

# COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

## Analysis of the Modesto, California Housing Market

As of July 1, 2004



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

## **Foreword**

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis follows the guidelines developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from both local and national sources. As such, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis (Current date), and from the Current date to a Forecast date. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 36 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by Pamela J. Leong, the Economist in the Pacific/Hawaii California State Office, based on fieldwork conducted in May 2004. Questions regarding the findings and conclusions of the analysis may be addressed to Ms. Leong at 415-489-6518 and at [pamela\\_j.\\_leong@hud.gov](mailto:pamela_j._leong@hud.gov).

## **Housing Market Area**

The Modesto Housing Market Area (HMA), defined as Stanislaus County, California, is coterminous with the Modesto metropolitan area. The Modesto HMA occupies 1,500 square miles of the San Joaquin Valley in the northern part of the state's fertile Central Valley. The Modesto HMA is bordered by the San Jose metropolitan area on the west, the Stockton metropolitan area on the north, the nonmetropolitan Calaveras and Tuolumne Counties to the east, and the Merced metropolitan area on the south. For purposes of this housing analysis, the HMA has been divided into two submarkets: Modesto, which consists of the city of Modesto, the most populous city in the HMA, and Turlock, defined as the remainder of the Modesto HMA, which includes unincorporated land and eight cities, of which Turlock is the largest.

## **Summary**

The Modesto HMA, as part of the Central Valley and its agricultural foundation, has an industrial mix quite different from other areas in the state that have experienced economic weakness. In addition, strong in-migration has caused population-related employment gains in the services sector that have further sheltered the economy of the HMA. In the most recent 12 months, wage and salary employment contracted 0.2 percent, but the economy of the HMA is anticipated to recover and experience annualized employment growth of 2.2 percent during the next 3 years.

Since 2000, robust in-migration has occurred due to the relatively low cost of homes in the HMA, contributing to an annual average population growth of 2.7 percent. The additional stimulus of low mortgage interest rates has caused the sales housing market to reach new records in sales volume and price appreciation during the past year.

Because of low levels of multifamily development since 1990, the overall rental market in the HMA has remained fairly tight, although conditions have eased slightly since 2000. The strong sales market has been a competitive force for the higher end multifamily market, however, and this segment of the market has more vacancies, particularly in the city of Turlock.

During the 3-year forecast period ending July 1, 2007, demand for new sales housing is estimated at 2,630 units annually. Demand for new market-rate rental housing is estimated at 500 units annually.

## **Economy of the Area**

The consistent strength of the Modesto metropolitan area's economy is rooted in its particular industrial diversity and its population's willingness to commute to neighboring areas for employment.

Commuting patterns in the HMA are reflected in the vast divergence of total employment counts as enumerated by the resident- and employer-based surveys. The current resident

employment in the HMA of 193,200 exceeds the total wage and salary employment of 165,700 by 17 percent, far surpassing the 11-percent difference between the same two employment surveys for the state. The 2000 Census recorded 21 percent of residents of the HMA working outside their own metropolitan area, compared with 13 percent of the state's residents. Most Modesto area commuters travel to the Oakland and San Jose metropolitan areas to work.

Resident employment registered slow growth of a mere 0.5 percent on an annual average basis during the first half of the 1990s, reflecting the struggling economic conditions of the Modesto HMA and neighboring counties. In the second half of the 1990s, resident employment grew by an average of 2.2 percent each year and then slowed abruptly to 0.1 percent in 2000. Since 2000, employment growth has improved, up 1.2 percent over the 12 months ending July 2004, to 193,200 workers. The unemployment rate has also improved and as of the current 12-month period is 11.3 percent, down from the previous period's 11.6 percent.

As the state's economy struggled with job losses in the early 1990s, the Modesto HMA recorded yearly gains in total wage and salary employment of 0.8 percent, reflecting the area's industrial diversity. Nonfarm employment growth strengthened during the 1995 to 1999 period, consistently surpassing 3.1 percent a year and, since 2000, has eased to 1.0 percent on an average annual basis. In the most recent 12-month period, total wage and salary employment decreased a modest 0.2 percent to 165,700 jobs in the HMA.

