

Miami industrial developers hope for Latin American lift

By Jennifer LeClaire

The future of Miami's industrial real estate market lies, in large part, in Rio, the leading city of an emerging Latin American economic power whose fortunes are tied to a U.S. city that functions as the southern region's financial capital. It will take some time before Miami once again benefits from its ties to the southern region.

Walter Byrd, managing director with Transwestern's South Florida office, expects 2010 to be similar to 2009 in Miami, which is to say, somewhere between challenging and dismal. The market has been hit by domestic declines and diminished international economic activity, and the combination has been particularly rough on Miami's heavily industrialized area near Miami International Airport, a cargo and passenger hub.

"The extreme drop in cargo volume through Miami International Airport, the worst year in terms of total tonnage since before 1996, has made a significant impact on both vacancy and lease rates in Miami's Airport West market, the region's largest industrial submarket," Byrd said.

With the statewide unemployment rate not expected to peak until the second quarter of 2010, he doesn't see demand for industrial space growing until early 2011.

In the Miami-Dade industrial market, there were "increases in vacancy and availability, negative absorption, decreased asking lease rates, slow leasing activity and an even slower sales market," according to a fourth-quarter report from CB Richard Ellis.

But CBRE says because unemployment rates decreased or increased marginally between the third and fourth quarters, there are signs that "South Florida is beginning to stabilize."

Absent any plausible domestic economic catalysts, the return of growth in South Florida's trade with Latin America -- which CBRE says was relatively unscathed by the global recession -- remains key to the region's industrial market. Miami functions as an entry point for cargo from the south, and a shipping point for U.S. exports to the region, and both have flagged in the downturn.

No single country is more important to a recovery than Brazil, Byrd said. As he sees it, the impact of the central government's economic stabilization plans and the build up to the 2016 Olympics, combined with a weak U.S. dollar that aids Brazilian purchasing power, should bode well for South Florida's return to growth. Disruptions in commodities markets this year interrupted an upward turn in the Brazilian economy, leaving its GDP growth flat in 2009. Recent estimates peg 2010 growth at about 5.1 percent, according to estimates from the International Monetary Fund.

Brett Harris, president and COO of the Adler Group, also points to the international recovery as key to a rebounding South Florida industrial market. With recovery, he said, comes a need for more manufacturing and, in turn, a need for more warehouses and flex spaces.

Harris also offered another avenue for improvement in South Florida's industrial market: smaller tenants looking for alternative workspace.

"The smaller tenant market will ignite the recovery and will increase the demand for smaller functional spaces in the suburban flex and industrial warehouse arena instead of Class A office space," Harris predicted. "This growth will be partially fueled by individuals that have lost their employment and decided to become entrepreneurs. Overall, there will be enough supply of product to meet the demand, holding occupancy rates steady."

Viola Sanchez, vice president of the southeast division of PS Business Parks, which owns the Miami International Commerce Center, a 53-building industrial complex in the city of Doral, said 2010 deserves cautious optimism. She said the industrial market is in a better position than most other markets, especially in the Airport West commercial submarket, because it doesn't have to compete with any new construction projects coming online.



"Most experts are predicting rental rates to tick upward late in 2010 and the market strengthening as we enter 2011. We have seen strength and activity in the small tenant arena, as business need to consolidate in order to make it through the next year," Sanchez said. "You need to find the golden goose in the present turmoil. Times like these bring out the best in all of us. We need to keep a positive outlook."

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