



Market Trends Study  
prepared for  
The Law Offices of Ira Weiss

by  
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## **PURPOSE AND INTENDED USE**

The purpose of this market study is to provide an overview of the trends in the real estate market in Allegheny County, Pennsylvania and their impact on values for use in a legal proceeding. The primary issue to be addressed is the impact of market trends on the fairness of a base year valuation system.

## **INTENDED USER**

The intended user of this market trend study is The Law Offices of Ira Weiss.

## **DATE OF REPORT**

The date of this report is November 15, 2006.

## **SCOPE OF WORK**

The scope of work is the amount and type of information researched and the analysis applied in an assignment.

In order to best reflect trends in the real estate market in Allegheny County, I concentrated my analysis on the sales of single family residential properties. This property type exists in every municipality and sub-market in the county and reliable data is available to real estate professionals. The non-residential market is not as conducive for study, because it is much more heterogeneous and property types are scattered throughout the county.

In my study of single family residential properties, I sought to compile information that would uncover and exhibit trends in the market. I performed an in-depth examination of single family sale data in every municipality in Allegheny County, between the years 1996 and 2006. In addition, I analyzed sale data in the neighboring counties of Beaver and Westmoreland. Median sale price data in each year of the study period (1996-2006) was compiled and analyzed. In addition, property re-sale data was analyzed within each community.

Data for this study was derived from the West Penn Multi-List, Real Stats, and an internal company database. The National Association of Realtors Residential Home Sales Report reported the median sale price data for each community analyzed in this report, via the West Penn Multi-List, Inc. This data reflected all of the properties sold within the particular municipality or neighborhood through the multi-list service. It represented the properties that were offered and exposed to the market by local real estate professionals and, in my opinion, is the best source for determining trends in this market.

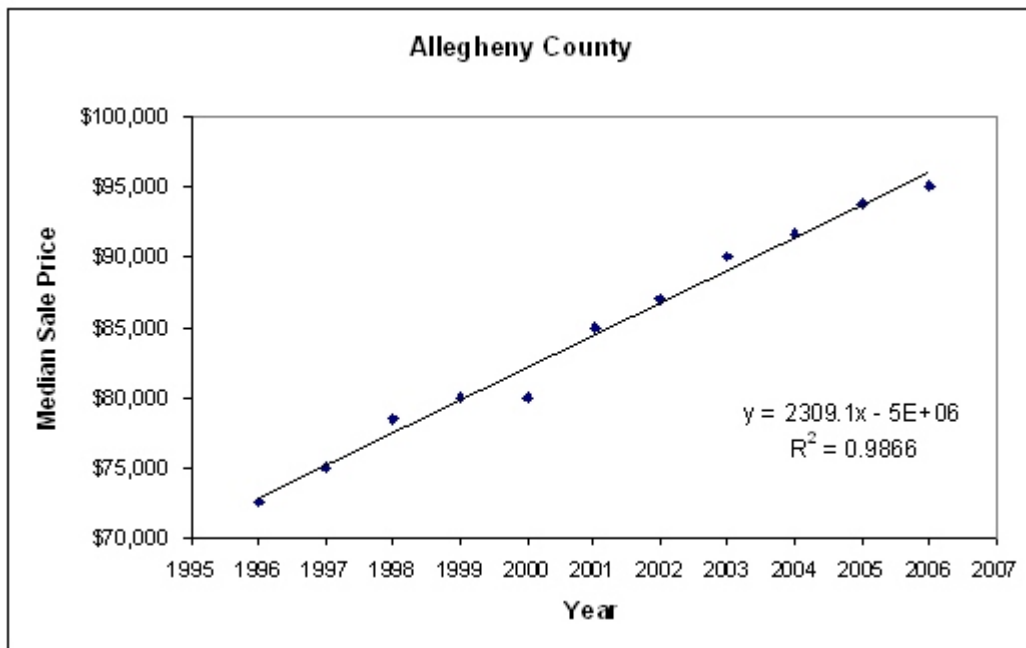
The median sale price data is used in this analysis, because it is unique and it is not easily affected by extreme values. The median is a measure of central tendency and is the value of the middle item in an uneven number of items arranged or arrayed according to size, or the arithmetic average of the two central items in an even number of items.

Re-sale data allowed for the extraction of a rate of change (appreciation or depreciation) and served to further confirm the rates of change indicated by the median sale prices.

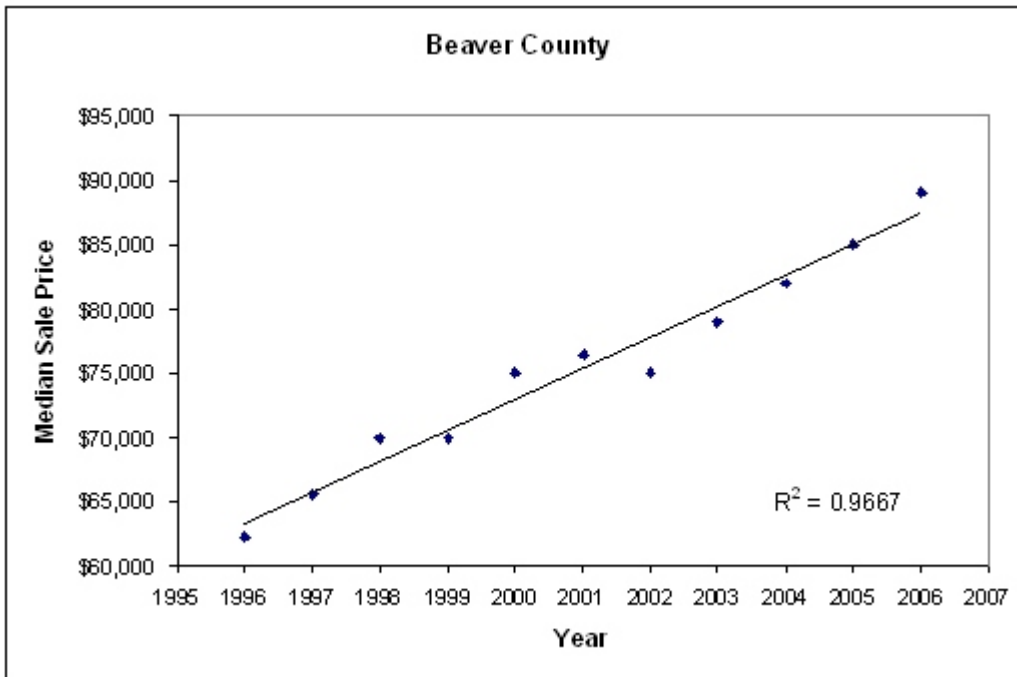
## REVIEW AND ANALYSIS OF THE DATA

The data shows that the Allegheny County real estate market is constantly changing and fundamental adjustments in supply and demand result in distinct and identifiable value trends. Changes in the population size and its demographics and evolving market preferences have a direct impact on trends in values.

