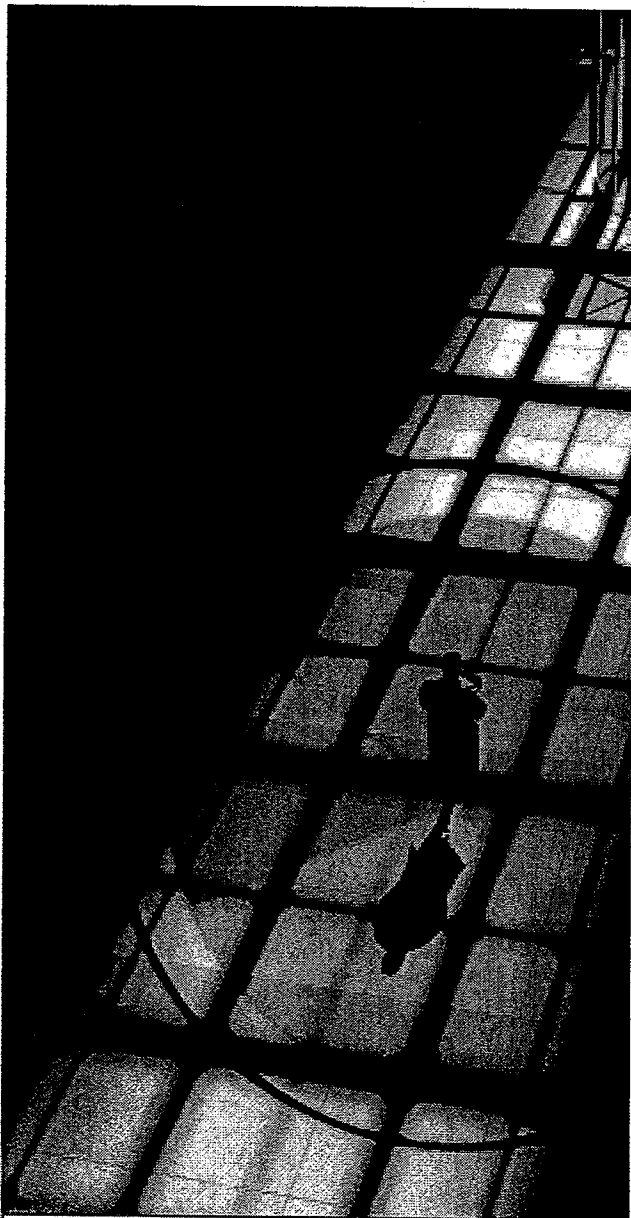
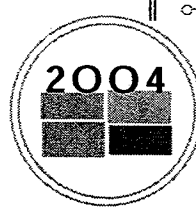


19th

Annual Corporate Survey



By GERALDINE GAMBALE, EDITOR

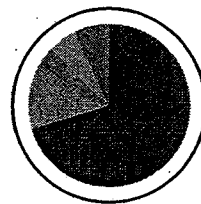
What's Up?

A surge in new facility, relocation, and expansion activity is reflected in our 2004 survey results. Companies are on the move.

Over the course of 2004, economic growth has been uneven — with the GDP growing at a 4.5 percent annual rate during the first quarter, then dipping to a 3.3 percent annual rate over the second quarter, and finally edging up to a 3.9 percent annual rate of growth for the

Figure 1

Current operations of respondent companies:

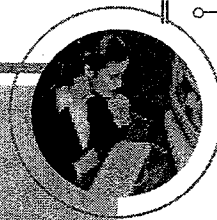


- Manufacturing — 74%
- Warehousing/Distribution — 10%
- Financial Services — 1%
- Information Technology — 3%
- Professional Services — 6%
- Other — 7%

third quarter. However, the operative word here is growth — and most businesses appeared confident that this growth would continue, even before the re-election of President Bush, the apparent pro-business candidate.

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According to NAM's new president, John Engler, **manufacturers' bullish outlook** is based on continued strong sales.



In fact, the latest NAM/*Fortune* Manufacturing Index (appearing in *Fortune* magazine's November 1 Industrial Management and Technology Edition) implies that manufacturers are optimistic about the near-term economic outlook. Among the 336 NAM (National Association of Manufacturers) members surveyed in late September, 87 percent of those at very large companies (with at least 1,000 employees) and 85 percent of those at smaller firms feel either very or somewhat positive about their business outlook. According to NAM's new president, John Engler, manufacturers' bullish outlook is based on continued strong sales. Importantly, more than half of the NAM/*Fortune* survey respondents expect to increase their capital spending over the coming year — the largest percentage of firms

expecting to do so since the fourth quarter of 1997.

How do these responses compare with those given to *Area Development's* 19th Annual Corporate Survey by our executive readers? Let's take a look at who these readers are and their priorities and plans for the year(s) ahead.

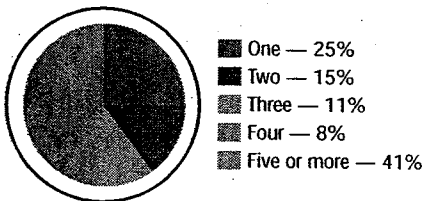
Survey Respondents' and Their Current Operations

Nearly three quarters of the 122 individuals responding to this year's Corporate Survey are with manufacturing companies; another 10 percent represent distribution/warehousing operations (Figure 1). Two fifths of these firms operate five or more domestic facilities. Of the 45 percent of respondents who operate foreign facil-

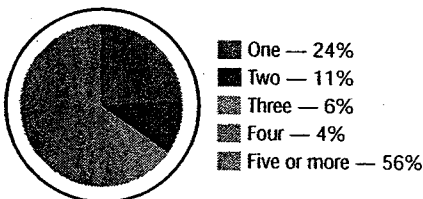
Figure 2

Number of facilities currently operated worldwide:

Domestic



Foreign*



* Of the 45% of respondents who operate foreign facilities

Figure 3

Number of people employed (all facilities):

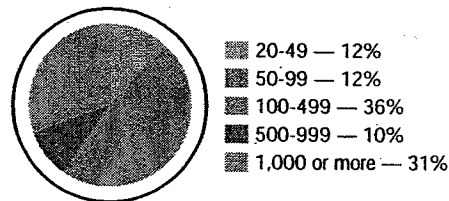
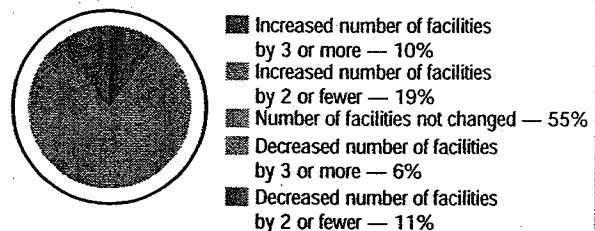


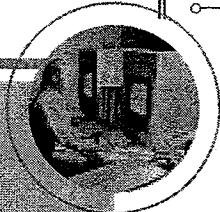
Figure 4

Change in the number of facilities during the past 12 months:



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Over the course of the past 12 months, 29 percent of the survey respondents **increased their number of facilities**, and 17 percent decreased their number of facilities.

