

PALM BEACH REAL ESTATE UPDATE
Q4 2018 | YEAR-END RESIDENTIAL MARKET ANALYSIS
SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

As discussed in prior reports, risks to economic momentum, whether they be (i) stock market volatility, (ii) divisive political climates, (iii) interest rate fears or (iv) global concerns, all tend to influence our society's animal spirits. Stymied by an uncertain mid-term election and ensuing turbulent political environment, added to national and international economic fears, December's stock market recorded the worst performance since the Great Depression. These factors contributed to a widely mixed Palm Beach real estate market performance for Q4 2018 when compared to Q4 2017, as the below metrics will suggest. Interestingly, when Q4 2018 is compared to Q4 2016, which presented a similar climate of uncertainty due to the presidential election, metrics reflected a more similar narrative. Regardless, 2018 was still, year-over-year, a record for Palm Beach single family residential real estate, surpassing year-end 2017 totals in dollar volume, transaction volume, and percentage of high-end sales (up 3% in +\$10MM and up 15% in +\$20MM). The condominium market also witnessed a record-breaking year, surpassing year-end 2017 totals in dollar volume and median sale price. Thus, while Palm Beach real estate is not immune to a global economic slowdown, its beauty, safety, and security continue to provide market support.

From a macro level, "there is scant evidence of sufficient deterioration to put a stop to U.S. preeminence. In fact, the most meaningful data underscores the persistent strength of the U.S. economy relative to the rest of the world," (Goldman Sachs 2019 Economic Outlook). Case in point, the U.S. recently surpassed Russia and Saudi Arabia to become the world's largest crude oil producer (U.S. Energy Information Administration's Short Term Energy Outlook). Increased capacity, combined with heightened competition from alternative energy sources, should lower energy prices, mitigating inflation. Accordingly, on January 4th, Fed Chair Jerome Powell revised sentiments of multiple hikes in 2019, stating that the central bank "will be patient" in the wake of such muted inflation readings, "to keep the expansion on track, to keep the labor market strong, and to keep inflation near 2%." Therefore, it is likely that Buyers will continue to pursue the exceptional quality of life Palm Beach real estate offers, as they seek refuge from the high taxation states.



INVENTORY

At the end of Q4 2018, there were 180 single family offerings in the Multiple Listing Service (MLS), numerically approximating a 12-month inventory. This approximates the same 12-month supply seen at year-end 2017. In the condo market, there were 295 offerings at the end of Q4 2018, which equates approximately to an 8-month inventory.



TRANSACTIONS

Q4 2018's single family transactions, totaling 17, represent a 47% decrease from the 32 transactions in Q4 2017. Despite a slow Q4, year-over-year, 2018 saw an approximate 6% increase in total transactions as compared with 2017, recording 171 sales. Conversely, Q4 2018's condo transactions saw a 36% surge for Palm Beach Midtown and an 11% jump in Palm Beach's South End. Both represent record-breaking fourth quarters.



DOLLAR VOLUME

Q4 2018's single family market generated \$97.4MM in dollar volume. This value represents a 67% drop from Q4 2017's record setting \$295MM. Again, it is important to note that Q4 2017's volume was a staggering 155% above that of Q4 2016. As a whole, 2018 was another record-breaking year,

cumulating over \$1.33B in total dollar volume. 2018 also set records for most sales over \$10MM and \$20MM, tallying 32 sales over \$10MM and 15 over \$20MM, representing 3% and 15% increases, respectively, over the prior record holder, 2017. Additionally, the Palm Beach condo market witnessed record-breaking increases in Q4 2018 dollar volume and transaction volume, surpassing Q4 2017 by 41% and 18%, respectively.



PRICES

Average Price: Q4 2018's average single family price of \$5.73MM represents a 38% decrease from Q4 2017. However, when compared to 2016, again a year with similar political volatility, Q4 2018's single family residential performance is 4% greater. Interestingly, the condo market saw a 20% surge in Q4 2018's average price and a year-over-year increase of 12%.

Median Price: Over the past decade, Q4 has been Palm Beach's lowest performing quarter for single family residential properties 70% of the time, and 2018 was no exception. Compared to Q4 2017, Q4 2018's median was down 27%; when viewed against its more comparable 2016 counterpart, however, Q4 2018's median reflected an impressive 47% increase. The Palm Beach condo market witnessed impressive fourth quarter gains with the Midtown median price surging a record 46%, while the South End median price surged a record 89%. For the year, Midtown increased 10% while the South End jumped 33%.

OBSERVATIONS

The aforementioned animal spirits have assumed a large role over the past several months; it's clear that uncertainties have an impact on human behavior. "A lot of people believe good times lead inevitably to excess: companies overproduce, consumers overspend, and balance has to be restored...But if markets start pricing that in today, and tighter financial conditions start to hit activity in the real economy, the downturn could arrive earlier than expected," (Bloomberg). Alternatively, there are many that suggest a different narrative. Goldman Sachs' 2019 Economic Outlook reports that there are no major U.S. financial system imbalances, global growth is expected to remain above trend, and 2019 returns from equities are expected to be above-average. Furthermore, Bloomberg Businessweek notes that the recession risk remains low at 15-20% for the next 12 months, and that it is likely the "economic expansion that began in June 2009 will reach its 10th birthday this summer and roll right on, becoming the longest U.S. period of uninterrupted growth since at least 1854." Although prognostications are fallible, the distinguished safety, security and overall quality of life relished in Palm Beach will prevail, continuing to create opportunity for both investment and enjoyment.

SUZANNE FRISBIE | BROKER ASSOCIATE – PREMIER ESTATE PROPERTIES PALM BEACH
561.373.0941 | SUZANNE@PREMIERESTATEPROPERTIES.COM

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.