

Google and Redwood City: Six things to know

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The 111th Group, Inc.

Three owners control the 10 buildings at Pacific Shores. Informatica and Shorenstein own two buildings each, while Google is eyeing the six others, which are jointly owned by Blackstone and Starwood.

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Google Inc.'s search for space is taking the Mountain View company to Redwood City for the first time.

In a dramatic deal, Google is planning to buy a huge chunk of Pacific Shores, the 1.7 million-square-foot office park on the edge of San Francisco Bay, according to industry sources who weren't willing to talk publicly.

The company is targeting six buildings owned by Starwood Capital and Blackstone Group that total 934,000 square feet. Information on the price remained sketchy in advance of a deal being done.

The transaction, which the Business Journal was first to report on Oct. 3, could close before the end of the month. If completed, it would have a dramatic impact on the Peninsula city.

Here's a look at what's behind the deal and what it means to the market.

The Google effect will be good for landlords.

Google's breathtaking growth in Mountain View has forced other tenants to scramble to find new homes in places like Sunnyvale, Santa Clara and North San Jose. The same thing could happen in Redwood City. Pacific Shores is more than 90 percent leased to a broad swath of companies, including Zazzle Inc., Rocket Fuel and C3 Energy.

"The bottom line is it's good for the market," said [Henry Bullock](#), chairman and founder of Menlo Equities, a longtime developer and investor based in Palo Alto. "When those leases expire, they might start pushing them out and they've got to go somewhere."

One problem: There's not a ton of space for them to go. Redwood City's office vacancy dropped nearly 2 percent to 4.76 percent in the third quarter, according to Colliers International.

Cue the development pipeline. There's more than 500,000 square feet of new office space planned for downtown Redwood City alone — and you can be sure that listing brokers will be papering Pacific Shores tenants with brochures if and when the Google deal closes.

"It adds fuel to the fire for more spec buildings to start coming out of the ground, because there's going to be that much more pressure on space demand," said [Tim Grant](#), a veteran Bay Area office broker with [Avison Young](#) in Foster City.

But don't count on it happening overnight.

Google made headlines when it bought 15 acres off East Meadow Circle in Palo Alto last July. It's continued to assemble more land since. But so far, it's been crickets as far as Google's plans there, and no tenants have been told to skedaddle.

In addition, Google waited over two years after signing a massive lease at the old **Ariba** campus in Sunnyvale before starting to build out the space. And Google has been happy simply to collect rent checks from blue-chip companies like **Symantec** after buying up that company's Mountain View offices in a series of huge acquisitions that gained steam last year.

"I think Google's view is, if we have to just mothball or put on the shelf these buildings for a couple of years, then we'll just do that," [Bullock](#) said. "We just want to make sure we always have enough real estate, because we think the best brains in the business are here in Silicon Valley."

Google could keep growing in Redwood City.

Google tends to keep expanding once it puts down roots in a new spot, and Pacific Shores allows for that. The entire campus contains about 1.7 million square feet of office space, and new zoning approved about a year ago could allow total build-out of up to 3 million square feet. That was probably a big plus in this deal.

"All things considered, there's still quite a bit of room to put more structures out there," said [Sailesh Mehra](#), associate city planner for Redwood City. "You could essentially double that entire office park, if you could park it."

There's also more in store just down the street. Jay Paul Co. is seeking approvals for a 1.2 million-square-foot campus called Harbor View on the old Malibu Grand Prix amusement park at 340 Blomquist.

The location makes sense for recruiting.

Google's physical growth has been so exponential, few industry observers are surprised anymore at news of another blockbuster acquisition or lease.

"I've never seen a company with an appetite to control real estate within a specific area like Google," [Bullock](#) said. "Never, not even **Cisco** during its heyday in the 1990s and early 2000s.

"They're buying a location where brainy people want to be," he said. "It's a brilliant real estate strategy if you have the money for it."

Why Pacific Shores? The futuristic, glassy complex — built by Jay Paul Co. during the first dot-com boom — is the quintessential corporate campus, with lush landscaped grounds, sports facilities and a health spa.

"It's very Googley," said [Mike Cobb](#) of Colliers' Redwood City office. "It fits a campus user to a T — Google can bring in services and do their thing."

[John Boyd](#) of site-selection firm The [Boyd](#) Co. said it's critical that Google get closer to employees and potential new recruits. Pacific Shores is a little closer to San Francisco and thousands of residential units sprouting in downtown Redwood City.

"It establishes a new point of reference, a new line in the sand, and most importantly a new recruiting front for the company," [Boyd](#) said. [Boyd](#) said it's also a smart move for a huge, growing company like Google to spread its footprint among different municipalities.

"Clearly, spreading the risks also came into play in this decision," [Boyd](#) said. "An easier, less contentious and faster approval process also distinguishes Redwood City from Palo Alto and Mountain View based on our experiences in the Valley. Timing is also especially important to companies in the tech field with its rapidly changing landscape."

Boat access offers a potential solution for gridlock.

Here's another possible attraction point.

Earlier this year, Google famously experimented with private ferries to transport workers from San Francisco and the East Bay to the Port of Redwood City, located a few minutes' walk from Pacific Shores. The Water Emergency Transportation Authority, which administers the San Francisco Bay ferry routes, partnered with Google on the effort.

"I know they really liked the ferry and the concept. Their challenge was getting people off a boat and putting them on a bus to Mountain View, and that was taking 25 minutes," said [Kevin Connolly](#), director of planning and development for WETA. "This might be one way to address it."

[Boyd](#) called it "A real game changer if they can pull it off."

WETA has studied regular public ferry service to Redwood City, with a potential public terminal practically next door to Pacific Shores. San Mateo County has about \$22 million left in a sales-tax funded pot for ferry services in the county. A Redwood City terminal would cost about \$15 million. But the county doesn't have ongoing operational funding, Connolly said.

A major built-in user such as Google could help make service pencil out, he said.

"If they're serious about doing it, we could do something, and there are lots of options," Connolly said. "We could be very creative about working this out."

Google is not done in Mountain View.

One big question: What will the pending Pacific Shores pickup mean to Google's future growth plans in its Peninsula stronghold?

Google still has two ground-up campus projects on hold — one in Mountain View and another on land Google leases from NASA near Moffett Field. It's unclear when will Google move forward on those. But Google's thirst for more office space seems unquenchable.

In August, it snapped up the lease for three large buildings in Sunnyvale from **Juniper Networks**. And several well-placed sources said Google would like to develop a 77-acre piece of land on Moffett Federal Airfield that's leased to a nonprofit consortium headed by [U.C. Santa Cruz](#). The project, called University Associates, is approved for 1 million square feet of office and nearly 2,000 homes.