



2017 Site Selectors Guild State of Site Selection Trend Survey Report

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www.siteselectorsguild.com

The Site Selectors Guild is the world's largest association of business location experts.

Our combined membership leads corporate location projects valued at more than \$30 billion in annual capital expenditures and thousands of new jobs globally each year. Every member of the guild has been carefully selected and vetted, is at the top of their industry and has 10 or more years of experience.

Site selection consultants are called upon for approximately one third of corporate location searches for new manufacturing, distribution or major office operations. These consultants help develop decision frameworks, research, analysis and recommendations on location choices that best meet each company's objectives.

In 2017, Guild members participated in the organization's third annual survey of global trends and predictions for the site selection industry. With members in the US, Europe and Asia, the survey addresses pressing issues and trends in today's global economy that affect location decisions and reflect the overall business climate. The report below summarizes the Guild's 2017 survey findings and identifies corporate expansion trends and forecasts for the near future.

Three-Year Trend Summary

Guild member predictions have remained relatively steady over the last three years, with some minor adjustments to changing trends. Despite 2017's increased political uncertainty, U.S. investment has steadily increased due to energy cost advantages, confidence in the economy, market access, technological advantages, and rising protectionism.

Two significant investment drivers are e-commerce and big data centers, driven by rising consumer demand in the e-commerce sector over the past three years. These projects were met with massive expansions in 2016, a trend that has continued into 2017 and is expected to continue to grow.

Chinese companies have become more active in investing in new U.S. manufacturing plants. India is also rising both as an investor in the U.S. and as a multi-functional location for investment, moving beyond its reputation as a hot spot for back office and IT operations. SSG consultants now rank it above China and Mexico as a top manufacturing location of interest outside the U.S.

Automotive-related and food/beverage industries have consistently appeared in the top sectors for new domestic location investment. The consumer products industry was also cited as a significant growth sector.

Guild members remain bullish on domestic location investment projects from both U.S. and international companies, with India rising as one of the largest investors in the US.

Site selection criteria remained relatively consistent, with some factors such as transportation infrastructure, labor skill availability, renewable energy sources, and natural hazard risk minimization becoming increasingly important. Strategic location considerations are also being impacted by changes in tax and immigrations policies worldwide.

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The continued health of the U.S. economy coupled with pent-up demand and access to low cost capital was another commonly cited rationale for an increase in domestic manufacturing processes.

Investment Project and Sector Growth

There is overwhelming consensus among Guild members that manufacturing will see national and global growth over the next year and a half. Eighty-five percent of Guild members believe that the number of corporate location projects from U.S. companies in the manufacturing sector will increase over the next 18 months.

Many Guild members believe that changes in tax and trade policy from the new U.S. administration – some of which were included in recently passed legislation in late 2017— will drive an increase in domestic manufacturing. The continued health of the U.S. economy coupled with pent-up demand and access to low-cost capital was another commonly cited rationale for an increase in domestic manufacturing processes.

Warehouse and distribution projects are also predicted to increase over the next three years, with 62 percent of Guild members indicating they advised a warehouse/distribution project in the U.S. in the past 18 months. Of these members, 92 percent predict an increase in these types of projects over the next three years. The primary factor for this anticipated growth is e-commerce and the increasing need for these spaces to compete.

Anticipated Manufacturing Industry Growth

% of Guild Members Who Predict Industry Sector is in the Top Three Industries with the Most Growth Potential in Near Term

- ① Automotive assembly and supplies: 61%
- ② Food and beverage: 55%
- ③ Fossil fuel based products: 48%
- ④ Consumer products: 36%
- ⑤ Biotech: 30%
- ⑥ Specialty chemicals: 30%
- ⑦ Defense: 28%
- ⑧ Commercial aircraft/aerospace: 22%

Current Events Impacting the Site Selection Industry

The majority of Guild members believe changing U.S. trade policies, including withdrawing from the Trans-Pacific Partnership (TTP) and the possible withdrawal from the North American Free Trade Agreement (NAFTA), will significantly impact domestic site selection projects.

Changes in the domestic and international political landscape will significantly impact corporate site location projects.

Seventy-five percent of members predict withdrawing from TTP will push companies to produce products locally in Asian markets instead of producing and exporting them from the U.S., while other businesses will move operations to the U.S. instead of importing goods from Asia. The overwhelming majority of members also believe withdrawing from NAFTA would make products less competitive globally and more expensive for U.S. customers because supply chains extending from Mexico to Canada will increase tariffs.

Changes in the domestic and international political landscapes will also significantly impact corporate site location projects. Seventy-five percent of Guild members believe that Brexit will encourage companies to reconsider UK sites and opt for other European countries with access to the EU market.

