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**Real Estate**

**Waiting For The Other Shoe To Drop**

By Ricky Cassidy

Maybe this is too obvious, but I've come to believe that the market, be it real estate or ripe eggplant, walks on two feet, then waddles or wanders, like a drunk. Especially when it nears the tipping point in a cycle.

Is the market drunk? Nope (nor is it sober). Is it near the tipping point? Nope. It's somewhere between temperate and intoxicated. Better to return to my two step metaphor: It's in full stride. First sales, then prices, one after the other. To wit: Sales, the first to put their foot forward, are up. Way up. Statewide, sales are up 9.6 percent over last year. Oahu (led by condos) and Maui (led by single family) are the two big steppers, up 14.6 percent and 17.2 percent respectively. Kauai waddled upwards at about 5 percent, while the Big Island wandered downwards, by some 11 percent.

What about the other shoe? Did it also drop like a stone, hit like a brick? Yep. The year over year statewide price index is up 8.4 percent, led by Oahu condos (14.5 percent), and Big Island single family (40 percent). All the other markets went up between 0.5 percent and 1.6 percent.

So, if the market's stomping around, making a lot of noise, who's hearing it? Buyers, who are hoping for some relief. How do you spell "relief"? Supply (as in newly built housing). For those living on Oahu, they are buying up a storm (new homes sales are up 43 percent). But, they better hurry, because next year there might not be as many available. Residential permits are down a whopping 60 percent.

What's going to happen? If there are no new homes, then there's lower supply. Lower supply means fewer sales. And if demand stays the same, then prices will take another stride forward (higher). And this two step will be neither soft nor melodious, especially for a buyer's ear.

	Latest month	Previous month	Year previous	Percent change from a year ago
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**HAWAII BUSINESS REAL ESTATE INDEX**

	Latest month	Previous month	Year previous	Percent change from a year ago
<b>Index (1972 = 100)</b>	<b>261.9</b>	<b>255.1</b>	<b>252.1</b>	<b>+3.9%</b>
Components:				
Resales/number	957	872	835	+14.6%
Avg. resale price	\$247,721	\$237,477	\$239,497	+3.4%
Avg. time on market/days	29	33	36	-21.6%
New home contracts	262	213	183	+43.2%
New residential permits/number	98	183	248	-60.5%
Avg Single-family rents/\$month	\$1,760	\$1,766	\$1,730	+3.9%

**HAWAII BUSINESS SPECULATION INDEX**

	Latest month	Previous month	Year previous	Percent change from a year ago
<b>Index (1972 = 100)</b>	<b>96.2</b>	<b>106.0</b>	<b>98.5</b>	<b>-2.3%</b>
Components:				
Waikiki condo resales	84	93	71	+18.3%
Kihei condo resales	67	55	67	+0%
Kaanapali condo resales	13	18	9	+44.4%
Kona condo resales	47	55	44	+6.8%
Poipu condo resales	7	4	5	+40.0%
Total Hawaii Condo Resales	836	783	734	+13.9%

**SALES INDICATORS**

	Latest month	Previous month	Year previous	Percent change from a year ago
Oahu single-family and condo resales	957	872	835	+14.6%
Maui single-family and condo resales	272	205	232	+17.2%
Big Island single-family and condo resales	235	258	265	-11.3%
Kauai single-family and condo resales	97	84	92	+5.4%

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The new vice president of marketing for Ala Moana Center has a knack for retail promotions

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A lawyer advising local startups looks for both

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Friendly, intelligent robots could be Japan's must-have gadget for the 21st century

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The hybrid food at Cafe Miro is simple, sensible and just plain tasty.

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Rear Admiral, U.S. Coast Guard

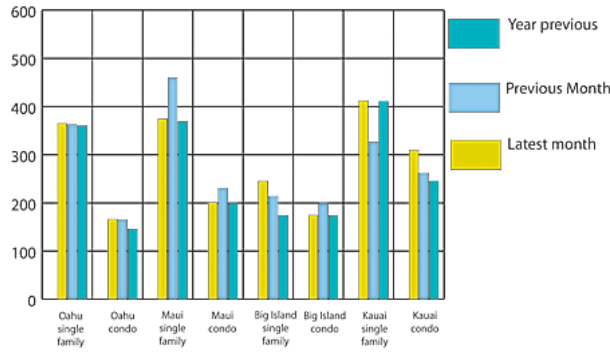
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State single-family and condo resales	1,561	1,419	1,424	+9.6%
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**Hawaii Business Real Estate Index**  
 The Hawaii Business Real Estate Index was constructed by selecting five primary components: Sales activity, sales prices, sold market times, new construction and rents. Then each series was normalized by comparing its current value with its respective value in 1972. The result is an index for each series with the 1972 value being 100. The index was then computed by arithmetically averaging the five normalized components. With the exception of sold market time, each component moves up when the market is strong and moves down when the market is weak. The index should, of course, do the same. Since the sold market time moves counter to the market—that is, it is low when the market is strong and high when the market is weak—it has been plotted inversely.

**Hawaii Business Speculation Index**  
 The Hawaii Business Speculation Index was constructed to measure the degree of speculator/investor participation in the state's real estate market. Since the primary focus of real estate speculation/investment is the resort condominium market, an index was constructed to measure what percentage these sales were of total islandwide condominium sales. By inference, when resort sales comprise a high percentage of total sales, then the speculator/ investor is making his presence felt in the market. When resort sales comprise a low percentage of total sales, then the market is primarily being impacted by the end-user owner/occupant.

Compiled by Prudential Locations, Honolulu, Hawaii.

**HawaiiBusiness**

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