

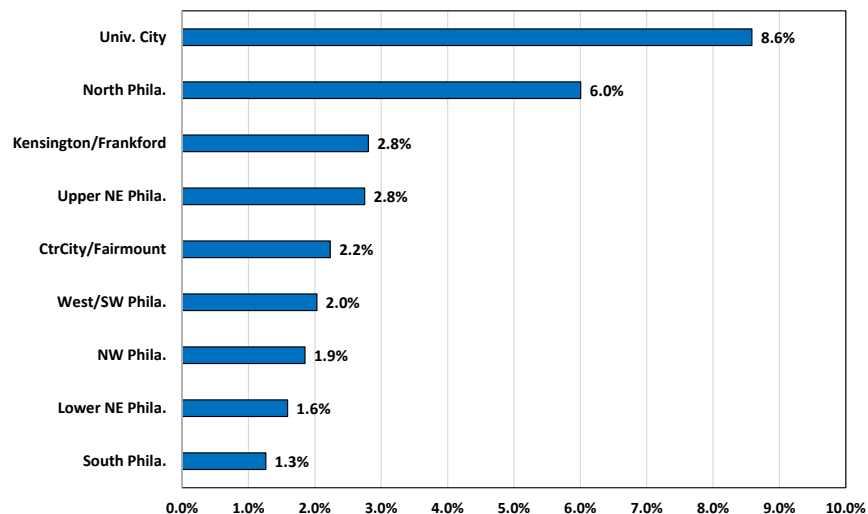
Philadelphia's Housing Market Had a Decent Spring in Q2.

But, both local and national housing numbers continue to support a more bearish outlook.

August 25, 2025: The market's indicators show that Philadelphia continues to defy many national housing trends, but also that disobeying gravity can't continue forever. Here's the latest numbers through 2025 Q2:

- **On a quality- and seasonally-adjusted basis, the average price of Philadelphia homes remained nearly flat in Q2.** House prices in the city grew by only 0.4% this past spring, the same as in this year's winter.
- **With the latest data, the initial pattern of price deceleration is steadily becoming a trend.** The city's general level of house prices is currently up only 2.2% from one year ago (YoY). Last spring, house prices were up 6.9% YoY.
- **Philadelphia's current sluggish house price growth is only half its historic average.** Philadelphia's rate of house price appreciation has traditionally averaged 4.5% per year.
- **A simple look at the raw data confirms a trend of slowing price growth.** Currently, the median¹ house price in Philadelphia is \$235,000, which is also up only 2.2% from \$229,995 one year ago.
- **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 growth²:

Current YoY House Price Appreciation (%) by Submarket



¹ 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 since it is a more stable metric than "average" price.

² 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.

- **Although home sales volume remains well below its post-Covid peak of just a few years ago, it still exhibited a decent “Spring Bounce”:** 4,970 houses transacted under arms-length condition Philadelphia County in Q2, up nearly 34% from 3,724 sales this past winter, and also up 6% from 4,693 sales during last year’s spring.
- **Inventories rose this spring, but remain flat YoY.** According to Bright MLS, there are currently 4,472 houses listed “for sale” in Philadelphia. Although this up from 3,786 this past winter, it is roughly even with the 4,411 homes listed for sale last summer.
- **The average number of days that it takes to sell a home (DOM) also remains flat.** It currently takes an average of 16 days to sell a home in Philadelphia, compared to 18 days at this time last year.
- **Interestingly, housing-related stocks showed a sharp rebound this past spring after falling sharply following President Trump’s imposition of tariffs on imports—which significantly affects the cost of homebuilding materials and home furnishings.**³ After dropping 24% through April of this year, the Philadelphia Stock Exchange’s Housing Sector Index has since rebounded by 32%. At the time of this writing, a share in this cap-weighted index is priced at \$758, compared to \$574 just a few months ago.
- **Philadelphia’s Price-to-Rent ratio has been declining and moving back towards its long-run mean trendline.** This metric is to real estate what the P/E ratio is to stocks: a rough measure of how close prices are to their fundamental drivers. Philadelphia’s ratio peaked at 15.1 in 2022, and now stands at 13.2—which is very close to the national average of 12.9—suggesting that Philadelphia was overpriced relative to the national market, but that it is no longer a significant outlier⁴.
- **Zillow remains fairly bearish on Philadelphia’s near-term outlook.** Zillow is currently projecting Philadelphia’s general level of house prices to increase by only 1.2% over the next 12 months, which is well below Philadelphia’s average annual house price growth rate of 4.5%. Zillow has been steadily downgrading its forecast for Philadelphia for over a year now.

