



Philadelphia Housing's Recovery Gains Traction in Q3 **Sales volume breaks new records, while price appreciation continues citywide.**

October 20, 2015: Following its best spring quarter in ten years, Philadelphia's housing market kept up the momentum this past summer, and showed continued positive numbers for both sales and prices citywide.

Price appreciation continued across all of the City's neighborhoods, while sales posted their best quarter in the post-bubble era and million dollar sales broke their all-time historic record.

Following a hesitant stop-and start recovery since hitting bottom in early 2012, the average house value in Philadelphia increased by 1.3% in Q3 on a quality- and seasonally-adjusted basis, according to the latest data from the City's Recorder of Deeds. While this was a moderation from the previous quarter's price increase of 7.3%, this was largely due to a continued proliferation of sales activity throughout the city that is now including many of its low-priced neighborhoods—and hence, lower-priced homes. Prior to Q2, sales activity had been skewed towards higher-priced home in the city. While the increased sales volume of lower-priced homes naturally pulls down the average recorded sales price of homes, this should be seen as a positive sign of a more balanced, widespread and equitable recovery in Philadelphia's long-moribund housing market.

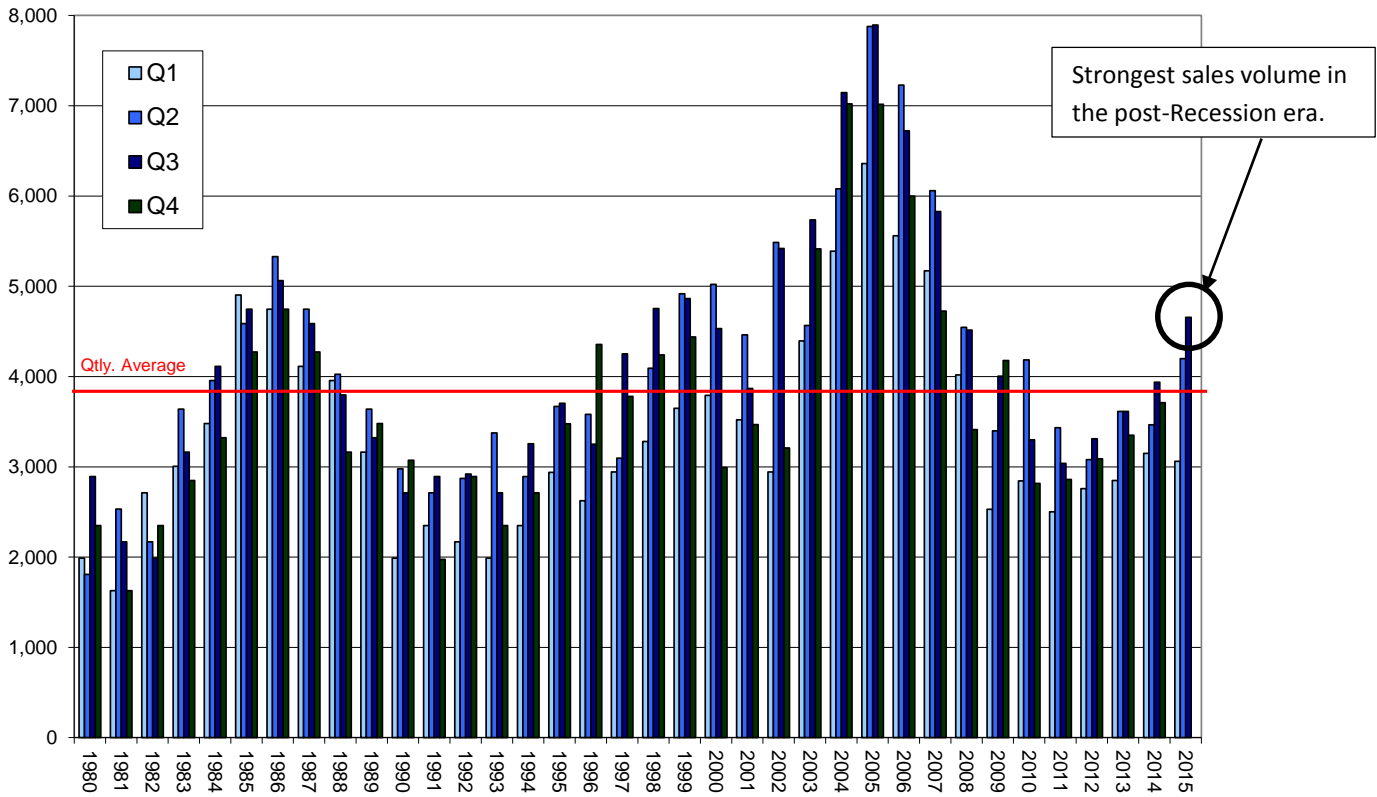
Positive price appreciation continues to occur in every one of the City's neighborhoods, whereas it had not for the past several years. From smallest to largest, the average increase in house prices by neighborhood in Q3 were: University City (+0.1%), Northwest Philadelphia (+0.3%), Upper Northeast Philadelphia (+0.3%), North Philadelphia (+0.4%), Lower Northeast Philadelphia (+0.5%), Center City/Fairmount (+3.0%), West Philadelphia (+3.3%), Kensington/Frankford (+4.4%) and South Philadelphia (+5.2%).

The median¹ house price in Philadelphia also increased in 2015 Q3. Currently, it stands at \$142,000; a 2.5% increase from its value of \$138,600 in the previous quarter, and a 7.05% increase from the same quarter last year.

