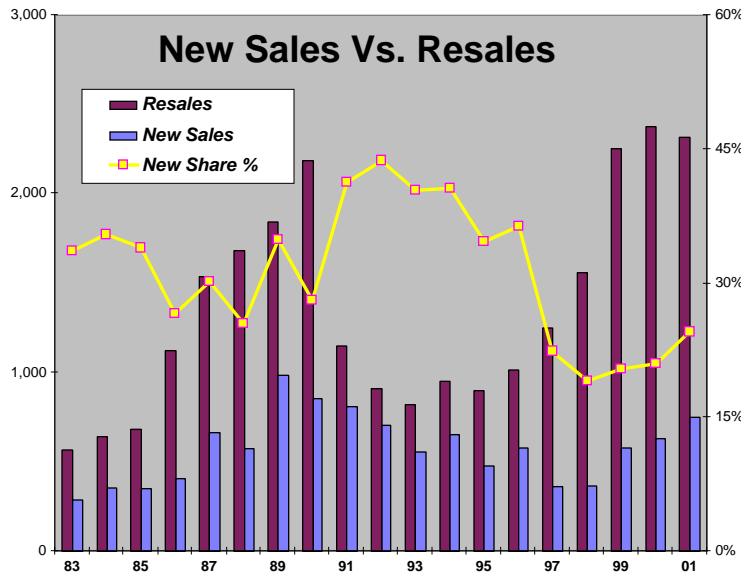


## NEW HOMES MARKET

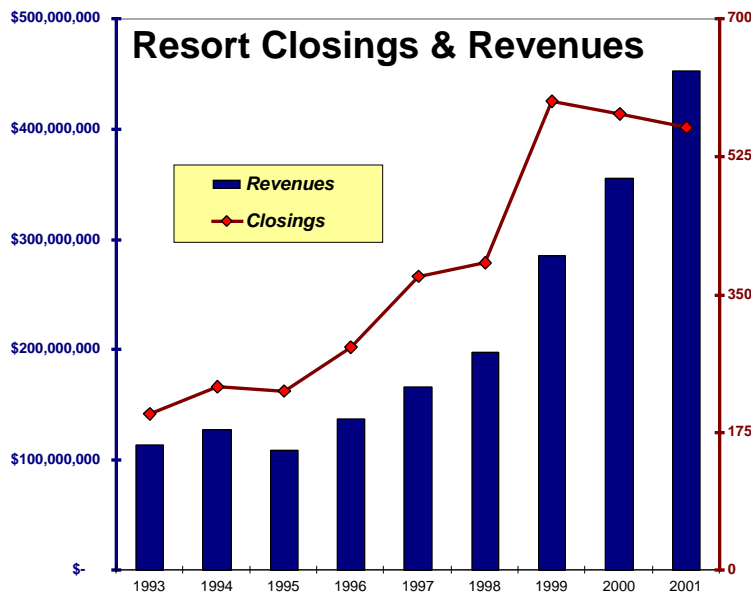
Total sales for the new homes market reached 631 homes last year, split 70%/30% in favor of the single-family homes. This year, we forecast sales to hit around 750 homes, with the mix favoring single family 65%/35%. This represents a rise of 120 sales, or about 20%, over 2000's levels. The new homes market has grown by over 100%, or almost 400 homes, since the last low in 1996.



Despite this fine performance, the developer-driven market has not kept up, relative to the resale market. Historically, developers have provided a supply of new homes to the market at a level of about 35% of total residential sales: last year, new homes supply constituted only 21% of the market (this year, 25%). If developers were to supply to the market at historical levels, they would have to produce some 1,070 units, or about 300 homes more than they did in 2001.

