

Cost of doing business in Northeast Ohio lower than national average, Team NEO reports

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AkronTeam NEO



Photo by COLE GOLDBERG

By **JAY MILLER**

The cost of doing business is 10% lower in Northeast Ohio than the national average, according to an analysis by Team Northeast Ohio, the regional business attraction nonprofit.

Team NEO will use this information to sell companies on the competitive advantages to coming to Northeast Ohio when they are looking across the country for a place to start a new business or moving an existing operation.

For its quarterly economic review released Wednesday, June 15, the organization surveyed comparative data on a number of economic indicators including the cost of labor and energy, as well as construction and leasing costs and rates of state and local taxes.

“We have a business case to make for why it’s more affordable (to do business) here,” said Jacob Duritsky, Team NEO’s vice president for strategy and research.

Duritsky said that the location of a business operation’s customer base and supplier base are the top two factors that usually guide a business to a particular part of the country.

“But after that, what drives a lot of it becomes things like talent, it becomes things like tax climate, like the overall cost of doing business,” he said.

Specifically, Team NEO’s research found the following:

- The median wage in Northeast Ohio, at \$19.55 per hour, is 8% lower than the national average;

- At \$3.90 a square foot, the cost to lease industrial space is 33% below average;
- To build a business facility in Northeast Ohio, a company would pay 2% below the national average for materials and labor; and
- Northeast Ohio ranked seventh in a group of 10 metropolitan areas in the overall cost of doing business, which included factors such as office rent, energy costs and labor per dollar of output.

In addition, the study found that the cost of living in Northeast Ohio is 11.4% below the national average.

The study compared Northeast Ohio with nine other markets, some close regional competitors of the region, such as Columbus and Pittsburgh, and others, including Atlanta, Los Angeles and New York, further afield.

So, for example, the cost of \$3.90 a square foot to lease industrial space ranked Northeast Ohio eighth, with Los Angeles topping the list at \$9.17. Space in Northeast Ohio, though, cost a bit more than Cincinnati, at \$3.61 a square foot, and Columbus, \$3.49 a square foot,

Duritsky said that the weight a company gives to any specific location decision will vary widely from company to company depending on the nature of the operation it is scouting sites for.

“There is a quality component (to these comparisons) as well,” he said. “It’s not just about the cost of the space, for example, it’s ‘Do you have the right space for the business to relocate to?’ Because if you don’t, they have to build new and that gets a lot more expensive.”

Because companies often work through third-party site selection consultants, Team NEO often doesn’t know how often they look at this kind of detailed comparative data, but Duritsky estimated that between 15% and 20% of the companies they deal with directly get to this level of detail.

“Oftentimes, that’s when they’ve narrowed it down to two or three markets,” he said.

In its more basic quarterly measures of the health of the regional economy, Team NEO reported that employment overall grew by 11,500 jobs in the third quarter of 2015 compared with a year earlier. The gains came in the service sector employment, which added growing by about 12,500 jobs and manufacturing, where 1,400 new workers were added.

Those gains, however, were offset by the loss of construction industry jobs.