Sales volume continued to increase momentum. There were 4,655 arms-length home sales in Philadelphia in Q3. Not only was this up sharply from the 4,198 sales in the previous quarter (typically, sales volume moderates from the spring to summer months), but this was the highest volume of sales of any quarter since 2007, before the Great Recession took hold.

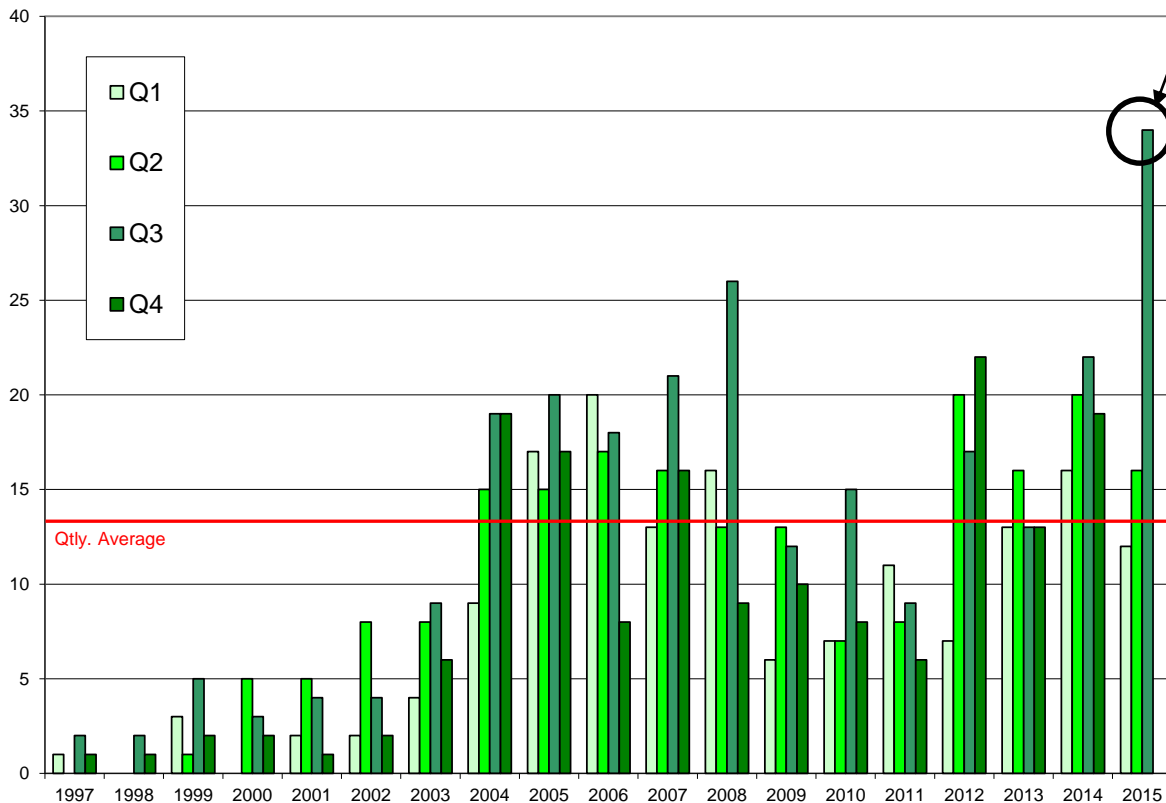
¹ The median house price is that price at which exactly 50% of homes sold for less and 50% sold for more.

Number of Philadelphia House Sales* per Quarter: 1980-2015



Moreover, sales at the very high end of the market shattered their all-time record—and by a significant margin. There were 34 sales of homes in Philadelphia at a price of \$1m or more in Q3. This was not only more than double the 16 such sales that occurred in the previous quarter, but this also exceeded the previous record of 25 such sales back in 2008Q3.

Number of Philadelphia Home Sales* per Quarter with Price >= \$1 Million: 1997-2015



The strongly positive transaction numbers were also supported by several other sales-related metrics:

- The pace of sales is quickening. Average Days-on-Market (the typical number of days it takes to sell a home) dropped to 61 days in Q3; its lowest value since 2007.
- The absorption rate of homes listed for sale also hit a post-bubble high: nearly 20% of all homes listed for sale in Q3 also sold in Q3. This is up significantly from a low of just under 6% during the depths of the recession in 2010, and is the highest level of absorption since the red-hot days of 2005.
- Inventories of homes listed for sale appear to have largely stabilized after swelling during the boom years and declining during the bust years. Currently, there are approximately 7,000 homes listed for sale in Philadelphia, which has been hovering around that number for the past two years.

Increased sales activity combined with decreased inventories indicate a relative increase in demand and decrease in supply, which point towards further price appreciation for Philadelphia's housing. Moreover, Philadelphia has tended to lag national trends, and has yet to experience the rebound in house prices that many other major U.S. cities have already experienced. All of these indicators suggest that a more sustained housing market recovery is finally taking hold locally.

However, there is always a leading indicator suggesting that an inflection point or turning point lays ahead. In this case, it is the U.S. Census's latest numbers on building permits for residential construction. This past quarter, the Census significantly revised downwards its estimate for the number of new residential units being issued building permits for 2015. This follows 6 years of steadily increasing permits. Moreover, the biggest downward revision was for multifamily construction (i.e. apartment buildings) rather than single-family construction.

The multifamily rental market has seen exceptionally strong growth since the housing bubble burst 8 years ago, as many households who might otherwise be owning a home either decided to or were forced to rent. The current expansion of the single-family housing market at the expense of what appears to be the initial signs of a contracting multifamily rental market may indicate a rebalancing of this equation.

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