Recovery is here, but uneven and sluggish

House Price Indices 1980-2014: 1980Q1=100
Philadelphia County v. Philadelphia MSA and U.S. Average

7% increase after 20% decline
Our recovery lags most other cities:

House Price Appreciation 1987-2014: Philadelphia v. 10-City Composite

% Change | 10-City | Philadelphia
1998 to Peak: | +173% | +136%
From Peak: | -19% | -13%

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Now that the housing market's recovery appears to have arrived, this chart shows how much house prices need to rise in each city in order to erase the cumulative losses from the bust. The total rebound (to date) in house prices is shown by the blue bars, while the remaining losses are shown by the red bars. For example, Philadelphia county's average house prices fell by a cumulative 20% from peak to trough. To date, they have rebounded by 7%, which implies they need to rise another 13% in order to return to their pre-bust peak levels.

Source: Kevin C. Gillen, Ph.D. All other cities courtesy S&P/Case-Shiller.
Number of Philadelphia House Sales* per Quarter: 1980-2014

62% decline from peak, but are now trending up.
Million dollar-plus home sales remain strong:

Number of Philadelphia Home Sales* per Quarter with Price>=$1 Million: 1997-2014
Recovery skewed towards higher-priced homes:

Median Philadelphia House Price v. Indexed Philadelphia House Price
1980-2014

- Median Price
- Indexed Price*
Sales skewed towards higher-priced homes:
Note encroachment of higher-priced homes:
Rent appreciation skewed as well:

Rents up significantly, even as house prices down:

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**Philadelphia Rents v. House Prices: 2010-2014**

- **Median Rent**
- **Median House Price**

- **Rents up 16%**
- **House Prices down -1.5%**
Price-Rent Ratio at 10-year low

Average House Price-to-Rent Ratios*: 1980-2014
Philadelphia v. U.S.

*Computed by taking the ratio of average house price to the average annual rent of a comparable housing unit. The P/R ratio is to real estate what the P/E ratio is to other assets. Contact gillenk@upenn.edu for further details.
Inventories beginning to uptick again?

Philadelphia Houses Listed For Sale: Inventory v. Absorption Rate

# Homes Listed "For Sale" % Absorbed

% Absorbed = (#Sales/#Listings)

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Homes are moving at a faster pace:

Average Days-on-Market* for Philadelphia Homes

*Days-on-Market (DOM) is the average number of days it takes for a listed house to sell.
Economy still sluggishly recovering:
Unemployment slow to decline:
Interest rates are heading up again:

Refinance Activity and Mortgage Rates

MBA Refinance Index (monthly average) vs. 30 Year fixed-rate Mortgage Rates

http://www.calculatedriskblog.com/
Homebuilders feeling more optimistic:

The Index represents the current sentiment of U.S. homebuilders. The index is computed via a regular monthly survey of homebuilders. An index value above 50 indicates that more builders are optimistic than pessimistic, while an index value below 50 indicates that more builders are pessimistic than optimistic.
Markets more bullish on housing:

The PHLX Housing Sector Index is a modified cap-weighted index composed of 20 companies whose primary lines of business are directly associated with the U.S. housing construction market. The index composition encompasses residential builders, suppliers of aggregate, lumber and other construction materials, manufactured housing and mortgage insurers.

Note: the index underwent a significant rebalancing in January of 2006.
What to Expect Going Forward?

• **The Good:** The recovery continues, and is very strong in some (higher-income) markets.

• **The Bad:** Remains very uneven, sluggish GDP and income growth, and slow declines in unemployment. And: rising interest rates while credit still remains relatively tight credit.

• **The Uncertain:** When will true, widespread recovery take hold? And, what about local policy?