



# Venture Capital Investment in New York City

## Highlights

- After returning to more typical levels in 2022 and 2023 from a record in 2021, VC investment again spiked in late 2024. In the first quarter of 2025, the U.S. saw \$92.9 billion in deal activity, the second-highest level on record.
- The average size of VC funding deals has increased significantly in recent years. Deals worth over \$50 million increased from 56.9 percent of the total dollar value in 2019 to 68.7 percent in 2024.
- Between 2015 and 2024, the New York City metropolitan area saw the third-largest growth by number of transactions nationally, increasing by 38.4 percent to nearly 2,200 deals. This was faster growth than in the San Jose metropolitan area, which increased 24.4 percent.
- Like the nation, New York City experienced a surge in VC investment in the software and tech services sector in recent years. The sector accounted for 37.6 percent of all investment in the City in 2019, which has since grown to 52.4 percent in 2024.
- The strong sectoral activity was fueled by investment in artificial intelligence, with AI's share of total investment nationwide increasing from 16 percent in 2021 to 71 percent in the first quarter of 2025.
- In the twelve-month period ending in June 2025, New York City area all-female founded companies raised \$955 million across 143 deals, outperforming those in San Francisco during the same period (\$938 million raised in 135 deals).

Venture capital (VC) is a form of private equity, where funding is generally provided to a startup company in exchange for a minority share of ownership. VC funding in the United States grew steadily prior to the COVID-19 pandemic. As the financial capital of the U.S., New York City is a strong hub for VC investing. In 2024, the New York City metropolitan area recorded the second-largest funding level nationwide, with \$28.5 billion in investments, or 13.3 percent of the total nationally. The area had a higher total value of VC investment in 2024 than the next three largest areas combined (Boston, Los Angeles and Philadelphia).

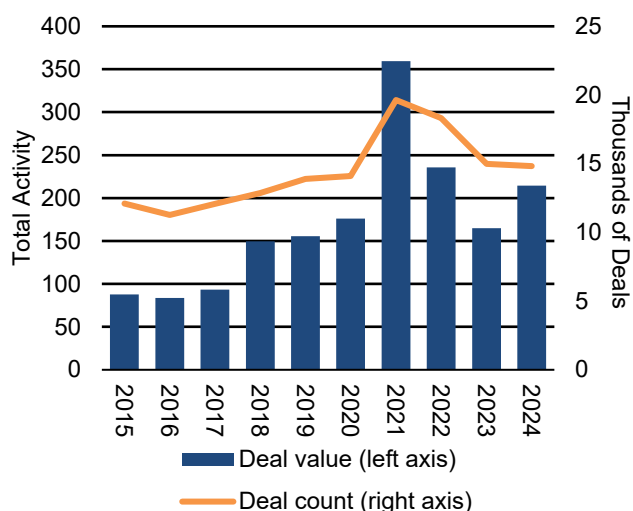
This growth has placed New York City firmly in second place among peer U.S. regions for overall VC activity. Due to the substantial investment made in the software industry, the San Jose metropolitan area (Silicon Valley) has long led VC investments by size and number of deals nationally. However, the New York City metropolitan area's women-owned businesses received the greatest amount of funding nationwide in 2025, outperforming Silicon Valley.

In recent years, firms working in artificial intelligence (AI) have accounted for an increasing share of overall VC activity, driving up average deal sizes. This has made it more difficult for smaller startups to obtain first-round funding, which has implications for smaller businesses—particularly minority/women-owned business enterprises hoping to make a name in New York City. Additionally, while overall VC activity remains stronger than before the pandemic, a recent slowdown amid changes to federal economic policy portends a cautious outlook for the industry.

## Overview of Venture Capital Activity

In 2019, the average annual VC investment in U.S. startups reached \$156 billion. From 2015 to 2019, total annual VC investment grew at a compound annual average rate of 15.5 percent (see Figure 1). During the pandemic, an unusual combination of economic conditions pushed VC investment to new heights.

