

population base: many of these resort buyers develop a taste for living in Hawaii, and, ultimately (say, upon retirement), convert this second home into their primary residence.

It is an industry that is based on our comparative advantage, and extensively uses our most abundant and most marketable resources (sunshine, scenery, law & order) profitably, without significantly degrading any of the other of our vital resources (water, clean air, etc.). As I've noted before, second homeowners don't flush the toilet very often or get stuck in traffic around the local school, but pay their property taxes. Land is the only resource it uses that is scarce, but it does make it more productive than it formerly was (something landowners, and county tax assessors notice).

This is particularly prevalent on the Big Island, where resorts like Hualalai and Kukio have made use of some pretty unloved and useless land: the lava flows forming much of the Kohala coast. The same could be done to land that is not particularly productive, like the west side of Kauai, the hills above Lahaina or Maalaea, or Makaha.

SUSTAINABLE TOURISM' AND RESORT RESIDENTIAL MARKET SALES

Dear Reader: These are remarks I made to an advisory group wrestling with pros and cons of tourism in terms of our economy, society and environment in a \$1.2 million study funded by the state, called the Sustainable Tourism Study. I commend the group for considering all points of view, including mine, which presents the case for the benefits of this market.

Not too long ago, I attended a briefing on tourism by Seiji Naya, in which he quantified the main revenue generating activities in tourism: room service, food and beverage, transportation, etc. I read his numbers and realized that he'd not included a line item for the category of resort residential sales.

What caught my attention wasn't that he'd excluded this market, inasmuch not many people, including me, equated resort real estate activities with tourism.

What caught my attention was the magnitude of revenue. Knowing that \$1.2 billion was spent this year housing on resort master planned communities, I compared it to all the rest of the drivers of this economic sector. This resort residential market came in at number two, right under the top ranking room revenue. That got my attention. And that's why I share it with you here.

RESORT MARKET CLOSINGS, PRICES AND REVENUES

	Closed	Ave Price	Revenues
1993	356	\$ 517,997	\$184,406,874
1994	469	\$ 424,895	\$199,275,723
1995	470	\$ 415,152	\$195,121,226
1996	606	\$ 433,706	\$262,825,818
1997	799	\$ 441,389	\$352,670,024
1998	911	\$ 497,881	\$453,569,436
1999	1,203	\$ 522,398	\$628,444,325
2000	1,197	\$ 680,463	\$814,514,618
2001	1,059	\$ 867,968	\$933,065,867
2002	1,466	\$ 846,771	\$ 1,243,059,906

(2002 data is estimated)

Over the last ten years, closings are up 18% a year; prices have grown 7% a year; and, revenues generated have grown 24% a year.

This is a great performance. If this were a company, the CEO would be on the cover of FORTUNE Magazine. Especially, in light of what happened in the aftermath of 9/11.

Now some of this money is simply a transfer payment from one owner to another. This is the case when the unit bought is a resale, already built. But an average of 40% of this money is spent on actual construction (of a new home, or home site). This market contributes significantly to our community: it imports capital, it increases overall economic activity, and it grows the tax base of the counties. It also adds to the