

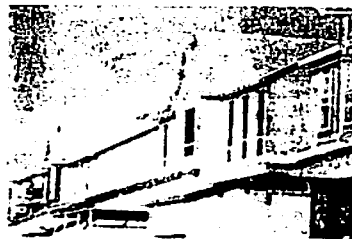


## State College and Centre County Housing Market - , 2006 Review and 2007 Outlook

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## Table of Contents

	page
February 2006* - Top Ten Benefits of Homeownership and How to Get Started . . . .	3
March 2006 - Test Your Knowledge of Real Estate Agents . . . . .	4
April 2006 - Where's the Hot Market? . . . . .	5
May 2006 - Ready, Set, List! . . . . .	6
June 2006 - Cool Stuff You May Not Know About Centre County Residents . . . . .	7
July 2006 - How to Buy a Home – Part One (the Easy Scenarios) . . . . .	8
August 2006 - How to Buy a Home – Part Two (The Trickier Scenarios) . . . . .	9
September 2006 - The Local Housing Market Has Changed! . . . . .	10
October 2006 - The Latest In Housing Trends . . . . .	11
November 2006 - “The Sky Is Falling! The Sky Is Falling!” . . . . .	12
December 2006 - Winter Projects . . . . .	13
January 2007** - Housing Outlook for 2007 . . . . .	14

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## **Top Ten Benefits of Homeownership and How to Get Started**

Across the United States more than two-thirds of Americans own their own homes and the percentage is increasing every year (U.S. Census Bureau, 2005). In Centre County, with the presence of 40,000+ Penn State students, those numbers are slightly lower. Still, 60% of Centre County housing units are owner occupied (Centre County Planning Office, 2004).

Admittedly, homeownership is not for everyone. If you don't have a steady job, or are planning on living in the area for just a year or two, you are probably better off renting. But the climate for homeowners is as favorable now as it has been for many years, so with that in mind we present the Top Ten Benefits of Homeownership:

**#10 You can have a dog, or cat, or iguana, or Madagascar hissing cockroach for that matter. With the exception of some condominium units, you are free to own pets.**

**#9 You can put a nail hole anywhere you want. If you change your mind on where to hang your Pissarro or your print of dogs playing poker, just go ahead and put in another picture hook.**

**#8 You can paint your walls red. You can hang plaid wallpaper. For that matter, you can knock down a wall – it's your wall!**

**#7 You can plant a garden. Most homes have some outdoor yard space. Even downtown condominiums often have a porch or balcony for container gardens.**

**#6 You can afford it. With today's low interest rates you may end up paying just about the same per month to own as you did to rent.**

**#5 Your basic mortgage payment (principle plus interest) can stay steady. Unlike rent, which tends to go up each year, if you choose a fixed rate mortgage, the amount you pay each month will remain the same for as long as you keep that loan. Of course utilities, taxes, and insurance can increase through time, but in general your mortgage payment will take a smaller bite out of your total household income as you receive raises and cost of living increases.**

**#4 You help your credit rating. There is no better way to boost your credit rating than to pay your mortgage on time every month. Even marginal credit scores can be improved by two years of paying your bills on time.**

**#3 Your real estate taxes and interest are deductible! Yippee! This write-off can be substantial. For the first few years that you own a property, at least 90% of your basic mortgage payment is directed toward paying mortgage interest and only a small percentage is paying down the principle of the loan.**

**#2 You can make money while you sleep. Most homes in the County will appreciate (increase in value) by at least three or four percent each year and sometimes considerably more. So even if you make no improvements, your home will be worth more next year than it is right now.**

**And the #1 benefit of homeownership... That satisfying feeling of driving home after work and seeing your own little corner of Centre County with your own name on the deed.**

**And the #1 best way to get started on this endeavor is to call a REALTOR®. He or she can help you through the many, many steps you will take on the path to homeownership.**

## Test Your Knowledge of Real Estate Agents

Everyday you see real estate signs in front of properties and photos of real estate agents and their listings in the newspaper, but how much do you REALLY know about real estate agents? This simple five question quiz will help:

1. All real estate agents are REALTORS®.  
True or False

Answer: False. All real estate agents are licensed by the Commonwealth of Pennsylvania, but only agents who are members of the National Association of REALTORS® can identify themselves as REALTORS® (customarily written in all capital letters). NAR was founded in 1908 and now has more than one million members across the U.S. All members must take continuing education classes and pledge to follow a detailed Code of Ethics and Standards of Practice.

