

FRISBIE PALM BEACH REAL ESTATE UPDATE

2ND QUARTER 2014 | RESIDENTIAL MARKET ANALYSIS

OVERVIEW

- Tax incentives remain among the top motivators cited by Buyers for investing in South Florida real estate.
- Barring something unforeseen, Palm Beach residential dollar volume is on track for a record year, exceeding \$1.0B.
- Some of the pressure on inventory will be relieved as “new spec inventory,” currently under construction, comes to market next season.
- Continued transactions in the upper end (\$10M+ and \$20M++) imbue confidence in the entirety of the Palm Beach market.
- In all of 2013 there were approximately 36 off market transactions (not listed in MLS). Thus far in 2014 there have been 27; soon to be 30 as there are 3 high-end lakefront lots under contract with asking prices of \$18M, \$14M & \$14M.

INVENTORY

- Listed inventory continues to tighten, shrinking 32% from the close of Q1 (160 units to 109). Q2 inventory has not been this low since 2005.
 - *MLS inventory of quality properties continues to be low and the selections are often uninspiring.*
 - *Seasoned Realtors continue to work diligently, behind the scenes, to find/create off-market opportunities.*
- Relative values and/or premium properties/locations are the first to disappear from inventory.

TRANSACTIONS

Q2 2014 recorded 69 sales; 9 fewer than Q2 2013. Note: 1st half of both 2013 and 2014 are equal in number of transactions, 121.

1st half 2014 saw 12 sales over \$10M.

- 3 between \$10M-\$15M
- 3 between \$15M-\$18M
- 3 at \$20M+
- 2 at \$30M+
- 1 at \$44M

First half 2013 saw 11 sales over \$10M; 16 total in 2013. In the first week of July 2014, there were 3 additional transactions over \$10M, thus 15 to date and 5 more, I know of, which are under contract on the horizon.

VOLUME

Q2 2014 Volume of \$362.2M is below Q2 2013's Volume of \$411.5M, some portion of which is explained by inventory constraints. 1st half 2014, however, exceeds 1st half 2013 by just over \$16M.

PRICES

- Inventory scarcity teamed with high demand continues to push prices up.
- Although there are a wide range of data points, my visceral sense is that Palm Beach prices, over the past 12 months, have increased 20%-30%.

OBSERVATIONS

Accelerated absorption and multiple bids permeate the market. Sellers are disinclined to agree to discounts of any great significance. Educated Buyers are better positioned to ascertain value, bid and prevail.

“Slow and steady wins the race”. For those struggling to find “what they want,” many Buyers are adjusting their purchase-parameters to gain a foothold in the Palm Beach market, looking to trade out of their initial investment, when a more “all-inclusive” opportunity can be identified.

Please feel free to contact me to discuss any details further.

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