



What's the Deal By Daniel Lesser

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The Amazon effect: Careful what you wish for

(The views and opinions expressed in this blog are strictly those of the author.)

HQ2 is a proposed new supplemental North American corporate headquarters for Amazon.com Inc., the electronic commerce and cloud-computing company that is the world's largest internet-based retailer by total sales and market capitalization.

After Amazon announced the expansion initiative in September 2017, along with requests for proposals from governments and economic development organizations, more than 200 cities in the U.S., Canada and Mexico have expressed interest in having the firm invest roughly US\$5 billion in new construction and hosting approximately 50,000 workers at HQ2.

More recently, Amazon shortlisted 20 finalists with many now believing that Washington, D.C., will emerge as the winner. Whichever municipality ultimately prevails, the trickle-down effect and economic impact will be enormously positive as HQ2 will invariably attract numerous surrounding small to mid-sized information technology and knowledge society firms.

Booms and busts

Undoubtedly HQ2 will result in a long-term economic boom for the host locale. However, the anticipated rapid growth will also create challenges and difficulties. One need look no further than Seattle, where Amazon is currently headquartered and where the city has been reshaped by the firm's meteoric rise. While becoming a significant employer and taxpayer, Amazon's growth and expansion has dramatically raised surrounding housings costs, ironically resulting in increased homelessness and a perpetuation of income inequality in the city.

In the years since Amazon began expanding in the downtown core, traffic congestion has become the norm, and planned improvements to an overburdened public transit system have lagged far behind the growth. With everything said, the negatives associated with hosting HQ2 will be far outweighed by the economic stimulus that will be generated.

The development and ultimate presence of HQ2 will spur a vibrant hotel submarket, resulting

in the refurbishment of existing surrounding hotel stock and the development of new lodging products. It will be interesting to observe how quickly the HQ2 submarket crests, with new hotel supply outpacing demand for transient accommodations, and if the surrounding lodging market ultimately stabilizes with a soft landing or a fall off a cliff.

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