**FIGURE 1**  
U.S. Annual Venture Capital Activity  
(in billions of dollars)



Sources: The National Venture Capital Association Q2 2025 PitchBook; OSC analysis

Amid the onset of the pandemic, the Federal Reserve reduced its target interest rate to zero. It also implemented a program of quantitative easing from March 2020 to November 2021 that resulted in trillions of dollars' worth of securities added to the Federal Reserve's balance sheet (see OSC's [October 2022 Securities Industry report](#) for details).<sup>1</sup> In addition, changes to economic behavior and substantial federally funded fiscal stimulus fueled new business startup ideas.<sup>2</sup>

A lower cost of borrowing, higher availability of capital and a dynamic business environment drove VC investment in 2021 to a total of \$359.4 billion, more than 2019 and 2020

combined (see OSC's [October 2022 Technology Sector report](#) for details).<sup>3</sup>

After setting a record in 2021, activity in the VC industry returned to pre-pandemic levels in 2022 and 2023, declining 34.4 percent in 2022 and another 30.1 percent in 2023 to \$164.7 billion. This slowing of activity was due partly to the Federal Reserve's efforts to combat inflation by raising interest rates beginning in March 2022 to the highest level in over 20 years (see OSC's [October 2024 Securities Industry report](#) for details).<sup>4</sup>

Following the Federal Reserve lowering rates in December 2024, deal activity surged, reaching a fourth quarter total of \$77.9 billion—more than double the level from the same period in 2023 and nearly on par with quarterly levels achieved in 2021.

Within the U.S., VC investment has historically been concentrated on the West Coast. VC firms often employ individuals with experience in the types of firms in which they invest, which has led to some concentration in the location of VC capital firms and the companies they invest in. This history is particularly strong for technology-fueled business initiatives in Silicon Valley, with 46.3 percent of all funding nationwide going to companies in the San Jose metropolitan area in 2024 (see Figure 2).

The New York City metropolitan area was the second-largest recipient of funding in 2024, with \$28.5 billion in investments, 13.3 percent of the national total. This was a decrease from the 2015 share of 14.6 percent (while the San Jose metropolitan area share rose from 37.6 percent in 2015), though the total dollar volume of deals more than doubled during this period. The New York City metropolitan area had more transactions in 2024 than the Boston and Los Angeles metropolitan areas combined, and a higher total value of investment than the Boston, Los Angeles and Philadelphia metropolitan areas combined.

**FIGURE 2****Deal Count and Value in 2024, by Metropolitan Area**

MSA	# Deals	Value (in \$ billions)	Share of Total \$
San Jose-San Francisco-Sunnyvale Oakland, CA	3,322	99.4	46.3%
New York-Newark, NY-NJ-CT-PA	2,195	28.5	13.3%
Boston-Worcester-Providence, MA-RI-NH-CT	1,031	11.6	5.4%
Los Angeles-Long Beach, CA	909	10.8	5.0%
Philadelphia-Reading-Camden, PA-NJ-DE-MD	644	4.0	1.8%
Austin-Round Rock, TX	383	3.4	1.6%
Seattle-Tacoma, WA	331	4.6	2.1%
Denver-Aurora, CO	360	5.0	2.3%
Miami-Port St. Lucie-Fort Lauderdale, FL	382	3.6	1.7%
Chicago-Naperville, IL-IN-WI	382	2.8	1.3%
Other	4,885	41.0	19.1%

Sources: The National Venture Capital Association Q2 2025 PitchBook; OSC analysis

Between 2015 and 2024, the New York City metropolitan area saw the third-largest growth by number of transactions, increasing by 38.4 percent to nearly 2,200 deals. This was faster growth than in the San Jose metropolitan area, which increased 24.4 percent. Philadelphia and Miami both saw their numbers of transactions more than double between 2015 and 2024, though they both still accounted for less than 5 percent of deals in 2024, and less than 2 percent by value.

## Artificial Intelligence Drives VC Activity

The strong activity nationally and locally has been fueled by investment in artificial intelligence (AI), with AI's share of total investment nationwide increasing nearly three-fold from 16 percent in 2021 to 45 percent in 2024.<sup>5</sup>

The trend continued in the first quarter of 2025, with \$92.9 billion in total deal activity, the second-highest level on record, behind the fourth quarter of 2021. In that first quarter, the AI share of total investment increased to 71 percent. The increase was driven by the five highest-valued deals, all of which went toward AI investments, accounting for

just over half of total investment value (53.6 percent). Of the five VC firms making these investments, four were located in California. The fifth was in Norwalk, Connecticut, which is located within the New York City metropolitan area.

