

***Competition  
for Corporate  
Site Locations*** \_\_\_\_\_

# ***Competition for Corporate Site Locations*** ---

- Factors Influencing Corporate Real Estate
- Real Estate Activity by Industrial Sector
- Growth Leaders
- Housing Costs vs. Affordability
- SACTO's Recruitment Efforts
- Conclusions



***Factors Influencing  
Corporate Real Estate*** 

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- U.S. corporations are changing focus from profit and losses to return on assets and the corporate balance sheet.
- Real estate represents 25% of all U.S. corporate assets.
- Corporate real estate decisions are becoming more centralized.
- 85% of all major U.S. corporations have established corporate real estate departments, over 50% have been established in the last ten years.

- Factors influencing industrial growth
  - Expansion from Bay Area and Los Angeles
  - U.S. and West Coast locations for domestic and foreign firms
  - Distribution hub for west coast
  
- Types of industrial growth
  - Distribution
  - Electronics and other high technology companies
  - Back office data processing
  - Building products and other construction related support activities

***Real Estate Activity by  
Industrial Sector*** \_\_\_\_\_

# Activity by Industrial Sector in California

## Estimated Wage & Salary Employment by Industry 1980-1988 (Thousands of Jobs)

Industry	SIC Code	Jobs	Percent
Children's Outerwear .....	236	0.9	56.3%
Other Printing & Publishing .....	27 other	14.8	47.4
Guided Missiles & Space Vehicles .....	376	22.6	38.6
Electrical Distribution Equipment .....	361	3.5	36.5
Women's & Misses .....	233	20.3	31.9
Printing & Publishing .....	27	36.9	30.0
Electronic Components & Accessories .....	367	33.4	28.9
Drugs .....	283	5.0	28.1
Measuring and Controlling .....	382	11.7	25.4
Commercial Printing .....	275	12.4	25.2
Other Furniture & Fixtures .....	25 other	3.3	24.8
Partitions and Fixtures .....	254	1.6	23.2
Newspapers .....	271	9.6	22.4
Communication Equipment .....	366	31.4	22.0
Apparel & Similar Products .....	23	19.4	18.2
Instruments & Related .....	38	17.8	17.8
Electrical Equipment & Supplies .....	36	50.4	17.4
Transportation Equipment .....	37	33.6	12.1
Beverages .....	208	2.9	11.7
Other Instruments & Related .....	38 other	6.1	11.3

## *Activity by Industrial Sector in the Greater Sacramento Area*

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- 88.2 million square feet of industrial space
- 90% warehouse and distribution
- 10% high tech/flex space
- Major industrial absorption
  - Highway 50 Corridor ..... 19.4%
  - Power Inn Road ..... 16.6
  - West Sacramento ..... 12.4
  - Roseville ..... 10.8
  - Woodland ..... 10.1
  - Natomas ..... 9.6
- 33% of local manufacturing base in food processing



**Manufacturing Share of Total Capital Employment**

Rank	State	Capital	Manuf. Emp. as Share of Total (1987)		Ratio of Capital to State Share
			State	Capital	
1	Rhode Island	Providence	25.8	23.1	0.9
2	Minnesota	St. Paul	19.1	19.8	1.0
3	Connecticut	Hartford	23.4	19.3	0.8
4	Tennessee	Nashville	24.7	19.1	0.8
5	Indiana	Indianapolis	26.7	17.8	0.7
6	Pennsylvania	Harrisburg	21.2	17.7	0.8
7	Michigan	Lansing	26.0	17.3	0.7
8	Massachusetts	Boston	19.6	16.4	0.8
9	New Jersey	Trenton	18.8	16.0	0.9
10	Ohio	Columbus	23.9	15.7	0.7
11	North Carolina	Raleigh	29.9	15.2	0.5
12	Alabama	Montgomery	24.5	15.1	0.6
13	Oregon	Salem	18.7	15.1	0.8
14	Arizona	Phoenix	13.5	14.9	1.1
15	Virginia	Richmond	16.0	14.3	0.9
16	Arkansas	Little Rock	26.3	14.0	0.5
17	Utah	Salt Lake City	14.4	13.9	1.0
18	Georgia	Atlanta	20.6	13.7	0.7
19	Vermont	Montpelier	20.2	13.7	0.7
20	South Carolina	Columbia	26.8	12.8	0.5
21	Idaho	Boise City	16.2	12.6	0.8
22	New York	Albany	15.2	12.2	0.8
23	Nebraska	Lincoln	13.4	12.0	0.9
24	Colorado	Denver	13.2	11.9	0.9
25	Oklahoma	Oklahoma City	14.0	11.7	0.8
26	Iowa	Des Moines	19.3	11.6	0.6
27	Mississippi	Jackson	26.4	11.6	0.4
28	Wisconsin	Madison	25.3	11.4	0.4
29	Texas	Austin	14.3	11.2	0.8
30	West Virginia	Charleston	14.4	10.6	0.7
31	Kansas	Topeka	17.6	10.3	0.6
32	Louisiana	Baton Rouge	11.0	8.7	0.8
33	<b>CALIFORNIA</b>	<b>SACRAMENTO</b>	18.1	7.4	0.4
34	North Dakota	Bismarck	6.2	5.2	0.8
35	Hawaii	Honolulu	4.8	4.5	0.9
36	Florida	Tallahassee	10.9	4.2	0.4
37	Illinois	Springfield	19.0	4.0	0.2
38	New Mexico	Santa Fe	7.3	3.2	0.4

