

# The Crossroads of Real Estate

By: Mike Gallagher, Mike Gallagher Real Estate, Inc.



At no other time like the present do I see it being more critical for Young Families to choose wisely whether to buy a Home or to rent a Home. Times and circumstances have changed considerably over the past several years whether you are planning on selling your home, buying a home or Renting a home this article is for you.

## **Buying a Home:**

One of the best practices in preparing to buy a home is to first contact a Mortgage Lender. This can be done in ten minutes on the phone and you can find out what a type of loans and what amount of a loan Lenders will be willing to provide you if you qualify.

One of the best places to start looking is at the Honolulu Board of Realtors website: [www.hicentral.com](http://www.hicentral.com) where you can up to date information on Mortgage Lenders doing business in Hawaii, rates and contact information. I would plan upon calling at least two of them. This does not lower your credit score. In a few minutes the Mortgage Officer can tell you what they have available for you, how much the Loan will be and what the Monthly Mortgage Payment will be. From this information you can start to begin looking in a price range and Monthly Mortgage Payment you will be comfortable living with via the internet and searching for a home. One of the best places to begin searching for a home on the internet is again: [www.hicentral.com](http://www.hicentral.com) You will need to know how much you want to spend so have a price range in mind, whether or not you want a Condo, Town Home or Single Family Home and how many bedrooms, baths and other features you might want. Most of all you will need an idea of where you like to live on the Island.

It might be the best time to purchase a New Home right now due to bottoming prices and extremely low interest rates. Both will provide a prospective buyer large savings every month and over the life of the loan like no other time in history than right now.

Finding the right Realtor who can help you make your dreams come true is just as important in finding the right home. This Realtor will need to be a practiced listener, negotiator and have years of sales under their belt which will allow you to tap into the vast resources this Realtor has from experience. One of the best things to do when asking a Realtor about working with you is to ask for their Sales Report. Every Realtor has a Sales Report which records each and every sale they have ever had whether or not it was on Buy Side or Listing Side. In addition each Sales Report will also have recorded any Price Reductions from Listing Price, Expired or Withdrawn Listings, what type of sale it was (Condo, Town Home, Single Family Home) and where the sale took place. Once presented with a Realtor's Sales Report you will know whether or not this Realtor is qualified to help you either Buy or Sell your home.



Picking the Right Realtor is Important



When I am helping Buyers one of the first things I do to help them search for a home is to not only find out what they want to spend but I also conduct an Island Wide Search on the Internet Multiple Listing Service ([www.hicentral.com](http://www.hicentral.com) or [www.realtor.com](http://www.realtor.com)) and see what comes up. This provides the Buyer with a multitude of Listings and options to consider which they can easily sort and compare. This search should be done for Single Family Homes, Condos and Town Homes. Utilizing this method provides the Buyer a quick way to see what they can afford and where. Most importantly this allows the Buyer to start narrowing their choices in wants and needs in order to go forward in conducting quick, meaningful searches that will ultimately lead to a "Short List" of Homes to go and see.

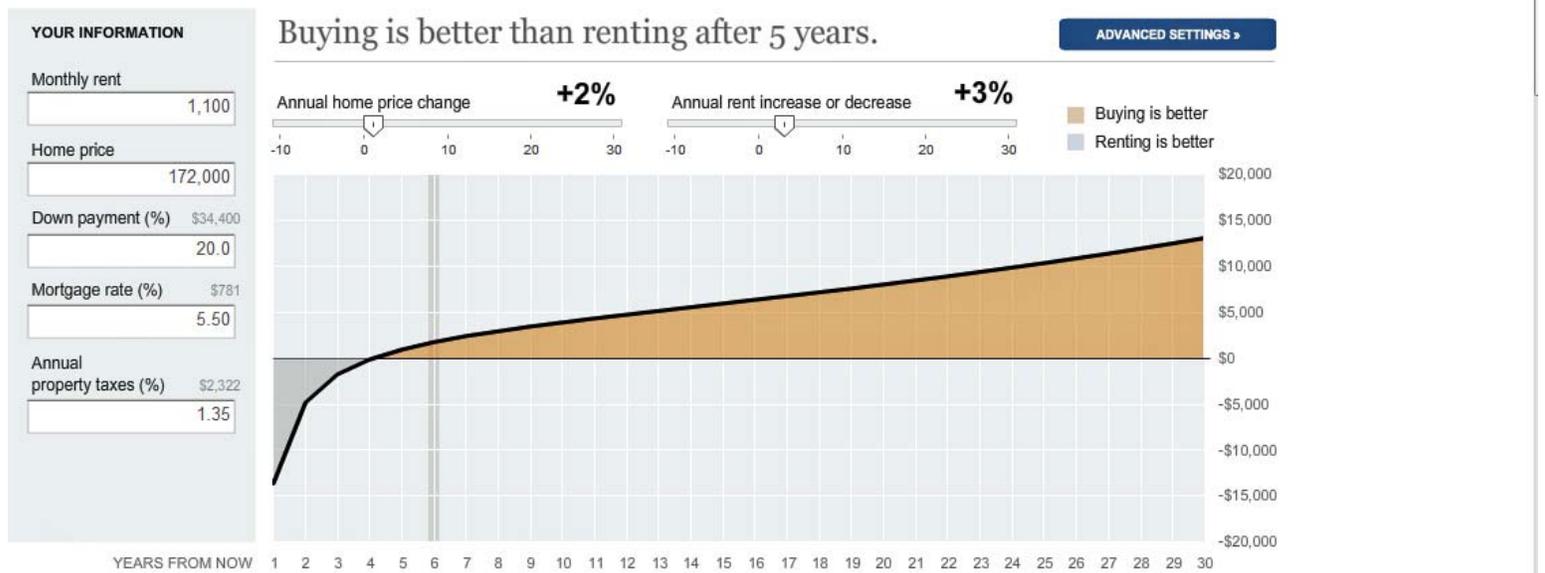
## Renting:

There is a formula to see whether or not Renting is better than Buying and you may want to take a look at: [http://www.nytimes.com/interactive/business/buy-rent-calculator.html?\\_r=1&oref=slogin](http://www.nytimes.com/interactive/business/buy-rent-calculator.html?_r=1&oref=slogin) in order to find out which way you might want to go in for your housing needs.

### Is It Better to Buy or Rent?

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Whether renting is better than buying depends on many factors, particularly how fast prices and rents rise and how long you stay in your home. Compare the costs of buying and renting a home in the calculator below. Click the **ADVANCED SETTINGS** button to change inputs such as your rate of return on investments, condo/common fees and your tax bracket.

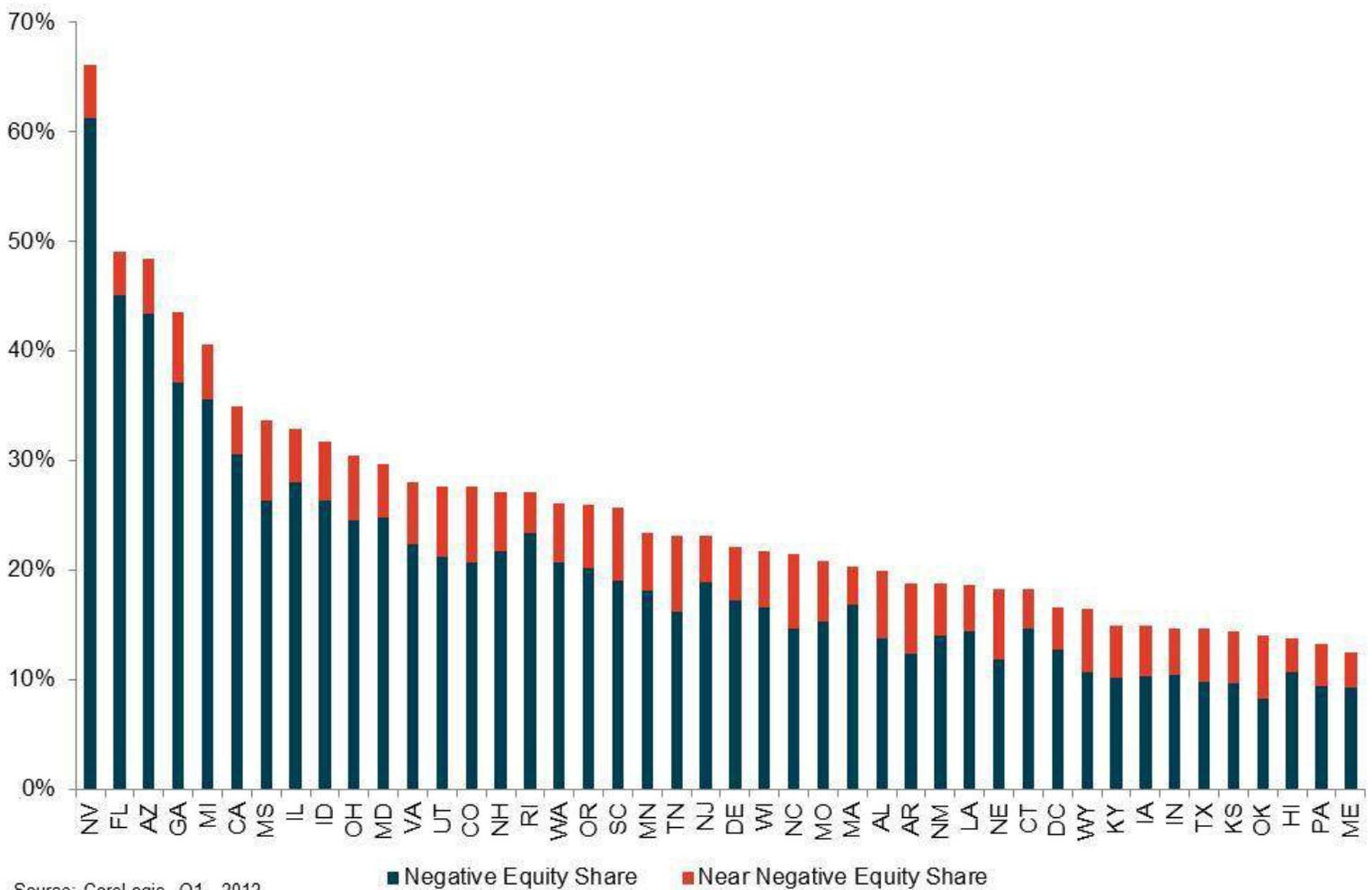


As you may know already, especially if you are currently renting your home, Rents are going up like crazy all over the Island as well as the Mainland. This is due mostly to one reason. While we all are suffering from the Recession, Depression, whatever you want to call it, several key factors have come to light and one of them is that there is almost no For Sale Inventory and there has been hardly any New Listings that have come onto the Market because...hardly any Owners have any Equity left in which to make a profit from a sale. Another factor is that Short Sales and Foreclosures are not in many instances the best deals as Mortgage Holders (Banks, Lenders) do not want to write off too much. If all the Banks and

Lenders in the United States released their entire portfolios of Foreclosures and wrote them off of their books we would not have any Banking System left in the United States. Yes, that is scary isn't it? So the Banks/Lenders are releasing slowly their Foreclosures in order to avoid writing off huge losses and this also has the added benefit of not forcing down Sales Prices too much at one time.

