

## Mystery deepens on Apple's San Jose plans after land buy

Aug 3, 2015, 5:18pm PDT

[Nathan Donato-Weinstein](#) Real Estate Reporter *Silicon Valley Business Journal*



The land acquired by Apple is shown in lightest blue along North First Street

### Just what is Apple up to?

That's the question everyone's wondering today after the Cupertino-based company's [purchase of a 40-plus-acre San Jose development site](#) from Lowe Enterprises and Five Mile Capital Partners. I wrote about the \$138 million acquisition earlier this morning.

The site is approved for up to 2.8 million square feet of office space (though the developer had been marketing a 1.8 million-square-foot project designed by architecture firm Gensler).

So is more office office space for Apple in the cards?

Maybe. That's the angle the San Jose Mercury News took [in a story published after our breaking news alert on the deal](#). But one has to wonder just how much more office space Apple might need in Silicon Valley. After all, it's been leasing up a storm in Cupertino, Sunnyvale and Santa Clara. And then there's the Spaceship campus, which will weigh in at 2.8 million square feet when completed in late 2016 (assuming it's still on schedule). Apple Campus 2, as it's formally known, also includes about 600,000 square feet of additional office/R&D space.

"My immediate thought is: They're building the spaceship campus, and that's office space," said Jan Dawson, chief analyst at Jackdaw Research. "It feels strange timing to be buying more land to be building more office space. The whole point of the spaceship is you have enough office space.

"That makes me lean toward an explanation that it's not office — something to do with building stuff as opposed to just desks and employees," Dawson said.

Indeed, Apple has brought some of its manufacturing back to the U.S. in recent years — most notably the cylindrical Mac Pro, [which is made in Texas](#).

It's obviously more expensive to build stuff in Silicon Valley as labor costs are higher — there are those ever-rising housing prices — but Tesla and its expanding manufacturing ecosystem in Fremont and the East Bay shows it can be done.

What might Apple have in mind? There are obviously reports of the company's interest in the car business. Maybe an iCar factory?

"A full-scale manufacturing plant seems unlikely, because they'd probably use a third-party manufacturing facility," Dawson said. "But could be something for building prototypes.

"San Jose seems unlikely, unless you need people from Cupertino closely supervising it," he added. "That again lends credence to the idea that this is brand new, something that Apple wants to keep under wraps." (Indeed, as I noted earlier today, Apple bought the land — a sign it considers the site extremely important.)

But [John Boyd](#), another expert I consulted after I published today's deal story, said he thinks traditional office/R&D is very much what Apple has planned.

For manufacturing, "The land's too expensive, the labor's too expensive," said Boyd, of site-section firm The Boyd Co. and a longtime Apple observer.

His vote? General office space. "Their job needs — research, administration, accounting, finance, marketing — all these functions, they have huge job demands. It's the intellectual

capital. That's the reason companies still continue to get into the Valley despite very high costs."

Why would Apple buy? "Because they can," he said. "And it's a good investment."

Big caveat here: In point of fact, none of us actually knows what Apple has in mind, and both experts interviewed for this story were simply speculating with me on the possibilities. Apple hasn't returned my request for comment.

But regardless of what Apple ends up doing there, it's unambiguously good news for San Jose. This is the second transaction for Apple in this neighborhood, after the 300,000-square-foot lease of Ellis Partners' 101 Tech project at 2325 Orchard Parkway, kitty corner from the Lowe site. It would not be a bad bet to assume that more deals may be coming.

Boyd likes the site because it's a large swath of land (a rarity in built-out Silicon Valley) and has excellent proximity to the airport. "I love San Jose because of the airport," he said. "People don't talk about that as much."

"This is over the top," he said. "It's really going to change the brand, if you will, of how San Jose is seen by site seekers."