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Business Jacksonville Journal

JACKSONVILLE

25th ANNIVERSARY 1985-2010



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BREAKING NEWS: Check our website at jacksonvillebusinessjournal.com



JAMES CHICKLOW

Jeff Graham of King Industrial Realty of Florida in front of one of his company's industrial warehouse listings.

Glimmerings of hope for industrial market

BY ASHLEY GURBAL
STAFF WRITER

JACKSONVILLE — When River Valley Paper Co. was looking to expand its Northeast Florida operations, President John Sharp had specific requirements in mind for the new facility. He wanted a site located at the Port of Jacksonville with rail access to enable the company to expand its export markets.

"We wanted to be at the port —

we're trying to open up a South American market," he said. "We're already supplying material to Dubai, Europe, China and India.

"The ability to have the facility at the port will enable us to grow that end of the business in the Southeast. We already [export] a little bit to Colombia, so we had some contacts into some of the other countries, and we think the South

SEE INDUSTRIAL, PAGE 35

Training is key to regain state edge

BY MARK SZAKONYI
STAFF WRITER

JACKSONVILLE — Jacksonville and the rest of Florida lost some of their edge in retaining and attracting new business during the recession, but they can regain their competitive mettle, economic development executives said.

The decrease in Florida's competitiveness with other states was largely due to hits to the real estate market, resulting in a shrinkage of incentive funding, and to other states, such as Michigan and Ohio, becoming more aggressive in attracting companies. With Florida's two pillars of growth — tourism and development — battered, the state can regain its footing by improving its public K-12 education system, its work force and its response to companies looking to set up shop in the Sunshine State.

This will allow the state to grow its life and health science, logistics, trade, renewable energy,

aviation and manufacturing industries, said Florida Chamber of Commerce President Mark Wilson. In other words, Florida wants to grow the same industries that helped Jacksonville weather the recession better than the rest of the state.

The state's arsenal of incentives has waned, but Florida's strengths, including low taxes and strong infrastructure, remain, said Tony Villamil, principal adviser of the Washington Economic Group Inc., a Coral Gables consulting company.

"The strong economic fundamentals are still there," he said.

Despite the recent knocks to Florida's economy, the national business community's estimation of the state appears to have generally improved between 2009 and 2010. Out of four studies ranking economic competitiveness, Florida kept its rank in one, dropped a

SEE COMPETITIVE, PAGE 34

Bank employees drop 9%

BY CHRISTIAN CONTE
STAFF WRITER

JACKSONVILLE — The median number of employees at banks based in Northeast Florida dropped 9.4 percent from June 30, 2009, to June 30 this year, according to statistics from the Federal Deposit Insurance Corp., but some banks have been hiring.

The median number of bank employees at the 14 banks based in a seven-county region around Jacksonville fell to 43.5 as of June 30, the latest data available, compared with 48 as of June 30, 2009. From June 2008 to June 2009, the median number of employees in the region fell by 5 percent from 50.5.

Decreasing the number of employees is one way bankers say that some local banks are trying to get bank costs down and key ratios up to improve their overall health.

Keith Perry, executive vice president of CenterBank of Jacksonville NA, said that, for many banks, reducing the number of employees could have been part Perry of their efforts to deleverage, or shrink the size of the bank to increase key



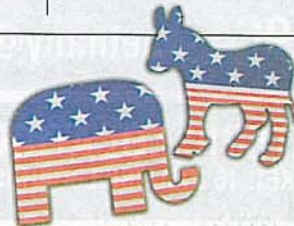
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Business now looks for bipartisan results

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VIEWPOINT:
Bill Spinner says it's a new dawn

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INDUSTRIAL: 'A lot of space' must be absorbed before recovery can take off

FROM PAGE 1

American market is where the growth is."

River Valley, a waste paper processor and exporter, has operated a facility in Nassau County for four years, Sharp said, and opened its Talleyrand Marine Terminal site Oct. 1. Three employees were moved to a 43,419-square-foot warehouse at 1200 Talleyrand Ave. from the company's home base in Akron, Ohio, and Sharp expects to hire five new people after the first of the

"I don't know if we've turned the corner as much as we've stopped the fall. Certainly, there are some economic indicators that 2011 will be challenging."

