



Headquarters moves & generational shifts

The biggest trend of the current real estate cycle has been the migration of suburban companies back to the city. The goal is to attract fresh talent, and today's young professionals simply prefer a city lifestyle. As this demographic shift begins reshaping Chicago, it's obviously brought demand for new downtown residential, but also significant growth to the commercial office market. In fact, since 2008, downtown Chicago has attracted 88 suburban and 13 out-of-market companies—from full relocations to satellite and executive offices—of which 32 have been headquarters relocations.

Who?

Traditionalists (1925-1945) and Boomers (1946-1964) have enjoyed a lengthy run controlling just about everything. But, their influence is beginning to diminish as Generation

X (1965-1984) hits prime employment years in senior executive and C-suite roles. New CEOs at four major companies—Caterpillar, SC Johnson, Motorola Solutions and GoGo Wireless—have all replaced the long-time CEOs who first moved operations to the suburbs. Today, at the point of announcing their HQ relocation, the average age of the CEO responsible is just 52 years old.

From a CEO's first day on the job to the first day at a new downtown HQ, the timeframe averages three years and two months—a transformative move in such a short period of time. Though rare, it can even happen much faster: Hillshire Brands CEO Sean Connolly took six months to relocate to Chicago.

Downtown Chicago has also recently attracted the headquarters of food-commodities giants from Kraft Heinz and ConAgra to Hillshire Brands and Archer Daniels Midland. McDonald's is currently constructing their new global headquarters in Fulton Market after decades in Oak Brook.



Generation X

Sandwiched between the mega generations of Baby Boomers and Millennials sits Gen X, a smaller cohort forced to carve a path through the shifting landscape of turbulent times.

Rising divorce rates of the 1970s gave way to an era far less focused on traditional family values. It was pragmatism and independence that defined such a childhood, and as the generation aged into the workforce, they naturally turned to entrepreneurship. The eventual result, of course, was freedom from the confines of a corporate world dominated by the previous generations.

Emerging technologies assisted their crusade as ambitious startups and forward-thinking business ventures began to take off around the country. It's thanks to this generation that giants like Google, YouTube and Amazon have become household names, and it's no surprise their creative innovation and value of a healthy work-life balance is behind the workplace trends we're seeing today.

Why?

Speaking with Dennis Vicchiarelli, Managing Director of World Business Chicago, he explained, “Chicago is the center of tomorrow. The city is top of mind for businesses and for talent because of its growing skilled workforce, central location and diversified economy. It’s a leading transportation and logistics hub and has an unmatched cultural scene.”

More than 54% of the world’s population now reside in an urban area, and global demographic estimates suggest that more than one million people move into cities every week.¹ Influenced by the sharing economy and a reduced desire for ownership, Millennials are driving the trend by renting apartments, utilizing public transit and enjoying the robust array of amenities exclusive to a dense, vibrant city.

Many companies are now discovering the limitations of the self-contained corporate estates they’ve created, often isolated and inflexible. Difficult commutes severely limit the talent pool a company can draw upon, feeding a culture of exclusion.

Meredith Amdur of the *Wall Street Journal* notes, “Fifty years ago, companies opened new locations to be near lumber, copper or resources needed for their business. Today, people are the natural resources.”² The shift is clear: we’re trading in the restrictions of the suburban campus in a fervent hunt for new talent.

#1 Access to top talent

Of the 32 headquarters relocations since 2008, the number-one cited motivation (according to recent corporate press releases) was access to talent (80.3%). Last year, urban dwellers outnumbered rural dwellers worldwide for the first time since 2007.³ Urban centers, like Chicago, are magnets for Millennials fresh from university with few responsibilities.

Chief Executive Bernardo Hees (Kraft Heinz) worked toward “attracting diverse young workers in a new downtown Chicago open-office space,”⁴ as it provides the fast-paced life of convenience craved by the young people of today. Half of the press releases we reviewed also suggested greater access to tech talent or an educated workforce as motivating factors for relocation. Downtown environments draw college graduates and tech workers eager to start their careers. Chief Executive Greg Brown (Motorola Solutions) explained such a move provides greater access and convenient proximity to a broad, tech-focused talent pool, which is critical to success in today’s competitive market.

