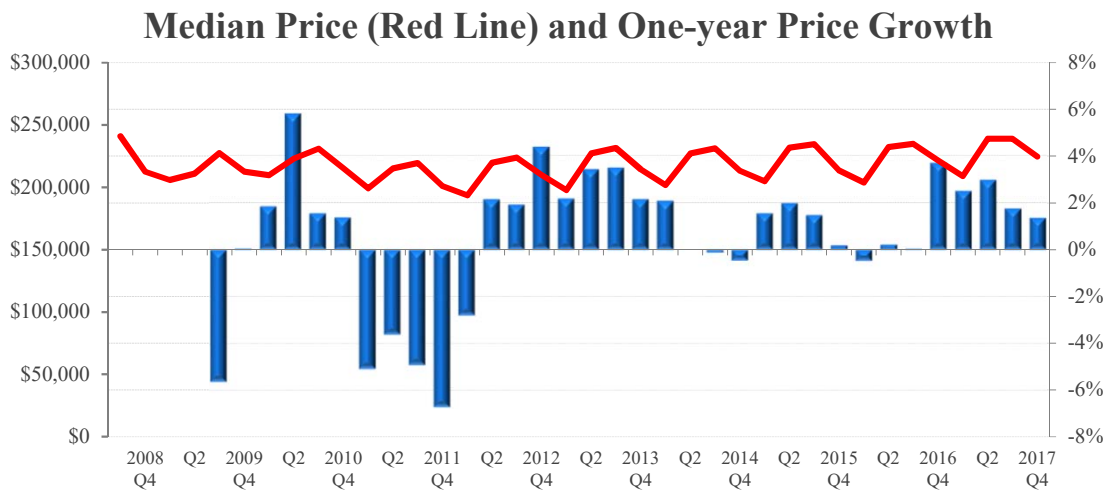


# Philadelphia-Camden-Wilmington Area

## Local Market Report, Fourth Quarter 2017

### Today's Market...



Local Price Trends			
Price Activity	Philadelphia	U.S.	Local Trend
Current Median Home Price (2017 Q4)	\$224,600	\$246,567	Prices are up from a year ago, but price growth is slowing
1-year (4-quarter) Appreciation (2017 Q4)	1.4%	5.4%	
3-year (12-quarter) Appreciation (2017 Q4)	5.3%	18.8%	
3-year (12-quarter) Housing Equity Gain*	\$11,300	\$38,933	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	\$9,100	\$76,700	
9-year (36 quarters) Housing Equity Gain*	\$12,100	\$65,800	

\*Note: Equity gain reflects price appreciation only

	Philadelphia	U.S.	
<b>Conforming Loan Limit**</b>	\$424,100	\$636,150	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$379,500	\$636,150	
<b>Local Median to Conforming Limit Ratio</b>	53%	not comparable	

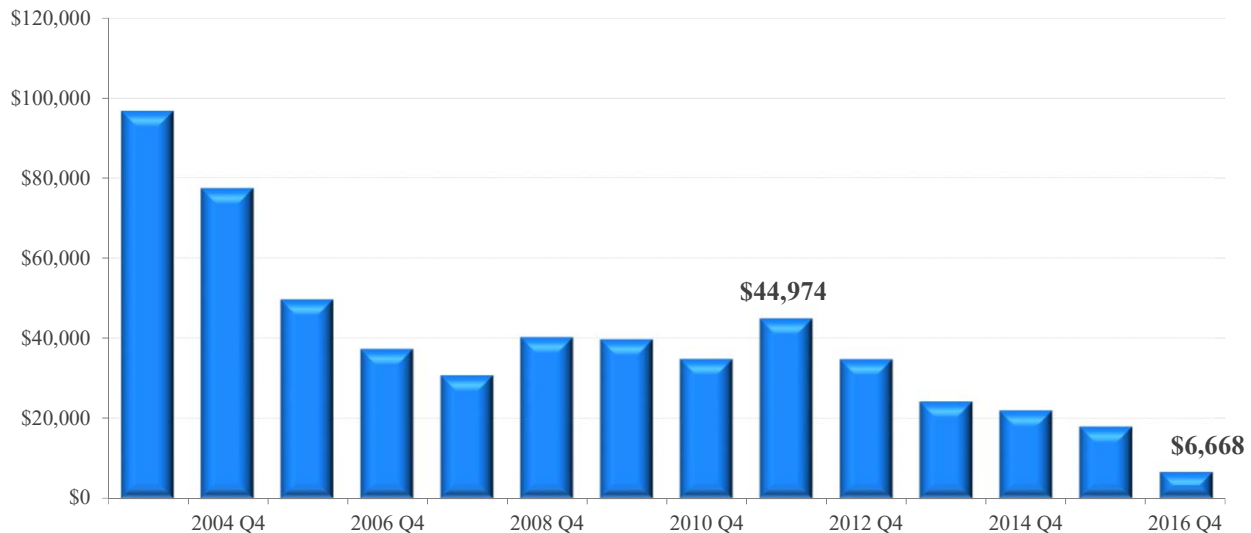
Note: limits are current and include the changes made in December 2016.

