

Merced County Economic Forecast

Forecast Summary

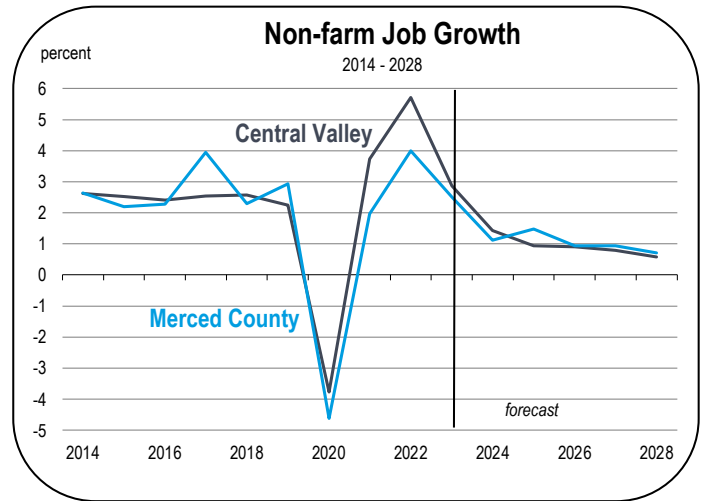
- 2,500 jobs were gained in Merced County in 2022. Job growth will continue in 2023 with the addition of 1,100 jobs.
- Over the 2024-2028 forecast period, the greatest increase in new jobs will come from the healthcare sector.
- Large numbers of jobs will also be generated in retail, professional business services, and state and local government.
- The unemployment rate averaged 7.7 percent in 2022. It is forecast to average 8.8 percent in 2023 and 8.6 percent in 2024.
- The Merced County population is expected to grow at a 0.7 percent pace over the forecast period.
- The median home value increased by 11.3 percent in 2022. Selling prices are expected to decrease by 5.8 percent in 2023. The median price of a single-family home in 2022 was \$407,400.

Job Growth

- Total employment in Merced County expanded by 3.0 percent in 2022 on an annual average basis and will increase an additional 1.3 percent in 2023.
- Between 2024 and 2028, job growth will average 1.1 percent per year.

Construction Employment

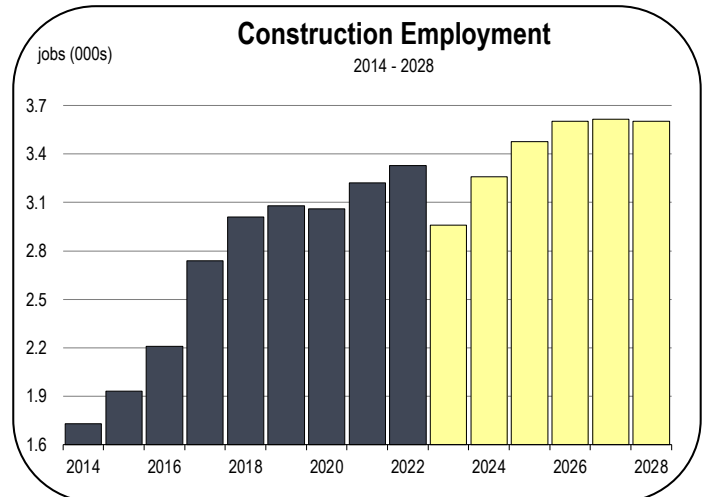
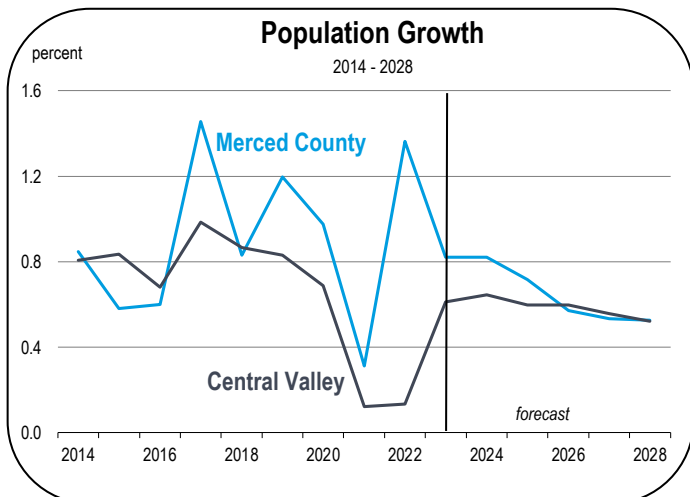
- Job creation occurred for construction workers in 2022, increasing by 3.4 percent due to increased development of housing and infrastructure projects. However, development efforts reverse in 2023 and jobs will fall by 11.2 percent in 2023.



