

HUD PD&R Housing Market Profiles

Bakersfield-Delano, California



Quick Facts About Bakersfield-Delano

- **Current sales market conditions: soft.**
- **Current rental market conditions: balanced.**
- **Economic conditions have improved significantly since 2010; total nonfarm payrolls expanded an average of 3.3 percent a year in 2011 and 2012.**



By Casey M. Blount | As of April 1, 2013

Overview

The Bakersfield-Delano metropolitan area, which is coterminous with Kern County, California, is directly north of Los Angeles County. Agricultural production, particularly associated with milk and nuts, is a significant economic factor in the metropolitan area, generating \$5.4 billion of revenue in 2011 (Kern County Department of Agriculture and Measurement Standards).

- The estimated population of the metropolitan area was 863,700 as of April 1, 2013, reflecting an average annual increase of 8,025, or 0.9 percent, since April 2010.
- Despite improving economic conditions, population growth has slowed since 2010, partially due to a decrease of 4,850 inmates at the California Department of Corrections and Rehabilitation facilities in the metropolitan area in response to a U.S. Supreme Court mandate to reduce overcrowding.
- Population growth averaged 21,100 people, or 2.6 percent, each year from 2001 through 2006, when strong job growth and relatively affordable housing attracted new residents, particularly from neighboring Los Angeles County.



Growth in the wholesale and retail trade sector led job gains in the Bakersfield area during the 3 months ending March 2013.

	3 Months Ending		3-Month Change (2012-13)	
	March 2012 (thousands)	March 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	237.1	242.3	5.2	2.2
Goods-producing sectors	41.4	43.5	2.1	5.1
Mining, logging, and construction	28.5	30.0	1.5	5.3
Manufacturing	12.9	13.5	0.6	4.7
Service-providing sectors	195.7	198.8	3.1	1.6
Wholesale and retail trade	34.6	36.4	1.8	5.2
Transportation and utilities	8.5	9.2	0.7	8.2
Information	2.7	2.7	0.0	0.0
Financial activities	8.5	8.9	0.4	4.7
Professional and business services	26.1	25.9	-0.2	-0.8
Education and health services	27.6	28.7	1.1	4.0
Leisure and hospitality	20.9	20.5	-0.4	-1.9
Other services	7.1	7.2	0.1	1.4
Government	59.8	59.3	-0.5	-0.8

Source: U.S. Bureau of Labor Statistics

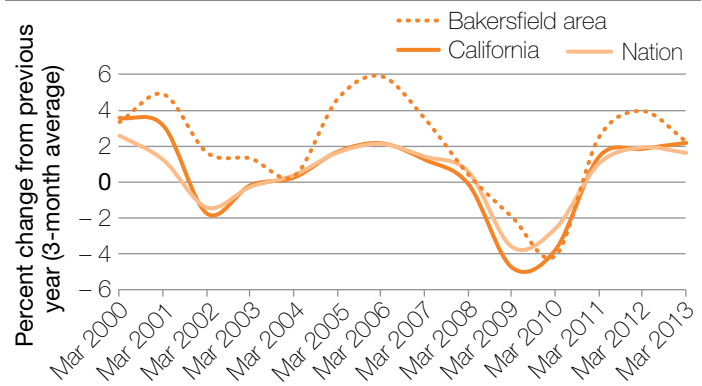
Economic Conditions

After the Bakersfield-Delano metropolitan area lost an average of 4,125 jobs, or 1.8 percent of total nonfarm payrolls, each year from 2007 through 2010, economic conditions have steadily improved.

During the first quarter of 2013—

- Continuing a trend that began in 2011, total nonfarm payrolls increased to 242,300 jobs, up 5,200 jobs, or 2.2 percent, from the 237,100 jobs recorded during the first quarter of 2012.
- The greatest job gain occurred in the wholesale and retail trade sector, which increased by 1,800 jobs, or 5.2 percent, to 36,400 jobs, nearly equaling the peak of 36,900 jobs recorded in 2007.
- Development of the Alta Wind Energy Center has contributed an estimated 3,000 jobs, primarily in the transportation and utilities sector and the construction subsector, and \$1.2 billion to the metropolitan area economy since construction began in 2010.
- Agricultural employment rose to 42,650 jobs, an increase of 2,000 jobs, or 4.9 percent, from 40,650 jobs during the first quarter of 2012. Milk prices rose from \$17.20 per hundredweight in March 2012 to \$19.10 per hundredweight in March 2013, strongly contributing to the increase.
- The unemployment rate in the metropolitan area declined to 13.8 percent from 15.1 percent a year ago.

Since 2011, the Bakersfield area has experienced faster job growth than both California and the nation.



