



State College, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2011



Summary

Housing Market Area



The State College Housing Market Area (HMA), located 200 miles northwest of Philadelphia, is coterminous with Centre County, Pennsylvania. The HMA is home to University Park, the main campus of Pennsylvania State University (PSU). With approximately 45,000 students and nearly 23,200 full- and part-time employees, PSU is the largest employer in the HMA.

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Economy

Economic conditions are weak but improving in the State College HMA. During the 12 months ending May 2011, nonfarm payrolls increased by 150 jobs, or 0.2 percent, to 74,350 jobs compared with the number of jobs during the previous 12-month period. Growth in the goods-producing sectors and in the professional and business services and the leisure and hospitality sectors partially offset declines in other sectors. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 1.0 percent annually, with most of the growth occurring during the second and third years of the forecast period.

Sales Market

The home sales market in the State College HMA is slightly soft, with an estimated 1.5-percent vacancy rate. During the next 3 years, demand is expected for 1,550 new homes and 100 mobile homes (see Table 1). Some of the 4,750 other vacant units in the HMA may re-enter the market and satisfy a portion of the demand during the forecast period.

Rental Market

Rental housing market conditions in the HMA are tight, with an estimated overall 2.5-percent vacancy rate, an increase from the estimated 2.3-percent rate reported in the 2010 Census. During the 3-year forecast period, demand is expected to total approximately 340 new rentals units (see Table 1). The approximately 70 rental units currently under construction will meet a portion of this demand.

Table 1. Housing Demand in the State College HMA, 3-Year Forecast, June 1, 2011 to June 1, 2014

	State College HMA	
	Sales Units	Rental Units
Total Demand	1,650	340
Under Construction	50	70

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2011. Total demand includes an estimated demand for 100 mobile homes. A portion of the estimated 4,750 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economy of the State College HMA is recovering from the loss of 900 jobs, or 0.9 percent, in 2009, which was the largest decline in nonfarm payrolls in the HMA in

the past 5 years. The 2009 economic decline followed a period of economic growth in the HMA lasting from 2004 through 2008, when nonfarm payrolls increased by an average of 800 jobs, or 1.1 percent, a year. The 5-year period of growth followed the loss of 1,000 jobs, or 1.4 percent, in 2003. During the 12-month period ending May 2011, nonfarm payrolls increased by 150 jobs, or 0.2 percent, to 74,350 jobs (see Table 2). A decline in the labor force combined with job growth during the past 12 months contributed to a decrease in the unemployment rate, which averaged 5.7 percent, down from the 6.2-percent rate recorded during the previous 12-month period. From 2004 through 2008, the unemployment rate averaged 4.0 percent. See Figure 1 for trends in labor force, resident employment, and average unemployment rate and Figure 2 for the percentage change in sector growth in the HMA since 2000.

The mining, logging, and construction sector recorded the largest payroll increase in the HMA during the 12 months ending May 2011, growing by 400 jobs, or 13.5 percent, because of increased activity associated with natural gas drilling at the Marcellus

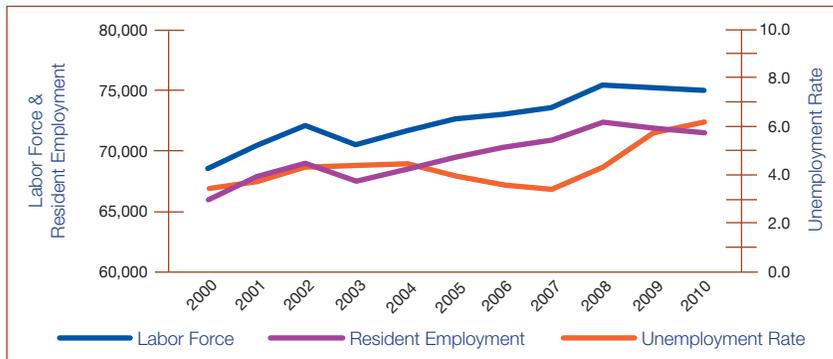
Table 2. 12-Month Average Nonfarm Payroll Jobs in the State College HMA, by Sector

