The Philadelphia Area's Housing Market Is Not Just Stagnating: It Is Segmenting.

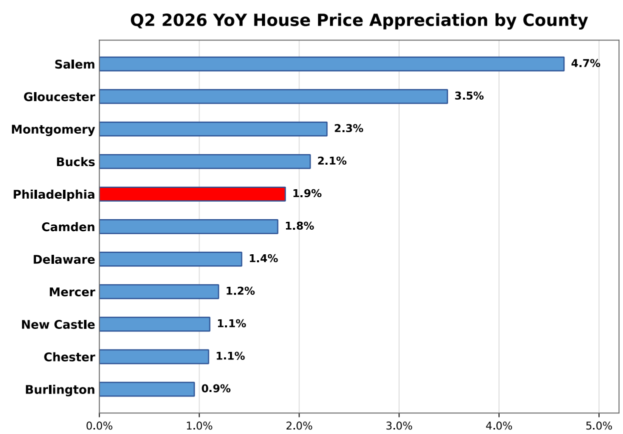
Price growth has slowed sharply, sales remain suppressed, and a significantly changing mix of sales is complicating the market's analysis.

September 16, 2026: The Philadelphia region's housing market continues its post-pandemic adjustment. Here are the latest numbers:

- **House-price appreciation slowed to 1.9% YoY in both the city and suburbs.** City appreciation decelerated from 3.9% in Q1; regional growth is now well below its historic 4.6% annual pace and just under the 2.1% U.S. rate.

- **The post-COVID price boom has largely dissipated, but prices are not broadly declining.** At their 2021 Q3 peaks, annual appreciation reached 11.9% in the city and 20.0% in the suburbs. Today both remain positive, but at only a fraction of those rates.

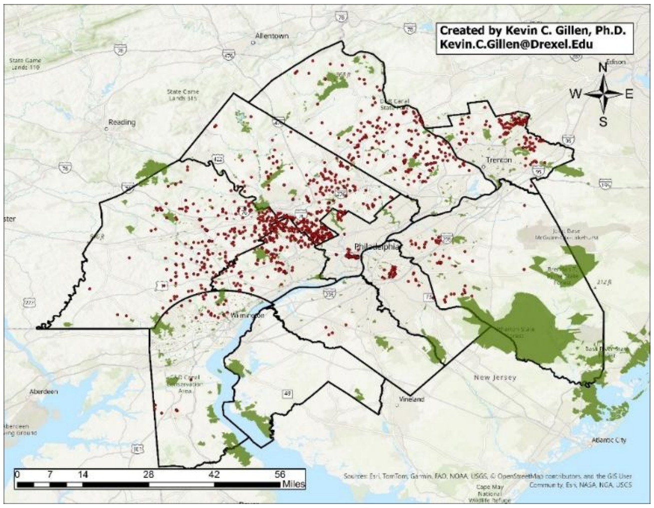
- **All 11 counties remained in positive YoY appreciation territory, but most gains were modest.** Salem led at 4.7%, followed by Gloucester at 3.5% and Montgomery at 2.3%; Burlington was slowest at 0.9%, while Philadelphia County was up 1.9%.

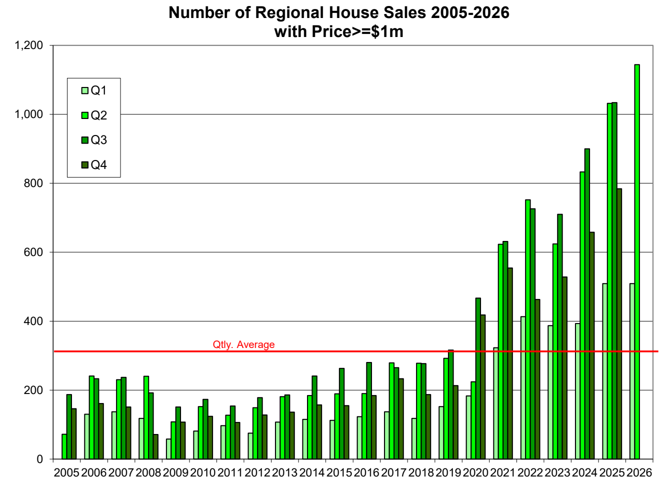


- **Regional sales fell 9.6% YoY to 16,811 in Q2, a post-COVID spring low.** Philadelphia recorded about 3,025 sales, roughly 11% below its historic quarterly baseline of 3,400, while suburban sales totaled 13,786, slightly above their baseline of nearly 13,300.

