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Is Florida the new Wall Street?



Goldman Sachs is the latest Wall Street player to eye Florida as a potential new home for part of its business. [Samantha Lee/Business Insider](#)

- **The ultimate Wall Street firm, Goldman Sachs, is reportedly considering moving one of its business units to South Florida.**
- **Some other companies, like \$41 billion hedge fund Elliott Management, are also planning to relocate, sparking speculation about an exodus of financial power players from New York City.**
- **The Sunshine State has long campaigned to lure both executives and their businesses, using its low tax burden as the main attraction.**
- **The pandemic and the rise of remote work have caused companies to reevaluate their real-estate footprint and geographic preferences.**
- **Business Insider talked to 13 finance and real-estate professionals about the ascendant appeal of Florida.**
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A Bronx-born billionaire now based in Florida worries his home city will become a "graveyard."

A Long Island-based congressman is urging a big bank not to "abandon us, please," after he was rattled reading a report of possible plans to move some operations out of Manhattan to Florida.

A commercial real-estate broker in South Florida is giving hedge funds tours of local office space two to three times a day amid "torrential" interest from out-of-staters.

A Palm Beach County-based [job posted on LinkedIn](#) by recruiting firm Career Group touts "personal assistant needed" for a "UHNW hedge fund chairman," who recently moved from New York City.

Businesses — and fabulously wealthy money managers — leaving New York for a warmer climate and a smaller tax bill is hardly a new phenomenon. And it's not the first time industry heavyweights have questioned New York's future as the home of big finance.

But the pandemic and the rise of remote work are accelerating movement from the Northeast to the Southeast, and that has some suggesting a tipping point has been reached.

"I suspect" Florida will soon rival New York as a finance hub, Leon Cooperman, the hedge fund manager who founded New York-based Omega Advisors, told Business Insider in an email. "'Tax and spend' has been [the northeast's] policy. It has to change or New York, New Jersey, and Connecticut will become ghost towns."

The billionaire moved to Boca Raton — the posh town south of Palm Beach — 10 years ago, though he told [Institutional Investor in 2018](#) that his wife wouldn't let him sell their Short Hills, New Jersey, home. He told Business Insider his move had nothing to do with taxes, and more to do with the weather.

Cooperman was the former chief executive of Goldman Sachs Asset Management earlier in his career before founding his stock-picking hedge fund; the fund returned outside capital in 2018 and has transformed into Cooperman's family office.



Northeast states' tax policy, said hedge fund manager and billionaire Leon Cooperman, "has to change or New York, New Jersey, and Connecticut will become ghost towns." [Rick Wilking/Reuters](#)

Now Goldman Sachs itself is reportedly considering plans to shift asset management operations out of New York, where its headquarters tower over West Street in Manhattan's financial district, to South Florida. Investors, policymakers, and industry participants had visceral reactions to [the news, which was first reported by Bloomberg](#).

Goldman's move is not a done deal, but the reported plans echoed other New York-based firms' recent moves. The ease of white-collar jobs quickly going remote during the pandemic has proved that far-flung operations outside of companies' headquarters are viable.

"The conversations are becoming more prevalent for sure," said Brian Guzman, the founder of Guzman Advisory Partners, a law firm that caters to investment management firms. "I don't think there'll be a mass exodus overnight, but it's a trend that'll continue."

The pandemic has proven that an entire office doesn't need to be in the same space all the time, Guzman said, and other industries have already told employees that remote work will be allowed to continue indefinitely. For hedge funds, the most important factor — their investors — may be getting used to a remote relationship as well.

"They've gotten comfortable with doing due diligence over Zoom," Guzman said. "You no longer have to be in New York or Stamford or San Francisco to raise money."

Business Insider talked to 13 finance and real-estate professionals about the lures of Florida.

They described an uptick in bigger and longer office-space leases by out-of-state firms and a scarcity of luxury homes as Big Apple financiers flood the area. But they added that there are also challenges to Sunshine State infrastructure and culture that could ensure the real Wall Street keeps its edge.

In money management terms, Wall Street firms might be adding Florida to their portfolio, but New York and the surrounding area will remain a core holding.

Industry heavyweights move to Florida

Carl Icahn's name is plastered across New York City — a medical school in the Upper East Side, a stadium on Randall's Island, and a housing shelter in the Bronx all are named after the billionaire.

