

## The good and the bad of 2013 in business

Written by | The Des Moines Register  
Dec. 28, 2013 |

desmoinesregister.com



Southwest Airlines launched a daily nonstop flight to Las Vegas in 2013. Showgirls helped guide the first flight.

Purchase Image Zoom

**Southwest Airlines launched a daily nonstop flight to Las Vegas in 2013. Showgirls helped guide the first flight. / Mary Willie/The Register**

Contributing to this story: Joel Aschbrenner, Christopher Doering, Donnelle Eller, Victor Epstein, Lynn Hicks, Tony Leys, Matthew Patane and Marco Santana.

Depending on your perspective, the party will rage on next year, or the hangover will persist.

Expect most of the 13 biggest business stories of 2013 to return in one form or another next year.

There's plenty to look forward to in 2014: The possibility of new economic development projects, businesses, stores, apartments and hotels. More jobs and rising home values.

There's also much to worry about: Falling prices and returns for grain farmers. Uncertainty in health care and energy policies. A growing skills shortage.

Register editors and reporters looked back, and ahead, to choose these stories as the top of 2013:

### 1. Iowa becomes data center central

Iowa is quickly becoming a hub for high-tech companies seeking to expand their data storage and server infrastructure.

Earlier this year, Facebook announced a \$1.5 billion data center project in Altoona. Google, meanwhile, said that it wanted to invest an additional \$400 million in its Council Bluffs facility, while Microsoft announced an almost \$700 million expansion to its West Des Moines center in 2012.

"Iowa is a preeminent location for data centers, without a doubt," said John Boyd Jr. of the Boyd Co., a New Jersey-based site selection firm that has worked with AT&T, Dell and others.

The companies come to Iowa for its low energy costs — including ample wind energy — large amounts of available land and its offers of hefty financial packages, such as \$18 million to Facebook and \$20 million for Microsoft's expansion.

Boyd said Iowa should expect more data center projects to come down the pipeline in 2014 and 2015.

"I would say there is no end in sight to the high level of success that Iowa is achieving," Boyd said.

### 2. Health care changes come with hiccups, headaches

Health insurance remained at the top of employers' concerns in 2013, despite a year's reprieve in a looming raft of regulations.

Employers with more than 50 employees were supposed to face a new federal requirement that they provide insurance coverage in 2014. The Obama administration wound up delaying that part of the Affordable Care Act until 2015, giving business leaders more time to figure out how to comply.

Very few small businesses have signed up for new tax credits that were supposed to encourage them to provide or continue offering health insurance. Brokers said that the application process is overly complicated, and that many small businesses would only qualify for a partial credit.

Meanwhile, the rocky start of the new health insurance website, [healthcare.gov](http://healthcare.gov), led to a year's delay in the launch of a similar site for small businesses. However, Affordable Care Act proponents continued to predict that the overall program will rein in health care cost increases. They also note that the law has already brought a new insurance carrier, CoOpportunity Health, to Iowa's individual and small-group markets.

### **3. Big changes remake downtown Des Moines**

Developers launched plans for new hotels, apartments and public venues in 2013, laying the foundation for major changes to the downtown landscape.

A three-way land swap will yield a new downtown "Wellmark YMCA" and clear the way for development of the YMCA's riverfront property. Principal Financial Group began a \$238 million corporate campus renovation, while The Des Moines Register moved from its century-old building to Capital Square, where construction is underway to renovate Cowles Commons. Elsewhere, work was finished on the Principal Riverwalk and the Greater Des Moines Botanical Garden.

The construction of downtown apartments and townhomes, meanwhile, took off in 2013. Officials say some 1,500 new units are in the works. Those include projects in the East Village, the Western Gateway and south of Martin Luther King Jr. Parkway. At the heart of downtown, developers are continuing work to turn historic high-rises into apartments.

Construction will only pick up in 2014. A project to overhaul Walnut Street into a pedestrian-friendly mall is moving forward. Plans are on track for a 450-room hotel, and a pair of city-owned parking ramps could be demolished as early as next year to make way for new developments.

### **4. Iowa agriculture: From boom to bust?**

Iowa farmers will put expenses under a microscope next year as lower prices for corn and soybeans collide with high production costs.

Economists say Iowa corn and soybean growers could lose money over the next four years, beginning with this year's harvest. It was difficult news for Iowa farmers after a tough growing year — too much rain in the spring delayed planting and too much heat in the summer crunched yields for many farmers.

