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The best places to start a small business

Leaders are concentrated in the South and West

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Looking for the best place to launch a new business during these turbulent times? Start your search in North Carolina.

The two markets with the nation's top scores for small-business vitality, according to a new bizjournals study, sit 140 miles apart in the Tar Heel State. Raleigh is No. 1 in the national rankings, while Charlotte is No. 2.

Bizjournals used a six-part formula to analyze the nation's 100 largest metropolitan areas, searching for the places that are most conducive to the creation and development of small businesses.

The two North Carolina markets emerge as the clear leaders, thanks to their outstanding records in four statistical categories with a direct impact on small-business activity:

-- Population: Raleigh and Charlotte picked up a combined total of 427,000 new residents between 2002 and 2007. Raleigh grew by 21.2 percent in that five-year period, Charlotte by 17.4 percent. Both dwarfed the national growth rate of 4.8 percent.

-- Employment: The entire country is endangered by the current recession, the two North Carolina hubs included. But they cushioned any future blow with outstanding job growth during the 2003-08 span -- 23.0 percent in Raleigh, 15.4 percent in Charlotte. The U.S. gain was 5.8 percent.

-- Small-business growth: The number of small businesses grew dramatically in both markets from 2005 to 2006, the latest period covered by official statistics. Raleigh led the way with a 4.6 percent rise, followed by Charlotte at 4.0 percent. The national increase was 1.3 percent.

-- Small-business concentration: The typical U.S. market has 24.57 small businesses for every 1,000 residents. The North Carolina markets enjoy concentrations that are at least 10 percent bigger, with Raleigh at 27.58 per 1,000, Charlotte at 27.07.

And that's not all. Two other markets with North Carolina connections rank among the 30 best metros in the study. Greensboro holds 29th place, and the Virginia Beach-Norfolk metro, which extends into northeastern North Carolina, is 19th.

The highest scores in bizjournals' study went to areas that have prosperous economies, are expanding rapidly, and are densely packed with small businesses. (Bizjournals defines a small business as any private-sector employer with 99 or fewer employees.)

Seattle ranks third in the overall standings, putting it just behind Raleigh and Charlotte in terms of small-business vitality. Austin and Boise, Idaho, round out the national top five.

The South and West offer a definite advantage for entrepreneurs, accounting for all but one of the [10 metros with the best small-business scores](#). The South is home to five of the leading markets, the West to four.

The sole exception in the top 10 comes from the East -- Portland, Maine, which ranks 10th. The highest-rated Midwestern market is Des Moines, Iowa, in 22nd place.

The [100 markets](#) in bizjournals' study group had a combined total of 197.3 million residents as of mid-2007, equaling 65 percent of the nation's population. They also contained 4.9 million small businesses.

At the very bottom of the new rankings is Detroit, offering further proof that the declining fortunes of the automotive industry have harmed all kinds of small businesses in Michigan.

Employment has fallen 7.5 percent in the Detroit area since 2003, the worst decline anywhere outside of New Orleans, which was devastated by Hurricanes Katrina and Rita in 2005. Detroit also suffers from a weak concentration of small businesses, with only 22.70 per 1,000 residents, nearly 8 percent below the national average.

Also mired in the bottom five are Toledo, Modesto, Calif., Dayton and Rochester, N.Y.

This is the fourth time that bizjournals has rated the small-business vitality of America's major markets -- and Raleigh is the fourth different winner.

Orlando was No. 1 in the previous rankings, which were released in [July 2007](#). The runners-up were two other Florida markets that were hot at the time: No. 2 Sarasota-Bradenton and No. 3 Miami-Fort Lauderdale. (Florida's 2007 superpowers now rank seventh, 44th and 12th, respectively.) Last place on the '07 list went to Springfield, Mass.

Miami-Fort Lauderdale finished first in [January 2006](#), boosted by what was then a prosperous economy with a rapidly expanding population base. Memphis finished last.

Portland, Maine, was the leader in bizjournals' original standings in [January 2005](#), in large part because it had the nation's highest concentration of small businesses back then, just as it does now. San Jose occupied last place in the 2005 rankings.

