

SOUTH FLORIDA ECONOMY

Doesn't feel like 2008 here — yet

■ Even as investors panic and fears of a second recession loom, South Florida businesses look around and don't see 2008 staring back at them.

BY DOUGLAS HANKS
dhanks@miamiherald.com

When the stock market crashed in the fall of 2008, Jose Goyanes panicked. And for good reason. "October 2008 was the worst month of business I ever had in my life," recalled Goyanes, the owner of a restaurant, beauty parlor and barber shop in downtown Miami. "It was scary. I ended up calling every company I did business with and saying, 'What can you do? We need to lower our

costs.'" out his Rolodex this time around, despite fears of a 2008 repeat as the Dow Jones index shed more than 1,900 points in 18 days, pummeling retirement accounts, and analysts warned a second recession might be coming.

"It's not 2008," Goyanes said during the lunch rush Friday, when a full dining room at his Tre Italian Bistro spilled onto the sidewalk tables outside. "Rain hurts us more than a bad day on the stock market, I

But Goyanes didn't pull •TURN TO CONFIDENCE, 17A

Businesses say this is no repeat of '08

•CONFIDENCE, FROM 1A

can tell you that."

With economists and investors divided between concern and confidence, South Florida's economy finds itself in limbo, too. Business owners and managers interviewed during Wall Street's erratic week mostly described a summer significantly improved over 2010 but still stuck in the kind of low gear brought on by the recession and 2008 financial crisis.

They did not see immediate fallout from new warnings that the economy could be sliding back into a recession, or see customers pull back as major stock indices finished the week down about 7 percent from where they were on Aug. 1.

But there was consensus that a new cloud of uncertainty and anxiety has settled over the local economy, endangering what seemed to be a fledgling recovery.

Tere Blanca, CEO of Blanca Commercial Real Estate, said the volatility on display last week could prompt companies to rethink expansion or relocation plans. "Deals that are in the pipeline could come to a screeching halt in the next 30, 60, 90 days," she said.

Volatility "directly impacts the mood of corporate America and how they perceive their own future," she said.

Bob Lepisto runs a boutique cruise company in Miami called the SeaDream Yacht Club. A suite cabin in an upcoming Greece cruise costs \$22,000, and the cheap bunks cost \$8,900. He thought Wall Street's wild ride would prompt his affluent clients to take a step back on travel plans. But he was wrong.

"I expected to see people absolutely sit on their wallets and not make decisions," Lepisto said. Instead, "this booking week is up year over year." Even corporate groups — which saw the biggest drop-off in South Florida after the 2008 crisis — are holding firm.

"I had a UK company on last week for an incentive and they just this morning sent me an email saying they want to do 2012 if we have the space," he said.

Marketing firms say their clients aren't showing concerns about the economy, as was the case in 2008. Several said they are hiring and planning to expand to new



PETER ANDREW BOSCH/MIAMI HERALD STAFF

SO FAR, OK: Jose Goyanes, owner of Tre Italian Bistro, says business didn't miss a beat over the past two weeks of Wall Street turmoil. He's talking to Lori Rosenberg, who has lunch there three times a week.

offices this year. One reason is the recession thinned out about half of the competition.

"Everyone is thinking, 'OK, here we kind of go again.' We've been through this not too long ago," said Tadd Schwartz, principal of Schwartz Media Strategies in Miami. "I think businesses in general are more in-tuned and weathered to how to approach this. It's not as bad as two or three years ago."

Wall Street's rally to end the week could blunt the new pessimism that washed over the economy after the Dow's first 500-plus plunge on Aug. 4.

After markets closed for the weekend the following evening, Standard & Poor's announced a downgrade of the United States credit rating. That sparked a week of steep losses and sharp rebounds that ended Friday with the Dow down 3 percent for the year.

A confidence index released Friday by the University of Michigan showed consumers feeling gloomier than they have since May 1980. But with the Dow 164 points away Friday from erasing its 714-point mid-week plunge, consumers and businesses could rethink their bad mood.

"What happened this week really doesn't affect us at all, and it shouldn't affect most people, either," said Angel Medina, executive vice president of Gibraltar Private Bank and Trust. "Unless you are a day trader — or a gambler."

Irma Sanders thought fears of a new economic calamity would scare off customers at her spa in North Miami Beach. In the fall of 2008, the phone kept ringing — with cancellations. This time, her appointment book remains full.

"So far — thank God, amen — I don't notice anything," said Sanders, owner of Spa 3067. "Our people may be more shock proof."

With a steady stream of manicures, pedicures and massages, Sanders said she has noticed a shift in client psyches since the economy launched into full retreat three years ago. Then, financial woes were new and scary. Now they seem more routine, Sanders said.

"Two years ago, people would whisper, 'I am going into foreclosure,'" she said. "Now the shame is gone. People scream it from the top of their lungs."

One explanation for the lack of jitters this time around is the damage done from an extended downturn

and weak recovery. After three years of declining home prices in South Florida (down 20 percent since October 2008), and record unemployment (74,000 jobs lost) consumers have settled into an already anemic economy.

Thomas Lehman, a bankruptcy lawyer in Miami, said recent days only brought a bit more uncertainty for lenders trying to sort through a ravaged economy. While investors in condos and apartments continue to see opportunity in distressed real estate, the market for luxury homes remains as depressed as it was a year ago.

"In 2008, I think the attitude was panic," said Lehman, a founding partner at Levine Kellogg Lehman Schneider & Grossman. "What I sense today is not panic. There's a sort of resignation that we're in for a long period of little or no growth."

When Lehman is involved in a bankrupt business, he finds lenders hesitant to seize the company after a default. The reason: they don't see much upside in taking over the operation or trying to liquidate it. Not so with multi-unit real estate, where prices have dropped so low they're at-

tracting buyers.

Lehman noted that when the lender took back the failed Artec City condo project in South Beach, the deal was worth about \$400 a square foot. Even so, the lender recently sent a letter to buyers urging them to take back their deposits, which would give the lender the ability to resell units.

"At least one new owner thinks the market is going to improve," he said.

On Friday, Marcus & Millichap issued a report on Miami-Dade's apartment market showing rents grew at least 1 percent throughout the county since last year and are up almost 4 percent in Kendall and Coral Gables.

Coastal Construction, a top apartment builder in South Florida, has hired back 65 workers this year, after laying off hundreds in 2009. CEO Tom Murphy said he doesn't think the past two weeks will dent the momentum.

"My outlook hasn't changed," he said. "We've started 10 new projects this year. Last year we started two, and the year before we started one."

Miami Herald staff writers Bridget Carey, Ina Paiva Cordle, Toluse Olorunnipa, and Hannah Sampson contributed to this report.