When you consider this and the fact that more and more Owners in Hawaii and throughout the Mainland have no or little Equity left most of these would be Sellers are choosing to stay off of the Market and wait until the Real Estate Market recovers and prices are higher. Unfortunately this might take another 5-10 years to happen.

What does all this have to do with Rents? Well, if there is no or little For Sale Inventory what option does a prospective Buyer have? The correct answer is: Rent. Then if there are more Renters this means there is more demand for Rentals and this equates to Higher Rents.



One of the best resources out there to see what is going on Nationally and compare it to Hawaii is Corelogic. This Company produces great reports concerning the Market Conditions for the Nation.

As you can see Hawaii's Negative Equity Share and Near Negative Equity share is high.

STATE SUMMARY MAY 2012

State	Total Sales	REO Sales	Short Sales	Distressed Sales Share	Total Sales YOY	Cumulative Dom Mean	Cumulative Sold Dom Mean	HPI MoM	HPI YoY	90 Days+ DQ Pct	Pre-Foreclosure Filings*	Completed Foreclosures*	Negative Equity Share	Months Supply Distressed Homes
	12-month sum	12-month sum	12-month sum	12-month sum)	12-month sum	YoY Change	YoY Change							
AK	9,808	841	344	12.1%	-5.3%	N/A	N/A	2.4%	4.2%	2.2%	1,505	959	5.7%	2.2
AL	32,575	4,281	1,068	16.4%	-16.8%	22.1%	-6.4%	1.1%	-4.1%	5.3%	7,237	6,495	13.9%	10.5
AR	40,590	2,138	1,564	9.1%	-0.1%	8.6%	2.5%	-0.1%	2.4%	5.2%	7,245	7,048	12.5%	4.5
AZ	145,362	35,502	23,878	40.8%	6.3%	3.2%	-4.2%	2.5%	12.0%	5.6%	78,855	48,571	45.1%	4.8
CA	460,752	126,354	80,817	45.0%	5.7%	7.3%	0.0%	1.8%	1.8%	6.1%	251,991	133,003	30.8%	8.5
CO	89,102	17,708	7,531	28.3%	7.6%	8.3%	-8.5%	2.4%	5.7%	3.6%	46,862	19,289	21.2%	4.4
CT	33,849	3,141	3,290	19.0%	-3.5%	21.6%	7.5%	3.8%	-2.9%	7.2%	1,289	3,319	14.8%	12.3
DC	6,802	418	210	9.2%	-1.3%	N/A	N/A	2.4%	6.7%	5.6%	648	74	12.7%	9.0
DE	8,594	1,406	459	21.7%	-0.2%	20.7%	-7.2%	0.5%	-9.0%	6.6%	1,932	3,107	17.4%	14.3
FL	395,688	65,934	55,478	30.7%	-0.6%	15.3%	-1.5%	1.4%	5.0%	16.6%	154,584	92,405	45.6%	14.8
GA	111,067	24,524	9,315	30.5%	9.2%	17.4%	-10.4%	2.6%	-4.0%	7.1%	140,358	56,701	37.9%	11.0
HI	15,848	1,578	1,385	18.7%	-2.5%	25.2%	1.5%	1.8%	1.7%	6.5%	3,608	623	10.9%	8.3

You can download these reports at [www.corelogic.com](http://www.corelogic.com)

Here in Hawaii we have always been treated to high rental prices but even more so now than any other time in history, Rental Rates are rising dramatically along with the Utility costs all over the State. Families are being squeezed to death by Hawaii’s Second Highest Taxed State in the Nation, Worst Place to do Business and the United State’s Highest Utiliites rates and other Energy Costs. Of course this does not even come to close to taking into account the State and City & County Under-Funded Retirement programs which are not even in the State’s or City & Counties Budget (Can you believe that?!) nor the Sewer lines colapsing around the Island which is driving our Water Bills to the Moon, The Train which is a monumental failure of Common Sense or H.E.C.O.’s Under Sea Cable which the Tax Payer has to pay for, all adding up to more than \$32,000 per every Family in New Taxes on Top of an already crushing Tax and Cost of Living burden.

So really, is Renting the right way to go for you, check it out and see using the link above from the *N.Y. Times*.

### Selling:

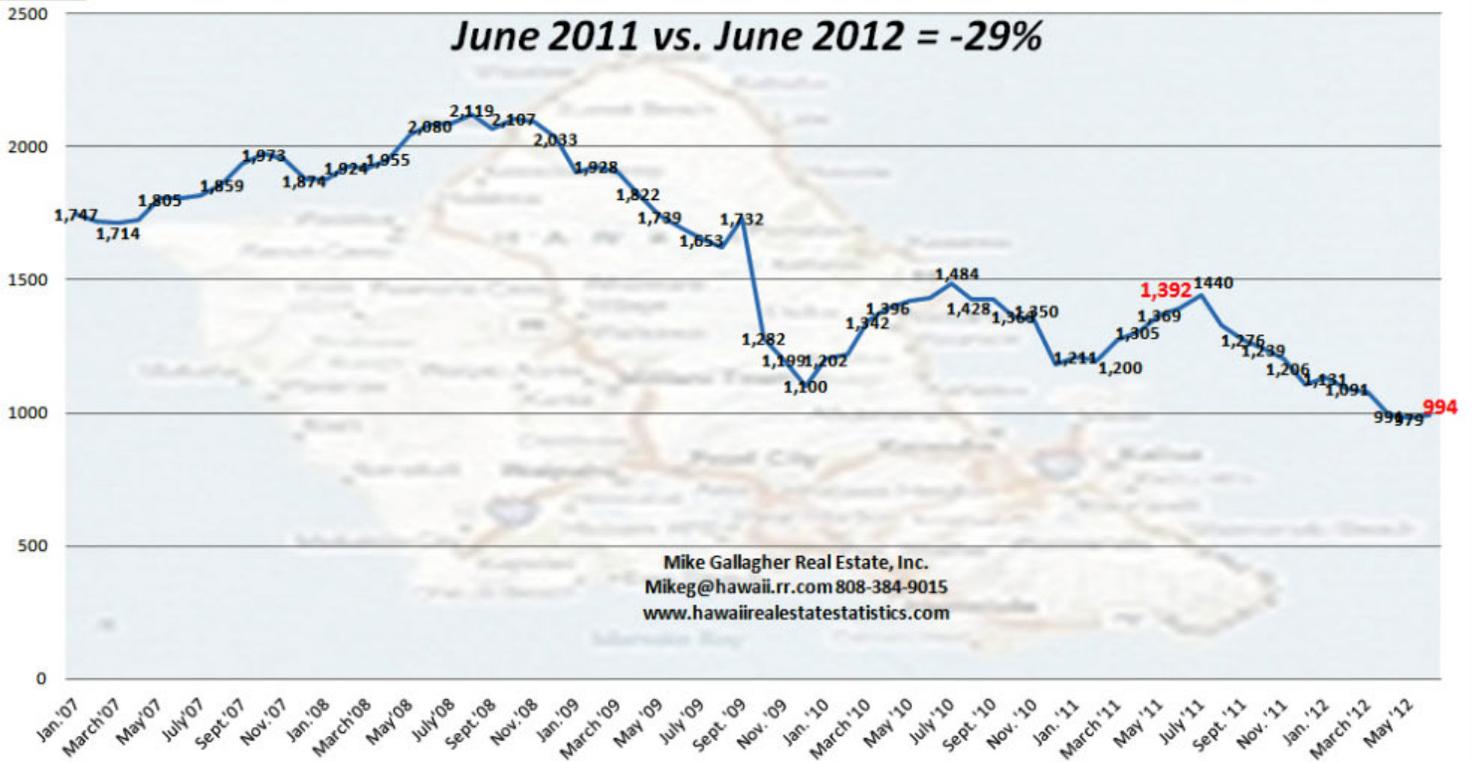
Like most Sellers you are probably figureing that it is not a great time to Sell. You might be right or you might be wrong. It does not matter who is elected to Congress or President this Fall’s Election as we are in such a deep mess that it is going to take us years to dig our way out of it.

Due to the fact that there is little or no inventory it just might be a good time to Sell your home now than later if you have any Equity left as even right now there are places on the Island that are having Bidding Wars, Multiple Offers and Full Price Offers. Believe me, it is happening and it is happening in the low \$400,000-\$499,999 Single Family Home Markets like Ewa as well as the \$1,000,000-\$1,500,000 Single Family Home Markets in Kailua.