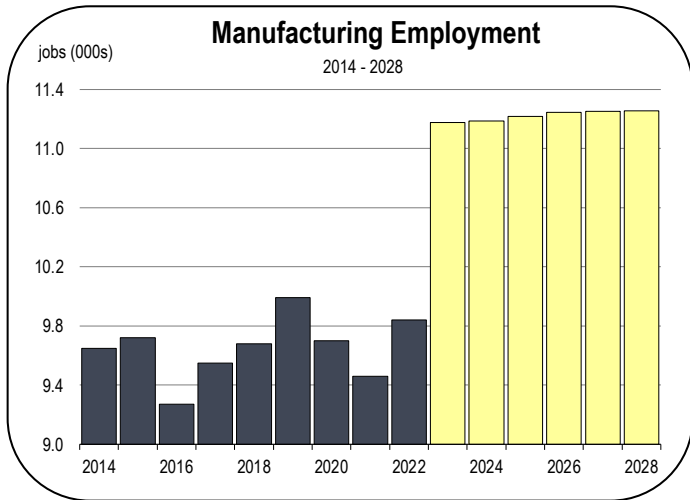
- The California High-Speed Rail project has generated hundreds of new construction jobs in Merced County. In the first phase of construction, the route between Bakersfield and the City of Merced is underway. Peak levels of employment on the project were recorded in 2023.
- High Speed Rail Construction in Merced County is expected to be completed by 2030, although delays have been common in this project and the ultimate completion date has been extended many times.
- Construction began on another rail line project in 2022. The Altamont Corridor Express extension between Ceres and Merced will produce 26 miles of tracks and 3 train stations by 2024.

Manufacturing Employment

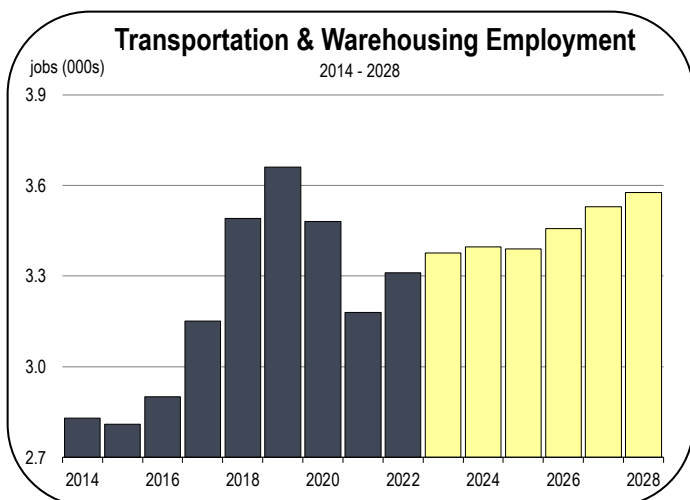
- Merced County has a heavy concentration of food and beverage manufacturing firms, which turn agricultural commodities into finished food and drink products.



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- The largest employers in the food and beverage manufacturing subsector are:
 - Foster Farms (3,844 employees)
 - Hilmar Cheese (1,000)
 - Dole Foods (987)
 - Liberty Packing Company (635)
 - Ingomar Packing Company (625)
 - Joseph Farms (400)
 - E&J Gallo (350)
- Total employment in manufacturing added 400 jobs in 2022. An increase of 1,350 jobs is forecast for 2023.
- Total employment in manufacturing is expected to be relatively stable over the forecast.
- Manufacturing jobs are forecast to increase at an annual average rate of 0.1 percent between 2024 and 2028, generating 100 new jobs.

