



Middle Office Strategy

The Greater Richmond Partnership, the lead regional economic development organization for the City of Richmond and the counties of Chesterfield, Hanover and Henrico in Virginia, recently commissioned Wadley Donovan Gutshaw Consulting Group, one of the nation's top site location consultant companies, to complete an analysis on how Greater Richmond stacks up against peer competitors for the suitability of a 'middle office' operation.

The move follows recent news of several companies peeling off jobs and investment from higher priced, major metros along the east coast to lower cost, mid-sized markets. Recent examples of companies locating operations in the Richmond Region include DC-based CoStar and ICMA-RC as well as New Jersey-based AvePoint.

"We analyzed locational drivers of taking 'middle office' jobs – those which are not executive nor entry level positions in specialties like mid-level management, legal, marketing and creative, financial and accounting, human resources and high-end sales and looked at markets that could be suitable," said Dennis Donovan, Principal of WDGC.

"Based on our findings, the Richmond Region is a very favorable location for middle office which could save a Manhattan- or Washington, D.C.-based headquarters 15-20 percent annually," said Donovan.

Barry I. Matherly, President and CEO of the Greater Richmond Partnership, said, "We're a proven location with 10 Fortune 1000 companies headquartered here plus more with major divisional headquarters so companies looking for a lower cost location don't have to worry about sacrificing quality talent."

Middle Office Location Searches and the Case for Richmond:

A Site Selection Consultant's Perspective

Richmond, Virginia is an excellent location to establish Middle Office and other knowledge/technology-based corporate functions.

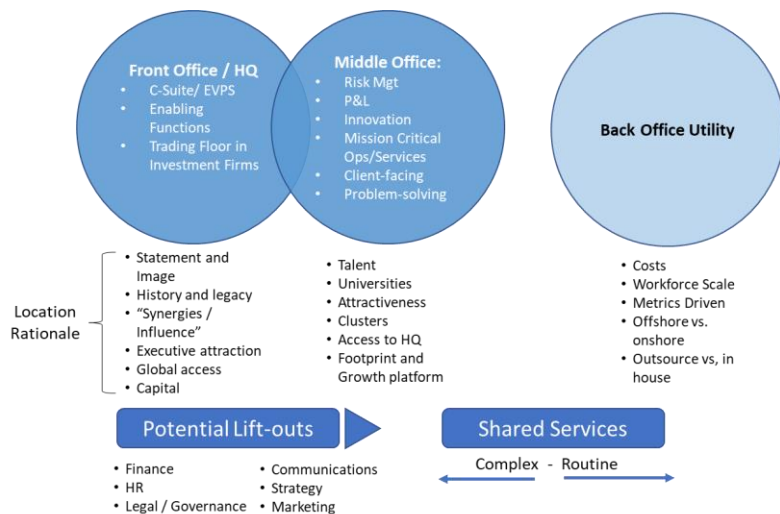
About the Middle Office

The concept of the Middle Office – long a term to describe value-add and mission critical activities in the investment banking world – described in broader industry terms, is a platform of corporate activities which share some or many of the following functional and talent pool characteristics:

Functional Characteristics *	Job Characteristics	Broad Occupations	Educational Preferences
P&L Measurement Risk Management Business Transformation Centers of Excellence Internal Consulting Niche Technology, e.g., EdTech, FinTech Marketing Research Media Content Development Complex Customer Solutions / Sales	Client-facing Creative / Innovative Analytical Problem Solving Writing Executive Presence	Management Business Operations Computer & Mathematical Architectural & Engineering Life, Physical & Social Sciences Legal Education, Training & Library Arts, Design, Entertainment, Media Sales & Related Office & Administrative Support	Bachelors and Masters across disciplines including: Business / Marketing / Finance / Accounting Technology Design Education Real Estate Law Liberal Arts

* other representative functions include fraud/compliance; procurement/contracts; case management; product development launches

Essentially, these represent activities that typically do not require anchoring to corporate headquarters (often in high-cost metro areas) yet are not back-office utilities that tend to locate in low-cost centers, often off-shored or outsourced. Middle Office processes are decision-centric, flexibly structured and typically involve extensive collaboration. They typically represent the bulk of knowledge workers within a corporate enterprise. It can be argued that the Middle Office represents a core growth area of value-add corporate activities for the next 10 to 20 years. The sweet spot locations to establish and grow related jobs and corporate centers will be a tier of mid-priced metro areas with established talent pools, strong alignments with regional universities to inject future talent, attractive quality of life and costs for resident and in-migrating talent (across the demographic cohorts of Millennials, Gen X'ers, Boomers) and convenient access to respective corporate headquarters, business partners and markets.



Location Criteria for the Middle Office

Based on the experience of WDG Consulting, gained from many years working with corporate executives concerning expansion, consolidation and relocation decisions, the following represents a foundation set of location criteria for Middle Office activities. Broad characteristics include, first and foremost, the scale and sustainability of the specialized talent pool, and the locally competitive demands placed on this talent market. The costs of talent – vis- a-vis major source metro areas – is another core, often threshold criteria. Some site selection decision makers in major cities such as New York won’t consider an outlift of Middle Office types of activities unless there is a 15%-20% savings in labor costs achievable in a new location. This can cut off dozens of locations from a list of contenders.

