

## As Wall Street Heads South, Florida Braces for a Gold Plated Makeover

*Lockdowns showed many wealthy finance workers they didn't need to be in the main office, and they're flocking to sunshine and low taxes.*

*By Jonathan Levin and Amanda Gordon*

Construction cranes pirouette above the skyline in Miami. Porsches are selling briskly in Coral Gables. Over in Palm Beach, along Worth and Hibiscus avenues, the Gucci set is counting new neighbors. The scent of fresh money hangs over Florida these days like the sweet smell of orange blossoms. In the midst of a deadly pandemic—and in truth, largely because of it—an optimism has taken hold among the state's boosters.

Locals are buzzing again that the Miami area might finally realize a long elusive dream of becoming Wall Street South. Several prominent financial companies, including the mighty Goldman Sachs Group Inc., are considering moving some business there, or are relocating outright. And in these days of working from home, Florida's low taxes, year-round warm weather, and emerald golf links are already luring some Wall Street people down from New York.

To David Greenberg, a former board member of the New York Mercantile Exchange who helps run a family investment office in Boca Raton, news that Goldman may move its asset-management division here was a watershed moment for the Sunshine State. "There's no way to put that genie back in the bottle," says Greenberg.

Maybe. This sultry home of tourism, cruise ships, and retirees has been trying to diversify its economy for generations, with mixed success. Such traditional business hubs as Wall Street, Hollywood, and Silicon Valley didn't sprout overnight. Gaining critical mass takes time. Even as Miami's Brickell neighborhood transformed into Florida's version of Manhattan a decade ago, the state has attracted only a smattering of mostly small to medium-size hedge funds, family offices, and banks looking for a convenient hub for Latin American wealth management. In research firm Z/Yen's Global Financial Centres Index, the Miami area

doesn't even make a cameo.

But Covid-19 may just be the catalyst for a shift. For months, New York stock traders, portfolio managers, and investment bankers scattered across the U.S. Many headed south to spacious homes with private pools. Now, as the vaccine rollout begins and firms look toward a post-pandemic world, some are realizing that their employees don't want to return to their old lives in Manhattan high-rises.

It's easy to see why the Wall Street South idea resonates: Bankers can enjoy an outdoor lifestyle and also justify their existence, because there are so many rich clients milling around. South Florida is one of the most ostentatiously wealthy places on the planet, home to two of America's three richest ZIP codes.

The 2017 tax overhaul, which capped the federal deduction on state and local taxes at \$10,000, only increased Florida's tax advantage over areas such as New York and New Jersey. And while Miami isn't cheap—in fact, rents are far out of proportion with service-sector-driven median income—the price per square foot of a condo in the Brickell district is about a quarter of the cost in Manhattan, according to appraiser Miller Samuel Inc.

Doug Cifu, chief executive officer of electronic market-maker Virtu Financial Inc., says his company's decision to open a new office in suburban Palm Beach Gardens is simply "rational." He expects employees to save an average 10% to 11% on taxes, and much more on housing. "In terms of the quality of life, from my perspective, it is far superior in Florida now than it is in New York, and I don't see that changing in the near to medium term," he says.

There have been a series of pushes over the years to expand Florida's footprint in industries beyond tourism. Its airports and seaports have transformed it into a major force in global trade; it's become a hub for Spanish-language media and entertainment; and there's a booming health-care industry that caters to one of America's oldest populations. At the same time, tourism's slice of the Florida economic pie has kept growing. Disney World opened in Central Florida in 1971, the cruise

industry blossomed into a Miami-based behemoth in the 1980s and '90s, and Art Basel Miami Beach became a key attraction starting in 2002. Hospitality, arts, and entertainment account for about 6.1% of Florida's gross domestic product.

The lack of critical mass for finance firms may itself have been a deterrent for companies coming to the area, says Sean Snaith, an economist with the University of Central Florida, who now sees it likely that more moves will be announced. Says Jenni Morejon, CEO of the Fort Lauderdale Downtown Development Authority: "There has to be a tipping point, and once one or two of these companies plant their flag down here, then it does start a cycle."

In a matter of months, firms including Paul Singer's Elliott Management Corp. and Tom Barrack's Colony Capital Inc. have put in motion relocations to Florida, while Blackstone Group Inc. and Citadel are setting up offices there. Other workers who flocked to the state as a Covid haven are simply choosing to stay, a move investment banking honcho Ken Moelis has already blessed for employees at his firm, Moelis & Co.

Kevin Couper, a senior vice president at Wealthspire Advisors, arrived from California in July after being asked to help open and manage the company's new office in Boca Raton. At first, he was attracted by Florida's relatively relaxed coronavirus restrictions, but says he's come to appreciate the easier lifestyle and his increased disposable income. "I was very used to a higher cost of living, higher income tax," says Couper, 34, who has also lived in New Jersey. "Here, both went down, cost of living is less—at least where I am—and rent, too. Everything has been better."