2. All REALTORS® sell homes.  
True or False

Answer: False. Within the REALTOR® community some agents specialize in residential real estate, others are experts in commercial or industrial real estate, and still others are property managers or appraisers.

3. How do Centre County's residential REALTORS® get paid?  
a) salary      b) commission      c) special trust fund set up by Donald Trump

Answer: b. After a transaction is complete and a sale has occurred, Real Estate Brokerages receive compensation from one or more of the principle parties. Brokerages then pay the agents who were involved a percentage of this compensation. Sadly, Donald Trump has yet to show interest in our market.

4. So, if a REALTOR® spends six days showing a client 48 properties, and that client changes his/her mind and decides not to buy a property after all, how does that REALTOR® get paid?

Answer: They don't! (see question 3)

5. How many REALTORS® list Centre County as their principle place of business?  
a) 66      b) 174      c) 310

Answer: c. As of March 1, 2006 there were 310 REALTOR® Primary Members of the Centre County Association of REALTORS®.

To find out more about the Centre County Association of REALTORS®, the Pennsylvania Association of REALTORS® and the National Association of REALTORS®, please check out our NEW website: [www.happyvalleyhomes.org](http://www.happyvalleyhomes.org).

## Where's the Hot Market?

I love analyzing data. Half of you readers are saying to yourselves, "Oh, Goody! I love statistics too!" and the other half are giving a big eye roll and looking for another column to read!

I've taken statistics courses and I know that you need to approach all numbers that represent human behavior with a cautious eye, but nonetheless there are some exciting things happening in our housing market. Here are some trends that I've uprooted (all data from the Centre County Association of Realtors):

- **Growth** – it's happening everywhere. State College is the growth engine. It has the largest housing market in the County and is the center of employment as well. But it's not the only place where the market is hot. All five school districts in Centre County experienced increases in number of housing units sold and average sale price over the past four years.

- **Residential Sales:** From 2002 to 2005 Bald Eagle Area saw an 8% increase in number of residential units sold, Philipsburg-Osceola was 12%, State College Area 20%, Penns Valley 22%, and Bellefonte Area 33%. That Bellefonte kind of growth is incredible and it translates to increased pressure on infrastructure, utilities, and schools. The market is hot in Bellefonte!

- **Average Sale Price – Take One:** The school districts align themselves neatly by U.S. Census Bureau average income figures. In 2005, the average home in Philipsburg-Osceola sold for \$87,000, Bald Eagle Area \$131,000, Penns Valley \$166,000, Bellefonte \$167,000, and State College \$223,000. The market is hot in State College!

- **Average Sale Price – Take Two:** The figures are very different when you look at the PERCENTAGE growth from 2002 to 2005. Over this period average sale price in Philipsburg-Osceola increased by 24%, Penns Valley 26%, State College 30%, Bellefonte 39%, and leading the way – Bald Eagle Area with a 44% increase in average sale price. The market is hot in Bald Eagle!

- **Days on Market – Take One:** Where do homes sell most quickly – in State College (41 days on average), followed by Penns Valley (49 days), Bellefonte (50 days), Bald Eagle Area (71 days), and Philipsburg-Osceola (85 days). The market is hot in State College!

- **Days on Market – Take Two:** Between 2002 and 2005, average time to market a residential property decreased by 8% in Bald Eagle Area, 25-29% in Bellefonte, State College, and Philipsburg-Osceola, and a whopping 56% in Penns Valley. Since the Penns Valley inventory is not large, homes that come on the market here sell quickly. The market is hot in Penns Valley!

