

Amazon suspends Virginia HQ2 construction in latest cost-cutting move

Amazon's putting the construction of its second headquarters in Virginia on hold as it looks to cut costs across the company, as reported earlier by *Bloomberg* and CNBC. While Amazon's still expected to complete the first phase of its headquarters this June, the company's pausing work on the larger portion of the project located across the street.

The company's Arlington, Virginia-based headquarters, dubbed HQ2, is supposed to consist of two parts: Metropolitan Park, an "urban campus" capable of housing 25,000 workers, and PenPlace, a complex with three 22-story buildings and a corkscrew-shaped glass tower standing 350 feet tall. PenPlace, the second phase of the project, is the portion affected by the delay.

John Schoettler, Amazon's head of real estate, confirmed the move in a statement to *The Verge*. "We're always evaluating space plans to make sure they fit our business needs and to create a great experience for employees," Shoettler explains in an emailed statement. "And since Met[tropolitan] Park will have space to accommodate more than 14,000 employees, we've decided to shift the groundbreaking of PenPlace out a bit." It's still not clear how long Amazon will pause construction, though.

Amazon just had one of its least profitable quarters in years

The first phase's June opening coincides with the company's plans to bring workers back to the office for three days per

week in May. According to *Bloomberg*, Amazon told Arlington County Board Chair Christian Dorsey that it “would proceed this year with permitting on the second phase of HQ2,” which indicates it could kick off construction on the second phase next year.

“Our second headquarters has always been a multiyear project, and we remain committed to Arlington, Virginia, and the greater Capital Region,” Schoettler says.

Amazon decided to plant its sprawling headquarters in Northern Virginia in 2019 after facing massive pushback from New York residents and local lawmakers on its proposed HQ2 plans in Long Island City, Queens. Virginia offered Amazon up to \$750 million in incentives to build its headquarters in the state, with Amazon saying at the time it would invest over \$2.5 billion to build its campus, “driving the creation of thousands of indirect jobs in construction, building services, hospitality and other services industries across the region.”

The halt in construction comes as yet another cost-cutting measure for Amazon, which consolidated its hardware and services teams last November and laid off over 18,000 workers in January. This past quarter, Amazon reported better net sales during the holidays, but still had one of its least profitable quarters in years. It earned \$0.3 billion for the quarter, down from \$14.3 billion at the same time in 2021, and posted its first net loss since 2014 at \$2.7 billion.

But pausing the HQ2 project isn't all the company's doing to curtail expenses.

CNBC reports that Amazon's also shutting down eight of its physical Go convenience stores in Seattle, New York City, and San Francisco. Amazon first announced that it would shutter some of its physical stores , while CEO Andy Jassy indicated that Amazon will also slow the expansion of its Fresh supermarkets until it finds a format that “resonates with

customers.”

“Like any physical retailer, we periodically assess our portfolio of stores and make optimization decisions along the way,” Amazon spokesperson Jessica Martin says in an emailed statement to *The Verge*. “In this case, we’ve decided to close a small number of Amazon Go stores in Seattle, New York City, and San Francisco. We remain committed to the Amazon Go format, operate more than 20 Amazon Go stores across the U.S., and will continue to learn which locations and features resonate most with customers as we keep evolving our Amazon Go stores.”

Update March 4th, 2:18PM ET: Updated to add statements from John Schoettler and an Amazon spokesperson.

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