FRISBIE

REAL ESTATE

PALM BEACH REAL ESTATE

Q3 2021 | RESIDENTIAL MARKET REPORT
SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

As anticipated, the Palm Beach real estate market has maintained its impressive upward trajectory. On a global scale, challenges related to Covid-19 continue to afflict local communities and disrupt supply chains, while inflationary threats, forecast shifts from the Federal Reserve, and new tax bill legislation have all impacted Animal Spirits. Against this broader context of uncertainty, the Palm Beach real estate market has demonstrated staggering demand and significant price increases across all asset classes, continually attracting residential buyers, commercial tenants and long-term investors all allured by the intrinsic attractive qualities of this market.

Exciting news continues to break in neighboring West Palm Beach on a regular basis as companies continue moving south. The University of Florida has announced a $500MM Business School downtown, the Cleveland Clinic has officially announced the opening of a 100,000 square foot Wellness Center, and New York's Hospital for Special Surgery has recently opened a remarkable new facility. From an office standpoint, newly signed office leases are projected to bring 8,000 new residents to Palm Beach/West Palm Beach over the next several years. As such, supply/demand ratios project a significant upward trajectory across all classes. In Palm Beach and West Palm Beach, residential prices continued to rise and we are seeing single family and condominium prices breaking new records.

As forecasted in our last report, the Palm Beach real estate market has continued to display sustained growth through the end of Q3 2021, marking another record quarter for sales volume and pricing metrics. Still, COVID related concerns and delays paired with a historically low number of Multiple Listing Service (MLS) active listings (only 2.7 months of supply) have impacted momentum, causing a drop in closed and pending transaction counts. We infer these reduced counts are merely the result of highly constrained inventory as off-market transactions have, in-turn, seen a jump accounting for 47% of Q3 residential sales (the highest on record), thus affirming demand.

Interestingly, the locally impressive price levels reached within the last year and a half in Palm Beach ($2K - $6K+/SF) represent a fraction, when compared to premium prices in other markets (NYC $7K - $12K/SF and London $14K/SF). Considering the very limited size of our coastal marketplace, this inherent rarity coupled with the quality of life, safety, security, and tax advantages afforded to our residents, reinforces Palm Beach as an extremely attractive investment.

FRISBIE
REAL ESTATE

PALM BEACH INVENTORY

Single-Family Residential:

- At the end of Q3 2021, there were only 37 offerings in the MLS, versus 113 this time last year.
- Based on Q3 2021's absorption rate, this represents a meager 2.7-month supply, the most limited Q3 supply on record.

Midtown Condo/Co-Op:

- At the end of Q3 2021, there were only 18 offerings in the MLS, versus 105 the same time last year.
- Based on Q3 2021's absorption rate, this represents a 1.8-month supply, the most limited Q3 supply level on record.

South End Condo/Co-Op:

- At the end of Q3 2021, there were 36 offerings in the MLS, versus 150 at the end of Q3 2020.
- Based on Q3 2021's absorption rate, this represents approximately a 1.9-month supply, further demonstrating the market's extremely limited supply across all categories.

PALM BEACH TRANSACTIONS

Single-Family Residential:

- Due to record low inventory (down 67% from Q3 2020), quarter-over-quarter, Q3 2021's transaction volume saw 42 closed sales, a 49% decrease when compared to Q3 2020's record 82 sales. However, when compared to 2019's normalcy of 29 transactions, Q3 2021's 41 sales represent a 45% increase.
- Q3 2021 ended with approximately 9 MLS properties under contract. We suspect, given the off market activity, the number of properties under contract is higher.

Midtown Condo/Co-Op:

- Quarter-over-quarter, Q3 2021 saw 50 sales, a 19% increase versus the 42 trades this time last year.
- Pending transactions saw only 14 offerings under contract at the end of Q3, versus 26 in Q3 2020, another reflection of constrained inventory.