The attractiveness (or perception) of the market for the Middle Office talent pool is another very important consideration. Much has been written about the location preferences of millennials, and though some is stereotypical, much is true and corporate decision makers (more and more, millennials themselves) seek hip locations, though with a twist – affordability and ease of the quality of life. Housing options downtown and proximate to jobs that are transit accessible or within short commutes are becoming essential siting criteria to attract best in class talent. A walk or bike ride to work is not just the ideal, but more and more the reality. Likewise, it is important to have housing and lifestyle characteristics attractive to multi-generational talent within an ease of commute zone that in many cases, mid-size and smaller metros are much better positioned geographically to provide versus sprawling and congested major metro areas. These dynamics influence a company’s ability to staff Middle Office operations from the local talent base, supplemented by relocation from other regions.

WDGC has defined six categories of locational drivers (or parameters) with corresponding weights for assessing performance as a Middle Office business location.

Parameter and Weight	Evaluation Factors	
Demographics and Workforce Characteristics (10%)	<ul style="list-style-type: none"> Population: size, growth, diversity, age, income, commute Workforce: CLF size, growth, related industry & occupational employment 	Factors defining the Middle Office talent supply
Targeted Labor Resources (20%)	<ul style="list-style-type: none"> By job character By business function 	
Targeted University Resources: Bachelors (10%)	<ul style="list-style-type: none"> By job characteristic Degrees within 90 minutes drive Ratio of degrees per 100 employed Degrees with 30,60 & 90 minutes Concentration by commute time 	
Targeted University Resources: Masters (5%)	<ul style="list-style-type: none"> By job characteristic Degrees within 90 minutes drive Ratio of degrees per 100 employed Degrees with 30,60 & 90 minutes Concentration by commute time 	
Labor Demand Profile (20%)	<ul style="list-style-type: none"> Unemployment trends Challenge of becoming a preferred employer Labor market tightness Largest major competitor employers Fortune HQ rankings Sampling of largest MSA employers 	Defines local competition for Middle Office resources
Market Wage Patterns (15%)	<ul style="list-style-type: none"> BLS median wage by job character BLS median wage by function Market wage variances 	15-20% savings vs locations such as NYC often a criteria
Transferee Appeal (10%)	<ul style="list-style-type: none"> National recruiting appeal Target market transferee appeal Net in-migration Disaster exposure rating 	Attraction within context of broader regions also important
Non-stop Air Access (10%)	<ul style="list-style-type: none"> Airport hub size Gateway hubs served Daily non-stop flights to major centers Shortest travel time to major centers Lowest nonstop fares to major centers 	Accessibility to likely sources of companies and major centers

The Case for Richmond as a Middle Office Ecosystem

Not all markets in the US are suitable for Middle Office activities. WDG Consulting believes Richmond, Virginia, presents an excellent business case to accommodate the set-up and growth of middle office operations and this white paper demonstrates our logic, based on analytical research, for Richmond’s specific competitive advantages for these activities (start-ups, expansions, relocations, consolidations).

The WDGC team prepared a comparative benchmarking of Richmond to the Middle Office location criteria defined earlier versus five peer metro areas throughout the US, to which Richmond often competes with. The following describes Richmond’s overall attractiveness and performance by factor, why each variable matters, and the specific advantages of a Richmond location. This analysis is essentially the same process that companies and site selection consultants use to screen, evaluate and recommend locations. Assumptions follow the guidelines of a typical office location screen, and each factor is calibrated to a Middle Office prototype operation of 800 full time employees (a moderately sized center) with a conservative ramp-up period over 3 to 5 years.

Summary:

Greater Richmond Represents A Compelling Location For Middle Office Operations

Talent and Attraction

- At the time of this analysis (March-April 2018), the available labor pool in Richmond exceeds demand. We do not see the local market currently approaching labor saturation for the Middle Office profile -- an enviable position in this time of national talent shortages.
- Furthermore, there is a strong talent pipeline, generated by the regional university infrastructure and further enhanced by colleges in the nearby Washington DC and Hampton Roads regions as well as Charlottesville (University of Virginia) and the I-81 corridor.
- Complementing the current talent base and university generated pipeline is Richmond’s attractive relocation appeal, particularly from the Northeast Corridor metro areas. Proximity to the country’s largest economic engine and ease of access is a key asset for Richmond...
- ...and the quality of life attributes of Richmond, including the availability of downtown living, working and playing is becoming known – an outstanding asset; this and the ease of commuting within the region establishes a livability and attraction attribute at the top of the competition.

