



## **AECOM's Move to Texas Shows Relocations Don't Always Mean More Real Estate**

### **Fortune 500 Companies Take Advantage of 'Unprecedented Time' for Moving People and Head Offices**

By Candace Carlisle  
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Global infrastructure design and consultancy giant AECOM's recent decision to relocate to Texas from the West Coast comes with no plans by the company to apply for economic incentives or tweak its Dallas workforce as a result of the relocation, making it the latest company drawn to the Lone Star State for an address tied to lower taxes in a business-friendly environment.

Even the Fortune 500 company's office lease in Dallas will remain unchanged, with an important exception: It will be where CEO Troy Rudd and "a few select corporate leaders" hang their hats.

"We have a longstanding presence in Texas with our professionals delivering transformational projects," said Jason Marshall, the firm's senior director of global communications, in an email to CoStar News. "The North Texas region provides AECOM additional benefits as a corporate hub and talent magnet for the engineering and consulting industry."

Marshall declined to comment further on the reasons behind the company's relocation to Dallas, but said it isn't planning to request state or local economic incentives. AECOM's footprint in the area isn't expected to change because of the headquarters move, Marshall said, and is not expected to help boost the region's office market.

AECOM has more than 1,200 employees in its eight Texas offices and its project sites, with more than double that number of employees in California.

The global firm, with annual revenue of nearly \$16.4 billion, is the latest West Coast company to shift its corporate hub or major operations center to Texas, which has no state income tax, as a way to combat California's high salaries, high rents and high income taxes. AECOM's move is reminiscent of CBRE's move from the Los Angeles area to Dallas at the end of 2020, when the

world's largest real estate brokerage seemingly just changed its corporate address and didn't lease additional office space.

"Corporate America is more mobile today than ever before," John Boyd Jr., a principal at site selection consulting firm The Boyd Co., which itself recently moved from New Jersey to Boca Raton, Florida, told CoStar News. "This is an unprecedented time for mobility for people and corporate head offices. It all started with the Amazon HQ2 search, showing how a site selection process is not just a way to reshuffle a company's real estate, but recalibrate their place in the industry.

"Many site selection projects are getting smaller with companies wanting to get rid of excess office space and go to a hub-and-spoke model," Boyd said. "Projects today are only a fraction of the size they were a decade ago."

Like other companies, AECOM would likely have a difficult time trying to shuffle employees around the country in a pandemic, Boyd said. With new variants of the COVID-19 virus spreading in parts of the United States, it adds even more uncertainty to the minds of senior executives looking to make strategic plans, Boyd said.

By moving the corporate hub to Dallas-Fort Worth, a region with more than 7.6 million residents and a rich talent pool with AECOM's rivals Jacobs and Fluor employing thousands of corporate executives and engineers, the company sets itself up to nab top talent and give the company a runway for future growth.

Jacobs and Fluor both brought corporate employees and investment as part of their moves. In Jacobs' relocation, it was granted a \$1.3 million economic incentive in 2016 from the Texas Enterprise Fund to help offset the relocation and \$4 million in capital investment building its new corporate headquarters. Even though AECOM's recent decision stands in stark contrast to Jacobs' move, it sets the company up for potential expansion in Dallas at some later date.

Prior to the pandemic, a company relocating its corporate home was often followed by a wave of employees and real estate deals leading to state and local economic incentives. Without the commitment of those employees at a specific location or desire to make a long-term real estate investment, it has changed the financial impact of corporate relocations.

David Jacobson, an executive director of online education at Southern Methodist University in Dallas who specializes in real estate risk management and business law, said the pandemic has complicated and brought the war for talented employees front and center.

"There are a lot of question marks and a lot of information is still in flux" regarding the pandemic's impact on a workplace, Jacobson said in a phone interview. For some companies, such as JPMorgan Chase, telling employees they want them back in the office, Jacobson said it has given rivals the ability to easily poach talented employees wanting flexibility in how they work.

Even if AECOM isn't adding to its workforce now, Boyd said moving to a large labor market like Dallas-Fort Worth shows it is readying itself to hire employees in the region in the future. Texas has one of the highest levels of in-migration in the world, he said. According to recent Census Bureau data, the population in North Texas grew by about 20% or 1.27 million residents between 2010 and 2020.

Having access to talented employees will be a huge driver for companies moving forward, said Susan Arledge, an executive managing director of site selection and incentives at Texas-based brokerage firm ESRP.

"There is a strain on the talent pool affecting every industry," Arledge said in a phone interview with CoStar News. "Every employer is dealing with workforce shortages. The pandemic made employees realize they were spending a lot of time commuting or working in an environment they weren't able to enjoy."

In AECOM's case, the professional services firm could benefit from having an on-the-ground presence in cities where it does business. In Dallas-Fort Worth, the firm is working on a \$2 billion project with the Texas Department of Transportation in widening a stretch of Interstate 635 from 12 lanes to 22 lanes and reconstructing a multilevel interchange of the roadway with Interstate 30. AECOM also recently won a project management services contract with Dallas Independent School District to help allocate \$3.5 billion worth of bond projects.