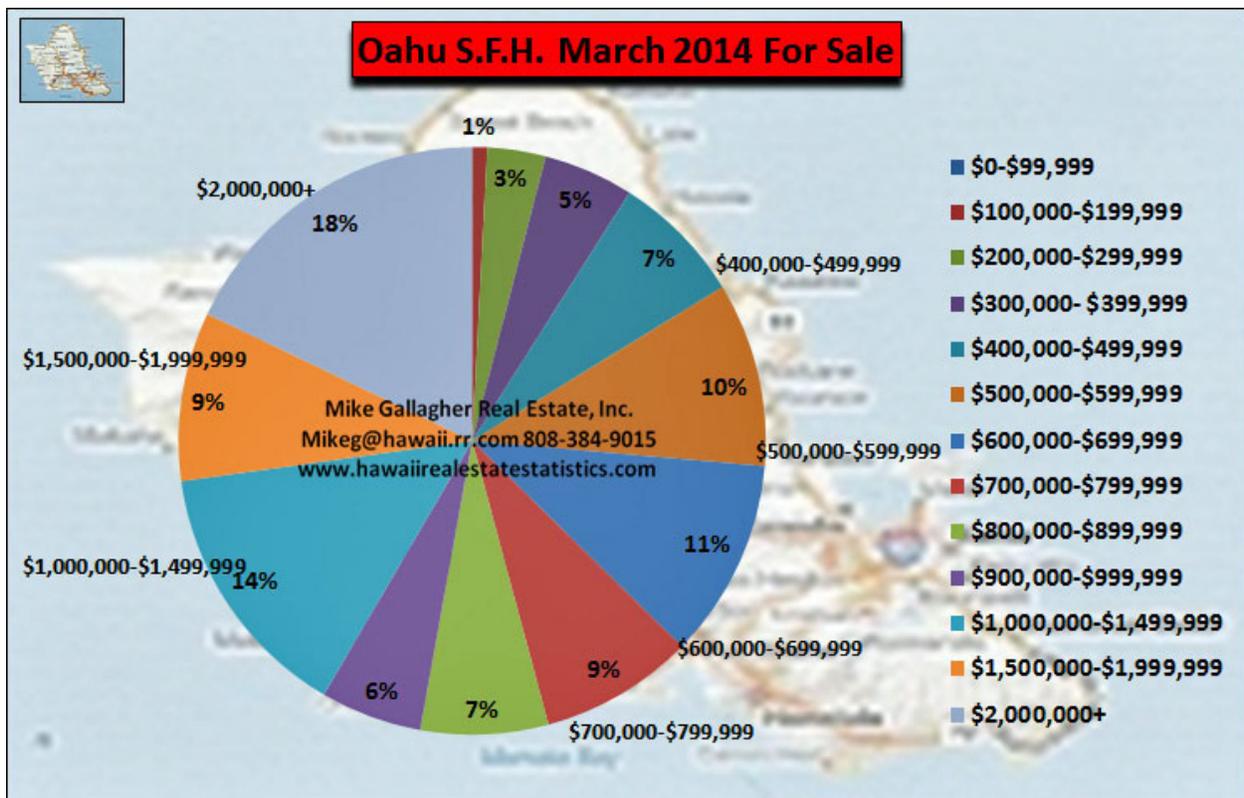


Not the Best of Times for Oahu's High End Homes



Every quarter I take a look at what is happening in Oahu's High End Market which consists of seven neighborhoods who do the most volume. I track only those priced in excess of \$1,500,000. This time around, I really do not like what I am seeing.

I need to make a point here concerning the Oahu Market in general before going into any depth into the High End Market, so let us take a look at what is For Sale, Island Wide:



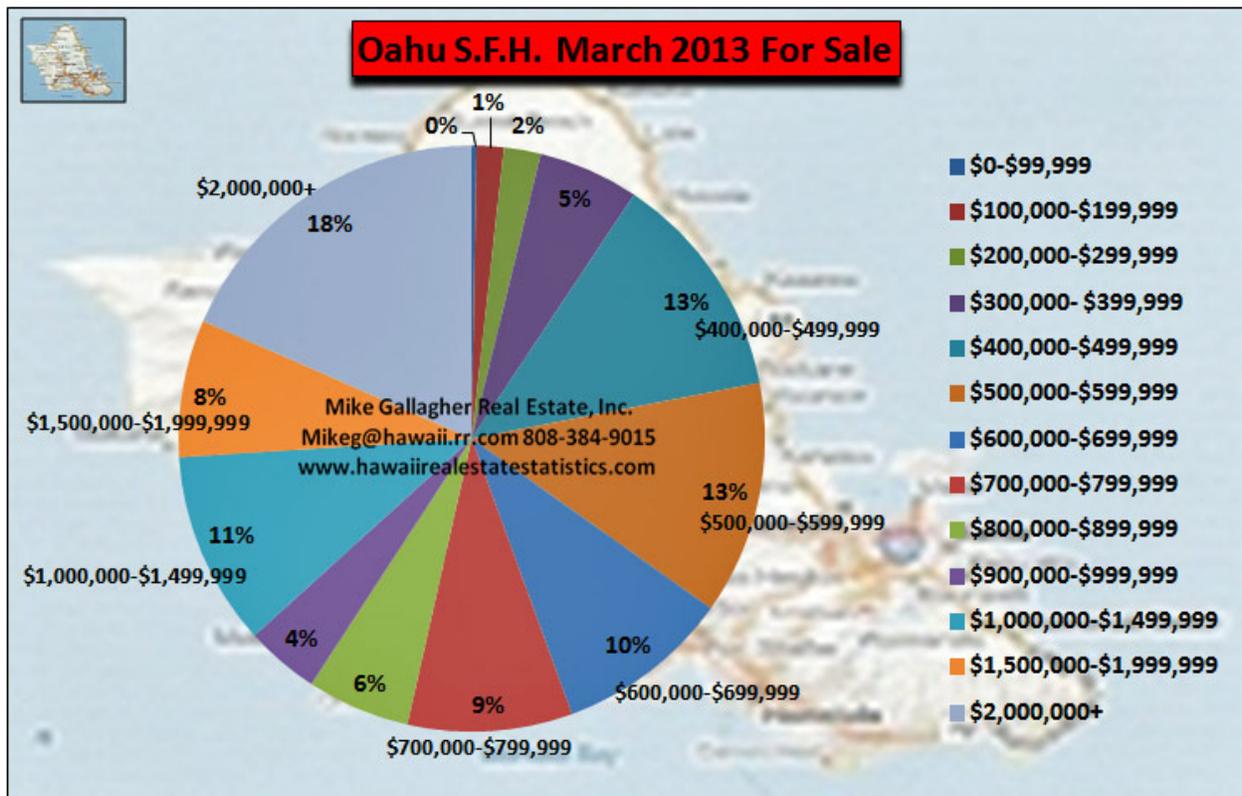
It has been a matter of record for some time now that inventory is low and that in certain price ranges, it is extremely low, which has brought us all over-priced homes, bidding wars, multiple offers and low appraisals.

