



## New Jersey Faces Loss of Second Stock Exchange's Data-Center Business

Nasdaq, Mulling Texas Move, Joins NYSE in Weighing Relocation Over Proposed Tax



*The Nasdaq stock exchange is reportedly talking to officials in several states about moving its electronic-trading operations. (Getty Images)*

By Linda Moss and Candace Carlisle  
CoStar News - October 8, 2020

Nasdaq, currently in talks with Texas officials, has joined the New York Stock Exchange in looking to potentially relocate its electronic-trading systems from data centers in New Jersey over a potential new tax.

In a tweet this week, Texas Gov. Greg Abbott confirmed that he's engaged in conversations with New York City-based Nasdaq about that exchange's possible move to Dallas-Fort Worth. That news comes roughly a month after the NYSE, also based in Manhattan, said it planned to test

operating from its secondary data-center locations, which are outside of New Jersey, in advance of a potential move out of the Garden State.

In addition to Nasdaq and the NYSE, many Wall Street firms use data centers located in northern New Jersey to handle their transactions and trading. The loss of the two large stock exchanges would be another blow to New Jersey's data-center business, a sector where the state once ranked first nationally before being overtaken by areas such as northern Virginia and Dallas-Fort Worth.

Those stock-exchange defections would also be a black eye and add to accusations by some businesses that New Jersey is unwelcoming, while states such as Texas continue to successfully and aggressively woo companies with financial carrots. In fact, the Lone Star State has a tax-incentive package specifically dedicated to the data-center real estate sector, according to Kevin Imboden, research director for Cushman & Wakefield's Data Center Advisory Group.

"They've been very welcoming to data centers," he said.

A proposed New Jersey tax on electronic stock-trading transactions triggered both Nasdaq and the NYSE's possible exodus from the state. Assemblyman John McKeon has sponsored a bill that would impose a tax "on high-quantity processors of financial transactions at \$0.0025 per transaction." It would pertain to persons or entities that process 10,000 or more financial transactions through electronic infrastructure during the calendar year.

"It is certainly very onerous because you're talking about something that affects every transaction," Imboden said. "You're talking about millions of transactions, and that adds up to a lot of money in a hurry. They're going to look for a place where they are going to be incentivized to move."

New Jersey Gov. Phil Murphy, who faced a huge budget deficit because of the impact of the coronavirus pandemic, has voiced support for the tax.

### **Confirmed by Tweet**

In his tweet, Abbott referred to Nasdaq's concern about taxes as its reason for considering a relocation to Dallas or Fort Worth.

"I've been talking with the Nasdaq stock exchange about moving some of their operations to Texas," he wrote. "They want to flee higher taxes. I let them know that we just passed a constitutional amendment banning an income tax in Texas."

Nasdaq has also had talks with officials in Virginia and Illinois, according to The Dallas Morning News, which first reported the story.

Nasdaq didn't return several emails from CoStar News seeking comment, but the company provided a statement to the Texas daily newspaper.

"We are assessing all options, but our No. 1 priority is protecting the U.S. capital markets and its investors," Nasdaq spokesman Joe Christinat said.

The NYSE, in turn, said it is being courted by several suitors.

"We have heard from several states eager to be the next home to our data center should New Jersey adopt a financial transaction tax harmful to Main Street investors," NYSE spokesman Josh King said in an email to CoStar on Thursday.

Nasdaq leases data-center space at at least one New Jersey facility, 1400 Federal Blvd. in Carteret. That building is owned by Equinix. The NYSE uses a large facility at 1700 MacArthur Blvd. in Mahwah that is owned by Russo Development of Carlstadt, New Jersey. But the Garden State has a number of data-center clusters, including one in Secaucus in the Jersey Meadowlands that Equinix owns.

Abbott, Murphy and McKeon's offices didn't respond to requests for comment.

### **Voicing Concerns on Tax**

A group of trade associations representing about 200,000 financial-services workers this week sent a letter to McKeon voicing "strong opposition" to his proposed tax, The Dallas Morning News reported.

