

Construction spending finally in a tiny rebound

Construction spending in Florida is finally in a tiny rebound.
The bad news: Housing permits are still 80 percent off their peaks.

By Douglas Hanks

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Construction has tip-toed into South Florida's economic rebound.

Long a drag on spending, the construction industry has finally bounced off a horrid bottom when it comes to purchasing. State figures on taxable sales showed November was the fourth straight month of growth in construction spending for Broward, according to the Florida Office of Economic and Demographic Research. That brings Broward in line with Miami-Dade, where construction spending has been on a modest rise since the end of 2010.

"We're seeing a lot of custom-home building. You see it in Key Biscayne and Coral Gables and Pinecrest," Latin Builders Association head Bernie Navarro said, citing some of Miami-Dade's more affluent neighborhoods. "Those places had fallen to zero. Now they're back on."

The glimmer of upward motion on construction spending hints at a new phase in South Florida's slow economic recovery. Construction continues shedding jobs, but employment losses have narrowed to the point that Miami-Dade is now losing more positions in the finance industry than it is in the building trades.

"It's going better than I expected six months ago," said David Denslow, a University of Florida economist. "Remember, six months ago we were worried about a double dip. Now all of the evidence is pointing the other way."

In all, November taxable sales were up 5 percent in Broward and 9 percent in Miami-Dade compared to the prior year, the kind of strong gains seen throughout 2011. A closer look at the monthly reports on taxable sales captures the highs and lows of South Florida's two-year rebound in spending, including a long-awaited bottom for construction.

Consumer spending at businesses tied to tourism and leisure — including hotels, liquor stores and restaurants — are back at record levels, as is everyday spending. But sales of appliances, autos and other pricey items remain down by as much as 30 percent from highs set before the recession's official start in December 2007.

Before the recession, those big-ticket items enjoyed a lift from Florida's roaring housing market. Easy second mortgages fueled car purchases, and over-heated building brought a run on washing machines and dishwashers, said James Lacrosse, an EDR analyst.

"Those were the days," Lacrosse said. "But those days couldn't last."

Still, EDR's breakdown of taxable sales shows progress from the depths of the recession. Taxable sales at Broward automotive businesses are up 11 percent from lows hit in the fall of 2009, and up 16 percent in Dade.

Sales of durable goods — washing machines and televisions, as well as boats and furniture — bottomed out at the start of 2001 in Broward. They've rebounded only 5 percent since then, leaving them down 29 percent from

highs reached in the fall of 2006. Miami-Dade's rebound has been a little healthier for big-ticket items: up 9 percent from the bottom in early 2010, but still down 16 percent from the peak in February 2007.

A collapsed construction industry continues hammering all parts of South Florida's economy. Miami-Dade's limping finance industry still hasn't recovered from the go-go days of the housing boom, and employment in that sector dropped 5 percent in December compared to a 2 percent gain from all private employers.

At Ann's Florist shop in Fort Lauderdale, the holiday-party season just hasn't been the same without rich builders. "They were living large," owner Buddy Shaw recalled. Without the big corporate accounts to boost profits, Ann's saw sales drop through the downturn and they've now bounced off a modest plateau. Shaw is hoping for a busy Valentine's Day next week, and he's seeing his regular customers splurge a little bit more on their orders.

"You can see a little bit of an uptick," he said. "We're in a luxury business. Obviously, you don't need flowers."

The housing statistics suggest Shaw has a long wait before contractors will again be ordering up poinsettias for lavish holiday shindigs.

Taxable sales tied to the construction industry are off 41 percent in Broward and 51 percent in Miami-Dade. Residential building permits have been on the rise, but only a little.

Census data shows single-family home permits were up 70 percent in December over the prior year in South Florida, but only thanks to an additional 96 permits for a population of 4 million people. Permits are still down 83 percent from their peak in June 2004.

A glut of foreclosed homes has builders competing with rock-bottom prices on the resale market. In January, Standard & Poor's reported its Case-Shiller housing index for South Florida was down 51 percent from its boom-years high, thanks to yet another 4 percent drop from the prior year's depressed prices.

Navarro, the Latin Builders president, said his own development company hasn't started a house in early 2008. The start-up lending company he owns with a partner, Benworth Capital, has seen growth in loans to real estate investors and new-home buyers, so Navarro thinks he will be able to sell a new home soon in the right market.

"We have lots in Coral Gables we will be looking at pretty soon," he said. "People feel optimistic. We see some signs of hope. But we're still far away from it."