- **Where's the inventory?** The most popular Centre County home has three bedrooms. Where can you find them? Everywhere! There are more of these for sale in State College than other districts but they make up just 48% of State College home sales in 2005. However, come up the mountain to Philipsburg-Osceola and they make up a huge 67% of the market. That's a dramatic concentration of one housing segment. The market is hot in Philipsburg-Osceola!

- **Did you buy or sell a house in Centre County between 2002 and 2005?** If so you were not alone. In all, 5424 homes sold through the multi-list over those four years. At 2.5 persons per household, that represents almost 10% of our County population. The market is hot in Centre County!

## Ready, Set, List!

Are you thinking about selling your home? You could close your eyes and hope for the best or... you could make some improvements that will add value to your home. Here are my suggestions:

**EYES WIDE OPEN:** Maybe you're not the best person to look at your own home with a critical eye. Most homeowners eventually grow used to looking out that window with the cracked pane or ignoring the stain on the hall carpet. Enlist the help of a friend or your Realtor to look for the things you overlook.

**JUDGING A BOOK BY ITS COVER:** The outside of your house is your chance to entice a buyer to come inside. Paint or clean your siding; clean the gutters; repair the front walk, reseal the driveway. Then look to the landscaping – trim bushes, add mulch, plant flowers, mulch again, get rid of the garden gnomes and put mulch in their place!

**THE BACKYARD:** Use fences and plantings to create a sense of privacy here. Add a birdbath or water feature and some seating so you can enjoy the solitude after a long day of mulching! Find a spot to store equipment and toys that aren't being used. Put away birdfeeders if they're not in use.

**FIRST IMPRESSIONS:** Try this experiment – stand at the front entry and close your eyes. Now open them. What do you see? If the answer is worn carpet, lacrosse sticks, or stacks of magazines it's time to get busy. Clean it up, pack it up, or throw it out. A front entry way is a nice place for a small floor mat and a vase of fresh flowers.

**REPAINT, REPAIR, REPLACE:** Walk through the other rooms in your house and look carefully at their condition. A fresh coat of paint will enhance almost any room. Do you like shag carpet? If so, you might be the only one. Replace old carpet that is worn or out of date. This will cost less than you think. Repair any broken items such as doors, windows, and blinds. Wash the windows, open the curtains, and let the sun shine in!

**KITCHENS AND BATHROOMS:** Clean them! Scrub all the surfaces, clean the appliances – yes, potential buyers will check your oven and refrigerator. Replace old blinds, mats, and shower curtain. If these rooms are in sad shape consider some more major improvements. Updated kitchens and bathrooms will sell an older house.

**CLUTTER:** The answer is simple here – get rid of it! Clutter gives the impression that the home is not well cared for. Everything will need to be packed up eventually, so get started. You may love your 700-piece Santa collection, but it sends the wrong message on display in June. Pack up some of the personal items and photos. Potential buyers want to picture this as their house, not yours.

**BUT WAIT, I'M NOT MOVING RIGHT AWAY:** All the better reason to go through part of the checklist now. That way you'll get to enjoy your freshly painted, newly carpeted, and uncluttered home!

## **Cool Stuff You May Not Know About Centre County Residents**

The U.S. Census Bureau holds a treasure chest full of informative and quirky facts about residents of Centre County. Some of these are only tangentially related to housing, but I can't resist the opportunity to share them with you.

**\* We're Growing!** Centre County has an estimated population of 140,476. In the last census (2000), it was tallied at 135,758.

**\* We're mobile!** Only 47% of us lived in the same house in 1995 and 2000. This probably reflects the large Penn State student population, many of whom move every year. By contrast, more than 63% of Pennsylvanians stayed put over this same time frame.

**\* We're more likely owners (60%) than renters (40%).** Even though homeownership rates are higher across the state, it's still gratifying to know that the majority of Centre County residents have made an investment in real estate.

**\* We're educated!** A very impressive 88% of persons 25 and over are high school graduates. The Pennsylvania average is 82%. Even more stellar is the 36% of that age group who have earned a Bachelor's degree or higher. In this statistic we are WAY above the Pennsylvania average of 22%.