#### Local NAR Leadership

The Philadelphia-Camden-Wilmington market is part of region 2 in the NAR governance system, which includes all of New York, New Jersey, and Pennsylvania. The 2018 NAR Regional Vice President representing region 2 is Linda Page.

# Benefits of Ownership: Total Equity Appreciation

## Total Equity Accrued to Owner by Year and Quarter of Purchase



### Total Equity Gained\*\* through 2017 Q4 from quarter in which home was of purchased

Price Activity	Philadelphia	U.S.	Local Trend
1-year (4-quarter)	\$6,668	\$16,506	Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession
3-year (12-quarter)*	\$22,041	\$49,389	
5-year (20-quarter)*	\$34,814	\$79,367	
7-year (28 quarters)*	\$34,903	\$87,751	
9-year (36 quarters)*	\$40,376	\$77,560	
If purchase in 2005, the national price peak	\$49,735	\$35,924	

\*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

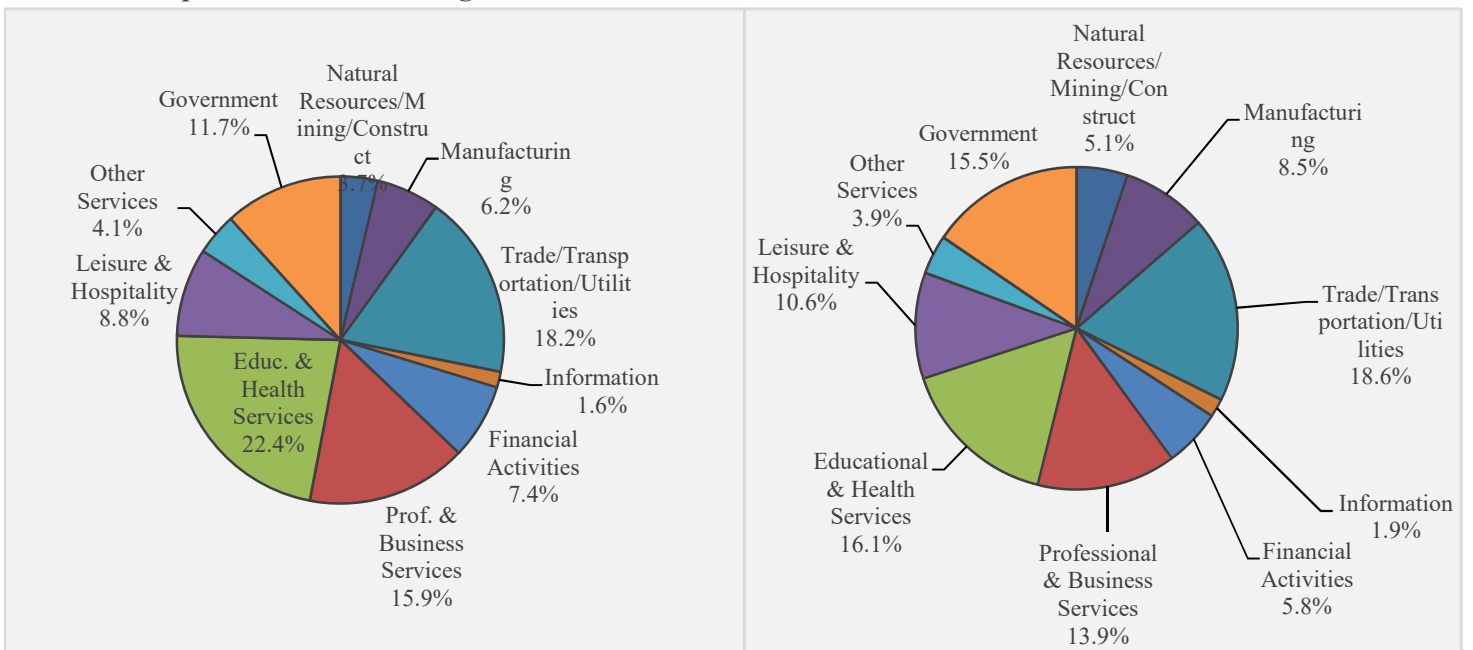
# Drivers of Local Supply and Demand...

