

THE REAL DEAL

SAN FRANCISCO REAL ESTATE NEWS

Does Musk's move mean Twitter HQ is bound for Texas?

Would have to work out 880K sf under lease in Downtown San Francisco;
governors of other states already pitching

San Francisco /April 26, 2022 - TRD Staff



Elon Musk with 1355 Market St (Getty, Loopnet)

In December, Elon Musk took Tesla to Texas. Some think he'll also drag Twitter from San Francisco to the Lone Star State while others are not so sure.

And moving a headquarters can mean many things, the San Francisco Business Times reported.

Texas Gov. Greg Abbott wasted no time baiting his hook. And South Dakota Gov. Kristi Noem chummed the waters.

Bring Twitter to Texas to join Tesla, SpaceX & the Boring company," Abbot tweeted.

“If Twitter is in need of a new HQ, South Dakota is open for business, Noem added.

Twitter, with 7,500 employees worldwide, keeps its headquarters in Mid-Market, where 2,000 or more worked before the pandemic. Since then, many workers have been remote. While the company has a heavy investment in its San Francisco office headquarters, it could pull up stakes.

“It would actually be more surprising if he bought Twitter and kept the headquarters in California,” site selection consultant John Boyd, principal of The Boyd Co., told the the Business Times before Twitter accepted Musk’s purchase offer. “Austin would not be a difficult sell.”

The company leases 880,000 square feet in two side-by-side buildings at 1355 Market St, and 1 Tenth Street, from owners Shorenstein Properties, based in the city, and JpMorgan.

It expanded at 1355 Market this year by 85,000 square feet and renewed for two floors. It also tried, but failed, to sublease more than 100,000 square feet at 1 Tenth. It’s unclear when its headquarters leases are up. Shorenstein declined to comment to the newspaper.

Last year, Twitter also leased 66,000 square feet in Downtown Oakland at 1330 Broadway, owned by TMG Properties and KKR. It’s set to open later this year.

Musk could try to negotiate a deal to get out of the headquarters lease or attempt to sublease the space, though San Francisco’s office market is currently marked by high vacancies.

He could move the headquarters and operations out of state – or just move it in name only and keep many operations in the Bay Area.

Musk has hinted at closing the headquarters to save cash. With more than \$1 billion in revenue, Twitter might be on the hook for a 2.9 percent administrative office tax on its San Francisco payroll if half of its payroll expense is tied to HQ functions. But some say a move is unlikely.

There is also the chance that Twitter will stay put as a matter of company culture even as Musk aims to bring some changes. San Francisco is “a core part of Twitter and its DNA,” Dan Ives, a Wedbush Securities analyst, said. “Musk will view that presence as a key asset, not liability.”

Roger Kay, an analyst with Endpoint Technologies Associates, told the Austin American-Statesman there’s no reason to move the Twitter headquarters.

“Other than the fact that Musk is moving everything he’s got (to Austin), there’s no obvious reason to take a company which is virtual, from the very beginning, born in the cloud, to create a physical location,” Kay said. “They can be anywhere and the fact that they’re in San Francisco is primarily because of what the employees were. That’s where they were and that’s where they got the employees.”

[San Francisco Business Times] – *Dana Bartholomew*