AN EVOLVING INCENTIVES ENVIRONMENT
PAGE 40

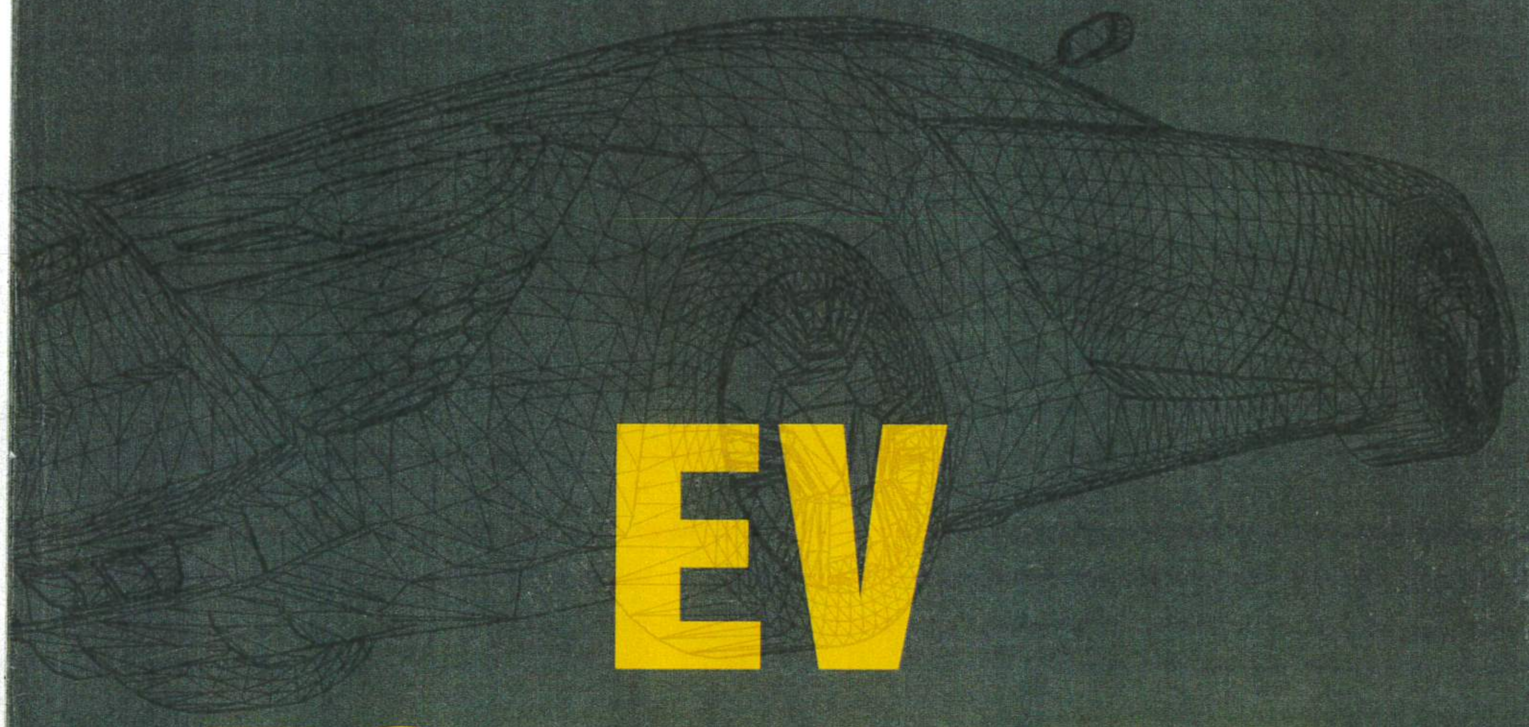
ANNUAL
CORPORATE & CONSULTANTS
SURVEY

WAREHOUSE SPACE YET TO MEET DEMAND
PAGE 22

AREA DEVELOPMENT

SITE AND FACILITY PLANNING

Q1/2022



EV FORWARD

As the nation transitions to EVs, mega investments in huge battery production plants, and the thousands of new jobs each will create, spell both opportunity and disruption to industry, workforce, and the communities in which they will locate.

[redacted]
[redacted]SCH 3 DIGIT 467
[redacted]
001/126
HUNTINGTON COUNTY UNITED ECONOMIC DEVELOPMENT 0000
EXECUTIVE DIRECTOR
8 W. MARKET STREET
IN 46750-2653
[redacted]

WWW.AREADEVELOPMENT.COM

EDITORS NOTE

AREA DEVELOPMENT
SITE AND FACILITY PLANNING
www.areadevelopment.com

Speed of Change Will Accelerate in 2022

Despite the ongoing global pandemic, the U.S. economy grew 5.7 percent in 2021 — the fastest annual rate since 1984 — bolstered by consumer spending.[1] Supply chain bottlenecks brought about by this demand — coupled by the slowdown in production during the pandemic — continue to challenge the country.

However, when we asked corporate readers if they had a changed their real estate strategies over the past 12 months due to the pandemic, 70 percent said they had not, with only 17 percent saying they had geographically diversified their operations. And it seems these respondents are staying the course and proceeding with caution according to the results of our 36th Annual Corporate Survey, with three quarters of the corporate respondents saying they have not changed their number of facilities over the past year.

Rising labor costs and the tight labor market are the top concerns among our corporate readers. And while consultants to industry who responded to our 18th Annual Consultants Survey also say their clients, many of whom employ thousands of workers, are concerned about skilled labor availability, they believe proximity to markets and to suppliers are top of mind for their clients in light of the supply chain challenges they are facing.

Meanwhile, in just the last few months, several large corporations have announced projects representing billions of dollars in investment and thousands of jobs — especially in the electric vehicle (EV) and battery sector. This technology will disrupt suppliers of ICE vehicles, the communities in which they're located, as well as their employees. However, a Bloomberg New Energy Finance[2] study reveals, "By 2025 electric vehicles (EVs) will reach 10 percent of global passenger vehicle sales, growing to 28 percent in 2030 and 58 percent by 2040." In fact, an Executive Order signed by President Biden in December 2021 calls for all new vehicles to be 100 percent zero-emission by 2035, including 100 percent zero-emission for light-duty vehicles by 2027.

Companies large and small have met the challenges over the last two difficult years. As the speed of change continues to accelerate, they will need to adjust their plans and priorities over the course of 2022 in order to grow and succeed.

[1] https://www.nbcnews.com/news/us-news/us-economy-grew-57-2021-rebounding-2020-recession-rcna13771
[2] https://about.bnef.com/electric-vehicle-outlook/

Geraldine Gambale
Editor

AREA DEVELOPMENT

Publisher
Dennis J. Shea
dshea@areadevelopment.com

Sydney Russell,
Publisher 1965-1986

Business/Finance Assistant
Barbara Olsen (ext. 225)
olsen@areadevelopment.com
finance@areadevelopment.com

Advertising/National Accounts
advertising@areadevelopment.com

Editor
Geraldine Gambale
editor@areadevelopment.com

Staff and Contributing Editors
Mark Crawford, Steve Kaelble, Dan Emerson, Karen Thuermer, Mark Schantz

Art & Design
Patricia Zedalis

Circulation/Subscriptions
circ@areadevelopment.com

Production Manager
Jessica Whitebook
jessica@areadevelopment.com

Business Development Manager
Matthew Shea (ext. 231)
mshea@areadevelopment.com

Digital Media Manager
Justin Shea (ext. 220)
jshea@areadevelopment.com

Web Designer
Carmela Emerson

Halcyon Business Publications, Inc.

President
Dennis J. Shea

Correspondence to:
Area Development Magazine
30 Jericho Executive Plaza
Suite 400 W
Jericho, NY 11753

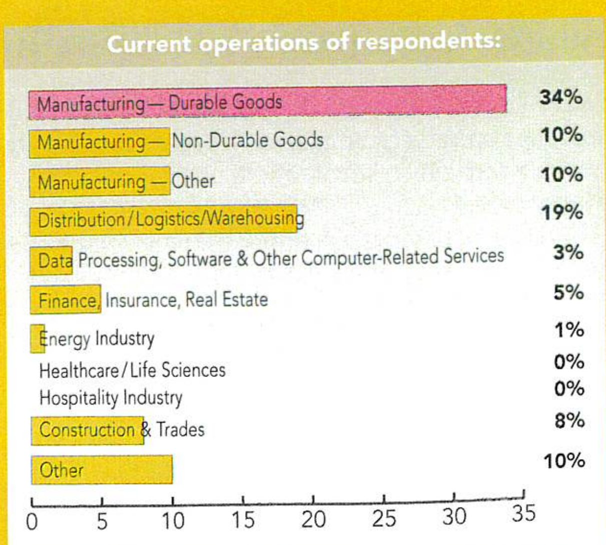
Phone: 516.338.0900
Toll Free: 800.735.2732
Fax: 516.338.0100