Still, the feisty investor — known for contentious proxy battles with his targets — moved his eponymous company to [Miami early this year](#).



Activist investor Carl Icahn moved his eponymous company to Miami earlier this year. Heidi Gutman/CNBC/NBCU Photo Bank/NBCUniversal via Getty Images

Some hedge funds, like midtown Manhattan-based Elliott Management, have decided to move at least some of their operations to the Sunshine State. Citadel's market-making business set up its [bubble in the Palm Beach Four Seasons](#) at the outset of the pandemic. Charles Schwab, the man behind the brokerage and asset management giant, relocated to Palm Beach this year, voting registration records show.

And [Blackstone](#), the world's largest private-equity firm headquartered on Park Avenue in Manhattan, is opening an office in Miami with plans to bring as many as 215 technology-focused jobs there. Firms' so-called back-office employees, handling technology systems and not on the front lines meeting with clients or carrying out deals, can often work outside the main headquarters or cities considered main money centers.

In an [October interview with the Miami Herald](#), Blackstone Chief Technology Officer John Stecher said the firm was looking for a "a peer to New York in terms of talent, and the population and universities, and the tech pipeline, all that mirrored what we [have] here."

Goldman Sachs could shift front-office roles as well as back-office jobs to Florida, according to Bloomberg's [report](#), which cited people with knowledge of the plans. Earlier this year, Goldman sent out a survey to some employees in its asset-management unit to gauge their interest in a relocation to south Florida, a source familiar with the matter said.

A spokesperson for Goldman told Business Insider that while it is executing on the strategy of locating more jobs in "high value locations" in the US, like Salt Lake City and Dallas, the bank had "no specific plans to announce at this time."

The bank is a crucial part of New York's status as the financial capital of the world, though in recent years it has built out significant presences in more affordable cities.

That effort is part of a drive to cut costs. Last month, Chief Financial Officer Stephen Scherr [said during a virtual industry conference](#) that the firm was making "meaningful progress" on a three-year plan to cut \$1.3 billion in expenses, and would provide a more detailed update in January.

Escaping the tax man

Finance's Florida migration has become a political football.



Long Island congressman Tom Suozzi believes that high taxes, especially the 2018-imposed cap on the state and local tax (or "SALT") deduction, are driving out wealthy New Yorkers and companies. *Caroline Brehman/CQ-Roll Call, Inc via Getty Images*

Rep. Tom Suozzi, a Democrat representing Long Island suburbs who serves on the House Ways and Means Committee, sees individuals and businesses leaving as a direct result of the cap on the state and local tax (known as "SALT") deduction Republicans introduced three years ago as part of the Trump administration's tax overhaul.

The cap effectively prevents households from deducting more than \$10,000 from their annual tax bills, overwhelmingly applying to high earners in Democratic, high-tax states like New York.

Suozzi has been a vocal opponent of the cap, which he says is driving the wealthy and their businesses out of the state and leaving low- and middle-income residents with weaker local economies.

"It's a body blow for New York; for my district specifically, and for New York State as a whole right now," Suozzi, who represents parts of Queens and Long Island's Nassau County, said Monday on a Zoom call with reporters.

Suozzi said he has heard his North Shore constituents, including those who work at financial firms and in other industries, express that they are looking to relocate to Florida as a result of high taxes.

The rise of South Florida satellite offices

The flow of businesses to South Florida — and the deep-pocketed executives, workaday employees, and their families that migrate with them — adds to the already robust demand for commercial and residential real-estate in the area.

Stephen Rutchik, Colliers' executive managing director of office services for the South Florida region, traces the southbound migration all the way back to the early 2000s, when Art Basel and other cultural attractions turned Miami into a city on par with sophisticated heavy hitters like New York.



International cultural events like Art Basel helped raise Miami's profile among the well-heeled set. Jeffrey Greenberg/Universal Images Group via Getty Images

Before the pandemic, Rutchik said, some financial services firms relocated to South Florida, attracted by low taxes, the warmer weather, and the low-

key vibe. But the influx has definitely ramped up: In August of 2019, the Business Development Board (BDB) of Palm Beach County reported that 70 hedge funds, private-equity firms, and wealth-management businesses from New York City opened offices in Palm Beach County during the prior three years.

