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Prime Real Estate: Amazon is driving the majority of Maryland's commercial real estate deals — and it's only just begun

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About 70% of all warehouses leased in Maryland for the next year will bear the Amazon arrow as the e-commerce juggernaut moves swiftly to build on its \$5 billion investment across the state.

The march is on in Western and Southern Maryland and suburban points in between to add varying sizes of Amazon facilities as consumer demand for online shopping — which spiked to new levels during Covid-19 — is setting retail records.

Such growth has set off an aggressive, dizzying arc across Maryland and sparked a mix of praise, debate and hand-wringing over Amazon's growth and where it all will lead.

And that doesn't count the potential for Maryland officials to seek up to \$200 million in economic spillover from Amazon's HQ2, located about 45 miles away from Baltimore in Northern Virginia. There, 25,000 new jobs are expected by 2030 at a high-tech campus that will total \$2.5 billion in new investment.

To some, Amazon's presence is a vote of confidence with the potential to yield thousands more jobs. Others say the growth spurs traffic headaches and land use issues to new points of no return.



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Amazon's growth in the state shows no signs of slowing. Can Maryland — and its small businesses — handle it?

Then there is the mounting pressure on small businesses. Amazon's strong market share has forced many small enterprises to shut down, while others have decided to join the Amazon marketplace to remain solvent. Such deals lead to the businesses forking over up to 30% of their sales in commissions and fees.

"It's not just Amazon putting certain small businesses out of business, it's also a lot of small businesses feeling like they have no choice but to sell through Amazon," said journalist and author [Alec MacGillis](#), whose new book, "Fulfillment: Winning and Losing in One-Click America," dissects the retailing behemoth's impact on the national landscape while spotlighting the company's growth in Baltimore.

MacGillis' book in part dove into Amazon's third-party sales and the impact on small businesses.

"They end up paying a large percentage in commissions and fees to Amazon," he said. "And I found that more than 60% of products on the website are third-party sales. It's incredible, and so lucrative for the company."

Amazon's story in Maryland started 11 years ago with a 1 million-square-foot warehouse in Southeast Baltimore. Since then, dozens of other warehouses, sort centers and last-mile delivery outposts have been developed or opened, staffed by a workforce that today tops 29,000 full- and part-timers.

And more are on the way.

Some local developers like [Jim Lighthizer](#), principal at Chesapeake Real Estate Group in Hanover, said the 70% number his firm calculated shows Amazon's (NASDAQ: AMZN) reach in Greater Baltimore.

"In the U.S., Amazon has been taking up about 60% of all new space being built across the country," Lighthizer said.

The numbers excite Maryland Commerce Secretary [Kelly Schulz](#), who lauded the Seattle-based online retailer's latest addition: a warehouse in Hagerstown that opened in April with 500 full-time jobs. Schulz in May called the facility a game changer for Western Maryland, and said regular meetings with Amazon officials have indicated more expansion is in the works elsewhere.

"There's a lot of opportunity moving forward with Amazon," Schulz said. "They are looking for more space and I don't think it's just for logistics. They are looking at Maryland as a good partner, and the opportunities are significant. The regionalism of the HQ2 and our location to it is also looking to be significant."

Schulz, a Republican who is running for governor in 2022, declined to share details about potential other spaces, citing non-disclosure agreements. But she and others are optimistic about future hires needed to boost Amazon's workforce, and what the company says is its \$4.4 billion direct and indirect contribution to state and local economies.

Think more jobs on the horizon, more blue 18-wheeler Amazon trucks on Maryland interstates, Prime Air jets overhead and Amazon goods unloaded at the Port of Baltimore to be boxed up and rolled through a newly expanded Howard Street Tunnel, she predicted.

"Amazon provides certainty at this point in time in economically distressed areas," she said. "It is a worthwhile project, and the capital investment and workforce investment is important, as is the revenue going back to the local communities and the state."

That point was echoed by Anirban Basu, an economist and CEO of Sage Policy Group in Baltimore. Basu said Amazon for years has helped solidify Maryland's economic base and offered small and local businesses international sales exposure.

A total of 40,000 state-based businesses sell their goods that way, said Emily Hawkins, a Maryland-based Amazon spokeswoman, and a good online product review can lead to a spike in orders.

