

| FEATURE ARTICLE

GLOBAL SITE SELECTION

A COMPARISON
BETWEEN REGIONS

By David Hickey

Since the outset of the 20th Century, commercial real estate brokers have been masters of their local markets. Knowing the ins and outs of every square foot of available space in their own unique market, brokers are trusted partners and advisors in their respective communities.

Today, corporate leaders still rely on brokers to conduct business at the local level. However, with a rapidly evolving global economy, real estate brokers now must focus on much more than just the community they may call home.

Corporate real estate leaders are faced with challenges not seen by generations before them with a marketplace on a global scale. Instead of focusing on a particular region or a metropolitan area, these executives are making location decisions in every corner of the world. With little experience dealing on a global level, location strategy is being managed and led with advanced tools and proven strategies to utilize a vast array of data sources that ultimately determine the optimal site for a project.

When dealing on a global level, real estate leaders need to recognize and understand the differences between regions and countries, and how best to normalize the factors under consideration. In the following article, we will briefly highlight varying site dynamics to identify and evaluate in several regions of the world, ahead of your client's next global location decision.

North America

Companies that are investing in the United States, Canada, and Mexico have a list of factors to consider. One of the most critical aspects of a location decision on the continent is access to vital infrastructure. With a key driver for investment being the North American Free Trade Agreement (NAFTA), businesses look to capitalize on the advantages of manufacturing and marketing goods between the nations. With extensive rail, road, and waterway networks, there are vast opportunities to effectively locate a site and meet the transportation requirements for the company today, as well as, into the future.

Another site decision factor unique to North America is the impact of public incentives. As in many parts of the world, governments provide financial support and inducements to businesses for the creation of jobs and investment of capital in their respective communities. Most often, these public incentives are utilized to drive business at the national level. In the United States, economic development, effectively public incentives, are driven at the state and local levels with no oversight from the federal government.

This approach creates an extremely competitive environment between the respective jurisdictions, and may provide for drastically different results for projects. Knowing how this system effectively operates, and how it varies from other regions of the world, is vital for a corporate leader.

EMEA

As investors look to their EMEA portfolio, there are an array of aspects to understand that are unique to anywhere else in the world. No different than other parts of the world, labor is a driving factor in most European site decisions. Nevertheless, corporate leaders face

a variety of specific challenges when looking at labor.

Europe has a talented and expansive workforce. In many countries, the workforce is vastly underemployed desperately seeking corporate jobs. Many economic development professionals are constantly promoting labor pools featuring educated, multilingual individuals. However, these are also not the low-cost environments where the majority of the investment is being focused today. Instead, corporate leaders are finding themselves in locations with a workforce that can meet the skill requirements, but not the number of employees to fill an ever-increasing demand. This evolving scenario is being evaluated on a daily basis by labor analytics firms, and is a critical factor to review when making a European site decision.

Asia Pacific

Culture plays a role in every business decision made on the global level. Corporate leaders undertaking site location decisions in the Asia Pacific region must deal directly with these variations. While many countries of the region have developed friendlier practices and policies for western businesses, there are key economic players with vastly dissimilar ownership, lease, and trade laws. These laws can lead to serious consequences if misunderstood, and potentially introduce challenges which could take years to overcome.

As with many parts of the world, there may also be challenges to capture and quantify key data sets typically relied upon in location strategy. When conducting a sophisticated location decision, corporate leaders should review a number of different sources to effectively normalize the data sets available to them, particularly related to labor supply. Additionally, primary research, while often difficult and expensive to

capture, can be priceless when making critical site decisions.

Latin America

Latin America has countless market opportunities for corporate leaders to uncover. Everything from natural resources, manufacturing, technology, and business process outsourcing, the countries making up Latin America are ripe for success and incredible growth. Unfortunately, the socio-political struggles witnessed by many in the region have led to great uncertainty for investors.

Nevertheless, with the proper due diligence and comprehension, there are many regions of Latin America without such uncertainty in this domain than one may imagine. In looking at Latin America for a future site, it is critical to understand and effectively quantify the socio-political environment on the ground.

Global Evaluation

In the end, the world is becoming a smaller place and corporate real estate portfolios are crossing more borders than ever before. When making critical location decisions, there are countless factors to consider before choosing the final site. As clients undertake these decisions, the factors mentioned provide only a snapshot of the vast differences between the regions. Each and every factor should be properly identified and evaluated comprehensively.

In future editions, experts from H&A will provide more in-depth looks and analysis of issues facing today's commercial real estate advisors, including forecasting future markets and real estate opportunities on the horizon. ▾