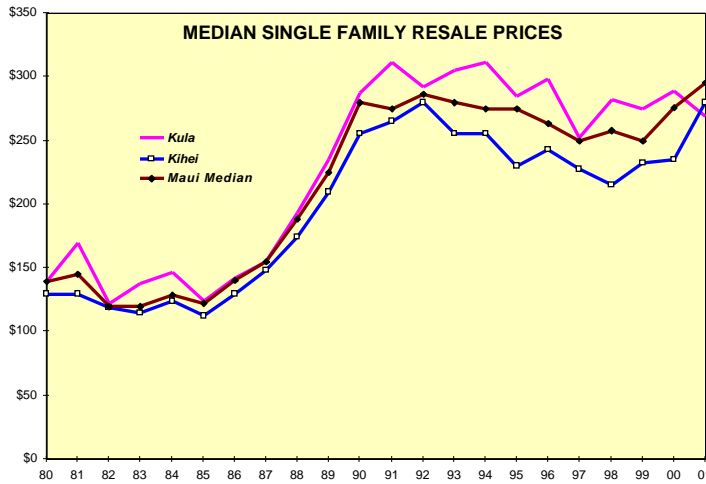
## RESORT RESIDENTIAL MARKET

Maui's resort residential market has had an incredible run up over the last six years: closings are up 182%, revenues 316%, and the average prices 80%. The absolute numbers are just as impressive: 562 closings, at an average price of \$806,000, bringing in \$453 million are the data points just for this year. These figures are just for properties (comprised of condominium, single-family and lots closings) within the resorts of Wailea, Kapalua and Kaanapali. If the other adjacent to these master planned resort communities - Kihei, Napili and Lahina - were included, the market would be that much larger.



By Ricky Cassiday, MSFS

are that this year, 2001, median prices should grow by another 4-8%, and sales will most likely fall slightly (a trend that is characterized by the yellow arrow).



However, the 9/11 sneak attack makes it uncertain as to whether to continue with this expectation. Given the job and pay cuts in parts of the island's economy, we realize that the real estate market is going to be affected negatively. How significantly? A worst-case scenario that is possible is that it will skip a step and go straight to the subsequent stage, one characterized by weakening demand and falling sales. A similar pattern emerged in 1990 (the year of

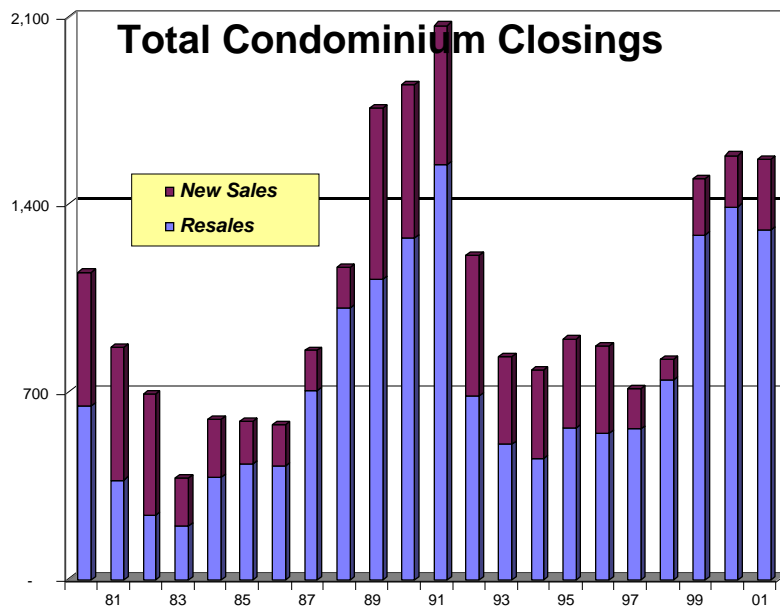
the Gulf War, as shown in the call-out box). In that case, weak demand, i.e., falling sales, led overtime to a situation where sellers begin to lower their asking prices (see red arrow).

Will this come to pass? It depends on how serious the visitor fall off is and how long it lasts. In general, there are two major external trends pulling at the real estate market: falling interest rates and a weakening economy. Falling rates make homes more affordable, but personal income and, more so, employment are the final determinants in making a major purchase. To date, Maui is not yet manifesting the degree of pay cuts and job losses of Oahu. As such, falling interest rates will have a positive effect, but it isn't likely that it will overcome a serious number of job and pay losses.

**MAUI'S CONDOMINIUM MARKET:**

**CLOSINGS:** By way of background, Maui's multifamily market has had a steady rise in closings every year since the low point in 1995. It is currently 165% up from that bottom. However, 2001 could be the first year that the market experiences a reversal of this trend: sales have been weak, and are forecasted to be down by 1%, to 1,570 units (from 1,585 in 2000).

