



Google Revives Silicon Valley Housing Plans With Mixed-Use Proposal in San Jose

Tech Giant Considers Affordable Homes in Proposed Redevelopment of Retail Site



Google has proposed demolishing a former Orchard Supply Hardware store for a mixed-use project that's likely to include housing. (CoStar)

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Google appears to be picking back up its development plans in San Jose, California, with a proposal to convert a retail site in the city's downtown into a mixed-use development that could include housing.

The search engine giant filed permits with the city of San Jose to demolish a closed [Orchard Supply Hardware store](#) and replace it with various commercial uses. Google acquired the nearly 4.7-acre lot, along with 37 other properties, in a \$191.5 million portfolio deal in 2019, with development plans that aimed to accelerate the revitalization of the downtown area.

That \$1 billion plan, called Downtown West, envisioned transforming the area around Diridon Station, a major transit hub located on the western edge of the downtown area, with entitlements for 7.3 million square feet of office space, 4,000 housing units, 300 hotel rooms, 500,000 square feet of retail space and 15 acres of open space and parks.

The project was [paused](#) last year as the tech firm reevaluated its real estate investments, though a Google spokesperson [later told CoStar News](#) it would move forward on plans for Downtown West despite the decision to reassess its timeline. Less than two months later, however, Google dissolved its partnership with the project's lead developer, Australia-based Lendlease.

Demand for affordable houses in Silicon Valley's largest city may be reigniting a potential first phase of the stalled project. A Google spokesperson confirmed to CoStar News that it is considering affordable housing in its proposed redevelopment of the 33,000-square-foot retail site.

Driven in part by the technology companies based there, the region commands apartment rents that are the third-highest in the nation, trailing only New York and San Francisco, according to CoStar data.

Downtown West

Google struck up its development partnership with Lendlease in 2019 with a \$15 billion plan to develop four campuses over a 15-year period on land including Downtown West that the tech company owns in Mountain View, San Jose and Sunnyvale.

Downtown West was approved by San Jose city officials in 2021 and expected to spur economic activity for the region that has struggled with

office vacancy and has had little ground-up office development in about a decade.

The city lags behind other major regions tracked in Kastle Systems' "Back to Work Barometer," with [San Jose office attendance](#) averaging 39.5% of pre-pandemic levels for the week ended June 5, below the 51.6% average.

[Google itself has listed](#) for sublease more than 1.5 million square feet of office space across several offices near its headquarters in Mountain View in recent years, a figure that doesn't include the millions of square feet it has offloaded in other markets around the world.

The tech giant's parent company, Alphabet, paid \$1.2 billion in the fourth quarter of 2023 alone on expenses related to shrinking its global office footprint, and future cuts remain on the table as Alphabet continues to assess how much physical space it will actually need.

In January, Alphabet's Chief Financial Officer Ruth Porat told analysts the company will maintain its "much slower pace of hiring" and will "continue to optimize our real estate portfolio" as it redirects the savings to high-growth initiatives, such as artificial intelligence.

Housing Demand

The San Jose region has the most expensive rents in California, according to CoStar data, beating out San Francisco with rents averaging \$3,056 per month after a nearly 3% annual price climb in the past year, one of the largest such increases in the state.

Google and other Silicon Valley tech giants like Apple have contributed to rent gains in their home bases throughout the region over the past decade. Apple's home of Cupertino — within the greater San Jose region as tracked

by CoStar data — counts monthly rents near \$3,500 on average. In comparison, the average national rent is \$1,707.

Google's home base of Mountain View is also often considered part of greater San Jose.

San Jose's apartment market is just 5% vacant despite higher-than-national rents, according to CoStar data. That's below the national vacancy average of 7%. There are 8,200 residential units under construction in San Jose, above the prior 10-year average of 7,200 units.

In one of the largest housing projects underway in California's Silicon Valley, a developer is pitching 780 affordable rental units on a 32-acre parcel in San Jose. The proposal from LH Housing, a Los Angeles development affiliate of Asia's Korea Land & Housing Corp., is located adjacent to a similar plan from Genesis Commercial Capital, a fellow Los Angeles developer that's planning 804 units. That project is also slated to be 100% affordable, filings indicate.

Affordable housing in California is defined as homes priced between 30% and 80% of the area's median income. San Jose's area median income is about \$136,000, according to Census data, about 48% above the state's median income and roughly 80% higher than the U.S. average.

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