- **$1M+ sales dramatically outperformed the overall market.** Regional $1M+ sales rose 10.9% YoY to a record 1,144 in Q2 even as total sales fell 9.6%; suburban $1M+ sales reached 1,076, or 7.8% of suburban transactions. But as discussed in the accompanying Sales Composition Analysis[1], the changing mix of transactions means that conventional sales-price statistics should be interpreted with greater care.

[1] See the addendum attached to the end of this report.





- **Currently, roughly one dollar in every five changing hands in the Philadelphia region's housing market is attached to a $1M+ transaction**. This contrasts sharply with with roughly one dollar in every twelve before the pandemic.

- **Zillow's Q2 2026 forecast remains comparatively bullish for Philadelphia.** It projects 2.2% regional house-price growth over the next 12 months, second only to New York's 2.5% among the 25 largest U.S. metros; Chicago is tied with Philadelphia at 2.2%.

Summary: The Philadelphia region is settling into a low-volume, low-appreciation market rather than undergoing a broad price correction. Quality-adjusted prices are still rising, but at only 1.9% annually in both the city and suburbs—well below the region's historic pace—while transaction activity remains unusually weak, particularly in Philadelphia. The record number of $1M+ sales makes the market look increasingly top-heavy, with the upward shift in the transaction mix raising the reported regional average transaction price by about $55,000. The market therefore remains price-resilient but liquidity-constrained, with raw average sale prices increasingly sensitive to which homes happen to transact.

Bottom Line: *<u>Expect more sideways movement than either up or down</u>. This means: positive-but-modest price growth, supressed sales, and continued sensitivity to mortgage rates and affordability. Absent a meaningful improvement in financing costs—or a broader economic shock—there is little evidence of the conditions that would suggest major price decline like the last major housing downturn of 2008-2012. Zillow's modest 2.2% forecast is consistent with that view.*

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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.

Addendum: The Philadelphia Region's Housing Market Is Moving Upmarket — And the Headline Numbers Can Be Misleading

A sales-composition analysis shows that lower-priced transactions have contracted sharply while higher-priced sales have become increasingly prominent—changing what conventional measures of market performance actually tell us.

September 16, 2026: A deeper examination of the region's transaction data reveals five important patterns:

- **The mix of homes being sold has shifted dramatically upward in price.** $1M+ transactions have become much more prominent since COVID, while lower-priced transactions have contracted sharply.
- **The shift to higher-priced home sale is primarily a suburban one.** Using 2019 as the last full pre-pandemic benchmark, $1M+ sales have increased approximately 96% in Philadelphia but 273% in the suburbs.
- **The divergence across price segments is striking.** Sales below the $1 million price point are running roughly 45% below their 2019 level in Philadelphia and 34% lower in the suburbs, even as $1M+ activity has expanded.
- **The changing sales mix materially affects conventional market statistics.** Holding the $1M+ share of transactions at its pre-COVID level reduces the region's current average transaction price by approximately $55,000—demonstrating that part of the apparent increase in the average price reflects *which homes are selling*, rather than simply how much individual homes have appreciated.
- **The phenomenon extends well beyond million-dollar homes.** Transactions below $250,000 have fallen from roughly 62% of sales before COVID to about 20% today, while transactions above $400,000 have increased from approximately 15% to more than half of all sales. The result is a market that has become considerably more expensive-looking combined with weakening overall transaction activity.

A Statistical Primer on How Biased Data Samples Can Give Misleading Views of a Market—And Why It Matters

To motivate this topic, consider the following simple and stylized example: imagine a housing market with a total of 1,000 houses, of which approximately 10% transact every year. Further imagine that the market is generally slowing, but that sales of high-priced (e.g. +$1m) houses are increasing, just like Philadelphia's currently is. But—and here's the key part—assume that the value of all homes remains the same from the first year to the next, just like house prices in Philadelphia[2].

