

Proprietors have high hopes for 2010 as region expands

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There's no denying it; 2009 was a rough year for business.

Capital dried up, construction disappeared, banks failed and jobs went away. What was there to like about 2009?

As 2010 now gets under way, there are some signs things will improve: Housing starts are up, slightly; unemployment rates are down, slightly. And, consumer confidence is returning, slightly.

All that is enough for economists to proclaim the great recession of 2009 has come to an end.

But hang on just a minute.

If all real estate is local, then so, too, are recessions. While Northern Colorado has weathered the downturn better than most areas of the country, it may be slower to rebound, as well.

For many local businesses, 2010 looks like it will start much like 2009 ended, and experts report access to credit will continue to slow the local recovery.

Chuck Seest, Fort Collins finance director, said the economic environment for 2010 is inspiring cautious optimism in businesses.

There are a number of projects on the table awaiting financing, Seest said, but gaining access to capital will continue to be a challenge in 2010.

Projecting relatively flat to slight growth toward the latter part of the year, Seest said he is starting to see some improvement on the sales tax front but has not yet seen positive month-over-month growth.

"I think as the employment picture improves for the region and Fort Collins, in particular, that would bring added activity," Seest said. "(It's a) tentative business environment. No one can say they've seen the all-clear sign yet."

In some respects, business confidence going into 2010 depends on the industry.

Nick Christensen, principal at Chrisland, a Loveland-based commercial real estate and development firm, believes 2010 will be marginally better than 2009, but "it won't be a stellar year," he said.

He projects a "significant increase" in commission volume but admits that is compared to a "pretty lackluster" year and won't be back to the levels the company enjoyed a couple years ago.

Commercial real estate will likely limp along, and Christensen blames the federal government in part for bailouts that helped save large banks but "left the rest of us and our clients hanging.

"It was a big mistake to allow bailout dollars to financial institutions but not require that money to be loaned out. It hasn't acted as a stimulus unless you're a large bank or corporation."

New commercial construction has come to a standstill but Christensen is starting to see small and medium-sized businesses downsizing, upsizing and relocating, meaning more activity for existing buildings and infill development.

"Forward-looking ones are finding ways to make things happen," he said, "but not through new construction for the most part."

Chrisland is actively marketing several downtown Fort Collins locations, including the old Waffle House and City Drug buildings on College Avenue. Both expect to name new tenants shortly.

Debbie Tamlin of Sullivan/Hayes real estate and a lobbyist on behalf of Realtors, said she doesn't see a lot of headway on commercial financing issues.

"We're still going to see huge issues come about because there's really not a lot of funds out there for growth or refinancing or someone moving their business," said the Fort Collins Realtor who is in her third economic downturn since joining the business.

Her company has not cut back on revenue projections as they look ahead to a shift in priorities, including working with companies who need professional real estate management services.

With 1 million square feet of retail space available in Northern Colorado, there are opportunities for people who might want to move.

"We are seeing a repositioning of the retailers who have done well in this marketplace or who see the advantage of making their expansion plans now. They are getting better deals and

locking them in."

Landlords are offering lower rates and more amenities to attract tenants, she said.

Current lease rates for commercial retail range from \$12 to \$25 per square foot, she said.

Traditional grocery store-anchored shopping centers are bringing the highest lease rates because of their frequent shopping patterns, Tamlin said.

For those in the restaurant business, it's time to put the lid on 2009.

"It's been a little challenging," said Lou Jerome, owner of Obee's, 1606 S. Lemay Ave.

"It has made me scrutinize every little detail ... I've had to price everything out from insurance to paper cups," he said.

"It's made me manage a lot closer than we have had to do last year."

He is optimistic 2010 will be better, based on leading economic indicators such as the stock market, housing starts and customers' attitudes.

"Customers seem a little more confident than they were six months ago."

And, in a city such as Fort Collins that loves its restaurants, Jerome expects business to start to pick up, especially at lower-priced sandwich shops such as his.

"You may go and buy yourself a new scarf at Kohl's, but you may not go to a jeweler and buy diamond earrings," during an economic downturn, he said.

People still eat out but they may not be going to higher-end restaurants.

"The fact that you can have lunch for \$7.50 is not as much of a strain on the budget as buying a flat-screen TV."