Figure 5

Primary reasons for increasing number of facilities:

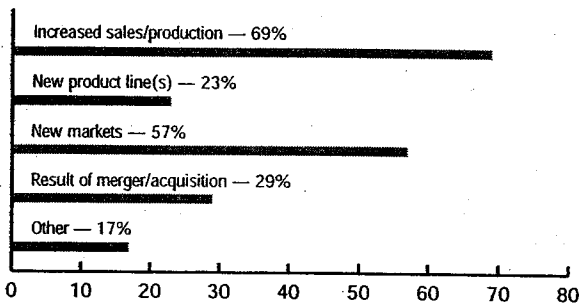


Figure 6

Primary reasons for decreasing number of facilities:

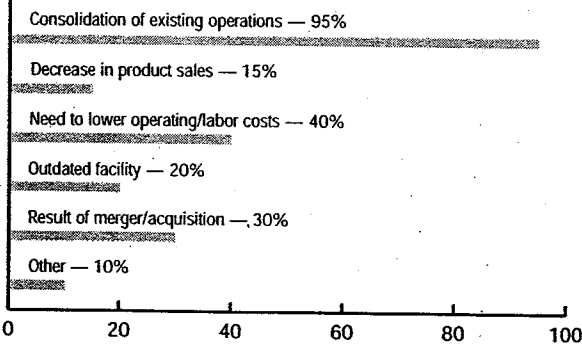


Figure 7

Respondent's roles in his/her company's location decision:

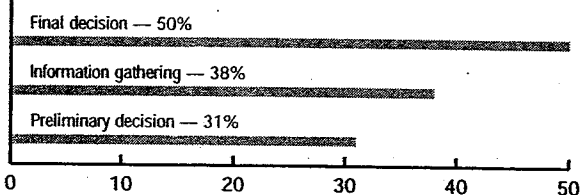
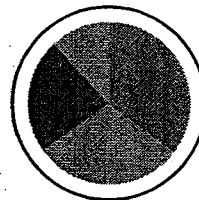


Figure 8

Respondent's title:



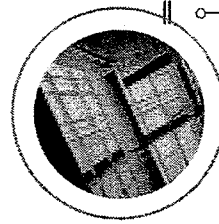
- Chairman, President, Partner, CEO, or Owner — 35%
- V.P., Treasurer, Secretary, or Other Corporate Officer — 30%
- RealEstate Mgr./Dir.; Facility Mgr./Dir.; Development Mgr./Dir.; V.P. Real Estate — 23%
- Corporate Manager — 12%

ities, more than half have five or more (Figure 2). More than a third of the respondent firms are mid-size in terms of employment (100–499 workers), and nearly another third are very large, with 1,000 or more employees (Figure 3).

Over the course of the past 12 months, 29 percent of the survey respondents increased their number of facilities, as compared with only 16 percent of last year's survey respondents reporting a year-over-year increase in their number of facilities. The percentage of those decreasing their number of facilities remained stable at 17 percent (Figure 4). More than two thirds of those increasing their number of facilities did so to support increased sales/production needs. Additionally, more than half were trying to reach new markets (Figure 5). Nearly all (95 percent) of those reporting a decrease in their number of facilities cited a consolidation of existing operations as the cause, and 40 percent needed to lower operating/labor costs (Figure 6).

How involved in their companies' location decisions are this year's respondents? Half said they are responsible for their firms' final site decisions (Figure 7). And more than a third describe themselves as company owners, chairs, presidents, or other top-level executives.

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analysis of the corporate survey

BY LYNN M. BRUCE,
CHAIRPERSON, BUSINESS
FACILITY PLANNING
CONSULTANTS, LLC (BFPC)

The changes evident in Area Development's survey represent a very refreshing and healthy trend toward better understanding of key basic site selection issues by corporate executives.

Among the top factors (those that ranked over 80 percent in both 2003 and 2004), one of the biggest changes was a 6.7 percentage point increase in the importance of *labor costs* and its current position as the number-one concern. This is as it should be. Realistically, *labor costs* almost always are among the largest geographically variable expenses. This is especially so for manufacturing firms, which make up the majority of Area Development's respondents. It is good that executives are aware of this fundamental fact and are not distracted by other issues.

The respondents' greater awareness of *labor costs* is

substantiated by large increases in the rankings of related factors such as the presence of a state *right-to-work* law. This is a topic that can be argued at length, but on the whole there is a positive correlation between the presence of such laws and a favorable overall state labor climate. This includes competitive costs for staffing business and industrial facilities, balanced state laws and policies affecting labor issues, and other characteristics. In any case, most observers believe that having such a law is symbolic of a state's pro-business attitude. For example, Oklahoma, the most recent state to pass a *right-to-work* law, appears to be doing especially well right now.

It is pleasant to see that *state and local incentives* declined in importance by over five percentage points. Executives recognize that incentives should not be the primary driver for site selection decisions. Incentives are not going to go away, and it is indeed fair that a company

making a major new investment share in some of the economic benefits generated by that outlay. However, incentives are not the fundamental determinant of the right location. They cannot overcome a fundamental mismatch between a company's needs and the characteristics of a state and community, they can only be a marginal improvement to an already sound locational fit.

The five-point increase in the importance assigned to *energy availability and costs* probably reflects executives' concern about some dramatic changes in costs in some parts of the United States. This is a very legitimate worry. Locations that offer stability in energy costs may have a competitive advantage.