Tables 1 and 2 present 10 years of data for annual average civilian labor force and resident employment, and total wage and salary employment data by industry sector from 1994 through the Current date.

Part of the industrial diversity of the HMA is due to its northern location in California's Central Valley, a highly productive agricultural area. The HMA typically ranks between fifth and seventh in the state in terms of gross farm income, and in 2002, the most recent year's data available, agricultural output totaled \$1.37 billion with milk, almonds, and poultry as the top three crops. Global competition, consolidation, and accelerating land values have reduced the significance of the farm sector. Since 1990, farm employment has declined 19 percent to 13,300 jobs and currently accounts for 8 percent of total employment. The dollar values of agricultural production in the HMA from 1990 through 2002 are presented in Table 3.

Arable land and proximity to large consumer marketplaces in the San Francisco Bay Area have further shaped the industrial mix of the HMA by attracting many food-related companies. Foster Farms, E.&J. Gallo Winery, Hershey Chocolate and Confectionary, ConAgra Foods, and the Del Monte Foods Company are among the leading employers in the HMA. Manufacturing, with the majority represented by these food processing firms, currently accounts for 14 percent of total employment, down from 18 percent in 1990.

As the agricultural focus in the Modesto HMA has gradually diminished, the service sectors have become the primary source of new job creation. Since 1990, trade and transportation, health services, and government have created three of every five new jobs.

Trade and transportation has been the fastest growing segment, consistently accounting for one-fifth of total employment. This industrial evolution in the HMA mirrors the nationwide shift to a service-based economy, but is also due in large part to the local economy's response to the needs of a growing population. The government sector, primarily education, has become the second largest source of wage and salary jobs in the HMA. Much of this growth in local government employment is attributable to increases in the school-age population. A smaller role in the government employment gains belongs to the California State University, Stanislaus in Turlock with an enrollment of 8,000 students.

The health services sector has been the second fastest growing employment segment since 1990 and will remain significant in the next several years. During the 1990s, the de-institutionalization of some formerly group-quartered residents necessitated additional private sector care, and overall population growth justified hospital expansion. Among the major employers in the HMA are three hospitals, each with significant expansion plans for the next 2 to 4 years.

Recent employment growth trends indicate the Modesto HMA may recover from its current soft patch. During the forecast period, the farm segment's modest decline is anticipated to continue and employment growth is expected in the service sectors, especially health services and the construction sectors. Total wage and salary employment is forecast to be 176,900 jobs on July 1, 2007, reflecting annualized growth of 2.2 percent and a total increase of 11,200 jobs. As with previous economic cycles in the HMA, the pace of recovery is expected to be faster during the second half of the 3-year forecast period.

## **Household Incomes**

Due to its industrial composition and the commute pattern of residents to areas with higher average wages, the median family income in the Modesto HMA has risen 4.3 percent a year since 2000 to \$52,000, according to HUD's Economic and Market Analysis Division. This increase represents an improvement over the 1990s when annualized income growth measured 3 percent.

## **Population**

Between 1990 and 2000, the Modesto HMA population increased at a 1.9-percent annualized rate to just below 447,000. As of July 1, 2004, the population was estimated to be 500,000, reflecting a larger average annual gain of 2.7 percent since the 2000 Census, primarily due to strong in-migration from buyers in search of more affordable home prices. Net in-migration has accounted for more than two-thirds of the area's population growth since 2000, compared with 43 percent during the 1990s. Net natural increase (resident births minus resident deaths) has remained fairly consistent, averaging 4,300 people annually in the 1990s and 4,100 people annually since 2000.

