



Centre County Housing Market Trends

2009 Review and 2010 Outlook

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

- Welcome to 2010 and the improving national economy which should provide a shot of energy to the Centre County housing market. Let's back up a step and look at the 2009 market in some detail before we move on to 2010. Last year 1434 homes were sold through the Centre County multiple listing service (MLS) compared with 1491 in 2008. The 57 fewer sales don't spell the end of the world for our local market, but this does continue a five year trend towards a lower volume market (2005: 1602, 2006: 1556, 2007: 1562, 2008: 1491, 2009: 1434). It may be quite a few years before local residents regain the confidence they had in 2005 that they could wheel and deal, buy and sell almost any property with impunity. In long run, it is wise for homeowners to think of their home first as a dwelling place and only secondarily as an investment.
- Also in 2009, the average sales price fell for the first time in five years (2005: \$190,000, 2006: \$200,000, 2007: \$202,000, 2008: \$214,000, 2009: \$197,000). Let's take a look at this number more closely. Yes, average price in 2009 was only 92% of average price in 2008, but this does not mean that the average house lost 8% of its value. It means that more homes on the lower end of the scale and fewer expensive homes sold in 2009 than in previous years. For those statistics works out there, the mean has dropped off considerably more than the median indicating the big influence that the high end of the market has on average sale price... and on our collected psyche.
- This trend is most evident in the State College area, which has a considerable high end segment. Here total volume decreased from 814 homes sold in 2008 to 722 in 2009 and average price dropped from \$262,000 to \$244,000. I have reported before that homes priced from \$100,000 - \$199,999 took a huge hit in volume of sales in 2008. But in 2009 it was homes over \$200,000 that accounted for the decreased activity - 501 sales in 2008 versus 419 in 2009. The higher you go the more troublesome the picture becomes. Homes that sold for \$400,000 or more accounted for 87 sales in 2005, 85 in 2006, 84 in 2007, 98 in 2008, but only 57 in 2009. It is the absence of these 30-40 "expected" sales that brought down the 2009 market and caused a crisis of confidence among higher end homeowners.
- To add to seller's consternation, marketing time increased from 75 days in 2008 to 87 days in 2009 (in State College). But bear in mind that this average masks pretty dramatic differences by price range. Homes that sold in the \$200,000s and \$300,000s sold in 76 days but those that sold in the \$400,000s took 144 days of market time and those above \$500,000 took 154 days. For the high end of the market, it was a glorious buyers market in 2009!

- Another area that suffered in 2009 was sale of new homes. Of course many of these are sold directly by builders and do not find their way into the MLS, but the ones that were marketed through the MLS serve to illustrate the point. Number of new homes sold in State College has fallen from 148 in 2005, 164 in 2006, 143 in 2007, and 120 in 2008 to 83 in 2009. This segment has fallen from a high of 18% to just 11% of last year's market. Since new homes cost more per square footage than existing homes, these sales generally fall in a recession.
- So we saw some volatility in the high end of the market, but still the average home in State College sold for 97% of its listed price. This is good news for both buyers and sellers. First, for buyers, it shows that homeowners are being more realistic about pricing their homes for sale and, one would hope, paying more attention to the market analyses prepared by their realtors. Second, for sellers, it shows that buyers are willing to pay very close to asking price for homes on the market. I have analyzed these stats every which way and found that the list-to-sale ratio is remarkably stable across any number of variables from number of bedrooms to price range to month sold. Even high end homes, priced at \$400,000 and above sell on average for 96% of list price.
- In the smaller markets around the county 2009 was very similar to 2008 in volume and price statistics. These markets have already done their suffering, from 2007 to 2008, so stability can be seen as a positive report. Bellefonte, with 21% of the county market, had 300 sales, compared with 303 in 2008. Average sale price was \$181,000 (\$180,000 in 2008) and marketing time was 103 days (107 days in 2008). New home sales here have declined over the past few years from 66 in 2006 and 2007, to 60 in 2008, and only 52 in 2009, but they still account for a significant portion of the market - 17% in 2009, down from a high of 23% in 2005 and 2006. Sales of new homes in the Bellefonte area drive the average price upward and spur the local economy. The average new home in the Bellefonte school district sold for \$238,000 in 2009 (compared with \$181,000 for all homes). When the new housing market in Bellefonte recovers that will lead to an overall market recovery.
- Philipsburg-Osceola school district represents 5% of the county market; 71 homes sold here compared with 72 in 2008 (down from 103 in 2007), but average price has rebounded - from \$90,000 in 2007 to \$79,000 in 2008 and back to \$90,000 in 2009. Market time here continues to rise - it was 100 days in 2007, 119 in 2008, and 130 days in 2009. And that market time shoots up to 160 days for the high end of the market. In Philipsburg the high end of the market is represented by those homes that sold for over \$100,000. More than 80% of sales here are homes under \$100,000 with three or fewer bedrooms. Philipsburg-Osceola has the oldest housing stock of any of the county markets - 60% of sales last year were of homes built prior to 1960 and only one new home was sold. Philipsburg continues to lead the county in foreclosures - 15% of the sales in 2009 were bank-owned properties. This market has been the hardest hit by the recession and will be the last to recover.

