

From 'poor but sexy' to Silicon Alley: Berlin starts up again



The Brandenburg Gate has opened up to a new wave of tech companies, attracted by low costs and a culture of "ideas" Marvin E. Newman/Getty Images

Allan Hall

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The city is shedding its reliance on tourism by reinventing itself as a thriving high-tech hub

Berlin has walked a troubled path to becoming a true capital. Two cities — east and west — shoehorned into one after the fall of the Wall ensured a tourist boom but little else.

"Poor but sexy" was the slogan coined by the city's left-wing mayor, Klaus Wowereit, as if a negative could be dressed up in a party frock. But while the tourists came, big business did not. The money stayed in wealthy Hamburg, Düsseldorf and Munich. Showbiz stars did not migrate along with the political classes; nor did the money men from Frankfurt.

Now, finally, all that may be changing. Berlin, 50 miles from Poland and a world away from the sunshine of California, is experiencing a new phase in its long, colourful and often tortured history. It is becoming a home to an increasing number of innovative high-tech start-ups, with computer programmers from around the world joining a mass

influx since the end of last year.

“Berlin is a great place for start-ups,” said Matt Cohler, co-founder of the professional networking site LinkedIn and a former Facebook executive. He is now a partner at Benchmark Capital, the venture capital firm. “The city is one of the best in Europe when it comes to the environment necessary to nurture a thriving start-up scene. People from all over Europe, from east and west, converge on the city and many of them have strong technical backgrounds. Plus it has a nice atmosphere, and it’s cheap.”

“There are parallels with what has happened in Silicon Valley and what is now happening here in Berlin,” Paul Jozefak, a venture capitalist at Neuhaus Partners, told the German broadcaster Deutsche Welle. “In the Valley there was a place called Buck’s where all these deals were done, whereas here you have the St Oberholz café. Talented people will come to Berlin because of the lifestyle and the scene.”

Ijad Madisch, 30, is the founder of ResearchGate, a new social networking site designed specifically to help others performing similar functions; it has a million users. He says foreigners, including those who work already in “Mecca” (Mecca being Silicon Valley) now call Berlin “Silicon Alley”.

“The question is always, will you get the people you are looking for?” says Mr Madisch, whose company relocated from Boston to Berlin. “And Berlin has people coming to it from all over the world. For young people, it is simply a cool place to live — and we have people contacting us all the time.”

Berlin vies with London for start-ups but beats it on housing costs. The cheapest one-bed apartments in the outer fringes of East London cost about £650 per month, according to the British property website Rightmove. A cheap one-bed apartment in Berlin Mitte, in the heart of the city, costs less than £400 a month to rent. “Berlin has the same quality of international talent,” Mr Madisch said, “and I see the art and creative scene here complementing the start-up scene as it attracts people who think about ideas.”

Ondango, Wooga, Twago, Neonga ... these are just some of the new start-ups. Wooga, a social games company, also recently attracted €20 million (£18 million) of funding, while Axel Springer, publisher of the daily paper *Bild*, recently acquired a majority stake in kaufDA, the Berlin-based promotional search website, for €28 million.

While some companies have relocated from within Germany, it is mostly foreign businesses that have come to Berlin. One such is SoundCloud from Sweden, which has been in the city since 2007. The site allows musicians to share ideas and tracks instantly and is regarded as a big industry player.

Success is imposing some strains, however. “The scene in Berlin has been booming for three years,” says Alexander Hüsing, founder of the online publication *deutsche-startups.de*. “But since last autumn, more and more companies are coming to the city. Everyone is looking for people. There is a real shortage of developers at the moment.”

While none of Germany’s top 30 listed companies are based in Berlin, the city’s ability to attract young entrepreneurs has allowed it to forge a reputation as Europe’s latest technology hub. Mike Butcher, editor of the TechCrunch Europe blog, said: “It’s a very

international scene ... economically pretty affordable. So if you're developing a new technology start-up and you don't have any pre-existing revenues, then that's a great advantage."

Big on culture, short of cash

Population 3.5 million

Finances Precarious. Subsidies from the days of the Cold War have vanished and the city has a debt burden of £58 billion

Leading Dax-listed companies in Berlin None

Registered overnight stays 20 million last year

Museums 62

Theatres 23

Higher-education facilities 17

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