

**Better Business Performance
Through Better Workplace Performance**

A CBRE Thought Series

Part One

**ALIGNING THE
WORKFORCE AND
THE WORKPLACE**

EXECUTIVE SUMMARY

In today's constantly evolving and increasingly uncertain business world, organizations of all types and sizes are looking for opportunities to optimize their performance and maximize their competitiveness, all while keeping an eye on costs. But how?

Organizations facing decisions on performance grapple with complex and highly nuanced issues touching on such crucial areas of competitive advantage as access to clients and proximity to major transportation hubs. Among the most important of these considerations is labor. In this first paper in our thought series, we take a look at talent trends and strategies for occupiers.

THE WAR FOR TALENT

A tightening labor market presents employers with a recruitment challenge, and organizations across a variety of industries are reporting difficulties filling key positions. The war for talent is on, and a thorough understanding of market dynamics can provide the competitive edge. Ultimately, the winners will be those employers who can align their labor needs and business strategies with strategically chosen markets.

LEADING WITH LABOR

Talented employees are the backbone of any business, and they are also the starting point for many strategic decisions, including where corporate occupiers should locate operations. So finding markets that are appropriately positioned for a given need is essential, as are markets that can position an occupier best in terms of competitive compensation packages.

LOCATION STRATEGY MAKES DOLLARS (AND SENSE)

There are major financial gains to be realized through a smart location strategy, and labor arbitrage is where a majority of savings comes from. Building a business strategy based on where an organization needs talent—including possibly relocating certain operations to secondary or tertiary markets—can yield major savings in both real estate and labor costs.

GATEWAY, OR GET-AWAY?

Not surprisingly, the top-tier gateway markets are appealing for their deep labor pools and client access, proximity to key suppliers and major transit options. But many are also becoming tapped out in terms of labor and, increasingly, leading companies are asking, "What lies beyond?" Many smaller markets can deliver quality talent and more attractive and affordable lifestyles than the major gateway cities.

TALENT IN EMERGING MARKETS

While millennials find city life appealing, many already live in or are moving to the suburbs. Here, as well as in second- and third-tier markets, they can find the live-work-play environments of the larger CBDs—in most cases at a lower cost of living. But a focus on millennials alone can be misdirected, and organizations are better off focusing on factors that attract and retain all age cohorts of top performers.

While the primary focus of this paper is on labor markets and the key drivers of talent today, it's important to recognize that labor, while absolutely critical, is only one consideration linked to location. For some parts of an occupier's operations or strategy, other important factors might include access to clients, suppliers and partners, and proximity to major transportation hubs. As such, occupiers will always need to undertake function and location analyses to develop a successful business strategy. Thus, the challenge for corporations in their location decision-making is that they must often strike a balance across several important—but sometimes competing—requirements to arrive at solutions that truly drive better business outcomes.

THE WAR FOR TALENT

What drives business growth? The answers are not always as clear as one might think. Market share? Naturally. Expansion? Probably—if it is tied to demand. Staying ahead of the competition? Definitely.

But what about labor—the hiring and retention of top talent? That is actually the starting point for all of the above. In fact,

as Rob Marsh, executive vice president of CBRE's Labor Analytics consulting practice, explains, "When you lead with labor, organizations can avoid many of the growth challenges they would otherwise face. So think early and think hard about your growth strategy. Do the labor piece first—before you make decisions around location and portfolio strategy—and other

things will fall into place to make your business more successful."

Talented employees are the backbone of any organization, and finding the appropriate market to satisfy talent needs can be complex. Taking the time to understand and act on this dynamic by carefully choosing labor markets and strategically optimizing

Better Business Performance Through Better Workplace Performance
Part One: Aligning the Workforce and the Workplace



their overall workforce portfolio can ultimately contribute to enterprise success. "It is a simple concept," says Marsh. "But it is complex in its execution."

In the U.S., steady employment growth since the depths of the global financial crisis has spawned increased competition in the job market. Over the past 12 months, office-using employment categories have added a total of 738,000 jobs

in the U.S., up 2.4 percent year-over-year, while the overall unemployment rate has dropped to 4.9 percent.¹

So the proverbial war for talent is on, and market dynamics can be used as a lever to succeed in a competitive marketplace. How? By aligning talent requirements and business strategies with strategically chosen markets to attract and retain the right workforce.

There is a shortage of talent on a global scale, and organizations are increasingly having a difficult time filling job vacancies.

38%

Percentage of employers experiencing difficulty in filling job vacancies²

43%

Percentage of U.S. employers for whom talent shortage reduces ability to service clients³

LEADING WITH LABOR

According to McKinsey & Co.,⁴ global performance leaders have three things in common: “They invest in intellectual assets, they play in fast-growing markets, and they have the most efficient operations.” Location strategy is the common denominator across these three themes—and extends well beyond the traditional bricks-and-mortar approach to real estate. “We have a lead-

with-labor approach,” says Marsh. “Labor is a front-and-center issue for our clients, driving where they should be located for the talent they need.”

