

Housing affordability analysis: Philadelphia MSA

June/July 2011

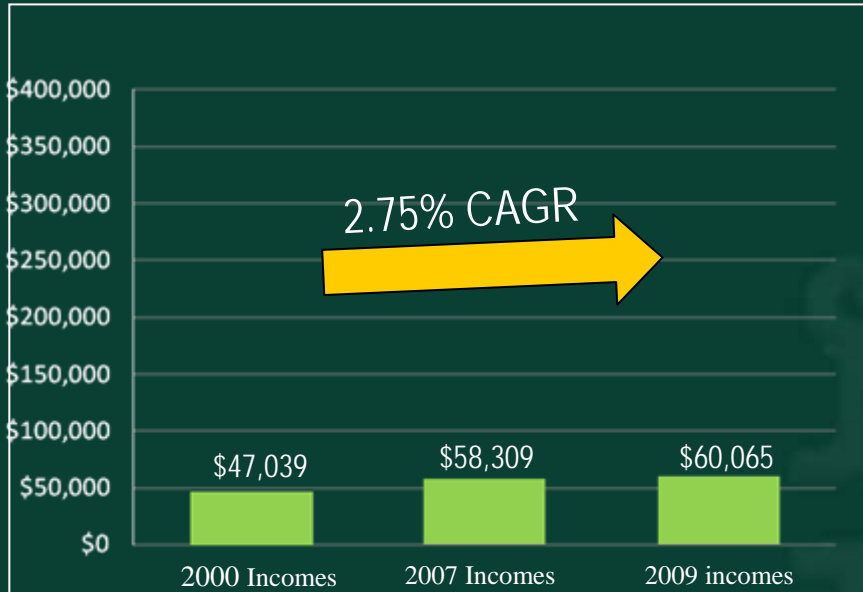
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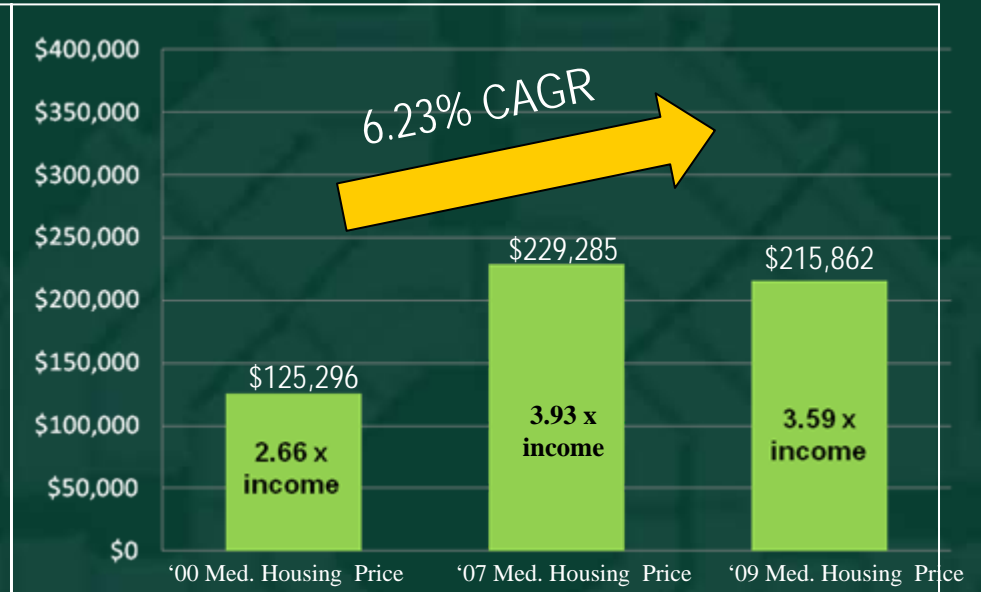
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2009 house prices are 3.6x median HH income. Stagnant incomes, home price appreciation puts ratio well above year 2000.

Median Household Incomes



Median Housing Prices



What if home prices had risen at the SAME pace as income growth?

2009 Median Price:
\$215,862

What If Scenario:
\$156,870

Difference: -27%

Source: Philadelphia-Camden-Wilmington MSA. US Census Bureau, 2010 NAR median home sales price adjusted by FHFA index, Arcadia Land Company analysis

**Price to rent ratios have returned to historic range.
House prices need to fall another 19% to get to ratio of year 2000.**

Price/Rent Ratio



What if the Price / Rent Ratio was the same
in 2011 as it was in 2000?

