

Philadelphia Region Continues Current Trends in Q3

Strong sales volume, low inventories and flattening prices persist.

November 28, 2018: The most recent data shows a continuation of existing trends across the region. Here's the latest quarter's numbers, supplied by Houwzer LLC.:

- **On a quality- and seasonally-adjusted basis, house prices showed little gain in Q3.** The suburban house price index rose by 1.0% in Q3, while the city's house price index increased by 2.1%. This was a significant deceleration for suburban house prices, which increased by a brisk 5.1% in the previous quarter.
- **Median house prices continued to increase across the region in Q3.** The median suburban house price increased from \$245,000 to \$250,000 in the third quarter of 2018. Although this was a 2% increase, it was a substantial slowdown from a nearly 11% gain in the prior quarter. In the city, the median price rose from \$153,250 to \$160,000; a 4.4% gain. However, it should be noted that prices generally increase in the summer months due to seasonal factors, so it's advisable not to read too much into these quarterly fluctuations. That's why the house price indices—which controls for seasonal fluctuations—shows a smaller increase in house prices than the median price.
- **House price changes were mixed across counties in Q3, but also relatively modest.** From lowest to highest, the average change in house price levels by county in Q3 was: Salem (-3.2%), Gloucester (-2.8%), Delaware (-1.1%), New Castle (-0.8%), Mercer (-0.4%), Camden (-0.3%), Chester (0.0%), Bucks (0.7%), Montgomery (+2.1%), Philadelphia (+2.1%) and Burlington (+5.1%). These changes are net of any seasonal effects.
- **The general level of house prices across the region is no higher than it was one year ago.** The house price index for Philadelphia is exactly at the same level as one year ago, while the house price index for the suburbs is only 1.5% higher than its previous level one year ago. Median prices show a similar pattern. The city's and suburb's current median prices of \$160,000 and \$250,000, respectively, are only \$100 higher than their values of \$159,900 and \$249,900 one year ago.
- **Sales volume remains at a post-recession high.** Region-wide, there were a total of 25,583 home sales under arms-length conditions in Q3. This was just slightly below the region's post-recession high of 25,820 sales in Q2. This was also the highest volume of Q3 home sales since 2005.
- **Million-dollar sales broke a new record in Q3 and remain at all-time highs.** The number of region-wide home sales that occurred at a price of one million dollars or more exceeded 300 for the first time in history. There were 318 such sales in Q3; 35 in the city and 283 in the suburbs. This is up from both 278 such sales in the previous quarter as well as 265 such sales in the same quarter last year, and just barely behind the previous record of 280 million-dollar sales in 2016 Q3.

- **The supply of homes listed for sale remains very low.** At the end of October, there were 22,534 houses listed for sale in the region¹. This is well below the region's historic average of 31,609 listings in any given month.
- **Both the city and suburbs remain characterized as being a "Seller's Market".** Low inventories plus high sales volume have drastically reduced the amount of time it would take for the current inventory of homes listed "for sale" to burn off. Currently, Philadelphia County only has a 3.6 months' supply of homes for sale while the suburbs have only a 1.9 months' supply of homes for sale. However, the city's months' supply did show a significant uptick this quarter, from 2.1 months in the previous quarter. 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 remains faster in the city than in the suburbs.** Currently, the typical suburban home is selling within 81 days after being listed while the typical city home is selling within 42 days².

The general consensus among both industry analysts and economists is that the nation's housing cycle is either at or nearing its peak, and the outlook is for continued softening in 2019. While the current market indicators for Philadelphia generally continue to look mostly positive, it should be remembered that Philadelphia has historically tended to lag most other cities. As such, the better gauge of where Philadelphia's housing market may be headed in the New Year may not be its own current metrics, but those of other large metro areas in the U.S.

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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.

¹ Source: Trend MLS via Houwzer LLC

² Source: Zillow.com