change, 2022**



Source: CB Insights, CBRE Research, Q1 2023.

Technology companies were the destination for nearly 84% of venture capital funds that poured into NYC in 2022 with companies categorized as ‘other’ -- which include food and beverage concepts and healthcare services – coming in second with 5%. The absolute value of venture capital to enterprises involved in energy, manufacturing, business and financial services, and “other” all rose in 2022 while investment volume to life sciences and technology firms declined. The increase in funding to a majority of sectors demonstrates that the city’s diversified economy continues to create opportunity, even in a moment of difficulty.

**FIGURE 04: Top Industries Receiving Venture Capital Funding in NYC**



Source: CB Insights, CBRE Research, Q1 2023.

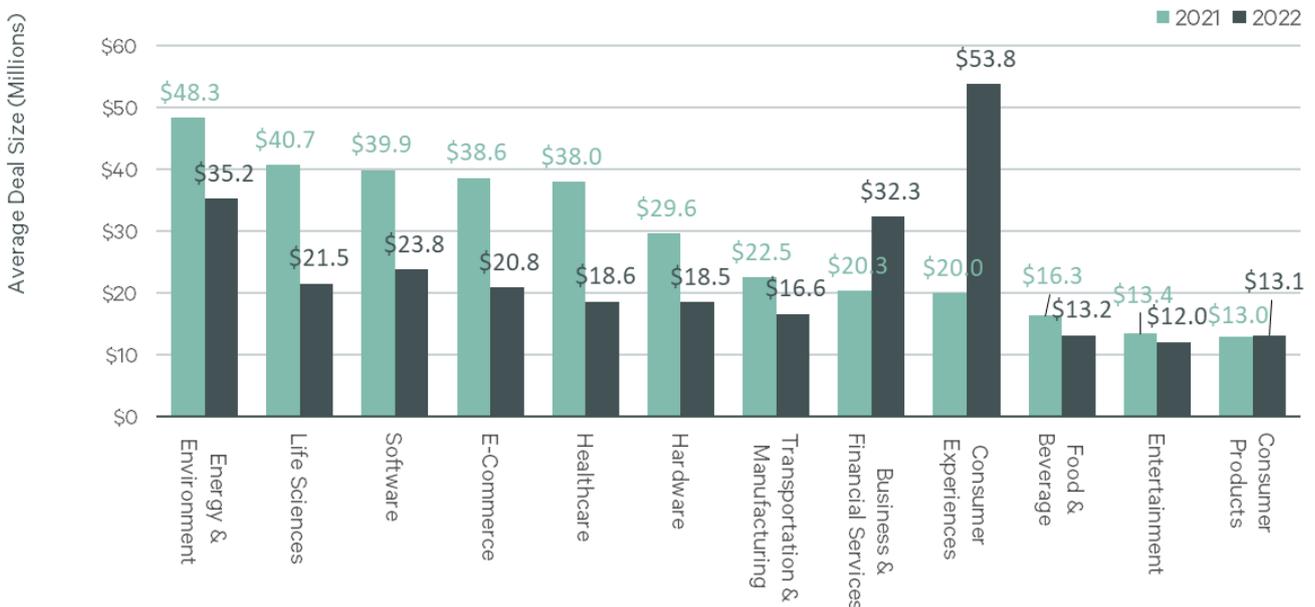
### Pandemic Darlings Take a Step Back in 2022

The average size of a venture capital deal in New York City contracted by 35% in 2022, falling from \$35.9 million in 2021 to \$23.2 million in 2022; however, the adjustment in average size was uneven across sectors.

When breaking down venture capital flows into specific subindustries, it becomes apparent that sectors that were lavished with capital during the peak of the pandemic saw their investment flows cool in 2022 as capital was redirected to opportunities in different sectors. Life Sciences experienced among the steepest contractions, seeing average deal sizes shrink 47% from \$40.7 million in 2021 to \$21.5 million in 2022. Software companies saw their average deal size shrink 40% from an average of \$39.9 million in 2021 to \$23.8 million in 2022.

Average deal sizes increased in 2022 for firms involved in consumer experiences (+169%) and non-tech focused business and financial services firms (+59%). The lift in average deal size was provided by mega deals – those greater than \$100 million. While deals of this scale were limited to technology and life sciences companies in 2021, a greater variety of NYC business received large cash infusions in 2022.

Figure 05: Average Size of Venture Capital Deal by Sector



Source: CB Insights, CBRE Research, Q1 2023.

The coming months are expected to be challenging for the economy, making access to capital increasingly difficult for NYC’s startup community. Despite the challenging climate, relatively high volumes of small investments should continue to nurse the city’s early-stage startup community while a slowdown in software and internet-related business growth should free up talent and attention for hundreds of the city’s nascent businesses in other sectors.

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