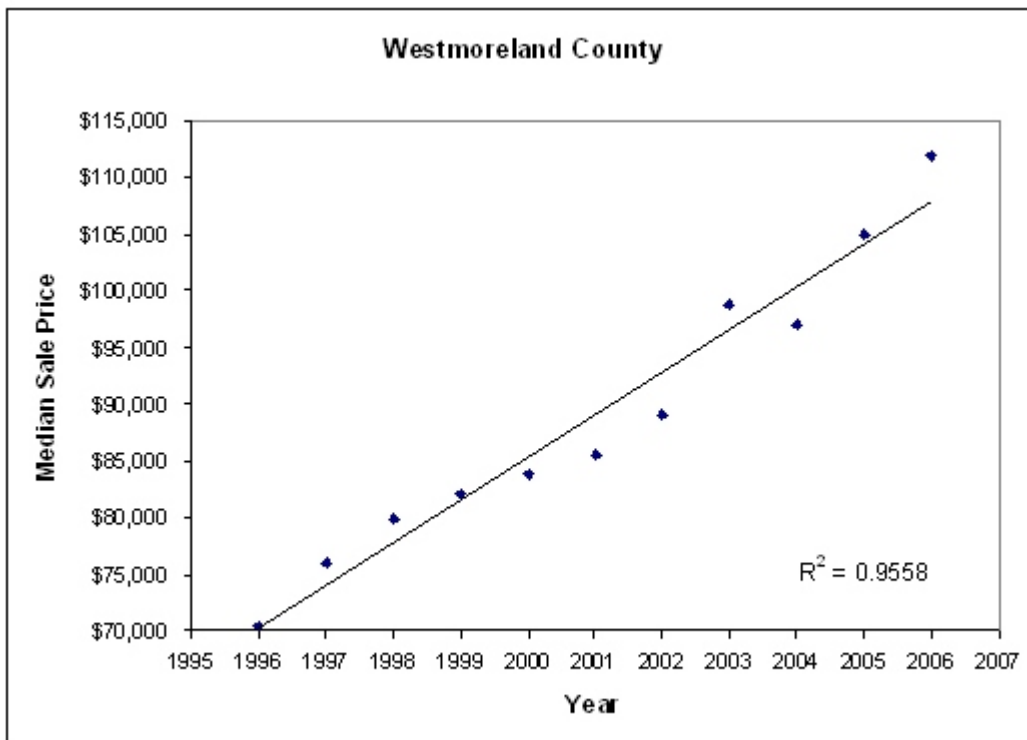
The overall trend of median sale prices of single family residential properties in Allegheny County is upward and reflects an average appreciation rate of 2.7% per year:



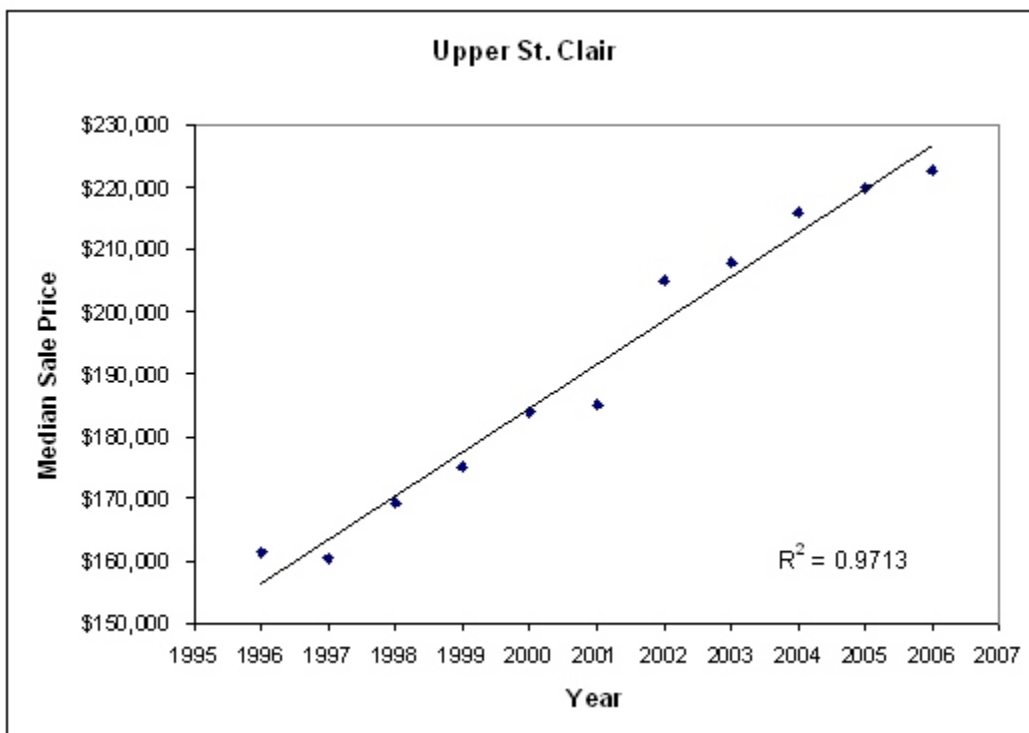
Important to note is that within the county, there are distinct differences in the trends between submarkets and jurisdictions. Similarly, the overall value trends in Beaver and Westmoreland Counties are also upward:



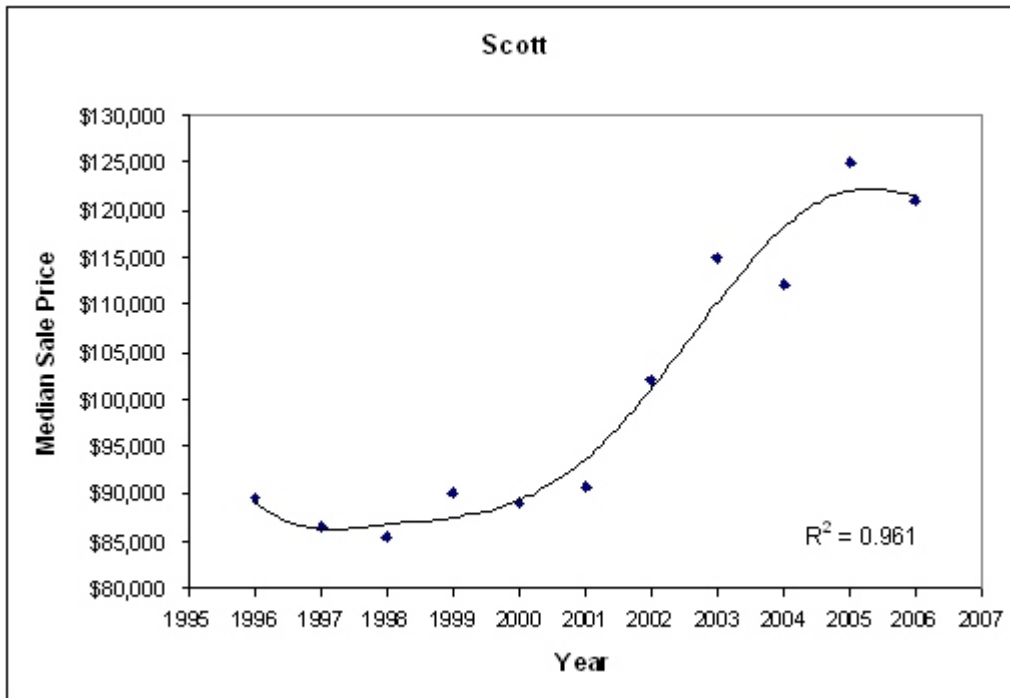
Beaver County indicates an average annual appreciation of 3.6% and Westmoreland is 4.7%. As with Allegheny, there are noticeable differences between jurisdictions within Beaver and Westmoreland Counties.



