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FORECAST 2005: COVER STORY

Central Florida Should Sizzle

Experts expect the region's economy to really heat up this year

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After roaring through most of 2004, Central Florida's economic engine is expected to spin out thousands of new jobs this year even if the pace of national growth slows.

Though economists remain cautious about looming interest rate increases and the specter of possible terrorist attacks and hurricanes, they expect a strong year, if not a heady one.

"We will outperform the nation," University of Central Florida economist David Scott said. "I think we will see more jobs added in Central Florida this year than last year."

Still, Scott and other economists don't expect the kind of runaway growth seen in the late 1990s, when employers competed for workers and couldn't keep up with demand for their products.

"But even if we had a punk year, Florida will outperform the other 49 states," Scott said.

Others agree that almost every sector of the local economy should do well.

"The global economy is growing, tourism is expanding and government spending on defense is strong. All the key indicators look positive," said Mark Zandi, chief economist with economy.com.

Certainly the final months of 2004 were strong for Central Florida, raising hopes for the new year. It had one of the state's top job markets, adding more than 21,000 jobs from November 2003 to last November.

Nearly a third of that growth came in the region's leisure and hospitality industry as tourists flooded theme parks and filled hotel rooms. Air passenger traffic at Orlando International Airport approached record levels, sparked in part by low domestic airfares and a weak dollar, which attracted foreign tourists.

The tourist industry expects more of the same this year.

"I believe 2005 will be the strongest travel year in the history of man," said Gary Sain, chief marketing officer with Yesawich, Pepperdine, Brown & Russell, an Orlando-based travel marketing firm. "That's how bullish I am on 2005."

Florida remains a coveted destination, with the Orlando/Orange County Convention & Visitors Bureau expecting 50.8 million people to visit the region this year, a 6 percent increase over 2004.

But Central Florida's resort and hospitality industry knows how predictions can fall flat. Consider 2001,

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when a double whammy from a plunging stock market and the 9-11 terrorist attacks sent the travel industry into a nose dive.

The tourist industry suffered through a dismal 2002 before rebounding. But the memories are still fresh, and worries about more terrorist attacks trouble hoteliers and convention planners.

Hurricanes are another bugaboo. The three storms that swept through Central Florida damaged homes, felled trees and planted the thought that this may not be the best vacation destination during the late summer months.

"It's hard to quantify the impact of the hurricanes," economist Scott said. "They are a demonstrable negative. I can imagine people in Ohio saying they won't want to take their vacation in the Villages during hurricane season."

Jose Estorino, the Convention and Visitors Bureau's senior vice president for marketing, downplayed those concerns — though he cautioned that a hurricane early in the 2005 season could be trouble.

"That could scare consumers into thinking we'll have another season like last year," Estorino said.

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Economist Hank Fishkind, president of **Fishkind and Associates** in Orlando, said there is little doubt tourism will remain the strongest segment of the economy, but he sees strength in other areas. Defense spending remains solid, helping big employers like **Lockheed Martin** and **Harris Corp.** as well as an assortment of smaller companies making high-tech weaponry and training-simulation equipment for the Pentagon.

"The federal government buys all sorts of simulation systems that are produced here," Fishkind said.

Russ Hauck, director of the National Center for Simulation in Orlando, agreed.

"The military seems to be pretty upbeat about steady growth in our field," Hauck said. "There is an understanding that the simulation industry is important for saving the lives of people in the military when they are deployed."

Though the Pentagon said last week that it hopes to trim billions from its budget, most of the cuts would come later in the decade and would have little immediate impact on suppliers.

Other segments of the regional economy are expecting a solid year. The health-care industry should be a strong source of employment, though the rising cost of medical insurance will continue to trouble business owners who provide it as a benefit to their employees.

The insurance industry will focus on hurricanes this year, urging Florida

lawmakers to provide more public money to cover the costs incurred in paying claims.

The real estate industry — which has boomed with the region's population growth — is another key industry to watch. But economist Fishkind said the housing market might settle a bit this year.

"I'd say we've hit the high water mark," Fishkind said. "The volume in the housing resale market and in the new-homes market has peaked."

Rising interest rates could increase builders' costs, and if mortgage rates rise, homes might become less affordable.

But Anthony Crocco, Central and North Florida director for **MetroStudy Corp.**, a national housing-research company, expects Central Florida housing starts in 2005 to rival 2004's projected 29,000.

"There is a tremendous backlog of construction coming in the new year," Crocco said. "Some builders have hundreds of homes sold, but they are yet to be built and delivered. Even if rates go up, this year could be as good or better than last year."