



Bakersfield, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2007



Housing Market Area



The Bakersfield, California Housing Market Area (HMA) consists of the Bakersfield Metropolitan Statistical Area, or Kern County, which is located at the southern end of the Central Valley. The HMA is rich with farmland and oil resources. With relatively affordable housing, the HMA has attracted people from neighboring counties, especially Los Angeles, since 2002. Employment and demographic data are available in Table DP-1 at the end of this report.

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Summary

Economy

The Bakersfield HMA economy, which is based primarily on agriculture and the military, has added jobs every year since 1993. In the 12 months ending June 2007, total nonfarm employment increased by 3.5 percent, or by 8,000 jobs, to 236,000. The current unemployment rate is 7.6 percent, a 16-year low. Major employers include Edwards Air Force Base (AFB) and the Naval Air Warfare Center. Nonfarm job growth is expected to remain strong during the next 3 years.

Sales Market

The sales market is currently soft. Total sales volume for the 12 months ending June 2007 was 12,150, a 28-percent decrease from the previous 12 months. After 6 years of strong sales price increases of single-family homes and condominiums, the median price rose just 1.5 percent on an annual basis to \$271,700 in the 12 months ending June 2007. Demand is anticipated for 13,400 new sales housing units through July 1, 2010 (see Table 1).

Rental Market

The rental market is currently balanced with a 7-percent vacancy rate. The average asking rent for a two-bedroom, two-bathroom apartment is \$969, nearly 3 percent more than the average rent a year ago. Increasing population and a slowdown in the shift to homeownership are expected to support the demand for 2,400 new market-rate rental units during the next 3 years (see Table 1).

Table 1. Housing Demand in the Bakersfield HMA, 3-Year Forecast, July 1, 2007 to July 1, 2010

	Bakersfield HMA	
	Sales Units	Rental Units
Total Demand	13,400	2,400
Under Construction	1,900	800

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2007.

Source: Estimates by analyst

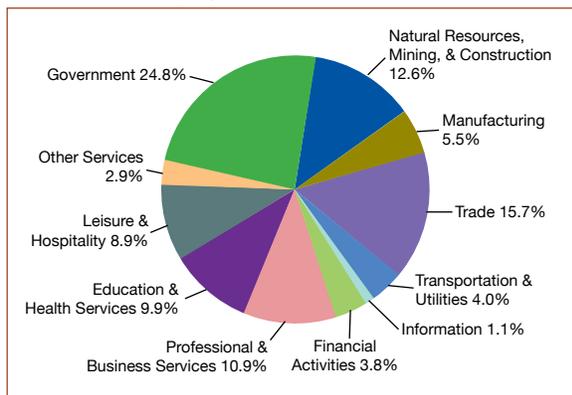
Economic Conditions

The Bakersfield HMA economy is characterized by a dependence on local natural resources and a significant government presence. From 1990 through the current date, the largest employment sectors have been government, agriculture, and trade. The government sector accounts for approximately 25 percent of the jobs in the HMA (see Figure 1). The top two employers are Edwards AFB and the Naval Air Warfare Center, which have approximately 17,000 people on the combined payrolls. Edwards AFB is participating in the \$200 billion development program for the F-35 Joint Strike Fighter jet. By 2011, the Naval Air Warfare Center may add as many as 2,300 new jobs, mostly civilian and contractor positions, as a result of the 2005 Defense Base Closure and Realignment Commission's decision. Approximately 50 percent of the new government jobs in the past 24 months, however, result from the 2005 opening of the Kern Valley State Prison (KVSP). KVSP, the smallest of four state-owned prisons in the HMA, currently employs 1,425 people.

Agriculture and oil production are important industries for the economy. With a total crop value of approximately \$3.5 billion in 2006, the HMA is the fourth-largest farming county in the nation. The key commodities are almonds, grapes, milk, carrots, and citrus fruits. Agriculture, the second-largest employment sector in the HMA, currently accounts for 16 percent of all jobs in the HMA. The agricultural firms of Giumarra Companies, Grimmway Farms, and Wm. Bolthouse Farms are among the leading local employers. As the third-largest oil producer in the state, Occidental Oil and Gas Corporation is also a significant employer. The 18 giant oil fields in the HMA yield about 10 percent of the total production in the country. Table 2 lists major employers in the HMA.