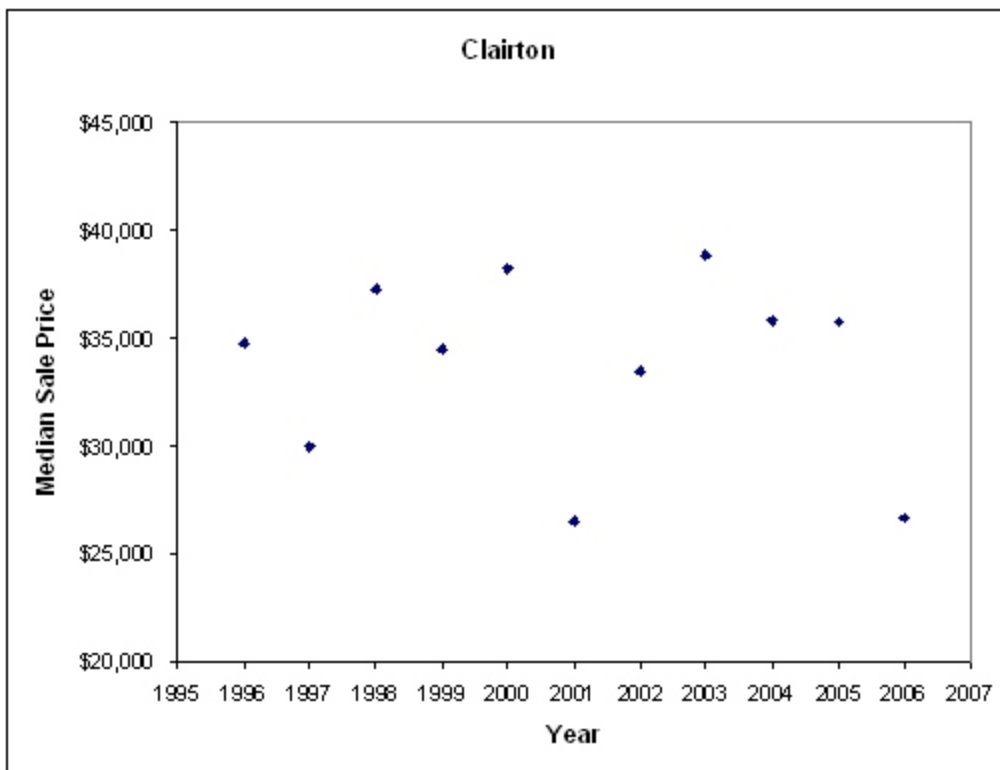
Three distinct trends emerged in my analysis of the market data: 1) straight line trend, 2) curved line trend, and 3) undefined trend. For example, Upper St. Clair Township reflected an average straight line appreciation rate of 3.3% per year:



Scott Township reflected a curved line appreciation trend and indicated an average annual appreciation rate of 3.1% over the study period. Note, however, that the appreciation rate increased significantly between 2001 and 2005, as indicated by the steeper slope of the line:



A number of municipalities reflected no defined trend in their median sale prices. In the example of the City of Clairton, shown below, the median prices fall within a range of \$25,000 to \$40,000 over the study period, but no definite direction in the trend is evident:



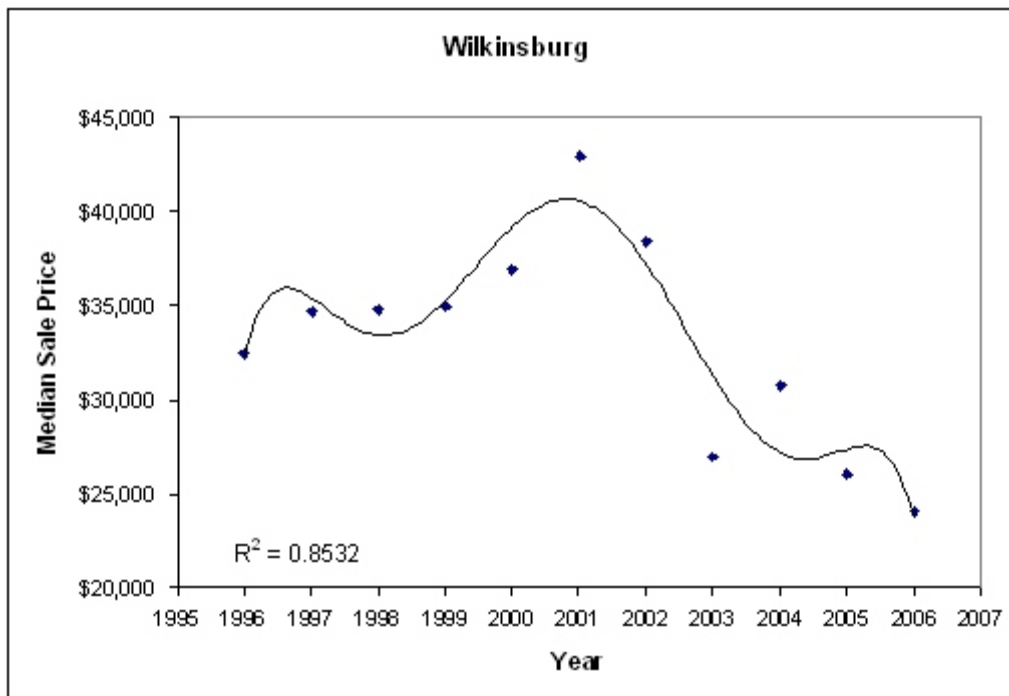
As previously indicated, the changes in the median sale prices between 1996 and 2006 in Allegheny County reflected an annual 2.7% rate of appreciation. The reader should note that this amount is in line with economic inflation. There were 24 municipalities in the county that reflected a positive, straight line change, ranging from 2.3% per year in Penn Hills to 5.6% per year in North Fayette:

	1996 Median	2006 Median	Annual Change
Allegheny County	\$ 72,500	\$ 95,000	2.7%
<b>Straight</b>			
Penn Hills	62,000	77,900	2.3%
Kennedy	110,000	140,000	2.4%
McCandless	142,500	184,780	2.6%
North Versailles	53,000	69,000	2.7%
Robinson	115,500	151,000	2.7%
Shaler	98,750	130,500	2.8%
Ross	101,500	134,300	2.8%
West View	71,500	95,900	3.0%
Baldwin Borough	76,500	103,500	3.1%
Wilkins	66,500	91,000	3.2%
Bethel Park	101,500	139,475	3.2%
Upper St. Clair	161,500	222,500	3.3%
Franklin Park	198,750	276,250	3.3%
Castle Shannon	69,500	97,750	3.5%
Monroeville	83,700	118,000	3.5%
Plum	93,250	133,000	3.6%
Oakmont	95,500	137,750	3.7%
Moon & Crescent Township	110,000	160,000	3.8%
Hampton	119,761	178,000	4.0%
Greentree	89,900	134,500	4.1%
Pine	250,750	379,000	4.2%
Mount Lebanon	123,000	188,000	4.3%
Pennsbury	52,500	88,000	5.3%
North Fayette	85,900	148,500	5.6%
Average			3.5%