- Bald Eagle Area, at 4% of the market, had 64 sales in 2009, similar to the 67 sales in 2008. Average price has rebounded here - from \$131,000 in 2005, \$114,000 in 2006, \$127,000 in 2007, \$123,000 in 2008 to \$135,000 in 2009. A word of caution - in a small market such as this one, it is possible for one or two high sales to cause a spike in average price. Indeed, while the majority of sales were of homes below \$200,000, there were nine homes that sold for somewhere in the \$200,000s (with a high of \$285,000). Average market time has increased here to 109 days and this is another market that is seeing a rise in foreclosures - 14% of sales were of bank-owned properties. This is also a market with an older housing stock - 44% of homes sold were built before 1960 and only three new homes sold here.
- The other small market (4%) in the county is Penns Valley with just 56 sales in 2009 - almost identical to the 57 homes sold in 2008. Average price here continues to fall - from \$172,000 in 2006, to \$165,000 in 2007, \$166,000 in 2008, and \$156,000 in 2009. I believe the declining average is due to the slow down in new construction. Only three new homes were sold here in 2009 and yet there are plenty of building lots available. When the new home segment of the market gets resuscitated, the Penns Valley market in general will rebound at the same time.
- There is another segment of our market that is growing rapidly and often overlooked. These are the properties that are listed in our MLS yet are located outside of Centre County or in the three Centre County townships (Liberty, Curtin, and Taylor) that feed students to school districts outside of the county. This segment now makes up 15% of the market, or more in volume than Philipsburg-Osceola, Bald Eagle, and Penns Valley put together. This is a good example of the expanding influence of the State College/Bellefonte region over a wide area of central Pennsylvania. In 2008 there were 166 homes sold that fit this category and by 2009 this number grew to 221. This is partly due to a State College real estate firm opening an office in Lock Haven and thus bringing all of those closed properties into our mix. In most cases homes outside of Centre County sell for less than the Centre County average. The only place where it is close is Huntingdon County whose 17 sales averaged \$196,000. In Mifflin County (54 sales for an average of \$151,000), Clearfield County (49 properties - \$92,000), and Clinton County (60 properties - \$92,000) the averages are considerably lower than in Centre County.
- Perhaps you are curious about the mix of residential options in our housing market. Over the past five years about 3/4 of total residential sales were single family detached homes. Another 17-19% of sales were townhouses, half duplexes, and condominiums. Technically condominiums should not be listed in this category. Here comes your trivia fact for the day: a condominium is a type of ownership rather than a style of building. Unfortunately the MLS and most national websites list these incorrectly, so we are subject to their errors in our data. OK, Nancy, get off the soap box! The remaining 5% or so of residences are multi-family units, mobile and manufactured homes, and farms.

- The State College market has a slightly different mix than the rest of the county. Here single family homes make up 72% of the market and townhouses, etc. are a more prominent piece of the pie - 27% in 2009. Mobile and manufactured homes are a smaller sliver than elsewhere and the majority of multi-family/investment units are exchanged without ever being offered in the MLS.
- Realtors are seeing some signs of improvement in the market in the early days of 2010. At RE/MAX we track showings in the various price ranges each week. Our total showings are up considerably compared with November and December and are more in the range of what we would expect in the busy months of June and September. These showings don't necessarily translate to sales, but they are a good indication that some of the lost volume is returning to the local housing market.
- So what can we expect for 2010? I expect that most homes in Centre County will retain their value just as they have over the last two years, but they may not appreciate in value as rapidly as homeowners might hope. Interest rates for home mortgages are predicted to stay low (as Ben Bernanke holds tight to the Federal lending rate) and the \$8000 credit for first time homebuyers, plus smaller credits for repeat buyers, remains in place at least through June 2010. These credits have had an amazing impact nationwide and they are helping to stimulate the local market as well. As much as anything else, our local market has faltered from the uncertainty of the national economy rather than bad news locally. Homeowners with the flexibility to stay in their current homes rather than sell and buy something else have chosen to stay put even if their current space does not serve them well. As the nation crawls out of its recession, many folks will have the confidence to place their homes on the market and buy something larger or smaller or more tailored to their needs. It will take several dozen individuals making several dozen individual decisions like this to bring our local market volume and thus strength back to where it was in 2005-2007.
- Feel free to contact me with your comments and questions and, as always, please call me when you or your friends are ready to buy or sell.

Cheers!

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