

CRAIN'S

CHICAGO BUSINESS.

Ken Griffin is off to Miami. Here's how the city compares to Chicago.

We look at costs, taxes and other factors.

John Pletz – June 27, 2022



Bloomberg The Miami skyline.

Miami has always been a playground for the rich and famous. But since the pandemic, it's also become a popular destination for wealthy companies.

Citadel, Ken Griffin's hedge fund and stock-trading market maker, is the latest investment operation to move to Wall Street South, announcing plans last week to move its headquarters and about one-third of its 1,000 jobs to Miami.

Thanks to its history of commodity and futures trading, Chicago had long been the top U.S. city for financial markets outside New York. As a financial conduit to Latin America, Miami has historically been a financial center but on a smaller scale. Now that's changing.

In addition to Citadel, a growing number of financial-markets heavyweights, such as Goldman Sachs and BlackRock, private-equity firms such as Thoma Bravo, as well as venture-capital funds, such as Peter Thiel's Founders Fund, all have set up shop in Miami. Citadel joins Carl Icahn's hedge fund in moving its headquarters to the city.

"Miami has made a real concerted effort, like the state, to attract financial services, from back office to hedge funds to crypto," says Tom Stringer, who leads BDO's site-selection practice. "Those things don't happen overnight. They've been laying the groundwork for this for over a decade. Miami is an international city just like Chicago. New York and Chicago definitely have to up their game."

In terms of operations costs, Miami is slightly more expensive than Chicago, mostly because of fast-rising real estate prices, based on data from Boyd, a site-selection consultant that recently moved from Princeton, N.J. to Boca Raton, Fla.

According to estimates by Boyd's BizCosts.com, the annual cost of a 75,000-square-foot headquarters with 250 people is about \$18.9 million in Miami and \$18.5 million in Chicago. The rent in Miami's Brickell financial district is about \$69 per square foot, compared with \$47 in the Chicago Loop. Electric rates are 8.05 cents per kilowatt hour in Miami, compared with 9.91 cents in Chicago.

Salaries for office staff are 9% lower in Miami, at \$54,568, compared with \$59,444 in Chicago. That may not mean much to Citadel, which has long been known for paying a premium for talent.

But Miami has got an edge in terms of taxes, which will benefit both Citadel's bottom line and its top employees, many of whom are paid millions a year. Illinois has a 4.95% personal income tax. Florida is one of nine states that doesn't have an individual income tax. It also doesn't have an estate tax. Companies pay an income tax of 7% in Illinois and 5.5% in Florida.

"Lack of personal income tax is a major factor," says John Boyd, a principal at the site-relocation firm.

James Kohnstamm, executive vice president for economic development of the Miami-Dade Beacon Council, says the city began receiving increased interest from out-of-state firms after the federal government introduced limits on the deductibility of state and local taxes.

Citadel employees will have to devote more of their pay to housing costs, which are higher in Miami, with a median price of \$530,000 for a single-family home, compared with \$355,000 in Chicago, according to real estate website Redfin. Miami real estate is soaring, climbing 27% in the past year, according to Redfin, compared with 1% growth in Chicago, based on local real

estate figures. The cost of housing is likely less of a concern for highly compensated Citadel employees.

BEYOND DOLLARS AND CENTS

As the nation's third-largest metropolitan area, Chicago is far bigger, with a population of 9.5 million. Miami has 6.1 million residents.

Chicago has a more educated workforce and a far greater pool of tech talent, which is crucial to Citadel and other hedge funds that rely heavily on technology to hone trading strategies to produce above-market returns. About 41% of Chicago residents age 25 or older have a bachelor's degree, compared with 31% in Miami, according to census data.

Chicago has the eighth-largest concentration of tech workers in the U.S., with 167,380, according to real estate firm CBRE's Scoring Tech Talent report. South Florida is about one-third the size, at 67,500. However, the South Florida tech population is growing three times as fast, at 18%, compared with 5% for Chicago.

Chicago had the sixth-largest number of math and technology degrees awarded among U.S. metro areas, at 8,548 in 2019, according to CBRE data. South Florida had 2,770.

"Companies like Citadel want the top talent," says Mike Grella, who runs site-selection firm Grella Partnership Strategies in Atlanta. "Miami may not have the same density as Chicago, but it's a draw from all over the country. When they're recruiting people from Berkeley or Stanford, it's an easier pitch to say, 'Where do you want to spend your winters? South Beach or South Wacker Drive?'"

Chicago has better transportation options. O'Hare International Airport, a hub for both United and American airlines, and is the third-most-connected airport in the world, according to aviation researcher OAG. Miami, a hub for American, ranks 20th. O'Hare serves 264 destinations, compared with 160 for Miami International, according to OAG.

Including Midway, there are 63 daily flights to New York from Chicago, compared with 44 flights between New York and Miami, according to Cirium.

LAW AND ORDER

Griffin's main complaint about Chicago has been crime.

Chicago Police report 282 homicides across the city so far this year, compared with 30 by the Miami Dade Police Department. Both departments serve about 2.7 million residents.

Homicides are down 38% this year in Miami and 11% in Chicago. Miami Dade police report overall violent crime is up 27%. Chicago is up 9%.

Griffin has sounded the alarm about crime downtown. Citadel said an employee recently was stabbed a block from the company's headquarters on Dearborn Street, and Griffin has said the violence has impacted recruiting. Tech companies have voiced similar concerns as shootings have become more common in areas of the city that rarely experienced gun crimes before, such as Millennium Park.

“If it’s not safe to walk home, you’re going to have second thoughts about working or living in an area where crime is a factor,” Grella says. “When it starts to hit home is when you start to hear about robbery or murder or assault, and it’s down the block from where you work or live, it shakes people up.”