South End Condo/Co-Op:

- Quarter-over-quarter, Q3 2021 saw a 36% jump with 79 transactions, versus the 58 from Q3 2020.
- Quarter-over-quarter, pending transactions were unchanged, totaling 20 properties under contract.

PALM BEACH DOLLAR VOLUME

Single-Family Residential:

- Quarter-over-quarter, Q3 2021 saw an 18% increase over its 2020 counterpart, reaching a record dollar volume of $712MM. The previous Q3 dollar volume record was $601MM, achieved last year.
- Q3 2021 finished with $85MM in pending dollar volume. Of the 9 MLS properties under contract, 3 were valued over $10MM with the highest price at $23.9MM.
- Additionally, Q3 2021 witnessed 20 closings over $10MM, versus the 14 seen in Q3 2020. Of these 20 trades, 9 were priced between $10MM-$20MM, 4 between $20MM-$30MM, 4 between $30MM-$40MM, 1 between $40MM-$50MM, and 2 over $60MM, with the highest valued at $85MM.

Midtown Condo/Co-Op:

- Quarter-over-quarter, Q3 2021 increased 46%, generating approximately $98.5MM in dollar volume, a Q3 record.
- Q3 2021 ended with a record $66MM in pending dollar volume, an 80% increase from this time last year.

South End Condo/Co-Op:

- Quarter-over-quarter, Q3 2021 increased 68%, generating approximately $69MM in dollar volume, the highest Q3 on record.
- Q3 2021 ended with $23MM in pending dollar volume, up 23% from Q3 2020.

PALM BEACH PRICES

Single-Family Residential:

- Median Price increased an impressive 74% quarter-over-quarter, reaching $9.8MM, the highest on record for any quarter.
- Average price saw a staggering 131% gain quarter-over-quarter, reaching a record $16.9MM, the highest on record for any quarter.

Midtown Condo/Co-Op:

- Quarter-over-quarter, median price saw a 22% decrease, reaching $1MM, due in part by a wave of trades in the lowest end of the market.
- Average price saw a 23% increase, reaching a new record of approximately $2MM.

South End Condo/Co-Op:

- Quarter-over-quarter, median price dipped 2%, to $600K, due in part by an increase of trades in the lowest end of the market.
- Average price increased 23% quarter-over-quarter, with a record $871K.

OBSERVATIONS

Consumer spending remains the biggest driver of U.S. economic growth, (WSJ). Unfortunately, there is little doubt that COVID hurt third quarter projections and that the fourth quarter could suffer from a decrease in spending now that relief checks have ended, and eviction moratoriums are soon to expire. However, while many economists have lowered third quarter growth forecasts, they have raised forecasts for next year, indicating that some spending and production have merely been delayed by the Delta surge, rather than lost to it and supply-chain disruptions, (WSJ). Supply chain and COVID related issues continue to linger, though it is positive to note that COVID cases are now around 30% below the Delta wave peaks and continue receding both in the United States and on a global basis, (J.P. Morgan). In fact, in its September Projections released last week, The Federal Reserve raised its 2022 growth forecast to 3.8%, up from its June Projections of 3.3%. Fed Chairman Jerome Powell also noted that the recent spell of higher inflation should eventually fade. As so many recognize the remarkable quality of life this community provides, we are fortunate that Palm Beach/West Palm Beach remain poised for continued sustained value increases whether the tail-end of these risks proves to be long or short.

SUZANNE FRISBIE | BROKER ASSOCIATE – THE CORCORAN GROUP, PALM BEACH
561.373.0941 | SUZANNE@FRISBIEPALMBEACH.COM
2021 WSJ, REAL Trends Ranking, by Individual Sales Volume, #3 in Palm Beach, #5 in FL & #11 in U.S.
WWW.FRISBIEPALMBEACH.COM | FACEBOOK.COM/FRISBIEPALMBEACH | @FRISBIEPALMBEACH

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.