Changes in the Market Place are occurring that are beginning to complicate the home buying prospects of many.

Note the preceding Pie Chart of what is For Sale on Oahu by Price Range.

- Forty-One percent of the market is priced at \$1,000,000+
- Fifty-Nine percent of the market is priced below \$1,000,000
- Thirty percent of the market is priced \$500,000-\$799,999, which is considered 'affordable.'

Let us now go back a year:

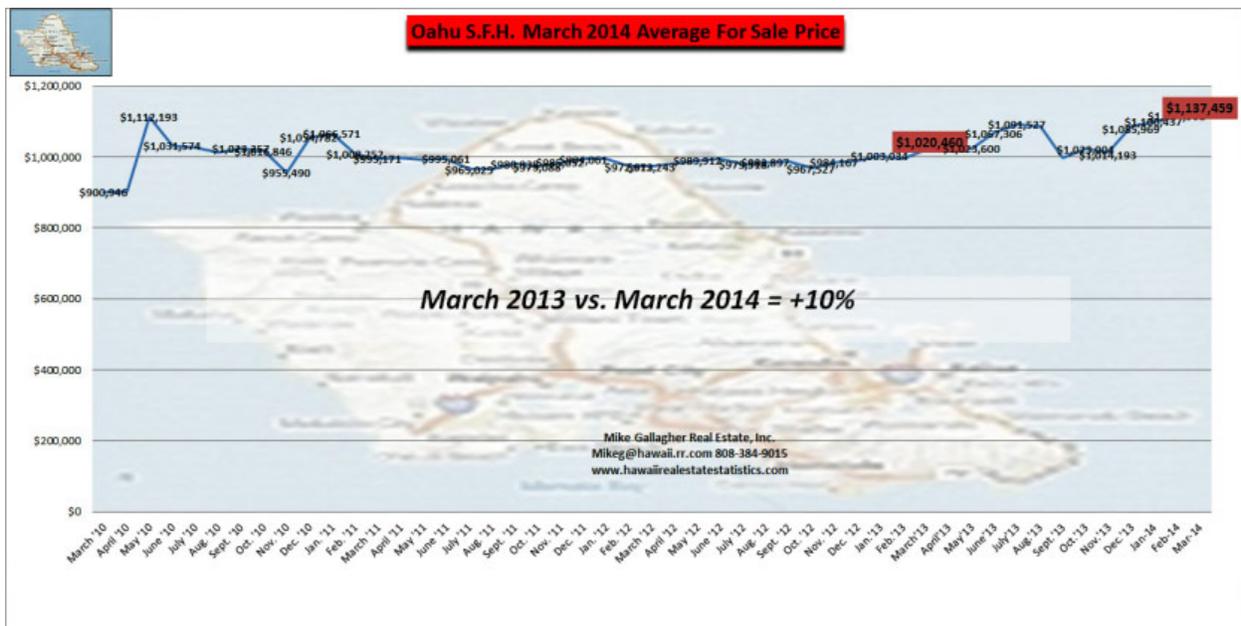


- Thirty-Seven percent of the market is priced at \$1,000,000+
- Sixty-Three percent of the market is priced below \$1,000,000
- Thirty-Two percent of the market is priced \$500,000-\$799,999, which is considered 'affordable.'

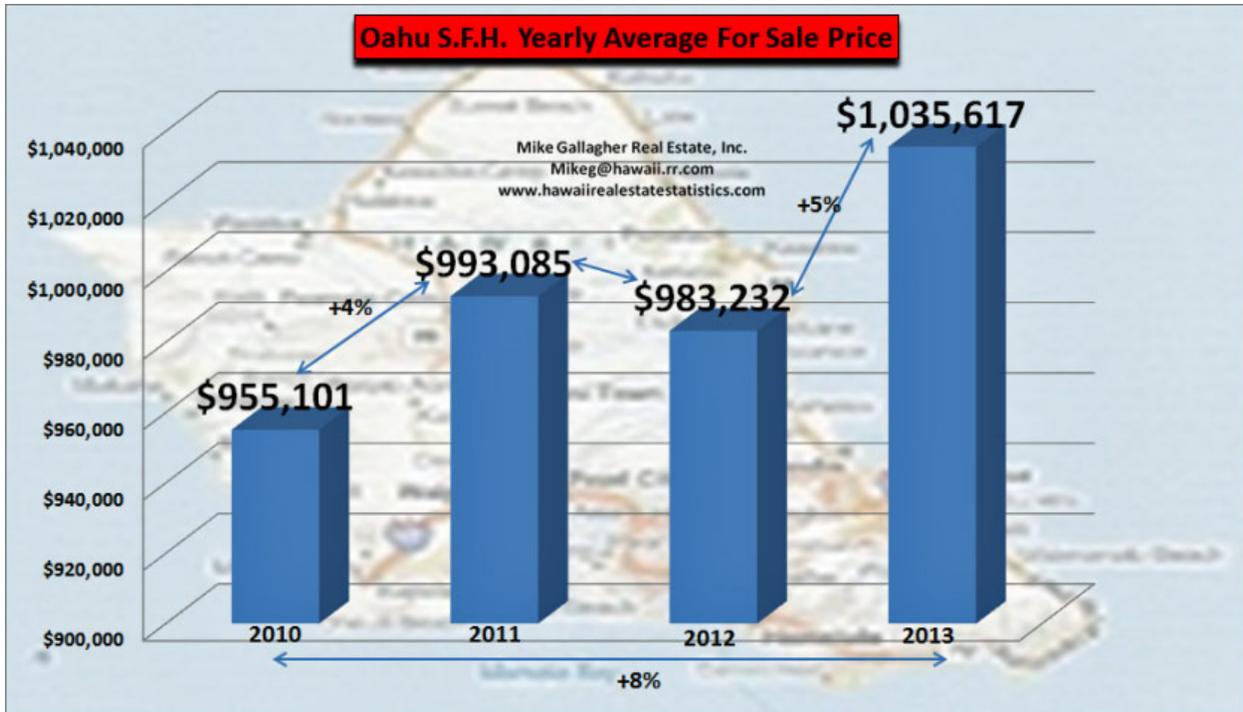
As you should be able surmise, more expensive homes have gradually come onto the market in ever increasing numbers over the last twelve months.