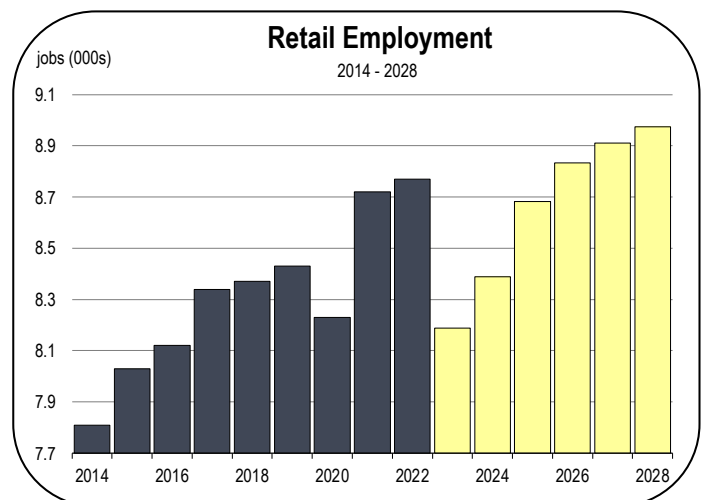


Transportation and Warehousing Employment

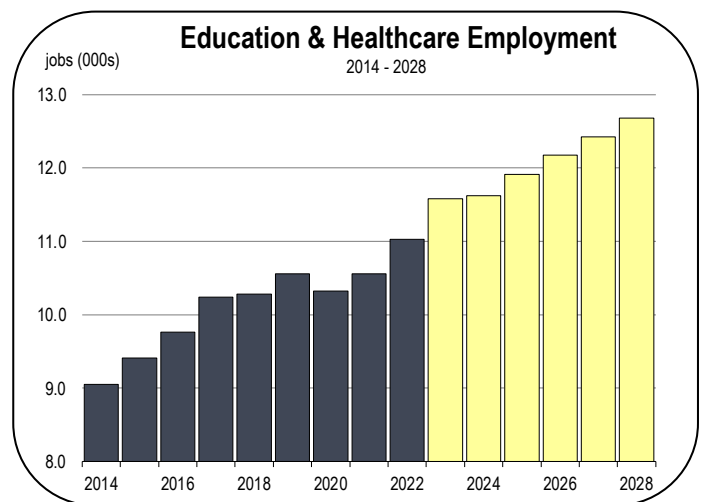
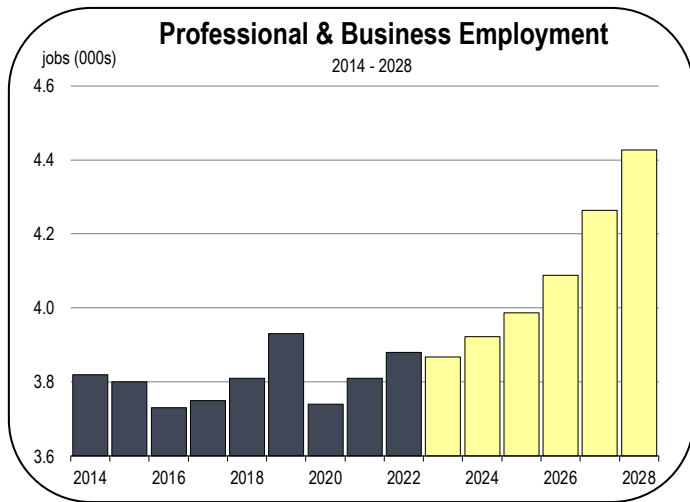
- Most transportation jobs in Merced County are in trucking, where firms deliver goods to and from businesses within the county and across California.
- Trucking activity is expected to expand as direct-to-consumer shipping becomes more common and as more warehousing facilities are built throughout the Central Valley.
- Several hundred new jobs will be generated as the Altamont Corridor Express expands operations in Merced County.
- Ultimately, even more jobs will be generated when California High-Speed Rail service begins sometime after 2030.
- A High-Speed Rail station is expected to be built in the City of Merced, although it may not begin operations until 2030 or later.
- In 2022, jobs grew by 4.1 percent with the addition of 130 jobs in this sector. Moderate growth will continue in 2023 with the addition of 75 jobs representing an increase of about 2 percent, and through the forecast period with an annual average growth rate of 1.2 percent.

Retail Trade Employment

- There was nominal growth of jobs in the retail sector in 2022 with the addition 50 jobs.
- There are several retailers that each employ more than 100 workers in the county, including Walmart, Target, Home Depot, Costco, Lowe's, and JC Penney.
- Many brick-and-mortar retail stores are struggling to compete with online retailers outside of Merced County, which could prevent the overall retail sector industry from expanding meaningfully.



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- In 2023 the sector will contract 6.6 percent with the loss of almost 600 retail jobs.
- The Merced County population is expanding relatively rapidly, which should boost demand for jobs at grocery stores and other population-serving retail activities.
- Employment in the retail industry is expected to recover over 800 jobs with an average annual growth rate of 1.9 percent over the forecast period.

- In mid-2021, the Transportation Research Center (TRC) began testing autonomous vehicles (AVs) in Merced County.
- The TRC 2.2-mile track, a city course, and other testing facilities have transformed a portion of the former Castle Air Force Base into a world-class AV testing facility. TRC also hopes to partner with Silicon Valley autonomous vehicle companies.
- TRC expects to generate 140 new jobs in Merced County by 2025.

Professional and Business Services Employment

- Employment in this sector was stable in 2022 and 2023.
- Over the 2023-2028 forecast period, the professional and business services industry will generate 550 jobs. With an annual average increase of 2.7 percent, it will be the fastest-growing industry in Merced County in terms of job growth.

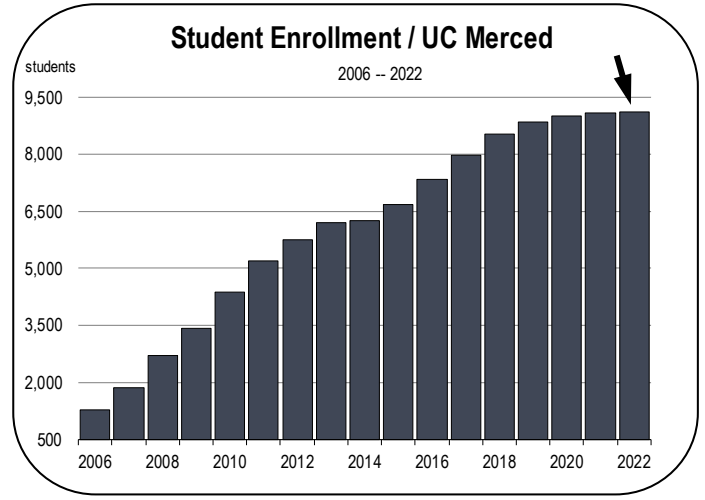
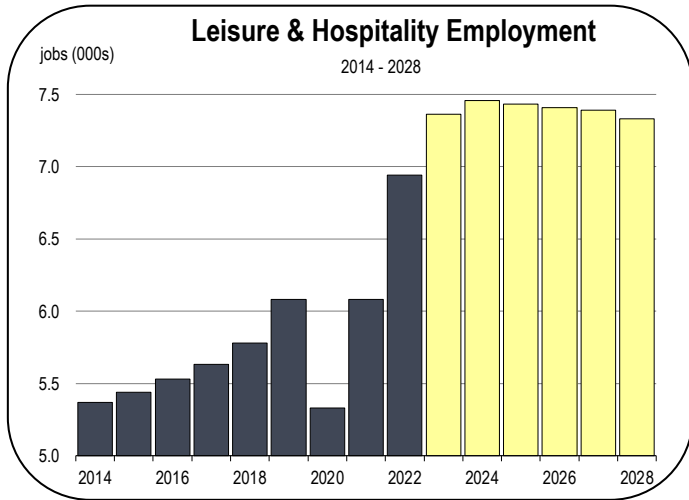
Private Education and Healthcare Employment

