

“Poor but Sexy” (January 3, 2014)

Abstract

Berlin mayor Klaus Wowereit, using the clever advertising slogan, “poor but sexy,” managed to attract a new generation of start-ups to the new old German capital, since living costs were low and the cultural scene was innovative.

Source

Berlin’s ‘poor but sexy’ appeal turning city into European Silicon Valley

Startups, venture capitalists and foreign workers descend on city with cheap rent and big investments from Google and Microsoft

A decade ago Berlin’s mayor Klaus Wowereit tried to attract creative types to the city by declaring “*Berlin ist arm, aber sexy*” (poor but sexy).

It worked. The City’s astonishingly low rents compared with other European capitals – a one-bed flat a short walk from Alexanderplatz in the centre of town can still be picked up for as little as €450-a-month (£373) – have helped draw arty people from across the world and made Berlin a major centre for artists, writers, musicians and, increasingly, technology and web entrepreneurs.

The city has already produced some globally recognised tech startup successes, including the music sharing service SoundCloud and games company Wooga – and Wowereit wants more.

“Berlin has caught the public’s attention as a startup hub,” he said. “We want to capture that momentum and drive Berlin’s economy forward. [We] will fully dedicate ourselves to becoming Europe’s leading startup hub.”

The city already boasts 2,500 tech startups, and has attracted hundreds of millions of euros in investment from some of the world's biggest venture capital funds.

Wowereit admits that Berlin has some way to go in overtaking London as Europe’s startup capital and has called in Chancellor Angela Merkel to help. She toured the city’s new-tech clusters last year, told startups they were “the yeast that makes the industry grow” and promised to help make it easier for foreigners to register to work in the city.

The momentum behind Berlin has been building steadily in the past few months with Microsoft founder Bill Gates leading a \$35m (£21m) investment in ResearchGate, a Berlin-based global network for scientists. Other big investments include famous Silicon Valley fund Sequoia Capital pumping \$19m into Wunderkinder, maker of the popular to-do list app Wunderlist. As part of the investment Sequoia’s Welsh partner Sir Michael Moritz will join the board of the three-year-old company that already boasts 6m users. New York fund Union Square Ventures led a \$7m investment in the Football App, a mobile football news and information service downloaded by more than 12m people.

Gates’s successor at Microsoft, Steve Ballmer, has opened an “accelerator” for startups in a grand building on Unter den Linden, Berlin’s most famous boulevard. It joins a long list of other big established companies, including Deutsche Telekom, Deutsche Post, drugs company Bayer, media company Alex Springer and even supermarket chain Rewe and Coca-Cola.

Ballmer said he chose to locate the accelerator in Berlin – alongside Bangalore, Paris, Beijing, Tel Aviv and London – because he had been impressed by the “amazing emerging ecosystems” and “incredible startups” springing up in the city.

Microsoft’s general manager for Germany, Christian Illek, said: “Why have we chosen Berlin? Berlin is the metropolis for creativity. Berlin has become the hotspot in Europe, alongside London, for founding IT companies and startups.”

“There is no other city like Berlin where the spirit of pioneering and innovation is so strong. If we succeed in implementing the ideas of startups into successful business models, Berlin will become Europe’s Silicon Valley.”

Alexander Ljung, co-founder and chief executive of SoundCloud – which has attracted investment from Hollywood actor Ashton Kutcher’s A-Grade Fund and a rumoured \$50m from venture capitalists Kleiner Perkins Caufield & Byers – said he and co-founder Eric Wahlforss chose to move from their native Sweden to Berlin because of the city’s internationally-acclaimed clubbing scene and because it was much cheaper than staying in Stockholm or moving to London. “The atmosphere and culture in Berlin is very unique,” he said. “Since the costs for living are still low, people can afford to only work a few hours per week, and do the stuff they want the rest of the time.”

“Some folks are like professional clubgoers. And the consequence is that people in the creative, media and internet world are much more understanding and tolerant when someone comes to a meeting a little bit later, and with a hangover. Nevertheless, if you want to create a company, you have to work hard, which means that you need a lot of discipline here not to get tempted too often to enjoy the Berlin nightlife.”

Rising rents in London’s Silicon Roundabout are also pricing out many startups, with some looking as far afield as Berlin. According to the estate agent Savills startups have made the area around Old Street roundabout so “fun, funky and trendy” that “boring corporates think: ‘we want a bit of that’ “ and are sending the rents up to £40 per sq ft, and a single desk space in a shared office to £400 a month. By comparison, Berlin office rents can range from as low as €4 per sq ft in the trendy up-and-coming Neukölln district to €20 in Mitte, right in the centre.

Google is backing The Factory, a new 16,000 sq ft startup campus complete with apartments, gym and restaurants built into the remains of the Berlin Wall near the touristy Mauerpark flea market. Office space in the building costs €16 per sq ft and was fully let months before opening. Simon Schaefer, founder of The Factory, said people from the UK, Europe and the rest of the world were attracted by the rents but also the opportunity to help build a community.

“There is nothing that Berlin really stands for, except being cheap and cool, and drunk and druggie,” he said. “It’s the potential to shape something, that is why so many people are coming here.”

Adam Haywood, the British chief executive of the photography location service Reccy, said his company chose to start in Berlin rather than London because “the rents and other costs are so much lower we can stretch money a lot further. It’s also a really fun city and everyone speaks English”.

Berlin’s internationalism and the widespread use of English is another key draw for startups and investors.

Jens Begemann, founder and chief executive of Wooga and a mentor to dozens of other startups, says the office language of all startups in the city is English even in the few that have all German-speaking staff.

“You have to have everything in English, it is the only language we speak here,” he said in Wooga's colourful offices near Alexanderplatz. “Because English is the official language here we can hire anyone from anywhere. There are talented young people across the world who can't get jobs; if they come here they can get a job.

“We have done interviews over Skype, and they've arrived the next day.”

He jokes that the company canteen – which apes Google by giving away food and drink – is “like the United Nations” because the company employs staff from about 50 countries.

Foreign staff are not required to learn English, but they are offered lessons and encouraged “to try”.

The influx of young well-paid non-German speaking people has not gone down well with everyone, mainly because it has pushed up rents for locals.

Monika Herrmann, the mayor of Friedrichshain-Kreuzberg, one of the areas most favoured by expats, has accused long-term visitors of treating the city as a “movie set”.

“I expect them to participate. It's not just a cool place to live. It's not just a place to party. The coolness of the district has something to do with the fact that we want to live here together,” she told the English-language magazine *Ex-Berliner*. “It has something to do with the fact that you meet in your pub at night, regardless of which language you speak. There's a danger that this will slowly disappear, because some people just want to invest in a cool area, which they don't really care about.”

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