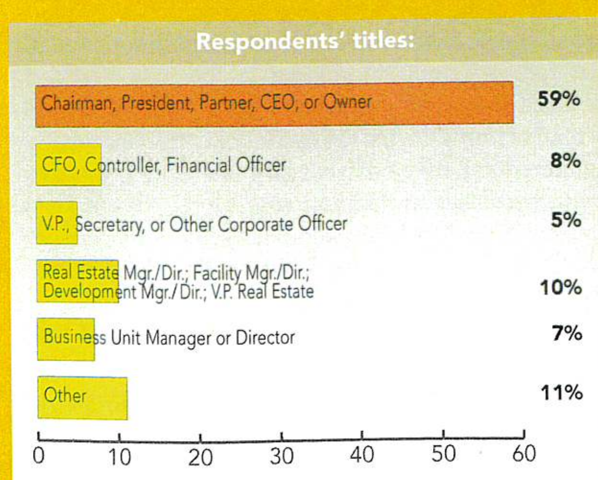
36th ANNUAL CORPORATE SURVEY

A tight labor market, supply chain challenges, and rising costs have resulted in some surprising changes in corporate respondents' location priorities.

by **GERALDINE GAMBALE**, *Editor*

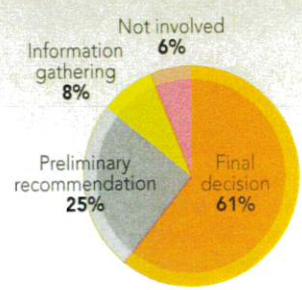
As 2021 ended, the global coronavirus pandemic continued to surge with a new variant — once again causing restrictions on personal and business activities. Despite this, as we looked at the year-end economic numbers, we saw surprising growth.





Supply chain bottlenecks are causing manufacturers to rethink their lean strategies.

Primary role in company's location decisions:

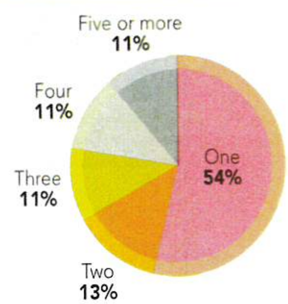


According to the Commerce Department, the U.S. GDP grew at a 5.7 annualized rate in 2021,[1] the fastest rate since 1984! This was primarily driven by consumer spending, which was bolstered by stimulus payments and emergency relief during the pandemic. This good news is tempered by the supply chain bottlenecks created by the surge in demand for everything from furniture to appliances to automobiles, and even to household necessities (remember the hoarding of toilet paper?), which is causing manufacturers to rethink their lean manufacturing strategies that minimize inventory.

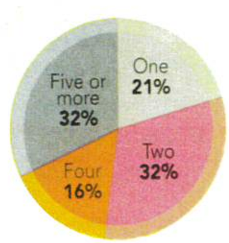
There was also much talk of the Great Resignation,[2] as workers quit their jobs during the pandemic because of health concerns, lack of childcare, or the desire for better work/life balance. Yet, despite this, the unemployment rate fell from a high of more than 14 percent in April 2020 to a low of just 4 percent by January of this year,[3] exacerbating the labor shortage already faced by businesses pre-pandemic.

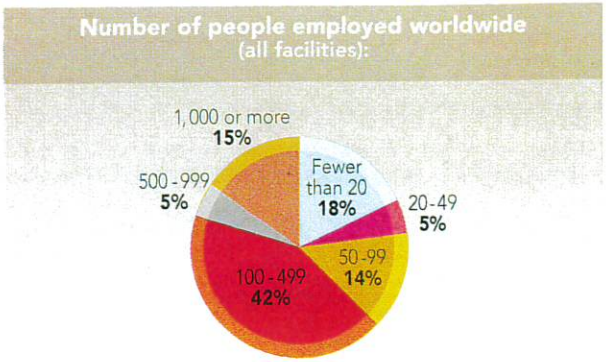
All these disruptive events have analysts predicting a "new normal" for industry. Consequently, as *Area Development* prepared to survey our corporate readers, we wondered if

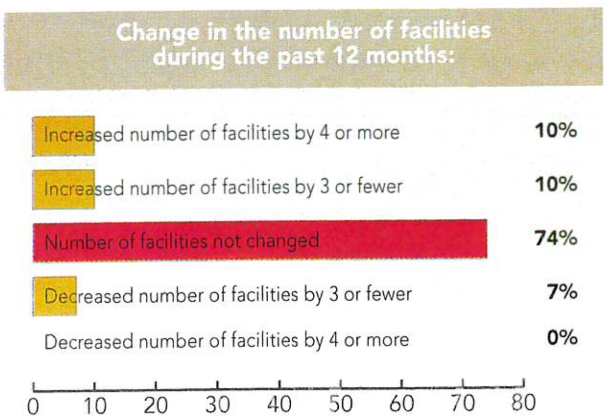
Number of facilities currently operating worldwide:
Domestic:



Foreign
(of the 27% who operate foreign facilities):







their responses would reflect any drastic changes in their location plans and priorities over the next two years. The survey results follow.

The Corporate Survey Respondents

More than half the respondents to our 36th Annual Corporate Survey are with manufacturing firms, and a fifth represent distribution/warehousing/logistics entities. Also, nearly 60 percent are the top C-level executives at their companies, i.e., chairman, CEO, etc., while 8 percent are their firms' chief financial officers. It therefore follows that about 60 percent of the survey respondents are also making their companies' final location decisions, with another quarter making a preliminary recommendation on the final site selection.

More than half of the Corporate Survey respondents operate only one domestic facility. Slightly

Small to Mid-Size Companies Focus on Costs

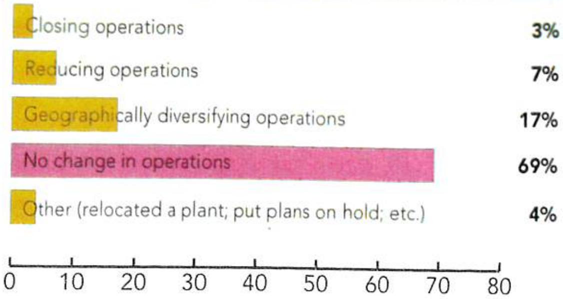
It's important to understand who is responding to the Corporate Survey, as the data is vital for EDCs to position their communities. The majority of "projects" in this data set (and in the U.S.) are led by small- to mid-sized growing companies that, more than likely, would not use a site selection consultant to expand. Last year was a "show me the money" or more accurately "solve my problems" year, with cost, taxes, and logistics at the top of the list.

Costs (labor, energy, shipping), accessibility (skilled labor, highway, raw materials) **and** ***taxes (corporate tax rate, state/local incentives, tax exemptions)*** **all ranked higher than** ***quality of life*** **in importance to these companies. In fact, even** ***environmental regulations,*** **which are considerably stricter now than ever before, are more important to decision-makers for these projects than quality of life. The takeaway for EDCs is to pivot their talk track with these projects to focus on how their community can ease the cost burden or logistics challenges faced by companies today.**

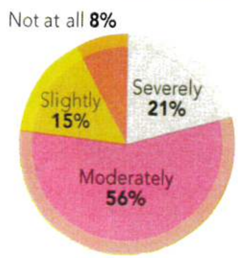
Also, the need for site selection consultants is illustrated by company-led project ranking of ***availability of skilled labor,*** **which is difficult to find anywhere, at #2 compared to** ***training programs/technical schools,*** **which is where labor supply is likely to be found, at a dismal #17. EDCs should understand, for better or worse, what site selectors are looking for versus what companies are looking for.**

Benton C. Blaine,
VP Infrastructure & Economic Development
McGuireWoods Consulting LLC

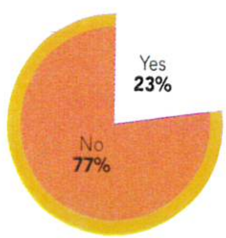
How corporate real estate strategy has changed as a result of COVID-19 pandemic:



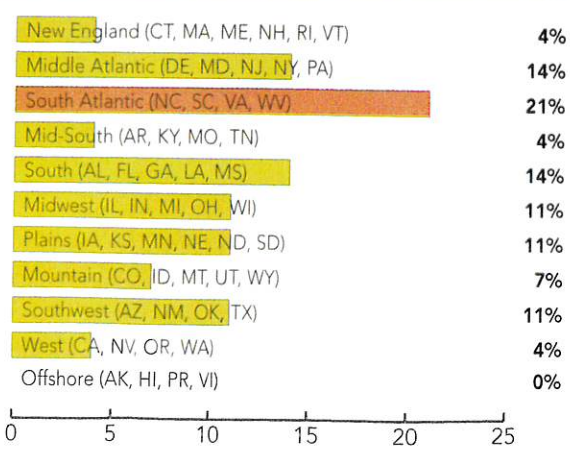
Extent to which supply chain challenges affecting your company:



Plan to open a new (not relocate an existing) domestic facility within the next two years:



Locations being considered for new domestic facilities (as a percentage of total number to be opened):



more than a quarter operate foreign facilities as well. Of those, a third operate two foreign facilities and a fifth have just one. More than 40 percent of the respondents are with mid-size firms in terms of employment numbers (100–499 employees), with a fifth having fewer than 20 workers and 15 percent employing more than 1,000 people.

