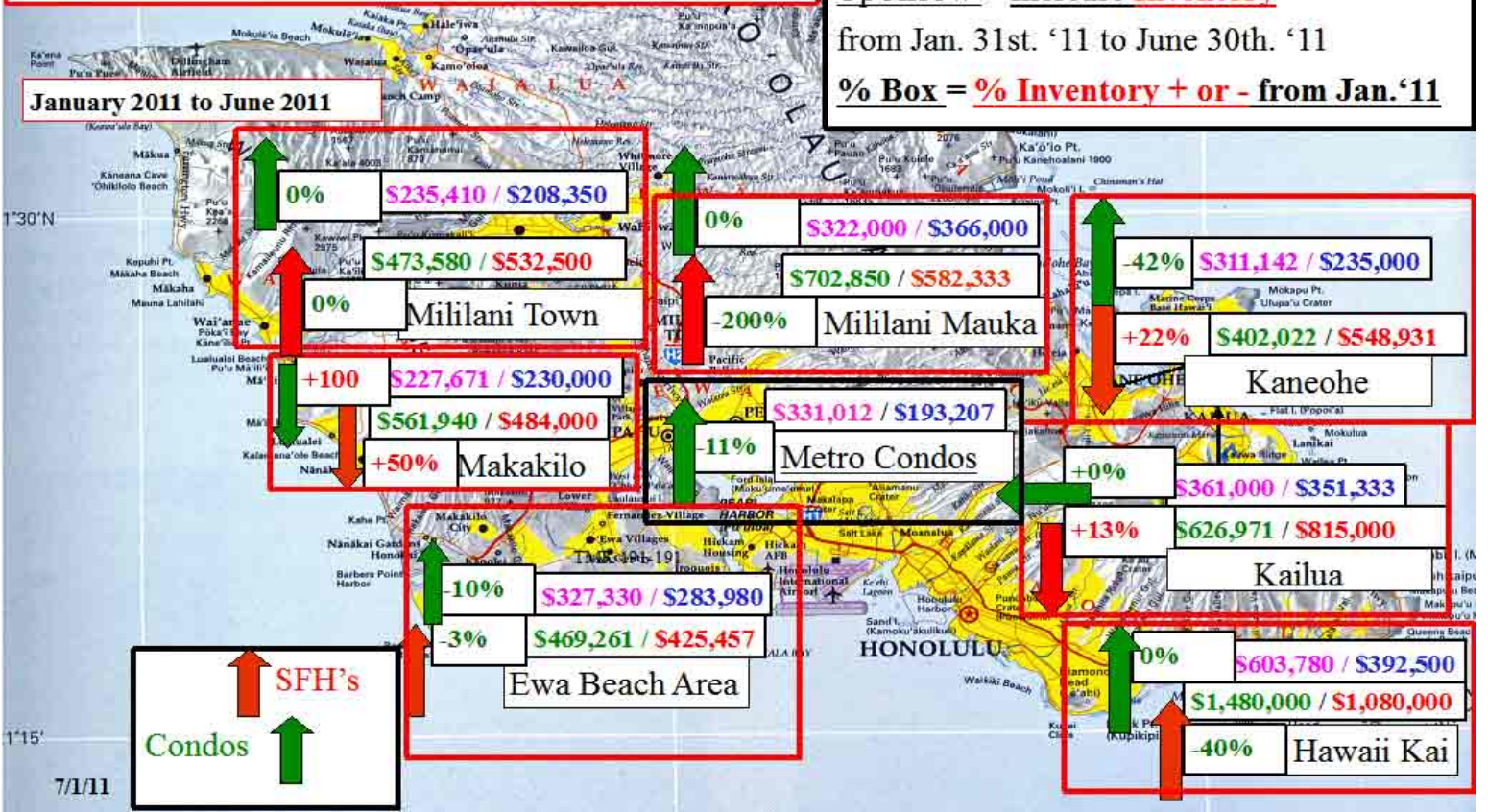


Oahu Distressed Property Report Mid-Year 2011

DO NOT BELIEVE EVERYTHING YOU READ IN THE HONOLULU STAR ADVERTISER

This Map of Oahu depicts what is happening with Distressed Properties on Oahu. Distressed is defined here as those properties in:
Foreclosure, Short Sale, Probate, Bankruptcy & Lender Sale

SFH Average Price For Sale \$751,951
SFH Average Price Sold \$648,160
Condo Average Price For Sale \$450,430
Condo Average Price Sold \$276,284
MAP KEY:
Up Arrow = Increase Inventory
from Jan. 31st. '11 to June 30th. '11
% Box = % Inventory + or - from Jan. '11



As of June 30th the number of Distressed Single Family Homes In Escrow (A.C.S.) is a huge 80% and for Distressed Condos the figure is 71%. There obviously remains a rather large demand for Distressed Properties from Buyers on the Island of Oahu. Even more good news is that the inventory levels of these Distressed Properties are at an all time low with the exception of a few pockets on Oahu.

One must be cautious with this good news as we still do not know the effects of Lenders forestalling foreclosures as dictated recently by both Local and National legislation to prevent erroneous foreclosures and to provide relief to those owners who are "Under Water" which means they owe more than their home is worth.

As of June 2011 a mountain of Foreclosures which have been back-logged and are about to hit the markets Nation-Wide. Folks in the Real Estate Business refer to it as the **"Shadow Inventory."**

Here is a recent article posted on the internet concerning the "Shadow Inventory":

Resolution Seeks Temporary Stop to Foreclosures

In trying to slow the flood of foreclosures plaguing markets across the country, Rep. Marcy Kaptur, D-Ohio, proposed a House resolution that calls for a temporary national foreclosure moratorium. The resolution, which was submitted to the House Financial Services Committee last week, called on President Obama to declare a "national residential mortgage foreclosure emergency." It called on individual states to enact the moratorium, HousingWire reports. In 2010, mortgage servicers filed 2.9 million foreclosures, according to RealtyTrac. What's more, the current estimates by housing experts is that the shadow inventory of looming foreclosures that haven't yet hit the market could be as high as 4 million homes. "The government should be trying to speed foreclosures, not stop them," Arnold Kling, economist at George Mason University and former economist at Freddie Mac told HousingWire. "Postponing foreclosures may simply be putting off the inevitable market bottom. We need to remove barriers to foreclosures." Housing experts say they don't expect the House Financial Services Committee to approve the proposal.

Even after this article above was written Hawaii Legislators added our State to the growing list of States enacting laws to forestall Foreclosures but in my humble opinion, I agree with Mr. George Mason that the last thing we need to do is forestall foreclosures. The inevitable will happen. These homes, by a large majority will foreclose. We are only postponing the inevitable. Why should buyers be excluded from purchasing a home facing Foreclosure who are able to buy, ready to buy and have the credit and finances to do so? Are we not just hurting the market further if we forestall Foreclosures? I think so. Besides, by forestalling Foreclosures what message are we sending to prospective buyers and what impact will it have upon prices? Yes, both answers are negative.

If you desire to know more about "Shadow Inventory" and how it is going to hugely impact our Real Estate Market, go to my website at www.hawaii realestate statistics.com and look under "Real Estate News" Tab at the top of the Main Page and read the **Core Logic Report from May 2011:**

"U.S. Housing and Mortgage Trends"

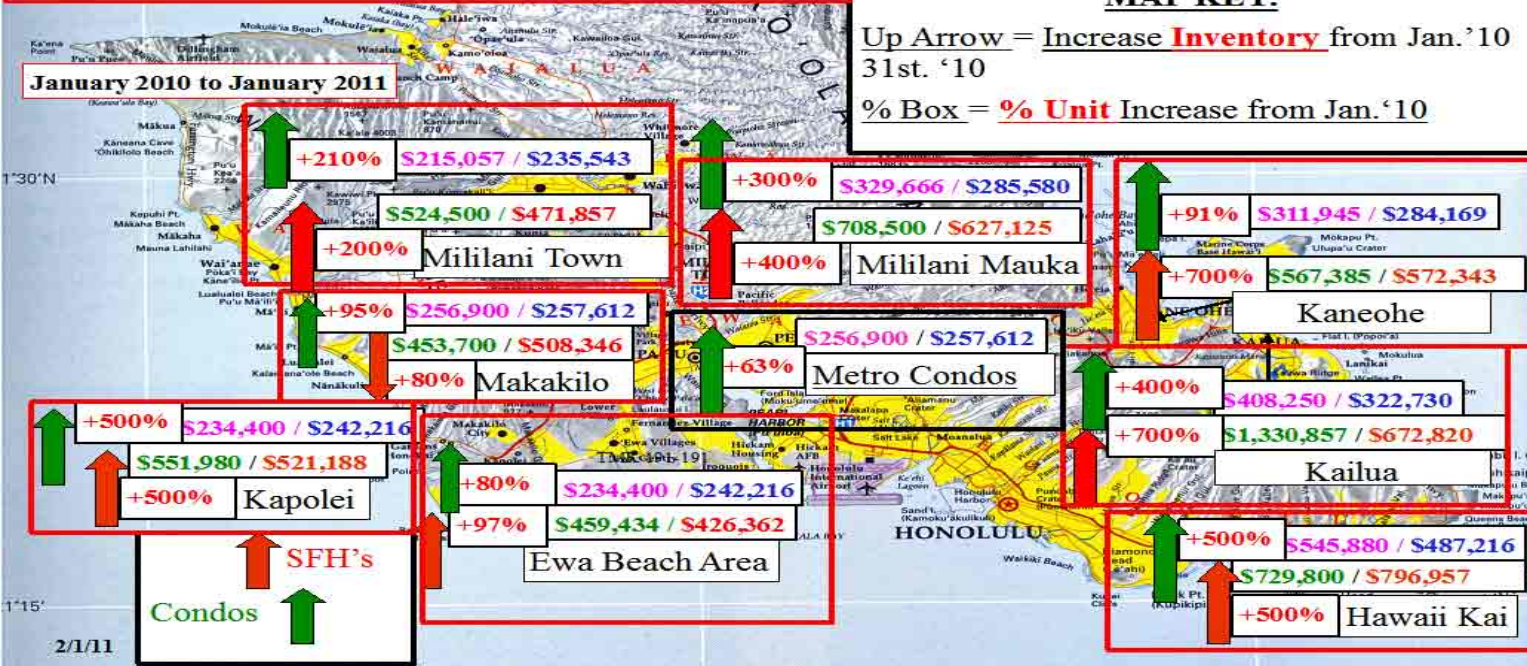
Let us take a look at that Oahu Map again and this time compare it to January 2011 map:

January 2011

This Map of Oahu depicts what is happening with Distressed Properties on Oahu. Distressed is defined here as those properties in:
Foreclosure, Short Sale, Probate, Bankruptcy & Lender Sale

Oahu SFH ACS% = 55% Condo= 39%
 SFH Average Price For Sale \$935,129
 SFH Average Price Sold \$522,340
 Condo Average Price For Sale \$423,306
 Condo Average Price Sold \$321,592

MAP KEY:
 Up Arrow = Increase Inventory from Jan. '10 31st. '10
 % Box = % Unit Increase from Jan. '10