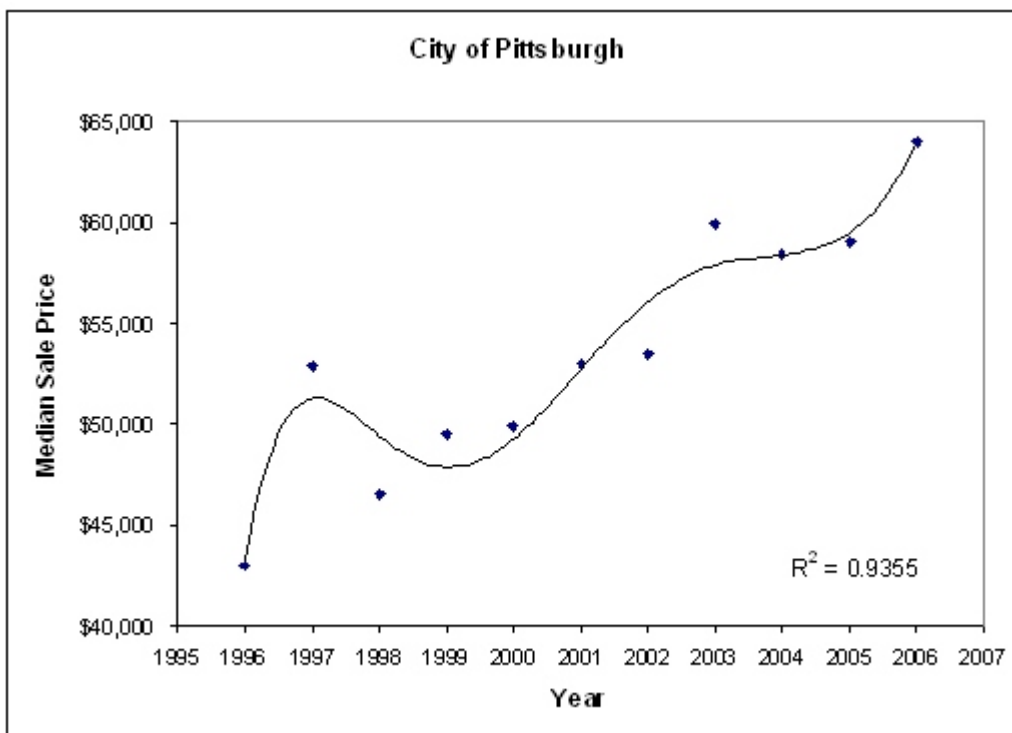
In addition, there were 29 municipalities in the county, plus the City of Pittsburgh, that reflected an average positive, curvilinear change that ranged from 1.2% per year in Swissvale to 6.7% per year in Aspinwall:

	1996	2006	Annual
Allegheny County	Median	Median	Change
<b>Curved</b>			
Swissvale	\$ 55,000	\$ 62,000	1.2%
Coraopolis	\$ 61,950	\$ 72,501	1.6%
Marshall	\$ 235,000	\$ 294,000	2.3%
Ben Avon Heights	\$ 159,950	\$ 204,000	2.5%
Verona	\$ 53,750	\$ 69,000	2.5%
Elizabeth Boro & Twp	\$ 69,900	\$ 89,900	2.5%
West Mifflin	\$ 58,000	\$ 75,000	2.6%
Bellevue	\$ 65,225	\$ 84,750	2.7%
South Park	\$ 91,750	\$ 119,900	2.7%
Avalon	\$ 59,900	\$ 79,000	2.8%
Baldwin Township	\$ 78,000	\$ 104,000	2.9%
Churchill	\$ 118,000	\$ 158,900	3.0%
Scott	\$ 89,500	\$ 121,000	3.1%
Dormont	\$ 67,750	\$ 91,728	3.1%
Crafton	\$ 74,000	\$ 101,000	3.2%
Turtle Creek	\$ 39,500	\$ 54,000	3.2%
Bridgeville	\$ 72,000	\$ 101,000	3.4%
Braddock Hills	\$ 59,750	\$ 84,500	3.5%
Port Vue	\$ 40,500	\$ 57,450	3.6%
Fox Chapel	\$ 336,250	\$ 477,500	3.6%
Liberty	\$ 49,100	\$ 70,500	3.7%
Ingram	\$ 62,500	\$ 89,900	3.7%
South Fayette	\$ 102,000	\$ 149,950	3.9%
Forest Hills	\$ 74,750	\$ 111,300	4.1%
White Oak	\$ 71,900	\$ 107,500	4.1%
Edgewood	\$ 86,000	\$ 149,000	5.7%
Heidelberg	\$ 54,000	\$ 95,350	5.9%
Versailles	\$ 32,500	\$ 59,500	6.2%
Aspinwall	\$ 96,000	\$ 184,000	6.7%
Average			3.4%

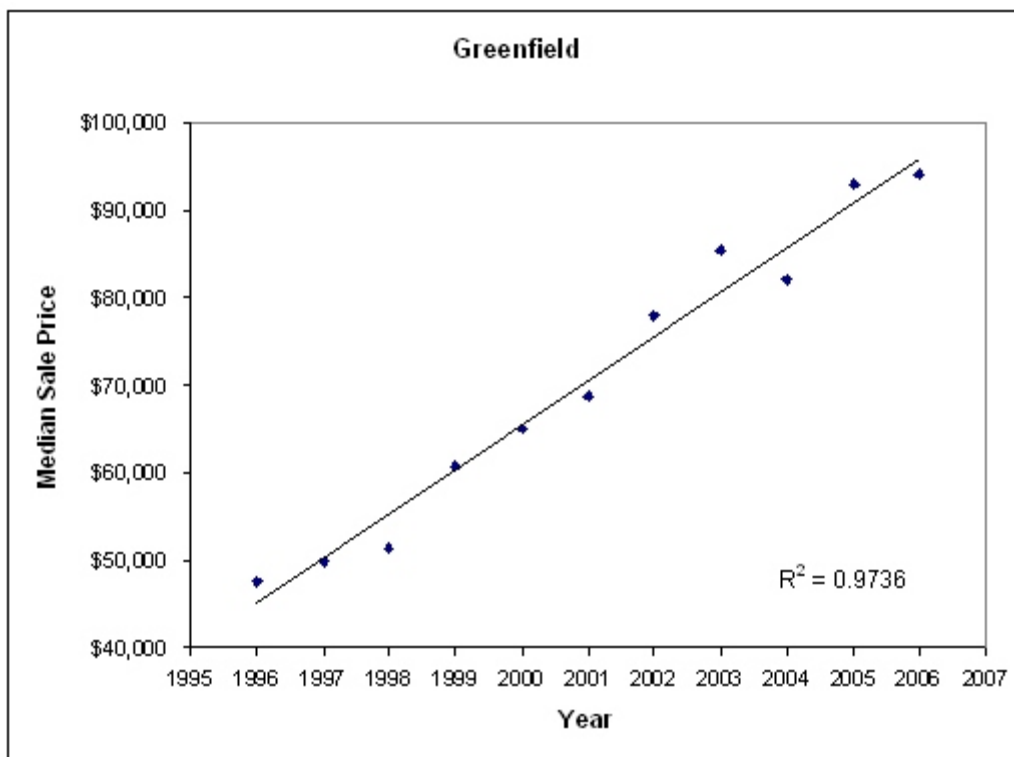
Three municipalities, Wilkinsburg, Braddock, and Whitaker reflected definite downward trends in their median sale prices. Wilkinsburg, at -3%/year, provided the best indication of this trend, because there was limited data available for Braddock and Whitaker. The decline in the median sale price in Wilkinsburg since 2001 is noteworthy:



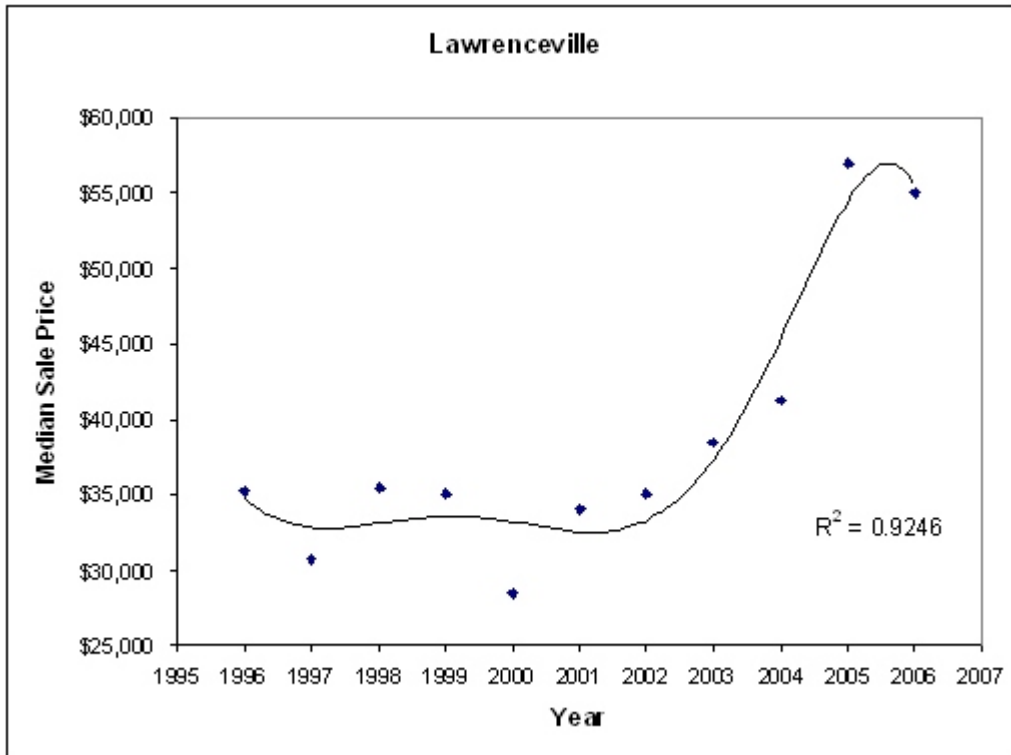
The City of Pittsburgh is one of the municipalities in Allegheny County that exhibited an upward curved trend in its median sale prices over the study period:



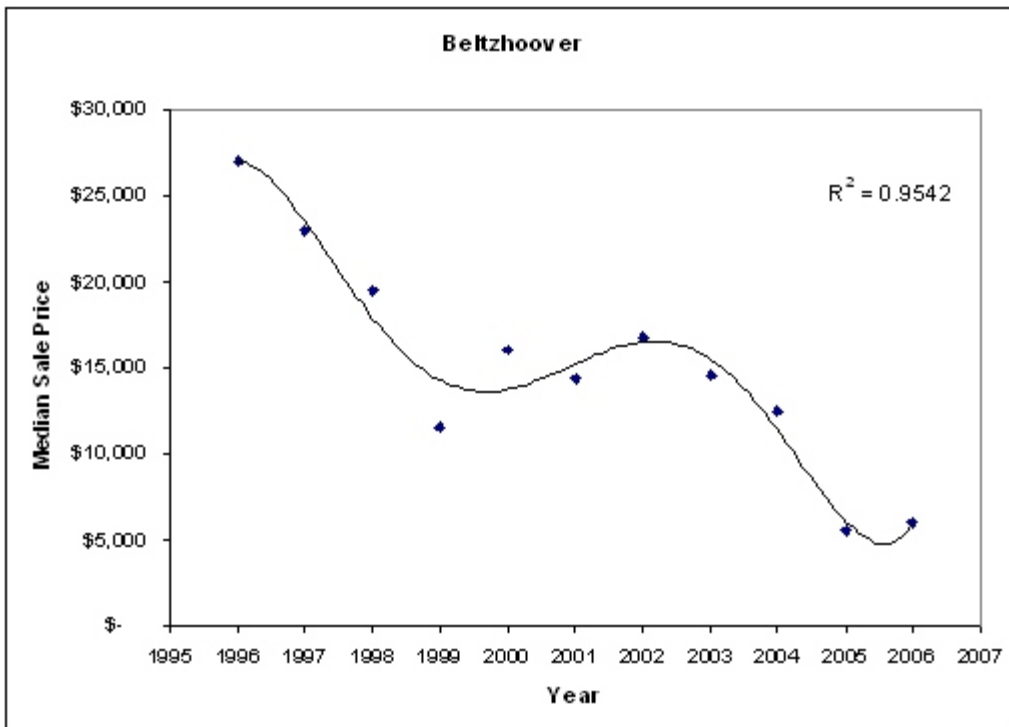
Like in Allegheny County, my analysis of neighborhoods in this city reflected three trends in the market data: 1) straight line trend, 2) curved line trend, and 3) undefined trend. For example, the Greenfield neighborhood reflected an average straight line appreciation rate of 7.0% per year:



A curved line rate of change is reflected by the median sale prices in the Lawrenceville neighborhood, which have begun increasing significantly since 2001 and indicate an average increase of 4.6% since 1996:



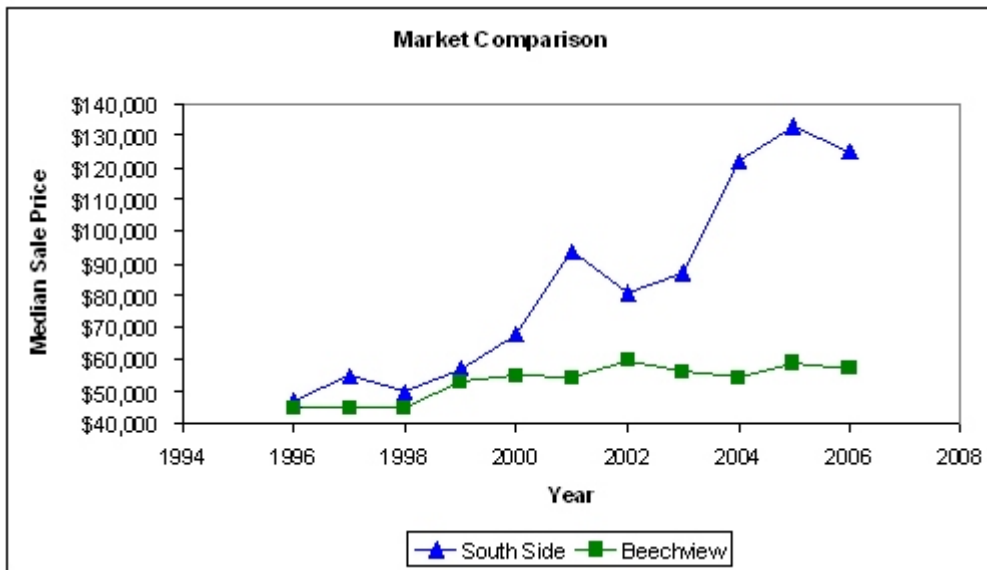
Conversely, a downward trend in median prices is shown by the city's Beltzhoover neighborhood:



Median sale price data from communities in Allegheny County was compared, in order to determine the impact of their value trends on the median sale prices over the study period. These communities were selected because they constitute pairs with the same or very similar median values at the beginning of the study period in 1996:

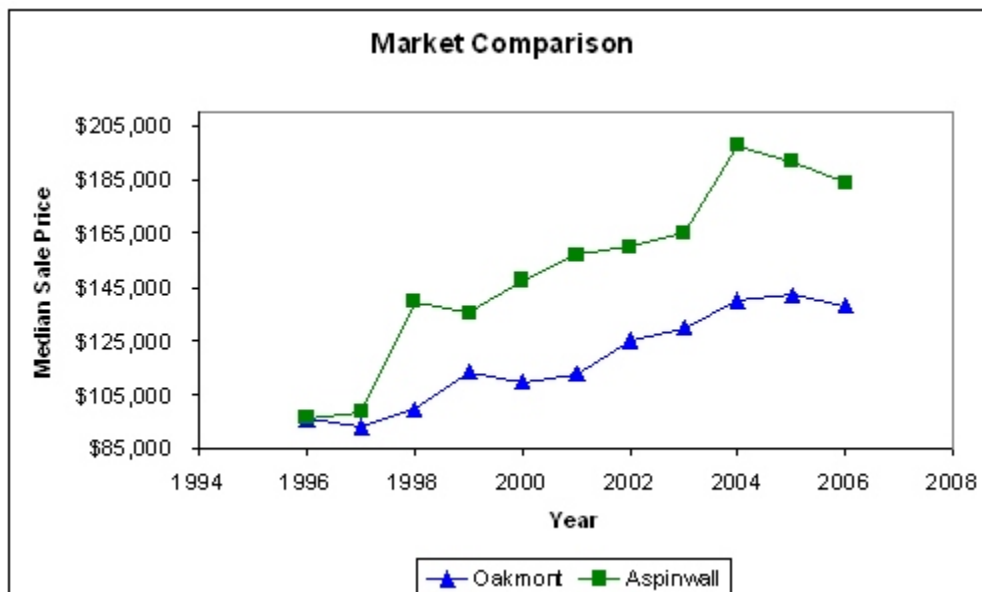
Community	1996 Median	2006 Median
Versailles	\$ 32,500	\$ 59,500
Wilkinsburg	\$ 32,500	\$ 24,000
Verona	\$ 53,750	\$ 69,000
Heidelberg	\$ 54,000	\$ 95,350
Forest Hills	\$ 74,750	\$ 111,300
Highland Park	\$ 75,000	\$ 145,000
Monroeville	\$ 83,700	\$ 118,000
North Fayette	\$ 85,900	\$ 148,500
Oakmont	\$ 95,500	\$ 137,750
Aspinwall	\$ 96,000	\$ 184,000
Churchill	\$ 118,000	\$ 158,900
Squirrel Hill	\$ 119,845	\$ 219,500
Point Breeze	\$ 122,500	\$ 250,000
Mount Lebanon	\$ 123,000	\$ 188,000
Beechview	\$ 45,000	\$ 57,250
South Side	\$ 47,000	\$ 124,975
Liberty Borough	\$ 49,100	\$ 70,500
Greenfield	\$ 47,600	\$ 94,000
North Versailles	\$ 53,000	\$ 69,000
Pennsbury	\$ 52,500	\$ 88,000

By comparing the trends in median prices in these communities, significant divergences are illustrated. For example, the median sale price in the City of Pittsburgh's Beechview neighborhood in 1996 was \$45,000 and the median in that community in 2006 was \$57,250, which represents an average annual appreciation of 2.4%. Similarly, the median sale price in the city's South Side neighborhood in 1996 was \$47,000 and the median in 2006 was \$124,975, representing a 10.3% average annual appreciation. When this data is shown graphically, the divergence in values between the two city neighborhoods is striking:



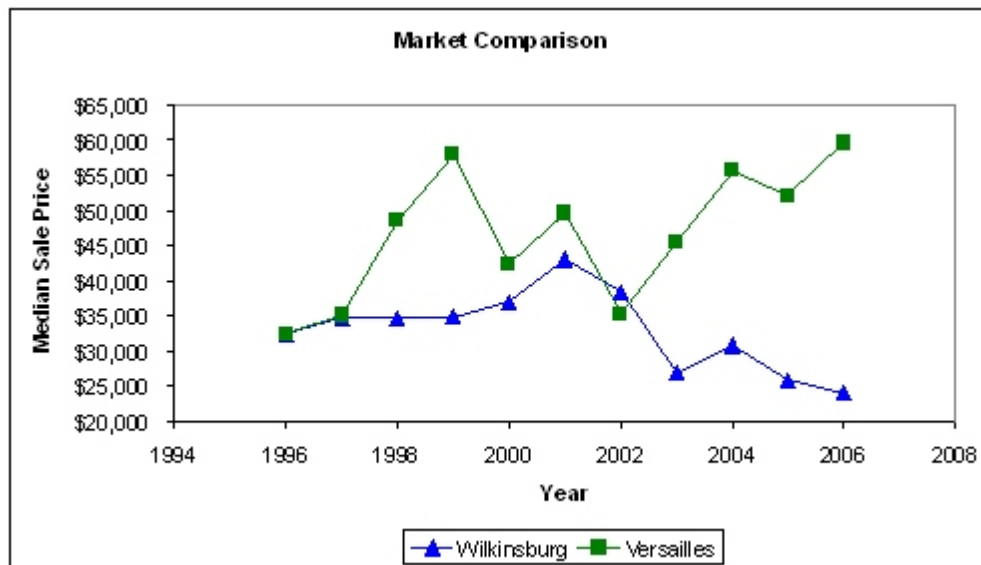
These two communities, which had similar median values in 1996 (\$45,000 and \$47,000), show 2006 median values that **differ** by \$67,725 or 144% of the 1996 amount. Clearly, a base year valuation system, which was not updated over the study period, would not recognize the significantly different rates of change between these two neighborhoods. The result would be an undervaluation of both neighborhoods, but a very significant undervaluation of the South Side neighborhood, which is appreciating at a higher average annual rate.

