

# Wondering What Locales Will be Considered "Hot" On the Quality-of-Life Scale?

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Ask that baby boomer facing retirement or the Gen X and Y techie: One year or so out from the beginning of the biggest retirement surge in history, the United States could be about to experience a titanic shift that could turn "Any Town USA" into a quality-of-life locale.

Sure, the usual indices such as housing costs, schools, availability of cultural activities and recreation – all tied up in an affordable package – will still matter. And locations known for their quality of life, whether their reputations are based on weather, proximity to oceans and mountains, noted academic institutions, tourist attractions, or just livability, will continue to be a draw – maybe more so.

For example, AstraZeneca, a top British pharmaceutical firm, recently announced a major expansion of its Waltham, Mass., facility just outside of Boston. Although a mixed income community, Waltham sits smack in the midst of the pricey Boston western suburbs. And the Burnham Institute for Medical Research of La Jolla, California recently selected another lifestyle community – Orlando, Fla. – for its east coast expansion, following in the footsteps of San Diego-based Scripps Research Institute, which opened a Florida facility in 2005.

But lots of factors are coming into play at once spelling huge changes in the notion of how to define quality of life. For one, there's the near ubiquity across the U.S. of Internet/Web use for communication, which is freeing people to work anywhere they want if they choose run a business. Publications like "Network World," and many others, are citing the rise in telecommuting, which allows employees to work on flexible schedules from the home or the office. Energy costs are reportedly driving this trend. Although the data is still sketchy in terms of actual millions of participants, officials at the Small Business Administration believe there's a boom in home-based companies that generate upwards of \$102 billion annually for the U.S. economy.

On Jan. 17, Michael Cooney, editor of "Network World," cited a survey from Korn/Ferry – an executive search firm – indicating that 48 percent of telecommuters are wedded to this work style even though there are indications they lose out in career advancement compared to those working in traditional office settings. The survey was based on input from 1,320 executives. Cooney also reported that The Telework Coalition has cited rising gas prices and the lack of affordable housing in some locations as driving the



A Global Projection of Subjective Well-being: The First Published Map of World Happiness

telework trend.

The exorbitant costs of health care and corporate pensions are apparently making American business leaders rethink traditional work styles, as well. In the fall of 2006, FORTUNE magazine quoted managers complaining that baby boomers were staying on the job way past traditional retirement age, clogging the works for Gen X and Yers. Add to this reports from NPR and other sources and it appears that corporate America is finding it more cost-effective to move baby boomers into consultant roles, cutting benefits and saving on energy, health care and pension costs.

Welcome to the world of the virtual business owner, a trend on the rise that this author has been actively tracking for the last five years. Virtual businesses can be large or very small in terms of revenue, but what they have in common is a stripped-down operating style that, thanks to advanced technology, allows one or two principals to drive everything from manufacturing to design work in a small-office setting. Back up support comes from alliance partners, subcontractors and sometimes employees, many of whom are scattered across the globe, working in whatever setting they prefer.

So as the first wave of baby boomers starts to leave organizations, the labor experts are predicting quality of life will be defined as whatever an individual can afford and desire as a lifestyle. And as the 76 million boomers, representing half the work force, start to leave conventional jobs, they could create a worker shortage of unprecedented magnitude. Economists are predicting a buyer's market for the Gen X and Y'ers, particularly those trained in technology, engineering and the life sciences, along with opportunities for boomers and others to establish consulting arrangements with their former bosses. They'll work wherever they want.

What this perfect storm of trends means for site selectors, not to mention their corporate clients, is still uncertain. What is known is that developed countries like the U.S. stand on the cusp of enormous change. Space doesn't allow a thorough analysis of such a complex topic. This is a mere glimpse of how the new world of work – as represented by the virtual company entrepreneur, the teleworker or the fussed-over young techies like the Googlites of Google fame – could very well determine the locations site selectors pick in the future.

