

COSTAR INSIGHT

Amazon's More Than 50 US Same-Day Delivery Centers Share These Features

Amazon Looks for New Property With High Ceilings As It Plans Major Expansion



Amazon is looking to double the number of its same-day delivery centers. (GC Images)

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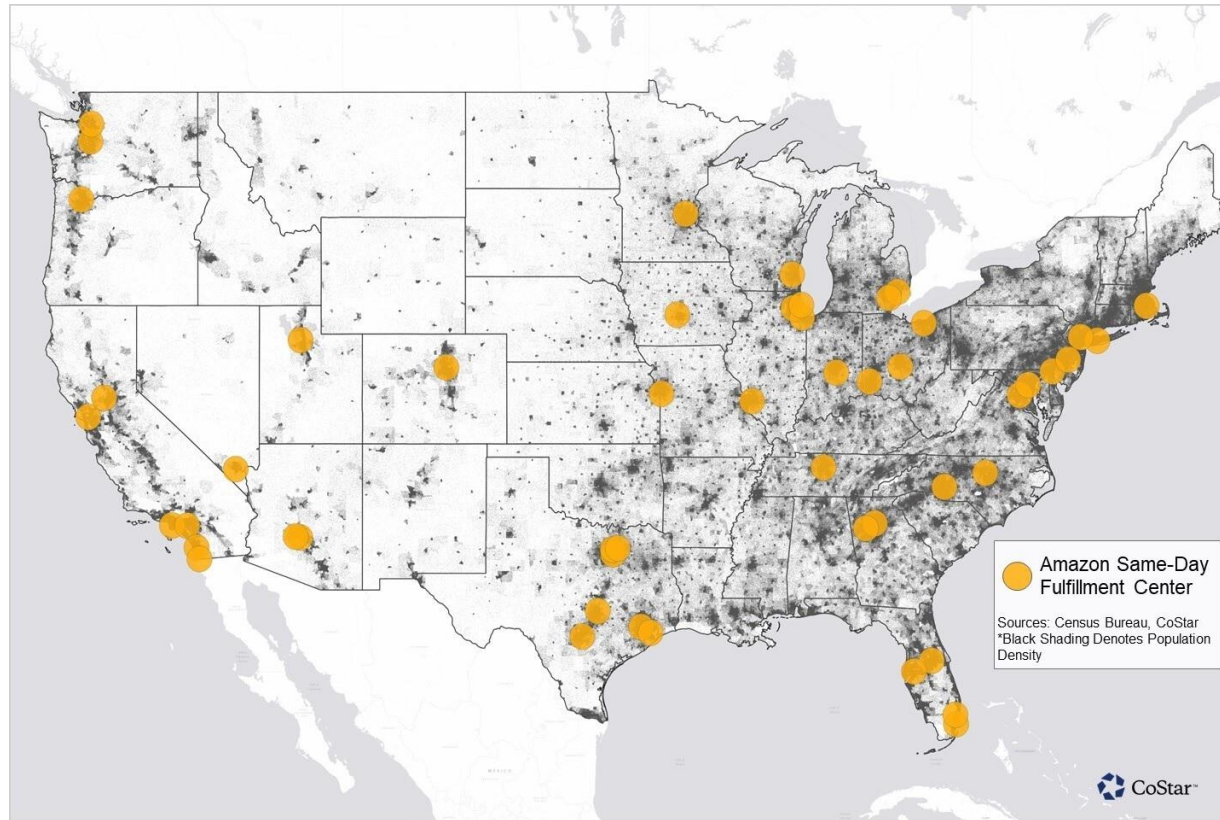
After Amazon's first quarter 2022 earnings call, when the company sent a shudder through the industrial property sector by disclosing plans to address excess capacity in its distribution network, the e-commerce giant slowed openings of fulfillment centers and put more than 7 million square feet of industrial space up for sublease across the U.S., according to CoStar data.

However, the picture looks quite different more than a year later. With profits from the company's North American segment back on the rise, and net sales increasing by 11% year over year in this year's second quarter, signs are emerging that Amazon, the continent's largest occupier of industrial space, may be poised to re-accelerate growth of its real estate, at least for certain types of distribution facilities.

