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Friday, February 1, 2008

Hawaii market heats up for global investors

Pacific Business News (Honolulu) - by [Janis L. Magin](#) Pacific Business News

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Sales of Hawaii real estate to global investors are heating up as the local market softens, with international buyers often paying top dollar for residential and commercial properties.



Tina Yuen, PBN

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It's a trend seen across the United States, with a weak U.S. dollar creating the perception of bargains to be had in American real estate, from beachfront homes to commercial land and buildings.

"It is a very significant bargain right now for people who have substance and the financial wherewithal," said Michael R. Good, president and CEO of Sotheby's International Realty Affiliates, who was in Hawaii this week. "There is a dynamic that is happening and it is much more of a worldwide marketplace than I've ever seen."

Sales to international buyers -- who are coming from Australia and Canada as well as Asia -- could be enough to make up for fewer sales overall on Oahu in 2008, said Harvey Shapiro, research economist for the **Honolulu Board of Realtors**.

Carrying the market

"I'm thinking that that could carry the market this year," Shapiro said. "I think the weakness in the dollar in the foreign exchange market could attract many more foreign buyers."

According to the latest annual survey by the Association of Foreign Investors in Real Estate, its members -- who own some \$230 billion in real estate in the United States -- said that more than half of their planned acquisitions in 2008 would be in the United States and that they planned to spend some 16 percent more than last year on U.S. acquisitions.

In the past year alone, Honolulu has recorded several large sales that indicate a rise in foreign investment, including sales of several commercial parcels and the \$22 million sale last month of a Kailua estate to an investor from Japan.

"It's a function of the weak dollar, certainly, but it's also an appetite," Andrew Friedlander, principal broker at **Colliers Monroe Friedlander**, said of the latest interest in Hawaii real estate by foreign buyers.

Several expected regulatory changes on the horizon could attract even more investors from South Korea and Japan.

South Korea, whose government already has relaxed rules on investing in foreign real estate, is expected to join the U.S. Visa Waiver Program soon, which will make it easier for Korean nationals to travel to Hawaii.

Japan's government is expected to grant that nation's real estate investment trusts the right to invest offshore, which could bring new buyers for commercial properties.

Friedlander last year brokered the sale of a Kapiolani Boulevard property to investors from South Korea, who also bought another lot that sold for more than \$400 per square foot. Korean investors also purchased the leasehold interest in a 3.5-acre commercial property on Keeaumoku Street, as well as the Ewa Beach Golf Club on Fort Weaver Road.



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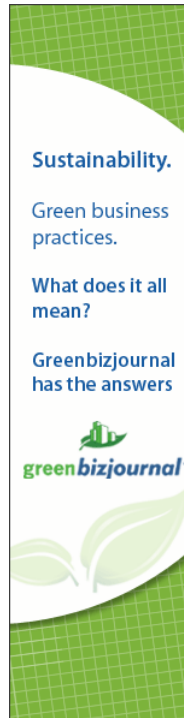
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"We believe that there will be a lot more acquisitions made," Friedlander said, noting that his office is working with a Colliers International office in Seoul. "The places that the Koreans like to be are Hawaii, Los Angeles and New York."

Nothing like the bubble years

While Hawaii brokers are seeing investors from Japan return to the Islands, this latest cycle is unlike the Japanese bubble of the late 1980s and early 1990s.

"The Japanese that are coming back are a different generation and these people are more self-made versus corporate types," Friedlander said.

And they are not like billionaire Gensiro Kawamoto, who drove around Honolulu in the late 1980s with briefcases full of cash buying houses on whim and ratcheting up home prices.

"He's self-made, but I think we're seeing a prudent type of buyer today," Friedlander said.

Residential real estate also is looking anew at Japan for investors. Sotheby's International, which has four franchise offices in Hawaii, is launching a new franchise in Japan in April with Tokyo-based Urban Corp., whose president plans to tour the Islands this month, said Good, who is based at the Sotheby's headquarters in Parsippany, N.J.

"The economies of the Pacific Rim right now are very strong," Good said. "That bodes well certainly for Hawaii, and parts of the Pacific Northwest, including Vancouver and other destination markets in Canada as well."

The buyers of late also are coming from London, Hong Kong, Australia and Canada, said Patricia Choi of Choi International, who specializes in the blue-chip areas of Kahala and Diamond Head.

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