

# Housing Market Profile

Mid-Atlantic • HUD Region III



## State College, Pennsylvania

The State College metropolitan area comprises Centre County, located in central Pennsylvania, approximately 150 miles northwest of Philadelphia. The metropolitan area is home to University Park, the main campus of Pennsylvania State University (PSU). University Park, with 45,000 students and 23,000 full- and part-time employees, has an estimated \$2.4 billion annual impact on the economy of the metropolitan area, according to a 2008 study commissioned by PSU. As of July 1, 2011, the population of the metropolitan area was estimated at 154,600, an annualized gain of 440, or 0.3 percent, since April 1, 2010, compared with a 1-percent average annual increase from 2005 through 2010. The area's largest employers are PSU, Mount Nittany Medical Center, and Wal-Mart Stores, Inc., with nearly 23,200, 1,425, and 775 employees, respectively.

Economic conditions in the State College metropolitan area were weak during the 12 months ending May 2011. Total nonfarm payrolls increased by 100 jobs, or 0.2 percent, to 74,300 jobs, compared with an increase of 200 jobs, or nearly 0.3 percent, during the 12 months ending May 2010. During the 12 months ending May 2011, the mining, logging, and construction sector added 400 jobs, an increase of 13.5 percent, with Marcellus Shale field natural gas drilling responsible for most of the gains. Marcellus Shale, located beneath much of Pennsylvania and surrounding states, is a major source of natural gas. The professional and business services sector expanded by 100 jobs, or 2.1 percent, and the manufacturing sector added 100 jobs, an increase of 2.8 percent. Partially offsetting these gains were losses in the government sector. The state government subsector, which includes PSU and represents nearly one-third of total nonfarm payrolls, lost 200 jobs, or 0.8 percent, and the local government subsector contracted by 100 jobs, or 2.5 percent. The average unemployment rate decreased to 5.7 percent during the 12 months ending May 2011 compared with 6.2 percent during the previous 12 months.

The home sales market in the State College metropolitan area remains soft because of weak economic conditions. According to Hanley Wood, LLC, during the 12 months ending May 2011, existing home sales decreased by nearly 14 percent, to 1,150, compared with 1,350 existing

homes sold during the same period a year earlier. During May 2011, the median sales price of existing single-family homes rose 3 percent to \$187,750 compared with \$178,500 during May 2010. As of May 2011, according to LPS Applied Analytics, 2.5 percent of mortgage loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down slightly from 2.6 percent in May 2010. According to Hanley Wood, LLC, during the 12 months ending May 2011, foreclosed and REO homes represented nearly 12 percent of existing single-family home sales, up from 10 percent during the previous 12-month period.

According to Hanley Wood, LLC, during the 12 months ending May 2011, sales of new single-family homes decreased nearly 25 percent to 185 homes and the median sales price declined approximately 2 percent to \$261,200 compared with May 2010. In response to the soft sales housing market, single-family home construction in the metropolitan area declined. Based on preliminary data, during the 12 months ending May 2011, the number of single-family homes permitted decreased 18 percent to 160 homes compared with the number permitted during the previous 12-month period. In contrast, from 2005 through 2009, an average of 540 single-family homes was permitted each year in the metropolitan area.

According to preliminary data for the 12 months ending May 2011, approximately 85 multifamily units were permitted compared with 30 units permitted during the previous 12 months. From 2005 through 2009, an average of 75 multifamily units was permitted annually. During the current 12-month period, two senior independent living apartment expansions accounted for nearly all of the multifamily units permitted.

Rental market conditions in the State College metropolitan area are typically tight, with an estimated 2.5-percent vacancy rate, up slightly from the 2.3-percent rate reported in the 2010 Census. The nearly 30,000 PSU students living off campus account for approximately 60 percent of the total population in renter-occupied units and have a significant impact on the rents in the area. Estimated average rents are \$1,500 for a one-bedroom unit, \$2,300 for a two-bedroom unit, and \$2,600 for a three-bedroom unit. Jeramar Plaza, a 12-unit complex with rents of \$2,380 for a two-bedroom unit, and The Palmerton, a 65-unit complex with rents averaging \$1,360 for a one-bedroom unit and \$2,720 for a two-bedroom unit, recently completed construction in downtown State College and are targeted to PSU students.