



LEE COUNTY BUSINESS CLIMATE SURVEY REPORT

First Quarter, 2018

Prepared in partnership with:



and

The Regional Economic Research Institute • Florida Gulf Coast University

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Report Information

This report is conducted quarterly by the Horizon Council of Lee County, Florida, and Florida Gulf Coast University's Regional Economic Research Institute. This work would not be possible without considerable cooperation from the Horizon Council's Chairs, the RERI's student researchers, and the Lee County Economic Development Council.

The Regional Economic Research Institute studies, analyzes and reports on the regional economy encompassing Collier, Lee, Charlotte, Hendry, and Glades counties. Established in 2005, it serves as a public service and economic development unit of the Lutgert College of Business' Dean's Office and strives to connect Southwest Florida to the resources of Florida Gulf Coast University.

The Institute's Business Climate Survey group specializes in sampling design and analysis, including program evaluation, policy research, and needs assessment. The Business Climate Survey group involves FGCU students in every stage of survey development, allowing them to develop professional skills and networks that add value to their degrees and, by extension, to their future employers.

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INTRODUCTION

The Lee County Business Climate Survey Report, published in partnership between the Horizon Council and Florida Gulf Coast University, provides primary research to the business community, elected officials, and other concerned citizens in an effort to gauge the state of Lee County's economy over time as well as impressions and concerns about it in the future.



Since the beginning of this partnership, the BCS has been comprised of three areas of focus. The first area—encompassed in the first seven questions of the survey—focuses on Lee County business executives' impressions of economic conditions and trends with respect to hiring and investment. The second area has been the calculation of an *Executive Business Climate Index*. This EBCI provides a summary number which will allow one to quickly gauge whether the business climate in Lee County is improving or declining. Finally, the third area is comprised of various questions that change from survey to survey. In the past, these "Special Topics" have focused on areas such as business executives' concerns about interest rates and access to capital, firms' demand for critical occupations and their ability to find workers within those occupations, the cost of doing business in Lee County, and even concern for employee wellness and wellness programs.

The BCS also allows respondents to voice concerns, kudos, and criticisms of Lee County's economic environment. Every effort is made to include these comments in each survey.

The Horizon Council FGCU Business Climate Survey is administered, written, and published by the staff and students working with the Regional Economic Research Institute in the Lutgert College of Business. We very much welcome your comments and suggestions regarding the report, including suggestions for Special Topics questions for future editions.

This survey would not have been possible without the many busy business owners and executives who took the time to respond to it. I also thank Pamela Johnson, Antranette Forbes, and their colleagues at Lee County Economic Development; Robert Beatty, Dean of Lutgert College of Business at FGCU; Russell Schropp, Chair of the Horizon Council's Business Issues Taskforce; and Michael Quaintance of Keiser University. CareerSource Southwest Florida's James Wall and Peg Elmore continued to provide valuable input and advice. We are grateful for the assistance of the Bonita Springs Area Chamber of Commerce and the Cape Coral Chamber of Commerce in disseminating the survey.

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EXECUTIVE SUMMARY

The Executive Business Climate Survey provides a view of the local economy that is based on responses from senior executives from a range of industries across the county. An invitation to complete the internet survey was sent to 645 executives and business owners in Lee County. One hundred and eighteen executives completed the survey from January 17, 2018, through January 30, 2018. Four reminders were sent during the survey period.

This survey provides a key economic indicator for Lee County, the *Executive Business Climate Index*. This index value is computed each quarter and released to the public as a way to provide an established economic indicator on the state of the local economy. The index is computed using the two questions concerning the current and future economic conditions and a third question concerning the expected industry economic conditions. The index is an average of the responses, with substantially better equal to 100, moderately better equal to 75, same equal to 50, moderately worse equal to 25 and substantially worse equal to zero. The index value can range from 0 to 100. The present survey's index of 73 reflects a 5-point improvement from the fourth quarter 2017 index. The index for this quarter is one point shy of the all-time high recorded since the survey's inception in 2012.

The current survey's Special Topics section focuses on housing affordability in Lee County and Southwest Florida. Other findings include:

- 76 percent of executives stated the current economic conditions have improved over last year, while 19 percent stated they were the same;
- 81 percent of the executives expect the economy to improve over the next year, and 15 percent stated the economy would stay the same;
- 69 percent of the executives stated the current economic conditions for their industry have improved over last year, while 26 percent stated economic conditions remained approximately the same;
- 77 percent of executives expect economic conditions for their industry to improve over the next year;
- 50 percent of executives had increased employment over the last year, while 8 percent had reduced employment;
- 59 percent of executives expect to increase employment at their companies during the next year, while 37 percent of executives plan to remain at the same level;
- 65 percent of companies expect to increase investment next year while 6 percent expect to reduce investment levels;
- 46 percent of executives believe that restrictions on supply and/or increased demand were the most important factor in explaining rising housing costs in Lee County;
- 43 percent of executives said housing costs and attainability in Southwest Florida affected their firm's ability to recruit and/or retain workers;
- 60 percent of executives believe that growth of industries that pay higher wages would help address affordability problems;
- 66 percent of executives agree that workforce housing and affordability is an issue important to the region, while 47 percent said it is an issue important to their business.

