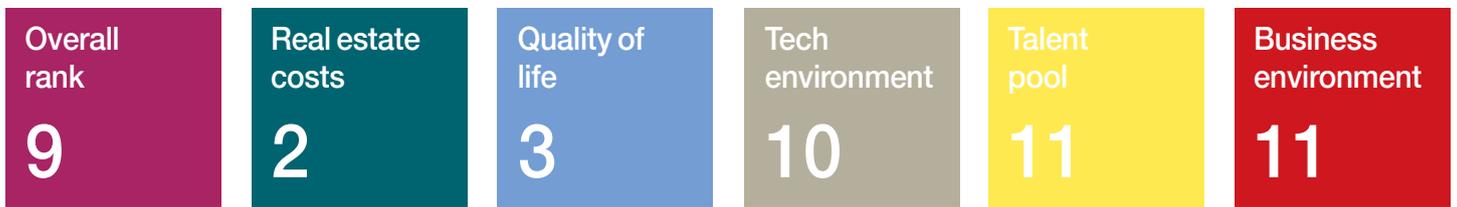




TECH CITIES 11

Berlin - Europe's accelerating tech hub

FIG. 1: Berlin at a glance, composite rankings



Source: Savills World Research



Berlin lies 9th in our ranking of the top 12 Tech Cities, just behind Dublin. This vibrant, constantly transforming city has been a staple of tech conversation for over a decade. But for all the excitement, it is still in its early stages of development and has plenty more headroom before it truly fulfils its potential on a global stage.

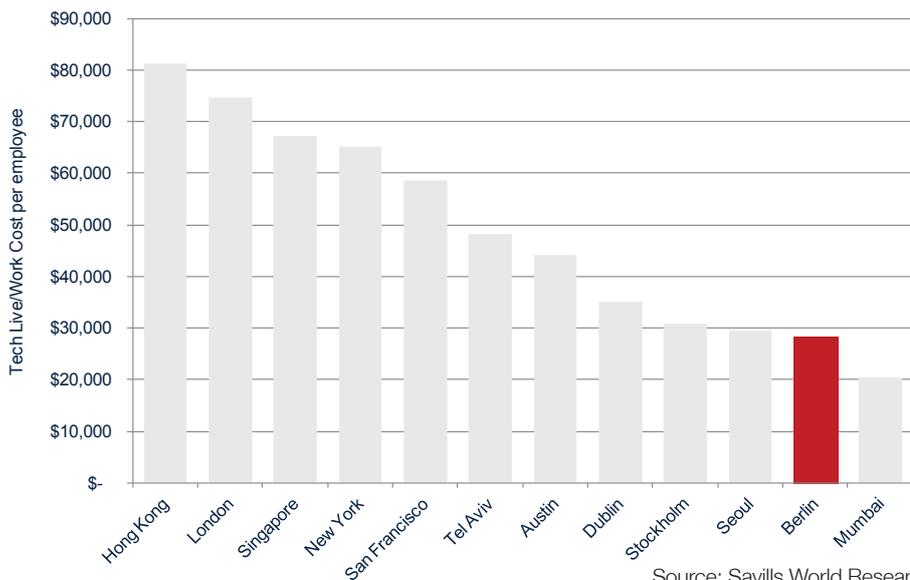
Berlin has much to offer to fast growing start-ups, drawing in young, highly educated, international workforce. Young migrants are attracted to the city by its diverse culture and excellent nightlife. On quality of life and affordability of real estate, Berlin ranks top in Europe by our measure.

Berlin scores especially high on our 'Quality of Life' index. Germany, as a whole, enjoys short working hours, on average working 1,743 annually, 236 hours less than the 1,979 hours average across all 12 Tech cities. This, coupled with the compact nature of Berlin, means short average commute times (by world city standards at least) supporting a positive work/life balance. The 'kaffeekultur' of Kreuzberg and neighbouring Mitte districts in central Berlin, with its high density of coffee shops and collaboration spaces, has been one of the catalysts for innovation. Berlin comes top in our 'Flat white index'.



“The ‘kaffeekulture’ of Kreuzberg and neighbouring Mitte districts in central Berlin, with its high density of coffee shops and collaboration spaces, has been one of the catalyst for innovation”

FIG. 2: Tech Live/Work cost per employee per year (USD)



Source: Savills World Research

Although rising fast, by international standards real estate costs are favourable for both commercial entities and individuals, providing affordable office space for young start-ups and freeing up capital that would normally be used to service rent for more productive activities. Our Tech Live/Work index (the cost of occupying commercial and residential real estate for a tech firm and its employees) indicates that total annual real estate costs Berlin stand at \$28,344 per employee, half that of San Francisco (\$58,508) and almost a third that of Hong Kong (\$81,303). Only Mumbai is cheaper by our measure (see chart).

The Berlin tech industry is dominated by online, e-commerce and software-driven tech where operational costs tend to be lowest. Berlin has seen plenty of tech success stories, from music cloud storage platform Soundcloud, to the early stage incubator Rocket Internet, which was valued €6.5 billion ahead of its anticipated IPO.

Catering to the start up industry, Betahaus and The Factory lead the way with dedicated co-working spaces, offering flexible

memberships and campus atmosphere, providing a working environment for the start-up and young business community.

The strength of the Berlin’s tech sector has helped it outperform its European competition. Strong occupier demand has pushed up tech office rents 38% between December 2008 and June 2015. Paris, by contrast (which isn’t a major tech city), has seen rents fall by 4% over the same period.

Berlin does face challenges. The city suffers with an ageing population and flat net migration. Berlin’s population forecast to grow by 1.8% between 2014 and 2024, compared to an average growth of 11.1% across our other 11 tech cities.

Funding and venture capital activity in Berlin (as in the rest of Europe) is more limited compared to that of US. European ventures have been more conservative in their fund allocation. Regulatory restrictions and tough data protection laws mean that opportunities to grow fast and big are not there in the same way as they are across the Atlantic.

FIG. 3: Tech Cities: overall rankings

1	AUSTIN	7	SINGAPORE
2	SAN FRANCISCO	8	DUBLIN
3	TEL AVIV	9	BERLIN
4	NEW YORK	10	HONG KONG
5	STOCKHOLM	11	SEOUL
6	LONDON	12	MUMBAI

That said, Berlin is now the European leader for cash invested in start-ups, raising over \$2 billion in 2014 according to Dow Jones VentureSource, \$0.6 billion more than London. And new capital is flowing in, from equity based crowdfunding platforms, private individuals and institutional investors, more and more are seeing untapped potential of European tech start-ups.

Berlin is undoubtedly a major force in the European start up scene, reinforced by the surge in venture capital investment over the past 3 years. The growth of the sector has seen Berlin outperform many of its European peers. But there is still room for growth as the sector matures and as Berlin develops on a global stage, which makes it a city to watch.

“Berlin is now the European leader for cash invested in start-ups”

