

# IDENTIFYING EUROPE'S FUTURE DEVELOPMENT HOTSPOTS

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*By Ron Adam*

Is it possible to predict where the next development hotspots will be in Europe, and indeed globally, and if so, what is the magic formula to identify them? Expert panelists at CoreNet Global's Autumn 2007 Summit for corporate real estate professionals in Atlanta made a compelling argument that you can identify the next hotspots simply by asking the right questions and carefully researching the answers.

Shanghai, Bangalore, Buenos Aires and Budapest are, of course,

well-known international examples of cities benefiting from a rapid pace in development and economic success, but perhaps you wouldn't necessarily expect to hear the likes of Glasgow, Edinburgh, Brno, Bucharest and Sofia in the same breath? Such intriguing conclusions were arrived at during a session entitled "Around the world in 90 Minutes", where dozens of cities offering a business climate ripe for development were identified across Europe, Asia and the Americas.

## Identifying hot spots

Rene Buck, President of Buck Consultants International and member of CoreNet Global, has advised that when selecting European locations for manufacturing centers or commercial ventures such as nearshoring or offshoring, companies should closely look at three crucial differentiators: talent, technology and connectivity.

Of course, location decisions are becoming more complex as projects demand individual support criteria, such as local or Europe-wide distribution networks, an English speaking or multilingual workforce, mass or advance manufacturing, or research and development. Any location study, and any decision taken, has to be project specific.

Buck vividly demonstrated that Europe remains a market of interest for global companies, and he believes that cities such as Istanbul, Glasgow and Edinburgh are among Europe's brightest future development stars. Countries such as Ukraine and Romania benefit from relatively low wage rates and a sub-

stantial pool of English speaking workers, plus political and monetary stability, attractive labor market regulations, and logistical and technological infrastructure.

## Lower cost locations

While countries such as the Czech Republic, Poland, Ireland, Germany and Spain all lead the way, Buck also commented that business developers looking for lower cost locations should investigate the following locations as tomorrow's future stars: For manufacturing, the key European locations will be Istanbul, Turkey; Kyiv, Ukraine; Constanta, Romania; Kosice, Slovakia; and Plovdiv, Bulgaria. For offshoring or nearshoring, the most attractive prospects include Glasgow and Edinburgh, UK; Brno, Czech Republic; Debrecen, Hungary; Bucharest, Romania; and Sofia, Bulgaria.

## Beware of local conditions

However, there are pitfalls. For example, while some countries offer a favorable wage climate and an abundance of English speakers, there may also be drawbacks, such as inadequate communications or power infrastructure, statutory regulations that are prone to government volatility, and high operating costs that result from taxation and other considerations. The clear advice from the panel was that companies should carefully consider their options in light of a comprehensive review of local conditions.

But what are the development hotspot prospects beyond Europe that might be of interest to European companies with multinational and even global concerns? Dennis J. Meseroll, Director of Tractus Limited, and an expert in the Asian markets, overviewed the

situation in Asia, where foreign direct investment has increased at a staggering rate over the last few years. Meseroll commented that while China captured a massive 16% of worldwide foreign direct investment in emerging markets in 2006, other notable Asian hotspots include Thailand, India and Singapore.

## Key concerns

Of course, there are key considerations when looking at Asia, such as the potential for less monetary and political stability. Important points to consider include reliability of infrastructure, regulatory stability, intellectual property rights protection, supply chain efficiency and equity ownership rights. Some of the hottest prospects can be found in the second and third tier cities in countries such as China, India, Vietnam and Malaysia.

## Looking to the Americas

Finally, Dennis Donovan of Wadley Donovan Gutshaw Consulting made the case for the Americas, arguing that North, Central and South America continue to offer persuasive and favorable conditions for manufacturing and offshoring facilities, and observed that Honduras is actually as competitive as China when it comes to costs. As with Europe and Asia, some of the key criteria to consider include political and monetary stability and a strong bilingual workforce.

Donovan's tips for future hotspots included some well-known locations, such as Calgary, Dallas, Monterrey and Buenos Aires, but he also encouraged delegates to scan their atlas a little closer for some of tomorrow's currently less well known future stars.



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INDUSTRY TRENDS

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*Istanbul is predicted to be a key manufacturing location in the near future.*

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