Employment growth since 2000 has accelerated compared with total growth in the previous decade. From 1990 through 2000, the Bakersfield HMA economy added an average of 4,225 jobs a year, or

Figure 1. Current Employment in the Bakersfield HMA, by Sector



Note: Based on 12-month averages through June 2007.
Source: California Employment Development Department

Table 2. Major Employers in the Bakersfield HMA

Name of Employer	Employment Sector	Number of Employees
Edwards Air Force Base	Federal Government	11,000
Naval Air Warfare Center	Federal Government	6,000
Grimmway Farms	Agricultural	5,000
Giumarra Companies	Agricultural	4,000
Catholic Healthcare West	Health Services	2,600
Wm. Bolthouse Farms, Inc.	Agricultural	2,000
State Farm Insurance	Financial Activities	1,500
Kern Medical Center	Health Services	1,200
Paramount Farms	Agricultural	1,100
Bear Creek Production	Agricultural	1,000

Notes: Data for military installations include civilian employees and contractors. Data for agricultural firms include seasonal workers.
Sources: California Employment Development Department; Greater Bakersfield Chamber of Commerce

1.9 percent. The agriculture and service-providing sectors generated 40 and 60 percent of the new jobs, respectively, while the number of jobs in the goods-producing sector decreased. The key growth sectors during the 1990s were government, education and health services, and professional and business services with average annual gains of 760, 620, and 530 jobs, respectively. Since 2000, the HMA added 5,925 jobs a year on average, or 2.3 percent. Since 2000, all industrial sectors except farming have expanded. From 2000 to the current date, the construction, trade, and government

sectors created the most jobs, with average annual increases of 1,325, 1,250, and 1,050 jobs, respectively.

The Bakersfield HMA economy has posted strong employment gains because recent population growth has created new employment opportunities. In the 12 months ending June 2007, total nonfarm employment averaged 236,000, an increase of 3.5 percent, or 8,425 jobs, from the previous 12-month period. During the same period, the unemployment rate declined slightly from 7.8 to 7.6 percent. The leading growth sectors were government, up 1,875 jobs; professional and business services, up 1,775 jobs; and trade, up 1,275 jobs (see Table 3). The number of local government jobs, primarily in education, has increased concurrently with the growing population. As the third-largest employment sector, trade currently accounts for more than 13 percent of all jobs in the HMA. Retail trade, in particular, has been increasing as new stores are developed in response to the growing population. Figure 2 shows trends in the labor force, resident employment, and unemployment rate from 1990 to 2006, and Figure 3 shows employment sector growth from 1990 through the current date.

Job growth is expected to remain strong during the next 3 years. Nonfarm employment is forecast to increase by 6,650 jobs, or by 2.8 percent, annually through July 1, 2010. The most significant employment growth is expected in the trade, the professional and business services, and the education and health services sectors.

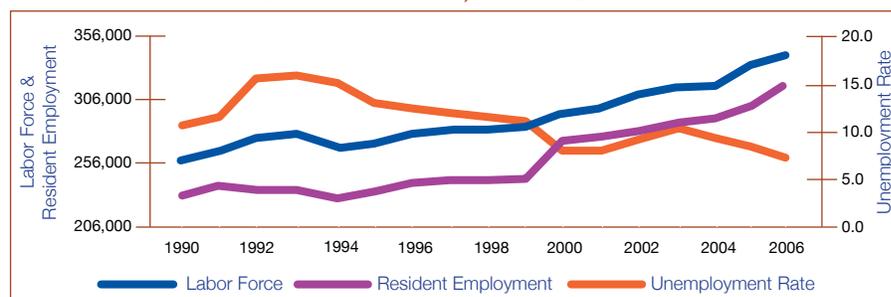
Table 3. 12-Month Average Employment in the Bakersfield HMA, by Sector

	12 Months Ending June 2006	12 Months Ending June 2007	Percent Change
Total Nonfarm Employment	228,000	236,000	3.5
Goods Producing	41,000	42,700	4.1
Natural Resources, Mining, & Construction	28,400	29,700	4.6
Manufacturing	12,600	13,100	4.0
Service Providing	187,000	193,300	3.4
Trade	35,800	37,100	3.6
Transportation & Utilities	9,300	9,500	2.2
Information	2,600	2,600	0.0
Financial Activities	8,900	8,900	0.0
Professional & Business Services	24,000	25,800	7.5
Education & Health Services	22,500	23,300	3.6
Leisure & Hospitality	20,400	21,000	2.9
Other Services	6,900	6,800	-1.4
Government	56,600	58,500	3.4