Demographers and authors like Joel Kotkin believe the virtual company population will grow with the baby boomer retirement, but Kotkin points out that "baby boomers are not likely to retire like previous generations. They may be consultants or part-time employees, but they're seeking an environment where their friends and business contacts are. They're likely to move to either a small town like Lincoln, Neb., or a suburban village environment like Bethesda, Md., or Fullerton, Calif. – wherever it's walkable and funky."

Michael Teitz, professor emeritus in city and regional planning at the University of California at Berkeley, agrees with Kotkin. He says the lines between endogenous growth (from within) and exogenous growth (attract from without) are blurring as baby boomers redefine the notion of retirement and, in doing so, "change the economic base of communities all over the place. We're seeing whole chunks of the regions and sub-regions becoming lifestyle regions." Teitz knows a colleague, for example, who has "retired" to a solar-powered straw bale house in Grass Valley, Calif. where he is "deeply involved in new energy technology development."

A long-time backer of endogenous growth,

## Don't Forget Housing and High Tech

The experts interviewed for this article agree that there are two other key trends that will serve as guides to site selectors seeking locales in today's world – affordable housing and the tech economy. Here are a few things to note about both:

- **HOUSING:** Joel Kotkin, who lives in California and is currently working on a new book about the city of the future, believes that the cost of housing is a key factor in out-migration from pricey urban centers "to what would historically be second-tier markets. Quality of life really has to do largely with what you can afford. Many of us would love to live in Manhattan and have a country place in Connecticut, but that's not an option even for high-earning professionals."

Baby boomers facing retirement aren't the only ones on the move. Kotkin says the Gen X and Yers eventually want that first or even second home and they'll go where they can get the best value for the money.

- **THE TECH INDUSTRY:** With a potential worker shortage, companies like Google are ensuring that they provide a quality work environment whether they're located in California or New York City, and they are catering to their employees like never before. A FORTUNE cover story in January citing Google as the No. 1 place to work described a grad school atmosphere with perks that were more like those for senior management, including free gourmet food, gyms, lap pool and even a \$5,000 subsidy on a

Teitz says it's easy to dismiss the virtual company trend "as pretty small and not amounting to much, but when you look at the vanishing of the conventional manufacturing economy and what that implies for site selectors, then (attraction) isn't a very promising strategy. There will continue to be a lot of onshore new manufacturing of one kind or another, but the world has changed. It's just not the way it was."

## Guide Posts to the New World of Work

There are guideposts to this new world of work in the making. Think affordable housing, abundant technology jobs and employers who are flexible about hiring either teleworkers or consultants operating their own virtual companies, and you will get an inkling of how the notion of quality of life is shifting as we enter 2007. Consider these examples:

Asheville, N.C., may be best known for the former Vanderbilt estate Biltmore, but it's a lifestyle city that site selectors mention as pretty up-and-coming on the business front. With a handsomely restored downtown full of upscale boutiques, restaurants and known for its music scene, Asheville has also been attracting a fair number of businesses, says Ray Denny, Vice President for Economic Development for the Asheville Area Chamber of Commerce.

"We've had a good deal of prospect activity this year; pretty brisk compared to the last couple of years. The first questions people ask are the cost of real estate and available buildings. The second on the list is work force," he says, adding that quality of life dovetails with work force as an attraction.

Denny says people often vacation in Asheville, then realize it would be a good place for their business. They realize "we're unexpectedly cosmopolitan for this part of the south" with the advantage of reasonable housing prices compared to other parts of the country. And he says Asheville has no problem recruiting skilled labor.

hybrid car.

Take heed, site selectors, as it appears the tech industry in the U.S. is experiencing a resurgence, according to a recent survey commissioned by the Eastern Technology Council in Wayne, Pa. "Overall, IT has regained some of the vibrancy it had years ago when people were investing in it and actively involved in many, many initiatives," said Dianne Strunk, EastTech's CEO.

Entitled the 2006 Technology Initiatives Study, the survey included roughly a fifth of East Tech's mid-Atlantic state members and indicated that 77 percent of respondents project an increase in their IT budgets for the coming year. Sixty-three percent said they were going to have additional IT hires in the next six months.

