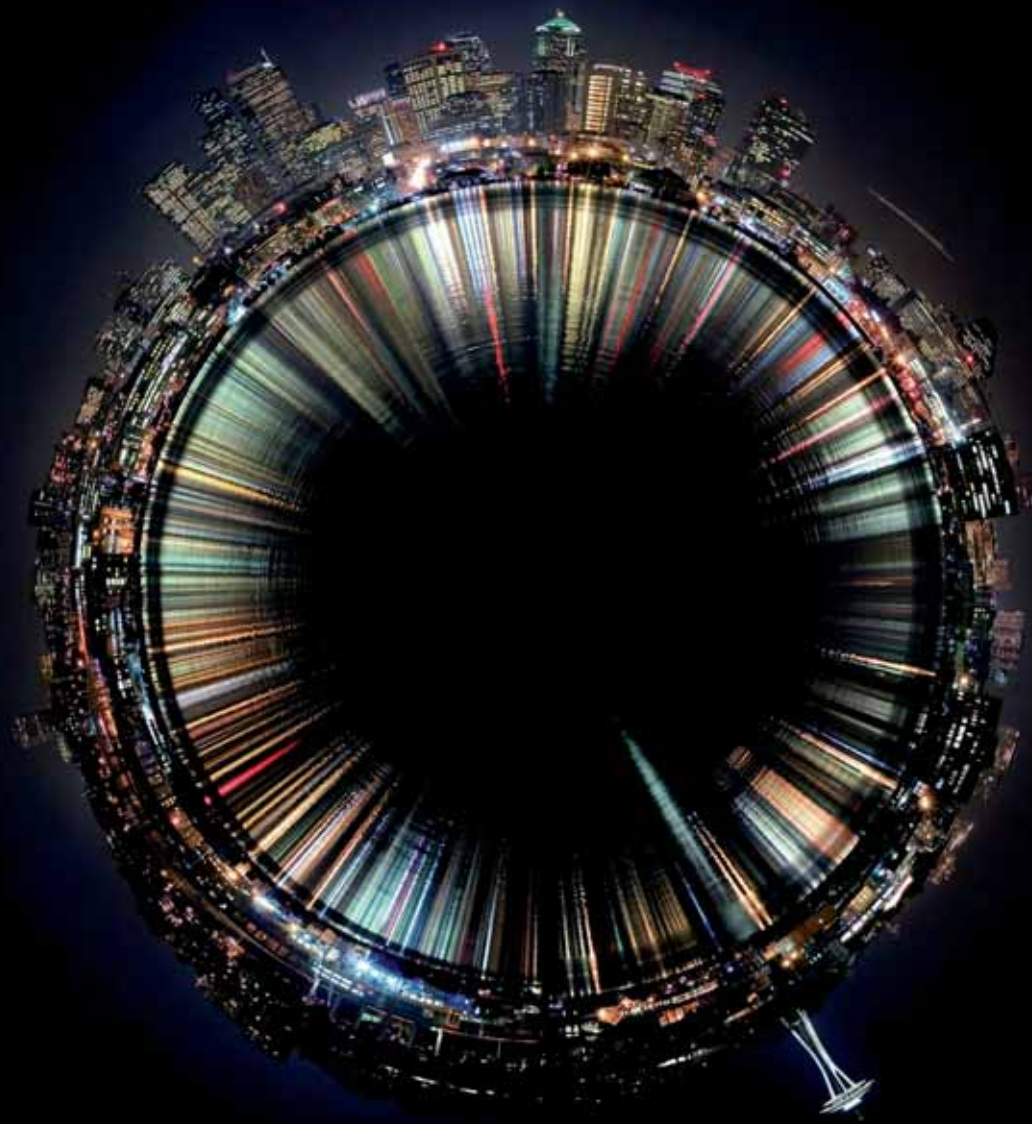


BUSINESS FOOTPRINTS GLOBAL OFFICE LOCATIONS 2011

CB RICHARD ELLIS | GLOBAL RESEARCH & CONSULTING



EXECUTIVE SUMMARY

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INTRODUCTION

The liberalisation and globalisation of trade have resulted in significant changes in the locations from which corporates operate around the world and, indeed, in the international reach of their office presence. This has substantially increased the number of international businesses occupying office space in many markets. While cities such as New York and London have a long history as international centres for finance and business, in more recent years other countries and cities, including a number of emerging markets, have also established an international reputation. While this may be regarded as part of a wider set of economic and corporate processes, equally the reasons for specific location decisions, and their consequences for different markets, can be extremely diverse.

