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Market Intelligence

Amazon's HQ2 in Virginia could become a tech hub in coming years

22 Aug, 2019

Amazon.com Inc.'s \$2.5 billion second headquarters planned for Arlington, Va., is expected to attract a wave of suppliers, vendors and spinoff companies to settle into office space near "HQ2" over the next several years.

That potential influx of private and public sector growth would benefit Amazon's efforts to add 25,000 high-paying jobs by 2030. It could also turn the area surrounding the headquarters in Arlington's Crystal City neighborhood into a tech innovation hub, analysts said.

This would mirror the surge of Amazon-generated expansions in Seattle, home of the e-commerce giant's first headquarters, where major companies including Facebook Inc. and Apple Inc. contributed to follow-on growth.

Stephen Moret, president and CEO of the Virginia Economic Development Partnership, or VEDP, said in an emailed statement Aug. 14 that the state is already "seeing more interest from major tech firms in Northern Virginia (including but not limited to Arlington), Greater Richmond, and other parts of the Commonwealth, sparked in part by the HQ2 win."

Amazon selected Crystal City in fall 2018 for its new headquarters, a 4 million-square-foot urban campus expected to add 25,000 new jobs, with annual salaries of \$150,000, over the next 12 years.

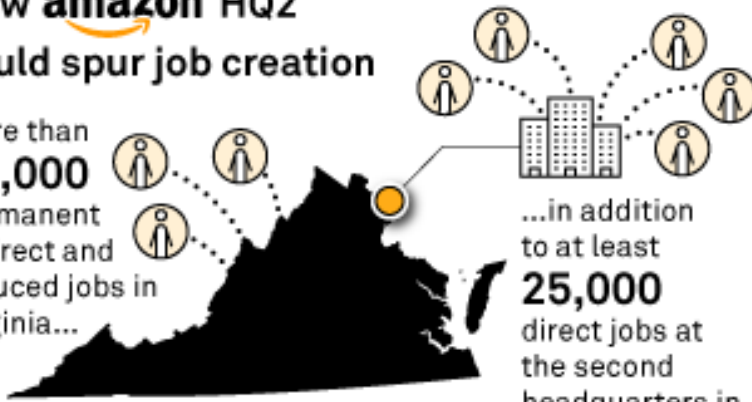
But according to the VEDP, HQ2 is expected to be a job creation catalyst that will result in more than the agency's conservative estimate of an additional 22,000 jobs.

The additional growth will likely stem from startups, suppliers and tech companies that the state is cultivating in Northern Virginia and other regions of the Commonwealth in areas of specific interest to Amazon: software development, cybersecurity, machine learning and autonomous systems.

Amazon did not respond to requests for comment.

How HQ2 could spur job creation

More than **22,000** permanent indirect and induced jobs in Virginia...



...in addition to at least **25,000** direct jobs at the second headquarters in Arlington, Va.

Data accessed Aug. 20, 2019.
Credit: Cat Weeks
Source: hqnova.com

Job growth in Crystal City already appears to be manifesting itself.

In April, Arlington-based Incentive Technology Group, or iTG, an Amazon Web Services Inc. consultant, said it would relocate its headquarters to a 50,000-square-foot facility in Crystal City. It plans to add 1,000 new jobs over the next three years. Georgia also vied for the project.

"Arlington County's recent influx of technical talent, as well as its ability to attract leading-edge companies to the area, such as Amazon, are the key reasons for iTG's decision to stay in the region," said Andrew Fehretdinov, the company's CFO said in a statement.

In August, Amify, a tech company started in 2011 that helps third-party sellers grow their brands on Amazon's e-commerce platform, relocated from Alexandria, Va., to a 10,000-square-foot space it leased from JBG Smith Properties near the Arlington HQ2.

Amify CEO Ethan McAfee said the new space brings the company closer to Amazon and public transit and an area adding thousands of new tech jobs.

