
BAKERSFIELD
RESIDENTIAL INCOME
2024
ANNUAL REPORT
ASU
COMMERCIAL
MARC A.
THURSTON

Market Summary

Bakersfield experienced an appreciation rate of 10.01% in 2024, with 120 buildings sold representing a sales volume of $191 million. Upon closer examination, the appreciation rate was driven by the sales of 11 new construction buildings that added 9.08% to the appreciation rate. Without these sales, the appreciation rate for the resale market was only 0.93%.

The sales volume received a significant boost, as for the first time in many years, Bakersfield had three large apartment communities sell. The sales volume of these three buildings alone totaled 84M (44% of the total).

The real estate industry was disrupted in mid-August when the National Association of Realtors (NAR) announced their class-action lawsuit settlement over buyer broker commissions. This event, along with volatile interest rates, skyrocketing insurance costs and the 2024 presidential election caused the market to see a significant reduction in transactions in the 2nd half of the year. Prior to mid-August, 88 transactions closed escrow, whereas after this point, only 32 closed escrow. It's interesting to note that the average number of available properties for sale throughout the year remained at 49 properties.

For the 2nd year in a row, out-of-area investors accounted for 65% of the total properties purchased in Bakersfield.

Interest Rates

The Federal Reserve in 2024 made its first-interest rate reduction in four years. By the end of 2024, the Federal Reserve had reduced rates three times, totaling 1%. The Fed is being very cautious about 2025, signaling that they could reduce rates twice during the year.

New Construction

Construction of new units was robust in 2024, as 454 new units were brought onto the market. In 2025, this number is estimated to be like the 2024 production.

Featured

Property

Sales Volume

The sales volume of $191 million was $65 million more than in 2023. This represented a 50% increase in sales volume.

Cap Rates

In 2024, most buyers didn't heavily discuss their cap rate goals. It was as if this valuation metric was no longer a primary consideration for most investors when deciding to buy. The average CAP rate in Bakersfield for 2024 was 5.13%, which represents 0.16 basis points higher than in 2023. The range of CAP Rates was 1.77% to 9.25%.

Average Price Per Unit

The average price per unit went up 10.01% in value for all buildings. However, when the new construction properties were removed, the appreciation rate was only 0.93%.

Vacancy Rate

The vacancy rate citywide was 2.97% in the first quarter, decreasing to 2.52% in the second quarter. The third quarter experienced a slight increase to 2.65%, but in the fourth quarter, the vacancy surged to 3.6%, the highest rate since the second quarter of 2017.