Three quarters of the survey respondents also had no change in their number of facilities over the last 12 months, with nearly 70 percent saying they had not changed their corporate real estate strategies as a result

Pandemic-Induced Impacts Have Profound Effect on Decision-Makers

The last two years have been unprecedented in site selection. COVID-19, supply chain constraints, the Great Resignation, inflation, rising wages, remote work, and shifts in employee priorities have had a profound effect on site selection factors as evidenced by this year's Corporate Survey. Compared to last year, *labor costs, inbound/outbound shipping costs,* and *raw materials availability,* in particular, made significant increases in ranking/priority while more subjective factors, such as *quality of life,* moved down in this year's ranking.

Those "age-old" site selection factors, such as *available workforce, infrastructure, accessibility, available land/buildings, state and local incentives,* etc. continue to appear in the survey results. In the coming months and years, as disruptions caused by COVID-19 persist (or improve), those pandemic-induced impacts may have a permanent or long-term effect on site selection decision-making.

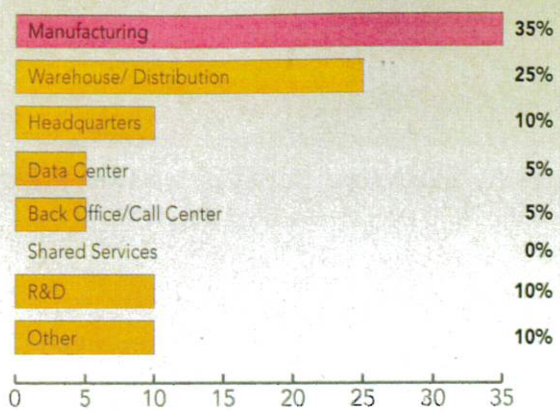
Ultimately, site selection factors evolve from issues important to corporate location decision-makers. Companies are making drastic changes to worker compensation, recruiting strategies, supply chain networks, and their real estate footprint, all in an effort to better compete in the "new normal." Their efforts to remain competitive will continue to drive location decisions.

Azad Khan
Principal
Parker Poe Consulting

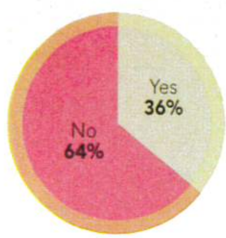

#1 ranked state for higher education.
6 major medical schools.
Several top national R&D universities.
UCF #1 Aerospace, Defense Workforce Supplier.
National leader in STEM graduates.
Nearly 40,000 annual STEM graduates.
WITH NEARLY 40,000 ANNUA STEM GRAD GAME CHANGERS, FLORIDA IS WHERE YOUR BUSINESS BREAKS THROUGH.
National leader in awarded bachelor's degrees.
7,000+ annual skilled manufacturing graduates.
6,000+ annual skilled aerospace graduates.
48,000+ annual professional services graduates.
1,316+ annual medical school graduates.
Customized workforce training programs (CareerSource Florida).
Get There Florida Workforce Education.
MAX PLANCK FLORIDA INSTITUTE FOR NEUROSCIENCE
Jupiter, FL
MAX PLANCK
ENTERPRISE FLORIDA
EnterpriseFlorida.com

36th ANNUAL CORPORATE SURVEY

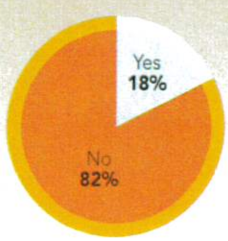
Types of new domestic facilities to be opened (as a percentage of total number to be opened):



Plan to expand a domestic facility footprint within two years:



Plan to relocate an existing facility within two years:



Corporate Sensitivity to Ongoing Operating Costs

I find it very telling that three of the top four site selection factors from the corporate survey are cost-related (*labor, energy, and transportation*, respectively). This is a drastic reprioritization from the previous year which underscores current corporate anxiety around rising costs, especially as more firms consider domestic investment.

Those in the site selection and economic development industry have been looking into their proverbial crystal balls to predict when this unprecedented project activity will slow down. This reported corporate sensitivity to ongoing operating costs just might be the leading indicator we have all been looking for.

Josh Bays
Partner
Site Selection Group

of the COVID-19 pandemic. Interestingly, 20 percent of the Corporate Survey respondents did increase their number of facilities over the last 12 months, with 17 percent saying the pandemic caused them to geographically diversify their operations. This may have been brought about by their desire to be closer to suppliers and/or markets because of supply chain disruptions since more than three quarters of the survey respondents say supply chain disruptions are severely or moderately affecting their companies.

Corporate Respondents' Facilities Plans

When asked specifically about their facilities plans over the next two years, fewer than one quarter of the Corporate Survey respondents say they have plans to open a new domestic facility.

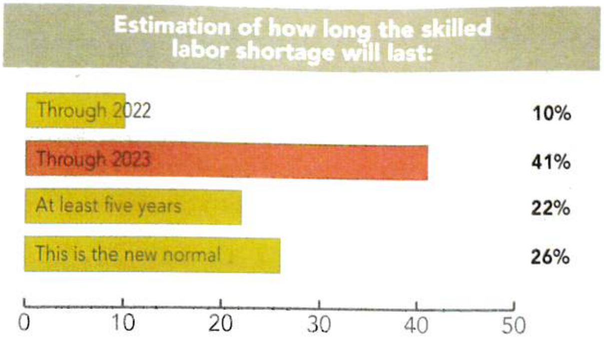
The South Atlantic States will be home to 21 percent of these planned new facilities. The Mid-Atlantic and South will each garner 14 percent of the new facilities, with 11 percent each going to the Midwest, Plains, and Southwest. These percentages are significantly different from those reported by the respondents to *Area Development*'s prior year survey, when 30 percent of the respondents had plans for new domestic facilities and, of those, the South Atlantic was only to garner 8 percent of the planned new projects and the Plains, only 5 percent.

Thirty-five percent of the planned new facilities will house manufacturing operations, according to the current Corporate Survey respondents, with a quarter representing warehouse/distribution operations. Headquarters and R&D operations will each account for 10 percent of the planned new facilities.

CORPORATE SURVEY*

Site Selection Factors	Very Important %	Important %	Minor Consideration %	Of No Importance %
Labor				
Availability of skilled labor	48.3	46.6	5.2	0.0
Availability of unskilled labor	29.1	32.7	30.9	7.3
Training programs/ technical schools	30.4	35.7	25.0	8.9
Labor costs	37.5	58.9	1.8	1.8
Low union profile	44.6	21.4	21.4	12.5
Right-to-work state	51.7	29.3	8.6	10.3
Transportation/Telecommunications				
Highway accessibility	62.1	31.0	5.2	1.7
Railroad service	12.3	19.3	29.8	38.6
Accessibility to major airport	14.0	33.3	33.3	19.3
Waterway or oceanport accessibility	10.3	15.5	25.9	48.3
Inbound/outbound shipping costs	53.5	39.7	1.7	5.2
Availability of advanced ICT services	7.0	29.8	36.8	26.3
Finance				
Availability of long-term financing	16.1	46.4	25.0	12.5
Corporate tax rate	45.6	42.1	8.8	3.5
Tax exemptions	33.3	49.1	15.8	1.8
State and local incentives	32.8	51.7	10.3	5.2
Other				
Available buildings	29.8	40.4	19.3	10.5
Available land	25.0	37.5	19.6	17.9
Occupancy or construction costs	25.0	57.1	10.7	7.1
Expedited or "fast-track" permitting	19.3	38.6	26.3	15.8
Raw materials availability	40.4	47.4	5.3	7.0
Water availability	20.0	32.7	34.6	12.7
Energy availability and costs	56.1	38.6	3.5	1.8
Environmental regulations	40.4	42.1	17.5	0.0
Proximity to major markets	28.1	49.1	14.0	8.8
Proximity to suppliers	25.0	44.6	19.6	10.7
Proximity to innovation commercialization/R&D centers	12.7	30.9	40.0	16.4
Quality-of-life	35.7	46.4	14.3	3.6

* All figures are percentages and are rounded to the nearest tenth of a percent.