Balanced with Competitive Costs for Middle Office Operations

- Labor savings vs Manhattan and other Northeast Corridor cities up to 20%
- Balancing proximity / relocation appeal with a competitive cost equation, relative to most metros supportive of a Middle Office profile within a 400-mile radius of New York City

Composite Index Ratings										
Metro Area	Composite Score (Best=100)		Demographics & Workforce Character	Targeted Labor Resources	University Resources (Bachelors)	University Resources (Masters)	Labor Demand Profile	Market Wage Patterns	Transferee Appeal & Disaster Risk	Air Access (NonStop)
	Raw Score	Base 100	Category Weight (Total=100%):							
			10%	20%	10%	5%	20%	15%	10%	10%
Richmond	93	97	93	84	94	91	100	93	99	87
Range of Scores		92 to 100	92 to 100	73 to 100	83 to 100	90 to 100	69 to 100	90 to 100	87 to 100	84 to 100

- Richmond’s superior labor demand profile (100) helps balance what is a comparatively moderate targeted pool size (84), and the area performs very well to excellent (91 or above) in all other categories, except...
- Air service (87), which is partially offset by Richmond’s closer proximity to the nation’s most actively sourced redeployment source market in the Northeast and Mid-Atlantic corridors.

Richmond performs particularly well per the region’s labor demand profile and transferee appeal

- Competitive demand appears less intensive than in the other markets; we feel this is a major locational asset for Richmond...even though the pool of resources is relatively moderate.
- Less intensive demand on resources provides elasticity in the market -- a buffer to future labor demand pressure and cost escalation. In other words, Greater Richmond’s human resource advantages should be sustainable well into the future.
- Richmond’s transferee appeal is becoming established, both in terms of proximity to talent sources in the Northeast Corridor and its attractiveness to young talent seeking a walkable residential to workplace environment. This is an important asset for any company looking to seed and grow a Middle Office operation. Relocation appeal enables national recruiting to augment local talent resources as needed.

However, there are two categories, where Richmond’s score is less notable

- The scale of Richmond’s direct and related labor pool, based on the specific metro area statistics, is relatively small compared to peer competitor cities supportive of a Middle Office:
 - However, on a proportional and location quotient (LQ) basis, Richmond performs quite competitively:

Category	RICHMOND	A. Southeast Corporate / Financial Ctr.	B. Midwestern Commercial / University Hub	C. Southeast Lower Cost Market	D. Mid-South Growth Market	E. Western Growth Market
Related Labor Pool & % of private sector workforce	178,090 (29.0%)	334,120 (28.6%)	293,910 (28.9%)	183,960 (28.3%)	250,570 (27.5%)	226,600 (33.7%)
Direct Labor Pool	62,607	124,725	105,431	60,315	85,498	77,367
LQ by Job Character	1.11	1.16	1.13	1.01	1.02	1.26

- And, it may be likely that at a 60-minute commute radius and certainly at a 90-minute radius, Richmond would scale higher than many of its competitors, given relative proximity to other cities.
- Salary advantages in Richmond are not as favorable as some of the other locations, with only one of the peer locations having higher overall salaries:
 - However, what is important for Richmond is its advantage in the context of its targeted source markets (e.g., New York City);
 - And from a frequently used measure to justify a split of functions away from a Manhattan HQ, a 15-20% savings threshold is often a starting point in a location screening / selection exercise.

Average Salaries

Category	NYC	Richmond	Differential
Business & Financial Operations	\$84,700	\$65,700	18.9%
Management	\$145,200	\$109,800	24.3%

Also notable for Richmond

- **Bachelor’s Degree Annual Graduates:** Richmond fares near the top on an absolute and a relative (per capita) basis:
 - Richmond data doesn’t include the Washington DC metro area and we know from interviews conducted for this work that Richmond companies can recruit from the DC area and I-81 corridor universities, plus Hampton Roads – very strong characteristics, not readily duplicated in the other locations.

Category	RICHMOND	A. Southeast Corporate / Financial Ctr.	B. Midwestern Commercial / University Hub	C. Southeast Lower Cost Market	D. Mid-South Growth Market	E. Western Growth Market
Annual Bachelor’s graduates	8,788	6,527	9,653	6,657	5,180	8,137
Ratio / 10,000 employed	93.2	52.9	77.5	84.7	85.9	102.7

- **Transferee Appeal / Quality of Life:** Given the geography of the targeted investors (major Northeast cities, particularly New York), Richmond is the hands-on winner in transferee appeal for one primary reason -- ‘the family commute’ home for weekends is easy back and forth to Manhattan, for example. Richmond is essentially drivable to many source locations in the MidAtlantic and Northeast...
 - ...a unique asset, as Richmond is integrated with and at the southern terminus of the Northeast corridor, but at a generally lower price point and within the northeastern-most Sunbelt state;
 - And the cost of living in Richmond, though higher than some of its peers, will be significantly lower than the Northeast metro areas, further enhancing relocation appeal, underpinned by Richmond’s emerging vibe.
- **Migration into Richmond is more internationally-focused than the peer competitors:** while overall rates of domestic migration are lower, the upside is that there has been less challenge of excessive growth on infrastructure (schools / roads for example). In addition, positive in-migration has contributed to labor surplus conditions.