With more acreage and development potential, the Turlock submarket has experienced more population growth, up 2.3 percent annually between 1990 and 2000, compared with a 1.4-percent annual average growth rate in the Modesto submarket. The population in the Turlock submarket has grown by 2.7 percent annually since 2000, and the Modesto submarket has expanded at a 2.6-percent yearly rate. The trends in population from 1990 through the Forecast date for the HMA and its two submarkets are presented in Table 4.

The level of economic growth and in-migration anticipated during the 3-year forecast period and the expectation that annual net natural increase will continue at approximately the same rate as from 2000 to the Current date indicate that the population growth may continue, but at a slower rate. The Modesto HMA population is forecast to increase to 532,000 as of July 1, 2007, an average annual gain of 10,700, or 2.1 percent a year. Net in-migration is anticipated to decline due to lower levels of new single-family home construction, but will still account for more than half, or 56 percent, of the population growth.

## **Households**

Reflecting the strong population growth between 2000 and the Current date, the total number of households in the Modesto HMA has risen to 160,000, an average annual increase of 2.3 percent, compared with 1.5-percent annual growth during the 1990s. Since 2000, household growth has averaged 3,450 households a year, the majority of which have been homeowners. Historic low mortgage rates during the past 2 years and strong levels of in-migration by households in search of relatively lower home prices resulted in a significant shift in tenure. In 1990, owner households in the HMA inhabited 76,129 units, or 60.7 percent of all occupied units. The homeownership rate climbed to 62 percent in 2000 with occupancy of 90,088 units, and the current rate of homeownership is estimated to be 65.1 percent. The Turlock submarket consistently has homeownership rates that exceed those in the Modesto submarket by 4 to 6 percentage points.

The Turlock submarket area experienced an increase of 1,300 households annually between 1990 and 2000, or 1.8 percent a year, compared with 1.2 percent, or 715 households, annually in the Modesto submarket. From 2000 to the Current date, the pace of household formation in the Turlock and Modesto submarkets increased in response to strong in-migration, registering gains of 2.7 percent and 1.8 percent, respectively, on an annual average basis. As of the Current date, the total number of households in the Turlock submarket is 89,700, and the Modesto submarket has 70,300 households. Due to the high incidence of larger families moving to the HMA in search of lower home prices, the average household size has steadily increased. In the Turlock submarket, the average household size is 3.18 persons, up from 3.01 in 1990; in the Modesto submarket, the average household size was 2.79 in 1990 and currently averages 2.95 persons.

Based on the current characteristics of household size and the rate of expected population growth, the number of households in the Modesto HMA is forecast to increase by 2,790 annually, or 1.7 percent a year, during the 3-year forecast period to 168,300 households

as of July 1, 2007. The trends in households from 1990 through the Forecast date for the HMA and its two submarkets are presented in Table 4.

## **Housing Inventory**

From 1990 to 2000, the housing inventory in the Modesto HMA grew from 132,027 to 150,951 units, an annualized net rate of 1.4 percent, or 1,900 units. Single-family homes constituted 93 percent of the new housing stock, or 1,890 homes a year, and new multifamily inventory averaged 145 units annually. The low level of multifamily construction in the 1990s resulted from the nearly six times higher level of activity during the 1980s. During the 1990s, net losses to the inventory of the HMA primarily occurred in the manufactured housing stock.

Residential building permit activity has accelerated considerably since 2000 in response to the strong demand for homes. Between 2000 and the Current date, single-family home permits have been issued at an annualized rate of 3,220 units, 80 percent higher than the annual average number of homes permitted during the 1990s. Multifamily unit building activity has risen to 224 units a year, almost 60 percent more than the annual trend in the 1990s. As of the Current date, the HMA has 164,900 housing units, an annual net increase of 2.1 percent, or 3,300 units, since 2000.

