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State housing shortage causes prices to rocket

From staff and wire reports

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California home prices will rise 10 percent next year, setting a record even as sales decline, because of a housing shortage in the largest U.S. state, the California Association of Realtors said Thursday.

The median price of a single-family home will rise to \$344,300 from \$313,000 this year, outpacing an expected 4.1 percent rise in the U.S. as a whole. Sales in California will fall 3 percent to 530,900 units, the association said in its 2003 Housing Market Forecast.

In Bakersfield, prices have been increasing, although not at quite the same pace as the rest of the state.

Rising prices have shut lower-income households out of the housing market, especially Latinos, the fastest growing group of the state's population. In August, the percentage of California households able to afford a median-priced home fell to 28 percent from 30 percent a year earlier, the association said. The rate for the nation is about 55 percent.

"We've got a supply that is not keeping up with demand," Robert Bailey, the association's president, said in an interview. Economic growth in parts of the state is another factor in the price gains, he said.

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Bakersfield's median home price in August was \$123,000, according to DataQuick Information Systems, a firm that compiles industry statistics.

The median price marks the midway point for sales prices, meaning half the homes sold for more and half sold for less than the median amount.

The average price, which differs from the median number, tallies total sales dollars divided by the number of units sold.

In August, the average sales price for a home in Bakersfield was about \$143,000, said Gary Crabtree, a real estate appraiser with Affiliated Appraisers in Bakersfield.

That figure represents a jump of about 11 percent from August a year ago, Crabtree said.

By another measure -- calculating the cost per square foot of property sold -- home prices in Bakersfield rose 13.7 percent, from August last year to August this year, Crabtree said.

Specific neighborhoods appreciate differently, Crabtree added, saying various parts of town have gone up anywhere from 7 percent to 15 percent.

Looking ahead, Crabtree said an upward trend for the Bakersfield housing market could continue if interest rates remain low and demand remains strong.

If local prices keep up with the expected statewide 10 percent rise next year, the average cost of a home in Bakersfield would reach about \$157,000 in August next year, based on this August's average price.

California adds 220,000 to 250,000 new households a year, while it builds 150,000 new housing units, the report said. The 10 percent price rise would follow an 18 percent increase in the median this year.

This year's record sales of 547,000 units were driven by historically low interest rates, the report said. The 30-year fixed mortgage rate fell under 6 percent in September to a 40-year low.

U.S. existing-home sales also are expected to fall 3 percent next year, to 5.28 million units. Even after a 3 percent decline, California sales would be near the 1999 record of almost 538,000 units, Bailey said.

The projected decline is "pretty trivial compared with how strong the market's been," said Michael Sklarz, chief valuation officer for Santa Barbara, California-based Fidelity National Information Solutions. Sales volume is "pretty much sustaining its current level."

-- **Staff writer Gretchen Wenner contributed to this report.**

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