During Amazon's most recent earnings call, the company announced plans to [double the number of same-day delivery centers](#) it operates. Early in the call, Amazon's Chief Executive Officer Andy Jassy said,

“Customers care a lot about faster delivery. We have a lot of data that shows when we make faster delivery promises on a detail page, customers purchase more often.”

Jassey also described Amazon’s same-day delivery facilities as “our fastest fulfillment mechanism and one of our least expensive, too,” adding that they “have a design that streamlines getting items from order to being ready for delivery in as little as 11 minutes. The experience has been so positive for customers that we’re planning to double the number of these facilities. We believe that we are far from the law of diminishing returns and improving speed for customers.”



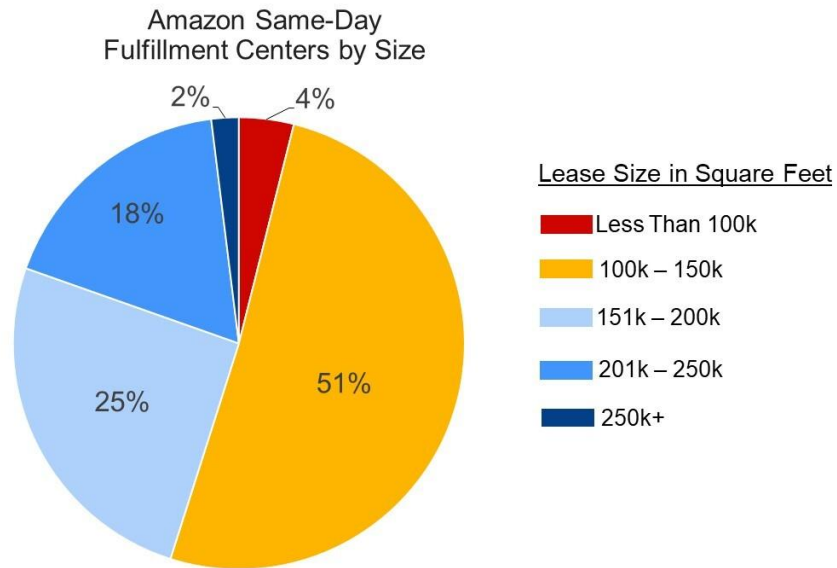
Amazon declined to disclose how many of these same-day delivery centers the company now operates. However, through local media, press releases and online chat forums used by Amazon Flex drivers who deliver packages from many of these facilities, CoStar has identified 51 same-day delivery centers across the U.S. totaling just over 8 million square feet.

More than three-quarters of these facilities have opened in 2021 or 2022, and the e-commerce giant has proven willing to lease space in

multi-tenant properties to accommodate its same-day delivery service. Just over 40% of the same-day delivery facilities CoStar identified are in buildings with space either occupied by or available for lease to other tenants. Amazon's same-day delivery center that serves Houston from [16011 Red Bluff Road](#) in Pasadena, Texas, is a prime example, as is its same-day fulfillment center at [1025 Elm Street](#) in Bridgewater, Massachusetts, which supports same-day delivery in the greater Boston area.

While Amazon is often willing to locate these facilities in multi-tenant distribution centers, it is rarely willing to compromise on building quality. As a result, the physical attributes of the properties in which they operate are remarkably uniform.

Most Amazon Same-Day Fulfillment Centers Are Between 100,000 and 200,000 Square Feet



Source: CoStar, August 2023



More than 90% of the same-day fulfillment centers CoStar identified are between 100,000 and 225,000 square feet and 80% are located in newer properties built since 2015. Local news video from inside these facilities, which Amazon made available for two [same-day delivery centers serving Sacramento and Kansas City](#), reveal the critical importance of high ceilings to accommodate tall racking systems that allow the company to fit as much merchandise as possible close to its same-day customers.

