Modesto is gaining recognition as a land of opportunity within the greater California economy. Modesto offers high quality of life with excellent affordability and central access to all Northern California markets. With sustained population, job and business growth, Modesto is in a solid prosperity phase attracting increasing interest from the business, healthcare and education sectors.

Businesses and households alike are experiencing fatigue from relentless cost-of-living increases in much of Northern California. While attention has been given to examples of migration from California to other states, most California businesses and households have built up significant economic and social equity here and would prefer to remain in State.

The Northern San Joaquin Valley (NSJV) region spanning San Joaquin, Stanislaus and Merced Counties has been making steady economic progress. The region is be a dominant force in the critical food and beverage value chain and has made rapid strides as a logistics hub and healthcare center of excellence.

The City of Modesto, located in the strategic middle of the NSJV region, hosts many the region’s leading employers and is gaining recognition as a regional healthcare center of excellence. The City is teaming with regional higher education to help accelerate the development of high value-added business and employment opportunities and Stanislaus county’s commitment to workforce development and prevention of homelessness signals an even brighter future.

This is an historic take-off period for the NSJV region and the City of Modesto. Discerning businesses investing today are positioned to benefit from generational return opportunities.
Growing Employment

The Modesto metropolitan statistical area (MSA) is in a multi-year growth trend for Labor Force and Employment, with a pronounced declining trend of unemployment from the Great Recession of 2008 into the early 2010’s.

Seasonal Factors

Modesto hosts a vibrant manufacturing sector anchored by Food Processing. This industry has a strong seasonal labor demand, representing a swing of approximately 5,000 jobs each year.

Tight Inventories, Leveling Rates

After bottoming between 2011 and 2014, commercial real estate has been rebounding. Total supply has expanded slightly; continuing absorption is driving vacancy rates down. It isn’t surprising that interest in new development projects is increasing.

Regional Retail Magnet

In the retail space segment, Modesto has experienced a consistently declining vacancy rate since 2009 and a vacancy rate lower than the USA average since 2012. Modesto’s retail trade benefits from strong demand locally and regionally as a hub on Highway 99 with well over 100,000 average daily trips.

Source: CoStar Real Estate Information
Excellent Office Real Estate Values Continue

Commercial real estate values continue to be highly attractive in Modesto, significantly below national levels.

With net absorption positive since 2013, the office real estate market is likely to begin tightening.
Industrial Real Estate is experiencing a moderate increase in average lease rates. Modesto continues to represent an outstanding value compared to national averages.

Vacancy rates are historically low, but a number of active projects are delivering additional supply in 2018.

With Modesto’s abundant water, wastewater and electric services, and excellent logistics connections via rail and road, more manufacturing and logistics enterprises are short-listing Modesto for new opportunities.

Source: CoStar Real Estate Information
Building Permit Activity

Building activity and value of construction projects have been moving upward since the Great Recession.

Residential permit growth has outpaced commercial permitting. Residential builders who have continued to invest in the Modesto area are experiencing strong buyer interest and sales.

The growth rate gap between residential and commercial building activity may be indicative of developing pent-up demand in the commercial sector.

Interest is notable in Modesto’s development opportunity sites including the Kiernan Business Park, the Tivoli specific plan area, Highway 99 frontage and downtown redevelopment.
Households

Household Income and Rental Housing Cost

Since the Great Recession, median household income has been rising nationally, statewide, and in the Modesto area. Although Modesto’s household income is less than State average, Modesto’s rental housing costs continue to be lower than State average. As housing cost is the largest component of household expense, Modesto continues to be an affordability oasis in the State.

![Household Median Income Chart](source: census.gov)

![Market Rent per Unit Chart](source: costar.com)
Home Prices

The Modesto housing market has regained solid footing and annualized appreciation is outperforming State averages. Despite healthy appreciation, the Modesto area remains a benchmark of value and affordability in California.

Source: Zillow.com

**Home Values (ZHVI)**
- Increasing Values: 94.6%
- Decreasing Values: 2.8%
- Fall From Peak: -18.9%
- Peak ZHVI Date: 2006-04
- Peak ZHVI: $372,100

**Rent**
- Zillow Rent Index: $1,441
- Monthly Change: 0%
- Annual Change: 0.8%
- Rent List Price: $1,600
- Rent List/Sq. Ft.: $1

Source: Zillow.com
Modesto performs well on a number of key indicators relative to its San Joaquin Valley peers. The numbers in the charts are rankings from WalletHub’s Best-Run Cities report. The lower the number, the better the relative performance.

Modesto Economic Indicators 2018

Government (continued)

WalletHub’s 2017 Best-Run Cities Rankings—Lower Numbers = Higher Rank


Road Condition and 10-Year Funding Requirement

Road condition is an important element in economic vitality and quality of life. Road tax funding sources to county and city jurisdictions have been on a long-term downtrend, but legislation to increase the State gas tax is expected to restore a portion of historic road work funding. Despite funding challenges, Stanislaus County and Modesto have improved overall Pavement Condition Index (PCI) scores and reduced estimated funding needed looking ten years into the future required to achieve and maintain a PCI target of 65. Modesto’s current average PCI stands at 59. Voters passed Measure L which gives Stanislaus County and Modesto “self-help” status which can unlock additional road funding and help the region add needed roadway and achieve PCI 65.

http://www.stanislaus-localroadsfirst.com/stanislaus-county.html
Sources Cited

Commercial Real Estate Data— CoStar Real Estate Information  www.costar.com
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Household Median Income— US Department of Census— https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_S1903&prodType=table
Home and Rental Housing Market Trends— www.zillow.com
Road Condition and Funding— California Roads and Streets Needs Assessments 2010-2016, www.savecaliforniastreets.org

Notice of Compliance under the Americans with Disabilities Act
In accordance with the requirements of Title II of the Americans with Disabilities Act (ADA) of 1990, the Fair Employment & Housing Act (FEHA), the Rehabilitation Act of 1973 (as amended), Government Code section 11135 and other applicable codes, the City of Modesto (“City”) will not discriminate against individuals on the basis of disability in the City’s services, programs, or activities.

About the Artist:
Virginia White has been actively painting, showing and selling her paintings since moving to Modesto in 1972. Her watercolors of architectural themes, especially those of local landmarks and landscapes in Northern California have made her work significant in this area, and have attracted many collectors. Virginia is a retired art teacher from the Oakdale public schools, and now spends her time as a full time artist and photographer. Virginia can be contacted through the CCAA, Mistlin Gallery, 1015 J St in Modesto, 209 529-3369.

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