

PALM BEACH REAL ESTATE UPDATE
Q2 2018 | RESIDENTIAL MARKET ANALYSIS

OVERVIEW

As anticipated, the Palm Beach residential real estate market has performed positively through the first half of 2018. From a broader context, the U.S. economy continues to excite, now nine years into the second longest recovery (finally now an expansion) in U.S. history and, while “distractions” persist, there is a reasonable probability that this will become the longest U.S. expansion on record. Low unemployment, rising wages and surges in consumer and small business optimism have buoyed the national economy, while the outlook for the global economy remains generally positive, with isolated exceptions such as Brexit-related uncertainties, etc. However, both the political and economic environments, the former marked by conspiracy theories and fears of trade war, the latter by rising interest rates and the uncertainties of January’s tax cuts, have contributed to the volatility witnessed since the start of 2018. As mentioned in last quarter’s report, while these bouts of volatility can increase the challenges associated with identifying lower-risk investments, they can also reveal attractive opportunities for long-term investors. The Palm Beach residential real estate market, insulated by the Town’s incredible safety and security, advantageous tax structure and steady demand base, continues to offer prudent investment opportunities relative to comparable alternatives.



INVENTORY

At the end of Q2 2018, inventory remained level at 145 listings in the Multiple Listing Service (MLS). Interestingly, due to an increased velocity of sales, this numerically equates to a 9.5 month supply, which represents a 20.8% increase in the absorption rate.



TRANSACTIONS

Transactions in the first half of 2018 were up 17.7% compared with this same time period last year. Q2 2018 included 14 transactions priced at/over \$10MM, only 1 less than Q2 2017. In Q1 and Q2 2018 combined there were 24 sales at/over \$10MM, representing a 26.3% increase over 2017’s midyear total sales in the same price category.



DOLLAR VOLUME

In the first half of 2017 there were two atypical \$80MM+ sales. Because the two highest sales in the first half of 2018 were \$41.75MM and \$43MM, the raw statistics imply that the 2018 midyear volume of \$837MM was down by 1.4% year over year, which may be misleading. If we were to adjust for the \$81.25MM differential from those two 2017 outlier sales, the 2018 midyear volume would actually demonstrate an 8.9% increase. Somewhere in the middle is probably more representative of the true market dynamics. The Q2 2018 dollar volume total of \$509MM, while down 14.1% from Q2 2017, still represents the second highest Q2 dollar volume on record.



PRICES

Average Price: Q2 2018's average price of \$7.7MM represented a 12.8% decrease as compared to Q2 2017. Once again, this statistic is influenced by the aforementioned outlier trade.

Median Price: Q2 2018's median price of \$5MM reflects an increase of 20% over Q2 2017.

OBSERVATIONS

As reported at year end 2017, last year's metrics evidenced a record performance for Palm Beach: (i) Transactions up 18%, (ii) Dollar Volume up 52%, (iii) Average Price up 25%, and (iv) Median Price up 15%. The first half of 2018's data suggests a continuation of this positive direction. Based on the global economy and U.S. economic expansion, and barring political upheavals, a global trade war or an unforeseen event, we predict the balance of 2018 will continue its forward trend.

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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.