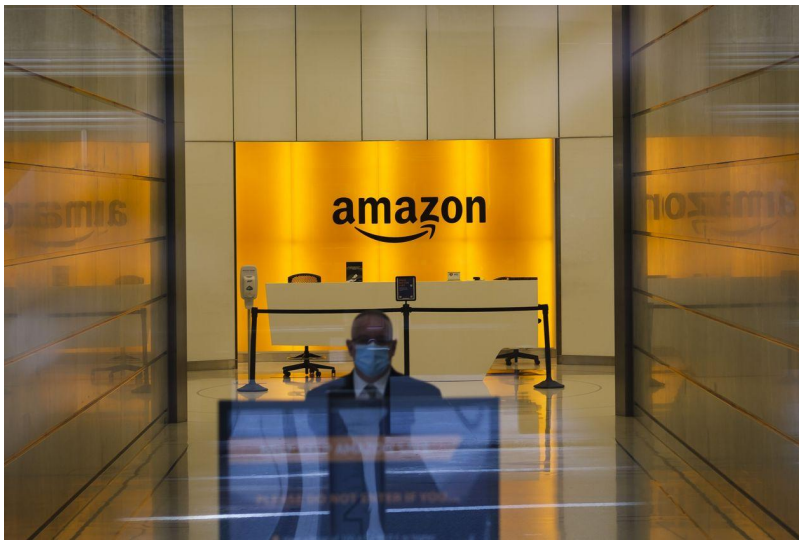


PROPERTY REPORT

# Stock-Market Titans Amazon, Google and Facebook Are Also Driving Commercial Real Estate

Tech's soaring property demand has been mostly a boon for cities, although it has fueled some concerns over rising rents and gentrification



Amazon owned \$39.2 billion in real estate at the end of 2019, up from slightly more than \$1 billion in 2010.

PHOTO: HAYOUNG JEON/SHUTTERSTOCK

By [Konrad Putzier](#)

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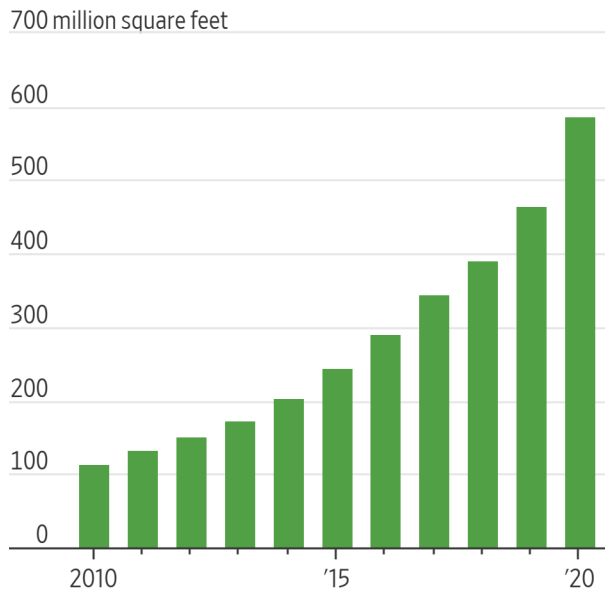
The biggest U.S. tech companies are providing a jolt to the slumbering commercial real-estate business, emerging as major tenants and acquirers of office and other space while many nontech firms are trying to tear up their leases.

Five of the biggest property owners in the tech industry— [Amazon.com](#) Inc., [Facebook](#) Inc., [Apple](#) Inc., Google parent [Alphabet](#) Inc. and [Microsoft](#) Corp. —together occupy

around 589 million square feet of U.S. real estate, according to [CoStar Group](#). That is more than all of the office space in New York City, or the equivalent to about 220 Empire State Buildings. It marks a fivefold increase from a decade ago.

## Big Real Estate

Space occupied by Alphabet, Amazon, Apple, Facebook and Microsoft



Source: CoStar Group

Tech's soaring real-estate demand has been mostly a boon for cities and towns, though it has also fueled some concerns over rising rents and gentrification. Big Tech's arrival usually brings an influx of well-paid employees and fills city coffers with property-tax revenue. Their presence has had a positive knock-on effect, helping boost retail, restaurant and other businesses.

While Facebook, Microsoft and Google have said they would support working from home beyond the pandemic, that hasn't appeared to have dulled their appetite for warehouses, data centers, retail stores and even more office space. This year alone, the five tech giants have expanded their real-estate footprint by more than a quarter, their fastest rate over the past decade.

Other industries expanded aggressively in the past, such as financial services in the early 1980s or manufacturing companies in the 1960s, but brokers say there is no precedent for Big Tech's impact on property markets.

