

Philadelphia and Its Suburbs Continue Post Positive Numbers in Q2

Sales remain strong across the region, but suburbs outpace the city in price gains.

September 21, 2018: The most recent data shows the suburbs picking up momentum. Here's the latest quarter's numbers, supplied by Houwzer LLC.:

- **On a quality- and seasonally-adjusted basis, the general level of house prices increased in both the city and suburbs.** The suburban house price index rose by 5.1% in Q2, while the city's house price index increased by 0.9%. Although house price appreciation decelerated in the city in Q2, it increased significantly in the suburbs.
- **Median house prices increased across the region in Q2.** The median suburban house price increased from \$221,000 to \$245,000 in the second quarter of 2018; a nearly 11% gain. In the city, the median price rose from \$150,000 to \$153,250; a more modest 2.2% gain. However, it should be noted that prices generally increase in the spring months due to seasonal factors. That's why the house price index—which controls for seasonal fluctuations—shows a smaller increase than the median price.
- **House price changes were uniformly positive across counties.** From lowest to highest, the average change in house price levels by county in Q2 was: Philadelphia (+0.9%), Chester (+1.9%), Mercer (+2.3%), Salem (+2.7%), Bucks (+2.8%), Montgomery (3.6%), Delaware (+4.5%), New Castle (+4.9%), Burlington (+5.9%), Gloucester (+7.1%) and Camden (+10.0%). These changes are net of any seasonal effects.
- **Sales volume is at a post-recession high.** Region-wide, there were a total of 25,820 home sales under arms-length conditions in Q2. The last time quarterly home sales were this high was in Q2 of 2005, when they topped out at 25,996 before they began to steadily decline.
- **However, home sales are trending up in the city while they remain flat in the suburbs.** Home sales in Philadelphia increased 15.7% from the same quarter last year, from 5,585 to 6,460¹. In the suburbs, sales rose by only 1.6% from the same quarter last year, from 19,063 to 19,360.
- **Million-dollar sales remain at all-time highs.** Region-wide, there were 278 sales of houses at a price of one million dollars or more in Q2; 38 in the city and 240 in the suburbs. This is on par with 279 such sales region-wide in the same quarter last year, and just barely behind the all-time high of 280 million-dollar sales in 2016 Q3.
- **The supply of homes listed for sale remains very low and continues to drop.** At the end of June, there were 19,368 houses listed for sale in the region². One year ago, 23,369 houses were listed for sale. And, five years ago, there were 28,078 houses available for purchase³.

¹ Since sales volume of homes are highly seasonal, it is more common to compare quarterly sales numbers to the same quarter one year ago rather than to the previous quarter.

² Source: Trend MLS via Houwzer LLC

³ Much like sales activity, listings volume is highly seasonal and exhibits a great deal of short-term fluctuations. So, year-on-year comparisons are the industry standard.

- **Both the city and suburbs meet the industry's definition of being a "Seller's Market".** At the current brisk pace of sales, the city's has only 2.1 months' supply of homes for sale while the suburbs have only 3.4 months' supply of homes for sale. The real estate industry generally considers a 5-7 month supply to be typical of a balanced market, with anything below 5 months indicating a market where conditions favor sellers; i.e. low supply and high demand.
- **The pace of home sales is at also at a post-recession high.** High sales volume and very low inventories are causing listed homes to move very fast. Currently, the typical suburban home is selling within 48 days while the typical city home is selling within 38 days. Just before the local housing market began its current expansionary phase in 2012, these numbers were 132 days and 94 days, respectively.

The current numbers suggest that the region's housing market remains in an expansionary phase. But, what is particularly notable about the most recent quarter's numbers is the difference in price appreciation between the city and its suburbs. Over the course of the current bull market, house prices in Philadelphia County have generally outpaced those of its suburban counterparts. So much so, in fact, that prices in the city are above their previous pre-recession peak while suburban prices remain generally below their previous peak. While it would be tempting to conclude that the suburbs are finally making some gains on the city, it should be pointed out that a similar pattern occurred at the same time last year. In 2017 Q2, house prices increased by 5.3%, only to go bust in the subsequent quarters with an average decline of nearly 1%. So, past experience would seem to suggest similar forbearance in interpreting these latest numbers.

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