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Median sale price for Oahu home rises for second month in row

Advertiser Staff

Oahu's housing market has displayed another sign of recovery, with the median sale price for single-family homes sold in February rising for a second straight month compared with the same months last year.

The median price for previously owned single-family homes was up 3.6 percent to \$570,000 in February from \$550,000 a year earlier, according to sale data from the Honolulu Board of Realtors.

The increase followed a 10.8 percent rise in January. For the two months combined, the median price is up 7.3 percent.

That's a strong showing, considering that there haven't been two consecutive months of higher median home prices on O'ahu since the market downturn took hold in 2008.

The median sale price for condominiums also was up, but only by 0.3 percent to \$298,000 from \$297,000 in the same period.

Sales volume was up significantly for both categories of homes. Single-family home sales rose 21.7 percent to 157 last month from 129 a year earlier. There were 231 condo sales, up 44.4 percent from 160 in the same period.

"The sales figures for February are very encouraging for Honolulu's real estate market," Brian Benton, president of the Honolulu Board of Realtors and an agent with Prudential Locations, said in a statement. "There's been a great deal of pent-up demand from consumers, and current market conditions are getting them to get back

into the real estate market."

Market observers believe many prospective buyers stepped to the sidelines of the market or were forced there as the global financial crisis exploded in late 2008 and devastated the economy.

Recent signs have emerged that the local and national economies are on the mend, though recovery will likely be slow and anemic.

Local economists in recent months have signaled they believe the bottom of the housing market is past. "I think the worst of the decline is over, and we're in the rebuilding phase," Mike Sklarz, an economist and president of Honolulu-based real estate research firm Collateral Analytics, said at an industry presentation last month.

Paul Brewbaker, a local economist with TZ Economics, is forecasting a 1 percent rise in the median single-family home price this year.

One key test showing whether O'ahu's housing market is on firm footing will likely come in June or July after a popular federal tax credit program for homebuyers ends.

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The stimulus program aimed at shoring up U.S. housing markets provides qualifying first-time homebuyers up to an \$8,000 rebate on the purchase of a home. The deal initially was set to expire at the end of last year, and helped boost sales.

Prudential Locations offered to advance the \$8,000 to buyers qualifying for the tax credit if they bought a home, and reported advancing more than \$1 million to customers under the offer last year.

Federal officials extended and expanded the program, which continues the \$8,000 credit for first-time homebuyers, and adds a credit up to \$6,500 for qualifying repeat buyers. Under the program, purchase contracts must be signed by April 30 and close by June 30.

Because the Honolulu Board of Realtors sales report counts completed sales, it won't be until June or July when sales contracts signed in May are reflected in the report.

Some market observers question how much impact the tax credit program is having, and suggest that sales won't fall significantly after the program ends. But economists say such stimulus programs can have the effect of advancing sales that would have occurred later had there been no stimulus, and expect a drop of activity after the stimulus is gone.

If other market factors such as unemployment and personal income improve as the stimulus is cut off, any upward momentum in the housing market may continue. But if poor economic conditions persist throughout the year, there could be a housing market correction.

One clear drag on home prices that could continue to worsen this year is foreclosures, though it remains to be seen how much or little of a future impact the inventory of distressed properties will have on prices.

Much of Hawaii's foreclosure problem is

concentrated in resort home markets on the Neighbor Islands, though O'ahu's biggest submarket for single-family homes — the 'Ewa Plain to Kapolei — has a relatively high level of foreclosures.

For the first two months of the year, the single-family home median price in this region was down 6.9 percent on 59 sales. The next most active market on O'ahu, Waipahu, had a 4.3 percent gain in the median price on 35 sales, followed by Kailua-Waimanalo where the median was up 8.4 percent on 29 sales.

Of 17 submarkets on O'ahu categorized by the Honolulu Board of Realtors, the median price was up in 12 and down in five.

One factor helping overall prices is inventory. At the end of last month there were 1,221 single-family homes on the market, down from 1,928 a year earlier. The inventory figure has been under 1,300 since September. Prior to that, the last time inventory was that low was 2005.

At February's rate of sales, it would take 7.8 months to sell every single-family home listed on the market if no more homes were listed. That's half of what the figure was a year earlier, however the so-called months of remaining inventory count was at about 4.5 during the

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fourth quarter of 2009.

Generally, a six to 10-month range is where prices tend to remain more or less flat.

For condos, there was 7.3 months of remaining inventory last month, which was half that of a year ago but up from around 4.5 in the last quarter of 2009.

There were 1,693 condos on the market at the end of February, down from 2,507 a year earlier. Inventory has been under 1,700 since December, and previously had not been at such a level since 2005.

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