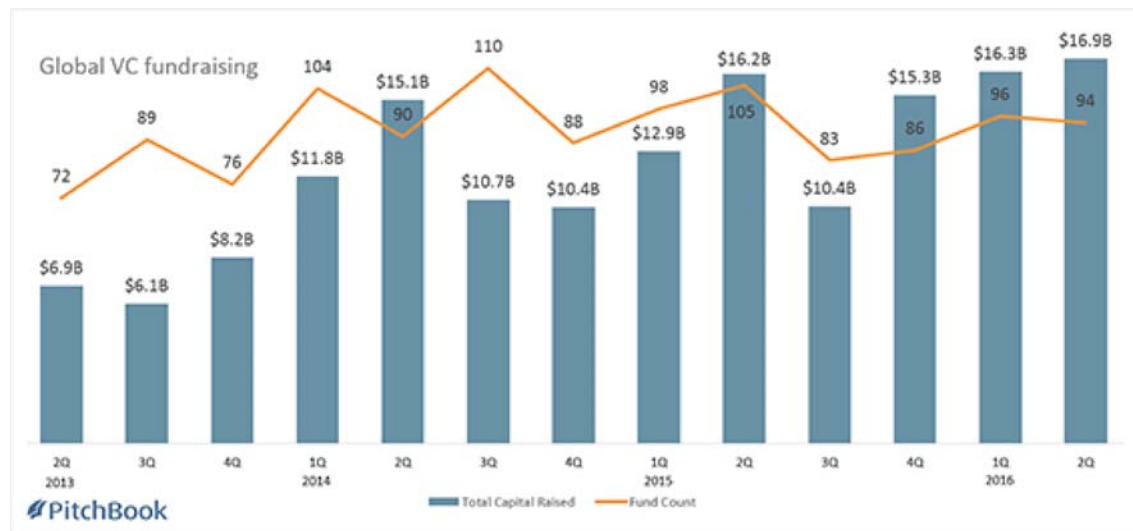


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Venture Capital Fundraising Reaches Recent High in Second Quarter



VC and M&A research and information-company PitchBook reported that first quarter global venture funding topped the previous 12 quarters and that second quarter VC funding was even greater, reaching \$16.9 billion. During the first quarter more than a handful of Silicon Valley firms, including Founders Fund, Lightspeed Venture Partners and Accel, raised north of \$1.0 billion in fresh capital. In June, Andreessen Horowitz announced \$1.5 billion, while Kleiner Perkins Caufield & Byers reportedly collected \$1.4 billion in new funding.

Corporate Venture Funding Helps Startups Stay Private Longer (and makes IPOs "MIA" status less impactful)

By Jim Nash

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mitzvah—unbridled optimism and back slaps all around—until recently. And they absolutely will be so again at some point, but right now?

Meh.

A significant reason for this involves corporate venture funding, a lesser-known cousin to conventional venture capital funding, which is making the initial public offering less necessary for venture-backed entrepreneurs.

According to The Wall Street Journal, there were no technology initial public offerings, successful or otherwise, during the first quarter of this year, reportedly the longest such drought since the Great Recession began. And IPO numbers in general had been low before the tech spigot closed altogether late last year.

Even the deal that ended this drought, the debut of cybersecurity firm SecureWorks Inc., had underwhelmed would-be investors during the company's road show to tease market appetite.

It is rumored that SecureWorks' owners anticipated that they would sell 9.0 million shares in the IPO, and that each share would go for \$15.50 to \$17.50. But shares opened at only \$13.89, and just 8.0 million shares were traded on the first day, according to CNBC.

As of the first week of June, SecureWorks shares have not reached \$14.00. For perspective, cybersecurity as a sector is only going to grow, and SecureWorks is a subsidiary of long-established computer maker Dell Inc.

The word on the street is that the road show underperformed for righteous (or at least level-headed) reasons: SecureWorks is not profitable, and its competitors are faring little better.

