

Demand for Commercial Space Is Expected



Ikea occupies more than two million square feet of space in the Tejon Industrial Complex.

Tejon Ranch Company

With soaring home prices and a booming population, the Bakersfield, Calif., region has drawn comparisons to a young Inland Empire—the formerly agricultural region east of Los Angeles.

Inland Empire, anchored by such cities as San Bernardino and Riverside, has become a major warehouse distribution market for the West Coast in recent decades. Now some say it's Bakersfield's turn.

Located roughly 100 miles northwest of Los Angeles, the city of Bakersfield had the country's 11th-fastest growth rate among large cities in July 2005 from the year-earlier period, according to the U.S. Census Bureau. The city is the center of a metropolitan region comprising Kern County, which covers an area larger than the state of Connecticut. The area gained 93,000 new residents since 2001, pushing up the population to 756,825 in 2005.

New-housing permits issued in the city of Bakersfield alone rose to a peak of about 5,600 in 2005 from about 2,800 in 2002, though they fell off last year to 3,000, according to Jim Eggert, Bakersfield's assistant planning director. Median prices for existing homes more than doubled in the area to \$291,349 in December from \$114,000 in 2002, still a bargain compared to the \$582,000 third-quarter median in the Los Angeles area, according to the Bakersfield Association of Realtors and the National Association of Realtors.

Developers here now expect demand for commercial space, particularly warehouse distribution and retail, will follow the new homes. "It's an emerging market that people are just starting to look at and figure out," says Barry Hibbard, vice president of industrial development for **Tejon Ranch Co.** The company's 1,450-acre Tejon Industrial Complex is approved to expand to 20 million square feet of industrial space. Home-furnishing company **Ikea Group** occupies more than two million square feet of warehouse space in the complex.

Economic-development officials say more commercial construction is needed to attract new businesses and higher-paying jobs. The economy is largely driven by housing-related industries and the region's traditional base of employers such as Edwards Air Force Base, energy companies and farms that grow everything from almonds to table grapes. A Moody's Economy.com report calls the area one of only

By the Numbers

Bakersfield, Calif.	Third quarter	
	2006	2005
Suburban office vacancy	4.0%	9.4%
Downtown office vacancy	4.3%	4.5%
Retail vacancy	3.1%	5.9%
Apt. vacancy	4.6%	2.0%
Avg. monthly asking rent	\$834	\$785
December		
Median home price	\$280,500	\$291,349

Note: Retail 2005 data are for year-end; office and residential data are for greater Bakersfield area; retail and nearly all apartment data are based on properties within the city of Bakersfield.

Sources: Colliers Tingey, an affiliate of Colliers Intl.; CB Richard Ellis|Bakersfield Partners; RealFacts; Bakersfield Association of Realtors

20 metropolitan areas in the country with "extreme exposure" to housing-related industries, which poses a risk as the housing market cools.

For now, the area's improved economy has pushed vacancies into the low single digits across the office, industrial, retail and apartment sectors. That's helped the relatively small office sector digest space left vacant from the consolidation of oil companies in the 1990s, says David Williams, senior vice president of Colliers Tingey, the Bakersfield affiliate of **Colliers International**, a real-estate services firm.

Most of the area's new office development has been relatively small and mostly pre-leased, but developer **Castle & Cooke Inc.** says it plans to include about 40,000 square feet of speculative office in Shops at River Walk, a retail complex it is developing.

Such developments are key to the region's future as the current tight commercial market leaves little product to show larger users considering the area, says Richard Chapman, chief executive of **Kern Economic Development Corp.** "We have the rooftops," says Mr. Chapman. "Now we need to focus more on the commercial side."

—Maura Webber Sadovi