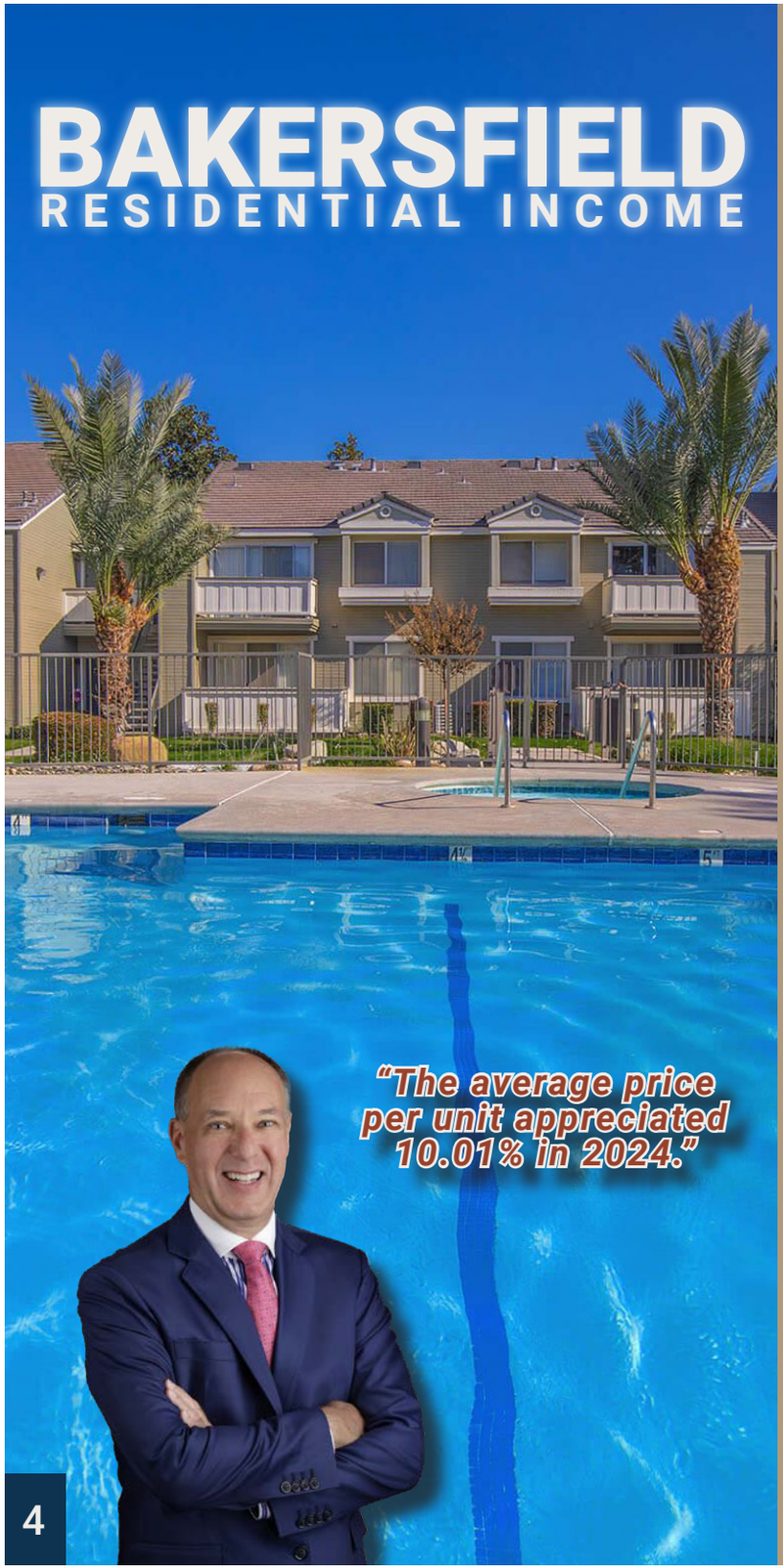
In 2024, the annual rent growth slowed to 0.43%, the lowest rate in the last six years. Class "A" buildings were hit the hardest for the second year in a row, while Class "B" and "C" units showing mixed results. Among the different unit mixes, studios /lofts were the strongest performer at 1.85% rent growth.

Since August 1, 2024, rents on existing residents can be increased 8.8% per year in Kern County according to AB 1482 (the statewide rent control Act). This remains in effect until the next Consumer price index number is released.

20 Year Moving Average Price Per Unit

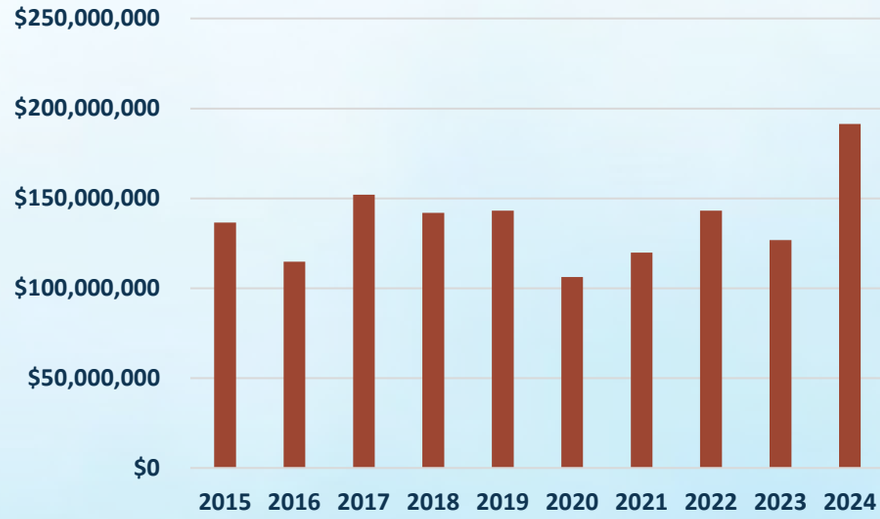
The average price per unit appreciated 10.01% in 2024 for all buildings and only 0.93% for resale properties. For the last 20 years, the average market appreciation in the Bakersfield market has been 4.09%.