**RESALES** are the major source of the current market weakness: they are running 6% under where



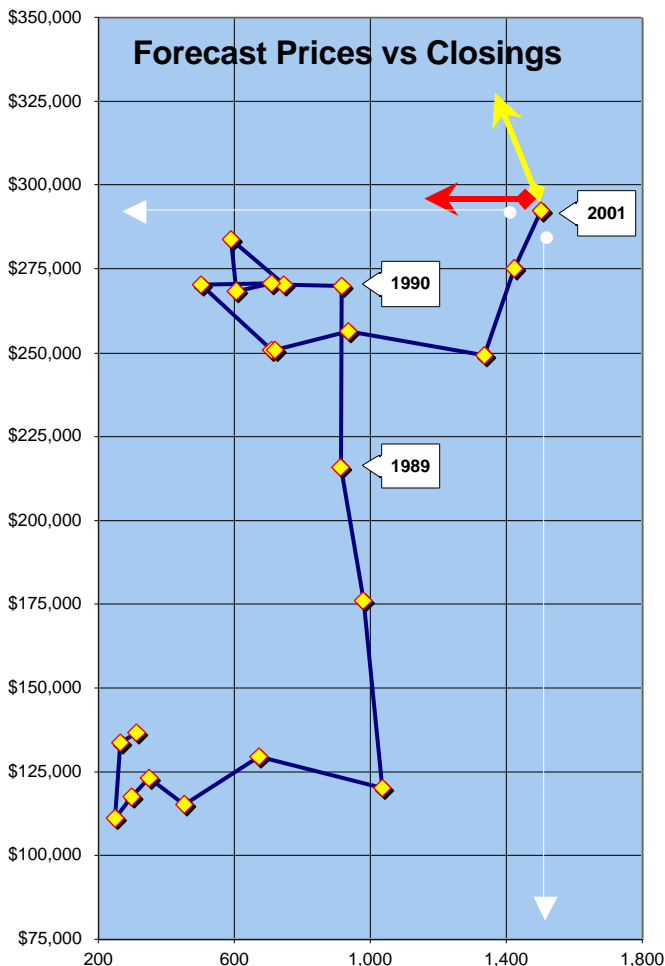
2000, listings have fallen this year, down some 10% from 2000. They have been falling the last two years by 24% and 11% respectively. This is almost 40% under the all-time high for listings set back in 1998 (but some 60% above the all-time low set in 1988). This indicates a tightening market, i.e., that there is not enough supply readily available for demand.

**AVERAGE DAYS ON MARKET:** Days on Market (DOM) is the time a home sits available on the market. This indicator is currently at 143 days. It has been falling for the last three years, and is down by 39% from 1998. But this year, the trend appears to have reversed, rising 3% from 2000's 139 days. This is 89 days under the high for the cycle, 232 days, set in 1998... and only 27 days from the low point, set in 1990.

**MONTHS OF REMAINING INVENTORY:** Months of Remaining Inventory (MRI) indicates how quickly housing demand is exhausting housing inventory (listings). Starting in 1994, this indicator has experienced 6 years of declines, (and is down over 70%, overall). This year, it fell once again: it is down 13% to 6.2 months from the 7.2 months in 2000. As sales are occurring faster than new supply (listings) can come to market, this leads to a shortage of housing (a condition that new homes developers have begun to take full advantage of).

**PREDICTION**

Here, please refer to the chart entitled "Forecast Prices & Sales." The points on the blue line represent the intersection of closings and prices for every year since 1980 (when the annual single family closings were 326 and the median price was \$135,000).



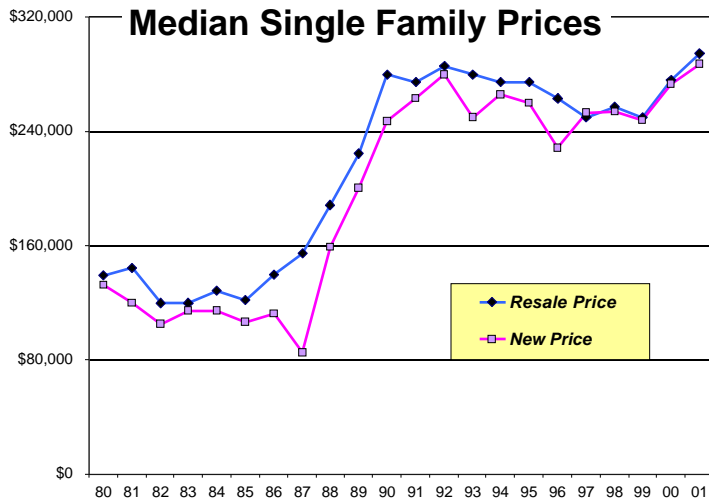
The line ends at 2001, as noted by the call-out box. There are two white lines indicating where the market is forecasted to end up at by year-end 2001 (which is 1,500 sales and a median price of \$290,000). There are two additional call out boxes with the year inset: 1989 and 1990. This is because we think that these two years illustrate a point in the real estate cycle that 2001 may end up at.