I. RECURRING QUESTIONS

Each quarter, the Horizon Council FGCU Business Climate Survey polls Lee County’s business leaders about the state of the economy in Lee County. These seven questions are designed to provide a snapshot of short-term trends and perceptions regarding the state of the local economy, employment, and capital investment. Asking the same recurring questions allows for a side-by-side comparison of the economy during each quarter. The results from these questions for the first quarter of 2018 can be found in Figures 1 through 7 below.

Figure 1 reports that 76 percent of surveyed executives indicated that economic conditions in Lee County were moderately or substantially better compared to a year ago. This was a substantial increase from both the previous quarter measure of 59 percent and last year’s first quarter measure of 64 percent. These results indicate that local business owners and executives remain pleased with the direction of the local economy over the past year.

Figure 1: Current Economic Condition

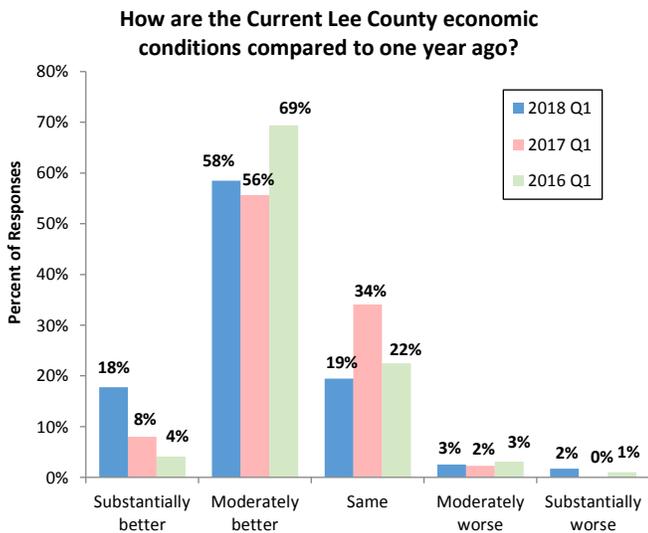


Figure 2 tracks business leaders’ perceptions about economic conditions going into the next year. The survey found that 81 percent of executives indicated they expect economic conditions in Lee County to be moderately or substantially better in the next year. This is an increase from the fourth quarter 2017 measure of 76 percent. It is also a substantial increase from the first quarter 2017 report, which found that 73 percent of surveyed executives expected conditions in Lee County to be better in the next year.

Figure 2: Future Economic Condition

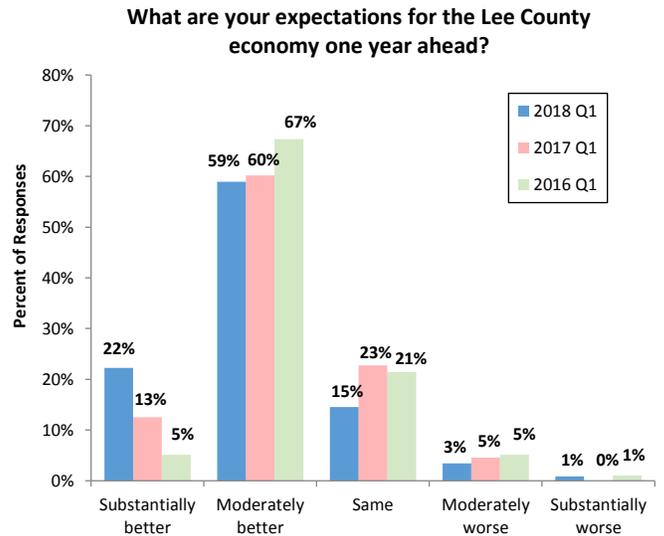


Figure 3 reports on executives’ perceptions about their particular industry and is more narrowly focused. The survey found that 69 percent of surveyed executives believed current conditions in their industry were better compared to a year ago. This marks an increase from the 57 percent recorded in the fourth quarter 2017, as well as an increase from the 59 percent reported a year ago on the first quarter 2017 report.

Figure 3: Current Industry Condition

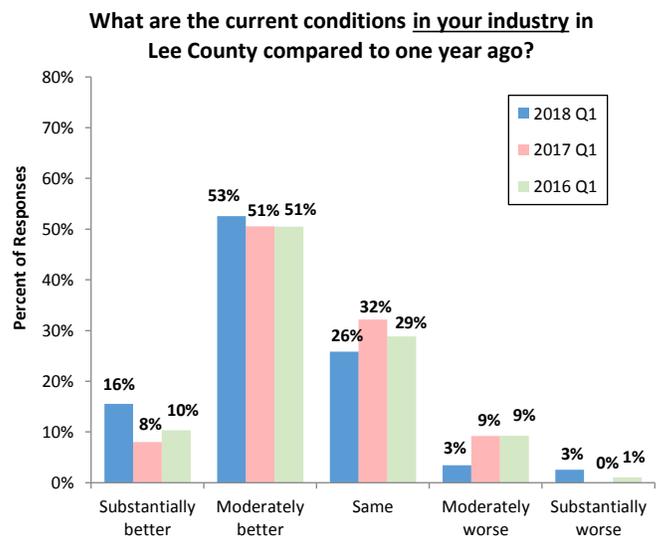
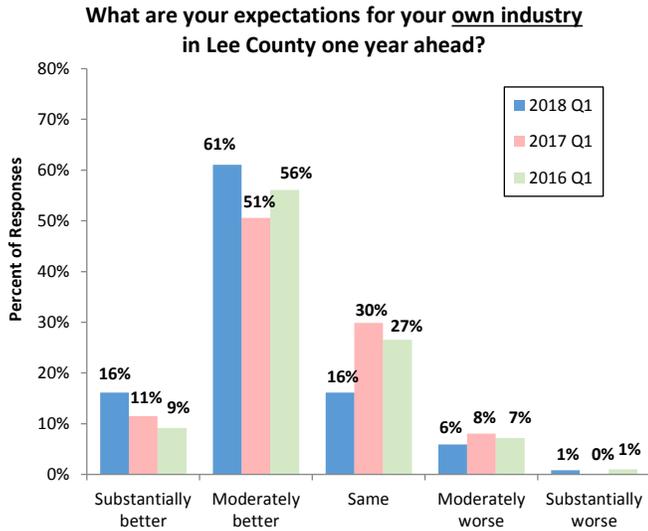


