
State of the Philadelphia Housing Market

9/21/11

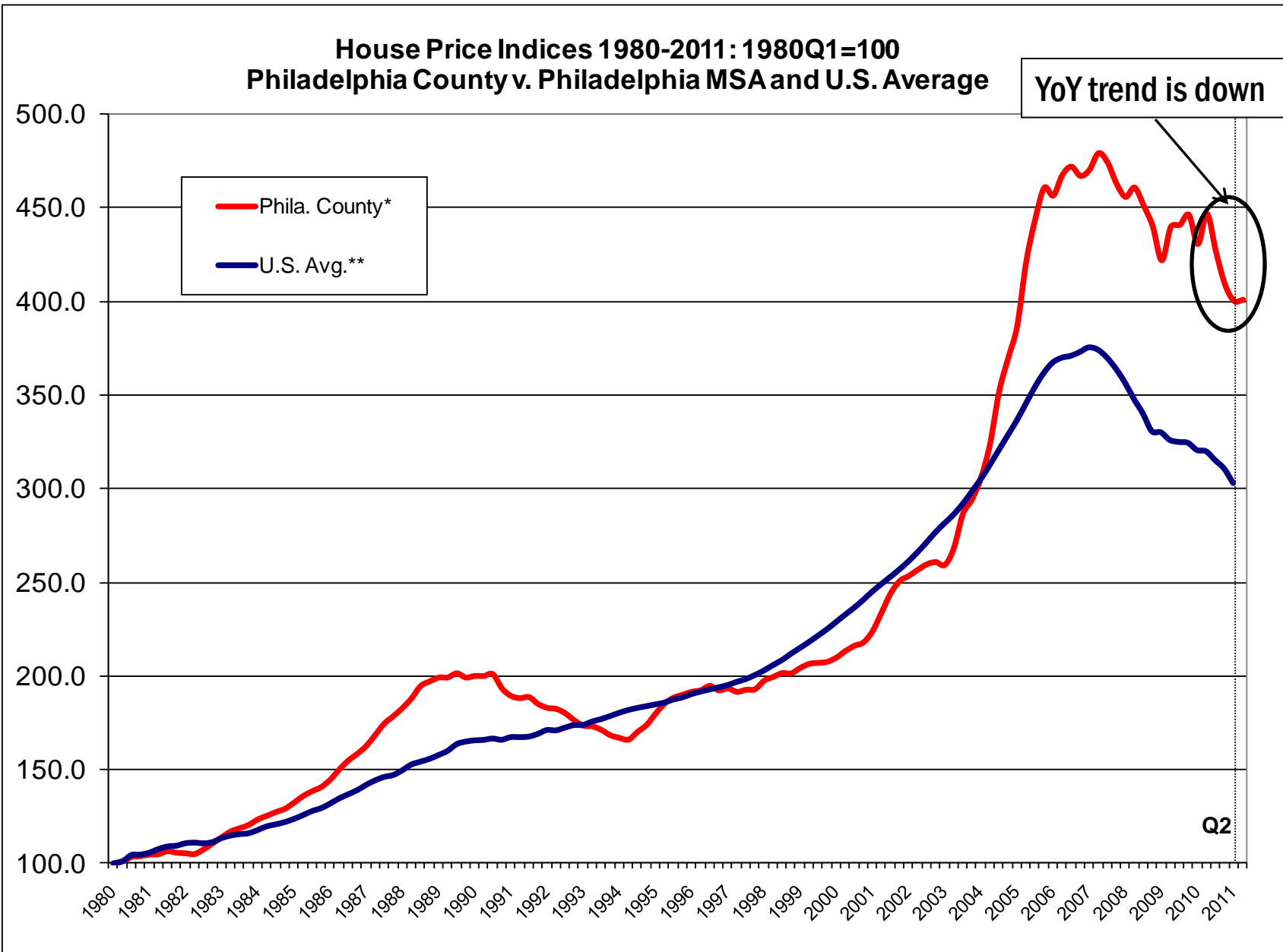
Presentation to BIA Housing Conference

Kevin C. Gillen, PhD

Econsult V.P.