Residential development in the Modesto HMA is subject to the California Land Conservation Act; large-scale projects can occur only on land that will receive urban services through city boundary extensions as approved by the Stanislaus County Local Agency Formation Commission (LAFCO). Between 1990 and 2003, the Modesto submarket's acreage increased by 19 percent, and the Turlock submarket's acreage increased by 42 percent. As of 2003, the Modesto submarket accounted for 48 percent of the incorporated land in the HMA, and the Turlock submarket accounted for 52 percent. The fastest growing cities in the Turlock submarket have been Patterson, Riverbank, and Turlock with increases of 99, 53, and 46 percent, respectively, since 1990.

The faster rate of land annexation in the Turlock submarket has paved the way for residential development, fulfilling demand created by strong levels of in-migration to the HMA. Approximately two-thirds of the change in housing inventory in the HMA since 1990 has occurred in the Turlock submarket. From 1990 to 2000, Turlock's inventory increased at an annualized rate of 1.6 percent, or 1,250 units. During the same period, the inventory in the Modesto submarket grew by 1.0 percent, or 645 units, each year. Between 2000 and the Current date, annual building permits in the Turlock submarket have averaged 2,150 single-family homes and 190 multifamily units. In this same period, the Modesto submarket averaged 1,070 single-family units and 35 multifamily units permitted a year. As of the Current date, the Turlock submarket has 92,770 housing units, an annualized increase of 2.5 percent since 2000; the Modesto submarket has 72,130 housing units, an annualized gain of 1.6 percent.

Table 5 presents the housing inventory, tenure, and vacancy data from the 1990 and 2000 Censuses and for the Current date for the HMA and its two submarkets. Table 6 details

residential building permit activity from 1994 through the 6 months before the Current date for single-family and multifamily housing in the HMA and its two submarkets.

## **Housing Vacancy**

Due to lower levels of new single-family and multifamily construction in the 1990s, tight sales and rental market conditions began to develop near the decade's end as the pace of population growth increased. As of the 2000 Census, the sales vacancy rate had declined to 1.3 percent, down from 2.2 percent in 1990, and the rental vacancy rate measured just 3.2 percent, compared with 4.8 percent in 1990. Because of low mortgage interest rates and strong in-migration of people in search of lower housing costs, the sales market in the HMA has continued to tighten to a current vacancy level of 1.2 percent. As of the Current date, the sales vacancy rate is an estimated 0.8 percent in the Modesto submarket and 1.4 percent in the Turlock submarket. The HMA rental market has eased slightly since 2000, due to competition from the sales market, to an overall rental vacancy rate of 3.4 percent.

## **Sales Market Conditions**

Sales market conditions in the HMA were competitive in the early 1990s due to the weak economic conditions but are currently strong because of low mortgage interest rates and relatively affordable home prices in the HMA compared with neighboring counties. Data from the Real Estate Research Council of Northern California (RERC) show new home sales volume totaled 2,030 units in 1990 but remained well below this level until the late 1990s. The average sales price declined 16 percent to \$120,300 during the 1990 to 1996 period, also reflecting soft conditions and an oversupply of new homes. Sales volume finally surpassed the 2,000-unit level beginning in 2001 because of improved economic conditions and low mortgage interest rates. In addition, builders reduced the supply of new homes, which resulted in a rapid escalation of the average new home price to \$276,000 in 2003, a 9-percent increase over the 2002 average sales price. The strong sales price appreciation reflects not only the improvement in the sales market but strong demand from the move-up market instead of from mainly entry-level buyers.

Just as the new construction market struggled, the existing home market also struggled during the early 1990s. In addition, the oversupply of new homes at relatively low prices was strong competition for the resale home market. Total sales in the existing home market measured 5,277 units in 1990, plunged in 1991, and remained relatively flat thereafter until bottoming out in 1995 with 3,998 units. The average resale price fell 7 percent during this period to \$119,400. Market conditions improved toward the end of the 1990s, and resale volume climbed to 7,932 units sold in 2001 but declined slightly to just above 7,500 units in both 2002 and 2003. Reflecting stronger demand, the average existing home sales price began to appreciate significantly at the end of the 1990s and as of 2003 measured \$213,700, a 15-percent increase from 2002.

