

# Apple buys more North San Jose land in \$166M deal — but for what?

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Apple Inc.'s mysterious plans in north San Jose are growing even bigger.

The Cupertino-based tech giant this week bought a 27-acre site fronting Highway 101 at Charcot Avenue, the latest in a series of transactions that gives Apple about 70 acres in San Jose's North First tech corridor, across from the airport.



The glass lobby entrance to the 101 Tech campus

Apple paid roughly \$165.8 million for the property, which was owned by an affiliate of San Francisco-based Ellis Partners, property records show. That is not a bad return for Ellis, which paid \$48.5 million for the site back in early 2012. The purchase includes a 290,000-square-foot building Apple had previously leased from Ellis, and 12 acres of bare land that's approved for 650,000 square feet of additional office space.

The deal raises even more questions about Apple's ambitions in the city. Less than two months ago Apple paid \$138 million for Lowe Enterprises' 43 acres of bare land on the other side of Orchard Parkway.

"They want to control that whole area," said John H. Boyd of Princeton, N.J.-based site-selection firm The Boyd Co., which studies the Bay Area. "And I think the proximity to the airport is a clue to this. Their future is largely a global one, and that airport is groomed to be a gateway airport to the far east."

Apple hasn't said specifically why it wants the land, aside from a statement at the time of the Lowe deal that it's "planning to build R&D facilities and some additional office space in San Jose." An Apple spokesman repeated that statement today.

Speculation has swirled in the local commercial real estate industry that Apple may be planning a facility related to its well-documented interest in building electric cars. I speculated about that during the summer in this story, here, and Apple Insider looked into it earlier this month. But there is no hard evidence that's the case, and no plans have been submitted to the city about the land.

Apple earlier this year was rumored to be in negotiations for Coleman Highline, a massive development project on the other side of Highway 101, with plans to build some kind of car-related facility. But that deal didn't happen, reportedly because Apple wanted to buy the project but the owners, led by Gap heir John Fisher, didn't want to sell, according to industry sources outside the deal.

But Boyd thinks one rumor floating in the ether — a car factory — isn't the end goal. "Even for Apple, that land is too pricey for that type of heavier industrial presence," he said. "This looks like a premier office site for them. It's got ready access to the airport, and there's visibility to 101."

San Jose Mayor Sam Liccardo said on Friday the growing interest in North San Jose is a sign that the city's investments in the area have been working. "We've been betting on it, focusing on transit infrastructure and amenities, with the expectation that by putting those key pieces in place we'll create a space for tech innovation to scale," he said.

Asked what he hopes Apple ends up doing in the area, Liccardo said: "We love having talented workers who drive our tech economy in San Jose. The what and the how will be decided by smarter people making more money than myself."

Depending on what it does off North First Street, Apple's activity there could change the face of the area. City economic development officials have long been trying to attract more marquee tech firms there. This week Samsung, long a north San Jose corporate citizen, opened a flashy new headquarters at North First Street and Tasman Drive.

More may be coming: As I reported back in May, Google Inc. has been looking around San Jose for a modest outpost. Also, as I wrote back in August, Broadcom is likely to do a deal at Boston Properties' Innovation Place, which will be about 1 million square feet. Broadcom will probably buy the project, sources tell me.

More Apple growth may be coming in San Jose. It would not be surprising if Apple either leased or bought Steelwave's Tech Place on 101, a 16-acre project next to the Ellis site where a 200,000-square-foot building is currently under construction on spec. The other big land opportunity in the neighborhood is a 32-acre site long owned by Philips adjacent to Steelwave.

Jim Ellis, a partner with Ellis Partners, declined to comment.