

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

Senate Urban Affairs and Housing Committee

January 21, 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, is 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. Now that I have said that, there have been a handful of sales that have occurred selling the surface without the subsurface.

Pricing in this market is very 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 tell sellers or buyers what a value is for their land. Of course, all of this in time, will work itself out. As transactions happen and more data is available, we will have a better idea of value.

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 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 \$1000 to \$1200 month. Apartments that typically rent for \$375/month are now renting for \$800/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.

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. Because of the unknown of this gas business, typical aggressive entrepreneurs are standoffish. I have heard conversations of a hotel being thought of and knowing if the gas influence wasn't present, there wouldn't be a need. The fear, 'they are coming and then leaving in the night' is disappearing.

I have heard of developers now looking at building small apartment houses that would house gas company employees and support companies for housing. I have seen properties (an abandoned repair shop) be torn down and a small townhouse complex being built in its' place.

I personally have tried to study the demographics to see how much need there truly is for housing. Due to the nature of the gas business that is impacting this surge, this is a difficult task. They are very competitive and secretive. We can only judge by the calls our offices are receiving. There are rumors of man camps being built by the larger companies. If this takes place, how much will that impact the urgency and need for housing?

Housing situations I have seen in the area:

i) Fifth wheel camper trailers in a farmer's field. They have water and electric hookup and a septic pumper trucks pumpout the self contained campers as needed.

ii) Commercial leasing of warehouses for the company to operate out of and then constructing a 1000 sq ft housing area for employees to sleep in.

iii) A residential house being leased by the company with tenants in the house changing as the company needs change. i.e... one week executives are in the house, the next week rig workers are occupying the same house.

I am not sure any of these are issues, but different scenarios

I believe in time, these issues will work themselves out. Like any new stimulus, there are growing pains. This growth has come quickly and without precedence. Our local governments have done their due diligence looking at other areas in our country that has experienced similar gas exploration. With all of that said, there isn't a clear picture or answer for Northeast PA.

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.