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County housing market resilient Some areas faring better than others

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STATE COLLEGE — During the past year, housing markets across the nation have nose-dived as foreclosure rates shot through the roof.

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Four states — Florida, Arizona, Nevada and California — together account for almost one-third of all foreclosures in the United States. In those areas, home prices have dropped precipitously — as much as 50 percent — as the local real estate markets come to a screeching halt.

Centre County, however, has been spared the brunt of the market's decline. The Centre County Association of Realtors reports that in 2008, the average home value across the county increased by about 5 percent compared with 2007.

Still, the area is feeling some effects of the recession. While home values increased, the pace of home sales slowed and the amount of time it took homes to sell increased slightly. And data for the first two months of 2009 suggests a notable drop in average home prices.

When 2008 ended, 1,450 homes had been sold in Centre County, pretty much in line with the association's expectation, voiced in October, of 1,452 sales.

The slowdown appears to be continuing. In the first two months of 2009, 78 homes were sold, compared with 92 during the same period of 2008.

And the average sale price was \$188,500 — \$24,000 below the 2008 average.

The Realtors group notes that because the average is based on a relatively small number of sales, people should be cautious about drawing conclusions. It also points out that some parts of the county showed stronger results than others.

For example, in the State College Area School District, traditionally the strongest market in Centre County, average home prices so far in 2009 have increased from \$268,000 to \$272,000.

The Bald Eagle Area School District market is also doing “incredibly well,” said Steve Bodner, president-elect of the county Association of Realtors. The district has had average prices increase 12 percent in the first two months of the year.

But in the Penns Valley region, the 2008 average home price of \$163,000 fell to \$107,067 in the first months of 2009.

Bodner said he remains hopeful for 2009.

“I think we’ll end up strong for the year,” he said, especially if consumers become comfortable again in the local market.

The area has a certain amount of built-in demand for housing, he said.

“We have consistency,” Bodner said, referring to Penn State. “We have people coming in and people leaving on a regular basis.”

A similar story is also playing out in Blair and Bedford counties. In those areas, the Allegheny Highland Association of Realtors reported home sales and listings slowed in 2008 compared with 2007, but average listing and closing prices increased.

“There is some shifting going on,” said Centre County Association of Realtors President Lorraine Spock.

Spock said it appears the area is starting to calm after the boom period of the first half of the decade, when Centre County’s population and real estate market, expanded rapidly.

The Pennsylvania Association of Realtors’ consulting economist, Austin Jaffe, of Penn State, said the state housing market is beginning to show signs of a “correction.”

“Pennsylvania had not been falling in the beginning (of the national decline) but now is showing consistent signs of a decline in prices like everywhere else,” he said.

The state, Jaffe said, didn’t see the rapid appreciation in prices that other markets did and hasn’t seen as rapid a decline. Pennsylvania does follow national trends, but does so in a manner that is a “bit delayed but also less volatile,” he said.

Jaffe said there is some hope that the problems in the housing market could ease by the beginning of 2010.

Falling housing prices are bringing markets closer to their long-term averages and in some markets, property transactions are starting to show an uptick.

“Optimists are confident there will be some good news in 2009 ... some think we’ll have to wait until 2010,” he said. “And in places like State College there is still a market under way ... even if prices are down and activity is slower.”

Both Spock and Bodner said that in the Centre County region they feel there is a “pent-up demand” within the market that will break loose as consumers become confident in the market again.

Potential homebuyers are worrying about lending — both real estate agents said that was one of the first questions they are usually asked when meeting with clients.

In other areas of the nation, banks that racked up bad debt are holding onto massive amounts of overdue property. With no payments on their outstanding loans, those financial institutions are loath to loan out new capital for purchases.

However, Spock and Bodner said because the banks in Centre County did not participate in predatory lending, the local market remains fairly liquid in terms of credit.

Bodner said that in Centre County, “there are many — and plenty — of banks that are available to loan if you meet the qualifying parameters.”

The Realtors association also said it hopes that the homebuyer tax credit offered by the federal government will help spur demand.

Under the federal stimulus plan, the government is offering up to an \$8,000 tax credit for first-time homebuyers.

Bodner said it might also be helpful to have a historical perspective.

In 1998, the average home price in Centre County was about \$135,000. That same year, 1,119 homes sold in the county, with the combined value of all residential housing sales totaling \$137.7 million.

Ten years later, the combined value of residential sales has doubled, reaching \$308.15 million in 2008.

“Homeownership is still the best investment you can make,” Spock said. “Everything goes down, but homeownership never goes down to zero ... if you just hold onto it long enough it will go up in value.”

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