Take 1989, for instance: the market had gone through five years of increasing sales, and then two years of fairly dramatic price increases. Thus, conditions were ripe for the market to enjoy a year of strong price increases, with just a miniscule fall in sales activity.

Up until the 9/11 attack, the market in 2001 looked very similar to that of 1989. From 1995-1999, sales levels rose, while prices vacillated up and down. Then, last year, the median price shot up by 10%. All indications

400 sales. New single-family sales have grown every year since 1995, and are up by almost 300 homes over this 5-year period.

RESALES, similarly, have performed strongly: sales were up almost 2% in 2000 and look to rise another 3% this year. We think that they could set an all-time market high of 1,000 closings for this year. As seen in the chart at the right, the major move upwards for resales occurred in 1999, with 400 more sales that year than the year before... and since then, the market has been holding steady.



**PRICES:** Median single-family prices have been rising this year and last across the entire Maui single-family market (indeed, this appears to be part of the reason that sales have plateaued of late, i.e., 'choked off' by rising prices).

Last year, RESALES rose 10% to \$276,000. This year, however, the median price has hit an all-time record high: \$295,000, up about 7% from 2000. Heretofore, the record was \$280,000, set in 1992.

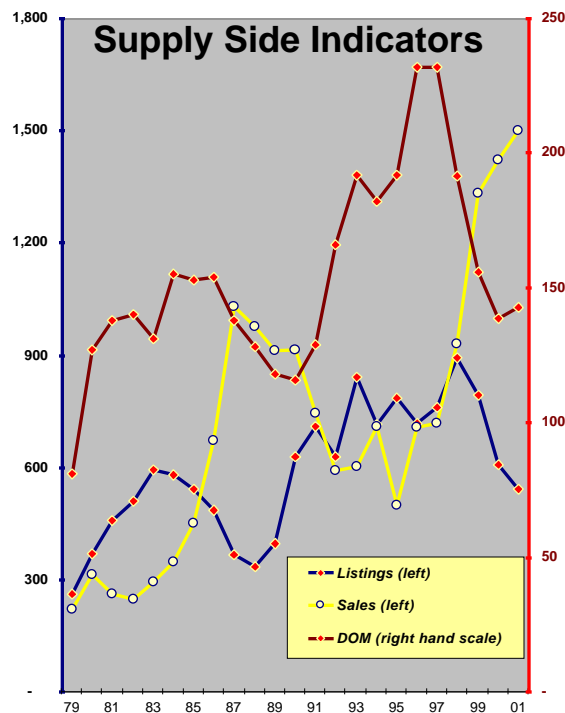
\$45,000 premium (or penalty, for not having been quick enough to buy at the bottom of the market 2 years ago) may well be the reason why the growth rate of resale closings stalled this year.

NEW HOME median prices have followed resale prices higher. Currently, those prices are up 5% from last year, and are now at \$287,500, up from \$273,500 the year before (+10%). This also is an all-time high for new homes, about \$7,500 above the last one, set in 1992.

Over the last 5 years, pricing for new homes and resales have converged, indicating that the developers have upgraded the kind of housing they produce from an entry level (and lower price) type of product to one that targets the move-up and more affluent buyer.

**LISTINGS:** Listings equate to the supply of homes available for sale. Lots of listings mean buyers have lots of choices, and usually this indicates a relatively soft market.