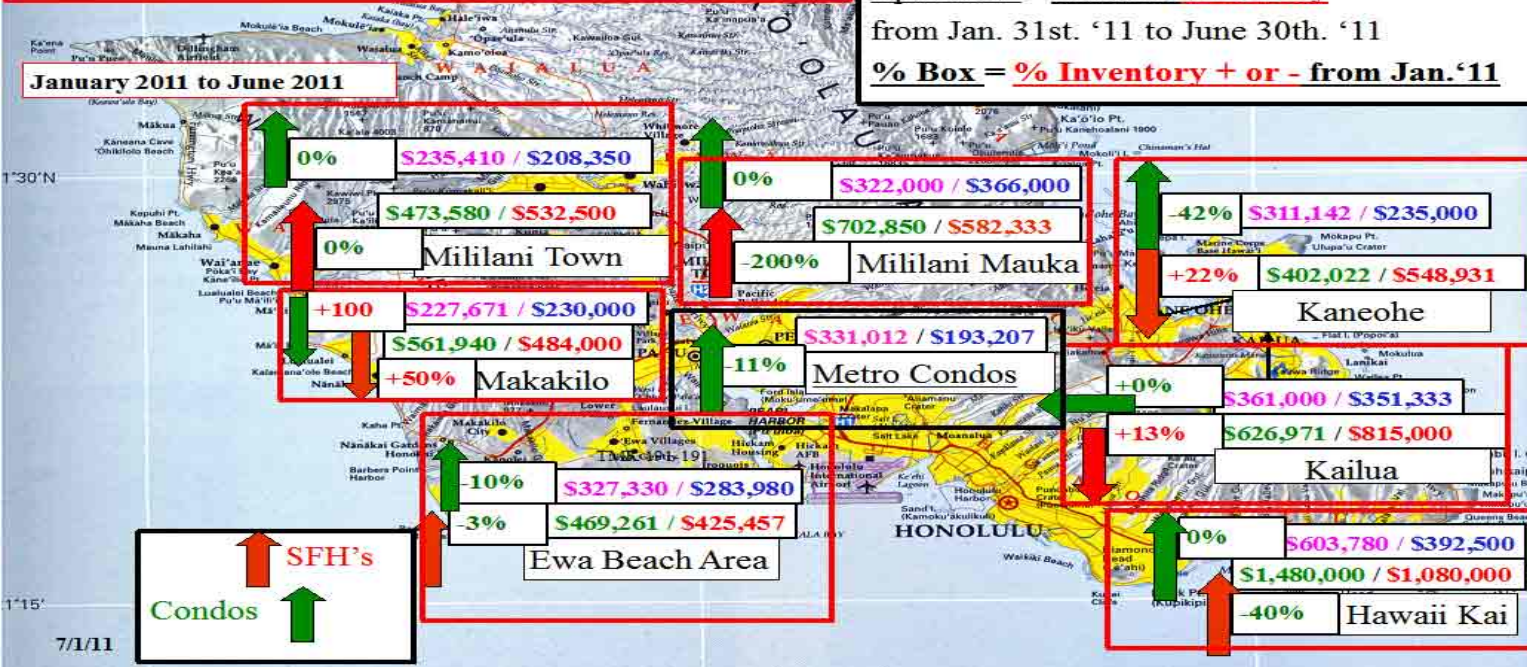


June 2011

This Map of Oahu depicts what is happening with Distressed Properties on Oahu. Distressed is defined here as those properties in:
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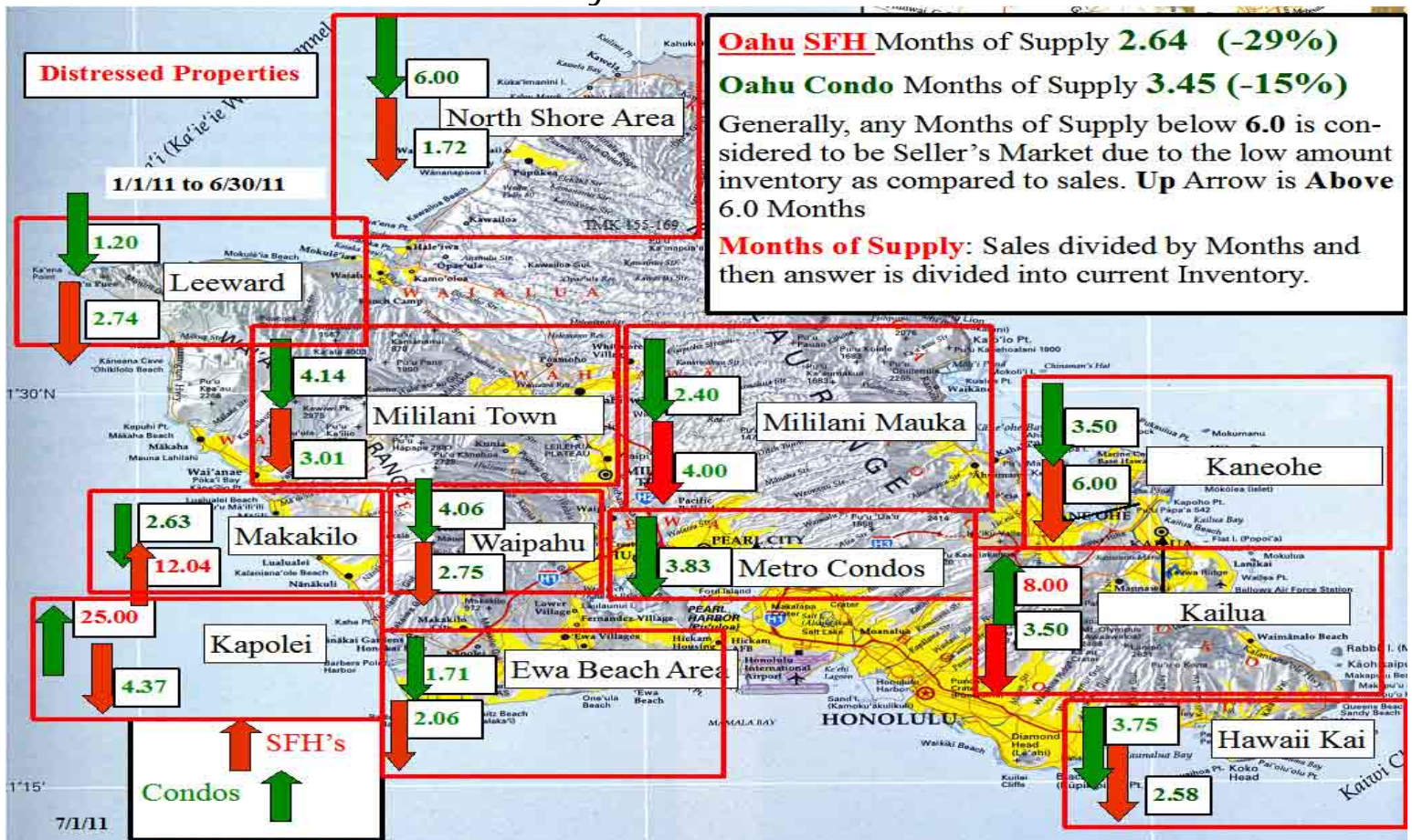


In January of this year we could see huge increases in Distressed Property inventories all around the Island that had taken place during the year 2010. Year to Date ending June 30th 2011 we see a vast difference has occurred during the year 2010 and half of 2011 as smart investors grabbed up Distressed Properties in a Big way. Buyers still are snapping up these bargains when you stop and consider that 80% for Single Family Homes and 71% for Condos of all Distressed Properties are currently In Escrow!

What this has left us with is a huge reduction in inventory of these properties as you can see from the June 2011 map. **RED** figures are increases in inventory, **GREEN** are decreases. The ARROWS, either up for "Good" or down for "Bad" indicate how each area is doing on Oahu in regards to Distressed Property current inventories. (0% indicates No Change in the last 6 Months. No increase or Decrease)

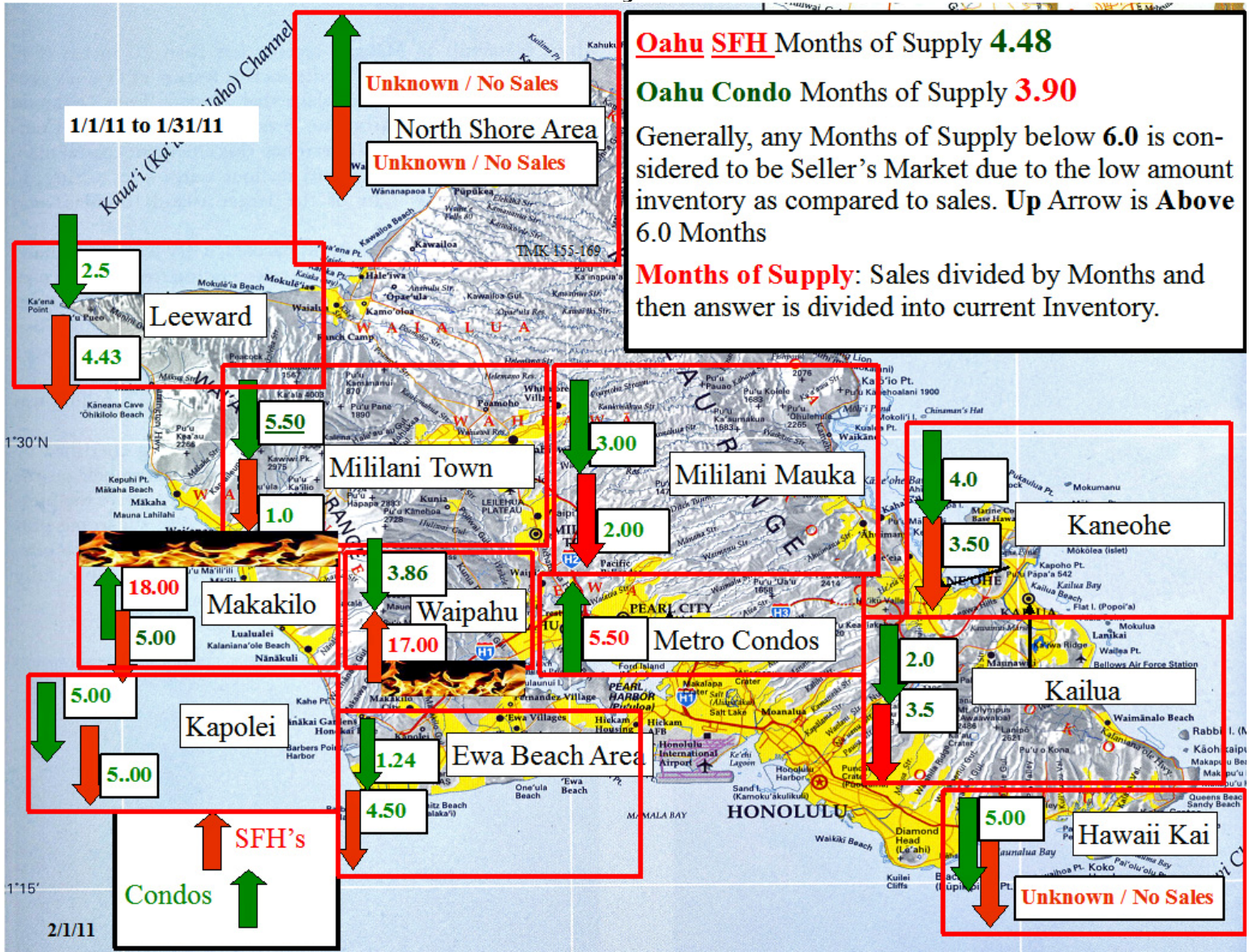
Where do we still have a problem? The answer is: Makakilo Single Family Homes and Condos, Kailua and Kaneohe Single Family Homes and Condos. I know there are other smaller pockets and Neighborhoods that might be concerning but that is about it! Pay attention to the Areas: Makakilo, Kailua, Kaneohe. The Distressed Market situation is affecting a wide range of Neighborhoods and Price Ranges.

Inventory as of June 30th 2011



Oahu is overall in great shape. Trouble areas include North Shore Condos, Makakilo Single Family Homes are in a real bad way, Kapolei Condos are even worse, Kaneohe Single Family Homes and surprisingly, Kailua Condos. All have too much inventory of Distressed Properties.

