

## **Apple expands San Diego footprint with purchase of 67-acre campus for \$445M**

### **The iPhone maker's acquisition of Rancho Vista Corporate Center is part of a continued expansion in the region, where it expects to employ 5,000 workers by 2026.**

By Mike Freeman

Apple confirmed Tuesday that it has acquired the seven-building Rancho Vista Corporate Center in Rancho Bernardo for \$445 million — highlighting the Cupertino company's ongoing efforts to plant engineering roots in the region.

The deal is believed to be Apple's first commercial property purchase in San Diego. Up until now, the iPhone maker has leased buildings in University City and Rancho Bernardo as part of its previously announced plans to employ 5,000 workers locally by 2026.

"We've been part of the community in San Diego for more than two decades and are thrilled to continue investing here as we expand our world-class teams," said Apple in a statement. A spokesperson declined further comment.

Apple Inc. is named as the buyer of the 67.6-acre campus — the long-time home of a Hewlett Packard inkjet research lab — in a deed recorded Tuesday with San Diego County. An entity associated with Swift Real Estate Partners of San Francisco sold the property, which it acquired in 2016 as part of a sale/leaseback deal with HP.

The purchase price was calculated based on the amount of real estate transfer tax.

While Apple has operated retail stores in San Diego for years, it began establishing an engineering operation locally in 2018 when it unveiled plans to open a 1,200-person hub for wireless technologies.

Those efforts centered on designing its own cellular modem processors for smartphones, which would allow it to ditch Qualcomm as a supplier. Cellular modems manage signals between cell towers and devices to help deliver high-speed data.

In 2021, Apple doubled down by pledging to grow its local workforce to more than 5,000 employees over five years.

Apple and Qualcomm work together but have a contentious relationship. They battled in court for two years before reaching a settlement in 2019, with Apple agreeing to license Qualcomm patents for six years and buy its modem chips for an undisclosed period.

Shortly thereafter, Apple bought Intel's cellular modem business unit for \$1 billion to jumpstart its efforts to replace Qualcomm.

Late in 2021, Qualcomm said it expected to supply only 20 percent of Apple's modems by the launch of the iPhone in 2023. But last month, a respected Apple supply-chain analyst suggested its modem chips wouldn't be ready for 2023 iPhones — though the report has not been confirmed.

Apple's move to purchase property in San Diego has some wondering whether its engineering efforts locally have moved beyond smartphone processors. Job openings on Apple's website include a variety of software, data science and other non-hardware positions.

Located along West Bernardo Drive, the Rancho Vista Corporate Center was sold by HP six years ago to Swift Real Estate for \$69 million. Its seven buildings total roughly 800,000 square feet.

HP leased back five buildings totaling 550,000 square feet. Other tenants on the site include Intel and LabCorp.

According to documents filed with the county, HP's leases run through October 2023. It has two renewal options of five years each.

Swift invested \$80 million to upgrade the property, and improvements were completed in May 2020. The revamp includes a new café, fitness center, upgraded outdoor collaboration spaces and multiple sports courts. There is also land available for future development.

Apple has made Rancho Bernardo and UTC the centerpieces of its San Diego expansion. The company won't confirm what buildings it has leased locally. But real estate research firm CoStar has pinpointed seven Apple buildings in UTC totaling roughly 750,000 square feet, and five buildings in Rancho Bernardo totaling about 570,000 square feet.

While the Rancho Bernardo sites are relatively close to each other, they are not necessarily within comfortable working distance, said Joshua Ohl, the San Diego director of market analytics for CoStar. He thinks Apple may view the Rancho Vista site as a place to consolidate operations in the future.

"The size of the site would make me think that even though some of these buildings were recently renovated, it might be that they are going to build this as their central campus," said Ohl.

The site is located near other top tech and defense companies including Broadcom, Sony, BAE and Northrop Grumman — making it a good location for attracting tech workers, said Chris Pascale, a senior vice president with CBRE who didn't work on the deal.

"If you do the demographic studies that we have done, the (talent epicenter) for many employers is the convergence of the state Route 56 and I-15," said Pascale, who declined to speak about Apple specifically. "That makes Sabre Springs attractive, Rancho Bernardo attractive, the 56 Corridor, Del Mar Heights. Talent is the key piece for sure."