

Philadelphia Housing Continues its Expansionary Phase in Q3 But amidst high prices and sales volume, some signs of potential deceleration.

October 23, 2017: The weather may be cooling, but the local housing market continues to run hot. Here's the latest numbers:

- The Philadelphia house price index rose 2.9% in Q3. This was a slight slowing from 3.2% in the previous quarter and from 5% in the quarter before that. However, it is still very aggressive when compared to Philadelphia's average historic quarterly appreciation rate of only 1.1%.
- The Philadelphia house price index is up 10.6% from a year ago. This is a very high rate of annual appreciation compared to its average historic appreciation rate of 4.5% per year. Moreover, it is also high when compared to other large U.S. cities, for which house prices are up only 5% from one year ago¹.
- The median house price in Philadelphia rose to \$159,900 in Q3. This is only a 1.2% increase from Q2, and a marked slowing down from Q1, when the median price increased by nearly 15% over the previous quarter.
- Every submarket in Philadelphia experienced positive price appreciation this quarter. From smallest to largest, the average change in house prices by neighborhood in Q3 was: Northwest Philadelphia (+0.7%), Center City/Fairmount (+0.8%), South Philadelphia (+1.9%), Upper Northeast Philadelphia (+1.9%), Lower Northeast Philadelphia (+2.4%), Kensington/Frankford (+3.6%), North Philadelphia (+4.0%), West Philadelphia (+5.1%) and University City (+7.7%).
- Sales continue to run strong. There were 5,585 arms-length sales in Q3, which was a slight drop from 5,613 in Q2. Although home sales historically have experienced a small seasonal decline from Q2 to Q3, this was the first time since 2011 that such a seasonal decline occurred.
- Million-dollar sales also continue to set new records. There were 38 sales of houses at a price of one million dollars or more in Q3, just below the all-time record of 41 set in Q2. Perhaps more notably, such sales are beginning to appear in other neighborhoods besides Center City, Mount Airy and Chestnut Hill.
- Zillow currently characterizes Philadelphia's market temperature as "Hot". Although this is unchanged from last quarter, Zillow revised its one-year forecast for Philadelphia house prices downwards in Q3, from 4.5% to 3.1%.

While there may be some signs the local housing market is decelerating, it is still too early to call. But, one other notable factor is that housing inventories appear to have stopped declining in Q3, and thus may have hit bottom. When they (finally!) begin to increase from their current lows, it should provide some long-needed relief from the upward pressure they are exerting on local house prices.

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¹Source: S&P CoreLogic Case-Shiller 10-City Composite House Price Index