Although mortgage rates climbed in the past year, the sales market has yet to be adversely affected, because many buyers have rushed to finalize purchases before interest



rates increase further. According to RERC's assessor-based records of units sold, the volume of existing home sales increased 9 percent to a new high of 8,225 homes in the 12-month period ending June 2004 compared with the previous 12-month period. The average sales price surged 17 percent from \$198,400 to \$231,200 during the 12 months ending June 2004, another recordbreaking high. The new home sales market also set records for sales volume and price appreciation. New home sales escalated 29 percent to 2,500 units, and the average sales price increased by 8 percent from \$267,300 to \$288,700. New home sales represented 23 percent of the total housing units sold.

The Gregory Group, which collects data from builders and thus counts purchases earlier in the construction process than does RERC, reported more frantic levels of activity. Based on Gregory Group data, new, detached house sales in the HMA nearly doubled from 1,897 units in the 12-month period ending June 2003 to 3,744 units in the current 12-month period, and the median sales price rose 18 percent to \$309,000. The average size of a new, detached house increased from 2,237 to 2,284 square feet, indicating demand for slightly larger homes. Many builders have confirmed the extremely strong market for new homes, reporting that lots have been released in phases and quickly sold off by a lottery system, and that prices have increased with each new phase, or as frequently as once a month.

## **Rental Market Conditions**

Much like the sales market, the rental market in the Modesto HMA began the 1990s with some softness but improved toward the end of the decade. Builders responded to the softer conditions in the early 1990s by reducing new rental construction activity; however, the total rental inventory still increased due to gains in the single-family rental housing stock. In 2000, because of poor sales market conditions, the number of single-family rental units increased by 1.8 percent annually, from 24,940 units in 1990 to 29,852 units, representing one-fourth of the single-family housing stock. The overall weak economic conditions in the HMA and softness in the rental market severely affected rents. From 1990 to 2000, the median contract rent increased from \$482 to \$521, only a 0.8-percent annualized increase. As of 2000, rental market conditions had tightened compared with the early part of the 1990s; however, low mortgage interest rates have recently eased tight market conditions slightly by causing a marked tenure shift to homeownership. The current rental vacancy rate in the HMA is an estimated 3.4 percent, up from 3.2 percent in 2000. In the Modesto submarket, the vacancy rate is 3.5 percent compared with 3.3 percent in 2000; the Turlock submarket's vacancy rate currently is 3.3 percent, up from 3.1 percent in 2000. Table 7 presents the distribution of annual average demand of new rental units by rent and unit size during the 3-year forecast period.

Recent small-scale surveys of the market-rate multifamily rental market in the two largest cities in the HMA confirm the adverse impact of the strong sales market on this segment of the rental market. Market-rate multifamily properties in the Modesto submarket have been able to sustain a 95-percent occupancy level, but at the cost of repeated concessions and nominal, if any, rental increases in the past 6 months. The average market-rate rent for a two-bedroom apartment is \$888. Market-rate multifamily properties in the city of

Turlock have experienced more weakness as the vacancy rate has climbed to 7.8 percent from 7 percent in the past 6 months. As the home to a large state university, the city of Turlock experiences more seasonal summer weakness than Modesto in its multifamily rental market. The average market-rate rent for a two-bedroom apartment in the city of Turlock is \$758, with frequent concessions and minimal rent increases.

Due to the soft multifamily rental market conditions in the early 1990s, projects financed by low-income housing tax credits have composed a substantial portion of multifamily permit activity in the HMA. During the 1990s, 11 projects with a total of 1,010 units in the Modesto HMA received tax credits. Five of these projects, with 510 units, were built in the Modesto submarket. The Modesto submarket tax credit projects currently have no vacancies and have waiting lists of at least 1 year. The remaining tax credit units were placed in service in the Turlock submarket, with the city of Turlock getting two projects totaling 284 units. From 2000 to the Current date, six projects with 372 units to be located in the Turlock submarket have received a preliminary reservation of tax credits.