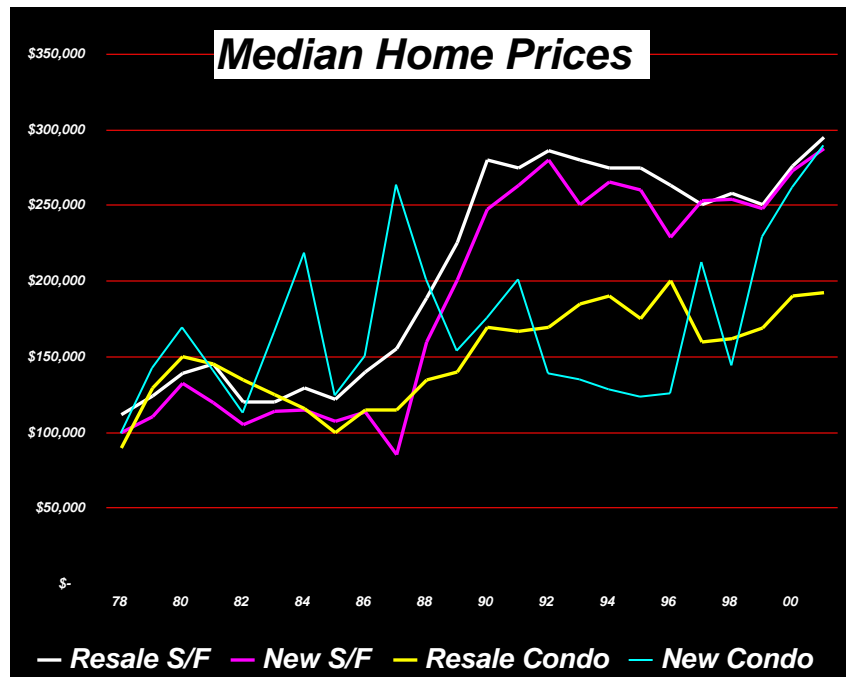
RESALE listings for single-family at the end of September were at 543 homes available. Relative to the 606 listings at the end of



In light of this, having to pay this

the part of out-of-state visitors. It is reflective of the rise of local demand (which favors single family living over condos).

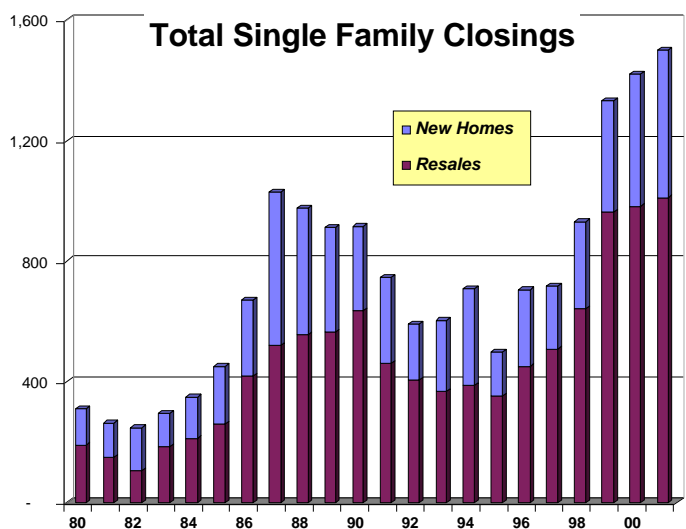
The NEW HOMES developers have noticed this resurgence in demand, and taken full advantage. They have raised their production of single-family homes and have raised prices (up by some 10-20% since in several Central Maui projects this year). There has also been good activity in the new condominium market, targeting both locals and offshore buyers.



**PRICES:** Median prices rose by double digits across all residential living types last year, with the leaders being the new condominium (up 14%) and the resale condominium market (up 12%) segments. Not far behind – up by 10% each -- were newly built and resale single-family homes.

This year, price rises are expected to be about half of last year’s levels. Prices in the new condominium market should rise another 10%, but by only 1% in the resale condo market. As for single-family units, prices should grow by 5% in the new home market segment, and by 8% in the resale segment (note that the prices for new single-family homes have been increasing throughout the year, and could be double this 5% rise, once all the closings are in).

**MAUI’S SINGLE FAMILY RESIDENTIAL MARKET:**



**CLOSINGS:** Last year, total sales of single-family homes reached 1,383 units, up from 1999 levels by 3.7%. This year looks to continue this growth pattern that started in 1995. Sales for 2001 are expected to grow by another 4%, ending up at around 1,440 homes. In retrospect, the market has expanded by almost 200% since 1995, an overall rise of 500 homes over the 5-year span.

