

**From the tree to the forest... back to my roots (and leaves)**

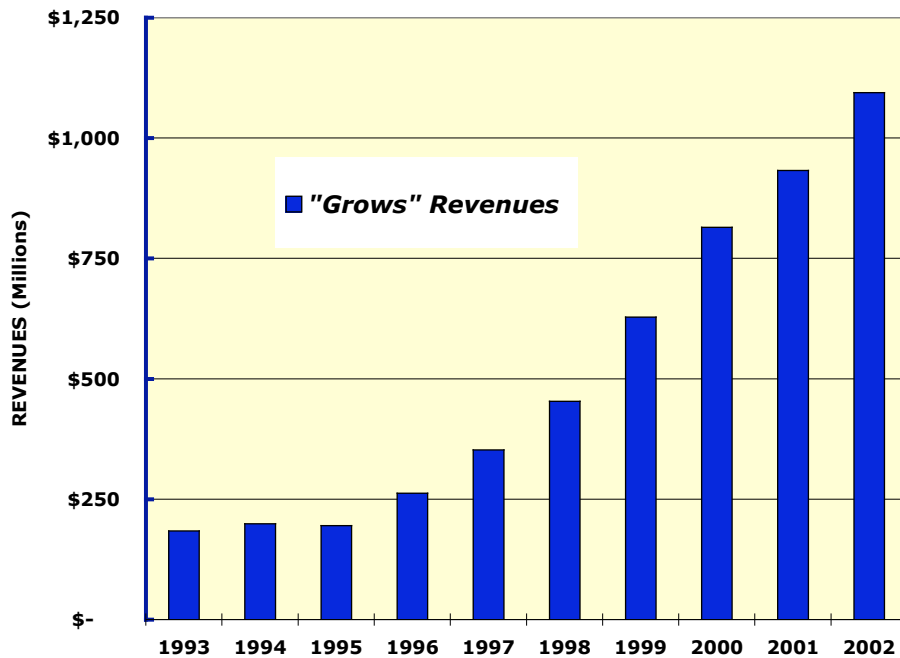
For a while now, I've been beaching about beaches, so much so that you probably forgot how I got into this. Simple: it was fun. But, fun as it is to have my feet in the sand, my hair wet, and salt water to smell, it's back to work time.

I got into rooting for the one best beach (the tree) by looking at the market (the forest) on resorts... finding that some asking prices went way beyond the value (perceived or actual) (IMHO). Not only did I go to the beach, I climbed out on a limb by calling attention to the price/value imbalance: indeed, I was a skunk at a garden party at more than one broker's open homes.

After leaving the beach under a cloud, I discovered that a batch of new data on resort home sales had landed on my hard drive in the interim.

It showed the market to be, in a word, respectable... no, actually in two words, since numbers speak for themselves and don't fill up this column very much (now you know why my charts are so big). The two words are: Very Respectable. Metaphorically, the market in 2002 looks like a bumper crop, (pretty remarkable, given two bad growing conditions: 2001's 9/11 famine, and 2002's Desert Storm Two drought.

**Big Trees, Big Forest**



How does the garden grow? Closings (think of it as fruit from the tree) are up 50% over 2001. Average prices, however, have shrunk by \$176,000 (or 20%) to \$692,000 (think of it as the size of the fruit). So what's the big picture (the forest)? That's total sales volume (aka grows, I mean, gross revenue). It's up 17%, to a very green \$1.09 billion. Let me put it into context: the year we went to war, this industry pulled in an additional \$162 million in revenue (and that's atop last year's rise of \$118 million). No matter how you slice it, that's lotsa leaves, errr, lettuce.

Time for me to stop this gardening metaphor (in my next column, I'm going fishing) and get on my high horse to proclaim a really BIG story.

Here's a multi-million dollar industry that's grown by double digits in each of the last seven years, **AND IT GETS NO RESPECT**. Maybe that's because it's associated with tourism in most people's minds. But it's not. Room revenues are not residential sales.

See this in light of all the talk down at the legislature about our fragile economy, and the need to diversify. Diversification has come to mean giving tax breaks. But here's a business that's managed to reach a billion plus from a tenth of that in ten years, with no special tax breaks whatsoever.

How come? Probably because it used efficiently the resources Hawaii has in abundance: sun, scenery and aloha. More beautifully, these 'factors of production' are not in great abundance most anywhere else. That's a big (comparative) advantage. So anytime any business comes around asking for a buck of public money in order to diversify, I ask what are they using that's home-grown, err, grown. If not, maybe they ought to redo their business plan. You know, like check out the beach first.