

COUNTY OF SUSSEX
TARGET BUSINESS AND INDUSTRY ANALYSIS

APPENDIX B

BizMiner Opportunity Patterns Analysis



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Sussex County- Opportunity Patterns Brief

This brief includes four sections:

- I. Scope: an overview of data analyses performed
- II. Opportunity Indicators: brief conclusions from the data analyses
- III. Data Highlights: description of specific data findings
- IV. Data sheets (delivered separately)

I. Scope

This brief includes a summary overview of business attraction and vitality patterns in Sussex County, NJ. Indications are based on data developed through several analytical sets, including:

- * NY megalopolis business out-migration patterns (2003-2005) including identification of out-migration trends from the New York and Nassau-Suffolk metro areas.
- * Newark NJ business out-migration patterns (2003-2005) including identification of out-migration trends from the Newark metro area.
- * Sussex County entrepreneurial startup patterns (2003-05).
- * Sussex County business failure patterns (2003-05)
- * Sussex County new branch development rates (2004-05)

Section II (Indications) presents a set of tentative conclusions regarding county business vitality opportunities drawn solely from the data analysis. Section III Data Patterns offers more detail about the data analysis itself. Detailed data sheets will be delivered separately.

II. Opportunity Indicators

- Business stability in the county is comparable to or better than state and national averages.
- Entrepreneurial activity rates in the FIRE sector (Finance-Insurance-Real Estate) are robust, suggesting organic demand and growth potential.
- Entrepreneurial activity rates in other export services (business services, professional services) lag state and national patterns. These services create new wealth, retail and personal service demand. Increasingly, they do not require location in urban centers.
- Incubator and other new business amenity opportunities (including reasonably priced space) should be a prime focus of entrepreneurial development activity.
- Business relocations from the New York and Newark areas provide a potentially fertile source for new Sussex County vitality in business and professional service industries. Much of the current relocation activity is in these industries, and relocates to five central and western New Jersey counties -- but not (in large part) to Sussex.
- In order to develop a successful program to encourage new export services in the county, infrastructure, suitable space, high speed connection and targeted marketing become high priority efforts.
- Secondly, movement from both Newark and NY areas toward suburb and rural locations indicates some opportunity for small-mid-size manufacturing attraction, assuming suitable infrastructure and services in the county.
- The level of economic activity surrounding Sussex County suggests that growth, including growth in the industries identified by this analysis -- will likely occur in time. However, anticipated growth will be expedited and channeled with development targeting and outreach.

III. Data Highlights

Failure Rates

Business stability (retention) in the county is on par or slightly better than either state or national averages. This is a general indicator that can be deceiving; Very high retention rates (especially in non-urban areas) can often signal sluggish economies without healthy competitive churn. In this situation, the retention rates more closely track state and national averages, and reflect normative stability, not a cause for alarm.

Industry Failure Rates (Jan 03-Jan 05)				
	All	Business Servs.	Professional Servs.	FIRE
Sussex County	21.5%	28.3%	23.0%	17.9%
New Jersey	21.4%	30.0%	22.1%	19.2%
US	21.6%	30.8%	22.9%	17.7%

The important aspect of failure rates in this case is their ability to demonstrate a stable economic environment across a number of industries, including those that may become targets for marketing and internal development efforts. The low FIRE failure rate (relative to NJ state) coupled with the county's very high startup index in the same sector (see below) is a sign of both pent-up demand and high vitality. Despite very positive signs, this sector may reach a saturation point before other value-added service targets (with the exception of clearly export-service oriented firms).

Startup Activity

Entrepreneurial activity rates in Sussex County were measured for the year ending January 2005. The County Startup Rate of 7.3% lags slightly behind national patterns (7.6%). More importantly, **startup rates for critical export services industries in the county (business and professional services) lag both national and state patterns.**

Note: startup activity in the broad FIRE sector (Finance-Insurance-Real Estate) breaks the mold by registering an entrepreneurial activity rate more than double the US average.