Buyers who are trying to purchase an 'affordable' home, which will predominantly be located on the West Side of the Island in the Kapolei and Ewa Areas are now faced with low inventory, rising interest rates, Bidding Wars and the possibility of low appraisals which can result in canceled Escrow. This is not a pretty picture except for the Sellers of these properties.

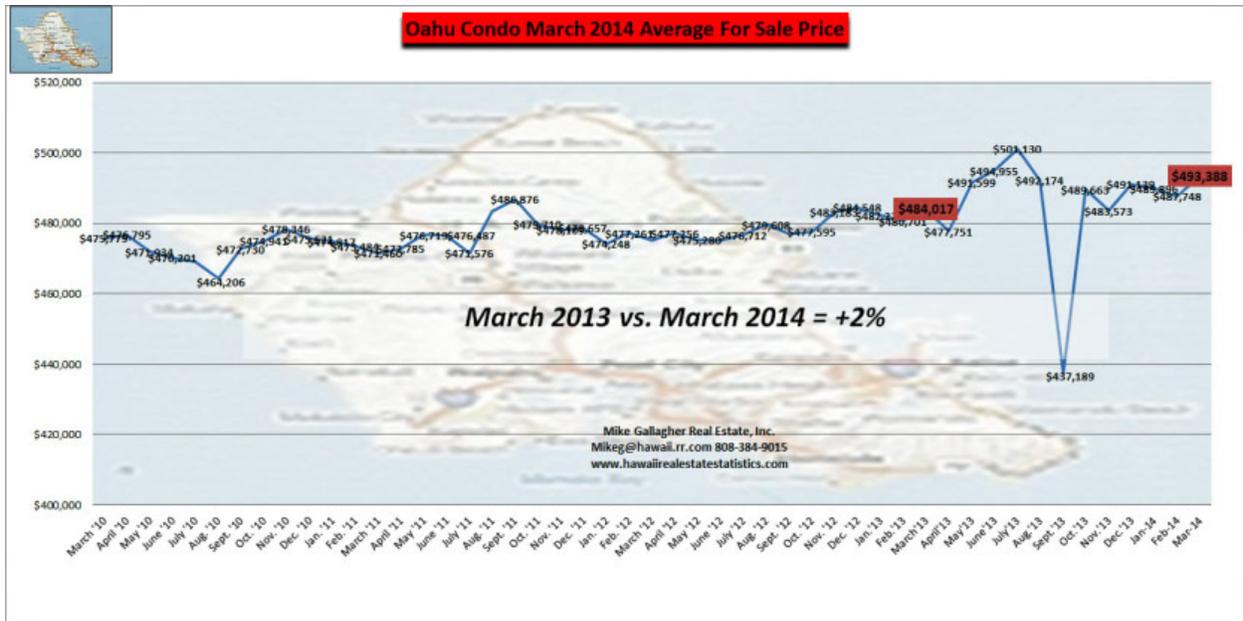
In this type of market, Cash is King and there is plenty of it, only it is not currently available from within Hawaii but is coming from China, Korea, Europe as International buyers who have cash and plenty of it are purchasing property in Hawaii. Why? Because as the Average For Sale Price continues to rise, less and less of us locally will be able to purchase a home as we cannot afford them and then what is our alternative? The answer is Renting. What are the International investors purchasing homes for? The answer is Rentals as the home ownership percentage for locals continues to be the worst in the United States due to the cost of homes.



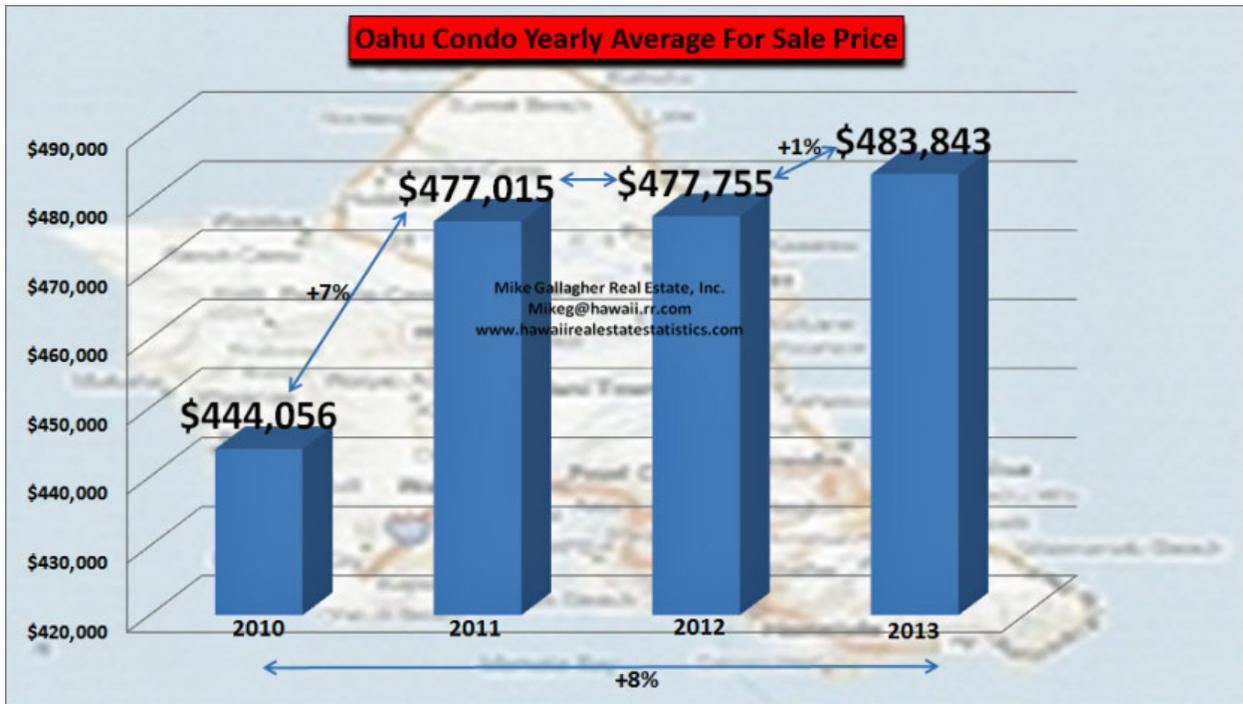
In March of 2014 the Average For Sale Price on Oahu for a Single Family Home was an astronomical \$1,137,459 and this represents an increase from March 2013 of plus ten percent.



