

***A COMPARATIVE OPERATING
COST ANALYSIS FOR
CORPORATE HEADQUARTERS
2006***

The Boyd Company, Inc.
Location Consultants
Princeton, NJ

**COMPARATIVE OPERATING
COST ANALYSIS:
EXECUTIVE SUMMARY AND NOTES**

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Introduction

In the following analysis, major operating costs scaled to a representative 250-worker corporate headquarters facility are presented for a series of 13 comparative sites in the U.S. Findings are summarized in Exhibit I and show total annual operating costs ranging from a high of \$19.9 million in New York, NY, to a low of \$14.5 million in Indianapolis, IN, under the new construction assumption. For the lease assumption, annual costs range from a high of \$18.3 million in New York, NY, to a low of \$14.6 in Indianapolis, IN.

Annual operating costs were projected solely for comparative purposes, with only major geographically-variable factors being considered. Those costs not varying significantly with geography, including relocation and start-up expenses, were not considered. The Boyd analysis focuses on those key geographically-variable cost elements considered to be most pivotal within the corporate site selection process. Geographically-variable operating cost differentials are statistically current for **2006**.

Operating costs are scaled to a hypothetical 50,000 sq. ft. corporate headquarters facility employing 250 nonexempt workers. The analysis provides an independent and authoritative point of reference for the corporate planner's assessment of comparative operating cost levels in each of the surveyed headquarters sites. The format of the cost exhibits will allow the corporate planner to further tailor the cost data, facility specifications and staffing levels to reflect alternate scales of operation and growth expectations.

About Boyd

Founded in 1975, Boyd (www.theboydcompany.com) provides independent location counsel to leading U.S. and overseas corporations. Boyd clients include Time Inc., PepsiCo, Royal Caribbean Cruises, Pratt & Whitney, JP Morgan Chase, Phillips, and other Fortune 500 firms. Devoted exclusively to corporate mobility, The Boyd Company is recognized as the nation's premier authority in comparative business cost analysis.

Comparative Corporate Headquarters Locations

For purposes of comparative economic analysis, major geographically-variable operating costs have been projected by Boyd for a series of 13 U.S. metropolitan areas. These comparative locations all house significant concentrations of corporate headquarters operations. The comparative analysis assumed a suburban campus setting (not a downtown headquarters site) within each of the surveyed metropolitan areas. For example, in the New York metropolitan area, the assumption was a suburban Westchester County site, not a Manhattan headquarters location. Hamilton County's Northeast Corridor office market was the suburban headquarters assumption within the Indianapolis metropolitan area.

The 13 comparative headquarters locations included in the ensuing cost analysis are detailed below, alphabetically by state:

- Phoenix, Arizona
- Los Angeles, California
- San Francisco, California

- Denver, Colorado
- Chicago, Illinois
- Indianapolis, Indiana
- Boston, Massachusetts
- Detroit, Michigan
- St. Louis, Missouri
- New York, New York
- Cleveland, Ohio
- Philadelphia, Pennsylvania
- Seattle, Washington

Comparative Nonexempt Labor Costs

Annual costs for nonexempt labor are presented in Exhibit II. Comparative costs are based on a representative mix of support staff positions scaled to the model corporate headquarters office. Comparative labor costs for exempt positions, including executive salaries, were not included as these costs would tend not to vary significantly by geography, but rather by individual company compensation practices. Fringe benefit costs are included as a percent of total annual base payroll costs and are assumed to include all statutory benefits, pay for time not worked and company-sponsored benefits.

Comparative Electric Power Costs

Comparative annual electric power costs are presented in Exhibit III. Annual costs reflect rate schedules of the respective utilities serving each of the 13 surveyed corporate headquarters locations.

Comparative Land Acquisition and Construction Costs

Exhibit IV presents comparative costs for the purchase of a 10-acre parcel of suitably-zoned land and the construction of 50,000 sq. ft. of new corporate headquarters space in each of the 13 surveyed locations.

Comparative Ad Valorem and Sales Tax Costs

Exhibit V presents comparative ad valorem (property) tax costs in each of the 13 surveyed sites scaled to the land and building specifications of the model headquarters facility. Also presented in this exhibit are comparative local and state sales tax costs based on a fixed annual purchase of office supplies, furnishings, equipment, and other taxable goods.

Comparative Lease and Space Heating and Air Conditioning Costs

Exhibit VI presents comparative costs for the leasing of suburban Class-A office space in each of the 13 surveyed locations. Also presented in this exhibit are annual costs for heating and air conditioning based on variances in climatic conditions and energy costs in each of the surveyed locations.

Corporate Travel Costs

On-site corporate travel costs for each of the 13 surveyed headquarters locations are detailed in Exhibit VII. Comparative costs reflect the estimated daily cost of corporate traveler lodging, three meals, rental car/local transit and other business travel incidentals.

Comparative figures are indicative of local travel cost structures expected to be incurred by employee visitations (remote staff, trainees, technical support, e.g.) to each of the surveyed headquarters sites.

Total Annual Operating Cost Rankings

Taken from summary Exhibit I and shown below are two overall cost rankings of the 13 surveyed corporate headquarters locations. Rankings reflect a new headquarters construction assumption as well as a headquarters lease assumption.

TOTAL ANNUAL GEOGRAPHICALLY-VARIABLE OPERATING COST RANKINGS-Construction Assumption	
Headquarters Location	Total Annual Operating Costs
New York, New York	\$19,868,631
San Francisco, California	\$19,511,383
Los Angeles, California	\$17,830,358
Boston, Massachusetts	\$17,204,740
Chicago, Illinois	\$16,709,558
Detroit, Michigan	\$16,681,724
Seattle, Washington	\$16,499,318
Philadelphia, Pennsylvania	\$16,248,901
Denver, Colorado	\$15,922,736
St. Louis, Missouri	\$15,466,440
Phoenix, Arizona	\$15,328,064
Cleveland, Ohio	\$15,252,160
Indianapolis, Indiana	\$14,521,798

TOTAL ANNUAL GEOGRAPHICALLY-VARIABLE OPERATING COST RANKINGS-Lease Assumption	
Headquarters Location	Total Annual Operating Costs
New York, New York	\$18,348,988
San Francisco, California	\$17,949,304
Los Angeles, California	\$17,110,942
Boston, Massachusetts	\$16,844,241
Seattle, Washington	\$16,525,421
Chicago, Illinois	\$16,444,967
Detroit, Michigan	\$16,349,326
Philadelphia, Pennsylvania	\$16,231,529
Denver, Colorado	\$15,603,140
St. Louis, Missouri	\$15,469,334
Cleveland, Ohio	\$15,296,025
Phoenix, Arizona	\$15,267,161
Indianapolis, Indiana	\$14,561,278