

**AUGUST**

CURRENT MONTH	PREVIOUS MONTH	YEAR PREVIOUS	PERCENT CHANGE
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**OAHU REAL ESTATE**

OAHU REALES	1,071	1,079	899	+19.1%
OAHU AVG RESALE PRICE	\$ 264,619	\$ 265,463	\$229,889	+15.1%
OAHU AVG DAYS ON MARKET	28	29	29	-5.3%
OAHU NEW HOME SALES	182	225	266	-31.6%
OAHU NEW RES. PERMITS	263	191	332	-20.8%
OAHU S.F. MONTHLY RENT	\$1,782	\$1,790	\$1,749	+1.9%
<b>INDEX (1972=100)</b>	<b>277.8</b>	<b>277.5</b>	<b>257.2</b>	<b>+8.0%</b>

**SPECULATION INDEX**

WAIKIKI CONDO REALES	83	96	107	-22.4%
KIHEI CONDO REALES	55	72	71	-22.5%
KAANAPALI CONDO REALES	10	4	14	-28.6%
KONA CONDO REALES	47	47	49	-4.1%
POIPU CONDO REALES	11	14	7	+57.1%
TOTAL SPEC CONDO REALES	206	222	248	-16.9%
TOTAL HAWAII CONDO REALES	929	792	805	+15.4%
<b>SPEC Vs. TOTAL</b>	<b>22.2%</b>	<b>28.0%</b>	<b>30.8%</b>	<b>-28.0%</b>

**RESALE ACTIVITY**

OAHU S.F. & CONDO REALES	1,071	1,079	899	+19.1%
MAUI S.F. & CONDO REALES	236	306	223	+5.8%
BIG ISLE S.F. & CONDO REALES	277	284	273	+1.5%
KAUAI S.F. & CONDO REALES	119	119	99	+20.2%
STATE S.F. & CONDO REALES	1,703	1,788	1,494	+14.0%

**RESALE PRICES**

OAHU S.F.	\$394,000	\$390,000	\$360,000	+9.4%
OAHU CONDO	\$179,500	\$175,000	\$150,000	+19.7%
MAUI S.F.	\$449,000	\$397,000	\$375,000	+19.7%
MAUI CONDO	\$240,000	\$214,500	\$179,000	+34.1%
BIG ISLAND S.F.	\$250,000	\$259,000	\$180,000	+38.9%
BIG ISLAND CONDO	\$187,000	\$160,850	\$152,000	+23.0%
KAUAI S.F.	\$359,000	\$384,000	\$285,000	+26.0%
KAUAI CONDO	\$331,500	\$280,000	\$133,000	+149.2%

## OLD MAN MARKET

Ever heard this slave song sung in the Mississippi cotton fields 150 years ago? It goes:

Ol' man river, that ol' man river, He must know sumpin', but don't say nothin', He jus' keeps rollin', He keeps on rollin' along...

If you replace the word 'river' with 'market, you have, in a nutshell, my read on the market. Between that black slave in the cotton fields of Mississippi and this white one in the data fields of Hawaii, there is a sense of wonder at the power of nature... or wonder at the power of the market, which, like the river, is in full flood.

Look at the Oahu Real Estate Index, and just focus on just the bad news for a second: new home sales are down 32%, and new residential permits down 21%. Then check out the other aspects: sales are up 19%, and average prices up 15%. Then, there's the fact that average time on market keeps going down: 28 days. Finally, check out the index number: up 8%. Looks like a case of bad news swept aside.

Then there's the Speculation Index. Last year, 31% of the condo market was second-homey (apologizing now to rappers), this year it's 22%. BUT sales on the resort isles of Maui and the Big Island are up 6% and 2% respectively, and PRICES are up 20-35% for Maui, and 23-39% on the Big Isle. Kauai is in a league of it's own: sales up 20%, prices 26-149%.

With all this talk of an up market, I think balanced reporting on my part would reference a speech made recently by Robert McTeer, chief executive of the Federal Reserve Bank of Dallas. He had a simple, straight-forward opinion about Oahu's residential market: in a word, Bubble.

McTeer noted that the median price of resale homes on Oahu jumped 15%, and compared that to DBEDT's forecasted rise in personal income of around 4.6% for 2003. That disparity of 10% indicates that home prices are getting outa whack with values, specifically defined as people's capacity to pay. Over the very long run, people's capacity to pay and values should equate (find equilibrium near to one another).

But, in the short run, prices and pocketbooks may not converge. Especially when there is a shortage of supply... Is there a shortage? I think so: over the last five years, 19% of all homes sold on Oahu were newly built. Compare that with 28% (of all homes sold in the market being newly built) over the last 23 years, and you see that builders haven't been keeping up. If they had, then that would act to keep prices down.

Plus, prices aren't that high, at least given my reading of Einstein's theory of relativity (which is that everything is relative). To wit: the housing price index might be up 15% this year, but last year they rose only 1.3%. Moreover, the year before, 2001, they FELL 2.4%.

Does this sound like a bubble? Nope. Unlike many mainland markets, which have been rising steadily for more than a couple years, Oahu has been poking along. Until this year.