	12 Months Ending May 2010	12 Months Ending May 2011	Percent Change
Total Nonfarm Payroll Jobs	74,200	74,350	0.2
Goods Producing	6,900	7,425	7.6
Mining, Logging, & Construction	3,100	3,500	13.5
Manufacturing	3,825	3,925	2.8
Service Providing	67,300	66,900	-0.6
Nonreported Sectors	16,050	15,850	-1.3
Professional & Business Services	5,625	5,750	2.1
Education & Health Services	7,825	7,800	-0.2
Leisure & Hospitality	6,950	7,075	1.7
Government	30,850	30,450	-1.3

Notes: Based on 12-month averages through May 2010 and May 2011. Numbers may not add to totals because of rounding.

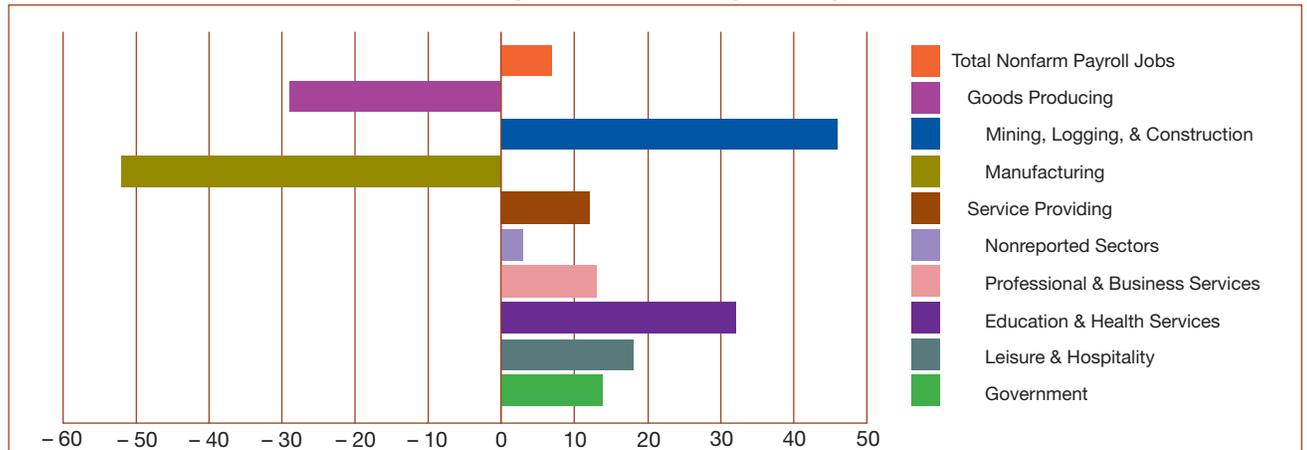
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the State College HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the State College HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through May 2011.

Source: U.S. Bureau of Labor Statistics

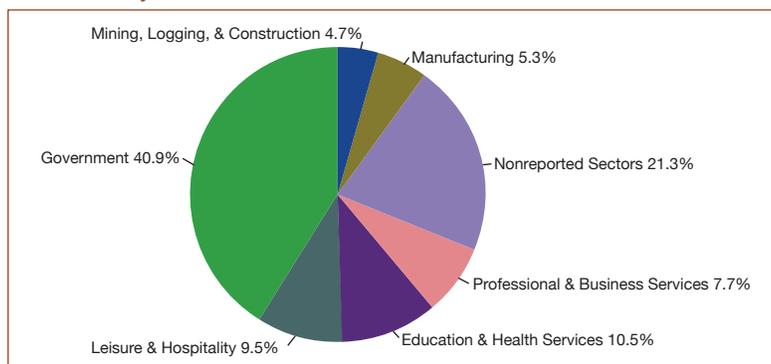
Shale. Located beneath much of Pennsylvania and surrounding states, the Marcellus Shale is a major source of natural gas. According to the Pennsylvania Department of Environmental Protection, during the 12 months ending May 2011, a total of 23 Marcellus Shale wells were drilled in the State College HMA, which is relatively unchanged from the number drilled during the previous 12-month period. Other sectors experiencing job growth during the 12 months ending May 2011 include the professional and business services, leisure and hospitality, and manufacturing sectors, which added 130, 130, and 100 jobs, or 2.1, 1.7, and 2.8 percent, respectively.

