Palm Beach County's economic recovery trails neighbors to the south

County’s drivers — retirees and real estate — aren’t as strong as Broward’s and Miami-Dade’s.

By Emily Roach

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For the third largest county in the state, Palm Beach County is the runt of the South Florida litter.

With an economy based on retirees and tourists, Palm Beach lost significant wealth with the housing bust, as did all of Florida. But without substantial international business and tourism to keep it afloat, as Miami had, or a major draw like the cruise ship industry in Fort Lauderdale, Palm Beach has limped back from the recession.

Monthly job growth, year over year, is consistently weaker than the state average and Miami-Dade County. Bed taxes from hotel stays lag behind the improvements seen to the south and statewide. Retail activity is down from five years ago, while Broward and Miami-Dade are up, according to the state’s index.

More office space is vacant, though Palm Beach County single-family housing permits track better than its peers. But for the past couple of years, the population isn’t growing as fast as Broward and Miami-Dade and neither is the per capita income.

“You don’t have as much global business relative to trade and relative to investment and relative to visitors,” said economist Tony Villamil, dean of the business school at St. Thomas University in Miami Gardens. “More of the national trends are affecting Palm Beach.”

And the geography of South Florida puts Palm Beach County at a disadvantage, even if it is larger than Hillsborough County whose heart is Tampa and Orange County whose heart is Orlando, said economist Sean Snaith of the University of Central Florida.

“Certainly we’ve seen recovery in South Florida, tourism and real estate and the influence from South America,” he said. “It just takes time to make it up (Interstate) 95.”
Regional cooperation

Villamil said the tri-county area doesn’t cooperate in ways that the Interstate 4 corridor and Tampa Bay area do, and that hurts all the counties.

The four-county area of the Metro Orlando Economic Development Commission touts its life sciences cluster, major university and corporate headquarters, such as Darden Restaurants and the American Automobile Association, as it recruits businesses.

Tampa Bay Partnership comprising eight counties on the west coast started developing a regional business plan in 2011 to grow high-potential industry sectors. The recession made the governments and businesses there see the benefits of working together.

“The other areas of Florida are talking and are implementing joint plans,” he said.

Competition for large employers is a different scenario in South Florida, where the three biggest counties are stacked on top of one another,” Palm Beach County Mayor Steven Abrams said.

Considering he was mayor of Boca Raton when The Scripps Research Institute was snatched from the city’s hands and located in north county, Abrams knows that Broward and Miami-Dade can wrest away a lucrative prospect. In the Orlando and Tampa area, the surrounding counties are less powerful bidders.

“There are more central cities surrounded by less populated counties,” he said. “Here we’re linear. We are three populous counties.”

But South Florida economic development leaders do work together, said Kelly Smallridge, president of the Palm Beach County Business Development Board, citing the Seven50 group of seven counties. The group has a 50-year prosperity plan for Southeast Florida.

“The difference is you are talking about three counties that individually are very large in size, sophisticated in their economic development effort and the name of the county itself can stand on its own,” Smallridge said.

Lack of collaboration is not the chink in the armour.

While Palm Beach County may lag in its recovery, she said, it soared on real estate and construction during the boom and thus had farther to fall.

Economist William Stronge, Florida Atlantic University professor emeritus, concurred. Palm Beach County was “probably more dependent on construction” and more affected by the real estate bubble, he said.

Miami-Dade is significantly different from anywhere in Florida because of its size and diversified economy, he said, but it does have a higher unemployment rate because of the
numbers of people who move there. Broward is moving away from an economy based on retirees.

Business community lags

The Miami metropolitan area, which comprises Palm Beach, Broward and Miami-Dade counties, had an annual GDP of $263 billion in 2011, according to the latest statistics released in February. The area is the 11th largest economy in the United States.

Villamil said the Miami port expansion and Fort Lauderdale’s cruise popularity with two new large ships added last year gives South Florida a boost in economic recovery. Palm Beach County lacks both of those large economic engines.

The county had the lowest retail activity last year compared with Broward, Miami-Dade and the state, according to state figures. Broward grew 2.5 percent and Miami-Dade 12.6 percent.

