Turnaround Time

Employment is on the rise, Latin America is coming back, the US economy has emerged from recession, real estate is strong and the visitor industry is rebounding. Add them all up, and the future for Miami-Dade starts to look damn good. By J.P. Faber

This is it. Really. After a series of false starts, dashed hopes, disappointing statistics and inaccurate predictions, the great economic turnaround is apparently, and finally, underway. By all measures — local, national and international — everything points to a rousing 2004 for Miami-Dade County and its most vital industries, including trade, tourism and real estate.

"Going forward, 2003 is like the hump, the inflection point," says economist J. Antonio Villamil, CEO of the Coral Gables-based Washington Economics Group. "Those elements relative to the South Florida economy are recovering."

What makes Villamil optimistic is that Miami-Dade County has continued to grow despite "a significant amount of adverse effects" in recent years. These have included the US recession, economic downturns in major trading partners such as Brazil, Argentina and Venezuela, a more recent European slowdown, and the still-escalating fallout of 9/11, which hit such vital South Florida industries as aviation and international travel. All those sectors, and more, are now on the mend.

Villamil predicts 3 percent growth in 2004 for Miami-Dade’s estimated $72 billion GDP, itself larger than that of all Central American countries combined. The reasons for Villamil’s optimism are as varied as the local economy has become.

First, there is the return of Latin America, where economic recovery in countries such as Brazil will create more demand for imports from Miami. Predictions are that between $54 billion and $55 billion will pass through the Miami Customs District this year — not yet back to 2000’s record $56 billion in trade, but way up from 2002’s $50 billion. Next, there is the growing strength of the Euro, which was trading at a ratio of one to $1.24 as of press time; it’s expected that one Euro will cost $1.30 later this year. A stronger Euro means more investment and visitors, especially from Spain, France, Germany and Italy.

"As we look back at 2003, we are going to view it as the transition year, the year when the major drivers of our economy started to turn around," agrees Dr. John Cordrey, director of research for The Beacon Council. "Take the visitor industry. It had reached record numbers in 2000, then the impact of 9/11 saw it shrink. Now we are seeing the occupancy rates expanding and price rates coming back up. Clearly 2003 was bigger than 2002, and as we look at 2004, we have a chance to get back to the record numbers of 2000, when we had 11.1 million visitors."

In the all-important area of real estate, predictions call for a strong year on the residential side, and improvements in the commercial and industrial areas.

"I’m quite convinced that housing is still going to be a strong motor in the economy and interest rates are going to stay low, though they will rise a little bit," says Dr. Michael Connelly, chair of the economics department at the University of Miami. "In anticipation of them rising,
we are seeing record applications for new building permits and record levels of construction. That is a very big factor in South Florida, especially with the condominium developments along the seashore.”

As for commercial and industrial real estate, says Terre Blanca de Ulloa, Cushman & Wakefield’s Miami-based managing director for Florida, “Leasing in 2004 is looking very good for both, with activity increasing in the last quarter [of 2003]. Tenants seem to be getting more comfortable with the state of the economy.” While leasing demand will not be dramatic in the first half of the year, “it will be strong in the second half,” she says.

Of course it is jobs, more than any other measure, that signal a real recovery, and Cordrey predicts good news. “As we headed into the fall [of 2003] we were 9,000 to 10,000 jobs ahead of 2002,” says Cordrey. “We think that 2004 will be a record year of employment in Miami-Dade. Employers have enough confidence and enough sales to hire new people.”

While much credit for those jobs goes to the growing US and Latin American economies, local economic development agencies have clearly helped. The Beacon Council estimates that its programs created 1,829 direct new jobs in fiscal 2003; its goal for 2004 is 2,500 direct new jobs.

Since last year, The Beacon has focused on retaining and growing local employers rather than on recruiting new companies to the area. That goal remains a high priority for Calixto Garcia-Velez, Citibank’s top executive for South Florida and this year’s chairman of The Beacon Council. “We had tremendous success last year with our local business/local jobs initiative,” says Garcia-Velez. “I think it’s clear that Miami’s backbone is small businesses and entrepreneurs. To retain and help those businesses expand is a critical priority over the next year.”

