



Centre County Housing Market Trends

2010 Review and 2011 Outlook

By Nancy VanLandingham, Realtor, ABR, CRS, GRI, GREEN, SRES

- The national forecasters are calling for 2011 to be the start of the home sales recovery. The predictions are for 5.2 million existing home sales (up from 4.8 million in 2010), and a modest 1% increase in prices. But all of this depends on consumer confidence. The economic recovery cannot really take hold until most Americans think we are having an economic recovery. Do you see the conundrum?
- Locally, we have already started our modest recovery. The good news about the 2010 housing market in Centre County is that it was much like the market of 2009. The volume of sales and marketing time are virtually the same and average sales price has even increased just a bit. We certainly have not reverted to the heady pre-recession days, but our market is stable and predictable – both good attributes in these economic times.
- Total residential closings reported in our multiple listing service for 2010 was 1399. This includes single family homes, townhouses, condominiums, duplexes, apartments, mobile homes, and farms. It does not include residential building lots or commercial/industrial properties – these are very different markets and respond to a different set of forces. The comparable total for 2009 was 1441 closed properties, so by this measure, sales are down by 3%. But, if you compare sales of properties within Centre County, the totals are much closer – 1211 in 2010 and 1220 in 2009. This tells me that, in general, the housing market is stronger in Centre County than in the surrounding area; I will report more about these outlying areas later.
- Another encouraging trend to report is that average sale price increased by 3.5% from \$197,000 in 2009 to \$204,000 in 2010. This is still down from the high of \$214,000 in 2008, but it is the second highest in our history. This same trend can be seen if we zero in on the five Centre County school districts – average price was \$215,000 in 2010, up from \$210,000 in 2009, but still down from a high of \$224,000 in 2008.
- State College (the school district) is the growth engine for the County and here the market is actually growing. In 2010 there were 735 residential sales, up from 722 in 2009 – this represents a modest 2% increase. Mind you, we are still 10% below the volume of the 2008 market (820 closed listings), but 10% off our highest ever year is really not an awful place to be. There are many areas of the country, and some areas of Pennsylvania, that look at these numbers with unabashed envy.

- The average marketing time for a State College home was 92 days in 2010 and it was just slightly lower in 2009 (87 days). But don't be alarmed by this. As sales price increases, market time increases concomitantly. Homes that sold for \$100,000 to \$199,000 were marketed for an average of 78 days while homes in the \$200,000s took 82 days to sell. If we continue up the price scale, the market time increases as well - \$300,000s (113 days), \$400,000s (127 days), \$500,000+ (164 days on market). So, as more homes sell at the high end of the scale, this increases marketing time overall.
- Let's look more closely at how many homes sold in the various price ranges. The largest segments of the State College market by volume are homes priced below \$200,000 and those in the \$200,000s. Activity in these two segments was virtually identical in 2009 and 2010. There were 303 sales in the lower range in both years and 255 or 256 sales in the upper range. The next segment up (homes that sold in the \$300,000s) was also quite stable – 106 sales in 2009 and 100 sales in 2010. These categories added together (all sales up to \$400,000) account for more than 90% of State College sales and are the reason for the stability and strength of the market.
- It is at the high end of the market in State College that we notice the largest gains from 2009 to 2010 and this is heartening indeed. The number of homes that sold in the \$400,000s increased from 34 to 40 and those that sold for \$500,000+ grew from 23 to 37. Yes, it is true that this is just under 10% of the total market, but it marks a significant turning point. Sales in these categories had plummeted in 2009 as buyers exercised caution and waited for the market to rebound. In 2010, buyers returned and boosted this market segment by 30%. Let me tell you why this is so encouraging. Few purchasers of homes above \$400,000 are first time home buyers. While some are newcomers to town, the majority are people who live in perfectly acceptable homes in the State College area and who, for a variety of reasons, have decided to sell their current homes and move up. These are savvy buyers who are making individual decisions based on the local, national, and international economies. When they buy on the high end, they place their mid-range homes on the market. These mid-range homes can be bought by second-time homebuyers (for example) who in turn place their starter home or townhouse on the market. And this opens up the market for renters to become first-time homebuyers. Every high end purchase can yield two or three additional sales in the lower price ranges.
- The Bellefonte market is the second largest in the county, accounting for just under 20% of the home sales. A total of 270 homes sold here, which is down slightly from 303 and 300 in 2008 and 2009 and more in line with total sales in 2007. But even if volume is down just a bit, average sales price has risen to \$183,000 (up from \$180,000 and \$181,000 in the previous two years). Only 2007 had a higher average sales price (\$187,000). Also average marketing time has fallen to 95 days – comparable numbers were 107 and 103 days over the last two