"This is maybe the best opportunity that ever existed in the real-estate industry," said Roy March, chief executive of real-estate investment bank Eastdil Secured LLC. "I don't

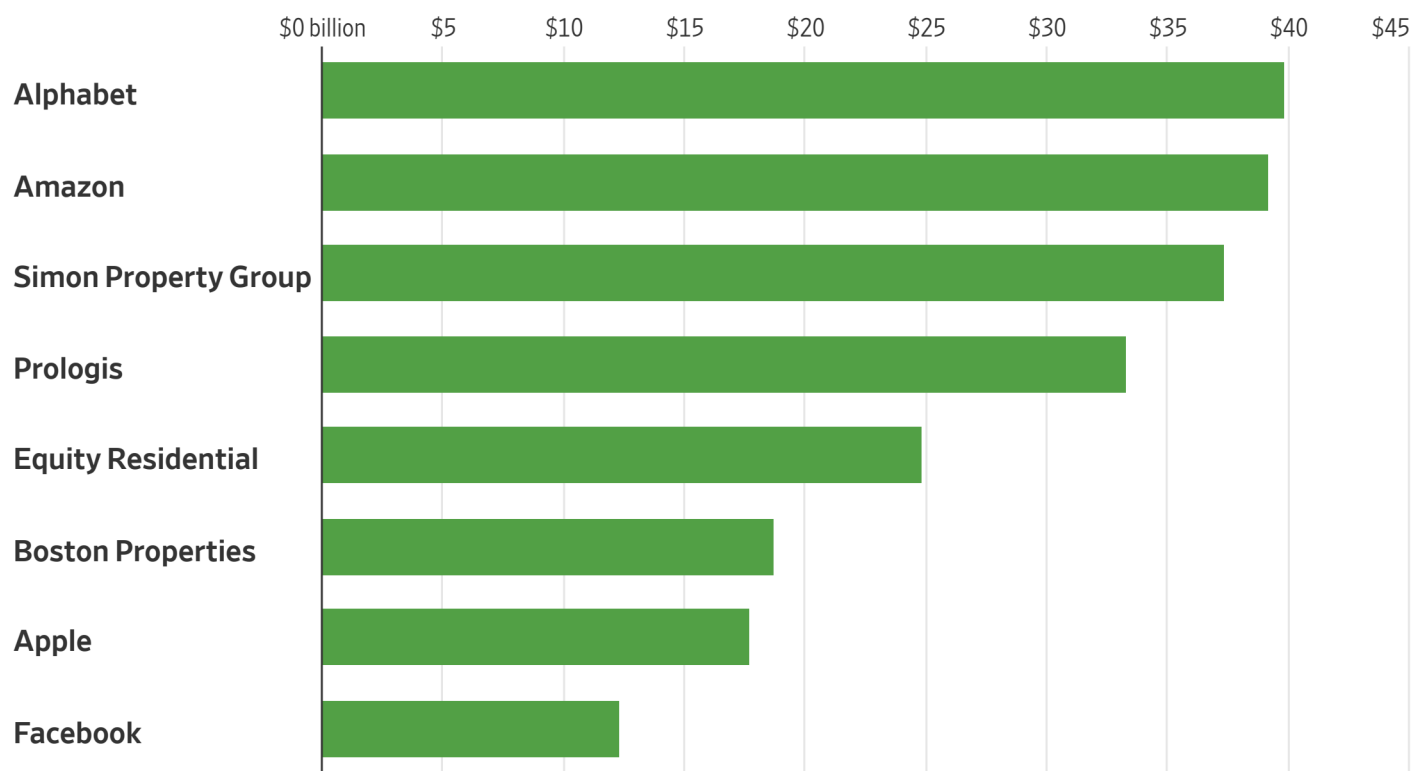
think we've ever had this kind of demand that's being driven out of a sector since the invention of the internal combustion engine."

Big Tech's demand reflects how fast these companies continue to grow, the treasure trove of cash at their disposal, and recently discounted prices throughout the commercial-property market because of Covid-19.

Their hold on the real-estate market mirrors their dominance of social media, web searches, online advertising and e-commerce. These five companies also help propel the stock market, where they account for a significant share of the S&P 500 index and played a key role in its surge from a March low.

### 21st Century Real-Estate Moguls

Property holdings of tech companies compared to major real-estate investment trusts as of Dec. 31, 2019



Note: Property holdings include land and buildings. They don't include properties under construction and don't account for depreciation.

