

**Testimony of Robin Fiester
How has the gas industry affected housing?**

Senate Urban Affairs and Housing Committee

September 28, 2010

Good Morning Chairman Yaw and members of the Committee. I appreciate the opportunity to testify before you today.

My name is Robin Fiester. I am President of Robin Real Estate, Inc and Broker of the real estate agency. I operate two offices; one is located in Muncy, Lycoming County and the other is located in Eagles Mere, Sullivan County. I specialize in Bradford, Sullivan and Lycoming Counties. I am Past- President of West Branch Valley Association of Realtors which covers Lycoming, Clinton and Sullivan Counties.

Bradford, Sullivan and Lycoming counties are very different markets in which to operate. My Lycoming County business is mainly a residential sales office with farms and land being 45% of the office transactions. The demographics of the buyers in my Lycoming office are mainly current residents either upgrading their properties, first time homebuyers or buyers being relocated because of employment changes. The Sullivan County office is 92% second homes, land and lakefront properties. This office also manages over 100 properties for seasonal rentals (weeks and weekends). The buyers in this market area do not differentiate between Sullivan and Bradford Counties. The demographics for our second home market mainly come from southeastern Pa, northwestern NJ and south-central PA.

A common denominator among all of my area since mid-year 2007 is Marcellus Shale. Since then, buyers are now taking into consideration the status of the subsurface rights. In mid year 2007, when Marcellus shale was first being talked about, mainly large land buyers were the only buyers concerned. As time has marched on and more knowledge has been gained, all buyers are, at the least, concerned about the subsurface rights and how they are being conveyed in any real estate transaction today.

Relating to sales; the gas industry increased sales for the last quarter of 2007 and first half of 2008. After that time, properties with any sizeable acreage for sale, were not listing their property for sale. Any possible sellers are now holding on to their properties because of the possibilities of future royalties. Listed properties for sale with acreage, continues to be at an all time low.

In contrast to past years, larger acreage properties have now been listed but have not included subsurface rights. Many different negotiations have been reached pertaining to the future rights of royalties. But for the large percentage, buyers have not bought into buying a tract of land, not knowing what might happen to the surface if and when a gas company may decide to drill. I believe, in the future, when I can tell a buyer, ' they are drilling over there and extracting the gas out underneath', only then will a buyer be more willing to buy surface land without subsurface rights.

Different from earlier in the year, we are seeing more land selling with subsurface rights conveying. Majority of these properties are already leased to a gas company, but the owner will give up any future royalty income. These prices have varied from \$8733/acre to \$6,000/acre. Majority of these sales are 77 acres to 470 acres. In past and typical real estate, the larger the acreage, the less per acre it sells for. With gas rights conveying, this is not necessarily the realization.

Pricing in this market continues to be difficult. Leasing values have been all over the place beginning at lows of \$5 /acre, \$65/acre, \$150/acre all the way to the last announced leasing of \$5,750/acre. Without knowing where the companies are going, I can't convey to sellers or buyers, what a value is for their land. Of course, all of this, in time, will work itself out. I continue to search all real estate data for any comparable 'sold' transactions to use for collection of data in order to help the pricing dilemma.

My Sullivan County market has always been accused of being too expensive for our locals to afford. Now, more than ever, I am hearing that and not only relating to sales. Our 'residential' (as opposed to seasonal) rental market is now being affected in the same manner. For the most part, monthly rentals in Sullivan County have been for families that needed assistance and help. Because of lack of industry in Sullivan County, monthly rentals were not high in demand. That is consistent overall in my different market areas. Renters have had the upper hand, pushing landlords because they knew there weren't an abundance of renters behind them, waiting for a vacant rental.

Not only has the gas industry changed the pace of rentals but the economy also has had an affect. Rentals are in more demand in all of my market areas. Lycoming and Bradford have always had a steady rental market but now we are having requests for Sullivan County too. Lycoming and Bradford have been experiencing more demand for rentals since early 2008. The gas workers are willing to pay more in rent than we ever realized before. When a house would typically rent for \$600/month, it is now renting for \$1200 to \$1500 month. This is an increase of approx \$300/month. This increase is being seen since January, 2010. Apartments that typically rent for \$375/month are now renting for \$800/month.

