

## Economic outlook: Is Fresno's star finally rising?

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Fresno, "The best little city in the USA." In a speech earlier this month honoring Fresno's Economic Opportunities Commission, Mayor Ashley Swearingin said the city is currently in the midst of a major transformation.

"We're writing the worst to first story right here in Fresno," the mayor said.

Some may have written off the remark as wishful thinking or politically motivated boosterism.

"For decades, Fresno has been a punch line, a city maligned for everything from its smog and crime to its hot weather and reputation as a bastion of the un-hip," said a 2009 *USA TODAY* story headlined 'Fresno, Calif., rebrands itself but shuns labels.'

But in recent months, Fresno has been garnering considerably more positive headlines.

### **Comeback story**

Dr. Ernie Goss, a research faculty member at the Craig School of Business at Fresno State, said the city is in the midst of a robust economic expansion.

"Fresno is definitely coming back," Goss said. "Right now, the Fresno/Clovis area's economic recovery is outpacing much of the rest of the country."

The San Joaquin Valley Business Conditions Index, a leading economic indicator of the health of the area's economy,

has shown a positive reading for 14 consecutive months.

Goss, who compiles the index, said the March report could show a “slight downturn” due to the impact of the West Coast port slowdown, especially in the ag and manufacturing sectors.

“But it will likely be just a small hiccup,” he predicted.

Meanwhile, Goss noted that non-farm employment in the area “is at the highest level ever.”

“It was a long trek downward, but things have clearly turned around,” he added.

Whether the turn around is sustainable — or what Wall Street calls a “dead cat bounce” — remains to be seen.

A report issued this week by commercial real estate powerhouse Colliers International is definitely bullish on the city’s future.

Noting that despite a lack of inventory, commercial office sales have been “extremely active” over the past year in the Fresno/Clovis market, the report concluded: “We’re off to a strong start for 2015 and are confident the coming year will build upon the momentum created over the past two years.”

### **Bullet-train boost**

With Fresno at the epicenter of what will be the largest public works project in U.S. history — construction of the California bullet train — transportation-related construction should be one of the major drivers of economic activity in the area for years to come.

“Construction employment is still not back to pre-recession levels,” Goss said. “But it’s been improving steadily and once high-speed rail construction begins later this year, it should shift into a much higher gear.”

The first segment of the \$68 billion rail line will run directly through central Fresno and many believe the project, which includes construction of a new downtown station — and possibly, a heavy maintenance facility in the area — will be the catalyst to finally spark downtown revitalization.

“I think people are definitely feeling much more optimistic about the Valley economy in general right now,” said Al Smith, president and CEO of the Fresno Chamber of Commerce.

Like many, Smith believes water remains the Valley’s greatest challenge.

“Passage of the water bond was a big step forward,” he said. “But the water wars between environmentalists, business people, farmers and fisherman are still hurting everybody. And right now, farmers are at the short end of the stick.”

Smith has lived in the Valley since 1988 and ran the CBS radio stations at Radio City for 16 years before taking the helm at the chamber in 2005.

“While our economy is becoming somewhat more diversified, the Valley is still very dependent on ag,” he said. So addressing the “vital need” for additional water storage will continue to be “our area’s biggest challenge.”

### **Downtown is key**

Fresno has one of the highest concentrations of poverty of any city in the U.S., and much of the blight is concentrated in the downtown area. Like Mayor Swearingin, Smith believes downtown revitalization is key to the city’s future.

“Some people don’t realize how many heads and beds we’ve already got downtown right now,” said Smith, who is a big proponent of converting the pedestrian-only Fulton Mall back to a two-way street.

“Those who haven’t been downtown in a while may be a little apprehensive about visiting,” Smith said. “But if they can drive past restaurants and shops and the beautiful artwork that’s already there, they will probably be more inclined to stop and check it out.”

Smith also believes Fresno will be positively impacted by people and businesses fleeing the increasingly higher cost of living and doing business on the coast.

“Coastal communities are pricing themselves out of the living wage market,” he said.

“If we can get the revitalization process moving along, the downtown area could really benefit” from the influx of former coastal residents, Smith added.

“If you’re looking at real estate and at the cost of square footage, downtown could be very enticing. But we need to create the amenities there first in order to attract the development.”

Smith believes the area’s medical and military facilities could also be big drivers of future growth.

### **Outside investment**

One very positive sign for the Valley in 2015 is the continued recovery of the residential real estate market.

Area home values, down by as much as 60 percent during the 2008-09 recession, have recovered nicely and are approaching pre-recession levels.

A report released in February by real estate tracking company CoreLogic showed average home prices in the Fresno area increased nearly a full percentage point more than the national average over the past year.

Lately, investors in other parts of the state, especially Southern California, have started pouring money into the area.

Earlier this month, Highpoint Capital Group, a Los Angeles-based private real estate firm, purchased three high-profile Shaw Avenue shopping centers and immediately announced plans to renovate them.

Another Los Angeles-based investment group, SunPac Financial, announced in mid-February it plans to merge with Fresno’s Security First Bank in order to expand lending activities in the Fresno market and Southern California.

“The trend is definitely upward,” said John Stewart, president and CEO of Pearson Realty. “There’s a lot of money on the sidelines and a lot of it is starting to come into play.”

Pearson added that 2014 “was the biggest year we’ve ever had for farm and ranch sales.”

Other recent business headlines confirm Fresno’s economic recovery is gaining steam:

- Sacramento Container in Kingsburg is in the midst of a \$3.75 million plant expansion that will bring 40 new jobs to the area.
- Oklahoma-based Hobby Lobby confirmed earlier this month that they were actively seeking a location to open their first Fresno store.
- The local homebuilding industry has come roaring back to life, with area-based builders like Wathen Castanos, San Joaquin Valley Homes and Smee Builders pulling hundreds of new permits up and down the Central Valley.

“I think folks in other parts of the country still think of California as Los Angeles, the Bay Area and maybe San Diego and Sacramento,” Smith said. “Otherwise, it’s as if the Central Valley doesn’t exist.”

Smith believes that Fresno, despite recent progress, remains “an easy target. We still take a lot of shots from the late

night television comics,” he said. “The perception remains that we don’t have a lot of education or culture here.”

“But we’ve got a great symphony and a great opera too,” Smith said. “The truth is that there are a lot of good things going on in this community right now.”

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