

very Insight

*A review of the market trends in Philadelphia
and its suburban neighborhoods*

2Q18



A VERY Warm Welcome

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VERY Real Estate is proud to share our 2Q18 VERY Insight report, a quarter-over-quarter report outlining the market trends in the Center City Philadelphia residential real estate market for our core neighborhoods, namely those areas located within the geographical boundaries in which we operate: Girard to Washington Avenues, Delaware to Schuylkill Rivers and all other neighborhoods in Philadelphia, plus its nearby suburbs.

We are including a review of information critical to make a decision on whether to engage in a real estate transaction - either as a buyer, seller or investor – namely: interest rates, buying power and inventory.

The 2Q18 Spring Selling Season closed revealing a year-over-year decline in the market. With an over \$90 M deficit in Transaction Volume in Center City this year versus last, the market is decidedly experiencing a slow down. Over ambitious Sellers met Buyers faced with rapidly rising interest rates. The results were a decline in Average Sold Price and inventory that is sitting longer with price reductions much more common.

However, demand continues to remain high for well-priced, well-located real estate. And Buyers are rejoicing that it's no longer a true Seller's Market.

Kind regards,



Elizabeth Convery
Founder

VERY Real Estate is a boutique real estate brokerage firm specializing in residential sales and advisory. Our team of sophisticated professionals are committed to reshaping the residential real estate experience by providing sound advice, superior customer service, and timely results.

Market Snapshot

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Market Conditions 2Q18				
Area	Units Sold	Sold Volume	Sold Avg	Median DOM
Center City	1,183	\$589,269,000	\$498,000	52
Philadelphia County	4,939	\$1,314,198,754	\$266,086	15
Suburban Philadelphia	9,810	\$13,700,646,00	\$349,150	17

Source: Trend MLS

- Philadelphia and the surrounding counties: Bucks, Chester, Montgomery and Delaware encompass a robust real estate market with 15,932 units changing hands in the second quarter for a total sold volume of over \$15.6 billion.
- The Center City market makes up a small fraction of the overall Philadelphia market in terms of units sold, but has the highest Sold Average per property.



Photo Source: discoverphl.com

Market Conditions Year-over-Year Comparison

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Breakdown Comparison 2Q Year-over-Year								
Zip Codes	Units Sold		Sold Volume		Sold Avg		Median DOM	
Center City:								
2018	1,183	(111)	589,269,000	(92,757,000)	498,000	(29,000)	52	(1)
2017	1,294		682,026,000		527,000		53	
Philadelphia County:								
2018	4,939	(5)	1,314,198,754	(20,681,246)	266,100	(3,900)	15	(3)
2017	4,944		1,334,880,000		270,000		18	
Suburban Philadelphia:								
2018	9,810	(286)	13,700,646,000	10,470,000	349,150	10,150	18	0
2017	10,096		13,690,176,000		339,000		18	

Source: Trend MLS



Photo Source: discoverphl.com

- Center City Philadelphia and Philadelphia County posted declines in all categories with DOM staying relatively unchanged.
- Although Suburban Philadelphia ended 2Q18 with a year-over-year comparison decrease of 286 Units Sold, its Sold Volume and Sold Average listed modest growth.

