

# CHARLOTTE BUSINESS JOURNAL

## Insurance a bright spot for Charlotte as economic developers eye an uncertain future



*Innovation Park has landed several major tenants, including insurance companies.*



By Ashley Fahey – Real Estate Editor, Charlotte Business Journal – August 13, 2020

The Charlotte region recorded 150,000 jobs lost between April and June of this year, one of the roughest quarters for the area in recent memory. The hospitality industry — which has very visibly struggled during the Covid-19 pandemic as a result of government-

mandated restrictions and people and businesses limiting travel — accounted for about 40% of the jobs lost, according to data from the Charlotte Regional Business Alliance.

But one sector recorded growth in what was otherwise a dismal second quarter. Insurance and financial services — driven by growth in credit intermediation — saw an uptick, albeit less than 5%, according to Alliance data.

To be sure, news on the first day of the third quarter that Centene Corp. (NYSE: CNC) will develop a 1 million-square-foot campus here will be bright spot for 2020, but job growth and economic recovery is expected to remain sluggish and uncertain because of the pandemic's massive economic toll.

The job and overall function of economic development is poised for disruption, too, as attitudes and preferences toward real estate and site selection may see long-term implications because of the pandemic.

John Boyd, principal of New Jersey site selection firm The Boyd Co., said activity has started to ramp up again in the past several months as companies take a hard look at their balance sheets.

"Companies are reevaluating their location decisions very carefully," he said. "We're in a period of cost cutting."

The insurance industry in particular has become "highly mobile," Boyd said. Centene's expansion into Charlotte may be representative of a larger trend across the sector, as major insurers open satellite offices in markets outside of their headquarters.

Indianapolis-based Anthem Inc., for example, established an information technology hub in Atlanta in 2016, and Humana Inc., based in Louisville, Kentucky, opened a digital health and analytics center in Boston last year.

In Charlotte, many of the flashier economic development expansions in the past few years have been in the insurance business. Allstate committed to 2,250 new jobs in 2017, AXA that same year said it would bring to market 550 jobs and, of course, Centene's blockbuster deal last month is projected to bring at least 3,200 jobs to the city.

"That project is a great endorsement of Charlotte's skillsets," Boyd said. "Centene wants to expand its recruiting capabilities and tap a lot of the migration from New York and Boston and New Jersey."

Fran West, assistant director of economic development at the city, said there's a direct correlation between growth in insurance and Charlotte's established financial services center. Having available labor well-versed in financial activities translates well to the insurance sector.

Although big names like TIAA and MetLife Inc. are best known, most insurance companies in Charlotte are small businesses with less than 10 employees, according to city research.

And because so many financial institutions — and insurance companies — have become laser focused on technology, growth in those sectors is increasingly associated with fintech and insurtech, short for insurance technology.



*AllState's office space at The RailYard in South End includes a three-story living wall.*

Allstate, for example, established a tech hub here as part of its local expansion. Centene has also said about a third of the workers it will hire in the next 10 years will be in information technology. West said the city's job-posting analytics indicate software developers are one of the most in-demand jobs in the insurance industry.

"We still continue to be a very hot market for tech talent, and I'm very interested to see, once we get further into this pandemic and the fallout from the pandemic, what that has done for our tech talent numbers," West said.

Between expansions into Charlotte and organic growth, the metro has posted year-over-year job growth in insurance. Between 2013 and 2019, employment with insurance carriers and related activity grew 30.6%, to 20,407 workers, according to Alliance data.

Many of the insurance companies that have grown in Charlotte have opted to take space in the University City area, including Allstate and TIAA, which arrived in 2000 with 1,200 employees and grew to about 5,000 here pre-Covid-19.

More recent moves include Principal Financial Group, which is leasing a big chunk of space at Proximity Park, and Centene, which is building its campus at University Research Park. GoHealth Insurance, which came here in 2016, recently signed on to lease the old Red Ventures space at 10101 Claude Freeman Drive, said Darlene Heater, executive director of University City Partners.

She believes a combination of programs at UNC Charlotte, such as computer informatics and risk, as well as the submarket's office real estate are likely contributors to why insurance has grown specifically in the University area.

