

Analysis of the 2006 Corporate Survey

In reviewing the 2006 Corporate Survey results against the 2005 results, one immediately noticeable observation was that nine of the top-10 factors for 2005 were also included in the top-10 factors for 2006. While the rank order changed to some degree, the only top-10 factor from 2005 not included in the top-10 for 2006 was *proximity to major markets*, and it was replaced with *availability of telecommunications services*.

In fact, if one examines the Annual Corporate Survey results back to the year 2000, a significant trend is evident. There are four factors that are included in the top-five rankings every year except for 2001 and 2006. Those four factors are *labor costs*, *highway accessibility*, *state and local incentives*, and *availability of skilled labor*. Interestingly, each of these four factors has been ranked first at least once since the 2000 survey.

A further examination of results back to the 2000 survey reveals another significant trend. There are four additional factors that are consistently included in the second half of the top 10. These additional factors are *tax exemptions*, *occupancy or construction costs*, *energy availability and costs*, and *corporate tax rate*. The other factors that have moved in and out of the top 10 since 2000 are *cost of land*, *proximity to major markets*, *availability of telecommunications services*, *availability of high-speed Internet access*, and *environmental regulations*. These findings provide strong evidence that while the rating of factors may vary slightly from year to year, the overriding factors driving site location decisions have remained fairly constant.

Other findings of significance from the survey include the following:

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- 63 percent of companies decreasing their number of facilities have done so due to consolidation, and 75 percent have done so to lower operating and labor costs. A large number of companies are pursuing similar strategies in an attempt to reduce real estate costs within their portfolios.
- 48 percent of companies indicate they will open a new facility within the next three years, an indication of the continuing strength and growth of the economy, both domestic and international.
- Foreign investment by U.S. and multinational corporations continues to flow more heavily to Asia, India, and Mexico. The percentage of companies planning to invest in China increased from 48 percent last year to 59 percent this year, a very significant shift. However, companies continue to acknowledge the challenges of social and cultural differences (53 percent), regulatory problems (44 percent), and potential legal issues (38 percent) in locating operations in Asia.
- A significant number of companies continue to initiate their site location studies looking for existing buildings (78 percent this year compared to 73 percent last year). The speed with which companies want to conduct their site location study and initiate operations is driving the preference for existing facilities.

All in all, there were not any surprises in this year's annual survey. The survey did, however, reinforce the continuing importance of certain site location factors identified in the top-10 factors as described above. These findings are very much in line with the factors and priorities set by our clients in performing site location studies.