

WILL 2010 BRING ECONOMY RECOVERY?

BY TODD MATTHEWS



“ The PCEI points to two relatively positive developments in 2010: Single-family housing and retail activity. ”

The Pierce County Economic Index attempts to answer the question on everyone's mind.

The most recent recession, which began in December 2007, according to the National Bureau of Economic Research, has left business owners, their employees and job-seekers asking the question: When will the economy turn around?

It's a familiar question for Douglas E. Goodman, Ph.D., and Bruce D. Mann, Ph.D., economics professors at the University of Puget Sound. Since 1975, they have produced the Pierce County Economic Index (PCEI), an annual report that forecasts how the local economy will perform. Drs. Goodman and Mann presented the new PCEI during the Tacoma-Pierce County Chamber's Horizons 2010 Economic Forecast.

The economists forecast, as the U.S. economy shakes off the recession in 2010, Pierce County will be slow to follow, especially during the first six months. Local unemployment will rise as high as 9.75 percent before it begins to taper. It won't be until the latter half of 2010 when Pierce County's economy will show signs of life. Even then, it doesn't mean we will be celebrating. “For the year as a whole, the drag of the first half of the year will more than outweigh the second-half recovery,” note the economists.

With 2010 underway, it makes sense to look with the PCEI to see what we can anticipate for the local economy by year's end. Particularly interesting is how four issues – the Port of Tacoma's struggles, the departure of Russell Investments, a possible rebound in residential housing sales and retail spending – will play out.

THE TIDEFLAT'S STALLED ENGINE

If the PCEI proves correct, the Port of Tacoma probably won't reap benefits. The recession has been tough on the Port. Last summer, it announced container volumes were down about 15 percent from 2008, and the number of automobiles shipped decreased 35 percent. Similarly, NYK Line scaled back its plan to build a 168-acre terminal.

Their new year will be even harder.

According to the PCEI, container volumes will drop 15.4 percent from 2009. “2010 will see a further decline for the Port . . . as major carrier and service string adjustments made in 2009 will now be felt over an entire year,” note Goodman and Mann.

THE RUSSELL MOVE

Russell Investments' decision last year to move to Seattle sent a chill through the South Sound region. The company is downtown Tacoma's largest private employer, and the move will mean 1,000 fewer people working and shopping in its central business district.

Surprisingly, the PCEI doesn't seem overly worried about Russell's departure. “The benefits of the national recovery, increased trade flows, some new military construction spending and a recovering housing market will be enough to offset the negative effects of Russell Investments moving out of the area,” note Goodman and Mann.

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The biggest challenge to leasing of office space in Pierce County?

Seattle's nearly 20 percent vacancy rate for Class-A office space. "The most significant challenge will be competition from the north," write the economists. "Some available space in Tacoma's central business district will provide competition for King County. The space vacated by Russell Investments will be attractive, as will the new Pacific Plaza development."

So by year's end, the space available could be a challenge to commercial real estate brokers.

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In August 2009, Razorfish surveyed 1,000 "connected" consumers and discovered:

97 percent had researched a brand online

- » 75 percent had posted a product or brand review
- » On average, these connected consumers had spent \$150 online in the past 6 months
- » Nearly all had visited a community site such as Facebook, Yelp or LinkedIn

So as you consider advertising in 2010, think about how your target audiences are changing – and how your advertising may need to change, too. ←

Is there any good news?

The PCEI points to two relatively positive developments in 2010: Single-family housing and retail activity. First Time Home Buyer tax credits, bargain prices and a recovering economy all point to a spike in activity. According to the PCEI, by the time you read this article single-family housing sales should be revving up. Goodman and Mann forecast the Housing Index will grow by 24 percent during the first half of 2010. The third and fourth quarters will see growth by 10 percent and six percent respectively, cumulatively boosting the PCEI's Housing Index by nearly 10 percent over 2009.

Spending in Pierce County is also a thin silver lining. According to Goodman and Mann, \$5.2 billion will be spent in Pierce County in 2010 (a \$100 million increase over 2009). However, the economists caution "inflation will more than wipe out the dollar gains in 2010." ←



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