

Altera finds its Austin home

Calif. chipmaker to employ hundreds

Premium content from Austin Business Journal - by Cody Lyon , ABJ Staff

Friday, June 10, 2011



Altera executives chose this site in Southwest Austin largely because several major tech companies are nearby.

California chipmaker **Altera Corp.** signed a major lease in Southwest Austin so it can establish a research and development center that will employ hundreds, according to Transwestern.

The San Jose-based company announced in May it was coming here, and just recently signed a 10-year lease for 45,453 square feet at Travis Oaks. Travis Oaks is a 123,513-square-foot Class A building at 5113 Southwest Parkway developed and leased by Transwestern. The owner is KBS Realty Advisors of Newport Beach, Calif. In addition to Travis Oaks, KBS owns South Park Commerce Center, South Tech Business Center, the Chase Tower.

San Jose-based Altera's plans for Austin plans were first reported in May.

Terms of the deal weren't released but Transwestern lists the building at \$17 per square foot.

Altera (Nasdaq: ALTR) develops customizable chips, used mainly for equipment in communications, industrial, broadcast, computer and storage, medical and other markets. It operates in 19 counties and employs 2,600 people.

In Austin, Altera will employ between 200 and 300 people at its new research and development center. A spokeswoman said hiring has begun and will continue for several years. The company primarily needs design engineers, specifically those with SoC, embedded, and CPU design expertise, she said. She wouldn't confirm the lease deal.

The company will take space previously occupied by another chip manufacturer, **Global Foundries**. That company left Austin after it spun off from AMD about two years ago.

Transwestern broker **Greg Johnson**, who represented the landlord in the deal, said Altera was attracted to the southwest part of town because it's already home to several large tech campuses.

He said Altera wanted large, open spaces for cubicles, calling it a straight office deal with little need for special build-outs.

Altera said it needed to make an Austin footprint because of growth in the smartphone and mobile device market. The company said a result of that growth had been an increased need for back office and communication infrastructure.

Austin CB Richard Ellis Group Inc. First Vice President **Charles Dixon** and San Francisco CBRE Vice President **Steve Salomon** represented Altera.

Dixon, who has been working closely with CBRE's San Francisco office due to all the California companies interested in Texas, said the office market in the southwest part of town is getting tight.

During the first quarter, Southwest Austin had about a 15 percent vacancy rate — relatively low, according to data from **Oxford Commercial** — and rents have been rising. The area's average Class A gross rental rate is about \$25 per square foot.

Dixon said landlords can take comfort in the quality of tech tenants arriving on the scene because they're stable.

"I don't get the feeling that's what happened in the '80s and '90s, when a number of companies were getting lots of capital even though they didn't have track records," said Dixon.

Altera was founded in 1988 and reported about \$224 million net income on \$535.8 million revenue in the quarter ended April 1.

Austin Chamber of Commerce Senior Vice President of Development Dave Porter said Altera passed on the possibility of securing tax breaks and other incentives — partly because that may have hindered the company's ability to lease space in Southwest Austin.

"Altera did look at the chamber-offered incentives, but location and proximity to other tech companies won," he said.

Courtesy of JB Goodwin