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Hot Rebound Expected for Commercial Real Estate in Southern Port Cities?

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Port cities in or near Gulf of Mexico have certainly had a rough couple of years thanks to massive fallout from Hurricane Katrina, the BP oil spill and the deep recession. The commercial real estate industry, both regionally and nationally, also hasn't been in a good position since the middle portion of last decade following its well-documented and severe industry correction. However, panelists at the Urban Land Institute (ULI) 2010 Fall Meeting in Washington, DC believe opportunity may be on the way for real estate for said port cities.



Southern ports and dependent industries have become accustomed to negative game-changers affecting them. However, the upcoming completion of the \$5 billion Panama Canal expansion project could move the needle significantly in the other direction. ULI Senior Resident Fellow Steve Blank and Author/Consultant Jonathan Miller, who wrote ULI's 2011 edition of "Emerging Trends in Real Estate," said the expansion should help stabilize and grow commercial real estate, especially in New Orleans and Houston, by leaps and bounds. The expansion should cause a surge in shipping trade through the United States, though the usual suspects likely won't be in on the newfound opportunities, they predicted.



"They're not going to the West Coast ports because those ports have all they can handle," Miller said at the conference. "This is actually a very good thing."

It's possible that Savannah, GA could be added to that list as well since, as Miller and Blank noted, nearby Atlanta stands as the "international gateway to the U.S. South." Fortunately for the smaller, coastal city, it doesn't have a fraction of the overbuilding problem to contend with as does Atlanta.



Hans Belcsak, president of S.J. Rundt & Associates Inc., and a Brookings Institution report each outlined the impact of the canal expansion, featured in the November/December issue of NACM's Business Credit Magazine, saying it represented a huge opportunity for those ports and U.S. businesses, in general. While neither discounts the impact on West Coast Ports as much as the ULI panelists, each intimates the southern ports stand to gain the most in large part because of increasing opportunities in Brazil. Aided by a growing middle class and hosting of globally high profile events over the next decade (FIFA's World Cup, the Olympic Games), Brazil is expected to surge past its present ranking of tenth among nations receiving exports from U.S. companies, said Brookings. The expansion of the canal allows for far quicker and cheaper shipping between the emerging economic power and a large portion of the United States. And it's not the only major market that will become more accessible as a result of the expansion...far from it.

NACM members can see much more of the Panama Canal expansion and its impact on U.S. Businesses on page 6 of the November/December edition of Business Credit Magazine.
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