



Rodney's Take

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Move It or Lose It: Interstate Migration and Business Formation

I use Facebook mostly for business, but I do have links to relatives, a few friends, and, of course, my neighborhood group, which tends to be the most interesting Facebook page to follow. Usually, neighbors post about lost dogs, community events, or the latest reason to hate the homeowner association, which seems to be a national pastime. But every once in a while, a post will come along that seems both out of the blue and on point.

Recently, a neighbor who is also a realtor posted about creating a video focused on what makes different neighborhoods attractive. She told the group that she was starting with our neighborhood and wanted to get people's opinions on what made our enclave a great place to live. Then, she listed ten quality-of-life attributes from which to choose. Instead of choosing from among the preset answers, one neighbor quickly chimed in, "Top neighborhood feature is no surveys of personal information from real estate agents." It was a mic drop moment.

The exchange caught my attention because I thought it was funny and also because it highlights two big trends in the U.S., domestic migration and business formation. One is booming while the other is shrinking, and most people have them reversed.

Since the pandemic struck, Americans have streamed out of big cities and into the suburbs, driving down rents in places like New York City, for example, while boosting property values in the surrounding areas. At least,

that's the conventional wisdom. According to Pew Research Center, which pulled data from the U.S. Census Bureau, household moving trends during the pandemic have been very close to the trends that existed before March 2020. On average, from 2016 through 2018, a net two million people moved out of cities and a net 200,000 people moved out of rural areas, and the combined 2.2 million moved into the suburbs. During 2020 (the most recent data available), a net 2.3 million people moved out of cities and into the suburbs, while the net change in rural areas was negligible. The big rush out of major metropolitan areas appears to have been made up of people temporarily staying in other locations rather than moving permanently and also could have been people trading one metropolitan area for another instead of moving from the city to the sticks.

The lack of movement among the domestic population during the pandemic might be surprising, but it's part of a long, downward trend. Overall, Americans just don't move much anymore.

In the 1960s, roughly 20% of Americans moved every year. That number steadily declined to around 16% by 1980, but then briefly popped up to near 18% by the middle of that decade. The reversal proved short lived, as the percentage of movers started a long decline that hasn't stopped. As of 2020, only 8% of Americans moved, the lowest percentage since record keeping began in 1948. For whatever reason, over the past 25 years Americans have been less inclined to move, and this has created structural unemployment problems. If we don't move, then available workers don't go where the jobs are, which leaves employers in very-low-unemployment areas, like Utah (1.9%), always searching for workers, while areas with high unemployment, like Pueblo, Colorado (6.4%) and Yuma, AZ (9.5%), struggle to help people find new positions.

On the flip side, we're starting a record number of new businesses.

The Census Bureau reported that in January, Americans started businesses at an annualized rate of 430,000, more than 40% higher than the rate at which we started businesses in 2019. The rate had been trending higher during the second half of the 2010s, up from around 200,000 in the early part

of the decade to 300,000 in 2019. The big jump during the pandemic likely reflects people who lost their jobs when the economy shut down and decided to try their hand at running their own shop. Retail trade saw the biggest jump in new businesses, from 40,000 before the pandemic to just over 80,000.

It's great to see the entrepreneurial spirit, but we have to be clear-eyed when we look at new businesses. Of all of the businesses started in 2014, 20% failed in the first year, another 10% failed in the second, and only 56% made it to the fifth year. Those numbers are not uncommon. Interestingly, the top reason for business failure was “no market need” for the product or service. You'd think a person would research that before hanging out a shingle.

It's likely that half the new businesses started during the pandemic will shake out over the next several years. Maybe the people who find themselves with time on their hands will consider moving... to Utah or to some other place with exceptionally low unemployment. They could definitely use the workers.

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Got a question or comment? You can contact us at info@hsdent.com.