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Big financial companies increasingly choosing Nashville



Qualifacts has signed a lease to occupy 25,000 square feet at UBS Tower.

Jamie McGee | Nashville Tennessean | June 18, 2018

Nashville's financial market is on the rise, with industry experts forecasting more national banking companies will look to the city for expansion.

Global money management firm AllianceBernstein announced in May that it plans to move its headquarters and more than 1,000 jobs to Nashville in the coming years, selecting the city over Charlotte, North Carolina, a banking powerhouse that is home to Bank of America. The

AllianceBernstein announcement follows JPMorgan Chase & Co.'s expansion to Nashville in 2011 and UBS' in 2014.

"They recognize Nashville now as competition," Nashville wealth manager Stephen Frohsin said of Charlotte. "Maybe 10 years ago they didn't see us that way. We will be on the short list."

AllianceBernstein's portfolio managers, high net worth business and sell-side research business will remain in New York, with Nashville welcoming business service jobs that earn between \$100,000 and \$200,000 — IT, legal, compliance, human resources, sales and marketing.

The trend of Wall Street firms relocating back-office jobs is playing out in midsize cities across the United States. Goldman Sachs opened a Salt Lake City office in 2000 with about 100 workers and has since grown to more than 2,700. Deutsche Bank moved operations to Jacksonville, Florida, in 2008 and employs more than 2,000 there.

In Nashville, UBS now employs more than 1,200 full-time workers and has 90 individuals in its wealth management branches in Nashville and Franklin.

As Wall Street firms pursue mergers amid a more relaxed regulatory environment and seek alternatives to the high costs of operating in New York, the wave of relocations is likely to continue, according to John Boyd, principal of the Boyd Co., a site selection company in Princeton, New Jersey.

"These companies want a brick-and-mortar presence in New York and Chicago, Boston, San Francisco," Boyd said. "That will never change. However, they want to do more with less. They want to shift labor-intensive operations to lower-cost markets. Nashville, historically a very strong banking sector, is really well primed to capitalize on this theme."

Boyd evaluated 40 large U.S. cities and identified Nashville as having the second lowest costs in the U.S. for financial industry back offices, based on labor, real estate, utilities and taxes. San Francisco had the highest cost at \$13.6 million a year, compared with Nashville at \$10.3 million.

AllianceBernstein's move to Nashville from New York could save the company more than 22 percent, Boyd said.

Tennessee also enacted a law this spring cutting taxes for publicly traded investment firms, further bolstering Nashville's appeal.

"AllianceBernstein has helped shine another light on Nashville and in this instance it is not tourism and not health care related, so a net-net for Nashville as a business center," said Jeff Davis, a banking analyst in Nashville and managing director at Mercer Capital. "More service providers that specialize, in this case, as asset managers or as broker dealers will start to establish outposts here. That's good for businesses and opportunities for professionals."



AllianceBernstein COO Jim Gingrich, CEO Seth Bernstein, Gov. Bill Haslam, Mayor David Briley and state Rep. Brenda Gilmore attend AllianceBernstein's announcement May 2, 2018, that the global money management firm plans to move its headquarters and more in the coming years.

Nashville's banking history

In the late 1990s, two of Nashville's oldest brokerage firms — Equitable Securities and J.C. Bradford — and the city's last major local bank — First American — sold to outside companies, marking a new chapter for Nashville's financial sector. In the years that followed, Nashville remained a banking stronghold in the Southeast but lived in the shadow of Atlanta and Charlotte, home to Bank of America and Wachovia, which was purchased by Wells Fargo during the financial crisis.

"There was certainly a vacuum created when Equitable and J.C. Bradford were acquired," Frohsin, a principal at Woodmont Investment Counsel, said. "The jobs created directly and indirectly at the time were a major driver of our local economy. After those firms were acquired, a lot of those jobs disappeared."

Pinnacle Bank was founded in 2000, followed by Avenue Bank, CapStar Bank and Franklin Synergy Bank in the same decade. Each has gone public and Pinnacle has since climbed to the No. 3 ranking in market share by deposits after purchasing Avenue. Studio Bank, led by former Avenue banker Aaron Dorn, plans to open this year in Nashville and has raised more than \$45 million.

SunTrust, which bought 67-year-old Equitable Securities in 1998, has maintained its Nashville presence, and other national firms have since entered the Nashville market or expanded. In May, Rhode Island-based Citizens Financial Group bought Franklin-based Franklin American Mortgage Co.

"Larger institutions not in Nashville in a meaningful way, they want to be here," Frohsin said.

Boyd Co. analysis of back-office costs in US cities

San Francisco: \$13.6 million

New York: \$13.3 million

Chicago: \$11.7 million

Houston: \$11 million

Raleigh-Durham, North Carolina: \$10.9 million

Charlotte, North Carolina: \$10.8 million

Nashville: \$10.3 million

Jacksonville, Florida: \$10.1 million

Nashville market share by deposits as of June 2017:

Bank of America: 16 percent with \$8.9 billion

Regions Bank: 13 percent with \$7.6 billion

Pinnacle Bank: 12 percent with \$7.1 billion

SunTrust Bank: 11 percent with \$6.3 billion

First Tennessee Bank: 7 percent with \$3.9 billion

Franklin Synergy Bank: 5 percent with \$2.8 billion