Category	RICHMOND	A. Southeast Corporate / Financial Ctr.	B. Midwestern Commercial / University Hub	C. Southeast Lower Cost Market	D. Mid-South Growth Market	E. Western Growth Market
Cost of Living	100	97	95	92	94	102
Net in Migration / % domestic	6,794 (49%)	37,429 (85%)	10,629 (42%)	23,686 (83%)	25,358 (82%)	7,092 (52%)

THE BOTTOM LINE:

None of the benchmarked metro areas scored perfectly – all have different combinations of attributes and shortcomings that site-seekers will consider on a case by case basis. That said, the combination of competitive demand, cost and access considerations place Richmond in a very attractive position.

Richmond is a verifiable, compelling location for Middle Office operations.

The pace of ramp-up in Richmond on a project by project basis will be specific to the mix of skills required and the potential scale of operations. Two recent Middle Office relocation projects are illustrative, both demonstrating the robustness of the Richmond talent pool to ramp-up 450-600 employees within a 12-month period, through a combination of local experienced talent, recent graduates and transferees.

<p>Demographics and Workforce Characteristics</p>	<ul style="list-style-type: none"> • Population: size, growth, diversity, age, income, commute • Workforce: civilian labor size, growth, related industry & occupational employment
<p style="text-align: center;">Richmond's Score: 93%</p> <p>What This Measures: Basic scalability and long-term sustainability of the local labor market</p>	

The Scoop: Richmond and its suburbs form a compact and scalable market. Some key metrics follow:

- Richmond is growing faster than the national average (4.6% vs 3.8%), a robust although balanced growth trend. *Growth too rapid (e.g., 10%) strains infrastructure and growth too slow (e.g., 1-2% or less) represents possible stagnation of talent resources. Richmond is in the sweet zone.*
- Furthermore, Richmond's moderate size enables a sizable commuter capture of the metro population (82.1% within 30min of downtown), *an important quality of life metric, borne out by ease of commuting along generally uncongested routes across the Richmond region.* This is corroborated by the area's best-rated TTI * congestion ranking and by numerous local employers interviewed in the research for this study.
- Richmond is a diverse city, more than the US metro average and most peer competitors...*diversity supports in-migration of talent.*
- Richmond's civilian workforce is projected to grow faster than the national average (by 0.9%). All targeted occupational groups are more concentrated than the US average.

<p>Did you know?</p>	<ul style="list-style-type: none"> • 1.05 million residents (out of 1.3 million in the Greater Richmond area) live within 30-minutes of downtown Richmond • Among downtown Richmond worksites, the majority of employees reside within two miles, and up to 50% can walk, skate or bicycle to work. This "walkability" is especially attractive to recent college graduates, artists/designers and technology-driven activity clusters. Richmond's historic and well-designed urban core is a major selling point for "Middle Office" projects regardless of where the operation chooses to site in the region. • Suburban-oriented employers in the Greater Richmond area report full penetration of the resident downtown labor pool (mostly new grads) in part due to the area's efficient highway network and comparatively low traffic congestion. Standard and reverse commutes rarely exceed 30-minutes. • For Richmond, the 90-minute zone penetrates well into the Norfolk-Hampton Roads MSA, the southern portions of the Washington DC-Northern Virginia metro area and northwest to Charlottesville. • The adjacent Washington DC-Northern Virginia region provides a huge regional source of talent and students, just beyond the Richmond MSA
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* TTI (Texas Transportation Institute) is a highly respected and standardized source of research on urban mobility.

Targeted Labor Resources	<ul style="list-style-type: none"> • By job character • By business function
Richmond's Score: 84%	
What This Measures: Occupational experience scale / concentration in the Middle Office profile	

The Scoop: Richmond is a moderate sized market with generally good statistical occupational scale and very good occupational concentration to support the Middle Office. Richmond's scale, in combination with Richmond's established corporate presence, talent pipeline and capacity (reviewed later), is competitive with the peer metros, most of which are larger labor markets. Key metrics follow:

- Richmond presents a solid concentration of Middle Office profiled employment, as evidenced by the ten Fortune 1000 companies based in Greater Richmond. There is more than enough talent residing in Richmond's metro labor shed to support an 800 FTE operation. *With a ratio of direct pool resources per targeted job of 78:1, Richmond exceeds WDGC's minimum threshold of 50:1 at 800 employees and the resident pool size is considered statistically adequate for supporting the prototype operation.*
- Richmond's overall location quotient (1.11) represents a favorable concentration of Middle Office skillsets, while easily avoiding disproportionate demand on labor supplies. *WDGC's rule of thumb is to seek location quotients (concentration) between 0.75 to 1.5 (75% to 150%) of the national concentration of these occupations. This indicates a sufficient pool of relevant skills that is not overly concentrated and potentially not overly competitive.*
- Richmond has an above-average location quotient in 5 of 9 Job Character categories:

Business Processing (1.19)	Creative (1.04)	Operational Support (1.29)	Risk Management (1.26)	Technology (1.07)
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- ... and very favorable workforce concentrations in several critical Business Functions, including:

OPERATIONS			RISK	SUPPORT	
Business (1.44)	Accounting (1.23)	Human Resource (1.43)	Financial (1.53)	Technology (1.56)	Technology (1.56)

- Additionally, several management categories are attractive, and easily exceed the minimum threshold (0.75) indicating appropriate breadth of skills to support the Middle Office:

Business Ops. (0.81)	Financial (0.90)	Human Resource (0.94)	Technology (0.91)
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- These statistical indicators reveal that Greater Richmond has a reasonably sized Middle Office ecosystem, providing a base and capacity for further development.