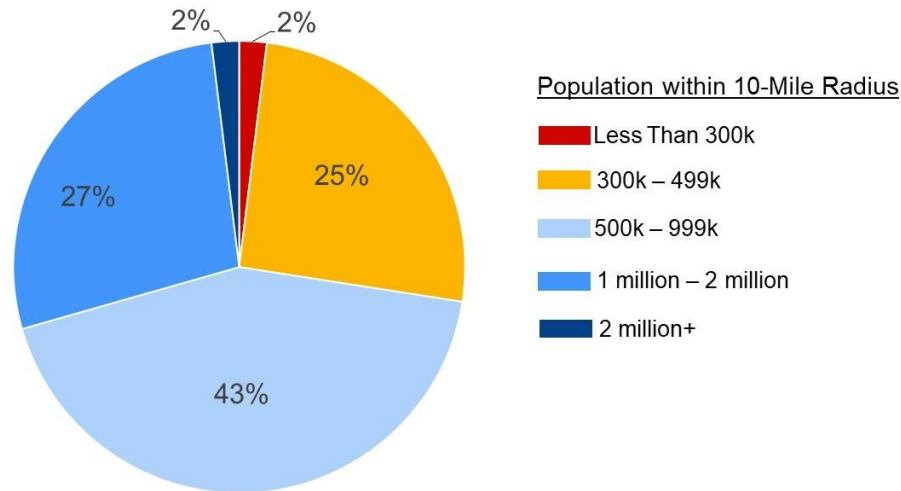
The average ceiling height of Amazon's same-day facilities is 33 feet, well above the average ceiling heights of 26 feet for all U.S. logistics properties sized between 100,000 and 225,000 square feet. Most of the properties housing Amazon same-day delivery facilities have ceiling heights ranging from 30 to 40 feet, while fewer than 10% have ceilings below 30 feet.

The average number of loading docks for Amazon's same-day facilities is 31, or one dock per 6,000 square feet of floor area, with an average of 181 surface parking spaces.

In the most populated major metropolitan areas, including Chicago and Dallas-Fort Worth, each of which has more than 8 million residents, CoStar identified three same-day delivery centers in operation. Metropolitan areas with between 4 million and 6.5 million residents including Atlanta, Detroit and Philadelphia each appear to have two same-day delivery facilities, while smaller markets such as Charlotte, North Carolina, Denver, Colorado, and Nashville, Tennessee, each have one.

Nearly Every Same-Day Fulfillment Center Has More Than 300,000 Residents Within a 10-mile Radius

Amazon Same-Day Fulfillment Centers
by Population within 10-Mile Radius



Source: CoStar, August 2023



As one would expect, population density is a key criterion for the location of same-day delivery centers. The one in Carson, California, which serves Los Angeles from [333 W Gardena Blvd.](#), ranks highest for the number of residents within a 10-mile radius, which totals more than 2.7 million.

The average number of residents within a 10-mile radius across all same-day delivery centers CoStar identified was 833,000, though

almost 40% of these facilities have between 300,000 and 600,000 residents living within a 10-mile radius, including Amazon's [facility in Pewaukee](#), Wisconsin, which serves Milwaukee, and its [facility in Greenwood](#), Indiana, which serves Indianapolis. Only one of the more than 50 same-day delivery centers CoStar identified has fewer than 300,000 residents within a 10-mile radius: a [150,000-square-foot facility](#) serving Sacramento.

It is unclear whether Amazon plans to expand these facilities to areas with lower population density, or simply add more capacity in the largest U.S. cities. However, the company's focus on properties in the 100,000- to 225,000-square-foot size range should bolster performance among a subset of distribution centers that are already outperforming.

In recent years, industrial development activity has been disproportionately focused on constructing very large distribution centers, those surpassing 250,000 or even 500,000 square feet. Sites for projects of that size often take a similar amount of time to acquire and entitle as smaller ones, As a result, many developers

have noted that building the largest projects possible offers the most efficient use of their time and capital.

In many markets, this has resulted in fewer distribution buildings being built that are under 250,000 square feet, even though the roster of tenants seeking spaces in this size range is significant. Within the size range favored by Amazon for its same-day delivery centers, 100,000 to 225,000 square feet, the portion of space among existing and under-construction U.S. logistics properties listed as available for lease is 9.8%. More space is available in larger distribution properties including those sized between 250,000 and 500,000 square feet or 500,000 to 1 million square feet, where availability rates are between 11.5% and 12.5%.

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