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MONEY

Businesses showing life as wheels of economic recovery start turning

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Rick Gonzalez says his business "almost fell off a cliff" in 2008. The prominent West Palm Beach architect, whose projects include the restoration of the Harriett Himmel Theater at CityPlace, said he was facing a drop-off in business so deep he had to slash two-thirds of his 30-person workforce to stay afloat. But this year, Gonzalez's REG Architects hired four employees, bringing total employment up to 14. As 2010 comes to a close, Gonzalez has good news about his firm. Not only has he been able to keep the new hires busy, he may add up to five people next year. It's still a far cry from the 2007 peak, but it's a step in the right direction. "We're coming out of the trenches," Gonzalez said. "The calls are up and the projects are coming in."

Gonzalez isn't alone in noticing the first boost in business in a long time. Businesses large and small quietly are starting to become busier, meaning they can finally expand and hire. Some statistics provide reason to be upbeat. The Florida Retail Federation is predicting an increase of up to 4 percent in sales this holiday season, beating the national forecast of 2.3 percent. To be sure, the economy still has a long way to go before it "feels" strong. Unemployment remains high, home foreclosures remain rampant and the chief engine of the South Florida economy, the residential real estate market, still is weak. The commercial real estate market also continues its downward spiral into loan defaults and foreclosures. Just last week, the Associated Builders and Contractors issued a dismal report that showed new commercial construction projects continued to fall nationally in September.

But professionals such as architects are an indicator of an economy's pulse. "I have clients and contractor friends who call me to see how busy we are, because it's hope for the future," said Keith Spina, senior partner of Glidden Spina & Partners, an architecture and interior design firm in West Palm Beach. And Spina and other business experts say they're busier than they were just a few months ago. With the exception of commercial real estate and housing sales, growth seems to be climbing in a number of sectors. The growth is being driven, in part, by opportunities created by the recession: Pent-up demand for goods and services, lower labor and materials costs and low land and lease costs on real estate.

Also helping boost business: An early start to the winter season, a recovered stock market and the completion of the recent election cycle, which removed a lot of business uncertainty, said Rebel Cook, president of the Economic Forum, a business group. In fact, in Cook's own real estate brokerage, "We've had a big uptick in phone calls in just the past couple of weeks," she said.

Private banking is one area poised for growth. Chilton Investment Co., a global investment management firm, wanted to enter the Palm Beach trust market in 2004 but concluded the field was too crowded. Then a shakeout on Wall Street opened the market for new players to advise wealthy investors. The Stamford, Conn.-based Chilton recently hired several former executives from Lehman Brothers, including Garrison Lickle, who was named president and chief executive of Chilton Trust Management on Palm Beach. Chilton's expansion created business for Spina's architecture firm. When Chilton leased the former Bank of America building on Royal Palm Way, the company hired Spina. Spina says consolidation in commercial banking also is creating new business because banks are remodeling offices of newly merged institutions. (Spina's hired a handful of architects over the past six months and was interviewing another potential hire last week.) Spina said anyone with money should tackle projects now and enjoy the savings on labor costs. He said some country clubs with built-up reserves are realizing this fact, and they are starting planned renovations.

"This is an incredible time to build," agreed Dale Hedrick, president of Hedrick Brothers Construction Co., a general contracting firm in West Palm Beach. "We're seeing projects that were priced out two years ago coming in 20 percent lower." While new commercial construction remains slow, tenant improvements, such as the Chilton redo, are on the rise, too, Hedrick added. More commercial renovations could be on the way.

The Business Development Board, Palm Beach County's recruitment arm, has seen a steady trickle of companies relocate or expand this year, said BDB President Kelly Smallridge. The trend has been helped by high office vacancy rates and lower housing costs, she said. High taxes in Northeast states also are prompting companies to take a look at Florida, which has no state income tax. While these companies aren't bringing large numbers of jobs, they are bringing high-paying ones, Smallridge said. Just last week, the BDB announced that software provider Modernizing Medicine was opening a nine-person headquarters in Boynton Beach. Employment at the health IT companies is expected to grow quickly.

