

Hedge funds tour Florida office space 'one to three times a day' amid 'torrential' interest from out of state, broker says



Colliers' Stephen Rutchik has seen a major uptick in interest from financial firms looking to lease offices in the Sunshine State. Colliers

- New York financial services firms [are flocking to south Florida](#), drawn by low taxes, warm weather, and the pandemic's outsized effect on New York.
- Colliers broker Stephen Rutchik told Business Insider that his team is taking out-of-state hedge funds on one to three tours a day of available offices in the stretch from Miami to West Palm Beach.
- The head of Palm Beach County's Business Development Board, Kelly Smallridge, said that the influx of financial firms to the area is the biggest she has ever seen in 32 years on the job.
- An under-construction office tower in West Palm Beach called 360 Rosemary, for one, has lured companies based elsewhere in the US to sign leases and commit to the area.
- Transplants are also snatching up homes — another indication that the wave of northerners migrating south is more than temporary.

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With last week's news that [Goldman Sachs was considering moving part of its business to Florida](#), the whispers about [Florida's ascendance as a financial capital](#) have turned into hollers.

Driven by lower taxes, the pandemic's remote work ease, or quality of life, tristate-area financial services firms are increasingly looking to Florida as a prime location for at least an outpost — or, at most, a total relocation.

Top office brokers are seeing this migration firsthand. Stephen Rutchik, Colliers' executive managing director of office services for the South Florida region, told Business Insider that interest from out of state firms is "torrential."

"We're touring hedge funds on our agency side one to three times a day," Rutchik said. "They're not just from New York anymore, and they're not just the pre-pandemic 2,000 to 5,000-square-foot satellite offices, they're 5,000 to 100,000 square feet."

Before the pandemic, Rutchik said that a lot of local office demand from financial services firms was either because a firm wanted an office for its Latin American business line or because a partner had moved down to Florida, and so the company set up a satellite office to support their work.

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The data bears this out. 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.

That trend began to morph with [last year's news that Carl Icahn was relocating the whole Icahn Group to Miami](#), but the major uptick came months into the pandemic.



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

"Then comes COVID-19," Smallridge said. "It was very quiet in March, April, May, and June."

Rutchik said demand suddenly increased "overnight." It first kicked off with "undisclosed" clients who are searching without revealing their names, but it soon developed into a "critical mass of inquiries,"

"That level of activity has been unabated, and just incredible, giving our clients the understanding that this is Miami's time," Rutchik said.

Most of the demand came from New York, but he noted that companies from California and the Chicago area were also office-hunting. Smallridge has seen the same boom on her side.

"It's been the biggest uptick in inquiries that we've seen," she said.

SEE ALSO: I moved my family from NYC to Miami this year, and it was the best thing I could've done

Rutchik said that the biggest interest has been in subleases and pre-built offices, or "ready to go space," in the 50,000 to 70,000 square foot range. This is a signal that companies are looking to make change rapidly, without the months-long delay of constructing and furnishing office space.

"They want to make the move now for tax purposes, and do it before the end of the year," Rutchik said.

New York City is facing its first major snowstorm of the winter. Inclement weather, Rutchik added, is another factor driving his clients' haste to find new space. Chilly New York temperatures dampen the allure of outdoor dining and, as Mayor Bill de Blasio has warned, more lockdown-style restrictions are likely to follow, including the prohibition of indoor dining as of December 14.

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.

New Floridians make it official

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.



Indian Creek Village, an exclusive manmade private island in Miami, is home to celebrities and billionaires including Carl Icahn. Jeffrey Greenberg/Universal Images Group via Getty Images

Top Palm Beach broker Dana Koch, of Corcoran, said he 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 2019.

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.

Joining the southern trend are Jared Kushner and Ivanka Trump, who [reportedly spent \\$30 million on an empty lot](#) in Indian Creek Village, [an exclusive private island in Miami](#). Also this week, former NFL quarterback Tom Brady and his supermodel wife Gisele Bündchen [paid \\$17 million for a house in the same tiny enclave](#).

[READ MORE: *Inside Miami's exclusive 'Billionaire Bunker,' where Jared Kushner, Ivanka Trump, Tom Brady, and Gisele Bündchen are moving*](#)

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, "herd mentality" will kick in.

If you build fancy offices, they will come

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," she said.

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.



A new West Palm Beach office building under construction is luring out-of-state financial firms as tenants. Related 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," Gopal Rajegowda, a senior vice president at Related who is overseeing the project, wrote in [an October op-ed in the Palm Beach Post](#). "West Palm needs to be ready."

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.