Residential Real Estate

Greater Philadelphia's 'hyper-competitive' housing market shows signs of cooling

While home prices continue to increase, buyers have gained back some of the edge they had lost in the housing market.

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Sep 12, 2024 **Updated** Sep 13, 2024 8:16am EDT

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With the number of active listings up and the median time on the market also on the rise, Philadelphia-area homebuyers are finally beginning to regain some leverage in the housing market.

In August, the typical home in the Philadelphia metro stayed on the market for 11 days, two days longer than it did during the same period a year ago, according to new data from Bright MLS. Another indicator that the market is slowly cooling is the increase in overall active listings, which climbed 16.9% to 11,062 from 9,460.

While the number of active listings are on the rise, closed home sales were slightly down in August. Across the 11-county Philadelphia region, there were 5,848 new pending sales (-0.2% year-over-year), 6,810 new listings (-0.5%) and 6,102 closed sales (-0.8%).

Inventory was slightly up in August to 2.09 months compared with 1.7 months the same time last year. Despite the minimal movement on inventory, prices remained high across the market, with the median sale up nearly 7% year-over-year from $370,000 to $395,308.

Still, it's good news for buyers as over the past year the market has shifted from "hyper-competitive" to "competitive," according to Tri-County Suburban Realtors Chairman Michael Maerten.

Maerten, an agent with Keller Williams Realty, said that a year ago it was common to see 10 offers on a home, with some commanding upwards of 40. Now that has moderated, with sellers being met with "at most" two to four offers in many suburbs. He estimates the average home sees one-and-a-half offers — and unlike before, most buyers now don't have to waive inspections.

"Buyers can come back and not feel like they're going to be up against 18 offers again," Maerten said, adding that while buyers don't have the upper hand over sellers in the current market just yet, "they're not at such a great disadvantage anymore."

What that means for potential buyers is they can bide their time a little bit more heading into the fall season.

Lisa Sturtevant, the chief economist for Bright MLS, said that "homebuyers are taking advantage of more inventory to be choosier and to take more time deciding on a home."

One strategy Maerten uses with clients is to eye homes that have been on the market for 10 to 14 days. Those homes that are still on the market after the first wave of interest are less likely to see bidding wars raise the asking price or have sellers looking for waived inspections.

On the listing side, Maerten said if a home doesn't sell quickly, "all hope is not lost" and often it doesn't call for a price adjustment given homes are staying on the market longer on average.

With the exception of two spots, the median days on the market increased in every county in the metro. For Philadelphia and Chester counties, the figures were static.

Some regions have remained more competitive, though, like Bucks, Chester, Delaware, Montgomery and New Castle counties, where the typical home was on the market for eight days or less.

While bidding wars may be fading, home prices continue to rise. The median sale price rose double digits over the past year in Delaware (11.4%), Gloucester (11.7%) and New Castle (10.1%) counties. However, it dropped 0.6% to $530,000 in Chester, the region's most expensive county. That's the first time this year Chester County has seen prices dip year over year, and it was the only county in the region to see negative price growth in August.

Montgomery County also saw prices moderating, with its median sale price increasing just 1.1% to $465,000.

Maerten said that is likely a function of the tempered demand, the nearing of an affordability ceiling and "some level [of] stabilization of the market." He said smaller growth numbers are healthy for the market and could attract more buyers that have been waiting on the sidelines.

With interest rates set to come down next week, the average 30-year mortgage rate fell from 6.73% as of the first week of August to 6.35% at the end of the month, according to Freddie Mac. Maerten hasn't yet seen those mortgage rate drops translate to an uptick in activity on the market, though.

In lockstep with the temperatures, fall typically cools the housing market, but Maerten is hopeful that if mortgage rates continue to decline, "fall has that potential to show some growth in inventory."

"I do believe that we are getting there. We're going to see a moment in time here where hopefully it does shift to a little more neutral marketplace, where neither party has such an overwhelming upper hand over the other," Maerten said.

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