

FRISBIE PALM BEACH REAL ESTATE UPDATE

YEAR END 2014 | RESIDENTIAL MARKET ANALYSIS

OVERVIEW

The Q4 Palm Beach real estate market, as an asset class, performed as expected: exceptionally well. With the continuation of an expanding economy, growing demand and low inventory, values increased accordingly. Our 2015 prognostication of "continuing above average performance" is based on the following:

- **76 Million Baby Boomers:** The generation that controls over 80% of all personal financial assets is rapidly reaching the age at which wintering in South Florida is far preferable to slogging through snow. This age wave phenomenon will continue to increase the demand for high-end housing in warmer climates.
- **Economic Cycle:** In the absence of any unforeseeable black swan event, it is more likely that we are closer to the middle of the economic cycle than the end. The U.S. is still enjoying excess capacity. Additionally, corporate cash flow and cash balances are strong, which will translate to an increase in capital spending and hiring as this economic recovery progresses.
- **Interest Rates:** Although the Fed has signaled a gradual end to the unprecedented Quantitative Easing program and a future inclination to increase interest rates, a weak global economy, dramatically lower energy costs and a stronger dollar will greatly temper inflation. Historically low interest rates will continue to produce above average profits resulting in a further increase in the Wealth Effect.
- **Investment Focus:** For the last couple of years, the U.S. has generated superior investment returns compared to the majority of international alternatives. 2015 is likely to be a repeat, as the U.S. economy is poised for superior performance. China's capital spending boom is slowing and environmental challenges present significant future obstacles. Natural resource export dependent economies such as Russia, Brazil and many African nations will struggle as supply capacity has greatly increased and demand has decreased. Japan is wrestling with almost insurmountable demographic issues. Europe's systemic growth problems are projected to persist for many years. Accordingly, unprecedented amounts of investment capital will be searching for prudent opportunities in the United States. The rapidly growing recognition of Palm Beach real estate as an exciting lifestyle investment opportunity, combined with the island's constrained ability to expand inventory, will continue to produce superior investment returns for the foreseeable future.

INVENTORY

Continues to be very tight. At year-end there were 123 units available in the Palm Beach Multiple Listing Service. With 2014 absorption of 211 units, inventory is down to a 7 month supply.

TRANSACTIONS

Unchanged, both Q4 over Q4 2014/2013 and Year over Year 2014/2013.

PRICES

Year over Year the 2014 Average Sale Price of \$5,512,445 and the Median Sale Price of \$3,025,000 each represent an appreciation of 22% over their respective 2013 metrics.

VOLUME

Q4 volume reached a very impressive \$186,344,000, a record Q4 and an increase of 23% over Q4 2013 (\$150,969,000). At year end, as predicted, 2014 total residential volume was over the one billion dollar mark, totaling \$1,163,126,000, which exceeded 2013's adjusted \$957,333,000 by 21%. Note: 2013 Total Volume adjusted up as several transactions were recorded quite late in the year.

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

SUZANNE FRISBIE | 561.373.0941 | suzanne.frisbie@gmail.com

[CLICK HERE TO VIEW SUZANNE'S PROFILE AND PREVIOUSLY ARCHIVED REPORTS.](#)