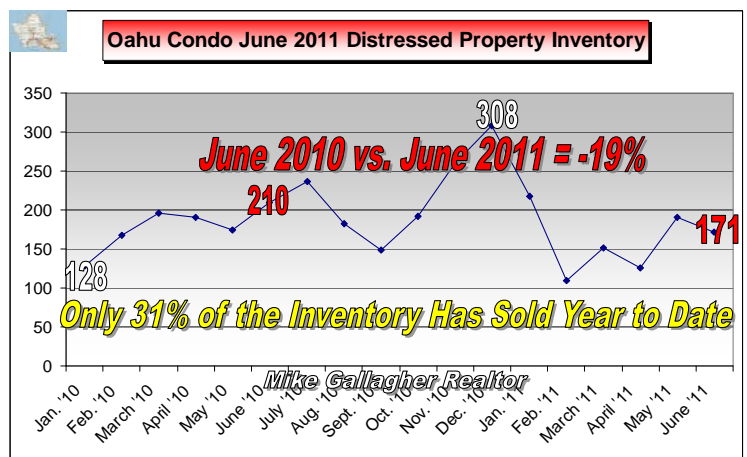
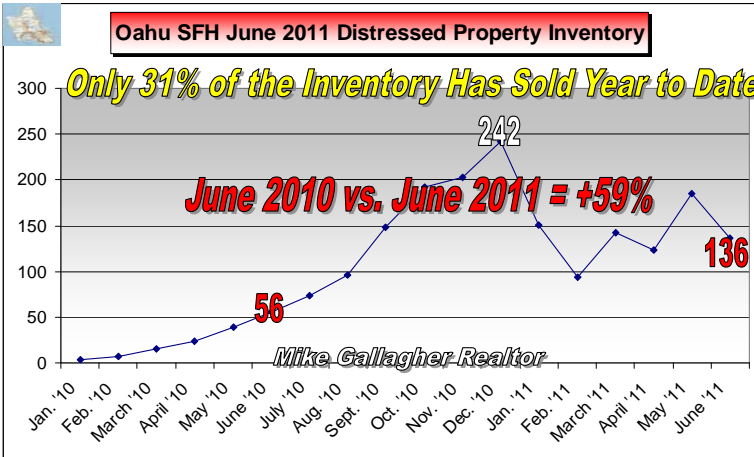
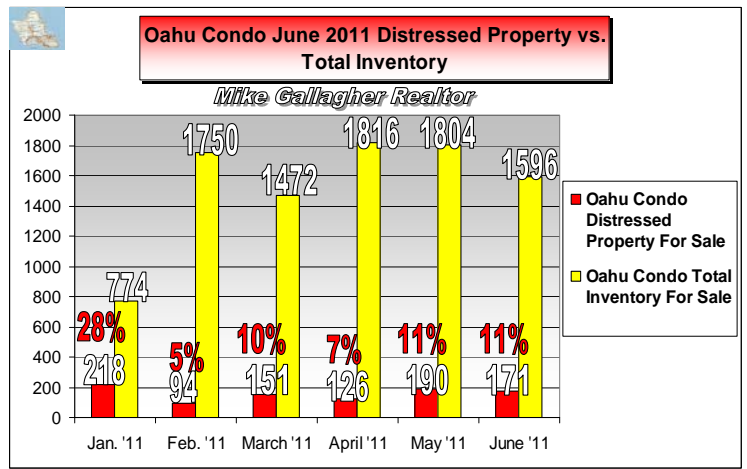
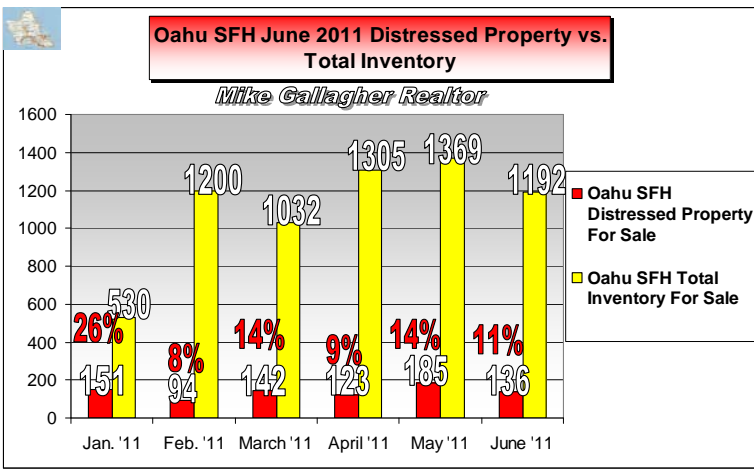
January 2011



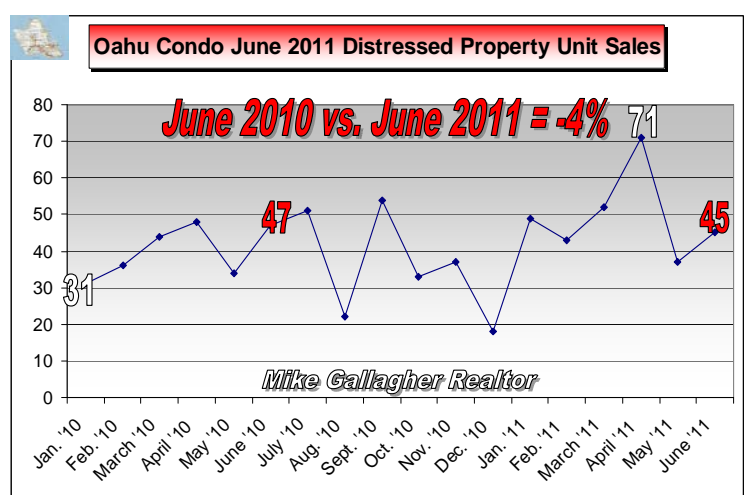
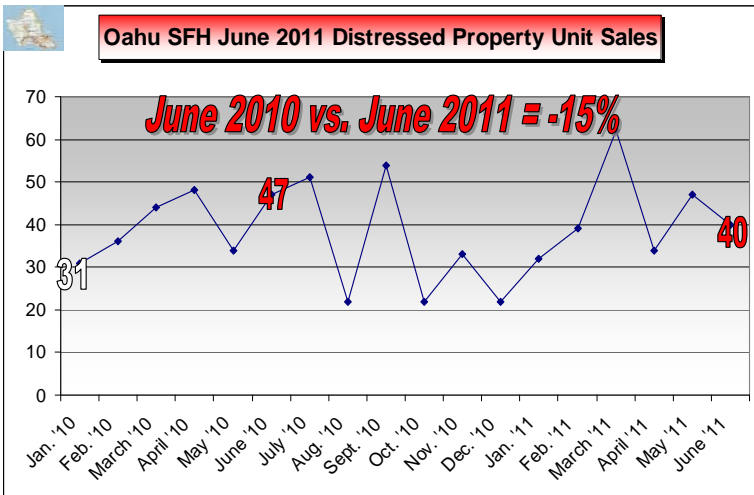
Just in six months of this year very large inventories of Distressed Properties have been purchased. Compare this map to the previous and you will see how much the inventory has receded.

As of June 2011 the amount of Single Family Homes that are Distressed only comprise 11% of the entire inventory For Sale and for Condos it too is 11%.

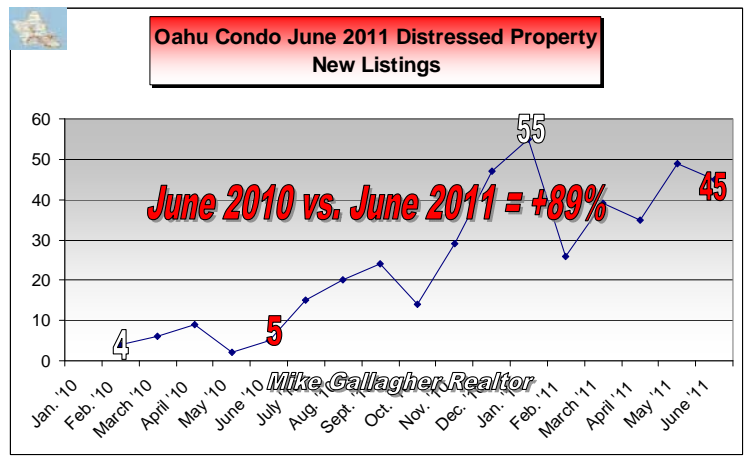
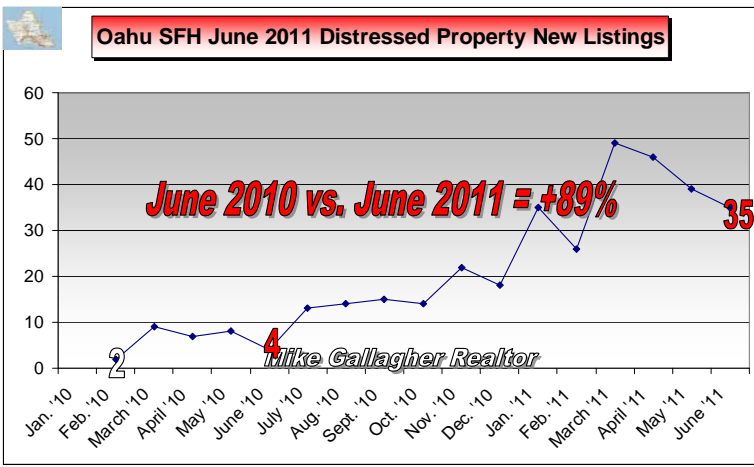
Here is how it has looked for the year so far when we compare Distressed Inventory to Total Inventory:



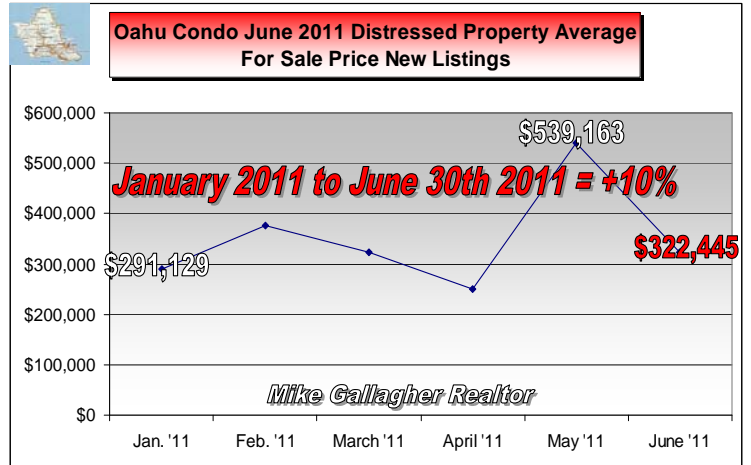
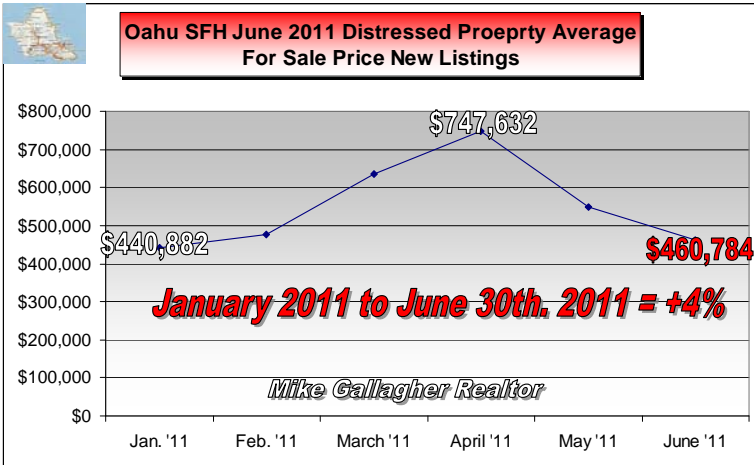
The current inventory of Distressed Properties are leveling off all over Oahu which is a good sign for the market but you have to ask yourself what is the "Shadow Inventory" of Foreclosures yet to come onto the market.



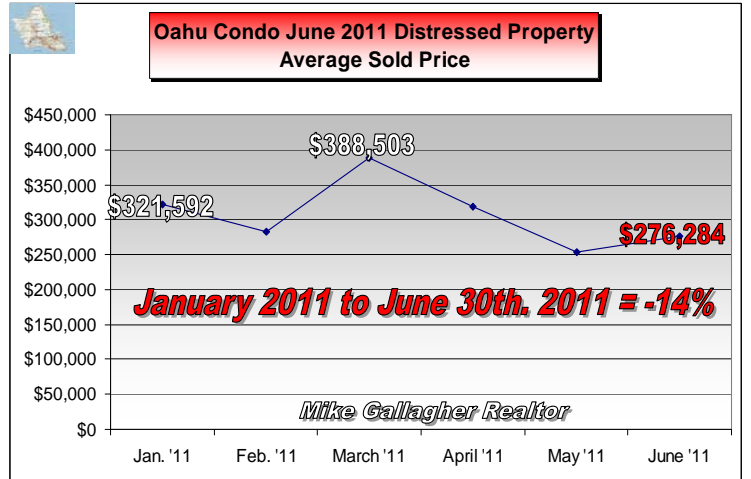
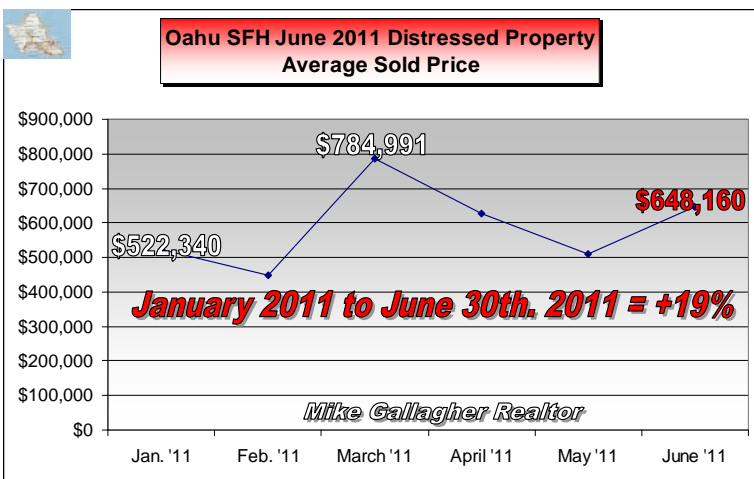
Sales are slightly off from this time last year but then the inventory level is far below what it was a year ago it means, less inventory will result in less sales.



