March 11, 2010

Export Volume Bodes Well for Region's Ports

By Paul Bubny

NEW YORK CITY-For New York/New Jersey as with other seaports across the US, an emphasis on import traffic has proven to be a liability in the current economy. These ports have tended to perform worse than the national average for industrial markets when it comes to space givebacks. However, for this region's ports, the tide is going back out, and that's a good thing—in other words, the percentage of export traffic is on the rise.

Locally, about 35.7% of all port activity through New York City/New Jersey seaports in 2008 was driven by export shipping and the percentage appears to be climbing, according to a report from Colliers International. While that percentage is lower than the 57.9% of total port traffic seen in Houston, it compares favorably to the 29.9% export rate in port activity through the port of Los Angeles/Long Beach for '08, the report states.

Figures for November 2009, the most recent month for which data are available from the Port of New York and New Jersey, show a 4.8% year-over-year increase in exports as measured in TEUs, or 20-foot equivalent units. That's about 39.3% of the monthly total of TEUs, compared to 36.6% of the monthly tally for November 2008.

Still, ports with an even greater percentage of export traffic, including Houston and Charleston, SC, have fared better in the recession due to the weak dollar and the concurrent strong demand for American goods. "There is a clear relationship between port activity and change in industrial demand," according to the Colliers report. It says that for every one percent gain in TEU volume, industrial demand goes up or down approximately 0.33%.

"Thus, the 60% rise in foreign trade experienced from 2001 to 2007 led to a 20% increase in industrial real estate demand in port markets," the report states. "Likewise, the 15% decrease in port activity in recent years reduced industrial demand in port markets by 5%."

In a release accompanying the report, Joseph Caridi, EVP at FirstService Williams, comments, "The global economy continues to shape demand for industrial space in and around large port markets such as ours. "As global economic growth continues to gain momentum in coming months and years, we expect to see demand for industrial space follow suit throughout our region." FSW will become the tristate hub for Colliers International by the end of next month.

Caridi says the growth of export demand will provide an "antidote" against further industrial occupancy declines in the New York/New Jersey markets. One reason will be labor growth, in which the federal government will play a key role. In his State of the Union Address, President Barack Obama proposed doubling the total volume of American exports in the next five years. Accompanying that would be the creation of roughly two million new jobs, many of which would ultimately fill vacant seaport buildings, Caridi says.

"If these new jobs materialize, they will fuel demand for as much as 500 million square feet of industrial space within our largest port markets," he predicts. "Exports currently account for almost 12% of GDP, and that's up from just 4% of GDP in 1970. The reason behind this growth is globalization, which will continue to buoy our largest seaports into the future."