

Philadelphia's Regional Housing Market Continues to Lose Some Speed, but the Suburbs Continue to Outperform the City (Post-COVID).

November 30, 2022: Here's the latest numbers, from data generously provided by Bright MLS:

- **The average price of Philadelphia homes fell by 1.8% in Q3 on a quality- and seasonally-adjusted basis.** This is the largest quarterly decline in eight years.
- **The average price of homes in the Philadelphia suburbs increased by 0.6% in Q3 on a quality- and seasonally-adjusted basis.** Although this certainly surpassed the negative quarterly house price growth in the city, it is also a significant decline from its previous quarter's appreciation rate of 1.8%.
- **On an annual (YoY) basis, house prices in Philadelphia are up an average 5.9% from a year ago, while house prices in the Philadelphia suburbs are up an average of 5.2% from a year ago.** This is slightly above both the city and region's average annual rate of house price growth of 4.5%. These numbers are on a quality- and seasonally-adjusted basis.
- **House price appreciation in both the city and suburbs continue to substantially decline from their COVID-level peaks.** Twelve months ago, house prices in the city were up 13.7% from the previous year, while house prices in the suburbs were up an astounding 26.0% from the previous year.
- **House price growth in the region as a whole is still less than national trends.** House price growth across the country is up 17.4% YoY¹, while house price growth in the 10 largest U.S. cities (excluding Philadelphia) is up 13.3% YoY².
- **The raw data also indicate continued deceleration house price appreciation in the greater Philadelphia metro area.** The median house price in Philadelphia is currently \$230,000; down 2.1% from \$235,000 a year ago. The median house price in the Philadelphia suburbs is currently \$370,000; up 8.8% from \$340,000 a year ago. By contrast, the YoY percent changes in median prices in Q3 of last year were 17.5% and 13.3%; respectively.
- **House price changes across the region continue to remain both uniformly positive as well as persisting above their historic averages...but again: with continued deceleration.** From lowest to highest, the average annual (YoY) change in seasonally- and quality-adjusted house prices by county over the course of the past year were: Philadelphia (+5.9%), New Castle (+8.1%), Gloucester (+9.6%), Bucks (+10.1%), Camden (+10.3%), Montgomery (+10.6%), Delaware (+11.0%), Burlington (+11.1%), Chester (+11.2%), Mercer (+11.7%), and Salem (+12.3%).

¹ Source: www.fhfa.gov. However, this rate of appreciation is only through Q2 of 2022.

² Source: <https://fred.stlouisfed.org/series/SPCS10RSA>

- **Home sales volume continues to trend downward from its COVID-driven peaks.** Arms-length sales in Philadelphia are down 35% from their peak earlier this year, while suburban home sales have declined 23% from their peak two years ago³.
- **Zillow continues to downgrade its projection of the Philadelphia region's house prices.** The housing analytics firm is currently predicting that the general level of house prices in the Philadelphia region will increase by a mere 0.8% over the next 12 months. That is not only a substantial reduction from its previous forecast of nearly 12.0% nearly one year ago, but is also well below the region's historic annual house price appreciation rate of 4.5%.

Summary: The peak of the COVID-driven housing boom definitely appears to have passed. The data indicate that both prices and sales are tapping the brakes. A combination of greater housing unaffordability, limited choice of homes available for sale, a bearish macroeconomic outlook and—especially—increased interest rates appear to be giving many buyers pause about making large financial commitments right now.

Bottom Line: *While our local housing numbers may be relatively better than what the numbers are in many other regional markets, it should be remembered that the Philadelphia region tends to lag national trends. So, history suggests that what may be happening elsewhere is just not happening here...YET.*

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If you would like Dr. Gillen to address your organization, business or community group with a presentation on recent trends in the local economy and real estate market, he would be happy to do so...and it's absolutely free! Just contact him at the email address above.

³The reason that the two peaks don't match at the same point in time is because the suburbs benefited from a outflux of the city's population when COVID hit, whereas the city has only fairly recently recovered from a return to the city now that COVID's effects have largely receded.