Peter Anderson

Vice president
Pattillo Construction Corp.

year. Moves like River Valley's led to positive news for industrial real estate in the third quarter: Move-ins exceeded move-outs for the first time since the fourth quarter of 2008, according to Jeff Graham, president of King Industrial Realty of Florida Inc.

King's data follows industrial buildings in the Jacksonville area — "if it has dock doors, we'll track it," he said. "For example, it could be a manufacturing facility that also does distribution."

From the beginning of July to the end of

September, 98 available industrial spaces were occupied, while 82 occupied spaces were given back to the market, Graham wrote in his third quarter report. That represents a nearly 30 percent decline in the number of move-outs from the previous quarter.

"There was virtually nothing going on for months," he said. "The activity was off-the-charts bad."

Even this quarter's absorption rate, while negative 345,376 square feet, is ultimately a positive sign, Graham said.

"It was only negative because of a couple of large spaces coming back to the market," he wrote in the report. "It was the least amount of negative absorption for a single quarter in two years."

Besides River Valley Paper, another deal of note in the third quarter was a \$7.1 million distribution warehouse Pattillo Construction Corp. is building for Falken Tire Corp. on the Westside. Peter Anderson, vice president of Pattillo, said Falken is expected to occupy the space by the first of the year and create 40 to 50 jobs at the high-performance tire facility.



Anderson

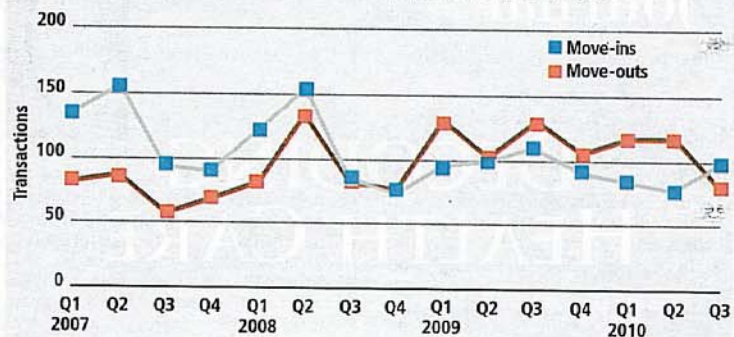
Anderson said that although Graham's report is "very positive news," he sees the industrial real estate market as stabilizing at the bottom.

"I don't know if we've turned the corner as much as we've stopped the fall," Anderson said. "Certainly there are some economic indicators that 2011 will be challenging."

"We're just sort of establishing this new norm, and we don't expect dramatic

MOVE-INS VS. MOVE-OUTS

The Jacksonville industrial real estate market showed positive signs in the third quarter.



SOURCE: Jeff Graham, King Realty Inc.

growth. There's a lot of space to be absorbed, and it'll be absorbed slowly, but new construction of speculative space has stopped. There are no new, empty buildings being added, and hopefully that wisdom prevails."

That "wisdom" is key to the market's recovery, said Jeff Evans, a broker associate at Collier Dickinson.

"We need to burn off this vacancy before we can justify new construction," he said. "We're looking at another 12 months, maybe 24 months, before that happens. We could be sitting here having this same conversation in October 2011 and maybe there are one or two deals happening, instead of none."



Evans

Evans said he sees the development of Cecil Commerce Center as a major factor in the area's industrial sector and that the port, too, is key to moving forward.

"If we didn't have the hope of the port expansion," he said, "I don't think the outlook would be as positive. Without the port, growth in the industrial sector would not be doing great."

And while Graham is enthused by his third quarter findings, he also points out that "one quarter is not a trend" and said he isn't sure when the market will start to see significant, sustainable growth.

"People tell me they're waiting—they're sitting on their hands before they make a decision," he said. "At some point you have to make a move."

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