

RESEARCH

SUMMER 2005

Survey of
Property Trends
Location Strategy

Location strategy

Introduction

In addition to the regular CBI / GVA Grimley Survey of Property Trends, we questioned respondents on their proposed global location strategy with regard to expansion and relocation of their businesses. This topic was chosen because of the increasing trend of expansion and relocation of business units either in the UK or to other parts of the world.

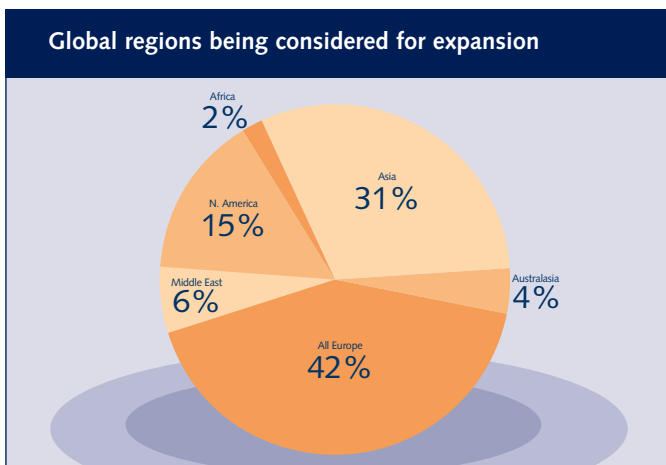
The survey was carried out in May 2005, and covered 181 UK private sector firms of all sizes, in all sectors and from all regions.

Business expansion

In which countries / global regions are businesses considering expansion?

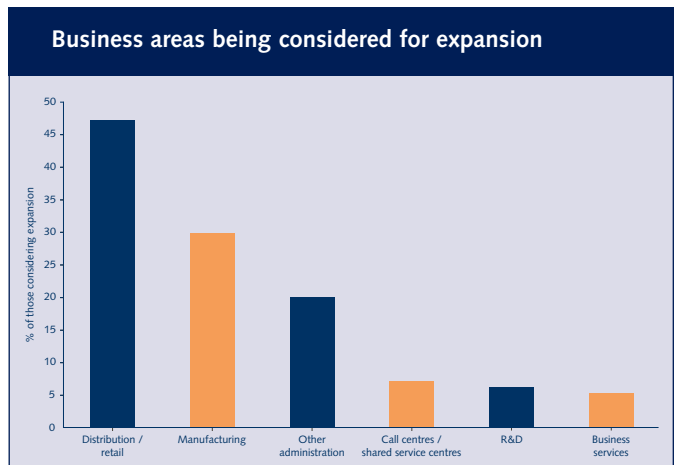
Respondents were asked whether they were considering expansion over the next two years, either within or outside the UK. 75% of respondents indicated that this was the case. Of those that indicated that they are considering expansion, 80% said they were considering expansion in the UK, with 35% considering other countries or global regions (15% were therefore considering expansion both in the UK and abroad). This is a significant finding, as it shows that most companies are planning to expand in the UK.

Of those companies who said that they were considering expansion in other countries, 42% of responses were considering Europe (with a third of these specifically stating Eastern Europe). 31% of responses were considering Asia, with the majority of these citing China or India. 15% of responses mentioned North America, with the remaining 12% of responses mentioning the Middle East, Australasia or Africa.



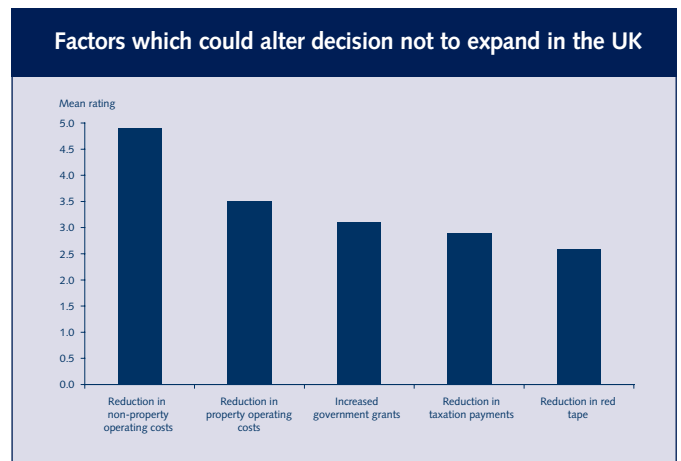
In what business areas are companies considering expansion (either in the UK or globally)?

Respondents were asked to indicate if they were considering expansion (either in the UK or overseas) in any of the following areas of their business over the next two years: 'Manufacturing', 'call centres / shared service centres', 'other administration', 'R&D', 'distribution / retail' or 'business services'. 59% of respondents indicated that they are considering expansion in at least one area of their business. 47% stated that this was in distribution / retail (reflecting typical initial market entry strategies), whilst 29% stated that it was in manufacturing. All the other responses were in office business areas, the most significant of which was 'other administration', highlighted by 18% of respondents. The remainder were 'call centres / shared service centres' (7%), 'R&D' (5%), and 'business services' (5%).



