

Google creates its own real estate boom

November 18 2010, By Mike Swift

Google's aggressive online growth increasingly has a counterpart in bricks and mortar, with the company's Mountain View, Calif., headquarters mushrooming over the past four years to occupy more than 4 million square feet, or the equivalent of about 40 Home Depot stores.

But that's just a start. On Silicon Valley's NASA base, Google is preparing to build a new corporate campus with fitness and day care facilities and - in a first in [Silicon Valley](#) - employee housing, adding 1.2 million square feet of space to Google's real estate holdings.

While other tech giants also occupy vast amounts of real estate, Google is growing in a way that is distinct, remaking its surroundings according to its own values. In addition to buying and leasing buildings and squeezing out some of its neighbors, it is prodding the city of [Mountain View](#) to transform the area around its headquarters, adding housing and retail to create an environment more like a town center.

The company's goals are to build a headquarters that would be "nurturing and regenerative to the environment, provide a vibrant community and work/life balance for all," Google real estate chief David Radcliffe wrote in a letter to city officials earlier this year.

City officials say they are considering where housing could be built and how much of it is needed as part of the new citywide general plan. The City Council could endorse basic concepts for that plan this month.

"I don't want to say it's the new company town," Gregory M. Davies, a

vice president with commercial real estate firm Cassidy Turley CPS, said of Google's role, "but it's not far from it."

In the past five years, as Google's global work force has expanded by sevenfold to more than 23,000 employees, the Internet giant's Mountain View holdings have grown to at least 4.2 million square feet and include more than 65 buildings, according to the company's securities filings and county tax assessment data analyzed by the San Jose Mercury News. That is more than double the amount of space Google owned or leased in 2005.

Google strives to keep its real estate plans under wraps. The company does not disclose the number of workers it has in Mountain View, and a Google spokesman also declined to discuss the size of the company's local real estate holdings. But given a commercial real estate benchmark of 200 to 250 square feet per worker, the company's Mountain View domain now likely accommodates 17,000 workers or more. Documents detailing the NASA project, made available under the federal Freedom of Information law, have been redacted to remove details such as how many Googlers would live and work at its Ames Research Center.

Google's hiring boom this year - its total employee head count is up 18 percent since January - has coincided with the company's return to "an opportunistic expansion mode" in real estate several months ago, said Davies, an expert on the North Bayshore area, the section of Mountain View where Google's buildings are concentrated. Google is not acquiring "every building that becomes available, but if it makes sense on a case-by-case basis, they are buying or leasing space."

Google first made the list of Santa Clara County's top 25 "business personal property" taxpayers in 2005, when it ranked 21st. Google is now fourth, trailing only Cisco Systems, Lockheed and Intel in the value of its business equipment such as computers and furniture.

"Both their growth and their impact on the high-tech community is really unprecedented, in recent years at least," County Assessor Larry Stone said. "It reminds me of Apple in the '80s, and eBay and Yahoo in the '90s, in terms of their success."

Google doesn't yet rank among the county's top 10 real estate taxpayers, but Stone said business personal property may be a better measure for a company like Google that leases large blocs of space. Google reported in an SEC filing in February that it leased 1.6 million square feet of space in Mountain View, and owned an additional 2.6 million square feet.

Other businesses feel pressured by Google's expansion, like Colin McDowell's McDSP, a tiny atoll bobbing in the Googley ocean.

McDSP's 1,682-square-foot office is now the only non-Google space in 1300 Crittenden Lane, a 115,000-square-foot building that Google bought in 2006 as part of a \$319 million deal that also included the core Googleplex. McDowell, the CEO of the six-person audio technology company, has a lease through 2014, but Google wants him out now. McDowell hasn't wanted to move, saying the rent is good and the offices are close to Shoreline Amphitheatre, where professional musicians frequently need McDSP's services on short notice.

As he enters his office each day and peers through a glass window into a Google break room replete with a Google-logo espresso maker, racks of candy, snacks and an often boisterous foosball table, McDowell says he can't help but feel a hint of jealousy.

"Could you just not flaunt it so bad?" he said of his landlord. "Not right in our face?"

McDowell said he now expects Google to subsidize McDSP's move and rent in a new home, although a deal has not been finalized.

Google needs McDSP to leave because of its critical space shortage, said Jordan Newman, a Google spokesman. "We're growing and we require more space, so we're working with them on relocation plans," he said.

About six months ago, Google took a number of buildings that it was selling off the market and has reoccupied them, commercial real estate brokers say. Most recently, Google snapped up a 42,000-square-foot building it leased in August in an 84-month deal. Google's hunger for space is likely to force other companies to leave the North Bayshore area, a trend that could benefit the real estate markets in southern Mountain View and Sunnyvale, real estate insiders say.

Phil Mahoney, executive vice president with Cornish & Carey, recently relocated the semiconductor company MIPS Technologies to Sunnyvale, "as much as anything getting out of Google's way."

"The handwriting is on the wall. You don't want to compete with them for space," Mahoney said. "In real estate circles, it's called 'the Google effect.' "

Google's expanding corporate complex includes access to an airport, the federal airfield at Moffett Field.

Google and NASA Ames, which controls the airfield, have long had a close relationship, cooperating on projects such as the imagery behind Google's online mapping software of the moon and Mars. Google co-founders Sergey Brin and Larry Page, through a partnership they control called H211, keep their Boeing 767 and 757 aircraft at Moffett Field, along with three Gulfstream corporate jets and an experimental Dornier Alpha jet. H211 pays about \$120,000 a month to hangar the aircraft, according to federal officials.

Under an agreement with NASA, the large jets carry instruments that

provide atmospheric data to NASA scientists, and sometimes transport NASA gear to remote corners of the planet.

Google plans to take its relationship with NASA to a new level starting in 2013, when it begins building the combined office and residential complex not far from the wind tunnel and supercomputer facilities at Ames. The new campus will rise on 42 acres of vacant land that look out toward San Francisco Bay. A Google-backed developer, Planetary Ventures, will pay \$3.66 million a year to lease that land through 2048.

That's not unprecedented for NASA. Its private-sector partners also are leasing property at Stennis Space Center in Mississippi and the Kennedy Space Center in Florida, with plans under way at Johnson Space Center in Houston.

At Ames, a 2008 lease between Planetary Ventures and NASA says the company plans to build sports, fitness and day care facilities as well as housing that would comprise up to 15 percent of the new campus, or 180,000 square feet.

Details of the project are sketchy. Information such as how much housing and how many employees will work in the complex were excised from the documents, Michael Marlaire, director of the NASA Research Park Office at Ames, said in a written statement, because it is "proprietary information a company has made available to the Government which would be likely to cause the company substantial competitive harm if released."

Newman said Google did not request to have the information redacted, but he also declined to discuss the project, other than to say that the company has not yet developed detailed plans for the housing that will be built, but that it could total 10 percent of the campus. That would be the rough equivalent of 60 homes of 2,000 square feet.

One reason Google needs to take such extraordinary steps as relocating six-person companies and expanding on federal land is because it is landlocked - hemmed in by adjacent Intuit, Highway 101, Shoreline Park and NASA Ames.

"You don't have a normal market," Davies said. "You have one of Silicon Valley's biggest users of [real estate](#) in a development-constrained location. The equation is strongly in favor of [Google](#). They are the 800-pound gorilla in that sandbox."

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