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Amazon's impact: Gauging the real estate impact if Columbus lands HQ2

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Wherever Amazon plants its second flag, a city will be permanently changed.

Columbus finds itself in national headlines as the only Ohio city on the short list of locations for Amazon's \$5 billion second headquarters — which is projected to mean 50,000 new jobs.

"When you get a firm of that size, it would transform Columbus," said Jeff Haymond, an economist at Cedarville University. "There is no doubt it will transform any city where it is."

The company is proposing a headquarters that would need about 500,000 square feet of office space in its first phase in 2019. Eight years later, though, that requirement could grow to 8 million square feet, it predicts — matching its presence in Seattle.

The impact of such a win on the Columbus real estate market would be titanic as well — Amazon's 40,000 Seattle employees draw \$25.7 billion in payroll and its presence creates another 53,000 jobs in the city. And that represents a \$38 billion impact on that city's economy.



AMAZON

Map shows the list of finalist cities for Amazon's HQ2

It's key to note Amazon has said long term this new headquarters could grow to 8 million square feet. But it has also said HQ2 will be fully equal to the first headquarters, which has far blown past its projections to be at 12 million square feet by 2022. That impact is likely to be greater in a smaller metro area — Indianapolis, Denver, Nashville, Pittsburgh and Raleigh are all on the short list as well.

Haymond said the inclusion of so many mid-sized cities, alongside the prospective front-runners like Boston and Atlanta, is a smart move.

"You don't want to go to a large city, you'll already be competing against others (for talent)," Haymond said. "They want to go where they have all the benefits but maybe not all the struggles. Midsized cities make a lot of sense, with good airports, favorable time zones. Really, I would be looking for what allows my workforce to be most wanting to go and most want to live in that locations."

San Francisco-based development site BuildZoom dug into the numbers on the company's Seattle presence last year — where \$1.9 billion in building permits have been filed for Amazon's 13.6 million square feet of office space. Amazon's headquarters is spread among 45 buildings, a mix of many it owns and many more it leases. BuildZoom Chief Economist Issi Romem wrote the company is likely to slash vacancy rates, crowd out other tenants and drive up rents, but long term could increase the local talent pool.

"In order to construct 8 (million square feet) you are talking about a very substantial piece of land," Matt Gregory, senior vice president at NAI Ohio Equities who focuses on office real estate, said via email. "To put it in perspective it would be four times larger than the Chase McCoy Center at Polaris. Looking at the submarkets around Central Ohio I think many could make a legitimate argument that they are well positioned to host a corporate HQ. But in almost every scenario I think you are talking about new construction and not an existing development."

"It's not as easy to predict the demand for ancillary vendors for office tenants the same way it is for manufacturing facilities or retailers," Gregory said.

Javier Vivas, director of economic research for Realtor.com, told me the city landing Amazon's second headquarters will see a tidal wave in its housing market, and bigger so if it's in a city of Columbus' size. There's precedent for the impact of this

kind of job win: when Apple announced plans to build its new headquarters in Cupertino, California, home values spiked by as much as 20 percent.

Columbus remains relatively affordable — and that's been an asset for its percolating tech workforce, which has grown 13 percent in five years. The city has 48,230 people working in technology locally, with rising salaries a byproduct. That's likely to change should it land Amazon — or for that matter, if it lands other job wins in the technology sector with six-figure salaries.

"Wherever (HQ2 lands), we expect home affordability to get more constrained, and increased cost-of-living could have some detriments in markets where it's already an issue," Vivas said. "It may not be an issue for new residents but more for existing residents as they're pushed further out and have to make a move."

Tristan Navera

Staff reporter

Columbus Business First

