

Business News

Fires won't hurt long term, economists say

The disaster is likely to stimulate the region's construction sector, some say, and tourists will return as before.

By Peter Y. Hong and Andrea Chang, Los Angeles Times Staff Writers

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Despite the destruction of more than 1,600 homes and buildings, massive evacuations and widespread business closures, Southern California's vast, diverse economy probably will withstand this latest disaster with little long-term damage, economists say.

In fact, some observers see a boon to areas such as construction, which is down 28,600 jobs through September, a 3% decline from the previous year, according to the state Employment Development Department.

"In the odd nature of economic accounting, this will probably be a stimulus," said Alan Gin, a University of San Diego economist. "There will be a huge amount of rebuilding in the next couple of years, financed by insurance payments."

Damage estimates were in the hundreds of millions of dollars Tuesday, and that figure doesn't count losses to hundreds of businesses that were forced to halt operations because of the widespread blazes.

In San Diego County, thousands of workers stayed home as Hewlett-Packard Co., Sony Electronics Inc. and other companies closed Monday and Tuesday. Tourist attractions including San Diego's SeaWorld and the Wild Animal Park near Escondido also shut down Tuesday.

Such closures strike an immediate blow to the theme parks and surrounding businesses such as hotels and tour services.

"When you lose a day of business in a theme park, that hits your bottom line pretty quickly," said Jack Kyser, chief economist with the Los Angeles County Economic Development Corp.

The closures occurred in the traditional slow season, however, making losses less severe. Legoland in Carlsbad, for instance, is normally closed Tuesdays and Wednesdays in October.

By the time the smoke clears, tourists should still be eager to vacation in San Diego, said David Brudney, a hospitality consultant in Carlsbad.

"California's had all kinds of tragedies in my lifetime. I think the whole state is resilient to that," he said. "The bottom line is, it's horrible to go through, but does it have any long-term impact on tourism? In my opinion, it doesn't. I think California gets a free pass when it comes to that."

The destruction so far has not matched the \$3 billion to \$4 billion caused by the 2003 wildfires, said Don Windeler of Risk Management Solutions, a Bay Area firm that models catastrophes for the insurance industry.

But that could change in the next day or two if the fire spreads to more densely populated areas, he said.

The wildfires are passing through some of the heaviest agricultural areas in San Diego, and farm officials worry that the county's avocados, citrus, nursery stock, flower crops and vineyards all have suffered damage.

"We grow 200 crops in the county and most have been in the pathways of the fires, but we are still evacuating people and no one has been back in to know what has happened," said Dawn Nielsen, the county's deputy agricultural commissioner.

San Diego produces about \$1.4 billion of crops annually, including nearly \$1 billion of flowers, trees, shrubs and bedding plants, as well as more than \$100 million of avocados.

"We've had a lot of destruction to vineyards, cattle ranches, poultry ranches, nurseries, avocados and citrus fruit. All those crops are produced in the footprint of the burned areas," said San Diego County Farm Bureau Executive Director Eric Larson. He said the damage could not yet be measured.

Riverside County agriculture officials said Tuesday that they had no reports of fire-caused crop damage.

The conflagration adds salt to the wounds of the housing market, which is slumping under falling prices and rising foreclosures.

Real estate activity could come to a standstill in areas suffering heavy damage. And in other areas, transactions could be delayed by closed government and business offices, said Stephen Rodgers, president of Prudential California Realty in San Diego.

But over time, he said, rebuilding activity will be good for the market.

Rodgers said friends who lost houses in the fire have made dark jokes about finally getting a start on delayed remodeling projects. Such work does actually happen, however tragic the impetus, he

said: "The phoenix comes out of the fire."

Jeff Shea, a real estate broker in Rancho Bernardo, said the housing market was already so slow that the fire wouldn't have much effect. "How can it?" he asked. More likely, Shea said, is a spike in rental rates as evacuees seek temporary housing. He also fears homeowners insurance rates in the area will jump, perhaps hurting home sales a few years down the line.

Los Angeles economist Christopher Thornberg said fires had mainly a short-term economic effect. "Can something like an earthquake or fire cause a local recession? Absolutely not," he said.

"There are lots of capital losses, which can range into the billions, but it doesn't cause a slowdown in business activity," Thornberg said. Days of inactivity are made up when businesses reopen, he said.

Nevertheless, he said, "a lot of lives are disrupted, people are uprooted. You can never make up for that."

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