



FRISBIE
REAL ESTATE

PALM BEACH REAL ESTATE

Q2 2020 | RESIDENTIAL MARKET REPORT SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

As prognosticated in our last report, the current public health crisis, and ensuing economic headwinds have catalyzed a re-evaluation of priorities and behaviors for much of our population. However, observing our resilient history, the U.S. and the global community will emerge and heal from these events, albeit with changed values and a different worldview. At the end of Q2 initial signs of recovery emerged as the unemployment rate ebbed to 11.1% from April's high of 14.7%. The Federal Reserve cut interest rates to zero, and with the support of Congress, released a \$1.6T stimulus package that propelled the stock market's recovery, leading to the best quarter for U.S. equities in over 20 years (WSJ). In response to critics saying there was little more the central bank can do, Mr. Powell pushed back, "we're not out of ammunition by a long shot, there are a number of dimensions where we can move to make policy even more accommodative" (WSJ). While it will be difficult to offset the near-total cessation of activity in April, recent data shows the economy has entered Q3 on a positive track, with month-over-month growth in indicators including retail sales, consumer spending and durable goods (Northern Trust). Ultimately, the trajectory of the virus, and the ability to rollout effective therapeutics and vaccines on record timelines, will be the deciding factor as to the speed and path of the overall recovery.

Salient points from our Q1 Report:

- Volatility will become the new normal for the foreseeable future:
 - The VIX Index averaged a level of 34 in Q2, the highest daily average for a quarter since 2008 and the third highest on record (J.P. Morgan).
 - With the U.S. Presidential Election around the corner and new COVID-19 cases still peaking in states that represent 40% of GDP, the only certainty is more uncertainty (J.P. Morgan).
- Equity markets will continue to demonstrate growth:
 - The S&P 500 saw a 20% gain in Q2, signifying the best quarter in more than 20 years (J.P. Morgan).
 - Since the end of WW2 there have been eight quarters where the S&P 500 was up at least +15% and in 100% of the cases the S&P 500 was up in the following quarter with an average gain of nearly +10% (J.P. Morgan).
- The Palm Beach real estate market will remain the beneficiary of market forces and "migration" momentum will grow:
 - The aging Boomer population continues to migrate.
 - The work-from-home environment has spurred an increase in demand from those who would otherwise be tethered to major cities or dense urban areas.
 - South Florida is experiencing multiple waves of flight from (i) high taxation states, (ii) areas of unrest, (iii) highly urban centers, and (iv) COVID dense cities.

The combination of these forces has resulted in a surging Palm Beach real estate market, witnessing the largest mid-year dollar volume on record with \$1.1B in closed sales (98% higher than 2019) and almost \$560MM in pending transactions (182% higher than 2019). It is important to note that usually the Palm Beach market begins to slow in April/May before

picking back up in the Fall. However, the 2020 market, having extended into the spring and summer, continues to operate in high gear as of this publication.



INVENTORY

At the end of Q2 2020, there were 154 single-family offerings in the Multiple Listing Service (MLS), approximating \$1.4B in asking-price dollar volume. Based on 2020's established absorption this implies approximately a 9-month supply and demonstrates an increased absorption rate over 2019's year-end supply of 12-months. Of the 154 properties available for purchase, 19 are located directly on or across from the water north of Sloans Curve. These 19 properties approximate \$482MM in asking-price dollar volume. The remaining 127 listings are interior properties and amount to roughly \$918MM in asking-price dollar volume.

In the Midtown condo/co-op market, there were 148 offerings, numerically approximating a little more than a 10-month supply, denoting a slightly decreased level of absorption from 2019's year-end supply of 9-months.



TRANSACTIONS

Q2 2020's single-family transactions, totaling 55, represent a 22% increase from the 45 transactions of Q2 2019. Also Q2 2020 ended with 51 properties under contract, a 122% increase over the 23 pending sales at the end of Q2 2019. The first half of 2020 saw a combined transactional count totaling 106, equating to a 43% increase over the 74 transactions closed during the first half of 2019.

Q2 2020's Midtown condo/co-op market witnessed only 2 signed contracts in April but recovered sharply in May and June for a cumulative 31 contract signings in the quarter. While April shouldered a significant decline in activity (88% drop from April 2019), May rebounded to be 13% behind May 2019, and June continued the momentum, surpassing June 2019 by an impressive 88% increase. May and June made impressive rebounds, but the cumulative Q2 activity was still down approximately 24% due to the near cessation of April activity.