COMBINED RATINGS*
CORPORATE SURVEY

Site Selection Factors — Ranking	2021	2020
1. Labor costs	96.4	84.2 (5)**
2. Availability of skilled labor	94.9	91.4 (1)
3. Energy availability and costs	94.7	85.3 (3)
4. Inbound/outbound shipping costs	93.2	76.8 (10)
5. Highway accessibility	93.1	88.7 (2)
6. Raw materials availability	87.8	59.1 (21)
7. Corporate tax rate	87.7	80.0 (7)
8. State and local incentives	84.5	77.2 (9)
9. Environmental regulations	82.5	71.6 (13)
10. Tax exemptions	82.4	78.6 (8)
11T. Quality-of-life	82.1	84.8 (4)
11T. Occupancy or construction costs	82.1	80.6 (6)
13. Right-to-work state	81.0	71.8 (11)
14. Proximity to major markets	77.2	71.7 (12)
15. Available buildings	70.2	70.6 (14)
16. Proximity to suppliers	69.6	64.2 (17)
17. Training programs/technical schools	66.1	63.3 (18)
18. Low union profile	66.0	70.0 (15)
19T. Available land	62.5	65.2 (16)
19T. Availability of long-term financing	62.5	59.4 (20)
21. Availability of unskilled labor	61.8	53.0 (22)
22. Expedited or "fast-track" permitting	57.9	61.8 (19)
23. Water availability	52.7	50.1 (23)
24. Accessibility to major airport	47.3	47.8 (24)
25. Proximity to innovation commercialization/R&D centers	43.6	29.9 (26)
26. Availability of advanced ICT services	36.8	36.9 (25)
27. Railroad service	31.6	24.6 (27T)
28. Waterway or oceanport accessibility	25.8	24.6 (27T)

* All figures are percentages and are the total of the "very important" and "important" ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.

** 2020 ranking

Those taking the 36th Annual Corporate Survey were also asked about their expansion plans as well as plans to relocate an existing domestic facility over the next two years. Slightly more than a third of the respondents have plans to expand the footprint of a domestic facility, and just 18 percent say they plan to relocate an existing facility during that time period, similar to what was reported by the prior year's survey respondents.

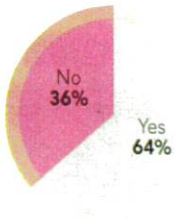
Corporate Respondents' Location Priorities

We next asked our Corporate Survey respondents to rate 28 site selection factors as either "very important," "important," "minor consideration," or "of no importance." By adding the percentages of the "very important" and "important" ratings, we are able to rank the factors in order of importance.

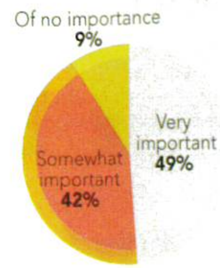
As to be expected, the top-ranked factor is *labor costs,* considered "very important" or "important" by 96.4 percent of the respondents, moving up 12.2 percentage points from the fifth place spot in the prior year's survey.

This factor is followed closely by *availability of skilled labor,* in the #2 spot with a 94.9 percent combined importance rating. With the economy now close to full employment, workers have been

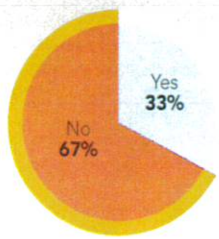
Expanding training initiatives in response to the skilled labor shortage:



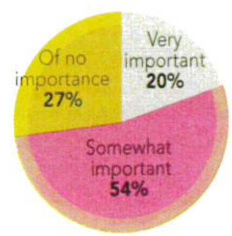
Importance of sustainability efforts to your company:



Corporate diversity, equity and inclusion strategies a consideration when assessing new locations:



Importance of access to renewable sources of energy to your company:

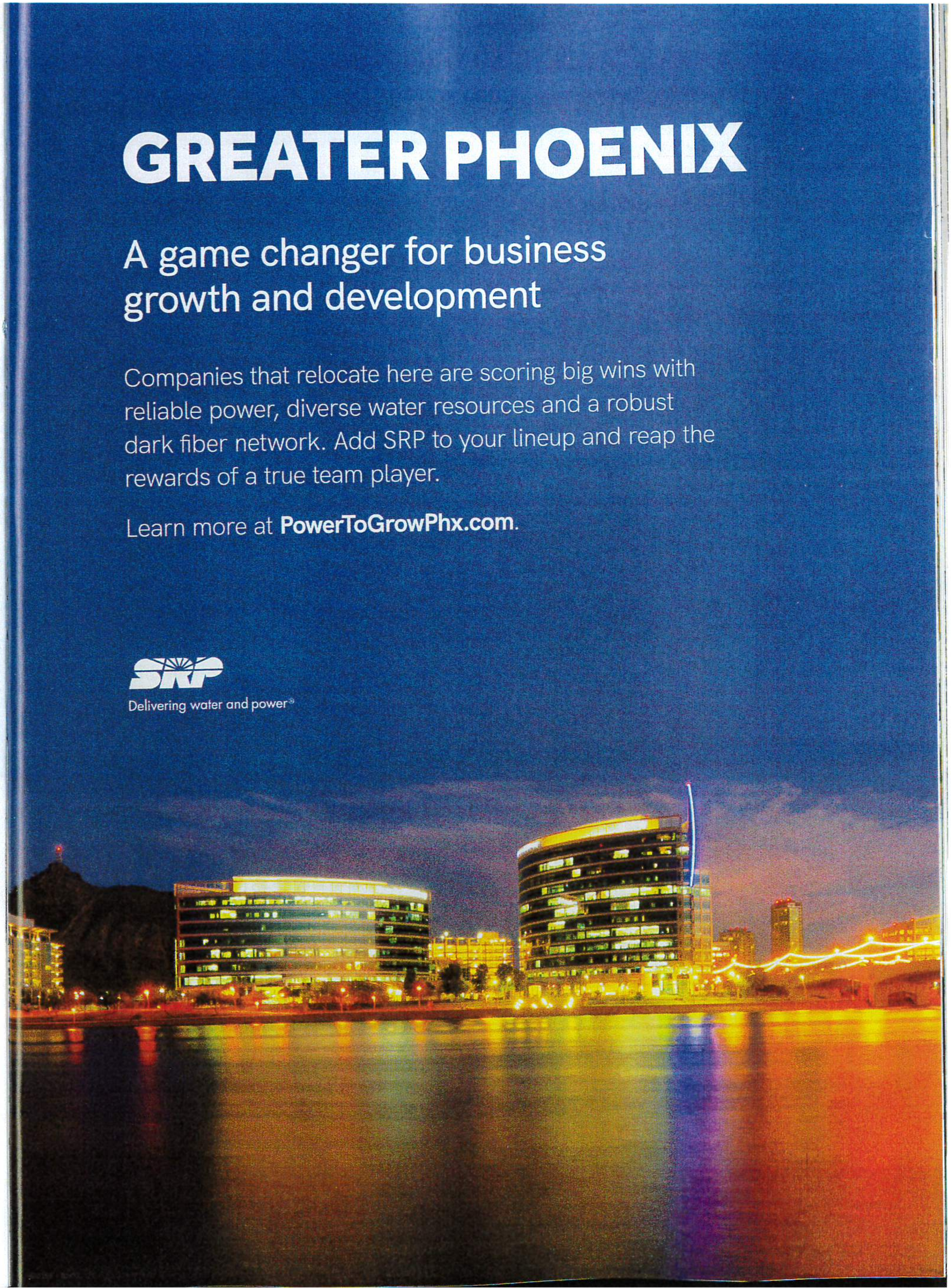


able to bargain for higher wages, adding to business costs. And, when asked separately about their predictions for how long the skilled labor shortage will last, about 40 percent of the respondents to our 36th Annual Corporate Survey say it will last through 2023, with nearly 50 percent saying it will last at least five years or "this is the new normal."

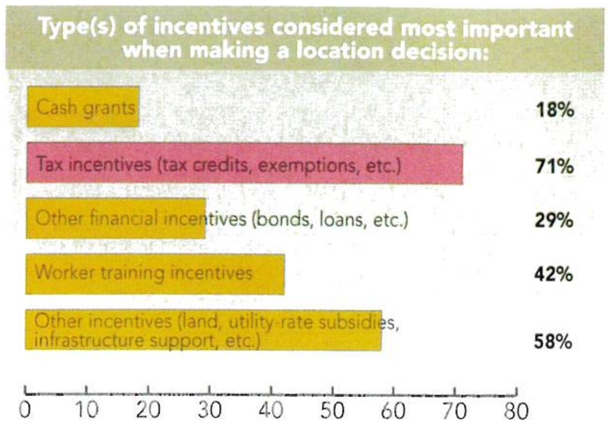
Even *availability of unskilled labor* is up 8.8 percentage points in the combined ratings, although just 61.8 percent of the Corporate Survey respondents consider it "very important" or "important," placing the factor toward the bottom of the rankings at #21, similar to the prior year's survey. However, in response to a related question, about two thirds of the Corporate Survey respondents say they are expanding training initiatives in response to the labor shortage.

