

# 040 HIP BERLIN GOES CORPORATE

With its long recession finally ending, Germany's biggest city has become a magnet for businesses



By Jack Ewing



When the Berlin Wall opened two decades ago, freedom quickly swept through

Germany's largest city. Prosperity, by contrast, was much slower to arrive. After the euphoria of reunification wore off, Berliners endured a recession that lasted almost without pause from 1996 to 2004. Even as imposing new government buildings rose along the stately Unter den Linden, the city of 3.4 million was in an economic funk.

Now, as Berlin celebrates the 20th anniversary of Nov. 9, 1989—the day East German apparatchiks threw open border crossings—

its status as Germany's hippest and most affordable big city is finally translating into growth. Berlin

has become a magnet for Internet and media startups as well as established corporations eager to tap the city's well-educated young people. Drugmaker Pfizer moved its German headquarters to the capital from Karlsruhe last year. The top creative people of ad agency BBDO Germany will soon be in Berlin instead of Düsseldorf. And Finnish handset maker Nokia has based its mobile mapping operations in Berlin since it bought local software startup gate5 in 2006. "You can recruit people from all over Europe to come to Berlin," says

Nokia's Halbherr says people from all over Europe are willing to transfer to the city

**Berlin's growth last year exceeded the national average, and this year its downturn has been the mildest of any German region**

Michael Halbherr, the former chief of gate5 and now a Nokia vice-president.

One advantage is that after a violent and traumatic 20th century, Berlin has been able to reinvent itself in the 21st. The city is famous for its evolving arts and fashion communities and a lively club scene. In the former East Berlin's Mitte neighborhood, young people from across Europe chug tall glasses of beer at Clärchens Ballhaus, a retro-hip dance hall; in the summer Berliners

pack outdoor hangouts on the Spree River. "There is a lot of creative freedom," says Christophe Maire, a native of Switzerland who is CEO of Txtr, a Berlin startup that's planning to sell an e-reader to compete with Amazon.com's Kindle.

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It's tough to quantify the economic benefits of hipness, but there's no question Berlin has been doing a lot better recently. Growth of 1.6% in 2008 was above the national average, and this year the city has suffered the mildest downturn of any German region, with output falling 2.3% through June vs. 6.8% for the country as a whole. Although the unemployment rate of 13.6% is Germany's highest, Berlin ranks near the top nationally in job creation. Most important, Berlin has largely dealt with the economic legacy of the

Cold War. Merging East and West Berlin created a bloated bureaucracy that took years to pare, but by last year the city had balanced its budget—although the global economic crisis has thrown public finances into disarray again.

Markus Hannebauer bet on Berlin back in 2001 and is now enjoying the payoff. When he was founding think-cell, which develops software that helps craft PowerPoint presentations, he considered going to the U.S. But a small seed grant from the city persuaded him to stay, and today his company enjoys sales of more than \$10 million. "Berlin," he says, "has no competition." | **BW** |

—With Moira Herbst in Berlin