

PALM BEACH REAL ESTATE UPDATE
Q2 2019 | RESIDENTIAL MARKET ANALYSIS
SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

To date the 2019 Palm Beach residential real estate market has been influenced by multiple factors:

- While “crosscurrents” such as trade tensions and global growth concerns moderated second quarter growth, Federal Reserve Chairman, Powell, indicated the central bank’s baseline outlook for growth “remain(s) solid,” and he recently reiterated the commitment to “act as appropriate” in order to sustain the now record long US economic expansion (*J. Powell Testimony*).
- The Fed’s accommodative stance has recently driven equity markets to all-time highs.
- Renewed talks between Presidents Trump and Xi will hopefully lead the way in resolving some of the growing list of government policy issues including trade developments, the federal debt ceiling, and Brexit.
- Fears of trending weak job creation observed in May were ended by June reports signaling increased labor force participation, wage growth, and a 50-year low in initial jobless claims (*Economist, July 8th Issue*).
- Perhaps due to mortgage rate fluctuations and lingering effects of last December’s stock market dive, the national housing market has seen a slow first half of the year, still the S&P/Case-Shiller National Home Price Index shows home price indices in many markets are now climbing.
- Domestic migration from high-tax states continues to be a significant influence. Between July 1, 2017 and July 1, 2018, Florida witnessed the highest level across the nation of net domestic migration, at 132,602 people, (a staggering 49,362 more than the next closest state, Arizona,) and since 2010, has gained a total of over 1,160,000 people from net domestic migration, (*U.S. Census Bureau*). In a 12-month period, this in-migration corresponded to an income increase for Florida of \$17.2B, exceeding that of the next 9 states combined.

Several uncertainties have diminished and various positive factors are adding incrementally, as evidenced by the magnitude of the closings in the last 2+ weeks, totaling a dollar volume in excess of \$287MM, including a record-breaking \$110MM transaction. These transactions act as a strong indicator of returning market confidence. We have long noted the role animal spirits play in the overall Palm Beach marketplace and as such Q2 2019’s performance demonstrates the effects of lingering cautious behavior, which now appears to be shifting in a positive direction.



INVENTORY

At the end of Q2 2019, there were 162 single family offerings in the Multiple Listing Service (MLS), numerically approximating a 11-month supply.

In the condo/co-op market, there were 89 offerings at the end of Q2 2019, numerically approximating only a 6-month supply.



TRANSACTIONS

Q2 2019’s single family transactions, totaling 43, represent a 39% decrease from Q2 2018. Given the record-breaking statistics of Q2 2018, we predicted the metrics would be difficult to match again this quarter. That said, Q2 2019 ended with 23 properties under contract totaling \$198MM in dollar volume asking prices, indicating a 77% increase in pending transaction volume and a 93% increase in pending dollar volume as compared to the end of Q2 2018. Furthermore, the current number of serious buyers shopping in the ultra-high-end (\$50MM+) is likely the most seen in a long time and could be encouraging the market as early July witnessed three transactions amounting to \$111MM. These encouraging metrics signal a positive start to Q3.

Q2 2019’s condo/co-op transactions, totaling 57 in Palm Beach’s Midtown, and 101 in Palm Beach’s South End, experienced a 16% and 10% decrease, respectively, from Q2 2018. While these alone are not reassuring metrics, the Midtown market witnessed more condos under contract than actively listed at the close of Q2 2019, higher than Q2 2018.



DOLLAR VOLUME

Q2 2019's single family market generated \$381MM in dollar volume. This value represents a 38% decline from Q2 2018's record setting \$613MM. However, when analyzing dollar volume, it is important to note that 2017 and then 2018 were both record years, with Q2 2017 almost doubling Q2 2016. Prior to 2017, Palm Beach's Q2 dollar volume had consistently averaged in the mid \$300MMs since 2011. Meaning that 2019 Q2, despite great uncertainty, sustained an average performance. Lastly, Q2 2019 witnessed the highest priced sale in Palm Beach history at the very end of June, a \$110MM trade for an ocean-to-lake property in the South End, on "Billionaire's Row."

The second highest priced sale of the year came days later on July 1st (Q3), a \$43MM+ transaction for an oceanfront in the North End and two more \$30MM+ sales in the first weeks of July totaling over \$161MM, an impressive Q3 start and further indication of strength in the high end, a segment of the market that in prior years generally demonstrated otherwise moderate momentum.

Q2 2019's condo/co-op market recorded \$155MM in total dollar volume. Midtown dollar volume was down 22%, while the South End witnessed a 9% increase from the year prior. Again, comparing today's numbers to 2018's and 2017's back-to-back record-breaking years only offers part of the story. Therefore, it is prudent to note, when compared to Q2 2016, today's Midtown dollar volume is actually up 39% and the South End, 22%. Thus, while we may not experience a record-breaking year in 2019, our data suggests that we are still in line with continued market growth at a rate that implies more long-term sustainability.



PRICES

Average Price: Q2 2019's average single-family price of \$8.87MM represents a 3% increase from Q2 2018 but perhaps more importantly shows the highest average price since we began our record keeping in 1998. The average price in the Midtown and the South End condo/co-op markets were \$1.5MM and \$674K, respectively. The Midtown market saw a decrease of 7% from 2018, however when accounting for 2017's and 2018's record years we see the Midtown market is historically up 17% from 2016. The South End's average price rose by 20% compared to Q2 2018, and by 39% when compared to Q2 2016.

Median Price: Q2 2019's median single-family price of \$4.9MM is down 1% as compared to its Q2 2018 counterpart, however in keeping with a pre-record-breaking comparison we see median price is actually up 12% when compared to Q2 2016. The condo/co-op Midtown and South End markets were \$1MM and \$405K, respectively. Midtown median fell by 1% from the prior year, however when again acknowledging the growth surge in 2017 and 2018, we find 2019's median price for the Midtown market is actually up 30% from 2016. The South End market reported a 14% increase in Q2 2019 median price from Q2 2018.

OBSERVATIONS

As forecasted, the first half of 2019 has been challenged by the uncertainties associated with economic and political influences. As many are now recognizing that our ageing moderate economic expansion has the likely potential to continue for the foreseeable future combined with the benefit of stable or lower interest rates and the record performance of U.S. equity markets, we suspect recent positive momentum will continue as we move into Q3. Furthermore, as Florida continues to be the major beneficiary of domestic migratory waves from high tax states, the Palm Beach real estate market with our surreal beauty and untouchable quality of life, will continue to grow.

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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.