
Commentary on Area Development's 2010 Corporate Survey

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Published: Feb 25 2011 - 06:00

Overall, 2010 marked another year for a down U.S. economy, and the survey results confirm that as 62% of respondents made no changes to their number of company facilities in 2010. Also a sign of some continued hesitancy to invest capital during a time of recession, 30% of respondents indicated they were deferring any capital spending, and 33% said they have been seeking ways to optimize current facilities. This has also been our experience at Austin this year, as our in-house designers and engineers have worked with many clients to optimize current facility layouts to handle increasing production requirements in the short-term before considering additional new facilities that may be necessary in the future.

That being said, 2010 also provided some glimmers of hope, especially beginning in the second half of the year as our corporate site selection consulting activity significantly picked up. This may be an indication that a growing number of companies are gearing up to make location decisions in the next 6-12 months and be up and running new operations within the next 12-24 months. The survey results confirm this as 38% of respondents expect to open new facilities within one to two years. Forty-eight percent of respondents also agree that they think the economy will improve significantly by 2012, which can also mean an increase in new facility locations to accommodate increasing product demand that typically comes with an improved economy.

As for the 2010 ranking of site selection factors, many of the results making up the "top ten" are expected, but others may also be indicating some new trends. For example, the number one site selection factor shifted from "labor costs" in 2009 to "highway accessibility" in 2010. Although this can be an indicator for transportation costs, "inbound/outbound shipping costs" were also a factor on the list that ranked #8. Instead, "highway accessibility" is most likely signaling the importance of supply chain efficiency in manufacturing and distribution operations today. Time is money and the faster a company can get raw materials in and finished products out to market, the better. In addition, "highway accessibility" may also be an indication of the importance of just having a good site or building that is in a good location within a community, that being very close to a highway.

Also in the top ten this year is “availability of buildings” which has moved up the ranking as compared to last year. This is most likely a result of the down real estate markets across the country and the expectation that there are a lot of available buildings out there that are competitively priced. This has been the case for many of our recent site selection projects, in which clients come to us with the desire to find an existing building in which to locate a new operation. In addition, availability of existing buildings is also becoming increasingly important as companies who waited or deferred capital spending due to the recession, but who experienced continued growing demand for their products, are now at a point in which they need additional production space within the next six to nine months. These time constraints have forced companies to only be able to consider existing buildings (as opposed to Greenfield sites) in order to get up and running as quickly as possible.

Overall, despite some of these newer trends, cost factors are (not surprisingly) still extremely important in site selection. According to the survey results, seven of the top 10 factors are still related to cost – *labor, occupancy or construction, corporate taxes, inbound/outbound shipping, and energy* – or cost avoidance – *tax exemptions and state and local incentives*. Operating costs will continue to drive most site selection decisions, however in order to be successful in business attraction, it is also important for communities to be able to meet the other high ranking non-cost factors.

[Area Development 2010 Corporate Survey Results](#)