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Kaua'i's market 'somewhat insulated'

By Kauai Board of Realtors - Special to The Garden Island

Editor's Note: This is the first installation of a twice-monthly feature in which the Kauai Board of Realtors will answer reader questions about real estate.

The goal of this feature is to respond to questions and establish a dialogue between the community and Kauai Board of Realtors. As an organization, we want to ensure that we understand the issues and concerns that are important to the community and address those as we move forward. Real Estate transactions are complicated and there are many acronyms and common vernacular that can be confusing and need to be demystified.

First, a little about us. The Kauai Board of Realtors, a nonprofit founded in 1974, currently has approximately 700 members. The membership is made up of Realtors and associates from the bank, mortgage and escrow industry. The Kaua'i board works with the Hawaii Association of Realtors and the National Association of Realtors, and adheres to their doctrines and codes of ethics.

This first column will start with one of the most frequently asked questions today: How is the real estate market on Kaua'i doing?

The market here and in Hawai'i is unique in terms of the overall U.S. market and somewhat insulated to the ills faced elsewhere in the nation. That being said, there are also unique market influences in Hawai'i that may not exist in other U.S. markets.

There are a number of factors that influence the real estate market here, which include supply and demand, cost of airfare, the graying of America, quality of life on the Mainland and second-home buyers, to name but a few.

Everyday in this country and for the next two decades, more than 13,000 people turn 60. There will be \$54 trillion inherited from one generation to another in the first half of this century. The population of California alone is now over 37 million, which represents approximately 12 percent of the U.S., and after 9/11 many individuals in this country elevated "quality of life" in their lifestyle priorities. These individuals want to lead an active, healthy lifestyle and for better or worse, many have their sights set on settling or spending time in Hawai'i.

How the airline industry shake-up will affect potential home purchases is still unclear.

The rising cost of airfare and the proposed reduction of flights by the major airlines will certainly have visitors thinking twice when they book their next trip. Flights are forecasted to cost more and have less availability, especially with the recent loss of Aloha and ATA airlines. Carriers such as Delta, however, are adding transpacific flights, which should help offset some of the lost seats.

The current exchange rate of the Canadian dollar versus the U.S. dollar is at or near an all-time high, which has resulted in an increase in the activity of potential buyers from Canada. Other economies are also seeing strong returns versus the U.S. dollar, which makes real estate more appealing.

Paul H. Brewbaker, chief economist for Bank of Hawaii and a Kauai Board of Realtors affiliate partner, states in January 2008's "Hawai'i Economic Trends" that our subprime mortgage exposure "is comparatively small. Hawai'i's mortgage delinquency and default rates remain fractions of national norms, on average and on a cyclically adjusted basis.

"While home sales in Hawai'i have been declining since the end of 2004, home values across the Hawaiian islands have remained more stable than Mainland counterparts. Hawai'i single-family home markets display more vulnerability in a price range of \$1 to \$3

million for single-family homes than below or above that price range, and display more vulnerability in resort markets than in resident markets.

“Median single-family home prices remain flat on O’ahu and — after some compression during 2006 on Maui and Kaua’i — have settled to around \$625,000 on a seasonally adjusted basis.”

According to the Mortgage Bankers Association, mortgage delinquency rates ranked by state for the fourth quarter of 2007 had Mississippi ranked No. 1, at 10.60 percent and Hawai’i ranked 47th at 3.14 percent. The national average was 6.31 percent.

In February 2008, the number of foreclosures filed by household was led by Nevada, with one filing for every 165 households. Hawai’i had one filing for every 1,343 households (43rd), and the U.S. average was one filing for every 557 households.

The Kaua’i and Hawai’i real estate market has flattened out but is still healthy in comparison to what is occurring in other states such as Arizona, California, Florida and Nevada, among others.

On Kaua’i, there has been a significant drop in the number of transactions taking place, an approximate 40 percent decrease overall, and modest increase in median property values, an approximately 6 percent increase overall in 2008 over 2007, according the Hawaii Information Service.

To submit questions about Kaua’i’s real estate market and practices, e-mail kbr@kauaiboard.com or mail them to Kauai Board of Realtors, Attention: Questions, 4359 Kukui Grove Street, Suite 103, Lihu’e, HI 96766.

- The Kauai Board of Realtors is a nonprofit organization comprised of 700 Realtors and associates from the bank, mortgage and escrow industry. For more information, visit www.kauai-realtor.com

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