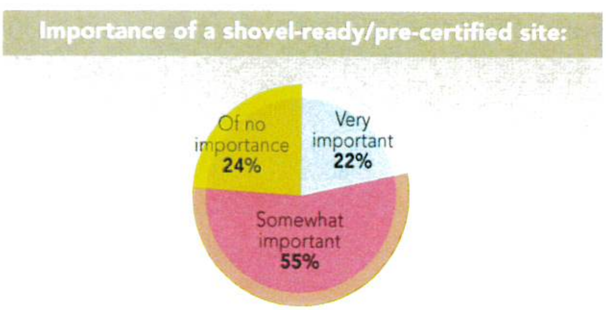
The *energy availability and costs* factor maintained its third-place ranking, but now has a combined importance rating of 94.7 percent, as compared to the 85.3 percent importance rating it received in the year prior survey. It seems the global pandemic also took a toll on energy supply and demand — as with goods — but the demand has increased faster than the energy supply chain can handle it, resulting in rising costs.

In response to a separate energy-related question, three quarters of the respondents to our Corporate Survey say access to renewable sources of energy are very or somewhat important to their companies. And more than 90 percent of the survey respondents also say sustainability efforts are very or somewhat important to their companies.

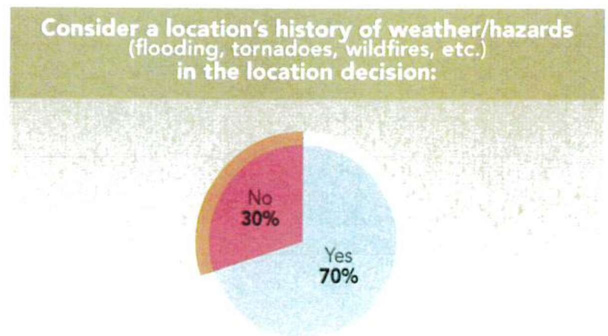

GREATER PHOENIX
A game changer for business growth and development
Companies that relocate here are scoring big wins with reliable power, diverse water resources and a robust dark fiber network. Add SRP to your lineup and reap the rewards of a true team player.
Learn more at PowerToGrowPhx.com.
SRP
Delivering water and power®

36th ANNUAL CORPORATE SURVEY





With images of containerships waiting to unload clogging the nations ports,[4] it's no surprise that two supply-chain-related location factors took a tremendous jump in the importance ratings and rankings. *Inbound/outbound shipping costs* jumped from tenth place in the prior year survey to the #4 spot, increasing 16.4 percentage points, and now considered "very important" or "important" by 93.2 percent of the respondents to our 36th Annual Corporate Survey.



And the largest increase in combined importance rating and ranking goes to *raw materials availability*. This factor increased an astounding 28.7 percentage points, with a combined importance rating of 87.8 percent, jumping from #21 in the prior year survey to #6 in this year's rankings. Again, when we think of the shortage of so many goods caused by lack of parts or materials, it's no surprise that this factor has made an historic leap in importance.

The heightened importance of *inbound/outbound shipping costs* and *raw materials availability* may seem to have caused the decline in the ranking of *highway accessibility*. This factor has historically been ranked first or second among the site selection considerations. However, if we just look at this factor's "very important" rating, it is still the highest overall at 62.1 percent, but this year it fell from the #2 spot to #5 in the rankings, with 93.1 percent of the Corporate Survey respondents giving it a combined "very important" or "important" rating, which is actually up 4.4 percentage points over the prior year's survey.

For the most part, the financial-related location factors maintained their rankings in the 36th Annual Corporate Survey over the prior year; however, their combined importance ratings did increase slightly. The *corporate tax rate* factor is still ranked #7, considered "very important" or "important" by 87.7 percent of the respondents, up 7.7 percentage points over the prior year. *State and local incentives* follows in the #8 spot, now receiving a combined importance rating by 84.5 percent of the survey respondents, up 7.3 percentage points over the prior year. But the *tax exemptions* factor fell two spots to the #10 position, despite the fact that its combined importance rating of 82.4 percent was up slightly over the prior year. And in a related question, more than 70 percent of the Corporate Survey respondents say they consider tax incentives the most important incentive when making a location decision.

Survey Respondents Take a Conservative Approach

With the pandemic now two years old, the survey reflects an office market that remains in suspense. While office absorption increased for the first time in two years during the fourth quarter of 2021, employee behaviors in terms of office use have not returned to what they were in 2019, and it's not anticipated that they will soon, if ever. Companies, recognizing the importance of employee job satisfaction and well-being, are embracing hybrid workplace concepts and moving very methodically in their transactional decisions. With all that uncertainty, it's unsurprising that the projected number of new headquarters and back office facilities is low.

The industrial market – comprised of manufacturing and distribution/logistics – is, on the other hand, very active and extremely hot in certain sectors and geographies. The continued growth of consumer online shopping has driven a need for additional warehouse space, and various trends – on- and re-shoring as the post-COVID supply chain takes shape, industry growth attributable to technological and environmental advances, etc. – explains the much higher projections of domestic expansion in industrial space.

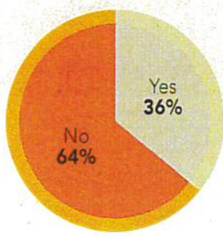
Broadly, the factors that are most important to survey respondents are about what you'd expect. Talent-related considerations are first by a distance, as employers continue to face a shortage of skilled workers. As such, they're offering employees more incentives and improving the quality of their workplaces to attract and retain the talent they need, which in turn has resulted in an increased emphasis on *labor costs.* Supply chain issues *(shipping costs, raw materials availability)* have moved sharply up the list – no surprise given the logistics disruptions of the last couple of years. Other high-ranking factors – *energy, taxes/incentives,* and so on – are more "evergreen."

With an economy that continues to grow at a rapid pace, recovery in the commercial real estate space is expected to continue overall in 2022, and these survey results – while appropriately conservative, given the unprecedented challenges that enterprises have faced over the past two years – will hopefully be outpaced by actual activity in the coming year.

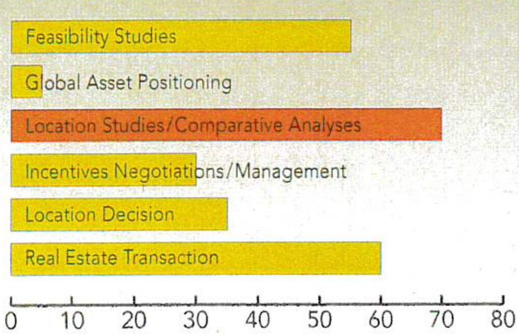
Dan Breen, J.D., CPA, LL.M
Managing Director, Location Economics
Jones Lang LaSalle

36th ANNUAL CORPORATE SURVEY

Use outside consultants when site selecting:



Services consultants are providing:



The increasing focus on getting to net-zero emissions for facilities has bumped the *environmental regulations* factor up to ninth place in the rankings from #13 the prior year. Its combined important rating jumped 10.9 percentage points; 82.5 percent of the Corporate Survey respondents now consider *environmental regulations* "very important" or "important" when making a site selection decision.

Interestingly, the *quality-of-life* factor fell from #4 in the prior year's survey rankings to #11(tied) this year, although still considered "very important" or "important" by 82.1 percent of the Corporate Survey respondents. Again, other factors are taking precedence. This factor is actually tied for the #11 spot with *occupancy or construction costs,* which fell from the #6 spot in the prior year's rankings. With extremely low industrial vacancy rates and delays and rising costs for construction, it was expected that this factor would move up in the rankings, so its middling spot comes as somewhat of a surprise.

Other factors receiving middling or lower rankings did not change much year-over-year, although there are some interesting increases in importance ratings. For example, as mentioned, the pandemic has altered employee demands for increased wages and better working conditions. This development may be responsible for the increase in importance of the *right-to-work state* factor — more than 80 percent of the respondents to the 36th Annual Corporate Survey rate *right-to-work state* as "very important" or "important" when making a location decision, up from just over 70 percent in the prior year's survey.

The *proximity to innovation commercialization/ R&D centers* factor, while remaining toward the bottom of the rankings, actually increased 13.7 percentage points in the combined ratings, with 43.6


WE LIKE TO SEE BUSINESSES GROW. NOT TAXES.
At just 2.5%, North Carolina is home to the lowest corporate tax rate in the United States. Picture what that can mean to your business. See what else North Carolina has in store for you at EDPNC.com/ALLinNC.
ALL IN NORTH CAROLINA
ECONOMIC DEVELOPMENT PARTNERSHIP of NORTH CAROLINA

percent of the survey respondents deeming it "very important" or "important." The speed of technology in improving individuals' health, the health of our planet, and companies' financial health has resulted in a push for innovation in all industries.

The Year Ahead

As we look to the year ahead, there are many unknowns. It is hoped that we will put the global pandemic in the rearview mirror, although cautionary actions will still be in place for what lies ahead in that regard is unknown. As predicted by our survey respondents, labor shortages may still persist, and consumer habits developed during the pandemic that resulted in a rapid surge in e-commerce are here to stay. All of these disruptions will undoubtedly have a bearing on companies' location plans and priorities during the course of 2022 and beyond.