Did you know?	<ul style="list-style-type: none"> • Corporate activities in Richmond include a full range of functions falling within the Middle Office construct. A representative sample of 7 local companies interviewed for this work include the following business activities: <ul style="list-style-type: none"> ○ Company 1: Client Servicing, Sales, Marketing, Legal, Finance, Tech Solutions ○ Company 2: HQ, Finance, Legal, HR, Marketing, Real Estate, Innovation, Product Design-Marketing, Technology ○ Company 3: Business Strategy, Operational HQ, Risk Management, Engineering ○ Company 4: Global Research and Analysis, Software Development ○ Company 5: Product Management, Client Support, Finance, HR ○ Company 6: Innovation, Technology, Supply Chain Management ○ Company 7: Capital Markets, Risk Management, Sales, Client Services
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Middle Office Location Searches and the Case for Richmond

Targeted University Resources Bachelor's and Master's	<ul style="list-style-type: none"> • By job characteristic • Degrees within 90-minute drive • Ratio of degrees per 100 employed • Degrees with 30 / 60 / 90 minutes • Concentration by commute time
<p>Richmond Scores: 94% Bachelor's Degree and 91% Master's Degree What This Measures: Pool of locally-sourced raw talent – the 'pipeline' and management</p>	

The Scoop: Local and regional universities (size, programs, graduates, and ratings) represent one of Richmond's strongest attractors. Some key metrics follow:

- Bachelors annual graduates – Richmond fares near the top both on an absolute basis and relative (per capita) basis.

Category	RICHMOND	A. Southeast Corporate / Financial Ctr.	B. Midwestern Commercial / University Hub	C. Southeast Lower Cost Market	D. Mid-South Growth Market	E. Western Growth Market
Annual Bachelor's graduates	8,788	6,527	9,653	6,657	5,180	8,137
Ratio / 10,000 employed	93.2	52.9	77.5	84.7	85.9	102.7

- Within 90 mins, Richmond has the 2nd largest pool (8,788) of targeted annual grads, and a potentially higher proportion of graduates remain in the Richmond region.
- Richmond also ranks first or second per the number of graduates in Innovation, Strategy & Knowledge and Technology categories.
- The technology grad ratio of 6.8 per 10,000 white-collar employed is also strong – and our local interviews indicated that the majority of software hires are national applicants, easing pressure on the local resource.

Bachelor's Degrees (w/in 90 Minutes)	
Creative	395
Innovation	1,798
Operational Support	436
Risk Management	1,344
Strategy & Knowledge	4,168
Technology	638
Total:	8,788

- Richmond's bachelor's level resources are most constrained for:
 - Creative jobs (ratio 4.2/10,000 white collar employed) – due to fewer graduates
 - Operational Support jobs (ratio 4.6/10,000 white collar employed) – due to more local jobs.
- Richmond's most attractive Master's degree graduate pool is in Strategy & Knowledge, with 1,325 of these graduates, a significant number as compared to related area employment demand. This pool is:
 - 44% larger than the Mid-South peer – 921 graduates
 - 20% larger than the benchmarked Western peer – 1,059 graduates
 - 16% larger than the Southeast Corporate / Finance Center proxy – 1,136 graduates.
- Richmond's Master's degree score of 91 represents a good supply given the market size. And additional Master's talent is available regionally. That said, the Bachelor's degree population is a much more important criteria (and local asset) than the Master's degree pool for the Middle Office profile.

<p>Did you know?</p>	<ul style="list-style-type: none"> • Richmond data does not include the Washington DC metro area and we know from the interviews that Richmond companies can recruit from DC and I-81 corridor universities, plus Norfolk – very strong characteristics, not readily duplicated in the other locations • Local graduates are predisposed towards job opportunities within the area, and a high proportion of out-of-state residents graduating from local schools would remain in the area if possible, per interviews with local employers and universities. The result is a surplus of area graduates. • Competition for local graduates is moderate and doesn't fully reflect the quality of skills within the local university pipeline. • A recent large-scale staffing initiative was able to draw 25% of all hires from Virginia Commonwealth University alone, and more than 65% of hires graduated from in-state schools. • The community college network was consistently mentioned by employers, despite the focus of conversation on 4-year universities. A recently relocated company has been highly impressed with the quality of community college graduates and cited the responsiveness of the career services department in helping reach staffing
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Middle Office Location Searches and the Case for Richmond

Labor Demand Profile	<ul style="list-style-type: none"> • Unemployment trends • Challenge of becoming a preferred employer • Labor market tightness • Largest major competitor employers • Fortune HQ rankings • Sampling of largest MSA employers
<p>Richmond's Score: 100%</p> <p>What This Measures: Ease of hiring and keeping experienced talent</p>	

The Scoop: Richmond performs particularly well in the region's labor demand profile. Some key metrics follow:

- Richmond's rate of joblessness has been less affected by upward and downward spikes than the peers reviewed for this white paper. At a 2017 rate of 3.9%, Richmond's unemployment has not shrunk to the point of complete saturation experienced in some of the peer group, several of which are experiencing the lowest unemployment in 20 years. In contrast, Richmond's unemployment remains close to 1% higher than pre-recession levels, suggesting there is a bit of slack in the market to absorb new employment.
- A strong local pool of financial services companies and headquarters are present, including:
 - 7 national brands in the financial and related industries;
 - 10 Fortune 1000 HQ's; 7 rank in the top 500, and 4 rank in the top 250;
 - 6 of 7 local Fortune 500 firms improved their ranking between 2016 and 2017, with an average improvement of 8 rank positions --- Locally thriving companies are indirect indicators of a healthy competitive labor environment.

