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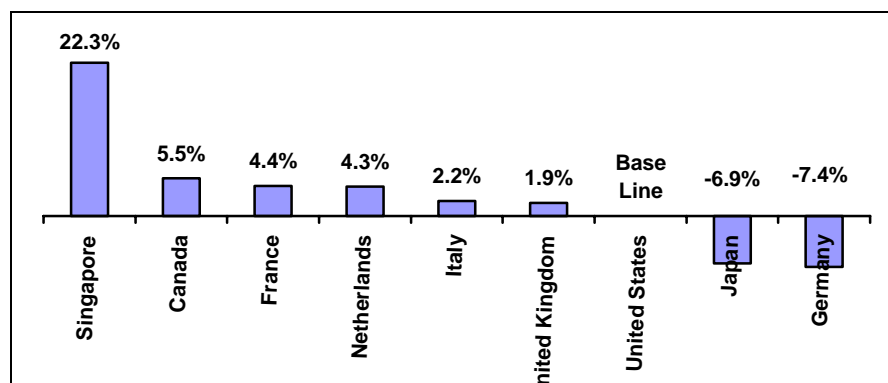
Comparing Business Costs in US Cities and Abroad

In the 2006 edition of KPMG's *Competitive Alternatives* study, co-sponsored by Colliers International, nine countries were evaluated on the basis of business costs. The study measured the impact of 27 business cost components that are location-sensitive.

The nine countries covered by the study are Canada, France, Germany, Italy, Japan, Netherlands, Singapore, UK and US. Costs were compared for 17 industry operations. Eleven of the operations were in manufacturing, three in R&D, two in software, and one in corporate services. Each country was ranked for each industry operation, as well as ranked overall. The rankings were based upon comparisons of after-tax costs of starting and operating a business over a ten-year period.

The 27 business cost components covered by the study included labor salaries and benefits; facility construction or leasing costs; transportation costs; utility costs; financing costs; and taxes. Costs were normalized using early 2006 exchange rates.

In the overall rankings, six countries had cost advantages over the United States, while two, Japan and Germany, had cost disadvantages compared to the US. Singapore had the greatest cost advantage over the US, at 22.3%, followed at some distance by Canada (5.5%). Overall rankings for the nine countries were as follows:



Relative values were also calculated for each industry operation in each country. In the national comparison of specific industry operations, the highest rank achieved by the United States was in the corporate services industry. The specific business surveyed in this industry was back office/call centers. Only Canada and Singapore had higher rankings for this industry. There is some irony in this finding, in that back office/call centers have been a source of great concern to the US as numerous

such facilities have been out-sourced to India and other countries. Notably, none of these countries were in the survey.

Other than corporate services, the highest rank achieved by the US was fifth in electronics assembly, a manufacturing operation. The US reached sixth in three operations: telecom equipment manufacturing; biomedical R&D; and advanced software design. The US was ranked seventh on eleven of the industry operations and eighth on the remaining one.

The study included 128 cities, 49 in the United States. Each US city received an overall ranking within its region. So, for example, Cheyenne, Wyoming (+3.6%) and Lincoln, Nebraska (+3.5%) had the best rankings in the US Midwest, while Dothan, Alabama (+7.0%) had the best ranking in the Southeast. Generally, smaller cities recorded lower business costs than larger cities, but three US cities with at least 1.5 million population achieved high rankings. They were Atlanta (+3.6%), Tampa (+3.5%), and Indianapolis (+3.4%).

Of course some cities ranked better than the US average for some industry operations and others ranked lower. In the industry operation in which the US ranked highest among the nine countries, back office/call centers, five cities ranked well above the US average. They were Lima, Ohio (+9.0%), Charleston, West Virginia (+7.9%), Lexington, Kentucky (+7.8%), Cheyenne, Wyoming (+7.1%), and Sioux Falls, South Dakota (+6.9%).

The best rankings for US cities were recorded in the R&D categories. Ranking +10% or better than the US average for R&D were Charleston, Dothan, Lexington, Lima and Greenville-Spartanburg, South Carolina. Several cities ranked higher than the US averages in all industry operations. Most of those cities had populations of less than one million, but a few larger cities also surpassed US averages. They included Atlanta, Indianapolis, Milwaukee and Tampa. Nashville, Oklahoma City, Raleigh, and Wichita exceeded US averages among cities with one million to one-and-one-half million population.

The study's findings will be of interest to businesses considering locations in multiple countries, as well as those evaluating multiple cities within the US. Economic development agencies will also find the study of interest. The entire study can be viewed online at <http://www.competitivealternatives.com/highlights/default.html#>.

US Cities Included in the Study

| | | |
|----------------------------|----------------------------------|------------------------------|
| Albuquerque, NM | Harrisburg, PA | Oklahoma City, OK |
| Atlanta, GA | Hartford, CT | Philadelphia, PA |
| Billings, MT | Houston, TX | Phoenix, AZ |
| Boise, ID | Indianapolis, IN | Portland, OR |
| Boston, MA | Jackson, MS | Providence, RI |
| Buffalo, NY | Las Vegas, NV | Raleigh, NC |
| Burlington, VT | Lewiston, ME | Riverside-San Bernardino, CA |
| Cedar Rapids, IA | Lexington, KY | Saginaw, MI |
| Charleston, WV | Lima, OH | Salt Lake City, UT |
| Cheyenne, WY | Lincoln, NE | San Diego, CA |
| Chicago, IL | Milwaukee, WI | San Jose, CA |
| Colorado Springs, CO | Minneapolis, MN | Seattle, WA |
| Dallas-Fort Worth, TX | Nashville, TN | Sioux Falls, SD |
| Detroit, MI | New York, City, NY | Spokane, WA |
| Dothan, AL | Newark, NJ | St. Louis, MO |
| Greenville-Spartanburg, SC | Northern Virginia (Metro DC), VA | Tampa, FL |
| | | Wichita, KS |



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