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Atlanta Most Cost-Friendly Business Location Among Large U.S. Cities; Cincinnati, Orlando Follow Closely: KPMG Study

Charlotte, San Antonio, Tampa, Cleveland, Pittsburgh, St. Louis and Phoenix Also Seen as Highly Cost-Competitive

Atlanta has the lowest transportation and factory lease costs and effective corporate income tax rate of any large U.S. city, making it the least-costly location to do business among the 31 largest U.S. metro areas (those with metro populations of 2 million or more), according to the 2014 Competitive Alternatives study by KPMG LLP, the audit, tax and advisory firm. Atlanta's low suburban and downtown office lease costs also contributed to its top ranking in the study.

Cincinnati was the second most cost-competitive location in the large-cities category, followed by Orlando, Fla., Charlotte, N.C., and San Antonio. Other locations ranked among the top 10 in the large-city category included Tampa, Fla., Cleveland, Pittsburgh, St. Louis and Phoenix.

"KPMG's Competitive Alternatives study, which reflects an in-depth multi-year analysis, serves as a useful benchmark for cities and provides helpful insight for companies considering sites for their business operations," said Hartley Powell, national leader in KPMG's Global Location and Expansion Services practice, which helps companies that are expanding, relocating or consolidating their facilities. "By comparing cities on a number of significant factors that contribute to business operating costs, including labor, taxes, real estate and utilities, companies can determine which markets offer the most advantageous business environment for their business."

The 2014 KPMG Competitive Alternatives study measured 26 key cost components in each market, including costs associated with taxes, labor, facilities, transportation and utilities, as they apply to seven different business-to-business service sector operations and 12 different manufacturing sector operations.

Cost Index Results by City

The KPMG study reveals that Atlanta had a cost index of 94.7, representing business costs 5.3 percent below the U.S. national baseline of 100.0. Atlanta was followed closely by Cincinnati at 94.9, Orlando at 95.1, Charlotte at 95.2 and San Antonio at 95.6.

- Cincinnati has the lowest overall facility costs among the 31 large cities, even though it doesn't rank first for any of the three types of facilities examined. It also boasts the lowest property tax costs, as well as relatively low salary and wage costs.
- Orlando has the lowest overall labor costs, helped by low costs for statutory plans and benefits.
- Charlotte, new to the study this year, has competitive labor costs and factory lease costs.
- San Antonio, also new to the report, has the lowest salary and wage costs, as well as very low costs for both natural gas and electricity.
- Tampa, with a cost index of 95.8, has the third-lowest labor costs among the 31 large cities.
- Cleveland, at 96.3, ranks second among the large cities studied for low effective corporate income-tax rate, and also has relatively low statutory labor costs.
- Pittsburgh, at 96.4, offers relatively low salary and wage costs and very low property tax costs.
- St. Louis, at 96.6, has the lowest electricity costs among the 31 large cities, and also a relatively low effective corporate income tax rate.
- Phoenix (96.7) rounded out the top 10 in the large cities category, offering low office lease costs, both suburban and downtown, and relatively low statutory labor costs.

New York City and San Francisco, in contrast to the most cost-friendly cities, represent the most expensive large U.S. cities in which to do business, with cost indexes of 103.6 and 104.2, respectively. Despite many cost disadvantages, New York City did score well in the transportation category, with the second lowest costs among all 31 large cities, while San Francisco has below-average costs for natural gas and property-based taxes.

Other Factors Influence Site Selection

"Clearly business costs are a major component of the site-selection process for any company, yet organizations should make sure that they also take into account non-cost factors such as labor availability and skills, economic conditions, infrastructure, innovation, regulatory environment, cost of living and quality of life," said KPMG's Powell. "The KPMG *Competitive Alternatives* study addresses these additional areas as well, providing useful perspective for organizations going through the site-selection process."

Cost indexes for the 31 large U.S. cities follow. The baseline cost index (U.S. = 100.0) is defined as the average business costs in the four largest U.S. metropolitan areas: New York, Los Angeles, Chicago and Dallas-Fort Worth.

KPMG's 2014 *COMPETITIVE ALTERNATIVES* STUDY

(U.S. Cities with population more than 2 million)

	Cost Index	Rank	City	Cost Index	Rank
Atlanta, GA	94.7	1	Detroit, MI	98.2	17
Cincinnati, OH	94.9	2	Minneapolis, MN	98.2	18
Orlando, FL	95.1	3	Las Vegas, NV	98.2	19
Charlotte, NC	95.2	4	Denver, CO	98.4	20
San Antonio, TX	95.6	5	Riverside-San Bernardino, CA	98.7	21
Tampa, FL	95.8	6	Chicago, IL	99.1	22
Cleveland, OH	96.3	7	Philadelphia, PA	99.4	23
Pittsburgh, PA	96.4	8	Sacramento, CA	99.5	24
St. Louis, MO	96.6	9	San Diego, CA	99.9	25
Phoenix, AZ	96.7	10	North Virginia, Metro DC	100.1	26
Kansas City, MO	96.8	11	Los Angeles, CA	100.5	27
Dallas-Fort Worth, TX	96.8	12	Boston, MA	101.1	28
Miami, FL	97.0	13	Seattle, WA	101.4	29
Baltimore, MD	97.1	14	New York City, NY	103.6	30
Houston, TX	98.0	15	San Francisco, CA	104.2	31
Portland, OR	98.1	16			

Cost-index figures were created by measuring the combined impact of 26 cost components that are most likely to vary by location. More than 2,000 individual business scenarios were examined, analyzing more than 50,000 items of data.

These results are part of KPMG's global *2014 Competitive Alternatives* study, which measured business operating costs in more than 100 cities in 10 countries. The complete 2014 global study is available online at www.competitivealternatives.com.

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About KPMG LLP

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Contact:

Bridget Carroll/Robert Nihen

KPMG LLP

201-505-6501/201-307-8296

[bccarroll@kpmg.com/](mailto:bccarroll@kpmg.com)

rnihen@kpmg.com

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