



Nashville, Indianapolis Challenge New York, LA in Allure for Corporate Headquarters

High-Cost Cities With Less Lifestyle Appeal Fall Behind in Analysis of 15 Areas With Influx, Exodus of Firms



The annual costs of operating a corporate headquarters in Nashville are about 31% cheaper than in San Francisco, which has the highest costs. (Getty Images)

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When it comes to areas with the lowest costs to run a corporate headquarters and the highest quality of life for workers, Nashville, Tennessee; Indianapolis; and Charlotte, North Carolina, are edging out San Francisco, New York and Los Angeles.

Companies pay the most to have their headquarters in San Francisco, according to a new site selection analysis of 15 metropolitan areas with a significant corporate exodus or influx. Nashville had the lowest costs in the group.

San Francisco's operating costs, which include labor, real estate and utilities, surpassed \$54.3 million annually, according to The Boyd Co., a Boca Raton, Florida-based site consultancy firm. That confirms the California city's long-standing reputation as one of the priciest places in the United States to do business. The annual costs of operating a corporate headquarters in Nashville, which is home to companies [such as asset management firm AllianceBernstein](#), are \$37.6 million, about 31% cheaper than San Francisco.

The Boyd Co., with clients including Dell, UPS and PepsiCo, based the cost model on a company occupying 100,000 square feet of typical downtown Class A office space and employing 500 workers. Brokerage firm CBRE Group Inc. puts out a similar report annually that ranks the ability of 50 North American markets to attract and retain tech talent using 13 metrics, including labor and real estate costs. San Francisco also topped [CBRE's report this year](#) as the most expensive market for a typical 500-person tech company using 75,000 square feet of office space.

Costs are an important factor in determining whether a company stays put or relocates to another city. During the pandemic, lifestyle considerations also became a significant driver in relocation decisions that led companies to look at smaller cities, said John Boyd, a principal in the firm.

After San Francisco, the study found the costliest cities were New York and Los Angeles, followed by Seattle; Stamford, Connecticut; Boston; Chicago; Philadelphia; and Miami. The least costly cities after Nashville are Indianapolis, Charlotte, Atlanta, Phoenix and Dallas.

“These are 15 markets we are being asked to look at the most,” Boyd said.

The list for Boyd's BizCosts Benchmark report also reflects cities that have seen companies leave and those that are hot for relocations.

Boyd noted that San Francisco, New York and Chicago have had corporate headquarters leave, while Nashville, Dallas, Miami and Phoenix have benefited from companies moving to those areas. Financial services company Charles Schwab Corp., for example, [moved its headquarters](#) from San Francisco to the Dallas area at the beginning of 2021.

Other areas that have been strong for relocations during the pandemic, such as Austin, Texas, which landed [Oracle's headquarters move](#) from Silicon Valley in the past year, were not included on The Boyd Co.'s report. The firm chose Dallas to represent Texas because it has “one of the largest concentrations of corporate headquarters in America,” Boyd said.

When it came to real estate costs alone, New York had the highest, followed by San Francisco, in the BizCosts report. Indianapolis, home to real estate investment trust Simon Property Group, had the lowest at \$2.7 million, nearly three and a half times cheaper than renting 100,000 square feet in New York City.

According to CoStar, though, office rents have steadily been dropping in San Francisco and New York. In San Francisco, there is 10.5 million square feet of sublease space on the market, which represents nearly one-third of the market's total available space.

“Sublease space has flooded the market, mitigating the leverage landlords previously held, and driving the prevailing asking rents lower,” Jesse Gundersheim, CoStar’s senior director of market analytics for Northern California, wrote in a recent office market report.

The New York area has 164 million square feet of office space, 30.2 million of which is for sublease.

Victor Rodriguez, CoStar’s director for market analytics for New York, wrote in a report that the pandemic weakened demand for office space and increased vacancies to drive lease rates lower. “If more affordable sublet space were to continue flooding the market and leasing activity remains weakened, owners may continue to lower rents further,” he wrote.

Nashville had the lowest annual labor costs at just under \$34 million, much less than San Francisco's \$45.1 million, the highest among the 15 cities.

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