Finding labor markets appropriately positioned with the targeted skill sets for a given need is essential. A mismatch can result in difficult recruitment-retention

challenges and wage inflation either due to the size of the area’s labor pool or competition in the market. However, regardless of labor force, compensation is also imperative to attract talent, and competitive market dynamics often drive how potential employees perceive employment packages.

Better Business Performance Through Better Workplace Performance

Part One: Aligning the Workforce and the Workplace

All of these factors impact an organization's likelihood of being a preferred employer in a given market.

Across industries, today's market leaders are invigorating their core businesses with data-based processes and tech-based competencies. In turn, a wide array of corporations far from the tech sector's traditional core are declaring themselves "technology companies" that specialize in a certain segment, whether that is agriculture, pharmaceuticals, financial products or something else.

"As each of these varied sectors now hunts the same talent, the widely recognized tech talent hubs such as Silicon Valley have exceeded their boiling points for labor competition," says Matthew Toner, managing director of the CBRE Institute. "This pushes new talent seekers to identify uncharted markets with emerging labor pools where they can more successfully target, attract and grow tech talent without such fierce competition."

When pursuing this strategy, "a company must provide the platform that enables its talent to engage, connect and succeed in ways that support its core mission—and its employees' careers," says Toner. "This, in turn, builds commitment to the company and negates the high turnover resulting from a combination of worker fatigue and industry poaching. The result is a multifaceted solution that supports an empowered lifestyle and workstyle, where talent is rewarded and recognized for its ability to drive companies forward. The organizations that do this well are truly raising the bar for a scarce and valuable skillset."

But keep in mind that, according to a recent CBRE survey, employees across generations value compensation first and foremost. Other considerations, such as a flexible work environment, are ranked high for those who feel they are juggling the demands of work and family—although, even then, flexible work doesn't overshadow compensation.

Conducting a labor analytics study based on the size, scope and life of a requirement will inform the search for the optimal market. Additionally, it will align the organization with the expectation of how its brand will be perceived in the marketplace. This strategic step will provide the facts and insight decision-makers need to confidently pinpoint the appropriate markets for continued success.



**“We have a
lead-with-labor
approach.”**

*—Rob Marsh, Executive Vice President,
Labor Analytics, CBRE*

“A company must provide the platform that enables its talent to engage, connect and succeed in ways that support its core mission—and its employees’ careers. This, in turn, builds commitment to the company.”

—Matthew Toner, Managing Director, CBRE Institute



LOCATION STRATEGY MAKES DOLLARS (AND SENSE)

With over 45 percent of respondents to CBRE's *Global Occupier Survey 2015/16*, which queried more than 400 top corporate real estate executives globally, choosing talent availability as a major criterion in market selection, a lead-with-labor approach is clearly being adopted. And it is no wonder, given the financial

benefits that can be gained through a smart location strategy. Labor arbitrage is clearly where the majority of the savings come from, but real estate costs can create advantage among markets also.

CBRE Research's *2016 Scoring Tech Talent* report highlights how this total

cost equation looks across primary and secondary markets in the U.S.

The Bay Area tops the charts for average salary in the tech sector, at nearly \$124,000. Other major markets come in close to that. The average salary in Seattle is \$111,000; in New York and

**ESTIMATED 1 YEAR COSTS BY U.S. MARKET:
WAGE AND RENT OBLIGATION FOR TYPICAL TECH FIRM**

Typical Tech Firm Estimates: 500 Employees, 75,000 Sq. Ft.

Geography	Rent Cost (Avg. Rent x 75,000 SF)	Tech Talent Wages (Avg. Wage x 250 People)	Support Non-Tech Wages (Avg. Wage x 213 People)	Management Wages (Avg. Wage x 37 People)	Total Estimated Cost
SF Bay Area, CA	\$4,469,304	\$30,980,268	\$15,271,388	\$5,639,081	\$56,360,040
New York, NY	\$5,651,250	\$26,539,958	\$11,890,270	\$5,800,490	\$49,881,968
Washington, D.C.	\$2,737,500	\$26,402,035	\$13,916,579	\$5,115,265	\$48,171,378
Boston, MA	\$2,704,500	\$25,726,155	\$14,492,366	\$5,005,360	\$47,928,381
Seattle, WA	\$2,303,983	\$27,749,778	\$12,269,474	\$4,812,960	\$47,136,195
Newark, NJ	\$1,952,250	\$25,793,188	\$11,309,917	\$5,577,380	\$44,632,735
Orange County, CA	\$2,214,000	\$24,333,627	\$11,897,484	\$4,720,460	\$43,165,571
Denver, CO	\$1,882,500	\$24,107,637	\$12,188,501	\$4,877,340	\$43,055,978
Los Angeles, CA	\$2,698,500	\$24,066,933	\$11,409,893	\$4,602,800	\$42,778,126
Houston, TX	\$2,118,000	\$23,441,294	\$12,207,674	\$4,990,930	\$42,757,898
San Diego, CA	\$2,416,500	\$24,747,413	\$10,954,062	\$4,529,170	\$42,647,145
Baltimore, MD	\$1,681,500	\$24,732,948	\$11,519,076	\$4,515,850	\$42,449,374
Long Island, NY	\$1,938,000	\$23,043,945	\$11,806,272	\$5,219,960	\$42,008,177
Hartford, CT	\$1,497,750	\$23,318,150	\$11,743,193	\$4,575,790	\$41,134,883
Dallas/Ft. Worth, TX	\$1,716,750	\$22,596,315	\$11,964,713	\$4,703,765	\$40,981,543
Philadelphia, PA	\$1,970,250	\$22,197,303	\$11,927,236	\$4,856,250	\$40,951,040
Austin, TX	\$2,448,750	\$22,423,056	\$11,595,667	\$4,395,600	\$40,863,073
Minneapolis, MN	\$1,960,500	\$22,315,407	\$11,653,074	\$4,480,330	\$40,409,312
Raleigh-Durham, NC	\$1,796,250	\$23,097,998	\$10,767,533	\$4,636,911	\$40,298,692
Charlotte, NC	\$1,730,250	\$22,917,667	\$10,868,422	\$4,672,730	\$40,189,069