**\* We're not all millionaires!** Our per capita income in 1999 was \$18,020 – below the Pennsylvania average of \$20,880. And our percent below the poverty level was almost 19% – far above the state average of 11%. There is still much work to be done here!

**\* We're more likely to live in a single family detached dwelling (70%) than in a multi-unit structure (30%).** Still, that 30% is considerably higher than the statewide average of 21% and probably reflects the many apartment buildings that house Penn State students.

**\* We're spread out!** There are 123 persons per square mile in Centre County. Remember this is an average – density is much higher in downtown State College than in Rebersburg or Clarence. Pennsylvania's population density is more than twice that figure (274 persons per square mile).

**\* We don't have long commutes!** Our average travel time to work is just under 20 minutes, while the state average is 25 minutes. And here, without the congestion of larger cities, 20 minutes can get you 10-15 miles away from your job location.

**\* Our home values are high!** The median value of an owner-occupied home in 2000 was \$114,900. That's considerably higher than the statewide average of \$97,000. Of course by now that value has risen even higher.

**\* All in all, while not perfect, Centre County is a rewarding place to live and work.**

## How to Buy a Home – Part One (the Easy Scenarios)

So you've decided to make a move... but where do you begin? Do you sell first or buy first? And what do you do to make yourself the strongest buyer possible? The answer depends partially on where you live now, whether you own or lease, and whether you are buying a larger or smaller house.

**First Time Home Buyers** – this is easy! Here's what you need to do: contact a reputable local lender to find out how much of a loan you qualify for. In some cases it may be a good idea to pay off or consolidate some consumer debt before adding a mortgage. If you don't know any lenders, call a Realtor and they can make some suggestions.

Are you currently leasing? It could take anywhere from two months to more than six months to find the right home. Start the process early and put some money aside. There could be a month or two overlap when you are paying a mortgage plus your old lease. On the plus side, this gives you plenty of time to fix up the new place and move in slowly. Even if you have just a day or two, take advantage of this time. For example, paint all of your ceilings! This is quick and easy in a vacant house and much harder when you have to dodge furniture.

Are you currently living with Uncle Fester? This gives you the ultimate freedom (and maybe the motivation!) to move into a new place any month of the year and not have to worry about coordinating the lease and purchase. Sometimes the best deals can be made in the fall and winter when Sellers are motivated to get their homes sold.

**Stepping Down to a Smaller Place** – Maybe you are at that stage in your life when you are looking for someplace smaller and easier to care for. Chances are you have lived in your current home for a long time and have built up a lot of equity as your home has increased in value. You may even own your home free and clear of a mortgage. This situation gives you lots of flexibility. You can take your time and wait for just the right place to come on the market.

You are also a stronger buyer because in many cases you can pay cash. Instead of getting a mortgage for your new home, get a home equity loan for your current home and use that to buy the new place. Now comes the hard part – getting rid of all of those National Geographic magazines or 78 rpm records so that you can actually FIT into the new place!

Go ahead and make the move and get your old home cleaned up and ready to sell. It's much easier to do this when you're not actually living there. And many times a vacant home that is fixed up and ready to move into will sell more quickly and for more money than an occupied one. Once your old home sells you can use the proceeds to pay off your equity loan and again you will be free and clear of a mortgage.

**Lottery Winners and the Independently Wealthy** – If you don't need to sell your current home to make your next real estate purchase you have the ultimate flexibility. Buy whenever your dream home comes on the market. Buy two homes or three! Buy some investment properties – State College real estate is a great investment market these days.

**The Trickier Scenarios** – What if you need to sell your current home in order to buy a new one? Stay tuned for the answers in next month's column!

## How to Buy a Home – Part Two (The Trickier Scenarios)

Last month we talked about the home buying process for first time home buyers and those who might be stepping down to a smaller house or buying an investment property. Today we address the majority of the home buyers out there – those who have to sell one home before buying another.