Tom Costello, CEO of UpStreme, Inc. in Malvern, Pa., agrees that the "basic tenor" of the Philadelphia market shows that IT is "heating up with an expansion across the board." Even more significant is the fact that Costello is finding off-shoring of services and production "cooling off" in the IT sector.

For example, Costello has clients who have explored South and Central America, along with India, Bulgaria and the Ukraine and decided to stay in the U.S. The high risks associated with operating long supply chains, coupled with global unrest, are making the United States – and his region – far more attractive, he said.

Originally from eastern North Carolina, Denny says he loves Asheville, and finds transplants from other parts of the country don't want to leave. Whether they're from Ohio or Massachusetts, employees who end up in Asheville after a relocation "are very glad to be here," he says.

Bellingham, Wash., is a two-hour drive north of Seattle, but Kotkin reports that it has one of the country's fastest growing economies. Known for his research on urban centers, Kotkin has been tracking the influence of technology on demographic trends for many years. He says it's the one-or two-person outfits operated by professionals moving from Seattle who are driving a trend this author has dubbed "hidden tech" for the virtual companies of all types and stripes that rely on technology to survive and thrive in small-office settings.

Kotkin notes that professionals like those in Bellingham are able to make it because they may have cashed out of more costly real estate in Seattle, making them part of a larger "cash out crowd" of professionals who have moved to less costly locales. They are able to buy a home or condo for half or less of the price of an urban home and invest the balance. Plus, they come to lifestyle locations armed with a Rolodex or Palm Pilot full of clients and contacts from their earlier work lives.

"Bellingham is interesting because these professionals are trading in a similar physical environment, but one that's lower in density. They can live near the water and ski in an hour. What's become unaffordable in Seattle is affordable in Bellingham," Kotkin said.

Western Massachusetts runs from the border of Worcester County in central Massachusetts to the fabled Berkshires and is home to 1,500-plus hidden-tech, virtual company entrepreneurs who are part of the Hidden-Tech organization ([www.hidden-tech.net](http://www.hidden-tech.net)). Anecdotal evidence culled from real estate agents and bank mortgage offices in the region indicate that these numbers are very low. What is known, thanks to several studies of this population conducted by this author with funding from Northeast Utility and its subsidiary Western Massachusetts Electric Co., is that professionals are streaming to western Massachusetts from all over the country, and even globally, for personal lifestyle reasons.

Although economic developers like Allan W. Blair, president and CEO of Western Massachusetts Economic Development Council, are still exploring ways to leverage this population for economic growth, Blair says he is encouraged by the fact that his region is attractive to "this caliber of person because we offer a very high quality, diverse life style. The fact that almost 2,000 professionals have come here in recent years is confirmation that we have something special to offer, along with the fact that housing prices have held. The population has increased in parts of this region while it is declining in the east [part of Massachusetts], and small business developments have continued to outpace the country in this region, known as the Pioneer Valley."

## **The Challenge for Site Selectors**

A key challenge for corporate America and site selectors "is to find the pockets of skilled workers in places you don't expect them: high quality of life places and maybe even quasi-rural areas. That's where there may be a whole harvest of workers that we don't take advantage of," explains Kotkin.

Site selectors like Jeff DuVouno and Don Schjeldahl often hear anecdotes about virtual company tech workers from Chambers of Commerce or other business networks, but find this population as elusive as it

is intriguing.

"I believe it's a growing business sector that isn't easily trackable and is larger than most people realize," says DeVuono, senior vice president of the Urban Division of Brandywine Realty Trust in Philadelphia. "It's a growing trend and an issue for us as a company that's providing space as space needs change. The number of square feet allotted to employees is already shrinking among those who still want to maintain office space. With people working out of their homes that will change further."

Schjeldahl, who is vice president and director of the Facilities Location Group at The Austin Company in Cleveland, Ohio, sees the virtual company trend as part of the general growth of corporate outsourcing. His own business has downsized from about 30 employees 20 years ago to five employees supported by technology, strategic alliance partners and subcontractors who may work out of homes or small offices. "The world is going in that direction more and more," he says.