

PALM BEACH REAL ESTATE UPDATE

2nd QUARTER 2016 | RESIDENTIAL MARKET ANALYSIS

OVERVIEW

As predicted, the first half of 2016 reflected a continuation of pre-existing Palm Beach residential real estate market trends. Faced with the lingering volatility experienced in 2015, enhanced most recently with accelerating political uncertainty & concerns over Brexit, public investment markets experienced wide fluctuations, struggling with the prospects of a global economy plagued by heightened risks, slow growth & low returns. As such, investors continued a collective inclination towards risk aversion. In light of these challenges, Palm Beach remained a prudent investment opportunity relative to the competition, continually insulated by its favorable tax structure, tropical climate, high demand from affluent buyers & tremendous safety & security.

INVENTORY

At the close of Q2 2016 there were 144 residential offerings in the Multiple Listing Service (MLS), numerically approximating a 9 month supply. Since it can take 2-3 years to secure approvals & renovate/rebuild, this suggests a continuation of the favorable supply/demand ratio. Additionally, (i) a large portion of the existing inventory remains uninspiring & (ii) more than 25% is priced over \$10M. Interestingly, 35% of the residential properties sold in Q2 2016 were off-market transactions not formally listed in the MLS (non-MLS). Thus, consumers continue to face challenges in identifying compelling product, although opportunities exist for those willing to renovate or build new.

TRANSACTIONS

Transactions for the first half of 2016, totaling 86, were down 19% from this time last year. We maintain that much of the decrease is attributable to the aforementioned risk adjustment, tight/uninspiring inventory & the difficulties in identifying non-MLS properties as purchase options.

VOLUME

Despite the transaction volume, dollar volume for the first half of the year totaled just over \$609,582,000, representing a slight decrease of 6.5% from the first half of 2015, evincing a continuation of increasing valuations.

PRICES

Tight inventory & sustained demand continue to put upward pressure on valuations.

- *Average Price:* The average sale price for the first half of 2016 was \$7,088,166, illustrating a 16% increase from this time last year. Quarter over quarter, average price is up 9% from Q2 2015.
- *Median Price:* Median price, YTD & quarter over quarter, has risen similarly, reaching increases of 25% & 26% respectively. The median price for the first half of 2016 was \$4,424,133, while the Q2 2016 median price was \$4,450,000.

OBSERVATIONS

With lingering market volatility throughout the world, investments in long term, quality assets remain one of the more risk adverse strategies available. Recent developments abroad, including Brexit, have heightened already existing uncertainty throughout global markets, related, among other things, to China's slowing economy, falling oil prices & political unrest. Against the backdrop of this heightened global insecurity, the U.S. economy remains a safer bet relative to the other options available, described in a recent WSJ article as "a pocket of solidarity in a troubled world."

According to recent statistics from the Palm Beach Property Appraiser: (i) Property values on Palm Beach are up 8.8% over last year; & (ii) property values in Palm Beach County are up 8.4% over last year, marking the 4th consecutive year of countywide improvement & a 46% increase in values countywide since 2012. While predictability of market conditions is imperfect, especially with the vagaries of the upcoming presidential election, Palm Beach, insulated both regionally & nationally from the greater uncertainties that exist beyond, remains among the more prudent investment opportunities available today.

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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.