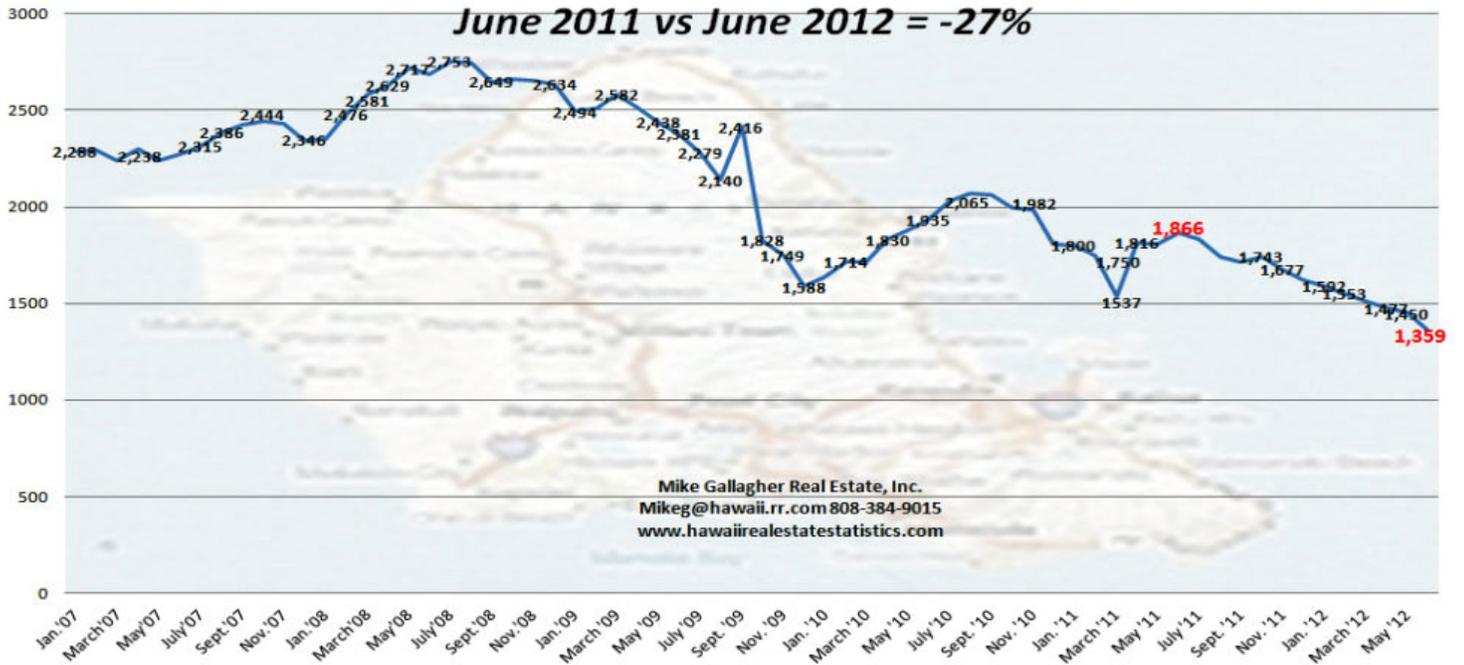
### Oahu S.F.H. June 2012 Inventory

June 2011 vs. June 2012 = -29%



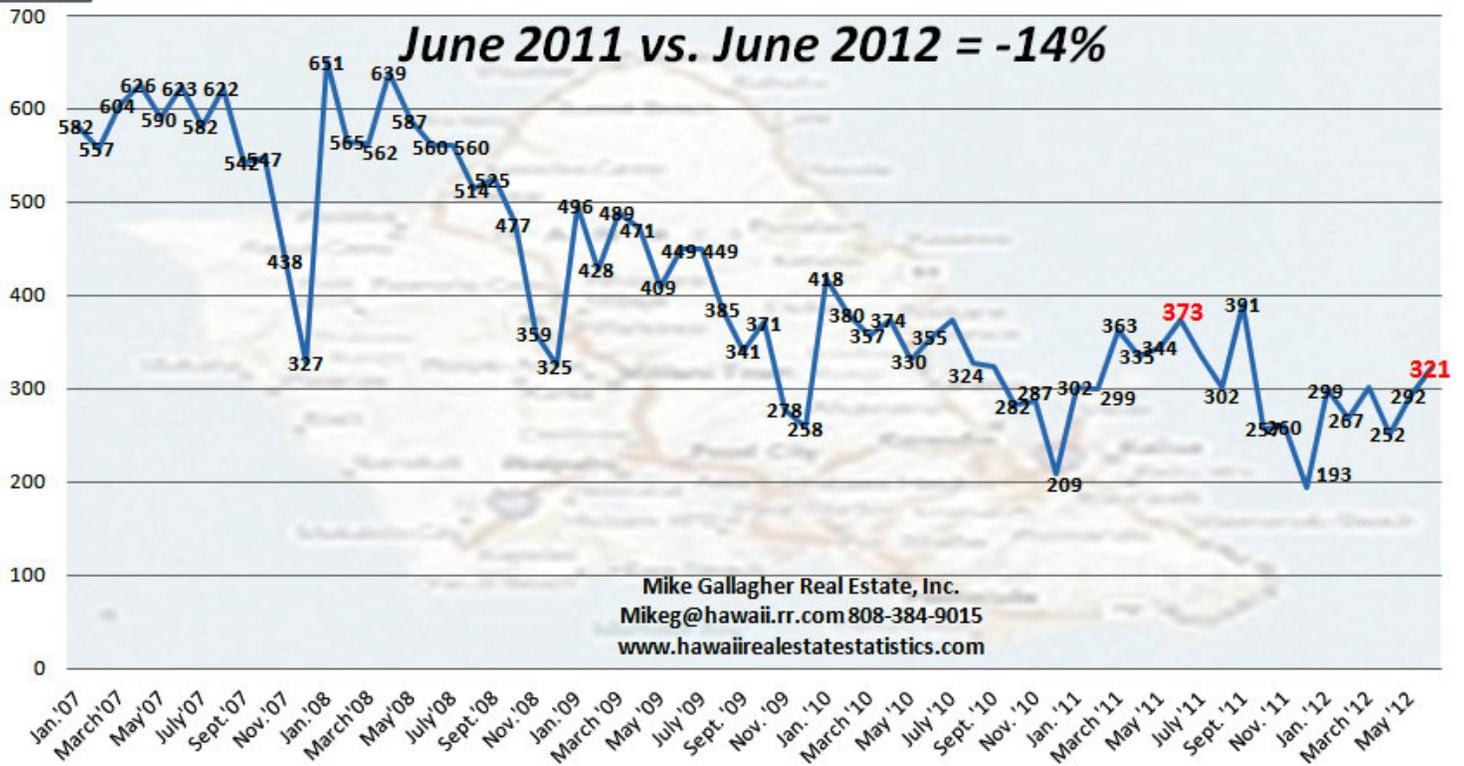
### Oahu Condo June 2012 Inventory

June 2011 vs. June 2012 = -27%

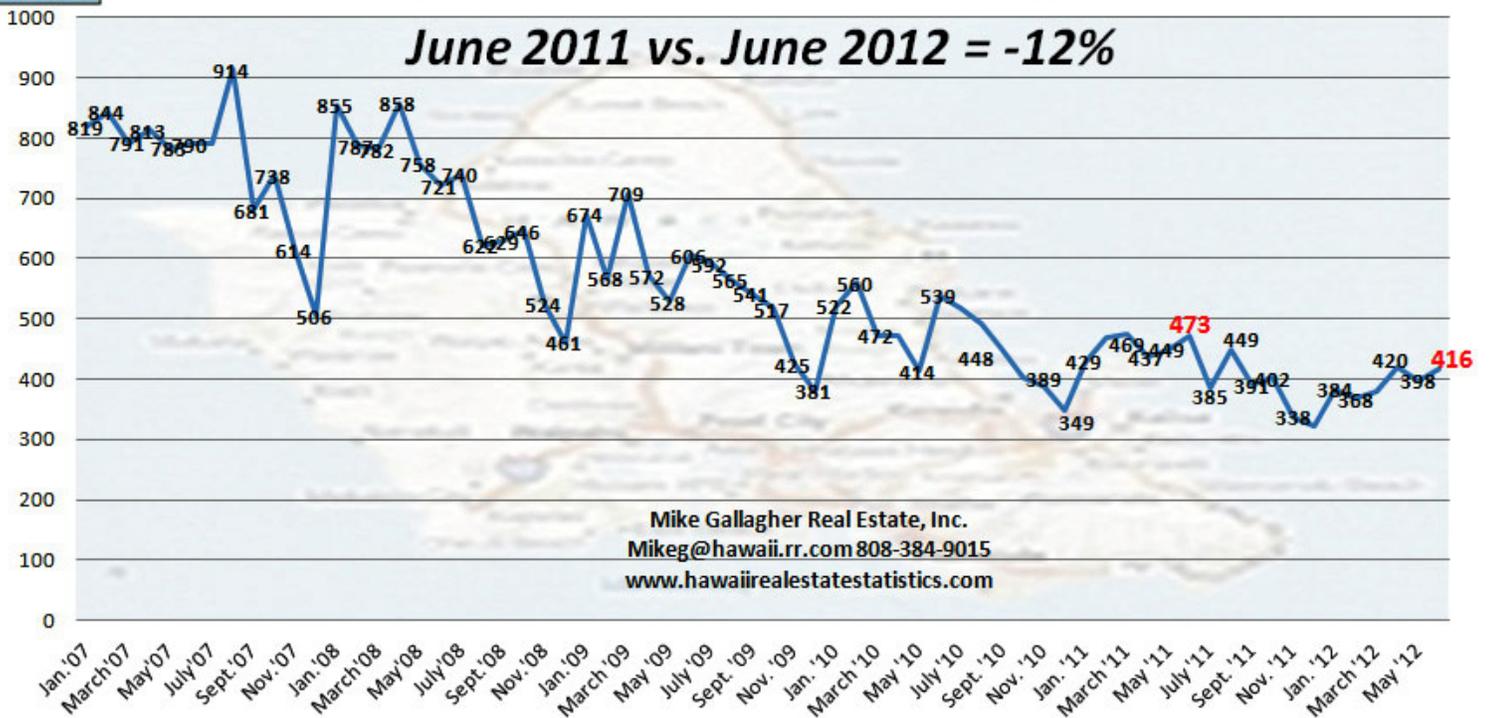




## Oahu S.F.H. June 2012 New Listings



## Oahu Condo June 2012 New Listings



Some Real Estate Experts and Pundunts are now proclaiming we may be at the Bottom of the Market:

## **A False Housing Recovery or for Real This Time?**

Daily Real Estate News | Tuesday, July 17, 2012

Deutsche Bank says that there have been seven false recoveries with the housing market in the last six years. But housing analysts and economists are more optimistic that this time around a residential housing recovery will finally stick.

The signs analysts point to:

- Stocks of homebuilding companies are rising and even doubling in the last nine months.
- Falling inventories of for-sale homes—both new and existing homes—have caused a shortage in the market and sparked higher demand.
- Home prices have appeared to bottom out in many areas and are gradually starting to reverse course and rise.
- And the increased costs of renting has made more Americans see housing as a better deal.

Housing experts also turn to a case in Delray Beach, Fla., as another recent example of a turnaround. Home buyers started lining up at 6 a.m. to buy one of the 44 homes that were for-sale that weekend.

Still, economists and housing analysts say they have concerns, such as that elevated numbers of foreclosures will soon hit the market and cause prices to fall again. But, they say, as long as the foreclosures come on the market gradually and not all at once, they believe the housing market—and home prices—can sustain the recovery.

*Source: “[Buying into a Housing Comeback](#),” Fortune (July 2012)*

Then there is this:

## **Bernanke Warns of Another Recession**

Daily Real Estate News | Wednesday, July 18, 2012

Federal Reserve Chairman Ben Bernanke warned on Tuesday of threats to the economic recovery and the nation being at risk of slipping back into a recession.

Bernanke did offer a positive outlook for the housing market, however: He acknowledged the housing market is showing signs of improving, but he said that it is contributing less to economic growth than it has in past recoveries.