Ninety percent of Guild members believe U.S. immigration restrictions will affect some corporate site location projects, particularly tech firms who largely require access to international talent and manual labor manufacturing industries who may also rely on legal immigrant labor.

Labor skill shortages worldwide represent a prominent challenge for companies seeking to expand or establish new facilities. This challenge cuts across the industry spectrum and Guild members believe it will continue to be a top location factor for all industries.

Seventy-six percent of Guild members believe U.S. site selection projects will increase over the next three years as a result of foreign direct investment.

Domestic Project Predictions

Guild members are optimistic about the future of U.S. domestic site selection projects with 76 percent of members predicting they will increase as a result of foreign direct investment. Other reasons for the increase include the rising cost of transportation to import products to the U.S., a narrowing wage gap relative to China, and improvements in technology and productivity. While current key factors are clear, 49 percent of Guild members predict they will change over the next three years.

Members also predict an increase in data center and research and development projects. Migration to cloud computing and movement from co-location facilities into larger facilities have caused 89 percent of Guild members to believe that data center projects will increase over the next three years.

US Competitive Strengths: Data Centers

% of Guild Members Who Indicate Factor is One of Top Three Reasons for Data Center Facility Growth in the US

- ① Energy costs: 89%
- ② Quality infrastructure: 78%
- ③ Access to Customers/Markets: 33%
- ④ Intellectual property/legal protection: 22%
- ⑤ Low business risk: 21%
- ⑥ Regulatory environment: 21%
- ⑦ Tax climate: 21%
- ⑧ State and local incentives: 11%

Headquarters relocation projects are predicted to decrease or remain steady over the next three years. Despite all the publicity around Amazon HQ2 in 2017, headquarters relocations are typically rare. The majority of Guild members believe the current state of political uncertainty is unlikely to increase the total number of headquarters relocation projects.

Shared service center and distribution projects also show significant promise with 67 percent of Guild members predicting shared service center projects will increase.

International Project Predictions

All Guild members who worked a data center project outside the U.S. in the past 18 months believe that similar projects will see global growth over the next three years. The trend is driven by strong, global market demand with key location factors including energy costs and quality infrastructure. These key factors are expected to remain steady for the next three years.

Shared service center and distribution projects also show significant promise with 67 percent of Guild members predicting shared service center projects will increase. The continued need for operational improvements and lower talent costs are major factors driving growth. Other key factors are availability of technical talent, labor costs and total operating costs. However, almost half of Guild members expect this list to change over the next three years.

Top International Manufacturing Locations

% of Guild Members Who Indicate Country is in Top Three for Manufacturing Investment outside the US

- 1 India: 80%
- 2 China: 66%
- 3 Mexico: 34%
- 4 Malaysia: 30%
- 5 Singapore: 25%
- 6 Vietnam: 25%
- 7 Thailand: 20%
- 8 Canada: 15%

Eighty percent of Guild members think international headquarters projects will remain the same or decrease while 72 percent expect distribution projects to increase in the next three years because of e-commerce activities.

Top 10 Predictions from the SSG Survey

In 2017, the Site Selectors Guild conducted its third annual survey of SSG members — the most elite and experienced site selection professionals in the US, Europe and Asia — on trends occurring within the site selection industry. The corporate expansion trends and forecasts below represent the highlights of the 2017 Site Selectors Guild member survey findings.

76%

predict the decision to not participate in the Trans-Pacific Partnership will impact corporate site selection projects in the US

90%

predict that an increase in restrictions on immigration will impact projects considering the US

85% 

predict that the number of manufacturing projects in the US will increase²

76% 

predict Foreign Direct Investment manufacturing projects will increase²

93%

predict that pulling out of NAFTA will impact domestic corporate location projects

89% 

predict new data center projects will increase

58%

predict there will be no increase in the number of headquarter relocation projects in the US

52%

believe that the most important factors driving international location decisions will change over the next 3 years

Primary Location Factors for International Distribution Projects

- 1 Market Access/Logistics
- 2 Favorable Operating Costs
- 3 Quality Infrastructure
- 4 Available Real Estate

Primary Drivers of International Headquarters Projects

- 1 Availability of Skills and Technical Talent
- 2 Market Access
- 3 Living Conditions
- 4 Regulatory Environment
- 5 Tax Climate

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¹ of Guild members who worked a domestic manufacturing project in the last 18 months ² of Guild members who work manufacturing projects

³ of Guild members who worked a data center project in the US in the past 18 months ⁴ of Guild members who worked a headquarter relocation project in the past 18 months

⁵ of Guild members who have worked projects outside of the US