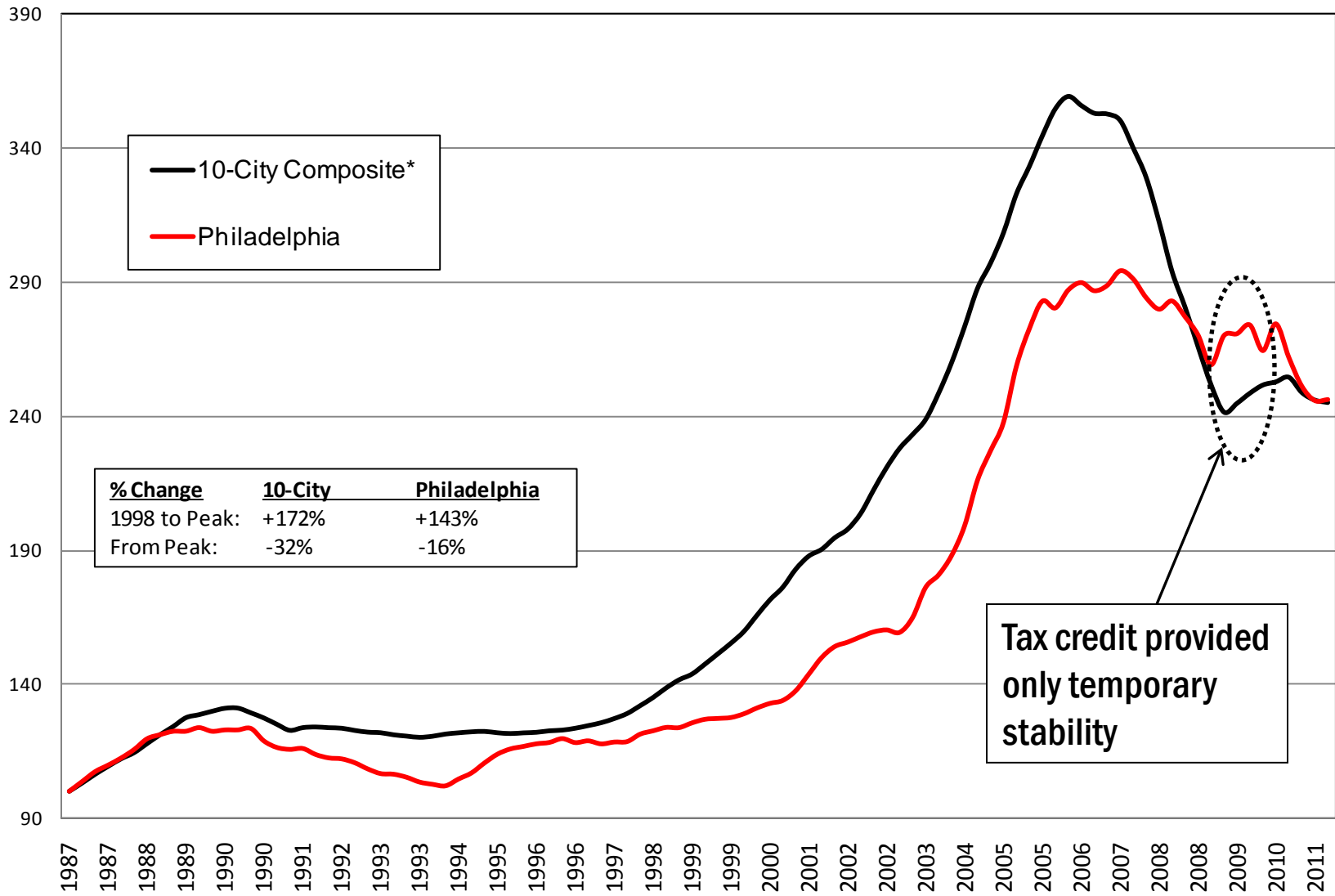
Research Fellow, U. Penn.

- Following expiration of the homebuyer tax credit, Philadelphia's housing values resumed their downward slide over the past year.



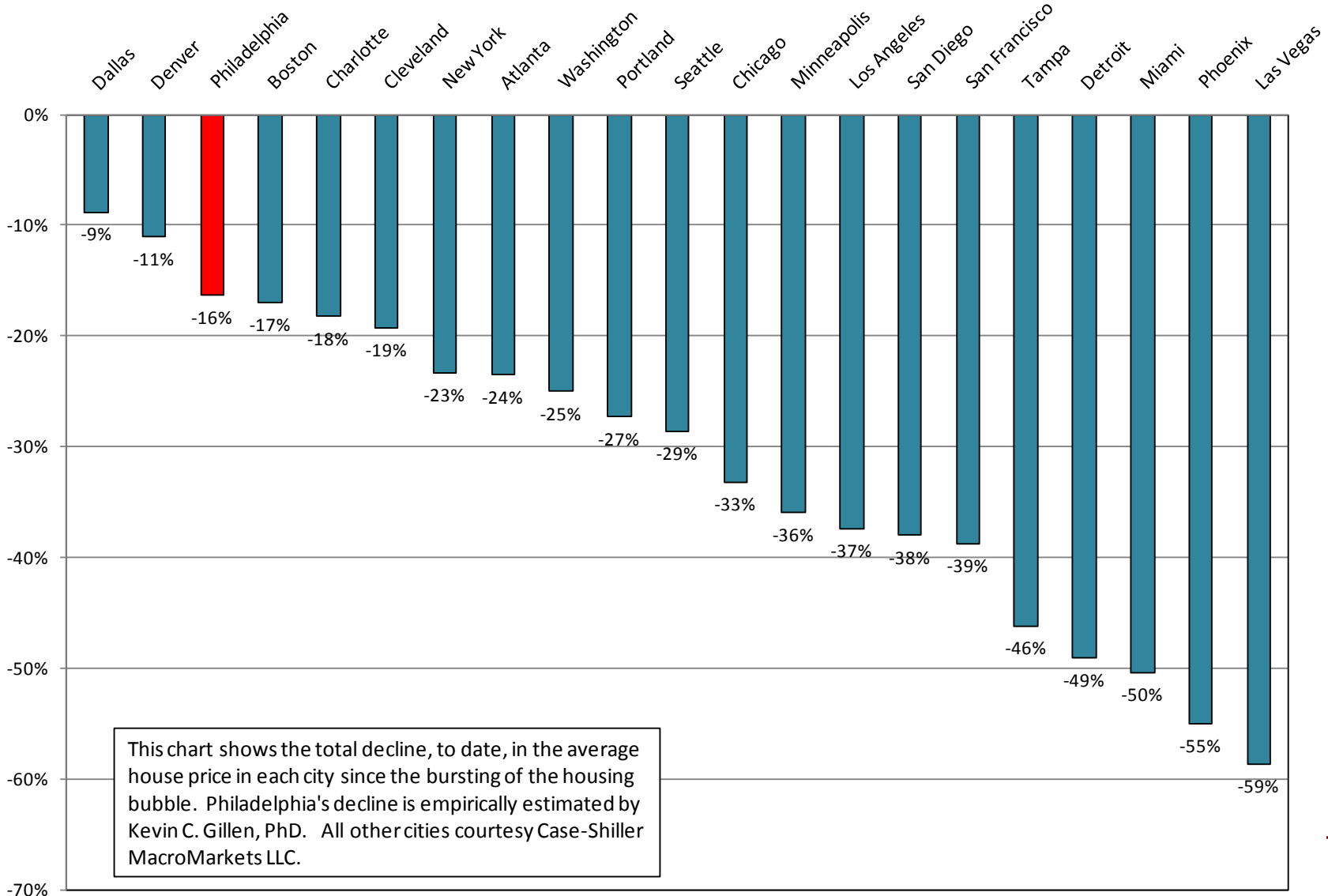
- These recent declines mirror national trends, and are due to the expiration of the homebuyer tax credit:

**House Price Appreciation 1987-2011:
Philadelphia v. 10-City Composite**



- But, we still continue to hold up much better than most other large U.S. cities:

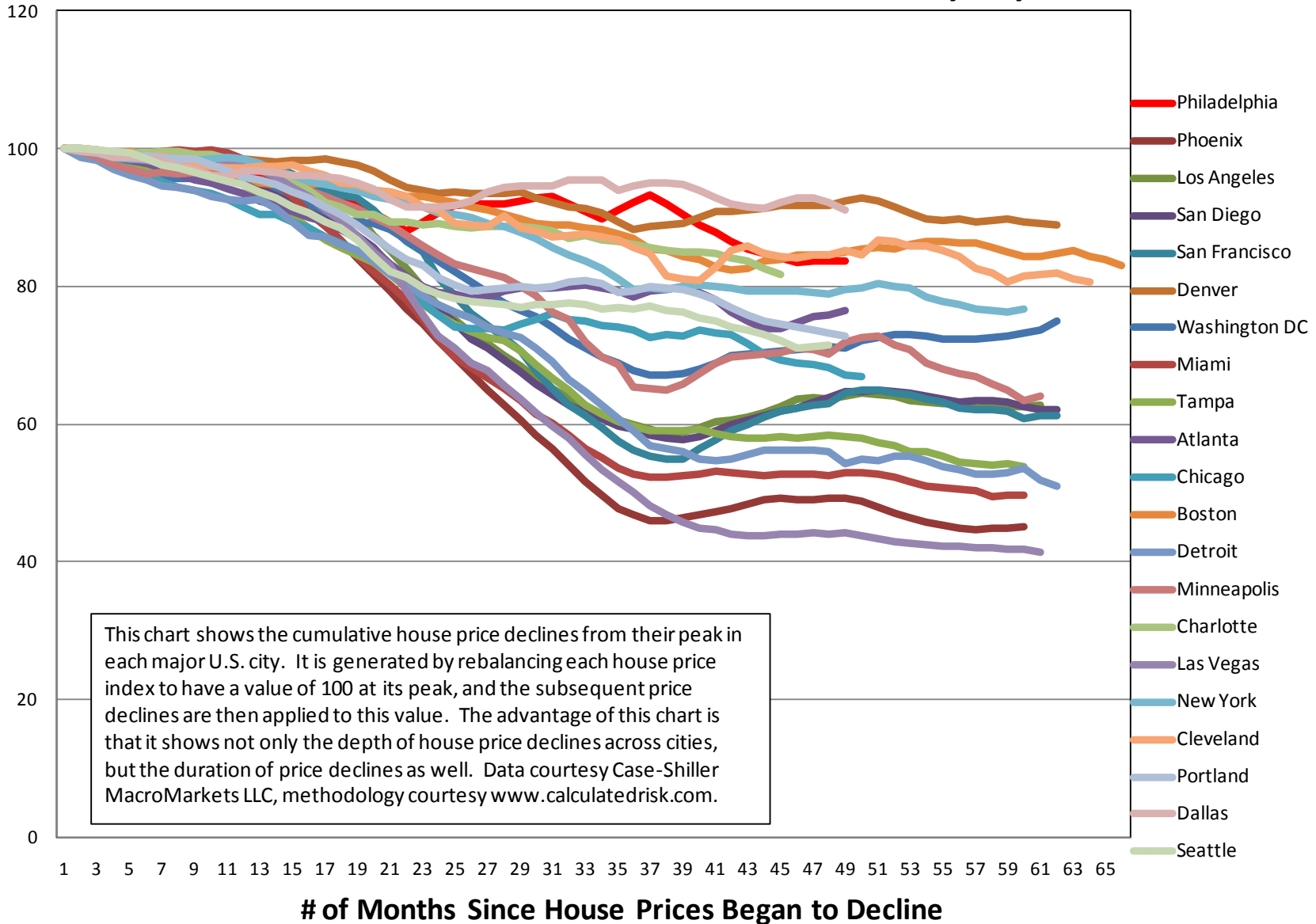
Cumulative %Decline in House Prices from Peak