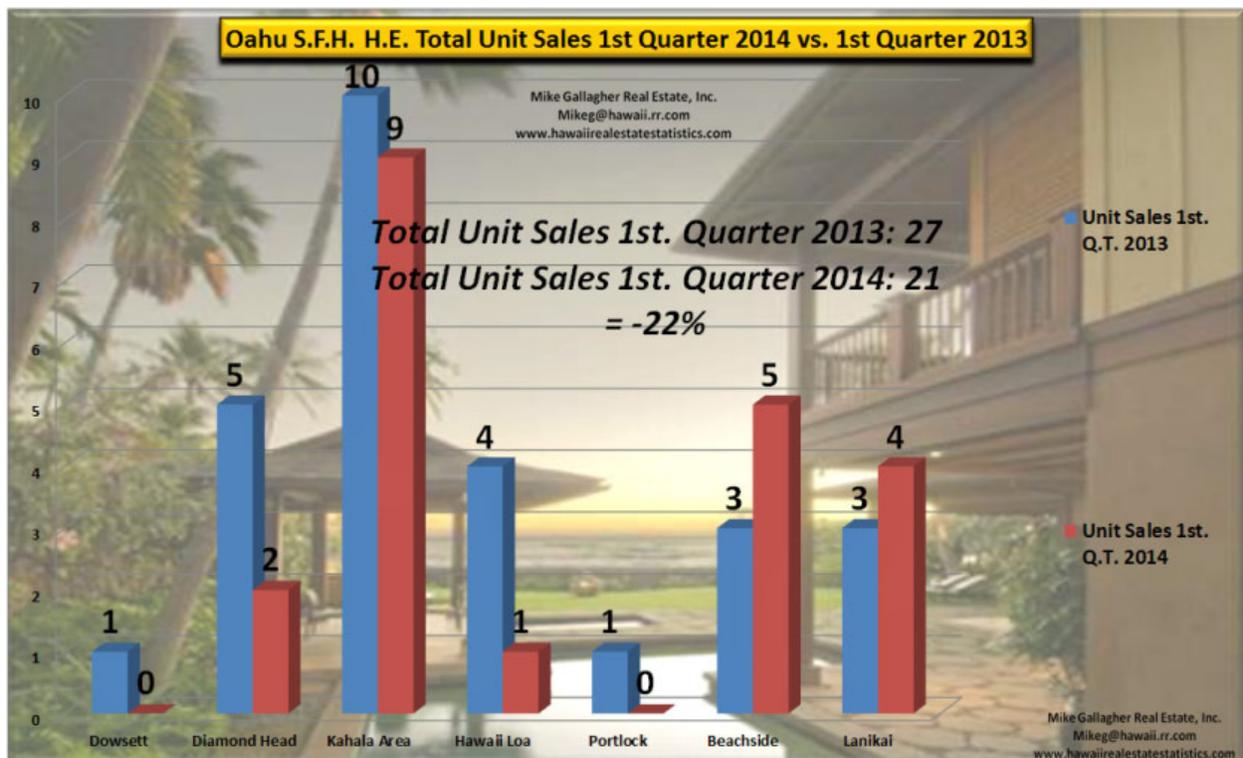
When looking at the yearly changes we can see the Average For Sale Price is continuing to climb from the end of year 2013.



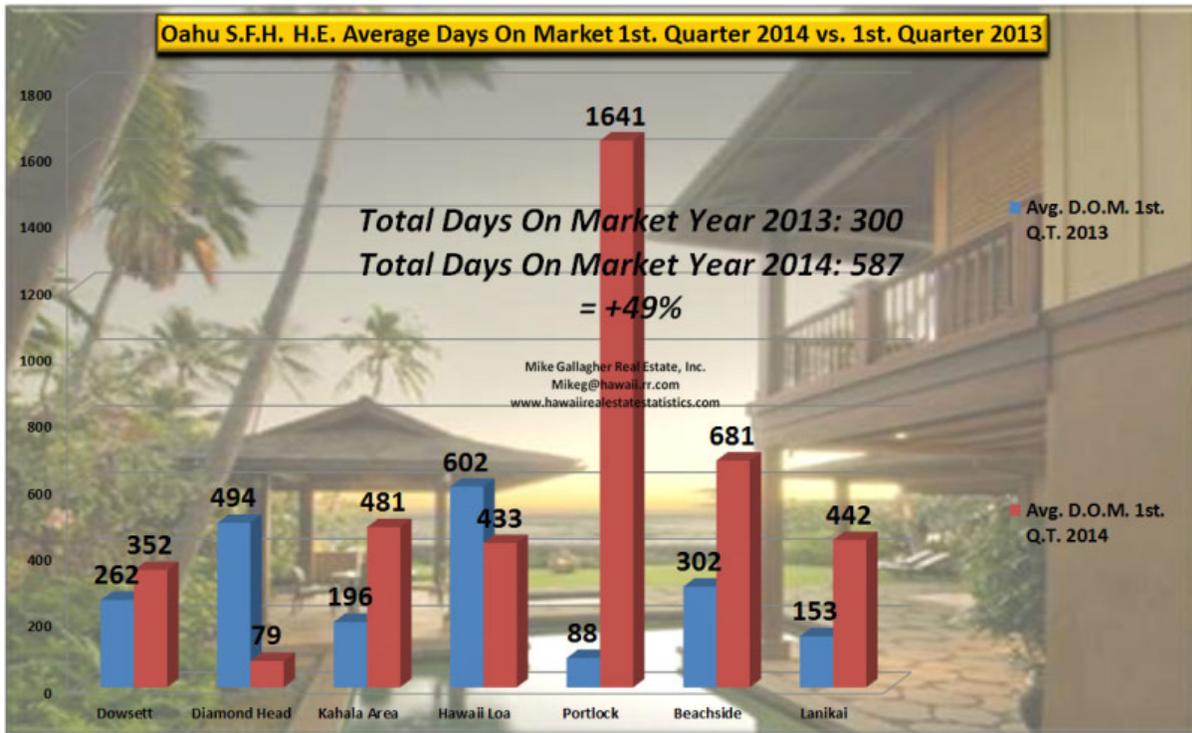
Condos are no different from the Single Family Homes as they too are continuing to climb and become less 'affordable.'



