
FLORIDA TAXWATCH

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Economy Heating Up in South Florida

Over the past few years Florida's economy has been on the rise, finally shaking off the economic pain from the great recession. This positive growth has helped stimulate development in South Florida in particular. In a recent survey, more than 80% of small businesses in South Florida reported that they expect to meet or exceed their 2015 revenue targets.¹ And the economic growth is not limited to small businesses; the South Florida Region has also seen a growth in sectors such as construction, financial services, innovation, and more.

Innovation Development a Priority

Small businesses play an important role in helping an economy grow. Small businesses, which are usually created and run by entrepreneurs, are the most likely companies to exhibit significant growth, strengthening employment and money flow into an area. One factor that has led to the success of small businesses in South Florida is the priority of advancing innovation in the region. Leading the innovation charge in South Florida is the Research Park at Florida Atlantic University (FAU). In 2014, 671 new jobs were created as a result of businesses using the services available at the park, with average salaries at companies located in the park reaching \$87,000 per year.² Additionally, businesses associated with the research park were able to gain 37 new patents in 2014, as well as raise nearly \$50 million in external capital.³

This increase in innovation is vital to the growth of South Florida's economy, as innovation is an attractive investment for foreign and domestic investors. Andrew Duffel, President and CEO of the FAU Research Park, has touted the international growth of companies located in the research park. International growth provides a new avenue through which money can flow into the region, helping expand growth in all sectors of the economy, and South Florida is well positioned to capitalize on foreign investment. According to Duffel, "South Florida's large metropolitan area and two ocean cable landing sites, as well as its proximity to the Latin American markets, make it an attractive location."⁴

1 Gehrke-White, Donna. "Survey: Small Business Revenue Goals on Track, but Optimism Lags." Sun Sentinel. Web.

2 Duffell, Andrew. "South Florida's Growing International Technology Footprint." Forward Florida. June 14, 2015. Web.

3 Ibid.

4 Ibid.

Innovation is not just important when it comes to who chooses to invest, it also has strong economic power after the money has been invested. According to a study out of the Massachusetts Institute of Technology, the innovation sector has the largest multiplier effect of any sector nationally.⁵ This claim is backed by California-Berkeley professor of economics and author of *The New Geography of Jobs*, Enrico Moretti, who explains that due to the high multiplier effect that is found with investment in innovation, each new high-tech job in the U.S. created five additional jobs in the service economy.⁶ With these opportunities for job creation and economic growth, innovation has had, and will continue to have, a positive impact on South Florida's economy.

Foreign Investments Help Drive Growth

While foreign investors are using innovation and product development as one way to tap into South Florida's economy, they are also having a major impact in other areas. With the attraction of growing industries and incentives like the EB-5 Immigrant Investor Program,⁷ foreign direct investments are funding many projects in the South Florida area. Two major projects in particular that are seeking foreign investment are SkyRise Miami and The Panorama Tower. SkyRise Miami, touted as the Eiffel Tower of Miami, is seeking to pull in as much as \$270 million from foreign investors.⁸ This project is expected to cost approximately \$430 million and require 5,335 construction jobs to complete,⁹ and will require more than 13,000 jobs for the ongoing operation of the facility. The second project, the Panorama Tower, a mixed-use 82-story building, is expected to cost roughly \$800 million to complete, employing roughly 1,300 workers during construction, and creating 800 permanent positions for ongoing operations.¹⁰

The economic impact of these projects on the city could be very significant. During the development phase alone, the SkyMiami is estimated to have a more than \$650 million economic impact.¹¹ While both of these projects will have a direct impact on jobs and money brought into the economy, they will also create the opportunities for growth in other areas of the economy. Everything from retail to hospitality will be impacted by the investment and growth of premier tourist attractions like SkyRise Miami, as well as mixed-use projects like the Panorama Tower.

5 Brokaw, Leslie. "The Multiplier Effect of Innovation Jobs." sloanreview.mit.edu/. 6 June 2012. Web.

6 Ibid.

7 USCIS administers the EB-5 Program. Under this program, entrepreneurs (and their spouses and unmarried children under 21) are eligible to apply for a green card (permanent residence) if they make the necessary investment in a commercial enterprise in the United States, and plan to create or preserve 10 permanent full-time jobs for qualified U.S. workers. This program is known as EB-5 for the name of the employment-based fifth preference visa that participants receive.

8 Reiser, Emon. "Miami to Reach New Heights with Foreign Investors." *South Florida Business Journal* (2015). Print.

9 Ibid.

10 Ibid.

11 Ibid.

Financial Sector Also a Player

Another major player in the growth of South Florida is the financial services sector. According to Mark Vinter, a senior economist at Wells Fargo, “The growth of financial services in South Florida is about four times faster than in the rest of the country.”¹² One reason for the success in finance has been the emergence of commercial and industrial loans.¹³ Due to the rise in commercial growth and spending in the South Florida area, the demand for lending to these companies has grown significantly. This type of financial lending also benefits the economy because it is used to create or grow a business, which in turn creates job opportunities while helping money flow through the economy. Continued success in these areas is a positive sign that the South Florida economy will continue to grow.

Statewide Action for Second Stage Companies

Florida lawmakers are also making business expansion more feasible throughout Florida. GrowFL is a state-sponsored program based out of the University of Central Florida that supports for-profit companies with the highest growth potential. While this program does not provide cash incentives or tax breaks, it does facilitate the creation of new jobs throughout the state. From July 2011 to June 2013, companies participating in the GrowFL program created nearly 2,000 jobs.¹⁴

Conclusion

Over the past few years, South Florida’s economy has seen considerable growth; however, this growth is possible due to the landscape of the area. The talented job pool, coupled with the ideal geographic location, make it an attractive investment option for foreign and domestic investors. The diverse economy allows these investors to choose a field they are most comfortable investing in, whether that is innovation, construction, development, retail, or others. Couple investors’ options with the fact that there is a growing financial services market to facilitate the expansion of the local economy, and one can see why South Florida has had success growing its economy in recent years, and is expected to continue growing in the years ahead.

12 Seemuth, Mike. “The Year Ahead: A Glimpse at the Economic Outlook for South Florida.” Miami Herald 4 Jan. 2015. Print.

13 Ibid.

14 Florida TaxWatch. *Cultivating Florida’s 2nd Stage Companies*. January 2015.

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