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# Business

HonoluluAdvertiser.com  
March 30, 2003



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Posted on: Sunday, December 29, 2002

## Hawai'i housing market likely to continue record sales pace

By [Andrew Gomes](#)  
Advertiser Staff Writer

Thinking of selling your home? Please call.

Listings needed.

I have a serious cash buyer looking to purchase exclusively in your neighborhood!

Sell! Sell! Sell!

These are the pleas of some local real estate agents who have resorted to soliciting homeowners recently to increase inventory in select neighborhoods and help keep Hawai'i's real estate market expanding.

The urging, by direct mail and phone, is a sign the market is tightening after record sales years in 2001 and 2002 — the best since 1990. But island real estate experts say they don't expect low inventory levels in some parts of the state to hold back 2003 from setting a third record for sales in more than a decade.

If the forecast is correct, Hawai'i's residential real estate market may defy a slowdown projected for the nation, and may continue the local expansion cycle for a seventh year.

"We're in our sixth year of expansion, which is unprecedented," said Herb Conley, co-managing director of Coldwell Banker Pacific Properties, the state's largest residential real estate firm.

Sales of existing homes on O'ahu this year through November were up 19.8 percent, to 8,478 homes and condos, from 7,075 for the first 11 months of 2001. Sales of new homes on O'ahu surged 33 percent during the first nine months of this year, to 1,725, up from 1,297 for the same period in 2001.

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Conley says the market should remain strong through most of next year, and sales may finish with a total increase of 5 to 15 percent.

Michael Sklarz, a local economist and chief valuation officer for the national real estate data and technology firm Fidelity National Information Solutions, said he expects next year's expansion rate to be half what it ends up being this year.

"I think overall you're going to see strong levels of activity, so the main constraint is availability," Sklarz said. "I don't see where you'd get suddenly more inventory you can tap into."

Experts said sales levels will vary by neighborhood, with greater activity in Central and Leeward O'ahu and on the Neighbor Islands. Fewer sales will take place in Windward and East O'ahu, which led the runup in resales and are slowing down now.

Fueling expectations for continued (albeit slower) growth are forecasts for little change to interest rates at historic lows, continued modest price increases, strong interest by vacation-home buyers and more release of pent-up demand among local purchasers.

Ricky Cassiday, a research analyst for Prudential Locations, suspects new-home sales will be a bigger driver of the market, especially on the Neighbor Islands, where visitors are buying multimillion-dollar vacation homes instead of investing in a shaky stock market.

Boosting new-home construction on O'ahu will be continued development at Ko Olina, two residential high-rises scheduled to break ground in Honolulu, hundreds of new homes in Hawai'i Kai, and growth in Central O'ahu communities such as Ocean Pointe, 'Ewa by Gentry, Royal Kunia and Mililani.

Cassiday said new-home sales should help offset a possible topping out in sales of existing single-family homes in 2003. But the condominium resale market, which has had fewer years of expansion compared to the single-family market, may keep growing, he said.

Interest rates at near-record lows, which have been the primary motivator of purchasers, are not expected to move much in the year ahead.

The National Association of Realtors forecasts rates now at about 5.8 percent aren't likely to rise above 6.5 percent until the second half of 2003, reaching 6.8 percent by year's end. Sklarz said he doubts rates will move more than a half-percentage point up or down from present levels.

Home prices should continue moderate appreciation, which is one reason the expansion cycle has continued so many years in Hawai'i, analysts said.

Sales have been up for about six years, but prices began to rise more recently — three years ago for single-family homes and two years ago for multi-family units, according to industry data.

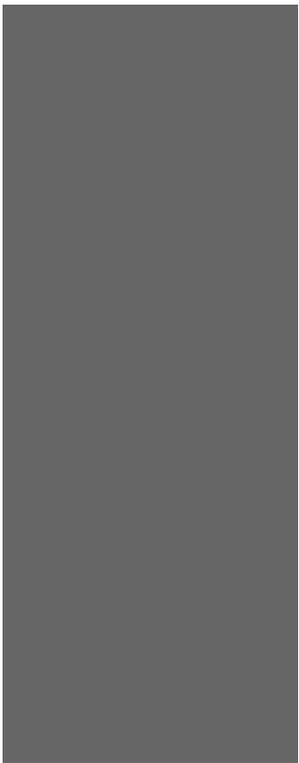
The median single-family-home sales price — at which half the homes sold for more and half less — was \$347,000 as of November. That was up 11.9 percent from \$310,000 in November 2001, according to Honolulu Board of Realtors data. For condos, the median price was \$160,000, up 17.2 percent from \$136,500 during the comparable period of 2001.

Nationally, prices in 2003 are expected to rise about 4 percent, and the pace of sales is expected to decline about 4 percent, according to the National Association of Realtors.

Sklarz said Hawai'i's housing market has been detached from Mainland trends for years, and still has a lot of catching up to do after lagging behind stronger markets during most of the 1990s.

"Hawai'i had such a prolonged stagnant period ... this is just part of a big catch-up process."

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