BAKERSFIELD
RESIDENTIAL INCOME

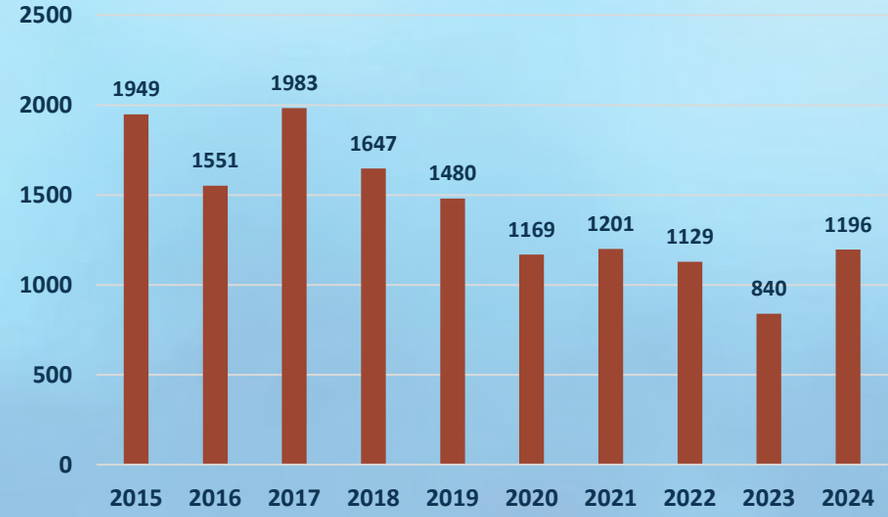


ANNUAL STATISTICS

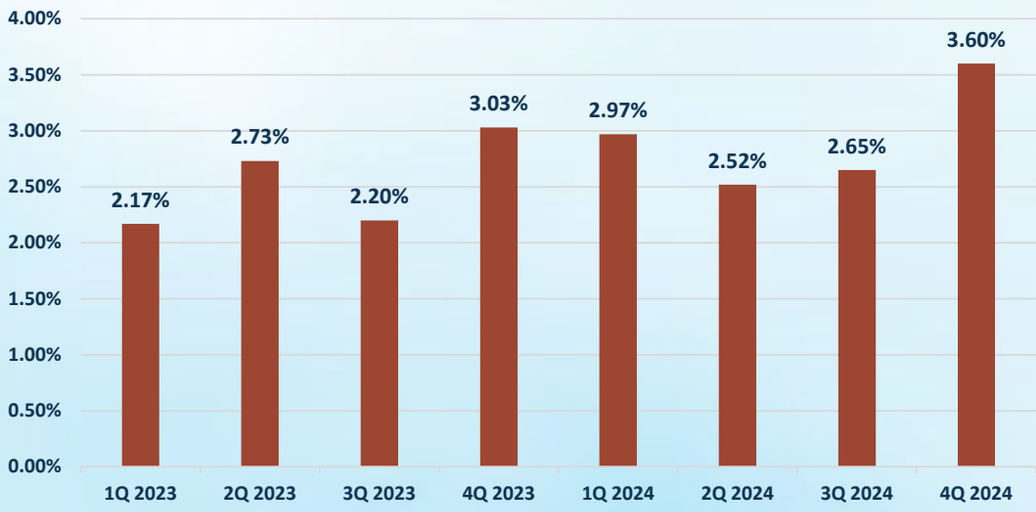
Total Sales Volume



Total Units Sold

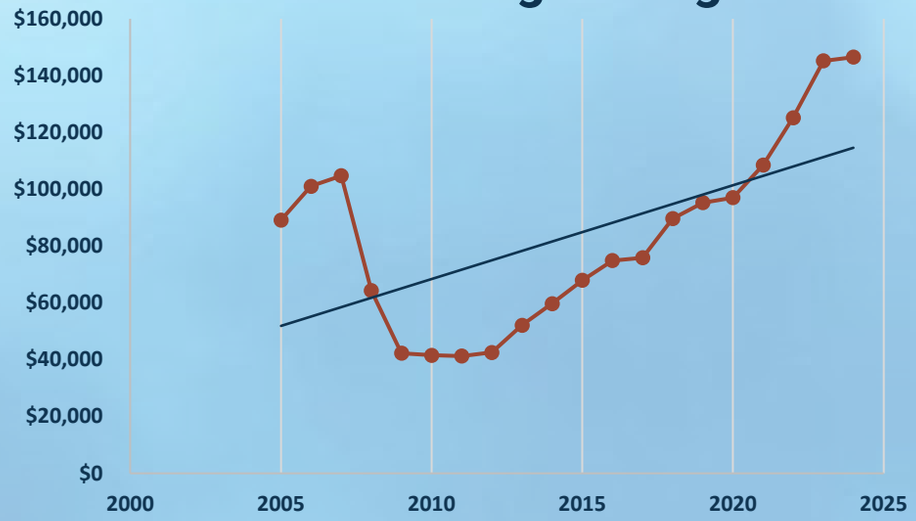


City-Wide Vacancy Rate



Average Price Per Unit

20 Year Moving Average



MARKET Highlights

TRANSACTIONS

Highest Sales Price Per Unit
Overall

Old River Place
$56,633,500

Highest Sales Price Per Unit
5+

8403-8415 Grandy Street
$294,950 Per Unit

Highest Sales Price Per Unit
Fourplex

8306-8307 Frankie Lou Street
$304,000 Per Unit

