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## How Amazon's new Bay Area warehouse plays into same-day delivery strategy



[Nathan Donato-Weinstein](#)

Real Estate Reporter- Silicon Valley Business Journal

[Email](#) | [Twitter](#)

**Amazon.com's** choice of Newark for its first Bay Area distribution center reflects a shift in where the e-commerce giant puts its warehouses: While the company once chose locations in less expensive areas, it's now nestling closer to major population centers as same-day delivery becomes a competitive mandate.

That shift is good news for the city of Newark and Conor Commercial, which speculatively developed the warehouse that Amazon chose. [As the Business Journal reported Tuesday night](#), an Amazon subsidiary just leased the Cherry Logistics Center, a 574,000-square-foot warehouse at 3811 Cherry Ave. in the East Bay city.

[Darren Louie](#), executive director of the East Bay Economic Development Alliance, told me that the project could bring an estimated 400 to 500 new jobs, based on extrapolations from similar projects. Amazon hasn't commented on the project, though it is hiring for Newark on its website.

"I think what's great about this is it brings attention to the diverse pockets we have in this region," Louie said. "Even though warehouse isn't as sexy as our high-tech (office) clusters, we have this too, and we welcome companies coming in."

The Newark deal, which had been rumored among commercial real estate pros for some time, is Seattle-based Amazon's fifth distribution center in California, and the smallest. The others are in San Bernardino, [Patterson](#), [Tracy](#), and Moreno Valley and each tapes out at about 1 million square feet. (Another Amazon-related project in Stockton is run by a third-party logistics company, Menlo Worldwide Logistics.)

More are on the way. Mark [Faggiano](#), founder of the website [TaxJar](#), which assists online sellers in navigating sales tax laws, tracks new Amazon distribution centers for his members. The site lists 76 fulfillment centers in the U.S. and Canada that are either open or planned. That number should

jump further if Congress passes the Amazon-backed Marketplace Fairness Act, which would standardize sales-tax collection for e-commerce companies across the country.

"If that goes through, that greenlights Amazon's to build as many of them as they want, wherever they want, because they don't have to cut deals with individual states (on sales taxes)," he said. "Then they can build these like crazy."

## Newark news

Retail and site selection experts said the Newark deal makes sense given the huge drive to increase speed of delivery in the competitive world of e-commerce.

Newark in theory could allow Amazon deliveries to reach San Jose in about 20 minutes, Palo Alto in about 25 minutes and San Francisco in about an hour, compared to over an hour for each of those locations from its next-closest facility in [Tracy](#). It also puts the distribution center a half hour away from the Port of Oakland.

"With the pressure for same-day delivery mounting, it means that distribution centers have to be more market centered, in other words, to bring them in closer proximity to where the population density is," said Bill Bishop, chief architect at Brick Meets Click, a consultancy that studies the intersection of retail and e-commerce.

[John Boyd](#), founder of national site-selection firm the Boyd Co., noted that Amazon recently plunked a warehouse in Robbinsville, New Jersey, which puts the company about 40 minutes away from dense East Coast population centers. Newark, California, he said, "is consistent with respect to their overall national fulfillment center strategy. The other facilities in California have been mostly in the Central Valley and not necessarily near urban areas."

The shift could benefit other property owners: Boyd said the deal could have a halo effect by giving the area a stamp of approval from perhaps the world's most effective logistics company.

"There is a precedent effect," Boyd said. "Companies in fulfillment and IT don't want to be pioneers. The idea that there's a proximate move here will allow the region to attract additional operations."

**The East Bay** is already seeing significant activity in its warehouse sector. Tesla supplier [Futuris Automotive](#) just inked a deal with **Prologis** for 160,000 square feet at 6601 Overlake Palace in Newark. Now more spec development is in the cards.

[Scott Peterson](#), deputy director for the East Bay Economic Development Alliance, said the recent deals show demand for new or renovated industrial stock.

"A lot of what we have is really older building stock, and those facilities can be renovated or be overhauled or in some way retrofitted for 21st century logistics and distribution requirements that will help this particular segment of the market," Peterson said.

The Amazon lease, he said, "may give other real estate investors some confidence that they can make this happen."

Could Amazon do more deals in the Bay? Experts said yes. Because it is now locating in more

urban areas, Amazon won't always be able to find the mega-sized, 1-million-square-foot warehouses it normally operates.

"This is one of their smaller fulfillment centers, about half the size of the others in California," Boyd said. "The Bay Area is a big part of their market."

(Edited by: Baumann, Van Susteren)

Nathan Donato-Weinstein covers commercial real estate and transportation for the Silicon Valley Business Journal.