The large 7.8-point jump in importance of *environmental regulations* does not, to my knowledge, represent the imposition of any drastic new laws or policies. A problem we at BFPC have seen, however, is longer times for review and approval of some new applications for environ-

mental permits for new industrial activities. It appears that some states with revenue problems have reduced staff in this area. Such cutbacks may not have the same political impact on constituencies as, say, reductions in teachers or police officers, but they can hurt prospects for new economic activity.

Although it ranks relatively low in both the 2003 and 2004 Area Development surveys, the biggest overall jump was in the importance of *raw materials availability*, 9.1 percentage points. Some raw materials, including metals and chemicals, have become hard to get. Suppliers for many commodity types of raw materials have sent production capacity overseas, which is not surprising since their products are sold primarily on the basis of low cost. However, the recent shortages and delayed delivery times may be a wake-up call.

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Site Selection Factors

	Very Important %	Important %	Minor Consideration %	Of No Importance %
Labor				
Availability of skilled labor	48.2	40.9	6.4	4.5
Availability of unskilled labor	17.9	41.5	25.5	15.1
Training programs	15.2	35.2	40.0	9.5
Labor costs	58.6	37.8	1.8	1.8
Low union profile	53.8	21.7	14.2	10.4
Right-to-work state	42.6	26.9	20.4	10.2
Transportation/Telecommunications				
Highway accessibility	56.6	33.6	7.1	2.7
Railroad service	13.0	13.9	31.5	41.7
Accessibility to major airport	17.3	36.5	34.6	11.5
Waterway or oceanport accessibility	9.2	11.9	28.4	50.5
Availability of telecommunications services	44.9	37.4	12.1	5.6
Availability of high-speed internet access	47.7	33.0	14.7	4.6
Finance				
Availability of long-term financing	25.2	37.8	18.9	18.0
Corporate tax rate	49.5	34.9	10.1	5.5
Tax exemptions	44.1	39.2	15.9	0.9
State and local incentives	42.3	45.2	10.6	1.9
Other				
Proximity to major markets	42.5	30.2	21.7	5.7
Cost of land	33.6	43.0	20.6	2.8
Availability of land	30.1	45.6	20.4	3.9
Occupancy or construction costs	29.8	53.8	15.4	1.0
Raw materials availability	22.0	42.9	25.7	9.5
Energy availability and costs	39.6	46.2	11.3	2.8
Environmental regulations	31.2	49.5	13.8	5.5
Proximity to suppliers	24.8	37.6	28.7	8.9
Proximity to technical university	9.0	23.4	34.2	33.3

Quality-of-life factors

Climate	13.1	37.4	44.9	4.7
Housing availability	14.8	51.0	30.6	3.7
Housing costs	16.0	49.5	29.9	5.6
Health facilities	13.5	58.7	23.1	4.8
Ratings of public schools	21.0	45.7	28.6	4.8
Cultural opportunities	10.6	41.3	40.4	7.7
Recreational opportunities	10.5	40.0	41.9	7.6
Colleges and universities in area	13.3	44.8	31.4	10.5
Low crime rate	26.4	53.8	17.9	1.9

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Figure 10

Combined Ratings* of 2004 Factors Site Selection Factors

Ranking		2003	2004
1	Labor costs	89.7	96.4
2	Highway accessibility	88.9	90.2
3	Availability of skilled labor	89.0	89.1
4	State and local incentives	92.7	87.5
5	Energy availability and costs	80.8	85.8
6	Corporate tax rate	85.1	84.4
7	Occupancy or construction costs	86.3	83.6
8	Tax exemptions	86.2	83.3
9	Availability of telecommunications services	77.9	82.3
10	Environmental regulations	72.9	80.7
10I	Availability of high-speed Internet access	N/A	80.7
11	Cost of land	77.3	76.6
12	Availability of land	78.1	75.7
13	Low union profile	71.6	75.5
14	Proximity to major markets	80.0	72.7
15	Right-to-work state	60.8	69.5
16	Raw materials availability	55.8	64.9
17	Availability of long-term financing	57.5	63.0
18	Proximity to suppliers	58.5	62.4
19	Availability of unskilled labor	55.8	59.4
20	Accessibility to major airport	53.1	53.8
21	Training programs	47.3	50.4
22	Proximity to technical university	34.0	32.4
23	Railroad service	27.9	26.9
24	Waterway or oceanport accessibility	18.5	21.1

Combined Ratings* of 2004 Factors Quality-of-Life Factors

Ranking		2003	2004
1	Low crime rate	69.8	80.2
2	Health facilities	64.2	72.2
3	Ratings of public schools	57.3	66.7
4	Housing availability	59.0	65.8
5	Housing costs	56.3	64.5
6	Colleges and universities in area	49.0	58.1
7	Cultural opportunities	46.3	51.9
8	Climate	49.5	50.5
8I	Recreational opportunities	47.9	50.5

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

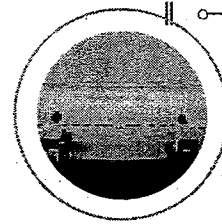
Another 30 percent are corporate officers (Figure 8). In other words, we can rest assured that those responding to our survey are high-level decision-makers.

Respondents' Priorities

Next we asked our survey-takers about their priorities when making site selection decisions. We asked them to rate the site selection factors as either "very important," "important," "minor consideration," or "of no importance." We then added the "very important" and "important" ratings in order to rank the factors in order of importance (figures 9 and 10).

Whereas in 2003, *state and local incentives* was ranked as the number-one factor for the first time in our survey's history, this year the rankings are more in line with our traditional findings; i.e., *labor costs* and *highway accessibility* rank as the top-two site selection factors, and in that order. More than 96 percent of the survey respondents rated *labor costs* as "very important" or "important," compared with 89.7 percent last year. More than 90 percent gave similar ratings to *highway accessibility*, as compared with 88.9 percent last year.

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Additionally, when asked to separately rank cost factors in order of importance to their location decisions, the 2004 survey respondents rated labor and transportation costs as first and second in importance, respectively (Figure 14).

The third-ranked factor was the same this year as last — *availability of skilled labor*, which received an 89.1 percent rating in this year's survey. And, *availability of unskilled labor* held the number 19 spot in the rankings,

although the percentage of respondents giving it a "very important" or "important" rating jumped from 55.8 percent in 2003 to 59.4 percent this year.