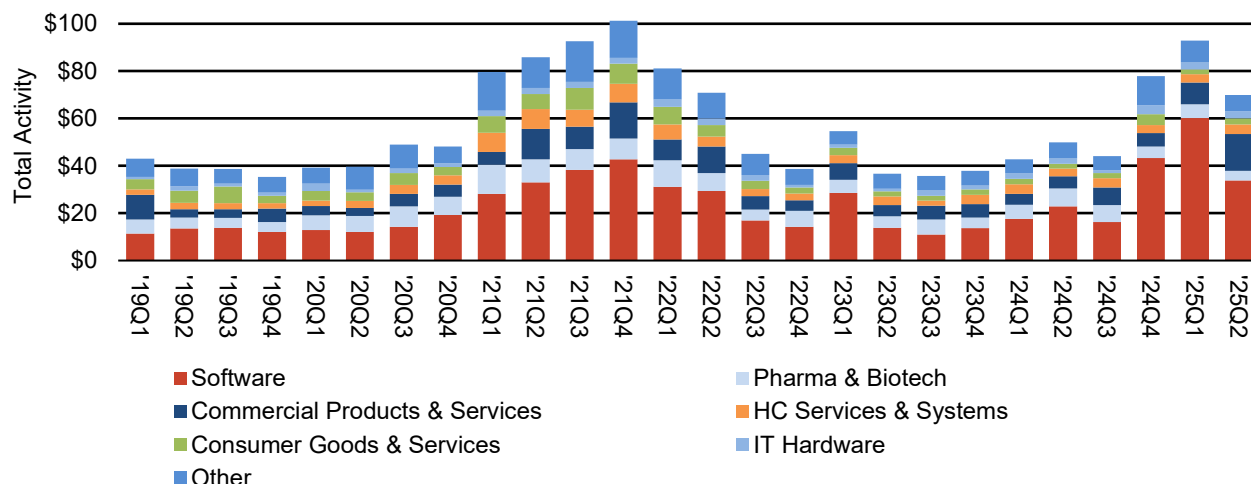
Following the robust activity at the beginning of 2025, overall VC activity declined in the second quarter as economic uncertainty related to tariffs and other federal policies took hold. Total value was down by 24.7 percent compared to the first quarter, though still up significantly from the prior year (by 40.1 percent). Uncertainty on tariff policy presents an ongoing risk for investment in the overall VC sector.

## Software, Pharmaceuticals and Biotech Firms Lead Investment

Software has long been the largest sector for VC activity nationally, and its share has grown more significantly, particularly as companies have invested greater amounts in AI technologies. Total investment in software companies grew from \$28.6 billion in 2015 (32.6 percent of total funding in the U.S.) to \$100 billion in 2024, accounting for nearly half (46.6 percent) of all investment that year (see Figure 3). In the first half of 2025, the share jumped to 57.8 percent, with more than \$94 billion invested in software companies, the highest half-year amount for a single sector in the NVCA PitchBook dataset (beginning in 2015).

Benefiting from this national trend, VC activity within New York City experienced a surge in the software and tech services sector in recent years, according to Bloomberg data compiled by OSC. The sector accounted for 37.6 percent of all investment in the City in 2019, which has since grown to 52.4 percent in 2024. For 2020 to 2024 combined, software and tech services investment accounted for more than half of all VC investment (see Figure 4). This represented over \$44 billion in total investment, supporting at least 13,000 employees across firms located in the City that received VC funding. This figure is likely