With these assumptions, here is the pattern of sales from Year One to Year Two:

[2] Technically, YoY house price appreciation has remained positive, but in the low single percents. This is below Philadelphia's historically average rate of appreciation of ~4.5%. So, nominal house-price appreciation remains positive but subdued; with general inflation currently running faster, inflation-adjusted "real" house prices have actually declined modestly.

Transactions	Year One	Year Two	Change
+$1M	80	100	25%
<$1M	100	75	-25%
Total	**180**	**175**	-3%

In this example, notice that overall sales have declined by 3%, but that this is entirely due to the decline in lower-priced (<$1m) transactions. In fact, higher-priced (+$1m) transactions have actually surged during the same period.

Now let's add price data to the example. Assume that the typical transaction price for high-priced homes is $1.5m, while the typical transaction price for lower-priced homes is $500,000. Moreover, remember that these prices remain flat across years; i.e. no price appreciation or declines. Only the mix of transactions changes. Now the table looks like this:

Transactions	Year One	Year Two	Change	Typical Price	$Volume Change
+$1M	80	100	25%	$1,500,000	$30,000,000
<$1M	100	75	-25%	$500,000	-$12,500,000
Total	180	175	-3%	N/A	$17,500,000
Average Price	**$944,444**	**$1,071,429**	**13.4%**		

The result is pure composition bias: notice that prices are flat (not a single individual home changed in value) and total sales activity declined, but both total sales $volume and the average price went up…solely because the composition of sales became distributionally and regressively biased towards more expensive homes.

Hence, both a housing analyst and the media could report two contradictory results, while remaining completely honest:

- *"Overall house prices grew at 0% while sales activity dropped 3%, indicating a contracting housing market."*

and

- *"Total dollar volume of home sales increased by $17.5m and average house prices increased by 13.4%, indicating an expanding housing market."*

The result is wonderfully stark: the empirical evidence cited in both of the above quotes about the housing market are completely true…yet they give completely opposite conclusions about the market's direction!

Examining the Shift in Sales Composition in the Philadelphia Region's Housing Market

With this analytical framework in mind, let's examine if similar results hold for this area's housing market using the population of all qualifying home sales[3]; i.e. they are not just a sample of sales. Only sales of single-family houses were included; i.e. no condos or apartment. The data are compiled from a combination of public records and MLS (Bright) data. The final dataset used in this analysis spans the periods 2010-2026Q2, and contains 1,163,611 records.

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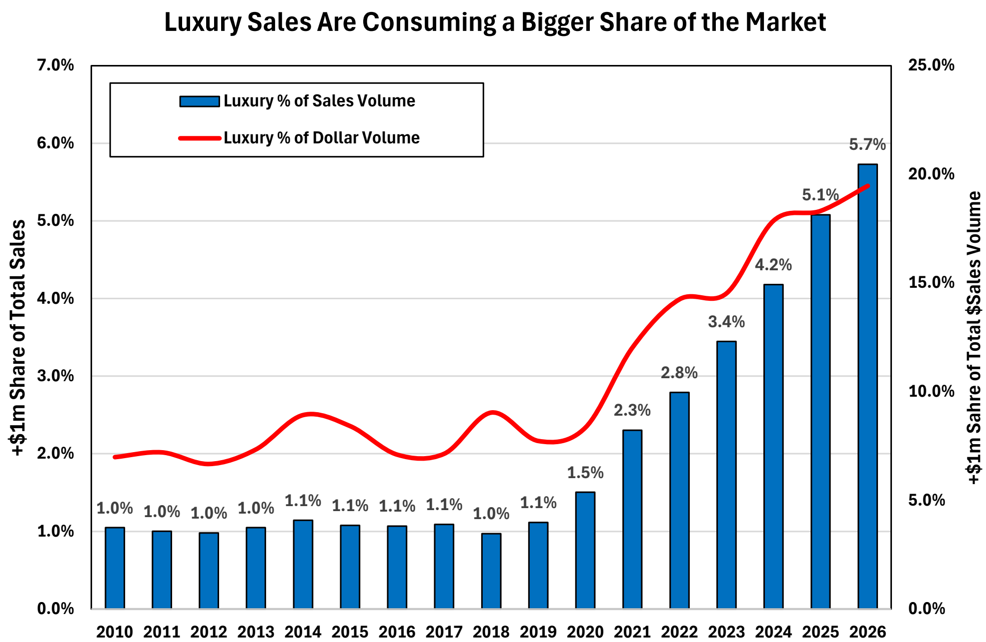
[3] Only arms-length sales between individuals are included in this sample. So, blanket sales, nominal sales, sheriff sales, bank sales, government sales, inter-family transfers or government-involved sales (e.g. HUD sales, Fannie or Freddie sales, etc.) have been excluded from this analysis.