#2 Long-term business growth & innovation strategy

The next-cited reason (71.0%) was the company’s long-term business growth and innovation strategy. According to writer Steven Johnson, “A city 10 times larger than its neighbor is 17 times as innovative. A city 50 times bigger than a town is 150 times more innovative.”⁵ Johnson’s logic is particularly in line with recent trends of the food and beverage industry. Chief Executive Steve Easterbrook noted McDonald’s move to a world-class city will continue to drive business momentum by getting them even closer to customers. He wants to encourage innovation and ensure talent is excited about where they come to work.⁶

In moving headquarters from Nebraska, ConAgra Chief Executive Sean Connolly described Chicago as an environment that offers access to innovation and brand-building talent. “Companies want to look hip and innovative,” explained Chris Leinberger, a professor at the George Washington University School of Business. “Corporations want to be viewed as 21st-century knowledge economy companies.”⁷

#3 Re-branding of company & culture

A company’s culture is not always something expressly defined by the company itself, but by the traits of the people they employ. The third-cited reason (54.2%) is about re-branding the company and its culture. By drawing in employees who value all a city has to offer, it opens the door to a diverse, well-rounded company culture. Executive Chairman Jan Bennink (Hillshire Brands) explained their move will be one of the key elements of building a more nimble, creative and innovative culture.⁸ As noted business consultant Peter Drucker puts it, “culture eats strategy for lunch.”⁹

Today’s cities often provide more than a traditional work environment. You’ll find great restaurants, innovative office buildings, walkable neighborhoods and inspiring residential communities, as well as access to parks, transit and other key amenities. Steve Easterbrook (McDonald’s) described their relocation to Fulton Market as “driving the necessary culture change—get closer to your customers, get closer to the competition, get closer to the trends in society.” He also offered what might be the most logical argument yet: “Why do you want to be on the edge of one of the most vibrant cities in the world when you can be at its heart?”¹⁰

3. “Fringe Markets,” 1.

4. Emanuel, Rahm, “Statement from Mayor Rahm Emanuel on Kraft Heinz Locating in Chicago,” (press release, City of Chicago, 2015), 1.

5. Maney, Kevin, “Why Millennials Still Move to Cities,” *Newsweek*, last modified March 30, 2015, <http://www.newsweek.com/2015/04/10/why-cities-hold-more-pull-millennials-cloud-317735.html>.

6. “McDonald’s Announces Move to Downtown Chicago,” *McDonald’s*, last modified June 13, 2015, <http://news.mcdonalds.com/press-releases/mcdonald-s-announces-move-to-downtown-chicago-nyse-mcd-1263946>.

7. Khrais, Reema, “More companies trade in suburbia for the city,” *Marketplace*, last modified August 3, 2016, <https://www.marketplace.org/2016/08/02/world/more-companies-trade-suburbia-city>.

8. Cummins, Mike, “Sara Lee Corporation to Move North American Business Headquarters Downtown,” (press release, City of Chicago, 2011), 1.

9. Hyken, Shep, “Drucker Said ‘Culture Eats Strategy For Breakfast’ And Enterprise Rent-A-Car Proves It,” *Forbes*, last modified December 5, 2015, <https://www.forbes.com/sites/shephyken/2015/12/05/drucker-said-culture-eats-strategy-for-breakfast-and-enterprise-rent-a-car-proves-it>.