Nonetheless, according to J.P. Morgan's 2022 Business Leaders Outlook,[5] business leaders have stood up to the challenges created by the pandemic over the last two years and are optimistic about the year ahead. Despite tight labor markets, clogged supply chains, and rising costs, nine out of 10 of the mid-size businesses surveyed by the institution expect their businesses to grow and thrive over the next year. ■

[1] https://www.nbcnews.com/news/us-news/us-economy-grew-57-2021-rebounding-2020-recession-rcna13771

[2] https://www.areadevelopment.com/workplace-trends/workforce-q4-2021/great-resignation-is-impacting-corporate-relocations.shtml

[3] https://www.bls.gov/news.release/pdf/empsit.pdf

[4] https://www.areadevelopment.com/logisticsinfrastructure/q4-2021/no-easy-fix-for-supply-chain-struggles.shtml

[5] https://www.jpmorgan.com/commercial-banking/insights/2022-business-leaders-outlook

Labor Costs and Availability Go Hand in Hand

Annual surveys are valuable and have a prominent place, but the real value comes from how a company uses the results. Site selection can be a complex, time-consuming process of elimination. The site selection process is about how to eliminate markets, not just the selection of a market. Site selectors assist their clients on how to differentiate markets using both analytical and qualitative techniques so Area Development's Corporate Survey report is an additional tool we can use to eliminate markets early in the process.

The most interesting result on the combined ratings of factors, would be the top two of *labor costs* and *availability of skilled labor*. To me, those go "hand in hand." A recent jobs report shows an increase in the numbers of workers returning to work, but payroll sums are still more than five million shy of pre-pandemic levels. The pandemic shook up what workers want and expect from a job.

Lastly, the most overlooked site selection factor would be *quality of life* (tied for 11th). This will continue to rise, as it not just about what to do in the region, but other factors to look at are healthcare availability and affordability, educational institutions, infrastructure, crime and corrections, and the natural environment. *Quality of life* may have a minimal impact early in the site selection process, but a major impact in the final short-list stage.

By Jeff Pappas
Managing Director
Mohr Partners


Louisiana
is plugging into
the EV market
“Louisiana has all the right elements for the development of new technology in the manufacturing sector.”
- Syrah Resources CEO Shaun Verner, announcing a $176 million expansion of its Vidalia, La., facility (pictured) that will produce Active Anode Material (AAM) for electric vehicle batteries
Learn more at OpportunityLouisiana.com
LED LOUISIANA ECONOMIC DEVELOPMENT

18th ANNUAL CONSULTANTS SURVEY

Supply chain considerations, the shortage of skilled workers, and a lack of industrial space are top of mind for their clients, according to consultants responding to our annual survey.

by **GERALDINE GAMBALE,** ***Editor***

Only slightly more than a third of those responding to our 36th Annual Corporate Survey say they use outside consultants when site selecting. Therefore, we would expect the results of our 18th Annual Consultants Survey to differ considerably from the results of our Corporate Survey. Let's see if that holds true.

Respondents worked on projects in the following industries:	
Manufacturing — Durable Goods	81%
Manufacturing — Non-Durable Goods	54%
Manufacturing — Other	33%
Distribution/Logistics/ Warehousing	77%
Data Processing, Software & Other Computer-Related Services	40%
Finance, Insurance, Real Estate	44%
Energy Industry	28%
Hospitality Industry	5%
Healthcare/Life Sciences	51%
Retail	12%
Construction & Trades	9%
Other	14%

Two thirds say their clients have geographically diversified and/or expanded their operations.

The Consultants Survey Respondents

About 80 percent of the consultants responding to our Annual Consultants Survey are working on projects in the durable goods manufacturing sector. More than three quarters are also working on distribution/logistics/warehousing projects, and half on those in the healthcare/life sciences sector. The primary services provided by nearly 100 percent of these consultants to their clients involve location studies and comparative analyses. Around 90 percent of the survey respondents also assist with incentives negotiation and management, and 89 percent claim to actually make the location decision for their clients.

In terms of their employment numbers, the companies utilizing the services of the consultants who responded to our survey are generally large. In fact, more than 40 percent of the responding consultants service companies with 5,000+ employees, with a third serving those having between 500 and 4,999 workers. None of the responding consultants say they service companies with fewer than 100 employees — a category represented by more than a third of those responding to our 36th Annual Corporate Survey.

Two thirds of those responding to our 18th Annual Consultants Survey say their clients have geographically diversified their operations and/or expanded operations as a result of the coronavirus pandemic, while 30 percent also say some of their clients reduced operations in response to the pandemic. These responses are in contrast to those received from the Corporate Survey respondents who represent much smaller

Primary services required by their clients:

Feasibility Studies	39%
Global Asset Positioning	19%
Location Studies/ Comparative Analyses	98%
Incentives Negotiations/ Management	91%
Location Decision	89%
Real Estate Transaction	54%
Other	9%

In terms of their employment numbers, companies utilizing consultants' services are generally:

Small (20-99 employees)	0%
Mid-size (100-499 employees)	23%
Large (500-999 employees)	16%
Larger (1,000-4,999)	18%
Very large (5,000 or more employees)	44%

18th ANNUAL CONSULTANTS SURVEY

Clients who have asked consultants to perform a location search have:

Not actively initiated the site selection process	47%
Already gathered preliminary data	67%
Already narrowed down the geographic area in which they wish to locate	68%
Already chosen several "finalist" communities	30%
Expect the consultant to narrow or make the location decision for them	53%

Clients have indicated that they changed their corporate real estate strategies as a result of the COVID-19 pandemic by:

Closing operations	11%
Reducing operations	30%
Geographically diversifying operations	66%
Expanding operations	64%
Other	23%

The extent to which supply chain challenges are affecting clients:

Severely	46%
Moderately	44%
Slightly	9%
Not at all	2%

firms and nearly 70 percent of whom say their firms did not change their corporate real estate strategies as a result of the COVID-19 pandemic.

The Corporate Survey and Consultants Survey respondents do agree somewhat on the extent to which supply chain challenges have affected their operations. While three quarters of the corporate respondents say they've been severely or moderately affected by these challenges, 90 percent of the respondents to the 18th Annual Corporate Survey say their clients have been similarly affected.

Their Clients' Facilities Plans

Obviously, consultants work with clients who have plans, as indicated by the fact that 96 percent of the responding consultants say their clients plan to open a new domestic facility within the next two years.

Most of the projects that consultants say they're working on for their clients will go to southern regions of the U.S. — 17 percent to the South, 16 percent to the Southwest, 15 percent to the South Atlantic, and 11 percent to the Mid-South region. An additional 14 percent of the total projects are slated for the Midwest States. Whereas the Corporate Survey respondents say 11 percent of their new domestic facilities projects will go to the Plains States, only 4 percent of the projects the responding consultants are working on are slated for that region of the country.

Slightly more than a quarter of the new facility projects being worked on by the respondents to our Consultants Survey will house manufacturing operations, fewer than the 35 percent planned by our Corporate Survey respondents over the next two years. However, similar to the corporate responses, 25 per-

The #1 ranked factor is proximity to major markets.

cent of the consultants' clients' new facilities will house warehouse/distribution operations.

Nearly all of the respondents to our Annual Consultants Survey (95 percent) say their clients plan to expand a domestic facility footprint over the next two years, and more than 70 percent say their clients plan to relocate a facility during that time period. Again, consultants work on active projects, and roughly just a third and a fifth, respectively, of the Corporate Survey respondents have expansion or relocation plans.

Their Clients' Location Priorities

We also asked our Consultants Survey respondents to rate 28 site selection factors as either "very important," "important," "minor consideration," or "of no importance" to their clients. By adding the percentages of the "very important" and "important" ratings, we are again able to rank the factors in order of importance.

The #1 ranked factor in the Consultants Survey is *proximity to major markets,* with 98.3 percent of the respondents saying this factor is "very important" or "important" to their clients, up 8.8 percentage points and seven positions from the prior year's rankings. The surge in e-commerce as well as supply chain challenges being experienced by their clients seem to be top of mind in the consultants' ranking of this factor. Also, the *highway accessibility* factor — which is vital to last-mile delivery operatons — maintained its high combined importance rating (94.8 percent) and ranked #3 among the site selection factors.