Result #1: Since 2020 (COVID), Luxury Sales Have Not Only Been Rising Sharply (Even as Non-Luxury Sales Have Declined), But Punching Above Their Weight in Market Share.

First, to keep things simple, let's define just two price tiers in the housing market:

- "Luxury Sales" = sales with a price equal to or exceeding one million dollars (+$1m)
- "Non-luxury Sales" = sales with a price less than one million dollars (<$1m)

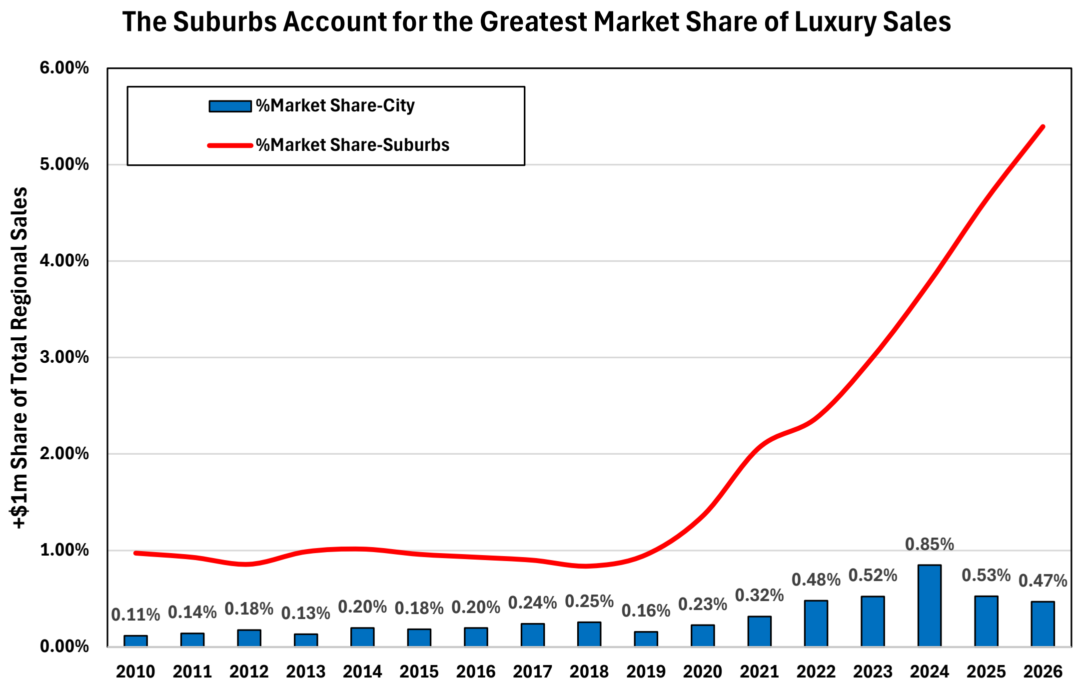
The following chart compares the total number of luxury sales to their market share:



As can clearly be observed, luxury sales were not only much lower in terms of both the sales and dollar share of the market prior to COVID, they have been growing largely unimpeded ever since. Measuring off of the last pre-COVID year of 2019, luxury sales have grown from 1.1% of total sales to 5.7%; a more than five-fold increase. But when counted as the percent of total dollars expended on home purchases, the footprint of luxury sales is even larger, growing from a nearly 8% market share to almost 20%.

Result #2: There Is a Significant City-Suburban Split in the Distribution of Luxury Sales.

The following chart shows the market share of luxury sales, broken out by city v. suburbs:



As the chart clearly indicates, the suburbs have been the driving force in the region's luxury market. Although luxury sales in Philadelphia have grown by 96% since 2020[4], they have grown by 273%--nearly three times as much—in the suburbs.

