



FRISBIE

PALM BEACH REAL ESTATE Q1 2023 RESIDENTIAL MARKET REPORT SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

The first quarter of 2023 has seen a continuation of the economic uncertainty witnessed at year end 2022. The recent failures of Silicon Valley Bank and Signature Bank, and the forced merger of Credit Suisse have further rattled financial markets, and are likely to curb credit extension, impair growth, and potentially increase recession risk (Northern Trust). While U.S. inflation eased to 5% in March, its lowest level in two years, it remains well above the Fed's 2% target, and another quarter point hike is on the table for May's meeting. Although Chairman Powell confirmed risks are higher today, he believes "the path to a soft landing" is still possible, and that a recession would be "mild." Jamie Dimon, J.P.Morgan CEO, echoed some optimism, highlighting the resiliency of consumer spending, the current strength of the job market, and low unemployment. "Looking ahead," he says, "the positives are huge."

While the Palm Beach real estate market is not immune to the effects of this wide-cast economic uncertainty, it continues to reap the benefits of sustained in-migration and demand for quality product. Even with inventory marginally increasing over recent record lows, offerings remain largely uninspiring, as evidenced by the high number of transactions occurring off-market. And with Q1 witnessing some of the highest prices on record, demand for premium properties remains strong. Highly sought after for its beauty, climate, safety, and tax benefits, Palm Beach continues to offer prudent investment opportunities matched with an unparalleled quality of life.



INVENTORY

Single-Family Residential:

- At the end of Q1 2023, there were 93 active offerings in the Multiple Listing Service (MLS).
- Based on Q1 2023's established absorption rate, this represents an approximate 12-month supply. While steadily increasing since the historic lows of 2021, inventory is still well below pre-pandemic levels, down over 50% from 2019, and often lacking or compromised.

Midtown Condo/Co-Op:

- At the end of Q1 2023, there were only 47 offerings in the MLS.
- Based on Q1 2023's established absorption rate, this represents approximately a 5-month supply, one of the lowest on record.
- While inventory is up compared to record lows seen over the past 2-3 years, it is still far below pre-pandemic levels.

South End Condo/Co-Op:

- At the end of Q1 2023, there were 107 offerings in the MLS.
- Based on Q1 2023's established absorption rate, this represents an approximate 7-month supply.
- Similar to Midtown, these inventory levels are increasing over the recent record lows, but are still far below stabilized, pre-pandemic levels.



TRANSACTIONS

Single-Family Residential:

- With a total of 23 transactions, Q1 2023 is down 44% in transaction volume as compared with Q1 2022. The quarter ended with 11 properties under contract, amounting to \$197M in asking price dollar volume.
- Low transaction volume can largely be attributed to the aforementioned lackluster inventory.
- We have reason to believe that two premium, waterfront estates will close off-market by the end of the season, signaling again the shortcomings of current inventory, as a growing number of high-end sales continually occur outside the MLS.

Midtown Condo/Co-Op:

- Q1 2023 transactions, totaling 29, are down 37% compared with Q1 2022.
- This, too, can be attributed to supply constraints.

South End Condo/Co-Op:

- Q1 2023 transactions, totaling 44, are down 54% over Q1 2022.
- The South End condo/co-op market is known to have a large percentage of trades occur off-market. As these off-market transactions continue to populate in the Courthouse Retrieval System (CRS), these numbers may increase.



DOLLAR VOLUME

Single-Family Residential:

- Q1 2023 dollar volume, totaling \$449M, is down 31% from the outlier \$646M of Q1 2022, but still represents the third highest Q1 dollar volume on record and is up significantly from pre-pandemic levels.
- This first quarter witnessed 10 trades priced over \$10M, half of which were priced over \$25M, including the record-setting highest priced single-family home transaction in Palm Beach history, totaling \$155M.

Midtown Condo/Co-Op:

- Q1 2023 dollar volume, totaling \$108M, is down only 7% from Q1 2022.
- This is the third highest Q1 dollar volume on record.

South End Condo/Co-Op:

- Totalling \$64.5M, South End dollar volume is down 42% compared to Q1 2022.
- This is due in large part to supply constraints, as inventory is down nearly 50% from pre-pandemic 2019 levels.



PRICES

Single-Family Residential:

- The Q1 2023 median price of \$8.3M is down 13% compared with the outlier of Q1 2022 (\$9.5M), but up nearly 30% compared to Q1 2021, and is the second highest Q1 median on

record. While prices are easing slightly from the dramatic surge witnessed over the last 2-3 years, they are still dramatically elevated over pre-pandemic levels.

- Q1 2023's average price of \$19.5M is up 24% over Q1 2022, a previous record-setter, and is by far the highest Q1 average price on record. This metric was impacted by the aforementioned \$155M sale, the highest price achieved for a residential property in Palm Beach history.
- Buyers are still expecting premiums for their listings, especially on highly desirable waterfront properties, where average asking prices have increased since last quarter. The average asking price per total square foot is \$5,014 and \$2,916 for waterfront and interior properties, respectively. The median asking price per total square foot is \$4,635 and \$2,922, for waterfront and interior properties, respectively.
- As previously mentioned, this first quarter witnessed the highest price ever paid for a residential property in Palm Beach: the \$155M off-market sale of a 2.65 acre, north-end, oceanfront estate, home for more than two decades to the late conservative radio host, Rush Limbaugh. Given the home's age and condition, it's likely to be demolished for new construction, allocating all value to the land alone. The purchaser, linked to billionaire William P. Lauder, subsequently listed two oceanfront lots, totaling 2.34 acres, for a combined \$200M, the highest asking price ever for Palm Beach vacant land. These two examples alone allude to the continued and significant upward pressure on pricing.
- 45% of all transactions in Q1 occurred off-market, including 3 of the 4 highest-priced trades, signifying the compromised quality of current inventory.

Midtown Condo/Co-Op:

- Q1 2023's median price, totaling a record breaking \$3.7M, is up an impressive 68% over Q1 2022.
- Average price, totaling \$4M, is similarly up 57% over Q1 2022, and represents another record-breaking price metric for the quarter.
- The weakening single-family home inventory continues to redirect buyers' attention towards high-end condos, inflicting upward pressure on pricing.

South End Condo/Co-Op:

- The South End condo market also saw record breaking prices last quarter, with Q1 2023's median price totaling \$912,500, up 32% over Q1 2022 and the highest median on record.
- Similarly, average price increased by 25% over Q1 2022, reaching a record breaking \$1.5M.

OBSERVATIONS

The broader and lingering context of economic uncertainty, coupled with localized inventory restraints, continues to stymie the recent and unprecedented momentum witnessed in the Palm Beach real estate market. Many buyers are exercising caution and prudence, opting to watch and wait before making a large-scale expenditure. Despite the headwinds, demand for housing in South Florida persists. Henley & Partner's 2023 Wealth Report recently ranked Miami as the top U.S. town where centi-millionaires (those with a wealth of \$100M or more) are buying second homes, with West Palm Beach (including Palm Beach Island) coming in third. Similarly, according to newly released data from Forbes, a record 57 billionaires have strong residential ties to Palm Beach Island, (an 18% increase since 2021), with personal fortunes totaling \$444B;



“unofficially,” we suspect the number of local billionaires might be significantly higher. Much of this remains a result of the tremendous out-migration from high-tax states like New York and California, both of which witnessed population declines of over half a million people since 2020, with residents fleeing covid restrictions, high taxes, and surging crime. According to a recent Redfin report, “five of the ten top metros with the highest net inflow were located in Florida,” and “New York was the top out-of-state origin for buyers in Miami, Tampa and Orlando.” Thus, the migratory trends initiated with covid continue their positive impact on Florida's population growth and the overall real estate demand. For all of its many enduring attractions, Palm Beach remains a highly desirable and prudent investment designation.

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2022 WSJ, REAL Trends Ranking, by Individual Sales Volume, **#2** in Palm Beach, **#4** in FL & **#7** 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.