**Growth in Manufacturing Employment**

Rank	State	Capital	Percent Change in Manufacturing Employment (1982 to 1987)	
			State	Capital
1	CALIFORNIA	SACRAMENTO	7.5	45.9
2	Idaho	Boise City	13.2	26.7
3	North Carolina	Raleigh	9.3	25.1
4	Alabama	Montgomery	8.8	23.5
5	New Mexico	Santa Fe	12.6	21.4
6	Arizona	Phoenix	21.2	21.4
7	Texas	Austin	-11.2	21.1
8	Georgia	Atlanta	13.8	19.2
9	Florida	Tallahassee	16.0	17.9
10	Wisconsin	Madison	5.7	17.8
11	Oregon	Salem	10.3	16.0
12	Tennessee	Nashville	6.1	13.4
13	Iowa	Des Moines	1.7	13.3
14	South Carolina	Columbia	2.5	12.5
15	Nebraska	Lincoln	0.2	9.0
16	Mississippi	Jackson	12.2	7.4
17	Minnesota	St. Paul	8.1	6.5
18	Utah	Salt Lake City	7.5	3.7
19	Michigan	Lansing	10.2	2.9
20	Ohio	Columbus	-0.4	2.1
21	Connecticut	Hartford	-8.3	0.1
22	Hawaii	Honolulu	-1.3	0.0
23	New Jersey	Trenton	-7.3	-1.3
24	Pennsylvania	Harrisburg	-11.0	-2.1
25	Virginia	Richmond	8.0	-2.8
26	Massachusetts	Boston	-6.2	-3.0
27	Indiana	Indianapolis	4.6	-3.6
28	Kansas	Topeka	4.2	-4.3
29	Arkansas	Little Rock	12.4	-4.5
30	Oklahoma	Oklahoma City	-14.5	-5.1
31	New York	Albany	-9.7	-9.2
32	Colorado	Denver	0.5	-24.8
33	Louisiana	Baton Rouge	-19.3	-26.7
34	West Virginia	Charleston	-12.5	-30.0
35	Illinois	Springfield	-8.1	-32.8
36	Rhode Island	Providence	-0.1	-43.0

***Growth Leaders*** \_\_\_\_\_



- West coast job growth leaders: *The Top 10*
  - Seattle
  - Los Angeles
  - San Diego
  
- West coast job growth leaders: *The 2nd 10*
  - Portland
  - Sacramento
  - Oakland
  - Anaheim
  - Las Vegas
  
- SACTO Competition
  - Portland
  - Reno
  - Salt Lake City
  - Colorado Springs
  - Austin
  - Phoenix
  - Fairfield
  - Stockton

## **Area Strengths**

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- Proximity to Bay Area and other West Coast and Pacific Rim Markets
- Transportation network
- Local universities
- Relative affordability compared to other California markets

## **Area Weaknesses**

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- Cost of doing business in California vs. other states
- Strength of local market vs. other competitors (eg. Phoenix and Denver)

***Housing Costs  
vs. Affordability***

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**Comparative Median  
Housing Costs - Resale**

	Median Housing Cost	Ranked by Affordability*
Palo Alto.....	\$494,500	5%
San Jose.....	261,159	11
Los Angeles.....	233,142	14
Orange County.....	243,285	15
<b>SACRAMENTO .....</b>	<b>148,700</b>	<b>27</b>
Seattle .....	136,100	29
Colorado Springs .....	98,063	33
Portland.....	100,000	34
Phoenix.....	88,000	36
Salt Lake City .....	80,102	41
Austin .....	85,813	41

\* The affordability index is defined as the percentage of households who can afford to purchase median priced homes in each region assuming a 20% down payment and the average combined effective national mortgage rate for fixed and variable rate loans. Monthly payments include property taxes and home insurance.

# ***SACTO's Recruitment Efforts***

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- Quality companies and corporate headquarters
- Targeted recruitment in Bay Area, Los Angeles and Japan
- Secondary recruitment efforts in New York, Chicago, and Germany
- Continued development of SACTO's Pacific Rim effort
- Creation, in October 1990, of European Committee to encourage their manufacturing investment
- Development of three targeted marketing pieces:
  - State designated Enterprise Zones
  - Local job training programs
  - Foreign Trade Zone
- Attendance at Western Electronic Systems Conference in Anaheim and the Semiconductor Equipment Manufacturers Conference in San Francisco (Attendance = 150,000)

# *Conclusions*

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- Increased global and national influences on local real estate market
- Increasing diversification in local manufacturing base
- Sacramento MSA growth is projected at 27,480 per year, an annual increase of 11.1% per year.
- New jobs estimated to grow at 25,650 per year
- Increased pressure on local governments to create affordable housing alternatives