Source: U.S. Bureau of Labor Statistics, April 2016; CBRE Research (Metro Area), Q1 2016.

“If an organization is able to create a business strategy based on where it needs talent, possibly relocating certain operations to secondary markets, they can reduce both the real estate costs and the labor costs compared to major markets.”

—Kristin Sexton, Managing Director, Labor Analytics, CBRE



“Labor isn’t the only factor to take into account when considering location. It’s also about accessibility to clients, suppliers and partners.”

*—Karen Ellzey, Executive Managing Director,
Global Workplace Solutions, CBRE*



Washington, D.C., it is about \$106,000; and Boston hovers around \$103,000. By comparison, tech professionals in Austin earn about \$90,000 on average; in Salt Lake City, it is just under \$80,000. But salary is just part of the equation. When looking at wages across a tech company along with rent obligations, the differential becomes clear.

“If an organization is able to create a business strategy based on where it needs talent, possibly relocating certain operations to secondary markets, they can reduce both the real estate costs and the labor costs compared to major markets,” says Kristin Sexton, managing director of CBRE’s Labor Analytics practice.

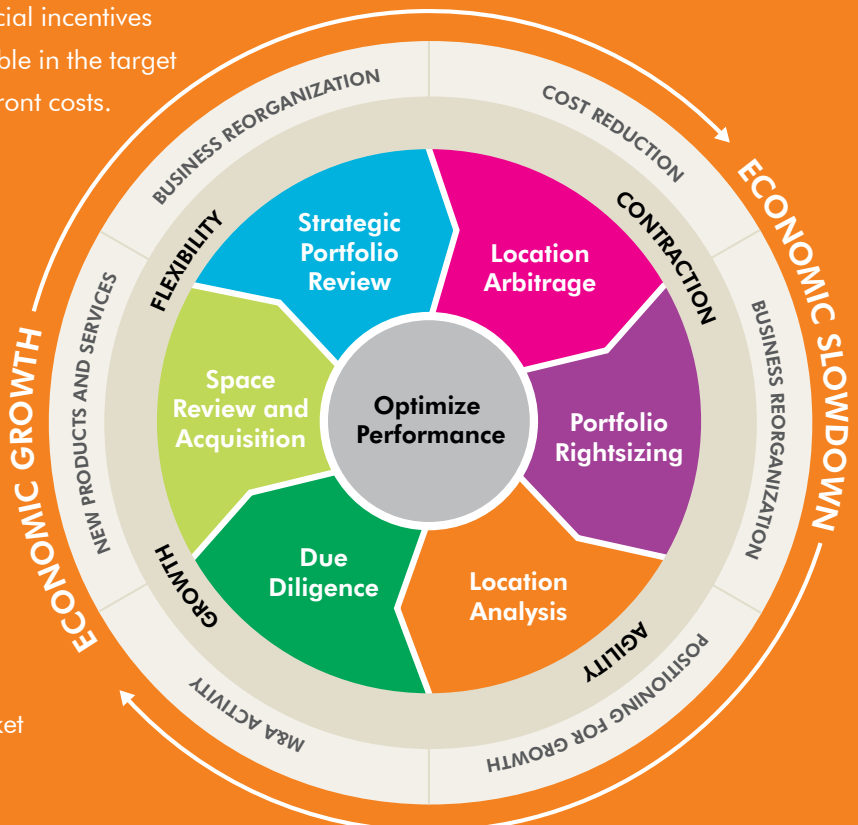
Indeed, a move to smaller markets generally works in favor of the occupier. For instance, by moving from a London or a Paris to a second-tier city, “the typical labor-cost reduction for a general processing role could be somewhere between 20 and 30 percent,” says Stephen Fleetwood, who heads EMEA Location Advisory services for CBRE. “If you were moving those roles to Eastern Europe, you could expect those cost reductions to be between 50 and 70 percent.”