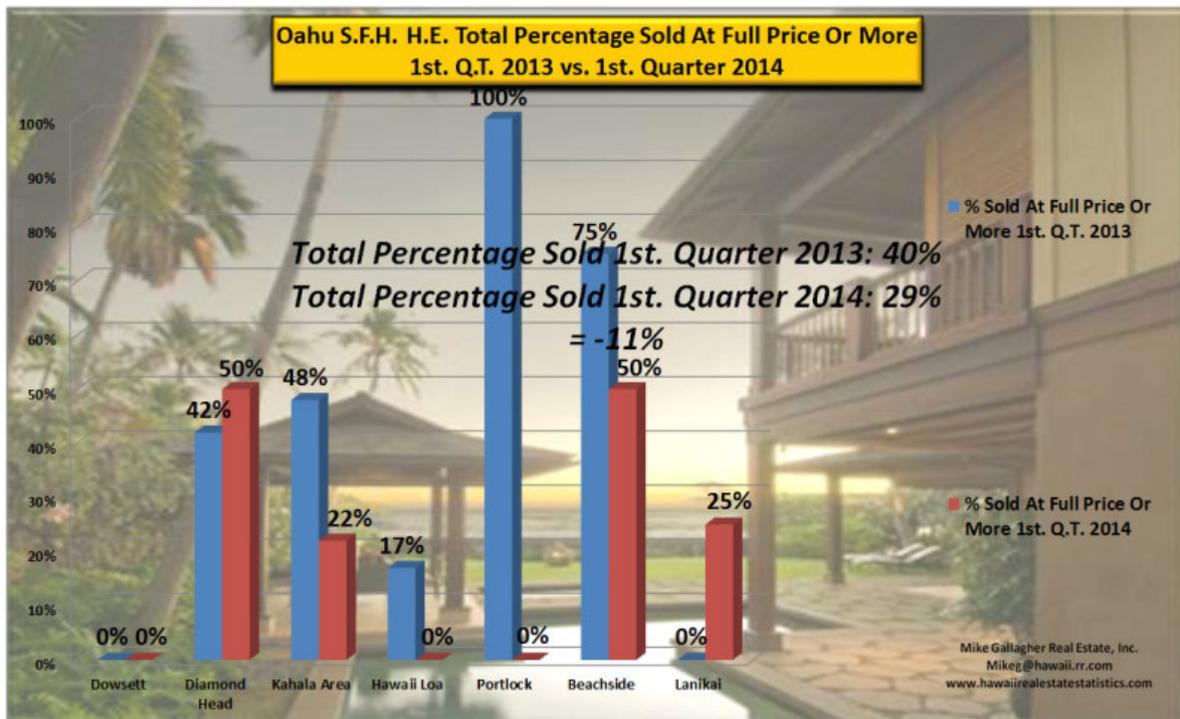
While this all taking place and increased amounts of expensive homes arrive onto the Market, the High End Market is now sputtering.



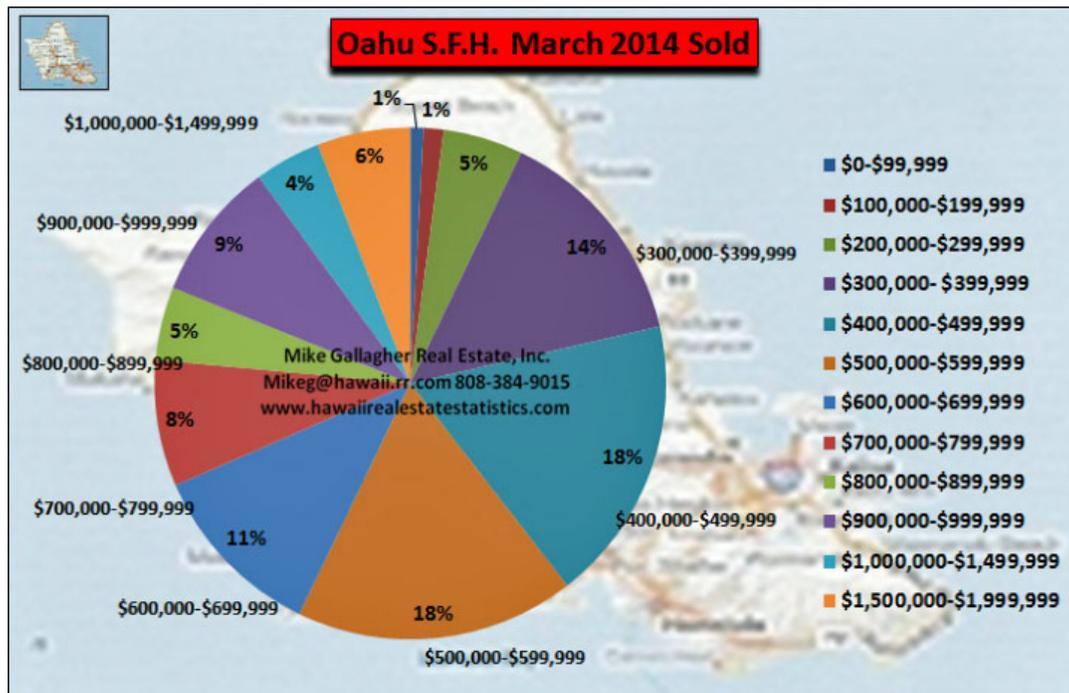
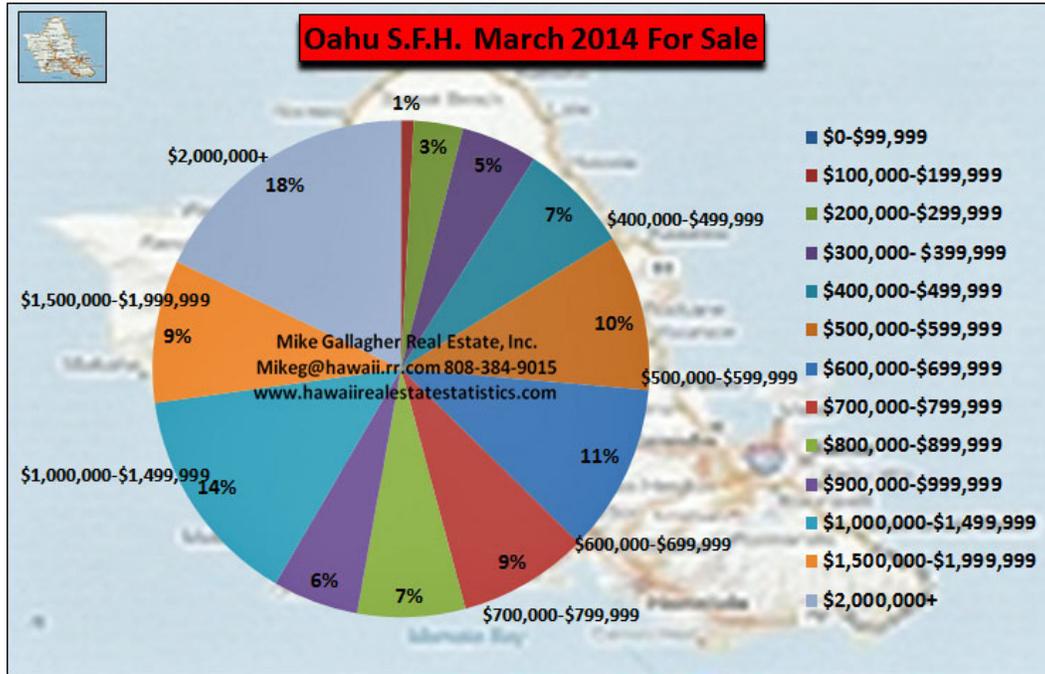
'So Unit Sales are off by twenty-two percent from First Quarter last year' you say? Wait...