"We have big office footprints that support those types of uses," she said.

As for the big picture, Boyd said insurance companies may increasingly look to relocation measures to save money, which could potentially benefit Charlotte and lower-cost business markets. For example, talks of legislation for price control in the health-care industry may be impactful to the bottom lines of major insurance players.

"This is an industry that, in particular, is under pressure to cut costs," he said.

There may also be more merger and acquisition activity in the sector, which could compel companies to look at new markets for workforce. Centene, for example, considered Tampa, Florida, for an East Coast headquarters after it acquired WellCare, which is based there, in January.

### **Economic development moving forward**

Beyond insurance, recruitment and expansion efforts continue in Charlotte, although site selectors and economic developers may have new factors to consider in the future.

Tom Stringer, who leads BDO's national site selection and business incentives practice, said some industries, such as electric vehicle manufacturing, have come out strong. Tesla, for example, said last month it will develop a \$1.1 billion "gigafactory" measuring up to 5 million square feet in Austin, Texas.

Conversations about the future of real estate are top of mind for everyone, Stringer said. Predictions of big cities' death are likely overplayed, he said, adding cities have proven to be resilient in past recessions and health crises. But, he continued, the field of potential candidates for projects will likely become larger.

Economic developers have had to get creative in conversations with companies making major commitments now for a future that still remains cloudy.

Because incentives that help woo companies are tied directly to capital investment and property taxes, speculation about increased remote work may become a new factor in the math and dialogue around grants extended to companies in recruitment deals.

North Carolina's economic investment committee voted last month to allow additional compliance relief measures for recipients of Job Development Investment Grants. That included allowing remote workers to count toward JDIG hiring targets for companies in 2020 and 2021.

Locally, Charlotte's economic development department has been piloting an incentives program that would offer future incentives to companies who initially opt into flexible office space, such as a WeWork, instead of a long-term traditional office lease or new construction.

The idea was to capture fast-growing companies and emerging industries adding jobs in Charlotte that aren't making a firm real estate decision off the bat. Mitsubishi UFJ Financial Group Inc., Moody's Corp. and Better.com, which all said last year they would hire employees in Charlotte, chose to locate into various WeWork offices in the central business district.

That pilot will end in October and council will be briefed on results, but the future of coworking — like everything else — is unknown, West said.

"Prior to March, I would have said, 'Ohmigosh, can we get more big blocks of coworking uptown?'" West said. "We essentially had a whole program saying if you go into WeWork, you have a couple of years to make a capital investment ... that will be very interesting to see, where the coworking trend goes."

Notably, North Carolina and Charlotte won two projects this summer that were considering counties just across the South Carolina border. Both Project Big Boy (Centene) and Project Rocket (Retirement Clearinghouse, a fintech based in Charlotte) had York County on their shortlists. Rocket also looked at Lancaster County.

South Carolina's offer to Centene was north of \$900 million — double what North Carolina offered — and, although much smaller in scope, it proposed between \$13.6 million and \$16.7 million for Retirement Clearinghouse. North Carolina offered a \$3.3 million JDIG.

Spencer Williams, CEO of Retirement Clearinghouse, said earlier this week the company chose Charlotte for several reasons but, specifically on incentives, the structure and approach from the state JDIG were more appealing.

"The state worked with us hand in glove for quite a few months in developing the incentives," Williams said, adding a more employee-based incentive structure was attractive.

While South Carolina put a bigger deal on the table, its incentives were based more on capital investment, he said.

During the last recession, business and political communities became "acutely aware" of the importance of economic development, Stringer said. The Covid-19 pandemic will likely only underscore that further, given the repercussions of the virus.



*WeWork offices in uptown and South End have been popular spots for companies growing in Charlotte. But will the trend continue post-Covid-19?*

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"Really proactive" economic development and coordination between the public and private sectors will become more important, he continued.

"It's a significant political issue at the state, local and federal levels," Stringer said. "The global financial crisis hit certain segments of the economy. Covid has hit everything at the same time, so it's going to require a much more all-in economic development effort."