- In 2022, healthcare job gains numbered 500, an increase of 4.5 percent. The upward trend will continue in 2023 with 550 new jobs forecast.
- The largest healthcare establishments in the county are:
 - Mercy Medical Center (185 beds and 2,000 total employment)
 - Golden Valley Health Center (750 jobs)
 - County of Merced Behavioral Health (250 jobs)



Mercy Medical Center Merced

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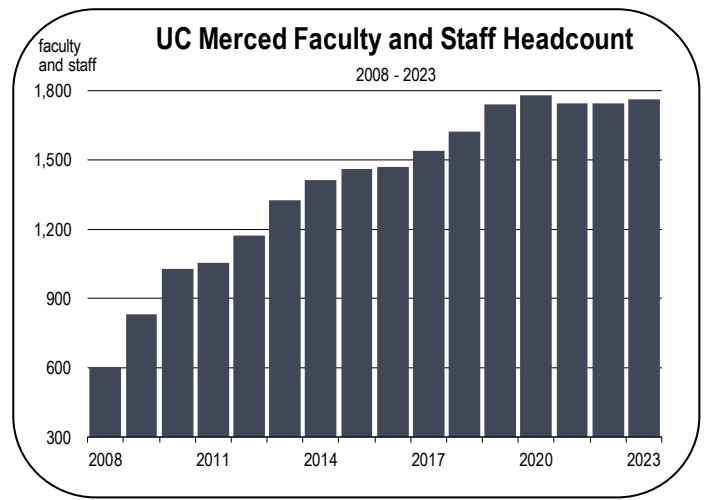
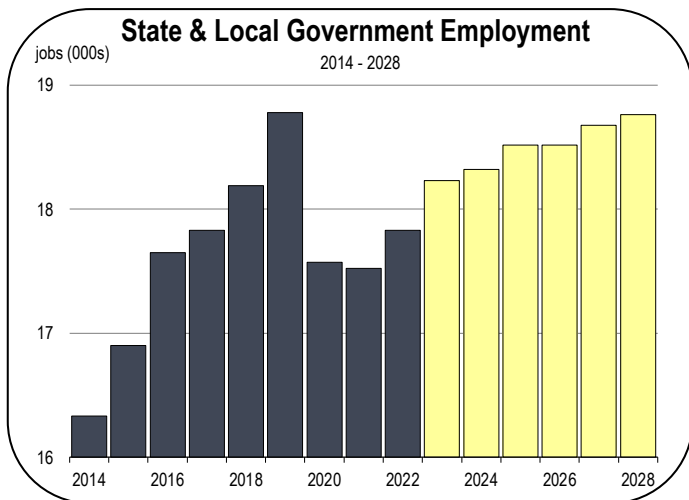
- The private education industry in Merced County is very small, with fewer than 200 jobs (public schools are classified in the government sector).
- Healthcare organizations will generate 1,100 new jobs in Merced County between 2024 and 2028.

Leisure and Hospitality Employment

- Gyms, hotels, restaurants, bars, catering firms, and other leisure/hospitality organizations comprise the leisure and hospitality sector.
- Over 850 jobs were gained in 2022, accounting for an employment increase of 14.1 percent.
- In 2023, an additional 400 jobs are forecast.
- A moderate contraction of 125 jobs in this sector is expected over the forecast period.

Government Employment

- State and local government agencies experienced growth of 1.7 percent in 2022 resulting in 300 new jobs.
- In 2023, the 2.1 percent pace of job growth will generate another 300 jobs.
- The establishment of UC Merced is generating more economic development in Merced County. The University opened in 2005 with just 900 students, and the 2022-2023 school year started with an enrollment of 9,103
- UC Merced is one of the largest employers in the county with 1,607 full-time jobs for faculty and staff, and 3,075 total jobs, including student workers.
- The long-range plan for UC Merced is a total student enrollment of 15,000 by 2030.
- Over the 2024-2028 forecast period, public sector employment is expected to expand by 450 jobs.



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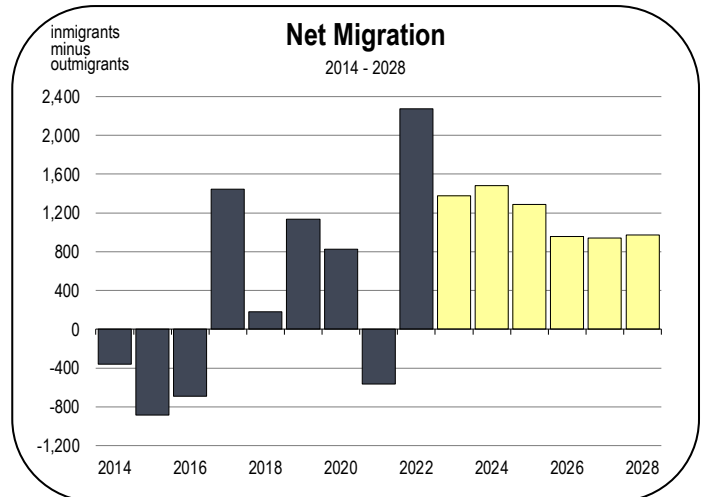
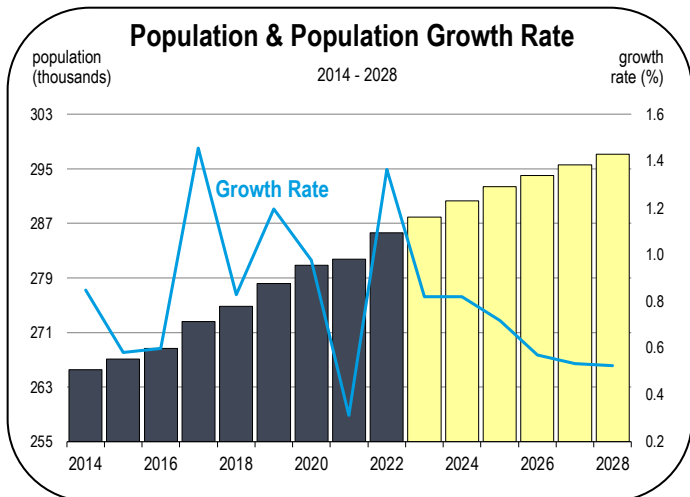
UC Merced employs more than 1,750 workers and supports almost \$600 million in economic activity throughout Merced County.