At a general level, the pattern of where companies choose to locate their offices reflects a desire to maximise market coverage and exploit business opportunities, with clusters in particular business sectors becoming increasingly common. But where have companies sought to expand their businesses? Which countries and cities are favoured office locations and why? What differences in international expansion do we see between business sectors for international businesses? Do larger companies necessarily have a more extensive geographic office presence?

In order to examine the pattern of global office occupation and help answer these questions, the presence of 280 major international companies was recorded and analysed across 101 countries and 232 cities. To establish broader regional trends, the countries were grouped into three regions – Asia Pacific, The Americas, and Europe, Middle East and Africa (EMEA).

The report looks in detail at the representation of companies from different sectors and regions in office markets around the world, at both city and country levels. As expected, the markets which top the rankings as the most attractive office locations closely reflect measures of market size, such as population and GDP, as well as inherent competitive advantages, such as accessibility, labour pool, and business and regulatory environments. The positions of markets lower down the list, however, are less predictable and the real value of our ranking of these locations will be in tracking changes in their positions over time. The changing sector and regional breakdown of these markets will provide additional insight into the evolutionary drivers of various markets.

A number of previous studies (for example, Jackson et al, 2008¹) have found considerable homogenisation in the economic drivers and office market performance of global cities. Our study reflects



this: the five most popular countries in which businesses choose office space have more than three-quarters of companies present from the survey sample, and 14 cities have between 50% and 68% of the companies present, indicating strong parallels in the international occupier base of these markets. The number of occupiers present in the remaining cities and countries tails off fairly quickly, however, which suggests that, beyond the key global markets, there is far greater local differentiation in the presence of multinational corporates. Even for the top ranked cities, while there are strong similarities in the scale of the presence of major occupiers, there are also some interesting differences in the level and nature of sector specialisation.