**FIGURE 3**  
U.S. Venture Capital Activity by Sector, by Quarter  
(in billions of dollars)

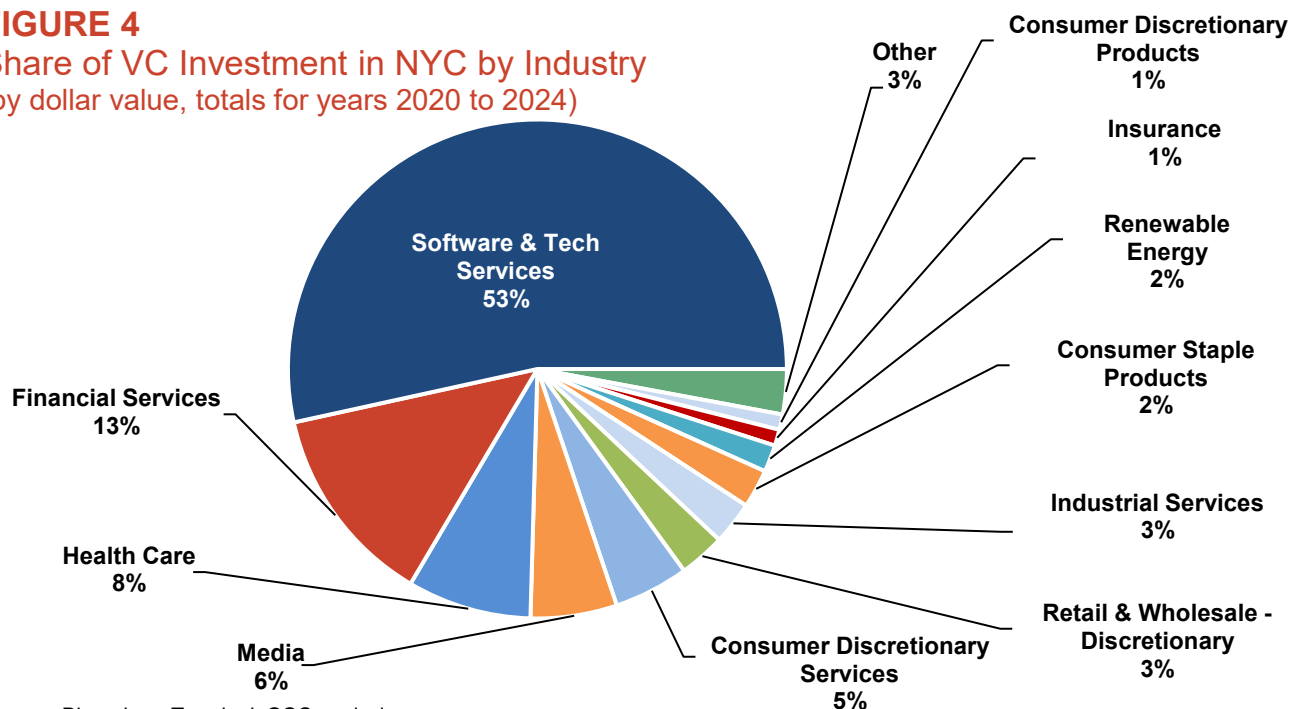


Note: "Other" includes health care devices, transportation, energy, media, and other sectors.  
Sources: The National Venture Capital Association Q2 2025 Pitchbooks; OSC analysis

conservative given the fact that many companies do not report employment as per the Bloomberg dataset. The New York City metropolitan area is home to over 2,000 AI startups, including 35 unicorns (companies with valuations exceeding \$1 billion), and 40,000 workers with AI-related skills.<sup>6</sup>

Pharmaceutical and biotech firms received the second-highest level of investment nationally, with \$25.7 billion invested in 2024. These firms received 12 percent of funding in 2024, down from the industry average of 12.9 percent for 2015 to 2023. The sector's share dropped significantly in the first half of this year to 6 percent (from \$13.6 billion in the first half of

**FIGURE 4**  
Share of VC Investment in NYC by Industry  
(by dollar value, totals for years 2020 to 2024)



Sources: Bloomberg Terminal; OSC analysis

2024 to \$9.8 billion in 2025), but this is partly a reflection of the software sector making up such an unusually large share of the total.

The second-largest sector for investment locally was financial services at 13.1 percent of the total from 2020 to 2024. This was well above the national share of less than 6.8 percent, which is to be expected since the City makes up the largest share of the nation's securities industry employment at 17.4 percent in 2024.<sup>7</sup> The sector received over \$10.8 billion in total investment during this period.

The next largest sectors in 2024 nationally were commercial products and services with \$22.8 billion invested (10.6 percent of the total); health care services and systems (\$14.6 billion invested, 6.8 percent of the total); and consumer goods and services (\$10.9 billion invested, 5.1 percent of total). These sectors generally align with the next-largest sectors funded locally, although media companies make up a larger share locally than nationally.