What factors might influence expansion in the UK rather than outside?

Respondents who were considering expansion outside of the UK were asked about the factors that might influence them to make the expansion in the UK instead. The options given were: 'reduction in red tape', 'reduction in taxation payments', 'reduction in property operating costs', 'increased government grants', 'nothing – expanding overseas to access new markets' and 'other factors'. Respondents were asked to rate their answers from 1 to 5, with 5 being very significant and 1 being least significant.



22% of respondents stated that they were simply expanding overseas to access new markets. Of those companies that cited factors other than accessing new markets, reduction in non-property operating costs were of considerable concern. Indeed, those citing this factor gave an average score of 4.9. 'Reduction in property operating costs' was considered the next most significant with a mean rating of 3.5, indicating a moderate level of concern. This was followed by government controlled factors: 'increased government grants' (3.2), 'reduction in taxation payments' (2.9), and 'reduction in red tape' (2.6).

Business relocation

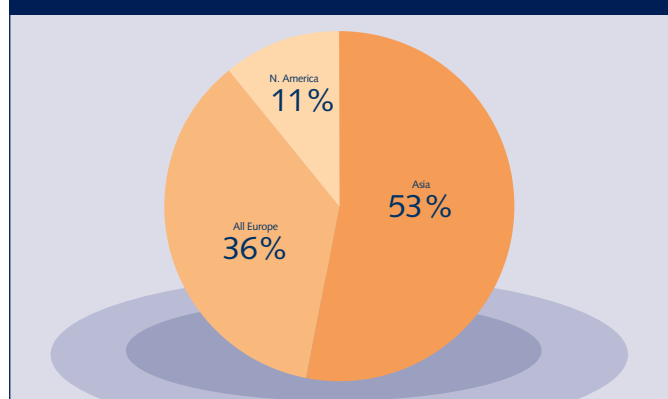
Which global regions would businesses consider relocating to?

Respondents who were considering relocating business units from the UK to an overseas location were asked which countries or global regions they were considering relocating to.

53% of responses were considering Asia, of which half cited China and a quarter cited India. 36% of responses mentioned Europe, of which the vast majority cited Eastern Europe. The only other global region mentioned was North America (11%).

It is interesting to compare these results with the first question in the survey, which asked in which global region the respondent would consider *expansion* as distinct from *relocation*. Expansion outside of the UK is seen as key for reaching new markets (see previous question), whereas relocation of business units is a more likely strategy to save costs. For relocation, Asia and particularly China receive a higher share of responses than for expansion, and Europe is dominated by Eastern Europe. There appears to be a more clearly defined and narrower hierarchy of locations when considering relocation of business units rather than expansion, these being mainly Eastern Europe, India and China.

Global regions being considered for relocation

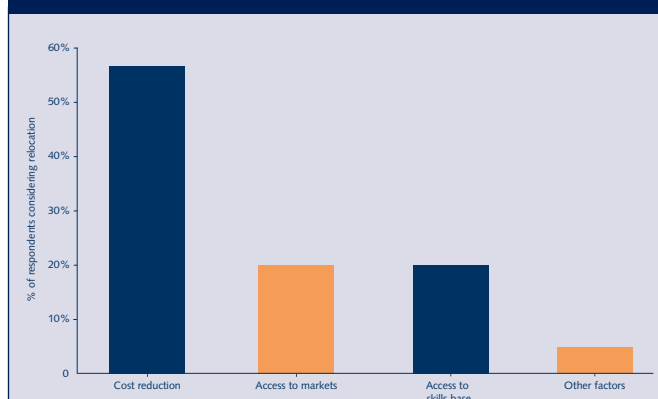


Key drivers for relocating business units from the UK to overseas locations.

Respondents were asked to identify their key drivers for relocating business units from the UK to overseas locations. The options given were 'cost reduction', 'access to markets', 'access to skills base' and 'other factors' (to be specified).

Of those considering relocation, the most significant driver was 'cost reduction' (57%). 20% of respondents stated 'access to new markets' and 20% stated 'access to skills base'. This reinforces the argument that relocation of business units is primarily for cost benefits rather than accessing new markets.

Key drivers for relocating business units from the UK to overseas locations



Conclusions

The main findings of the survey are as follows:

- Of those businesses that are considering expansion, 80% are considering expansion in the UK. This is highly encouraging for the UK economy.
- Those companies looking to *relocate* business units are likely to focus primarily on Eastern Europe, India and China. Those looking to *expand* are considering not only these areas, but also Western Europe, North America, Middle East and Australasia.
- For companies considering expansion outside of the UK, their main concerns about the UK were higher operating costs (issues around taxation, the availability of grants and reducing bureaucracy were of a lower concern).

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