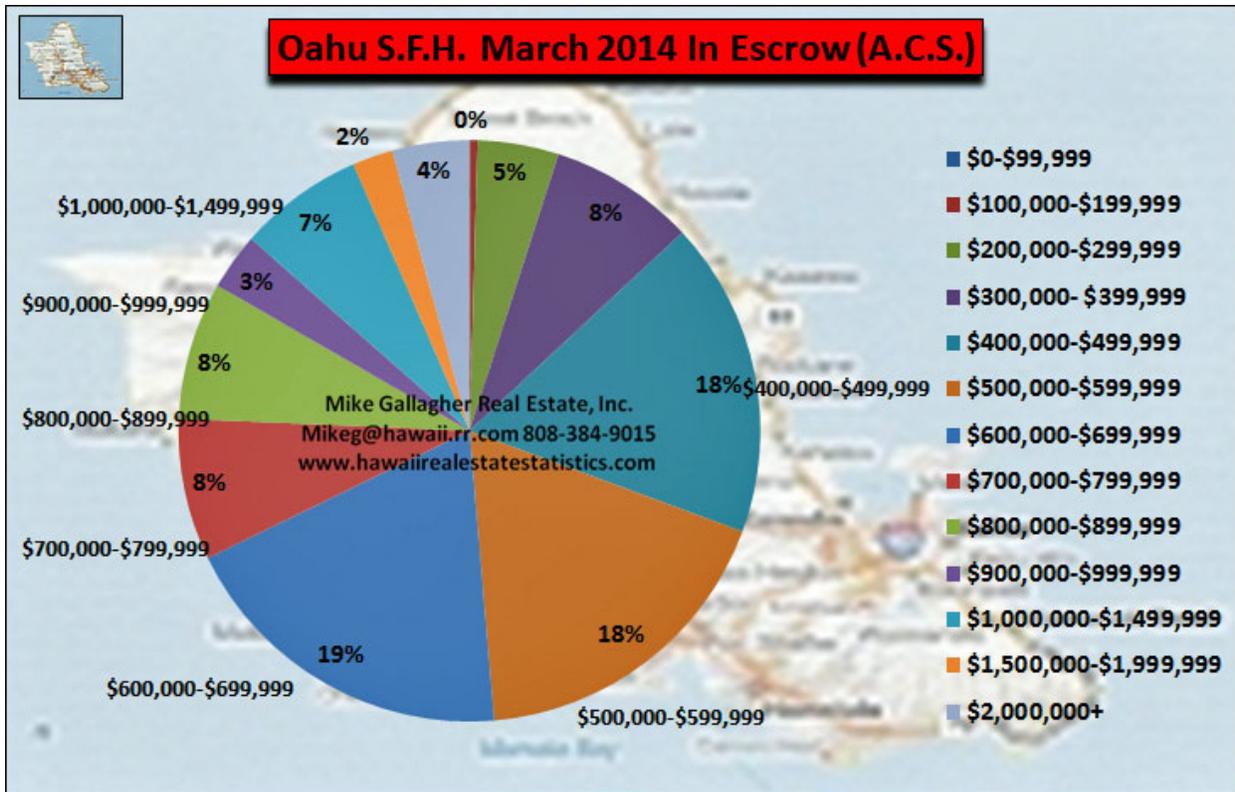


Days On Market for the High End has increased forty-nine percent.



Higher price ranges are currently being shopped less and less these days as most buyer, regardless if you are shopping for an 'affordable' or High End home are seeking lower and lower prices ranges coupled with the fact the new heights of over priced homes are having to reduce their prices in order to sell. High prices are no longer 'sticking.'

