37 Years MIAMI TODAY Written by: Jesse Scheckner

Bankers see economic muscle in real estate boom

Banking experts are forecasting a strong Miami-Dade recovery in 2021 spurred by the area's strong real estate market and a diverse economy. While some industries may bounce back more slowly than others, they said, the financial outlook for the county and South Florida as a whole is encouraging.

Business has already picked up significantly in the first quarter, US Century Bank CFO Rob Anderson said, boosted by a still "booming" real estate ecosystem and resilient small- to medium-sized commercial and industrial businesses in the area.

"Certain business types are very busy, and in our first quarter our loans were up 6% versus the fourth quarter of last year – a 24% annualized growth rate," he said. "Business in Miami-Dade and the South Florida market are rebounding quite nicely, [and] we see just general commercial real estate lending picking up across the board."

As the nation nears the 12th anniversary of the Great Recession, the longest American recession since World War II, the lessons learned from that period are evident in how banks, businesses and governments responded to the current economic climate.

Because they leveraged themselves less in response to the pandemic, Mr. Anderson said, many companies are flush with liquidity. And many operated throughout last year, though most at lower volumes than before Covid-19 struck.

"We have government stimulus programs being put to work, and the banks are the conduits to get [the] money out to clients. That gives us an opportunity to be fast and responsive, and we've picked up new clients," he said. "By all senses from the numbers I've seen on my desk, business is back, and US Century Bank is probably going to have one of the strongest quarters we've had in a while when we report on the first quarter. It's trending in the right direction."

Not all real estate types are doing equally as well, said Agostinho Alfonso Macedo, CEO of Ocean Bank. Residential real estate remains the healthiest part of the bank's portfolio, he said, as the pre-pandemic trend of people relocating to Miami for its favorable weather and comparatively low taxes has continued.

Similarly, warehouse and industrial real estate will remain strong in a county known worldwide as the "gateway to the Americas." But office, retail and hospitality space will be slower to make a comeback due a huge shift from in-person to remote work, an acceleration of the "Amazon effect" of customers preferring to shop online rather than in person for many goods and services, and safety worries tied to the pandemic linger.

Recovery by business-oriented hotels is likely to be the slowest among hospitality companies, Mr. Macedo said. But for recreation, while average daily rates aren't yet back to where they were in 2019 and early 2020, when Miami-Dade hosted a slew of events culminating in the Super Bowl, numbers are on the upswing.

"The great news is they're going up little by little, and very encouraging is the occupancy," he said. "These hotels are packed. They're full, and everything is related to the huge amount of stimulus. People have a lot of money and are traveling more, and when they do, they don't want to go to the Caribbean or Europe. They want to come here to Florida, to Miami, and we're seeing the effects of that."

The economy remains "somewhat stressed," but despite a massive amount of debt being placed on the nation's balance sheet, America in general and Miami-Dade specifically are on course for a strong year, said Robert Muñoz, president and CEO of The Global Financial Group and a past chairman of World Trade Center Miami.

The pandemic dampened the economy, but not all industries equally. To what degree a combination of increased debt, a surge for demands of products and services and some material shortages causes inflation is unknown, he said.

"It's yet to be seen if our debt is downgraded, but worse would have been economic calamity, so this is the better way out," he said. "We've learned since the [Great Depression of the 1930s] not to pull back but to ride through these large cycles. The Great Recession was a great example of riding through a massive amount of turmoil, where the federal reserve put trillions of assets onto the balance sheet in the form of a rescue."

Among the good news, he said, is that most American corporations that operate internationally, including many headquartered in Miami-Dade, aren't overly leveraged. Altogether, they have about $3 trillion in offshore balances, revenues and income that, if needed, could in part return to further bolster economic recovery.

"Generally speaking, our economic turmoil has been properly measured in the [stimulus] programming that's out there," Mr. Muñoz said. "Of course, there are some abusers – those who maybe take advantage of things they shouldn't – but the overwhelming majority of people using it have been helped correctly."

As a "first-rate city within the tiering of US cities" and a top global commercial and recreational destination, he said, Miami and its two primary economic engines in Miami International Airport and PortMiami stand to gain much from President Biden's forthcoming $2 trillion infrastructure improvement plan, which some have compared to President Franklin Roosevelt's New Deal that helped bring America out of the Great Depression.

"Miami and South Florida would benefit significantly with monies that would flow into the state helping all 19 major airports in the state and the roadways, which we've constantly upgraded and have been building because of population growth," Mr. Muñoz said. "It would also help in hiring people from rural areas who can now work from home if they get the latest 5G connectivity. It's great overall, and while I don't know if it's enough money, $2 trillion is better than zero, and it's a direct stimulus because the money will be spent, unlike some of the prior stimulus that's really being held, not being spent, by people because they're still worried about the future."

For those with an entrepreneurial bent, now is the time to invest in that future, Mr. Macedo said. The pandemic and the trillions in stimulus dollars being spent to offset its effects present "a unique opportunity" to existing and potential businesspeople as the country undergoes an explosion of pent-up consumer demand.

"This is the right moment," he said. "We're starting to see shortages in some areas because we cannot catch up with the demands all this consumption is creating. You saw this happen with [semiconductor] chips and automakers, for example. You have low-cost money and demand, so it's the right time to go out and do that project. The most difficult thing is to find the money to do it and to sell your product. Those conditions are right there, right now."

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Financial Trends

Bankers see muscle in real estate boom, diverse economy

By Jesse Scheckner

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State overseer seeking to restrict property insurance suits

The New Service of Florida

Pointing to a "disparity" between Florida and other states in litigation, Insurance Commissioner David Altmaier is urging lawmakers to consider a series of steps to restrict property-insurance lawsuits.

Mr. Altmaier sent a five-page letter this month to House Commerce Chairman Blaise Ingoglia outlining potential ways to curb litigation, including limiting fees paid to attorneys who represent policyholders.

As an example, Mr. Altmaier urged a change to address what are known as contingency risk multipliers. Florida allows plaintiffs to collect attorney fees when they prevail in cases against insurance companies, with the amounts typically set by a calculation of the number of hours spent on a case and a reasonable hourly rate. But courts also can approve contingency risk multipliers that increase the fees.

Under a bill passed by the Senate last week, contingency risk multipliers could only be awarded "in a rare and exceptional circumstance with evidence that competent counsel could not be retained in a reasonable manner." A House property-insurance bill does not include such a limit.

But in the letter, Mr. Altmaier urged the House to consider a "rare and exceptional" legal framework for the multipliers.

The insurance industry is lobbying to limit attorney fees, arguing that they lead to increased litigation and higher insurance costs. State regulators last year approved dozens of double-digit rate increases for insurers.

"These solutions could substantially reduce the litigation associated with claims, bringing more certainty into Florida's property insurance market," Mr. Altmaier said in the letter dated April 2. "Ultimately this will provide more stability in the market and more rate stability for consumers."

The Office of Insurance Regulation released the letter Monday in an email titled "notice to interested parties."