Figure 4 reports that 77 percent of surveyed executives expect conditions in their industry to be moderately or substantially better in the next year. This is an increase from the fourth quarter 2017 report, which reported that 71 percent of surveyed executives expect conditions in their industry to be better in the next year. This was also an increase from the first

quarter 2017 report, when 62 percent of surveyed executives expect conditions in their industry to be better in the next year.

Figure 4: Future Industry Condition



Figures 5 and 6 focus on employment. Figure 5 reports that 50 percent of executives have moderately or substantially increased employment over the last year. This was an increase from the fourth quarter report, which reported that 44 percent of surveyed executives have increased employment over the past year. This was also a slight increase from the first quarter 2017, when 49 percent of surveyed executives reported increased employment over the past year.

Figure 5: Current Hiring Trend

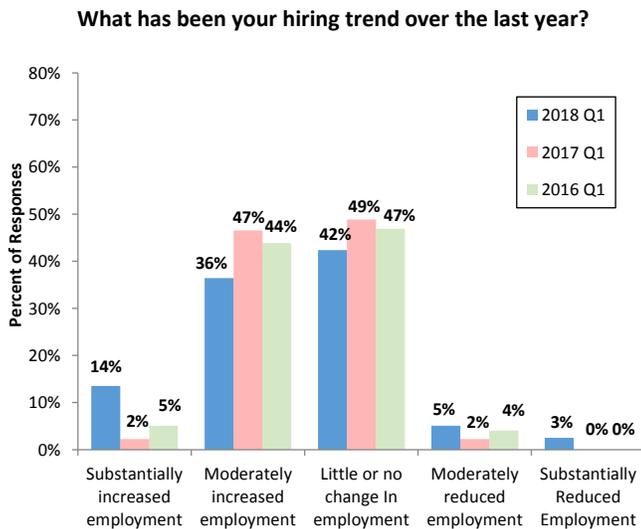
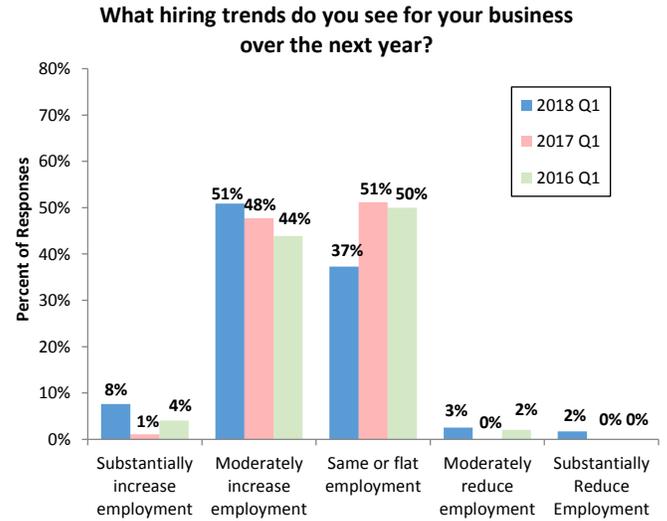


Figure 6 reports that 59 percent of surveyed executives expect to moderately or substantially increase employment over the next year. This represented a 7-percent increase from the previous quarter's measure of 52 percent, and a substantial increase from the first quarter of 2017, which reported that 49 percent of surveyed executives expect to increase employment over the next year.

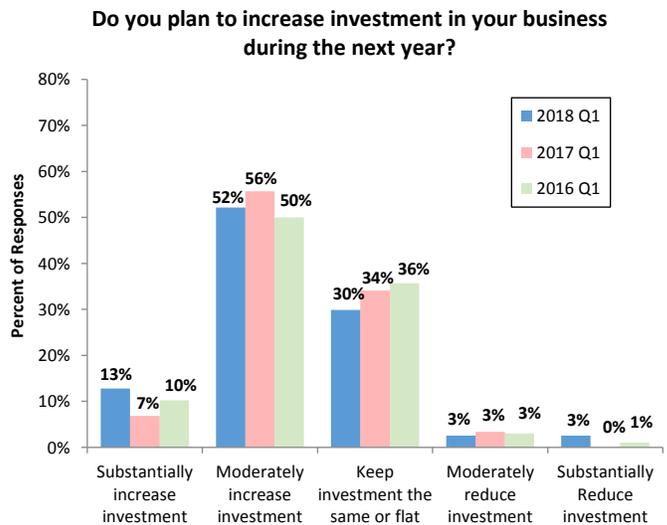
percent of surveyed executives expect to increase employment over the next year.