**One Scenario: First Buy, Then Sell** – This is the scenario that a lot of buyers choose by accident. Sometimes it works like this: You are sitting at your kitchen table in your three bedroom, one bath ranch home, calmly drinking your latte and reading the Centre Daily Times, when suddenly you see it – there in the New Listings, the home you've been dreaming of – the one with four bedrooms and 2.5 baths and a formal dining room and a two-car garage and a deck and a window seat and a laundry chute!

You weren't really thinking of moving this year, but now this comes along! You call your Realtor and set up a showing and sure enough, it's the perfect house. After a visit with your trusty local lender you meet again with your Realtor and write an offer on the house.

**BUT...** this offer must be made contingent upon the sale of your house. This makes you a riskier buyer. Even if the Seller accepts your offer, they will continue to market the house and another buyer (without a house to sell) could potentially swoop in and buy it before your own home sells. Even if that doesn't happen, you still need to hurry and get your home on the market and you may be tempted to accept a lower price for your current home just to get it under contract.

Once you have an acceptable offer on your home, you can breathe a little easier... unless your buyer has a home to sell and their buyer has a home to sell and so on. Sometimes these chains can get quite lengthy and cumbersome.

**Second Scenario: First Sell, Then Buy** – If possible, this a preferable process even though it can mean short term inconvenience for long term comfort. If you know that you are outgrowing your home or you want to move to a different neighborhood, your best bet is to meet with your Realtor and get your home on the market. At the same time, you can start looking for a home to buy.

Believe it or not, most of the time it takes just about the same time to sell your home as it does to find a new one to buy. The average "Days on Market" for homes in the State College area was 41 days in 2005. In Bellefonte it was 50 days, 49 days in Penns Valley, 71 days in Bald Eagle, and 85 days in Philipsburg-Osceola. I expect that these numbers will be higher in 2006, especially in State College.

When (notice I said "when," not "if") you receive an acceptable offer on your current home you can suggest a closing date of several months in the future in order to give you time to locate the right new home to buy. You are a stronger buyer if negotiations are complete and your current home is already under contract. If your home is sold and you still haven't found a new one to buy, you have several options. Perhaps your buyers would be willing to close and let you rent the house back from them for a month or two. Or maybe you will need to find temporary housing for a short time and put your furniture in storage. This can add an element of inconvenience, but look at it from another perspective: You are a ready, willing, and able buyer who has cash on hand and can close quickly without a house to sell. You're the kind of buyer that every seller dreams about!

## **The Local Housing Market Has Changed!**

The red-hot real estate market of the past two to three years has cooled a bit. This will have an impact on buyers and sellers as well as homeowners and investors in Centre County. Let's look more closely:

**No drastic change.** The market has made an adjustment, not a belly flop. In the first seven months of 2005, there were 1032 homes sold in Centre County, while this year that figure is 1020. Twelve fewer homes sold is certainly not an earthshaking event. And average sale price has continued to increase – from \$195,096 for the same period in 2005 to \$207,823 in 2006. We are witnessing a more modest rate of growth rather than an actual decrease.

**Homes and More Homes.** If you think you are seeing lots of FOR SALE signs on homes in Centre County, you are right! One sign of the changing market is the growing inventory of homes for sale. Last November there were 420 homes for sale in Centre County, in March there were 464, and in August 2006 there were 610. This is not just a local trend by the way – in June 2006 the US inventory of unsold homes hit an all time high of 566,000! In some markets, the inventory has increased by 400%.

**Days on Market.** Because of the large inventory, most homes are taking longer to sell than they did last year. Again, these are not huge changes but they do indicate a trend. Last year as of the end of August the average market time in the county was 46 days, while this year it was 53 days. On a local scale, the Bellefonte market has experienced the most change here – from 50 days last year to 69 days this year. In other areas the change has been more modest – Philipsburg/Osceola 85 days to 87 days and State College 41 to 45 days, while in Penns Valley (49 days to 48 days) and Bald Eagle (71 days to 63 days) homes are actually selling FASTER this year than last.

**Impact on Buyers.** It's a good time to be a buyer in Centre County! There are hundreds of homes on the market so the choice is excellent. And with the current market conditions, the chances are good that you will not have to pay full asking price for your new home. If you are buying new construction, you may be able to negotiate some upgrades for the same price. If you've been cautiously waiting and watching, now is a good time to buy.