Local Economic Outlook	Philadelphia	U.S.	
12-month Job Change (Dec)	26,000	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Nov)	33,600	Not Comparable	
36-month Job Change (Dec)	112,800	Not Comparable	Philadelphia's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Dec)	4.2%	4.1%	
Year-ago Unemployment Rate	4.3%	4.7%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	0.9%	1.6%	

## Share of Total Employment by Industry

Philadelphia-Camden-Wilmington Area

U.S.



12-month Employment Change by Industry in the Philadelphia-Camden-Wilmington Area (Dec - 2017)

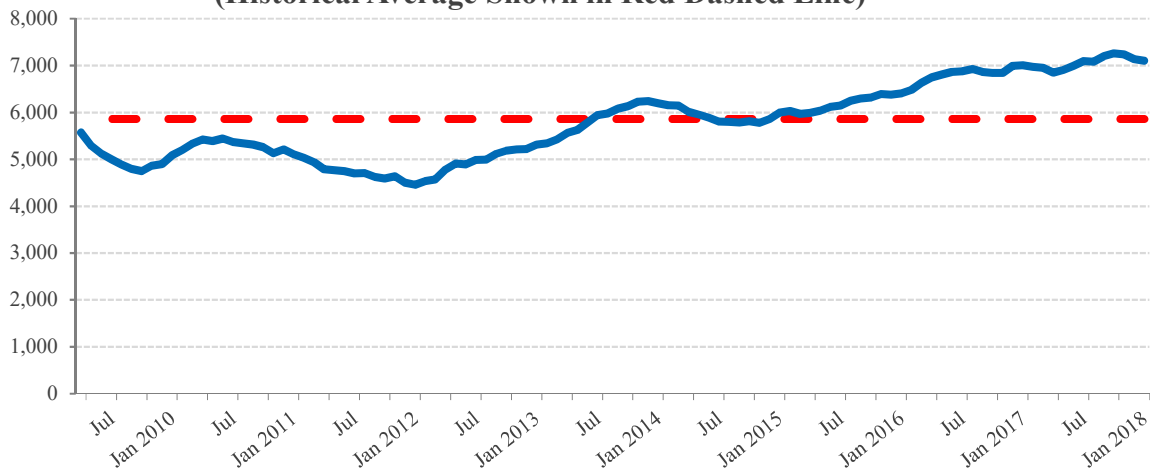
Goods Producing	NA	Information	-1,300
Natural Resources/Mining/Construction	-300	Financial Activities	1,900
Natural Resources and Mining	NA	Prof. & Business Services	6,200
Construction	NA	Educ. & Health Services	21,100
Manufacturing	1,100	Leisure & Hospitality	4,100
Service Providing Excluding Government	NA	Other Services	-1,100
Trade/Transportation/Utilities	-500	Government	2,400

State Economic Activity Index	Pennsylvania	U.S.	
12-month change (2017 - Dec)	3.1%	2.7%	The economy of Pennsylvania has outpaced the rest of the nation and improved modestly from last month's 3.06% change
36-month change (2017 - Dec)	NA	9.1%	

