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Amazon HQ2 - What goes into a HQ relocation (an inside look)

Greetings!

All the talk around the nation in real estate and economic development circles is focused on the Amazon second HQ search. The impact of such a move would bring 8 million sf of office development and 55,000 new jobs to the municipality that wins this. To put things in perspective, this single requirement would fill every office building in all of Decatur, and if every new employee was an apartment dweller, there would be a need for over 200 new apartment communities. There will be a commitment to add these over several years, but it will change the face of the city.

So what goes into a HQ search? One of the TriStar principals, in a previous life, was involved in 2-3 HQ moves. To put things simply, real estate is not at the top of the selection criteria. When corporations decide to make a major commitment of key employees and resources, several things come into the mix:

Talent:

One of the key drivers of Amazon is diversification of resources. In Seattle, Amazon and Microsoft are fighting for technology talent, which is hard to find. Rather than continuing to battle for employees with higher wages, you can open a new division in a place where the talent and cost are better. Employee cost (salaries) is the highest cost function in any company, and you want to go where the talent is not only qualified but also abundant. If companies need young, technology-educated people, centers like Silicon Valley, Boston, New York and Austin come to mind.

Cost of Living and Relocation:

Opening a new office or a headquarters means that you will have to grow organically but also bring in existing employees to anchor the beach head. Sound easy? Go to your top executive with three kids in schools and tell them you want them to move across country for a promotion. The cost? Increased salary, disturbance of the entrenched family, purchase of existing homes by the company, set up compensation for the new city move...and maybe a bonus if the executive can convince the spouse and family to move rather than going across the street to a competitor who is on the other line saying they can stay in town and get a bonus if they move to their company. If you are looking at New York, you will have to pay your employees more than you would in Atlanta just because of the cost of housing. Take this scenario and with a large move, multiply this by 100 executives and you have what is the single hardest part of a large move. Realize that the HR staff is not looking forward to these moves.

Ease of Transportation/Time Zone:

Worldwide access is key, and to be blunt, the world's time zone is on the East coast. If you look at great competitors like Raleigh, NC and Austin, Texas, they have technology and excellent talent. However, if you are a worldwide player, you are flying into another city and making connections to get to where you want to go. The CEO flies on the company jet, but other executives want to get in and out in a day, and it's no fun if you have to fly into Dallas to then get to Austin. Some companies like West coast and East coast presence, so one can focus on the Asian markets, and the other on European markets 24/7.

Ego Status and Company Culture

This sounds trivial, but every organization has a great deal of pride in their brand relative to the competitive bunch of a city. Do you think Pepsi would ever relocate to Atlanta? This is an obvious example, but a company wants to see if the city will embrace its culture and make them feel important. Tax incentives are the best demonstration of the tangible elements of the corporate relocation. A more subtle, but important point is legislative acts at the state level. North Carolina's decision on bathroom issues a few years ago was a mistake that they are still paying for with lost corporate considerations that we will never hear about and convention business that will take years to return. I wonder what Amazon thinks of the recent move by the Georgia's state government to strip tax breaks away from Delta Airlines?

Subtleties

A major software company years ago, considering Atlanta was touring with a developer for what is now the new NCR Headquarters in Midtown. Driving down Spring Street, he stopped to display the architectural rendering of a 350,000 sf signature building. In the car were the director of HR, head of Real Estate and the CFO. As the developer looked to the right to display the new building rendering, all heads were turned left to an infamous Atlanta landmark known mostly to conventioners. The cultural value of the company led the decision makers to think that it would be career suicide to suggest to the CEO and the board of directors that a new HQ site be located across the street from what some refer to as the "Atlanta Ballet". True Story - the HQ went to North Carolina.

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