

*Real value in a changing world*

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## **Germany Jumps on BRIC Bandwagon as Favored Location for Corporate America Expansion, while Foreign Companies Eye United States for Growth**

*Jones Lang LaSalle's iDesk Outlook defines where U.S. industries are growing and which industries are moving operations back home in 2011*

**WASHINGTON, D.C., Feb. 2, 2011** -- With the global economy in recovery, many U.S. corporations are back in expansion mode and seeking the most attractive and accretive real estate locations across the globe. While the BRIC countries (Brazil, Russia, India and China) are still an expansion priority for Corporate America, Germany is gaining ground fast. According to Jones Lang LaSalle's International Desk (iDesk) Outlook, some companies also are onshoring, bringing operations back to the United States.

Jones Lang LaSalle's iDesk Outlook provides a first-hand perspective on the migration patterns of U.S. companies in 2010 and 2011. It stems from proprietary market intelligence gathered via research and hundreds of direct client conversations. The following report highlights 2010 corporate expansion trends, predicts which countries and industries will see growth from U.S. companies in 2011, and explains why some U.S. companies are onshoring and foreign investment is headed into the United States.

### **Germany on the BRIC bandwagon– A Look Back at 2010**

According to Jones Lang LaSalle iDesk's Outlook report, India remained the first choice for corporate expansion in 2010 given it has the highest levels of information technology (IT) expertise, followed by China, Brazil and Russia. But there is another key player emerging from the European field – Germany.

“While India was still the top choice for outsourcing in 2010, China, Russia, Brazil and Germany have become best bets for corporate expansion,” said Thierry Delvaux, Managing Director at the iDesk. “These five countries represent a market equal to almost half of the population of the entire world, and U.S. corporations are driving investment into real estate locations where there is a large population and strong GDP growth prospects.”

Many factors signal real estate investment in foreign locations:

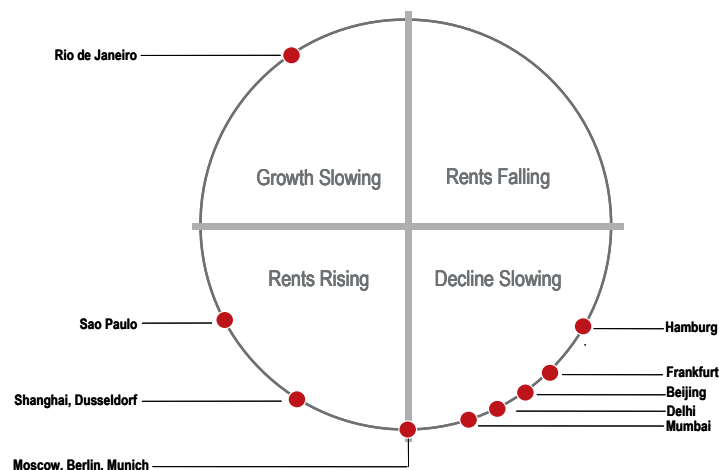
- **Germany:** Renowned for its advanced workforce, Germany responded well to the recession. The country's superior labor pool, strength of its tertiary sector, high quality production and 'Kurzarbeit' scheme – allows companies to retain most or all of their staff at shorter weekly hours with the government making up the salary loss to the employees. These factors all played a major role in keeping the economy afloat.
- **China:** Interest in China also accelerated with many U.S. firms fighting for a share of the ever-expanding domestic market. With China's position as the second largest economy in the world, and its projected 2010 GDP set to grow at four times the U.S. rate, China offers an incredible opportunity. Many U.S. retailers and automakers are gaining a foothold in this often opaque and insular market.

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- **Russia:** Moscow also experienced incredible demand from U.S. firms this year. While the financial crisis forced new office supply to diminish, demand is up by 31 percent year-over-year putting pressure on vacancy rates, which will eventually drive rental rate hikes.
- **Brazil:** By encouraging foreign investment, Brazil experienced a relatively shallow and short-lived recession. According to Giles Wrench, Managing Director at the iDesk, demand from U.S. companies in Sao Paulo have bounced back aggressively with a ten-fold increase in requirements in the last 12 months, a trend he expects to continue into 2011.

### What To Expect in 2011?

Despite tightening real estate conditions, and operational and transparency issues, Corporate America will continue its foray into BRIC countries, and Germany, for many years to come. In most markets, 2011 will remain tenant-friendly but prime real estate may be scarce. However, landlords will reclaim the balance of power over the next 12 months.



The property clock above shows that most of the markets are now between the 4 o'clock and the 8 o'clock segment, meaning that rents have started to accelerate or will very soon. This is mainly the result of a large demand for commercial space in those markets.