# VC Firms Increasingly Prefer High-Valued Deals

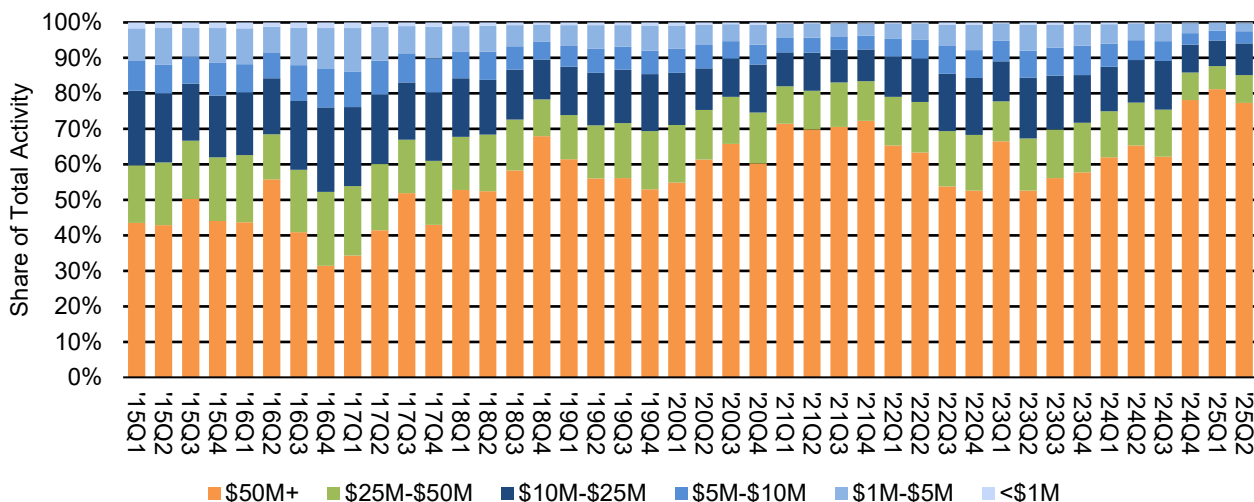
As investors have supported AI-related firms in recent years, they have increasingly preferred

higher-valued deals. In 2019, deals with a value of \$25 million or less accounted for 75.7 percent of the total number of deals, but only 59 percent by 2024. Deals in the same size category accounted for 28.4 percent of the total deal value in 2019, and only 20.4 percent in 2024 (see Figure 5).

Deals worth over \$50 million increased from 56.9 percent to 68.7 percent of the total dollar value during the same period (as a share of the total number of transactions, deals over \$50 million increased from 4.3 percent to 5 percent during this period). The size category's share of total dollar value increased further to 79.5 percent in the first half of 2025.

Total deal value in mega-rounds of funding—those which exceed \$100 million—more than doubled in the first half of 2025 compared to the prior year, reaching the highest level on record at \$113.6 billion. However, the number of deals over \$100 million increased by only 18 percent during this period. As a result, the average deal size more than doubled from \$262 million in the first half of 2024 to \$541 million for the same period in 2025.

**FIGURE 5**  
U.S. Venture Capital Activity by Deal Size, by Quarter  
(as a share of total deals)



Sources: The National Venture Capital Association Q2 2025 PitchBook; OSC analysis



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The significant increase in average deal size suggests a flight to quality among investors who are less willing to invest in riskier startups and are instead looking for established firms with growth potential. The five largest deals in the first quarter of 2025 were for OpenAI—two funding rounds each for Anthropic and Infinite Reality, and xAI (creator of chatbot Grok), each of which already provides AI services to substantial user bases.<sup>8</sup> As investors move toward larger firms with more established industry foothold, first-time financing activity has lagged. Despite the total dollar value of deals increasing by 30.3 percent in 2024 compared to the prior year, total funding for pre-seed and seed deals actually increased by only 1.5 percent during the same period.

Large deals in New York City included Ramp, a corporate accounting and expense firm, which received \$200 million in funding; Hebbia AI (\$130 million); and Rogo, a firm specializing in AI for investment banks and private equity firms (\$50 million).<sup>9</sup>

The change in funding strategy is also driven by an increasing interest in multi-stage investments, in which investors agree to multiple rounds of funding, contingent upon the firms reaching certain milestones. This can be exacerbated by investors worrying about missing out on the “next big thing,” causing them to go for large funding deals at the outset for a greater share of equity.<sup>10</sup>

## **New York City’s Female-Founded Companies Rival San Francisco’s**

While total VC activity in the New York City metropolitan area is less than one-third of the level in the San Francisco metropolitan area, the two areas have seen similar levels of capital raised for companies with all-female founders. Between 2015 and the second quarter of 2025, female-founded companies raised \$10 billion in the San Francisco area, while those in the New York City area raised \$9.2 billion. In the twelve-month period ending in June 2025, New York City area all-female founded companies

raised \$955 million across 143 deals, outperforming those in the San Francisco area during the same period (\$938 million raised in 135 deals).