The Stanislaus County Housing Authority provides rental assistance to approximately 4,000 families under the Housing Choice Voucher program and various other Section 8 programs. The housing authority, which also manages a public housing program that includes several of the recently constructed tax credit complexes, is currently constructing a 16-unit property in the Modesto submarket and completing a substantial rehabilitation of a 38-unit farm workers' housing complex in the Turlock submarket.

As of the Current date, four market-rate multifamily projects with a total of 204 units are under construction in the Turlock submarket; five market-rate apartment complexes with a total of 83 units are under construction in the Modesto submarket. Also being planned is a 232-unit complex that has received approval from Modesto's city council, but has not yet received a building permit.

## **Forecast Housing Demand**

Based on an improving economy and continued in-migration, estimates indicate a demand for approximately 9,400 new housing units in the Modesto HMA during the 3-year forecast period ending July 1, 2007. This demand estimate includes forecast household growth and the need to replace units expected to be lost because of demolitions and other causes. This demand could be met successfully by the construction of 2,630 units of sales housing and 500 market-rate rental units annually. This level of construction would achieve an acceptable demand-supply relationship at the end of the forecast period.

The demand for new sales housing is expected to be satisfied primarily through the construction of single-family detached homes. The estimated level of sales demand is slightly lower than current levels because sustained mortgage interest rate increases and rapidly escalating house prices are anticipated to reduce affordability. These conditions are also expected to provide support for the multifamily rental market during the forecast period. The rate of new single-family construction is also projected to slow because most

of the land annexed since 1990 has already been built out. Patterson was the latest city in the HMA to receive annexation approval for several hundred acres, and construction activity is still strong.

Although land is available for building in the Modesto HMA, large-scale residential construction will not occur immediately due to the state's Conservation Act constraints and the need for voter and LAFCO approval of land annexation and new development. In the Modesto submarket, the next large expanse of land anticipated to become available for residential development is a 440-acre parcel of the Roselle-Claribel planning district. Although voter approval was secured in 2001, the land has yet to be officially annexed. In the Turlock submarket, a 180-acre parcel in the northeast part of the city of Turlock is next in line for annexation considerations.

Land prices have escalated as a result of the robust single-family market in recent years. Anecdotal evidence suggests that as much as \$100,000 an acre has been offered for land just outside the city of Turlock's borders. Near the other cities in the Turlock submarket, developers are offering prices that are double the current agricultural value of land. Farmers with property close to Patterson, Newman, and Hughson have been optioning their land to developers, but development cannot occur until the Conservation Act's constraints expire.

**Table 1**  
**Labor Force and Total Employment**  
**Modesto HMA**  
**1994 to July 1, 2004**

	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Previous 12 Mos.</b>	<b>Current 12 Mos.</b>
Labor Force	195.3	193.8	195.0	199.1	202.6	203.5	203.6	208.4	213.8	216.7	216.1	217.9
Employment	164.6	163.8	167.5	173.1	177.8	182.1	182.3	186.9	189.2	191.7	191.0	193.2
Unemployment	30.7	30.0	27.5	26.0	24.8	21.4	21.3	21.5	24.6	25.0	25.1	24.7
Rate (%)	15.7	15.5	14.1	13.0	12.2	10.5	10.5	10.3	11.5	11.5	11.6	11.3

Note: Figures are in thousands.