The markets where Jones Lang LaSalle's iDesk expects to see the most growth in 2011 include:

- **India:** There is a significant opportunity for infrastructure and retail development, which have not yet occurred. Those opportunities do not come without obstacles, as U.S. corporations cannot enter the market without a local partner, and could be restricted by the government's restrictive foreign direct investment tendencies
- **China:** Given the ever-growing domestic market, China might become the largest international marketplace for U.S. companies in 2011. This could be thwarted by China's government, which recently announced an Indigenous Innovation Policy with the goal to provide procurement preferences to companies that maintain an intellectual property owner registered in China.

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- **Germany:** 2011 is the first real recovery year for EMEA. Germany's afore mentioned advantages – advanced labor force, quality production facilities and supportive government – will continue to lead the crowd. U.S. companies are also targeting organic growth in Germany.
- **Brazil:** As the main hub for South America expect to see growth in Brazil but it could be hampered by the barriers that exist when it comes to running a business in Brazil including the language barrier of a Portuguese nation.

U.S. industries that are expected to grow and have increased real estate needs overseas in the coming year include:

- **High tech sector:** "In 2010, the U.S. high-tech industry dominated the international scene representing close to 40 percent of the total volume of real estate business exported by the iDesk at Jones Lang LaSalle," said Thierry Delvaux, Managing Director at the iDesk. "Our research shows that tech firms in Silicon Valley are already back in growth mode and share one key growth market, Asia, but Germany is also gaining ground."
- **Life science and pharmaceuticals:** With the speed of globalization increasing, the life science and pharmaceutical industries are seeing new opportunities in emerging markets. Companies such as Bayer, Eli Lilly and Roche have started a trend to shift jobs from their home countries to Asia, namely China, as well as Japan. This trend is expected to continue in the fight for market share. On the real estate end expect to see strategic restructures of footprint and consolidation, not only in Asia but also in South America.
- **Financial sector:** "While the domestic and foreign financial services firms continue to consolidate their positions in the Americas either through tempered organic growth or M&A, they continue to expand in the major global financial hubs in Europe and Asia. This trend is underscored by significant rental increases in financial centers such as London (+5% in London City), Singapore (10.9% in Raffles Place), Hong Kong (+8.6% in Central) and Mumbai (+2% in Bandra-Kurla Complex) each witnessing increased absorption and investment activity," commented Samit Chopra, Managing Director at the iDesk.

### **Onshoring and Foreign Investment – A 2011 Trend**

"You may also see U.S. companies bringing operations back to the United States as well as foreign companies expanding in various U.S. markets," added Delvaux. "For instance, a joint venture with two large German companies is planning to develop the world's largest solar-thermal power plant in Southern California. French companies, such as EDF and Alstom Power, have also shown major interest in building reactors in the United States."

In addition to foreign energy companies looking to expand operations in U.S. markets, the iDesk Outlook Report notes that technology firms in India and European defense contracting companies will be looking to expand in the United States.

A few U.S. companies doing business in China are onshoring – moving some operations back to the U.S. in reaction to the rising wages of Chinese workers, the weakening of the dollar against the Yuan and an increase in shipping rates from China. According to the *Wall Street Journal*, Caterpillar Inc. is considering relocating

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some heavy-equipment overseas production to a new U.S. plant. The *Milwaukee Journal-Sentinel* reports that General Electric Co. is preparing to move water-heater production from China to Louisville, KY, and Wham-O Inc. is shifting a share of its Frisbee and Hula Hoop production back to the United States.

### **About Jones Lang LaSalle's iDesk**

Jones Lang LaSalle's iDesk assists corporations with key transactions and client relationship management required to operate in international markets. The team works to target and accelerate the growth of inter-regional business, particularly from current and prospective US-based multinational clients. The iDesk team is comprised of real estate experts whose diverse backgrounds, linguistic skills and geographic experiences enable successful service delivery across all international markets.

### **About Jones Lang LaSalle**

Jones Lang LaSalle (NYSE:JLL) is a financial and professional services firm specializing in real estate. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2010 global revenue of more than \$2.9 billion, Jones Lang LaSalle serves clients in 60 countries from 750 locations worldwide, including 180 corporate offices. The firm is an industry leader in property and corporate facility management services, with a portfolio of approximately 1.7 billion square feet worldwide. LaSalle Investment Management, the company's investment management business, is one of the world's largest and most diverse in real estate with more than \$41 billion of assets under management. For further information, please visit our website, [www.joneslanglasalle.com](http://www.joneslanglasalle.com).

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