Source: U.S. Bureau of Labor Statistics

Largest employers in the Bakersfield area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Edwards Air Force Base	Government	11,500
Kern County	Government	7,475
Naval Air Weapons Station China Lake	Government	5,000

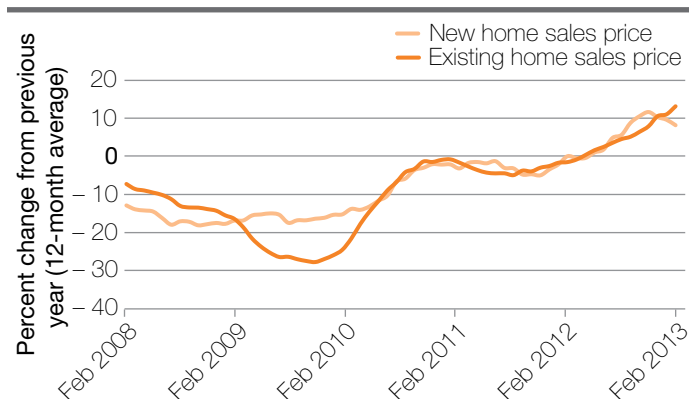
Note: Excludes local school districts.

Source: Greater Bakersfield Chamber of Commerce

Sales Market Conditions

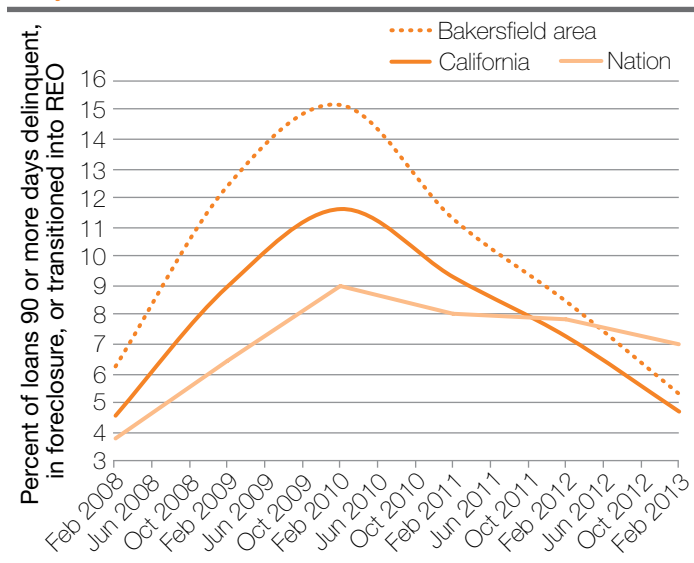
As of April 2013, the sales housing market in the Bakersfield-Delano metropolitan area was soft but improving, with an estimated sales vacancy rate of 2.5 percent, down from 3.2 percent in April 2010. During the 12 months ending February 2013, 13,250 new and existing homes sold, down 5 percent compared with the 13,900 homes sold during the previous 12-month period and down 9 percent from the average of 14,550 sold annually from 2009 through 2011 (CoreLogic, Inc.). The average home sales price in the metropolitan area was \$150,000 during the 12 months ending February 2013, a

Home sales prices have increased since April 2012 in the Bakersfield area.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

Distressed loan rates have declined sharply since early 2010 in the Bakersfield area.



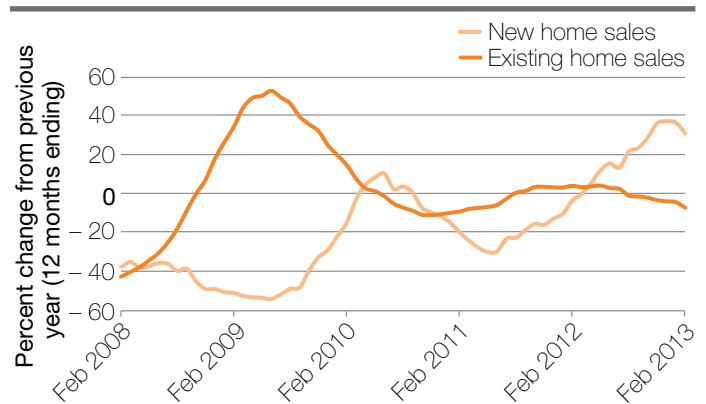
REO = Real Estate Owned. Source: LPS Applied Analytics

15-percent increase from the average of \$130,900 during the previous 12 months and the average of \$130,100 from 2009 through 2011.

- During the 12 months ending February 2013, new home sales increased 31 percent, to 1,325 homes sold, but existing home sales declined 7 percent, to 11,900 homes sold.
- A decrease in the number of REO (Real Estate Owned) homes sold contributed to greater growth in the average existing home sales price, which rose 13 percent, to \$141,700, during the 12 months ending February 2013, than in the average new home sales price, which rose 8 percent, to \$223,900, during the same period.
- REO sales accounted for 24 percent of all existing home sales during the 12 months ending February 2013, down from 39 percent during the previous 12-month period.

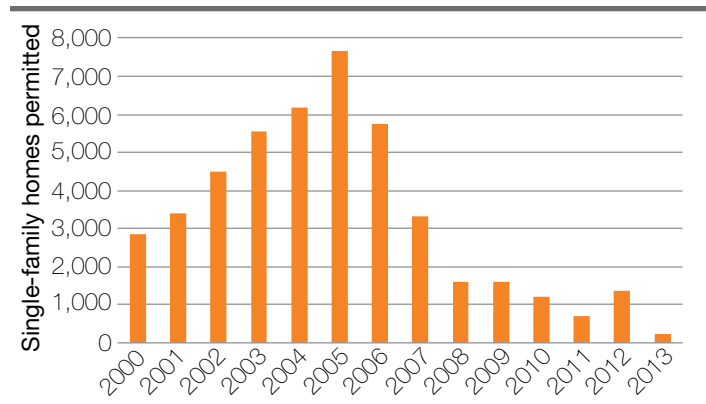
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New home sales have increased since 2012, but existing home sales have remained relatively unchanged since early 2010 in the Bakersfield area.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

Single-family permitting in the Bakersfield area has increased since 2011 but remains below peak levels.