Population Growth

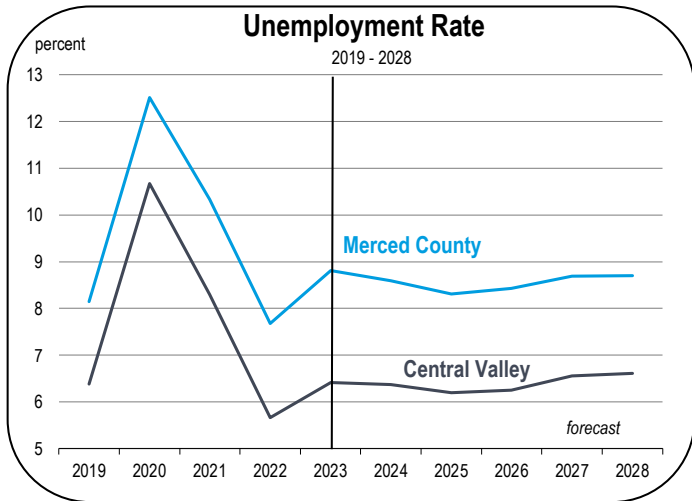
- The Merced County population is expected to increase 0.7 percent per year from 2023 to 2028.
- The natural increase in population will remain the principal contributor to growth. It will remain positive until 2035. Net

migration is expected to be a nearly equal contributor, as more residents move into the county attracted by the development of more affordable housing and expanding job opportunities as the City of Merced expands its urban growth.

- By 2028, the Merced County population will reach 297,000 residents.

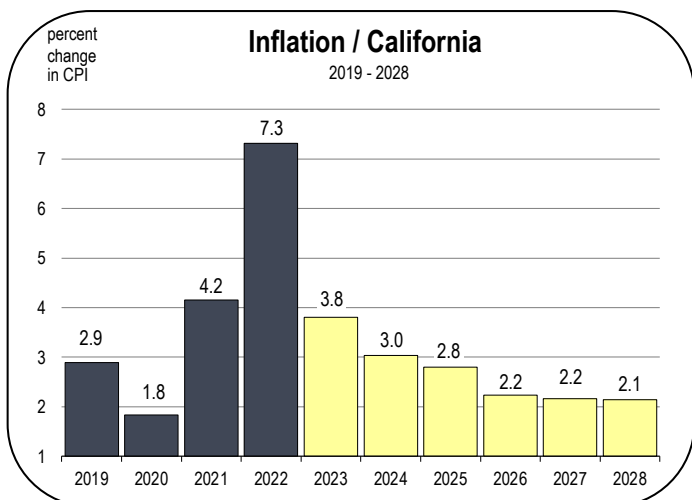


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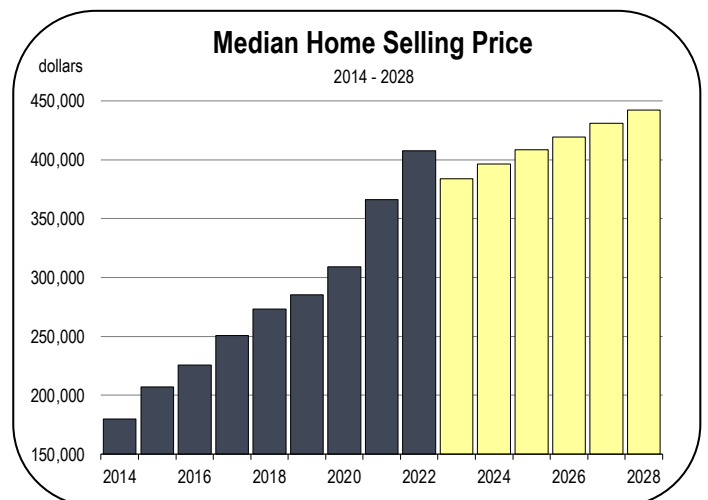
Unemployment and Inflation Rates

- The unemployment rate in Merced County averaged 7.7 percent in 2022.
- The unemployment rate is expected to average 8.8 percent in 2023 and 8.6 percent in 2024.
- Inflation soared to 7.3 percent in 2022, its highest rate in 40 years, but will decelerate in 2023 to 3.8 percent due largely to declining energy costs and the restoration of supply chains.
- Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2023.
- Disinflation will continue into 2024, and the inflation rate will eventually fall to below 3 percent by 2025 as the labor force is gradually restored and interest rates subside.



