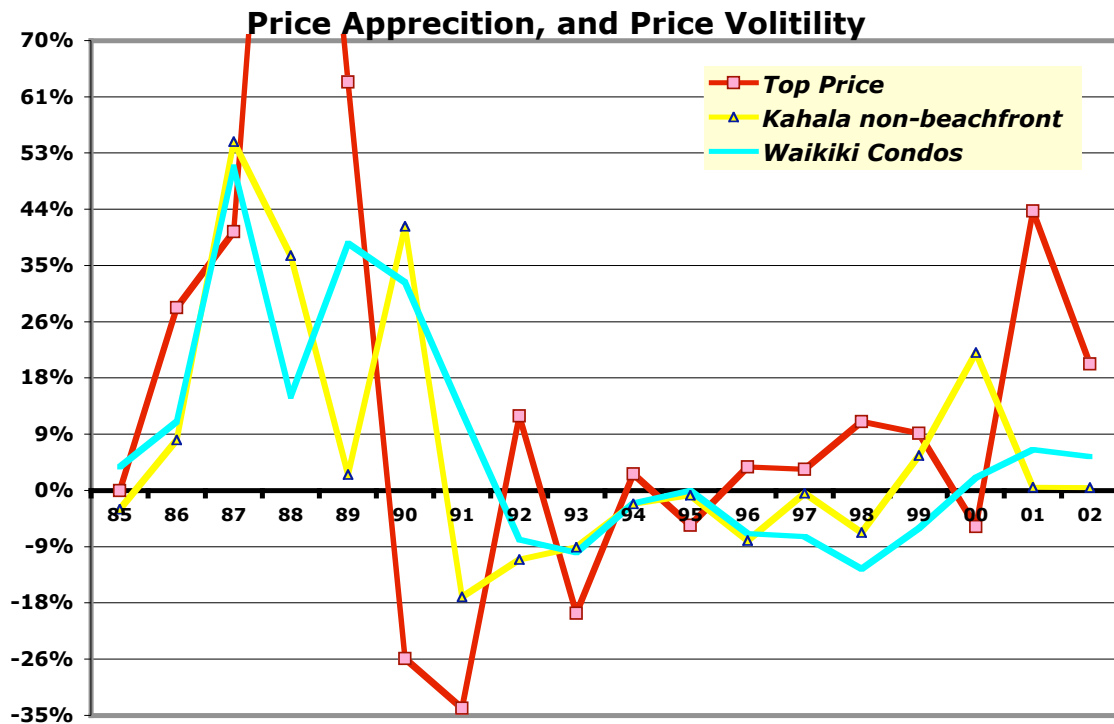


## BEACHES MAKE ME LAZY

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I so enjoyed the chart I produced for last week's column that I wanted to run it again (but, my editor said I was being lazy). But, I said, what's WRONG with that? Besides, I didn't get to say everything I wanted to. Like what, she said? Like how, in the big picture, the chart really brought home, pun intended, the fact that beach front real estate is tops, in terms of asset appreciation. Prove it, she said! Okay, I said, take a look at this chart... (which was, OOPS, a new one).



What's it show? In the big picture, any time there is major creation of wealth around the Pacific Basin area, Hawaii real estate jumps up, specifically higher home sales and higher prices. And, small picture, it showed that the best properties got the best prices (and the best price appreciation). And what makes best in the best properties? A beachfront.

Hands down, per the chart, buying top-of-the-line (i.e., beachfront) beats ever-y-thing. It beats buying a Waikiki condo (a favorite in the last market cycle) or a house off the water in Kahala (a favorite in this market cycle). Maximum prices (values) for Top Price Homes depreciated (went down) in only 5 of the last 17 years (and it's up only 20% this year) (don't tell that to your 401K).

But, fly in my ointment, these trends are composed of properties that have some similarity, but not are not EX-ACT. As in, THE SAME. Apples to Apples. So, while each of these Top Price beach frontals are on a beach, one might front fresh lava rocks, another might be next to a river mouth, while a third might have soft sand, gentle waves and no public right-of-way for half a mile. In other words, there are distinctions to be made, ones that have a material difference as to the beach experience of the homeowner. Which, it turn, relates (most times) to the price paid for the home.

Is this why the chart's values fluctuate annually? Yes, and no.

Yes, inasmuch as there are only so many great beaches in Hawaii, and only so many great beach homes on great beaches. So, in any one year, two or none may come on the market. So, in the year with two, you'll get a whopping big sale... and in the year with none, you'll get a whiney little sale (see chart: 1993, 1995, 2000).

No, insofar as there are cycles in terms of 'wealth generation' (indeed an inelegant turn of phrase, which I can neither attribute to John Kenneth Galbraith nor Gloria Steinem). Simply put, when lots of people have lots of money, then lots of expensive homes in Hawaii get bought.

Ponder that, next time you walk along the waters edge at Kahala, Wailea, Poipu, or Hapuna, looking at the fine beaches.