Figure 6: Future Hiring Trend



Finally, Figure 7 focuses on capital investment. It reports that 65 percent of surveyed executives expect to moderately or substantially increase investment over the next year. This was a slight decline from the fourth quarter report, which reported that 68 percent of surveyed executives expect to increase investment over the next year. However, it represented an increase from the first quarter report from 2017, which reported that 63 percent of surveyed executives expect to increase investment over the next year.

Figure 7: Future Investment Trend

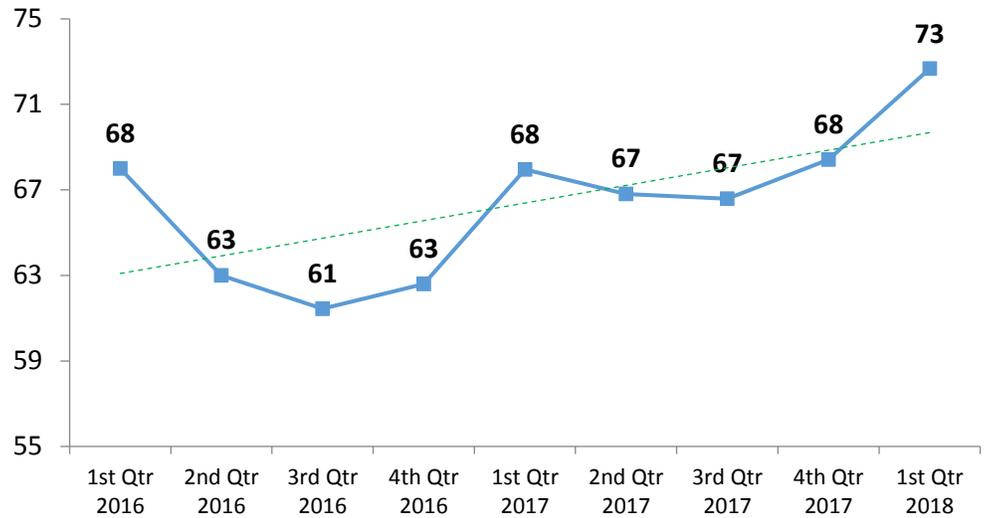


Results from previous quarters' surveys going back to 2012 can be found on FGCU's Regional Economic Research Institute's web site, at fgcu.edu/cob/reri. For charts depicting historical trends for recurring questions, see Appendix A below.

II. THE EXECUTIVE BUSINESS CLIMATE INDEX

One of the key features of this survey is the calculation of an *Executive Business Climate Index*. This index value measures the current business climate in Lee County and is released quarterly to provide an economic indicator allowing one to gauge whether the business climate in Lee County is improving or declining. The EBCI is computed using the two questions concerning the current and future economic conditions (reported in Figures 1 and 2) a third question concerning the expected industry economic conditions (reported in Figure 4). The index is an average of the responses, with substantially better equal to 100, moderately better equal to 75, same equal to 50, moderately worse equal to 25 and substantially worse equal to zero. The index value can range from 0 to 100.

Horizon Council FGCU Business Climate Index



The results from the first quarter survey reflect a five-point improvement from the previous quarter result, with the index increasing from 68 to 73. This index represents the highest level reported since the second quarter of 2014, when the index was measured at 74.



III. SPECIAL TOPICS

Each Executive Business Climate Survey contains a set of questions not asked on a recurring basis. These special topic questions highlight areas of importance to the economic development of our region with the intention of accessing the business community’s input and feedback to development officials, industry agents, and government officials.

The present survey focuses on housing affordability in Lee County and Southwest Florida. Results from these questions are reported in figures 8 through 11.

Figure 8 considers the most important factors explaining rising housing costs in Lee County. Forty-six percent of business executives said the most important factor explaining rising housing costs were restrictions on supply and/or increased demand. This was followed by a real estate bubble (26 percent of business executives), land-use and zoning regulations (16 percent of business executives), and the lack of affordable land (3 percent of business executives). Eight percent of business executives said there was another factor explain rising housing costs in Lee County. The “other” responses included:

- Stronger economy resulting in higher demand and with increased demand, rising prices
- Supply and demand
- Labor/material costs
- Demand increase
- High stock market
- Impact fees and tangible taxes
- Inflation on housing market, not sustainable to what people are bringing home

Figure 8: Rising Housing Costs

Which of the following is the most important factor in explaining rising housing costs in Lee County?

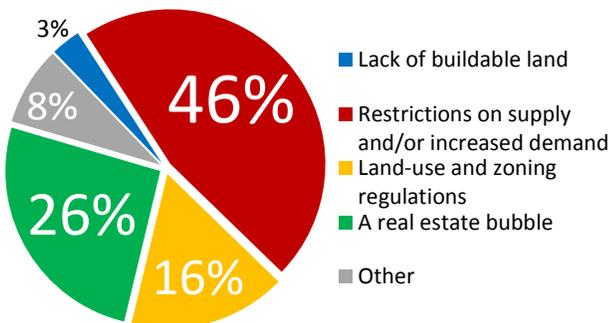


Figure 9 focuses on the impact rising housing costs has had on the firm’s ability to recruit and retain workers. Thirteen percent of surveyed executives strongly agreed with the statement of rising housing costs in Southwest Florida affected their firm’s ability to recruit or retain workers, while 30 percent agreed with the statement. Furthermore, 41 percent of responding executives said they neither agreed nor disagreed with the statement, 13 percent said they disagreed with the statement, and 3 percent said they strongly disagreed with the statement.

