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Sequoia Capital leader Roelof Botha. Photo by Getty; art by Mike Sullivan

Sequoia Capital to Open New York Office, First U.S. Outpost Outside Silicon Valley

By Kate Clark
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THE TAKEAWAY

• Sequoia office will be at Zero Irving near Union Square
• New York startups raised 2.5 times less capital than Bay Area ones
• More venture capital firms are opening offices outside Silicon Valley

Sequoia Capital, the Menlo Park, Calif.–based venture capital firm known for its early investments in Google and Instagram, plans to open an office in New York City, its first U.S. facility outside Silicon Valley, according to two people with direct knowledge of the matter.

The move by Sequoia, the most prominent tech startup investor, underscores a broader shift by venture capitalists to plant roots outside the San Francisco Bay Area following the pandemic-fueled boom in remote work, which spurred more founders to start companies in other regions and cities, including New York.

Sequoia has leased office space at Zero Irving, a new commercial office building at 124 E. 14th Street in New York's Union Square neighborhood, the people said. Construction on the 21-story building, which includes 175,000 square feet of office space, was completed this year. It isn't clear which of Sequoia's over 30 investment partners plan to work occasionally or regularly from that location. Led by managing partner Roelof Botha, the firm also has an office in San Francisco and one in London, which it opened last year, but the majority of the firm's partners are based in its Silicon Valley location.

Other well-known Silicon Valley venture firms have set up shop in New York in various ways. Redpoint Ventures has long had investment partners located there but no office, while Bessemer Venture Partners opened an office in New York more than 20 years ago.

But New York's popularity among investors has increased in the past year: In May, Index Ventures, a firm with dual headquarters in San Francisco and London, announced a New York office led by partners Martin Mignot and Shardul Shah. Andreessen Horowitz in December leased 33,560 square feet at 200 Lafayette Street in New York's Soho district. (Last week the firm said its headquarters were now "in the cloud" and it would also open new offices in Miami Beach, Fla., and Santa Monica, Calif.)

Sequoia is no stranger to the New York startup scene. The firm's vast investment portfolio includes dozens of New York startups, including cryptocurrency security startup Fireblocks, makeup company Glossier and artificial intelligence startup Hugging Face.

Startups in the New York City metro area collectively raised $19.8 billion in venture capital so far this year, compared to the $52.3 billion raised by Bay Area startups, according to financial data firm PitchBook. That's a similar ratio to last year, when startups in the New York metropolitan area raised a record $50 billion, more than double its previous high, compared to $120 billion for Bay Area startups. One of the biggest New York venture-backed startup success stories of the past decade or so is Datadog, which sells software that monitors cloud-based applications. It has a market capitalization of around $30 billion.

Second Strongest Hub

Other new tenants in Zero Irving include fintech startup Melio Payments, data analytics company Sigma Computing and student loan refinancing business Laurel Road.

"It's the second strongest tech hub in the world," Index's Mignot and Shah wrote in a blog post announcing their earlier move. "But even more than the scale and location, it's the vibrancy of New York that gets us excited."

New York already has a populous VC ecosystem anchored by early-stage investor Union

Square Ventures, Thrive Capital, BoxGroup and Insight Partners, which is one of the biggest investors in mature startups.

Sequoia is making the New York move at the same time it has been warning startups about a “crucible moment” after macroeconomic problems thrashed publicly traded stocks—including major stakes held by Sequoia in companies such as DoorDash—hurting both the valuations and new funding for private companies. The firm, founded in 1972, recently changed its structure so that it could investment both private and public companies from the same fund, and it recently asked limited partners to commit $2.5 billion for new U.S.-based investments. The firm has about $85 billion in assets under management.

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