In other words, the investment fever that had many insiders and observers worrying about a tech bubble seems to be subsiding. Some see the IPO pause and SecureWorks' muted market performance as evidence that the bubble is actually "froth," and will subside rather than pop.

Death of IPOs

Despite the dearth of IPOs thus far in 2016, IPO numbers are up from the post-internet bubble floor, which was reached in 2008, when 104 offerings were filed, according to investment adviser Renaissance Capital. The record for most filings in one year was 406, in 2000. The second-highest total was 364 in 2014. Filings subsided to 234 in 2015.

There is another aspect to the technology IPO doldrums, and it is unlikely to abate, at least not any time soon. As usual, it is all about money.

Venture capitalists have piles of money to invest in startups, but so do corporate venture funds.

VCs, of course, are well known for their strategy of funding and mentoring innovative technology

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stock markets are rising rapidly.

Corporate venture is different. First, unlike the home-run kings on Sand Hill Road, it has the new ability to influence markets.

Second, there are two strains of corporate venture. In one, executives invest in a promising firm with the intention of ultimately absorbing its technology, its products or the company itself.

In the other, corporate venture units can also act like VCs, investing in order to profit from the hopefully aggressive growth in value of an opportunity. Unlike conventional VCs, corporate-venture units as a rule are not necessarily motivated by the promise of a quick or jaw-dropping sale (though, every one of them would be happy to see it happen).

This strategy has interesting implications for entrepreneurs—and for IPOs.

By definition, an entrepreneur strikes out independently to create value that existing companies cannot or will not pay to produce. They do not like being told something cannot be done, nor do they appreciate arbitrary business demands.

Bobby Franklin, president and CEO of the National Venture Association (which counts corporate venture units among its members), said macro-economic realities are dominant factors in holding down IPOs, but the allure of life as a well-funded private entrepreneur with patient backers cannot be underestimated.

"Looking at this from 30,000 feet," Franklin said, startup owners "have plenty of capital available to them and some trepidation about going public."

Just as important, an entrepreneur can build today for the long term.

He said successful entrepreneurs fixate on daily operations, but they also have a vision about how their companies will grow. "There is an internal dialog in their minds," Franklin said. "This is where I am. This is where I want to be." Leaders of public companies, on the other hand, have to think quarter to quarter because that is how public investors and analysts think, he explained.

Indeed, entrepreneurs have said that the run-up to an IPO is more of a long walk on a short plank. Life after the plunge is complicated by government regulations and quarterly performance demands.

Their privateer days are over.

If a corporate venture unit steps in, that fate can be postponed. And that is exactly what is happening. Sitting on an unprecedented glut of profits, these units are buying into entrepreneurs' dreams without expectations of fast returns.

Corporate venture could ultimately have a far-reaching impact on tech startups. U.S. corporate profit after taxes during the first quarter of this year alone was \$1.67 trillion, according to financial-data research firm YCharts.

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earlier, in 2011, corporate venturing accounted for just 12% of filings.

The pool of profits is not going away soon. Corporate spending on internal modernization and expansion is fading. Executives can buy back their company's stock with profits, but venturing holds the promise of greater returns.

Among the top-tier companies very active here are Alphabet Inc., parent of Google, and Intel Corp. Both have venture units. And there are more:

- Comcast Ventures, part of the cable and entertainment company
- Citrix Systems Ventures, part of the remote-access software maker
- Applied Ventures, part of Applied Materials, maker of equipment used to create chips
- GE Ventures, valley-based investment arm of General Electric
- Cisco Ventures, part of networking-equipment maker Cisco Systems
- Qualcomm Ventures, part of the wireless communications giant

Intel created its Intel Capital venture group in 1991, and the unit has invested \$11.6 billion in more than 1,440 companies over that time. GV, Alphabet's venture unit, with \$2.4 billion under management, has staked out investments in consumer, life science and robotics technologies.

