

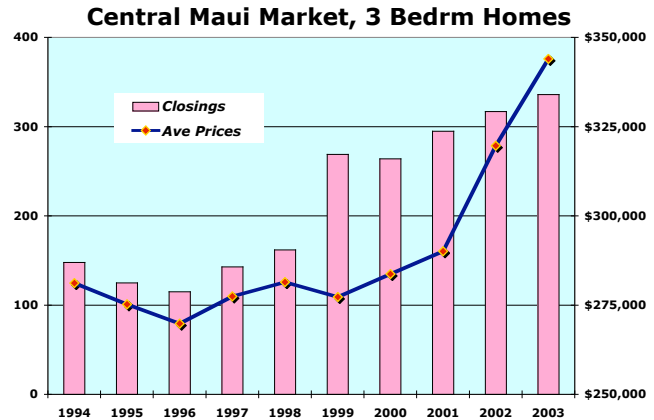
## OUT, DAMNED STAT... DOWN, DAMNED PRICES

With apologies to Macbeth's playwright, the other day, I was compelled to quote the bard to my trusty computer\*... connected, via the Internet, to the rest of the world (ROW). In character (of course!) I ended up screaming at the top of my lungs.

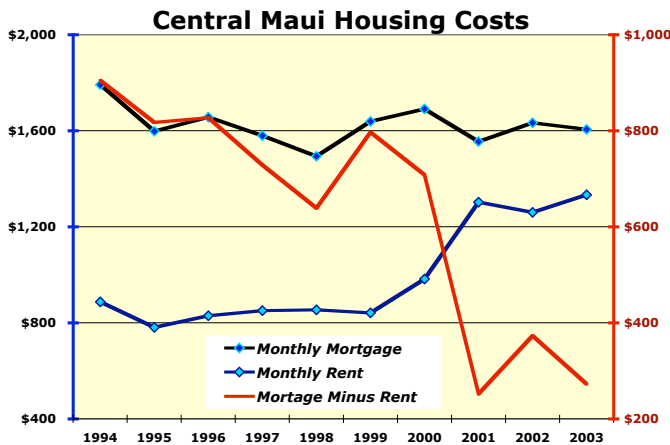
Why was I shouting, umm, quoting Shakespeare? Because I could not, for the life of Google and for the one hundred and one different variations of a search term, get a stat out of the Internet (or, by extension, the ROW). There was a fact out there, and I wanted it. Period.

What was it? Rents. What were my search terms? Residential rents, be they national, regional) or metropolitan. I wanted rental stats for homes. Not a SPOT of luck. No stat in sight.

I should have known, because, you see, I have stats on rentals on Kauai, Oahu and Maui, and they are a pain in the ear to obtain. In any event, I wanted to compare these rents to home prices on, again, Kauai, Oahu and Maui in order to see if there was a relationship. Why? Because national expert on the housing markets at the Pacific Coast Builders Conference told us that the rental market in many US cities was going down, and that this had the potential to undermine the home (ownership) market.



So, I gathered up my local stats and created a chart dra-ma-tising sales and prices for the three bedroom single-family home market for Central Maui... Wailuku, etc.). And, behold: prices have jumped in the last two years AND, so has SALES. Zounds, high prices deter sales, but this wasn't happening. Double, double toil and trouble.



Next, I gathered up my rental data for a 3-bedroom home in Central Maui, and found that rents are rising, again, these last two years. But, when looked I upon costs, i.e., an average mortgage payment, I saw that this (black line) was steady (thanks to falling interest rates, which has canceled out the effect of higher prices). On the other hand, I found that rents (blue line) were rising, meaning the cost of renting. When you put the two together and compare them (red line), you see that the cost of renting is approaching the cost of

owning. Which argues for renters to become owners. Which explains greater sales in the face of higher prices.

On the other hand, if rents are falling (as on the mainland), then it argues for people to 'pay for' (or 'consume') housing via Renting, rather than Owning. And this could, would, should undermine demand for homeownership (and weaken prices). Alas, fie, and woe: if I could but find another spot, err stat, to test this further.

\* Trusty computer is an oxymoron, a contradiction in terms, a clash of opposites.