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Predictions for 2010

Meeting of economic minds convene at the News Journal to discuss Pensacola's recession rebound

Carlton Proctor
cproctor@pnj.com

A year ago this month, the Great Recession landed as the perfect financial storm and plowed into the national economy with devastating effects.

Like nearly every other American community, Pensacola felt its force; banks suddenly stopped lending; consumers stopped spending, employers started downsizing, unemployment soared, and many businesses simply shut their doors forever.

Twelve months later, though the storm's effects linger, signs of a recovery loom on the national landscape.

What are the prospects for recovery in the Pensacola Bay Area economy?

The News Journal asked seven business, academic and economic development leaders to discuss how they have coped with the recession, and what they expect to see in 2010, and beyond.

Here are their views and predictions:

Rick Harper, Director of the Haas Center for Business Research and Economic Development at University of West Florida.

"It seems clear that we're in the trough," Harper said. "Gross Domestic Product in the third quarter of this year will be about 3 percent. In the fourth quarter it will grow anywhere from 2 to 4 percent.

"After that, it's a tepid recovery," he said.

Harper said the tepid recovery he predicts will be the result of continued pressures on consumers' pocketbooks due to a weak and unstable job sector.

Another problem hampering recovery, he said, is the lack of any significant improvements in home equity and stock portfolios.

Despite that, Harper says the national economy is growing, and the country will be out of the recession sometime in the third quarter of 2010. Florida, and to some degree Pensacola, will lag because of the depth and breadth of the state's housing slowdown.

"Job growth will return to Florida probably by the third quarter of 2010," he said. "And the good news

for Northwest Florida is that our metro areas are among the least hard hit in Florida.

"So our unemployment looks a lot more like the nation's than the rest of Florida due to our drive-to tourism, due to the dominance of military and a vibrant health care sector."

Bill Greenhut, president of Greenhut Construction, Inc.

Even Greenhut, one of the most successful general contractors in Northwest Florida, feels the recession.

"I keep reading that the recession is behind us, but I certainly don't see it happening anywhere in Northwest Florida commercial construction," he said.

Greenhut, builders of such major projects as Navy Federal Credit Union and the expansion of Pensacola Gulf Coast Regional Airport, said 2010 promises more of the same: more contractors chasing fewer big ticket contracts.

"Today we'll see 15 bidders on a job, where two years ago we might have seen five or seven," Greenhut said. "And we're seeing contractors from South Florida up here in the Panhandle. They taking anything just to keep their employees."

There are a few bright spots, Greenhut said.

Military construction is strong, but the traditional clients general contractors rely on, health care and churches, have all but stopped building. Commercial office buildings are ground to a halt, as are big-box stores.

"We're seeing mass unemployment, both in the general contracting field and in the office sector," Greenhut said. "I hear late 2010 things will pick up, but I hesitate to even forecast when it's going to get better."

Charles Wood, senior vice president, Pensacola Bay Area Chamber of Commerce

Like Anderson, Wood also is working to address future workforce needs and product development, which include sites and buildings for new and expanding businesses.

"Now is the time to really get our house in order around product and incentives," he said.

Wood is complementary of the Escambia County Commission's efforts to help recruitment with tax and cash incentives.

"They created a tax rebate program, a cash program for real estate," Wood said. "They really have stepped up in a big way."

One of those step ups has been the county providing land near the Pensacola Civic Center for a potential technology park.

Over the next year to 18 months, Wood said the competition for new business will be as fierce as ever.

"Right now, as bad as it is ... from what we see in our pipeline, we've got more interest than we've had in the past couple of quarters," he said. "But it's just that, interest. We're not inking deals."

Larry Strain, Executive director, Small Business Development Center

Strain said it could take another couple of years before a small business recovery will translate into new jobs, and cut into the 10 percent unemployment plaguing the two-county metro area.

"We are seeing some new people creating some tech jobs," he said. "But the trade off is that when you talk to local tax collectors, the renewals are down. And unfortunately, the five- and 10-employee businesses are being replaced by the single entrepreneur."

Strain said the positive thing SBDC is seeing is growth and job creation by local companies such as web security provider AppRiver and avionics manufacturer Avalex.

But one of Strain's concerns is the scarcity of enterprise loan money for startup companies.

"It's a situation where even if I have a strong existing business, to find somebody these days to do an enterprise loan is almost impossible," he said. "But there are some projects percolating and people are getting off the dime, and finding construction capital."