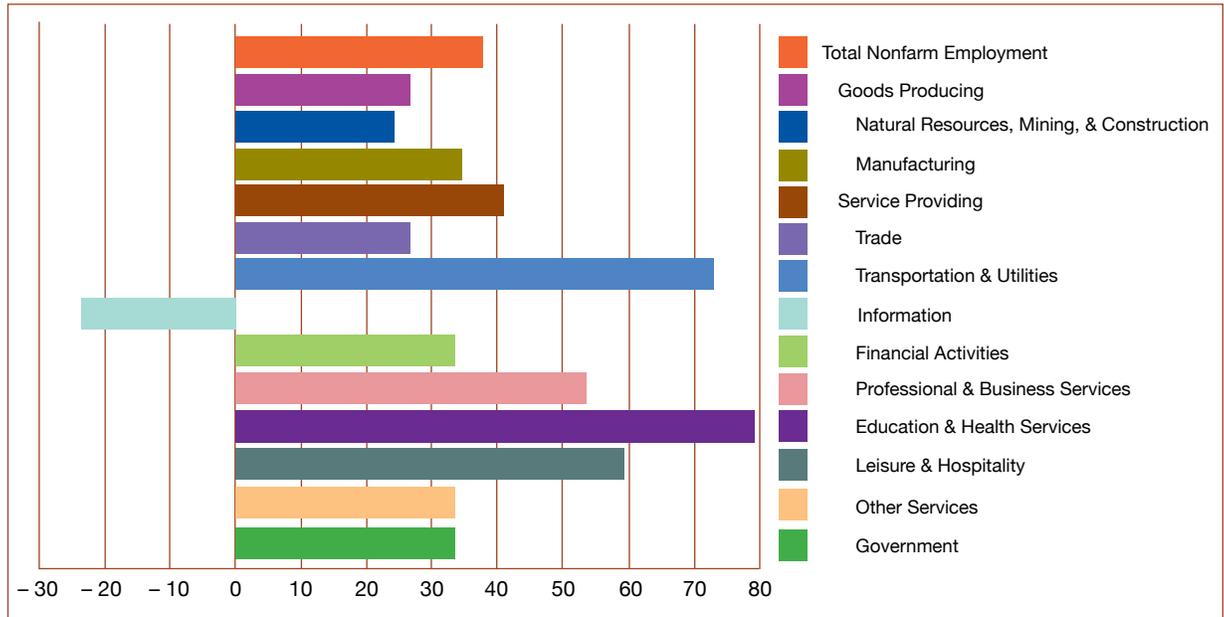
Notes: Based on 12-month averages through June 2006 and June 2007. Numbers may not add to total because of rounding.

Source: California Employment Development Department

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Bakersfield HMA, 1990 to 2006



Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Bakersfield HMA, Percentage Change, 1990 to Current

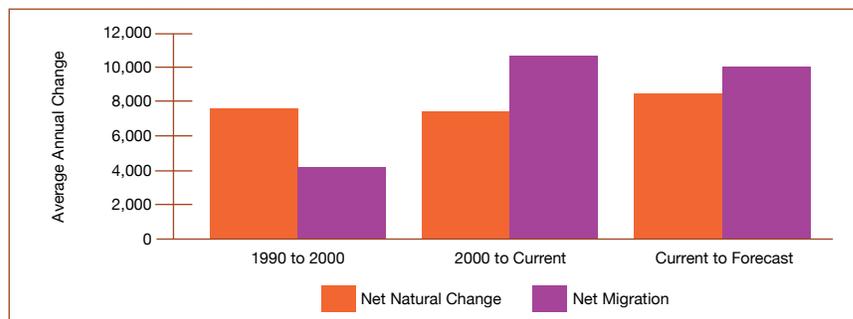
Note: Current is based on 12-month averages through June 2007.

Source: California Employment Development Department

Population and Households

The population of the Bakersfield HMA has grown more rapidly since 2000 than it did during the 1990s. Although the HMA has consistently had a relatively lower cost of housing compared with neighboring counties, particularly

Los Angeles, the disparity has grown larger since 2000. In June 2007, the median single-family home and condominium sales price in Los Angeles County was more than double the price in the HMA. From 1990 to 2000, the population increased an average of 11,800, or 2.0 percent, a year to approximately 661,600. From 2000 to the current date, the population increased by an average of 18,400 a year, or by 2.6 percent annually, to total 795,000. About 65 percent of the population change in the 1990s resulted from net natural increase (resident births minus resident deaths), compared with only 35 percent since 2000. Figure 4 illustrates the components of population change from 1990 to the forecast date.