Maintaining its #2 position in the consultants' rankings is *availability of skilled labor,* with a 98.2 percent combined im-

Clients plan to open a new (not relocate an existing) domestic facility within the next two years:

Yes	96%
No	4%

Domestic location projects consultants are working on are slated for the following regions (as a percentage of total number of projects):

New England (CT, MA, ME, NH, RI, VT)	3%
Middle Atlantic (DE, MD, NJ, NY, PA)	8%
South Atlantic (NC, SC, VA, WV)	15%
Mid-South (AR, KY, MO, TN)	11%
South (AL, FL, GA, LA, MS)	17%
Midwest (IL, IN, MI, OH, WI)	14%
Plains (IA, KS, MN, NE, ND, SD)	4%
Mountain (CO, ID, MT, UT, WY)	6%
Southwest (AZ, NM, OK, TX)	16%
West (CA, NV, OR, WA)	4%
Offshore (AK, HI, PR, VI)	1%

COMBINED RATINGS*
CONSULTANTS SURVEY

Site Selection Factors	2021	2020
Ranking		
1. Proximity to major markets	98.3	89.5 (8)**
2. Availability of skilled labor	98.2	98.3 (2)
3. Highway accessibility	94.8	98.3 (2T)
4T. State and local incentives	93.0	93.0 (5)
4T. Proximity to suppliers	93.0	91.0 (7)
4T. Available land	93.0	89.4 (9)
7. Energy availability and costs	91.2	94.7 (4)
8. Expedited or "fast-track" permitting	89.5	82.5 (14)
9. Occupancy or construction costs	87.5	84.2 (13)
10T. Tax exemptions	86.0	91.2 (6)
10T. Available buildings	86.0	87.7 (10)
10T. Inbound/outbound shipping costs	86.0	86.0 (11T)
13. Labor costs	85.9	100.0 (1)
14. Raw materials availability	79.0	65.0 (21T)
15. Training programs/technical schools	78.9	71.9 (18T)
16. Environmental regulations	76.9	71.9 (18T)
17. Availability of unskilled labor	76.8	65.0 (21T)
18. Quality-of-life	75.4	70.2 (20)
19T. Accessibility to major airport	73.7	80.7 (15)
19T. Water availability	73.7	49.1 (25)
21. Low union profile	70.2	86.0 (11T)
22. Right-to-work state	70.1	77.2 (16)
23. Corporate tax rate	63.1	75.4 (17)
24. Proximity to innovation commercialization/R&D centers	53.6	54.4 (23)
25. Railroad service	43.9	41.9 (26)
26T. Availability of advanced ICT services	42.1	53.6 (24)
26T. Waterway or oceanport accessibility	42.1	35.1 (27)
28. Availability of long-term financing	22.8	29.9 (28)

* All figures are percentages and are the total of the "very important" and "important" ratings of the Area Development Consultants Survey and are rounded to the nearest tenth of a percent.

** 2020 ranking

Types of new domestic facilities to be opened by clients
(as a percentage of total number of projects):

Manufacturing	28%
Warehouse/ Distribution	25%
Headquarters	12%
Data Center	9%
Back Office/Call Center	8%
Shared Services	9%
R&D	8%
Other	2%

Clients plan to expand a domestic facility's footprint within two years:

Yes	95%
No	5%

portance rating; the Corporate Survey respondents also ranked this factor in second place. Interestingly, even *availability of unskilled labor* increased in importance, according to the responding consultants, with 76.8 percent considering it "very important" or "important" to their clients (11.8 percentage points higher than last year), while ranking this factor only #17 among the others.

Training programs/technical schools to get these workers up to speed ranked two positions higher at #15, with a combined importance rating of 78.9 percent. It should also be noted that about two thirds of the respondents to our 18th Annual Consultants Survey say their clients

Clients plan to relocate an existing domestic facility within two years:

Yes	72%
No	28%

consider diversity, equity, and inclusion strategies when assessing new location — up from 57 percent in the prior year's Consultants Survey and as compared with only a third of this year's Corporate Survey respondents who consider DEI strategies in their location decision.

Proximity to suppliers also moved up from the #7 spot in the prior year's survey to #4 (tied) in this year's rankings by the consultants, with a combined importance rating of 93 percent. A related factor, *raw materials availability* jumped from the #21 spot in the prior year's survey to #14 this year, with 79 percent of those responding to our 18th Annual Consultants Survey rating this factor as "very important" or "important," an increase of 14 percentage points over the prior year's survey rating. And another related factor — *inbound/outbound shipping costs* — is considered "very important" or "important" by 86 percent of those responding to our Annual Consultants Survey and is tied

CONSULTANTS SURVEY*

Site Selection Factors	Very Important %	Important %	Minor Consideration %	Of No Importance %
Labor				
Availability of skilled labor	87.7	10.5	1.8	0.0
Availability of unskilled labor	30.4	46.4	23.2	0.0
Training programs/ technical schools	33.3	45.6	17.5	3.5
Labor costs	52.6	33.3	14.0	0.0
Low union profile	35.1	35.1	24.6	5.3
Right-to-work state	33.3	36.8	24.6	5.3
Transportation/Telecommunications				
Highway accessibility	59.7	35.1	3.5	1.8
Railroad service	5.3	38.6	42.1	14.0
Accessibility to major airport	26.3	47.4	24.6	1.8
Waterway or oceanport accessibility	3.5	38.6	45.6	12.3
Inbound/outbound shipping costs	50.9	35.1	10.5	3.5
Availability of advanced ICT services	7.0	35.1	43.9	14.0
Finance				
Availability of long-term financing	3.5	19.3	43.9	33.3
Corporate tax rate	26.3	36.8	35.1	1.8
Tax exemptions	45.6	40.4	12.3	1.8
State and local incentives	61.4	31.6	5.3	1.8
Other				
Available buildings	57.9	28.1	12.3	1.8
Available land	70.2	22.8	1.8	5.3
Occupancy or construction costs	30.4	57.1	12.5	0.0
Expedited or "fast-track" permitting	49.1	40.4	8.8	1.8
Raw materials availability	31.6	47.4	17.5	3.5
Water availability	24.6	49.1	19.3	7.0
Energy availability and costs	54.4	36.8	7.0	1.8
Environmental regulations	34.0	42.9	17.9	5.3
Proximity to major markets	47.4	50.9	1.8	0.0
Proximity to suppliers	47.4	45.6	5.3	1.8
Proximity to innovation commercialization/R&D centers	10.7	42.9	44.6	1.8
Quality-of-life	17.5	57.9	21.1	3.5

* All figures are percentages and are rounded to the nearest tenth of a percent.

THE HARTFORD REGION:

A HUB FOR ACCESSIBILITY, AFFORDABILITY, AND INNOVATION

There is a reason why Hartford, CT, is known as the "Insurance Capital of the World." Connecticut's capital city is a dynamic hub for insurance and financial services (IFS) and innovation, including advancements in FinTech and InsurTech.

With close to $15 billion output, more than 42,000 jobs, and a 4.86 location quotient, the region is powered by ambition, innovation, and human ingenuity. Connecticut's IFS industry employs more than 100,000 people and the Hartford Region ranks #1 in the United States for insurance employment per capita (Source: EMSI, 2020).

Accessibility

The Hartford Region is easily accessible to many parts of the United States — and beyond. The neighboring cities of Boston and New York City (NYC) are a two-hour drive or commute via public transportation. Hartford and the state of Connecticut are Ranked #1 Metro for Millennial Magnets, #7 for Best Cities for Jobs, and in the Top 10 Business Environment.

Affordable

A JLL Q3 2021 Office Insights Report ranked Hartford #1 for office lease rates with a $21.15 CBD Class A lease rate. For example, in the Hartford Region, a 20,000-square-foot Class A office user can save over $800,000 per year in combined lease costs and state/local taxes over Boston and over $1,200,0000 annually when compared to NYC (Source: Metro-Hartford Alliance – CohnReznick Report, 2022).