The *state and local incentives* factor dropped to fourth place this year, receiving an 87.5 percent rating, as compared with a 92.7 percent rating last year. The 2004 survey respondents apparently feel that incentives, although very important, only come into play after more significant location criteria have been satisfied. Never-

Figure 11

Types of incentives considered most important when making a location decision:

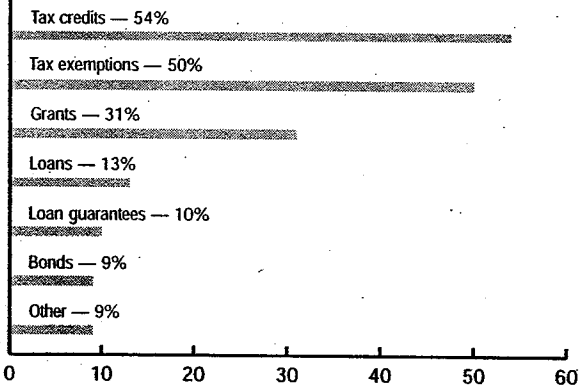


Figure 12

Are available buildings at locations under consideration a factor in the location decision?

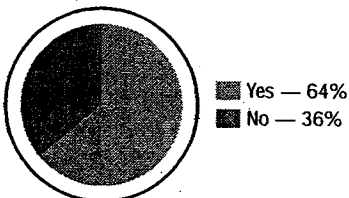


Figure 13

Importance of an available building when choosing a location:

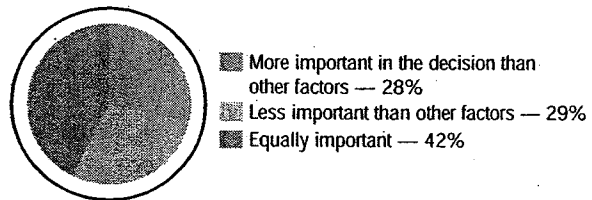
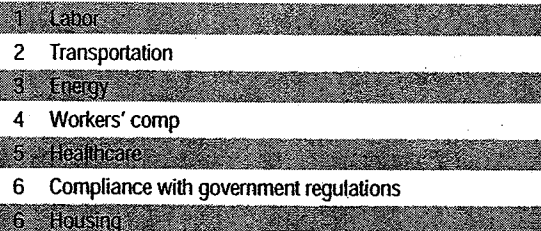


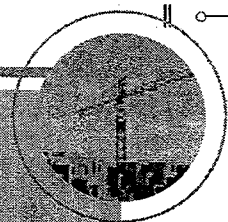
Figure 14

Ranking of costs in descending order of importance to the location decision:



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One site selection factor deserves special mention because it showed the **biggest gain in the ratings** (excluding quality-of-life factors): raw materials availability.

theless, *corporate tax rate* and *tax exemptions* still ranked among the top-10 factors, sixth and eighth, respectively. Additionally, when asked which incentives are most important, half of the survey respondents cited "tax credits" and "tax exemptions" (Figure 11).

With the rising cost of fuel, it's no surprise that *energy availability and costs* jumped from number eight in the rankings last year (with an 80.8 percent rating) to the number-five position this year (with an 85.8 percent rating). Executives, especially those in energy-intensive industries, are justifiably concerned about these costs.

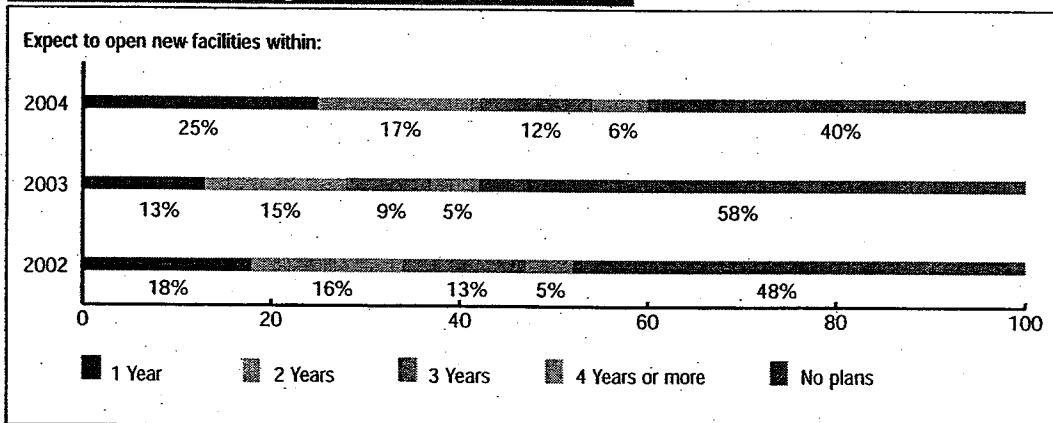
Environmental regulations moved up in the rankings as well, from thirteenth place in 2003 (receiving a 72.9 percent rating) to tenth place this year, being rated as "very important" or "important" by 80.7 percent of the 2004 survey respondents. Increased demands for environmental reform during the period leading up to the presidential election (which is when our survey was conducted) may have led to the increased concern among corporate executives that is reflected in our 2004 survey.

Conversely, *occupancy or construction costs* dropped from fifth place in last year's rankings (when it received an 86.3 percent rating) to seventh place this year, receiving an 83.6 percent rating. There is only a slight difference in terms of the percentage numbers, but it perhaps reflects the fact that construction costs have remained level on a nationwide basis due to an even level of activity.

Nevertheless, nearly two thirds of the 2004 survey respondents said that available buildings at locations under consideration were a factor in their location decision. In fact, more than a quarter think an available building is more important than other factors, and 42 percent think it's equally important (figures 12 and 13).

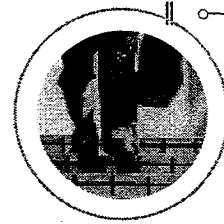
Rounding out our top-10 site selection factors are *availability of telecommunications services* and *availability of high-speed Internet access*. *Availability of telecommunications services* received an 82.3 percent rating this year, moving up from eleventh to ninth place in the rankings. For the past several years, we've asked

Figure 15



corporate survey

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our survey-takers to rate "availability of broadband telecom services." Last year only 67.4 percent of the respondents gave that factor a "very important" or "important" rating. This year, however, we changed the factor to *availability of high-speed Internet access*. Now, more

than 80 percent of the respondents rated it as "very important" or "important," placing it among the top-10 site selection factors.