Figure 9: Recruiting and Retaining Workers

Housing costs and attainability in Southwest Florida have affected my firm's ability to recruit and/or retain workers.

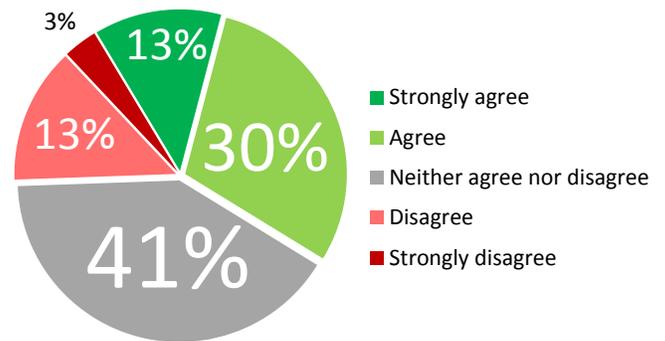


Figure 10 focuses on potential solutions for housing affordability problems faced by Southwest Florida’s workforce. On a scale of one through five, where one is one is strongly disagree and five is strongly agree, 17 percent of executives gave a rating of at least four for expanding employer-funded housing or employer-funded housing vouchers, while 44 percent of executives gave a rating of one or two. Thirty-seven percent of executives gave a rating of at least four to the idea of “zoning requirements requiring a percentage of low price housing for new construction”, whereas 37 percent gave a rating less than three for the same idea. For the solution “policies or programs that increase housing supply”, 53 percent of executives gave a rating of at least four, while 20 percent gave a rating of one or two. Finally, 60 percent of executives gave a rating of four or five for the idea of “growth of industries that pay higher wages”, while 12 percent gave a rating of one or two.

Figure 10: Housing Affordability Solutions

Which of the following would best address affordability problems for Southwest Florida's workforce?

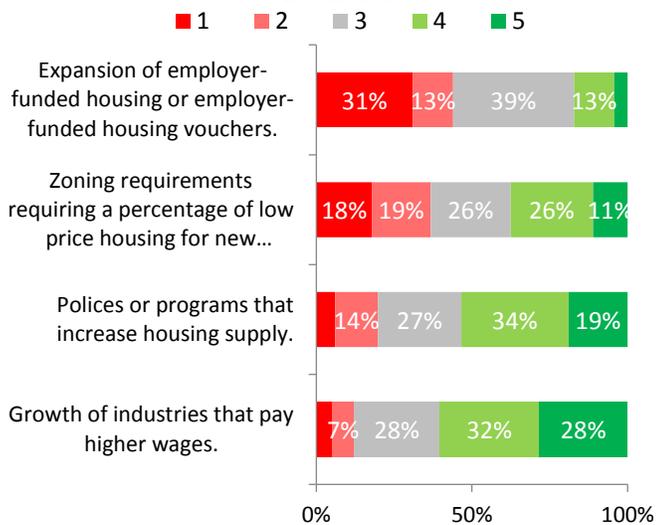
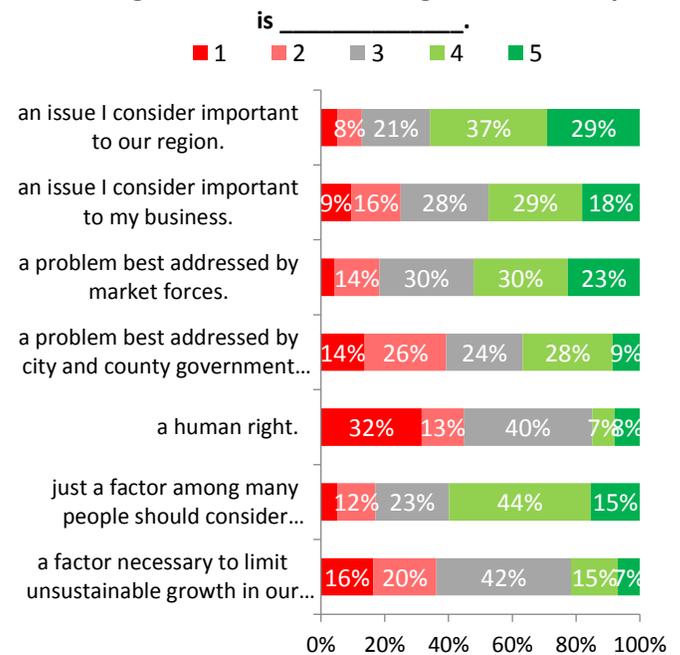


Figure 11 focuses on the business executive’s opinions of workforce housing and affordability. On a scale of one through five, where one is one is strongly disagree and five is strongly agree, 66 percent of surveyed executives gave a rating of at least four to the statement that workforce housing and affordability is an important issue to the region, while 47 percent gave a rating of at least four to the statement that it is an issue important to their business. Furthermore, 53 percent of surveyed executives provided a rating of four or five to the statement that workforce housing and affordability is best addressed by market forces, 37 percent gave a rating of four or higher to the statement that it is a problem best addressed by city or county government policy, and 15 percent gave a rating of four or higher to the statement that workforce housing and affordability is a human right. Fifty-nine percent of respondents gave a rating of four or five to the statement that workforce housing and affordability is a factor that people should consider when moving to Florida, and 22 percent gave a rating of at least four to the statement that workforce housing and affordability is a factor necessary to limit unsustainable growth in our region.