## **Policy and Venture Capital**

The tax and spending package passed by Congress in July 2025, dubbed the “Big Beautiful Bill,” is expected to have several positive impacts on VC activity. The qualified small business stock tax exemption, which has been used during exits (when investors sell their equity to realize their investment and generate profits) to exclude gains from taxes, has been expanded, introducing a tiered gains-exclusions schedule and raising the tax-free cap to \$15 million (or 10 times the gains, whichever is higher). The bill also reverses the requirement to amortize R&D costs over five years, and now allows them to be deducted upfront.<sup>11</sup>

However, there are elements of the legislation that may negatively impact VC activity. The bill increases taxes on university endowments, replacing a flat 1.4 percent tax with a tiered system that raises the level to as much as 8 percent for elite institutions, which is likely to reduce their ability to finance VC. Cuts to Medicaid could impact healthcare startups, and the removal of the electric vehicle and clean-energy credits could have implications for the viability of related tech startups.<sup>12</sup>

More recently, the federal administration released its “AI Action Plan,” a series of recommendations and actions regarding the industry. While not directly aimed at VC activity, AI’s share of overall activity means they are likely to have an impact on investment. These include directing the Office of Management and Budget to eliminate measures or regulations that would “unnecessarily hinder AI development or deployment,” and limiting funding to states where a regulatory regime may have a similar impact. The initiative also aims to make large-scale computing power more accessible for startups,

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and calls for the creation of “AI sandboxes,” encouraging companies in highly regulated industries like health care to experiment with AI “while committing to open sharing of data and results.”<sup>13</sup>

New York State has also made efforts to support the growth of the industry, particularly through AI initiatives. The Enacted Budget for State Fiscal Year (SFY) 2023-24 established the Empire AI consortium, a \$400 million private-public investment to support research and development of AI technologies in the State.<sup>14</sup> The consortium includes Columbia University, Cornell University and New York University, and is intended to invest in AI research for the public good, establish safeguards for AI systems, and modernize the penal code to protect people from digital harm.

The New York State Common Retirement Fund, led by the Comptroller, also has committed funds to the In-State Private Equity Investment Program, which includes support for companies in the venture capital stage. This program invests in private equity funds that target technology-based startups and established businesses in the State seeking expansion capital, spurring private sector investments and jobs across the State. About \$1 billion of this investment was made in over 450 companies in New York City, which includes funding for startups.

Despite the pace of investment and the policy moves supporting the AI industry, there have been recent indications of an industry slowdown, or possibly even a bubble. A report from MIT’s NANDA (Networked AI Agents in Decentralized Architecture) project suggests that despite massive enterprise investment into generative AI, 95 percent of these organizations have seen zero return.<sup>15</sup> The report also points out that while 80 percent of surveyed companies had explored AI, only half of them had elected to deploy it.

## Venture Capital Outlook

VC investment has seen significant growth recently, following extraordinary activity amid accommodative monetary policy during the pandemic. A renewed interest in artificial intelligence has propelled the industry to support startup firms in the software industry both nationally and locally. Despite the concentration of overall VC activity in Silicon Valley, the New York City metropolitan area stands firmly in second place among peer U.S. regions. This ranking speaks to the continuing development of a local ecosystem to support the VC community and entrepreneurs.

In addition, New York City’s female-founded companies raised more capital across a greater number of deals in 2025 than San Francisco’s, suggesting a more conducive environment for female startup activity locally that should be analyzed further and continue to be supported.

This achievement puts the change in preference to higher-valued deals into sharper focus, as investors are less interested in newer startups and first round investments, which have historically had a large share of female-founded and minority/women-owned business enterprises. Larger deals (over \$50 million) and mega-deals (over \$100 million) comprise a large share of overall VC activity, making it more difficult for smaller, newer startups to secure the funding needed to get their products out of the initial development stage.