"It started about eight years ago, when CEOs were buying homes along the ocean as taxes increased in New York, specifically, and Greenwich," said Kelly Smallridge, who helms the BDB as its president and CEO and has spent that last 32 years pitching Florida's virtues to winter-weary business owners from out of state.

Many companies opened up satellite offices because they were spurred by an executive buying a home in the area, Rutchik said.

See more: Inside Miami's exclusive, high-security 'Billionaire Bunker,' where Ivanka Trump and Jared Kushner just dropped \$30 million on an empty lot

When the coronavirus pandemic first hit, leasing physical office space was not a priority.

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"It was very quiet in March, April, May, and June," Smallridge said.

During these months, though, many financiers had escaped from the Northeast to their South Florida homes and, by July, had become confident in the technology that was allowing them to work off-site.

Since then, according to Rutchik, call volume from prospective tenants increased "overnight" to "torrential" levels. He reported that his team is now seeing unprecedented interest, showing representatives from investment firms available office space at a breakneck pace.

"We're touring hedge funds on our agency side one to three times a day," Rutchik added.

Signing leases, buying homes

Prospective tenants want more space, Rutchik said, indicating a deeper, more long-term commitment to the area. The broker had grown accustomed to tracking down petite outposts near executives' second homes or appropriate landing pads for financial services firms moving their Latin American operations to Miami.

But now, he's seeing companies eye enough space for complete relocations from the Northeast; they're seeking to lease anywhere from 5,000 to 100,000 square feet.

Companies aren't just looking — they're signing leases and preparing to physically move employees in before the end of the year to shave dollars off their tax bills. Last year, Florida dropped its corporate tax rate from 5.5% to 4.458% for 2019, 2020, and 2021 returns. In New York, that rate is 6.5%. And in Connecticut, where many hedge funds are based, it's 7.5%. Despite Florida's lower rate, [a 2019 investigation by the Orlando Sentinel](#) found that about 99% of all businesses in the state pay no corporate income tax at all.

Much of the leasing activity is in the sub-lease and pre-built market, which allows executives, their employees, and their accountants to get right to work without waiting for space to be built out and finished. In fact, they're proving willing to conduct and complete relocations more quickly than previously thought possible.

Rutchik said he believes that this new wave of demand is a direct outcome of the pandemic, with chilly New York temperatures dampening the allure of outdoor dining and, as Mayor Bill de Blasio has warned, more lockdown-style restrictions likely to follow, including the prohibition of indoor dining as of December 14.



Indian Creek Village, an exclusive private island in Miami, is home to celebrities and billionaires including Carl Icahn. This week, Jared Kushner and Ivanka Trump reportedly spent \$30 million on a lot there. [Jeffrey Greenberg/Universal Images Group via Getty Images](#)

The interest in putting down residential and commercial roots is occurring even as widespread vaccinations hover on the horizon, offering a glimmer of hope for normalcy in New York.

Top Palm Beach broker Dana Koch said she was seeing an influx of people who work in private equity and hedge-fund management seeking permanent residency in South Florida.

"They can enjoy their lives 365 days a year," said Koch, [ranked by Real Trends](#) as the top-selling agent in Palm Beach and the 32nd in the US with \$149 million worth of sales in 2020 so far.

A lot of these prospective buyers have entertained the idea of moving to South Florida for a few years, Koch told Business Insider, but the pandemic accelerated their timelines. House hunters Koch meets like that Florida and New York share the same time zone, making coordination of remote work or even school schedules easier.

And with big-name firms signaling their intention to move to Florida, Rutchik said he believes another wave will follow. As the region evolves into a more accepted — and expected — home base for finance, he added, a "herd mentality" will kick in.

Angling for Class A office space

Of course, there are limits to leasing growth. For one, there's only about 67.4 million square feet of Class A office space in the area, compared to 337.6 million square feet in Manhattan alone, according to Colliers research. And that Manhattan figure doesn't include the neighboring finance hotbeds in affluent NYC suburbs, such as Fairfield County, Connecticut, which contains cities and towns like Stamford, Greenwich, and Westport that are popular among firms and funds.

However, according to Smallridge, new office development in South Florida has boomed over the last decade.

"Eight years ago, we had an issue where there weren't many class A office buildings with water views to accommodate the requests," Smallridge said.