Among the other site selection factors, one in particular worth noting is *right-to-work state*. The rating of this

analysis of the corporate survey

By DON SCHJELDAHL, VICE PRESIDENT AND DIRECTOR, FACILITIES LOCATION GROUP, THE AUSTIN COMPANY

Area Development's Corporate Survey allows me to benchmark Austin's location consulting business. The mix of respondents in the 2004 Corporate Survey (74 percent manufacturing, 10 percent distribution, 75 percent operating multiple facilities) mirrors the mix of Austin's location strategy consulting projects, and therefore provides insights into the future of our business.

In this year's survey there is confirmation of recent trends in Austin's location selection projects. We see companies implementing a wider range of location strategies including expansion of existing facilities, development of new facilities, consolidation of operations, and outsourcing. Projects today are often an amalgam that involves some aspect of all these strategy alternatives

The Corporate Survey supports this amalgam thesis, though the message is partially hidden in the survey results.

The survey notes that 29 percent of respondents increased their number of facilities in the past 12 months (10 percent by three or more facilities and 19 percent by two or fewer), while 17 percent decreased their number of facilities (6 percent by three or more facilities and 11 percent by two or fewer). Reasons cited for increasing the number of facilities (increased sales, 69 percent; new markets, 57 percent) and for the decline in the number of facilities (consolidation of operations, 95 percent; need to lower operating costs, 40 percent) are not mutually exclusive.

We see companies in a rapid growth mode, for example, that consolidate operations in order to gain efficiencies systemwide. There have been recent trends among some aerospace and automotive

parts suppliers to outsource routine tasks and consolidate core competencies in larger, more specialized facilities.

Conversely, there are companies, threatened with loss of business, that are forced to increase their number of facilities in order to meet more demanding service expectations. This is particularly true for suppliers of consumer goods and food products to mass-market retailers such as Wal-Mart, Target, and Walgreen's. These customers demand shorter order cycles to reduce on-hand inventories, more product customization for seasonal promotion and brand differentiation, and performance-based delivery.

What must state and community economic development organizations do in order to meet the needs of varied and complex corporate location strategies? The survey provides insights here as well. Successful communities will provide good *highway accessibility*

(which achieved more than a 90 percent rating in importance), *available skilled labor* (89.1 percent rating), and *energy availability* at a reasonable cost (85.8 percent rating).

Growing in importance is a community's ability to offer high-quality workers at a reasonable cost. Changes from the 2003 to 2004 survey include the *ratings of public schools* (which went from a 57.3 percent to a 66.7 percent rating), presence of *colleges and universities in area* (49.0 percent to 58.1 percent); and *labor costs* (89.7 percent to 96.4 percent).

Once the right combination of location factors has been established, the final decision is often bottom-line driven. Despite the slight decline in the importance of *state and local incentives* (a 92.7 percent rating in 2003 to 87.5 percent in 2004), incentives remain a significant factor in location decisions.

factor increased 8.7 percentage points over last year, considered as "very important" or "important" by 69.5 percent of the 2004 survey respondents. Currently before Congress is HR 391, or the National Right-to-Work act. This bill has brought this issue to the forefront once more. Historically, businesses prefer right-to-work locations because they help keep unions from forcing employees to join and thereby taking control of the shop. In fact, it has been noted that all of the new auto plants built by foreign manufacturers in the United States in the last 10 years were built in right-to-work states.

One other factor deserves special mention because it showed the biggest gain in the ratings (excluding quality-of-life factors). *Raw materials availability* was rated as "very important" or "important" by 64.9 of this year's survey respondents, an increase of 9.1 percentage points over 2003, moving it up three spots in the rankings to number 16. The 2004 survey respondents are perhaps expressing their concern about a shortage of raw materials caused by China's insatiable appetite for these goods as it experiences a tremendous economic boom. The Chinese are building roads and dams, factory buildings and offices, and homes as well, causing other parts of the world, including the United States, to experience shortages of commodities like steel and cement. This could have a huge impact on U.S. manufacturers' costs.

If quality-of-life factors were included among the others, it should be noted that none of these received a high enough rating to place it among the top 10. Taken separately, however, the rankings among the quality-of-life factors did remain historically consistent, with *low crime rate* holding the number-one spot. It is significant, though, that the "very important" and "important" ratings for all of the quality-of-life factors went up across the board. In fact, the *low crime rate* factor increased in importance by 10.4 percentage points — the largest percent change in the survey overall.

According to the Justice Department, from 2002 to 2003 there was a 14 percent drop in violent crime

Figure 16

Of those with plans, number of new facilities to be opened with the next five years:

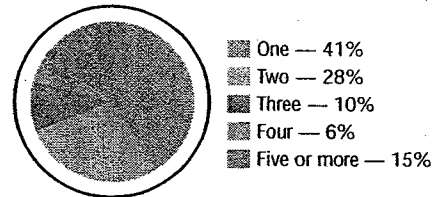


Figure 17

Location of new domestic facilities (as a percentage of total projects):

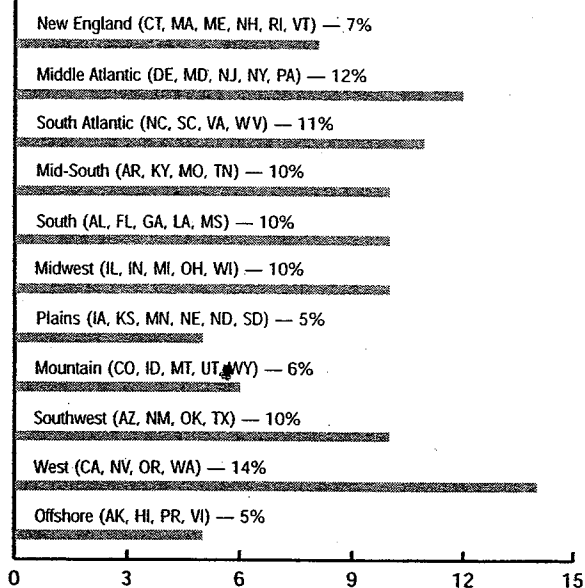
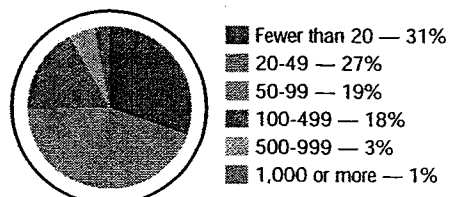


