



Maui Real Estate Advisory Issue February 2011

1. 2010 much better than 2009

Year-end statistics are now available and show a strong **upwards trend**, particularly for homes, where number of sales, average price and transaction volume went up.

	# of Sales	Average price	Total volume
Homes	+17%	+5%	+23%
Condos	+39%	-10%	+25%
Land	+14%	-53%	-47%

For homes in West Maui, **Kapalua is the only area that has seen upwards trends for all indicators:** number of sales, average price, median size and total volume. Honokowai/Kahana/Napili area has seen the highest average price decrease compared to 2009 (26%), mostly due to short sales and foreclosures in Kahana Ridge subdivision. Average prices for homes in Kaanapali decreased 18% compared to 2009, to **\$1,252,500**; currently there are only three homes for sale, listed under \$1 million, although there have been several sales in the \$800,000 range. One needs not be fooled though: most sales in Kaanapali were older homes or homes with limited ocean views.

Condos in West Maui have seen less dramatic price changes, the highest price

decrease being 11% in Honokowai/Kahana/Napili area and it was caused predominantly by the lack of financing for oceanfront condotels.

Median prices for homes and condos in **Kapalua and Kaanapali** areas are between 15% to 22% higher than those in **Wailea** area, showing a “reconcentration” of affluence on the West Side of the island.

Land sales were rather limited, only 35 parcels transferred ownership in 2010 in West Maui, more than half of them in Launiupoko area and almost a quarter of them in Kaanapali Golf Estates.

2. 2010 Sales highlights

Most sales were not distressed

Despite all the doom and gloom in the media, the number of successful short sales and sold REOs have a relatively small share of the total sales: only **27% of all condo sales and 36% of all home sales were distressed sales.**

As for what is coming, only 12.45% of all active condo listings, 14% of all homes listings and 3% of land listings are short sales or foreclosures.

For both homes and condos, there are more short sale active listings than foreclosure listings, with a 2/1 ratio. Assuming that 1 in every 2 short sales



will probably end up as REO listing, particularly in the case of condos, condotels and land where the short sale approval process has become more strenuous, one can conclude that foreclosure sales will probably maintain their share of the market in 2011; the number of short sales listings will continue to give us a pulse of the market, of what is coming.

Significant number of cash transactions

Prices going down so dramatically over the past years, along with fluctuation in the financial markets have attracted a lot of investors.

More than half of the condos sold in 2010 **were sold cash** (55%), amounting to a sales volume of approximately **\$375 million**. 38% of the total number of purchases were financed through conventional loans while less than 3% of the total number of purchases were financed through FHA or VA loans. This comes to reiterate again that one can obtain government backed financing on a very small number of condominium complexes, due to either vacation rental use or high delinquency rates on maintenance fees.

As for homes, only 24% of the total number of transactions were cash, **50% were conventional loans**, 11.6% were FHA loans and 3% were VA loans. The difference was made by transactions involving seller financing, like agreements of sales and purchase money mortgages.

There were only 127 parcels of vacant land sold on Maui in 2010 and 73% of them were cash transactions. This information comes to prove again that financing on land is extremely hard to obtain, from a handful of local lenders.

The lowest and the highest

The most affordable house sold in West Maui in 2010 is a 3bd/2ba, with a 1282 sf living area, built in 2006 in the Hawaiian Homelands subdivision of Lei Alii (by the Post Office). It closed escrow at **\$265,000**.

The most affordable condo sold in West Maui was a 1bd/1ba unit at Hale Ono Loa, leasehold, with ocean views. As affordable as a timeshare, at **\$18,000**.

The highest priced home sold in the **Plantation Estates for \$7,125,000**. 2011 will seriously break the record in terms of luxury real estate on Maui, with another home in the Plantation Estates, listed at \$16 million that is closing escrow at the beginning of March.



Highest price home sold in Plantation Estates in 2010. 6,068 sf living area on 2.1 acres.



There were four condos that sold in 2010, above \$5 million. Two of them are at **Honua Kai** (the new development in Kaanapali), one of them at **Coconut Grove** and one of them at the **Residences on Kapalua Bay** (the Ritz Carlton new development).



Honua Kai Resort, Kaanapali

As per federal laws, banks selling REOs are exempt from providing a Seller's Disclosure. Thus, the buyer is truly on his own to do all necessary due diligence. Some issues may not be necessarily discovered during a regular home inspection, but a remodel project would reveal them and require expensive repairs.

For investors in condotels, it makes more sense to pay a higher price for a turnkey unit that could be placed in a vacation rental program right away, rather than take the time and the financial effort to remodel.

I am still waiting to hear of a remodel that went according to the plan, both form a timeline and a financial perspective!

3. BUYERS' TIPS

Is it worth paying less for a unit that needs remodeling or upgrading?

Although REOs/foreclosures may be attractively priced, they are not necessarily a good deal. Most of the distressed properties require upgrades or maintenance and have not been inhabited for more than 6 months.

Although labor costs in the construction industry have dropped, prices for key materials like wood, iron or nails have gone up. We also have anecdotal evidence of longer times and higher costs to get materials shipped to Maui.

HAVE A PROSPEROUS 2011!!!