Ed Schroeder, vice president, vice president of tourism development, Pensacola Bay Area Chamber of Commerce.

Tourism was a bright spot in the Pensacola area economy this year.

"This year has been an extraordinary year," Schroeder said. "Although we're only about 3.5 percent down (in total hotel revenues) from last year, last year was the best year for tourism we've ever had."

The reasons for this and last year's successes are simple.

"We sacrificed rate to get occupancy," he said.

It worked. Rates for hotels and rental condos were down by 3 percent, but occupancy inched up by 1.5 percent, despite the recession, Schroeder said.

Looking ahead to 2010, Schroeder sees more of the same downward pressure on hotel rates and small, but steady, growth in occupancy.

Other bright spots include an increase in the number of hotel rooms at Pensacola Beach in 2010, and more South Florida residents vacationing in the Panhandle.

"We have a lot of people from Central and South Florida finding their way up here that we haven't had in the past," Schroeder said. "I can't explain that. We have not done that much marketing in South Florida; it has not been fertile ground. But it is now."

Aaron Hill, general sales manager, Sandy Sansing

Nissan

No industry has felt the recession's sting more than new car dealerships.

The past 12 months have been stomach churning roller coaster ride for Aaron Hill and his staff at Sandy Sansing Nissan.

"There have been so many up and downs this past year," Hill said. "From September 2008 to March 2009 our business dropped 70 percent."

For Hill and the area's other sales managers, the main focus over the past four quarters was cutting expenses.

"We went through months and months of hard-core digging, trying to find out what we could cut that would prevent us from losing business," he said. "We dropped our expenses so we could maintain our employment levels through the winter.

"Employees were the last area that we went to, but unfortunately we had to go there," he said.

Sales started picking up in March, he said, but slipped in the summer until the Cash for Clunkers program arrived in late July encouraging car owners to trade in older vehicles for newer models with better fuel efficiency.

"Cash for Clunkers was the answer to all our prayers, except we still haven't gotten paid for all of them. But it cleaned out all our old inventory," he said.

As successful as the government-backed incentive program was, it did have its price.

"The problems dealers are facing now is that, yes, Cash for Clunkers was good for us, and we sold a bunch of cars, but now we don't have the cars on our lot to sell to people," Hill said.

It will be December before inventories are back to normal levels.

Going into 2010, Hill worries that sales will fall off again and dealers will be stuck with large inventories of unsold cars. He is mildly optimistic, though.

"Hopefully we can stay where we are and not make any more cuts," he said.

Todd Stafford, president, Home Builders Association of West Florida.

Long before the recession, home builders in West Florida were digging out from under a glut of unsold new homes.

The credit crisis, and meltdown of the mortgage industry, only made that task more problematic.

But they did find a solution, said Todd Stafford, president of the Home Builders Association of West Florida.

"What it took was our builders coming to the realization that we did have a glut of homes," he said. "And they have since done a very good job of cutting back pricing into a loss situation for them. But in long run, it's better for them to take a loss and get rid of those unsold new homes."

Stafford, whose term as president expires in November, said there still are about 1,000 unsold new speculative homes on the market, but that home builders have moved nearly 2,000 homes in the past 12 months.

While things are improving, thanks in part to an \$8,000 tax credit available to first-time home buyers, Stafford says the industry still faces many challenges, including tough mortgage lending standards, and a strict home appraisal process.

Looking into 2010, Stafford said they need some help from Congress to keep a recovery going.

"Our national home builders association is pushing hard for Congress to extend the tax credit, and I really hope they will," Stafford said.

Cindy Anderson, Executive director, TEAM Santa Rosa.

Anderson, Santa Rosa County's chief economic development officer, is looking forward to 2010.

"We have taken this opportunity with things being a little slow to try to build our environment," she said.

Anderson said she increasingly has been working with the schools, county officials and the private sector to "build what we believe will be an environment that new jobs will want to come to."

One of the major goals also is working with local and regional educational institutions to improve workforce skills.

"The problem is that educated kids do not necessarily equal a skilled work force," Anderson said. "What we're finding is that we need to work with schools little bit more, which we are, in Escambia and Santa Rosa, to help develop skilled graduates as opposed to educated graduates.

"And we're making some progress in that."

Anderson said the task ahead in the next year is to use the down time and set the table with available land and buildings for prospective businesses when the economy takes off again.

"No matter whom you recruit, they've got to have a place to go," she said. "And one of the things we've seen in our county is that there are not a lot of vacant buildings. We're trying to look for places for industry to go."