This result is especially illustrative of how it can lead to market analysis that is both correct but contradictory. For example, these numbers can suggest two possible competing interpretations:

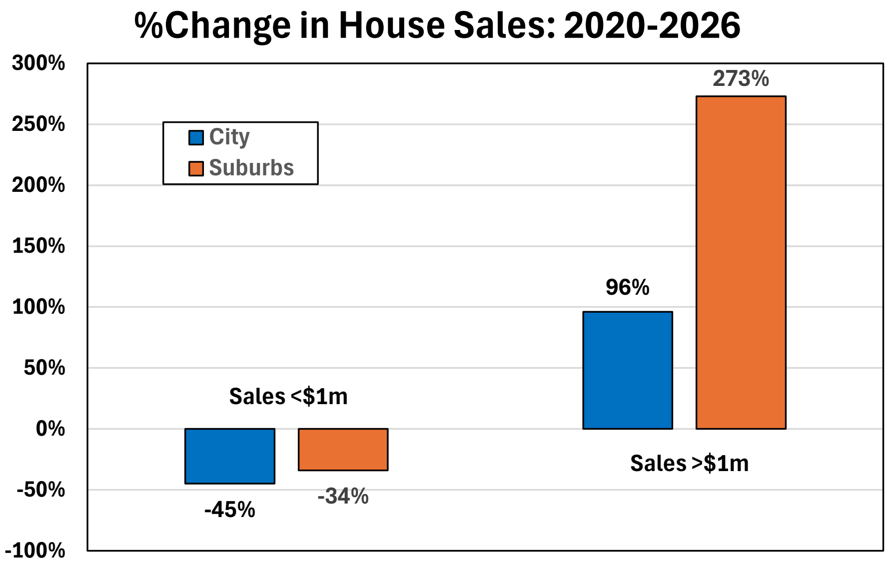
- *"+$1m house sales in Philadelphia have nearly doubled since COVID, breaking new records almost every year."*

And:

- *"+$1m sales in the suburbs have almost quadrupled since COVID, leaving Philadelphia overwhelmingly behind with only a third of the suburb's growth rate."*

Result #3: Luxury Sales Are Disproportionately Skewing the Overall Market, In both the City and Suburbs—But Especially in the Suburbs.

[4] Post-2020 changes are measured relative to 2019, the last full pre-pandemic year. 2026 sales are annualized from first-half transaction counts.



Since 2020, lower-priced sales have nearly collapsed—down 45% in Philadelphia and 34% in the suburbs—while +$1M sales have increased 96% in the city and an extraordinary 273% in the suburbs.

Again, this can lead to competing and contradictory interpretations:

- *"Million-dollar home sales have boomed since COVID, nearly doubling in Philadelphia and almost quadrupling in the suburbs."*

And:

- *"Since COVID, most of the Philadelphia region's housing housing market has been contracting, with the majority of home sales falling 45% in the city and 34% in the suburbs."*

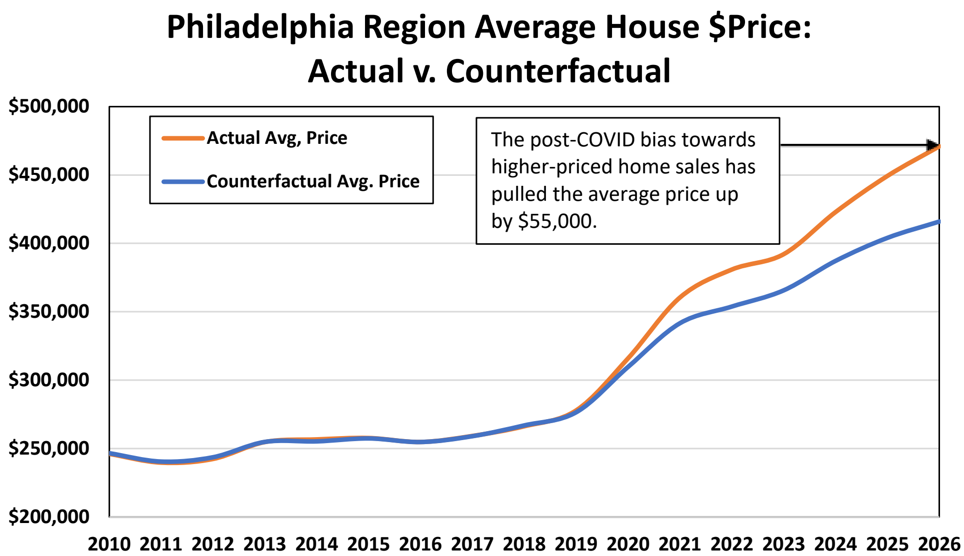
And also:

- *"Increased segmentation of the Philadelphia region's housing market is making homes look more expensive-looking even as overall sales are contracting."*

All of the above statements are technically true, but lead to significantly different perspectives on the not only the current state of the market, but its future direction.

Result #4: The Growth in Luxury Market Share Has Inflated the Raw Average Sales Price by Approximately $55,000, or 13%, Above Its Baseline Level.

One of the most common reported statistics in housing market analysis is the average price of transactions. It is fairly straightforward to understand that the inclusion of more luxury sales in a data sample will pull the average price upwards, but it is less clear just how large this distortion may be. To estimate how much the changing mix of home sales has affected the region's reported average sale price, a simple counterfactual was constructed by holding the post-COVID market share of luxury sales to their pre-COVID level, and then comparing the resulting counterfactual average house price to the actual average house price. The results are given in the following chart:



Comparing the two series—the average price actually observed and the average price that would have prevailed under the pre-COVID sales mix—shows how much the changing composition of transactions has influenced the headline average sale price. If luxury sales had the same market share of all sales post-COVID as it did before, the average house price in the Philadelphia region would be $55,000 lower than it actually is.

This is not to imply that the current reported average house price in the region is incorrect—it is what it is. But this simple analysis does illustrate not only the increase in average prices imparted by the growth in the luxury sale segment of the market, but also how much this increase is.

As in the previous examples, this can lead to distorted views of the market. For example, two potential takeaways to this result could be:

- "*Philadelphia area home prices continue to show remarkable post-COVID strength*."

And:

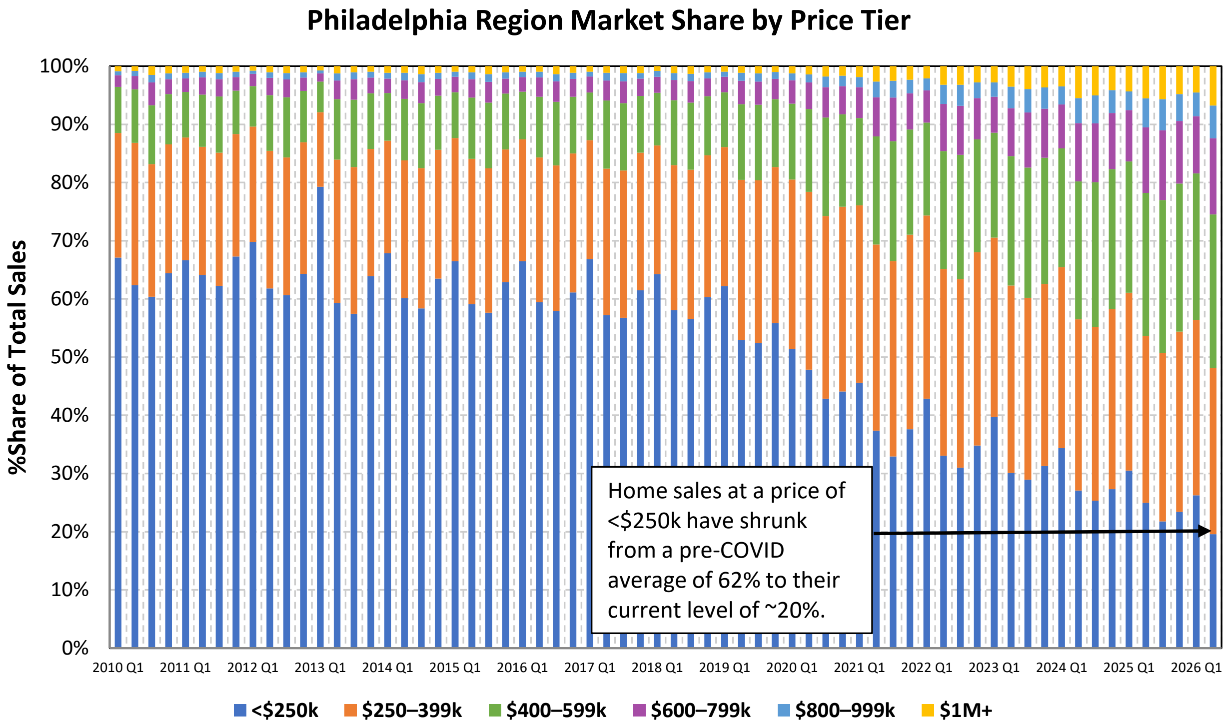
- "*The Philadelphia region's housing looks less affordable because the homes that are selling are increasingly the expensive ones.*

