

Business

Outlook dim for Coachella Valley's short-term growth

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An economic forum dubbed "The Coachella Valley: The Last Urban Frontier?" Wednesday had less to do with settling an untamed landscape and more to do with harsh warnings for the desert's not-so-distant future.

While it's likely the desert will bounce back and be a focus for developers during the next building boom, making the relatively empty span between Banning and the windmills near the entrance to Palm Springs less empty, it won't be for awhile, experts said.

The Coachella Valley has not been immune from a housing crisis that has rocked most of the country, especially Southern California, and likely won't begin recovering from it until 2009, said Christopher Thornberg, a former senior economist with the UCLA Anderson Forecast and founder of Beacon Economics.

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Rodrigo Peña / The Press-Enterprise

The empty space between Banning and the wind turbines just outside Palm Springs will likely stay that way for some time, say economists who addressed a forum Wednesday.

"Recession is almost certain. I don't see how we can get out of it," he said. Thornberg was the first of several speakers at the Urban Land Institute Inland Empire District Council's presentation.

"We are in turbulent times, to say the least," he said.

Thornberg warned the worst was yet to come in a January economic forecast presented by the College of the Desert's Center for Training and Development.

In a mini economics lesson to a crowd of about 150 people at the Westin Mission Hills in Rancho Mirage, some of whom later dismissed Thornberg for bringing a "doom and gloom" message, Thornberg said he had predicted a housing bubble for years but admitted his timing had been off.

Now the country and the Inland region -- "ground zero" as Thornberg called it -- burst amid a housing crisis that has since stung financial institutions.

"The frenzy, the froth, is finished here as well," he said referring to the Coachella Valley's housing market.

Ray Osborne, managing partner of New Home Marketing Network in Rancho Mirage, spoke later in the morning and said the number of homes built in the desert far exceeded the number of homebuyers.

"This time I think we really overshot demand," he said.

Home builders, including national, publicly held home builders, would need to lower their prices once and for all instead of repeatedly dropping prices in increments, a practice that makes potential buyers wary, he said.

"The downturn will be over when the industry says it's over," he said.

Tom Reimers, executive vice president of O'Donnell/Atkins, a land brokerage firm, said the environment for land deals is also dire.

But like many, including Thornberg, Reimers said the Coachella Valley's future in the long term looks bright. The desert continues to evolve into a year-round economy not entirely dependent on shifts in tourists, he said.

While consumers have maintained the economy with spending, they may not keep it up much longer.

If that happens a lack of consumer spending would eventually bring on a full-blown recession, Thornberg warned. Retail and tourism, the Coachella Valley's lifeblood, would then suffer, he said.

In addition, more low-interest adjustable-rate mortgages are set to reset to a much higher rate come the third quarter of 2008, Thornberg said.

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