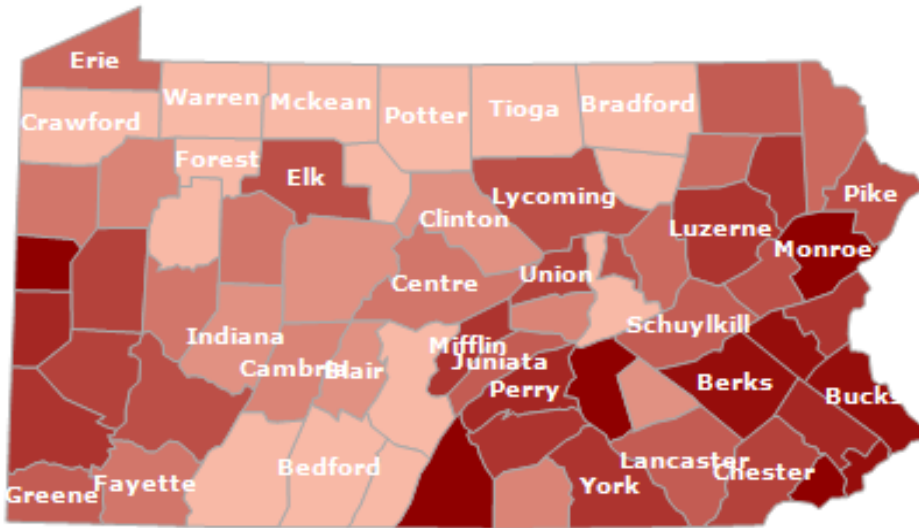
This chart shows the total decline, to date, in the average house price in each city since the bursting of the housing bubble. Philadelphia's decline is empirically estimated by Kevin C. Gillen, PhD. All other cities courtesy Case-Shiller MacroMarkets LLC.

- Not only have price declines been less than average, but they started later and have occurred at a slower pace.

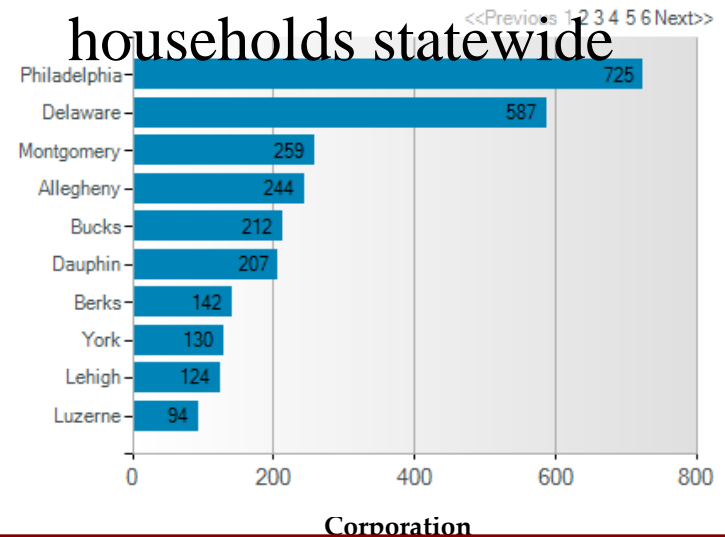
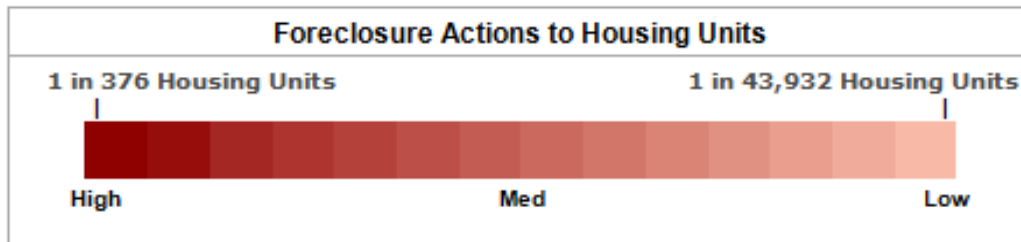
Cumulative House Price Declines from Peak, by City



