



PALM BEACH REAL ESTATE UPDATE  
Q3 2019 | RESIDENTIAL MARKET ANALYSIS  
SINGLE FAMILY & CONDOMINIUM/CO-OP

## OVERVIEW

The past month has had a remarkable amount of “breaking news” moments, however behind the relentless stream of headlines the U.S. economy has continued to function and experience growth, albeit at a moderate rate, but slow, persistent growth is still growth. Through September 2019, the U.S. economy has grown for 123 months without any significant decline in economic activity that would mark the beginning of a recession (National Bureau of Economic Research). Still recession fears persist, to which Fed Chair Jerome Powell noted, “clearly things are slowing a bit,” but as these slowdowns have occurred a few times in this expansion, “there’s no reason why the expansion can’t continue.” Amidst such fears, the Fed lowered rates for the second time this year, but Powell reassured that decisions will continue to be “data dependent,” and reiterated the Fed’s stance to “act as appropriate to support continued growth.” Additional rate changes appear unlikely given the balance of an unemployment rate at a 50-year low of 3.5%, a recovering inflation showing progress toward the Fed’s 2.0% target (CPI rose by 1.7%) and a continued unsteady pace of U.S. China negotiations (Northern Trust).

Last quarter we mentioned Florida’s \$17.68 billion in net adjusted gross income (AGI) dwarfing the remaining 19 states that saw a positive net influx of income. New York saw the largest decrease in net AGI from domestic migration, totaling an approximate loss of \$8.8 billion in income, while Connecticut saw the largest loss in income relative to overall economy. These are all strong signifiers of Florida’s continued position as the beneficiary of domestic migration from high tax states. Palm Beach’s real estate market not only enjoys continued property value growth, but this year will also enjoy the lowest property tax rate among all municipalities and unincorporated areas in Palm Beach County with a proposed Millage rate of 16.84. “Taxable” market values on the island for residential and commercial properties totaled approximately \$19.2 billion, a 5.8% increase from last year’s \$18.15 billion, (Palm Beach County Property Appraiser).



## INVENTORY

At the end of Q3 2019, there were 153 single family offerings in the Multiple Listing Service (MLS), numerically approximating less than an 11-month supply.

In the Midtown condo/co-op market, there were 93 offerings at the end of Q3 2019, numerically approximating less than a 7-month supply.

In the South End condo/co-op market, there were 157 offerings at the end of Q3 2019, numerically approximating less than a 6-month supply.



## TRANSACTIONS

Q3 2019’s single family transactions, totaling 26, represent a 24% decrease from the 34 transactions of Q3 2018 and 2017. However, Q3 2016 saw only 27 transactions, approximating only a 4% difference. While our transactional count appeared akin to 2016 numbers, Q3 2019 ended with 12 properties under contract totaling \$124MM in dollar volume asking prices; this not only indicates a 71% increase in pending transaction volume but also a staggering 180% increase in pending dollar volume as compared to the end of Q3 2018.

Q3 2019’s condo/co-op transactions, totaling 31 in Palm Beach’s Midtown, and 49 in Palm Beach’s South End, experienced a 24% increase and 37% decrease, respectively, from Q3 2018.



## DOLLAR VOLUME

Q3 2019's single family market generated approximately \$405MM in dollar volume. This value not only represents an impressive 43% increase over Q3 2018, but also the highest Q3 dollar volume on record, due to increased activity in the upper end of the market. While Q3 2018 witnessed 6 trades over \$10MM, Q3 2019 experienced 11, 5 of which were priced over \$30MM, 3 over \$40MM, and one that was the second highest recorded in Palm Beach history, priced over \$99MM.

Q3 2019's condo/co-op market recorded a total dollar volume of approximately \$30MM in the Midtown market and \$30.2MM in the South End market. The Midtown market witnessed an explosive 74% jump in dollar volume over Q3 2018 sales, while the South End market experienced a 36% drop from the year prior.



## PRICES

Average Price: Q3 2019's average single-family price of \$15.6MM represents an 87% increase from Q3 2018 and is a record setting value for the second consecutive quarter.

Q3 2019's Midtown condo/co-op market saw an average sale price of \$980K, up 40% from Q3 2018. The South End market's average price of \$617K was a 1% increase from Q3 2018.

Median Price: Another record breaking metric, Q3 2019's median single-family price of \$6.05MM is up 49% as compared to its Q3 2018 counterpart.

Q3 2019's Midtown condo/co-op market had a median price of \$695K, up 43% from the year prior. The South End market experienced a record setting median price of \$435K up 24% from Q3 2018.

## OBSERVATIONS

In the midst of what should be the dog days of summer, the Palm Beach residential markets experienced a flurry and demonstrated the strong value of Palm Beach's finite size. As prognosticated at the end of last quarter the lingering uncertainties in the global economy have continued to dampen transaction counts, but the increased number of serious buyers in the ultra-high-end (\$50MM+) has seen a rippling of encouragement throughout the market's dollar volume. As many begin to agree that the U.S. economic expansion "feels very sustainable," as Fed Chair Jerome Powell so eloquently stated last week, we suspect the positive momentum seen in Q2 and Q3 will continue into Q4. While election cycles bring with them a slew of uncertainties (and this one should prove a shining example of that), existing positive momentum should mimic our expansion and continue at a tepid pace; black swan events aside, we see no indicators saying otherwise. Palm Beach island continues to benefit from the domestic migration trends that began back in 2016, and since that time our Q3s have consistently displayed growth year over year. Palm Beach's incredible beauty and surreal quality of life allows this market to continue to grow into the coming election cycle. Summer winters in Palm Beach... might be time to join her.

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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.*