Entrepreneurial Startup Rates (Jan 04-Jan 05)				
	All	Business Servs.	Professional Servs.	FIRE
Sussex County	7.3%	12.6%	9.1%	14.4%
New Jersey	8.8%	15.6%	10.6%	10.0%
US	7.6%	14.5%	9.3%	8.1%

In other words, with the exception of the FIRE sector, organic startup activity falls behind national averages and surrounding areas. When concentrated in value-added service areas, this activity is likely to generate additional internal economic demand for retail and personal services.

While the FIRE sector is progressing nicely on its own, the county is missing out on growth from other value-added service groups.

New business can grow from two sources: creating internal conditions conducive to startup activity (incubators, other low cost realty and services) and in-migration of desirable businesses from other areas.

Business Migration Patterns

Business migration patterns were examined for three different geographical centers:

- * New York megalopolis, including the New York and Nassau-Suffolk metro areas
- * Newark NJ metro area
- * Sussex County

New York and Newark were examined for out-migration patterns only. Sussex County was analyzed for both in- and out-migration. In all cases the analysis was only concerned with business relocations, not population movement.

Sussex County:

Over the analysis period (Jan 03 –Jan 05), the county indicates a somewhat even balance of business migration. Eighty-seven business operations have moved into the county and 80 have relocated outside it. In-migration has accounted for about 450 jobs and \$44 million annual sales, while out-migration accounts for somewhat larger employment and sales numbers. Twenty-four value added service industries have moved into the county, accounting for about 80 jobs, while the county has lost 27 business operations in the same categories. This does **not** indicate that the balance of attraction is against the county; in fact, **in the absence of a concerted marketing effort or “hot spot” dynamics, this near-balance speaks well for the area.**

59% of all out-migrant businesses from the county have moved to adjacent counties, especially Morris. While most business migration occurs to “next door” locations, **this could also signify gaps in real estate or services in Sussex County which made other, demographically similar areas more attractive.** (We have not conducted any economic, population or amenity background comparability analysis of surrounding counties.)

New York and Newark Outflow Analysis:

Of more immediate interest is the analysis of business outflows from both the Newark metro area and the New York megalopolis.

Of 1,942 business operation which left New York over the Jan 03–Jan 05 analysis period, 546 relocated in New Jersey. While the majority of these settled on eastern NJ locations (closer to New York and in keeping with prevalent migration patterns), **73**

located in central or western NJ counties, including Morris, Passaic, Mercer, Somerset, Hunterdon and Sussex. Of particular note, 22 relocated to Morris County, 18 to Passaic – and only 5 to Sussex. The gain to Morris and Passaic counties was about 200 jobs and almost \$40 million annual sales – and fairly negligible in Sussex.

The Newark out-migration story had similar characteristics. Of 625 firms which relocated to other New Jersey areas, most went to next-door Passaic County. However, 155 operations relocated to other central or eastern counties. **Big winners from Newark included Somerset (90), Hunterdon (41) and Morris (18) counties.** Sussex attracted only five operations from the Newark area.

Of the Newark firms moving to other New Jersey locations, 49 were in the FIRE sector and 128 in other business, professional and legal services.

Of the New York firms moving to New Jersey locations, 38 were in the FIRE sector and 141 in other business, professional and legal services.

The combined pool of service firms which relocated from nearby metro areas to other New Jersey areas is 87 FIRE operations and 269 export service operations in a 24-month period.

189 firms relocated from New York and Newark to five central and western NJ Jersey counties: Sussex, Morris, Hunterdon, Warren and Somerset. This type of group is the most likely “sweet spot” for Sussex outreach purposes. It includes 51 export services firms with over 1,100 jobs and about \$450 million annual sales. This does **not** include several mid-size manufacturing firms also attracted to this area from more urban environments, which provide additional opportunities, depending on infrastructure, land pricing and other amenities.