Bernanke announced no new action by the central bank to try to stimulate the sluggish economy, although some analysts predict that before the end of the year the Fed will act to buy up more Treasury bonds, which could lower long-term interest rates even further from record lows.

In testimony to the Senate Banking Committee on Tuesday, Bernanke pushed lawmakers to reach a compromise on tax increases and spending cuts that are to take effect by the end of the year. He said that if lawmakers don't approve the tax increases and spending cuts by then, it's likely a "shallow recession would occur early next year."

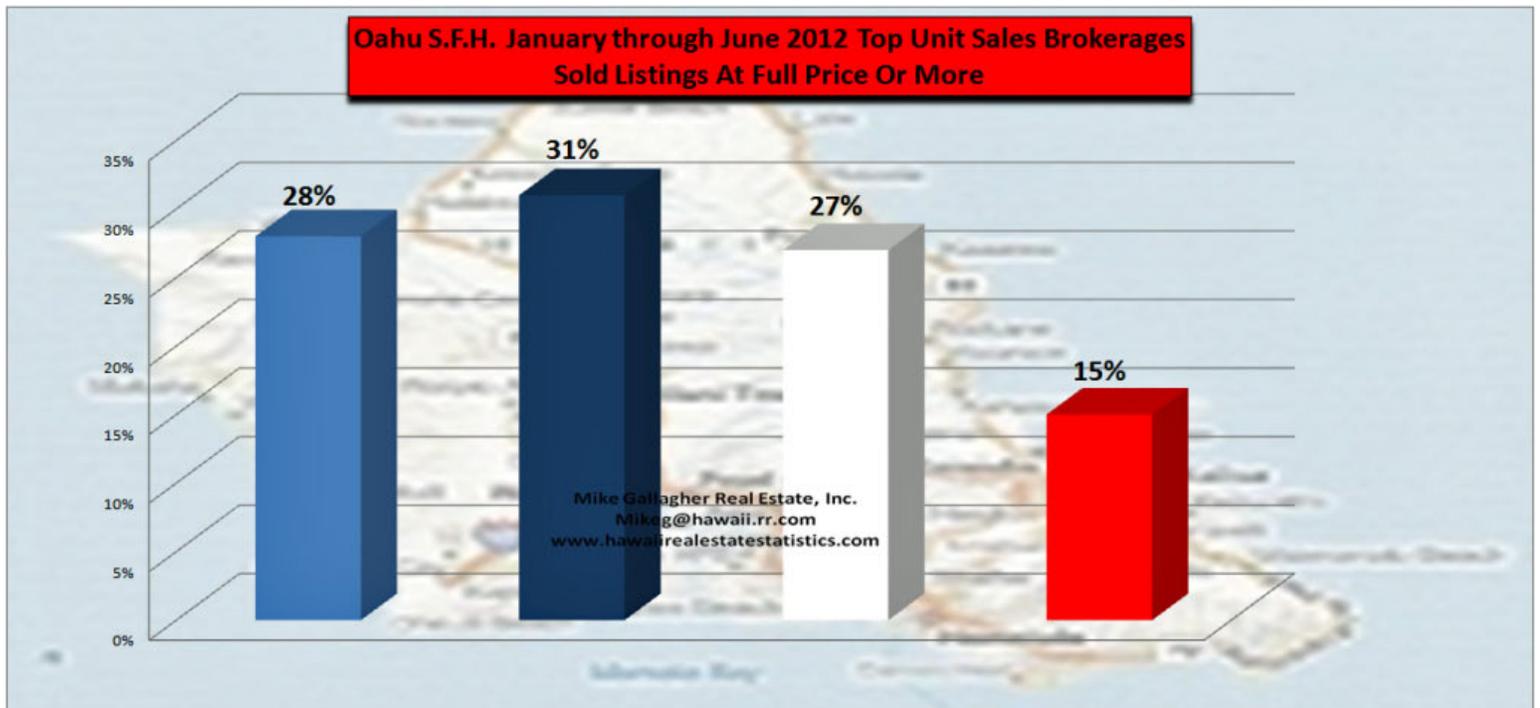
"The most effective way that the Congress could help to support the economy right now would be to work to address the nation's fiscal challenges in a way that takes into account both the need for long-run stability and the fragility of the recovery," Bernanke told the Senate Banking Committee. "Doing so earlier rather than later would help reduce uncertainty and boost household and business confidence."

Source: "[Bernanke Offers Downbeat View of Economy, but no Action](#)," USA Today (July 17, 2012)

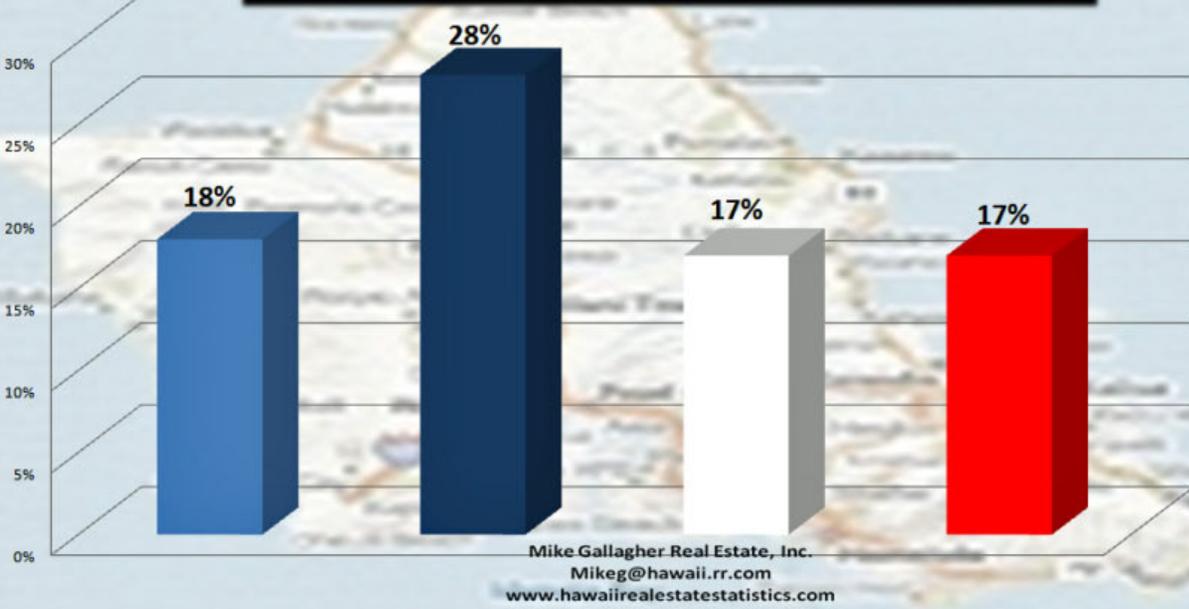
So, what to do? Should you sell now or later? Good question and although I have no absolute answer for you to steer buy I do encourage any would be Sellers to Sell Now and not Later as long as your Individual Circumstances Warrant it.

If you do decide to sell there is always, like the Buyers, the question: "Who do I sell with?"

If you are thinking of selling you might want to consider that most home prices on the Island right now are wrong. Yes, they have been wrongly priced and it is going to cost the Seller dearly in Money and Time. How can I say this?



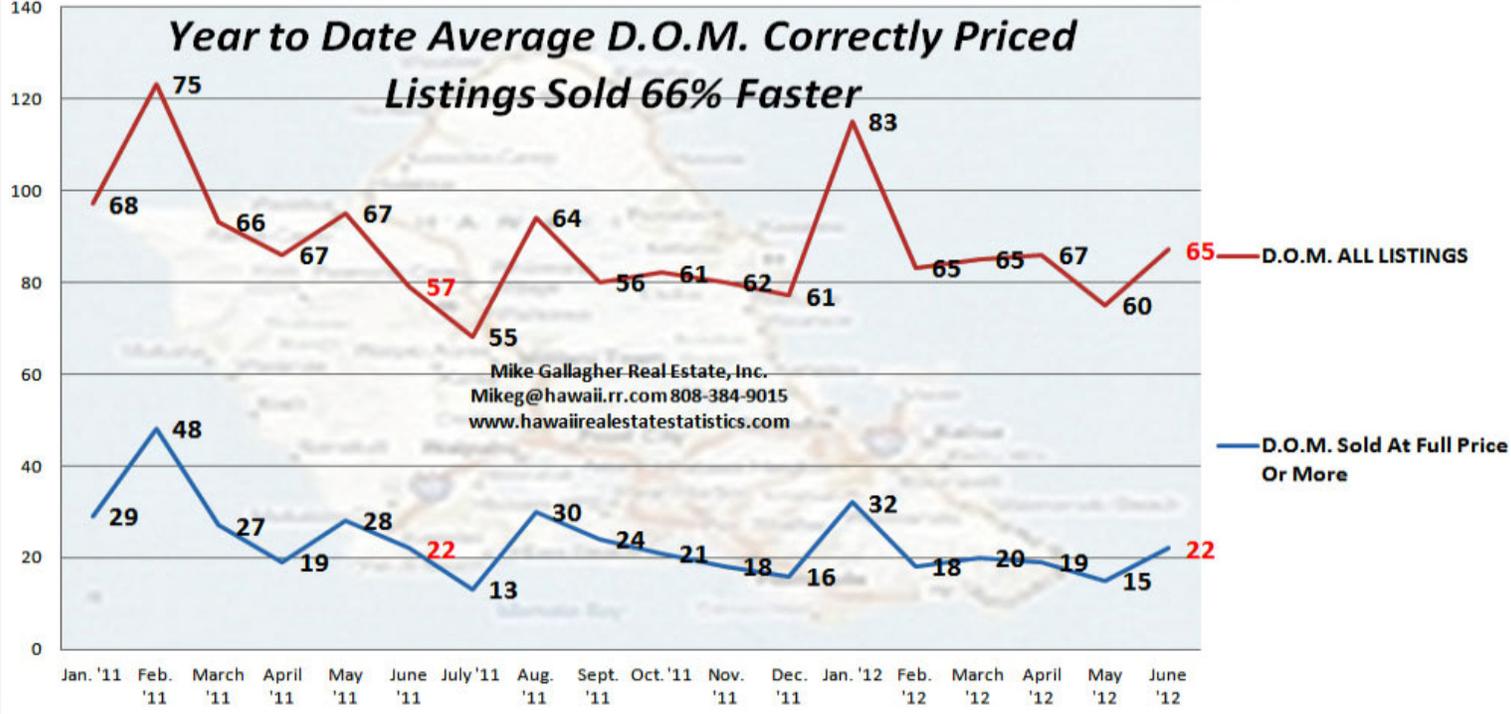
**Oahu Condo January through June 2012 Top Unit Sales Brokerages Sold Listings At Full Price Or More**



These preceding two graphs show the Top Unit Volume Sales Brokerages and the percentage of their Listings Sold at True Full Price or More without Re-Listing the properties or marking down the Original Listing Prices. This is not a great success story.