Jerome hasn't raised prices this year but controls wage costs more tightly. "I don't think it's wise to raise prices in a recession," he said. But he does cut workers loose as soon as business slows down for the day rather than keeping them on to do busy work.

Still, he expects to bring on an additional employee this month as he has done every year for the past eight.

Jobless recovery

The job outlook for the new year isn't much of an improvement over this year. Experts agree it will take a long time to replace the thousands of jobs lost in 2009.

Harvey Cutler, professor of economics at CSU, is estimating an additional 4,000 jobs will be lost in 2010, before the economy begins to bounce back in 2011.

He said the construction industry is still lagging, and as a result, businesses are not expanding or hiring new employees. The only encouraging news to note is that 2010 shouldn't be as bad as 2009 was, he said.

Christopher Chavez, regional communications director for the SBA, said there are some positive signs for small-business owners in 2010, such as the president's extension of \$15 million to the SBA in recovery funds through Feb. 28. Those funds are intended to help small-business owners with access to capital.

"I'm still getting calls from business owners that need access to capital. They need it, especially during the holiday season," Chavez said. "I think that there is still a lot of nervousness in the small-business (community), because an access to capital is still a big question mark."

The story is much the same for Loveland.

Alan Krcmarik, executive fiscal adviser for the city of Loveland, said businesses anxiously wait to see which economic forecast unfolds in 2010.

In the past six weeks, Krcmarik has attended several economic forecasts that aren't overly optimistic but state the recession is over in Colorado and an extensive recovery waits.

"I guess compared to 2009, that's an optimistic outlook, not as bad," Krcmarik said. "Longer range outlook, it will take a number of years to get back to the momentum (we had) before the recession."

In his dealings with local business, Krcmarik said most are hoping for a better year, but until they have contracts to do additional work, that optimism is going to be muted.

A number of projects in Loveland hinge on financing, including a partially completed development on First Street and Railroad Avenue, Krcmarik noted.

"I think a number people who, if they knew they had tenants and financing, they would be moving ahead," Krcmarik said.

Micah Noyes, owner of The Dam Store in Loveland, said he entered 2009 armed with strategy and lots of planning but was very hesitant. He rounded out the year with a 15 percent increase in sales, thanks in large part to deals with his wholesalers that enabled him to offer better deals.

That combined with more tourists, many from in-state, driving by his store en route to Rocky Mountain National Park, helped his sales in 2009. The strong finish to the year bodes well for Noyes, who offers a variety of T-shirts and gifts at his store.

"I am looking at 2010 and I am very optimistic," he said. "I anticipate 2010 being one of our best years... I feel really fortunate I see other people losing jobs, and there are people shutting businesses down. It makes me feel really blessed and fortunate entering the new year. "

Perhaps one of the few exceptions to the down economy in 2009 was the ever-resilient craft brewing industry. Both New Belgium Brewing Co. and Odell Brewing Co. report stand out sales in 2009 that lead both companies to enter the new year with nothing but optimism

Bryan Simpson, spokes-man for New Belgium, said 2009 was one of the brewery's best growth years with six new states added to its distribution list and seeing 17 percent growth.

For the new year, Simpson said the company plans to maintain those new markets and add 28 new positions, 14 of which will be based in Fort Collins.

"It's a great time to be optimistic, and it's a great time for the craft brewing industry," he said. "It is definitely a good time to be a craft brewer in the U.S. and especially Colorado."

Wynne Odell, co-owner of Odell Brewing Co., said the company is very optimistic about the economic environment of craft beer in 2010. She said the company has been doing well the past couple years and anticipates that sales will continue to grow.

Odell said the company plans to spend the new year focusing on specialty beer and packaging rather than creating huge amounts of beer.

"There is a lot of exciting directions we are participating in," Odell said. "It's really, exciting - no doom and gloom whatsoever."

Odell is in the middle of a huge expansion that will double the plant's size and improve off-street parking along Lincoln Avenue.

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Abstract (Document Summary)

Commercial real estate will likely limp along, and Christensen blames the federal government in part for bailouts that helped save large banks but left the rest of us and our clients hanging. New commercial construction has come to a standstill but Christensen is starting to see small and medium-sized businesses downsizing, upsizing and relocating, meaning more activity for existing buildings and infill development.

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