

## **Average home price tops \$1 million**

By HARRY EAGAR, Staff Writer

KAHULUI – This year, for the first time, the average price of a single-family house on Maui has topped \$1 million. Real estate agent Michael Burnstein says quoting average or median prices is “so misleading.” Another measure could be the minimum price. Burnstein, of Assist2Sell Buyers & Sellers, has the lowest-priced single-family listing in Kahului this week – a two-bedroom, two-bath townhouse on a miniature lot near Maui High School. Asking price: \$499,000.

Buying a house on Maui “is a very tough situation,” said Burnstein. He does not think it will get easier soon. Although the number of sales has braked dramatically, prices have continued to rise, slightly for single-family houses but rapidly for condominiums.

“It has slowed,” said Burnstein, who has sold real estate on Maui for eight years. “But it has not come anywhere near to a grinding halt.” Mayor Alan Arakawa this week predicted, again, that prices will fall when numerous affordable housing projects start coming on line “in three to five years.” “I’m sure we’re going to see fluctuations,” said Burnstein, but he isn’t expecting any downward correction to exceed 10 percent. Meanwhile, at the other end of the market, the sky still appears to be the limit. Ricky Cassidy, a Honolulu broker who tracks the resort real estate market in the islands, recently issued his analysis of the market through the end of 2005.

Maui resort prices, houses and condos combined, rose 38.8 percent in 2005 to nearly \$1.5 million and have advanced an average of more than 20 percent per year for the past five years. It sounds like a lot, but other places move even faster.

Cassiday, in a telephone interview from Los Altos, Calif., marveled at a listing he saw there. “If you think Maui is high, look at \$6 million for a 2,700-square-foot house on a 15,000-square-foot lot without a view.” Closer to home, Oahu resort residential prices zoomed almost 80 percent last year to \$900,000 and have advanced nearly 33 percent per year for the past five years. In 2001, the average Oahu resort residential price was \$309,000, while at that time Maui’s average was almost three times as high, \$921,000.

The comparison is not straightforward. Maui has three destination resorts that Oahu can hardly match, and the number of resort transactions on Oahu is less than half Maui’s. However, says Cassidy, Maui is losing its status as the “deepest” resort market. “This year, for the first time (but

probably not the last),” he wrote, “the Big Island will wrest that distinction, thanks to ample available land, an active building industry and innovative new resort properties catering to the very high end.”

In 2005, there were 653 resort sales on Maui, 713 on Hawaii, 634 on Kauai, 279 on Oahu and 10 on Lanai. Cassidy notes that the markets on the different islands are very different, with almost no condos on Kauai, for example. He notes that price appreciation has been fastest for the most expensive properties. This phenomenon is easier to see in resort condos on Maui. Average condo prices this year are up 72 percent at Kapalua to \$1.7 million, up 71 percent on Lanai to \$2.9 million – that’s a gain of more than \$1.3 million – and 42 percent at Wailea-Makena to \$1.8 million.

The Wailea-Makena figure is even more robust than it looks. This year saw the biggest condo sale in the history of Hawaii at Wailea Point – \$10 million – and even that whopper had a hard time moving the averages, because the rest of the market had been so strong. Even Spreckelsville/Paia/Kuau, which has hardly any condos, recorded a single sale that was more than \$2 million.

Although prices continue to rise, the pace of sales has dropped dramatically. According to the Multiple Listing Service report of the Realtors Association of Maui, the number of both single-family and condominium resales has dropped by 27 percent this year compared with the first half of 2005. But the two types of housing diverge sharply.

Single-family prices rose a mere 1 percent to an average of \$1,001,310. The big reduction in turnover, from 674 house sales closed in January-June 2005 to just 495 this year meant a drop of more than \$175 million in total volume.

Condo prices rocketed upward by an average of 53 percent to \$781,829. Unit sales plunged from 1,022 to 743, but the total dollar volume rose nearly \$60 million to \$581 million.

As for property that working people might aspire to, Burnstein describes his half-million-dollar listing as “nicely renovated,” in a convenient location with a possibility for a “grandparent/teenager” room with a separate entrance. It has been on the market about a month, and inquiries have been brisk, said Burnstein, although he has received no offers. Prices have gotten to the point where the only way working people can aspire to become owners, he says, is “if they have some help.” This can take the form of equity from having bought real estate earlier, or sometimes family help. Cassidy points out that “100 percent” of local owners have experienced appreciation,

so they can think of moving up. But with prices so high even at the bottom end, Burnstein says, "if you make less than \$100,000 and have never owned any property, it's reasonably difficult on your own to be paying for a house."

The MLS statistics for the first six months of 2006 show strong differences in different parts of the island. The number of single-family sales dropped from 194 to 146 in Central Maui, while the average price rose from \$546,000 to \$641,000, and the median rose from \$500,000 to \$615,000. At the median, half sold for more, half for less.

The next busiest area, Kihei, saw hardly any slowdown in sales, 100 versus 107 the year before. Average prices fell 14 percent, to \$848,000, although the median price rose 5 percent to \$725,000. Maui Meadows sales dropped from 16 to 12, and prices declined from an average of \$1.4 million to \$1.3 million. The simultaneous decline in activity and in prices was abnormal.

In East Maui, Haiku sales tumbled from 53 to only 27, but prices advanced 14 percent to \$1.9 million, while in Makawao/Olinda/Haliimaile sales also tumbled, from 51 to 32, but prices advanced 31 percent to \$740,000. Housing is much pricier in West Maui, where the average price in Lahaina rose 9 percent to \$1.3 million. There were 28 sales closed. Most condo sales are in Kihei, where activity slowed way down, from 406 closed sales to 239. Average prices rose by \$100,000 in 12 months to \$470,000, and the median price was up 24 percent to \$410,000.

The next largest number of condo sales, 164, was in Napili/Kahana/Honokowai, where there had been 232 closings in the first half of 2005. Average prices jumped \$150,000 to \$566,000, and the median rose by nearly half to \$525,000.

Perhaps surprisingly, considering the marked drop in the pace of sales, the average number of days on market has changed very little over the past year. In June it was 123 days for single-family homes, 151 days for condos.

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