Source: California Employment Development Department

**Table 2**  
**Total Wage and Salary Employment**  
**Modesto HMA**  
**1994 to July 1, 2004**

Employment Sector	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Previous 12 Mos.	Current 12 Mos.
Total Wage and Salary	135.1	137.7	143.0	147.8	153.4	158.1	159.9	163.8	164.6	165.5	166.0	165.7
Total Farm	12.9	13.7	15.2	16.1	16.2	16.4	15.7	14.1	13.9	13.5	14.1	13.3
Total Nonfarm	122.2	124.0	127.8	131.7	137.2	141.7	144.2	149.7	150.7	152.0	151.9	152.3
Goods-Producing	28.8	28.7	29.5	30.4	31.1	32.0	32.6	34.0	33.2	33.8	34.0	33.6
Natural Resources. & Construction	6.4	5.9	6.2	6.7	7.9	9.2	9.9	11.0	10.7	11.3	11.2	11.2
Manufacturing	22.4	22.8	23.4	23.7	23.3	22.9	22.8	23.0	22.5	22.6	22.8	22.4
Service-Providing	93.5	95.3	98.3	101.3	106.1	109.7	111.5	115.7	117.5	118.2	118.0	118.7
Trade, Transportation, & Utilities	25.0	25.4	25.7	26.7	28.0	29.4	29.4	30.8	31.7	32.3	32.0	33.0
Information	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.2	2.1	2.1	2.1	2.0
Financial Activities	5.1	5.0	5.2	5.0	5.2	5.3	5.1	5.4	5.6	6.1	5.8	6.2
Professional & Business Services	10.5	10.7	11.3	13.1	15.1	16.3	17.4	16.8	15.0	14.0	14.1	14.3
Educational & Health Services	14.3	14.1	14.8	15.0	15.3	15.9	16.5	17.1	18.1	19.0	18.8	19.0
Leisure & Hospitality	10.2	11.0	11.4	11.3	11.8	12.0	12.2	13.0	13.6	13.7	13.7	13.4
Other Services	4.4	4.7	4.8	4.8	5.1	5.2	5.0	5.9	6.2	6.2	6.2	6.2
Government	22.1	22.6	23.2	23.4	23.7	23.7	23.9	24.6	25.3	24.9	25.3	24.7

Notes: Figures are in thousands. Numbers may not add up to totals due to rounding.  
 Data has been classified according to the North American Industry Classification System.  
 Sources: California Employment Development Department; 2003 Benchmark  
 Current: Estimates by analyst

**Table 3**  
**Agricultural Production**  
**Modesto HMA**  
**1990 to 2002**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Modesto HMA Production	1,038.4	1,070.1	1,073.9	1,147.1	1,121.9	1,115.5	1,233.2	1,318.7	1,330.2	1,208.4	1,197.3	1,353.3	1,368.0
Farm Workers <sup>a</sup>	14.6	14.6	14.1	13.3	12.9	13.7	15.2	16.1	16.2	16.4	15.7	14.1	13.9
Output Value per Farm Worker <sup>b</sup>	71.1	73.3	76.2	86.3	87.0	81.4	81.1	81.9	82.1	73.7	76.3	96.0	98.4

<sup>a</sup> Farm worker figures are in thousands.

<sup>b</sup> Values of output per farm worker are in thousands of dollars.

Note: Value of agricultural production (including timber) in millions of noninflation adjusted dollars.

Sources: California Agricultural Statistics Services

California Employment Development Department

**Table 4**  
**Population and Household Trends**  
**Modesto HMA**  
**1990 to July 1, 2007**

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
<b>Population</b>										
Modesto HMA	370,522	446,997	500,000	532,000	7,648	1.9	12,470	2.7	10,670	2.1
Modesto Submarket	164,730	188,856	210,600	223,400	2,413	1.4	5,120	2.6	4,270	2.0
Turlock Submarket	205,792	258,141	289,400	308,600	5,235	2.3	7,350	2.7	6,400	2.2
<b>Households</b>										
Modesto HMA	125,375	145,290	160,000	168,300	1,992	1.5	3,450	2.3	2,790	1.7
Modesto Submarket	57,958	65,103	70,300	72,900	715	1.2	1,220	1.8	870	1.2
Turlock Submarket	67,417	80,187	89,700	95,400	1,277	1.8	2,230	2.7	1,920	2.1