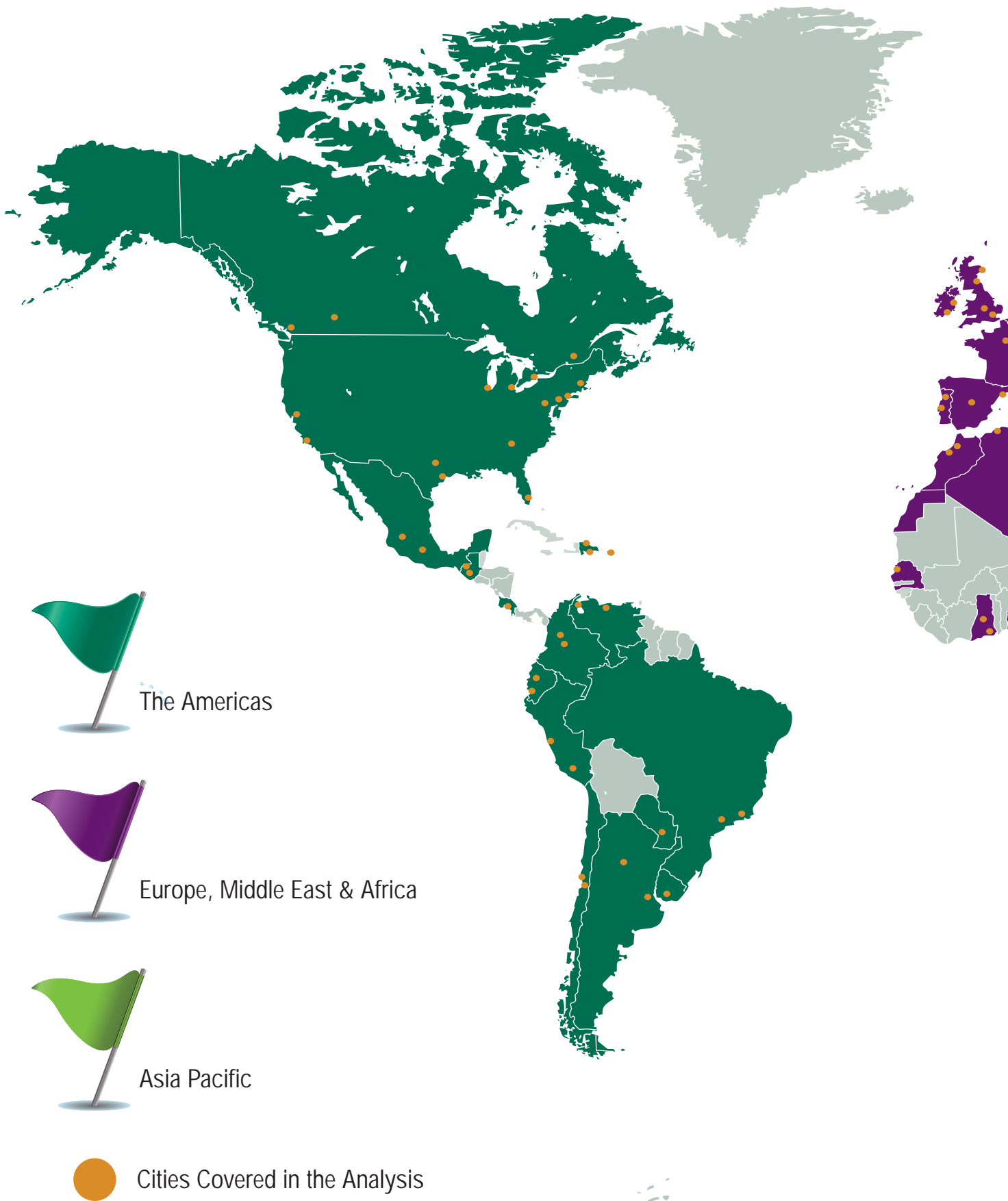
This report has a number of uses, both for businesses that occupy office space and for real estate investors. From an occupier perspective, it provides a useful benchmark of key global office markets by sector.