## New Housing Construction

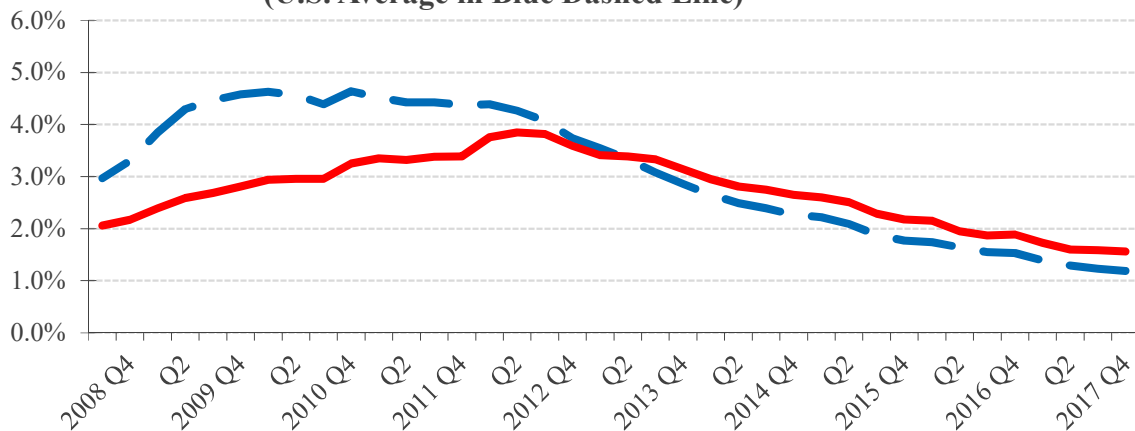
Local Fundamentals	Philadelphia	U.S.	
12-month Sum of 1-unit Building Permits through Dec	7,136	not comparable	The current level of construction is 21.8% above the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	5,858	not comparable	Production above trend for an extended period of time could cause prices to moderate as inventory is built up.
Single-Family Housing Permits (Dec) 12-month sum vs. a year ago	2.1%	9.7%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

**Construction: 12-month Sum of Local Housing Permits  
(Historical Average Shown in Red Dashed Line)**



While new construction is the traditional driver of supply in real estate, foreclosures and short-sales now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or distressed sales, place downward pressure on the median home prices.

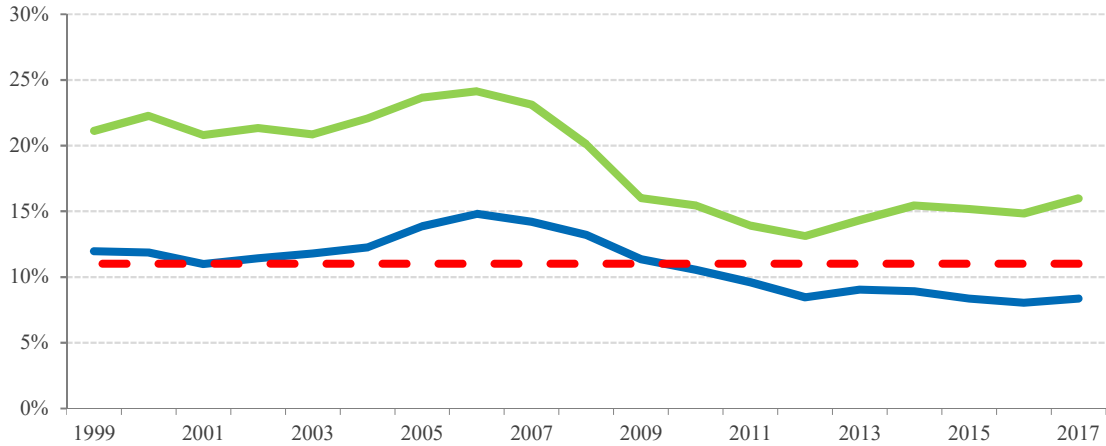
**State Total Foreclosure Rate vs. U.S. Average  
(U.S. Average in Blue Dashed Line)**



