

Silicon Valley spec office lands anchor tenant, Hewlett Packard Enterprise, 4x faster than competitors



America Center II

Location: San Jose, CA

Developer: Steelwave Development

Investment Partners: USAA Real Estate Company;
Teacher Retirement System of Texas

Architect: LARGE Architecture

Project: Two 6-story buildings, 457,000 total sq. ft.

Sustainability: LEED Gold Core & Shell

Overview

View Dynamic Glass key to differentiating building in competitive real estate market

HPE selected America Center II for its new headquarters with 1,000 employees

Signed anchor 4x faster than comps

11 months rent is worth \$8M at \$40/SF

5 more hours daylight per day

9.5% annual energy savings

America Center II, San Jose, CA

“View Dynamic Glass saves energy and operating expenses, affording building occupants an enhanced work place environment with unobstructed views and access to natural daylight. We are excited to prove this concept, and to potentially implement View Dynamic Glass on future projects.”

Dirk Mosis

Executive Managing Director, USAA Real Estate

“The America Center project is designed to be a leading state of the art campus. Installing View Dynamic Glass has been key in enabling us to realize that goal by providing a technology that improves occupant comfort, wellness, and productivity. Energy efficiency was also a major driver, and View helped the project reach ambitious sustainability targets resulting in a LEED Gold level pre-certification.”

Steve Dunn

Senior Managing Director, Steelwave

USAA Real Estate, Teacher Retirement System of Texas, and their development partner, Steelwave, identified a unique opportunity to develop America Center Phase II, one of the last large parcels available in the North San Jose area of Silicon Valley. The 13-acre campus is right off the Highway 101/237 corridor and on the edge of a 30-acre open space preserve that forms the very south end of the San Francisco Bay.

The competition for top tenants is fierce among new and recently completed buildings in Silicon Valley. The big tech companies such as Facebook, Google and Amazon, are taking millions of square feet, pushing demand east and south from Mountain View and Palo Alto to Sunnyvale, San Jose and Santa Clara. The tech companies also want space that is ready to fit out and don't want to wait for lengthy construction timelines. In response, developers are constructing large buildings entirely on spec to be ready for when the next big company is ready to expand. But they face the risk of having buildings sit empty for extended periods of time, so competition for tenants is fierce. It is no longer enough to offer modern open floor plans and to achieve a LEED certification. The buildings have to help companies compete for the best engineers by providing high end amenities and improved environments for people.

Building on the success of the first Phase of America Center, USAA Real Estate, Teacher Retirement System, and Steelwave's vision for Phase II is to stand out to companies by providing state-of-the-art technology and amenities that facilitate employee attraction, engagement and wellness, such as View Dynamic Glass. The buildings also feature multiple fiber connections, a roof deck with putting green, 16,000-square-foot fitness center/café as well as access to jogging and bike trails in the adjacent nature preserve, an outdoor bar and entertainment center, 36 electric vehicle charging stations, and a dedicated Caltrain shuttle.

Construction Team

General contractor:
Lusardi Construction
Company

Glazier:
Walters & Wolf

MEP:
Southland Engineering

Installation

Project type:
New Construction

Glass sq ft:
90,000

System type:
Dual pane with solar blue
mate lite

While the site has dramatic views of the San Francisco Bay and surrounding valley, heat gain and glare issues means that occupants would be hot and window shades would be closed on at least one façade 74% of the time. The team decided to choose View Dynamic Glass to take advantage of the location in a more meaningful way, allowing occupants to see nature all the time without uncomfortable heat and glare.

America Center Phase II was leasing at the same time as five other properties nearby, which were all constructed within two years of each other and offered the same core amenities - dining, fitness, outdoor space, and good freeway visibility. Each offered at least one whole building in the 170,000-300,000 SF range and was asking between \$35-50 rent, with America Center II falling right in the middle. After touring the competitors, Hewlett Packard selected America Center II because it would provide a better employee experience and align with the company's vision to create technology that makes life better for everyone.

After touring the competitors, Hewlett Packard Enterprise selected America Center II for its headquarters, and will move 1,000 employees there. America Center landed its anchor tenant in only four months, compared to the competitors' average of 15 months. The faster lease up is worth \$8M to Steelwave at \$40 market rent.

Steelwave also achieved design and construction benefits as a result of View Dynamic Glass. In order for the original building to meet California's stringent Title 24 Energy Code, the window area would have had to be reduced, decreasing its market appeal, or Steelwave would have had to change the HVAC to a Variable Refrigerant Flow (VRF) system, an additional \$600,000 cost. By using View Dynamic Glass instead of static glass, the buildings will save 150,000 kWh per year, a 9.5% energy reduction. The buildings are projected to achieve an 99 Energy Star Score based on the EPA's Target Finder.

Hewlett Packard Enterprise is an American multinational information technology company headquartered in Palo Alto, California. USAA Real Estate was founded in 1982 as the real estate investment arm of USAA, with more than \$18 billion in assets under management. The Teacher Retirement System of Texas is the largest public retirement system in Texas, serving more than 1.5 million members, and with \$134 billion in assets under management. Steelwave is a full-service real estate company and investment management firm that has acquired, developed or managed over \$10.7 billion of multifamily, industrial and office product across the Western United States in the past 45 years.