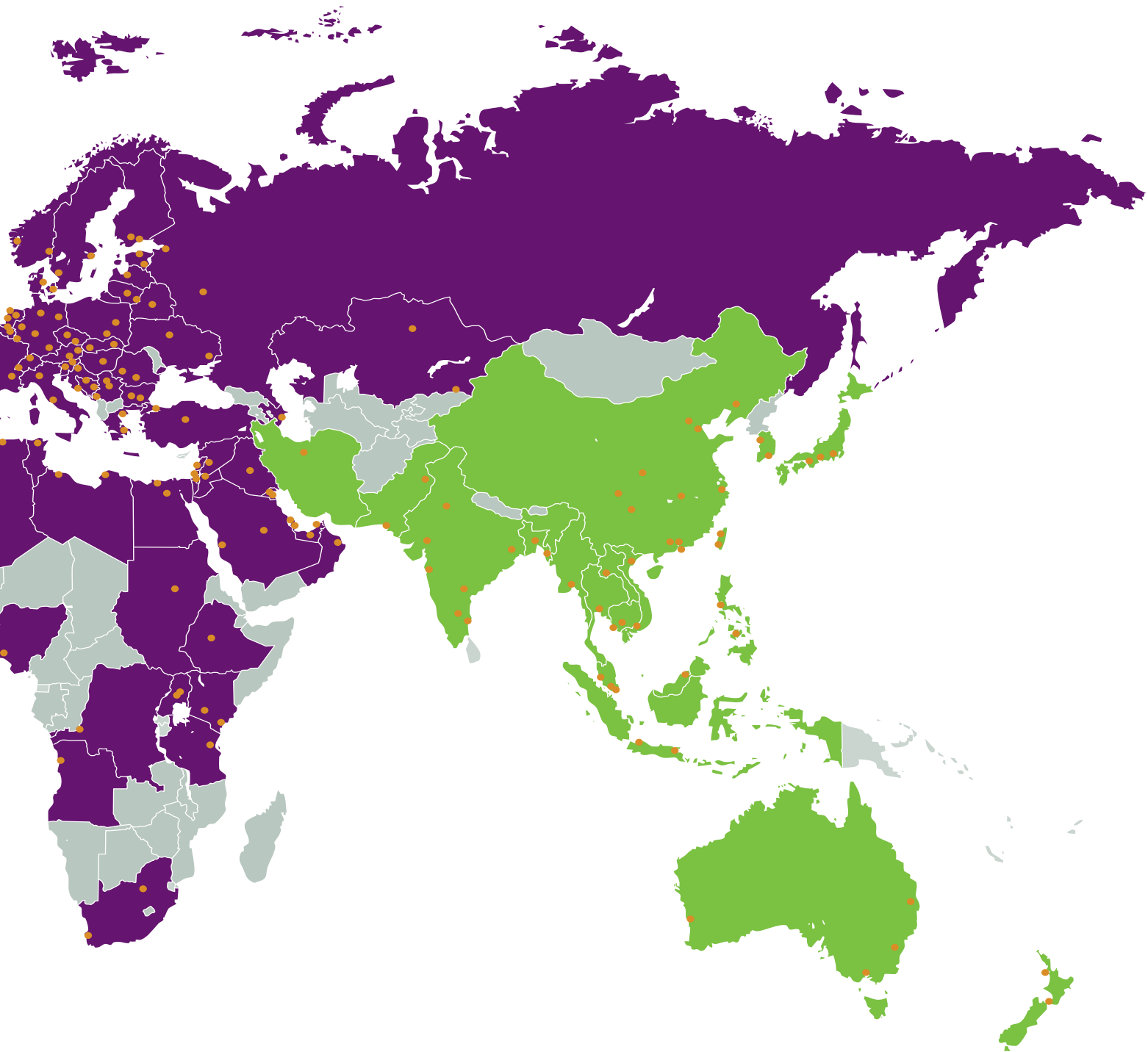
It also provides insight into which second and third tier markets are attracting significant representation from international businesses, both for specific sectors and at an aggregate level.

For investors, this report provides insight into the scale and composition of the international office occupier base of different markets across the world. It also provides an understanding of the types of companies present in individual cities and, based on the overall rankings, the relative strength of the blue-chip covenant base of different global investment destinations. In addition, the report identifies those markets that may have the opportunity for growth in office demand from multinational companies.



Figure 1: Countries and Cities Covered in the Analysis





KEY FINDINGS

- On average, a company in our survey conducts business from offices in 33 countries and 43 cities. Depending on the mix of markets, however, it is possible to access a large proportion of world GDP from a relatively limited physical footprint. For example, a company with offices in the top six countries in our ranking would have exposure to 56% of world GDP.
- Companies headquartered in Asia Pacific show significantly less propensity for overseas expansion than those headquartered elsewhere. Indeed, the largest proportion of the global office footprint of Asia Pacific-domiciled companies is in their own region. Nearly 40% of companies headquartered in Asia Pacific were present in fewer than 10 countries, compared with fewer than 20% of those headquartered in EMEA or the Americas. At present, Asia Pacific-domiciled companies also typically confine their choice of locations in overseas markets to fewer cities than companies from other regions.

SO WHERE ARE THE TOP BUSINESS LOCATIONS?

- Inevitably the countries with the largest number of companies are the world's largest economies. The United States has the highest overall number of companies present: 90% of the companies surveyed have a presence in the country. A third of these are, however, domiciled in the United States as opposed to overseas.
- China is the fourth most attractive market to office occupiers, but Russia, Brazil and India also rank in the top 20 most popular countries, highlighting the importance of big emerging markets for many businesses.
- The extent of a company's office presence, in terms of number of countries, also varies widely between sectors. Pharmaceutical & Healthcare firms typically have the widest global office distribution at country level while, at the other extreme, Automobile & Parts companies have a presence in the fewest countries.



