



## Lure of the South takes a toll on corporate NJ; new demographics, globalization play roles

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BY HUGH R. MORLEY  
STAFF WRITER | THE RECORD

Forty-five years after New Jersey's manufacturing industry began its decline, as companies started moving their factories to the South, there are signs that the state's corporate sector may be going the same route.

Tuesday's announcement by Mercedes-Benz USA that it plans to move its corporate headquarters from Montvale to metro Atlanta followed similar announcements in the last 18 months by Hertz of Park Ridge, which moved to Florida's Gulf Coast, and Sealed Air of Elmwood Park, which is moving to Charlotte, N.C.

So now three Fortune 500 companies, along with nearly 2,000 jobs, are moving or have moved to Southern locations that years ago would likely not even have been considered by corporate executives.

Though they cited reasons for their moves specific to their business or industry, it's clear that the South now holds an attraction that it once did not. A variety of factors are in play, including lower taxes and operating costs, an improved quality of life and a stronger workforce.

"I don't think it's a tidal wave yet," said James Hughes, dean of the Bloustein School of Planning & Public Policy at Rutgers University. But change is clearly afoot, he said.

"What's changed is the perception of the South," he said. "After the first frontier companies moved there, they proved that there is no problem securing a high-quality workforce, and that people would migrate there if there were good jobs available."

To be sure, many companies have left New Jersey for other destinations. New York's Rockland and Orange counties, for example, still attract a good number of companies, including Hunter Douglas and Croton Watch Co. recently. Yet the lure of the South appears to be growing.

John Boyd, a principal at The Boyd Co. in Princeton, an adviser on corporate relocations, said there has been a key perception change in the executive suite.

"Historically, head office has been off the table, in terms of finding a cost-efficient location," said Boyd. "That's where the executives lived. They were happy to relocate the hourly workers to a small town in the South. But they would rather stay in Upper Saddle River," he said.

Now, he added, "corporate headquarters are in play like never before."

That's partly the result of globalization, which has forced companies to cut costs wherever they can, Boyd said.

"In the old days, if you were in Bergen County, you wanted to be competitive with Rockland County, or Allentown, Pa.," he said. "Now companies in Bergen County have to be competitive with Wales and Spain and Brazil."

Part of the change in perception, said Hughes and other experts, stems from improvements in quality-of-life factors — such as restaurants, museums, arts centers — in Southern cities, such as Charlotte and Atlanta, creating a sophisticated, cosmopolitan lifestyle. Education levels have also improved in the South, providing a better pool of talent that companies can pay less because of the lower cost of living, experts said.

For example, the percentage of the workforce that has a college degree is now slightly greater in Fulton County, where Mercedes-Benz is planning to move, than in Bergen County — 48 percent to 47 percent. The percentage is only slightly lower, 42 percent, in Mecklenburg County, N.C., where Sealed Air is heading, although the percentage is significantly lower, 32 percent, in Collier County, Fla., the new home of Hertz.

Mercedes-Benz said its move would bring the company headquarters closer to its Southeast customer base, the port in Brunswick, Ga., and its Alabama manufacturing facility. Yet Dieter Zetsche, CEO of Stuttgart, Germany-based Daimler AG, parent of Mercedes-Benz USA, also said the company was energized by the new opportunities in the South.

"We think the infrastructure in the states has changed," Zetsche told the Wall Street Journal. "The South is much more relevant than it used to be. We think it is like a new start, a rejuvenation of our company to make that move."

non-union workforce. While manufacturing declined in the '70s and '80s, New Jersey's white-collar workforce flourished as companies such as Mercedes-Benz – which moved into Montvale in 1972 – found the state a lower-cost alternative to New York City.

New Jersey has lost ground since its heyday of the '80s and '90s, however, as taxes have risen, Hughes said. And major industries have downsized.

Comparing property taxes, the median real estate tax bill in 2013 was about \$2,500 in Fulton County, and about \$2,100 in Mecklenburg and Collier counties, census figures show. Bergen's median property tax bill in 2013 was \$9,600.

Bergen's median home price of \$435,000 in 2013 had gone up by 74 percent since 2000, according to census figures. The median home price in the three Southern counties ranged from \$177,000 to \$260,000, rising at slower rates.

"The South has changed dramatically," said Jim Johnson, professor of strategy and entrepreneurship at the UNC Kenan-Flagler Business School in Chapel Hill, N.C., who said the region has the fastest growing population in the nation. That provides a strong consumer base and a sizable workforce, he said.

"One of the things that happens is, when you look at people who leave the Northeast to be educated in the South – they rarely come back North," he said. "So you have a huge talent base."

Staff Writer Dave Sheingold contributed to this article. Email: [morley@northjersey.com](mailto:morley@northjersey.com)

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