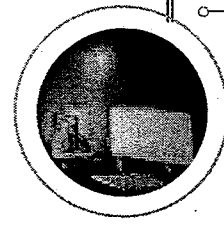
Figure 18

Number of new jobs to be created at new domestic facilities:



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(which includes murder, rape, and aggravated assault), with a similar decline over the year earlier period. However, one of those figures, the murder rate, did in fact increase by 1.7 percent from 2002 to 2003, according to FBI reports. Moreover, overall crime rates, which include property crimes, have gone up slightly over the last two years as well. And the vast majority of crime is property crime — 88 percent of all crimes tracked. These latest figures could indeed account for our survey respondents' increased concern about crime.

Another quality-of-life factor that grew in importance is *health facilities*. This year, it was rated as "very important" or "important" by 72.2 percent of the respondents, as compared with only 64.2 percent giving it similar ratings in 2003. As the population ages, we will undoubtedly see rising concern about healthcare and its facilities.

Respondents' Plans

Now that we know what's important to our readers, let's look at their facility plans for the coming year and

analysis of the corporate survey

By DEAN J. UMINSKI, GROWE
CHIZEK AND COMPANY LLC

As we wind down the year the signs are becoming stronger that the economic recovery is evolving into an economic expansion. Many businesses that had been sitting on their wallets awaiting the election results are now ready to spend built up cash reserves on plant expansions and new machinery and equipment.

I have noticed a healthy increase in inquiries for site selection leads from manufacturing and wholesaling/distribution companies over the past six months. The majority of the wholesale/distribution leads are for the mega-size facilities intended to replace

outdated multiple smaller locations to capitalize on new technology, purchase discounts, and proximity to ports, major interstates, and intermodal operations. Many states have begun aggressive marketing campaigns to attract the larger warehousing projects and are now offering more incentive options, including discounts on land prices and customized training programs.

The Corporate Survey results for 2004 are strong indicators that support the increased leads, in that *labor costs* and *highway accessibility* are at the top of the rankings. *Labor costs* continue to be an area of concern for U.S. companies that need to compete in the global marketplace as lower wage rates in Latin

America, Asia, and India continue to attract jobs in both our manufacturing and service sectors.

While *state and local incentives* dropped from the number-one spot last year to fourth this year, it is still an important factor for most companies. Incentives can often help reduce the initial investment and provide a positive return that company executives look for in making new capital investment decisions. In the past, incentives were never a deal breaker, but that trend is reversing for the larger projects that tend to create significant new jobs and have larger capital investments. There are numerous job creation/development credit incentive programs that can run for up to 20

years and help offset some of the higher labor costs of keeping jobs in the United States.

I see an interesting trend. In order for businesses to remain competitive they are asking states for more assistance with their work force training needs, and the states are stepping up to the plate to accommodate those requests. As the U.S. work force continues to shift to a service-based economy, many states are revamping their incentive programs to attract service-related projects. While the capital investments for the service projects tend to be lower, they oftentimes create significant new jobs with higher wages than the traditional manufacturing jobs.

19th annual corporate survey

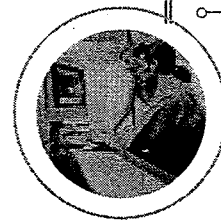


Figure 19

Estimated company investment in new domestic facilities:

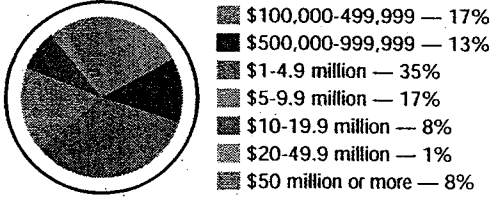
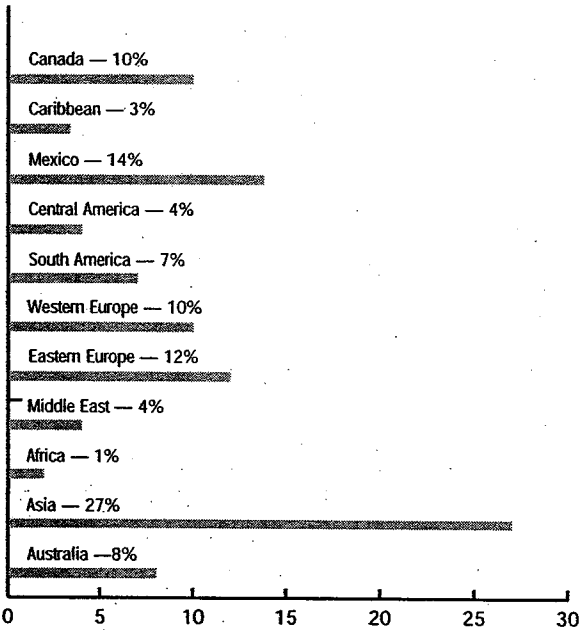


Figure 20

Location of new foreign facilities (as a percentage of total projects):



beyond.

Only 40 percent of this year's survey respondents have no plans for new facilities — down from a high of 58 percent last year. And, importantly, 42 percent of our 2004 survey-takers expect to open new facilities within the next two years (Figure 15). This is a big improvement from last year, when only 28 percent of the respondents said they had new facility plans for the two-year timeframe. Of those with plans this year, 41 per-

cent expect to open just one new facility, but more than a quarter have plans for two, and 15 percent are planning five or more new facilities (Figure 16).

