2011

CoreNet Global
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The World is Neither Round, Nor Flat: It's Virtual, and It's Fast

BY ROB MARSH, MARK SEELEY AND KRISTIN BEATTY

Globalization is changing the landscape for corporate real estate (CRE) executives. With it comes a distinct set of challenges and opportunities.

Understanding the risk/reward complexities associated with globalization, coupled with ever-mounting challenges of information overload, can be overwhelming. Decentralized, unreliable and/or inconsistent information from country to country inhibits a CRE professional's abilities to perform critical analysis and make strategic decisions.

On the other side of the equation, globalization can create significant opportunities for CRE to produce enterprise value, well beyond the global delivery of bricks-and-mortar solutions. As corporations continue to refine their global work force strategies, many times the best value creation opportunities for CRE are found by focusing on the intersection of real estate and human capital.

Trends Driving Change

When tasked with aligning global real estate solutions to accommodate a globalized work force, a big-picture understanding of the trends that are impacting and shaping the road ahead can help to refine the best path to navigate for each unique assignment, especially when it comes to access to human capital. Three major trends responsible for the significant changes ahead include:

1. Emerging market opportunities
2. Offshoring operations for wage/ cost arbitrage
3. Changing of global demographics

These globalization trends, along with intimate knowledge of the corporate drivers for expansion, can heavily influence how CRE designs a strategy to meet each internal client's needs.

Emerging Market Opportunities

According to a Foreign Affairs article – *"The New Population Bomb: The Four*

Megatrends that Will Change the World" – by Jack A. Goldstone, the following staggering regional GDP trends demonstrate the declining economic impact of established markets and the case for paying attention to emerging markets:

- In the early 1800s the U.S. and Canada together produced about 32 percent of the world's GDP.
- In1950 that proportion had increased to a remarkable 68 percent of the world's total output (adjusted to reflect purchasing power parity).
- Between 1950 and 2003, GDP produced by Europe, the U.S. and Canada fell from 68 percent to 47 percent.
- In 2050 the portion of global GDP produced by Europe, the U.S. and Canada will then be less than 30 percent – smaller than it was in 1820.

Offshoring

Despite domestic (U.S.) pressures to keep jobs at home, offshoring activities continue to be employed, and with the

advancements in technology and the investments being made in education in emerging markets worldwide, we expect the trend to continue as a mainstream source of processing business.

As consumers embrace alternative customer support channels that do not include voice (chat, social media solution sourcing, blogs), the ability to overcome the dialect barriers continue to be minimized. Economic drivers that were the catalyst for offshoring, while diminished on some fronts, continue to be compelling and embraced globally. An example is Latin America and Africa as two of the newer frontiers experiencing activity.

Global Demographics

- Population of the world's developed countries will drop by nearly 25 percent, shifting economic power to the developing nations.
- Developed countries' labor forces will substantially age and decline, constraining economic growth in the developed world and raising the demand for immigrant workers.
- Most of the world's expected population growth will increasingly be concentrated in today's poorest, youngest countries.
- For the first time in history, most of the world's population will become urbanized, with the largest urban centers being in the world's poorest countries, where policing, sanitation and health care are often scarce.

Global LaborView Market Intelligence

To assist CRE executives in successfully navigating the globe, CBRE developed Global LaborView (GLV), a web-enabled application that synthesizes labor and real estate market intelligence on a unique interactive platform. The system provides fingertip access to quickly assess macro site-selection factors throughout the Americas, Europe, Middle East, Africa and Asia Pacific. GLV enables CRE executives to make valuable organizational contributions when addressing one of the biggest enterprise challenges moving forward – how to successfully implement solutions at the intersection of human capital and real estate.

Features of the GLV web-enabled application include:

- Economic overviews including GDP growth, unemployment and inflation rates, economic and investment freedom and financial development indices
- Country overviews of demographics, economics, strengths and weaknesses
- Modules that measure business environment factors such as infrastructure and IT readiness, political stability and economic risk

The Interface Bubble Chart feature displays the size of each city within the country and its pace of offshoring development.
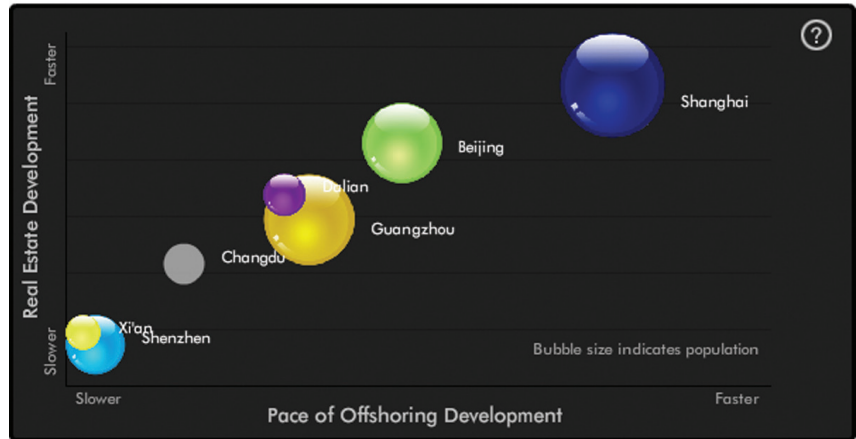