At the same time, we know that “labor isn’t the only factor to take into account when considering location. It’s also about accessibility to clients, suppliers and partners,” says Karen Ellzey, executive managing director of CBRE’s Global Workplace Solutions consulting practice. “If the business need is to be close to clients based in larger markets, or to have key talent near to major transportation hubs, then the location discussion can lead an occupier in a different direction.”

DEVELOPING A COMPREHENSIVE PORTFOLIO STRATEGY

Whatever the markets under consideration, and whatever their differences, there are constants in the approach to developing a comprehensive portfolio strategy:

1. Engage with internal business leaders to define strategy, objectives and requirements.
2. Translate business objectives into future headcount growth projections and talent and skillset requirements.
3. Define critical location criteria based on talent needs and long-term business objectives. Key questions to ask: Which metro areas should be hubs in the future? Within a major market, what is the right mix of urban core vs. suburban locations? What is the desirable scale for a hub, and should the hubs be located in core urban areas, suburban locations or a mix of both? Which functions should be co-located in a hub?
4. Conduct statistical benchmarking to identify top locations for growth.
5. Perform primary market research to uncover local labor dynamics.
6. Pressure test locations for workforce longevity and scalability.
7. Tour top locations and real estate, keeping in mind the workplace experience and neighborhood environment that the talent base will find attractive.
8. Analyze and negotiate financial incentives (e.g., rent, taxes, etc.) available in the target market to help minimize upfront costs.
9. Develop analytics to derive a relocation rollout strategy, if one is indicated. This should include the timeframe for specific functions to best manage such issues as upfront cost, attrition, culture and public relations.
10. Finally, build out the space to best promote collaboration and employee engagement. Note that this will vary from market to market and from industry to industry.



GATEWAY, OR GET- AWAY?

The first-tier global markets are obviously where the deepest, broadest class of talent resides. The top five global cities, according to management consultant A.T. Kearney, are, in descending order, London, New York, Paris, Tokyo and Hong Kong. The ranking⁵ is based on five measures: business activity, human capital, information exchange, cultural experience and political engagement.

But the dynamics among first- and second-tier markets are shifting, and for reasons beyond compensation.

Not surprisingly, leading companies continue to keep significant operations in established top-tier markets, and some are even aggressively expanding in these markets. While top-tier locations may

make good business sense in terms of client access, proximity to key suppliers and major transit options, many of the global gateway cities “are experiencing a shortage of labor for certain key skills,” says Mark W. Seeley, senior vice president of CBRE’s Labor Analytics practice, “and many of our clients are asking what lies beyond, what is the next tier of markets in which to find talent.”

Better Business Performance Through Better Workplace Performance

Part One: Aligning the Workforce and the Workplace

Though smaller, secondary markets often have a limit to the requirements they can support, they likely represent the next phase of growth for employment. They can deliver quality talent and often offer the pace and amenities that make for a more attractive quality of life. Moreover, given the reduced competition, such markets allow strong companies to become the clear preferred employer.

It takes analytical firepower and extensive proprietary data to help clients answer these exact locational questions. “If a company needs software development, customer care or whatever specialized skillset,” says Seeley, “they need a lens that can focus on that to get their business properly positioned for success. We provide that lens. We can look at the specific market attributes for their targeted skills and analyze how they fit into a particular marketplace. We can also show in real time how one market might compare to any number of other markets across a range of demographic and economic variables.”

This approach has produced real results for many occupiers, such as, in one case, a cost savings in excess of \$460 million. (See sidebar: *Improving the Fortunes of a Fortune 50.*)

But ensuring such results is not merely a matter of analytical prowess: Boots on the ground is key. “We are carrying out an inherently statistical process, but one that has to be delivered within the confines of the real world,” notes Fleetwood.

“At the end of the day, it is always our client’s decision,” he says, “so we need to make sure they are comfortable operating in a particular location given all of the factors they must consider. So the final stage of the selection process is always to visit the city with the client. Our role is to put them into the best possible position by giving them the best data, the best analytic tools and the benefit of decades of experience in location advisory to make sure they are not missing anything.”



“We are carrying out an inherently statistical process, but one that has to be delivered within the confines of the real world.”

*—Stephen Fleetwood, Head, EMEA
Location Advisory, CBRE*

IMPROVING THE FORTUNES OF A FORTUNE 50

Market selection can be a very personal thing. It shouldn't be.

CBRE's Labor Analytics practice applies science to location decisions, customizing solutions for clients based on functional need, and producing meaningful results. In fact, through the efforts of the Labor Analytics team, one Fortune 50 corporation realized more than \$460 million of savings.

Much of this work was done through the use of CBRE's Global LaborView software. This proprietary, interactive system, designed to synthesize labor and real estate market intelligence, has been recognized by CoreNet Global with its prestigious H. Bruce Russell Global Innovator's Award.

Through the cloud-based system, "clients can hone in on labor markets and quickly understand the lay of the land, from size and positioning to cost and quality of labor," says Kristin Sexton. With the ability to customize functional profiles across the organization's structure, clients can input their key employment drivers and see dots move on a map, identifying the viability of each labor market.