Figure 11: Workforce Housing and Affordability

In general, workforce housing and affordability



IV. COMMENTS, SUGGESTIONS, AND RECOMMENDATIONS

At the end of each survey, business executives are given the opportunity to provide any general comments they have about the local economy. Below is a list of the general topics on which the business executives commented.

- Public infrastructure
- Affordable housing
- Impact fees
- Workforce training
- Tourism
- Government regulation
- Illegal immigration

Executive responses to this question are found in Appendix B.

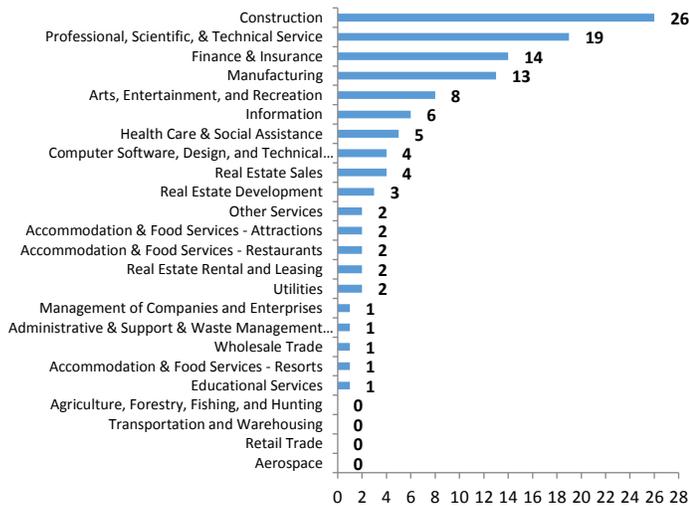
V. COMPANY CHARACTERISTICS

Each executive provided information about his or her firm, including:

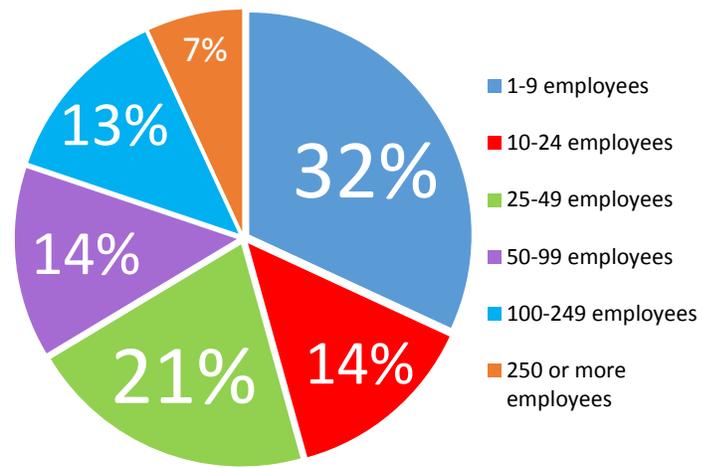
- Business Type;
- Number of Employees;
- Company Location; and
- Geographic Client Base.

The following figures provide an overview of general characteristics of the responding companies.

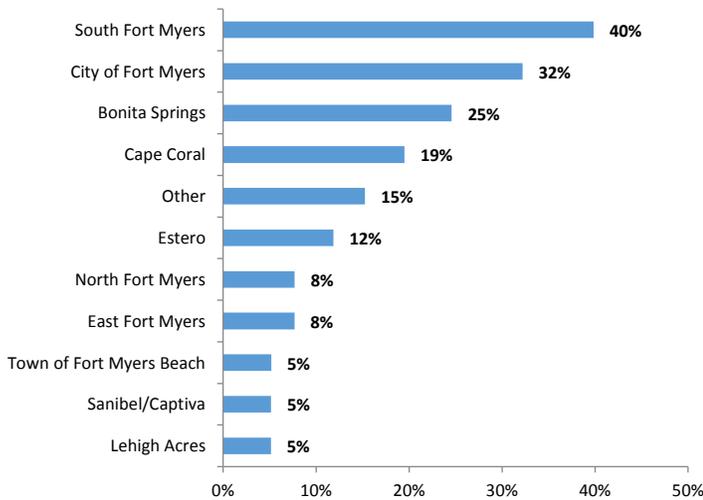
Business Types



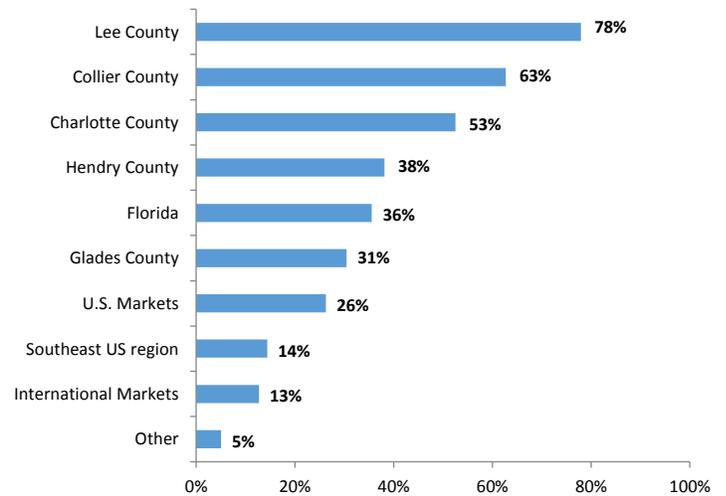
Employee Size of Firms Responding to Survey



