

DALLAS BUSINESS JOURNAL

Not just California: East Coast companies are flocking to Dallas-Fort Worth



By Brian Womack – Staff Writer, Dallas Business Journal – May 23, 2021

It's hardly a secret that the West Coast's biggest state has seen an exit of headquarters to the Dallas area. But some recent moves show more are coming from another area of the country: the East Coast.

At least four companies with former corporate addresses that include New York and Massachusetts have revealed in recent months they've made North Texas their new corporate home. They include Drive Shack, a publicly traded golf-entertainment company, that shifted to the Dallas area earlier this year, and Ribbon Communications, a public company that provides products for the telecommunications industry.

More and more businesses that hail from some of the older parts of the country are likely to consider a new address in Dallas-Fort Worth, observers say.

The Dallas region is "just continuing to be under the microscope," said John Boyd of The Boyd Co., which helps companies with location consulting.

The Dallas area gets credit for its business-friendly approach and other factors, including its central location and access to talent. The companies likely to look toward North Texas include those in financial services, technology, multimedia and advanced manufacturing, Boyd said.

"This is a time of unprecedented mobility among people and businesses," Boyd said.

'Exploding at this point'

That's not to say executives at California companies are avoiding Texas. Wedgewood LLC, a real estate company based in Redondo Beach, has begun to transition its corporate office, according to a story earlier this month in the *Dallas Business Journal*. SmartAction, which provides software for call centers, is relocating its corporate hub from Los Angeles County. And recently, First Foundation, a financial services company, officially moved its headquarters from Southern California.

Those follow many others, including some of the bigger names such as CBRE, Schwab and McKesson.

"The interest in relocating seems to be exploding at this point," said Joe Vranich, president of Spectrum Location Solutions, which helps corporations with their considerations around relocations. "This is ... in and among all states at this point but mostly out of California and the Northeast and Illinois."

One of those making the shift from the East Coast of late include Katapult, more than a half decade old, which shifted its corporate hub as of the first quarter of this year from New York. Earlier, there was an announcement that it would become a publicly traded company through a merger with FinServ Acquisition Corp., a special purpose acquisition company, or SPAC. The transaction reflects an implied pro forma combined enterprise value of approximately \$1 billion for the company.

Katapult CEO Orlando Zayas pointed to a better business environment when talking about the reasons behind the move for the company earlier this year.

That company and Ribbon Communications both landed in Plano. It's a locale that's getting ongoing attention, according to Sally Bane, director, economic development, at the city.

"Plano continues to be considered by companies looking to expand or relocate from both the West Coast and the Northeast," Bane said in an emailed response to an inquiry. "In some ways, companies from the Northeast have less attachment to their 'geography' than, especially, California companies. The transition to a lower cost environment is not only advantageous for the company, but also for the valued employees that are relocating with it."

Moving on?

Why the overall interest by companies in looking elsewhere? Vranich pointed out that some relocation planning might have been put on hold during the worst of COVID-19 because of so many uncertainties. Now that the country is opening up, some of those efforts could be moving forward.

In addition, issues that can encourage California companies to consider shifting to Texas can also affect those in Northeast states, Vranich said. He pointed to challenges with taxes, power expenses and the cost of living in the Northeast and in the West's largest state.

The Dallas area benefits from the availability of local talent, Boyd said — and more.

"If you think about DFW, (there are) nonstop flights to major" parts of the world, Vranich said.

Companies are looking to other states beyond Texas when deciding on places for new projects, Boyd said. And sometimes, the reasons can be specific to businesses and their leadership teams about where they end up investing.

"It could be an existing facility that they have in the region; it could be some real estate that the company finds attractive," Boyd said. "Or, (it's) relationships that its C-level executives happen to have — maybe a member of its executive staff is a graduate of a local university."

Last month, 5G LLC CEO Matt Davis said his company had moved its headquarters from Bethesda, Maryland — outside Washington, D.C. — to North Texas. Low tax rates and tech companies shifting to the region and the state overall were among the factors drawing the firm, which is helping spread wireless tech with commercial real estate.

Davis also saw "commercial real estate and wireless carriers are heavily represented in Dallas," he said at the time in a message.