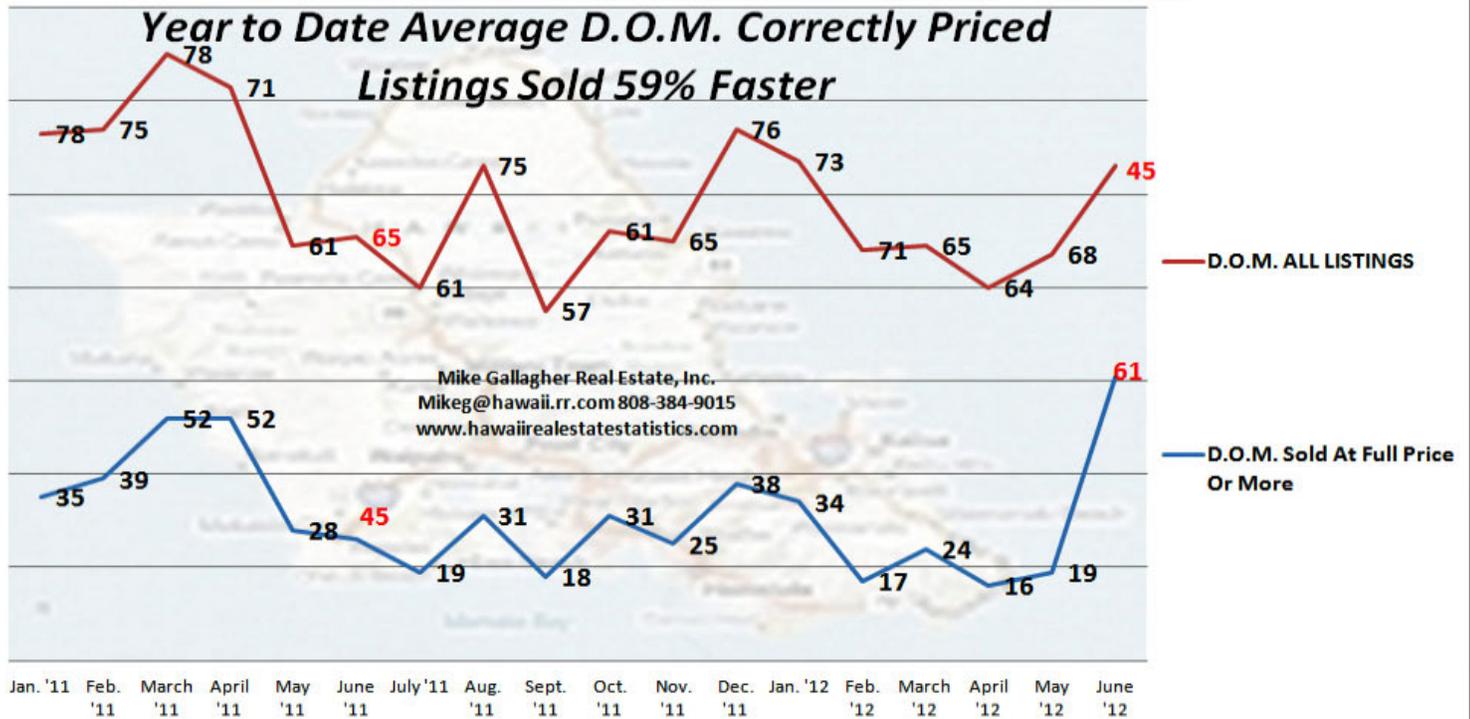
**Oahu S.F.H. June 2012 Days On Market ALL SOLD LISTINGS vs. Days On Market All Listings Sold At Full Price Or More**



It does however pay to price your home correctly.

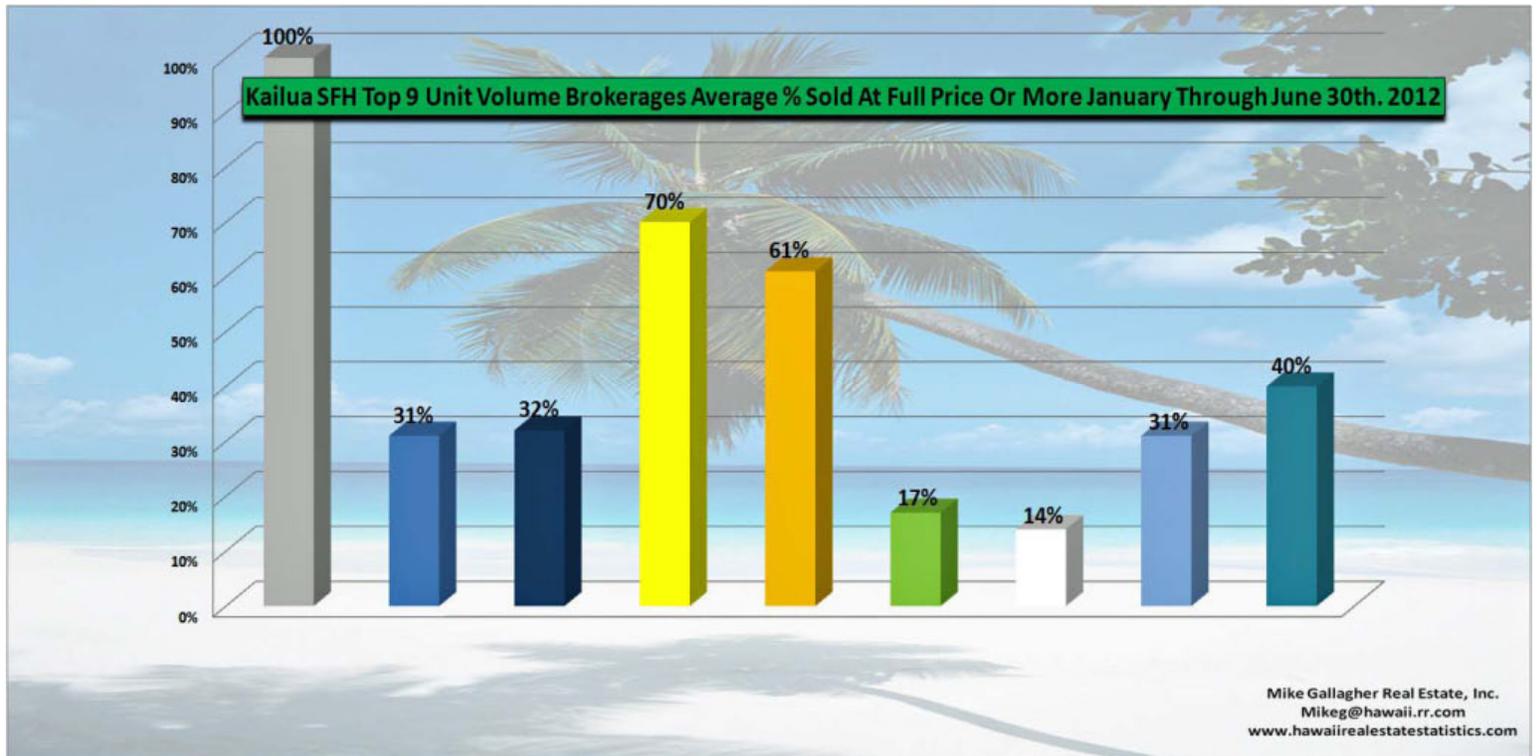


**Oahu Condo June 2012 Days On Market ALL SOLD LISTINGS vs. Days On Market All Listings Sold At Full Price Or More**

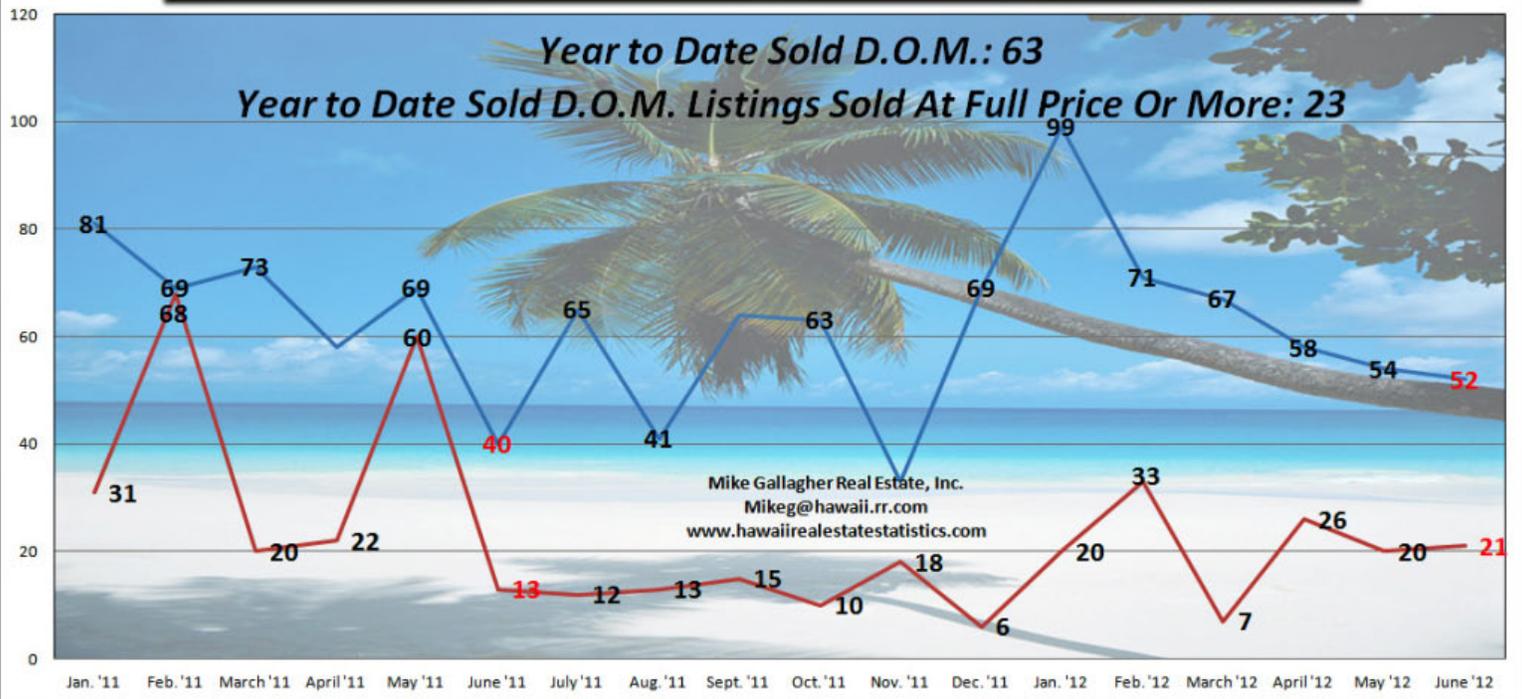


Obviously, if you get it, pricing your Home Correctly pays and there are Bidding Wars, Multiple Offers and Full Price Offers out there all over the Island right now for these correctly priced homes especially if there is no inventory.