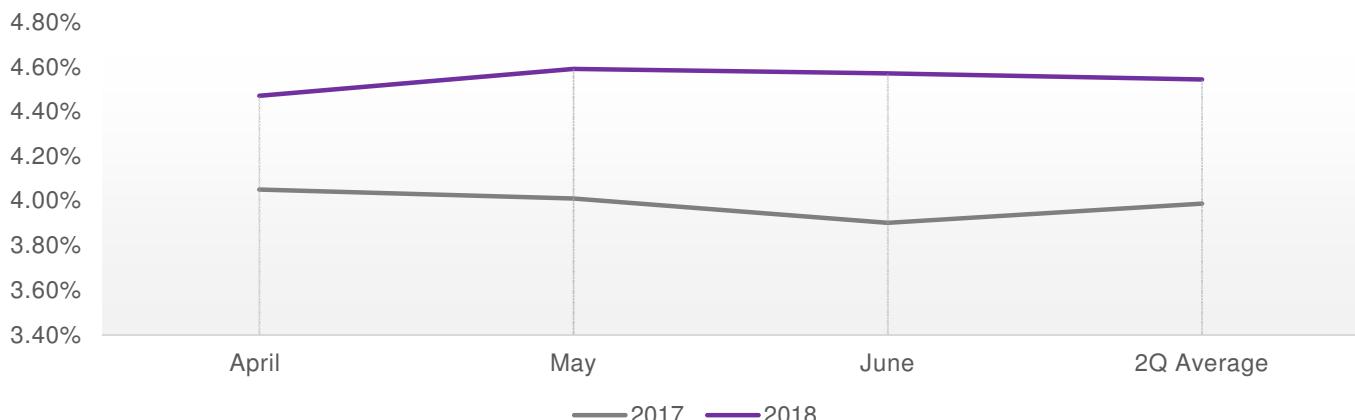
Interest Rates

- Interest rates continue to be a driving factor in a purchase or sale decision.
- Interest rates have increased year-over-year in 2Q18 and are projected to continue to climb in the remaining quarters of 2018.
- Although the 2Q18 interest rates show a 0.56 movement, the year-over-year comparison of the individual months indicate rates consistently ticking upwards.

30-year*+ Fixed-rate Mortgage Interest Rates			
	2017	2018	Movement
April	4.05%	4.47%	+0.42
May	4.01%	4.59%	+0.58
June	3.90%	4.57%	+0.67
2Q Average	3.98%	4.54%	+0.56

Source: Freddie Mac 30 year Fixed-rate Mortgages since 1971

30-year Fixed-Rate Mortgage 2Q Year-over-Year Comparison



Buying Power

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- The upward trend in interest rates and the low inventory are impacting buying power. Let's look at just how much a shift in rates has an effect.
- The market saw a 0.56 year-over-year increase in interest rates from 2Q17 to 2Q18.
- To put this in perspective, a buyer purchasing a \$500,000 home in 2Q17 versus 2Q18 incurs a \$131 per month increase in monthly payments as a result of this increase in rates.

30-year Fixed-rate Mortgage Comparison		
	2Q2017	2Q2018
Purchase Price	\$500,000	\$500,000
20% down payment	\$100,000	\$100,000
Mortgage	\$400,000	\$400,000
Interest Rate	3.98%	4.54%
Monthly Payment	\$1,905	\$2,036



Photo Source: Philly Neighborhoods.com

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Inventory

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- The level of inventory in a market is measured by Months of Supply. Months of Supply calculates how long it would take to deplete current inventory assuming that no new supply hits the market.
- A balanced market has 6 months of supply. When you include pending sales in the calculation, the Greater Philadelphia region is averaging 3.0 months of supply with Center City at 1.59 months and 3.47 months for the suburbs.
- The picture is even less when you factor in only sold units.
- This lack of inventory and increased interest rates are contributing to a slow down in the market.



Photo Source: Philly Neighborhoods.com

Inventory 2Q18 Year over Year Comparison			
Area	2018 Months Supply	2017 Months Supply	Movement
Center City*	1.59	1.35	-17.8
Philadelphia County**	3.00	3.50	-14.3
Suburban Philadelphia**	3.47	3.40	-.12.1

*Units for sale as of June 30, 2018

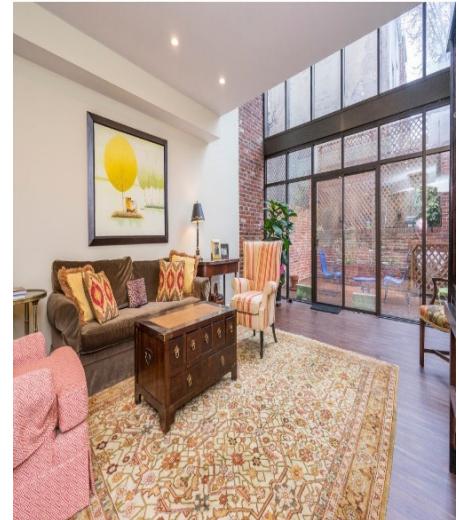
**Due to data limitations, county figures for Units for Sale are as of June 30, 2018

Source: Trend MLS

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Select 2Q18 Transactions

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1232 Marlborough St.
Fishtown

Sale

4 bedroom
1.5 baths
townhome

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Seller Representation

2403 Lombard Street
Fitler Square

Sale

4 bedroom,
2 baths
townhouse

VERY Role

Buyer Representation

719 Lombard St
Washington Square West

Sale

3 bedroom,
2.1 baths
townhouse

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Seller Representation

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About VERY Real Estate

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Founded in October 2013, VERY Real Estate is setting a new standard for residential real estate by providing clients with tailored service designed to fit their needs and create a personalized experience when buying, selling or investing in a home. VERY's team is made up of sophisticated professionals committed to re-shaping the residential real estate experience. We provide sound advice, superior customer service and timely results. We are relationship-driven professionals with a service-oriented mindset. VERY prides itself on exceeding expectations and crafting an experience that will be memorable and lasting.



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