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More than just rain caused April home prices to slip

Pacific Business News (Honolulu) - May 5, 2006 by [Nina Wu](#) Pacific Business News

Oahu home prices and the number of transactions both slipped in April, which some are seeing as a welcome sign that will encourage dispirited buyers to get back in the hunt.

The median price slid 5.4 percent to \$615,000 in April, down from \$650,000 in March, according to the **Honolulu Board of Realtors**. Only 332 homes were sold, 86 fewer than in April 2005.

Condominiums fared even worse in April: 584 changed hands, 170 fewer than the same time last year. The median price dipped to \$296,500 from \$312,000 in March.

In April 2005, the median was \$243,000.

The Realtors board blamed the torrential rains that began in February and roared through March for the decline. Even though the rain siege stopped on April 1, the slow sales were seen as spilling over from March, since many deals don't officially close for several weeks.

But **Bank of Hawaii** chief economist Paul Brewbaker said the numbers are a continuation of the gradually declining sales volumes in recent months.

"The rain probably didn't help," he said. "But it's not an explanation for why prices went down."

Last October, Brewbaker interpreted a boost in inventory as a possible sign that the market was cooling, as it is in many previously hot markets on the Mainland. Sales volumes started declining early last year, he said, and should continue to decrease.

At the time he also predicted that the median home price on Oahu would reach \$700,000 by the end of this year. He said he is starting to reconsider that number.

"I'm losing confidence in my forecast," he said, "but hoping the summer bails me out."

The upside to the lower prices is that they are bringing buyers back to open houses.

Abe Lee of **Abe Lee Realty** said his firm's sales are slightly down from this time last year. He said he still believes that most homes will move if they're priced realistically.

"People aren't willing to pay the premium like they were before," he said. "It's back to normal, and I welcome that."

Mortgage payments in Hawaii are taking up a more significant chunk of the household budget, at

42 percent to 44 percent rather than the recommended 30 percent of salary.

Byron Yogi, broker-in-charge of AMFI Mortgage Company, said the high number of interest-only loans is an indication that prices are too high for many buyers.

"What does that tell you?" he asked. "People don't have money. The bulk of people buying now are having a hard time qualifying."

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