- years. These are very encouraging signs for the Bellefonte market and seem to indicate that recovery has taken a strong hold here. Homes priced from \$100,000 to \$199,999 account for the largest slice of the pie – almost 60%. And a very significant portion of Bellefonte’s sales are of new construction – 19% of homes and 64% of townhouses and condominiums. Many buyers are opting for the short commute from Bellefonte to employers in State College to take advantage of the lower prices of housing here.
- The Bald Eagle Area is another region that has experienced lower volume of sales in 2010. Here sales have fallen 22% to a total of only 50 total sales, compared with 66 and 64 over the last two years. On the other hand, average sales price has increased to \$137,000 (up from \$135,000 and \$129,000 in 2009 and 2008). And days on market has fallen to 100 (down from 109 last year). This is still a small market – just 4% of the total – and a few sales can swing the averages pretty dramatically, so it is smarter to look at multi-year trends here.
- The Penns Valley market, on the other hand, saw an uptick in volume in 2010. Here 78 homes were sold for an average price of \$165,000. These two numbers were identical in 2007, but volume had fallen off in this market in 2008 and 2009 (57 and 56 homes sold in those years). The majority of homes here sell in the \$100,000 to \$199,999 range and, if you remove the highest priced sale (an unusual property that was on the market for more than two years), the average marketing time is 108 days. This is another small market that accounts for just 6% of the county total sales.
- The Philipsburg-Osceola market also had 78 sales in 2010 and accounts for 6% of the county total. While volume of sales is up slightly (71 closed listings in 2009), average sales price has dipped from \$90,000 to \$86,000, and marketing time has increased from 130 days to 156 days. This is a market of modest homes with 70% of them selling for less than \$100,000. There are very few employers located here and the housing stock is the oldest in the county. Foreclosures accounted for 13% of sales; they were 15% in 2009. I think that this is the market that will respond most slowly to the overall economic recovery across the nation.
- There is one more piece of the sales pie – the 13% of sales that take place in municipalities outside of the main five school districts in Centre County. A total of 188 homes in this category sold in 2010, down from 221 in 2009. The average sales price rose by 9% to \$135,000 but marketing time also increased from 90 days to 130 days. It is hard to make blanket statements about this category since it is made up of homes in ten counties, including Centre. You might wonder why these homes are listed in our multi-list and there are several reasons. First, some of them are actually located in Centre County but in townships that belong to outside-County school districts (Tyrone and Keystone Central). Second, with State College serving as such an employment Mecca, some people will buy more affordable homes in surrounding counties and commute to their jobs in State College/Bellefonte. Therefore it makes sense to advertise those homes in the strong Centre County multi-list to maximize exposure.

- Let's talk about inventory. There were 716 residential listings on the market at the end of January 2011. That constitutes about half of the 1399 listings that sold in 2010. Therefore, if no additional homes were added to the multi-list, and if last year's trends continue, all of those homes would be sold within 187 days. This is actually great news – there are markets across the U.S. that today have more than four years worth of inventory in their multi-lists! Of course, this is not how the actual market works, and any discussion of inventory is, by necessity, a snapshot, but it does help us examine the inner-workings of the various price sectors. There are 120 homes priced under \$100,000 (a 204 day inventory) and 219 homes priced between \$100,000 and \$199,999 (only a 133 day inventory). This tells me that we are going to need a lot more homes in that latter price range to fill up the market in 2011. Continuing up the ladder, we have 204 homes in the \$200,000 to \$299,999 range (a 205 day inventory); 89 homes in the \$300,000 to \$399,999 range (a 248 day inventory); and 27 homes in the \$400,000 to \$499,999 range (a 205 day inventory). Then at the top, there are 56 homes listed at \$500,000 and above, but only 41 in this range sold in 2010, so that makes a 499 day inventory. Again, I caution that we are making some false assumptions when we look at the market in this light, but it is true that SOME homes that are on the market today will still be on the market a year from now. A portion of those homes are special purpose (such as farms or vacation homes) or appeal to a very small segment of buyers (let's say a geodesic dome house or a million dollar property). But in general, if a house stays on the market for a year or more, it is probably not priced correctly.
- So what's ahead for 2011? From our analysis, it looks like average sales price will increase in 2011. Most of our individual markets appear to have weathered the storm and begun to emerge from the national downturn. I expect that volume will increase in the year ahead in most markets. I'm less confident about Philipsburg-Osceola and some of the regions surrounding Centre County. I think that recovery will come more slowly to those markets. Our low end and mid-range homes have continued to sell despite the national trends. This is because of the volatile nature of the Centre County community. There will always be people moving into State College and surrounding towns to study or work at Penn State. And each year there will be others who have completed their studies or accepted jobs elsewhere. Now we have gotten some hints that the high end market has begun to recover as well. If these early trends continue, this is great news – both for high end sellers and buyers and for the market as a whole, as those sales translate to additional activity in the other market segments.
- Do you have questions or comments about the housing market? Do you have family or friends looking to buy or sell a home this year? Please feel free to contact me anytime and I hope that all of you have a great 2011.

Cheers! Nancy V.

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