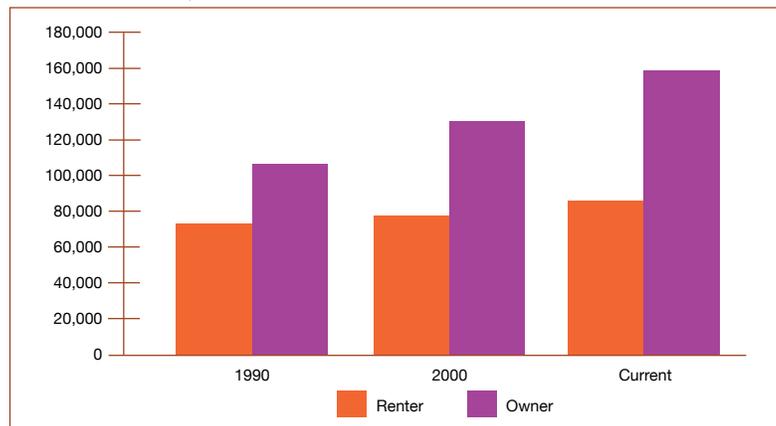
Figure 4. Components of Population Change in the Bakersfield HMA, 1990 to Forecast

Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

During the 1990s, the number of households grew by 2,725, or by 1.4 percent, a year to total approximately 208,700 households by the 2000 Census. Since 2000, the number of households increased by an average of 5,150 a year, or by

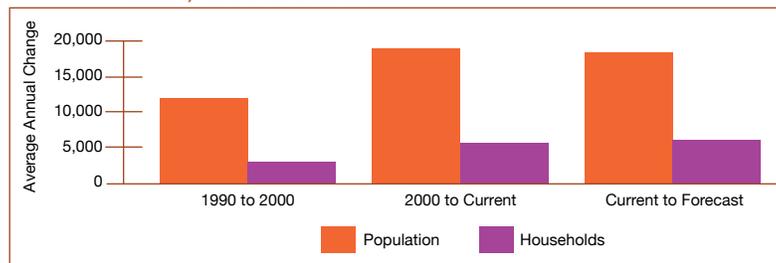
2.3 percent annually. Figure 5 shows the growth in the number of households by tenure since 1990. Figure 6 shows population and household growth from 1990 through the forecast period.

Figure 5. Number of Households by Tenure in the Bakersfield HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Bakersfield HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Because housing prices in the southern neighboring counties rose rapidly during the early 2000s, many buyers moved to the Bakersfield HMA in search of more affordable homes. Net migration accounted for 60 percent of the population increase since 2000, in contrast with the 35-percent share during the 1990s. Approximately 72 percent of the recent migration originated domestically, primarily from the counties of Los Angeles and Ventura. Since 1990, 60 percent of total growth in the HMA has occurred in the city of Bakersfield, which currently accounts for 40 percent of the total population in the HMA. The rural areas of the county have experienced increased levels of growth since 2000. Approximately 21 percent of the growth since 2000 has occurred in the unincorporated areas of the HMA, in contrast with a 1.3-percent share during the 1990s.

Housing Market Trends

Sales Market

The sales market is currently soft, with an estimated vacancy rate of 2.9 percent. Increased demand resulting from higher levels of in-migration had tightened the market considerably from the early 2000s through 2005. According to DataQuick, a record 17,650 new and existing homes were sold in 2005.

Sales activity has since decreased due to a variety of factors. Although recent price increases have moderated from double-digit rates in the early 2000s, the increase in prices since 2000 has far outpaced income growth. The Office of Federal Housing Enterprise Oversight (OFHEO) housing price index

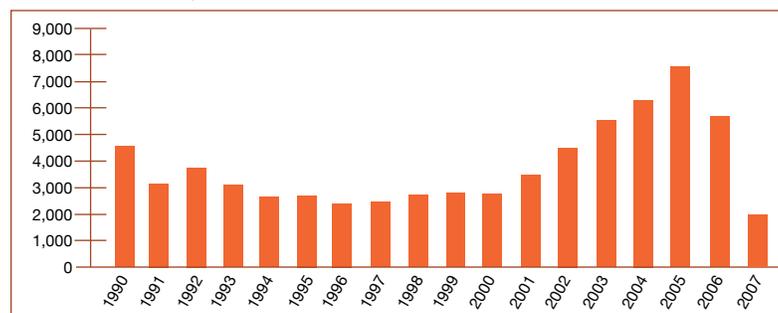
shows a total increase of 164 percent in housing values from 2000 to the current date, while the median family income in the same period has increased by 21 percent. The median sales price is now 5.7 times the median family income in contrast with a ratio of 2.5 in 2000. Mortgage interest rates have increased simultaneously, which has also reduced the number of potential buyers. The Golden Empire Multiple Listing Service reported that home listings averaged 56 days on the market in the 12 months ending June 2007, compared with just 26 days during 2005. Data-Quick reports that the sales volume for the 12 months ending June 2007 was 12,150 homes, a 28-percent decrease from the volume for the previous 12 months. The median sales price of new and existing homes was \$271,700, a 1.5-percent increase from the previous 12 months.