The NEW HOME component of market is selling well, and is currently forecast to end up 30-50 homes ahead of last year’s level of

**SUMMARY:**

Prior to 9/11, the residential real estate market on Maui was in good shape to continue expanding in 2001: the resort side of the market had cooled, but local demand had picked up, thanks to several very good years of economic growth enlarging the purchasing power of local buyers (to say nothing of low interest rates). As such, this demand for single-family homes was expected to lead the whole market higher in 2001 and beyond (with the demand for resort properties rebounding later next year). Taking the 9/11 sneak attack into account, the ensuing economic downturn may slow housing demand enough so that sales will actually fall next year. Should this happen, price rises could begin to start to slow.

This is nowhere near a forgone conclusion, for several reasons: (1) before the event, the economy had just returned to a par with job levels attained over 10 years ago (see chart on first page), yet the economic base in much larger and the demand for Maui's goods and services much wider, (2) like the economy, the real estate market – except for the resort component -- had just returned to par with and price sales levels of ten years ago, (3) local residents, and the county government, of the island are in good fiscal shape, and (3) the visitor counts and number of flights to Maui are not much lower than where they were 2000... AFTER the 9/11 event.

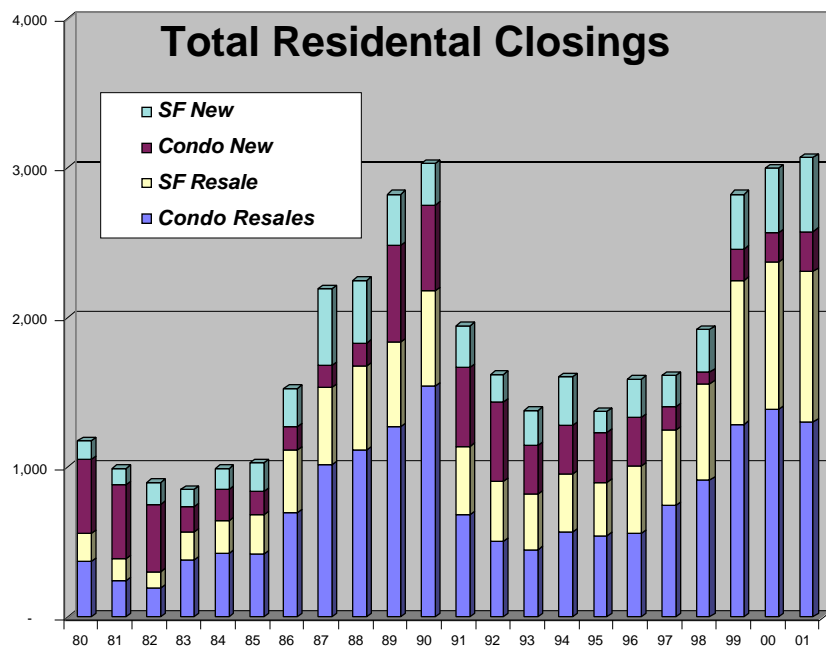
Finally, the state economic agency is predicting 1% economic growth this year, minus 0.1% next year, and then 2-3% growth in 2003. They did not isolate for Maui, which is in much better shape than the other islands, thanks to steady demand from its major tourist markets.

If the housing market continues to grow or stay at present levels, then it will be because the accumulation of personal wealth over these last three to four years will outweigh the effects of pay and job cuts in the visitor industry. In any event, the single-family market should hold up the best, as this is the housing of choice for local families. On the other hand, if the economic slowdown spreads and/or lingers, then housing demand might migrate to a lower cost form of housing, i.e., from single-family homes to the condominium and townhouse market.

**TOTAL RESIDENTIAL MARKET**

**SALES:** Last year, Maui's residential real estate market went over 3,000 sales for the first time since 1990. This year, 2001, it is expected to rise by another 70-80 units, or about 2%.