The potential downturn follows a boom that had growers worldwide bringing millions more acres into

production to take advantage of record-high prices. It's also driven Iowa farmland to record prices.

The dramatic change in fortunes has some Iowans worried the state could experience another 1980s farm crisis. But experts say Iowa farmers carry less debt today, are unlikely to face the soaring interest rates that burdened farmers three decades ago, and are not expected to see grain prices collapse, even though they're below the soaring heights of 2011 and 2012.

Lower grain prices are helping Iowa's livestock producers, who have struggled with losses for months.

## **5. Private equity wades into insurance**

Aggressive private equity firms accelerated their entry into the staid insurance industry in 2013, snapping up distressed businesses in the Des Moines insurance hub. New York-based Apollo Global Management completed its \$2.6 billion purchase of West Des Moines-based Aviva USA in October. Employment and annuity sales at the company, now called Athene USA, plunged during the prolonged sale.

The year also saw New York City and Chicago-based Guggenheim Partners shift the legal headquarters of EquiTrust Life Insurance outside of Iowa after paying \$471 million to West Des Moines-based FBL for the business in January 2012. The New York City-based Harbinger Capital Partners hedge fund shifted the headquarters of its Fidelity & Guaranty insurance business to Des Moines and launched an initial public offering for it.

Critics fear private equity firms are using the insurance industry's recent troubles to gain control over hundreds of billion of dollars of policyholder assets for use in making riskier bets on Wall Street. Another fear: Acquired insurers will be locked into exorbitant asset management fees that will continue long after they're resold via initial public offerings. The private equity firms say they're just doing what they've always done: snapping up distressed companies and stabilizing them.

"We're going to grow this business. We're in it for the long haul," Athene President Grant Kvalheim assured state regulators in a hearing in July.

## **6. Housing market rebounds**

The climb out of the recession accelerated in 2013 for greater Des Moines' housing market.

Home sales in the metro area increased 10 percent and topped 10,000 for the first time since 2007, and prices rose faster than any year in the past decade. A hot spring market saw prices surge as buyers gobbled up the limited home inventory. Things slowed down in the fall, as the government shutdown shook consumer confidence and interest rates ticked up.

Home builders also experienced a strong year. Permits for new homes in the metro were up 20 percent through November — including a 151 percent increase in townhouse applications.

Hoping for another strong spring market, home builders continued laying foundations through the fall. However, some industry experts expect the home sales figure to grow at a slower pace in 2014 as interest rates rise.

## **7. Job market sees ups and downs**

Iowa's job market gave off mixed signals this year as the state's unemployment rate dropped to a five-year low, but some industry sectors are lagging behind.

This year, Iowa gained enough jobs to surpass its pre-recession high and saw its unemployment rate drop to 4.4 percent in November.

Iowa's financial sector was up for the year, but a series of layoffs at major financial firms, such as Wells Fargo, helped offset those gains.

Most of Iowa's industries are still down from highs set before the recession. Manufacturing has seen the largest decline and is down 17,800 jobs since its high in June 2006. Construction is also down more than 8,000 jobs from its pre-recession high.

Iowa is also facing a longer-term problem: a lack of skilled workers and a large population of workers ready to retire.

Without importing more workers or stopping the flow of young workers out of the state, there is little Iowa can do to stop the process. "Our economy can only do so much," said Dave Swenson, an Iowa State University economist.

## **8. Biofuels supporters fight policy changes**

Big oil and the biofuels industry are facing off over a federal proposal to scale back the amount of ethanol used in next year's fuel supply.

With billions of dollars of potential profit on the line, ethanol producers, corn growers and other groups know they have a tough road ahead and a limited window in which to change the thinking of the Environmental Protection Agency and White House officials overseeing the mandate, known as the Renewable Fuel Standard.

The law requires refiners to buy alternative fuels made from corn, soybeans and other products.

The oil industry argues that the ethanol law is unrealistic, because of limitations on the nation's ability to push consumption beyond 10 percent ethanol, now used by most motorists. Auto manufacturers contend higher blends could damage vehicles, something the ethanol producers dispute.

A reduction to the ethanol mandate would be especially damaging to ethanol-producing states such as Iowa. Iowa is the nation's largest producer of ethanol, and it has seen its rural communities benefit from growing demand for renewable energy.