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## It's Busy at the Top in the Hawaii Luxury-Home Market

By ALLISON SCHAEFERS

WHILE real estate transactions continue to slump in many places on the United States mainland, the strength of Hawaii's international pull has propelled its luxury sales ahead of last year's and has increased speculative development.

The recent \$11.25 million sale of a new house in Kahala, a prestigious Honolulu neighborhood, is the latest evidence that the state's luxury home market is robust. And it came on the heels of a \$15.9 million transaction in October that, so far, is Oahu's largest sale of the year.

While Hawaii has long drawn global interest, the international real estate market there has improved as developers are reinvesting in the state and the dollar has weakened against foreign currencies, said Donald Eovino, president and principal broker of Eovino and Associates, a real estate firm.

"Hawaii is the Monaco of the West Coast for the affluent," Mr. Eovino said. "Hawaii's international real estate market, this year, has the potential to be bigger than any year before."

The Canadians discovered Hawaii real estate in the 1960s, the Saudis arrived in the 1970s, and the Japanese came in the middle to late 1980s. They left after heavy speculation created a housing bubble that caused the market to turn. Now, the Japanese and Canadian buyers are back, real estate experts say, adding that there was greater demand for Hawaii from other areas of the Pacific, and from Europe, China, South Korea and other parts of Asia.

Although real estate activity overall has slowed by almost 10 percent on Oahu, transactions involving top-end homes increased 14 percent in the third quarter from the comparable period of 2006, said Scott Higashi, vice president of sales at the Prudential Locations agency in Honolulu.

In the first 10 months of 2007, 497 properties valued at \$1 million or more were sold on Oahu, compared with 460 properties in the same period in 2006, said Harvey Shapiro, research economist for the Honolulu Board of Realtors.

The returning strength of Hawaii has been apparent for some time. In November 2006, the planned Trump International Hotel & Tower in Waikiki set a world sales record when it sold \$700 million worth of residential units in eight hours, said Roxanne Loughery, senior vice president of marketing for S&P Destination Properties. "We see Hawaii as one of our top international destinations," she said.

Sales of the Waikiki project, which were held simultaneously in Hawaii and Japan, moved so fast that Ivanka Trump, vice president of development and acquisitions for her father, Donald, almost missed getting a unit. "About 40 percent of the buyers were from Hawaii and Asia, and the remainder came from all over the world," she said at the time.

The weakening of the United States dollar is drawing even more foreign interest. "There's been a noticeable increase in international buyers within the last 60 to 90 days," said Chason Ishii, president of Coldwell Banker Pacific Properties in Honolulu.

WHEN the dollar exchange rate fell against the yen several months ago, Hawaii saw a wave of Japanese buyers, said Sachi Braden, owner of Sachi Hawaii, a company in Honolulu that specializes in selling to the high-end Asian market. "Right off the top, they are looking at about a 5 percent savings," she said.

Similarly, more Canadian buyers are choosing to buy Hawaii real estate and capitalize on the best United States exchange rates they have seen in 30 years, Ms. Loughery said. "Five years ago, a \$1 million property in the U.S. would have cost a Canadian buyer \$1.6 million to purchase. Now it will cost them just under \$1 million," she said. "We've seen a big change in the exchange rates in the last six to eight weeks, and everyone wants to go shopping."

Buyers from Alberta and British Columbia played heavily in the mix of investors who bought property last month when S&P Destination Properties began sales of Koloa Landing, a luxury resort condominium project on Kauai, Ms. Loughery said. "We sold \$76 million worth of real estate in just a few weeks," she said, adding that the planned sales of the Residential Suites at the Ritz-Carlton, Kapalua, on Maui

next year are also expected to draw international attention.

The strengthening of the euro and more efficient flights have led Europeans to consider Hawaii, said Manu Spaur, broker/owner of ReMax Island Surf Realty on the Big Island of Hawaii, whose multilingual staff is working to develop the European market.

"With the euro so strong, it makes it much more likely for Europeans to buy outside of their country," said Ms. Spaur, who was born in Germany and has marketed Hawaii in her homeland as well as in Greece and Turkey. European investment companies have also bought island real estate, she said.

In the near future, planned tourism and banking charges are also expected to draw more Hawaii real estate offers from buyers in South Korea and China, said Marsha Wienert of the Hawaii Tourism Authority.

By 2008 or the first quarter of 2009, South Korea is expected to get visa waiver status, which will make the islands more accessible to its citizens, Ms. Wienert said.

Hawaii officials also are seeking more relaxed rules for visitors from China. Chinese visitors would still have to obtain visas but they would be allowed to visit for pleasure, instead of requiring a business reason, as now, she said. "There's no question that we'll have more international tourism and a lot more international investment as a result of these changes," Ms. Wienert added.

China and South Korea's robust growth, combined with changes in some banking restrictions will make it more attractive for investors to diversify by taking money abroad, said Steve Atherton, managing director in Hong Kong of Asia-Pacific operations for NAI Global, a commercial real estate business.

But experts have said that the appeal of Hawaii's luxury market goes beyond changes in currency or government monetary or tourism policies.

An example is the \$15.9 million sale on Oahu. The buyers -- Jason Brand, president in Tokyo of Merrill Lynch Pacific Rim, and his wife, Malindi Fickle, an actress and movie producer -- are among a number of United States expatriates living in Asia and buying homes in Hawaii, said Mary Worrall, who represented the seller in the transaction.

"HAWAII is very appealing to buyers like these because it is seen as a safe destination with fresh air and water and very little pollution," said Ms. Worrall, president of Mary Worrall Associates Sotheby's International Realty.

Demand from such buyers also has spurred a wave of reinvestment and high-end speculative redevelopment, Mr. Eovino said.

A Japanese buyer recently paid \$11.25 million, Oahu's second largest transaction this year, to buy one of Mr. Eovino's newly built homes on Kahala Avenue, a prestigious Honolulu address. And in January, Mr. Eovino sold property near Diamond Head for \$11.1 million -- Oahu's third largest transaction of 2007.

"There are other markets that are strong, but Hawaii has an advantage because it's more attractive than other destinations," said Mr. Atherton of NAI Global. "After you go on a holiday to Cambodia, you aren't thinking about retiring there. However, it's just the opposite in Hawaii."