Again, both are true, but the first interpretation has an obviously positive connotation while the second one is more negative.

Result #5: The Shift to Higher-Priced Sales Extends Well Beyond the $1m Segment.

Lastly, it is important to determine whether the preceding results are simply an artifact of using $1 million as the arbitrary dividing line between "luxury" and "non-luxury" homes. Although intuitively appealing, that threshold imposes a relatively crude binary division on what is actually a broad distribution of sale prices. To examine the market in greater detail, transactions were therefore divided into six price tiers: less than $250,000; $250,000–$399,999; $400,000–$599,999; $600,000–$799,999; $800,000–$999,999; and $1 million or more. This categorization allows us to then examine the share of all transactions falling within each tier over time.

Importantly, these are fixed nominal price ranges, not measures of house-price appreciation. Consequently, some upward migration through the tiers is inevitable as house prices generally rise: a house that once sold for $240,000, for example, may subsequently sell for more than $250,000 without becoming a fundamentally different house. The purpose of the analysis is therefore not to measure how much individual homes have appreciated, but rather to ask a different question: Of all the homes that sold in a given period, what percentage sold at relatively low, middle, high, or very high nominal prices?



As the chart clearly indicates, the composition of transactions has changed dramatically over time. Prior to COVID, homes selling for less than $250,000 accounted for approximately 62% of transactions. Today, they account for only about 20%. Some of this decline undoubtedly reflects ordinary house-price appreciation pushing properties across the $250,000 threshold. But the decline accelerated markedly after 2020 and has been accompanied by substantial growth across several higher price categories.

Nor is this simply a story about million-dollar homes. Prior to 2020, transactions above $400,000 collectively accounted for only about 15% of all sales. Today, the four price tiers above $400,000 account for approximately 52%—more than half of all transactions. Thus, the post-COVID shift in the sales distribution is considerably broader than the growth of the +$1m luxury segment alone: the evolving mix of sales has migrated toward higher nominal price points.

This compositional shift is especially important because overall transaction activity has simultaneously declined. Using 2019 as the last full pre-pandemic benchmark, sales below $1 million are now running roughly 45% lower in Philadelphia and 34% lower in the suburbs, while $1 million-plus sales are approximately 96% higher in the city and 273% higher in the suburbs. **Thus, the upper end of the transaction distribution has become substantially more prominent at the same time that activity across the much larger lower-priced portion of the market has contracted.**

Once again, the same underlying facts can produce competing interpretations:

- *“Philadelphia’s housing market has dramatically shifted upmarket since COVID.”*

And:

- *“Since COVID, lower-priced home sales have been rapidly disappearing from Philadelphia’s housing market.”*

Both statements are consistent with the data, but they certainly convey very different impressions.

The Bottom Line: The Philadelphia region has not simply become a more expensive housing market; it has become a market in which the homes that actually transact are increasingly concentrated at higher price points. Since COVID, lower-priced transaction activity has contracted sharply while higher-priced sales—particularly in the suburbs—have become much more prominent. This changing composition does not make conventional statistics such as average sale price or dollar volume incorrect, but it does imply increased caution in interpreting what those statistics mean. A market can therefore appear both increasingly upscale yet surprisingly resilient in its headline numbers while simultaneously seeming less affordable and less accessible across much of the underlying price distribution. Distinguishing between “changes in home values” and “changes in the prices of which homes transact” is therefore critically essential to understanding the region’s post-COVID housing market.