**Impact on Sellers.** In the cooling market, sellers will need to be more realistic about the asking price of their homes. If your home is currently on the market and you are getting showings but no offers, lower the price. If you are not even getting showings, lower the price dramatically. There are also avenues for sellers to get creative – offer to pay a portion of the buyer's closing costs, offer to "buy down" the interest rate of their loan (pay points), offer a credit for new kitchen counters, include the motorboat in the sale, offer a weekend getaway – the possibilities are endless!

## THE LATEST IN HOUSING TRENDS

Here in central Pennsylvania we are not always on the cutting edge of national trends and real estate is no exception. In some cases this is good news, as it protects our County from the ravages of the national market. But new trends and good ideas will eventually make their way into our neck of the woods. Here's what may be coming:

**Kitchens** – Over the past decade or so, we've seen the kitchen grow into one of the largest rooms in the house. That trend will continue with separate workspaces for food prep, food storage, dishwashing, and actual cooking. But next look for homes with several kitchens, a main one plus one in the family room or a high end outdoor kitchen.

**Bathrooms** – Here the trend continues of larger bathrooms and more of them. And don't expect to find bathtubs in all of them. The trendy homes now have upscale walk-in showers without doors and with water and steam coming in from all angles. Look for other comforts like heated floors, heated towel racks and drawers, and fireplaces.

**Outdoor Entertaining** – Turn your attention outward where it's possible is to have more space without adding to the square footage. Decks, patios, trellises, pergolas (maybe all at the same time!) add outdoor rooms. Here's your chance for that gourmet outdoor kitchen and to trick it out nicely you can now buy an outdoor grill that costs more than your car! Another neat new gizmo is an outdoor faucet that runs cold or hot or in-between – great for washing the dog or filling the wading pool.

**Laundry Rooms** – Why have just one? The traditional laundry in the basement actually decreases the value of today's home. Think about where the laundry is generated and put laundry stations throughout the house – a small stackable unit near the kitchen and a fully equipped room with sink and ironing board closer to the bedrooms. And the newest of the new washers and dryers even come in colors besides white!

**Garages** – One columnist called this “the last frontier of home renovation.” The trend to this point has been intricate storage systems – shelves, racks, and hangers for every item. Now think beyond that to a fully finished family room where you just happen to park your car. Some garages have walk-in closets, pet rooms, wine cellars, hobby rooms, and even that third or fourth kitchen, bath, or laundry room.

**Green Amenities** – If some of this makes you cringe and think, “Why does it always have to be bigger”, you could be part of another trend. The multi-list in Portland, Oregon includes search criteria for environmentally friendly features such as energy efficient appliances and green building materials. As heating costs rise look for this trend to spread across the country with high demand for green homes that leave a light footprint.

**High Tech Tools** – We have gone WAY beyond the coffee pot that brews at a set time in the morning. A few of the latest tricks – an electronic “personality” who greets you by name when you arrive home, blinds that open and shut depending on the outdoor light levels; heat and lights that you can control remotely (say, from your office); robotic lawnmowers and vacuum cleaners; constant video feed from your home to your computer so you can see what the dogs are doing while you are away. If you can imagine it, it's probably out there somewhere... and it's heading our way!

## **“The Sky Is Falling! The Sky Is Falling!”**

If you pay any attention to the national media, you are probably getting ready to run for the hills. Hardly a day goes by when I don't read a headline about precipitous drops in home prices in Atlanta, sellers “Singing the Blues” in Massachusetts, or new construction that just won't sell in California. It's enough to furrow the brow of even the heartiest optimist. Yes, the housing market has calmed down a bit. Yes, it's slowed in some regions more than in others. And no, the sky is not falling.

**Crazy Markets** – Some areas of the country have experienced housing price increases over the last few years that are wildly inflated and way too hot to last. It's hard to feel sorry for the California investor whose property is worth 10% less than it was last year when you keep in mind that his value grew by 36% the year before! It's important to look at more than one year when you are analyzing market trends.

