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Economist tells local business leaders: 'It's going to be a bad recession'

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THE PRESS DEMOCRAT

Published: Friday, November 14, 2008 at 11:31 a.m.

Jobless ranks could hit 10 percent and home prices continue to fall across California, with Sonoma County feeling much of the worsening downturn, according to a new economic forecast released Friday.

The worst recession to hit the state and nation in more than two decades could extend beyond next year, sapping consumer spending that drives the economy and extending housing's price decline, said Chris Thornberg, an economist who studies California.

"It's going to be a bad recession. It's not pretty, but it's not a depression," Thornberg told 400 business and industry leaders at the Hyatt Vineyard Creek in Santa Rosa. The Sonoma County Economic Development Board hosted the event.

California's unemployment rate could peak at about 10 percent in early 2010, near the end of what is shaping up as a more than two year long economic slump, Thornberg said. He made no forecast for Sonoma County, but the region's jobless ranks have tracked the nation, and Thornberg projected the U.S. unemployment rate would top out at 8 percent.

Poor job growth is a drag on any recovery in housing. While sales have picked up as buyers snap up foreclosed homes, prices likely won't hit bottom for another year with the market dominated by bank-owned homes and short-sales by homeowners bailing out on mortgages they could no longer afford.

In Sonoma County, where two out of three sales are distressed properties, home prices could sink below \$300,000 before finally flattening, Thornberg said. Home prices have already fallen 42 percent from the peak of \$619,000 three years ago, and Thornberg's projection would take off another 20 percent or so.

"Do I think prices have farther to fall, unfortunately I do," he said. "The fact is prices will hit a level where people can afford them."