The volume of new home sales peaked in 2005 with 3,100 homes sold. According to The Gregory Group, the unsold inventory of new homes, as measured by the estimated number of weeks to sell, averaged 11 weeks in the 12 months ending June 2007, compared with 7 weeks in the previous 12 months. In the 12 months ending June 2007,

2,640 new homes were sold, a decrease of nearly 3 percent from the previous 12 months. The rate of annual sales price increases has slowed since 2004, when the average sales price increased 52 percent. In the 12 months ending June 2007, the average sales price of a new home was \$353,800, a 1.5-percent increase from the price in the previous 12 months.

Home builders have adjusted to the slowing sales market by reducing construction, which is measured by the number of single-family building permits issued. In the 12 months ending June 2007, single-family permits were issued for about 3,925 homes, a 43-percent decline from the number issued in the previous 12 months. From 2000 to the current date, an average of 5,300 single-family permits have been issued. Currently, approximately 64 percent of the single-family construction is in the city of Bakersfield. New development is occurring in the southwestern, central southern, and far northeastern sections of the city. Approximately 6,000 single-family homes have received planning approval with 60 percent completed or under construction. New home prices start in the high \$200,000s in the southern area and in the middle \$300,000s in the northeastern area. Future developments in the city include the 2,080-acre McAllister Ranch, the 7,158-acre Old River Ranch, and the 1,655-acre Rosedale Ranch, with a total potential buildout of 19,850 single-family homes. These three developments received approvals of their master plans in early 2007. Figure 7 provides single-family building permit data since 1990.

Figure 7. Single-Family Building Permits Issued in the Bakersfield HMA, 1990 to 2007



Notes: Includes only single-family units. Includes data through June 2007.

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

Housing Market Trends

Sales Market *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Bakersfield HMA, July 1, 2007 to July 1, 2010

Price Range (\$)		Units of Demand	Percent of Total
From	To		
300,000	324,999	4,025	30.0
325,000	349,999	3,350	25.0
350,000	374,999	2,675	20.0
375,000	399,999	1,350	10.1
400,000	424,999	670	5.0
425,000	449,999	400	3.0
450,000	474,999	270	2.0
475,000	499,999	130	1.0
500,000	549,999	170	1.3
550,000	599,999	120	0.9
600,000	649,999	90	0.7
650,000	and higher	150	1.1

Source: Estimates by analyst

During the next 3 years, sales activity is not expected to return to the record levels of the mid-2000s; however, with continued population growth, demand is anticipated for 13,400 new housing units with prices starting at \$300,000. Table 4 provides an estimated distribution of demand by price range for new market-rate sales housing in the HMA from July 1, 2007, to July 1, 2010.

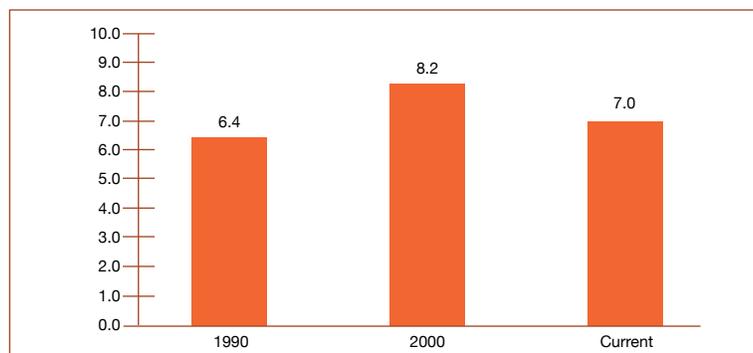
Rental Market

The Bakersfield HMA rental market is currently balanced with a 7-percent vacancy rate. From the third quarter of 2004 through the second quarter of 2006, conditions in the rental market were tighter because many people moved into the HMA. Annualized vacancy rates were less than 4 percent through mid-2006. Low levels of new rental construction from 2000 through 2004 also contributed to the tight market conditions. New apartment projects became available for occupancy starting in 2005, which helped

bring more balanced conditions to the rental market. Figure 8 shows details on rental market vacancy rates from 1990 to the current date.