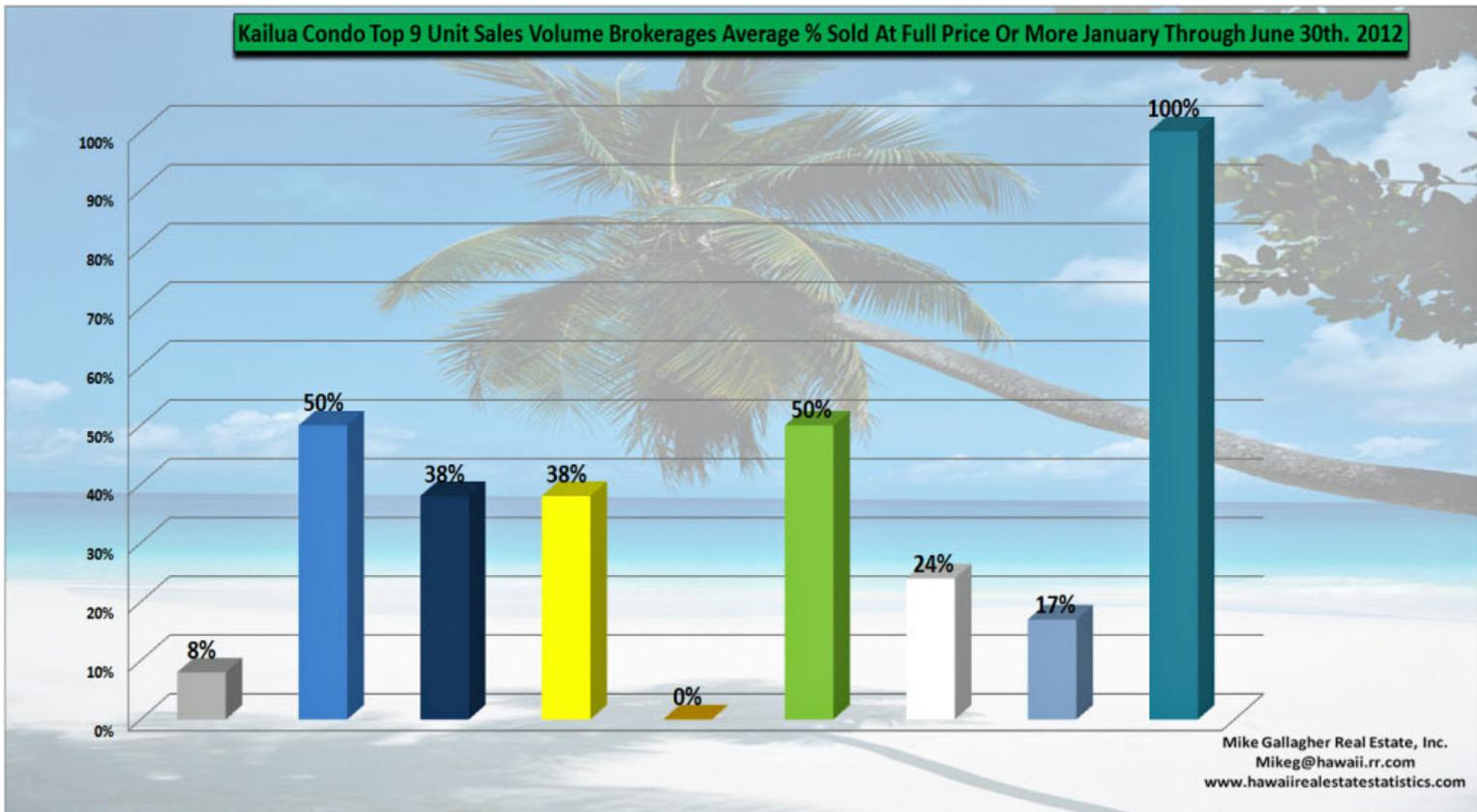
Other Neighborhoods & Areas?



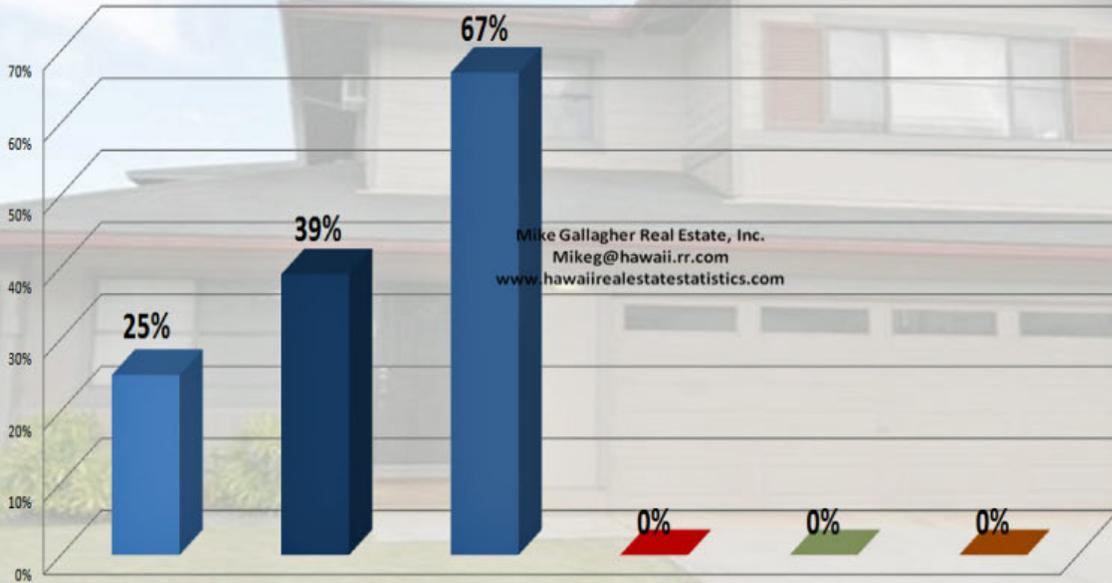
**Kailua S.F.H. June 2012 Average Days On Market Sold Listings vs. Average Days On Market Of All Listings Sold At Full Price Or More**



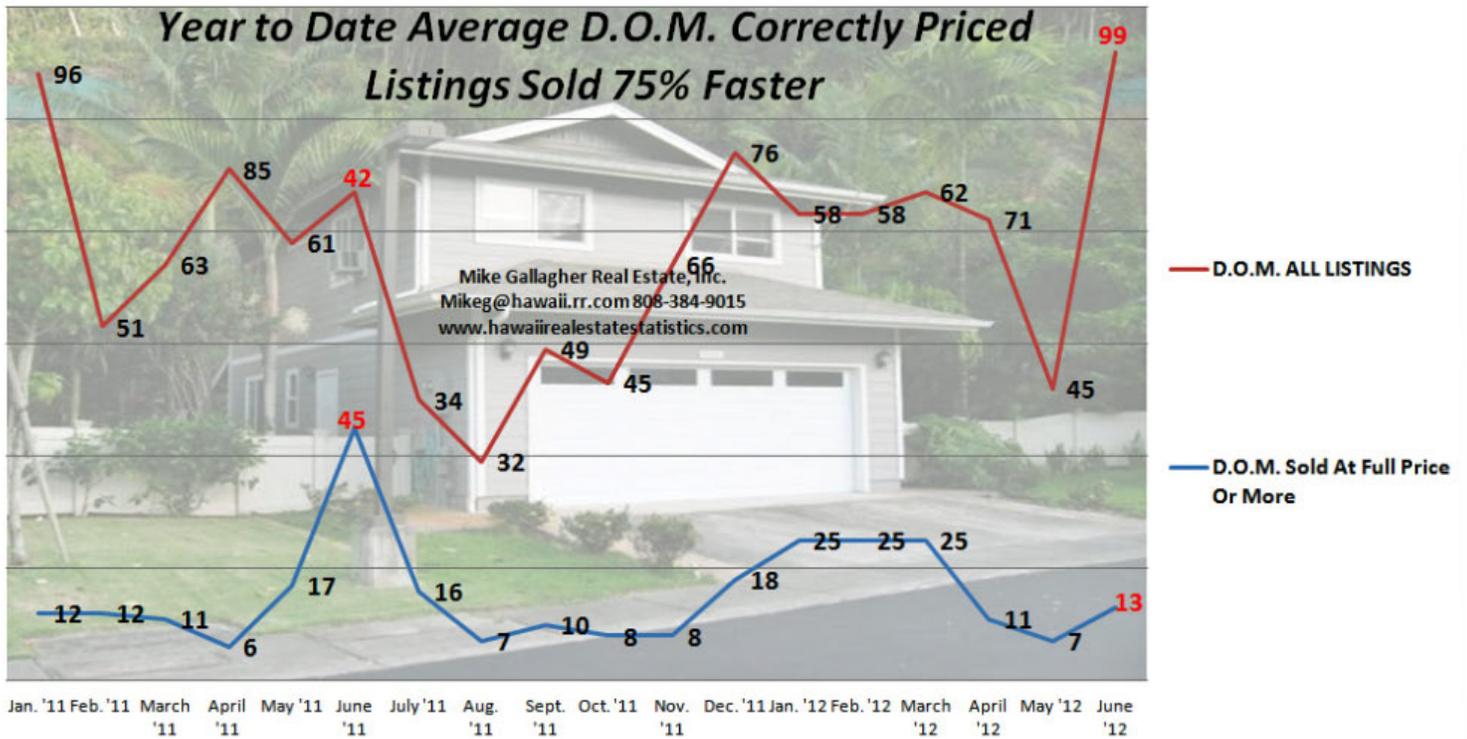
**Kailua Condo Top 9 Unit Sales Volume Brokerages Average % Sold At Full Price Or More January Through June 30th. 2012**



