

CBICC Economic Outlook Breakfast
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* In 2006, 1556 homes were sold in Centre County through the County multi-list. The average price was just shy of \$200,000 and the average market time was 58 days. In comparison, 1602 homes sold in 2005 (3% more) for an average price of \$190,000 (5% lower), in an average of 48 days (17% quicker). For 2007 we can expect these numbers to stay strong (1550-1650 homes sold) and prices will continue to increase (expect an average of \$210,000).

* In 2006, the State College market remained strong while some of the other County school districts experienced a little more of a slow down. Nowhere in the county did we experience market nosedives that were taking place on both the east and west coasts. The presence of Penn State is a calming influence in our housing market. We are not national trend setters. As I wrote last year, we didn't ride the crest of the last real estate wave and we won't plunge into the trough of the next one.

* State College area housing sales remained strong in 2006 – 924 sales, average price \$237,000, 47 days on market. In comparison, the stats for 2005 were – 970 sales, \$223,000, 41 days on market. Many of the custom home builders took advantage of the last two boom years and wanted to get in on that market. Many of them built several high end homes on spec and this flooded the high end market. There are a limited number of buyers for high end homes and this stays fairly stable over time (47-45-68-54-52 homes with 5+ bedrooms sold over the past 5 years). So when spec home building increases, it takes longer on average for these high end homes to sell. Builders have been sitting on inventory and are not continuing to build on spec. When this current crop of homes gets sold, the market will return to normal – we expect days on market to fall in State College in 2007.

* The slow down was most pronounced in the Bellefonte School District where homes took 70 days to sell compared to 50 days in 2005. But here number of closings stayed stable (257 in 05/260 in 06) and sales price increased from \$167,000 to \$174,000. This is because so much of the new construction in the county has been focused in Bellefonte – especially Benner, Spring, and Walker townships. So existing home sales had to compete with new construction. It is interesting to note that the disparity between home prices in State College and Bellefonte is disappearing. The same home will sell for about the same price in both markets today – perhaps 5% less in Bellefonte.

* The Penns Valley real estate market remains small and oriented towards the 3 bedroom home. The Bellefonte boom has not hit Penns Valley because of tighter land use controls, questions about water quality and quantity, and the big unknown about where the eventual 4-lane connector road will go between Potters Mills and Boalsburg. Large land owners between Route 322 and Route 45 are holding their cards close to their chests. (Average sale price in Penns Valley is \$172,000.)

* Bald Eagle has a market similar in size to Penns Valley. Fewer listings closed in 2006 (69 homes versus 85 homes in 2005) and average price dropped from \$131,000 to \$114,000, but days on market dropped from 71 to 61 days. These numbers are fairly small and it's hard to draw confident conclusions from them. More large homes were on the market here in 2005 and a few large sales can impact this small market. BEA doesn't have much land that will perc for in ground septic, so larger scale development here is limited to some stream valleys and areas where an existing public sewer system can expand. I expect the modest growth to continue in 2007.

* Philipsburg-Osceola is another small market area of the County. 87 homes sold here in 2006 (up from 83 in 2005); average sale price stayed about the same at \$87,000 to \$86,000 and homes sold in 81 days versus 85 in 2005. I expect about the same for 2007.

* Nationally, 2006 was the third best year for the real estate market. In other words, if 2004 and 2005 had not proceeded it, 2006 would be looking pretty good to us now. The economists at the National Association of Realtors are predicting a "sluggish" expansion in 2007. Locally, I would guess that we will be back to 4-5% appreciation per year instead of the 7+% growth parts of the county experienced in 2004-5.

* Interest rates are projected to creep up and perhaps hit 6.7% by the end of 2007 – still very attractive mortgage lending rates. The continued low interest rates, the larger existing inventory, and the increased days on market are drawing buyers into the mix – buyers who have been waiting patiently in the wings. It is a good time to be a buyer in Centre County as we are experiencing our strongest Buyers market in 4 years.

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