Home Prices and New Housing Production

- In 2022, the median home value in Merced County was \$407,400.
- The median price for homes sold in 2023 is on pace to be \$383,800, down by 5.8 percent as the market is challenged by higher interest rates.
- Selling prices are expected to appreciate at an average annual rate of 2.9 percent in the forecast period.
- Despite sharply rising prices, homes in Merced County are more affordable than homes across most of California, especially Coastal California.
- In Merced County, the typical household spends less than 25 percent of its pre-tax income on mortgage payments or rent.
- Along Coastal California, the typical household spends more than 38 percent of its income on housing costs, and in very expensive markets like San Francisco, housing costs often account for more than 50 percent of household income.
- From 2017 to 2022, an average of 1,100 new homes were started per year in Merced County. Almost all were single-family homes.
- Housing production is expected to average 900 homes per year from 2023 to 2028, consisting mostly of single-family homes.



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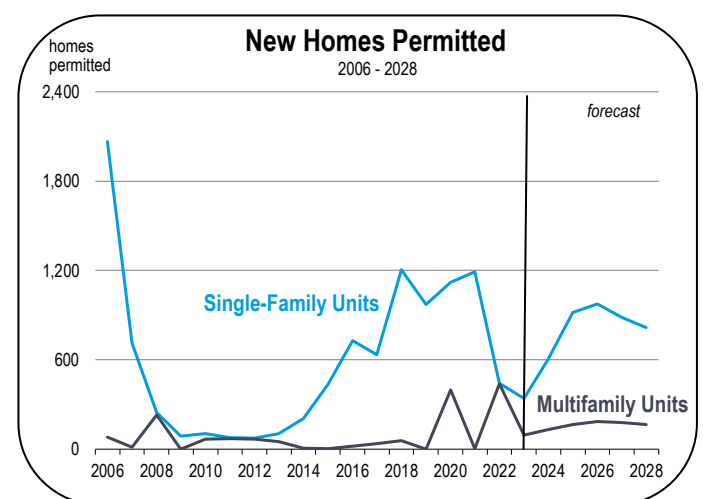
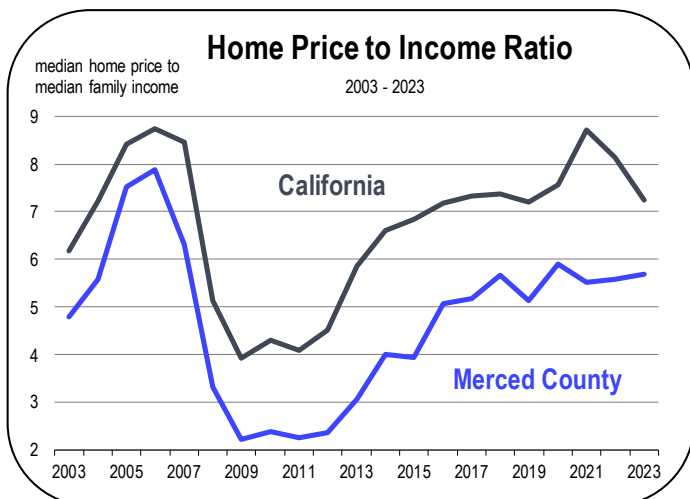
Gateway Marketplace Rendering

City of Merced Annexations

- The city of Merced, the largest city in the County with 32 percent of the total population, is planning two principal annexations that would generate more new development.
- The North Merced Annexation Area is near UC Merced and comprises 7,670 acres. The area is identified in the City of Merced General Plan as a direction for future urban growth.
- The city of Merced is also planning the annexation of 1,023 acres located northwest of Lake Yosemite. Within that area is the planned Yosemite Lake village, a 764-acre mixed-use residential development that also connects to a nature conservation area. The project would add up to 2,708 housing units including 690 units for residents aged 55 or older.

The principal projects identified to date:

- Commercial
 - The Merced Gateway Regional Shopping Center was completed in 2023 and is now leasing. The 523,000-square foot retail center is the largest since the opening of Costco in 2000.
 - 178 apartments are also planned near the site
- Merced Mall renovation
 - A complete renovation of the retail center has been approved by the Merced City Council. The plans call for a new 14-screen Cinemark theatre and allow for student housing to be added. The now entitled-development is for sale at \$32 million.



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- The Yosemite Avenue to Hatch Road Annexation area includes the University Village Merced project:

- 330 residential units in 22 buildings
- 800+ parking spaces
- 10,000 square feet of admin and clubhouse space with gymnasium
- 66,000 square feet of commercial retail space in 5 buildings with housing above
- 323 retail parking spaces to support the commercial space

- UC Merced Community Plan projects will occur over the next 10 years in a number of phases. The largest projects are University Vista, and the Virginia Smith Trust. Both University Vista and Virginia Smith Trust areas are future sources of development for Merced County. Both are located near UC Merced and are planned to provide housing for students.

University Vista Project Area

- The EIR has been prepared
- The project comprises 290 acres
- 778,486 square feet, and up to
- 4,176 units

Virginia Smith Trust Specific Plan 654 acres

- 654 acres
- 862,000 square feet
- 3,875 units

- The two project plans also include a combined 1.65 million square feet that is to be used for commercial, retail, office, and hospitality space. 3,512 jobs are estimated to be created at the completion of both projects (2,400 from Virginia Smith Trust).
- University Vista is predicted to take 10 years in 3 separate phases. Virginia Smith Trust timeline spans from 2025 to 2042 in two phases.
- UC Merced is also a significant entity of growth for Merced County. UC Merced is expected to reach its ultimate capacity of 15,000 students, 440 faculty, and 1,625 on-campus employees by 2030.