The Big Picture: The data continue to point towards a continued—but relatively modest—cooling. However, this softening also continues to take the shape of a normal cyclical downturn rather than a bubble bursting due to extreme over-valuation (e.g. the Great Recession of 2008-2012) or a panic-driven reaction to other events (e.g. COVID in 2020). The national numbers also support that a downturn is well on its way, with overall home sales declining and sales cancellations rising,⁵ and a third of U.S. States already being considered as “in a recession”⁶. However, the fact that most of the negative housing news is from the Sun Belt markets serves as both a cautionary yet reassuring tale: although these markets (and economies) tend to be leading indicators of the Philadelphia housing market (and economy), Philadelphia’s cyclical fluctuations have historically tended to be less severe than those of its Sun Belt equivalents.

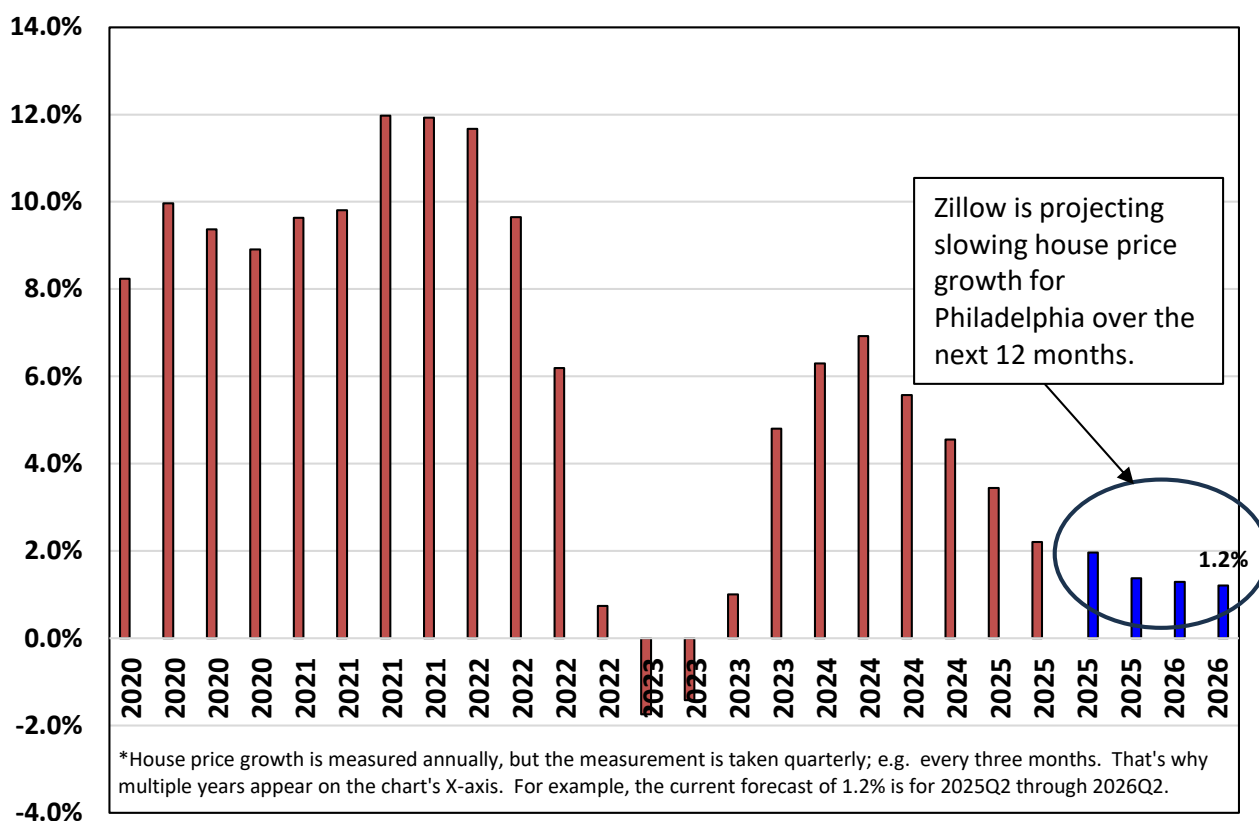
³ Steel and lumber for framing, treated wood for flooring, sheet rock for walls, stone and tile for surfaces, metal fixtures (e.g. faucets, door knobs, drawer pulls, etc.) for finishes are frequently produced (at least in raw form) abroad. Also, much furniture and other elements of home furnishings (think IKEA) are made abroad.

⁴ Of course, this assertion does nothing to address concerns that the national Price-Rent ratio may be too high, or that specific neighborhoods in Philadelphia may likewise be overpriced!

⁵ Source: <https://www.newsnationnow.com/business/your-money/home-purchases-canceled-record-rate/>

⁶ Source: <https://fortune.com/2025/08/25/recession-warning-economic-outlook-states-high-risk-stagnating-expanding/>

Post-Covid YoY %Percent Change in Philadelphia's Annual House Price Growth*



The Bottom Line: Much like the hurricanes that hit Florida and the Gulf—but then get downgraded to a tropical depression by the time they hit us—a housing bust may look increasingly likely to be coming our way, but its impact also looks to be relatively milder than for many of Philadelphia's large national counterparts.

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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.