# Affordability

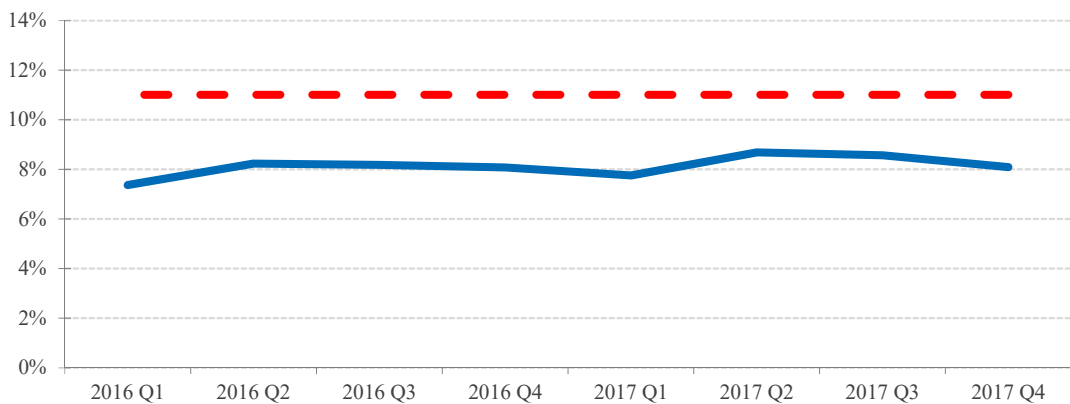


**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)

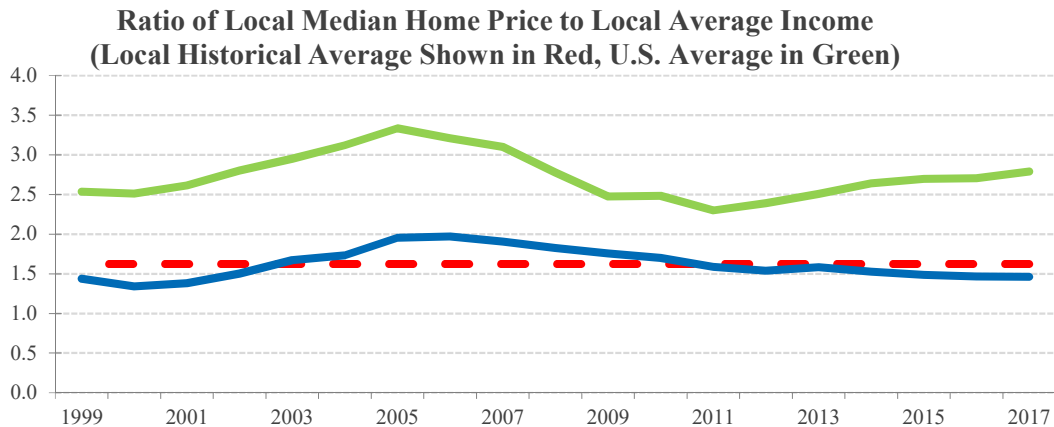


Monthly Mortgage Payment to Income	Philadelphia	U.S.	
Ratio for 2017	8.4%	16.0%	Historically strong and an improvement over the third quarter of 2017
Ratio for 2017 Q4	8.1%	15.3%	
Historical Average	11.0%	18.9%	More affordable than most markets

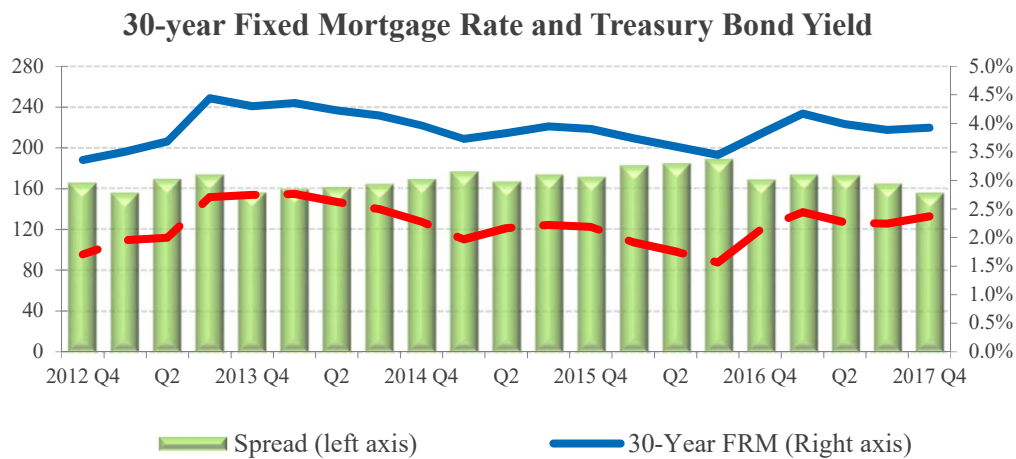
**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Philadelphia	U.S.	
Ratio for 2017	1.5	2.8	The price-to-income ratio has fallen and is below the historical average
Ratio for 2017 Q4	1.4	2.7	
Historical Average	1.6	2.7	Affordable compared to most markets