See also: [Here's why giants like Facebook and Amazon keep gobbling up office space while telling workers they can stay home](#)

One standout result of the construction spree is [360 Rosemary](#) in West Palm Beach, a 20-story, 300,000-square-foot office tower that is being developed by Related Cos, which is also behind the Hudson Yards complex in New York City. Private-equity firm

Comvest Partners (also in Chicago), investment firm Norwest Equity Partners (also in Minneapolis), and a coworking space operated by IWG's Spaces brand (headquartered in Switzerland) are already lined up as tenants for the project, which is slated for a grand opening in 2021.

"The influx may be coming even faster than we expect; West Palm needs to be ready," Gopal Rajegowda, a senior vice president at Related who is overseeing the project, wrote in an [October op-ed in the Palm Beach Post](#).



A new West Palm Beach office building under construction is luring out-of-state financial firms as tenants.

360 Rosemary promises a futuristic "hands-free" environment, with motion sensors and facial recognition technology for a touchless entry, for example, and bathroom faucets that operate with sensors.

Another example of an NYC-worthy office space is the [DiVosta Towers](#), an 11-story luxury office complex in Palm Beach Gardens that was completed in 2019 and boasts high-profile tenants including JPMorgan. South Florida office space is looking like a good investment: In September, [the Palm Beach Post reported](#), DiVosta towers sold for \$80 million to Gatsby Enterprises, a real-estate firm based in — where else — New York.

Challenges cloud the Sunshine State

Even new development won't — and can't — accommodate a true mass exodus from the Big Apple.

And not all Wall Street employees can do their jobs far from stock exchanges, according to Bradley Tisdahl, CEO of Tenant Risk Assessment, a commercial consulting firm. Non-bank lenders, asset management and private equity firms, and business units can feasibly work remotely, Tisdahl said, but proximity to exchanges is crucial for anyone who works in capital markets.

"If you're dependent on very quick execution on orders, having that thousands of miles in between can make a difference," he added.



While Wall Street may be emptier this year, it's still important for many companies — or at least some divisions within them — to be close to stock exchanges. Tayfun Cokun/Anadolu Agency via Getty Images

Because Miami also has significantly fewer colleges and universities than the New York area, its labor market is comparably tighter. While companies can move down to Miami

to save on taxes and shell out rent for office space that's anywhere from a half to a third of their New York payments per square foot, they may have challenges attracting talent.

In addition, relocating employees may only get more expensive. South Florida's residential market is overheating due to an increase in demand and a lack of supply. The shortage of available homes to purchase, especially at the luxury level, might limit the number of executives who want to move down to south Florida.

High-end inventory — especially near the beach — is running low, due in part to demand from New York financiers, according to [Chad Carroll](#), a Compass broker and former star of "Million Dollar Listing Miami."

"A lot of these buyers and renters have scooped them up," Carroll told Business Insider. "When you're talking about the type of money these guys make, they could pay for their residence in a couple of years, or even a year, of tax savings."

Even the firms leading the trend have not fully committed to abandoning their ties to the northeast.

David Tepper, the billionaire founder of Appaloosa Partners and the owner of the Carolina Panthers, moved back to New Jersey from Florida this year, [listing his Miami condo](#) for \$15 million.

According to a person familiar with Elliott, the firm is opening a Greenwich office in conjunction with moving its headquarters to Florida — and expects several partners to be based out of Connecticut.

Ken Griffin's Citadel is planning to open an office in Miami soon, but both its hedge fund and securities firm are still based in Chicago.



Even though hedge fund manager Paul Tudor Jones bought a \$71 million Florida home in 2015, he still has his Greenwich, Connecticut, mansion. *Kevin Mazur/Getty Images/Robin Hood*

And while hedge fund giant and billionaire investor Paul Tudor Jones [has moved to the state](#), his entire firm is still based in Connecticut, where he also keeps a lavish Greenwich mansion.

While firms are willing to let staffers permanently work from a different location, "the center of the searches is in New York," said Brian Davis, a lifelong New Yorker who scouts legal talent for financial services firms at executive search firm Major, Lindsey & Africa. He dismissed the evidence that Florida could ever challenge New York as unscientific.

Added Davis, "The anecdotes are just anecdotes."