Q1 2011 Median Price: \$210,488

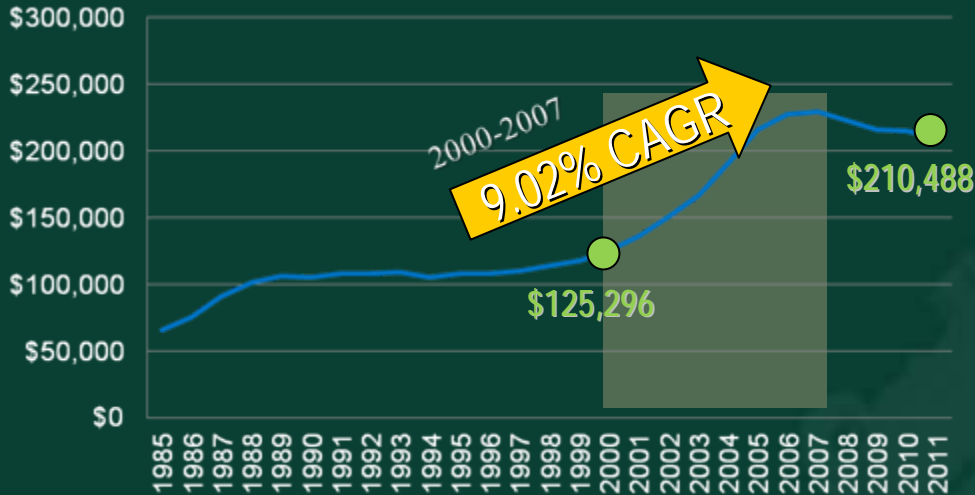
What If Scenario: \$177,054

19% LESS than 2011

(Source: FHFA; U.S. Department of Housing and Urban Development; Arcadia Analysis; Price/Rent Ratio computed by taking the ratio of calculated median home value to average annual rent of comparable unit Prices derived by adjusting the NAR 2010 median home sales price from by FHFA's Q1 NSA home price index for purchases only; Rents are from 3-BR FMR for Phila. MSA)

Affordability has improved with rising rents, falling prices.

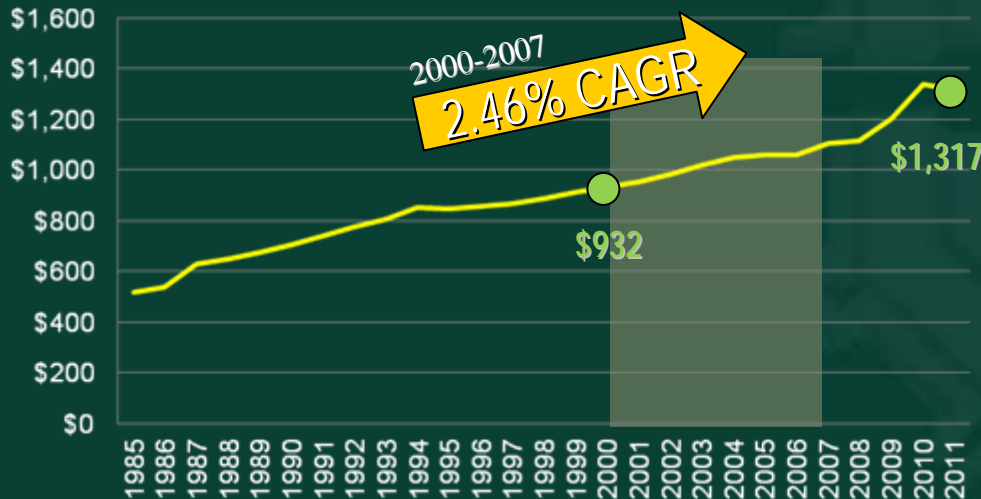
Median Home Value



The Philadelphia region was not immune to the home price increases experienced during the years of the U.S. housing bubble.

- Between 1985 and 2011, regional home prices increased annually at almost 5%, significantly outpacing rental growth at over 3% annually.
- While rental rates climbed somewhat consistently, home price growth was inconsistent.
 - Mid-late 80s: prices rose
 - 1990s: Prices stagnated
 - 2000 -2007: median price nearly doubles

Fair Market Rent – 3 BR



QUESTION:

Will prices stagnate until incomes and/or rents catch up – similar to what happened in the 90s?

Source: FHFA; U.S. Department of Housing and Urban Development; Arcadia Analysis. Starting median home value is based upon NAR 2010 median home value for the region.