CBRE's Fortune 50 client, fresh from the acquisition of a major competitor, had to assimilate a workforce in excess of 50,000 employees in nearly 100 diverse locations across the U.S. An intense, objective look at the entire real estate portfolio was called for, and after vetting several large consulting firms, the company engaged CBRE's Labor Analytics team to provide both the quantitative and qualitative information needed to help the new company make sound decisions about their path forward.

Over an eight-week period, the CBRE team took a multi-phased approach to the challenge, including analyzing all company roles, evaluating markets with optimal characteristics for each job grouping and cross-referencing markets by cost. With a short-list in hand, the team's proprietary LaborPlan™ tool compared scalability of each skill by market. Competitor analyses and interviews further fleshed out the various metro scenarios.

Through this process, CBRE discovered that 40 percent of the company's portfolio was located in high-cost locations. Reducing that percentage offered the potential for major cost savings.

Ultimately, CBRE developed a strategy connecting the company's talent needs with the optimal markets, resulting in a plan to achieve more than \$460 million in cost savings. The plan also identified four centers of excellence and trimmed the company's customer service locations by 58 percent.

After careful consideration of the strategy, the company made the business decision to slowly execute on a blended plan, enacting small changes over the course of five to 10 years to create significant cost savings while minimally disrupting its employees and operations.

TALENT IN EMERGING MARKETS

Who are companies trying to attract in emerging markets? The millennial generation may be the obvious first answer, although, for many employers, this cohort of talent will be insufficient to solve all their needs. According to a recent *Harvard Business Review* article,⁶ “It’s likely that companies pursuing millennial-specific employee engagement strategies are

wasting time, focus and money. They would be far better served to focus on factors that lead *all* employees to join, stay and perform at their best.”

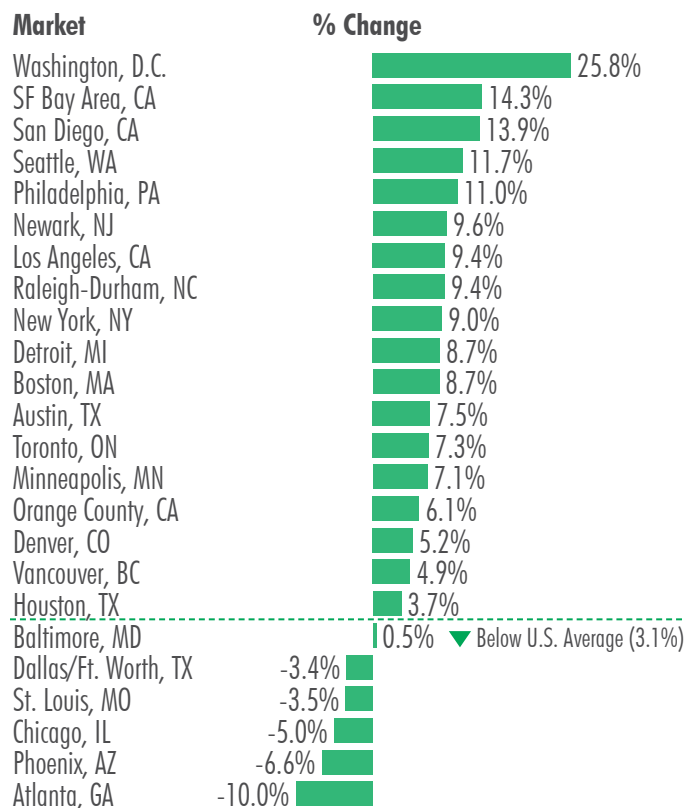
While it is true that the millennial population has risen in many urban cores in recent years, there has been a more substantial increase in the number of millennials in

suburban neighborhoods throughout major metropolitan areas, at least in the U.S.⁷

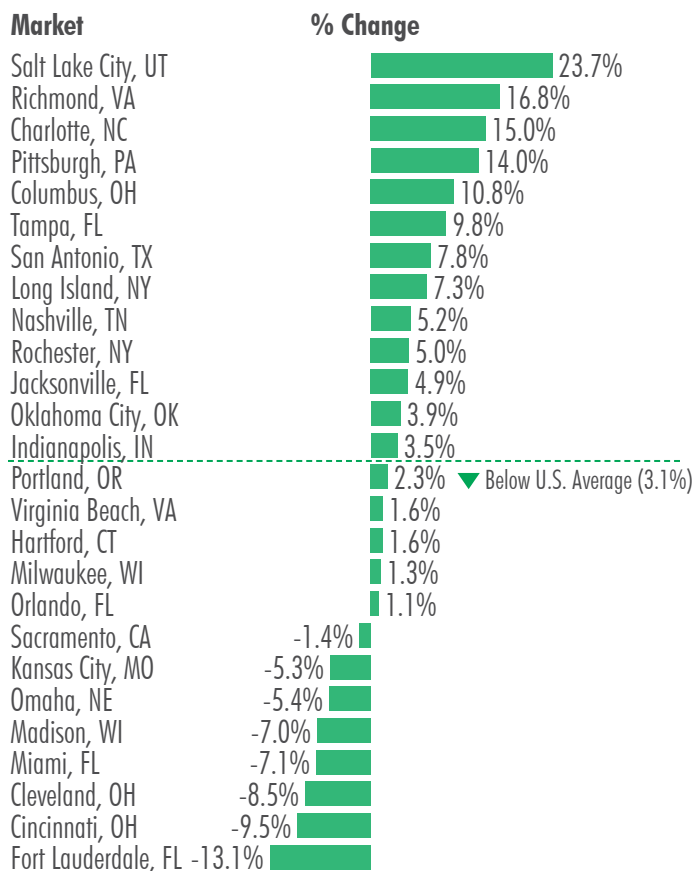
Moreover, when evaluating the top 30 U.S. metro areas by total population, mid-sized markets such as San Diego, the Inland Empire and San Antonio lead the way when it comes to the millennial population as a percentage of the total adult population.

