

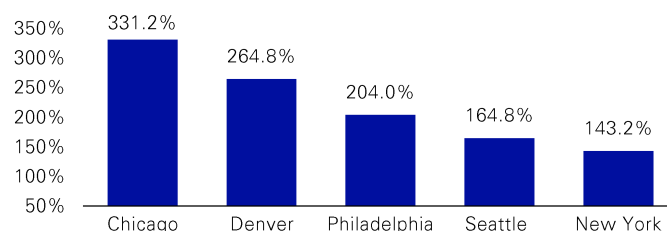
# Venture Capital Funding Activity Returns to Chicago at Record Levels

Venture capital firms play a large role in the development of urban areas. The innovation, financing and development of new products helps boost local economies. According to Visual Capitalist, as of March 2021, seven of the 10 most valuable companies in the world were start-ups: Apple, Amazon, Alphabet (Google), Microsoft, Facebook, Alibaba and Tencent. Additionally, according to a study from Stanford University, public companies in the United States with VC backing employ about four million people and account for one-fifth of the total market capitalization. In a study completed by Dalberg Global Development, advisors found that for each dollar invested in venture capital, the potential return could as much as \$6.45 in economic activity through wages, payment to providers and taxes.

Chicago performed extremely well in the VC funding arena over the past several years and is currently rebounding after the COVID-19 pandemic derailed funding deals in 2020. Chicago is on track to have one of its best years of funding with 11 new companies reaching unicorn status, a private equity company valued at over \$1 billion, this year. According to Pitchbook, as of July 2021, Chicago startups had already raised nearly \$1 billion more in venture funding than in all of 2020. This funding was spread across 175 deals, with 99 deals occurring in the first quarter, the most in a single quarter in Chicago since at least 2014, the earliest data available. This funding totaled \$3.8 billion, a 239% increase year-over-year and a 125% increase in 'mega rounds or investments of \$100 million or more.

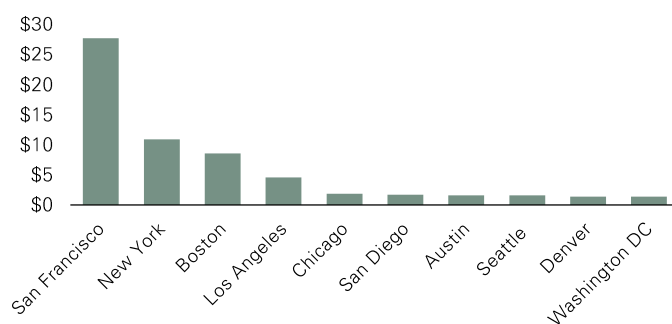
## Market Analysis

### DEAL VALUE CHANGE (Y-O-Y)



Source: Pitchbook

### TOTAL INVESTMENT MADE (Billions)



Source: Crunchbase

## Chicago VC Deals Closed (2021 YTD)

VC Firm	Fund Value
ARCH Venture Partners	\$1.85 B
Valor Equity	\$1.7 B
Volta Energy Technologies	\$205 M
Lightbank	\$182 M
GSV Ventures	\$180 M
7wireVentures	\$150 M
OMX Ventures	\$150 M
KB Partners	\$100 M
Cleveland Avenue	\$73 M

Source: Chicago Inno

So how does Chicago rank nationally? Chicago ranked amongst the top venture capital markets in the U.S., attracting companies wanting to locate near startups as well as top tier talent. In fact, of the top 10 largest tech hubs, Chicago saw the most growth in deal value year-over-year during the first quarter of 2021 with growth of 337.4%. As of second quarter 2021, the Chicago metro ranked in the top five regions for venture capital according to Crunchbase. The four markets ahead of Chicago, San Francisco, New York City, Boston and Los Angeles are more mature in their VC funding experience.