With very little condominium activity in the HMA, nearly all multifamily construction projects are intended for the rental market. From 1990 through 2004, the number of permits issued for multifamily units averaged 350 a year and accounted for 9 percent of all residential permits. In response to tightening conditions and increased in-migration, multifamily construction activity increased and the share of multifamily permits exceeded 13 percent starting in 2005. In 2006, permits were issued for a record 1,250 units. In the most recent 12 months, about 54 percent of all units permitted in the HMA were issued for the city of Bakersfield and 42 percent for the unincorporated parts of the HMA. Figure 9 shows the number of multifamily building permits issued since 1990.

Figure 8. Rental Vacancy Rates in the Bakersfield HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

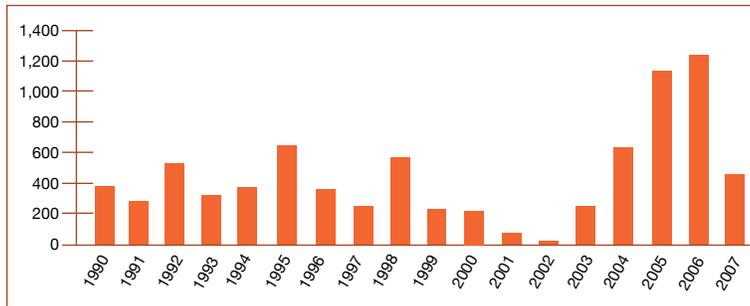
Housing Market Trends

Rental Market *Continued*

Two large apartment complexes are currently under construction. In the city of Bakersfield, Golden Valley Apartments, with 332 townhouse units, is scheduled for completion in August 2007. During preleasing, two-bedroom units started at \$995 and three-bedroom units started at \$1,095. Completion of the 81-unit Los Rosas Court low-income apartments was scheduled for the summer of 2007. Built by the National Farm Workers Services, the Los Rosas Court property is located in Shafter.

Information from RealFacts, which focuses on the city of Bakersfield, indicates that the apartment rental market had a vacancy rate of 5.9 percent in the 12 months ending June 2007, up from 3.6 percent in the previous 12 months. In the 12 months ending June 2007, the average rent increased to \$829, an increase of nearly 4 percent from the rent in the same period a year earlier. Current asking rents for one-bedroom and two-bedroom apartments are \$785 and \$969, respectively.

Figure 9. Multifamily Building Permits Issued in the Bakersfield HMA, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2007.

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

With continued population growth, demand is anticipated for 2,400 new market-rate rental units during the 3-year forecast period. Table 5 provides an estimate of the noncumulative distribution of demand for new market-rate rental housing in the HMA by rent levels and number of bedrooms from July 1, 2007, to July 1, 2010.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Bakersfield HMA, July 1, 2007 to July 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
850	710	975	1,450	1,100	240
900	620	1,025	1,150	1,150	220
950	560	1,075	1,050	1,200	190
1,000	500	1,125	910	1,250	170
1,050	420	1,175	760	1,300	140
1,100	340	1,225	620	1,350	120
1,150	270	1,275	480	1,400	110
1,250	190	1,375	350	1,500	80
1,350	130	1,475	150	1,600	60
1,450	90	1,575	40	1,700	40
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Bakersfield HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	228,900	269,425	318,000	1.6	2.3
Unemployment Rate (%)	10.9	8.2	7.6		
Nonfarm Employment	170,700	194,100	236,000	1.3	2.7
Total Population	543,477	661,645	795,000	2.0	2.6
Total Households	181,480	208,652	246,000	1.4	2.3
Owner Households	107,652	129,609	159,800	1.9	2.9
Percent Owner (%)	59.3	62.1	65.0		
Renter Households	73,828	79,043	86,200	0.7	1.2
Percent Renter (%)	40.7	37.9	35.0		
Total Housing Units	198,636	231,564	271,100	1.5	2.2
Owner Vacancy Rate (%)	2.1	2.6	2.9		
Rental Vacancy Rate (%)	6.4	8.2	7.0		
Median Family Income	\$31,714	\$39,403	\$47,800	2.2	2.7

Note: Median family incomes are for 1989, 1999, and 2006.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2007—Analyst's estimates

Forecast period: 7/1/2007–7/1/2010—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_BakersfieldCA.pdf.

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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 mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods 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 local and national sources. As such, 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.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.