Partially offsetting the overall job gains, the government sector lost 400 jobs, or 1.3 percent, because of declining state and local government payrolls. The state government subsector lost 200 jobs, or 0.8 percent, and the local government subsector lost 100 jobs, or 2.0 percent. The government sector accounts for 40 percent of HMA jobs (see Figure 3), and the state government subsector accounts for one-third of the nonfarm payroll jobs in the HMA because of the nearly 23,200 state employees at University Park, which has an estimated \$2.4 billion annual

impact on the HMA's economy, according to a 2008 study (the most recent data available) commissioned by PSU. According to PSU, as of the fall of 2010, 45,000 undergraduate and graduate students were enrolled at the University Park campus, and the university has no plans to significantly increase enrollment at this campus. Employment in the education and health services sector, accounting for approximately 10 percent of total nonfarm payrolls, was relatively unchanged during the 12 months ending May 2011 compared with employment during the previous 12-month period. In 2010, Mount Nittany Medical Center, the largest hospital in the area, with 1,425 employees, started construction on a \$72 million emergency department expansion and a comprehensive cancer center. The emergency department expansion includes a 40,000-square foot addition, a helicopter pad, and 40 new single-occupancy rooms, with the capability to expand to 60 beds. The comprehensive cancer center project includes a renovation that will add 28,000 additional square feet. In August 2010, Mount Nittany opened a \$38 million, 65,000-square-foot addition named East Wing, which created about 20 new jobs. Table 3 lists the largest employers in the HMA.

Nonfarm payrolls are expected to increase by 200 jobs, or less than 0.5 percent, during the first year of the forecast period before growing at a moderate rate, averaging 1.5 percent annually, during the second and third years of the period. The mining, logging, and construction, professional and business services, and education and health services sectors are expected to continue to lead job growth.

Figure 3. Current Nonfarm Payroll Jobs in the State College HMA, by Sector



Note: Based on 12-month averages through May 2011.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the State College HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Pennsylvania State University, University Park Campus	Government	23,200
Mount Nittany Medical Center	Education & Health Services	1,425
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	780
The Meadows Psychiatric Center and Universal Community Behavioral Health	Education & Health Services	530
Raytheon Company	Professional & Business Services	500
HRI, Inc.	Logging, Mining, & Construction	500
Weis Markets, Inc.	Wholesale & Retail Trade	450
Geisinger Medical Group	Education & Health Services	430
Dante's Restaurant Inc.	Wholesale & Retail Trade	370
AccuWeather, Inc.	Professional & Business Services	350

Note: Excludes local school districts.

Sources: Centre Daily Times; Centre County Chamber of Commerce

Population and Households

As of June 1, 2011, the population of the State College HMA was estimated at 154,500, an increase of approximately 1,675, or 1.2 percent, annually since 2000. Net in-migration accounted for approximately 75 percent of the growth during that period.

From 2000 through 2003, population grew by an average of 2,725, or 2.0 percent, annually, with net in-migration accounting for nearly 80 percent of the overall population growth. According to data from the Internal Revenue Service, people were relocating mainly from surrounding Clearfield, Clinton, Blair, and Huntingdon Counties, and from the Pittsburgh and Philadelphia metropolitan areas. According to local sources, the reasonably priced housing and relatively stable employment prospects in the HMA resulted in increased in-migration. Between 2004 and 2010, population growth slowed to an average of 1,575 people, or 1.1 percent, a year. During this period, net natural change (resident births minus resident deaths) accounted for approximately 60 percent

