



**In This Issue**

[House prices relative to household income and rents](#)

[Joe Duckworth to speak at ULI housing market panel on November 21 in Villanova](#)

**Quick Links**

[About Us](#)  
[Communities](#)  
[Development Services](#)

[Join Our Mailing List!](#)

**Future Speaking Engagements**

**"The Housing Downturn's Effect on Residential Development in the Delaware Valley"**  
*Urban Land Institute*  
Nov 21 - Villanova Univ.  
Joe Duckworth will be a panelist with Tim O'Rourke of TD Bank and Wayne Norris of Hanley Wood. [Click Here.](#)

Greetings!

[Schadenfreude. n. Pleasure derived from the misfortunes of others. American Heritage® Dictionary.](#)

I think that many of us in the housing industry in Philadelphia have a case of Schadenfreude.

There's a common refrain I hear from many real estate professionals in the Delaware Valley: "Thank goodness that Philly's so much better off than Florida." While others may draw the comparison with Phoenix or Las Vegas or the Inland Empire, the message I hear again and again is that current conditions here may be difficult, but at least we're not going to suffer like those "other" markets.

While south Florida may be in the midst of a full-blown housing hurricane, Philadelphia is no refuge from the storm. Make no mistake about it: Philly is in the midst of the greatest housing correction in at least a generation. Now is no time for complacency in any part of our industry.

Recently, my colleague, Rich Wilson, and I have done an in-depth examination of the Philadelphia region's housing market since year 2000 and what we've found is that even today, three years into the downturn, our region's house prices still greatly exceed their historic relationships with household incomes and rents. We've included some of our insights below.

All's not doom and gloom, however. While the overall market has been slow to adjust, those homebuilders who have significantly reduced pricing and offer a differentiated product are selling, some even selling well. Let us know if we may help your organization understand these market trends.

Sincerely,

Jason Duckworth  
Vice President

**House prices in the Philadelphia region: are they affordable yet?**

Overheard at a recent ULI conference: "This slump will be over when people can afford to buy houses again." This simple, seemingly glib statement may best summarize the housing market's prospects for recovery.

So how affordable is housing in the Philadelphia market?

To answer this question, Rich Wilson and Jason Duckworth of Arcadia recently examined house prices relative to household income and rents over the last 20 years in the Philadelphia region.

House prices in the Philadelphia MSA increased more than 11.8% per year from 2000 to 2007, while median household incomes only rose 3.6% per year, according to data from the Census Bureau. Whereas the median house price was 2.6x the median household income in 2000, by 2007 it was more than 4.1x median household income.

Rent growth also substantially lagged house price growth in the same period, increasing only 2.7% per year according to HUD (3-BR fair market rent). Consequently, house prices went from about 11x the average 3-BR rent in 2000 to more than 18x in Q2 2008.



Will house prices revert to their historic relationships with household incomes and rents? We think so. We do not see any reason to believe that the fundamentals of housing economics were rewritten during the run-up early this decade.

But don't expect any sudden corrections. For the overall region, the history of the early '90s downturn suggests that any affordability adjustment may be slow and driven more by rising household incomes than by falling nominal house prices (i.e., a long slow bleed). New home builders and their bankers should be able to move faster to find market-clearing prices that will have more in common with year 2000 than with the giddy heights of 2005.  
[Click here to see more of our analysis on housing affordability in the Philadelphia area](#)

## Joe Duckworth to speak at ULI Forum on Regional Housing Trends, Nov. 21



Joe Duckworth will join Tim O'Rourke of TD Bank and Wayne Norris of Hanley-Wood on an Urban Land Institute panel on "The Housing Downturn's Effect on Residential Development in the Delaware Valley."

Date: Friday, November 21, 2008  
Time: 8:00 AM  
Location: 800 Lancaster Ave, Villanova  
Venue: Villanova School of Business, Bartley Hall

To register call 215-525-4977 or [click here for faxable registration form.](#)

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