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Gulf Coast Ports Show Strength

By Amy Wolff Sorter

MOBILE, AL-Though the economy has had a downward impact on the East and West coasts, some of the Gulf Coast ports, and its real estate, haven't been quite so adversely affected. Depending on where the port is located, the economic impact may not be quite so dire. James K. Lyons is director and CEO with the Alabama State Port Authority, which oversees and operates the Port of Mobile. He acknowledges the port, like many of the nation's ports, has experienced a decrease in cargo. But Lyons is convinced the downturn is very temporary.



Port of Mobile

"We've seen increases in the container side, and that's spurred other activity," he tells GlobeSt.com. The other activity he speaks of includes last February's construction launch on the port's intermodal container transfer facility.

But the story is somewhat different in Houston. Not that the Port of Houston hasn't benefitted from a booming economy or an increase in trade. Plus the **Bayport Terminal expansion is continuing**. But the Port of Houston, for the most part, deals with liquids, from the petrochemical industry as opposed to containerized cargo. Furthermore, the containerized cargo that does come to Houston doesn't stick around for long.

Jones Lang LaSalle senior vice president John M. Talhelm tells GlobeSt.com ports can have a viable economic impact, though in general, ports around the United States have suffered an economic downturn. Part of the reason, he said, is because of a lowered demand in goods. Another was because of the weakened dollar.

"A lot of that cargo comes here and travels to the Midwest," he explains. "A good amount goes into Mexico and a good portion of



Bayport Terminal
Houston

it stays within the state of Texas." In other words, though the Port of Houston received 1.79 million tons of cargo in 2008 and receives 65% of the cargo entering the Gulf of Mexico, most of those goods bypass the local warehouses on its way elsewhere. "It's why there's an increase of large intermodal terminals to get the product moved," Talhelm comments.

It's also why the real estate in the port's vicinity isn't leasing up very quickly. Houston's southeast submarket, the location of the Port Authority of Houston, vacancy is 12%-15%, depending on the report. This compares to the area-wide vacancy of around 7%.

Much of this empty space was also due to overbuilding during 2006 and 2007, when the Port of Houston was the hot place to be. However, the lack of demand for warehouse space combined with the excess inventory means slower absorption, Talhelm says.

Further east along the coast, however, Alabama State Port Authority's Lyons tells a different story. While the real estate market around the Port of Mobile is soft right now, "a lot of players are positioning themselves to build additional warehouses here," Lyons remarks. The port, and surrounding environs, has especially benefitted from the **ThyssenKrupp's \$3.7 billion steel and stainless steel manufacturing facility**, which broke ground earlier in 2009.

Don Epley distinguished professor of real estate and director of University of Southern Alabama's Mitchell College of Business Real Estate Studies Center adds that ThyssenKrupp pushed back its construction timelines due to the economic downturn. Still, once it's up and running, Epley says the impact on area employment and real estate will be huge because of job growth and the potential of other businesses coming in to serve the facility.

Added to this, Alabama State Port Authority is soliciting more international traffic. "We think they'll get it because traffic that's not looking at New Orleans much any more will come through Mobile," he remarks. Furthermore, the state of Alabama is going to expand the port.

"The port's had a very positive impact on the area overall, and on the state," Epley comments. "The governor doesn't want anything impacting the future economic development of the port. He wants it to expand, because he thinks it'll drive a lot of traffic and business to the state."