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THE BUSINESS REVIEW

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From beachfront to Mililani, home supply stays tight

Most popular neighborhoods stay expensive, but a few areas opening up

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Real estate statistics show falling sales and a slight decline in prices on Oahu over the past year, which might give some the impression that there is a glut of properties languishing on the market.

But Realtors who specialize in the blue-chip oceanfront neighborhoods in the shadow of Diamond Head say that's misleading -- sales are off because there just aren't enough beachfront properties on the market.



The island as a whole saw the number of active listings rise by about 12 percent last month, but even some neighborhoods that are more affordable, such as Mililani, had fewer listings than last year, when sales were higher. Although there were dozens of listings in the Diamond Head and Kahala neighborhoods last month, the prized oceanfront properties are more scarce.

"If you have a buyer for oceanfront Diamond Head-Kahala, essentially you have three choices: a vacant lot, an older house and a newer house," said Mary Worrall, principal broker and president of Mary Worrall Associates Sotheby's International Realty, which specializes in affluent neighborhoods.

The monthly islandwide statistics reported by the **Honolulu Board of Realtors** give a snapshot of the median prices for single-family homes and condominiums, as well as the number of sales, and how those figures stack up when compared to the same month the year before.

For example, in February, the board reported that sales of single-family homes had dropped 40 percent from February of 2007, and that sales of condominiums had fallen 20 percent.

Realtors say you have to dig deeper into the data to give both buyers and sellers a more accurate picture of individual neighborhoods in today's real estate market.

For Worrall and Patricia Choi, whose **Choi International** firm also specializes in the high-end properties that line Diamond Head Road and Kahala Avenue, the islandwide statistics don't tell the story for their markets.

"The high-end buyers, that's a little market of its own, and Kahala is a market of its own and

Diamond Head is a market of its own," Worrall said. "They're mini-markets. You can't generalize."

That goes for every other area on Oahu: Makaha, Ewa Beach, Aiea, Hawaii Kai, Kailua and Mililani are each "mini- markets" of their own.

The median price of a single-family home on Oahu was \$599,000 in February, down just \$1,000 from the month before. It was the first time the median price -- where half sold for more and half sold for less -- dipped below \$600,000 in nearly three years, board research economist Harvey Shapiro noted.

"When you divide that into 17 neighborhoods you're going to get bounces," Shapiro said. "You always need to take the data with a grain of salt and always understand how it's constructed."

Prices at either end of the spectrum can push the median up or down in neighborhoods.

For example, the Aina Haina-Kuliouou neighborhood has one of the priciest subdivisions on the island, Hawaii Loa Ridge, right in the middle. Houses there typically sell for close to \$2 million, while most houses in the valleys on either side of the ridge sell for well below \$1 million. So the neighborhood's median price is a function of how many homes sell on Hawaii Loa Ridge versus the rest of the area.

Prices dropping more on the lower-priced homes helped to push the islandwide median down.

"You have a bigger drop in pricing for Ewa and the Waianae Coast, the Leeward areas," said Berton Hamamoto, principal broker of Property Profiles in Aiea and the past president of the Honolulu Board of Realtors. "[However] there are still some neighborhoods in there that are going pretty strong."

Strong sales in the lower price range in February pushed down the median, said Scott Higashi, executive vice president of sales for Prudential Locations, which this week released a report that analyzed the market while highlighting 10 neighborhoods on Oahu and three on Maui.

Sales of homes in the \$300,000 to \$499,000 range, which are mostly in West Oahu, were 6.7 percent higher than in February 2007, while sales of homes in the \$500,000 to \$699,000 range fell 7.2 percent.

"That \$1,000 was because of the mix of homes," Higashi said. "It doesn't suggest that prices are falling across the board,"

In the Pearl City-Aiea area, the median price jumped by 26 percent in January-February, when compared to January and February of 2007.

"This year, we had 17 sales compared to 34 the year before, a 50 percent drop, but the prices, amazingly, are up," Shapiro said. "I can tell, looking at the data, that it's a different set of houses that sold."

Inventory, which is the number of active listings on the market, last month climbed to 1,924

homes in February, a 12 percent increase over February 2007, when there were 1,717 homes listed.

But that's still well behind the low point of the mid-1990s, when there were upwards of 3,000 listings on the market, Hamamoto said.

Although Hawaii apparently skirted the subprime mortgage crisis that hit the Mainland, the resulting credit crunch is affecting certain Oahu neighborhoods more than others.

More first-time home buyers tend to look in West Oahu -- from Ewa Beach to the Waianae Coast -- where home prices are lower, but with lenders tightening their standards, it's more difficult for buyers with down payments of less than 20 percent.

"If you watch the figures, you're going to see that that's where your inventory numbers are running up," Hamamoto said.

The Ewa Plain, which includes Ewa Beach and Kapolei, had 387 active listings in February, up from 323 last year. The Makaha-Nanakuli market had 194 active listings for single-family homes last month, up from 159 in February 2007.

"They're having a hard time selling because there's so much competition," said Abe Lee, principal broker of Abe Lee Realty. "One of my agents listed her property, couldn't sell it and is now renting it out."

In Mililani, there were 36 homes sold during the first two months of the year with a median price of \$550,000, down from 38 homes at a median price of \$597,800 last year. But buyers looking in the Central Oahu neighborhood last month had their choice of just 78 listings, 11 fewer homes than the same month last year.

In certain metro Honolulu neighborhoods such as Nuuanu or Manoa, inventory is minimal, and prices have been holding because of high demand, said Kay Mukaigawa, principal broker of Primary Properties, whose clients buy and sell everything from condominiums on the lower end to homes selling for \$1.5 million to \$2 million,

"There's not a lot of inventory for the good homes," she said. "Nowadays, a million-dollar home is not that much."

Ultimately, choosing the right pricing for a home may mean the difference between a sale or a bump up in the inventory for a neighborhood.

"It's still got to be priced right," Lee said. "If it's not priced right, I don't care if there's no inventory, it's not going to sell."

Mukaigawa planned to list a property this week for a client in Kahala Kua, a subdivision on the ridge above Aina Haina. Homeowner Cara Kakuda said she told Mukaigawa of the price she thought her four-bedroom home should list for, and was pleasantly surprised when Mukaigawa adjusted the price upward.

"Believe it or not there's nothing on the market" there, Mukaigawa said, which means Kakuda's home has no competition for buyers who desire that neighborhood.

Kakuda, direct sales manager for business accounts at **Clearwire** wireless broadband, wants to move her family to Manoa to be closer to work and to **Punahou School**, where her son is in the sixth grade.

"I feel confident that we'll be able to sell it, but whether we'll be able to find something ... ," she said.

But her situation underscores what Shapiro and many Realtors are saying -- that despite slower sales and leveling prices, it's a healthy market in which to buy and sell.

"When you look at the whole picture, it's a good time for both sides," Hamamoto said. "You're almost close to the equilibrium."

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