

By using this site, you agree to our [Privacy Policy](#) and our [Terms of Use](#).

[Login](#)[Watch TV](#)

FEATURES • Published September 9, 2017

Why Amazon's Growth Ambitions Don't Fit in Seattle

Amazon.com Inc. is outgrowing its hometown of Seattle.

A major reason behind Amazon's new plan to build a second headquarters elsewhere in North America is the need to hire thousands more software developers. That will almost certainly be cheaper and easier in a city other than Seattle, experts say, where Amazon's growth has helped fuel soaring labor and real-estate costs and a shortage of space.

In Seattle, where Amazon has been based for more than 20 years, the retailer has opened new office buildings to accommodate its rapidly growing workforce, which now tops 40,000. But Amazon said Thursday it is seeking a new campus to eventually house an additional 50,000 workers.

Seattle is "just not big enough to double the size of their footprint," says Christopher B. Leinberger, a professor at George Washington University School of Business and a nonresident senior fellow at the Brookings Institution who specializes in land use.

Amazon accounted for more than half of the Seattle office space created over the past year and a half, and the city's commercial real-estate vacancy rate is already lower than the national average, according to commercial real-estate firm Colliers International. The unemployment rate for the county is below the national average, according to the latest available data. Meanwhile, home prices in Seattle have risen 47% to an average of \$667,488 since 2007, according to the Cost of Living Index by the Council for Community and Economic Research.

The online retail giant said its next headquarters should be located in a walkable transportation hub with good access to an educated workforce and universities. A second headquarters would also give Amazon a chance to spread its economic clout and political constituency. Proposals are due next month, Amazon said.

"When you think about how deep a labor market needs to be to fill that many jobs, it's much more of a constraint than a real-estate piece," said Dylan Taylor, president and chief operating officer at Colliers.

That is in part why a number of tech giants including Facebook Inc. and Microsoft Corp. are opening satellite offices far from their home sites to tap additional talent. Alphabet Inc.'s Google and Apple Inc. have offices in Seattle to compete with Amazon for workers.

"All this recent job growth--which is great--is showing us just how far behind we are" in areas like housing and public transportation, says Jon Scholes, chief executive of the Downtown Seattle Association.

In addition, other industries like banking and retail are hiring more software developers, says Vivek Ravisankar, chief executive of developer recruitment startup HackerRank. "There are so many other states that have talent," he said, with the fastest-growing developer activity in Hawaii, Colorado, Virginia and Maryland.

Amazon CEO Jeff Bezos founded the company in his a garage just outside Seattle in 1994. Amazon's 33 buildings in the city now consume an estimated 10% of downtown commercial real estate, according to Mr. Leinberger, taking up 8 million square feet. Its new flagship building is dubbed "Day 1," after Mr. Bezos' stay-fresh mantra. Cranes dot the sky, and Amazon workers flood area restaurants and shops during the day.

Amazon "has been a major indirect contributor to higher housing prices and rents that are fueling an active housing development pipeline," S&P Global Ratings says in a research

report. That is a feat it could replicate in a new location, too.

Cities and states, including Philadelphia and Minnesota, are already raising their hands to propose a site for Amazon's new headquarters. Real-estate and site-selection experts think metropolitan areas like Boston, Chicago, Dallas, Atlanta and Minneapolis might have the best chances based on the criteria Amazon has laid out.

Amazon said in its request for proposal that the jobs it creates could exceed \$100,000 in average annual compensation, although the average wage may vary depending on the final location.

Even so, a new location could lower Amazon's costs across the board via government incentives, better access to talent and a reasonable cost of living, says Sofia Dermisi, a professor of urban design and planning at the University of Washington. Still, "placing 50,000 employees is not an easy task, even for a major city," she says.

Cost of living is a factor for determining where Amazon will move, in part because it could save the company money--a core value since the company's founding. Seattle now ranks ninth for the highest cost of living in the U.S., sharing the spot with San Diego, according to the Cost of Living Index, and that means higher salaries.

It is a chance for potential big returns, depending on how much governments hand over in incentives. Amazon plans to invest \$5 billion over the next nearly two decades at its new site. Amazon also says its relocation to downtown Seattle, starting in 2010, has generated \$38 billion in additional investments in the city.

Proposals are due Oct. 19. Amazon plans to select the site next year, then would like to open 500,000-plus square feet of new office space by 2019, according to its request for proposals.

Write to Laura Stevens at laura.stevens@wsj.com

Amazon.com Inc. is outgrowing its hometown of Seattle.

A major reason behind Amazon's new plan to build a second headquarters elsewhere in North America is the need to hire thousands more software developers. That will almost certainly be cheaper and easier in a city other than Seattle, experts say, where Amazon's growth has helped fuel soaring labor and real-estate costs and a shortage of space.

