

Last updated: October 25, 2007 07:55am

## **Though Tragic, CA Fires Won't Affect Economy**

*By Nellie Day*

SAN DIEGO-Though the 16 fires that are engulfing San Bernardino, Riverside, Los Angeles and San Diego counties will produce devastating short-term effects for many home and business owners, the economy will apparently be granted a reprieve.

For many homeowners, the situation went from bad to worse. Not only was the single-family housing market in a slump, but some of the 881,500 Southern California residents currently evacuated will return in the next few days to find that their homes are among the 1,155 (as of Wednesday morning) that were destroyed.

As bleak of a situation as this seems, however, economists believe that once the immediate devastation passes very little long-term effects will be felt. "We're obviously in the midst of a housing recession: prices are falling and the building industry is getting hammered," Christopher Thornberg, a Los Angeles economist and principal at Beacon Economics, tells GlobeSt.com. "But with the fires, the impact here is probably somewhat positive. We have a situation where there will be rebuilding, which will provide a little boost to an industry in tough shape."

According to California's Employment Development Department, the construction industry has lost 28,600 jobs since September, which is a 3% decline from 2006.

However, with the current wildfires primed to become one of the most expensive fires in the nation's history, and State Farm currently having received 1,351 claims and 251 reports of homes being destroyed, the construction industry should experience a pick up in business.

As for businesses, current estimates state that about 500 businesses have been destroyed by the fires while many others have been evacuated. Large San Diego tenants such as Jack in the Box, Qualcomm, Sony and Hewlett-Packard had to partially or completely halt their operations early this week as fire officials were unable to extinguish and contain the various fires due to dry weather and high winds. These closures, as well as the closures of many retailers, post offices and tourist attractions such as SeaWorld and the Wild Animal Park, are again set to have only short-term effects on business and tourism.

"Large events create a certain degree of disruption," Thornberg says. "Next quarter we'll see a big bounce in the economy. The economy will be stimulated and businesses will be catching up. The business [disrupted] is business to be delayed – not business to be canceled. Mail will go out next month. Deals will close next month. All businesses have built in a certain degree of slack...As for tourism, it's Southern California, it's San Diego. It will be fine."

Thornberg also notes that although many disasters of this kind can't be avoided, there are measures that can be put in place to prevent widespread damage to businesses and homeowners in the future

"Unfortunately, people are given incentive to not worry about risk because the government happily steps in and bails them out," he says. "People say, 'this is a great place to live and I don't have to deal with the consequences of a fire.' But we should be aware of the fact that when you build in canyons and wilderness areas, yes it provides a great lifestyle but it puts you at risk. We as a society condone this risk at the taxpayers' expense. How many times are you going to rebuild a business or a gated, high-end neighborhood in the middle of the San Diego wilderness before we say 'you should know better'?"

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