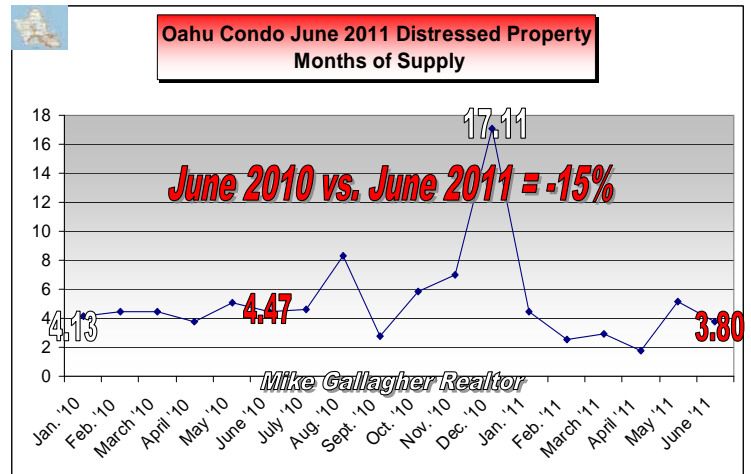
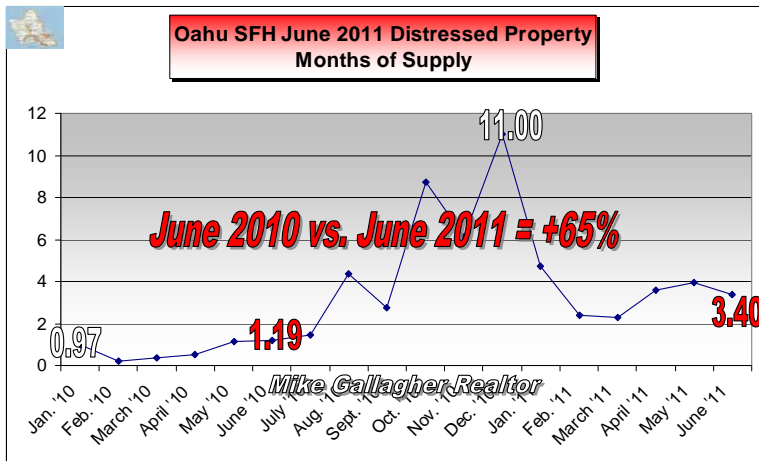
New listings in Distressed Properties are rising in both Single Family Homes and Condos which may result in more sales and a much higher level of inventory depending upon the rate of sale.



The Average Price for New Listings is slightly going higher as more New Listings come onto the market in the higher price ranges.



Apparently the higher priced Single Family Homes are what most buyers are seeking right now while the buyers for Condos are consistently seeking the lower price ranges.



I think it only natural that the Inventory and the rate of sales which is translated into the Months of Supply (M.O.S.) rise dramatically in the Fall of each year as unit sales fall off significantly at the end of the year. This is why we see the spike in Months of Supply in January.

Although Months of Supply has increased +65% for Single Family Homes since this time last year and the Condos have decreased -15% the overall Months of Supply for June 2011 is well below the six month level. In the Real Estate industry a Month of Supply over six months indicates a Buyers Market and anything lower than six months indicates a Sellers Market.

Although we can expect Equity in Oahu homes to further decline over the coming 5-6 years, the percentage of decline has been leveling out and becoming less severe each year. This action will affect the Distressed Property Values as well. It will affect not only the inventory level and value of Distressed Properties but it will affect the "Shadow Inventory" values that turn into Foreclosures. In short, there will be further price erosion which in turn will affect the entire Oahu Housing Market in future years to come. "Yes" we have only approximately 11% of our entire inventory in Distressed Properties, but more will be coming over the next few years.

Listening to and reading the News, both print and verbal, about how well the Foreclosures are declining which gives us pause to celebrate, I strongly caution future Sellers and Buyers alike that we have not even come close to "turning the corner" in the Hawaii Real Estate Market and we will not do so for a few more years when I anticipate we will hit bottom. Preempting Foreclosures through

Legislation is just as bad an idea as not raising our National Debt Ceiling without severe budget cuts and a Constitutional Amendment to require our National Government to adopt a Balanced Budget. Oh heck, our National Government does not even have a Budget. Figure that one out!

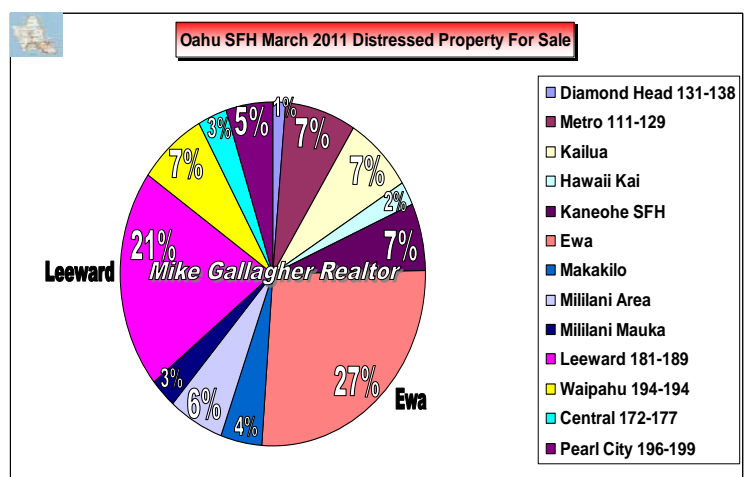
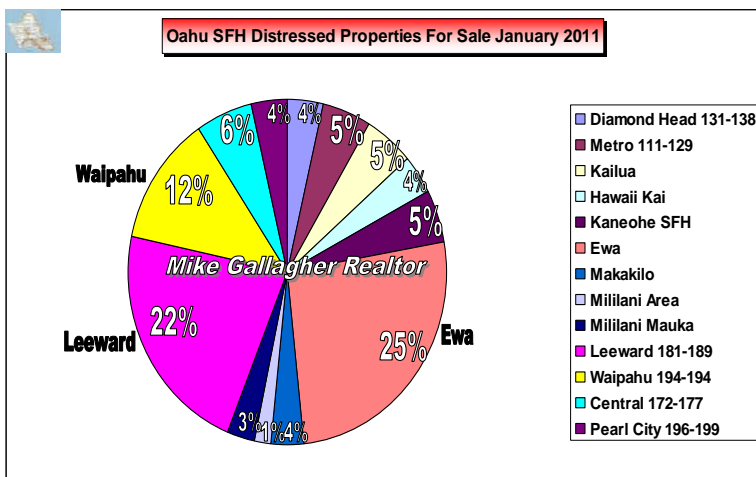
Sooner or later "We will have to Pay the Piper" and we have to stop whining and complaining about our reduced life styles, loss of equity in our homes and most assuredly increased Local and National Taxes. We might as well "Swallow the Bitter Pill" and get on with it!

The unusual aspect of Hawaii Real Estate unlike many parts of the United States is what has protected us from an even further disastrous Real Estate Market as **Hawaii has become a premier Retirement and Investment Real Estate Market for the Whole Wide World**. This is evidenced by our extremely high property values, increased sales in the high end market which has driven up our Average For Sale Price for an Oahu Home over \$800,000.

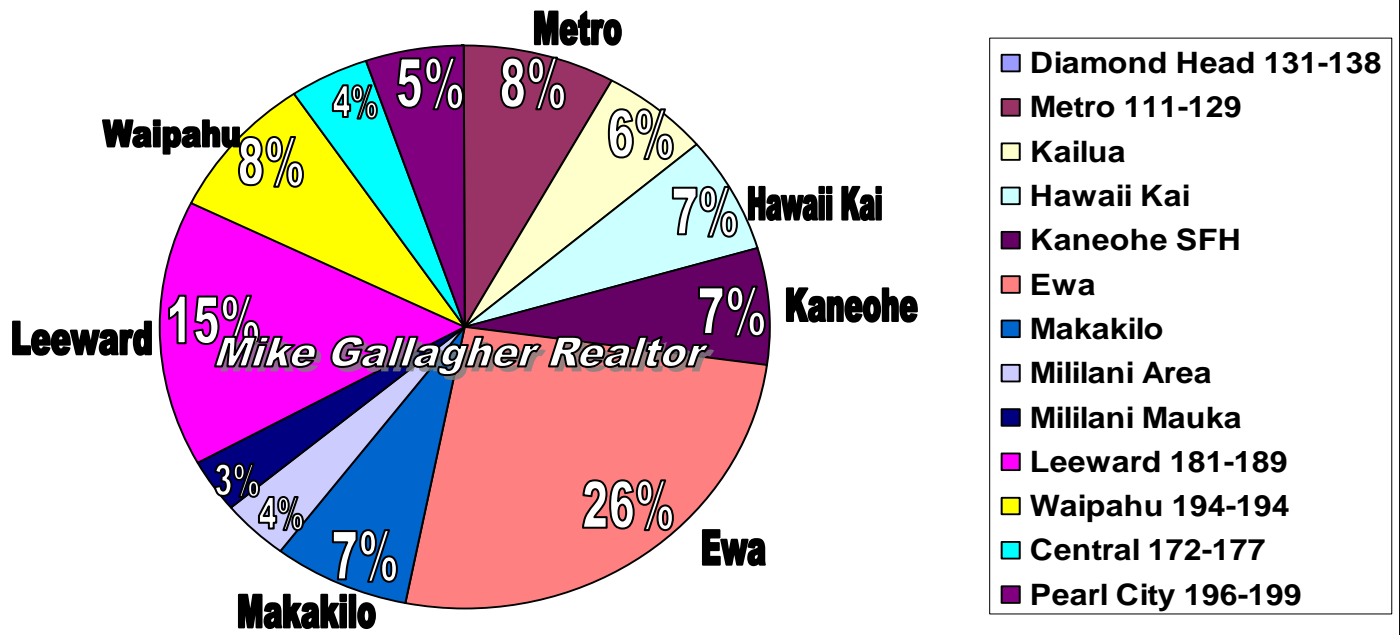
Just who do you think is going to pay for the "Lion Share" of increased Property Taxes, especially with the coming of the "Rail to Nowhere?" Higher priced property owners are going to pay and many of these owners are not going to be Hawaii Residents.

In short, Hawaii is being Sold Out from Underneath us all and there is nothing we can do about it. Prices will continue to rise in Hawaii in both Property Taxes and increased Home Values. Is there any wonder why we have such a horrible Homeless situation?

