The Philadelphia Region's Housing Market Continues to Trend Back to Normal.

**But, record-breaking sales volume of luxury (+$1m) homes are worsening affordability.**

**August 29, 2025**: Here's the latest numbers, from data generously provided by Bright MLS:

- **In Q2, the average price of Philadelphia (city) homes was up 2.2% from a year ago, on a quality- and seasonally-adjusted basis.** This is a decrease from a 6.9% increase in the same quarter last year.

- **The average price of suburban homes in the Philadelphia region was up just 1.3% from a year ago on a quality- and seasonally-adjusted basis.** Just as in the city, this is also a decrease from 5.6% at the same time last year.

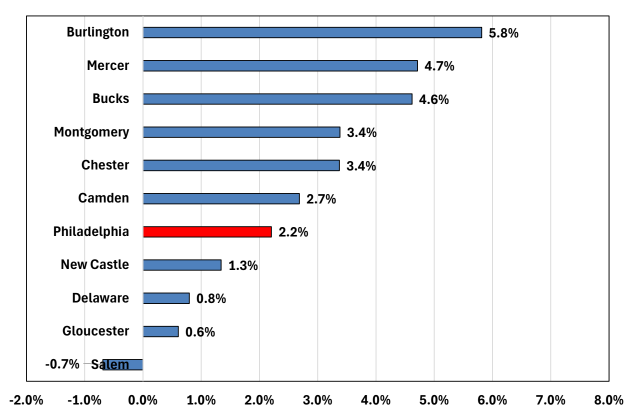
- **These latest numbers indicate a continuing regional trend of house price deceleration since their COVID-period peak.** At their crest three years ago in 2021 Q3, house prices were rising 11.9% annually in the city and 20.0% annually in the suburbs. While price appreciation remains in positive territory for both markets, its rate of growth has been slowing down ever since.

- **House price appreciation across the Philadelphia metro area is now below its historic average rate of growth.** House prices are currently growing at an average of 1.5% per year, which is well below the region's historic average annual appreciation rate of 4.6%.

- **But, house price growth in the Philadelphia region is also currently outperforming national trends.** House prices in the 10 largest U.S. metros (excluding Philadelphia) have actually declined by 0.4% in the last several months, while they have risen (albeit just slightly) in Philadelphia[1].

- **Price changes across individual counties became quite varied in Q2.** Burlington County led the pack with house prices being up 5.8% from a year ago, while Salem County lagged its counterparts with house prices actually being down 0.7% from one year ago.

