



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

OVERVIEW

Concerns over global economic weakness and geopolitical risks from Brexit and other sources had been growing, but the sharp tightening in financial conditions towards the end of 2018 generated a wave of alarm that swept into the first half of 2019. Recession fears surged and, although the Fed's pivots provided spouts of relief, the uncertainty surrounding the U.S.-China Trade War, combined with the looming U.S. election year, kept fears alive through the majority of 2019. Consequently, the Palm Beach Real Estate market saw a less-than-robust first two quarters, with a 38% drop in transactions, equating to a 41% decline in Total Dollar Volume, when compared to the first two quarters of 2018. However, in spite of the uncertain political and economic climate at home and abroad, the equity markets anticipated a likelihood of growth, unemployment reached a 50-year low, and the longest economic expansion in American history forged on, unscathed. As if a signal was given by Adam Smith's invisible hand itself, the Palm Beach Real Estate market began to sing a much livelier tune in the second half of the year. Q3 and Q4 witnessed a record breaking \$668MM in combined Total Dollar Volume, eclipsing the second half of 2018 by 72%. Despite a stymied start to the year, the Palm Beach Real Estate market performed admirably, reaching over \$1.2B in Total Dollar Volume for the third year in a row and setting the record for Highest Year-End Average Sale Price (\$9.9MM) as well as Highest Year-End Median Sale Price (\$4.9MM). Thus far, it appears fears of a downturn have been misplaced, (*Northern Trust, December 2019 Outlook*). And when we study the differences between the first and second halves of 2018 versus those of 2019, it begs the thought that while markets sounded the alarm in late 2018, perhaps the fear of recession caused more economic damage than the uncertainties from which it stemmed.



INVENTORY

At the end of Q4 2019, there were 176 single family offerings in the Multiple Listing Service (MLS), unchanged from year-end 2018.

In the Midtown condo/co-op market, the year closed with 126 offerings, numerically approximating a 9-month supply.

In the South End condo/co-op market, there were 169 offerings, numerically approximating less than a 7-month supply. The constrained supply noticed at 2018's year-end remained the same.



TRANSACTIONS

Q4 2019's single family transactions, totaling 22, represent a 22% increase from the 18 transactions of Q4 2018. Additionally, Q4 2019 ended with 23 properties under contract totaling \$222MM in dollar volume asking prices; this indicates a 188% increase in pending transactions as well as a staggering 364% increase in pending dollar volume when compared to year-end 2018. Despite the impressive surge of momentum in the second half of the year, the lack of performance in Q1 and Q2 left too much ground to cover and, year-over-year, 2019 only witnessed 123 total transactions.

Q4 2019's condo/co-op transactions, totaling 27 in the Midtown market and 71 in the South End market, experienced a 21% decrease and 1% decrease, respectively, from Q4 2018. Total transactions for the year were down 2% in Midtown and 13% in the South End.



DOLLAR VOLUME

Q4 2019's single family market generated approximately \$255MM in dollar volume, representing an impressive 155% increase over Q4 2018. While Q4 2018 witnessed only 1 trade over \$10MM, Q4 2019 experienced 4, all priced over \$10MM, 3 of which were over \$20MM, 2 over \$30MM and one that was the highest recorded sale in Palm Beach history, priced at \$111MM. Despite the setback in transactional volume noted above, year-over-year, 2019 recorded over \$1.2B in Total Dollar Volume. Although an 8% decrease from 2018's record year, it marks the third consecutive year of Total Dollar Volume exceeding \$1.2B.

Q4 2019's condo/co-op market recorded a dollar volume of approximately \$39.4MM in the Midtown market and \$48.9MM in the South End market. When compared to Q4 2018, Midtown experienced an 18% dip, while the South End enjoyed a 12% increase. Year-over-year, Midtown saw a 6% decrease, while the South End experienced a 9% decrease. A number of Palm Beach residents downsized to the new, contemporary Bristol tower in West Palm Beach this past year. If even a portion of these sales were included in the Midtown market numbers, the Q4 and year-end metrics would sing a jubilee.



PRICES

Average Price: Q4 2019's average single-family price of approximately \$11.6MM represents a 109% increase from Q4 2018 and is a record setting value for the second consecutive quarter. Despite the year's shaky beginning, it is encouraging that the second half of 2019 was strong enough that 2019's year-end average sale price was also a record high at \$9.94MM, up 27% from 2018.

Q4 2019's Midtown condo/co-op market saw an average sale price of \$1.46MM, up 4% from Q4 2018. Midtown's 2019 year-end average sale price was approximately \$1.39MM, a 4% decrease from 2018; unfortunately this metric was unable to rebound from Q1 and Q2's slow performance.

Q4 2019's South End market saw an average price of \$689K, equating to a 14% increase from Q4 2018 and setting the Q4 record. The South End market's 2019 year-end also witnessed a record setting average sale price of \$628K, a gain of 4% from 2018 year-end.

Median Price: Q4 2019's median single-family price of \$3.8MM was down 13% when compared to its 2018 counterpart, due largely to a pop of sales in the lower end throughout the month of October and into November. 2019's year-end median sale price set the record for Highest Median Single-Family Price at \$4.9MM, up 9% from 2018.

Q4 2019's Midtown condo/co-op market had a median price of \$820K, down 4% from Q4 2018. Midtown's 2019 year-end median price continued to climb, setting a new record of \$920K.

Q4 2019's South End market saw a median price of \$400K, down 12% from Q4 2018. The South End's year-end median of \$396.5K was up 4% from 2018 year-end and set the new record for Highest Year-End Median Price in the South End.



OBSERVATIONS

Despite a cautious beginning to the year, The Palm Beach Real Estate market demonstrated a strong performance in the second half of 2019 - with no signs of slowing down. The Federal Reserve's accommodative policy implemented two major pivots in 2019, with the first effectively calming the market fears in Q1. The second began in June with a series of three interest rate cuts encouraging growth before concluding in October. Chairman Powell has claimed the new mantra that monetary policy is "in a good place," and further adjustments are not anticipated in the foreseeable future. Still, as we enter a sure-to-be contentious presidential election, uncertainty is perhaps our only guarantee. That said, Goldman Sachs economists believe the U.S. economy is "structurally less recession-prone today." Noting, "while new risks could emerge, none of the main sources of recent recessions — oil shocks, inflationary overheating, and financial imbalances — seem too concerning for now. As a result, the prospects for a soft-landing look better than widely thought."

It is reasonable to expect 2020 will see an uncertain election year, continued geopolitical headwinds, and plenty more trade headlines. However, given the significant momentum we are currently experiencing, we prognosticate another year of continued growth, moderate inflation, and attractive interest rates. Furthermore, the Wealth Effect, combined with persistent in-migration and increasing population, continues its positive impacts on economic growth. Given the aforementioned metrics and momentum, and barring the unexpected, the Palm Beach Market is poised to remain the beneficiary of these trends. Whether for the high quality of life or the strategic investment, we look forward to seeing you soon.

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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.