Pennsylvania Foreclosure Heat Map



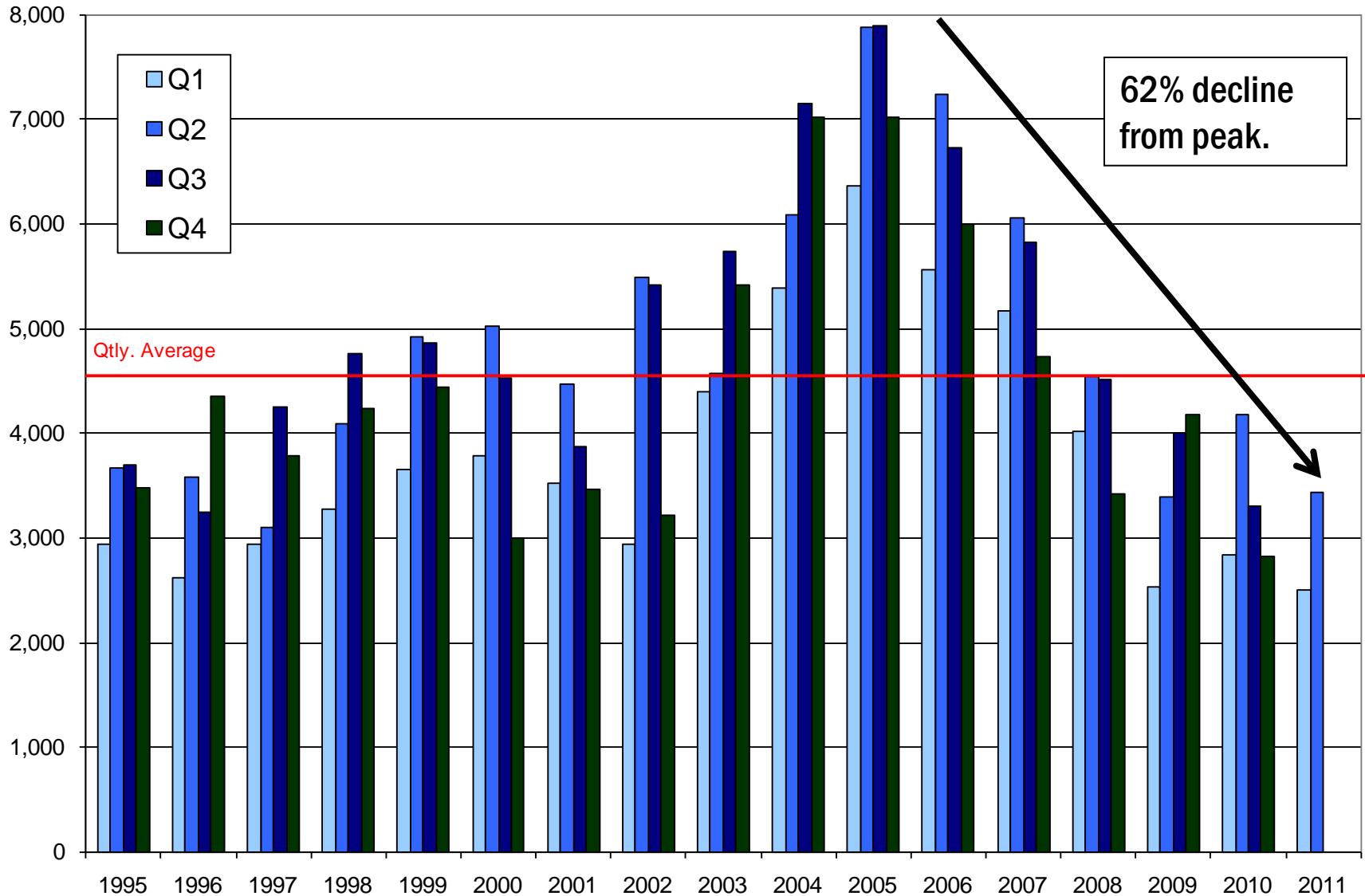
1 in every 725
Philadelphia
households received a
foreclosure notice in
June 2011, compared
to 1 in every 1,509
households statewide