Geographic Locations of Business Respondents



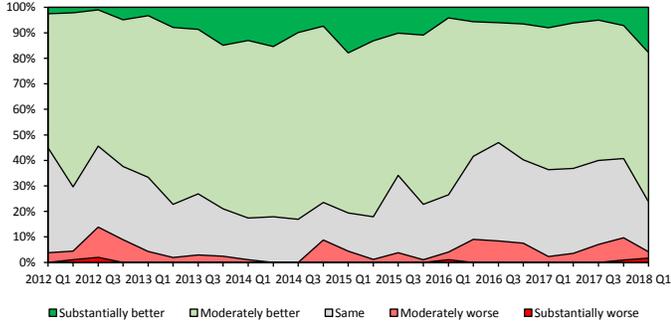
Geographic Client Base of Lee County Firms



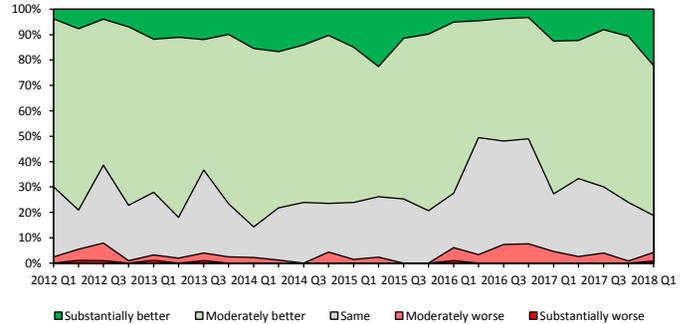
APPENDIX A. HISTORICAL TRENDS OF RECURRING QUESTIONS

Historical trends of the seven recurring questions asked in each Executive Business Climate Survey can be found in this section.

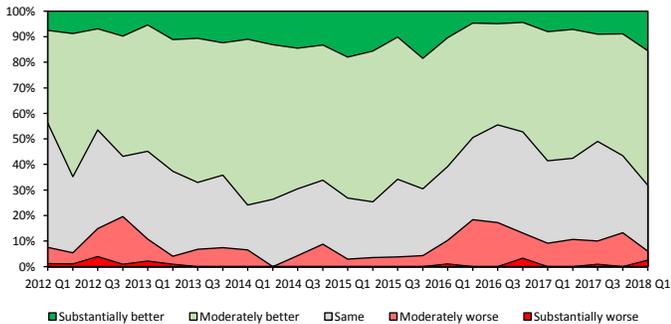
How are the current Lee County economic conditions compared to a year ago?



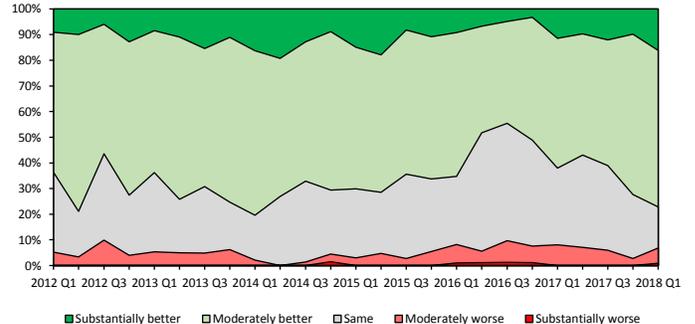
What are your expectations for the Lee County economy one year ahead?



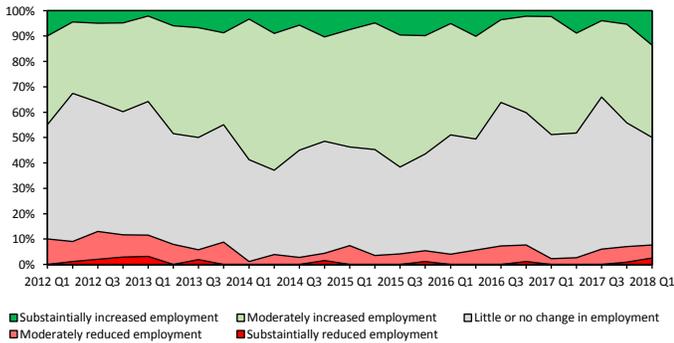
What are the current conditions in your industry in Lee County compared to one year ago?



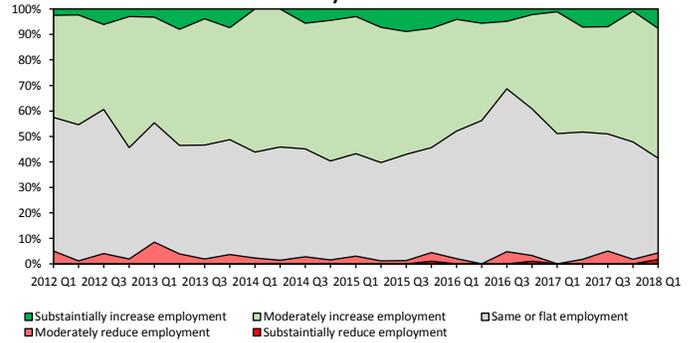
What are your expectations for your own industry in Lee County one year ahead?



