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At least nine major housing developments are under way on Oahu,
including construction on The Peninsula at Hawaii Kai.

Building Boom

**New home prices rise and
buyer incentives shrink as
builders try to meet demand**

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Watch out buyers and sellers. It's a developer's market.

Consumer demand for new homes has Hawaii developers scrambling to finish projects, while allowing them to raise prices and kill incentives that lure buyers during slack times.

A survey of eight developers undertaking major new-home projects reveals all are either accelerating the pace of construction or, in the case of larger developments with multiple phases, increasing the number of homes they plan to produce over the next year.

In 2001 both sales and prices for new homes rose by 8 percent, according to a first quarter 2002 report by Ricky Cassidy, research consultant for the Prudential Locations realty firm.

So far this year, sales are down due to diminished inventory. Cassidy attributes the lack of ready inventory to the conservative stance many developers took after Sept. 11.

With home resale inventory also becoming scarce and interest rates settled at all-time lows, prices of new homes are on the rise, and developers are reducing or eliminating traditional incentives buyers associate with new projects. In 2001, the average new home cost \$291,401. Cassidy estimates that price has now risen to almost \$337,000. Developers perceive the present situation as a window in time to make up for a decade of stagnant real estate sales and a depressed state economy.

Hawaii Kai

In Hawaii Kai, developer Stanford Carr's The Peninsula at Hawaii Kai offers a mix of townhomes starting at \$285,000 and single-family homes ranging from \$450,000 to \$950,000.

The project began in October and if completely built out, would contain about 600 single-family homes and townhomes, said Patrick O'Neill, director of sales and marketing for Stanford Carr Development.

So far business has been booming, O'Neill said. "Our sales are way ahead of anything we had projected."

For new homes, prices have increased by up to \$100,000 since the project began last year, O'Neill said. "That's in part due to pre-construction pricing, which is an advantage for home owners purchasing at the beginning of a project."

About half of the development's 57 townhomes built so far have been sold. For single-family homes, about 100 of 161 completed have been sold, O'Neill said. The first homeowners are due to move in during the next few weeks, he said.

The company is also planning a luxury four-story condominium project, called the Colony, in the development.

Ocean Pointe

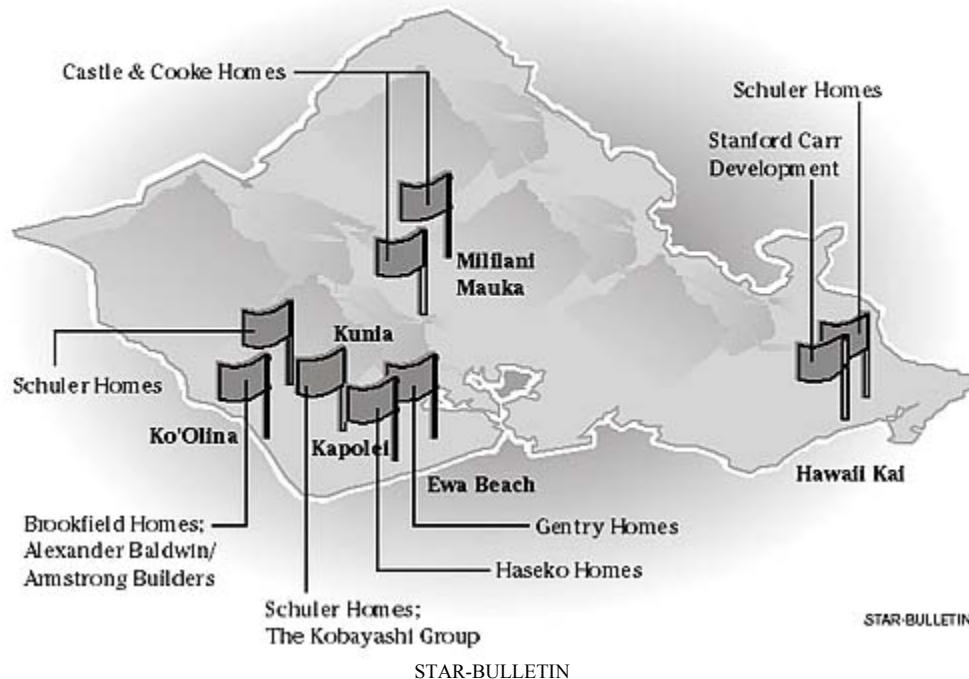
At Haseko Homes Ocean Pointe, the 1,100-acre master-planned community in Ewa, Haseko vice president Vicki Gaynor said the company has just about completed its first neighborhood of 650 single-family homes and townhomes, known as Ke Aina Kai. Haseko is about to begin sales on its second neighborhood of about the same size, Ke Noho Kai.