"A [tax] could lead to financial firms moving their electronic infrastructure and the related jobs outside of New Jersey," the letter said. "This would reduce employment and revenue in the state."

The New Jersey Business and Industry Association, a trade group, views the proposed tax on trading transactions as another government anti-business action.

"In many cases, there's only so much taxation that firms and companies are willing to take on," NJBIA spokesman Bob Considine said in an email. "We've already solidified our standing for 2021 to have the largest corporate business tax rate in the nation. If larger firms can move, they will. In this case, it would leave New Jersey with big losses in jobs and property taxes."

New Jersey, because of its proximity to Manhattan and Wall Street, was once the No. 1 market for data centers. But it was surpassed by northern Virginia and Dallas-Fort Worth, which have less pricey and more land for development than New Jersey, according to Imboden. Both those areas also already have fiber infrastructure in place, he said.

The top data-center markets ranked by megawatts are northern Virginia, by a long lead, followed by Dallas-Fort Worth, California's Silicon Valley, Chicago, Phoenix, the New York tri-state area and Atlanta, according to a CBRE data-center report released last month.

### **Less Costly Power**

The Dallas region is also less expensive for data centers than New Jersey because of its cheaper power costs.

The cost per kilowatt hour in Texas is roughly half the cost per kilowatt in New Jersey and New York.

"Texas certainly has all the massively favorable attributes with inexpensive power, renewable energy and a lot of things Nasdaq would like about Texas getting them out of harm's way in the tri-state area with a lot less risk factors," said Michael Rareshide, an executive vice president at Dallas-based Site Selection Group, specializing in corporate real estate portfolios and site selection, in an interview. "Generally, in Texas, you can secure a large piece of land with a lot more security away from a busy downtown with all the utilities and power needed in a central location of the United States."

New Jersey and New York's utility rates are about 9 to 10 cents per kilowatt hour, Rareshide said, which is twice as much as Texas' rates, which range between 4 to 5 cents per kilowatt hour. Construction permits in the Lone Star State are also relatively easy to secure, he said. Dallas-Fort Worth also has the largest pool of tech workers in Texas, according to CBRE's latest tech talent report.

"Unless they have to be in an area, like Silicon Valley, a company will find somewhere cheaper to go," Rareshide said. "The reason companies keep coming to North Texas is all the risk factors are mitigated if they come here."

Not only are there plenty of multitenant data center options for a company readily available in Dallas-Fort Worth, but there's also plenty of developable land sites atop needed fiber infrastructure for a data center, according to Bo Bond, an executive managing director at Cushman & Wakefield's Dallas office,

"There are a lot of compelling reasons across the board to support them relocating their operations to Texas," Bond said.

The Dallas-Fort Worth region is also the nation's fourth-largest metropolitan area with more than 7.5 million residents, with both Facebook and Google building out massive data center campuses of their own.

Facebook, the social media giant, is adding to the profile of its \$1 billion, multibuilding data center campus in Fort Worth. Google is also developing a \$600 million multiphase campus in Midlothian,

about 25 miles south of downtown Dallas, with an initial phase expected to be complete by year's end.

### **A 'Trophy' Win**

"Clearly, this is about New Jersey's difficult business climate, but it's also Gov. Abbott viewing this really as a trophy prize, an economic development trophy," said John Boyd Jr., a principal at the consulting firm The Boyd Company. "And the prestige of attracting the New York Stock Exchange operations or Nasdaq operations would just be enormous for the Dallas metroplex region. This is coming on the heels of Charles Schwab of course relocating their headquarters [to Dallas] and one of the most successful bank-industry attraction programs that we've seen happen over the next decade or so. We're seeing governors like Gov. Abbott that are proactive on economic development. That can make a difference here."

However, the possible relocation of Nasdaq and the NYSE's electronic-trading systems from New Jersey has drawn the the attention of federal securities officials, who say it may be disruptive, according to Reuters.

"We are watching it very closely," Brett Redfearn, the Security and Exchange Commission's director of trading and and markets, told Reuters this week. "We are going to continue to talk to stakeholders about this, but needless to say, we certainly do have concerns."