And those are just a few of the bigger names in corporate venturing.

This trend could end up trimming back the number of IPOs in the Valley for some time to come.

Global Change Agent Liz Hart

By Gary Marsh

There are game-changing events that touch all of our lives and there are people that opt to become change agents. Newmark Cornish & Carey's Executive Managing Director **Elizabeth "Liz" Hart** is definitely the latter.

Liz Hart grew up in Palm Springs, CA. After graduating from La Quinta High School, she attended the University of California at Berkeley, graduating with a degree in political science. Her world changed when she took a Semester at Sea. Crisscrossing the globe on a floating campus, Liz visited dozens of countries across five continents and met hundreds of local people. That experience not only fueled her passion for international travel but energized Liz to become a change agent once her professional career got on track.

Two years ago, Hart got involved with Mama Hope, a San Francisco nonprofit that is focused on fostering global prosperity with a highly unique and holistic delivery model (learn more at <http://www.mamahope.org>). Mama Hope is atypical in every way imaginable. But mostly, its people and programs are designed and implemented to create sustainable change in global communities that need aid the most, including Ghana, Guatemala, Kenya, Tanzania, and Uganda, among others.

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serves on Mama Hope's board) to visit Mama Hope's projects, including a community center and a medical clinic started by the community and Mama Hope's team. Once started, every project sponsored by Mama Hope is kept operational by local people. Essential to this process is that Mama Hope does not initiate projects on its own; but rather listens to what the communities they serve want and need, and then acts.



Hart (left) with Rodgers and Miyoshi



The Mikusa family hosted the Mama Hope trio

A good example of fostering projects that turn into sustainable local programs occurred when Hart and Newmark C&C colleagues Terry Haught and Shannon Aja closed a deal in 2015 and donated a portion of their commissions to a farm in Kenya. Now the Kenyan farmers are growing and selling vegetables with the proceeds going to a nearby orphanage.

More recently, Hart took her global philanthropy commitment to a new level by officially becoming one of Mama Hope's first "change agents." Mama Hope change agents pledge 1% of their annual salary to ensure prosperity for all. Proceeds turn into gifts to improve education and healthcare and to provide security, food and water in communities in need. To learn more or become a change agent, sign up at <http://www.mamahope.org/change-agents/>.

Lest readers think that Liz Hart's global philanthropy is a distraction to her brokerage work, in March of this year the San Francisco Business Times named Hart the Broker of the Year for her 2015 production. Last year she brokered three of the top five office transactions in San Francisco and also represented Uber in its blockbuster deal when the ride-share company bought an office building in Oakland. For the year, Hart completed 61 transactions totaling 1.6 million square feet with a total transaction value of more than \$580.0 million. Her production also propelled her to the rarified status of one of the Top 20 Office Leasing Brokers in the U.S. by *Real Estate Forum Magazine*.

See the Business Times' interview Hart here: <http://www.bizjournals.com/sanfrancisco/print-edition/2016/03/25/elizabeth-hart-lands-blockbuster-bay-area-office.html>

Newmark Cornish & Carey Adds Project Management Services

In June the parent company of Newmark Cornish & Carey, Newmark Grubb Knight Frank (NGKF),

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In a statement, **Michael Ippolito**, chairman of global corporate services for NGKF, said “this acquisition significantly bolsters our existing national project management platform.”

Added NGKF Western Region President **Chuck Seufferlein**, “The CRE Group has built a strong reputation as the largest and premier project management group in the Bay Area. The expertise and commitment they bring to their clients complements our strong Bay Area (brokerage) coverage perfectly.”

The CRE Group will continue to operate under its original name and remain in its San Francisco offices on California Street. The firm also maintains an Austin, TX office. The CRE group specializes in construction and project management in corporate interiors, hospitality, healthcare facilities and retail properties.

UNTIL NEXT TIME!

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