The main data/content components of the Global LaborView application

Global LaborView's Country Comparison Tool provides a side-by-side comparison of four countries among 15 unique data sets.

Global LaborView's Application Mainframe. When the data icon is selected, the map visually displays a low-to-high color-coded concentration among the following location variables: infrastructure, IT readiness, education, risk and labor costs.
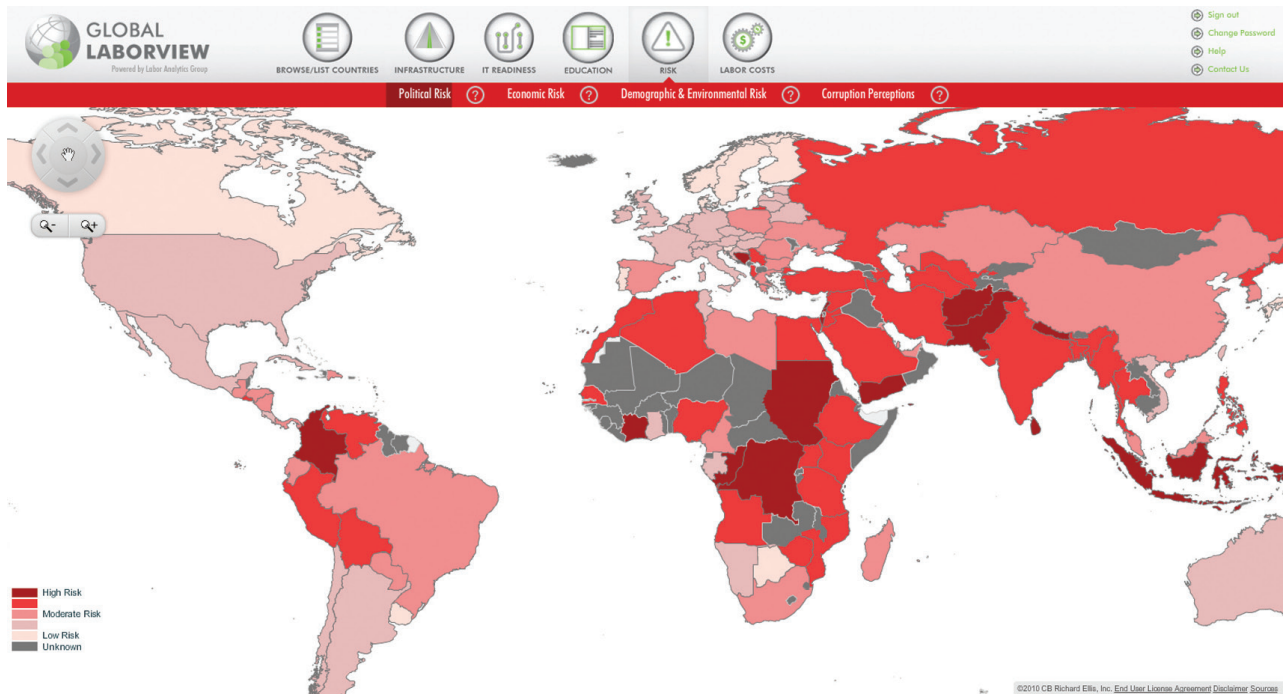
Global LaborView's U.S. Skill Set Analysis

	Total Supply	Macro Supply	Micro Supply	Education
Total	110 🟢	105 🟢	115 🟢	110 🟢
Admin/Back Office	107 🟢	95 🟡	115 🟢	103 🟢
Call Center	105 🟢	107 🟢	90 🟡	104 🟢
Finance & Accounting	115 🟢	80 🔴	120 🟢	104 🟢
Health Services	80 🔴	50 🔴	110 🟢	85 🔴
IT	90 🟡	115 🟢	85 🔴	95 🟡
Sales	95 🟡	90 🟡	102 🟢	97 🟡

- Real estate metrics specific to property rights, taxes, local premier office occupancy costs and availability of off-shoring facilities
- Labor costs that geographically compare representative salaries across multiple occupations
- Education overviews measuring enrollment rates, education quality and vocational training

The development of GLV has benefitted from CRE end user study, feedback and implementation.

