



PALM BEACH REAL ESTATE
Q4 2022 RESIDENTIAL MARKET REPORT
SINGLE FAMILY & CONDOMINIUM/CO-OP

OVERVIEW

2022 proved one of the more challenging years in recent history for investors, with economic uncertainty prolonged by high inflation, subsequent interest rate hikes, equity market volatility, geopolitical tensions, supply chain disruptions, and Russia's ongoing war in Ukraine, all amidst the backdrop of a global post-pandemic recovery. While many experts believe inflation has peaked and will be lower in 2023, it's likely not low enough to ward off the Fed, and signals, in part, a weakening economy. Hence the continued debate among major banks about the outlook of a recession, which, if unavoidable, is generally predicted to be shallow, mild, and short-lived. As noted by Northern Trust, "High-frequency readings of consumer spending and business investment are still showing growth, and the current risk of a downturn is low...the window to a soft landing remains open." On a global level, markets are seeing some positive shifts with China's recent removal of covid restrictions, which should provide a boost to the Chinese and global economy through 2023, and European markets appear off to a strong start.

Similar to what we experienced last quarter, the Palm Beach real estate market continues to feel the effects of this uncertainty, yet to a much lesser degree relative to the wider context. Buoyed by its favorable climate, intrinsic beauty, valued safety, and overall quality of life, Palm Beach remains partially insulated, and the continued beneficiary of tremendous in-migration and sustained demand. As inventory remains remarkably low and largely uninspired, buyers continue to face challenges identifying optimal investment opportunities, relying more frequently on the incidental emergence of off-market deals. But as the below metrics illustrate, new record-setting, premium prices are easily achievable for properties deemed worthy, demonstrating Palm Beach's perseverance as a highly desirable, "safe haven" destination and investment designation.



PALM BEACH INVENTORY

Single-Family Residential:

- At the end of Q4 2022, there were only 68 active offerings in the Multiple Listing Service (MLS), the second lowest Q4 inventory on record.
- Based on 2022's established absorption rate, this represents an approximate 6.5 month supply. Although inventory is increasing slightly from its recent record lows, it is still far below pre-pandemic levels, down 62% from 2019. Additionally, overall inventory quality remains compromised, further limiting the options for interested buyers.

Midtown Condo/Co-Op:

- At the end of Q4 2022, there were only 43 offerings in the MLS.
- Based on 2022's established absorption rate, this represents approximately a 3.7 month supply, the second lowest Q4 on record.
- While inventory is up compared to year-end 2021, it is still far below pre-pandemic levels, down 66% compared to Q4 2019.

South End Condo/Co-Op:

- At the end of Q4 2022, there were 89 offerings in the MLS, the second lowest Q4 inventory on record.
- Based on 2022's established absorption rate, this represents a 4.5 month supply.
- While an increase over year-end 2021, these metrics are still far below stabilized, pre-pandemic levels.



PALM BEACH TRANSACTIONS

Single-Family Residential:

- With a total of 13 transactions, Q4 2022 is off 71% in transaction volume year-over-year. The quarter ended with 7 properties under contract, with just over \$150M in asking price dollar volume.
- Year-to-date, 2022 witnessed 125 transactions, very similar to pre-pandemic 2019 year-end levels.

Midtown Condo/Co-Op:

- Q4 2022 transactions, totaling 26, are down 37% year-over-year. However, these numbers are more in-line with pre-pandemic levels.
- The Midtown 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.

South End Condo/Co-Op:

- Q4 2022 transactions, totaling 21, are down 56% year-over-year. Again, these numbers are more in-line with pre-pandemic levels.
- The South End condo/co-op market is also known to have a large percentage of trades occur off-market. As these off-market transactions continue to populate in the CRS, these numbers may increase.