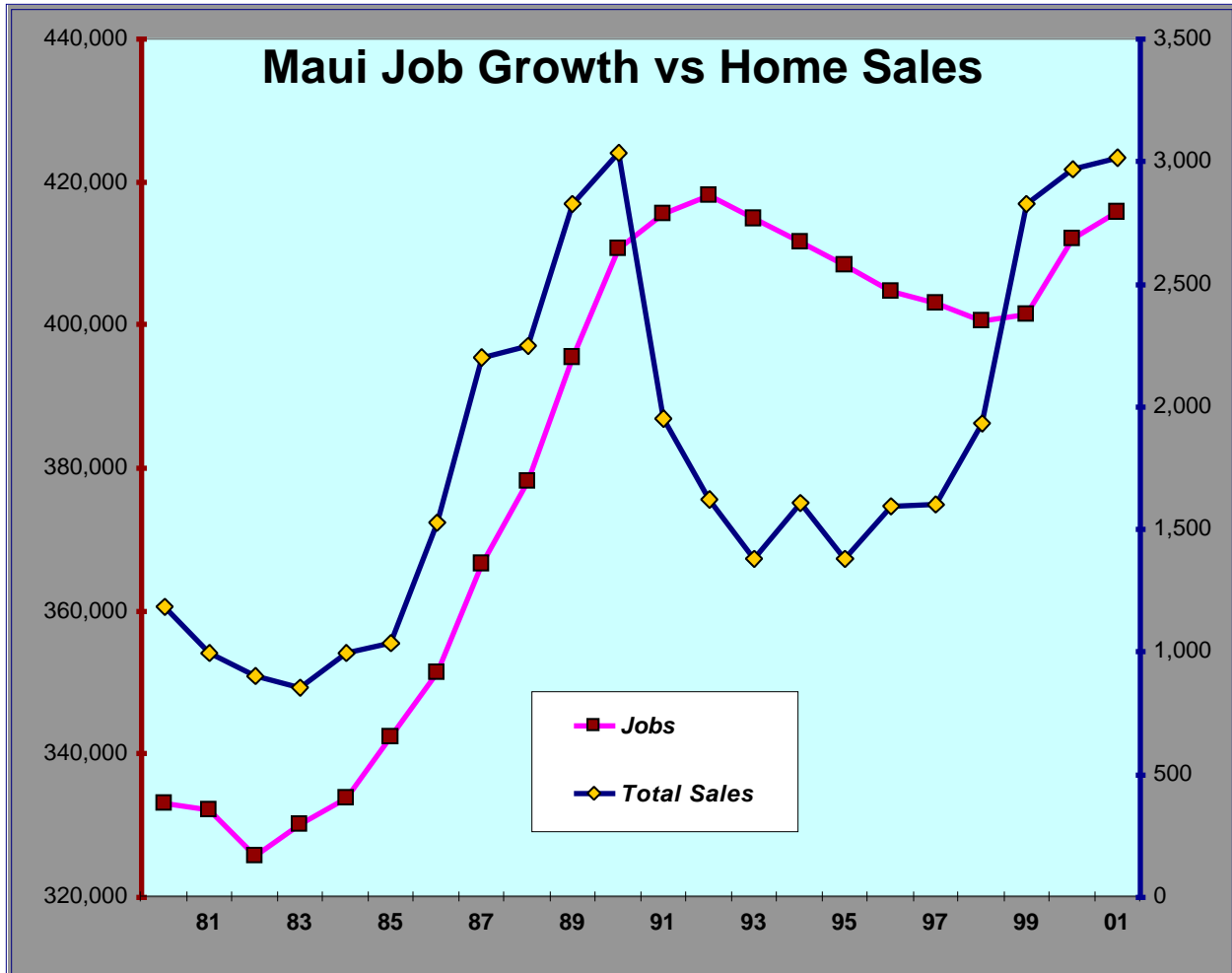
Much of the credit for the rise this year and last goes to a strong RESALE single family market, which grew enough to overcome a slowing demand for condos, particularly on



# MAUI REAL ESTATE INDICATORS

Third Quarter, 2001

by Ricky Cassiday



[DATA@WORK](#)

REAL ESTATE MARKET RESEARCH

860 Onaha Street, Honolulu, Hawaii 96816  
(808) 738-3227 office, and (808) 291-4407 cell

• rcassiday@aol.com •

*Although this report has been carefully compiled from sources believed to be reliable, there is no guarantee of accuracy. Further, the opinions are personal to the author. Any conclusions drawn from reading this report are the responsibility of the reader, and the reader alone.*