There has been a slight shift in the planned domestic locations of the new projects (Figure 17). The Midwest (Illinois, Indiana, Michigan, Ohio, and Wisconsin) has historically received a good portion of the new facilities. However, this year's survey respondents have only slated 10 percent of their new facilities for the Midwest. The Mid-South (Arkansas, Kentucky, Missouri, and Tennessee) and the South (Alabama, Florida, Georgia, Louisiana, and Mississippi) will also receive 10 percent each of the new facilities, as will the Southwest states of Arizona, New Mexico, Oklahoma, and Texas. As in last year's survey, the West (California, Nevada, Oregon, and Washington) takes the lead and is expected to receive 14 percent of the 2004 survey respondents' new domestic facilities.

The shift in new facilities is apparently going to the South Atlantic and Middle Atlantic states. North Carolina, South Carolina, Virginia, and West Virginia will receive 11 percent of the new projects planned by the survey-takers, as opposed to only 8 percent of those slated by last year's respondents. And Delaware, Maryland, New Jersey, New York, and Pennsylvania are expected to receive 12 percent of the new facilities, a 4 percent jump over last year's figure.

This year we also asked our survey-takers how many new jobs would be created at the planned domestic facilities and what the estimated company investment would be. According to their responses, more than half of the projects will create fewer than 50 jobs, and only about a fifth will be in the mid-size range in terms of employment, creating 100 to 999 jobs (Figure 18).

The investment numbers for new domestic facilities, however, reveal a different picture. Nearly a third of the 2004 survey respondents expect to invest under \$1 million in new domestic facilities, but 35 percent will spend between \$1 million and \$4.9 million, and another quarter will invest between \$5 million and \$19.9 million (Figure 19).

When it comes to new foreign facilities, the numbers have also shifted (Figure 20). The 2004 survey respondents are planning more projects for Canada and Mexico and fewer for Asia and Western Europe. Asia will receive 27 percent of the new foreign facilities as reported by this year's respondents (as compared with a whopping 44 percent reported last year). However, Australia will garner more new facilities — 8 percent of those reported this year, as compared with 2 percent last year.

Ten percent of the new projects are slated for Canada (up from 7 percent reported last year), and Mexico will receive 14 percent of the new facilities, up from 10 percent last year. A big decline is seen in projects going to Western Europe. Only 10 percent of the total new foreign facilities are expected to go to Western Europe, only half as many as reported by the 2003 survey respondents. Interestingly, projects slated

for Eastern Europe have increased from 7 percent to 12 percent of the total, and Central and South America will receive 11 percent of the total planned facilities, as compared with just 7 percent reported in 2003.

More companies are planning relocations over the

Figure 22

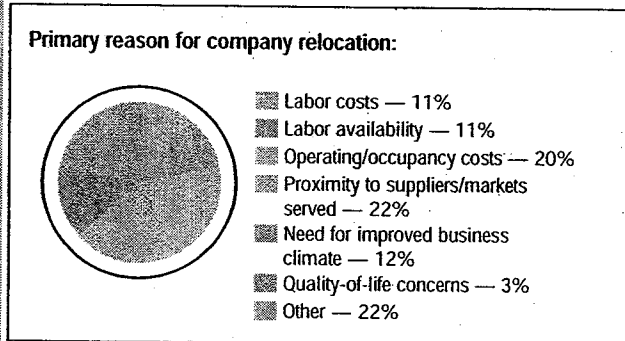


Figure 21

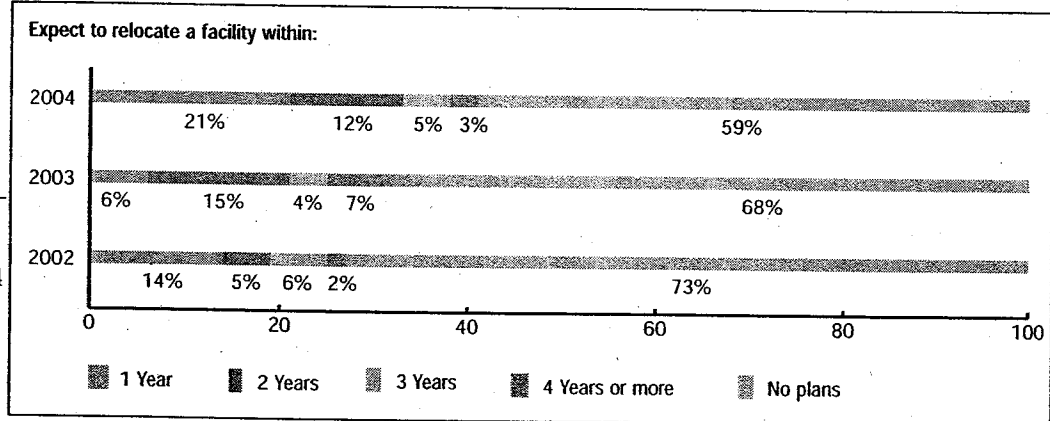
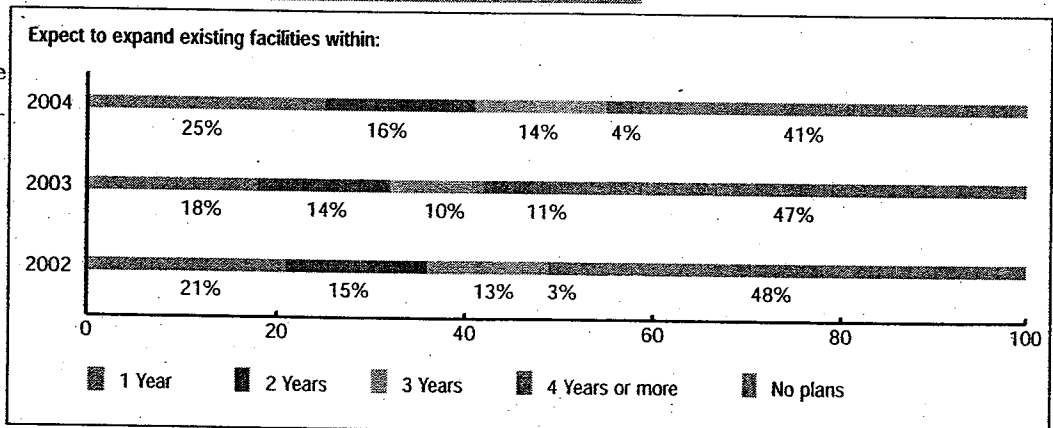


Figure 23



19th annual corporate survey

Figure 24

Number of new jobs to be created by expansion(s):