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Economic Indicators

2015-2022 History, 2023-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (billions)	Inflation Rate (percent)
2015	267,099	76.8	-884	437	220	\$9.5	\$1.9	\$3.0	\$2.0	\$45,440	11.4	\$4.6	1.4
2016	268,701	77.6	-691	749	228	\$9.6	\$2.0	\$2.8	\$1.8	\$44,849	10.6	\$4.3	2.3
2017	272,610	78.3	1,445	670	230	\$10.0	\$2.1	\$3.0	\$1.8	\$44,404	9.4	\$4.1	3.0
2018	274,871	79.4	178	1,262	235	\$10.2	\$2.2	\$3.1	\$1.8	\$43,541	8.4	\$3.8	3.7
2019	278,157	80.4	1,135	973	244	\$10.8	\$2.2	\$3.3	\$1.9	\$44,156	8.2	\$3.6	2.9
2020	280,873	83.5	823	1,519	249	\$12.4	\$2.3	\$3.5	\$2.2	\$49,326	12.5	\$3.8	1.8
2021	281,750	84.1	-563	1,197	258	\$13.3	\$2.8	\$4.1	\$2.1	\$50,840	10.3	\$4.0	4.2
2022	285,593	85.6	2,275	880	265	\$13.1	\$3.1	\$4.4	\$1.9	\$45,789	7.7	\$4.0	7.3
2023	287,935	86.1	1,374	432	269	\$13.9	\$3.1	\$4.5	\$2.2	\$46,519	8.8	\$3.8	3.8
2024	290,297	86.6	1,483	734	275	\$14.7	\$3.2	\$4.6	\$2.2	\$47,308	8.6	\$3.9	3.0
2025	292,378	87.2	1,289	1,083	279	\$15.4	\$3.5	\$5.0	\$2.2	\$48,031	8.3	\$4.0	2.8
2026	294,047	87.8	958	1,160	284	\$16.1	\$3.7	\$5.2	\$2.2	\$48,562	8.4	\$4.2	2.2
2027	295,614	88.5	941	1,061	288	\$16.6	\$3.9	\$5.5	\$2.3	\$49,004	8.7	\$4.3	2.2
2028	297,169	89.3	971	980	293	\$17.2	\$4.1	\$5.8	\$2.3	\$49,296	8.7	\$4.2	2.1
2029	298,796	90.1	1,110	933	296	\$17.7	\$4.3	\$6.1	\$2.3	\$49,592	8.7	\$4.4	2.1
2030	300,302	90.9	1,088	897	300	\$18.3	\$4.4	\$6.3	\$2.3	\$49,774	8.6	\$4.5	2.2
2031	301,773	91.7	1,125	731	304	\$18.8	\$4.6	\$6.6	\$2.3	\$49,982	8.4	\$4.6	2.1
2032	303,428	92.5	1,377	683	308	\$19.4	\$4.8	\$6.9	\$2.3	\$49,951	8.1	\$4.7	2.3
2033	305,068	93.4	1,464	658	311	\$19.9	\$5.0	\$7.1	\$2.3	\$50,059	8.0	\$4.7	1.9
2034	306,642	94.1	1,496	653	315	\$20.5	\$5.1	\$7.3	\$2.3	\$50,163	8.1	\$4.8	2.1
2035	308,147	94.9	1,513	657	318	\$21.0	\$5.3	\$7.5	\$2.3	\$50,229	8.0	\$4.8	2.2
2036	309,859	95.7	1,790	663	322	\$21.6	\$5.4	\$7.7	\$2.3	\$50,066	8.0	\$4.8	2.6
2037	311,564	96.5	1,852	686	325	\$22.3	\$5.6	\$7.9	\$2.3	\$49,871	8.2	\$4.8	2.7
2038	313,269	97.2	1,916	697	328	\$22.9	\$5.7	\$8.1	\$2.3	\$49,757	8.3	\$4.8	2.5
2039	314,929	98.0	1,928	710	332	\$23.5	\$5.8	\$8.3	\$2.3	\$49,537	8.2	\$4.8	2.7
2040	316,584	98.7	2,001	714	335	\$24.2	\$6.0	\$8.6	\$2.3	\$49,444	8.3	\$4.8	2.6
2041	318,216	99.5	2,047	721	338	\$24.9	\$6.1	\$8.7	\$2.3	\$49,395	8.4	\$4.8	2.2
2042	319,702	100.2	1,949	718	341	\$25.5	\$6.3	\$9.0	\$2.3	\$49,410	8.2	\$4.9	2.1
2043	321,097	101.0	1,905	721	344	\$26.2	\$6.5	\$9.2	\$2.3	\$49,477	8.3	\$4.9	2.0
2044	322,396	101.7	1,859	724	346	\$26.8	\$6.7	\$9.5	\$2.4	\$49,629	8.3	\$4.9	1.8
2045	323,494	102.5	1,704	724	349	\$27.5	\$6.9	\$9.8	\$2.4	\$49,759	8.3	\$4.9	1.9
2046	324,707	103.2	1,859	717	352	\$28.2	\$7.1	\$10.1	\$2.4	\$49,837	8.4	\$4.9	2.0
2047	326,007	104.0	1,984	720	354	\$28.9	\$7.3	\$10.4	\$2.4	\$49,820	8.4	\$4.9	2.2
2048	327,110	104.8	1,822	736	356	\$29.7	\$7.5	\$10.7	\$2.4	\$49,799	8.3	\$4.9	2.3
2049	328,402	105.5	2,050	732	359	\$30.4	\$7.8	\$11.1	\$2.4	\$49,848	8.3	\$4.9	2.0
2050	329,472	106.3	1,875	742	361	\$31.2	\$8.0	\$11.4	\$2.4	\$49,885	8.3	\$4.9	2.1