Table 1: Office Presence of Companies by Country

Rank	Country	Number of Companies	% of Companies Present in Country
1	United States	251	89.6%
2	United Kingdom	247	88.2%
3	France	229	81.8%
4	China	227	81.1%
5	Germany	219	78.2%
6=	Italy	194	69.3%
6=	Japan	194	69.3%
8	Spain	193	68.9%
9=	Australia	191	68.2%
9=	Hong Kong	191	68.2%
11	Canada	190	67.9%
12	Singapore	189	67.5%
13	India	185	66.1%
14	Russia	174	62.1%
15	United Arab Emirates	171	61.1%



...AND WHICH CITIES ARE MOST ATTRACTIVE TO INTERNATIONAL BUSINESSES?

- At city level, Hong Kong attracts the highest number of international companies: 68% of companies in the survey are present in the city's office market. In fact, Asian cities account for four of the top five most popular cities for office occupation in the survey.

WHERE HAVE SECTOR HUBS DEVELOPED?

- Focusing on the key business sectors, New York and London are the dominant global hubs for Banks and Financial Services companies, with 92% of those surveyed present in each city. The top four markets for this sector – London, New York, Hong Kong and Singapore – are the same (and in the same order) as in the survey-based Global Financial Centres 7² report.
- Professional Services companies tend to favour similar markets to those in the Banking & Finance sector – namely London and Hong Kong. Interestingly, however, two emerging markets – Moscow and Beijing – are higher up the ranking for this sector.
- In the Media, Technology & Telecoms sector, London, Hong Kong, Madrid and New York each had more than 75% of the companies present. A high degree of global dispersion in this sector is, however, indicated by the presence of a number of emerging markets – such as Mumbai and Sao Paulo – in high ranking positions. The growing skills base and consumer sophistication of markets outside the traditional EMEA and North American locations is clearly generating significant interest from companies in this sector.
- Asia also features strongly in the Industrial Goods & Services sector: it accounts for seven – including Singapore, Hong Kong and Bangkok – of the top 10 most popular office locations in the sector. This sector's primary activity relies heavily on the availability of skilled but relatively cheap labour. Outside Asia, only Warsaw, Moscow and Dubai attract more than 70% of firms in this sector.

...AND DO DIFFERENT SECTORS HAVE DIFFERENT EXPANSION STRATEGIES?

- There are notable differences between sectors in the extent to which they develop an office presence in multiple cities within a given country. In part, this reflects differences in the need for face-to-face client contact. Professional Services and Banking & Financial Services companies extend their office footprint far more within a country than most other sectors.

FINALLY, HOW DOES TENANT MIX VARY IN KEY GLOBAL CITIES?

- The sector breakdown of individual markets provides a useful insight into the tenant mix in specific cities. Most of the sources of over-representation lie in Banking & Finance and Professional Services – a reflection of the highly developed clustering tendencies of these activities. While there are common trends among the top 10 cities – for example Banking & Financial Services companies tend to be overweight in the key global cities – there are also some interesting differences. Shanghai and Beijing, for instance, display a contrasting tenant mix from the rest of the top 10 markets: both cities have a very high presence of Energy companies, Mining, Construction & Primary Industries, and Transport, Distribution & Retail firms.

AND WHERE ARE THERE POTENTIAL OPPORTUNITIES FOR GROWTH?

- It is clear from our analysis that the number and type of companies present in each city is not simply a function of factors such as the city's size or GDP. Comparing the scale of occupier presence in each market with the city's performance on four metrics – Population, GDP, Ease of Doing Business and Market Transparency – shows that the actual picture is much more complex. It does, however, suggest a number of markets, including Johannesburg, Vancouver, Lima, Bogota, Lisbon, Copenhagen and Stockholm, which appear to have growth potential on this basis.

Table 2: Office Presence of Companies by City

Rank	City	Number of Companies	% of Companies Present in City
1	Hong Kong	191	68.2%
2	Singapore	189	67.5%
3	Tokyo	179	63.9%
4	London	177	63.2%
5	Shanghai	172	61.4%
6	Moscow	170	60.7%
7	Beijing	169	60.4%
8	Madrid	167	59.6%
9	Dubai	157	56.1%
10	Paris	156	55.7%
11	New York	155	55.4%
12	Warsaw	150	53.6%
13	Milan	147	52.5%
14	Sao Paulo	146	52.1%
15	Bangkok	137	48.9%



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