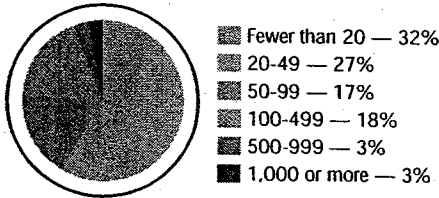


Figure 25

Estimated company investment in expansion projects:

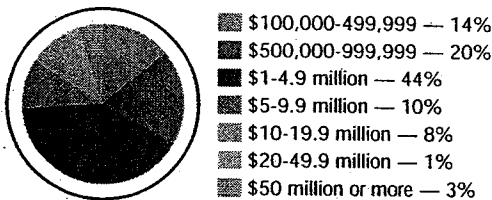
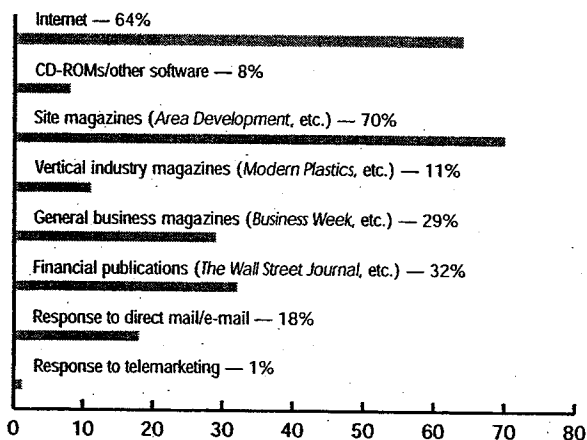


Figure 26

Sources of site selection information used during the past year:



short- and long-term. Some 21 percent of the 2004 survey respondents are planning a relocation within one year, a significant jump over the 6 percent of the 2003 respondents who said they were planning a relocation

within the one-year timeframe. Another fifth of this year's survey-takers are also planning to relocate within the two- to four-year or more period. More than half have no relocation plans at all, which is down from last year's 68 percent and the more than 70 percent who reported no relocation plans in 2002 (Figure 21). A fifth of those planning a relocation cited operating/occupancy costs as the reason, with another fifth moving to be closer to suppliers and/or markets served (Figure 22).

An increase in expansion plans has also been reported. A quarter of the 2004 survey respondents plan to expand within one year, with another 30 percent planning to do so within two or three years. Last year, only 18 percent of the respondents said they had one-year expansion plans, and less than a quarter thought they'd expand in two or three years (Figure 23).

We also asked our 2004 survey-takers how many new jobs would be created by these expansions. Once again, the job-creation numbers are not that good. About a third of the respondents expect their expansions to create fewer than 20 jobs, with another 44 percent saying they would create 20 to 99 jobs through expansions (Figure 24). The estimated investment in these expansion projects is as follows: 34 percent of the survey respondents said they were planning to invest less than \$1 million on facility expansions, with another 44 percent investing between \$1 million and \$4.9 million (Figure 25).

Sources of Information

Where do the corporate executives responding to our survey this year get the information they need to make site selection decisions? Fully 70 percent said it comes from publications like *Area Development*, and 64 percent said they also use the Internet, with three fourths doing so on a regular basis (figures 26 and 27).

We also wanted to find out who serves on the location team at the companies receiving our magazine. At 72 percent of the respondent firms, the owner, chairman, or

other top-level executive serves on the team. More than half of the respondents also reported including other corporate officers on the location team, and a quarter said real estate and facility managers were also included. As in years past, half the respondents reported using consultants in site selecting and half said they did not employ consultants for this purpose (figures 28 and 29).

Figure 27

How often do you use the Internet to obtain business information?

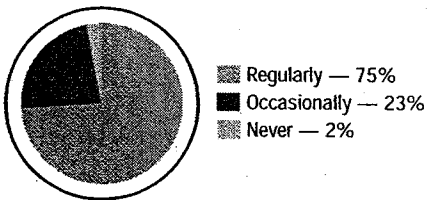


Figure 28

The individuals that provide information and/or serve on the corporate location team include:

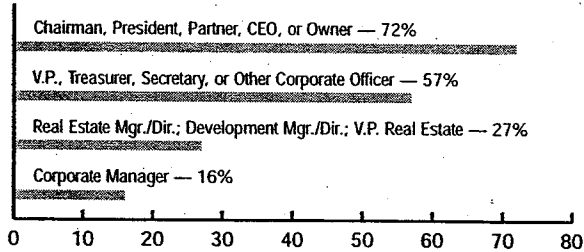
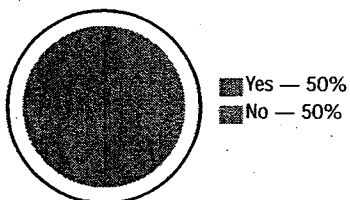


Figure 29

Does your company use outside consultants when site selecting?

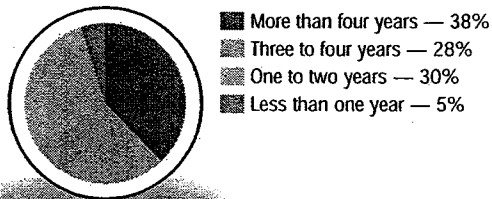


What the Future Holds

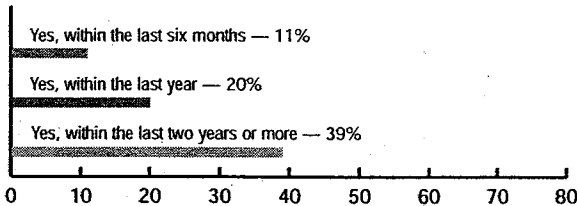
The 2004 Corporate Survey results definitely show an uptick in planned new facility, relocation, and expansion activity — all a reflection of a growing economy. In fact, at the end of the summer, The Conference Board predicted that the U.S. economy would continue to expand strongly into 2005. If this turns out to be the case, our 2004 survey respondents' plans will come to fruition. *Area Development's* editors hope this will happen, but we'll have to wait until next year to see if this activity is reflected in the change in facility numbers. ■■

Readership Survey

How many years have you been reading *Area Development*?



Have you recently used *Area Development* magazine for projects concerning site selection or facility planning?



Which of the following websites have you visited?

