

FRISBIE PALM BEACH REAL ESTATE GUIDE

YEAR END 2015 | RESIDENTIAL MARKET ANALYSIS

OVERVIEW

As forecast, quality Palm Beach real estate proved to be one of the better investment strategies for 2015. Public investment markets struggled with a global economy of slow growth and low returns, but as the metrics below illuminate, Palm Beach residential investments outperformed most alternatives. Factoring in the additive “quality of life” derived from a Palm Beach home, the benefits continue to be compelling. Compared with 2015, the global economy in 2016 is unlikely to yield more favorable results. According to one economic advisory firm, “The key drivers of volatility of the last 12 months remain just as relevant today.” The quote continues, “Amidst ongoing volatility and divergent central bank monetary policies, we expect financial assets to move in a less correlated fashion than they have over recent years. We therefore seek to select high-quality investments whose growth prospects depend more on long-term trends and which have been less volatile during periods of market stress.” During these turbulent times, the U.S. has proven to be one of the most prudent investment options, with real estate in strategic U.S. locations having significantly outperformed the public markets. Due to continuing market forces of the (i) aging Baby Boom demographics, (ii) magnetism of zero State Income Taxes and (iii) tropical climate, safety and security of Palm Beach, it is probable that quality Palm Beach real estate will again be one of the more prudent investments of 2016.

INVENTORY

- Quality inventory continues to be tight. There are currently 145 residential offerings, numerically approximating a 10 month supply, however, at least 50% of this inventory is remarkably uninspiring.
- Lack of “good” inventory continues to hinder the ability to effectuate transactions.
- In 2014, 45% of the residential properties sold were not formally listed in the Multiple Listing Service (non-MLS). In 2015, 42% of the properties sold were non-MLS. As Palm Beach is an island, expansion is limited, hence quality inventory remains a challenge.
- Many Buyers continue to struggle to find their preferred property attributes.
- We’d suggest that there continue to be interesting opportunities for “educated buyers” willing to renovate or build. Ability to see beyond a property’s current condition is extremely beneficial, if securing advantageous pricing is a significant priority.

TRANSACTIONS

2015’s transactions, totaling 176, represent a decrease of 17% vs 2014’s transactions of 213. This is attributable to the aforementioned tight and uninspiring inventory, and the difficulties in identifying non-MLS properties as purchase options.

VOLUME

2015’s Volume of \$1,049,090,111 vs 2014’s \$1,167,187,277 reflects a decrease of 10%.

PRICES

- Tight inventory and sustained demand continue to put upward pressure on valuations.
- Average Price: 2015’s Average Price of \$5,960,739 vs 2014’s \$5,479,752 reflects an increase of 9%.
- Median Price: 2015’s Median Price of \$3,762,500 vs 2014’s \$3,000,000 reflects an increase of 25%.
- Of the 145 properties currently listed in the MLS, an impressive 54 have asking prices over \$10M.

OBSERVATIONS

Both the upper echelon of the Baby Boom demographic and the finance industry have targeted Palm Beach for its beautiful weather, quality of life, favorable tax advantages and positive investment trends. Palm Beach’s constrained inventory of only 2,500 single family homes juxtaposes favorably with: (i) the 10,000 Baby Boomers, per day, over the next 15+ years, reaching retirement age of 65 and (ii) the American fund managers, per the “Economist,” who now run 55% of the world’s assets under management; many of whom are adding Palm Beach homes to their “portfolios.” Although economic vagaries are unpredictable, these forces are formidable and will likely contribute to momentum over the foreseeable future, enhancing upward pricing pressure on quality Palm Beach residences. It appears we may have entered a global economic environment of low growth and low return. And it is possible Palm Beach may continue to be one of the better performers relative to other alternatives.

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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.