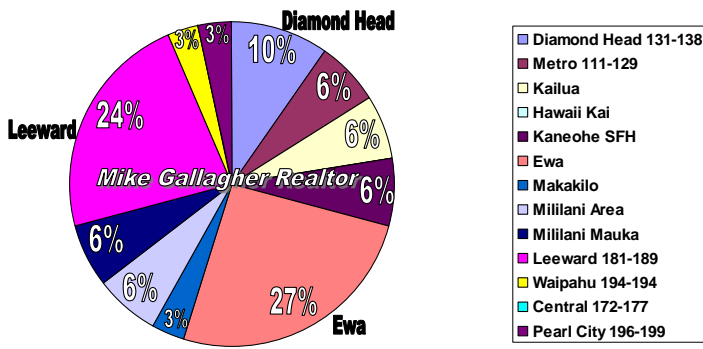
Let us take a look at how inventory and sales have shaped up during the year through the use of Pie Charts:



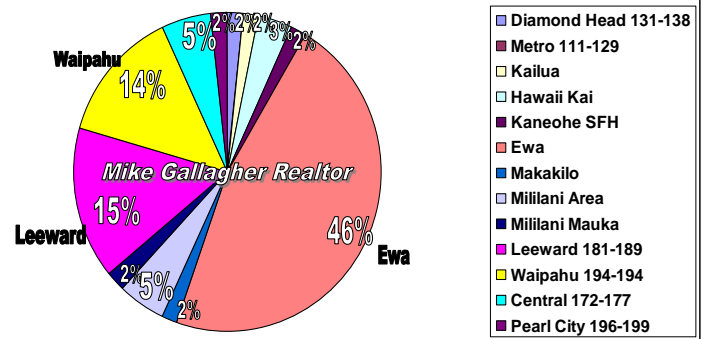
Oahu SFH June 2011 Distressed Property For Sale



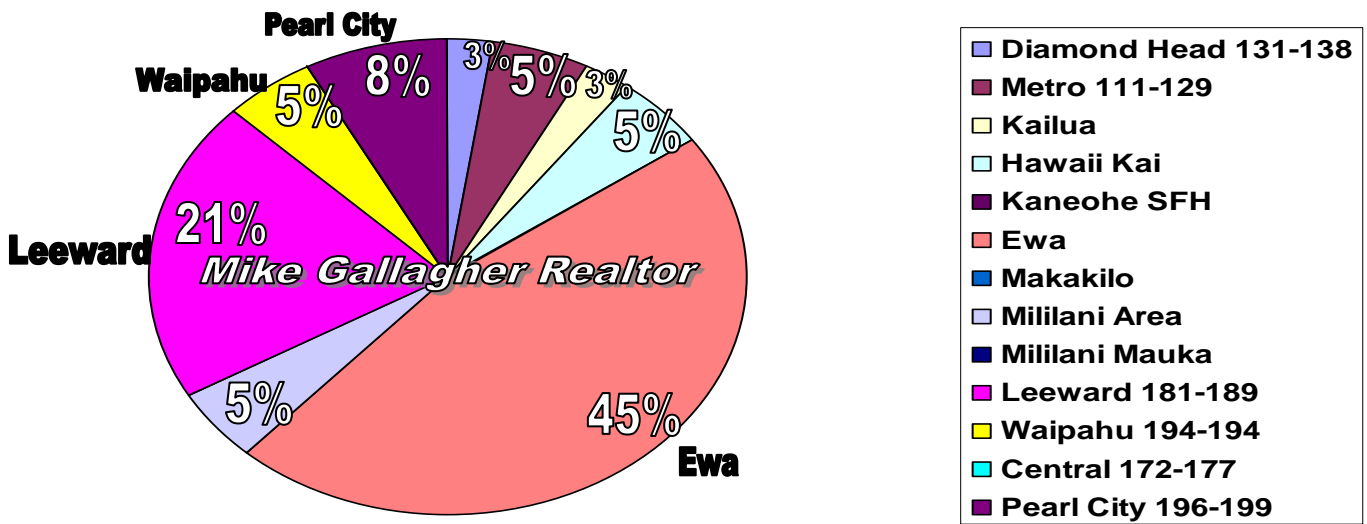
Oahu SFH Distressed Properties Sold January 2011



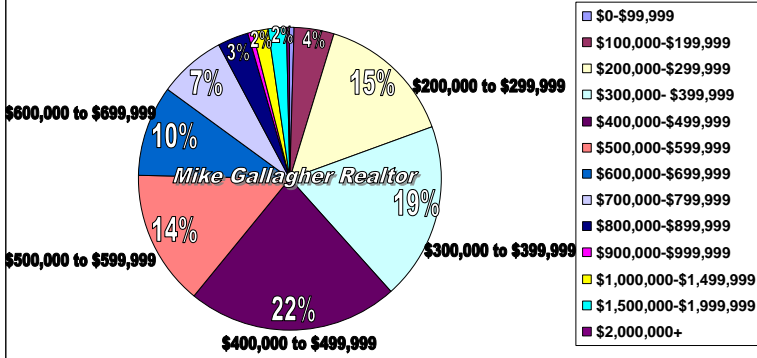
Oahu SFH March 2011 Distressed Property Sold



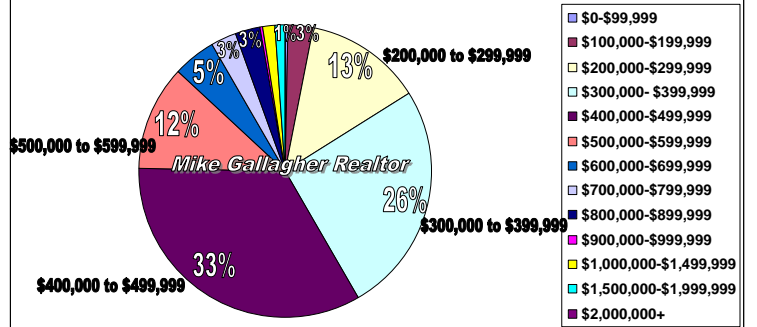
Oahu SFH June 2011 Distressed Property Sold



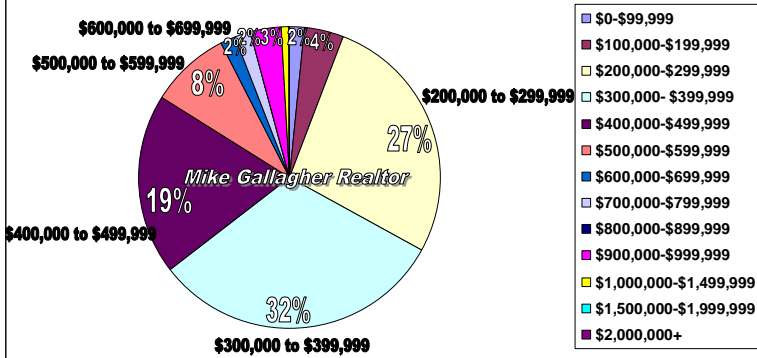
Oahu SFH March 2011 Distressed Property Year to Date For Sale By Price Range



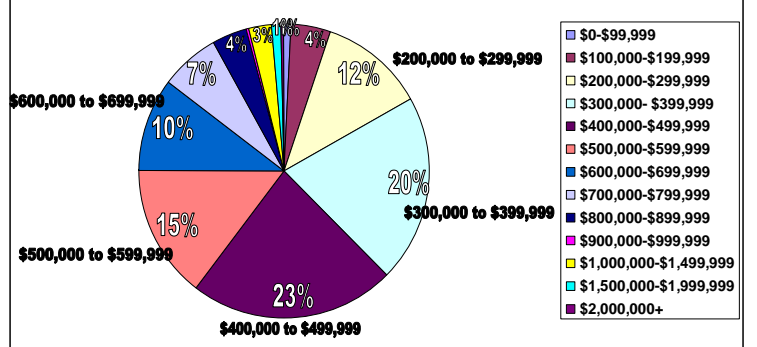
Oahu SFH March 2011 Distressed Property Year To Date In Escrow (A.C.S.) By Price Range



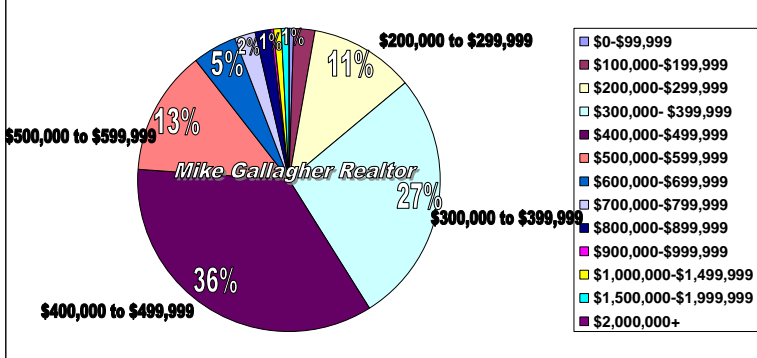
Oahu SFH March 2011 Distressed Property Year to Date Sold By Price Range



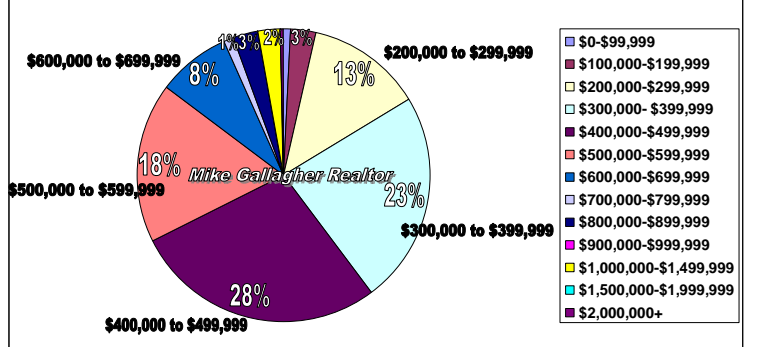
Oahu SFH June 2011 Distressed Property For Sale Year to Date By Price Range



Oahu SFH June 2011 Distressed Property In Escrow Year to Date By Price Range

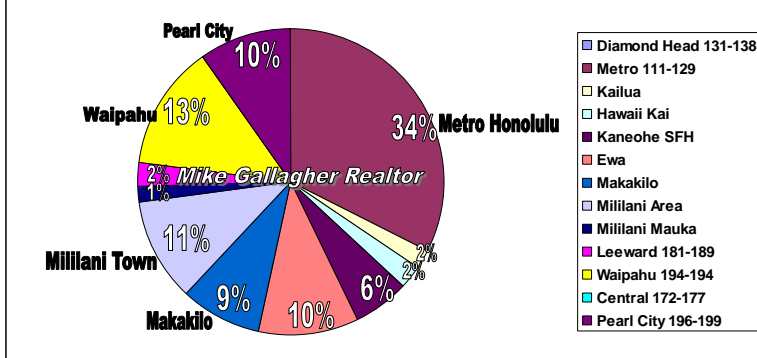


Oahu SFH June 2011 Distressed Property Year to Date Sold By Price Range

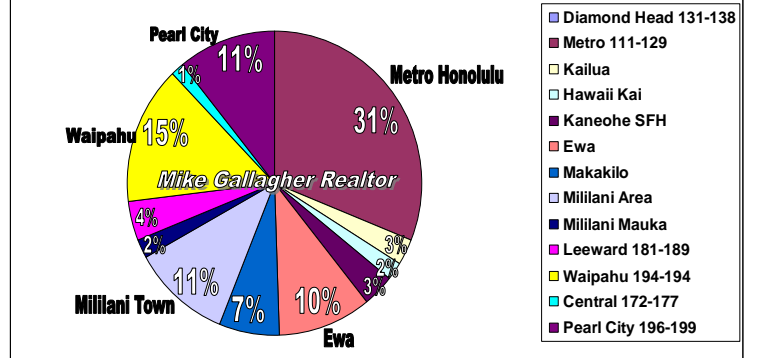


Condos

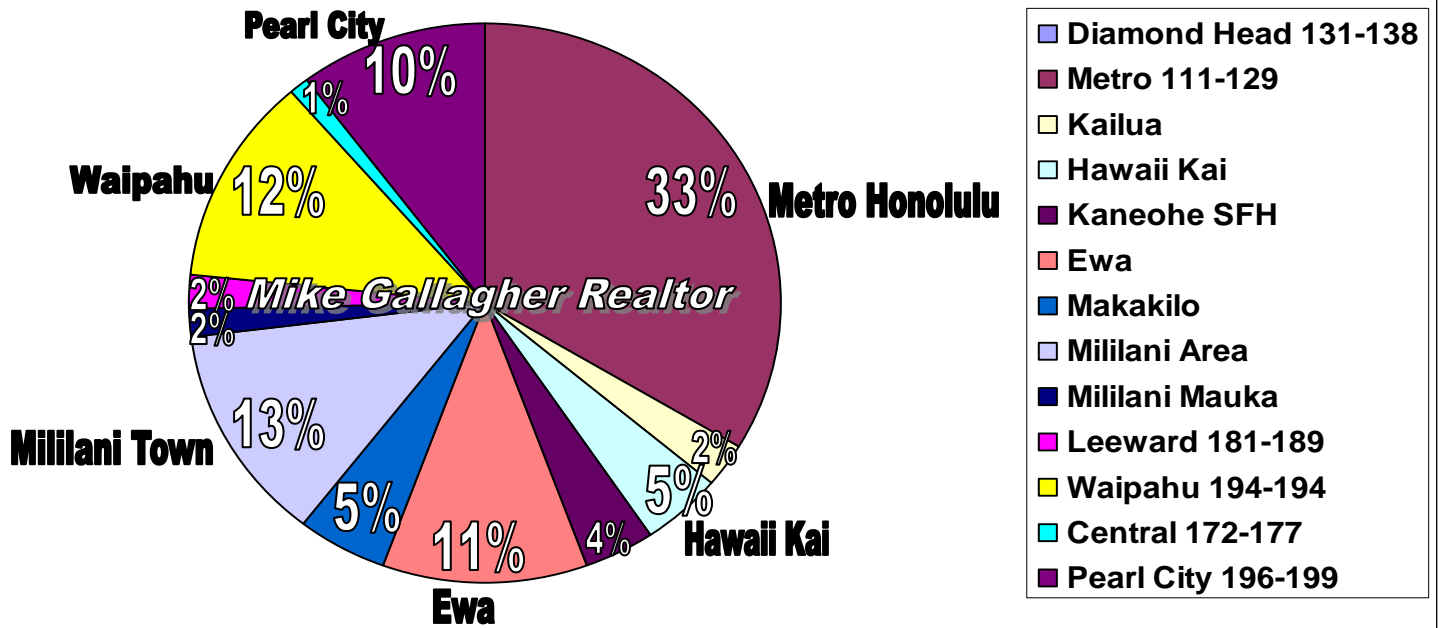
Oahu Condos Distressed Properties For Sale January 2011