Chicago performs well in VC funding for a variety of reasons. Companies pay significantly less for the cost of labor, living and real estate than in coastal cities. Additionally, Chicago's diverse economy offers healthy competition. The diverse economy also brings supportive business such as law firms, accountants, marketing specialists and suppliers. The creative economy is robust with more than 250,000 employees in over 37,000 businesses according to World Business Chicago. Chicago is also ranked the number one metro ecosystem for women-founded start-ups according to Startup Genome.

The world class educational institutions also draw top tier talent. According to Horizon's Illinois Innovation Index in 2019, Illinois awarded 24,861 Bachelor's, Master's and Doctoral degrees in STEM areas, a new record for the state. The number of STEM jobs in Chicago has increased by 3.5% annually since 2010. This growth rate is higher than the national annual growth rate for STEM jobs of 2.5%. These jobs all lead to higher wages for Chicago residents, with the average tech wage around \$109,000

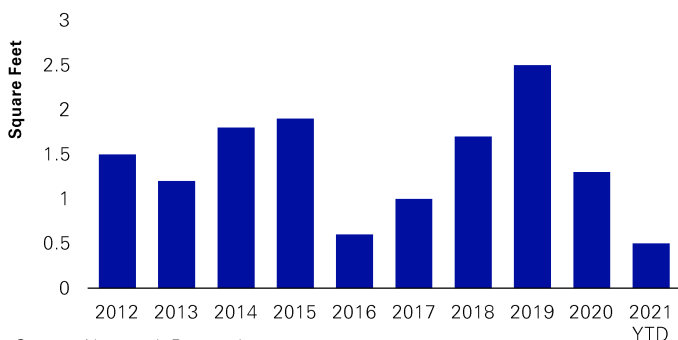
having grown 3.1% year-over-year according to the Illinois Innovation Index.

The larger impact of VC funding in Chicago is seen in a variety of ways, but perhaps one of the most visible is the commercial real estate market. These companies require office space and are some of the most impressive trend setters amongst Chicago office tenants, demanding high-end, amenity-rich spaces. Mega occupiers like Google, Facebook, Uber, Salesforce and Tempus Labs have driven office rental rates in Chicago higher. According to Newmark Research in 2019, tech firms leased 2.6 million square feet of office space, almost 10.3% of the total available square footage at the time. Tech leasing was on track to have another strong year in 2020 until disrupted by the pandemic.

The pandemic forced the hand of many tech tenants with costly initial leases to sublease. These tenants were main contributors to the rise in available subleased space over the past 18 months. Although many of these companies were the first to attempt to offload space during the pandemic, they were also some of the first to start completing deals again. Over the past several weeks, 320 North Sangamon, in Fulton Market, closed transactions with two expanding tech tenants totaling over 100,000 square feet. The first deal is with a restaurant software group, Tock, which will move from 20,000 square feet into another 53,000 square feet in the sub-market. The second tenant will be Hazel Technologies, a developer of biotechnologies for reducing waste in the agriculture supply chain, which will move into 53,000 square feet from Illinois Institute of Technology's tech park.

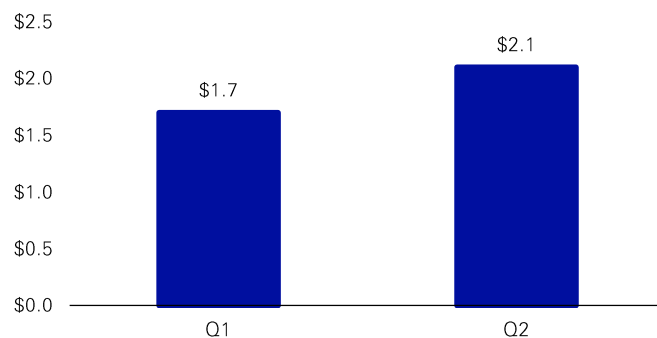
### Tech Leasing Deals

TOTAL SQUARE FOOTAGE OF TECH LEASING COMPLETED (Millions)



### Chicago Investments Deals

CHICAGO VC FUNDING DEALS (Billions)



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