

**FROM THE HORSE'S MOUTH**

Judging from reader response from my last column, many of you think I'm full of horse stuff... hence, the title of this week's column (with some reservations about which end some of you might think it's emanating from). By the way, I stand by my thesis that interest rates don't affect prices, which is why most of you think I am full of (but I'll leave that for next week).

Everyone has heard about horse races... but what about House Races? That's what came to mind when I reviewed the data and trends in the residential market statewide for July: for the first time since I can remember, home sales and home price are running neck and neck.

We can see this in the Oahu resale sales numbers: they are currently up 20.7%, rising from 894 closings in last July to 1,079 closings for this one. Now, compare 20.7% to the percentage rise in Oahu resale prices: those were up 18.7%, climbing from last July's \$223,732 up to this July's \$265,463. Is this the only instance where sales and prices are fighting over bragging rights for being first and fast?

No. Check out the Big Island resale market. There, home sales are up 14.5%, while home prices are up 16.2%. How's that for a tight race? Kinda like the last Presidential election, huh?

Then, how 'bout Kauai? No contest there: home sales are up 63%, and prices are waaay behind, up by 'only' 40.2%... but, in any event, the house race is going in favor of sales. On Maui, the opposite thing is happening: prices are winning (to wit, sales are up 14.5%, while prices are up 22.8%).

Like having Mars coming close to earth, this is a rare event, and one that may not be repeated soon. Why? Because, in more sedate times, prices and sales don't move in concert. Usually, one moves, and the other then follows suit. Explain, please? They don't because sales increases feed price increases, but not vice versa.

Do the logic: higher sales takes units off the market – which results in fewer units to be bought. This is called scarcity, and it leads to higher prices IF new home buyers enter the market (i.e., the level of demand stays the same). And that's what's happening now: as houses fly off the market, more and more buyers are entering the market, which causes them to then bid up the prices for the remaining houses on the market. Which is why you are going to have to suffer my analogy between the fiery planet and the firing market.

Carrying on the racing analogy, where's the biggest spread between the prices last year and this? The Kauai condo market takes the ribbon here, up 43% to \$280,000 from \$195,500. The booby prize? Almost a tie between Maui Single Family and Big Island Condos, both of which are up ONLY 7.3% (or 7.4%). Note that 7% higher prices are extraordinary in a normal market. But this market isn't normal, not yet.

Higher interest rates may help slow down the market, and help it to return to normalcy... but the question is when. I'd answer that, already too many of you think I full of home, and horse, stuff.

JULY

	CURRENT MONTH	PREVIOUS MONTH	YEAR PREVIOUS	PERCENT CHANGE
<b>RESALE ACTIVITY</b>				
OAHU S.F. & CONDO RESALES	1,079	947	894	+20.7%
MAUI S.F. & CONDO RESALES	264	294	230	+14.8%
BIG ISLE S.F. & CONDO RESALES	284	259	248	+14.5%
KAUAI S.F. & CONDO RESALES	119	98	73	+63.0%
STATE S.F. & CONDO RESALES	1,746	1,598	1,445	+20.8%
<b>RESALE PRICES</b>				
OAHU S.F.	\$390,000	\$388,500	\$320,000	+21.9%
OAHU CONDO	\$175,000	\$179,500	\$157,000	+11.5%
MAUI S.F.	\$392,000	\$370,000	\$365,000	+7.4%
MAUI CONDO	\$240,000	\$201,000	\$188,000	+27.7%
BIG ISLAND S.F.	\$259,000	\$235,000	\$210,000	+23.3%
BIG ISLAND CONDO	\$160,850	\$187,000	\$149,956	+7.3%
KAUAI S.F.	\$384,000	\$382,000	\$295,000	+30.2%
KAUAI CONDO	\$280,000	\$347,500	\$195,500	+43.2%