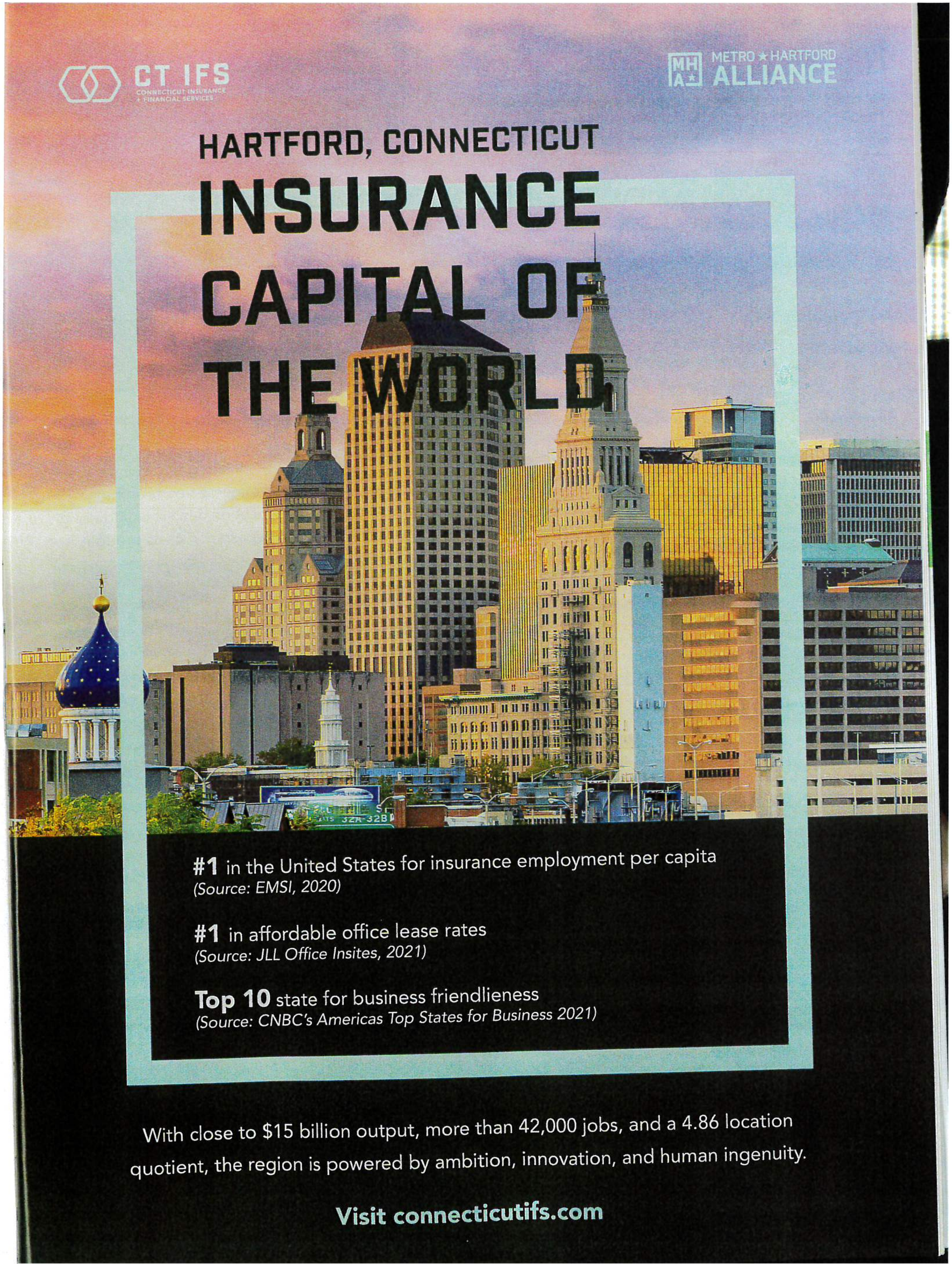
Breakthrough Innovation

From startups to longstanding insurance titans, the Hartford Region is focused on breakthrough innovation and creating digital solutions for the IFS sector. "The Hartford market continues to build on its reputation as a leader of InsurTech excellence," says Alchemy Crew Co-Founder, Chief Executive Officer & Managing Partner Sabine VanderLinden.

Building the Future

The Hartford Region is a thriving gateway to opportunity. Vibrant, innovative, and affordable, it provides access to insurance and technology giants, a skilled workforce, and cutting-edge innovation.

Supplied by Metro Hartford Alliance


CT IFS
CONNECTICUT INSURANCE + FINANCIAL SERVICES
METRO ★ HARTFORD ALLIANCE
HARTFORD, CONNECTICUT
INSURANCE CAPITAL OF THE WORLD
#1 in the United States for insurance employment per capita
(Source: EMSI, 2020)
#1 in affordable office lease rates
(Source: JLL Office Insites, 2021)
Top 10 state for business friendlieness
(Source: CNBC's Americas Top States for Business 2021)
With close to $15 billion output, more than 42,000 jobs, and a 4.86 location quotient, the region is powered by ambition, innovation, and human ingenuity.
Visit connecticutifs.com

18th ANNUAL CONSULTANTS SURVEY

Clients believe the skilled labor shortage will last:

Through 2022	4%
Through 2023	25%
At least five years	39%
This is the new normal	33%

Clients consider diversity, equity and inclusion strategies when assessing new locations:

Yes	65%
No	35%

Importance of sustainability efforts to your clients:

Very important	34%
Somewhat important	64%
Of no importance	2%

Importance of access to renewable sources of energy to your clients:

Very important	23%
Somewhat important	68%
Of no importance	9%

with two other factors for a 10th place ranking.

Tied for fourth place in the rankings with a 93 percent combined importance rating is *available land*. If the responding consultants are working on projects where thousands of people will be employed, it stands to reason that they're looking at large tracts of land for these mega projects (e.g., projects making headlines of late in the EV sector). In response to a related question, 84 percent of the respondents to our Consultants Survey say the availability of a shovel-ready or pre-certified site is very or somewhat important in their clients' site searches. Speed to market is always important to industrial projects so *expedited or fast-track permitting* is ranked #8 by the responding consultants, with an 89.5 percent combined importance rating.

Additionally, the *available buildings* factor maintained its position in the #10 spot (tied), considered "very important" or "important" by 86 percent of those responding to our Consultants Survey. The e-commerce boom, shifting population densities, and rising transportation costs brought about by the pandemic have all contributed to the strong demand for industrial space.[1] In fact, according CBRE, although industrial development was at a record level in the third quarter of 2021, demand for warehouse space still exceeded supply by 41 million square feet.[2] And as occupancy costs rise in response to low supply, the *occupancy and construction costs* factor jumps four positions to the #9 spot in the consultants rankings, with an 87.5 combined importance rating.

Also tied for the #4 spot in the rankings with a 93 percent combined importance rating is *state and local incentives*. This high ranking comes as no surprise since 91 percent of the respondents to our Annual Consultants Survey say they provide incentives negotiation

Access to renewables is somewhat or very important to their clients.

Type(s) of incentives clients consider most important when making a location decision:

Cash grants	86%
Tax incentives (tax credits, exemptions, etc.)	80%
Other financial incentives (bonds, loans, etc.)	20%
Worker training incentives	61%
Other incentives (land, utility-rate subsidies, infrastructure support, etc.)	84%

18th ANNUAL CONSULTANTS SURVEY

Importance of a shovel-ready/pre-certified site in clients' site searches:

Very important	44%
Somewhat important	40%
Of no importance	16%

Clients consider whether there are existing businesses performing similar activities to theirs in the area of search:

Yes	56%
No	44%

Clients consider a location's history of weather/hazards (flooding, tornadoes, wildfires, etc.) in the location decision:

Yes	88%
No	12%

and management to their clients. *Tax exemptions* is tied for the #10 spot with an 86 percent combined importance rating. While 80 percent of the consultants say that tax incentives are among those most important to their clients, 86 percent say cash grants are the most important type of incentive.

Many states saw budget surpluses in 2021, and in order to provide pandemic relief, according to the Tax Foundation,[3] several reduced individual tax rates for 2021 or going into 2022, with five states actually reducing their corporate tax rates. Nonetheless, somewhat surprising is the lower ranking given to the *corporate tax rate* factor, which is only ranked 23rd, considered "very important" or "important" by fewer than two thirds of the responding consultants, down from three quarters in the prior year's survey.

Similar to the Corporate Survey respondents, 91.2 percent of those responding to our 18th Annual Consultants Survey rated *energy availability and costs* as "very important" or "important," resulting in a #7 ranking for this factor. In fact, more than 90 percent of the responding consultants say sustainability efforts as well as access to renewable sources of energy are somewhat or very important to their clients.

Several factors saw wide swings in the responding consultants' importance ratings and rankings over the prior year's survey and vary considerably from the Corporate Survey responses this year. For example, the *labor costs* factor actually dropped from the #1 position in the prior year's consultants' rankings to #13 this year, rated as "very important" or "important" by 85.9 percent of the respondents to our 18th Annual Consultants Survey. The respondents to our 36th Annual Corporate Survey actually rank *labor costs* #1 among the site selection factors.

Similarly, the *low union profile* factor dropped from the #11 spot (tied) in the prior year's consultants' rankings to #21 this year, down 15.8 percentage points to a combined importance rating of only 70.2 percent. The only explanation that seems plausible is that the responding consultants realize rising labor costs and increasing unionization drives — in response to an increasing skilled labor shortage and labor's enhanced bargaining position — while still important now take a backseat to finding available land or buildings in a location that gives a company better access to their markets and suppliers as supply chain challenges persist.

Finally, *water availability* had the largest jump in the consultants' combined importance ratings among the site selection factors — 24.6 percentage points. The responding consultants rank this factor #19 (tied) with a combined importance rating of 73.7 percent. The importance of *water availability* in all phases of the manufacturing process cannot be overstated, directly affecting the location decision, with climate change resulting in some states becoming more parched.

And as the nation experiences more extreme weather — from flooding, tornadoes, and wildfires — 88 percent of the responding consultants say extreme weather is another important consideration in their clients' site selection decision. On this last point, 70 percent of those responding to our Annual Corporate Survey agree.

[1] https://www.areadevelopment.com/portfolio-management/Q1-2021/whats-driving-record-industrial-real-estate-demand.shtml

[2] https://www.wealthmanagement.com/industrial/industrial-tenants-renew-leases-far-advance-raise-warehouse-roofs-and-more-deal-space

[3] https://taxfoundation.org/2021-state-income-tax-cuts/