

Conference looks at grim I.E. economy

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By June of next year, eight out of every 50 Inland Empire residents looking for a job will be without one - a 16 percent unemployment rate.

Home prices will drop another 20 percent between now and then, depending on where you live.

And taxable retail sales for some local governments will have plunged more than 25 percent between the real-estate bubble's peak in 2006 and the end of 2010.

For all the numbers and statistics released Tuesday at the 2009 Inland Empire Economic Forecast Conference, perhaps the first three words of the 114-page forecast sum up the situation nicely: "It's really bad."

Nothing about the San Bernardino- Ontario-Riverside economy's slide downward surprises Chris Thornberg, keynote speaker at the University of Redlands event and co-principal of San Rafael-based Beacon Economics.

"The question is, Is this a repeat of the 1990 downturn?" he said. "No."

Foreclosures aren't the Inland Empire's main problem right now, Thornberg argues. He sees the positive side to thousands of bank-owned properties dotting the two-county region's landscape: affordable housing for would-be homeowners and long-term investors.

The unemployment numbers are what worries him. The metro region's unemployment rate rose to 12.9 percent in March, according to data published by the state's Employment Development Department. April's numbers come out on Friday.

The region has already lost more than 121,000 jobs between June 2007 and March 2009, according to Joe Briceno, a Riverside-based labor market consultant for California's Employment Development Department.

Thornberg also said several national banks are still in trouble despite the federal government's capital injections keeping them alive.

On top of trillions of dollars in assets already lost, "Banks are going to suffer a couple trillion in losses over the next couple years," Thornberg said.

Moreover, the economy's rebound partially hinges on whether consumers can start stashing away 7 percent to 9 percent of their income every month. Once they do that, they'll feel more comfortable about splurging on televisions, computers and vacations, he said.

The national savings rate was 4.2 percent in the

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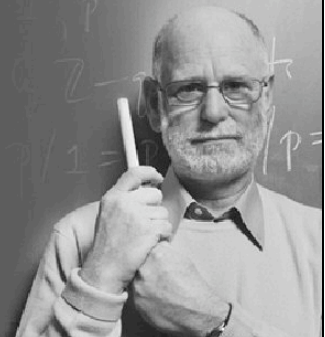


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first quarter of this year, according to the Commerce Department.

The good news is, "California doesn't have any structural (economic) problems," Thornberg said. "California is going to boom when this is over."

When positive national gross domestic product finally returns - by June 2010 - the Inland Empire will still be suffering.

But another economic boom awaits San Bernardino and Riverside counties.

Brad Kemp, director of regional research at Beacon's Los Angeles office, said the area's affordable land and real-estate prices - while not as attractive in the current environment - will eventually draw commerce and development. It's only a matter of time.

"Everything that's here that made the Inland Empire what it was before the recession is still here," Kemp said to an audience of real-estate investors, developers and business leaders. "You are the path of opportunity for California."

"The Inland Empire will recover."

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