Financial-Insurance-Real Estate ⁽¹⁾	HQ / Fortune 1000 (Rank) ⁽²⁾
Bank of America	Altria Group (154)
Blue Cross-Blue Shield	Brinks (692)
Capital One	CarMax (174)
CoStar	Dominion Energy (233)
Federal Reserve Bank	Genworth (348)
Genworth	Markel (460)
Markel	NewMarket (909)
SunTrust	Owens & Minor (318)
Wells Fargo	Performance Food Group (171)
	Universal (938)

1. Some crossover to Technology Industry
 2. Fortune 500 ranking in **bold**

<p>Did you know?</p>	<ul style="list-style-type: none"> • All surveyed companies report favorably low (6%-7%) turnover within exempt-level functions. Several firms cited low turnover as one of the area's strongest labor market attributes. • Local graduates are predisposed to seeking job opportunities within the metro, and a high proportion of out-of-state residents graduating from local schools would remain in the area if possible. This results in a surplus of area graduates. • Richmond's competitive environment for Middle Office skills remains <i>in-balance</i> currently, although demand is trending upward. • Employers were asked to rate competitive demand on a 1-10 scale (10=most intense) and responses ranged from 5.0-7.0. • This level of demand is preferred as it signals enough opportunity in the marketplace to support targeted skills development, but without the ramifications of an "overheated" labor market. • The increased labor demand over time (was rated 3.0 in 2012) mostly coincides with national trends following the recession and subsequent economic recovery; but can also be attributed to a maturing local economy which now offers a greater diversity of employers and entry-to-mid level job opportunities for degreed professionals.
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Middle Office Location Searches and the Case for Richmond

Market Wage Patterns	<ul style="list-style-type: none"> • BLS (Bureau of Labor Statistics) median wage by job character • BLS (Bureau of Labor Statistics) median wage by function • Market wage variances
<p>Richmond's Score: 93%</p> <p>What This Measures: The trade-off of operational opportunity versus cost</p>	

The Scoop: Richmond has a salary advantage relative to the likely source markets for job and capital investment expansion and redeployment. Some key metrics follow:

Potential operating cost savings will be a focal point when pitching the Middle Office lift out business case to prospective companies. As a benchmark, annual operating cost savings of 20% or more often is necessary to warrant relocation.

Surveyed employers confirmed that achieving 20% payroll savings is feasible relative to the major metros most likely to relocate Middle Office operations, including New York City, Washington, D.C., Boston and San Francisco.

Richmond Wage Patterns		
Function	Savings vs NYC	
	Employers	BLS Data
Marketing	30%	16%
Client Service	20%	22%
Finance/Legal/HR	20%	19%
Senior Sales	10%	10%
Technology	10%	8%
<i>Avg. All Functions</i>	<i>18%</i>	<i>15%</i>

The table across compares Richmond's market wage patterns to New York City, based on employer interviews and data provided by the Bureau of Labor Statistics.

Overall, Richmond's wage pattern by Job Character hovers slightly below and above the national average:

- Below US average wage indices include the four most critical families:
 - Creative and Technology (both 98)
 - Strategy & Knowledge Workers (97)
 - Innovation (95) – somewhat surprising given roster of STEM companies
 - Risk Mgmt. (93).
- Above US average wage indices focus on the less targeted families:
 - Client-Facing (103)
 - Operations Support (103) – note, also Richmond's highest LQ (1.26)
 - Business Processing (101).

Though again, the source geography wage differential is what will likely be a more important consideration, particularly when weighed against superior operational performance to many lower cost areas.

Category	NYC	Richmond	Differential
Business & Financial Operations	\$84,700	\$65,700	18.9%
Management	\$145,200	\$109,800	24.3%

Did you know?	<ul style="list-style-type: none"> • In addition to payroll savings, Richmond's affordable office lease rates offer potential savings of 20% or more versus major metro areas. • A few local employers listed real estate costs as a key driver in their location decision: <ul style="list-style-type: none"> ○ One firm saved \$35/sf versus their New Jersey office space; ○ Another firm saved 25% overall on office space versus D.C. • However, a shortage of large-block Class A office space may preclude some Middle Office prospects from considering Richmond for larger operations, especially if timing is a priority. • Office development will need to continue in order to support an influx of Middle Office activities. Reported favorable 'cap' rates in Richmond should encourage developer investment.
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Transferee Appeal	<ul style="list-style-type: none"> National recruiting appeal Target market transferee appeal Net in-migration Disaster exposure rating
<p>Richmond's Score: 98%</p> <p>What This Measures: Attractiveness (and perceptions beyond the Region)</p>	

