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## **Chicago's hi-tech property keeps market humming**

**A reprint from Chicago, Chicago - my kind of town  
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# Chicago's hi-tech property keeps market humming

Financial centres have a raft of components that provide support, foundation and growth. Chicago's property and IT infrastructure is one of those key elements. Rob Luke reports.

Chicago's derivatives exchanges, brokers and traders do not just need physical space that can handle typical oddities such as trading floors and a dozen monitors per desk. Most also need a building with multiple power sources and cooling systems to run the hardware that connects to Chicago's derivatives markets.

Chicago's exchanges and the growth trend in electronic volume has driven demand for new trader-friendly office space and data centres. It has also boosted the supply of fibre-optic and power-generation capacity along the city's railway and other transit corridors that connect to the property, thus giving it a technology edge over more cramped competing financial centres.

This virtuous circle of growth has helped Chicago become "a global futures trading hub", in recent years, says Steffen Gemünden, co-chief

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executive officer and president, RTS Realtime Systems Group, which supplies electronic trading access to global exchanges including Chicago's CME Group, CBOE and ICE.

RTS opened its Chicago data centre in late 2005 as more customers began to shift their businesses to the city, says Gemünden.

Plus, the city still holds a significant property edge over New York and other competitors, says Holly Duran of Holly Duran Real Estate Partners, which specializes in financial industry property brokerage. Duran says trader-friendly office space in Chicago is priced at between \$35 and \$60 per square foot compared with between \$50 and \$120 in New York and up to \$225 in London.

"In London there's no place to build," says Duran. "You just can't get

the wide open spaces you need for big trading rooms. In the downtown Chicago market, we have land and the [geographic] ability to continue growing westward."

That means the sector is not being

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squeezed for office space like its Big Apple counterpart. Overall vacancy rates for Chicago in the first half of 2008 were about 12%, above the industry equilibrium of 7% to 9%, according to a recent report by property consultants Cushman and Wakefield.

Equilibrium in property rental is the vacancy rate range where supply and demand are considered in balance. By contrast, Manhattan's rate for comparable space dipped to a very tight six-year low of 5.3%.

In the derivatives sector, demand for data centres or server farms is growing fastest. Firms rent such space by the amount of power they consume to run their trading platforms and keep them cool, not by square footage, because energy can make up 40% of total costs, according to a New York Times report from November 2007. Renting data centres is therefore usually significantly more expensive than office space.

"Rent is a small component of the balance sheet," says Jason Schulz, a data centre specialist with Holly Duran Real Estate Partners. "Infrastructure capacity costs, utilities and reliability are all equally or more important and come at an even greater expense."

Chicago's financial industry has attracted more trading data-centre operators to the city, which has enticed firms and exchanges to locate their technology there as well. Intercontinental Exchange (ICE), for example, shifted its electronic trading engine and data centre from its headquarters in Atlanta to Chicago, opening in January, says Mark Wassersug, ICE's vice-president of operations.

"With so many proprietary and algorithmic trading firms in [the downtown] area, data service providers understood the need for high-capacity, high-density circuits," says Wassersug. "We are able to choose from a large number of data vendors in the area with ample capacity."

Here experts say Chicago also has an edge on London. With onerous restrictions on building size, London's data centres are often located outside of the financial district. Chicago's derivatives industry, however, is already well served downtown with

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high-tech data-centres close to traders and exchanges, and more are in development. That suits RTS Group, which employs a team of people to determine the most efficient locations for its trading technology and infrastructure centres.

"For us, every mile adds a fraction of a millisecond," says Gemünden, "and every millisecond counts." ■