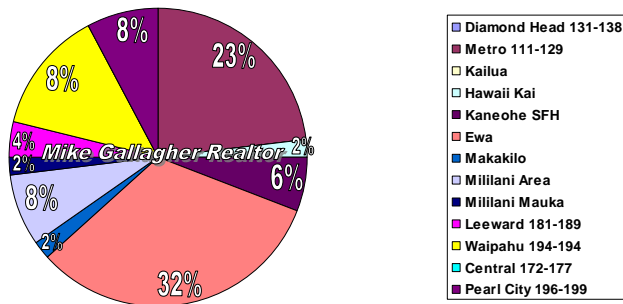
Oahu Condo March 2011 Distressed Property For Sale



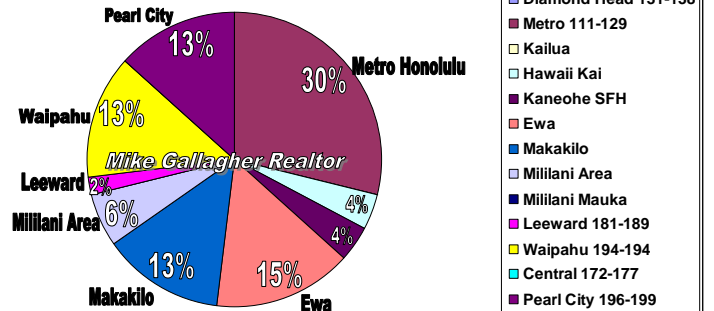
Oahu Condo June 2011 Distressed Property For Sale



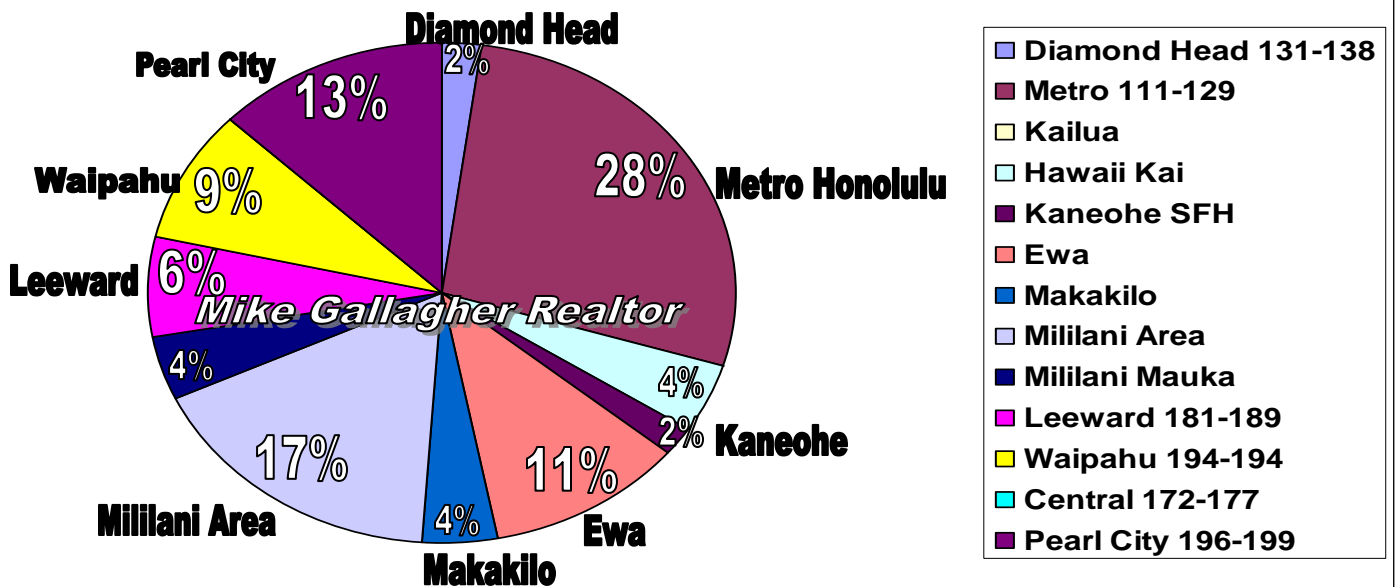
Oahu Condo Distressed Properties Sold January 2011

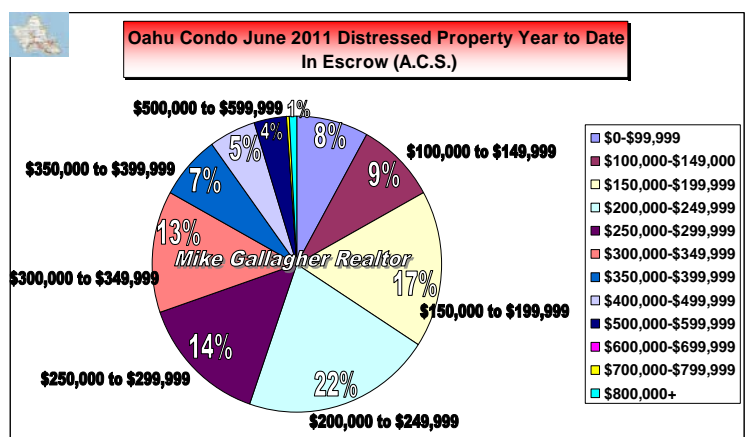
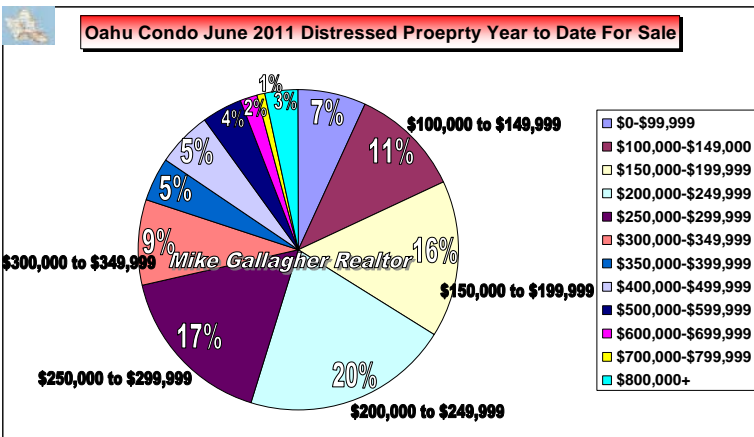
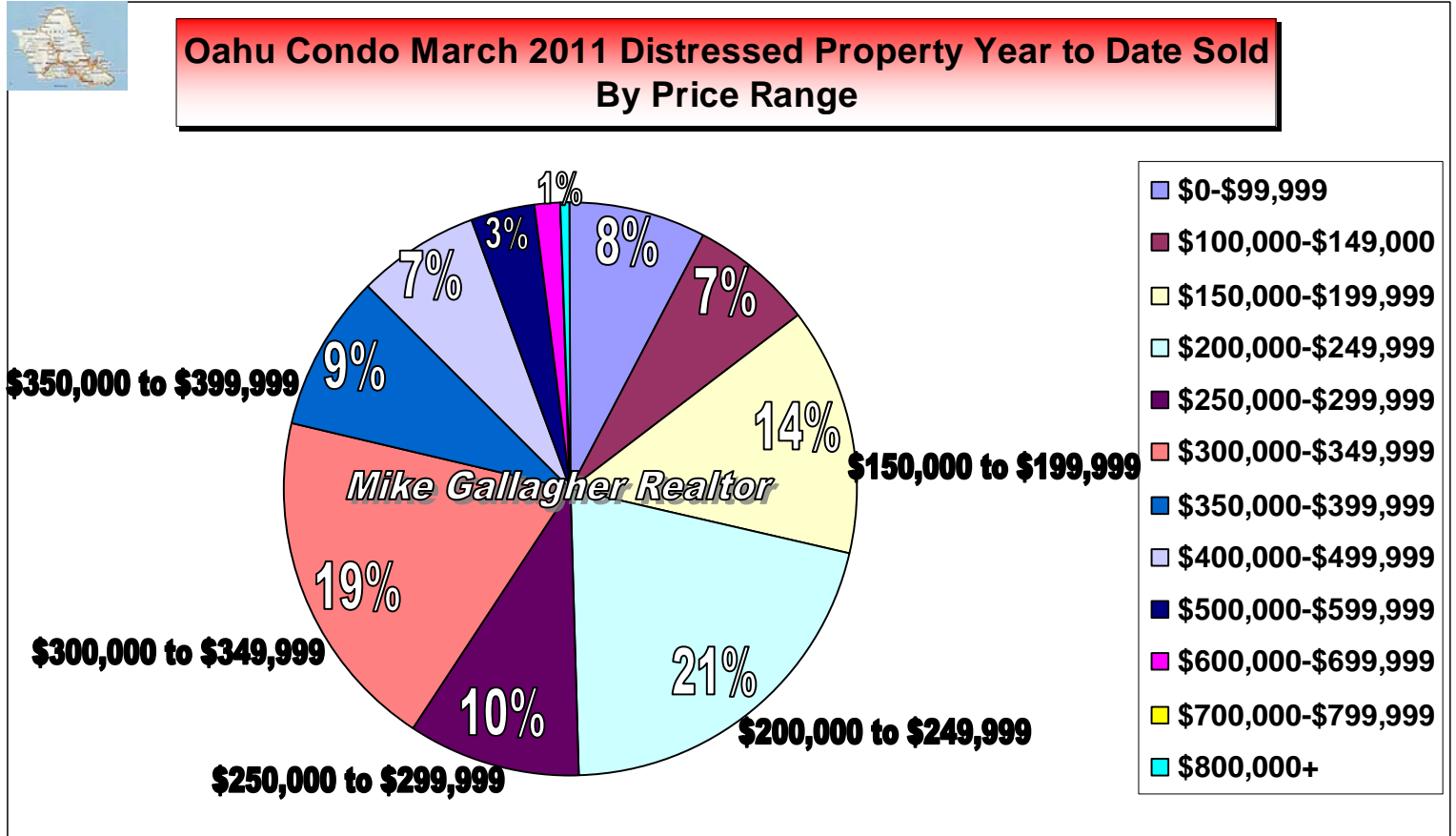
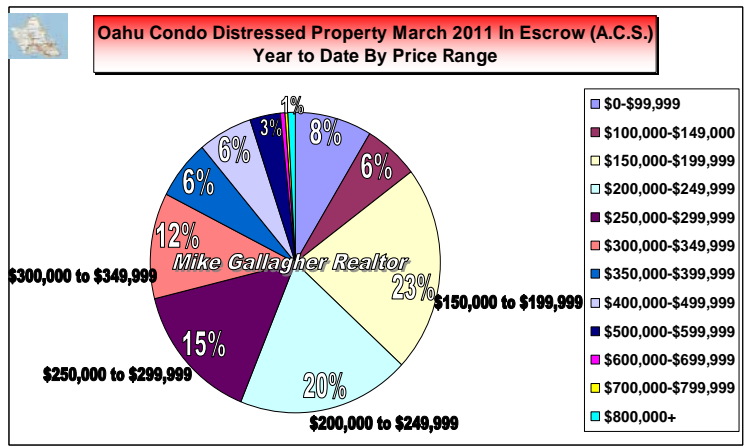
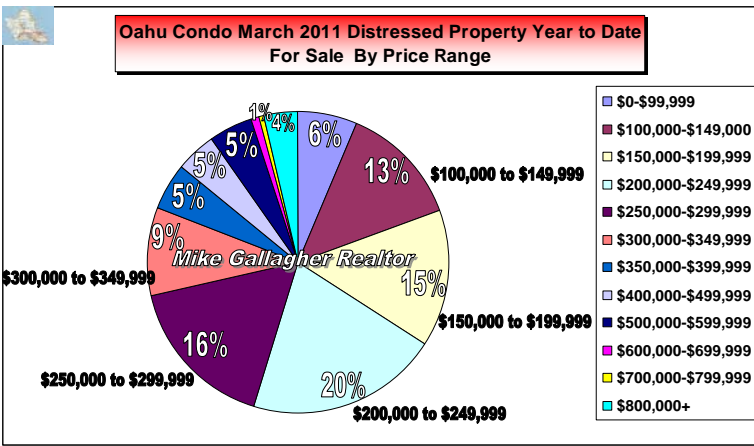


