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Philadelphia Region's Housing Experiences Best Spring Since 2008 **Prices and sales increase significantly; Inventories remain near post-bubble low.**

August 11, 2015: Following the City's lead in Q2, Philadelphia's suburbs experienced one its best quarters for housing this past spring. Both house prices and sales increased significantly, and posted some of their best statistical gains since the housing bubble's burst in mid-2007.

According to the latest analysis compiled for Berkshire Hathaway Home Services by economist Kevin C. Gillen, the typical Philadelphia-region home increased in value by 5.8% on a quality- and seasonally-adjusted basis during 2015 Q2. But, as has been typical during this recovery—and in contrast to past housing recoveries—the suburbs have continued to lag the City somewhat. The average house price increased by 5.2% in the 10-county suburbs, compared to a 7.3% increase in Philadelphia County during the same period.

Price changes were almost uniformly positive across counties. From lowest to highest, the average change in house values by county were: Salem (-3.8%), Burlington (+2.1%), Camden (+3.1%), Mercer (+3.2%), Gloucester (+4.6%), Chester (+6.1%), Bucks (+6.4%), Montgomery (+6.8%), New Castle (+6.9%), Philadelphia (+7.3%) and Delaware (+9.9%).

With the latest changes in house prices, the typical Philadelphia-area home has recovered 9% out of the 23% drop that it lost in value lost during the housing bust. It thus needs to appreciate another 14% to completely recover the entirety of the value lost, and return to its pre-bust peak in 2007.

These latest numbers provided a real shot in the arm to the market. To date, post-bubble house price recovery has been exceedingly slow. Since hitting bottom in 2012, house prices in the region had only recovered approximately 5% of their lost value.

Sales numbers were also robust this past quarter, with transactions increasing to post-bubble highs in both the City and suburbs. There were 4,198 arms-length transactions in Philadelphia County in Q2, and 14,127 in the surrounding suburbs in the same period, for a combined total of 18,325 sales. The last time that second-quarter sales activity was so high was 2008.

Sales in the million dollar-plus category also set a post-bubble record. There were 189 sales at a price of one million dollars or more in Q2, up from 112 in the previous quarter. This also was the best second quarter for million dollar sales since 2008.

Leading indicators continue to indicate tightening supply: Inventories, Days-on-Market and Months' Supply of Inventory continue to hover near post-bubble lows. With demand growing, this constrained supply will inevitably place upward pressure on house prices. The next quarter's data should be able to tell us whether these current conditions are simply a temporary singularity, or will become an actual trend.

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