

PALM BEACH REAL ESTATE UPDATE
Q4 2017 | YEAR-END RESIDENTIAL MARKET ANALYSIS

OVERVIEW

As prognosticated, the Palm Beach residential real estate market continued its positive momentum through Q4 2017, culminating with record high dollar volume, average price and median price at 2017's year-end. In spite of seemingly persistent negative media, including widespread natural disasters, foreign and domestic terror threats and even boasts of nuclear capabilities, the aforementioned "era of optimism" prevailed, sustained in large part by an enduring economic environment. Now in its eighth year of slow and steady improvement, the economy continues its upward trajectory, buoyed most recently by the highly anticipated tax reform and unprecedented year-end stock market performances. The Palm Beach residential real estate market seemingly advances in tandem: increasing demand for quality exerts upward pressure on prices, while the island's intrinsic beauty, unmatched safety and security and inherent desirability continue to cultivate sophisticated and discerning buyers. Barring an unforeseen black swan event, we would anticipate this positive momentum to extend through 2018 and beyond.



INVENTORY

At year-end 2017, there were 168 residential offerings in the Multiple Listing Service (MLS), numerically approximating a 12-month supply.



TRANSACTIONS

Q4 2017's transactions, totaling 32, represent an increase of 52% over Q4 2016, and the highest Q4 transaction volume since 2014. Year over year, 2017 witnessed 162 transactions, an 18% increase over year-end 2016, also the highest year-end transaction volume since 2014. Of these 162 transactions, 26% traded off-market.



VOLUME

Q4 2017's dollar volume, totaling \$295M, was up an impressive 155% over Q4 2016, buoyed substantially by 9 transactions over the \$10M mark. This strong Q4 activity was likely encouraged by optimism surrounding regulatory reform and tax cuts. At year-end, 2017 amassed a staggering \$1.325B in dollar volume, a 52% increase over 2016 and, as predicted, a record high for Palm Beach. With 20 transactions currently pending totaling \$177M in asking prices, this positive momentum should continue into Q1 2018. By comparison, 2016 ended with only 8 units under contract, totaling \$57M in asking prices.



PRICES

- Average Price: Q4 2017's average price of \$9.2M represents a 67% increase over Q4 2016; year-end average price, totaling \$8.2M, was up 28% over 2016. Both metrics were the highest on record for average price in Palm Beach. These impressive statistics were driven by an again record setting 13 sales recorded over \$20M for the year. This is an 86% increase in sales over \$20M as compared with 2016, and not since 2010 did this metric even reach double digits. As prognosticated, the demand for quality, premium product continues to permeate the market, driving prices up and generally encouraging activity.
- Median Price: Q4 2017's median price of \$6.15M reflects an increase of 102% over Q4 2016. This substantial escalation was due, in large part, to the aforementioned 9 transactions over \$10M that occurred in Q4 2017, compared with only 2 in Q4 2016. Year over year, 2017's median price was up 15% at \$4.6M.

OBSERVATIONS

The post-Great Recession climate of caution and ever increasing regulation has finally reversed course. As illustrated by the above highly impressive statistics, the weight of election pressures experienced this time last year has fully lifted, replaced with an optimism around the now accelerating economic environment. Although not without our fair share of political discord, the changes set into motion under the current Administration, specifically related to tax cuts and regulatory reform, are widely anticipated to further boost the U.S. economy for the foreseeable future. And while the above data is clearly influenced by the 13 sales over \$20M, 2017 exhibited an impressive performance across all price levels. We therefore see an increasing demand for the quality of life that Palm Beach uniquely offers. Based on the above, we are projecting continued improvement and above market returns for Palm Beach real estate in 2018.

SUZANNE FRISBIE | BROKER ASSOCIATE - CORCORAN GROUP PALM BEACH
561.373.0941 | SUZANNE.FRISBIE@CORCORAN.COM