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Start-Up Village Emerges in SoMA's 410 Townsend

By [PUI-WING TAM](#)

The technology start-up scene is rebounding strongly from the recession. That's evident at 410 Townsend Street in San Francisco's South of Market neighborhood.

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Max Whittaker for The Wall Street Journal

Software company Zendesk moved into 410 Townsend last year.





The 75,000-square-foot office building was about 60% vacant in late 2008 when the financial crisis hit and one of the property's major tenants moved out. Now the landlord, PMI Properties, says the building is 100% full with Internet start-ups such as microblogging service Yammer Inc., online ticket seller Eventbrite Inc., online gaming company Playdom Inc. (recently purchased by [Walt Disney Co.](#)) and help-desk software company Zendesk Inc.

All of the start-ups moved in within the last year. And many are now bursting at the seams as they grow more quickly than expected. "We've got a competition with Yammer to see who will outlast the other in this building and get the other's space," says Kevin Hartz, chief executive of Eventbrite, which has seen its staff grow from 25 last year to around 70 people now. "It's a death match."

The activity at 410 Townsend reflects Silicon Valley's broader tech recovery. As demand for tech goods picks up, venture-capital financing is ramping up and start-ups are recruiting new hires.

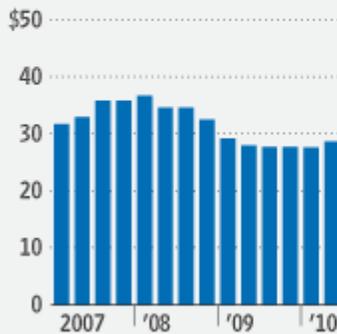
That has fueled the ferment in SoMA, a hip start-up neighborhood that is home to Twitter Inc. and others. The area's office vacancy rate peaked in last year's fourth quarter at 30.5% and has since eased to 28.2%, while average asking rents per square foot have risen to \$28.57 from \$27.69 late last year, according to real-estate firm Cornish & Carey Commercial.

Jeffrey Palmer, a partner at PMI Properties, says the firm deliberately sought tech tenants for 410 Townsend to cluster them together. Each of the 10,000-square-foot office suites in the four-story building have exposed brick walls, kitchens and state-of-the-art Internet connections.

Start-Ups in SoMA

As tech start-ups move into South of Market, office vacancy rates are declining and asking rents are increasing.

Asking rent per square foot for office space in San Francisco's South of Market area, quarterly



Office vacancy rate in San Francisco's South of Market area, quarterly



Source: Cornish & Carey Commercial

Yammer and Eventbrite were the first of the new crop of start-ups to move into 410 Townsend last August. Eventbrite CEO Mr. Hartz and Yammer CEO David Sacks are friends who invested in each other's companies. Zendesk arrived in August, followed by Playdom late last year.

In March, networking and security start-up OpenDNS moved in, as did e-commerce company Shop It To Me Inc. In June, tech blog TechCrunch relocated from Palo Alto to 410 Townsend.

Zendesk CEO Mikkel Svane says the building's location—a block from the Caltrain station—is a plus, and prospective hires often go from one start-up interview in 410 Townsend to another.

The downside: "That makes it awkward when someone you turned down [for a job] ends up working in the building," says Yammer's Mr. Sacks.

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