



Corporate Real Estate Scope

Will Amazon Choose Warner Center

At our conference in Paris my ITRA Global affiliates noted somewhat unkindly that California routinely exports perfectly viable companies with great consistency.

Why would we innovate a business, see them prosper and then pack them off to North Dakota or some other place that offered them a better tax climate. For starters, the only thing that would actually make California even better would be fewer people; perhaps they should feel free to take someone with them when they leave.

Given California's current modality, why then would Amazon choose Los Angeles over the 19 other finalist cities vying for their second headquarters location. Moreover, why would Warner Center perhaps be their best alternative to house 50,000 new employees in Los Angeles? Well, for starters it's perfect. Warner Center is designed to house large corporate users. Larry Green, Senior Vice President of Development for Westfield, owners of the 34-acre Promenade site says, "The Promenade has, in conjunction with the City's efforts, thrown their hat in the ring." Others feel that the 46-acre former Rocketdyne Headquarters site would work equally well, though James Abbot (RAG Broker for Rocketdyne site) remains taciturn on that topic.

The competition among cities is tough. Derek Hermsen, ITRA Seattle, where Amazon's current headquarters is located said, "How's the mass transit to Warner Center? Is housing affordable? Is there an educated work force?"

Debra Stracke Anderson, principal of our Washington DC ITRA affiliate, says "DC has three jurisdictions on the finalist list – the District, Montgomery County (Maryland suburb) and Northern Virginia (suburb). The Greater Washington Initiative will step up with a very compelling and competitive package, to be sure."

Carrie Holstead, our ITRA Affiliate in Pittsburgh likes their odds for lots of good reasons. Pittsburgh is on fire. New or growing companies are welcome and are taking advantage of readily available land, low cost of living, high quality of life, and an educated work force. In addition to being the first to have driverless Uber, companies such as Google and Amazon are already calling on the talents of the best coming out of Carnegie Mellon University and the University of Pittsburgh."

Mark Stevens, ITRA's Boston affiliate, points out that Amazon already has a significant presence in Boston and it is one of the top three cities in the running for their second headquarters. With its established infrastructure, top-notch universities, and a highly skilled and technologically trained labor force, Mark feels that Boston has the edge over the competition.

More florid opinions from our other ITRA Affiliates in competing markets included, "Paddy Power, an online bookie is collecting bets on where Amazon lands; Boston is in the lead; Los Angeles is tied for dead last." Elsewhere, in an unnamed fastest going city, "We've been choking on overload...infrastructure can't keep up with the non-stop growth...no one I know wants them here", to another less kind, "Never Cali...pushing socialism...even if they got free space."

Los Angeles really does have it all - a well-diversified and very deep labor pool (almost 20 million deep, the second most populous Metropolitan Statistical Area in the US). We have a deep-water port, outstanding Universities, a major airline hub and we are one of the largest industrial markets in the world. Admittedly, some zip codes in LA are not real affordable, but Warner Center certainly offers access to a broad spectrum of housing that includes thousands of newly constructed multi-family units and a broad array of executive housing (Calabasas-Hidden Hills recently beat Beverly Hills for priciest housing in LA).

The real reason Amazon is giving Los Angeles serious consideration is we are not merely the land of innovation, we are the bleeding edge of culture. Our rocket scientists, artists, entrepreneurs and surfers have influenced it all. No matter where you are in the world, the clothes you wear, the car you drive, music, games, movies, trends and styles are all deeply influenced by LA. Literally, the air everyone breathes is cleaner for California's smog laws. In short, you consume LA and Amazon sells to consumers.

Our Silicon Beach is merging computing and media. To stay relevant on a long-term basis you have to be present in LA. Gateway Computers...in 2004 they had 25% of the US PC market... found that South Dakota could not keep them relevant. Sears invented the catalog business - they were the Amazon of their day. If Sears were headquartered in LA, would they have taken their catalog online? Amazon might never have existed.

Product cycles are shortening; change is accelerating. Driverless cars are going to kill traffic the way smog devices made Pasadena lovely. If you want to stay relevant you can't catch up, you have to lead. You have to cover your new headquarters roof with solar panels to take advantage of the 222 sunny days a year in Woodland Hills. Google and Apple are already in LA, as is Amazon Studios. Elon Musk knows it too, he has two houses in Bel Aire. I am sure his Boring Company would quickly tunnel through the San Fernando Valley's alluvial soil to connect to his proposed Sherman Oaks terminus for the 125 mph LA transit system. Oh, Jeff Bezos knows as well, he has two homes in Beverly Hills. By the way, it is all just a stone's throw away from the best beaches in the world.

Tax Climate can drive users away. All hubris aside, on this, I yield to a couple of the really smart guys. Last year, during our ITRA Global Conference in Omaha, Bill Luttrell, Senior Locations Strategist with Werner Global Logistics, told me "The final decisions on most, if not all, large-scale site location decisions are typically driven by more long-term strategic criteria such as labor, logistics, real estate and taxation, and not short-term impacts like incentives."

Jonathan Woloshin, head of Americas Equities, UBS Wealth Management Chief Investment Office, says "Millennials now represent, in gross numbers, the largest youth cohort in U.S. demographic history. As companies vie for their attention new territory will continue to be explored. Although Amazon is currently the dominant E-commerce player, many others will follow their lead. Access to workforce, transportation and other key logistical issues that include taxation and local incentives will be key to the analysis for all large-scale facilities decisions."

Tax climate, if not incentives will have an impact. California, and Los Angeles, can certainly afford to be aggressive should we decide that we really need 50,000 more taxpayers and billions in offshoot revenue. Maybe we will do it just for the win, to remind the doubters that whenever we choose we can reach out and invite the best in the world to come join, and indeed, come they will. LA City Councilman Bob Blumenfield gets it.

Alternatively, we could just go innovate something to replace Amazon or invite the millions of others already invested in California to stay. Or not. FYI, we also invented NIMBY (Not in My Back Yard).

For more information about this topic please contact Beth Wade, ITRA Global Executive Director, at 706.654.3201 or email bwade@itraglobal.com.

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