

# The New York Times

## The Crypto Bros Are Snapping Up Manhattan Real Estate

Cryptocurrency firms have been setting up or expanding office space in New York, but the recent market turbulence could hamper their longevity.

By Jane Margolies May 31, 2022, 12:30 p.m. ET

The cryptocurrency market has been in a meltdown. Digital currencies, along with other blockchain-based properties, have plunged in value, lending credence to skeptics who have regarded the crypto phenomenon as a fad.

But crypto companies appear to be here to stay in New York, at least for the foreseeable future, judging from the way they have been leasing Manhattan office space.

It would seem contradictory that businesses known for decentralization and digital assets are even interested in real-world space. Remote work is common at many web3 companies, which includes cryptocurrencies and platforms for nonfungible tokens, or NFTs. And companies are reconsidering the role of the office after the success of work-from-home efforts during the pandemic and the subsequent embrace of hybrid schedules.

But for the last couple of years, cryptocurrency firms have been setting up or expanding offices in New York, often in edgier, somewhat peripheral locations, as opposed to marquee parts of Midtown Manhattan.

This month, Solana Labs, a cryptocurrency platform, signed a lease for 20,000 square feet across four floors of a new office building in the Bowery. A few blocks away, EmpireDAO, whose name incorporates the acronym for “decentralized autonomous organization,” has opened a co-working space for crypto entrepreneurs in a graffiti-covered building.

Manhattan office availability rates hit 19 percent in May, up from about 12 percent before the pandemic, according to Newmark, a real estate firm, and landlords have welcomed the new category of companies, many of them having secured recent rounds of fund-raising.

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But it is unclear how the turbulence in the market will affect the longevity of some web3 companies. And the flurry of real estate activity is unlikely to make a dent in the vacancy problem because there are so few of these companies and they tend to take short-term leases for modest amounts of space, industry experts say. “It’s still a small tenant in the scheme of things,” said Phil Ryan, director of U.S. office research for the real estate firm JLL.

Crypto and related companies are believed to occupy less than a million square feet of an estimated 4.4 billion square feet of office space in the United States. The numbers have grown quickly, though.

“We’ve gone from essentially no companies focused on this in 2015 to about 835,000 square feet now,” Mr. Ryan said, adding that leasing has jumped 68 percent since 2020.

Most web3 companies have gravitated to three locations in the United States: Silicon Valley, the tech hotbed where many companies get their start; New York, a growing tech hub and longtime financial center; and Miami, whose mayor, like New York’s Eric Adams, has cheered on the sector by accepting his paycheck in cryptocurrency.

In upstate New York, data centers devoted to crypto mining — the energy-guzzling process of verifying digital transactions — have sprung up. These operations have faced pushback from environmental groups and public officials because the sites use electricity from power plants that burn fossil fuels, threatening the state’s effort to lower greenhouse gas emissions. The outcry has prompted the State Assembly to pass a bill that would place a moratorium on certain crypto mining operations.

In Manhattan, the cryptocurrency action is mostly centered on office space. Savills, a real estate brokerage firm, counts leases of more than 5,000 square feet for 30 notable blockchain companies around the borough, but an unknown number of firms occupy less space.

“Companies are putting their toe in the water, establishing a physical presence and feeling out what having an office brings to the company,” said Zev Holzman, an executive managing director of Savills.

Many web3 companies have been attracted to move-in-ready space that has allowed them to get up and running quickly. In January, Cipher Mining leased space at One Vanderbilt, SL Green Realty’s new office building next to Grand Central Station. The lease was for 6,500 square feet of furnished space in Altus Suite, SL Green’s in-house flex office brand.

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But others are leasing and customizing their own spaces. The cryptocurrency exchange Coinbase is subletting 30,000 square feet in Hudson Yards after it became the first major crypto company in the United States to go public last year.

Chainalysis, a cryptocurrency data and transaction company, recently made a deal for about 77,000 square feet — a significant amount of space in the crypto world — at 114 Fifth Avenue. The company previously sublet about half that amount of space in the building but converted the deal into a direct lease and took possession of two additional floors.

“The entire area around Union Square has become a crypto hub,” said Michael Gronager, the company’s chief executive.

Interest is starting to creep north. The brokerage firm Adams & Company has a few crypto-related firms in its buildings on West 24th Street, including two that recently signed three-year leases, traditionally considered short term in commercial real estate.

“These companies don’t know how they’re going to grow, and long term is not a risk they’re necessarily willing to take,” said James B. Buslik, a principal at the company.

Renting space to crypto companies is no different from renting to any other company, he added.

“Anytime we have an offer from a tenant, we are evaluating them as to how they’ve performed to date and what the future looks like and the strength of their business,” he said. “I don’t think we’re looking at crypto or NFT any different than how we look at a mom-and-pop business.”

But in some cases, web3 is changing real estate. WeWork, for example, has been accepting cryptocurrency for rent payments since last year. And Jamestown, a real estate firm, recently announced a partnership with BitPay that will enable tenants to pay rent in cryptocurrency.

In March, Okada & Company, a family-owned real estate company, began offering an NFT to persuade brokers to help secure a tenant in a commercial building on West 24th Street. The incentive is for membership to a private dining club that bills itself as “the world’s first NFT restaurant.”

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“It’s a way to embrace what’s happening within the world of commerce and technology,” said Christopher N. Okada, the company’s chief executive.

At first, brokers seemed uninterested. “Some were like, ‘Can I just have the cash?’” he said. Then they began putting the NFT in letters of intent during negotiations.

Still, when Okada first offered the NFT, it was valued at about \$12,000; it’s now worth half that.

While his company seeks tenants for the building, it is also putting the property up for sale as an NFT — essentially a ticket to acquire the deed.

Houses have been sold this way, but Mr. Okada, who is offering his building on OpenSea for \$29.5 million or 15,105 Ether, the cryptocurrency that can be used to purchase the NFT, said he believed this was the first time a commercial building in New York has gone the same route.

Whether this is the wave of the future or a marketing gimmick remains to be seen, insiders say.

Solana, which took a 10-year lease at 141 East Houston, does not intend to fill up its new office with desk space for employees — the company does not require daily appearances. Instead, it plans to build out the space for meetings and boot camps, known as hacker houses.

Solana also plans to occupy a floor at EmpireDAO, the new web3 co-working operation, at 190 Bowery, a six-story former bank with landmark status that was the longtime home of the photographer Jay Maisel. Solana is taking the floor meant for TerraUSD, a stablecoin that imploded this month.

EmpireDAO is envisioned as a sort of maker space for the web3 community. Its management system will be based on cryptocurrency, said Mike Fraietta, EmpireDAO’s founder, but its landlord, RFR, requires rent payments the old-fashioned way.

“Our lenders require U.S. dollars, we’re making our mortgage payments in U.S. dollars and that means our rents have to come in U.S. dollars,” said AJ Camhi, director of leasing at RFR Realty.