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Town homes' ups and downs in Leeward Oahu

Ricky Cassidy
PBN Contributor

The bulk of Oahu's residential property market consists of condominium units because they provide the most affordable housing and are easier to develop than single-family homes.

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But volatility in this market has created many challenges for segments of the real estate industry.

This underscores what happened in Leeward and Central Oahu during 1985 to 1990, when an undersupply of reasonably priced housing around Honolulu collided with a growing population and a strong economy.

At that time, the median prices of condos islandwide more than doubled in five short years, from \$90,000 to \$190,000 while home buyers snapped up new and affordable town homes in Kapolei, Waikale and Ewa-by-Gentry.

While buyers liked low prices, landowners, developers, and builders liked the fact that a little land, when developed into multiunit residential buildings, went a long way.

Given the amount adequately zoned land in Leeward Oahu, demand for affordable homes shifted dramatically. In 1981 only 8 percent of all Oahu's new condos were sold in Leeward/Central Oahu. Ten years later, the figure was 56 percent and during 1993-94 -- one out of two condo closings, new and resale, occurred there. From 1988 to the present, almost 15,000 families invested \$3 billion on apartment housing in the area.

The market peaked in 1993, with more than 3,200 condos closed at a \$225,000 average price. The peak coincided with a few violent incidents, like fighting in line while waiting to buy into an unveiled project.

While developers were satisfied, some buyers were not. The government deepened its regulation of affordable housing at the top of the boom, which didn't help sales.

If the market's run up was dramatic, so was the fall-off.

In 1995, sales of town homes in the area were cut in half and were halved again the following year. Like visitor spending, job counts and income levels, albeit with a three-year lag, the leeward town-house market fell.

Developer dilemmas

Residential developers suffered doubly with the downturn. Inventory wasn't moving while carrying costs were. And to market regular priced homes, they had to sell affordable homes.

Developers' first response was simple: "Grow the house," despite the per unit profit level being near or below zero (profits on regular homes subsidized affordable homes). From 1994 to 1996, condo sizes grew upwards of 15 percent, and the big town homes in projects like Aeloa Terraces sold well. Still, the condo market dropped another 20 percent in 1997.



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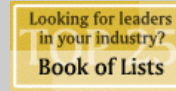
Their second reaction, starting in 1996 and led by Gentry Homes Ltd., was to replace their town-home projects with detached single-family homes priced near or at \$200,000. Because these homes didn't share common walls, grounds and parking, there was less noise, more privacy and better security.

As land was the most costly concern, developers conserved by building on a small lot, around 3,750 square feet. And, by creating the neighborhood under a condominium property regime, they bundled together amenities like parking, utilities, roads, etc., achieving scale of economies.

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