Oahu Condo March 2011 Distressed Property Sold



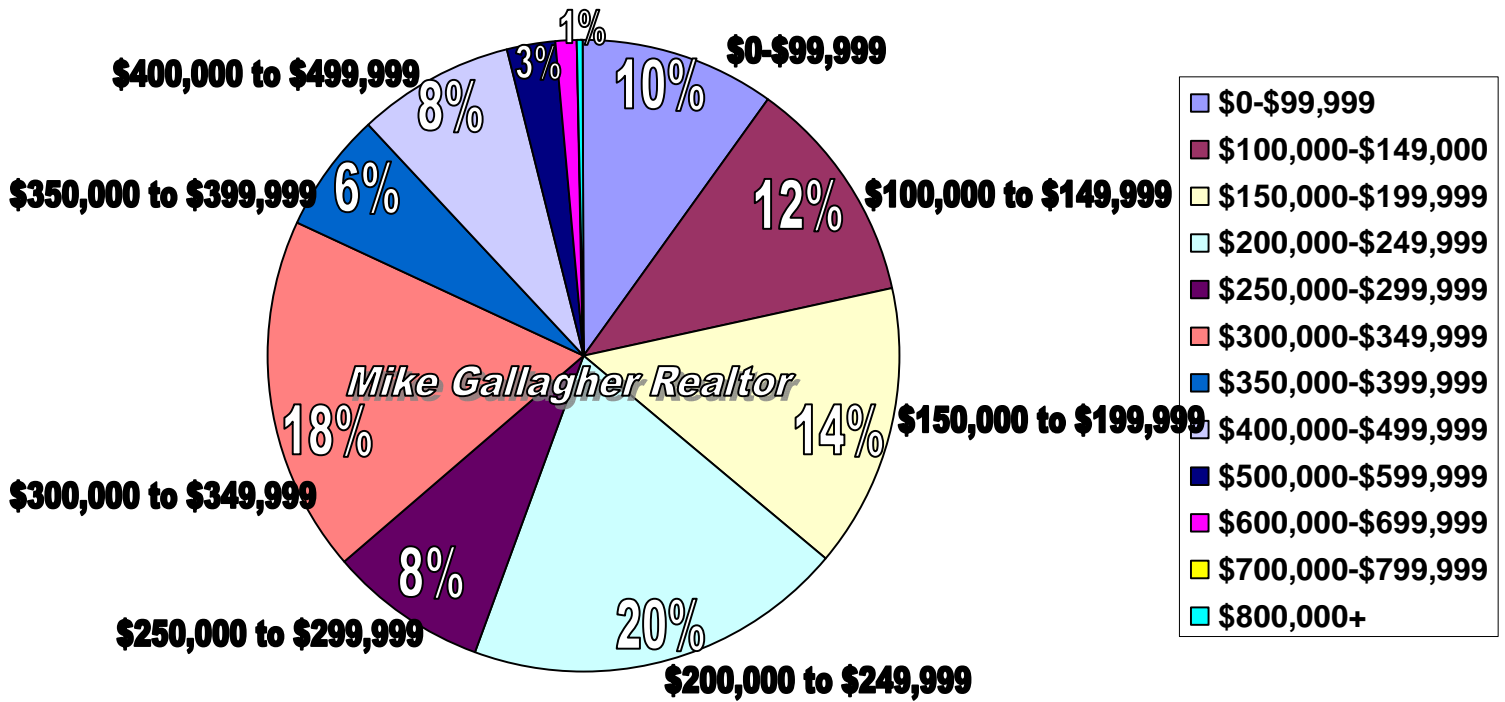
Oahu Condo June 2011 Distressed Property Sold



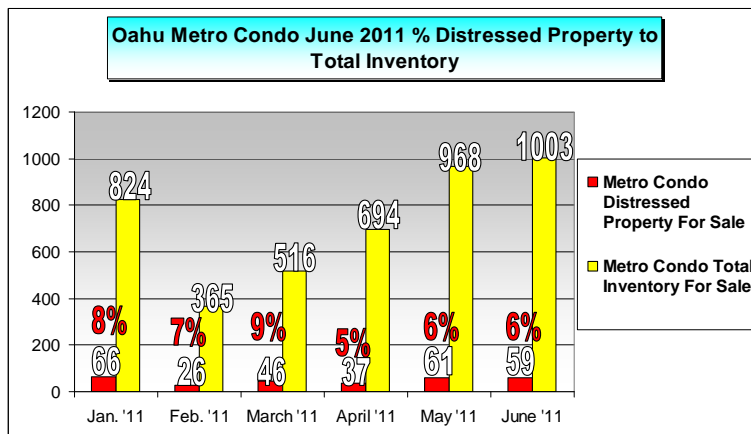
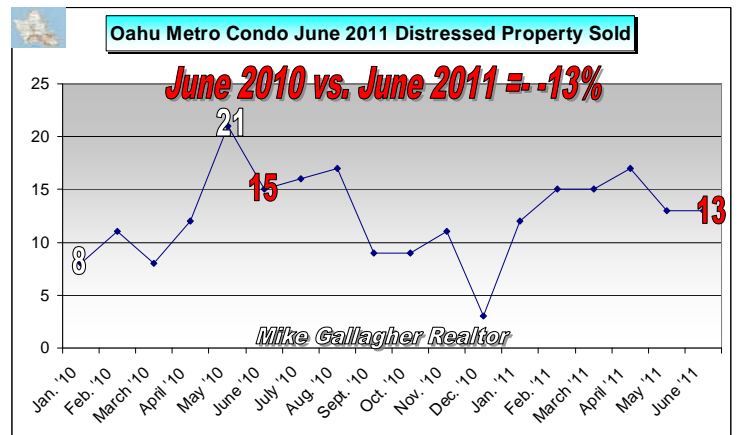
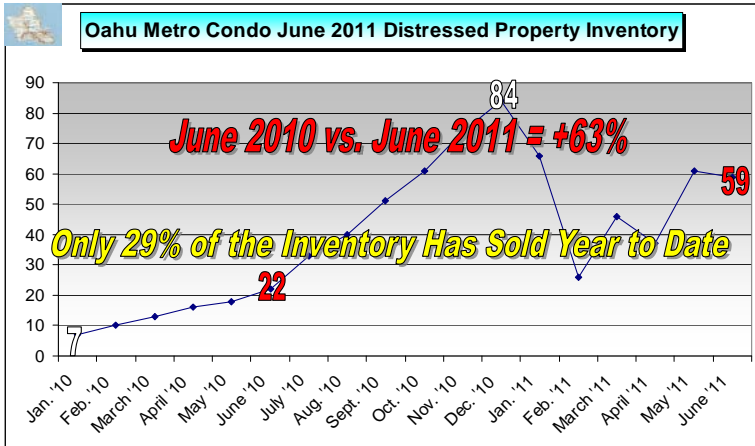


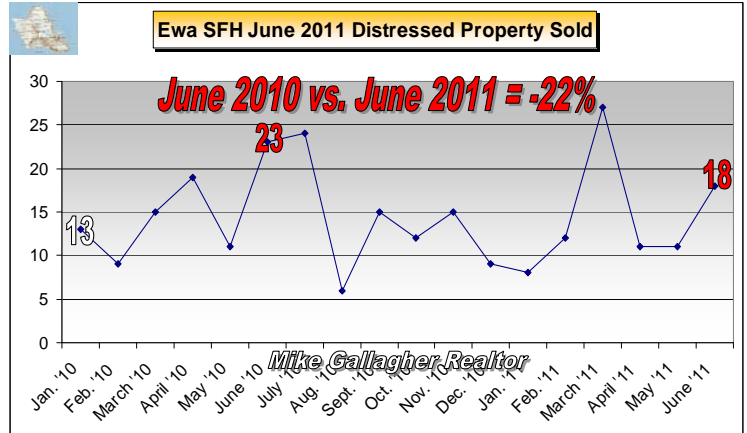
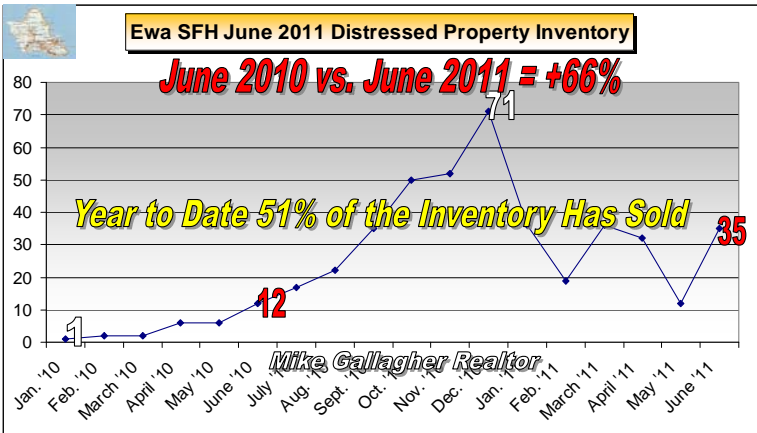
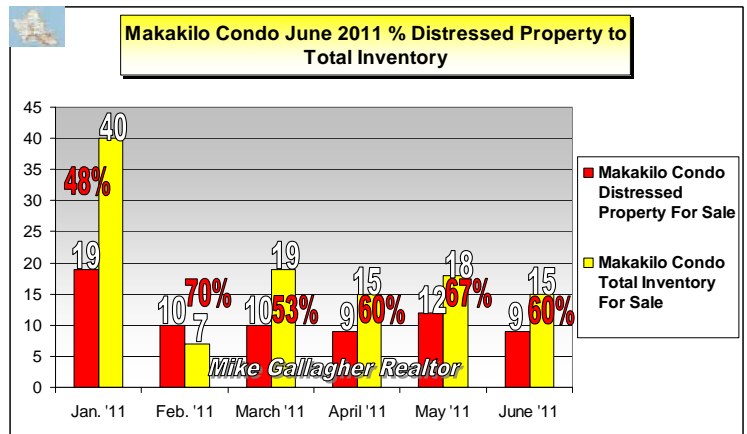
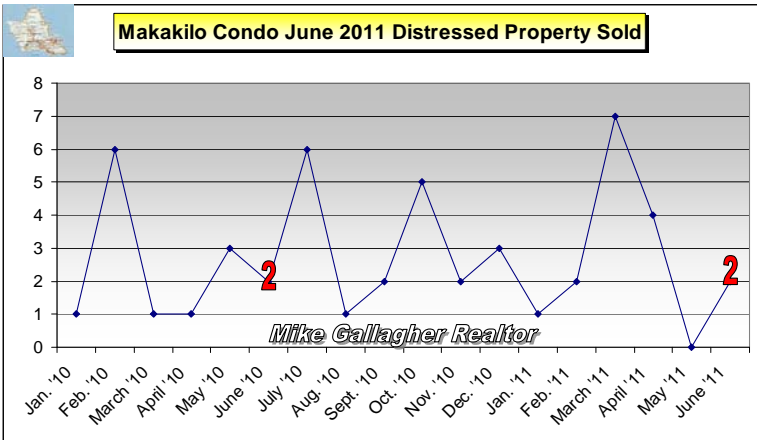
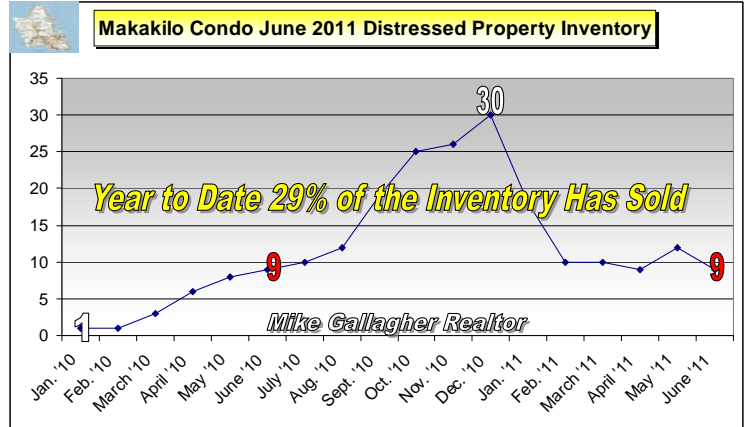
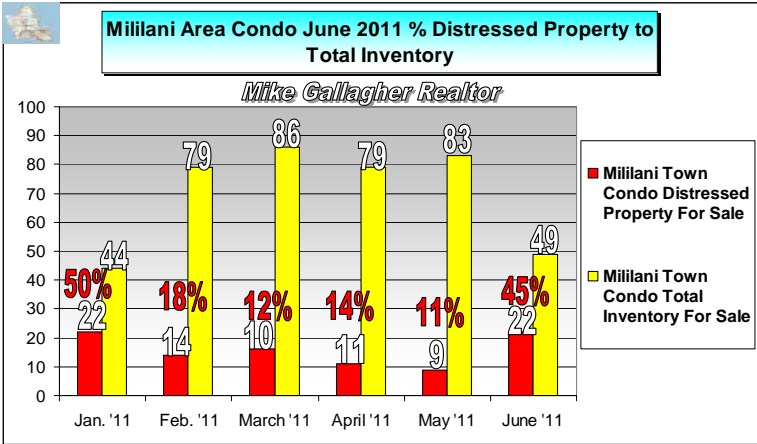
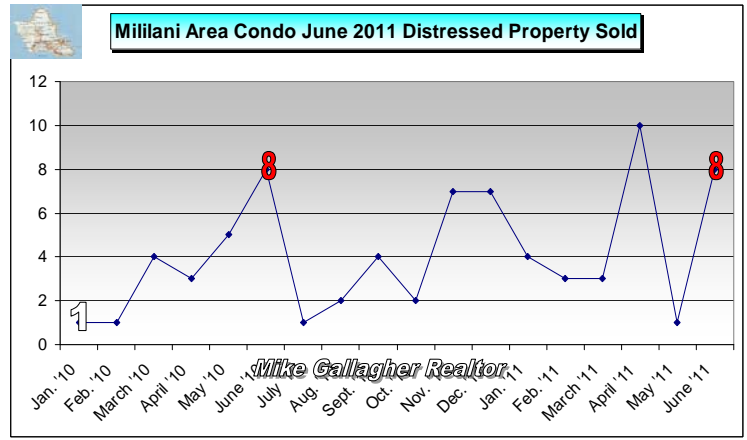
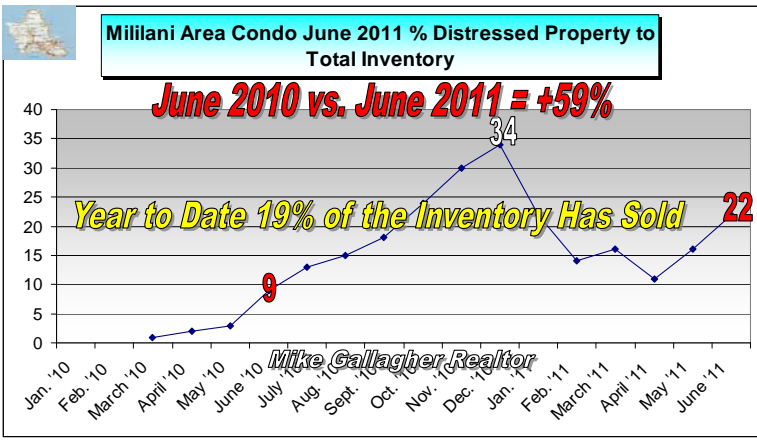