The Scoop: Richmond's transferee appeal is strong and with a demonstrable track record, both in terms of proximity to talent sources in the Northeast Corridor and Richmond's attractiveness to young talent seeking a walkable residential to workplace environment. Some key metrics follow:

- The region is building a reputation as a 'cool' place to be.
- One recent survey developed by the Urban Land Institute, places Richmond # 2 among the top 5 hottest cities for millennials.
- Richmond's cost-of-living compares equal to the national average.
- Median residential rents are 4% below the US average and are considered affordable based on a typical entry-level Middle Office wage.
- Combined property and violent crime statistically falls 9% below the US metro average and compares superior to all study locations.
- The area's climate offers the attraction of seasonal weather patterns, although moderated from extreme disruption.
- Richmond's is not particularly exposed to catastrophic natural disasters:
 - Virtually no earthquake and limited hurricane risk;
 - Positioned well outside of the nation's highest risk tornado alleys.

<p>Did you know?</p>	<ul style="list-style-type: none"> On merit alone, the region holds considerable attraction with high marks in culture, lifestyle and affordability. Transferees typically cite the area's historic neighborhoods, craft breweries and independent cuisine. Area residents are usually described as "friendly to strangers" and the moderate pace and easy-living is a reprieve for many relocating from major metro areas. However, the initial perception of Richmond from out-of-area candidates typically falls short of their on-the-ground experience when visiting and the early perception can be a barrier to applicant response. Upper-level legal, marketing and creative talent pools have historically been hardest to attract, although improving in recent years as Richmond gains credibility by being consistently ranked as a top destination for millennials. Transferee acceptance rates are highest within the Northeast Corridor, particularly from Washington D.C., Philadelphia, New Jersey, New York, and Boston. Given the geography of the targeted investor office (major Northeast cities, particularly New York), Richmond is the hands-on winner in transferee appeal for one primary reason -- 'the family commute' home for weekends is easy back and forth to Manhattan, for example. Cost of living in Richmond is significantly lower than the Northeast metro areas
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Middle Office Location Searches and the Case for Richmond

Access	<ul style="list-style-type: none"> • Airport hub size • Gateway hubs served • Daily non-stop flights to major centers • Shortest travel time to major centers • Lowest nonstop fares to major centers
<p>Richmond's Scores: 87%</p> <p>What This Measures: A key threshold criteria in many searches</p>	

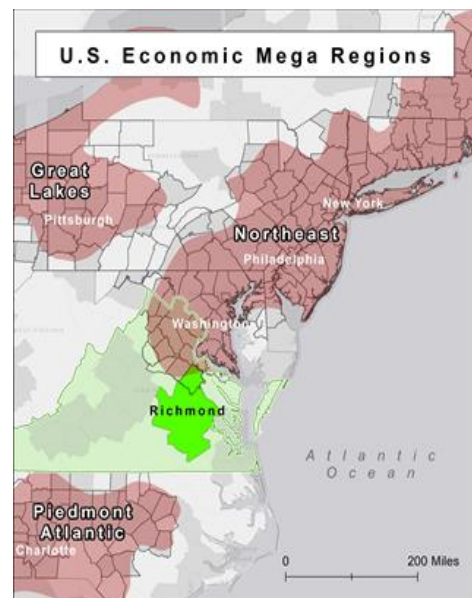
The Scoop: Richmond has good air access to regional destinations within the eastern half of the US. The significant advantage is relatively short flight times and frequency of service to New York, Atlanta, Chicago, Boston and Philadelphia. Furthermore, Washington is within a 2-hour drive time and arguably much of the Northeast is convenient as well via surface travel. Some key metrics follow:

- Richmond's convenient to use airport serves 13 of 27 Gateway Hubs, however currently offers no non-stop service to the West Coast. Otherwise, Richmond provides good service to higher priority East Coast and Midwest hubs (some drivable as well) including daily flights to:

Category	New York City	Atlanta	Chicago	Boston	Philadelphia	Washington
Daily Non-stop Flights	19 (EWR/JFK/LGA)	10	9	7	7	4
Flight Time	60 min	85 min	100 min	71 min	53 min	24 min
Gate to Gate	90 min	100 min	125 min	90 min	80 min	43 min
Drive-Time Alternative to Air?	5 hours (If needed)	8 hours (not an option)	13 hours (not an option)	9 hours (not an option)	4 hours (Optional)	1.5-2 hours (Preferred)

- Most importantly, travel times from Richmond to targeted east coast destinations are overall the shortest of the benchmarked areas by virtue of relative proximity.