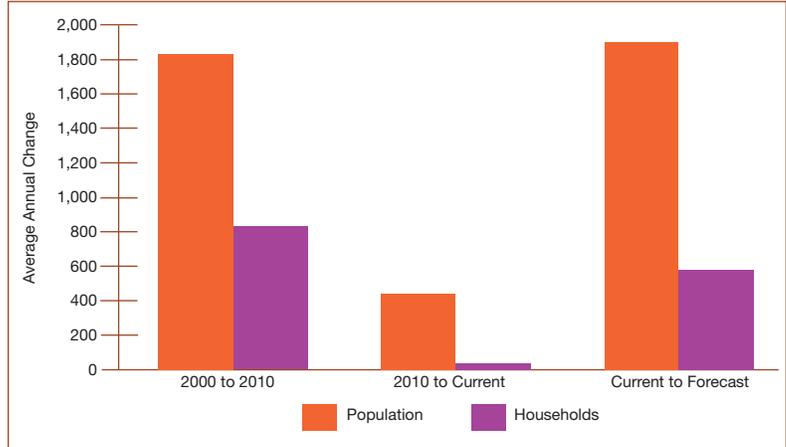
of the population growth; in-migration declined substantially because of the weak economy. From 2010 to June 2011, population growth was slow, averaging 440 people, or 0.3 percent, annually, with net natural change accounting for almost all of the overall population growth. Improving but modest economic gains are expected to result in an average population growth of 1,900 people, or 1.2 percent, annually during the next 3 years. By the end of the forecast period, the HMA population is expected to reach 160,200. Figure 4 shows population and household growth in the HMA and Figure 5 illustrates the components of population change in the HMA from 2000 through the forecast period.

The HMA currently includes an estimated 57,600 households. Figure 6 shows the number of households by tenure in the HMA for 2000, 2010, and the current date. The number of households has increased at a rate of 1.4 percent, slightly faster than the population growth rate of 1.2 percent,

from 2000 to the current date. During the forecast period, the number of households is expected to increase by nearly 580, or 1.0 percent, to 59,350.

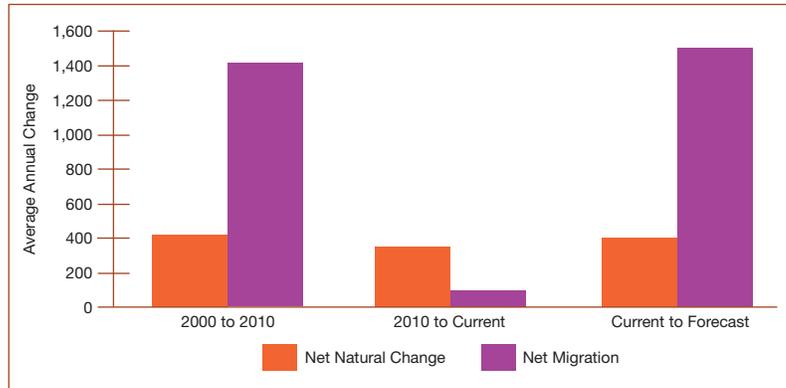
See Table DP-1 for household growth in the HMA by tenure from 2000 through the current date.

Figure 4. Population and Household Growth in the State College HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the State College HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the State College HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

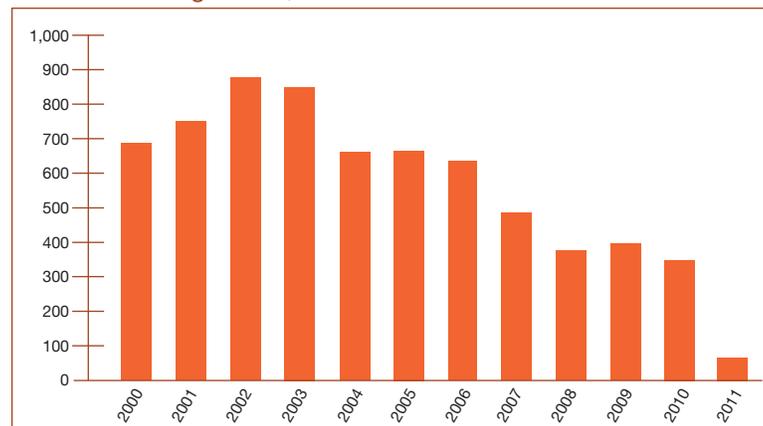
The home sales market in the State College HMA is slightly soft, with a current sales vacancy rate of 1.5 percent, down from the 1.6-percent rate reported in the 2010 Census but up from the 1.2-percent rate reported in the 2009 American Community Survey (ACS). According to Hanley Wood, LLC, during the 12 months ending May 2011, 1,175 existing attached and detached single-family homes sold, down 12 percent from the 1,350 sold during the previous 12 months. New home sales, which accounted for approximately 13 percent of total sales in the current period, decreased to 170 homes, a decline of nearly 34 percent compared with the number of new homes sold during the previous 12-month period. Existing home sales peaked in 2005, when nearly 1,850 homes sold, and new home sales peaked in 2007, when nearly 380 homes sold.