While AI has comprised a significant share of VC activity, financial services firms have also received a significant portion of the funding locally, providing another key area for the State and City to continue to monitor for growth. The City’s role as a media hub and center for headquarters for pharmaceutical and consumer-focused firms should also continue to provide opportunities and talent for new startups.

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Though overall VC activity remains stronger than before the pandemic, the second quarter of 2025 experienced a slowdown from the prior quarter that is reflective of federal economic policy that remains uncertain. Public officials can continue to discuss ways to make New York City's companies more attractive to investors and support entrepreneurs who lack access to capital. These efforts will require that they monitor the funding environment and the recent trend of mega-deals diverting funds from smaller companies that are hoping to establish themselves and support the local economy.



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## ENDNOTES

- <sup>1</sup> Office of the New York State Comptroller (OSC), *The Securities Industry in New York City*, Report 11-2023, October 2022, <https://www.osc.ny.gov/files/reports/osdc/pdf/report-11-2023.pdf>.
- <sup>2</sup> OSC, *Business Growth in New York City During the COVID-19 Pandemic*, Report 8-2025, June 2024, <https://www.osc.ny.gov/files/reports/osdc/pdf/report-8-2025.pdf>.
- <sup>3</sup> OSC, *The Technology Sector in New York City*, Report 10-2023, October 2022, <https://www.osc.ny.gov/files/reports/osdc/pdf/report-10-2023.pdf>.
- <sup>4</sup> Taylor Tepper, "Federal Funds Rate History 1990 to 2025," *Forbes*, May 8, 2025, <https://www.forbes.com/advisor/investing/fed-funds-rate-history/>. Note that the Federal Reserve sets a target interest rate range, but for simplicity OSC refers to the upper bound (e.g., a target rate of 5.0 percent to 5.25 percent is referred to simply as 5.25 percent).
- <sup>5</sup> Felix Richter, "AI Sucks Up a Growing Chunk of VC Funding in the U.S.," Statista, July 15, 2025, <https://www.statista.com/chart/33346/ai-share-of-vc-investments-in-the-us>.
- <sup>6</sup> "State of the New York City Economy 2024," New York City Economic Development Corporation, January 2025, <https://edc.nyc/sites/default/files/2025-01/NYCEDC-State-of-the-NYC-Economy-2024-v3.pdf>.
- <sup>7</sup> OSC, *The Securities Industry in New York City*, Report 15-2025, October 2024, <https://www.osc.ny.gov/files/reports/pdf/report-15-2025.pdf>.
- <sup>8</sup> "PitchBook-NCVA Venture Monitor Q1 2025," PitchBook and National Venture Capital Association, April 2025, <https://nvca.org/pitchbook-nvca-venture-monitor/>.
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- <sup>10</sup> Jacob Robbins, "The Incredible Disappearing Sub-\$5 Million Round," PitchBook, July 25, 2025, <https://pitchbook.com/news/articles/the-disappearing-sub-5-million-round>.
- <sup>11</sup> Jacob Robbins and Kia Kokalitcheva, "What Trump's 'Big Beautiful Bill' Means for Startups and VCs," PitchBook, July 7, 2025, <https://pitchbook.com/news/articles/trump-one-big-beautiful-bill-impact-startups-vc>.
- <sup>12</sup> Ibid.
- <sup>13</sup> Rosie Bradbury, "5 Things Startups Should Know About Trump's AI Action Plan," Pitchbook, July 23, 2025, <https://pitchbook.com/news/articles/5-things-startups-should-know-trump-ai-action-plan>.
- <sup>14</sup> "Governor Hochul Launches First Phase of Empire AI, Powering Critical Research for the Public Good Just Six Months After FY25 Budget," Governor's Press Office, press release, October 11, 2024, <https://www.governor.ny.gov/news/governor-hochul-launches-first-phase-empire-ai-powering-critical-research-public-good-just-six>.
- <sup>15</sup> Aditya Challapally, Chris Pease, Ramesh Raskar, and Pradyumna Chari, "The GenAI Divide: State of AI in Business in 2025," *MIT NANDA*, July 2025, [https://mlq.ai/media/quarterly\\_decks/v0.1\\_State\\_of\\_AI\\_in\\_Business\\_2025\\_Report.pdf](https://mlq.ai/media/quarterly_decks/v0.1_State_of_AI_in_Business_2025_Report.pdf).

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