Comparison of the other communities with similar 1996 median sale prices results in similar deviations. Oakmont and Aspinwall, which had median prices of \$95,500 and \$96,000, respectively, in 1996, show 2006 median values that differ by \$46,250 or 48% of the 1996 amount:



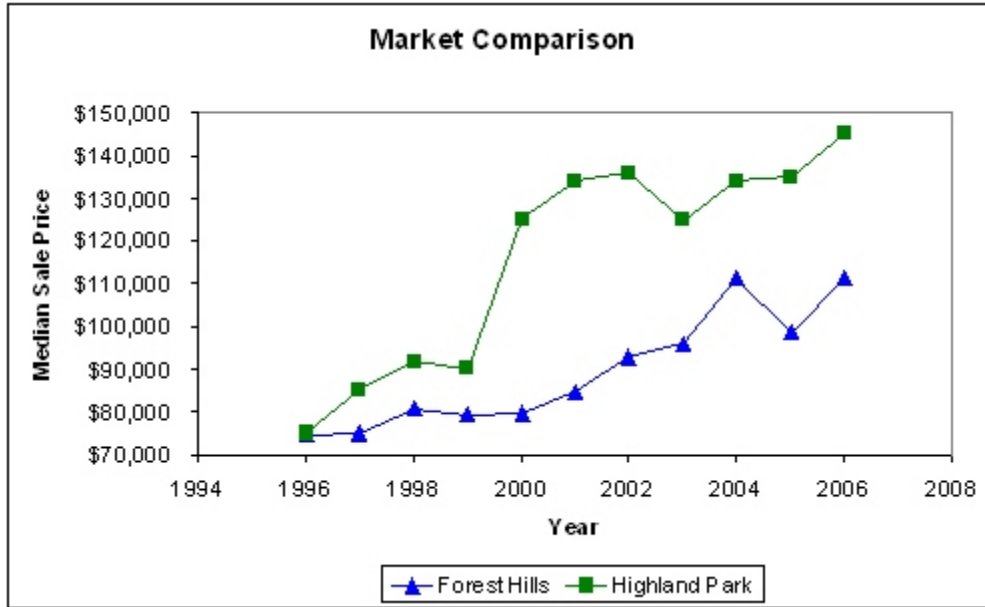
Again, a base year valuation system, which is not updated during the study period, would result in an undervaluation of both communities, but in a significant and comparatively unfair undervaluation of Aspinwall due to its higher average annual appreciation rate.

Versailles and Wilkinsburg, which both had median prices of \$32,500 in 1996, show 2006 median values (\$59,500 and \$24,000) that differ by \$35,500 or 109% of the 1996 amount:

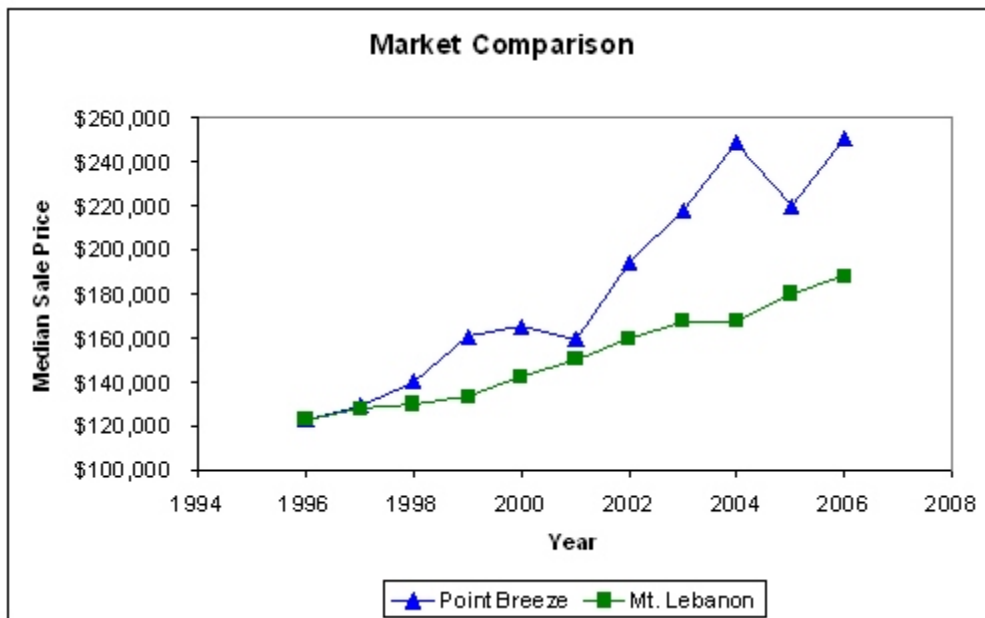


This comparison provides an even more egregious example of the unfair result that would be caused by an unadjusted base year system. In this instance, the Versailles properties would be undervalued, but the Wilkinsburg properties would be substantially **overvalued** at the end of the study period.

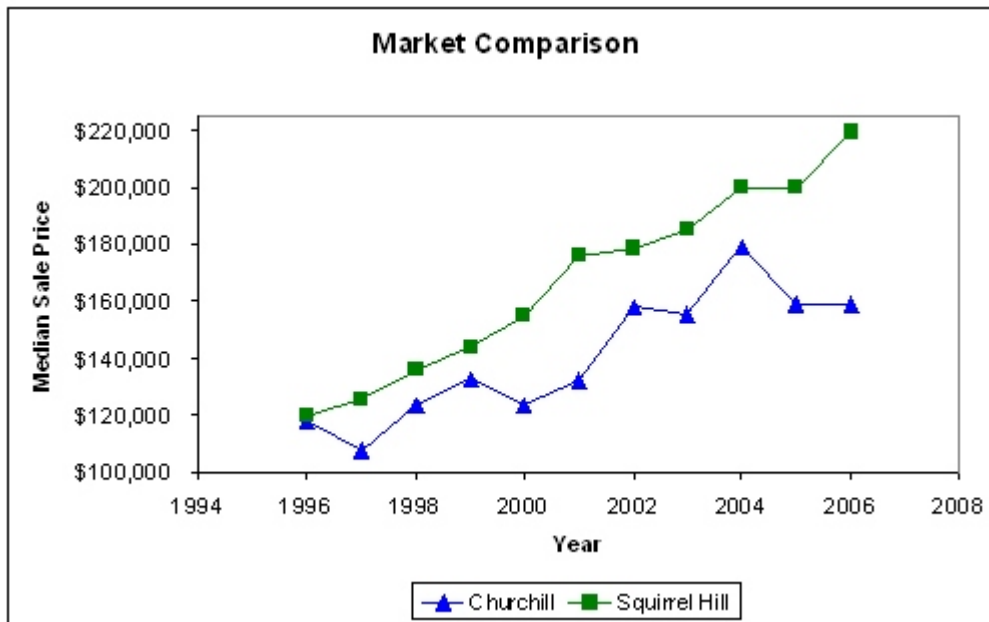
Forest Hills Borough had a median price in 1996 of \$74,750 and the City of Pittsburgh neighborhood of Highland Park median was \$75,000. By 2006 the respective median prices in these communities differed by \$33,700 or 45% of the 1996 amount. Application of an unadjusted base year would result in an undervaluation of both communities by the end of the study period, but a significant and comparatively unfair undervaluation of the higher appreciating Highland Park neighborhood:



