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Whispers of recession stem from housing slump

Slump hits other areas, making life difficult in Southwest Florida

By [Dick Hogan](#)

Originally posted on September 02, 2007

A year ago Dolores Taylor was on top of the world: She had a \$55,000-a-year job as a mortgage underwriter with Washington Mutual in Bonita Springs.

That ended as she was suddenly laid off when her office — which gave loans to people with poor credit scores — closed.

Now she and her 4-year-old son are living on \$240 a month plus food stamps in a modest apartment in Fort Myers. "I'm struggling just to keep myself above water financially."

Taylor and many others are suffering from the collapse of Lee County's real estate and construction industries as the number of jobs shrinks and unemployment spikes. And it's not just those directly related to construction. Restaurateurs and retailers also are suffering.

But does it add up to a recession?

Ray Kest, an economics professor at Hodges University in Fort Myers, believes so. He and a class he teaches for Hodges' MBA program spent the summer tracking various economic indicators.



Kinfay Moroti/news-press.com

• Hodges University graduate professor Ray Kest.

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“Each one of them shows a trend downward,” Kest said. “Every one shows an upcurve from 2003 to a peak in 2005 and then it starts going down slightly in 2005 and a big free-for-all in 2006. They’re all down except foreclosures.”

The numbers are grim:

• **FORECLOSURES:** They reached an all-time high of 1,045 in July, more than three times the 299 from a year earlier.

• **UNEMPLOYMENT:** The unemployment rate was 4.7 percent in July, a total of 13,900 people were out of work.

That’s compared to 3.2 percent a year earlier. July’s rate was the highest since September 2003 and above the national rate of 4.6 percent and the statewide rate of 3.9 percent.

• **BUILDING PERMITS:** A total of 190 permits for single-family homes was issued in July, down 77 percent from 833 a year earlier, a sign there will be less home construction in coming months.

Meanwhile, layoffs have been coming fast and hard. WCI Communities in Bonita Springs let go about 600 positions last year, Centex Homes laid off 141 in March from Naples to Sarasota, and the Bonita Bay Group in Bonita has trimmed about 60 jobs since May. Sixteen percent of the county’s labor force of about 300,000 people is in the construction industry, according to the state Office of Economic and Demographic Research.

Besides, Kest said, the signs are there for all to see. “Driving up and down (U.S.) 41, you used to see a help-wanted sign in every store. Now you don’t see any.”

Steve Shimp, president of construction company Owen-Ames-Kimball in Fort Myers, said he’s seeing it, too.

“I would tell you that this is probably more broad spread than what we’re looking at on the surface, and deeper than what we want to believe,” he said. “This has touched a lot of folks and it’s going to get worse before it gets better.”

A self-described optimist, he believes it will be the end of 2008 before conditions turn around, although he stops short of calling this a recession.

“I think it’s something milder,” Shimp said.

• Florida Gulf Coast University and The Chamber of Southwest Florida are teaming up to measure attitudes regarding the current business climate and prospects for the immediate economic future in Southwest Florida.

• A business climate survey was mailed to 550 executives this week as part of the Executive Business Climate Survey. They are being asked to use their business experience and knowledge to identify trends in the regional economy. The survey questions include business activity, hiring, investment plans, the economic impact of the current housing construction slowdown, and new property tax reform legislation.

• The organizations will share results at the 20th annual Regional Economic Outlook Conference planned at Harborside Event Center in Fort Myers on Oct. 18.

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Others also question whether this really qualifies as a recession, an issue complicated by lack of any accepted definition of what constitutes a local recession.

For a country, economists often define a recession as two or more quarters of contraction in the gross domestic product.

In Lee County, Kest is reaching his conclusion by looking at a wide range of statistics, including foreclosures and unemployment.

But not everyone agrees.

"It looks like a significant slowdown," said Orlando-based economist Hank Fishkind, who tracks business markets throughout the state. "If we measure a recession by whether jobs are gained or lost, I don't think we have a loss of jobs in the aggregate."

From June 2006 to June 2007, he said, "job growth has been about 5,000" jobs in Lee County, so it's unlikely there will be an actual annual decline by the end of the year.

Still, he said, when it comes to real estate, Lee County has the worst market in the state, although he doesn't expect it to get much worse.

However, Daren Blomquist, marketing communications manager for Irvine, Calif.-based real estate data firm RealtyTrac, said he doesn't expect the rise in foreclosures to stop soon.

Real estate investors, he said, expect more people to lose their houses.

Banks aren't putting them back on the market now for the most part but will be forced to do so eventually, Blomquist said.

Investors, he said, "are expecting that by next year the banks are going to have a sort of fire sale mentality where they have to get rid of it."

"I think that unfortunately it is kind of flowing into the rest of the marketplace," said Michael Timmerman, Naples-based managing director for Florida at Hanley Wood, a national company that collects and analyzes data for home builders. "The fact is that there's a lot of people who can't get the financing, can't get refinanced. It gets to the point it starts affecting disposable income."

Still, he said, the news isn't all bad: Property and labor costs are falling, and the tourism industry remains relatively strong.

The total number of visitors in June, for example, was 169,000, up 3.2 percent from a year earlier, according to the Lee Convention & Visitor Bureau.

Meanwhile, even people not directly affected by the real estate slowdown are looking at the future with caution, said Robbie Roepstorff, president of Edison National Bank in Fort Myers.

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In speaking with customers, she said, "Not one person has given us a hardship case but there's caution, a dialogue going on. People are making more conservative decisions because they're taking that precautionary posture with every decision they make."

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