

Philadelphia and Suburbs Continue to Post Mixed Numbers in Q1 **Flat-to-declining prices, but robust sales and low inventories.**

May 9, 2018: The most recent data shows little change for either the city or its suburbs. Here's the latest quarter's numbers, supplied by Houwzer LLC.:

- **On a quality- and seasonally-adjusted basis, the general level of house prices declined in both the city and suburbs.** The suburban house price index fell by 1.5% in Q1, while the city's house price index declined by a 1.6%¹. After significant price appreciation through most of 2017, this is the first time in several years that either market has seen back-to-back quarters of price depreciation.
- **The median house price in the suburbs declined in Q1 while remaining the same in the city.** The median suburban house price fell from \$229,000 to \$221,000 in the first quarter of 2018; a 3.6% drop. In the city, the median price held constant at \$150,000 in both Q4 and Q1. However, it should be noted that prices generally decline in the winter months due to seasonal factors. That's why the house price index—which controls for seasonal fluctuations—shows a smaller decline than the median price.
- **Despite recent declines, house prices in both markets still remain generally higher than they were one year ago.** The house price index for the suburbs and the city, respectively, are both 8.7% and 3.7%, above their levels from the same quarter last year.
- **House price changes were generally flat-to-mixed across counties.** From lowest to highest, the average change in house price levels by county in Q1 was: Burlington (-3.8%), Gloucester (-3.3%), Camden (-1.8%), Philadelphia (-1.6%), Chester (-0.4%), Montgomery (0.0%), Bucks (+0.3%), Delaware (+1.2%), Mercer (+1.7%), New Castle (+3.0%), Salem (+9.5%). These changes are net of any seasonal effects.
- **In contrast to prices, sales volume remains strong and is trending upwards.** Home sales in Philadelphia increased 5% from the same quarter last year, from 4,375 to 4,595². In the suburbs, sales increased 9.5% from the same quarter last year, from 10,841 to 11,866. Although the winter months are typically the slowest time of year for home sales activity, this was the most active Q1 for the region in twelve years.
- **However, million-dollar sales continue to cool.** Region-wide, there were 118 sales of houses at a price of one million dollars or more in Q1; 22 in the city and 96 in the suburbs. This is down from 137 sales in the same quarter last year, and is the first significant YoY decline in +\$1m sales since 2012.

¹ Note: all percent changes in prices are in logarithmic rather than simple percentages, which is common practice in financial economics. However, in the majority of cases they are very similar.

² 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.

- **The supply of homes listed for sale remains very low and continues to trend downwards.** At the end of March, there were 3,098 homes listed for sale in Philadelphia and 13,681 listed in the suburbs³. Although listings typically dip in the winter months, this is still down from 4,462 and 17,199, respectively, one year ago. At the current brisk pace of sales, the region has only a 3.4 month's supply of homes for sale, which is well below the 5-month threshold that is considered by the industry to be a "balanced" market.
- **Even with the recent price moderation, Philadelphia continues to outpace both its suburbs and most other major U.S. cities.** House prices in Philadelphia are currently 19% higher than their previous peak back in 2007, while suburban prices in the region remain an average of 17% below their previous peak in the same period. And, over the last five years, Philadelphia's house prices have been appreciating at an average annual rate of 7.1% compared to an average of 6.6% in the ten largest U.S. cities (excluding Philadelphia)⁴.

Whether these two consecutive quarters of price deceleration signals that the region's current housing cycle is nearing its peak or whether this is just a typical seasonal slowdown will likely not be revealed until this spring's numbers are released in a few months. The lack of supply combined with peaking prices are a strong incentive for those considering to sell their home to list it, and to list it soon. If so, an increase in supply combined with what appears to be a similar increase by prospective buyers to balk at currently high prices would provide some impetus to tip the market into a cooling phase.

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³ Source: Trend MLS via Houwzer LLC

⁴ Source: S&P CoreLogic Case-Shiller 10-City Composite House Price Index