In Seattle, where Amazon has been based for more than 20 years, the retailer has opened new office buildings to accommodate its rapidly growing workforce, which now tops 40,000. But Amazon said Thursday it is seeking a new campus to eventually house an additional 50,000 workers.

Seattle is "just not big enough to double the size of their footprint," says Christopher B. Leinberger, a professor at George Washington University School of Business and a nonresident senior fellow at the Brookings Institution who specializes in land use.

Amazon accounted for more than half of the Seattle office space created over the past year and a half, and the city's commercial real-estate vacancy rate is already lower than the national average, according to commercial real-estate firm Colliers International. The unemployment rate for the county is below the national average, according to the latest available data. Meanwhile, home prices in Seattle have risen 47% to an average of \$667,488 since 2007, according to the Cost of Living Index by the Council for Community and Economic Research.

The online retail giant said its next headquarters should be located in a walkable transportation hub with good access to an educated workforce and universities. A second headquarters would also give Amazon a chance to spread its economic clout and political constituency. Proposals are due next month, Amazon said.

"When you think about how deep a labor market needs to be to fill that many jobs, it's much more of a constraint than a real-estate piece," said Dylan Taylor, president and chief operating officer at Colliers.

That is in part why a number of tech giants including Facebook Inc. and Microsoft Corp. are opening satellite offices far from their home sites to tap additional talent. Alphabet Inc.'s Google and Apple Inc. have offices in Seattle to compete with Amazon for workers.

"All this recent job growth -- which is great -- is showing us just how far behind we are" in areas like housing and public transportation, says Jon Scholes, chief executive of the Downtown Seattle Association.

In addition, other industries like banking and retail are hiring more software developers, says Vivek Ravisankar, chief executive of developer recruitment startup HackerRank. "There are so many other states that have talent," he said, with the fastest-growing developer activity in Hawaii, Colorado, Virginia and Maryland.

Amazon CEO Jeff Bezos founded the company in his a garage just outside Seattle in 1994. Amazon's 33 buildings in the city now consume an estimated 10% of downtown commercial real estate, according to Mr. Leinberger, taking up 8 million square feet. Its new flagship building is dubbed "Day 1," after Mr. Bezos' stay-fresh mantra. Cranes dot the sky, and Amazon workers flood area restaurants and shops during the day.

Amazon "has been a major indirect contributor to higher housing prices and rents that are fueling an active housing development pipeline," S&P Global Ratings says in a research report. That is a feat it could replicate in a new location, too.

Cities and states, including Philadelphia and Minnesota, are already raising their hands to propose a site for Amazon's new headquarters. Real-estate and site-selection experts think

metropolitan areas like Boston, Chicago, Dallas, Atlanta and Minneapolis might have the best chances based on the criteria Amazon has laid out.

Amazon already has regional offices sprinkled across the U.S., some of which might be attractive locations for the new headquarters. It currently employs more than 200,000 people in the U.S., with about 130,000 in the company's warehouses and more world-wide. It just added roughly 87,000, primarily in the U.S, with its acquisition of Austin, Texas-based Whole Foods.

Amazon said in its request for proposal that the jobs it creates could exceed \$100,000 in average annual compensation, although the average wage may vary depending on the final location.

Even so, a new location could lower Amazon's costs across the board via government incentives, better access to talent and a reasonable cost of living, says Sofia Dermisi, a professor of urban design and planning at the University of Washington. Still, "placing 50,000 employees is not an easy task, even for a major city," she says.

Cost of living is a factor for determining where Amazon will move, in part because it could save the company money -- a core value since the company's founding. Seattle now ranks ninth for the highest cost of living in the U.S., sharing the spot with San Diego, according to the Cost of Living Index, and that means higher salaries.

It is a chance for potential big returns, depending on how much governments hand over in incentives. Amazon plans to invest \$5 billion over the next nearly two decades at its new site. Amazon also says its relocation to downtown Seattle, starting in 2010, has generated \$38 billion in additional investments in the city.

Proposals are due Oct. 19. Amazon plans to select the site next year, then would like to open 500,000-plus square feet of new office space by 2019, according to its request for

proposals.

Write to Laura Stevens at laura.stevens@wsj.com

(END) Dow Jones Newswires

September 09, 2017 13:24 ET (17:24 GMT)

Quotes delayed at least 15 minutes. Real-time quotes provided by BATS BZX Real-Time Price. Market Data provided by Interactive Data (Terms & Conditions). Powered and Implemented by Interactive Data Managed Solutions. Company fundamental data provided by Morningstar. Earnings estimates data provided by Zacks. Mutual fund and ETF data provided by Lipper. Economic data provided by Econoday. Dow Jones & Company Terms & Conditions.

This material may not be published, broadcast, rewritten, or redistributed. ©2020 FOX News Network, LLC. All rights reserved. FAQ - Updated Privacy Policy