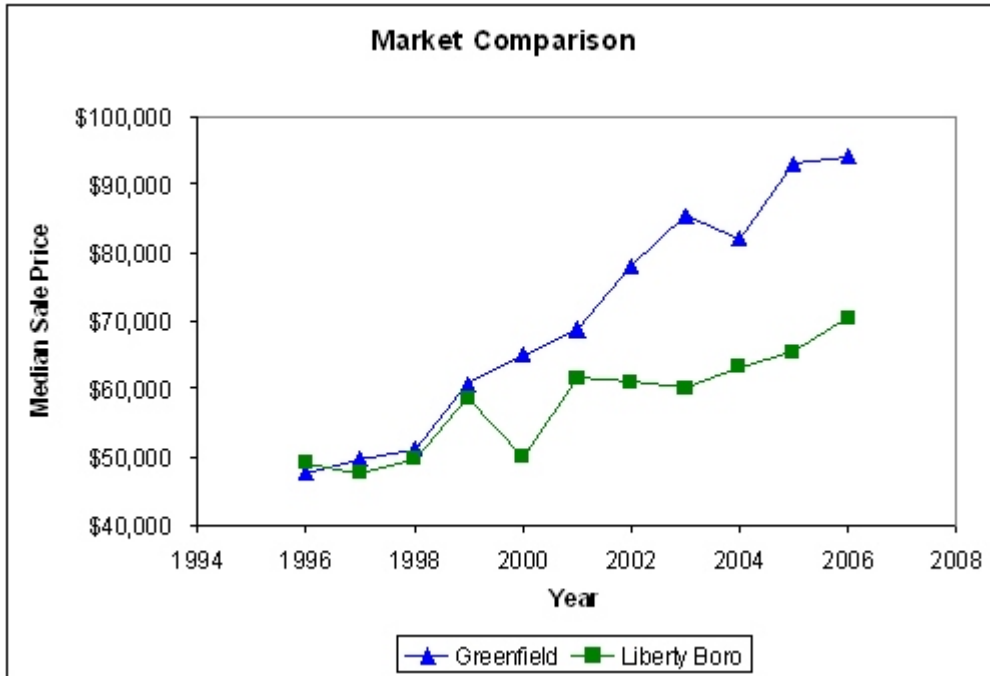
In 1996, Mount Lebanon Township had a median price of \$123,000 and the City of Pittsburgh neighborhood of Point Breeze median was \$122,500. By 2006 the respective median prices in these communities differed by \$62,000 or 50% of the 1996 amount. Again, application of an unadjusted base year would result in an undervaluation of both communities by the end of the study period, but a significant and comparatively unfair undervaluation of the higher appreciating Point Breeze neighborhood:



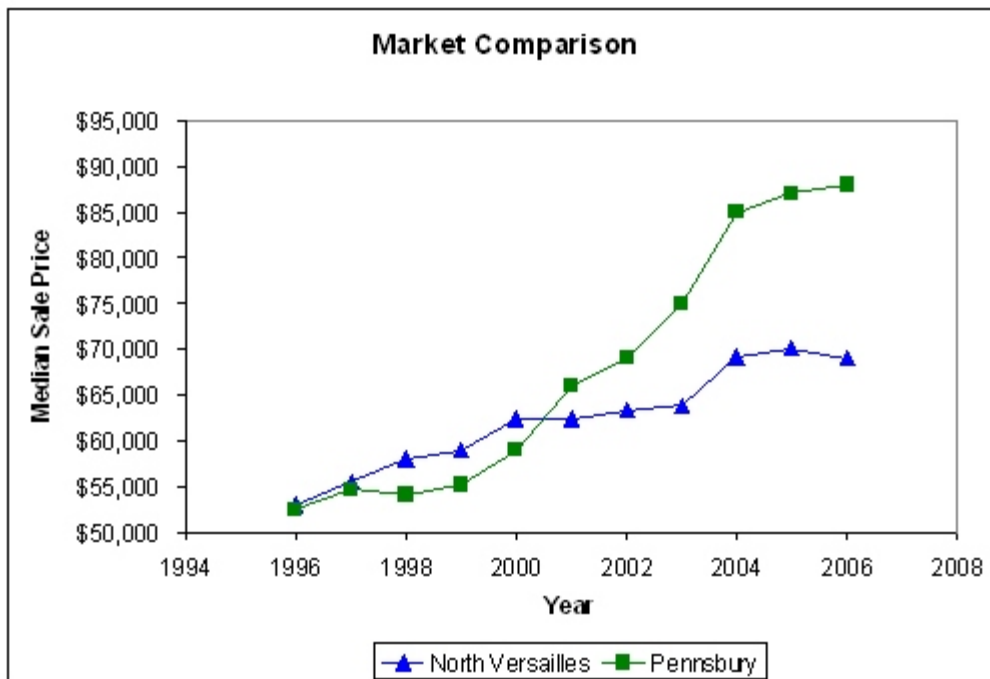
Churchill Borough had a 1996 median price of \$118,000 and the City of Pittsburgh neighborhood of Squirrel Hill median was \$119,845. By 2006 the respective median prices in these communities differed by \$60,600 or 51% of the 1996 amount. The application of an unadjusted base year would result in an undervaluation of both communities at the end of the study period, but a significant and comparatively unfair undervaluation of the higher appreciating Squirrel Hill neighborhood:



Liberty Borough had a 1996 median price of \$49,100 and the City of Pittsburgh neighborhood of Greenfield median was \$47,600. By 2006 the respective median prices in these communities differed by \$23,500 or 49% of the 1996 amount. The application of an unadjusted base year would result in an undervaluation of both communities at the end of the study period, but a significant and comparatively unfair undervaluation of the higher appreciating Greenfield neighborhood:



Pennsbury had a 1996 median price of \$52,500 and the North Versailles median was \$53,000. By 2006 the respective median prices in these communities differed by \$19,000 or 36% of the 1996 amount. The application of an unadjusted base year would result in an undervaluation of both communities at the end of the study period, but a significant and comparatively unfair undervaluation of the higher appreciating Pennsbury community:



## CONCLUSION

The data analyzed in this study shows that distinct trends are evident in the real estate market of Allegheny and surrounding counties. Furthermore, these different trends are apparent in sub-markets and municipalities within the counties.

Based on a study period of 1996 to 2006, the average annual change in the median sale price of single family residential dwellings in Allegheny County is 2.7%. Beaver County reflected an average annual change of 3.6% and Westmoreland County was 4.7%.

A comparison of trends between municipalities and sub-markets in Allegheny County, with similar median values in 1996, reflected significantly different patterns and divergences. This comparison showed that the different trends between the municipalities results in wide variations in the median price over the course of the study period.

A system designed to equitably allocate value to properties within Allegheny County should account for these trends and the differing rates of change in value. Across the county, the real estate market is constantly changing and the architects of such a system should recognize that periodic updates are necessary to truly reflect the trends in the market. Without addressing and periodically adjusting the system for these market trends, my opinion is that the equity of a base year system would be compromised.

Professional Qualifications  
of

Anthony C. Barna, MAI, SRA

Anthony C. Barna is a principal of Kelly-Rielly-Nell-Barna Associates, Inc., which is a real estate appraisal and consulting firm in Pittsburgh, Pennsylvania. His practice specializes in real estate valuation and consulting assignments for litigation support, eminent domain, tax assessment, and financing.

Mr. Barna holds the internationally recognized MAI and SRA professional designations from the Appraisal Institute and is a certified, general real estate appraiser in Pennsylvania. The MAI professional designation is held by appraisers who are experienced in the valuation of commercial, industrial, residential, and other types of properties, and who advise clients on real estate investment decisions. The SRA professional designation is held by real estate solutions providers who are experienced in the analysis and valuation of residential real property.

Mr. Barna has been qualified to provide expert witness testimony before courts throughout the Commonwealth of Pennsylvania and has served as an Adjunct Professor of real estate topics at Duquesne University. He was trained as a biomedical engineer at Boston University and has a graduate degree in finance from Duquesne University.

Anthony Barna currently serves on the Editorial Board of *The Appraisal Journal* and was the 2001 President of the Pittsburgh Metropolitan Chapter of the Appraisal Institute.