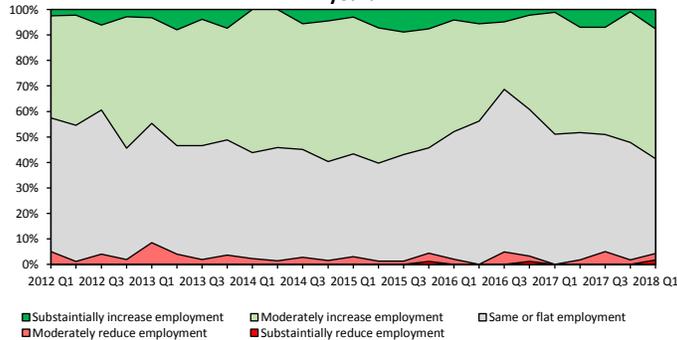
What has been your hiring trend over the last year?



What hiring trends do you see for your business over the next year?



What hiring trends do you see for your business over the next year?



APPENDIX B. FULL COMMENTS, SUGGESTIONS, AND RECOMMENDATIONS

This list includes specific responses from the executives for the following question:

Please indicate any other comments, suggestions, or recommendations you would like to make regarding the regional economy or your business.

1. Health care costs and employee participation.
2. Lee County leaders better start finding revenues to expand and improve the infrastructure or the growth now being experienced will be choked off. Whether it's impact fees or other, they cannot continue to ignore the problem.
3. We have programs in place now for affordable housing. With some support from the local EDO's we can help fill the positions the larger employers are having trouble filling. We could use some support with our relocation program, as well. Feel free to reach out to me on all programs. We have 8,300 young professionals we cater to in Lee County, and could use more interaction with the County, and support from the County. Feel free to contact me about this - Dan Homes@DanSinclair.com.
4. Impact fees are a negative when it comes to building affordable housing.
5. Our type of business does not hire more workers as the economy improves since our staffing is the same whether we are full capacity or reduced.
6. One reason I believe we have unaffordable housing is that we have significantly lower wages in our area. We have too many low paying wage jobs in retail and hospitality.
7. FGCU continue to develop engineering programs to facilitate sustainable professional workforce.
8. Florida businesses need to increase wages. We are below other states and long over due. The cost of living has increased in Florida but the wages remain below the national average.
9. Fix the road system - it is terrible. Bad light timing, poor city planning, illogical lane expansion and condensing in short distances at cape coral bridge toll plazas cause tremendous gridlock, sheriffs do not clear lanes due to sue happy society and police procedures to mitigate that - causes tremendous unnecessary delays. Road conditions worse than housing costs for worker consideration in Lee county.
10. Tens of thousands of Germans cancelled their vacation plans in SW-Florida because of the election of President Trump. Even more tourists are not vacationing in SW-Florida because of the Gulf water quality.
11. There is a lack of adequate staff at all levels of our industry.
12. While some areas of the building industry are growing, the quality of products being used "in general" for the industry we are in has seen a significant drop in price and therefore in profitability. The value is not what we supplied in years past for the same end product or home. This is most evident in residential, not commercial.
13. Appears to be significant increase in economic activity, from building to retail. General climate/feeling among customers and employees appears to be hopeful and positive.
14. I read these articles all the time as they pertain to affordability. However, what is never discussed is that the company complaining about affordability for their workers doesn't want to pay the market price demand for that worker to live near their place of work. To me, it all comes down to market forces. If you want to attract the right workers and they put more value on sunshine and quality of life, then that is great. However, if it comes down to paycheck, well, it is what it is. Pay up or move!
15. Affordable housing is key to future growth, in SW Florida. The construction business is booming and the need for skilled workers is at an all time high. They will not relocate, to this area, unless we create an inventory of affordable housing. Possibly through tax break incentives for the developer and investor.
16. In the last year we sold our building and moved into a more efficient space. Our build out was delayed three months due to permitting problems with the county and its inspectors. These delays are inexcusable, and will only get worse as commercial real estate development continues to increase. The county seriously needs to invest in more employees and training to get construction permits and inspections passed more quickly.
17. Affordable and safe housing options should be a priority. Low-income housing is not the real problem. Middle-income families as well as recent college grads can not afford to stay in the area, limiting our work force options.

18. The local political climate in many of our SW Florida communities does not support density to a level necessary to provide a variety of housing types that could be helpful in addressing more affordable housing for our workforce.
19. The face of affordable housing is not just the low paid worker. Smart, college-educated people at the start of their career cannot afford to be part of business growth here without being subsidized. We need drastic investment and commitment to this issue and not just a lot of talk. The solutions are not easy and so we have to innovate and take some risks.
20. The lack of the state and local governments to enforce immigration of illegal immigrants. The schools are overpopulated and we feel that there are about 20% undocumented enrollment students that burden the school budget.
21. A strong and stable workforce can help differentiate us from other competitive markets. Workforce housing is a key to solving that problem. Development of skill labor and retention of a trained pool helps us all.
22. We need to develop more affordable mixed use (live/work/play) options in Southwest Florida.
23. Land in SW Florida has become unaffordable for workforce housing, creating high density apartment complexes, even these are unaffordable to young new workforce. Average 1 Bedroom unit is \$1,200. We need to provide affordable housing.
24. Reduce the impact fees and permit fees.