

Europe's woes could hurt South Florida tourism, other sectors

News Date: 10/07/2008
Outlet: Miami Herald - Online
Contact: SCOTT ANDRON

The weak dollar has made our region attractive to Europeans. A Miami vacation, a Fort Lauderdale Beach condominium, a boat made in West Palm Beach. And the steady flow of German, English, French, Spanish and Portuguese visitors -- and their money -- helped insulate South Florida from the national economic downturn. Now, it seems, it may be time to pay the piper.

"Here in South Florida we have prided ourselves on the notion we are relatively immune from these kinds of activities, because we have sun, we have tourist markets are doing very well . . .," said Florida International University business professor Jerry Haar. "That was true until recently."

European and other foreign stock markets imploded on Monday, and the euro continued a recent tumble, following news of bank woes on their side of the Atlantic and American mortgage-backed securities and other dubious investments that have plagued the U.S. economy.

A LOT AT STAKE

It's too early to know how long the turmoil abroad will continue. But of this much we can be sure South Florida has a lot at stake.

Nowhere are the stakes higher than in the region's tourism industry.

Without Europeans spending discounted dollar bills, the industry would have suffered a weaker 2008.

At the Harbor Beach Marriott, one of Fort Lauderdale's most expensive hotels, the United Kingdom market flattened about a month ago amid the bursting stock market. Bookings from Germany and other countries continue to grow, but Marsella said Monday's financial development rattled his outlook.

"We just saw some news on Russia. Their [stock] market is dropping like crazy," he said, noting Russia has been a growing source of guests. "Obviously, SUBSTANTIAL' In Miami-Dade, where about half the tourists come from other countries, hotel taxes grew 8 percent in August. But in Broward, where only 10 percent. The trend played out throughout the year, too, with revenue per room down 2 percent in Broward but up 3 percent in Miami-Dade.

"Not a lot of people in this country are going to be traveling," said Raul Leal, president of Tecton Hospitality, which manages five Miami Beach hotels. "In that situation if the European market declined."

Summer magnifies the European effect, since it's a popular time for Florida vacations while Americans prefer to visit in the winter. Despite economic woes, Europeans continue booking South Florida trips at a brisk pace.

"We continue having high occupancies. We are pretty much booked all the way through February," said Manuel Donoso, director of sales for the Riu hotel chain. "We haven't seen a change." 'A GOOD BARGAIN' A big test will come this winter, when Europeans traditionally make most of their purchases. They set those prices next month, and the current exchange rate would mean a 10 or 20 percent hike in prices from summer 2008, said Peter van Berkel, president of the Riu group.

Still, the euro is up 7 percent from where it was two years ago against the dollar.

"It's still going to be a good bargain to come to the United States," van Berkel said.

Tourism isn't the only local industry interested in what happens in Europe.

As the dollar soars against a host of currencies -- including the euro and the British pound, South Florida could become less attractive for foreigners who have high expectations. 'EXPECTATION' Craig Studnicky, president of International Sales Group, an Aventura-based firm that specializes in marketing condominiums, said "We had a lot of Europeans in the first half of '08 had great buying power, but waited for the real-estate prices to hit bottom. I don't know that they've hit bottom, but I think they're waiting."

He said the firm is redirecting its focus to Latin America and the U.S., particularly the northeast.

Studnicky said demand remains among Venezuelans, seeking a safe haven from leftist president Hugo Chavez, and Mexicans, concerned about violence and the strengthening of the dollar won't be a big deterrent to foreigners interested in Florida real estate.

"Most people are more motivated by the values they are finding than the exchange rate," said Ron Shuffield, president of Esslinger Wooten Maxwell in Coral Gables. "People always bought here because of the stability of the U.S. government."

EXPORTS

South Florida exports, which have been helped by the weak dollar, could slow as the dollar strengthens.

The Monaco Yacht Show seemed to go well for U.S. sellers last month, even though securing a boat loan has gotten harder. That's good news, because Florida has more on European buyers.

But on the Monday after the show, the House of Representatives voted against a bailout of the financial industry. Marine-industry consultant Jim Bronstien said the market fell 700 points.

"There were a number of offers for very large yachts, and the offers were rescinded after the market fell 700 points," said Bronstien, of Marine Business Associates.