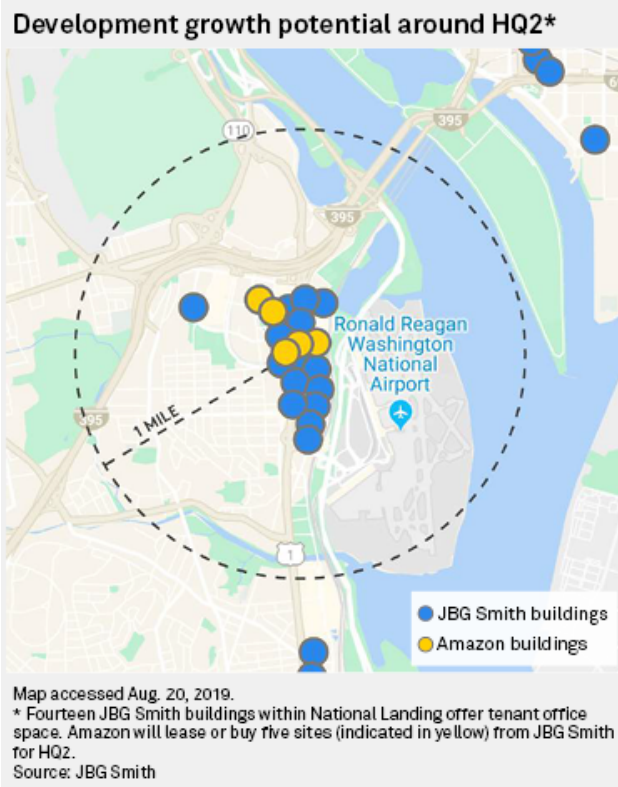
"We expect our pool of potential applicants to skyrocket," he said in an interview.

Efforts to recruit more companies closer to HQ2 are underway.

Stephanie Landrum, president and CEO of the Alexandria Economic Development Partnership, said her group is "aggressively reaching out" to companies that want to relocate to space near HQ2. She said there is ample room to occupy a building near a Metro station or existing renovated facilities in Arlington's Crystal City and Pentagon City neighborhoods.

"The thing that we have in spades is space," she said.

JBG Smith has office availability within 14 buildings it owns in National Landing, the area encompassing Crystal City, Pentagon City and the Potomac Yard portion of Alexandria, Va.



Landrum added that the audience for potential tenants around HQ2 is vast. She pointed to the Institute for Defense Analyses, a nonprofit think tank for the U.S. Department of Defense that broke ground in August on a new headquarters building in Alexandria, close by Virginia Polytechnic Institute and State University's planned \$1 billion "innovation" campus.

"Amazon told us the biggest driving factor for their location decision was the ability to attract a smart workforce," Landrum said. "What we are learning is that smart attracts smart. If you have really smart people who want to come and work for the Institute for Defense Analyses, their siblings, their spouses, their children could potentially be available to work for Amazon."

Feeding the talent pipeline

Experts also say that Amazon will significantly benefit from Virginia's plans to invest in technology education programs across the state. It will also benefit from Virginia Tech's innovation campus, whose first academic building, comprising 300,000 square feet, near HQ2 is expected to be completed by 2024. The campus will welcome its first class of master's degree students studying computer science-related fields in temporary space next year.

"If Amazon's presence is going to attract and retain a lot more skilled workers and graduates from the universities in the area that want to stay in the market, that's good for them because that knowledge sharing across industries will help Amazon," said Amy Liu, vice president and director of the Brookings Institution's Metropolitan Policy Program.

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Amazon can also tap into a diversified workforce from other local universities and neighborhoods, Liu said.

"There is a lot of local homegrown talent in the community," she said. "The campus is surrounded by a strong African American/Latino community and high schools in this area that ought to be pipelined into Amazon-like jobs."

Amazon is developing HQ2 as it continues to diversify in areas such as healthcare with its 2018 purchase of online pharmacy PillPack and the purchase of supermarket operator Whole Foods Market Inc. in 2017. The company has also seen substantial growth with its Amazon Web Services business, a major federal contractor whose revenue grew 37% in the second quarter.

Having suppliers and vendors close by that do business in areas such as defense, logistics and healthcare could benefit Amazon and help it fill positions in those categories, said John Boyd, a corporate relocation expert based in New Jersey.

"These subsidiaries and suppliers, in addition to doing business with the company, provide Amazon with a Rolodex of top-tier job candidates," he said.

Tom Stringer, a national site selection expert and managing director with consultancy BDO in New York, believes that HQ2 could spur the emergence of spinoff companies started by Amazon employees.

"There are a lot of entrepreneurial people who work in that industry and may say 'you know what? I have an idea, let's get five guys in a coffee shop,' and then they are off and running," he said.