Oahu Condo June 2011 Distressed Property Year to Date Sold

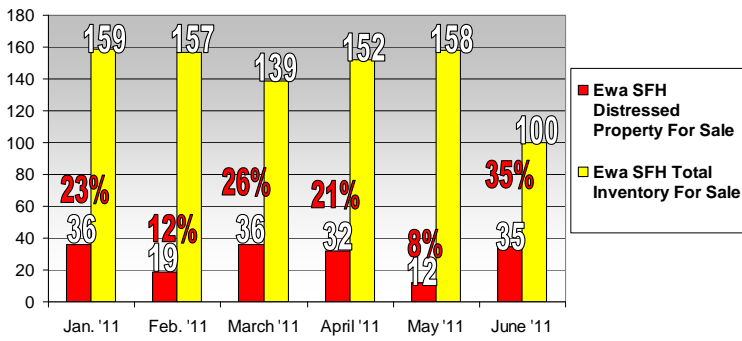


Elsewhere on Oahu I have specifically targeted areas for more analysis that I see as pockets of significant Distressed Property areas.

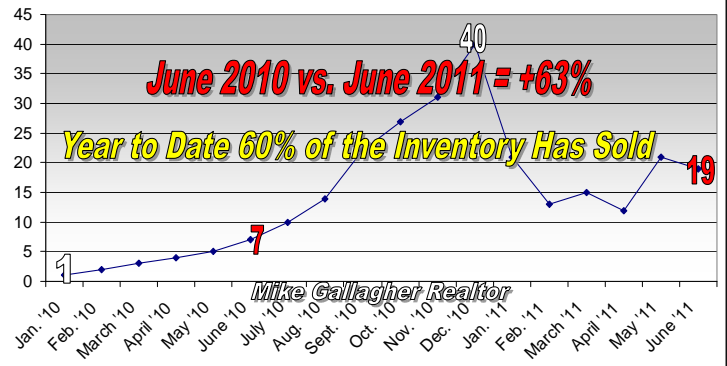




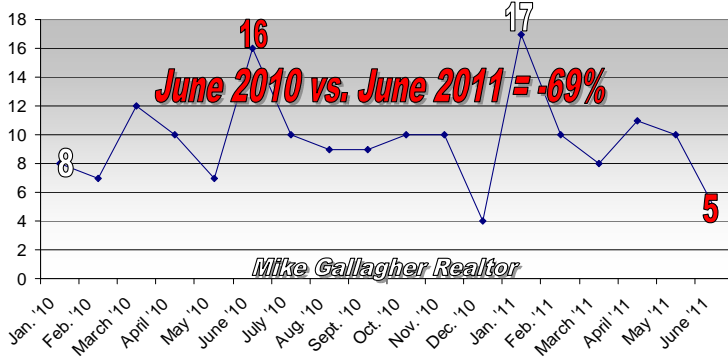
Ewa SFH June 2011 % Distressed Property to Total Inventory



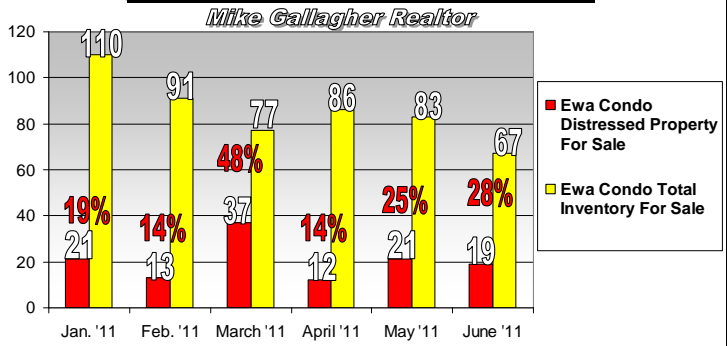
Ewa Condo June 2011 Distressed Property Inventory



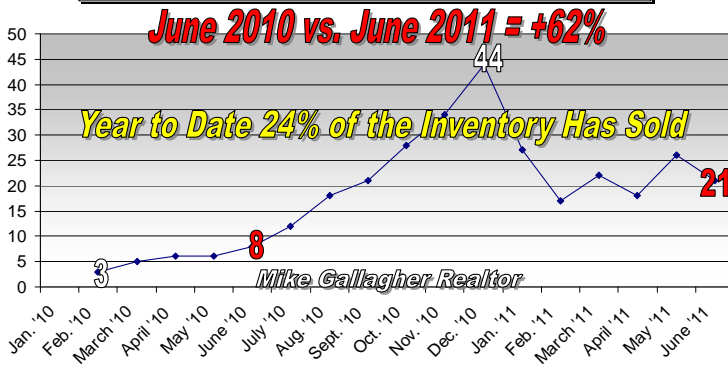
Ewa Condo June 2011 Distressed Property Sold



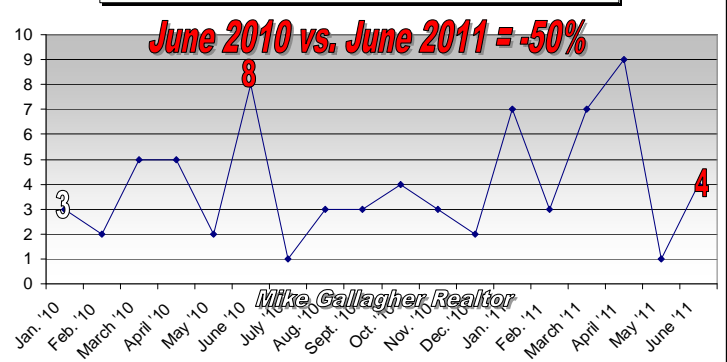
Ewa Condo June 2011 % Distressed Property to Total Inventory



Waipahu Condo June 2011 Distressed Property Inventory

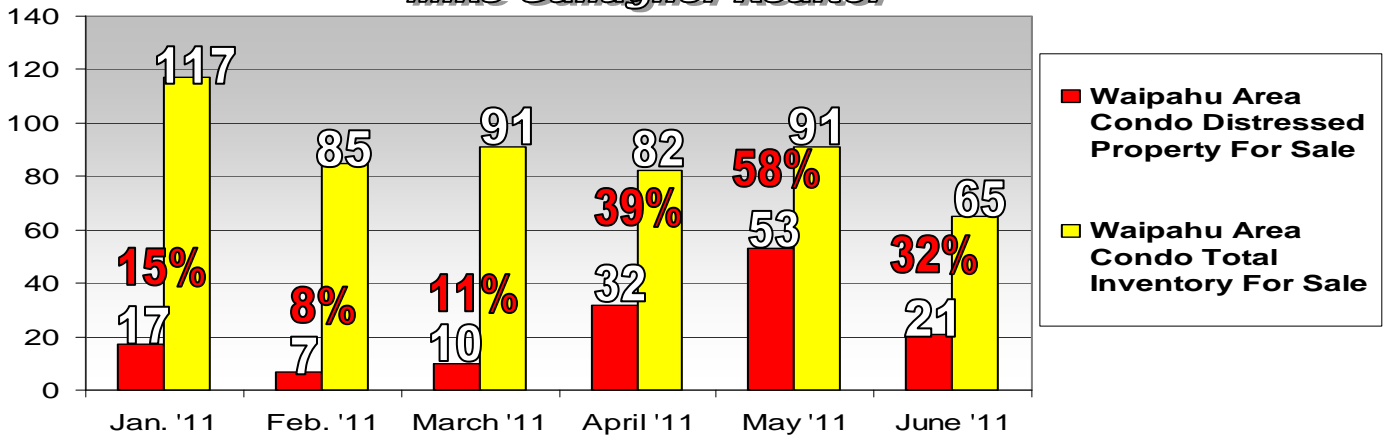


Waipahu Condo June 2011 Distressed Property Sold



Waipahu Condo June 2011 % Distressed Property to Total Inventory

Mike Gallagher Realtor



This is all probably more than what you ever wanted to know about Distressed Properties but I hope that you have spent your time well in reading this article and appreciating the graphs. I think it might have been time well spent as now you should have a general sense of what the Distressed Market looks like on Oahu right now.

It is a better Distressed Market but will it remain so? Who knows? Only time will tell how many more home owners will succumb to Economics, Job Loss or worse and more homes will come onto the market. For right now the inventory in Distressed Properties is tight. I suggest you do your home work if you are going to invest into a Distressed Property. I also suggest you call me for advice and to represent you on your next Buy or Sell.

I know what I am doing. Few agents know anything about the market conditions except what they are told and what they mostly hear which is...wrong.

Give me a call. You will feel good about it that you did.

I wish you all much Aloha,

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