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Small business rankings of 100 metros

BY G. SCOTT THOMAS



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Rank	Metropolitan area	Small-business vitality score	Small businesses (2006)	Small businesses per 1,000 residents (2006)	Change in private-sector employment (2003-08)	Change in population (2002-07)	Population (2007)
1	Raleigh	58.20	27,596	27.6	23.0%	21.2%	1,047,629
2	Charlotte	43.09	42,905	27.1	15.4%	17.4%	1,651,568
3	Seattle	39.40	96,040	29.4	15.1%	5.9%	3,309,347
4	Austin	37.26	36,559	23.9	21.0%	17.9%	1,598,161
5	Boise, Idaho	37.18	17,451	30.7	16.7%	17.7%	587,689
6	Salt Lake City	36.18	31,189	28.9	17.7%	9.6%	1,099,973
7	Orlando	35.33	56,459	28.3	18.2%	15.6%	2,032,496
8	Oklahoma City	28.95	31,418	26.7	10.4%	6.4%	1,192,989
9	Denver	27.03	72,867	30.2	9.2%	8.1%	2,464,866
10	Portland, Maine	23.14	17,582	34.4	3.5%	2.4%	513,102
11	Portland, Ore.	20.77	61,244	28.7	11.7%	8.0%	2,175,113
12	Miami-Fort Lauderdale	20.25	174,580	32.2	9.0%	4.2%	5,413,212
13	Bridgeport-Stamford, Conn.	19.22	27,965	31.3	4.1%	0.3%	895,015
14	McAllen-Edinburg, Texas	18.87	9,779	14.2	26.7%	16.6%	710,514
15	Las Vegas	18.52	39,016	22.0	20.0%	21.1%	1,836,333
16	Washington	17.44	137,721	26.2	8.5%	5.8%	5,306,565
17	Houston	16.65	114,262	20.8	16.7%	12.8%	5,628,101
18	Charleston, S.C.	16.58	16,202	26.3	14.6%	11.1%	630,100
19	Virginia Beach-Norfolk	16.36	38,012	22.9	7.8%	3.3%	1,658,754
20	Cape Coral-Fort Myers, Fla.	15.52	16,628	29.2	13.1%	24.4%	590,564
21	Dallas-Fort Worth	15.37	133,438	22.3	13.3%	12.3%	6,145,037
22	Des Moines, Iowa	14.98	14,447	27.0	10.3%	9.9%	546,599
23	Colorado Springs	14.20	16,477	27.4	5.5%	7.6%	609,096
24	San Antonio	13.28	38,778	20.0	14.8%	11.9%	1,990,675
25	Jacksonville	12.25	34,302	26.8	11.1%	10.9%	1,300,823
26	Omaha	11.94	21,325	26.0	5.2%	6.0%	829,890
27	Richmond	10.22	31,065	26.0	8.8%	7.8%	1,212,977
28	Greenville, S.C.	9.66	14,912	24.8	10.3%	7.2%	613,828
29	Greensboro	8.87	18,034	26.3	6.9%	6.3%	698,497
30	Little Rock, Ark.	8.85	17,172	26.1	7.6%	7.0%	666,401
31	Atlanta	8.75	130,550	25.5	8.7%	15.8%	5,278,904
32	Madison, Wis.	8.34	15,153	27.7	7.0%	6.9%	555,626
33	Nashville	8.21	36,237	24.4	10.4%	11.5%	1,521,437
34	Indianapolis	7.31	42,137	25.2	6.4%	7.4%	1,695,037
35	New York City	6.77	527,475	28.1	4.9%	1.3%	18,815,988
36	Boston	6.52	122,042	27.3	4.7%	0.6%	4,482,857
37	Ogden, Utah	6.43	11,116	22.1	15.0%	12.2%	518,349
38	New Orleans	6.31	28,061	28.3	-11.5%	-21.4%	1,030,363
39	Tulsa	6.16	23,851	26.7	10.0%	3.5%	905,755
40	Minneapolis-St. Paul	5.24	90,905	28.7	4.5%	5.0%	3,208,212
41	Baltimore	5.12	65,972	24.8	7.5%	2.8%	2,668,056
42	Hartford	4.58	29,453	24.9	6.5%	1.9%	1,189,113
43	Palm Bay-Melbourne, Fla.	2.00	13,687	25.7	6.3%	8.4%	536,161
44	Bradenton-Sarasota, Fla.	1.36	20,930	30.8	7.9%	11.1%	687,181
45	Baton Rouge, La.	1.21	16,876	22.1	11.7%	7.9%	770,037
46	Phoenix	1.00	87,818	21.7	16.0%	19.5%	4,179,427
47	San Diego	0.86	76,417	25.9	5.6%	2.3%	2,974,859
48	San Francisco-Oakland	0.66	118,049	28.4	3.0%	0.9%	4,203,898
49	Albuquerque	0.58	18,957	23.2	8.5%	10.8%	835,120
50	San Jose	-0.90	44,928	25.3	5.9%	3.9%	1,803,643
51	Daytona Beach, Fla.	-1.27	12,997	26.2	6.4%	9.1%	500,413
52	Harrisburg, Pa.	-2.22	13,138	25.0	4.8%	3.0%	528,892
53	Tampa-St. Petersburg	-2.25	71,088	26.4	8.0%	9.6%	2,723,949
54	Knoxville, Tenn.	-3.00	16,116	24.0	7.8%	7.7%	681,525
55	Bakersfield, Calif.	-3.53	11,976	15.5	18.1%	14.5%	790,710
56	Poughkeepsie, N.Y.	-3.71	16,454	24.7	3.1%	4.3%	669,915
57	Birmingham	-3.90	26,141	23.8	5.2%	4.1%	1,108,210