**A Sustainable Pace** – Some economists think we should be cheering for the newly calmed real estate market because, unlike the market of the past two years, this is one we believe can last. We are on a pace nationally to have the third highest sales year on record. In other words, 2006 would look terrific if it hadn't been preceded by 2004 and 2005!

**Our Local Market** – Here in Centre County we have experienced a mild slow down in the housing market since last year. In the State College area, for example, homes sold in 41 days on average last year while in 2006 that has increased to 45 days. Our local inventory has grown too – from 420 homes on the market in November 2005 to about 635 today. But sale prices are still a bit higher this year (\$236,000 average) than they were in 2005 (\$223,000) – that's a 6% increase as opposed to a 9% increase from 2004 to 2005. These are numbers that instill confidence rather than dread.

**The Mortgage Picture** – It has been fun to watch mortgage rates over the last few months. For the third month in a row the Federal Reserve held the Federal Funds Rate steady at 5.25% and as a result, lenders have been able to offer very attractive interest rates on a typical 30 year fixed loan. In fact, many rate sheets today look remarkably similar to those offered at the beginning of the summer.

**Savvy Buyers** – So, “where are the buyers?” you might ask. The buyers are waiting. The buyers are watching. And increasingly, the buyers are willing to come out of the wings and get in on the show. With more homes on the market than in previous years and homes taking a bit longer to sell, motivated sellers have had to be more realistic about house prices and sales concessions in order to compete. This is the strongest buyer's market that State College has experienced in more than three years and savvy buyers are out there – just waiting to pounce!

## Winter Projects

Perhaps you are considering the possibility of selling your home next spring. Or maybe that date is two years down the road. Perhaps you go totally stir-crazy each winter and you need something tangible to occupy your time. After the holiday carousel has slowed down a bit, it's a great time to undertake major and minor home improvements. Let me suggest a few projects that will add value to your home.

**Air Conditioning** – Yes, winter is a good time to think about air conditioning! Contractors will have more time now than in August to give you estimates and schedule a time to do the work before the hot weather arrives. Central air conditioning adds, on average, 12% to the sale price of a home (all figures based on a 2005 study by the National Center for Real Estate Research.)

**Laundry Room** – Washers and dryers in the basement decrease a home's value by 2%, but laundry rooms located on the first or second floor can raise market value by 15%. Walk around your home with a critical eye – even if you don't have the space to devote to a whole laundry room, you may be able to add a stackable washer/dryer combination to a bathroom or closet.

**Bathrooms** – Are you getting tired of waiting for your turn? In 1950, 96% of new homes had one or one and a half baths. In 2004, only 5% of new construction fell into that category while 39% had two baths and 24% had three or more. In today's market, each full bathroom adds about 24% and each half bathroom adds 15% to the value of your home.

**Additions** – Square footage of American homes has increased dramatically over the past decades. The typical new home in 1950 had 983 square feet. By 2004, that had mushroomed to 2,349 square feet. Each additional 1,000 square feet of living space increases the selling price by 3.3%. Each additional bedroom adds 4%; family rooms and dining rooms add value too.

**Garage** – Winter is the season that motivates many driveway parkers to think about building a garage. It makes good financial sense as well – a garage adds 13% on average to the value of your home.

**Exteriors** – While the work may have to wait for warmer weather, now is a good time to start exploring upgrades to your home's exterior. Vinyl or aluminum siding decreases a home's value by 4%, while wood sided homes sell for 8.5% more and stucco adds 9.7% to the value. You could also contemplate raising the roof! Flat roofed houses sell for 10% less than their pitched roof equivalents.

**So Long** – My term as president of the Centre County Association of Realtors is drawing to a close so this will be my last article. I've enjoyed the opportunity to communicate and I hope you've gained some insight into the local real estate market. Should you ever have real estate questions or needs, please contact me at [nancyv@remax.net](mailto:nancyv@remax.net). Cheers!

## **Housing Review for 2006 and Outlook for 2007**

\* 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 preceded 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.