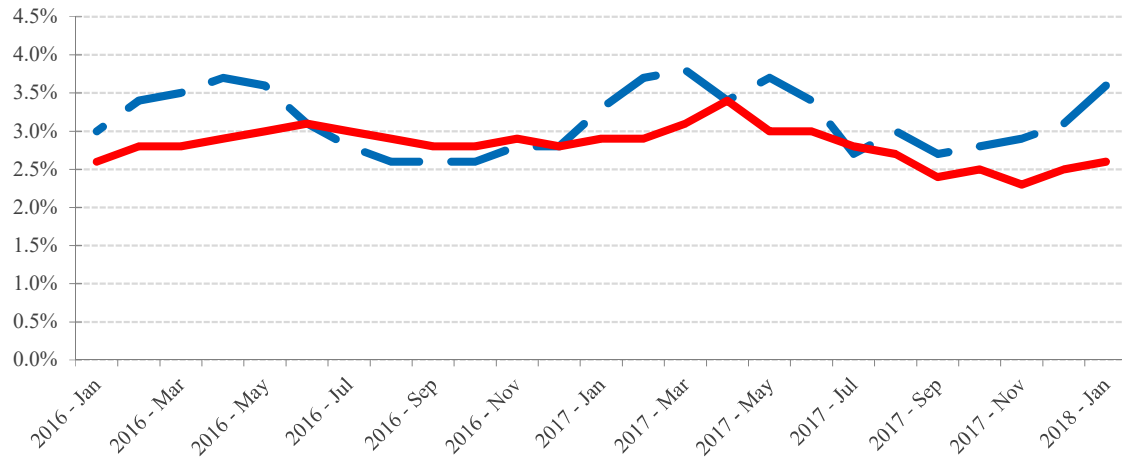
## The Mortgage Market



In the last quarter of 2017 the economic momentum in the U.S. continued with positive GDP growth, low unemployment rates and expanding private consumption. In an environment of improving economic conditions, the government's 10-year Treasury note rose to 2.4 percent in Q4 2017 from 2.2 in Q3 2017. As a result, Freddie Mac published that the average interest rate on a 30-year conventional home loan was 3.92 percent in Q4 2017 from 3.89 percent in Q3 2017. Mortgage rates still hover in the historically low range. Homebuyers have excellent purchasing power at current mortgage rates, and while it may make sense for fewer households to refinance, there are still some households that can save cash with a refinance. Looking ahead, NAR is forecasting the 30-year fixed rate mortgage to average 4.4 percent for 2018 and 4.9 percent for 2019, respectively.

# REALTOR® Price Expectations

**REALTOR® Price Expectations for the Next 12 Months**  
(U.S. Average in Blue Dashed Line)



Source: NAR

REALTOR® Price Expectations	Pennsylvania	U.S.	
2017 - Dec	2.5%	3.1%	REALTORS® expect weaker price growth in Pennsylvania than in the U.S. in the next 12 months. Their price expectations for the local market are more modest than a year ago.
Prior 12 months	2.8%	2.8%	

## Geographic Coverage for this Report

The Philadelphia area referred to in this report covers the geographic area of the Philadelphia-Camden-Wilmington metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Burlington County, NJ; Camden County, NJ; Gloucester County, NJ; Bucks County, PA; Chester County, PA; Montgomery County, PA; Delaware County, PA; Philadelphia County, PA; New Castle County, DE; Cecil County, MD; Salem County, NJ

More information on the OMB's geographic definitions can be found at [https://obamawhitehouse.archives.gov/omb/bulletins\\_default/](https://obamawhitehouse.archives.gov/omb/bulletins_default/)