58	Columbus	-4.18	39,480	22.8	4.9%	5.7%	1,754,337
59	Columbia, S.C.	-4.31	16,933	24.1	9.8%	7.9%	716,030
60	Chicago	-4.42	234,989	24.8	3.8%	2.8%	9,524,673
61	Albany	-6.25	20,564	24.2	2.7%	2.4%	853,358
62	Honolulu	-6.39	21,616	23.8	9.1%	2.5%	905,601
63	Philadelphia	-6.82	145,341	25.0	3.5%	1.7%	5,827,962
64	Los Angeles	-6.87	331,140	25.7	3.6%	1.5%	12,875,587
65	Kansas City	-7.25	51,055	26.0	5.6%	5.2%	1,985,429
66	Pittsburgh	-7.60	59,633	25.2	2.3%	-2.3%	2,355,712
67	Jackson, Miss.	-8.53	12,580	23.7	4.6%	5.8%	534,047
68	Allentown-Bethlehem, Pa.	-8.69	18,388	23.1	5.4%	6.3%	803,844
69	Louisville	-8.79	29,548	24.2	4.9%	4.5%	1,233,735
70	Wichita, Kans.	-9.77	14,430	24.5	8.4%	3.0%	596,452
71	El Paso, Texas	-10.62	12,554	17.3	8.5%	6.4%	734,669
72	New Haven, Conn.	-12.22	20,258	24.0	4.0%	1.5%	845,494
73	Scranton-Wilkes-Barre, Pa.	-12.88	13,392	24.4	3.6%	-0.6%	549,430
74	Chattanooga, Tenn.	-13.30	11,210	22.0	6.3%	5.5%	514,568
75	Syracuse, N.Y.	-13.68	15,247	23.6	2.5%	-0.7%	645,293
76	St. Louis	-13.93	70,200	25.1	2.3%	2.5%	2,803,707
77	Milwaukee	-14.36	39,157	25.4	3.0%	1.6%	1,544,398
78	Sacramento	-14.71	45,696	22.2	5.9%	8.6%	2,091,120
79	Akron, Ohio	-15.03	17,027	24.3	4.3%	-0.1%	699,356
80	Grand Rapids	-15.11	18,541	24.0	2.0%	2.7%	776,742
81	Lakeland, Fla.	-16.50	11,388	20.4	12.0%	15.3%	574,746
82	Cincinnati	-18.68	46,880	22.1	3.2%	4.1%	2,133,678
83	Cleveland	-18.78	54,463	25.9	-1.0%	-2.1%	2,096,471
84	Buffalo	-19.26	26,470	23.4	0.6%	-2.6%	1,128,183
85	Stockton, Calif.	-19.80	11,150	16.8	8.1%	10.1%	670,990
86	Youngstown, Ohio	-19.87	13,493	23.4	-0.6%	-3.9%	570,704
87	Augusta, Ga.	-21.18	10,525	20.1	2.4%	4.3%	528,519
88	Fresno, Calif.	-22.27	15,987	18.1	8.9%	8.2%	899,348
89	Providence	-22.38	42,772	26.7	-1.0%	-0.5%	1,600,856
90	Tucson	-23.70	20,568	21.7	8.6%	10.2%	967,089
91	Oxnard-Thousand Oaks, Calif.	-24.08	19,179	24.2	2.6%	2.6%	798,364
92	Memphis	-24.29	25,934	20.4	4.3%	4.6%	1,280,533
93	Worcester, Mass.	-25.25	18,024	23.1	1.0%	1.8%	781,352
94	Springfield, Mass.	-25.57	15,160	22.2	0.9%	-0.0%	682,657
95	Riverside-San Bernardino, Calif.	-27.07	64,678	16.2	14.3%	16.9%	4,081,371
96	Rochester, N.Y.	-27.97	22,970	22.3	0.1%	-0.8%	1,030,495
97	Dayton	-32.57	18,238	21.8	-4.2%	-1.0%	835,537
98	Modesto, Calif.	-34.41	8,923	17.6	2.5%	6.9%	511,263
99	Toledo, Ohio	-38.09	15,229	23.3	-2.5%	-1.2%	650,955
100	Detroit	-49.73	102,035	22.7	-7.5%	-0.5%	4,467,592

SOURCE: bizjournals- February 2, 2009