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Gadjo Sevilla

Big Tech is on a real estate shopping spree—their office and retail purchases reflect outsized growth and buying power

Article

The news: Big Tech is playing a high-stakes game of Monopoly by amassing office and retail property during the pandemic. **Amazon**, **Facebook**, and **Google** have been buying commercial real estate as investments and as a way to avoid expensive and complicated leases, per The Wall Street Journal. Collectively, the Big Three have amassed **more than 8 million square feet of space in Manhattan alone**.

Why it's worth watching: Real estate is a sensible investment for companies sitting on large cash reserves. Tech companies have found opportunities to acquire offices, data centers, warehouses, and retail spaces during the pandemic, when many commercial properties were underutilized. And interest rates are at all-time lows, so Big Tech companies with cash on hand are in a prime position to grab the best deals.

- Google purchased a **$2.1 billion Manhattan office building**—the most expensive sale of a single US office since the start of the pandemic. Alphabet, Google's parent company, is one of the biggest real estate owners in the US, with **$49.7 billion worth of land and buildings** as of 2020.
- Amazon paid **$978 million for the Lord & Taylor department store** in Manhattan, where it is opening a **630,000-square-foot office**. The Everything Store also holds **$57.3 billion worth of land and buildings—**most of them warehouses, **Whole Foods** supermarkets, and logistics and distribution hubs.
- And Facebook bought **REI's $368 million, 400,000-square-foot office campus** in Bellevue, Washington, when it was left unoccupied due to the pandemic.

The bigger picture: The appetite for office space and real estate despite the pandemic is a manifestation of Big Tech's continuous growth and buying power. Plus, Big Tech companies that own their buildings can avoid expensive, cumbersome lease agreements, and many of these properties are also renovated or custom-built and will likely appreciate in value over time, per the WSJ.

The opportunity: Property investments could pay off after the pandemic passes—these companies will have no shortage of office and commercial space for their returning employees and can lease out surplus space to other companies.

- The corporate buying spree could help prop up commercial real-estate markets—investors are cautious about putting funds in office and retail buildings.
- Big Tech seems to be following the footsteps of businesses like **McDonald's**. The fast food franchise is also considered a successful real estate company because it owns most of the land its stores are built on.
- But owning more real estate also puts companies at risk of losses if property values fall in the future, which no landlord or property manager can control.

Industries that Offer the Most Potential According to US Investors, Q3 2020 & Q3 2021
% of respondents

	Q3 2020	Q3 2021
Information technology	47%	45%
Healthcare	57%	41%
Energy	26%	37%
Real estate	23%	32%
Financials	23%	29%
Communication services	27%	23%
Consumer staples	33%	21%
Utilities	20%	20%
Industrials	15%	19%
Materials	15%	18%
Consumer discretionary	14%	16%

Note: this quarter; respondents were asked to select their top three
*Source: E*trade, "E*trade Financial Q3 2021 Streetwise Report" conducted by Dynata, July 12, 2021*

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