According to Hanley Wood, LLC, in May 2011, the median sales price for existing attached and detached single-family homes was \$188,000, up nearly 6 percent from the median price in

May 2010. During the same period, the median sales price for new homes was \$193,700, down approximately 27 percent from prices a year earlier. According to LPS Applied Analytics, in May 2011, 2.5 percent of mortgage loans in the HMA were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), relatively unchanged from the 2.6-percent rate recorded in May 2010. This rate is lower than the 5.8-percent state rate and much lower than the 7.8-percent national rate. According to Hanley Wood, LLC, during the 12 months ending May 2011, sales of foreclosed and REO homes accounted for nearly 12 percent of new and existing attached and detached home sales, up from 9 percent during the previous 12-month period.

As a result of a decline in home sales, new home construction activity, as measured by the number of single-family building permits issued, has slowed. According to preliminary data, during the 12 months ending May 2011, the number of single-family homes permitted declined 21 percent, to 150 homes, compared with 190 homes permitted during the previous 12-month period. From 2000 through 2006, an average of approximately 720 new homes was permitted annually. As the sales market softened in the beginning of 2007, the number of single-family homes permitted dropped to an average annual level of 440 from 2007 through 2009. New home construction is concentrated mainly in the Borough of State College and several surrounding townships, including College, Ferguson, Patton, and Spring Townships. Figure 7 shows the number of single-family home

Figure 7. Single-Family Building Permits Issued in the State College HMA, 2000 to 2011



Notes: Includes only single-family units. Includes data through May 2011.

Source: U.S. Census Bureau, Building Permits Survey

permits issued from 2000 to the current date and includes detached homes and townhomes.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the State College HMA, June 1, 2011 to June 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	249,999	150	10.0
250,000	349,999	310	20.0
350,000	449,999	460	30.0
450,000	549,999	390	25.0
550,000	649,999	150	10.0
650,000	and higher	75	5.0

Notes: Excludes mobile homes. Some of the estimated demand will be satisfied by the 50 homes currently under construction. In addition, a portion of the estimated 4,750 other vacant units in the HMA will likely satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Rental Market

The rental housing market in the State College HMA is tight, with an overall vacancy rate estimated at 2.5 percent, slightly higher than the 2.3-percent rate reported in the 2010 Census but lower than the 2.8-percent rate recorded by the 2009 ACS (see Figure 8). Rental vacancy rates have been historically tight over the past decade and are driven primarily by the number of PSU students residing in off-campus residences. Currently, approximately 30,000 University Park students reside off campus. According to local sources, most student-oriented, off-campus housing lease agreements are for a 1-year period with effective rents, as of May 2011, averaging \$1,300 for a one-bedroom unit, \$2,300 for a

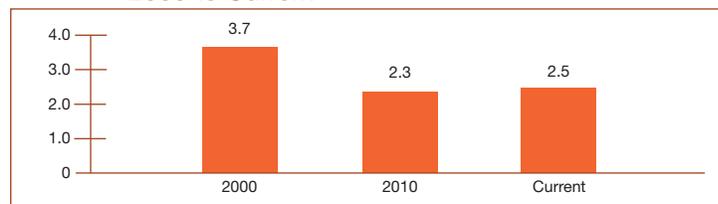
Demand is estimated for 1,550 new homes and an additional 100 mobile homes in the HMA during the 3-year forecast period. Demand will be modest during the first year but is expected to increase during the second and third years of the forecast period. The 50 homes currently under construction will meet a portion of the demand. Demand is expected to be strongest for units priced between \$250,000 and \$550,000 (see Table 4). A portion of the estimated 4,750 other vacant units are likely to enter the sales housing market and satisfy some of the forecast demand.

two-bedroom unit, and \$2,700 for a three-bedroom unit, slightly higher than rents during May 2010.