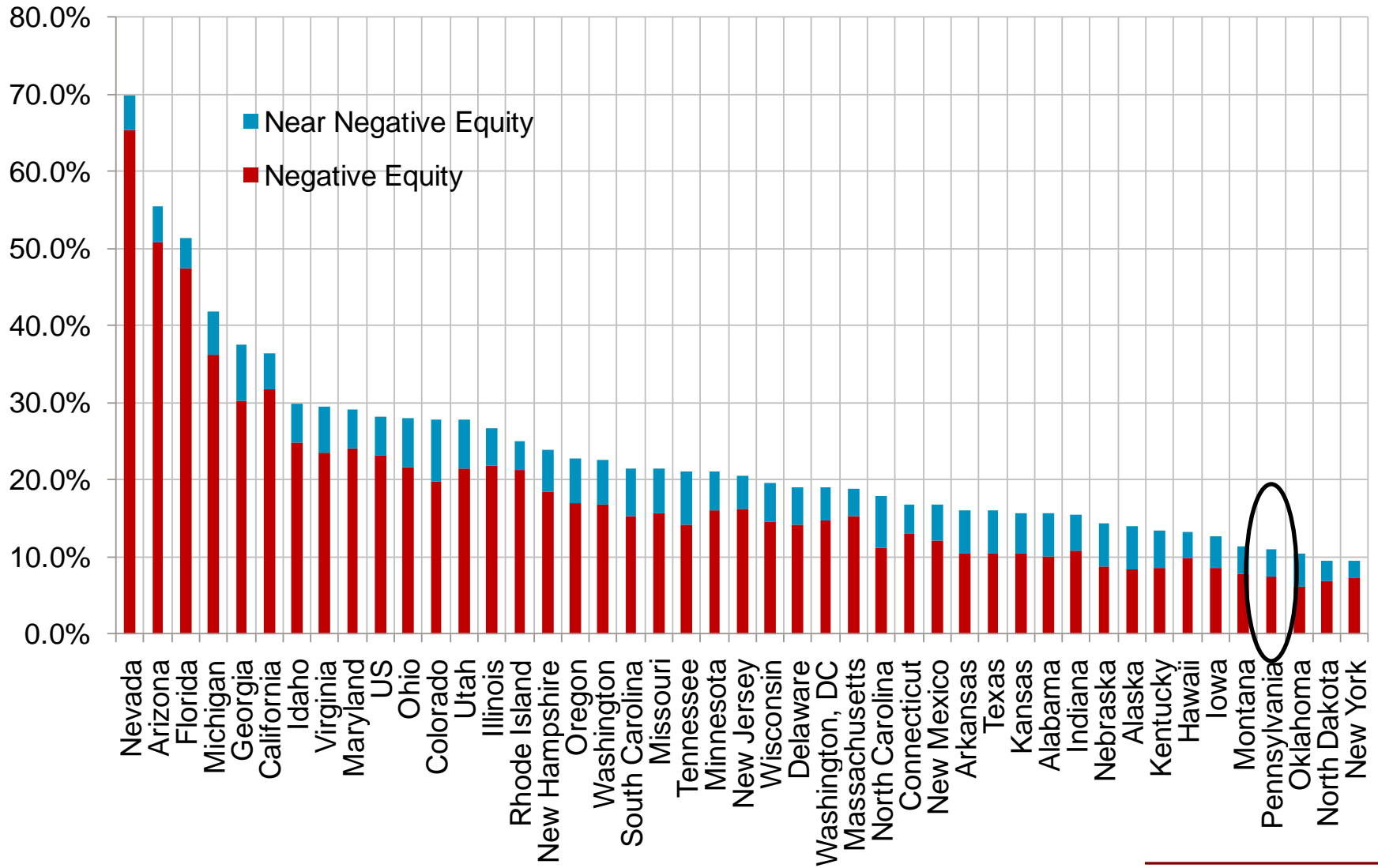
Source: www.realtytrac.com

- What has fallen precipitously in Philadelphia is home sales activity:

Number of Philadelphia House Sales* per Quarter: 1995-2011



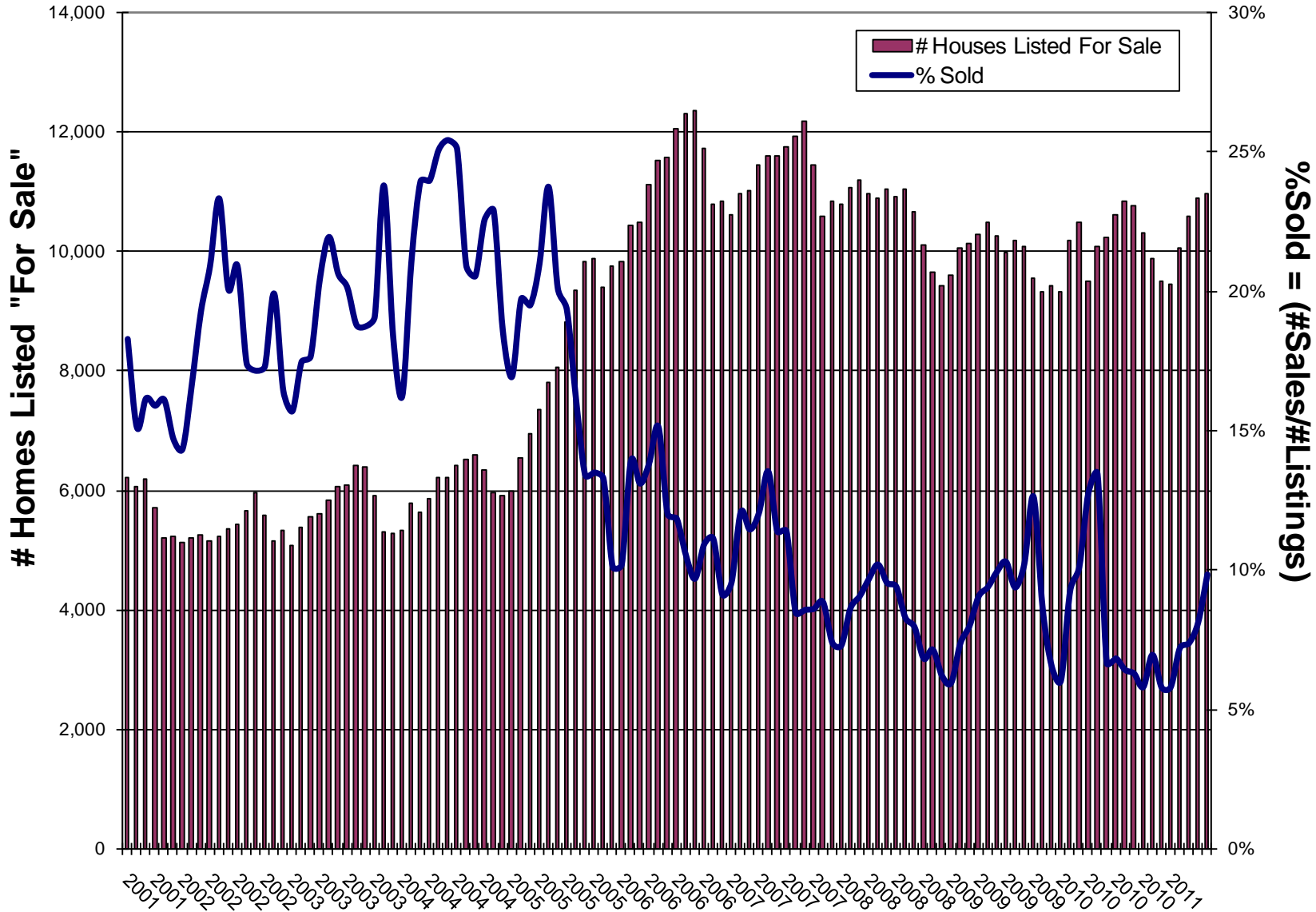
- While the percent of underwater homeowners is relatively low, it is large enough to impede home sales activity:



Source: CoreLogic

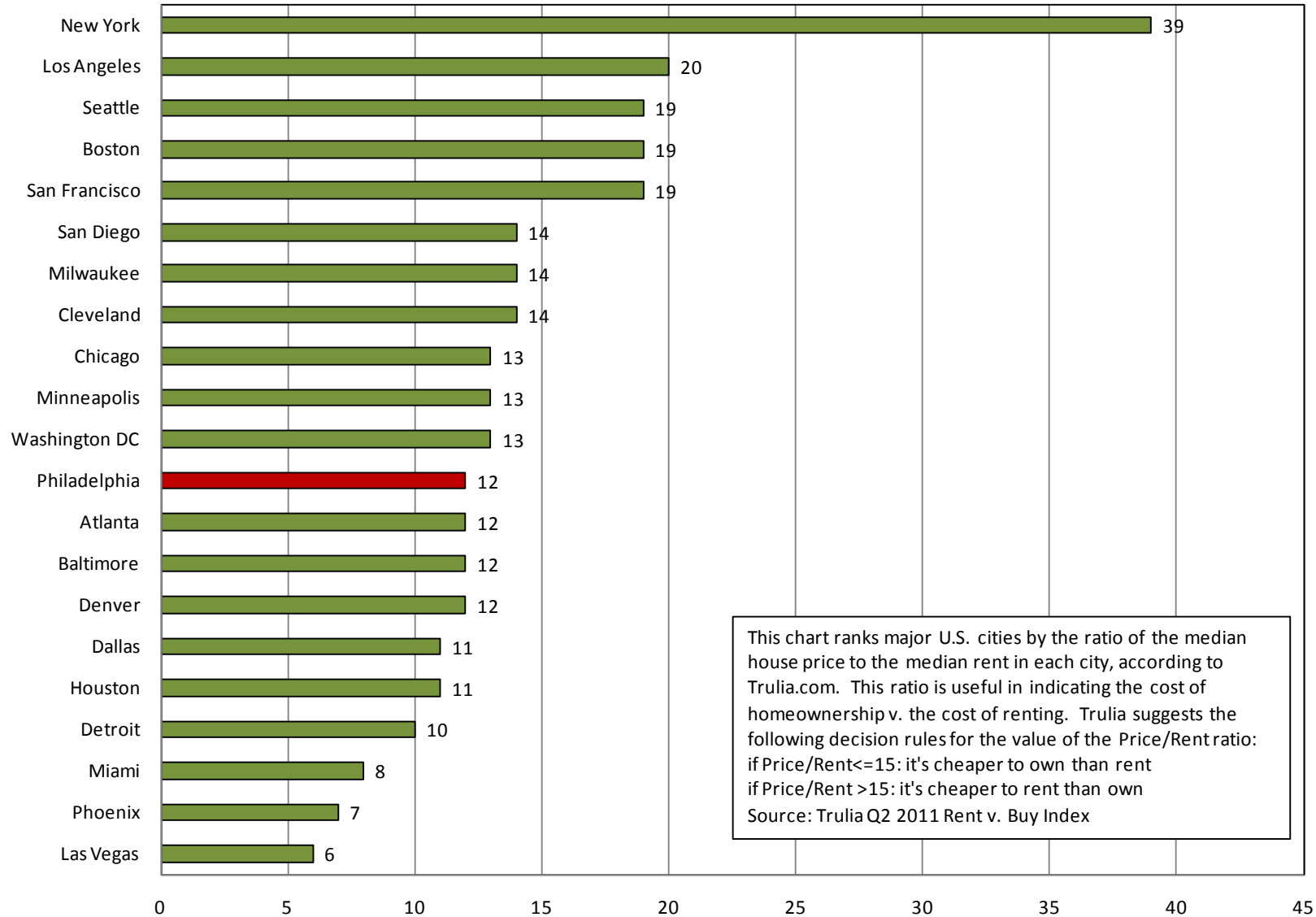
- Inventories remain stubbornly high:

Philadelphia Houses Listed For Sale: Inventory v. Sales Rate

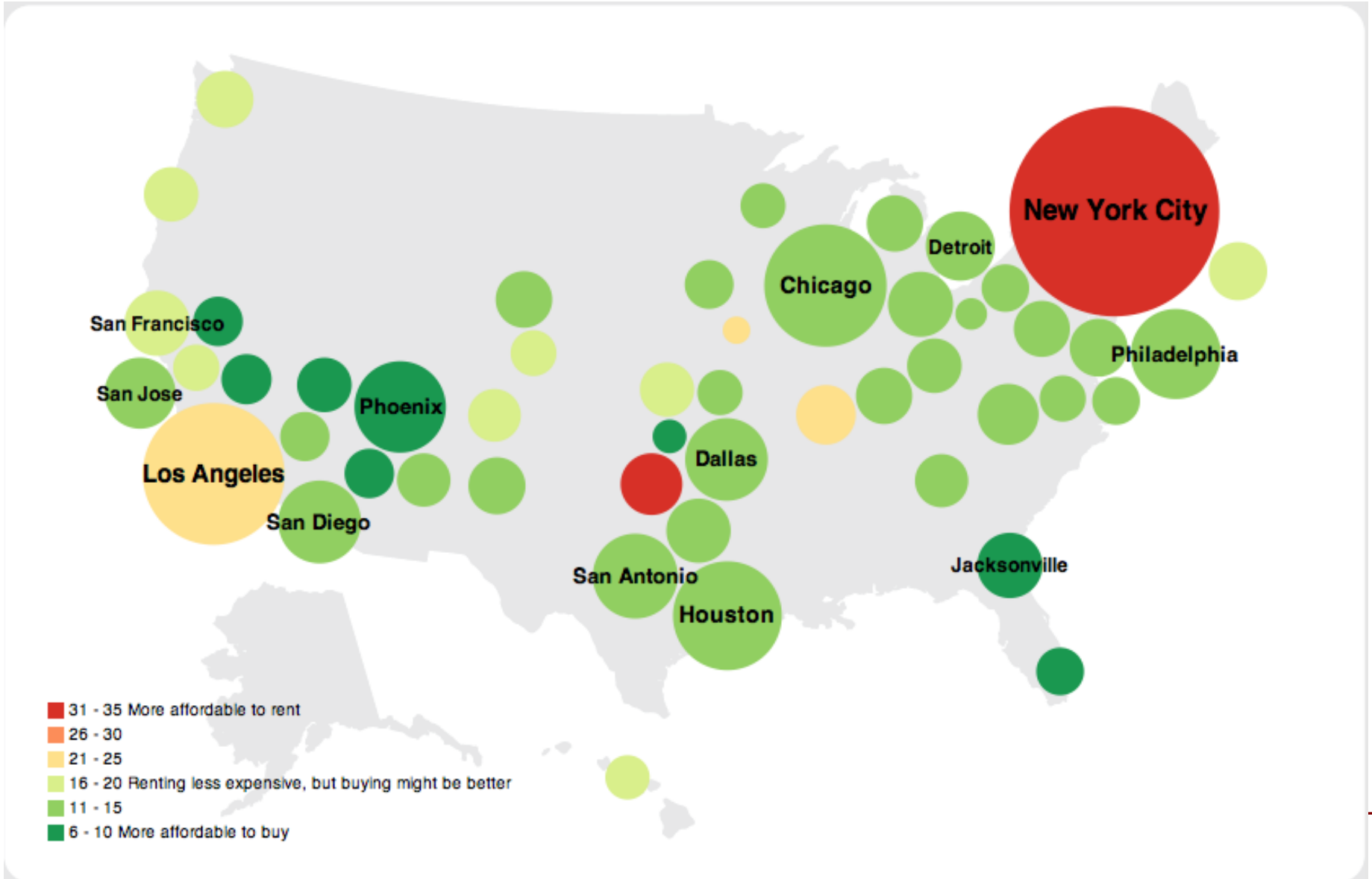


- But, house prices here do appear to be back in line with their fundamentals.

Price/Rent Ratios of Major U.S. Cities



- The plus side of the price deflation is that it is now just as affordable to own as rent.



Summary

- **Philadelphia's housing market continues to muddle through:**
 - Despite the difficult conditions of the past few years, we have gotten off relatively easy.
 - The massive waves of price declines, foreclosures and unemployment that hit many other cities largely passed us by.
 - The majority of house price declines appear to be behind us.
 - The housing market has made considerable progress in moving back towards an equilibrium in its fundamentals.
- **Where do we go from here?**
 - Federal support (tax credit) for the housing market had only a temporary impact.
 - Although price declines resumed after the tax credit's expiration last summer, house prices in Philadelphia actually rose (albeit, very slightly) this past spring.
 - First "natural" house price increase since the bubble burst.
 - Our main obstacles to recovery continue to be national rather than local: sluggish economy, high unemployment, economic uncertainty.
- **Outlook: Some modest price declines in second half of 2011 through early 2012, followed by relative stabilization and a sluggish recovery.**