Current YoY House Price %Appreciation by County

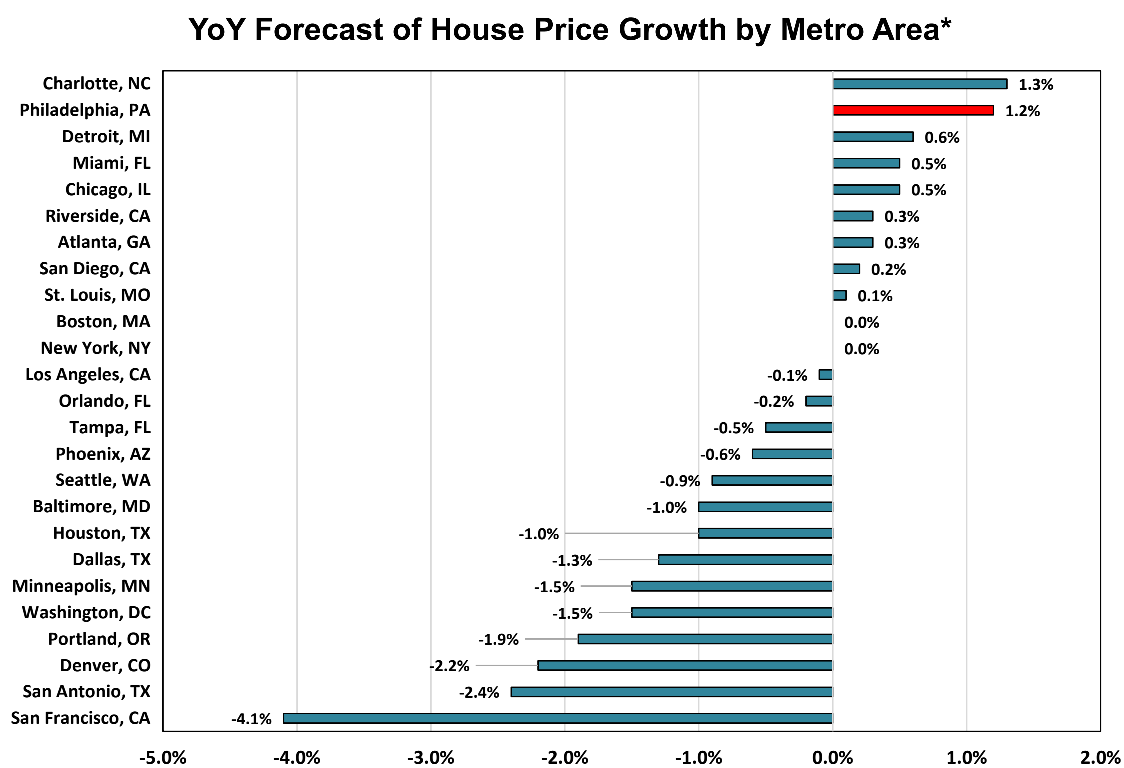



[1] Source: Case-Shiller HPIs https://fred.stlouisfed.org/series/SPCS10RSA

- **Home sales volume continues to revert back towards its historic average from its post-COVID peak.** Nearly 18,600 homes changed hands under arms-length conditions in Q2 in the Philadelphia region. This is a sharp decline from its recent high of just over 25,000 sales in late 2021, but is almost perfectly in line with the region's historic average of just under 18,000 transactions per quarter.

- **Luxury (+$1m) home sales continue to break new records across the region.** Even as general house price growth is cooling, million-dollar sales are still surging. There were 1,032 sales at a price of one million dollars or more in Q2, which is the first time that such sales have exceeded 1,000 in a single quarter. Prior to COVID just a few years ago, the region averaged 171 such sales each quarter, whereas it is now averaging a whopping 561 such sales each quarter; a more than tripling in volume!

- **Interestingly, although Zillow's forecast for Philadelphia has become increasingly bearish recently, Philadelphia is currently projected to outperform most other large U.S. metros.** The housing analytics firm is predicting that the general level of house prices in the Philadelphia region will increase by 1.2% over the next 12 months. Although this is a substantial downgrade from Zillow's forecast of nearly 11% just a few years ago, it is currently the most optimistic forecast for any large U.S. metropolitan market with the exception of Charlotte, NC:




**Summary: Evidence is steadily accumulating for a return to a more balanced market, but housing unaffordability persists an issue.** Slowing price growth and cooling sales activity typically indicate an approaching turning point in a market's cycle. While the expectation of transitioning from a bull to a bear market is not typically welcome news, the relief that this would provide to the housing unaffordability that has become exacerbated since COVID would indeed be a silver lining. However, while the rest of the market may be returning to a more stable equilibrium, the luxury segment continues to both defy gravity and worsen overall affordability. The fact that this is occurring in an environment of higher rates, rising inventory, greater buyer reluctance and decelerating price growth is both puzzling and concerning. It is also not unique to Philadelphia. Currently, sales in the +$1m segment are the fastest growing category of home sales[2] in the U.S. And, upscale homebuilder Toll Brothers reports that 70% of their demand is currently from prosperous move-up buyers while the remainder is from older—and relatively affluent—Millenials[3]. Although there has been an increase in foreign buyers of luxury housing in the U.S., this has disproportionately occurred in more cosmopolitan cities such as New York and Washington. A better explanation can be found in the combination of limited inventory (supply), prolonged stock market-driven gains for already-affluent households, the greater ability (and inclination) of wealthy households to purchase with cash, and possibly a shift in preferences by these same households towards luxury real estate as a "safe haven" for investment in uncertain times.

***Bottom Line: The remainder of 2025 should continue to see a trend back to relatively more balanced conditions. But affordability not only remains an issue, it continues to grow as one.***

Email for Kevin Gillen: 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.*

[2] Source: https://www.inman.com/2025/07/14/why-the-luxury-real-estate-market-can-feel-optimistic-for-2025/
[3] Source: https://fortune.com/2025/02/20/luxury-homebuilder-business-wealthy-move-ups-empty-nesters-rich-millennials/