Another helping hand for the Beacon is the job creation efforts is coming from South Florida Workforce, the federally funded agency that has traditionally placed welfare recipients into unskilled jobs. Under new director Robert Crook, the agency is upgrading its mission to focus on providing skills for higher level jobs. Last year, for example, when Miami-Dade transportation director Roosevelt Bradley announced the purchase of 600 new buses, Workforce set in motion a training program for 60 new diesel mechanics. For another 21 Miami-Dade companies, including Pharmed, Miami Children’s Hospital and BioNucleonics, Workforce paid 50 percent of the salaries for new workers receiving on-the-job training.

While this does not create new job positions per se, it helps fill existing demand. “Our main mission is to first help people get a job. Next it’s to help them upgrade,” says Crook, whose agency expects to place 80,000 to 90,000 workers in South Florida this year. “We are focusing on areas where there are higher-level skills needed and where there are shortages.” For 2004, Crook anticipates the worst shortages to be in health care – especially nursing – and construction. Cordrey says that other areas with increased demand for employees this year include education, law, accounting and advertising.

On the other side of the equation are several issues that could dent Miami-Dade’s incipient recovery, mostly having to do with security. “We are the Hong Kong of the Americas, an in-and-out economy,” says Villamil. “We depend on the free flow of people and products. Now we are in the middle of a major tightening of cargo security, and will be implementing visa and transit-passenger restrictions.” While these ultimately stem from 9/11, they are “lingering impacts,” says Villamil. “They are what I call termites in the basement. You don’t see them continued on page 12A
until the foundation crumbles."

To assess the effects of new security measures on the Miami-Dade economy, Florida International University's business school recently conducted an impact study with the Greater Miami Chamber of Commerce. David Wernick, research director for FIU's Knight Ridder Center and author of the study, says he is concerned that Miami-Dade will be disproportionately affected because it is a nexus of international activity.

"Rules affecting banking were the first to come into play, and the Patriot Act has had a big impact on the banking sector," says Wernick. His research finds that the Patriot Act's requirements for intense client scrutiny are scaring off would-be investors. "One of the banks we talked to said they had lost $20 million in the last two years as a result," he says. And while South Florida ports already comply with the so-called 24 Hour Rule, which calls for cargo manifests to be filed 24 hours in advance with US Customs, that pales next to the Bio Terrorism Act. "About 70 percent of the agricultural imports into the US come through Miami," says Wernick. "They are going to have to register and provide very specific detailed information about every link in the supply chain, down to the farm that grew the grapes that were used for the jam that they are importing." Finally, there is the federal visitor tracking system that goes into effect this year. "It says that, to get into the country, you have to be photographed and fingerprinted. It's pretty Orwellian," Wernick says.

Wernick's study concludes that implementation for many of the security measures should be slowed down to accommodate inevitable difficulties, and that personnel should be dramatically increased to handle the new work loads without jamming the system. Villamil suggests that Miami-Dade's legislative body should actively lobby to ameliorate some of the measures.

Even with such threats hanging in the air, interest from multinationals is growing, says Cathy Swanson, director of development for Coral Gables, a city rich with such corporations. "We're actually getting two things happening at the same time. One is that money from Latin America has come here for investing, mostly into real estate. The other is that multinationals that are already here are looking to expand space, and others who were in the market, but left it, are now coming back."

In the end, the expected rebound in Miami-Dade's economy in 2004 may simply be a case of all boats rising. The fact is, besides certain special benefits from such areas as renewed trade with Latin America, Greater Miami should rise along with the rest of the nation.

"The manufacturing index is up to record levels, new housing permits are way up, the stock market has shown some recovery, even retail sales seem to be up," says Connelly. "Every single sign I see points to recovery."