Highest GRM
Gross Rent Multiplier

142-150 Cooper Avenue
19.84 GRM

Lowest GRM
Gross Rent Multiplier

1914 16th
6.76 GRM

NORTH

Average Price Per Unit

1 Bed $90,187
2 Bed $111,611
3 Bed $203,500

83 TOTAL UNITS SOLD

10.95 AVG GRM

NORTHEAST

Average Price Per Unit

1 Bed $93,303
2 Bed $119,091
3 Bed $220,234

341 TOTAL UNITS SOLD

11.02 AVG GRM

NORTHWEST

Average Price Per Unit

1 Bed $118,750
2 Bed $192,833
3 Bed $265,177

80 TOTAL UNITS SOLD

11.41 AVG GRM

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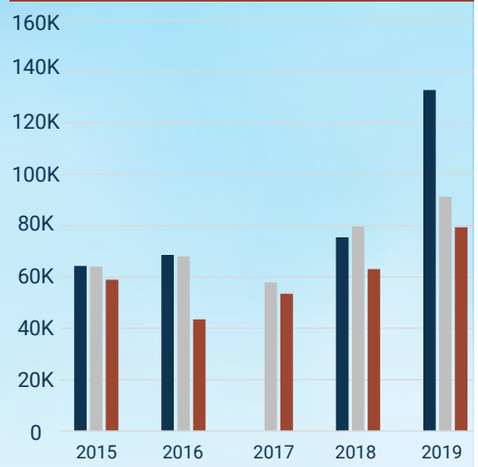

