

## Experts predict local economic performance at Inland Empire Economic Forecast Conference, University of Redlands

JOY JUEDES, Staff Writer

Posted: 05/19/2009 11:24:34 PM PDT

REDLANDS - The first thing Redlands economist John Husing said when it was his turn to speak Tuesday was, "Why did you all come to this?"

Husing spoke at the Inland Empire Economic Forecast Conference at the University of Redlands, where he and other local experts predicted the region still has more than a year before the economy begins to turn around.

"Outside we're going to have Lucy with her psychology (booth) when you all get done," Husing joked, making a reference to "Peanuts."

Husing and others said the reason why the Inland Empire economy has been suffering recently is because its three main strengths - construction, manufacturing and logistics - have taken a hit.

"Things hurt in this (recession) have been things in our straits," Husing said during the question-and-answer session.

Christopher Thornberg, founding principal of conference organizer Beacon Economics, gave an overview and forecast of the national and state economies.

He said equity markets, the U.S. economy's "13-year-old daughter", are what drives public opinion, and that the stock market is not an predictor of how the economy will perform.

He said the recession in California and the Inland Empire is more cyclical, which does not take as long to recover from. "It's not what Wall Street means for California, it's what California means for Wall Street," he said.

The "three imbalances" are in housing, finance and consumer spending, he said.

"The bad news is we've still got a lot of healing to do, but when we get through this, California is going to boom," he said.

Regarding the housing market, he said that with 400,000 homes in foreclosure, "what we need for these empty homes is to get other families in them."

He predicted the current quarter to be the last of negative growth.

"If you're sitting on cash, you're going to have a lot of fun over the next few years," he said.

Brad Kemp, director of regional research for San Rafael-based Beacon, looked at the Inland Empire economy.

Advertisement

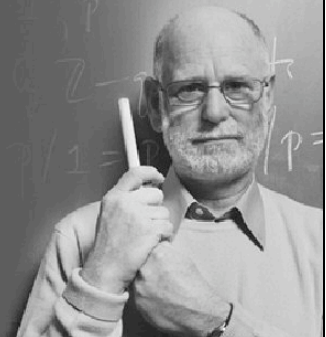


**Florida Tech**  
UNIVERSITY ONLINE



**APPLY TODAY!**

FloridaTechOnline.com/FD | 1-888-253-5946



Print Powered By FormatDynamics™

"The truth is, in the Inland Empire there's been lots of significant problems in an economy that was growing uncontrollably."

But the region's economy is diverse - "you're no longer talking just about logistics."

"No doubt, the potential for the Inland Empire is massive," he said.

Kemp and Husing said the region's biggest challenger will be producing and attracting a more-educated workforce.

"We have to lean on our institutions of higher learning," Kemp said. He said the area has a "good, solid base of workers" due to good high schools.

He and Husing said affordable housing will drive population increases in the region, which Kemp said will reach 5 million by 2015.

Unemployment will top out at 15.9 percent and 150,000 jobs will be lost in 2010, Kemp said. But "the good news is, the workers will still be here. Those people will get their jobs back," he said.

And while construction and transportation may be suffering, education and health care have been steadily growing, he said.

Overall, the Inland Empire will eventually return to "relatively strong" growth, he said.

"You are the path of expansion in California - you are the opportunity, you are the

affordability," Kemp said. "You will see the kind of growth other regions can only hope for."

University of Redlands professor Johannes Moenius spoke about "Subprime time in the Southern California housing market."

In terms of average home prices, Redlands in 2006 "was Hollywood in 2000," he said.

"We have the Redlands Bowl - what do you expect?" he joked.

"We had the Hollywood effect of Redlands for one year during the peak," he said.

He noted that the Inland Empire experienced the highest increase during the real estate boom and deepest drop in the downturn.

He said there is more demand for smaller homes, which will help stabilize the region's market, but there is still higher risk. There will be 240,000 more "distressed properties" in the next two years.

"Current measures are not enough," he said. "We (must) triage neighborhoods and consolidate them if necessary risk management is of extremely high importance."

Former state legislator Jim Brulte, who now heads the Inland Empire office of California Strategies LLC, spoke about local politics becoming more polarized along party lines, like national and state politics.

Advertisement



UNIVERSITY of  
SAN FRANCISCO

End-to-End Training as It Should Be: 100% ONLINE!

Earn Your Master Certificate in Internet Marketing

- SEO & Paid Search
- Online Branding
- Web Analytics
- Internet Law
- Media Buying
- Social Media



1-800-268-9943  
USanFranOnline.com/FD

"I thought the economy was going to be the dismal part of the morning," joked moderator and Beacon founder Jon Haveman.

"The deficit is not the problem - it's a symptom of the problem," Brulte said during the question-and-answer session.

"The California business model does not work. Even if we assume the most robust recovery California has ever had the system is still broken. We need to fix it."

Husing said Detroit is the only major U.S. population area with a higher unemployment rate than the Inland Empire. That, and local governments are suffering from less revenue from property taxes and sales tax.

"I think the (current) downturn, the area will not get out of for a realistic length of time," he said. "We've got three, four years difficult ahead."

Husing said although the Inland Empire still has "dirt" and a lot of blue-collar workers, "the question is, will we find a new sector to lead us out (of the recession)?"

"We need to rely on our strengths," he said. "Until we can get back into residential construction, that hole remains until we find something else to fill it."

Positively, he said supply and demand is rising to about where it was in 2003.

"Affordability is phenomenal," he said.

He said one sign housing prices are getting better is Tino, a hotel employee he knows, is finally looking to buy a house. But, he said, "we need to burn through a ton of foreclosures" and government fees must go down.

He reiterated that "there is no such thing as a poor, well-educated community, but the opposite is also true."

He said more than 50 percent of adults in the region have never taken a college class.

"Education in this area is not the problem of educators, it's the problem of leaders," he said. "That is our most important challenge going forward."

E-mail copy desk chief Joy Juedes at [jjuedes@redlandsdailyfacts.com](mailto:jjuedes@redlandsdailyfacts.com)

Advertisement

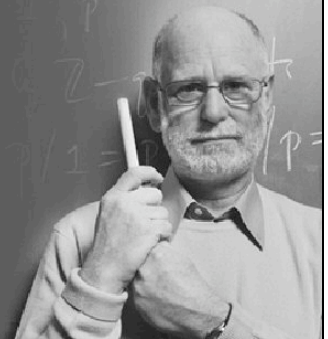


**Florida Tech**  
UNIVERSITY ONLINE



**APPLY TODAY!**

FloridaTechOnline.com/FD | 1-888-253-5946



Print Powered By FormatDynamics™