Multifamily construction, as measured by the number of multifamily units permitted, increased to 85 units permitted during the 12 months ending May 2011 compared with 30 units permitted during the previous 12-month period, based on preliminary data. The current level of construction activity is slightly less than the average of 100 units permitted annually from 2000 through 2002 and is significantly less than the 210 units permitted during 2003. From 2004 through 2009, the number of multifamily units permitted averaged 95 annually. Figure 9 illustrates the number of multifamily units permitted in the HMA from 2000 to the current date and includes permits for both condominiums and apartments.

Since 2008, 100 apartment units targeting students were completed in and around downtown State College. Jermar Plaza, a mixed-use development located in downtown State College

Figure 8. Rental Vacancy Rates in the State College HMA, 2000 to Current



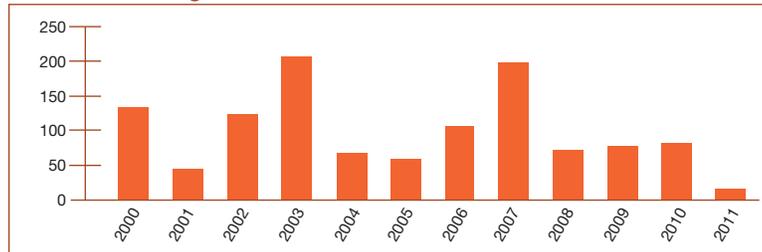
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends
Rental Market *Continued*

and consisting of 12 two-bedroom units with an average asking rent of \$2,380, was completed in 2009. The Palmerton, also located in downtown State College, was completed in November 2008 and consists of 65 units with average asking rents of \$1,360

for a one-bedroom unit and \$2,720 for a two-bedroom unit. Approximately 70 multifamily units are currently under construction in the HMA, all related to the expansion of 2 senior apartment communities. The Oaks at Pleasant Gap is adding 14 units, due to be completed in the summer of 2011, and Foxdale Village is adding 57 units, due to be completed in the late summer of 2011. During the 3-year forecast period, demand is estimated for 340 new market-rate rental units in the HMA. The approximately 70 units currently under construction will meet a portion of this demand in the first year. Table 5 shows demand by number of bedrooms and rent level.

Figure 9. Multifamily Building Permits Issued in the State College HMA, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through May 2011.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the State College HMA, June 1, 2011 to June 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,250 to 1,449	15	2,000 to 2,199	10	3,000 to 3,199	10
1,450 to 1,649	20	2,200 to 2,399	25	3,200 to 3,399	10
1,650 to 1,849	25	2,400 to 2,599	55	3,400 to 3,599	20
1,850 to 2,049	15	2,600 to 2,799	40	3,600 to 3,799	30
2,050 or more	10	2,800 to 2,999	25	3,800 to 3,999	20
		3,000 or more	10	4,000 or more	10
Total	85	Total	165	Total	100

Notes: Some of the estimated demand will be satisfied by the 70 units currently under construction. In addition, a portion of the estimated 4,750 other vacant units in the HMA will likely satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Data Profile

Table DP-1. State College HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	66,041	70,390	70,550	0.6	0.5
Unemployment Rate	3.5%	6.2%	5.7%		
Nonfarm Payroll Jobs	69,700	74,200	74,350	0.6	0.5
Total Population	135,758	153,990	154,500	1.3	0.3
Total Households	49,323	57,573	57,600	1.6	0.0
Owner Households	29,678	33,716	33,700	1.3	0.0
Percent Owner	60.2%	58.6%	58.5%		
Renter Households	19,645	23,857	23,900	2.0	0.2
Percent Renter	39.8%	41.4%	41.5%		
Total Housing Units	53,161	63,297	63,500	1.8	0.3
Owner Vacancy Rate	1.2%	1.6%	1.5%		
Rental Vacancy Rate	3.7%	2.3%	2.5%		
Median Family Income	\$44,200	\$66,300	\$67,300	4.1	0.7

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through May 2011. Median family incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 6/1/2011—Analyst's estimates

Forecast period: 6/1/2011–6/1/2014—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, these include vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied, held for seasonal, recreational or occasional use by migrant workers and includes units that fall into the category specified as "other" vacant by the Census Bureau.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_StateCollegePA_11.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.