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Back Office Relocation Trends

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By John Boyd, Jr., Principal of The Boyd Co., Inc., Location Consultants of Princeton, New Jersey

Corporate Headquarters Mobility

Back office migration is one of the hottest sectors of the corporate relocation industry today. While back office moves to cities where operating costs are a fraction of head office capitals like New York, San Francisco and Boston is not entirely new, the pace is at an unprecedented level and is putting new office markets nationwide in play for relocating back office jobs.

What's driving this new wave of back office relocations is the heightened mobility of the corporate headquarters itself and the realization by many corporations – faced with global

competition and an uncertain economy - that improving the bottom line on the cost side of the ledger is far easier than on the revenue side.

Historically untouchable in corporate restructuring programs, the corporate headquarters office is now in play like never before. Just ask Omaha, still reeling from ConAgra's relocation of its headquarters from Omaha to downtown Chicago and its jettisoning of some 1,500 jobs. Or ask Bergen County, NJ, after losing the Mercedes-Benz North American headquarters and some 2,000 jobs to Atlanta. Fortune 500 food giant ConAgra had called Omaha home for almost a 100 years and Mercedes-Benz has been a fixture in Bergen County for half a century.

As companies continue to examine their bottom line, their focus is increasingly turning to the remaining piece of the re-structuring pie: the corporate headquarters. With the untethering of the corporate headquarters comes not only the relocation of jobs in the executive suite, but also administrative and technical support positions in the back office – and in far greater numbers.

The fact of the matter is that back office jobs - usually nonexempt positions (subject to overtime wage and hour laws) - play a greater role in the comparative economics of a move than the exempt executive and managerial positions. The latter salaries tend to vary little or not at all by geography, while salaries of workers in the back office vary a great deal from state to state and city to city.

Examples of back office jobs include positions in the clerical and secretarial field, human resources, information technology, sales and marketing, accounting, finance, planning, customer service, corporate relations and other administrative and tech support positions designed to serve the entire corporate structure.

Suburbs Alive and Well

Notwithstanding the number of high profile downtown office moves in places like Chicago, Jersey City, San Francisco and Boston – and not to mention the media's fascination with millennials and their downtown, hipster bent - the suburban office market is still very much alive and well in most cities around the country. From our work with HR department heads, recruiters and relocation managers, the popular notion that most young Americans want to live in these urban enclaves is very much prone to overstatement. While millennial recruits and other young transferees are not necessarily interested in suburban malls and large single-family housing tracts, they do like jogging trails, parks, open spaces, lakes and beaches.

And don't cry for suburban office park owners and developers. Many of them are redeveloping their tranquil settings to give them more of an urban feel, placing eateries, shops and apartments within walking distance of the cubicle farms. Not far from us here in Princeton, NJ, is the motherlode of all such redevelopments: the two million sq. ft. Bell Works office complex in Holmdel, NJ, that was once home to Bell Laboratories-the birthplace of the transistor, the laser, the solar cell and the fax machine. Today, Bell Works is home to hundreds of new back office jobs, stores, housing and is successfully attracting millennials from New Jersey weary of the daily and draining commute into Manhattan.

In addition, suburban offices like Bell Works are often much less expensive than their downtown counterparts, something not going unnoticed by our cost-conscious, back office relocation clients. So while the downtown lure is real for many companies, the reports of the death of the suburban office campus have been greatly exaggerated.

A Tale of Two Cities

The urban vs. suburban tug-of-war for new office jobs can be best viewed through the prism of two cities enjoying enormous success in attracting both head office as well as back office operations. The city with probably the greatest urban success is Chicago, while a major suburban winner is the Village of Estero located between Naples and Fort Myers in southwest Florida.

In Chicago, the epi-center of its downtown office success is the iconic Merchandise Mart and its immediate Near North Side environs. Once the largest office building in the world when it opened in the 1930's-with some four million sq. ft.-a recent revamping by its owner, Vornado Realty Trust, has made it the go-to site for new front and back office operations in downtown Chicago.