MILLENNIAL POPULATION CHANGE IN U.S. AND CANADA* (2009-2014) by Market

Large Tech Talent Markets (>50,000 Labor Pools)



Small Tech Talent Markets (<50,000 Labor Pools)



* Millennial ages 20-29 living in downtown areas. Source: U.S. Census Bureau (City/County), 2014, Environics Analytics (Canadian Cities), 2015.

Conventional wisdom tells us that millennials are obsessed with living and working in the center of big cities. In fact, according to a recent global survey⁸ of more than 13,000 millennials commissioned by CBRE, three-quarters of employed millennials work in large towns or cities, split two to one in favor of central rather than suburban locations. The vast majority of the remainder work in small- or medium-sized towns.

However, we also asked them to rate each type of location according to its appeal as a place to work. The results are surprising, given the stereotype. Central city locations still emerge as the favorite, but are very closely followed by suburban and

small- to medium-sized towns. Even a third of millennials would be happy working in a business park or campus setting, and over a quarter find a rural location appealing.

"It's about cost, community and cultural values," says Christopher J. Perri, senior managing director of CBRE's Global Workplace Solutions business. "As young tech leaders and other millennials transition into the family-oriented phases of their lives, there's going to be more of a need to get out of the city and find alternative locations where they can still have the 'cool factor'—but at a manageable cost profile and in a place where they want to raise their kids."

Are millennials the city slickers we all assume them to be? The answer is, “Yes, but...”

75%

of millennials work in cities
or large towns

55%

of millennials
find small or medium-sized towns
“fairly” or “very” appealing

Source: Live Work Play, Millennials: Myths and Realities, CBRE Research, October 2016.

“It’s about cost, community and cultural values.”

—Christopher J. Perri,
Senior Managing Director,
Global Workplace Solutions, CBRE



Ultimately, the second-tier markets that will be the winners in attracting talent of all ages are those that can replicate the live-work-play environments of the larger CBDs—but at a lower cost of living.

So will even smaller markets, such as Boise, Tucson or Ann Arbor, which have yet-to-be-tapped sources of talent pouring out of their universities.

“Partnering with the local university, companies are starting to recognize the opportunities there for smaller-scale operations,” says Seeley. “They are not going to open a 2,000-person tech operation. But for incubators or niche operations like R&D or cyber security, these are great locations.”

“We believe those areas that can replicate the CBD live-work-play experience are certainly outpacing performance of other suburban areas and perhaps in some cases maybe even the larger cities,” adds Julie Whelan, who heads Americas Occupier Research for CBRE.

Given the complexity of shaping a portfolio strategy based on talent, corporate real estate leaders are enlisting the support of experts to assist in coordinating and influencing organizational decision-makers.

“Partnering with the local university, companies are starting to recognize the opportunities in smaller markets for smaller-scale operations ... For incubators or niche operations like R&D or cyber security, these are great locations.”

—Mark W. Seeley, Senior Vice President, Labor Analytics, CBRE



HOTBEDS OF TALENT: EXPANDING LABOR BOUNDARIES

Occupiers are asking what lies beyond the major gateway cities as they continue their search for talent. Clearly, the first-tier markets provide the most diverse range of skillsets for whatever the need—be it for technology, finance or other creative classes of workers.

But that diversity comes at a premium: the relatively high cost of living in the CBD. Not surprisingly, the New York, San Francisco, Los Angeles and Boston MSAs rank⁹ among the highest cost-of-living areas in the U.S.

On a global basis, what lies beyond the first tier? “Emerging markets in Eastern Europe—such as Sofia, Bulgaria, or Bucharest, Romania—offer low operating costs and deep labor supply for Western European call center and back-office operations,” says Mark Seeley, “and Rabat, Morocco, stands as a compelling alternative for client-facing operations with a significant roster of French-speaking customers, in lieu of operating in higher-priced markets in France.”

As Seeley implies, companies familiar with European culture and practices are getting comfortable moving not only to second-tier, but third-tier cities as well. “They are going farther afield,” agrees Stephen Fleetwood. “So, for example, if you are looking for financial services in Poland, you may likely be looking beyond Krakow, Vrotslav and Warsaw.”