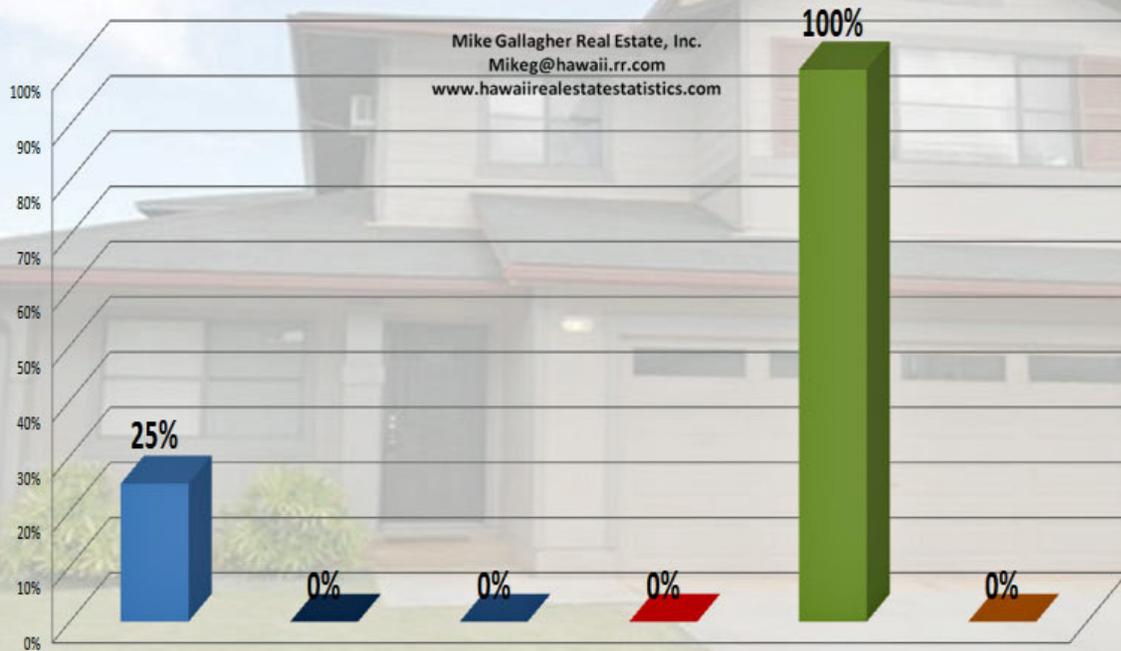
**Mililani Mauka S.F.H. Top 5 Unit Sales Volume Brokerages  
Average % Sold At Full Price Or More January through June 2012**



**Mililani Mauka S.F.H. June 2012 Days On Market All Sold Listings  
vs. Days On Market All Sold Listings Sold At Full Price Or More**

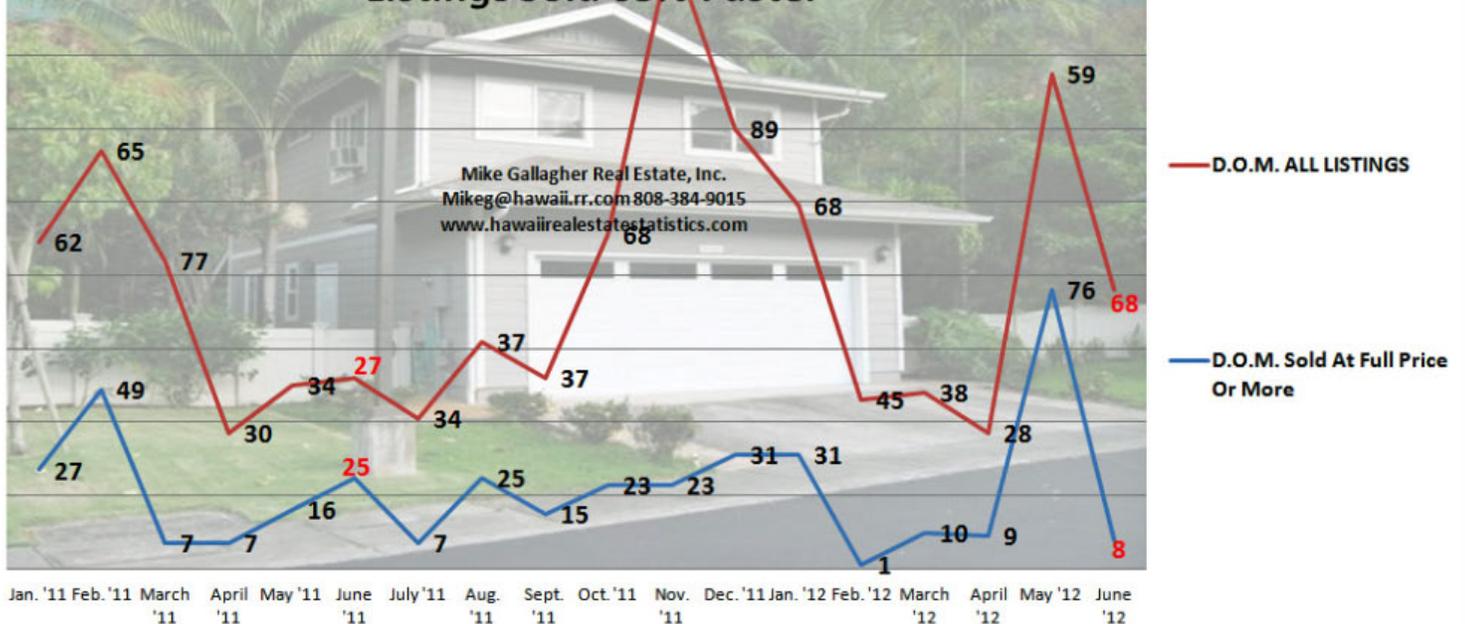


**Mililani Mauka Condo Top 5 Unit Sales Volume Brokerages  
Average % Sold At Full Price Or More January through June 2012**

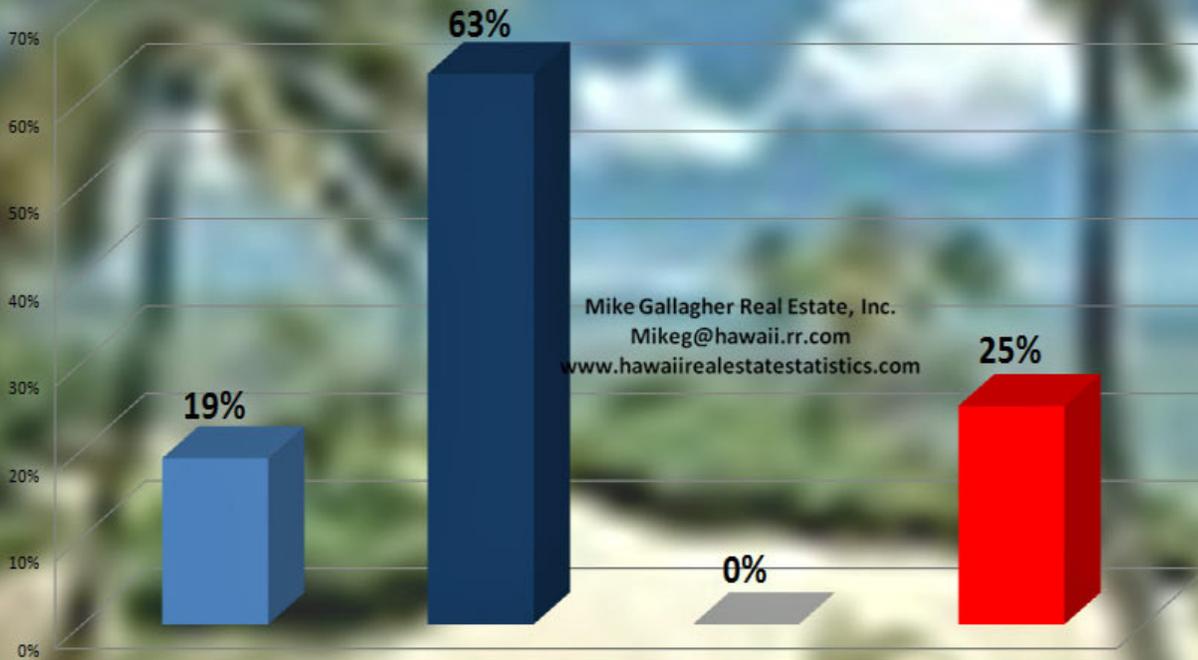


**Mililani Mauka Condo June 2012 Days On Market All Sold Listings vs.  
Days On Market All Sold Listings Sold At Full Price Or More**

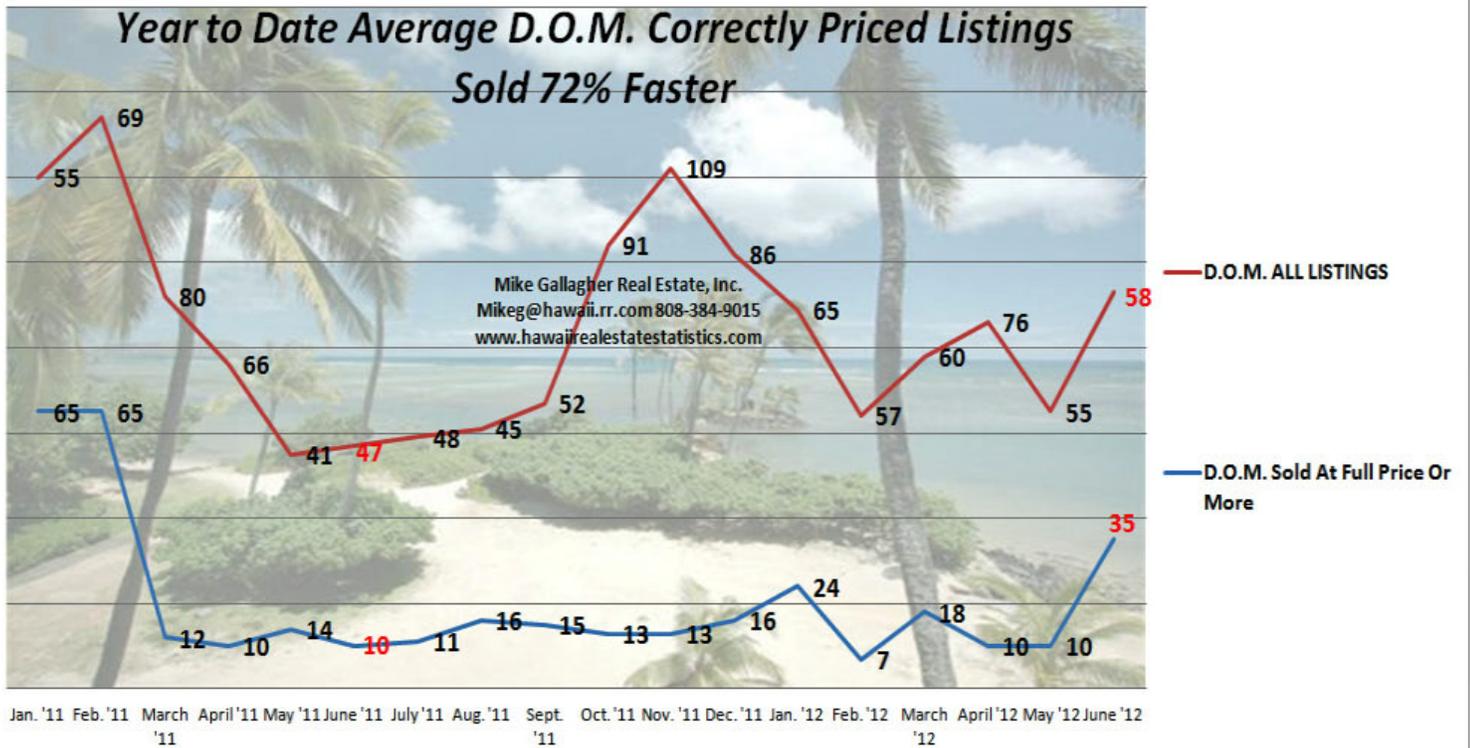
*Year to Date Average D.O.M., Correctly Priced Listings Sold 63% Faster*