Note: Includes data through March 2013. Source: U.S. Census Bureau, Building Permits Survey



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- As of March 2013, 5.3 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from a peak of 15.9 percent in January 2010 and from 8.5 percent a year ago (LPS Applied Analytics).

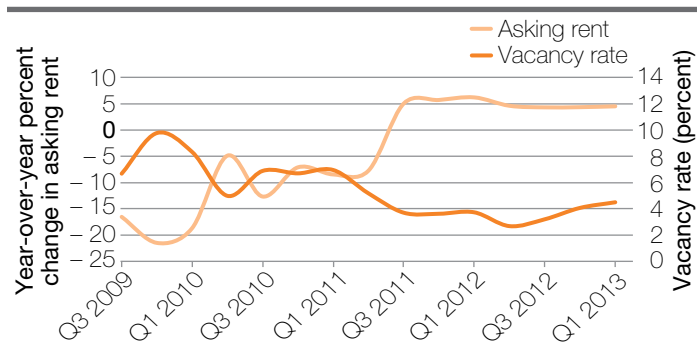
Because of improving sales market conditions, single-family home construction activity, as measured by the number of single-family homes permitted, has increased since 2011.

Rental Market Conditions

The rental housing market in the Bakersfield-Delano metropolitan area was balanced as of April 2013. The relative scarcity of new multifamily construction has contributed to declining vacancy rates and increasing rents since 2010.

- The apartment vacancy rate was 4.5 percent in the first quarter of 2013, up from 3.7 percent in the first quarter of 2012 but down from 7.0 percent in the first quarter of 2011 (Axiometrics Inc.).
- The average effective rent was \$830 in the first quarter of 2013, up 5 percent from \$790 during the first quarter of 2012 and up 11 percent from \$750 during the first quarter of 2011.
- The estimated overall rental vacancy rate was 7.2 percent as of April 2013, down from 8.7 percent in April 2010.
- Single-family homes accounted for approximately 50 percent of all rental units in the metropolitan area in 2011, up from 45 percent in 2007 (2011 and 2007 American Community Survey 1-year data).

Rental apartment market conditions have tightened since late 2010 in the Bakersfield area.



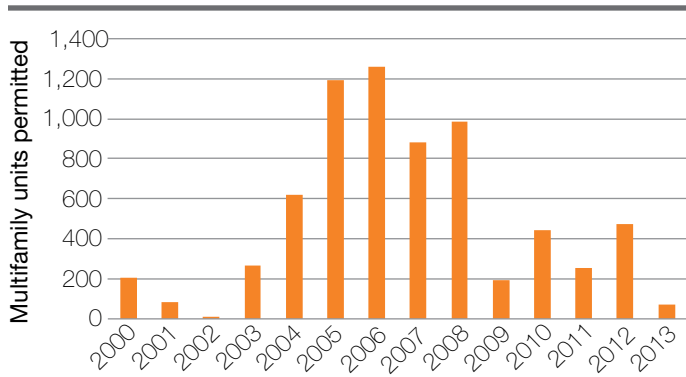
Source: Reis, Inc.

- Based on preliminary data, 250 homes were permitted in the metropolitan area during the first quarter of 2013, up 20 percent from the 210 homes permitted during the first quarter of 2012 and nearly double the number of units permitted during the first quarter of 2011.
- Single-family home construction peaked at an average of 6,525 homes permitted each year from 2004 through 2006.
- The number of single-family homes permitted declined in each successive year from 2005 through 2011.

Multifamily construction activity, as measured by the number of units permitted, has increased in the metropolitan area since 2009 but remains below the 4-year peak of approximately 1,100 units permitted annually from 2005 through 2008.

- Based on preliminary data, 70 multifamily units were permitted during the first quarter of 2013, up from 55 units permitted during the first quarter of 2012.
- An average of 300 multifamily units was permitted each year from 2009 through 2011.
- Recent multifamily development in the metropolitan area has focused on affordable housing. Of the 550 units permitted in 2011 and 2012, approximately 350 units, or 64 percent, were income restricted.
- The Residences at West Columbus, which consists of 56 units of housing for families with incomes of less than 50 percent of the Area Median Income (AMI) and for emancipated youth, was completed in April 2013 in Bakersfield.
- Eucalyptus Village, which was completed in late 2012, consists of two phases with 124 total units of rental housing for families with incomes of or less than 50 percent of AMI.

Multifamily permitting in the Bakersfield area has increased since 2009 but remains below peak levels.



Note: Includes data through March 2013.

Source: U.S. Census Bureau, Building Permits Survey