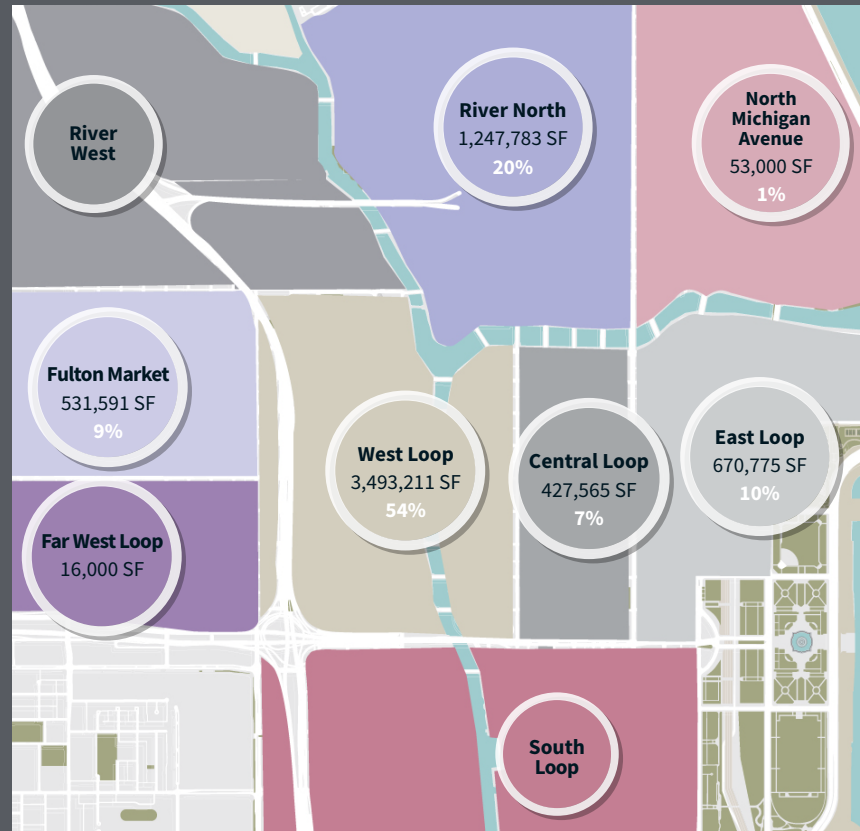
10. “McDonald’s Announces Move to Downtown Chicago.”

Where?

The remote, sprawling headquarters of suburbia reflect the prevailing mindset of corporate America in the last quarter of the 20th century. Since then, the suburbs-to-city trend has picked up pace in Chicago. Now, headquarters are readily accessible by foot, bike and public transit downtown. Young professionals are even reconquering former “no-go” areas and shifting the stigmas of urban blight back to the suburbs. From 2000–2010, Downtown Chicago added more residents than any other urban core in the U.S. That growth in population has helped revitalize and reinvent Fulton Market, the former industrial fringe and the location of McDonald’s new global headquarters.

Offering the closest proximity to suburban and city commuter rails, it’s no surprise the majority of relocations end up in the West Loop (54.0%). United, Mead Johnson and GoGo Wireless are just a few examples. What is surprising, though, is that companies looking to re-brand or refresh their culture often relocate further away from commuter train stations—Kraft Heinz to the East Loop, McDonald’s to Fulton Market. Companies looking to re-brand sign leases at creative office buildings or relocate to perceived Millennial hotspots, like River North. Chicago’s iconic creative office space, Merchandise Mart, is a prime example, having attracted the headquarters of Motorola Mobility (2012), ConAgra (2015) and Beam Suntory (2016).

New downtown headquarters are quite different from those of tradition. They’re open-plan, more efficient and far smaller. In benchmarking workspace density, we found suburban headquarters were around 354 s.f./employee, while benchmarking densities of downtown headquarters averaged a more conservative 238 s.f./employee. Accounting for the difference are collaboration areas, huddle rooms and larger amenity spaces, modernizing the traditional office layout. Downtown office buildings also provide more lifestyle features, from fitness centers and dining options to roof decks and tenant lounges, further promoting the work–life balance we’ve wholeheartedly adopted from our most resourceful of friends, Generation X.



Contacts



Steve Stratton

International Director

Co-Chair, Headquarters Practice
steve.stratton@am.jll.com



Meredith O'Connor

International Director

Co-Chair, Headquarters Practice
meredith.oconnor@am.jll.com



Christian Beaudoin

Senior Director, Research

JLL Midwest
christian.beaudoin@am.jll.com



Hailey Harrington

Manager, Research

JLL Midwest
hailey.harrington@am.jll.com