DOLLAR VOLUME

Q2 2020's single-family market generated approximately \$669MM in dollar volume, representing a 67% increase over Q2 2019. Also Q2 2020 ended with the largest pending dollar volume on record with properties under contract totaling \$560MM, a 182% increase over the \$198MM pending volume seen at the end of Q2 2019. Furthermore, Q2 2019 saw 10 trades over \$10MM, while Q2 2020 witnessed 20. Out of the 20, 12 were priced between \$10MM-\$20MM, 4 between \$20MM-\$30MM, 1 between \$30MM-\$40MM, 1 over \$40MM, and 2 over \$70MM. Pending

transactions also recorded a sustained interest in the upper end with 14 under-contract properties priced over \$10MM. Out of the 14, 9 were priced between \$10MM-\$20MM, 1 between \$20MM-\$30MM, and 4 over \$40MM with the highest priced at \$77MM.

When we examine the first half of 2020 the narrative becomes even more interesting. In the first 6 months of 2020 the single-family market sold approximately \$1.1B in dollar volume. This marks the largest mid-year dollar volume on record, surpassing 2018 by 13% and almost doubling that of 2019's mid-year standing.

As stated above, Q2 2020's Midtown condo/co-op market witnessed a significant drop-off in April, followed by sharp rebounds in May and June. April volume was down 94% from the year before, and May rebounded to be only 11% behind May 2019, while June surpassed the year before by an impressive 115% increase. May and June made impressive rebounds, but the cumulative Q2 volume was still down approximately 26% due to the near cessation of April activity.



PRICES

Average Price: Q2 2020's average single-family price of \$12MM represents a 37% increase from Q2 2019 and is the highest Q2 average price on record. The average price of properties under-contract at the close of Q2 was \$11MM. Since our last report, multiple high dollar transactions continue to boost averages. As previously noted, the numerous high-dollar transactions underscore the increasing demand for high quality assets such as the Palm Beach Real Estate Market. While in the midst of a global pandemic and national political and civil unrest, it remains meaningful that the Palm Beach Real Estate Market's high-end showed impressive performance.

Examining the first half of 2020 shows an average transaction value of \$10.4MM, 21% higher than the average value during the first half of 2019 and 21% higher than the prior mid-year record which was \$8.5MM in 2017. Additionally, of the 106 closed transactions, 28 were located directly on or across from the water with an average price of \$23MM. The remaining 78 sales were interior properties with an average price point of almost \$6MM.

As stated above, Q2 2020's Midtown condo/co-op market witnessed a significant drop-off in April, followed by sharp rebounds in May and June. April average prices were down 52% from the year before, while May and June rebounded to surpass prior year averages by 2% and 14%, respectively. May and June made impressive



rebounds, but the cumulative Q2 average pricing was still down approximately 2% due to April's underperformance.

Median Price: Q2 2020's median single-family price of \$7MM represents another all-time high, outpacing 2019's Q2 by 40%, 2018's Q2 by 40%, 2017's Q2 by 66%, and 2016's Q2 by 60%.

Q2 2020's Midtown condo/co-op market's median price followed the same trend as above, with a significant falloff in April followed by sharp rebounds in May and June. April median prices were down 38% from the year before, and May rebounded to be only 4% behind the prior year, while June surpassed the year before by 23%. May and June made impressive rebounds, but the cumulative Q2 median pricing was still down approximately 8% due to April's underperformance.

OBSERVATIONS

To quote Fed Chairman Powell, "this is a time of great suffering and difficulty, and it's come on so quickly and with such force that you really can't put into words the pain people are feeling and the uncertainty they're realizing. But I would just say this: In the long run, and even in the medium run, you wouldn't want to bet against the American economy." Looking forward, it is reasonable to assume the persistent levels of uncertainty and volatility will continue in the months ahead, especially as we near the U.S. Presidential Election. Elevated unemployment, low inflation, and uncertainty will likely precipitate the continuation of accommodative Fed policy as our country and the world continue to navigate the safest and most expeditious road to recovery, yet barring any additional setbacks, evidence suggests that the initial stages of recovery have already begun.

The current environment continues to redefine our personal and collective priorities. We have witnessed a renewed focus on health and well-being, on family and the importance of time spent together across generations, on greater acceptance of work-life balance amid the proven productivity of working remotely, and on the sanctuary of one's home. This renewed focus has shown a bright light on the Palm Beach community and its incredible quality of life, anchored by an inherent sense of safety and security. It follows that Palm Beach continues to not only be a spectacular place to live, but also a prudent place to invest.

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2020 REAL Trends Ranking, by Individual Sales Volume, as reported by the WSJ
#1 in Palm Beach, #1 in FL & #15 in U.S.

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Above information pertains to the 33480 zip code and is derived from the Palm Beach Multiple Listing Service, The Beaches Multiple Listing Service (collectively referred to as the 'MLS') in conjunction with the Property Tax Appraiser's website (PAPA), the Courthouse Retrieval System (CRS) & individual transaction Broker testimonial.