Employment Sectors

2015-2022 History, 2023-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	77.5	14.4	1.9	9.7	2.8	9.1	1.6	3.8	0.3	9.4	5.4	17.7
2016	79.1	14.5	2.2	9.3	2.9	9.2	1.8	3.7	0.3	9.8	5.5	18.5
2017	81.7	14.6	2.7	9.6	3.2	9.9	1.8	3.8	0.3	10.2	5.6	18.6
2018	83.3	14.6	3.0	9.7	3.5	10.0	1.8	3.8	0.3	10.3	5.8	18.9
2019	84.9	14.3	3.1	10.0	3.7	10.2	1.9	3.9	0.3	10.6	6.1	19.5
2020	81.6	14.2	3.1	9.7	3.5	10.0	1.8	3.7	0.2	10.3	5.3	18.4
2021	83.2	14.5	3.2	9.5	3.2	10.6	1.9	3.8	0.2	10.6	6.1	18.2
2022	85.8	14.3	3.3	9.8	3.3	10.7	1.9	3.9	0.3	11.0	6.9	18.5
2023	86.8	13.6	3.0	11.2	3.4	10.1	1.9	3.9	0.2	11.6	7.4	18.9
2024	87.8	13.7	3.3	11.2	3.4	10.4	1.9	3.9	0.2	11.6	7.5	19.0
2025	89.1	13.9	3.5	11.2	3.4	10.7	1.9	4.0	0.2	11.9	7.4	19.2
2026	90.0	14.2	3.6	11.2	3.5	10.8	1.9	4.1	0.2	12.2	7.4	19.2
2027	91.0	14.4	3.6	11.3	3.5	10.9	1.9	4.3	0.2	12.4	7.4	19.3
2028	91.5	14.4	3.6	11.3	3.6	11.0	1.9	4.4	0.2	12.7	7.3	19.4
2029	92.3	14.6	3.6	11.3	3.6	11.0	1.9	4.5	0.2	13.0	7.3	19.5
2030	93.0	14.7	3.6	11.3	3.7	11.1	1.9	4.6	0.2	13.4	7.3	19.5
2031	93.6	14.8	3.5	11.3	3.7	11.1	1.9	4.6	0.2	13.8	7.4	19.7
2032	94.0	14.9	3.5	11.2	3.7	11.1	1.9	4.7	0.2	14.1	7.4	19.5
2033	94.3	14.9	3.5	11.1	3.8	11.1	1.9	4.7	0.2	14.5	7.4	19.4
2034	94.6	14.9	3.5	11.0	3.8	11.1	1.9	4.8	0.2	14.8	7.4	19.4
2035	95.0	15.0	3.5	10.9	3.8	11.1	1.9	4.8	0.2	15.2	7.4	19.3
2036	95.1	15.0	3.5	10.9	3.9	11.1	1.9	4.8	0.2	15.6	7.4	19.0
2037	95.2	15.0	3.5	10.8	3.9	11.1	2.0	4.8	0.2	15.9	7.4	18.8
2038	95.4	15.0	3.6	10.7	3.9	11.1	2.0	4.8	0.2	16.3	7.5	18.6
2039	95.5	15.0	3.6	10.7	3.9	11.1	2.0	4.9	0.2	16.6	7.5	18.3
2040	95.8	15.0	3.6	10.7	4.0	11.1	2.0	4.9	0.2	17.0	7.5	18.1
2041	96.0	15.0	3.6	10.7	4.0	11.1	2.0	4.9	0.2	17.4	7.5	17.9
2042	96.3	15.0	3.6	10.8	4.0	11.1	2.0	4.9	0.2	17.7	7.5	17.8
2043	96.7	15.0	3.6	10.8	4.1	11.1	2.0	4.9	0.2	18.1	7.6	17.7
2044	97.2	15.0	3.6	10.8	4.1	11.1	2.0	4.9	0.2	18.4	7.6	17.7
2045	97.7	15.0	3.7	10.8	4.1	11.1	2.0	4.9	0.2	18.7	7.6	17.8
2046	98.2	15.0	3.7	10.8	4.1	11.2	2.0	4.9	0.2	19.1	7.6	17.8
2047	98.6	15.0	3.7	10.8	4.1	11.2	2.0	5.0	0.2	19.4	7.6	17.8
2048	99.1	15.1	3.7	10.8	4.2	11.2	2.0	5.0	0.2	19.7	7.7	17.8
2049	99.5	15.1	3.7	10.8	4.2	11.2	2.0	5.0	0.2	20.0	7.7	17.9
2050	100.0	15.1	3.8	10.8	4.2	11.3	2.0	5.0	0.2	20.4	7.7	17.9

Merced County Economic Forecast

Socioeconomic Indicators