**Miami Mayor Francis Suarez has been on a quest to diversify even further beyond Wall Street South, tweeting prolifically about luring technology companies to the region—a sort of Silicon Beach. Suarez is pushing to increase money available through the Miami Downtown Development Authority to finance and tech businesses moving into the urban core, potentially raising grants from a current \$150,000 per business or**

**boosting the pool of funds so that more can benefit. The incentives can seem paltry if you're a multibillion-dollar hedge fund, but movers say they're glad to be courted, accusing governments in the Northeast and California of taking them for granted. "It's just trying to capture the moment," Suarez says.**

The Florida Department of Economic Opportunity's own projections are modest in their assumptions about finance job growth. The department forecasts 432,668 finance and insurance jobs in the state by 2028, a 5.7% increase and less than the projected 13.2% jump in Florida jobs overall. Wall Street-type employment—involving securities, commodities contracts, and other financial investments—is expected to climb 12.8%, but it's still a relatively small sliver, at 56,227 positions. In the Miami metro area, it's expected to hit 22,795 jobs.

Workers hoping they can move to paradise and keep their Manhattan paycheck may also be disappointed. The average salesperson peddling securities, commodities, and financial services makes \$149,880 in wages in the New York metro area, compared with \$88,220 in metro Miami, which includes Fort Lauderdale and West Palm Beach, according to data from the Bureau of Labor Statistics. Financial and investment analysts make about 43% less in Miami than in New York, the data show.

There are also challenges to living in the Sunshine State, as the pandemic has made clear, including the crash of its unemployment website and a chaotic vaccine rollout. It's also one of the parts of the world that stands to be most affected by sea-level rise, a deterrent for risk-averse corporations.

Those issues haven't stopped a boom in the parts of the economy most affected by the wealthy. "We're seeing a level of interest the likes of which in my 20-plus years here I've never seen before," says Ken Himmel, CEO of real estate developer Related Urban. More than 70% of Related's new 360 Rosemary building in West Palm Beach is leased. The firm is constructing another office tower there and buying Phillips Point, home to offices for Morgan Stanley and Goldman Sachs and popular for its

convenience to Palm Beach's barrier island mansions.

Ken Gorin, CEO of luxury-car purveyor the Collection, says his Miami-area dealerships notched their best month ever in December. He attributes about 10% of the sales to migration. Just recently, he recalls, a finance-industry transplant had come in for a Porsche Macan for his daughter. By the time the transaction was over, the customer had also made off with an Aston Martin sport utility vehicle for his wife and a McLaren 720S Spider for himself. "This is now people moving from California, people moving from New York—and it's new," he says. "It's very exciting. And sales are way up.

Private schools are sensing a shift, too. At Pine Crest, an elite school with campuses in Boca Raton and Fort Lauderdale, interest has increased notably since March, due in part to the pandemic, remote-work arrangements, "and the attractive cost of living and quality of life in South Florida," says Christine Dardet, a spokeswoman. A 2019 analysis by Webster Pacific showed tuition at top schools in the New York metro area averages \$54,000, vs. \$39,000 in the Miami metro.

Among locals, there's also wariness. Couper of Wealthspire laments the possibility of transplants driving up house prices and increasing traffic. Lorenzo Canizares, a 73-year-old retired labor organizer in West Kendall, is concerned about more serious consequences: the prospect that wealthy financiers will take advantage of the state's tax structure to the detriment of long-term residents. "When people like that arrive here, everything seems to go up, and it makes it very difficult for people here," says Canizares.

For all the excitement, it's unclear whether small outposts for financial companies will spur a dramatic transformation. Goldman Sachs is looking for at least 50,000 square feet of office space, according to the Palm Beach Post, a fraction of the 2.1 million square feet at its headquarters on Lower Manhattan's West Street. Related's Himmel says that finance moves would be a big deal for a relatively small office market such as West Palm Beach, but will do very little to cut into New York's

dominance in the industry, which is sustained by its unrivaled concentration of talent.

There's also the question of whether multitudes of finance workers are willing to uproot their lives. Throughout recent history, U.S. millionaires have been less likely to move than the general public, and many ultra-wealthy people remain based in the region where they built their business, according to *The Myth of Millionaire Tax Flight: How Place Still Matters for the Rich*, a 2017 book by Cornell University sociologist Cristobal Young. Many careers are built upon social networks in a place, and few mid-career professionals are willing to give up their home-field advantage, he wrote.

Other people may fall somewhere in the middle. Jason Ader, CEO of SpringOwl Asset Management, relocated to Miami from New York with his wife and daughter in October, lured by the tax advantage, a business-friendly environment, and a more open economy during the pandemic. He still plans to keep a foot planted in the Northeast, where four of his children live with his ex-wife and his business is based. "I don't know how I'm going to feel when I'm missing out on meetings and business lunches," says Ader, 52. "Of course, none of that is even happening right now."

South Florida saw some of its most astounding growth in the immediate aftermath of the 1918 flu pandemic, according to Paul George, the resident historian at HistoryMiami Museum. The population of the City of Miami roughly quintupled to about 150,000 in the half decade through 1925, aided by post-World War I relief, he says, setting in motion the state's long—albeit volatile—path to 2021. "We turned around after that pandemic was over and began to really look ahead, and this place boomed," George says. "It was like we were being discovered for the first time in a mass way in South Florida." —With Lananh Nguyen, Sridhar Natarajan, and Alex Tanzi.