According to Julie Whelan, Vice President of State Street's Global Realty Service, "We are using Global LaborView to provide our business with the country information they need to evaluate potential new locations to grow our business."

In the course of their use, State Street found the tool to be "very user friendly, logical and intuitive, and the country comparison chart is extremely useful." In addition, Whelan and her team saw that it allowed their real estate organization to quickly respond to inquiries with confidence that they are providing consistent data.

"In turn, the company makes more informed decisions, and our department becomes a more value-add business partner within the organization," said Whelan.

Features:
- Main Map visually displays a color-coded scale of key drivers.
- Quick Glance allows users to identify macro site-selection drivers and risk.
- Comparison Tool enables review of specific data points for multiple countries.
- Print feature provides quick, on-demand summary reports.
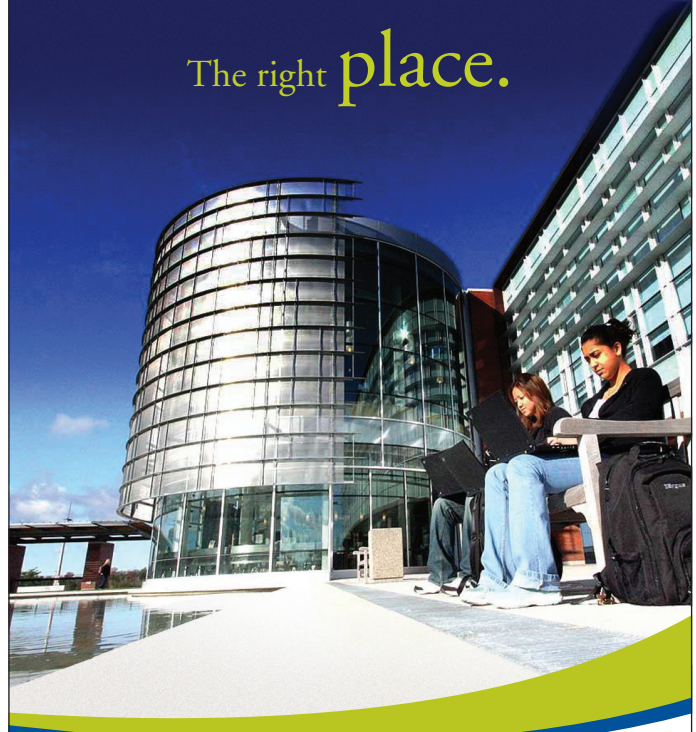- Media component provides reports, podcasts and CBRE research products.

Benefits:
- Provides CRE executives with a comprehensive foundation for strategic site evaluation inquiries
- Facilitates easy, time-saving access to a centralized resource of data variables and feeds from multiple resources around the world

Global LaborView's U.S. LABOR SUPPLY MODULE allows users to review the total supply and education count for a specific skill set.

About the Authors

Rob Marsh is a Senior Vice President for CBRE's Labor Analytics Group and led the development of Global LaborView. He is a founder of the Labor Analytics Group and is responsible for managing its expansion.

Mark Seeley is the Senior Managing Director for CBRE's Labor Analytics Group and leads the group's consulting practice. He also leads the regional advisory teams in providing guidance and expertise for optimizing global operations from a workforce perspective.

Kristin Beatty is a Managing Director for CBRE's Labor Analytics Group and develops corporate real estate solutions for site selection and portfolio optimization strategies utilizing her expertise in North American labor markets.

- Presents a balanced perspective based on integrated data sets of both proprietary CBRE market intelligence and leading third-party resources
- Allows seamless access to CBRE's latest reports, publications and resources captured worldwide

Future Plans

As part of the evolution of Global LaborView, CBRE is expected to release the city-level module for the U.S. in first quarter 2013, which includes every U.S. city with a population of 10,000 or greater. It will deliver analytical assessments on more than 3,300 U.S. labor markets. Assessments will leverage more than 17 years of leading labor analytics and strategic market evaluation and will identify strengths and weaknesses across labor supply, labor cost and education. Analytics will include labor force, unemployment, occupational density, wages, educational attainment and college enrollment. Each market will compare nearly 100 data points across these categories, summarizing by category and providing a total score for several common skill-set profiles. Users will have the ability to compare multiple markets across all data points for strategic evaluation and investment prioritization across their portfolio.

For more information on this topic, please visit CoreNet Global's Knowledge Center Online.

In a Word, Sustainable: India Welcomes a Project with Transferable Ideas - GIA Winner 2011
http://www2.corenet-global.org/dotcms/kcoasset?assetinode=11022501

The Global Economic View
http://www2.corenet-global.org/dotcms/kcoasset?assetinode=13081449