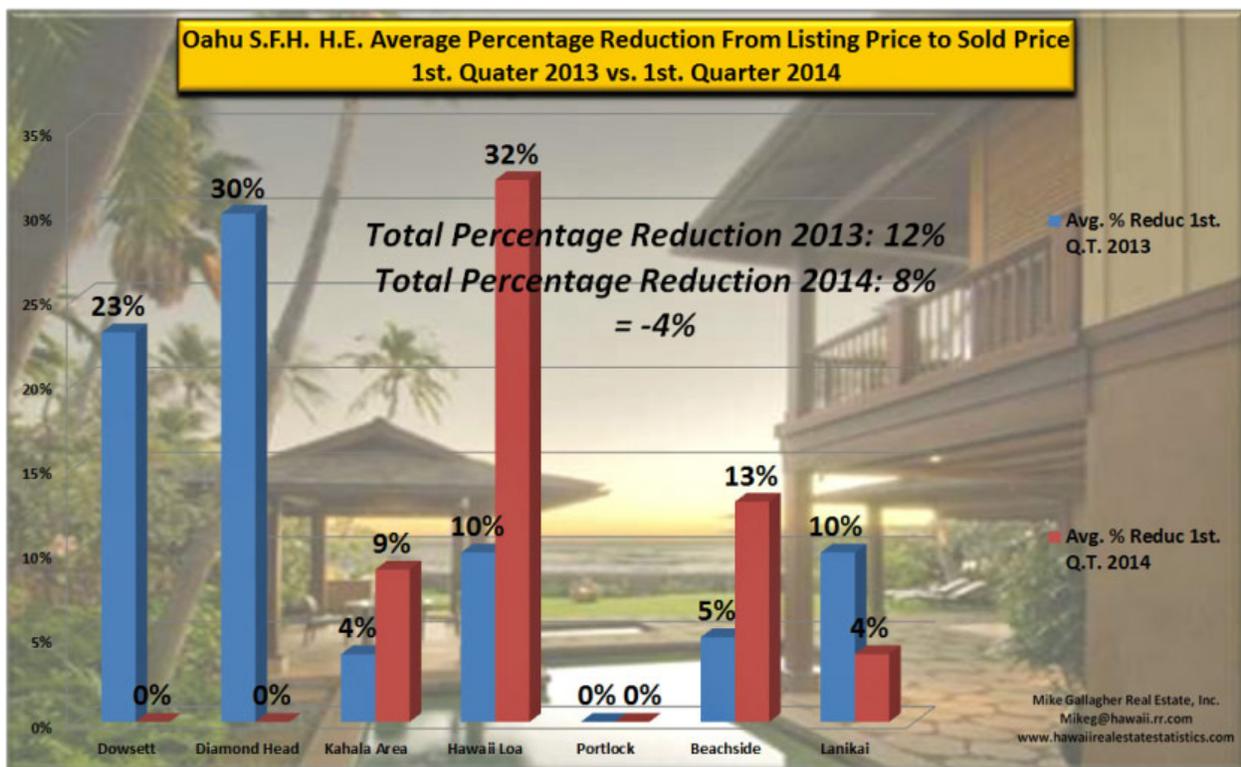
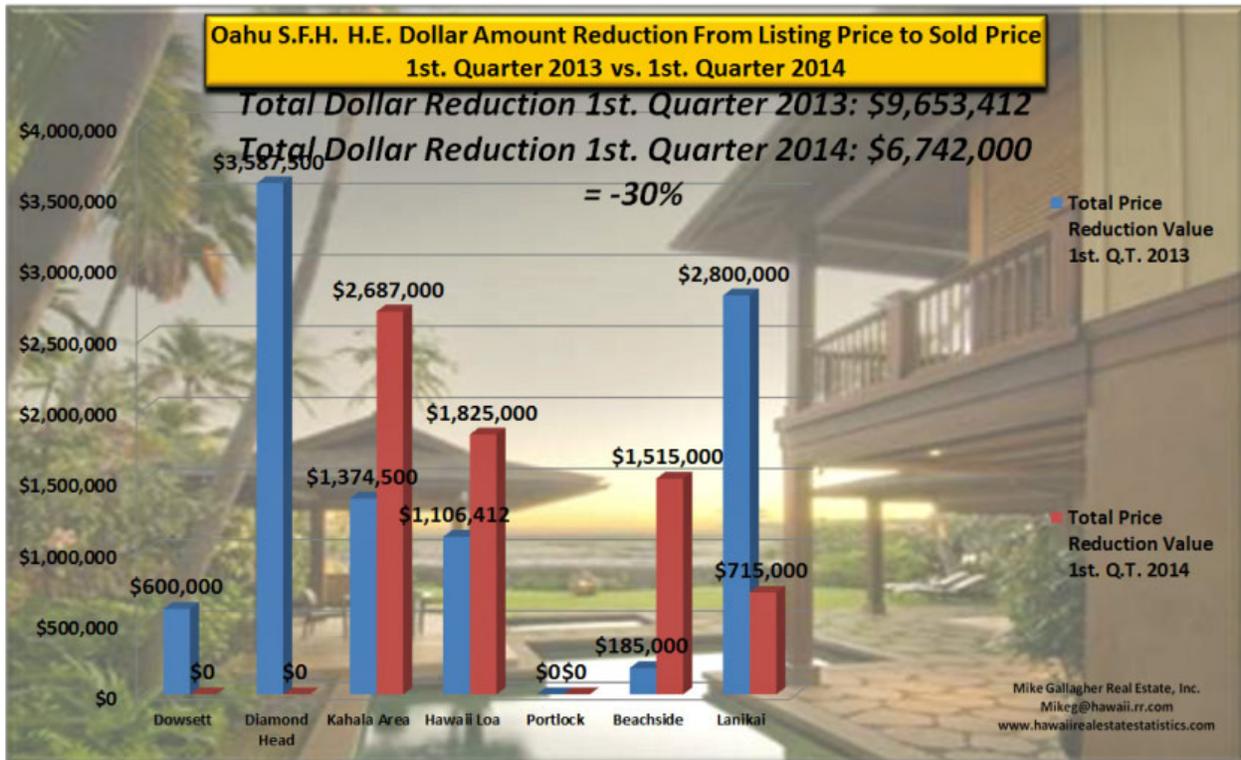