Average Pri

1 Bed $
2 Bed $
3 Bed $

6

11.4

1 Bedroom 2 Be

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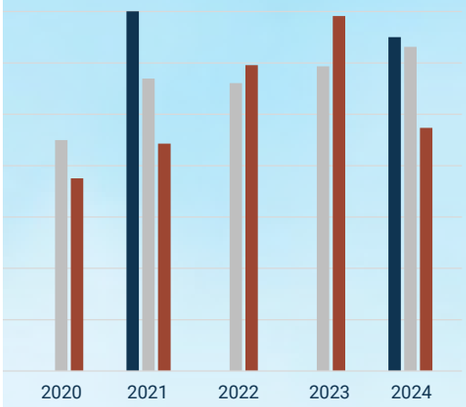


ice Per Unit
$94,717
$126,234
$130,000

5 | TOTAL UNITS SOLD

4 | AVG GRM

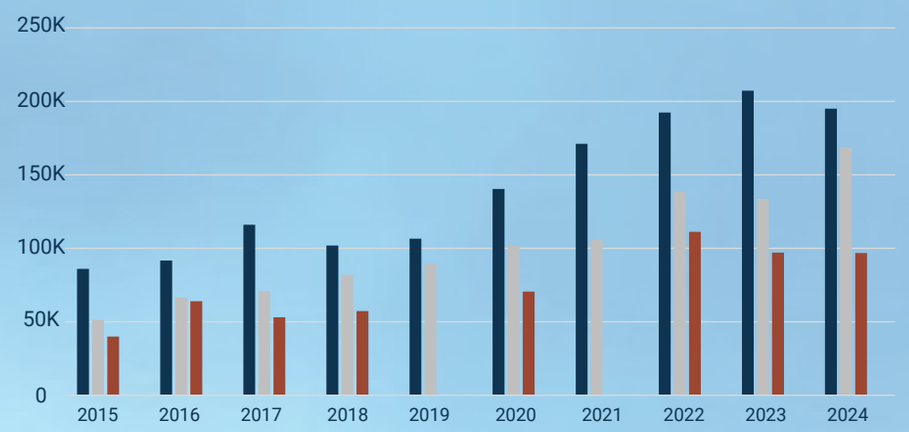
edroom ■ 3 Bedroom

SOUTH

Average Price Per Unit
1 Bed $96,916
2 Bed $168,750
3 Bed $195,041

67 | TOTAL UNITS SOLD

10.89 | AVG GRM

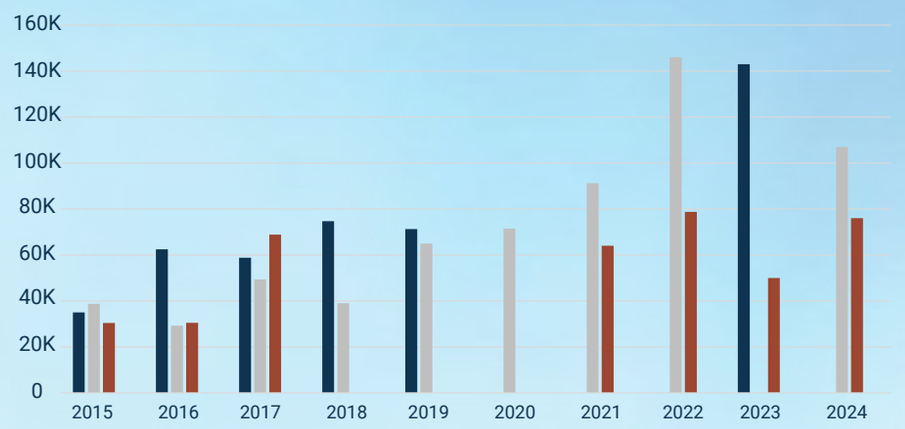


SOUTHEAST

Average Price Per Unit
1 Bed $76,000
3 Bed $107,000

23 | TOTAL UNITS SOLD

8.7 | AVG GRM

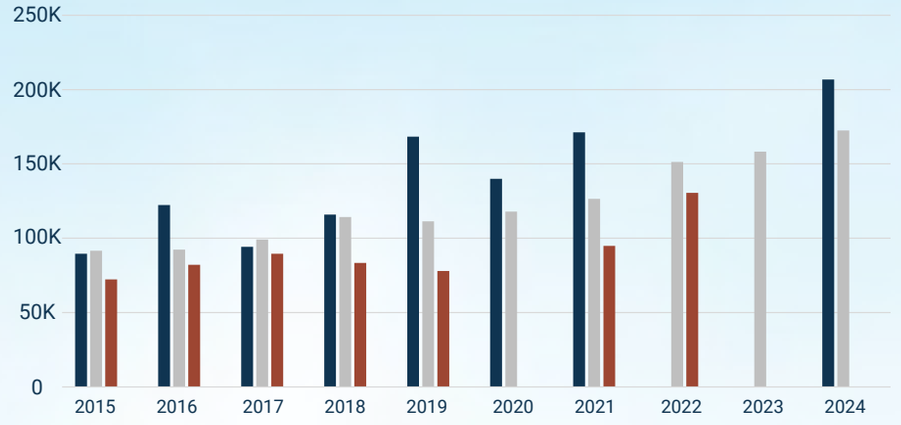


SOUTHWEST

Average Price Per Unit
2 Bed $172,442
3 Bed $206,750

537 | TOTAL UNITS SOLD

11.16 | AVG GRM



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RESIDENTIAL INCOME

2024 PREDICTIONS & FINDINGS

Market Performance	Submarket Price & Demand Leaders	Interest Rate	Total Sales	Vacancy Rate	Strategy For Success
✓	✓	✓	✗	✓	✓
In the first half of 2024, I anticipate that values will remain flat until the Fed starts lowering the Fed rate, which will most likely occur in the second half of the year. If this happens, the market could see a slight increase in pricing. **The result**: With the exception of new construction, value remained flat on resale properties.	As rates improve in the second half of the year, I expect the Class A & B markets will benefit before the Class C & D markets. **The result**: The A & B market saw some very aggressive pricing in 2024, while the C & D markets remained flat.	The Fed has already signaled their intention to hold rates steady throughout the first half of the year and then reduce rates three times in the second half of the year. **The result**: The Fed reduced rates three times in the second half of the year.	I expect overall sales to be lower in 2024 due to the challenges of securing property insurance. This will cause headaches for many buyers in the first half of the year. By the second half of the year, I hope that a solution will be found. **The result**: While property insurance remained a major challenge in 2024, the sales volume increased by 50% compared to 2023.	Despite the continuing housing shortage in California, once interest rates start to decline, the multifamily market will start to see tenants become homeowners because they will be able to afford mortgages. This will result in vacancy rates increasing to the 3.5% to 3.75% range. **The result**: The vacancy rate in the fourth quarter was 3.6%.	