Turning to Asia, “Occupier clients are eager to understand more about the challenges and opportunities to be found in secondary markets, mainly due to costs and competition concerns in core urban centers,” says CBRE’s Arpan Barua, director of Advisory & Transaction Services in Singapore. However, the



“Occupier clients [in Asia] are eager to understand more about the challenges and opportunities to be found in secondary markets, mainly due to costs and competition concerns in core urban centers.”

—Arpan Barua, Director, Advisory & Transaction Services, CBRE

“What is driving the decision to confine your talent in a place other than your urban metro areas? If it is labor arbitrage, that’s where offshoring wins.”

—Julie Whelan, Head, Americas Occupier Research, CBRE



long-term scalability of operations in secondary markets is a concern for many, as there are potential difficulties in sourcing suitable talent, especially up the management chain.

What are some of the up-and-coming markets occupiers are discovering in Asia? “There are any number of core emerging markets for talent across Asia—from Ahmedabad and Cochin in India, to Penang and Johor Bahru in Malaysia, to Tianjin, Chengdu, Shenzhen, Guangzhou, Qingdao, Wuxi and Zhengzhou in China. The optimal location for an occupier will require a careful evaluation of various cost and operational factors, including the type of labor skill sets companies are seeking,” adds Barua.

“The world is, indeed, flat,” says Kristin Sexton. “Just as capital knows no borders and flows around the world fluently, so too does talent. You see that dynamic every time you call your provider on a tech, finance or business process issue, and someone from around the corner or around the world helps you fix it.”

And, it must be noted, the lower relative cost of labor in developing countries as compared to the U.S. is a major argument for the continuation of offshoring. “What is driving the decision to confine your talent in a place other than your urban metro areas?” Julie Whelan asks. “If it is labor arbitrage, that’s where offshoring wins. The States simply don’t compare to the labor arbitrage you’re likely to get from offshoring.”

In Asia, up-and-coming secondary markets are home to clusters of talent across outsourcing services, with knowledge-process and business-process outsourcing strong in India, Philippines, Malaysia, Taiwan and China. China and India also continue to be home to IT-related talent and call centers, while emerging finance talent is increasingly found in the Philippines. Vietnam and Indonesia are centers for manufacturing.

But, there are considerations in international relocation or expansion that lurk behind the allure of talent and cost. These include roles that must stay in the home country for compliance reasons, and the uncertainty that exists in these early days after the U.K.’s vote to exit the European Union, and how it may impact freedom of movement throughout Europe.

“We are all watching what happens after the date of the U.K. exit,” says Fleetwood. “The one thing I will say is that anything that restricts companies’ ability to recruit generally isn’t a good thing.”

ABOUT OUR THOUGHT SERIES

At CBRE, we believe that the key to better business performance is better real estate performance. Real estate and people are the two highest costs any occupier faces. But cost is only half the story. Our most strategic clients recognize that when properly approached, these two critical pieces of the corporate structure can also have a transformative impact on the overall performance of their organization.

This thought series brings to life CBRE's decades-long record of workplace-transformation experience to demonstrate how organizations of all types and sizes can realize those goals. We bring market-leading qualifications and capabilities, including analytical expertise that spans markets, industries and asset types; a relentless focus on superior execution; and, a high-touch, client-centric approach.

Most of all, these papers tap into the thinking of some of the sharpest minds practicing in the industry today—professionals with the ability to drive world-class productivity and operational excellence for every client they serve.

We encourage you to connect with us to discover how we can help unlock the value of your real estate portfolio.

A CBRE THOUGHT SERIES

This thought series on Workplace Performance gives consideration to optimizing an organization's strategic goals through the proper application of its real estate portfolio. Each paper provides perspectives and insights on how to achieve this objective through labor market selection, space design and workplace experience, and portfolio optimization and workplace program development.

Part One:

ALIGNING THE WORKFORCE AND THE WORKPLACE

Real estate can be a significant competitive differentiator for occupiers in the race for talent. In this first paper, we outline the steps organizations need to take to identify the optimal locations for their operations and find, attract and retain the right talent to enhance their competitiveness and improve their bottom line.

Part Two:

DESIGNING THE WORKPLACE EXPERIENCE

The way we work continues to evolve, driving companies of all types to rethink their approach to space and the workplace experience. In this second paper, we consider the trends shaping the physical workplace and best practices in workplace design.

Part Three:

BUILDING COMPETITIVE ADVANTAGE

Real estate is a critical, tangible expression of the strategic decisions a company makes. In this final paper in our thought series, we focus on the total real estate management approach that organizations take within the broader business context to create competitive advantage for occupiers.