I have witnessed houses being on the market for sale and with the inability to sell the property, they have turned to a rental market to ease financial woes. One Lycoming county example was a 4BR house on the market for a sale price of \$215,000. Not being able to find a suitable buyer, the Seller opted to find a renter. One classified ad and a company stepped up and is paying \$2500/month.

With the increase in rental amounts being offered, we are experiencing economics 101; supply and demand. Without more rentals than before, existing renters are having situations where, if they aren't timely paying their rent, landlords are exercising their eviction options. Landlords are not renewing their leases because they can receive more money from different renters. These renters have been known to move to a different area or move in with a family member.

I reported, in January, developers have been reluctant to build new units because of early on predictions; that the gas workers would be in and out of the area within 5 to 7 years. That scenario has changed and their predictions are now stating that companies are going to be in the area for years to come. With more entrepreneurs coming to the forefront, not only are we seeing 2 hotels being built in Tunkhannock, but also a new townhouse development in Bradford County. Another housing alternative that is being increased is the mobile home lots. These are including camper style mobile homes, not being permanently attached to the property, but also the mobile home lots that are of more permanent nature. My sense is, anyone that sees an opportunity where a housing situation can be taken advantage of, is being developed. The fear of the unknown is becoming more minimal since January. There is a real sense the gas business is permanent fixture in our area. I do notice the gas industry still reflects a business of transient nature where workers in the industry are concerned. This is being taken into consideration when development is concerned.

The investor buyer that was in the market two to three years ago and was buying with the intent to ‘flip’ the property, is once again buying with intent to rent to the gas industry. With foreclosures prevalent in our Lycoming and Clinton County market, it is providing an avenue for ready inventory that is affordable for the investor to buy, make necessary repairs and rent with the potential for a profit.

Commercial rentals continue to be very strong. Developers are taking advantage of opportunities to rent to the gas industry. These rentals vary from a vacant piece of land for pipe storage to industry/office/warehouse to office space. The rumors encourage many owners to place a sign on a vacant field, ask an astronomical number and then owners wonder why they can’t rent to the gas industry. Like any other business, the gas industry needs minimal infrastructure to be able to use the land. Landowners need to, at a minimum, obtain a highway permit in order to insure the capability of utilizing the land. As time moves forward, there may be enough pressure that the gas industry will have to take the initiative and complete the development tasks necessary to use the property. Until there is more demand than the current supply, we will continue to see vacant land for lease.

Housing situations I have seen in the area:

- i) It is common to see a house for sale or lease on a once typical ‘for sale’ sign.**
- ii) A house that is on the border of a commercial zone and yet still physically looks like a residential house. Now it accommodates 5 white pickup trucks in the drive (maybe front yard).**
- iii) Residential houses being leased by companies with residential tenants in the house. These tenants are looking for the housekeeper, the heating fuel, the snowplowing and the garbage removal; to all be included in the rental fee.**
- iv) Owners wanting the real estate company to ‘stay in the transaction’ and handle the rental in a property management capacity, rather than a leasing agent.**

I testified in January, with regard to the lack of a ‘clear picture for the Northeast’. I cannot say I see a clear picture but definitely a more consistent picture; there is a stronger demand today for rentals of all categories. A loan officer has indicated an increase of sales due to buyers paying less in a mortgage payment than rental rates. Rental fees have continued to increase but seem to have stabilized for now. There is sales occurring that wouldn’t be occurring in our down economy, without the gas industry.

The demand, rental or sales, continues to be stronger in Lycoming and Bradford counties. Sullivan County still tends to be slower, when related to the direct gas industry use of rentals and sales. Drilling has just begun in Sullivan County, and the calls have increased over the last few months. The local code enforcement office is canvassing local newspaper rental ads to attempt to police rentals that are targeting the gas industry and may not meet the code requirements for housing non-related parties living under the same roof. I have not heard of the code enforcement pressure in Lycoming County. Clinton County has experienced continual growth in demand for rentals to the gas industry. This also is consistent with residential rentals and commercial.

Thank you for providing this opportunity to present issues that I face in the real estate industry. I would be pleased to answer any questions from the Committee.