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North Jersey corporate costs fifth highest

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STAFF WRITER

Corporate executives looking to cut costs in the wake of the recession are more likely than ever to flee or avoid New Jersey, according to Princeton firm that specializes in helping companies relocate.

The Boyd Co. Inc. on Monday released a study that found North Jersey is the fifth most expensive place to site a corporate headquarters, costing \$27.9 million a year to operate.

New York City topped the list, followed by San Francisco, Stamford, Conn. and San Jose, Calif.

John Boyd Jr., a company vice president, who compiled the report, said New Jersey's high costs have deterred companies from expanding in the state for years. But the recession has significantly heightened the competition between states, to the detriment of those with a high cost of doing business, he said.

"The corporate headquarters arena is the next big frontier for corporate cost cutting," said Boyd. "And that's big news for New Jersey."

In the past, he said, "companies were very reluctant to relocate their corporate headquarters because their brand would be so synonymous with a particular city."

But that's changing as costs increase for cities at the top of the list and companies squeezed by the downturn look to cut expenses, he said. As a result, companies are more willing to move to areas that were previously less attractive, such as the Midwest, he said.

The Boyd Co. calculated the cost of operating a 70,000-square-foot headquarters, with 325 employees, in 50 locations around the U.S. The study amortized land and construction costs over 25 years.

It found Newark was more expensive than Boston, Los Angeles, Chicago and Washington D.C. The cheapest location studied was Sioux Falls, S.D., at \$21.1 million a year.

The Boyd Co, which was founded in 1975, has helped companies locate offices around the world. Its client list has included Time, Inc., PepsiCo, Hewlett-Packard and JP Morgan Chase. The company also helped Teaneck-based Kumon North America locate a training center in Chicago.

The study's release comes amid concern among New Jersey business leaders, fueled in part by the recession, that the state's tax structure and red tape is unfriendly to business. Even before the economic downturn, the state was creating relatively few jobs.

Critics say the difficulty and expense of doing business in the state is driving companies away, but others say the high costs are balanced out by positive factors - such as the state's highly skilled and educated workforce and proximity to the New York market.

The Boyd Co. also polled chief executive officers, chief financial officers and chief operating officers of Fortune 1000 companies to find what factors – aside from costs – they consider important in deciding where to put a corporate HQ.

The poll found a business-friendly legal system topped the list, followed by a low or non-existent corporate income tax and low or non-existent personal income tax. Ranked fourth was "business-friendly labor laws," the study found.

James Hughes, a Rutgers University economist, said the recession has intensified the growing national and international competition to attract corporate offices.

"We have seen improved corporate quarterly results the past several quarters, but it was solely due to cost cutting because there was so little revenue growth," Hughes said. "That puts high cost places of doing business at a real disadvantage."

In some places, the high cost is acceptable because they offer a uniquely skilled labor pool, he said. San Francisco, for example, has Silicon Valley's workforce and New York and Stamford have plenty of financial services professionals.

But the skills required for many positions in a corporate headquarters, such as mid-level managers, accountants and human resources representatives, are more readily found elsewhere around the country, which makes it easier for a company to relocate, Hughes said.

"We have also found out labor forces are highly mobile," he said. "People from the Northeast were willing to go to Charlotte in North Carolina because of the economic opportunity there and much lower housing costs."

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