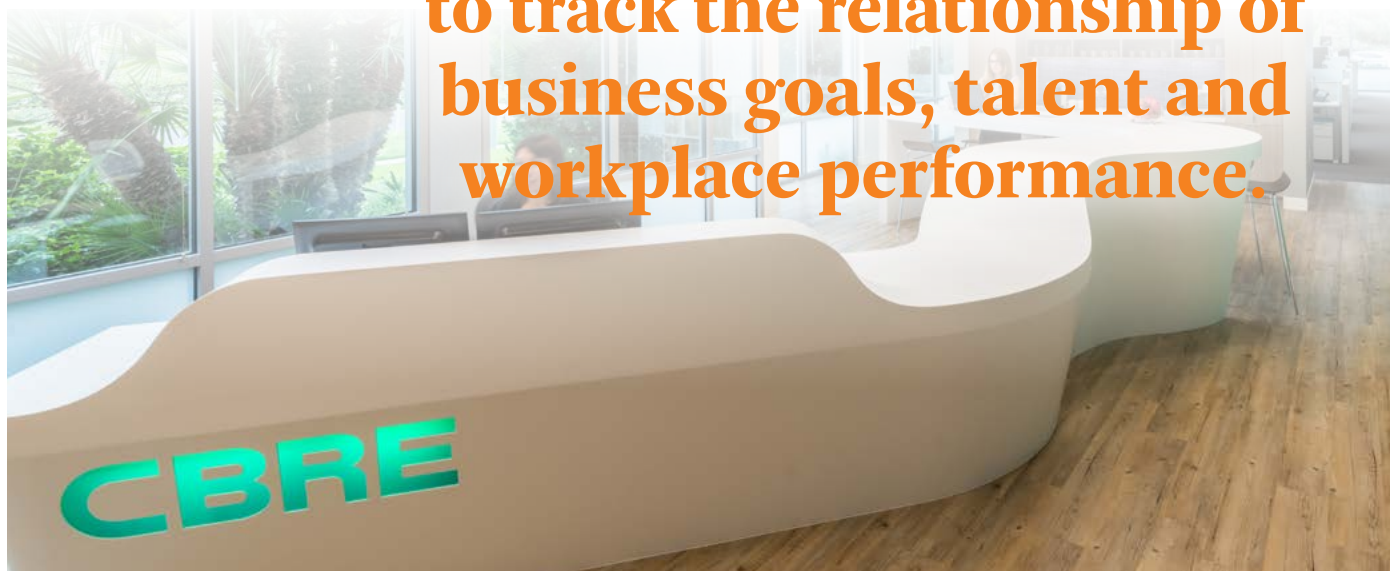
ENDNOTES

1. Source: Employment Situation Summary, U.S. Bureau of Labor Statistics, August 2016; CBRE Research analysis.
2. Source: U.S. Talent Shortage Survey, ManpowerGroup, 2015.
3. Source: U.S. Talent Shortage Survey, ManpowerGroup, 2015.
4. Source: The New Global Competition for Corporate Profits, McKinsey Global Institute, September 2015.
5. Source: Global Cities 2016, A.T. Kearney, 2016.
6. Source: What Do Millennials Really Want at Work? The Same Things the Rest of Us Do, Harvard Business Review, April 7, 2016.
7. Source: Designing the Office of the Future?, CBRE Research, November 2014.
8. Source: Live Work Play, Millennials: Myths and Realities, CBRE Research, October 2016.
9. Source: U.S. Metropolitan Areas by Living Costs, Pew Research, 2016.

PHOTOGRAPHS

1. Page 4: CBRE Workplace360 office: Tokyo, Japan
2. Page 6: CBRE Workplace360 office: Sydney, Australia
Photo credit: Marcus Clinton
3. Page 7: CBRE Workplace360 office: Glendale, California
Photo credit: RMA Photography Inc.
4. Page 9: CBRE Workplace360 office: Los Angeles, California
5. Page 10: CBRE Workplace360 office: Chicago, Illinois
Photo credit: Bob Buyle
6. Page 13: CBRE Workplace360 office: Madrid, Spain
7. Page 17: CBRE Workplace360 office: Madrid, Spain
8. Page 18: CBRE Workplace360 office: San Diego, California
Photo credit: Maha Comianos
9. Page 19: CBRE Workplace360 office: Tokyo, Japan
10. Page 20: CBRE Workplace360 office: Tokyo, Japan
11. Page 23: CBRE Workplace360 office: San Diego, California
Photo credit: Maha Comianos

**CBRE's experience counseling
global occupiers on the
redefinition and optimization
of their business and portfolio
strategies positions us uniquely
to track the relationship of
business goals, talent and
workplace performance.**



CONTACTS

To learn more about how to drive better business performance through better workplace performance, connect with CBRE.

Rob Marsh

*Executive Vice President
Labor Analytics*
rob.marsh@cbre.com

Karen Ellzey

*Executive Managing Director
Management Consulting
Global Workplace Solutions*
karen.ellzey@cbre.com

Lenny Beaudoin

*U.S. Practice Co-lead
Workplace*
lenny.beaudoin@cbre.com

Julie Whelan

*Americas Head of Occupier Research
CBRE Research*
julie.whelan@cbre.com

Georgia Collins

*U.S. Practice Co-lead
Workplace*
georgia.collins@cbre.com

About CBRE Group, Inc.

CBRE Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2015 revenue). The Company has more than 70,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 400 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. Please visit our website at www.cbre.com.

Disclaimer: Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE.