

Condo prices surge after years of stagnation

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2005 was the year of the condominium.

After years of lagging behind single-family homes in price and sales volume, the year closed with 7,990 condominium sales at an average price of \$269,000 on Oahu, according to the Honolulu Board of Realtors.

Condominiums are expected to stay hot through 2006 as new complexes are completed and Hawaii stays hot as a second-home and investment market.

By the end of the year, the Oahu condominium inventory shot up to 1,961 units, 30 percent higher than the same time last year. That's not counting some 3,500 or more units that are either planned in the next few years or under construction.

"When people can't afford a home, they'll buy a condominium," said David Quandt, vice president of Charter Funding of Hawaii. "When single-family homes go way up, they tend to go up higher than condos. Then the condos follow."

The highest median home price recorded on Oahu last year was \$640,500 in November, which dropped to \$610,000 in December.

The median price for a condo experienced a steady upward climb, beginning in January and continuing to its peak in November. It remained at \$305,000 for both November and December.

The year-over-year increase in the median price for homes and condos was practically the same, up 28.3 percent for homes and 29 percent for condos.

For many of Oahu's real estate firms, the number of condo transactions held even with single-family home sales, a change from most years, when single-family homes represent the majority of sales. Sales for condos continued to rise even as prices increased significantly.

Once the median home price hit \$600,000, many buyers began to shift to the condo market, according to Jim

Wright, president of Century 21 All Islands.

The asking price of many Honolulu condominiums is starting to look like what used to be the median price of a home. Prices range from \$12 million for the 35th floor penthouse of the Waikiki Landmark to \$83,000 for a studio at Pokai Bay Beach Cabanas in Waianae.

Condos outpace homes

Dan Tabori, executive vice president of business operations for Prudential Locations, said he believes the condominium market may outperform the home market on Oahu this year.

Last year was a record year for Prudential, which tallied more than \$1 billion in sales for the second consecutive year, according to Tabori.

"The condo market was very strong in 2005," he said. "For 2006, the condo market's strong performance will continue as offshore buyers and baby boomers continue to find Hawaii's lifestyle and real estate attractive."

Condo owners were especially hammered by the real estate downturn in the 1990s. Even as single-family home prices began moving up, condos lagged, appreciating an average of less than 5 percent a year over the past decade, according to Prudential.

That means they have some catching up to do.

The inventory count for condos by the Honolulu Board of Realtors doesn't include the dozen or so high-rise projects in the pipeline.

In Kakaako, new projects include The Hokua at 1288 Ala Moana, Koolani, 909 Kapiolani Condominiums and Moana Pacific. Other projects announced this year include The Pinnacle, Capitol Place, Keola Lai and Watermark Waikiki.

Many of the units for the yet-to-be-built condos have been pre-sold but are not yet recorded as sales.

Priced right, will sell

The year 2005 also made its mark for asking prices that reached new heights. Asking prices for a condominium went up to an average \$350,000, about 43 percent higher than last year, according to the board.

Some owners were testing the market, according to Abe Lee of Abe Lee Realty.

But this year should bring some of those sellers back down to more realistic prices.

"Anything we had that was priced right sold fairly quickly," Lee said. "Anything overpriced took a long time to sell."

Quandt said in some instances he had difficulty getting appraisals at the same level as the prices people were willing to pay.

"Now we're seeing a more realistic market where if you don't list your home at a reasonable price, it doesn't sell," he said.

As long as interest rates remain somewhat steady, real estate agents expect buyer demand to continue.

"We're not going to see as many investors buying and selling homes or condos as quickly over the next couple of years," said board president Mary Flood. "I still think it's going to be an excellent year based on strong buyer demand."