

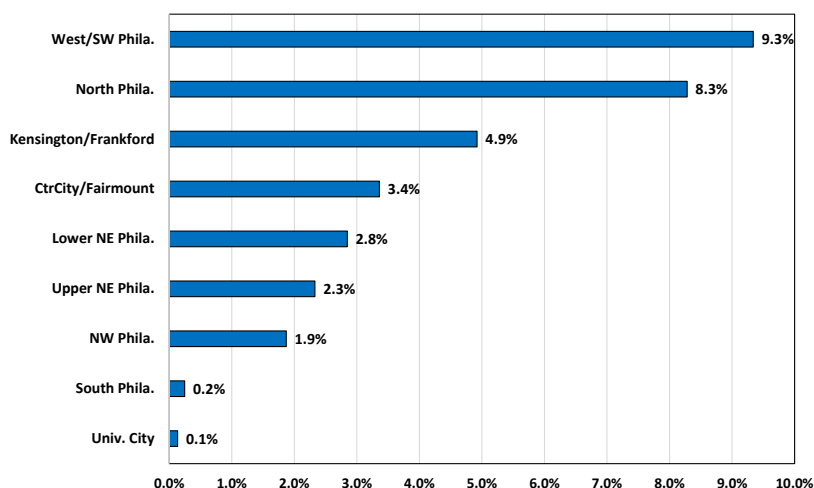
## Philadelphia's Housing Market Continues to Decelerate in Q1.

Sales are down from their post-Covid peak, and price growth flattens.

**May 09, 2025:** The market's indicators are indicating a transition...but that could actually be a good thing. Here's the latest numbers through 2025 Q1:

- **The average price of Philadelphia homes barely increased in Q1 on a quality- and seasonally-adjusted basis.** House prices in the city grew by only 0.4% this past quarter.
- **Comparing current prices to those of one year ago, a pattern of price deceleration is evident.** The city's general level of house prices is currently up only 3.4% from one year ago (YoY). At the same time twelve months ago, prices were up 6.3% YoY.
- **This deceleration in house price growth currently places Philadelphia below its historic average.** Philadelphia's rate of house price appreciation has traditionally averaged 4.5% per year.
- **A simple look at the raw data indicates a similar trend of slowing prices.** Currently, the median<sup>1</sup> house price in Philadelphia is \$210,000, which is up only 2.1% from \$205,600 one year ago. This is also a deceleration from the 7.9% YoY appreciation at the same time last year.
- **Individual submarkets are also showing the same general pattern of price changes.** YoY price appreciation is positive for all submarkets, but with overall slowing from previous time periods. The following chart ranks each submarket by their YoY house price growth<sup>2</sup>:

Current YoY House Price Appreciation (%) by Submarket



<sup>1</sup> The median house price is the exact midpoint of the distribution of house prices. So, it is that price at which 50% of homes sold for more, and 50% sold for less. The median house price is often considered representative of the "typical" price of a home in a given market.

<sup>2</sup> The strong price growth in North and West Philadelphia is due to a substantial influx of outside investment, particularly in areas adjacent to major transportation and commercial corridors.

- **Home sales volume remains below its post-Covid peak, but is still near its historic average.** 3,724 houses transacted under arms-length condition Philadelphia County in Q1. Although this is a 54% decline from sales' post-Covid peak of nearly 8,000 in the spring of 2022, current sales activity is close to the city's historic average of 3,400 per quarter.
- **Inventories continue to tick upwards, but remain below their typical average level.** According to Bright MLS, there are currently 4,107 houses listed "for sale" in Philadelphia. Although this is still below Philadelphia's historic average of approximately 6,000 listed homes, it is up 34% from the city's previous low of 3,070 homes in February of 2021.
- **The average number of days that it takes to sell a home (DOM) also continues to tick upwards.** It currently takes an average of 26 days to sell a home in Philadelphia. While this is still well below its norm of 40 days, it is finally trending back to this average after hitting a bottom of 10 days back in 2021.
- **Housing-related stocks have fallen sharply since President Trump's implementation of tariffs on imports—which disproportionately affect homebuilding materials.**<sup>3</sup> The Philadelphia Stock Exchange's Housing Sector Index has dropped 24% in the last several months. This decline follows a 139% increase since 2020, when a combination of Covid quarantines and low interest rates induced a significant boom in housing investment and home improvement. Shares of housing-related stocks tend to be a leading indicator of the housing market.

**The Big Picture:** The market's signals continue to indicate a cooling from its immediate post-Covid peak from a few years ago. Metrics from other geographic markets in the U.S.—particularly in the Sun Belt metros—are already showing a transition to a slowdown. However, it should be remembered that current fundamentals do not suggest that the next housing market downturn will be anywhere near as severe as the last downturn (from 2008-2012). In fact, a changeover from what has been a consistent seller's market to a market that is more balanced between buyers and sellers would bring some positive and welcome changes: more rational pricing, improved affordability, stronger sales and greater access to homeownership.

***Bottom line: All signals point towards a healthy reversion to the mean rather than a significant downside correction...but the continued persistence of high tariffs will have a negative effect on both the housing market and the economy. Hope for a speedy and fair resolution!!***

Email for Kevin Gillen: [Kevin.C.Gillen@Drexel.edu](mailto:Kevin.C.Gillen@Drexel.edu)

*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.*

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<sup>3</sup> Steel and lumber for framing, treated wood for flooring, sheet rock for walls, stone and tile for surfaces, metal fixtures (e.g. faucets, door knobs, drawer pulls, etc.) for finishes are frequently produced (at least in raw form) abroad.