

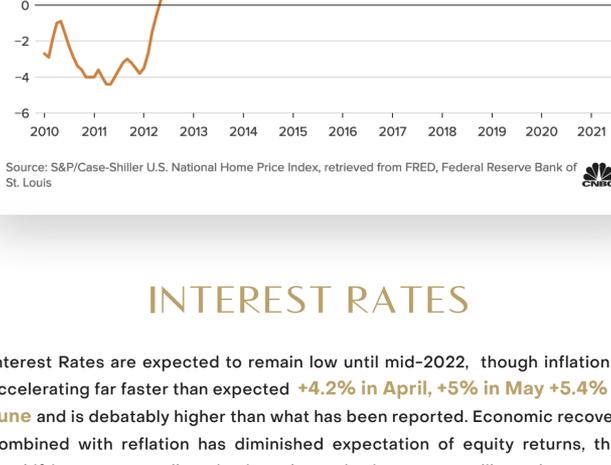
MARKET REPORT: Q2 RECAP

BY ERIN SYKES, NEST SEEKERS CHIEF ECONOMIST

Record prices have experienced their biggest annual increase in more than two decades, with short inventory being the primary driver. US home prices saw an annual gain of **16.6%** in May, the highest increase in more than 30 years, according to the S&P CoreLogic Case-Shiller National Home Price Index.

S&P 500 Case-Shiller home prices

Percent change from a year ago, seasonally adjusted



Source: S&P/Case-Shiller U.S. National Home Price Index, retrieved from FRED, Federal Reserve Bank of St. Louis

INTEREST RATES

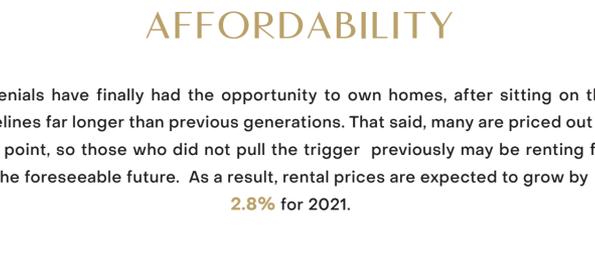
Interest Rates are expected to remain low until mid-2022, though inflation is accelerating far faster than expected **+4.2% in April, +5% in May +5.4% in June** and is debatably higher than what has been reported. Economic recovery combined with reflation has diminished expectation of equity returns, thus shifting monetary allocation into alternative investments, like real estate.

Individuals are using real estate investment as a hedge against continued inflation, thus if proven to be true, investment focus in hard assets will continue. Because inflation has been **<2%** for an extended period, individuals are more sensitive to increases.

U.S. weekly averages as of 07/22/2021

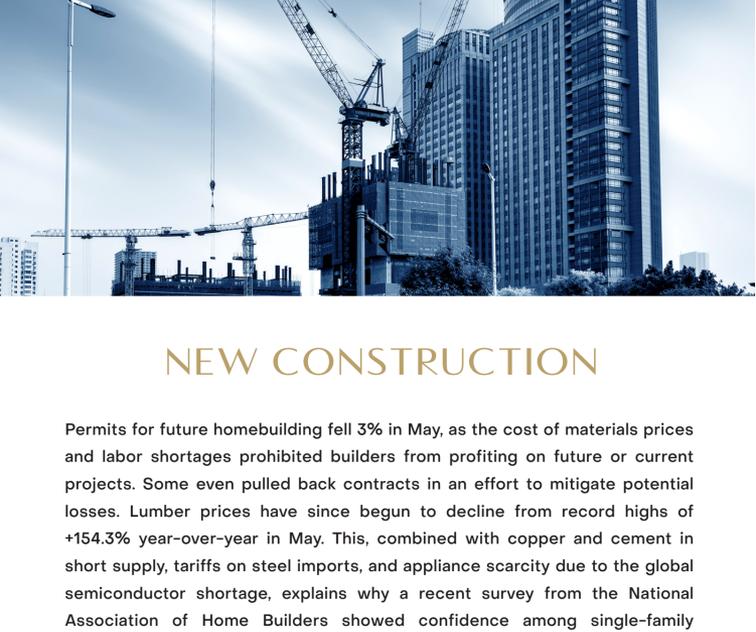
30-Yr FRM 2.78% ↓0.10 1-Wk ↓0.23 1-Yr 0.7 Fees/Points
15-Yr FRM 2.12% ↓0.10 1-Wk ↓0.42 1-Yr 0.7 Fees/Points
5/1-Yr ARM 2.49% ↑0.02 1-Wk ↓0.60 1-Yr 0.4 Fees/Points

Zoom 1Y 3Y 5Y 10Y All 07/22/2020 - 07/22/2021



AFFORDABILITY

Millenials have finally had the opportunity to own homes, after sitting on the sidelines far longer than previous generations. That said, many are priced out at this point, so those who did not pull the trigger previously may be renting for the foreseeable future. As a result, rental prices are expected to grow by **2.8%** for 2021.



NEW CONSTRUCTION

Permits for future homebuilding fell 3% in May, as the cost of materials prices and labor shortages prohibited builders from profiting on future or current projects. Some even pulled back contracts in an effort to mitigate potential losses. Lumber prices have since begun to decline from record highs of **+154.3%** year-over-year in May. This, combined with copper and cement in short supply, tariffs on steel imports, and appliance scarcity due to the global semiconductor shortage, explains why a recent survey from the National Association of Home Builders showed confidence among single-family homebuilders falling to a 10-month low in July.

Building a new home in the US has never been so expensive. There is a huge disparity in pricing in the resale and new construction markets. The nationwide housing shortage has swelled to 3.8 million units, according to Freddie Mac (up from 2.5 million units in 2018). In high-demand areas like Palm Beach, the value of new construction has risen **139%** year-on-year, more than the last three years combined. The demand in the South Florida market has stayed strong, despite the simultaneous return to cities like New York. Many have determined that a second home is a preferred investment over more temporary expenditures.

MARKETS

In preferred second home markets, like Palm Beach, Miami, The Hamptons, Aspen, etc., luxury buyers are looking for newer properties with luxe amenities to create fully self-sufficient spaces. Many are paying a premium in areas where they foresee a long-term tax benefit. As contractors are backlogged up to two years, homes needing renovation are significantly less desirable.

New York City is seeing a resurgence of premium rentals, though the COVID-era clearance deals are no longer.

Lower tax states will continue to show strength over the next 3-5 years, though we will see a continued pickup in urban areas as the reopening continues. There is a strong sense of urgency to secure property while rates are still low, even if it is not a 'forever home.'

PALM BEACH ISLAND



- \$8,000,000** ▶ AVERAGE SINGLE FAMILY PRICE (16% INCREASE FROM Q2 2020)
- 33** ▶ ACTIVE SINGLE FAMILY LISTINGS ON PALM BEACH ISLAND
- 57** ▶ SINGLE FAMILY CLOSINGS (90% INCREASE FROM Q1 2020)
- 1.3** ▶ MONTHS SUPPLY SINGLE FAMILY **1** ▶ MONTHS SUPPLY CONDOS

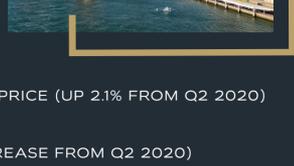
most limited supply on record

MIAMI BEACH

(including the barrier islands, comprised of Bal Harbour, Bay Harbor Islands, Fisher Island, Golden Beach, Indian Creek, Key Biscayne, North Bay Village, Sunny Isles Beach and Surfside)

- \$2,000,000** ▶ AVERAGE SINGLE FAMILY PRICE (60% INCREASE FROM Q2 2020)
- 292** ▶ SINGLE FAMILY CLOSINGS (240% INCREASE FROM Q2 2020)
- 2,393** ▶ TOTAL RESIDENTIAL CLOSINGS (378% INCREASE FROM Q2 2020)
- 2,101** ▶ CONDO CLOSINGS (406% INCREASE FROM Q2 2020)
- 3.1** ▶ MONTHS SUPPLY SINGLE FAMILY **4.6** ▶ MONTHS SUPPLY CONDOS

MANHATTAN NEW YORK



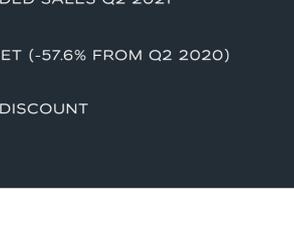
- \$1,921,204** ▶ AVERAGE SALES PRICE (UP 2.1% FROM Q2 2020)
- CLOSED SALES** (151.8% INCREASE FROM Q2 2020)
- 169** ▶ AVERAGE DAYS ON MARKET (36% INCREASE FROM Q2 2020)
- 6.9** ▶ MONTHS SUPPLY (50% DECREASE FROM Q2 2020)
- \$1,548** ▶ AVERAGE PPSF

THE HAMPTONS



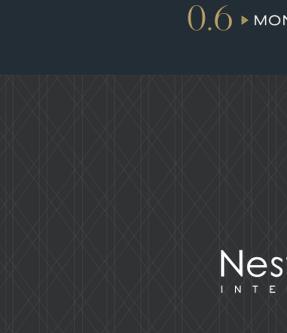
- \$1,255,000** ▶ AVERAGE PRICE (UP 35.5% INCREASE FROM Q2 2020)
- 337** ▶ TOTAL RECORDED SALES Q2 2021
- 51** ▶ AVERAGE DAYS ON MARKET (-48% FROM Q1 2020)
- 1.5%** ▶ AVERAGE DISCOUNT
- 27.6%** ▶ OF HOMES SELL ABOVE LIST (UP 174% FROM Q2 2020)

BEVERLY HILLS



- \$3,200,000** ▶ AVERAGE LIST PRICE (-64% COMPARED TO Q2 2020)
- 124** ▶ TOTAL RECORDED SALES Q2 2021
- 57** ▶ AVERAGE DAYS ON MARKET (-57.6% FROM Q2 2020)
- 3%** ▶ AVERAGE DISCOUNT

LONDON UK



- £711,107** ▶ AVERAGE LIST PRICE (UP 5.22% FROM Q2 2020)
- 37,992** ▶ TOTAL RECORDED SALES Q2 2021
- 57** ▶ AVERAGE DAYS ON MARKET (-57.6% FROM Q2 2020)
- 13%** ▶ AVERAGE PREMIUM TO LIST PRICE
- 0.6** ▶ MONTHS OF INVENTORY

