



Philadelphia Region's Housing Continues to Recover **Sales up substantially region-wide, but City house prices outpace the suburbs.**

November 24, 2015: Following the City's lead in Q3, the greater Philadelphia's region's housing market continued its forward momentum this past summer. Home sales posted their strongest quarter since the recession, although house price recovery in the City continues to outpace that of its suburban counterparts.

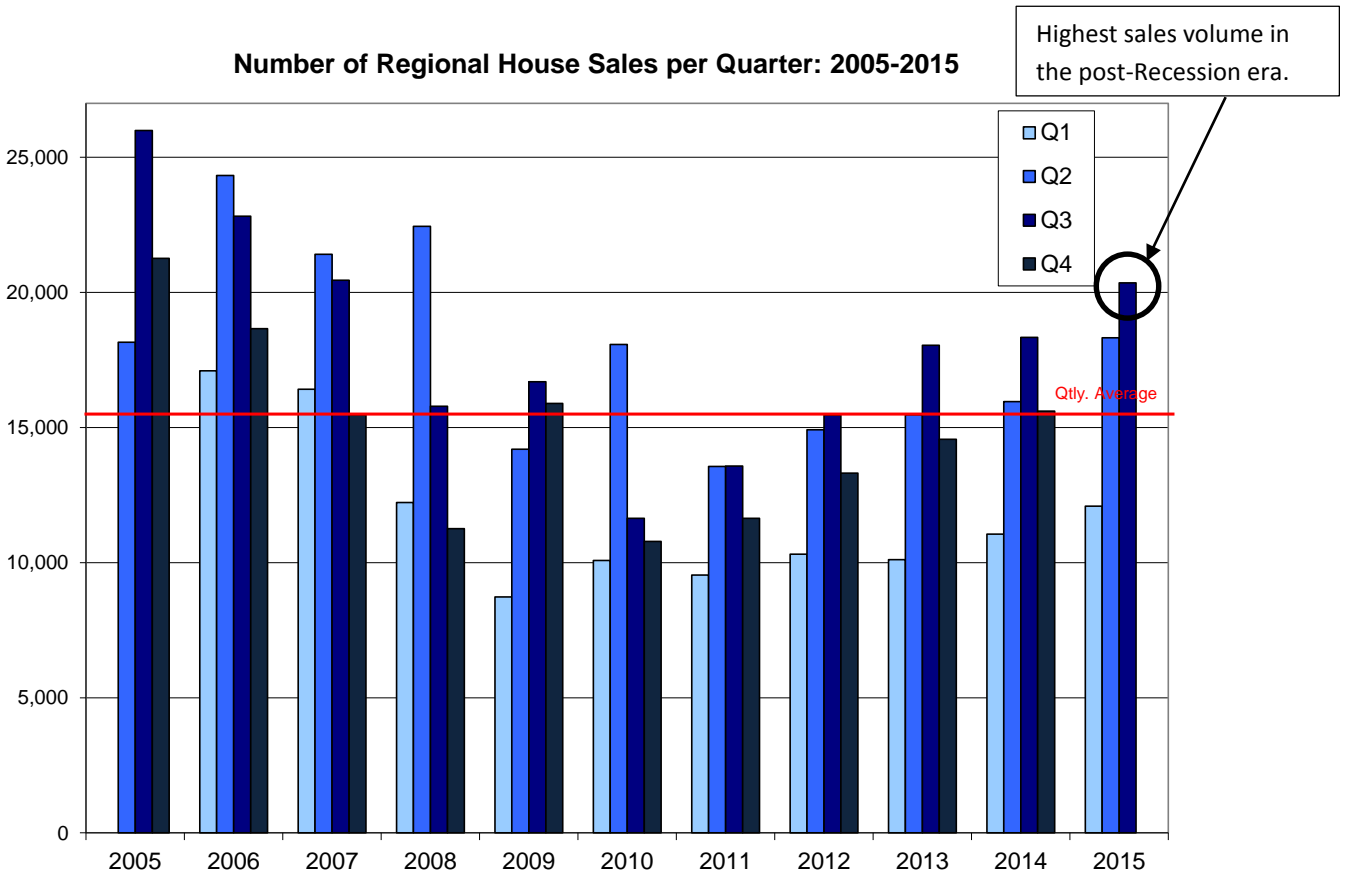
According to the latest analysis compiled for Berkshire Hathaway Home Services by economist Kevin C. Gillen, the typical Philadelphia-region home increased in value by a statistically negligible 0.3% on a quality- and seasonally-adjusted basis during 2015 Q3. This was a leveling off from the previous quarter's increase of 5.8%.

But, as has been the case during this recovery—and in contrast to past housing recoveries—house price appreciation in the City has continued to exceed that of the suburbs. While house prices essentially remained flat in the suburbs during the most recent quarter, they continued to appreciate in the City by 1.3%. As a consequence, the City's house price index continues to maintain its lead over the suburban index, ever since passing it in mid-2014. Prior to this, the City's housing index had lagged the suburban one ever since 1986.

Price changes in Q3 were basically flat across the suburban counties. From lowest to highest, the average change in house values by county were: Camden (-3.0%), Delaware (-2.2%), Bucks (-0.6%), Montgomery (0.0%), Chester (+0.1%), New Castle (+0.2%), Salem (+0.5%), Gloucester (+0.6%), Philadelphia (+1.3%), Burlington (+1.6%), and Mercer (+4.4%).

With the latest changes in house prices, the typical Philadelphia-area home has recovered 10% out of the 23% decline that it lost in value lost during the housing bust. It thus needs to appreciate another 13% to completely recover the entirety of the value lost, and return to its pre-bust peak back in 2007.

While suburban house prices might have been sluggish compared to City prices, sales numbers were robust across the board this past quarter, There were 4,655 arms-length transactions in Philadelphia County in Q3, and 15,696 in the surrounding suburbs in the same period, for a combined total of 20,351 sales. This was up from 18,235 in the previous quarter and up from 18,335 sales one year ago, and marked the highest volume of home sales since Q2 of 2008.



Sales in the million dollar-plus category also set a post-bubble record. There were 263 sales at a price of one million dollars or more in Q3, up dramatically from 189 in the previous quarter. This broke the all-time historic record of 240 million dollar-plus sales back in 2008.

The fact that sales surged but prices remained flat in Q3 is attributable to a broadening of the housing market's recovery that is now including more lower-priced segments of the market and more purchases by modest-income homebuyers. The inclusion of substantially more lower-priced homes in the sales data has pulled the average home sales price downward. However, this should be taken as positive news, as the housing recovery has become more equitable and widespread across the region's neighborhoods, towns and households, and is no longer favoring higher-priced communities.

Leading indicators continue to indicate a relatively tight supply that should continue to place modest upward pressure on house prices. While the housing markets of other major U.S. cities have experienced stronger and more sustained house price appreciation since the recovery began, Philadelphia's market finally appears to be gaining some sustainable momentum.

Email for Kevin Gillen: Kevin.C.Gillen@Drexel.edu