"There is no simple way to say if Amazon has damaged small business America or benefited small business America. It's done both," Basu said. "If you are a small business, you have to knock on the doors of Walmart, Target, Home Depot to get shelf space. Now with Amazon, you will get shelf space online and have an opportunity to move up the hierarchy — if your customers are happy with your product, you can get momentum."

Amazon's national growth has been stupendous over the past five years. It includes the \$13.7 billion acquisition of the Whole Foods Market chain in 2017 and a whopping \$8.45 billion acquisition of MGM Studios, announced May 26.

That has spilled over to Maryland. Hawkins ticked off some benchmarks in the state that include an additional 11,200 indirect jobs and a total of \$5 billion invested in facilities, equipment and development.

"The company's presence in Maryland means more than just the jobs provided within the four walls of its facilities," Hawkins said.

Not all of Amazon's acquisitions are ground-up. Among Amazon's ever-moving tentacles in the Maryland market was an eye-popping

\$90.5 million purchase last year of the six-building Techwood Business Center in Hanover.

Chesapeake Real Estate owners say they are now working on two deals with Amazon that total 550,000 square feet of new warehouse space in Anne Arundel County. The size and scope of those facilities are massive, Lighthizer said, and reflect the rise of e-commerce that he said has grabbed 30% of the retail market since Covid-19.

"These places have 15 acres of truck parking and drop space outside," he said. "That's huge."

Lighthizer and his colleagues have had a front-row seat to witness how Amazon has reshaped the state's industrial landscape. Allan Riorda, president of Lee & Associates of Maryland, said industry leaders did not see the potential 11 years ago when Amazon's first facility in the state opened at a former General Motors plant site in Baltimore off Broening Highway.

"At that point, pre-e-commerce, the industrial market was primarily destination retail and we had just one large distribution facility in the mid-Atlantic to service all the brick and mortar," Riorda said. "But Amazon and e-commerce has changed the face of distribution. They are not just warehouses, they are fulfillment centers with big investments inside and out."

Such centers have produced a backlash in certain Maryland jurisdictions.

G. Macy Nelson, a Towson land use attorney, has represented communities like Waldorf, Westfalia, Cheverly, Glendale and Upper Marlboro in protests and lawsuits against massive industrial developments. His lawsuits and complaints have been ongoing since June 2019.

Large-scale warehouse development and last-mile facilities were not part of the market when certain zoning regulations were created in the 1950s and 1960s in smaller jurisdictions. The rapid and aggressive growth that Amazon is planning has changed the potential for such communities because of long-term impacts on traffic and the advent of Amazon's 24/7 operations.

Amazon announced it was opening seven last-mile locations in smaller Maryland jurisdictions last June. In terms of land use, Nelson calls it a "free for all."

"This retail market has evolved so rapidly that I believe the zoning ordinances didn't contemplate this type of land use," Nelson said.

Nelson added he is also fighting some openings of a cluster of last-mile facilities announced by Amazon last spring in smaller areas around Maryland.

"I was so focused on the huge ones and it was like, 'Holy smokes!' It's been an intensive amount of work," he said. "My instructions are to fight and find cases where there are legitimate legal cases that have merit. And right now, I'm overwhelmed."

To date, Amazon has a total of 10 fulfillment centers and 13 customer delivery stations in Maryland, as well as an Amazon Air hub near Baltimore/Washington International Thurgood Marshall Airport in Anne Arundel County.

The company has developed mega-warehouses in tiny suburbs like North East in Cecil County, home to a 1.5 million-square-foot facility at Principio Business Park. Smaller facilities include a 300,000-square-foot sorting center in Aberdeen that opened last year, and a 157,000-square-foot warehouse the company leased at 7458 New Ridge Road in Hanover in 2018.

The e-commerce giant will soon have a total of three warehouses at Tradepoint Atlantic, where the former Bethlehem Steel mill once stood in Sparrows Point. Amazon's commitment to the 3,300-acre redevelopment — and its 4,000-person workforce there — has helped lure other tenants like Home Depot and Floor and Decor, said Aaron Tomarchio, senior vice president at Tradepoint Atlantic.

"Having Amazon early on identify Tradepoint Atlantic demonstrated to the market that this is the place to be," Tomarchio said.

While that gravitas is noted — and the local jobs rack up — where will it all lead? For now, observers can only speculate.

"It goes back to the anti-trust discussion," MacGillis said. "It's going to keep getting bigger and bigger."

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