The hospitality industry also seems primed for better days ahead. When the Seagate Hotel opened in Delray Beach in November 2009, economic conditions still looked dire. But business has ticked up steadily this year, developer Tony Wilson said, and the hotel now is booking business groups, a critical segment that fell off the radar during the recession. Even better: During the past three months, Wilson has sold three condo units in his luxury Seagate Residences project along A1A in Delray Beach. "And that's up from not selling any all year," Wilson said. The most recent condo sale is trading hands for $2.4 million - cash.

Jon Schmidt of Jon E. Schmidt & Associates, a land-planning and landscape architecture firm, said numerous national retailers suddenly are looking for space in Palm Beach County. Businesses ranging from mattress companies to restaurant chains to automobile dealerships see South Florida as a market for new growth, Schmidt said.

That's no surprise, experts say. National companies need to show growth to shareholders and investors. So they are doing so again but in a cautious way, by sticking to heavily populated areas, said Daniel J. Lynch, managing partner of Atlantic Retail Properties in Jupiter. One example: BJ's Wholesale Club, which has been prowling Palm Beach County market for an additional location besides its Boynton Beach and Royal Palm Beach warehouse stores. "We're always looking for opportunities. This is an important market," said Lynch, who represents BJ's.

National restaurant chains are in the market again. According to real estate sources, the Columbus, Ohio-based Bravo Brio Restaurant Group, which has the popular Brio Restaurant at The Gardens Mall, is scouring Boca Raton for a new location. Word is that Brio also is looking at CityPlace in West Palm Beach. (Through a spokeswoman, CitiPlace General Manager Ryan Hallihan wouldn't confirm talks with Brio but said the mall is "always talking" to potential tenants.)

Another retailer making a bet on Florida is Kreiss, a luxury home furnishing and design company. The San Diego-based firm has a showroom at CityPlace. Last week it unveiled its new location, at Mizner Park in Boca Raton. A new furniture store, in real estate-battered Palm Beach County? Absolutely, said Loren Kreiss, the company's managing director. "We wouldn't be opening a store if we didn't think we would do well," Kreiss said. Kreiss plotted this expansion after the recession and real estate crash hit the company hard. The company closed a third of its 20 showrooms nationwide, and then reexamined its mission. The result? Back to basics, emphasizing Kreiss' California-style furniture. The company is targeting coastal cities mostly in California and Florida. A Naples store will open in January, and a store in Silicon Valley is set to open in March. The company will open five stores this year and four stores in 2011.

Gonzalez said a number of businesses are launching expansions now for this very reason: They know that prices on land, leases, construction materials and professional services will only go up next year.

Restaurateur Burt Rapoport is taking advantage of good deals. The veteran operator, who owns such successful restaurants as Max's Grille and Bogart's in Boca Raton, was burned by the 2009 failure of his Clematis Social restaurant in West Palm Beach. "I wasn't looking for another restaurant," Rapoport said. But when space on the Intracoastal at Atlantic Avenue in Delray Beach became available, Rapoport grabbed it. (The space formerly was occupied by Busch's Seafood.) Rapoport's new restaurant, called Deck 84, opened this weekend. It launched at a good time. Rapoport obtained a prime retail spot with 150 feet of dock at a good price and locked in the lease for 25 years. He also built out the space at a fraction of what it would have cost him a couple of years ago. "My electrician worked for $37 an hour, and they usually work for double that," Rapoport said. With 260 seats, Deck 84 needs 120 employees to staff it properly, Rapoport said.

As for Gonzalez, the architect, the prolonged slump has been replaced by a medley of new projects. He'll be designing the renovation of the historic casino at Lake Worth Beach. He's working on designs for a new Palm Beach mansion. And since the election, three more projects came online. Government and nonprofit jobs helped boost REG's bottom line last quarter, and Gonzalez says he now sees an uptick in private business ventures. Now that business is better, Gonzalez has begun investing in his own firm. He is replacing office copiers, creating business for equipment vendors. It's this type of expansion by small business owners that will transform small pockets of growth into a widespread recovery - over time. "What's going to get this country out of this huge mess are people like me," Gonzalez said.

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