Note: Rate of change calculated on a compound basis.  
Sources: 1990 and 2000: U.S. Census Bureau  
Current and Forecast: Estimates by analyst

**Table 5**  
**Housing Inventory, Tenure, and Vacancy**  
**Modesto HMA**  
**1990 to July 1, 2004**

	Modesto HMA			Modesto Submarket			Turlock Submarket		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
<b>Total Housing Inventory</b>	132,027	150,951	164,900	60,878	67,323	72,130	71,149	83,628	92,770
Occupied Units	125,375	145,290	159,960	57,958	65,103	70,300	67,417	80,187	89,660
Owners	76,129	90,088	104,070	33,881	38,316	43,520	42,248	51,772	60,550
%	60.7	62.0	65.1	58.5	58.9	61.9	62.7	64.6	67.5
Renters	49,246	55,202	55,890	24,077	26,787	26,790	25,169	28,415	29,100
%	39.3	38.0	34.9	41.5	41.1	38.1	37.3	35.4	32.5
Vacant Units	6,652	5,661	5,050	2,920	2,220	1,370	3,732	3,441	3,220
Available Units	4,211	3,005	3,190	2,193	1,365	1,320	2,018	1,640	1,870
For Sale	1,742	1,199	1,220	822	455	350	920	744	870
Rate (%)	2.2	1.3	1.2	2.4	1.2	0.8	2.1	1.4	1.4
For Rent	2,469	1,806	1,970	1,371	910	970	1,098	896	1,000
Rate (%)	4.8	3.2	3.4	5.4	3.3	3.5	4.2	3.1	3.3
Other Vacant	2,441	2,656	1,860	727	855	510	1,714	1,801	1,350

Note: Numbers may not add to totals due to rounding.  
Sources: 1990 and 2000: U.S. Census Bureau  
Current: Estimates by analyst



**Table 6**  
**Residential Building Permit Activity**  
**Modesto HMA**  
**1994 to June 30, 2004**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 <sup>a</sup>
<b>Modesto HMA</b>											
Total	1,483	1,310	1,401	1,442	1,951	2,183	3,023	3,215	3,173	3,965	2,135
Single-family	1,409	1,272	1,303	1,370	1,838	2,095	2,799	3,011	2,991	3,706	1,995
Multifamily	74	38	98	72	113	88	224	204	182	259	140
<b>Modesto Submarket</b>											
Total	242	200	397	470	780	968	1,320	1,361	1,130	924	249
Single-family	195	198	345	410	697	957	1,306	1,330	1,109	864	214
Multifamily	47	2	52	60	83	11	14	31	21	60	35
<b>Turlock Submarket</b>											
Total	1,241	1,110	1,004	972	1,171	1,215	1,703	1,854	2,043	3,041	1,886
Single-family	1,214	1,074	958	960	1,141	1,138	1,493	1,681	1,882	2,842	1,781
Multifamily	27	36	46	12	30	77	210	173	161	199	105

<sup>a</sup> Permits issued through June 30, 2004.

Source: HUD State of the Cities Data System

**Table 7**  
**Estimated Qualitative Annual Demand for New Market-Rate Rental Housing**  
**Modesto HMA**  
**July 2004 to July 2007**

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
875	175	1,050	250	1,200	75
925	150	1,100	208	1,250	61
975	138	1,150	186	1,300	56
1,025	122	1,200	159	1,350	50
1,075	103	1,250	131	1,400	45
1,125	83	1,300	105	1,450	39
1,175	65	1,350	83	1,500	34
1,275	50	1,450	65	1,600	29
1,375	38	1,550	51	1,700	25
1,475	29	1,650	39	1,800	15
1,575	22	1,750	30	1,900	0
1,675	16	1,850	0	2,000	0
1,775	11	1,950	0	2,100	0

Notes: Distribution above is noncumulative.  
Demand of fewer than 10 units is shown as 0.

Source: Estimates by analyst