<p>Did you know?</p>	<ul style="list-style-type: none"> • Richmond is essentially drivable to many source locations in the Mid-Atlantic and Northeast... • ...a unique asset, as the northeastern-most Sunbelt location while also the southern terminus of the Northeast corridor... • ...and while economically integrated with the ecosystem of the Northeast and Mid-Atlantic metro areas, at a lower price point typical of the Southeast. • Greater Richmond can attract investment from other source geographies as well but is perhaps uniquely positioned as a lower cost talent hub, adjacent to the Washington to Boston corridor. • Business climate assets at the Virginia state level include a noted investment in higher education, moderate tax burden and 'Right-to-Work' status (all typical of the Sunbelt and in contrast to business climate perceptions of the Northeast).
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IN CONCLUSION

WDGC believes that Richmond’s assets are market ready for Middle Office corporate functions.

Key assets / marketable advantages for Richmond as noted in benchmarking analysis are:

1	Established and growing Middle Office ecosystem with a successful track record of growth by established companies and relocation into the area specific to Middle Office activity.
2	Talent capacity for the Middle Office profile with sufficient talent pool depth and an impressive pipeline, with regionally based 4-year universities injecting young talent into the ecosystem who want to remain in the area.
3	The above-mentioned talent pipeline, and a moderate pace of growth to date (i.e., elasticity in competitive demand), provides market pressure slack and contributes to labor surplus conditions.
4	In turn, these market conditions help lessen pressures on labor cost escalation versus many other markets.
5	A strong indication of low turnover, which is a key indicator of workforce stability, was noted throughout interviews conducted with Greater Richmond-based employers.
6	Relocation attractiveness is very strong. The base elements include a dynamic and historic central city that increasingly supports a work-live-play environment, attractive suburbs, regional amenities within a generally uncongested transportation web -- all at affordable costs versus major metros and other hot spots. <i>These are assets now generating much attention.</i> In combination with the local talent base and pipeline, relocation appeal complements an excellent environment for companies to ‘seed and grow’ a Middle Office operation, supplemented by national recruiting as needed.
7	There are several attractive office and residential submarkets including Richmond’s vibrant downtown core and urban neighborhoods, as well as attractive suburbs in Chesterfield, Hanover and Henrico Counties.
8	Excellent synergies of proximity to the major metropolitan cities of the Northeast and Mid-Atlantic, at an attractive price point (both business and living costs) with substantial talent, in context to these major source cities of investment.
9	Uniquely placed at the intersection of the Northeast and the Sunbelt, with the business climate and cost advantages of the Southeast.

**GREATER RICHMOND:
THE MIDDLE OFFICE LOCATION FOR THE WASHINGTON TO BOSTON CORRIDOR**

Composite Index Ratings	Composite Score (Best=100)		Demographics & Workforce Character	Targeted Labor Resources	University Resources (Bachelors)	University Resources (Masters)	Labor Demand Profile	Market Wage Patterns	Transferee Appeal & Disaster Risk	Air Access (NonStop)
	Raw Score	Base 100	Category Weight (Total=100%):							
	10%	20%	10%	5%	20%	15%	10%	10%		
Richmond	93	97	93	84	94	91	100	93	99	87
A. Southeast Corporate / Financial Ctr.	91	95	100	100	83	93	71	90	100	100
B. Midwestern Commercial / University Hub	88	92	93	91	93	95	69	94	95	93
C. Southeast Lower Cost Market	91	95	95	73	87	90	100	100	99	87
D. Mid-South Growth Market	90	94	92	82	86	98	83	98	98	94
E. Western Growth Market	95	100	96	99	100	100	97	96	87	84
Range of Scores	92 to 100		92 to 100	73 to 100	83 to 100	90 to 100	69 to 100	90 to 100	87 to 100	84 to 100

APPENDIX – Benchmarking Methodology

Peer Competitor Metro Areas: The Greater Richmond Partnership and WDGC mutually selected five metro areas to compare with Richmond relative to Middle Office location attributes. These representative metro areas typically compete with Richmond for projects with Middle Office attributes. WDGC helped guide this selection to include a sample of locations attractive for these types of activities, representative of different types of markets / solutions. Data collected for the benchmarking are for actual metro areas, however in fairness, each location might perform differently depending on the specifics of an actual project. Therefore, the benchmarked locations are identified in this white paper as representative of differing metro area characteristics and geographic distribution:

- City A: Southeastern Corporate /Financial Center
- City B: Midwestern Commercial / University Hub
- City C: Southeastern Lower Cost Market
- City D: Mid-South ‘Hot’ Corporate Center
- City E: Western Growth Center

Analytical Process: A robust data research, scoring and modeling process was developed to evaluate Richmond’s performance with respect to the other locations. This started with a rigorous procedure to identify the statistical profiles of jobs, functions and characteristics important to the project. Once the occupational profile of the Middle Office was identified, WDGC developed a scoring and weighting procedure to compare the collected data, based on the Middle Office location criteria (as noted in page 2 of this paper. Statistical data was supplemented by empirical observations and interviews with employers and educators in Richmond and research into corporate organizational trends. In addition, WDG infused insight gained from advising companies on redeployment of Middle Office functions.

Data Sources:

- US Bureau of Labor Statistics, Occupational and Employment Statistics
- US Census, American Community Survey
- C2ER, Sperlings, Tax Foundation, WDGC (Cost of Living)
- FBI Statistics (Crime Rates)
- NCES (National Center for Education Statistics)
- Nielsen
- WDGC Database