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Isle residents join second-home buying spree

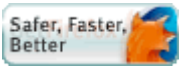
Not just mainlanders are driving prices up to record levels

By Allison Schaefers
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California baby-boomers may be getting the blame for driving up neighbor island home prices, but Hawaii residents purchasing second homes and vacation rentals are keeping pace, real estate industry players say.

"Hawaii has to be one of the hottest markets in the entire nation and lots of people are starting to catch on, including local buyers," said Bob Armstrong, chief executive of **Armstrong Builders**, which just introduced Kaimulu, a luxury resort condominium in Wailea, Maui.

While the number of locals competing for resort homes on the



neighbor islands and in on Oahu is fewer than those from California, the per capita count is more closely approximated, said Tony Kettering, an account executive with **Argent Mortgage**.

"Per capita, I'd say it's equal," Kettering said. "There are tons of people buying second homes and investment properties from Hawaii."

Favorable interest rates and the opportunity to diversify assets away from poorly performing stocks and bonds is an enticing motivator for local buyers to get into Hawaii's second- and vacation-home markets, Kettering said.

"Lenders are also very aggressive," he said, adding that new loan programs, which allow homeowners to leverage their equity and require little money down, have helped pump up the market by making it easier for local buyers to get in on the action.

Peak hotel occupancy rates, rising hotel room prices and a healthy visitor industry also have also fueled the second-home market by creating strong economic conditions, said Ricky Cassidy, president and owner of **Data@Work**.

Local buyers are looking to the neighbor islands or rural outposts of Oahu for country homes, vacation or residential rental opportunities as well as investments, Cassidy said.

"These are people who just love Hawaii and appreciate that it can be a different experience from island to island," Cassidy said. "They live here, so they also see the value in their investment, which has been further validated by all the activity from the mainland."

On the neighbor islands, local investors represent anywhere from 24 percent to 31 percent of the buyers, Cassidy said.

Kauai is the most popular island among local residents, who comprise about 31 percent of the buyers at resort properties.

Resort sales to locals make up about 26 percent of Maui's residential sales and 24 percent on the Big Island, he said.

"Kauai is the last frontier in Hawaii," said Keith Strickland, project manager for his family's Waipouli Beach Resort, a 190-unit Kauai development where 35 percent of the buyers have been local.

Buying property on the neighbor islands is much more convenient for Hawaii residents than venturing to other destinations, which require lengthy plane rides and more preparation, Strickland said.

"Waipouli Beach is a place where buyers can get away from Honolulu and come to Kauai, where it's much more rural and

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quiet," Strickland said, adding that Kauai is also seen as a good investment by Hawaii's value-minded movers and shakers who are buying resort properties on the Garden Isle.

Honolulu attorney Kale Feldman, of the law firm **Wong, Feldman & Kim**, said he bought into Waipouli Beach because it looked like a good investment that could also bring value as a personal vacation home or rental.

Feldman said he favored buying in Hawaii over other popular resort destinations because the proximity makes it easier to use and track his investment.

"If you buy it in Hawaii, it isn't hard to jump in your car or a plane to go see it," Feldman said.

While there seems to be a neighbor island bias on the part of Honolulu buyers looking for second homes, Oahu outposts like Ko Olina and Turtle Bay resorts are attracting investment buyers, said John Riggins, of **John Riggins Real Estate**.

Riggins said he owns rental property in Fairway Villas in Ko Olina.

"That's how strongly I believe in Ko Olina," Riggins said, adding that as the resort's popularity has grown with mainland tourists and buyers so has its standing with locals.

Locals also are eyeing investment opportunities in Ala Moana, Kakaako and Waikiki, where a host of new residential condominium or condominium hotels has begun to crop up, said B.J. Kobayashi, president of **Kobayashi Group LLC**, which is building the Hokua high-rise in Kakaako, and Capitol Place, a downtown high-rise.

"Local buyers drive our market here in the urban core," Kobayashi said, adding that 70 percent of sales at Hokua came from the local market, which is expected to contribute as much as 78 percent of the sales activity at Capitol Place.

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