PALM BEACH DOLLAR VOLUME

Single-Family Residential:

- Q4 2022 dollar volume, totaling \$277.5M, is off 60% from the outlier \$692M of Q4 2021, but still up compared to pre-pandemic levels of 2018 and 2019. This Q4 dollar volume is 6% and 178% higher than the 2019 and 2018 counterparts, respectively.
- This fourth quarter witnessed 9 trades priced over \$10M, representing 69% of all sales, with the highest fetching \$66M. Year to date, 56% of all trades exceeded the \$10M mark.
- Year to date, 2022 witnessed \$2.25B in dollar volume, up 80% compared with year-end 2019 totals, and the second highest year-end dollar volume on record.

Midtown Condo/Co-Op:

- Q4 2022 dollar volume, totaling \$89.5M, is down 22% year-over-year. When compared to pre-pandemic 2019, this figure is up 127%.

South End Condo/Co-Op:

- Totalling almost \$15M, Q4 2022 South End dollar volume is down 65% year-over-year. This is due in large part to supply constraints, as inventory is down 47% from pre-pandemic 2019 levels.



PALM BEACH PRICES

Single-Family Residential:

- The Q4 2022 median price of \$15.25M is up a staggering 65% over last year's record breaking Q4 median, demonstrating the second year in a row where the Q4 median price jumped by over 60%. By far the highest Q4 median on record, this impressive metric illustrates the sustained upward pressure on prices, propelled by enduring demand and limited, often uninspiring inventory.
- Q4 2022's average price of \$21.3M is up a similarly impressive 39% over last year, (which was up 107% from Q4 2020), illustrating the highest Q4 average on record for the second year in a row. Compared to pre-pandemic Q4 2019, this average price is up a whopping 219%.
- Asking prices have remained strong, especially among more desirable waterfront listings, with the average asking price per total square foot reaching \$4,876 and \$2,956 for waterfront and interior properties, respectively. The median asking price per total square foot is \$4,587 and \$3,025, for waterfront and interior properties, respectively.
- Just as in the prior quarter, the three highest priced sales of Q4 were all achieved in off-market deals, again alluding to the often-compromised quality of current inventory due to the three-year surge in demand.

Midtown Condo/Co-Op:

- The Q4 year-over-year median price is up 22%, reaching a record-breaking \$3.17M. The weakening single-family home inventory has redirected buyers' attention towards high-end condos, creating upward pressure on pricing.
- Average price, totaling \$3.4M, is up 23% year-over-year, and represents another record-breaking price metric for the quarter.

South End Condo/Co-Op:

- The Q4 year-over-year median price is down 24%, totaling \$475K, though is up 19% compared with pre-pandemic Q4 2019.
- Similarly, average price decreased by 20% year-over-year, reaching \$692K, albeit is consistent with the pre-pandemic Q4 2019 average price.

OBSERVATIONS

While the Palm Beach market is not impervious to the wider context of economic uncertainty, it continues to perform well relative to the alternatives. The substantial increases witnessed in the Palm Beach pricing metrics, despite lags in overall transactions, indicate the persisting market demand for quality residential properties, with buyers still willing to pay premiums to obtain the property of their choice, regardless of wider, more macro-level economic uncertainty. As an example, December 2022 witnessed the highest price ever paid for a non-waterfront property, with the \$51M off-market sale of an estate on Jungle Road. This demand continues to be driven, in large part, by the still-increasing levels of in-



migration to the state of Florida. For the first time in 65 years, Florida, already the third most populous state in the nation, witnessed the fastest growing population in 2022, increasing by 1.9% to 22.2M people (Bloomberg).

While the global uncertainties of the past year will linger, many hold hope for a positive turn in 2023, as noted by UBS, “We think inflationary pressures will start to abate, central banks will shift from tightening to loosening policy, and economies, currently slowing, will trough and start to revive.” Despite the economic challenges we’ve endured and expect to face as the new year unfolds, Palm Beach has continued to not only weather the storm, but also set new market highs in the process, proving its resiliency.

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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.