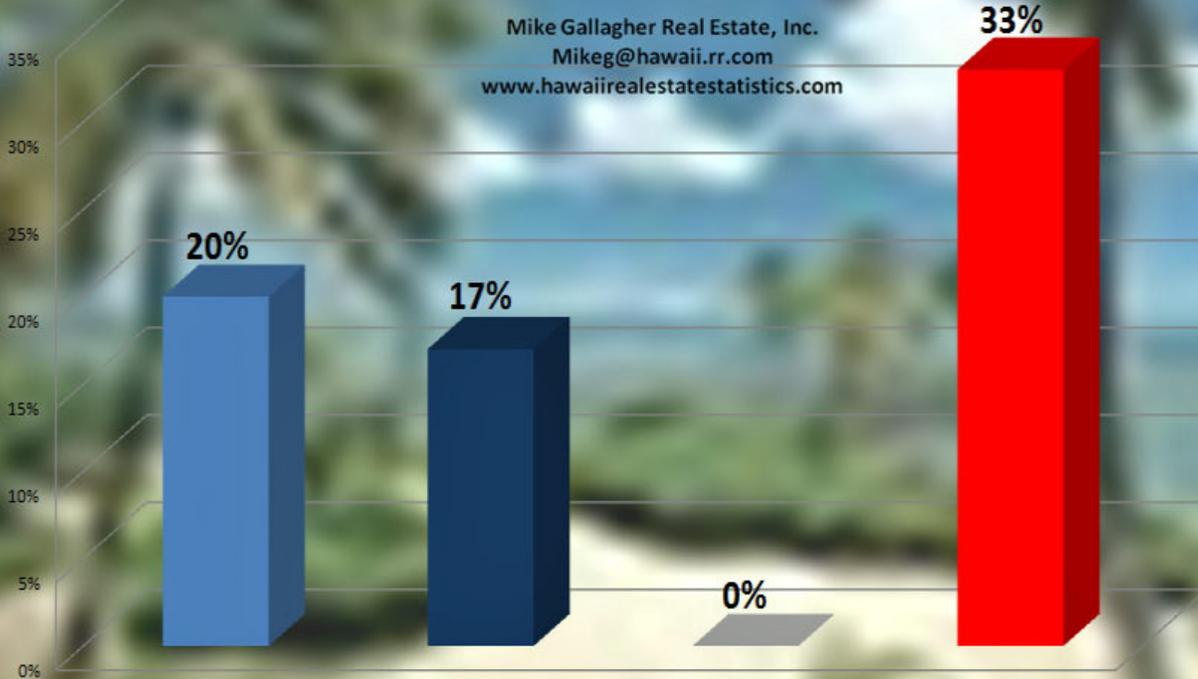
**Hawaii Kai S.F.H. January 2012 through June 2012 Top 4 Unit Sales Brokerages  
% Sold At Full Price Or More Without Re-Listing or Price Reductions**



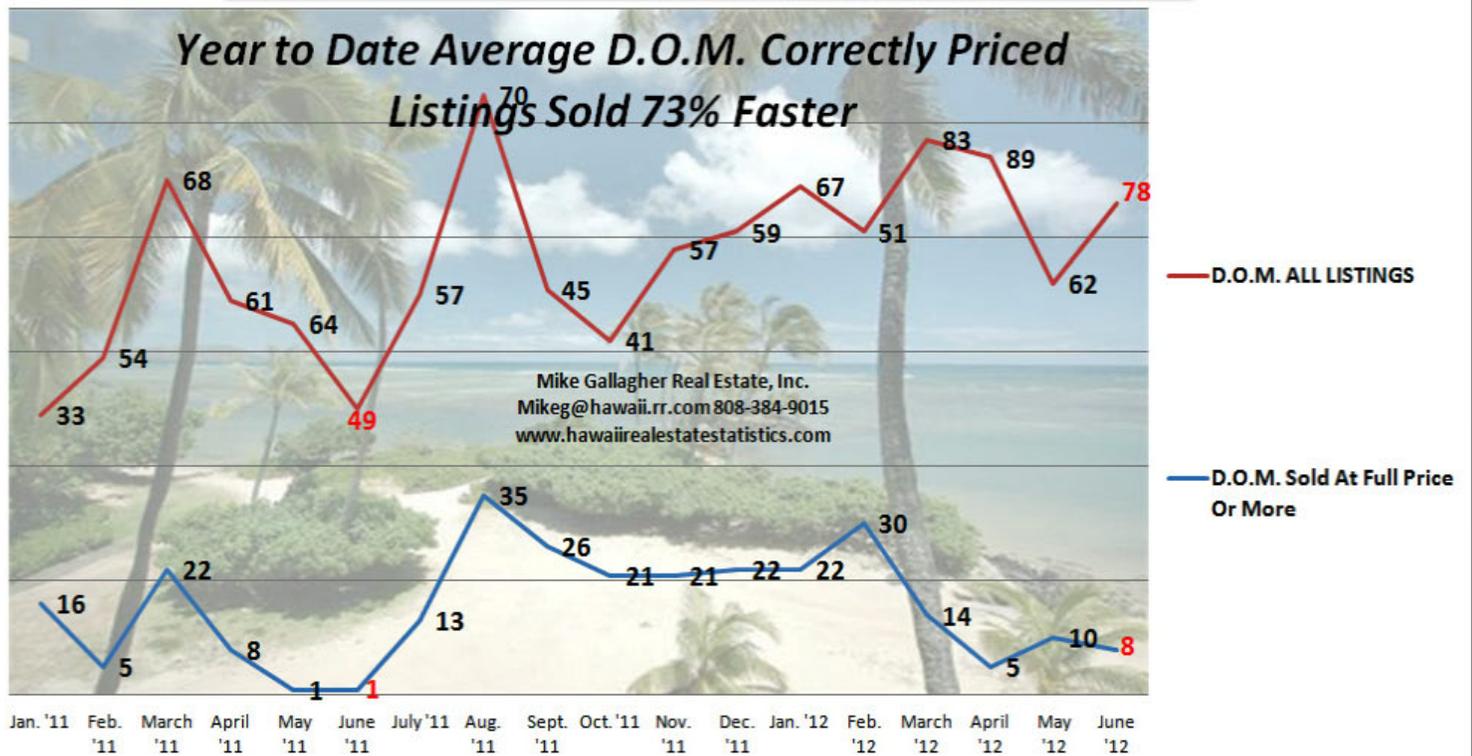
**Hawaii Kai S.F.H. June 2012 Days On Market ALL LISTINGS vs.  
All Listings Sold At Full Price Or More**



**Hawaii Kai Condo January 2012 through June 2012 Top 4 Unit Sales Brokerages  
% Sold At Full Price Or More Without Re-Listing or Price Reductions**



**Hawaii Kai Condo June 2012 Days On Market ALL Listings Sold vs.  
Days On Market All Listings Sold At Full Price Or More**



If you are going to sell I suggest you call me. I know what I am doing and I also know what everyone else is doing and the 'games' that can go on in selling your home. If you are still not convinced you should read my "High End Property Report May 2012" on my website at:

<http://www.hawaii realestate statistics.com/oahus-high-end-.asp>

These are interesting times we live in and I hope that some of this report at the least has helped you in your decisions to either Buy, Rent or Sell your Home. It is important to look at your individual circumstances in deciding whether or not to Buy, Sell or Rent. All I can tell you is that times have changed and you need to be informed better than you ever have been because there is a Ton of misleading and incorrect Real Estate Information out there. Much of the reason is that many of us "Experts" are in New Territory for the first time. This is why I have always dedicated myself to 'getting to the bottom' with statistics in order to reveal the 'True Story', "What is Really Happening in Hawaii Real Estate."

I hope that you have enjoyed this report and of course if you have any questions about buying or selling Real Estate in Hawaii please do not hesitate to call me.

I have been in this business for twelve years and I have helped buy and sell many homes for my clients. My references and knowledge are both excellent.

If you have the time please visit my website for a wealth of information on the Oahu Real Estate Market and read my Monthly articles on Time/Warners Oceanic Cable:

[www.aroundhawaii.com](http://www.aroundhawaii.com)



# Around Hawaii

[www.hawaii realestate statistics.com](http://www.hawaii realestate statistics.com)

[www.aroundhawaii.com](http://www.aroundhawaii.com)

Mike Gallagher, Mike Gallagher Real Estate, Inc.-Principal Broker 808-384-9015  
mikeg@hawaii.rr.com

You may also want to visit at my website to learn more about various other Neighborhoods around the Island and see the comprehensive report for Oahu. A quick trip there will provide you with a wealth of Real Estate knowledge you never before even knew was available.



If you would like to see my Video Reports for any of the Areas I cover on Oahu you will see them posted on my website: [www.hawaii realestate statistics.com](http://www.hawaii realestate statistics.com)

I plan on doing a short video for each of the Major Areas on Oahu highlighting quickly the numbers and nuances in each of the Areas.

If you have any questions or need specific, detailed reports generated for you for any Neighborhood, Area or Condo Building, Town Home Complex on Oahu, just send me an email with your request. I will produce it for you in no more than two days. Take it with you on your next Open House Tour and you will informed probably better than the Agent showing the place!

I wish you all much Aloha,

Mike Gallagher

I want to thank you for contined readership over the years and I wish you all fond "Aloha."

Mike Gallagher

Mike Gallagher Real Estate, Inc.

[mikeg@hawaii.rr.com](mailto:mikeg@hawaii.rr.com) or 808-384-9015