The cornerstones of Palm Beach’s and Florida’s economy, real estate and retirees, collapsed, Snaith said. The international influence helped Miami-Dade recover faster by absorbing the extra housing stock.

The vacant offices are being absorbed faster in Miami-Dade and Broward counties as well.

Vacant office space in Palm Beach County is nearly 6 percentage points higher than the South Florida behomeths and just fell below 25 percent for the first time in four years.

That number is driven, said Brady Titcomb, Jones Lang LaSalle’s Florida research manager, by the several large tracts of vacant space the county has: the old IMB offices now known as T-Rex, the old Office Depot headquarters in Delray Beach and the former Tyco headquarters in Boca Raton that Tyco/ADT left for new digs a few miles north.

“It can be kind of a grim picture when you look at the overall vacancy,” Titcomb said.

Core tenants aren’t leaving, but new tenants aren’t coming to the county, he said. Mostly businesses have looked for smaller and cheaper spaces as they’ve had the opportunity.

However, the bright spot is that downtown West Palm Beach and the posh spaces in Palm Beach still command top prices.

“Rents in Palm Beach are some of the highest south of D.C., particularly downtown West Palm Beach and Palm Beach island,” he said.

Employment bumps along

On employment, Florida lags behind the nation, and Palm Beach County is an under-performer in the state.
Rollins College economist Bill Seyfried said business and professional service jobs were down 2 percent in 2012 for the county, though they were up nearly 2 percent statewide. If businesses had hired these workers at the same rate as the rest of the state, it would have resulted in 3,000 more people employed in the county, he said.

“That explains almost the entire under-performance of the region relative to the state,” Seyfried said.

Education and health services also showed a drag locally while accelerating statewide. If the county had kept pace with the state, it would have resulted in another 1,200 jobs, Seyfried said.

As far its neighbors, the county fared well compared to Miami-Dade in overall job growth last year. But growth in that core South Florida county picked up months before Palm Beach County and had a strong 2011.

The county’s hiring for 2012 was flat. The state was a meager 0.7 percent, Seyfried said.

But the “sheer size” of South Florida with the three largest counties in the state stacked on top of each other “in terms of growth rates puts it at a disadvantage,” Snaith said.

In other words, the statistics will mask the recovery because the numbers of new jobs will be distorted by the huge employment base.

**Tourism recovering**

Florida’s tourism industry brought 89 million people to the state last year and nearly 5 million spent time in Palm Beach County.

While the county has less than a quarter of the population of the three-county area, it has a slightly higher take of the tourism pie. Broward is the big player, though it has nothing close to the draw that Orlando enjoys.

“As far as tourism goes, Palm Beach County has rebounded faster than the national average, but not as fast as Miami-Dade,” said Peter Ricci, director of the hospitality management program at Florida Atlantic University.

Once again, the international market helped keep Miami-Dade and Broward doing better than other areas, especially the visitors from South America.

Taxes from hotel stays are nearly even with five years ago while Florida is up 15 percent, Miami-Dade 12 percent and Broward 5 percent. Last year those revenues, which in turn are spent to draw more visitors, were up 3 percent, compared to almost 10 percent for Florida, nearly 5 percent for Miami-Dade and nearly 10 percent for Broward.

“A lot of it has to do with the image of South Beach” and then Sawgrass Mills draws those tourists to Broward County, because many shop while they are here, Ricci said.
He said Palm Beach County has a “severe lack of funding for destination marketing and promotion,” but the recovery has been faster than he would have expected.

But the market is different than Broward and Miami-Dade, with the county drawing a luxury tourist primarily.

“We’ve always been behind in terms of pace,” Ricci said, “but ahead in terms of rate.”

**Comparing economies**

**Florida**

Population 18.8 million

Per capita income $39,636

Single-family housing permits 31,874

Office space vacancy 20.2 %

**Palm Beach County**

Population 1.3 million

Per capita income $53,500

Single-family housing permits 1,895

Office space vacancy 24.6 %

**Broward County**

Population 1.8 million

Per capita income $42,768

Single-family housing permits 1,446

Office space vacancy 18.8 %

**Miami-Dade County**

Population 2.6 million
Per capita income $37,834

Single-family housing permits 962

Office space vacancy 18.7 %