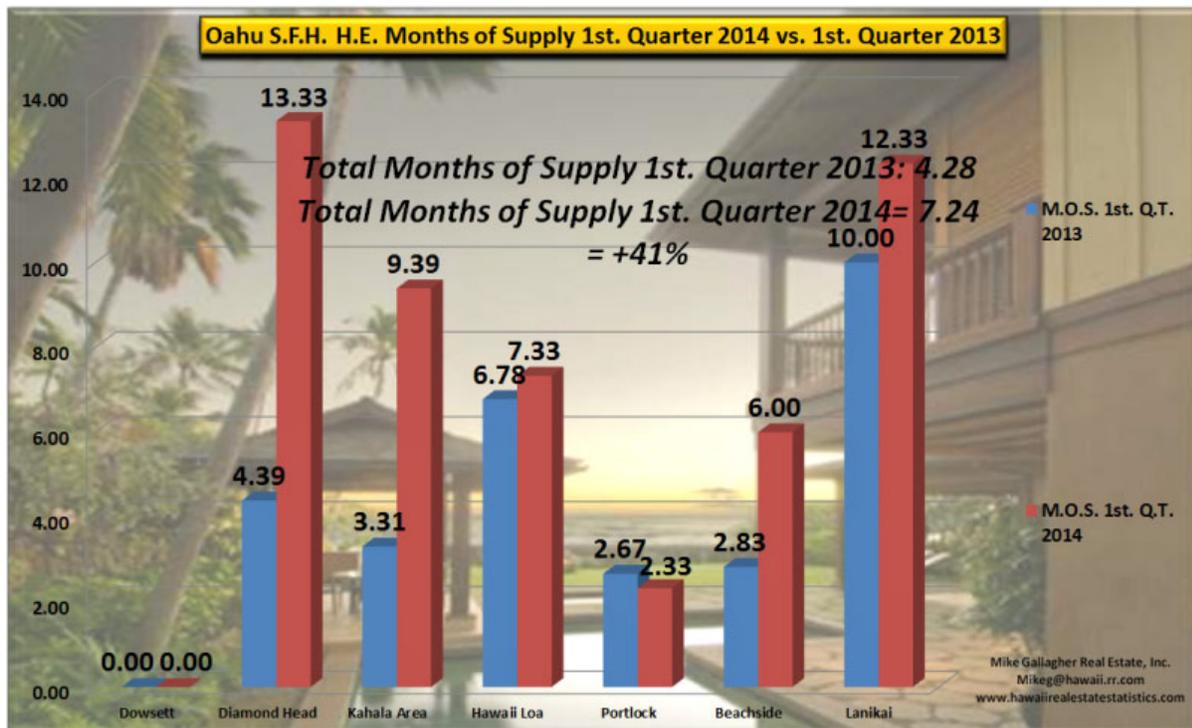
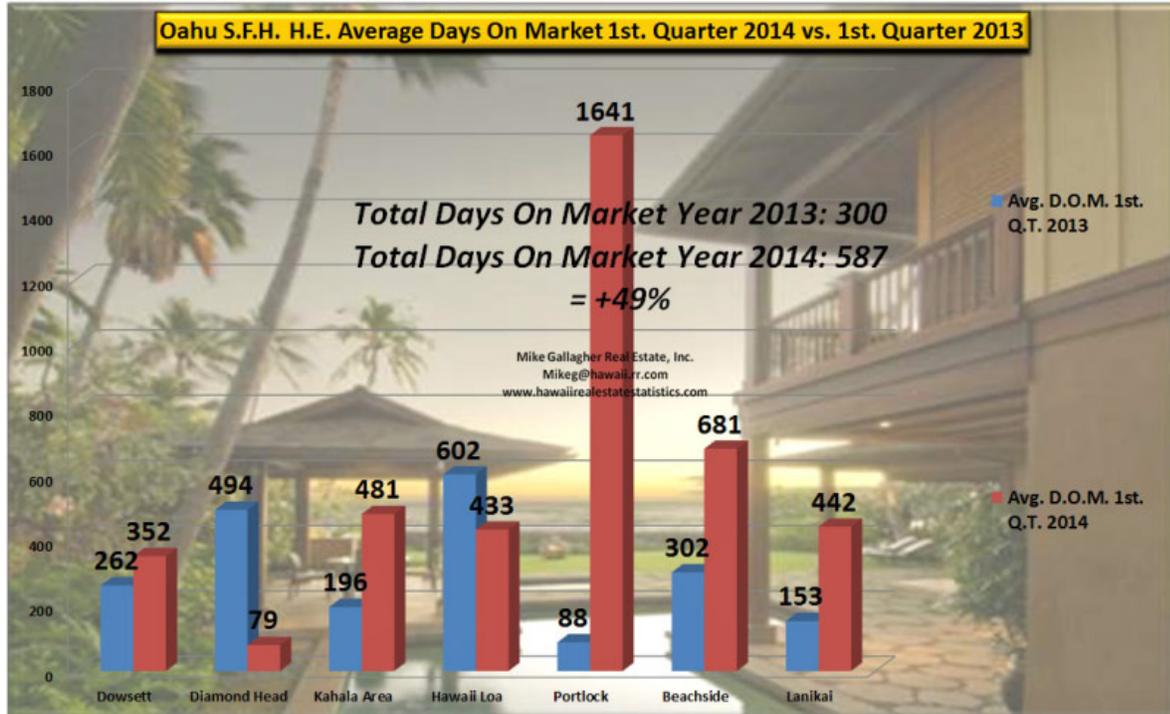
As I said, buyers are seeking lower and lower price ranges to invest into and the same is true of the High End Market.



However, there is still interest in the High End Market of Oahu's Single Family Homes:



I am assuming that either the High End Home For Sale Prices are not sticking or that the Listing Prices of these homes have been become more accurately reflective of their actual Market Values. In either case, the High End is getting more of their initial Listing Price.



Apparently it is taking longer to sell a High End Home to the tune of plus forty-nine percent more days but at the same time, the inventory is increasing at an alarming rate of plus forty-one percent and this can mean only one thing, the High End Market is slowing down.

I like to track what I term "The Odds of Selling" as it provides an insight into how any particular area is doing in terms of demand and successful sales. Below is Oahu's general 'Odds of Selling':

Year to Date	
Oahu S.F.H.	11 In 50
March 2014	Odds of Selling
North Shore 155-169	33 In 100
Mililani Town	19 In 50
Mililani Mauka	18 In 100
Kaneohe	5 In 25
Makakilo	53 In 100
Kapolei	52 In 100
Ewa 191-191	56 In 100
Kailua	8 In 25
Hawaii Kai	33 In 100

Overall, is a low Odds situation for all of Oahu's Single Family Homes with only eleven in every fifty, selling. The Odds are determined by the percentage of inventory sold as compared to what is For Sale. This percentage is then converted to Odds. As an example: Twelve percent becomes three in twenty-five by dividing the twelve by two until you can no longer do so without the result becoming an odd number while at the same time reducing one hundred by half. The result is three in every twenty-five.

I wish I had more positive news to report but like the 'Homeless/Affordable Housing' Bills being looked into by the legislature of the State of Hawaii, 'affordable housing' is no more. So, the State wants to build their own with our tax dollars and possibly create 'affordable housing' to include the use of "Micro-Apartments."

There is no easy solution to purchase an affordable home but I can tell you from experience that if you are in the market place for an affordable home priced between \$500,000 and \$800,000 then you will need an agent who is on top of the market and has had successful experience in strategizing a plan to produce a winning offer and closing on the property you desire. Trust me on this one, you need experience.

It is common place now to offer more than asking just get your foot in the door and then negotiate repairs and a possibly high amount of low appraisals to a successful 'Win-Win' solution for both the Buyer and the Seller.

After being outbid by unbelievable amounts over asking price and with All Cash Offers three times for my last clients attempting to purchase a home in Kailua, we finally got a home by offering a purchase price of \$749,000 on a home priced at \$719,000. The appraisal came in at \$726,000. After negotiations on repairs and the low appraisal, my clients are now living in a wonderful home where the final closing price was \$730,000 and everyone was happy.

I wish you all much Aloha!

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