Opportunities still exist for landlords to sell at a premium. The key to obtaining the highest price possible is to make sure that the property is market -ready. This includes reviewing the building's appearance, the health of the financial documents, and the insurability of your building (think ZERO insurance claims!). For buyers, more attractive rates are around the corner. It will be prudent for buyers to investigate the insurability of any building before making an offer, to determine whether the purchase is viable. Don't waste time, money, and energy on a building that cannot be insured. **The result**: Many Class A & B properties sold for premiums in 2024. However, every building sold in 2024 faced significant challenges in securing affordable insurance.

2025 FORECAST

I expect the sales volume to be lower, with values remaining stagnant or declining up to 5% lower by the end of 2025.	Prices will soften in the C & D quality buildings before the A & B quality buildings experience price declines. While demand for units remains strong, I expect the next wave of investors to be more selective in their buying decisions.	The Federal Reserve is likely to lower rates two times at most. Given the uncertainty surrounding the economic impact of a new presidency, I believe interest rates will remain similar to current levels.	Based on the trend in the second half of 2024 with lower sales volume, I expect the total sales volume to further decline in 2025. It would not surprise me if the volume is one-third lower.	With 350-400 new units being built in 2025 and wage growth still stagnant in Bakersfield, I expect the vacancy rate to approach 4.15% by the 4th quarter of 2025.	As the market slows, sellers need to focus on the basics, such as maintaining competitive rents and high occupancy. It is also essential to ensure buildings are insurable, which might require investment in upgrades like electrical panels and roofs. Buyers need to be prepared to act quickly when accurately priced properties come to the market, as realistically priced properties will sell fast.

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