

PALM BEACH REAL ESTATE UPDATE
Q1 2019 | RESIDENTIAL MARKET ANALYSIS
SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

2019 began amidst a context of economic uncertainty, marked by the lingering government shutdown, interest rate fears, concerns over the U.S./China trade deal, Brexit, and evidence of slowing global growth. The Palm Beach real estate market reflected these conditions in the first two months of the year. More recent data suggests, however, that initially weak economic performances were merely “passing aberrations,” not to be interpreted as evidence for further decline. As stated in Northern Trust’s U.S. Economic and Interest Rate Outlook, “Signs of slower growth are not cause for panic. The economy remains sound, and the Fed has made it clear that it will take no action to impede the expansion.” Vice President Pence echoed these sentiments during a recent interview on CNBC, where he insisted there is no evidence of inflation and claimed the President believes this economy is “only starting to grow.” Just as early signs of economic weakness have more recently subsided on a macro level, so too has the Palm Beach real estate market reflected improvements towards the end of this first quarter. Its strong start to Q2, marked by an increase in market activity and the highest sale since August of 2018, instills optimism that the Palm Beach real estate market’s steady progress will continue.



INVENTORY

At the end of Q1 2019, there were 198 single family offerings in the Multiple Listing Service (MLS), numerically approximating a 12-month supply. In the condo market, there were 324 offerings at the end of Q1 2019, which equates approximately to an 8-month supply.



TRANSACTIONS

Q1 2019’s single family transactions, totaling 29, represent a 41% decrease from Q1 2018 which, as you may recall, was up considerably (69%) over the 29 trades recorded in Q1 2017. Thus, Q1 2019 appears more comparable to Q1 2017. While January and February 2019 started off slow, March activity increased substantially, ending with a 14% increase over March 2018, and indicating the aforementioned strong start to Q2. Furthermore, we’ve since witnessed 7 trades totaling \$58.5MM in dollar volume thus far in April, and currently show 17 pending properties in the MLS, all suggesting this positive momentum should continue.

Q1 2019’s condo transactions were up 16% for Palm Beach Midtown and down only 1% in Palm Beach’s South End.



DOLLAR VOLUME

Q1 2019’s single family market generated \$155.5MM in dollar volume. This value represents a 54% decline from Q1 2018’s record setting \$335MM. Again, it is important to note that Q1 2018’s volume was 31% above that of Q1 2017. Just as March showed acceleration in activity, it also illustrated momentum in dollar volume, ending with a total of \$93MM, just 11% behind that of March 2018.

The Palm Beach condo market illustrated mixed results, with Midtown dollar volume up 11% over Q1 2018, while the South End was down 23%. Renovated condominiums tend to sell quickly and at a healthy premium but represent a smaller share of the overall product. As the majority of condo/co-ops, especially in the South End, tend to be older and outdated, the statistics reflect this discrepancy.



PRICES

Average Price: Q1 2019's average single family price of \$5.36MM represents a 22% decrease from Q1 2018. The condominium's Midtown and South End markets were down 4% and 22%, respectively.

Median Price: Q1 2019's median single family price of \$4.2MM was equal to its Q1 2018 counterpart. The condominium's Midtown and South End markets were down 10% and 30%, respectively.

OBSERVATIONS

In our last report, we discussed the large role animal spirits assumed after December's stock market tightening, representing the worst December equity markets performance since the first half of the 20th century. The above numbers demonstrate a continuation of the cautious behavior witnessed in the end of 2018, as January and February 2019 reflected lingering market uncertainties. The March and early April statistics, however, are showing a shift in the emotional tide with a significant increase in momentum. In stark contrast to December's performance, Q1 2019 illustrated the best first quarter equity market performance in a very long time. As echoed in Palladium's Spring Perspectives, "The Federal Reserve's decision shift to neutral from hawkish triggered what has been statistically the best start for the market in over a quarter century." Furthermore, south Florida continues to benefit from the steady domestic migratory wave from high tax states like NY, NJ, CT and CA, especially in the face of new and increasing taxes on the upper class, NY and NJ's Mansion tax being one such example. As WSJ notes, "preliminary data show a jump in Florida home purchases by buyers from high-tax states." The Palm Beach residential real estate market remains the beneficiary of these trends, further buoyed by its enviable climate, innate beauty and unbeatable quality of life. To paraphrase Mayor Coniglio in her annual Town address, Palm Beach residents are extremely fortunate to live the way most people want to vacation.

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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.