Source: Annual and quarterly reports filed with the SEC

The pandemic has only made these firms more dominant in real estate. While most other companies are holding off on property transactions amid uncertainty over the economy and the rising popularity of remote work, Amazon, Facebook and its peers continue to lease and buy space.

“We believe that post-pandemic we will ultimately return to doing a majority of our work in the office,” said John Schoettler, Amazon’s vice president of global real estate and facilities. “We believe that much of the best work that we do is done in the office where employees can come together, work together to solve problems and be collaborative.”

That dominance is also causing anxiety. The industry’s impact on apartment rents has made cities less affordable for many longtime residents. That has turned Big Tech into a boogeyman for anti-gentrification activists.

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In 2018, Google [backed out of plans to open a campus for tech startups](#) in Berlin’s Kreuzberg neighborhood following protests that the tech company would drive up apartment rents. A few months later, Amazon canceled a deal to open a huge office campus in Long Island City, N.Y., after a similar backlash from local residents and some politicians.

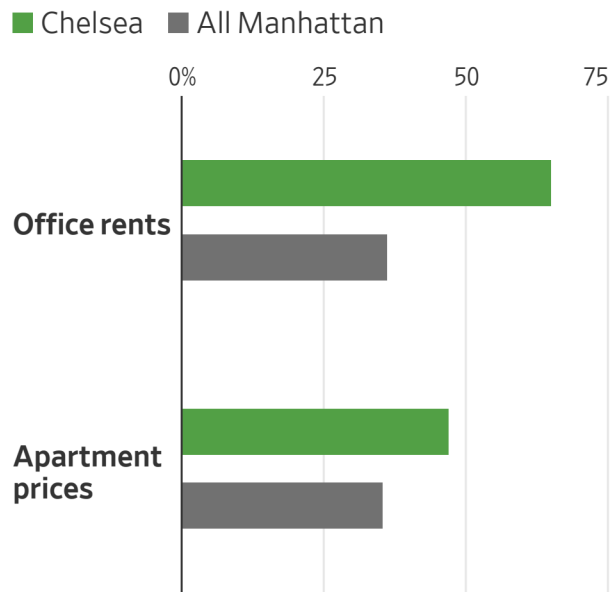
The five tech companies have pledged to invest billions into the creation of affordable housing, but the sums are far too small to offset their impact on apartment rents.

What makes tech different from other industries that have rented lots of office space is how much real estate it has bought or built.

Alphabet owned \$39.9 billion in land and buildings as of September, not including properties under development, according to a filing with the Securities and Exchange Commission. That is up from \$4 billion a decade ago. Amazon owned \$39.2 billion in real estate at the end of 2019, up from slightly more than \$1 billion in 2010.

## The Google Effect

Change in average office rents and apartment sales prices, 2010-2020



Sources: Cushman & Wakefield, Miller Samuel

In buying rather than leasing, tech companies can put their huge cash reserves to use and avoid having to deal with landlords. They also get to profit from the growth in property values that their presence creates.

Google's first big real-estate bet came in 2010, when the company bought an office building in Manhattan's Chelsea neighborhood for \$1.8 billion. The purchase marked the end of New York's real-estate market crisis and sparked a yearslong boom in prices, said Douglas Harmon, chairman of capital markets at Cushman & Wakefield, who brokered the deal. The company has leased more office space in the area and bought another nearby building for \$2.4 billion.

Thanks in part to Google's expansion, the area's office rents and apartment prices grew faster than the Manhattan average over the past decade. Employees started looking for apartments within walking distance from work and helped attract shops and high-end restaurants.

"Technology tenants tend to create ecosystems, just like financial services tenants did when they dominated skylines around the city," said Michael Turner, president of Oxford Properties Group, which last year leased to Google an office building in nearby Hudson Square.

Tech's impact on real-estate markets isn't confined to big cities. Pryor, Okla., population around 9,000, is home to one of Google's biggest data centers and the company is spending \$600 million to expand it.

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Local real-estate agent Karla Meislahn estimates she has sold about 35 homes to Google employees over the years, while construction workers building the data center are filling rental units. Typical home prices in the county have grown almost 40% since early 2011, according to Zillow Group, with Google's expansion playing a notable role.

In Washington, D.C.'s Virginia suburbs, the government and its many contractors were once the biggest source of new demand for real estate. Then, in 2018, Amazon announced plans to build an office campus for up to 25,000 employees in Arlington. Facebook and Microsoft have also announced plans for the area.

Tech companies are now the area's biggest source of new real-estate demand and are driving up home prices, said Victor Hoskins, head of the Fairfax County Economic Development Authority.

"The closer you get to the Amazon campus," he said, "the higher the spike."

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