

# FRISBIE PALM BEACH REAL ESTATE UPDATE

## 3<sup>rd</sup> QUARTER 2016 | RESIDENTIAL MARKET ANALYSIS

### OVERVIEW

Fortunately, for Palm Beach, Hurricane Matthew was just a wind/rain event and Palm Beach residential real estate market trends, as a whole, remain largely unchanged at the close of Q3 2016. Like Brexit and Ebola, Zika frightens initially, but this too shall pass. So facing a slow growing economy, still in the midst of a historically long recovery, coupled with the advancing uncertainty of the presidential election, investors/buyers continue their collective inclination towards risk aversion. Noted in a Merrill Lynch report, historically “markets respond far better to election processes whose outcomes are more predictable.” Given the uncertainty surrounding November’s election and varying degrees of market volatility, subsequent investment risk aversion is to be expected. Post election, the U.S. economy is positioned to continue positive, albeit slow growth, while the rest of the globe sorts through turmoil and/or unrest. Thus premium U.S. real estate, positioned to benefit from demographic and economic pressures, will continue to draw discerning affluent investors.

### INVENTORY

At the end of Q3 2016 there were only 134 residential offerings in the Multiple Listing Service (MLS), numerically approximating a 10 month supply, with a large portion remaining over priced and/or largely uninspiring.

### TRANSACTIONS

Year to date transactions totaled 114, down 23% from this time last year. We attribute much of the decrease to the aforementioned risk adjustment and inventory issues.

### VOLUME

Dollar Volume at the close of Q3 2016, totaling \$767.6M, was down 13% from the same time period last year. The 10 percentage point differential between the change in Transactions and the change in Dollar Volume reflects the overriding strength of Palm Beach real estate prices.

### PRICES

Sustained demand for compelling inventory continues to put upward pressure on valuations.

- **Average Price:** The average sale price for the first three quarters of 2016 was \$6.73M, a 14% increase from this time last year.
- **Median Price:** Year over year, the median price has increased 17% to \$4.275M.
- **Price Distribution:** Only 13% of current inventory is priced under \$3M, while 34% is over \$10M and 13% is over \$20M.

### OBSERVATIONS

As we move into the last quarter of 2016, fast approaching one of the more contentious presidential elections in recent memory, coupled with lingering global market volatility and trends in anemic growth, low returns are likely to continue. Conventional wisdom suggests a natural inclination to postpone large investment decisions until after the election. Regardless of party affiliation or political ties, history shows that, as election-related uncertainty wanes, markets tend to improve within the first year of a presidential term. Palm Beach continues to attract an astute investor/buyer demographic as the island remains one of the more prudent investment opportunities available today, buoyed by its unprecedented safety and security, the allure of a tropical climate, opportune tax advantages, and its high-end luxury real estate market.

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The above information is derived from the Multiple Listing Service (MLS) in conjunction with the Property Tax Appraiser’s website (PAPA), the Courthouse Retrieval System (CRS) & individual transaction Broker confirmation.