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Tech Firms Move to Hip New Home

BY JOSEPH DE AVILA

The media have Midtown. The banks have Wall Street. Now tech companies are laying their foundation near Union Square.

The emergence of Union Square as a destination for technology firms got its start several years ago. But the neighborhood's tech community received a boost this year with the arrival of household names such as computer giant Apple Inc. and the impending arrival of user-review site Yelp.

Those big companies are among nearly a dozen tech firms that have signed leases this year for a combined 135,000 square feet of office space in Union Square, according to the Union Square Partnership.

Yelp launched its New York operations in 2008 in a tiny space in the West Village with two employees.

In September, the company is moving into a new, 10,000-square-foot space on Fifth Avenue that also counts Apple as a tenant. Yelp plans to add 40 employees to its 50-member New York team.

"As we evolved and found our footing in New York, the signs have begun pointing to Union Square," said Katherine Sullivan, the company's director of east coast sales.

The city has several neighborhoods that have attracted clusters of tech companies, including SoHo, Dumbo and Chelsea—home to Google Inc.'s New York offices.

But Union Square appears to have the most momentum, said Matt Meeker, organizer at Dogpatch Labs NYC, a co-working space in the neighborhood that offers mentorship for new companies.

"I can hardly walk through Union Square and not see people I know and see other tech entrepreneurs just hanging out or having lunch," Mr. Meeker said.

The companies have been drawn to the easy subway and PATH train access. Tons of nearby restaurants and bars also provide incentives for employees who tend to live downtown and in Brooklyn, the companies say.

Start-ups are also looking for buildings with architectural charm and the potential for big, open spaces, said Michael Kaufman, a broker with real-estate company the Kaufman Organization.

"It has more of a creative vibe—the high ceilings, loft-type feeling," Mr. Kaufman said.

Then there's the Midtown and Financial District factor.

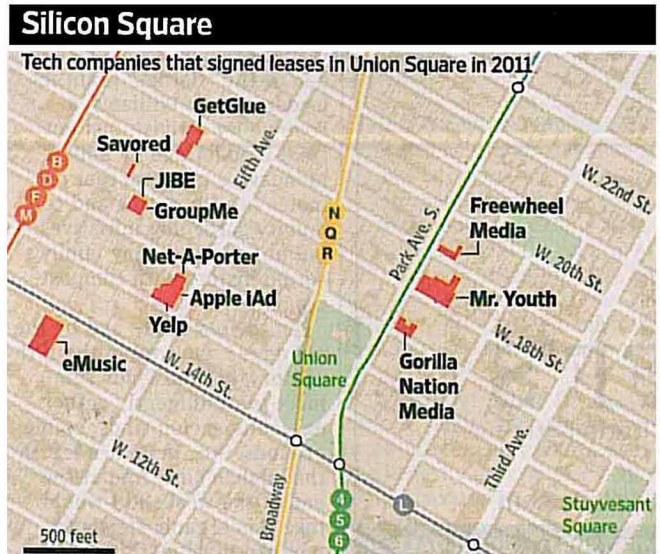
"In the early-stage start-up community, there is quite an aversion to the feeling of Midtown and the feeling of the Financial District," Mr. Meeker said.

It doesn't even matter if the rents are relatively cheaper. The average asking rent in the Financial District is currently \$39 per square foot compared to \$46 per square foot for Union Square, according to CBRE Research.

Take the case of Union Square newcomer JIBE, a website that helps job seekers find work through their connections on LinkedIn and Facebook. When the company was first starting out, it had a small office near Wall Street, said Jibe's chief executive, Joe Essinfeld. That didn't last.

"It was such a morale drain," Mr. Essinfeld said. He moved the startup to his girlfriend's apartment instead. The company later took space at Dogpatch Labs, where it continued to grow. About 10 weeks ago the 18-person company moved into a 2,600-square-foot space on 17th Street.

The presence of tech companies has drawn other such firms to the neighborhood, Mr. Essinfeld said. "It's great to have a



critical mass of like-minded people," he said.

Many in the tech community say the arrival of venture capital firm Union Square Ventures in 2003 deserves credit for jump-starting the neighborhood's momentum. Polaris Venture Partners, which runs Dogpatch Labs, is another venture capital firm in the neighborhood.

The neighborhood had been traditionally home to architecture firms, marketing companies and publishing firms, said Jennifer Falk, executive director of Union Square Partnership, the neighborhood's business improvement district. "It's always been a creative industries hub," she said.

Organizations like Dogpatch Labs and General Assembly, another workspace nearby that mentors entrepreneurs, have also helped many young startups grow from ideas to small businesses. "It's exciting that they are being incubated locally," Ms. Falk said.

For GroupMe, a group messaging service, the decision to move from a sublet in SoHo to

Union Square hinged on access to public transportation and price. "It is a one-train commute for just about everybody in the city," said co-founder Steve Martocci.

The company searched for its own space in SoHo, but couldn't find a suitable office at a price it liked.

"Everything was too expensive for a startup," said co-founder Jared Hecht.

The company ended up choosing a 5,300-square-foot space on 17th Street.

GroupMe was acquired by Skype earlier this month, but the co-founders say they will continue to operate as a separate brand out of their new offices in Union Square and will continue to add to their 20-person business.

While the location is great, many of the buildings in the area aren't wired for high-speed internet, Mr. Martocci said. If the owners of the older buildings make infrastructure improvements soon, it would draw even more tech companies to the neighborhood, he said.