Merchandise Mart

In recent months, ConAgra, Allstate, H.J. Heinz Kraft, Motorola Mobility, Motorola Solutions, Whirlpool and Google have moved operations to downtown Chicago in and around the famed Merchandise Mart site. Chicago Mayor Rahm Emanuel, like other successful big city mayors like Atlanta's Kasim Reed and Jersey City's Steve Fulop, has assumed a lead business attraction role for the city and has targeted downtown back office development.

In Estero, Hertz Global Holdings relocated here to consolidate its operations from New Jersey and Oklahoma, building a modern new global headquarters and bringing hundreds of back office jobs with it. The Hertz move was a project that could have easily gone to Miami, Fort Lauderdale or Tampa Bay but went to Estero, a smaller, less costly and more suburban option.



Hertz HQ

Many of our clients view Florida an easy sell, or “common ground” for reluctant transferees from different regions and cultures. We expect more back office operations coming to Estero (Spanish for estuary – where the river meets the sea). Today’s growing number of corporate mergers and acquisitions will become a major driver for new back office relocation projects resulting in a need for new third-party back office sites like Estero. The Hertz move followed the merger of Hertz with Dollar Thrifty and the

anticipated difficulties transferring Okies to Jersey and Jerseyites to the Sooner State. Fugetaboutit!

Unlike Chicago, founded in 1833, Estero is newly incorporated, established by a resounding 86 percent referendum vote in December of 2014. Its first mayor, Nick Batos, along with Village Manager, Steve Sarkozy, and town father and former Chicagoan Don Eslick, are leading Estero’s already highly successful economic development initiative to attract new front and back office projects to the community. Back office operating costs show well in Estero (See Figure 1), including its distinction of having the lowest municipal property tax in all of Florida.

Costs Still Carry the Day

Mercedes-Benz USA CEO Stephen Cannon said that the automaker’s new Atlanta head office will help keep it competitive for the next fifty years. Much of that statement has to do with Atlanta’s favorable operating cost profile for back office support staff vis-à-vis the company’s previous headquarters site in pricey Bergen County, NJ. Comparative costs are carrying the day in boardrooms throughout America like never before.

Shown in the Figure 1 below are comparative back office operating costs among a group popular office markets nationwide. Annual costs are based on a 125,000 sq. ft. back office facility employing 500 nonexempt workers.

Back Office Market	Total Annual Operating Costs
White Plains, NY (New York Metro Area)	\$44,513,203
Walnut Creek, CA (Contra Costa County)	\$43,909,369
Waltham, MA (Boston Metro Area)	\$43,421,608
Trumbull, CT (Fairfield County)	\$43,356,828
Irvine, CA (Orange County)	\$43,180,525
Tysons Corner, VA (Washington, DC, Metro Area)	\$42,099,705
Roseville, CA (Sacramento Metro Area)	\$41,910,657
Cherry Hill, NJ (Camden Metro Area)	\$40,848,670
Deerfield, IL (Chicago Metro Area)	\$39,774,065
Eden Prairie, MN (Minneapolis/St. Paul Metro Area)	\$39,114,238
Hillsboro, OR (Portland Metro Area)	\$37,389,372
The Woodlands, TX (Houston Metro Area)	\$37,042,269
Plano, TX (Dallas Metro Area)	\$36,595,332
Overland Park, KS (Kansas City Metro Area)	\$36,458,971
Alpharetta, GA (Atlanta Metro Area)	\$36,300,083
Chesterfield, MO (St. Louis Metro Area)	\$35,762,469
Round Rock, TX (Austin Metro Area)	\$35,733,247
Carmel, IN (Indianapolis Metro Area)	\$35,442,181
Canonsburg, PA (Pittsburgh Metro Area)	\$34,877,167
Estero, FL (Fort Myers Metro Area)	\$34,575,951

Source: *The Boyd Co., Inc., Location Consultants, Princeton, NJ*

About the Author



John Boyd, Jr., is a Principal of The Boyd Co., Inc., Location Consultants of Princeton, NJ. The Boyd Co. is one of the nation's leading corporate site selection firms providing independent location counsel to corporations worldwide. Back office relocation clients of Boyd include Hewlett-Packard, PepsiCo, Progressive Insurance, JP Morgan Chase, TD Canada Trust, Philips and many others since its founding in 1975.