When Ocean Pointe broke ground in 1998, prices for townhomes started in the mid-\$100,000s with single-family homes ranging from mid-\$200,000 to just under \$300,000. But times have changed as the demand increases.

"Now we are looking at price ranges in the mid-\$200,000s for townhomes and will probably end up with single-family homes as high as \$400,000," Gaynor said. When the development is completed -- it could take as long as 15 years -- it will contain commercial buildings, retail and office space, neighborhood parks, and a marina that will be the largest in the state, Gaynor said.

Building boom

Large housing developments around Oahu are either underway or scheduled to come online as builders pick up the pace to match the hot housing market.



Ewa By Gentry

Also in Ewa, Gentry Homes Ltd. will unveil its most luxurious home project so far this weekend, said Rick Hobson, marketing and sales manager for the company. WoodBridge will contain 97 single-family homes ranging from \$390,000 to \$410,000.

WoodBridge is one of six communities within Ewa By Gentry. Currently, the least expensive single-family detached condominium in the development is about \$200,000, Hobson said. With demand on the rise, the company, like other developers, has been able to raise prices and reduce builder incentives, Hobson said.

Demand is exceeding supply and Gentry is issuing priority numbers to potential customers who have already gone through the pre-qualification process for home purchases. The company will also step up production this year.

"We are on target to do over 250-plus homes this year. Last year we did 233 so we've already picked up the pace and will probably exceed the target," he said.

When the entire community is finished, likely around 2010, it will contain almost 10,000 homes. Gentry is halfway there with around 5,000 homes built, Hobson said.

Ko Olina

In Ko Olina, work has been moving along on two multifamily projects, The Coconut Plantation at Ko Olina Resort and Marina, a 270-unit project being built by Brookfield Homes; and Kailani at Ko Olina, a 116-unit joint venture between Armstrong Builders and Alexander & Baldwin Properties.

Kailani principal broker Charlene Yamashita said building began in December on two- and three-bedroom oceanfront condominium units. Phase one, with 44 units, sold out before the company completed construction of its models, she said.

The first homes will be ready at the end of the year and the second phase of 36 units is now being sold. The full project is likely to be completed by October 2003. So far Kailani has attracted an even mix of local and mainland buyers, she said.

Coconut Plantation is attracting similar interest. Like other new developments, demand is such that Brookfield does not have to offer incentives for its two- and three-bedroom townhomes.

Prices have also increased by as much as 15 percent depending upon the floor plan and location since the project began, said Elarka Yuen, sales manager for the project.

Brookfield has picked up the pace of construction, Yuen said. Prices are likely to increase with every completed phase. When completed in another couple of years, there will be 270 units in the project. So far the company has released 81 units with 47 more completed and essentially sold out, she said. Prices range from \$320,000 to \$560,000.



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Among the new crop of homes available is The Peninsula in Hawaii Kai, with Executive Plan Two the most popular.

Kapolei

At Kapolei, The Kobayashi Group is adding to the Villages at Kapolei project with Kapolei Kai, which will bring 204 single-family homes to the market. Sales began on Mother's Day, said Kathy Inouye, a partner in the operation. Already there is a list of buyers for the next increment of the development, with 53 homes released so far. Prices range from \$242,000 to the low \$300,000s, Inouye said. Prices on the larger units have already increased slightly, she said.

If demand keeps up, the project could be accelerated.

"We had anticipated it would take about 3 1/2 years, but if demand keeps up it will be less than two years," she said.

Inouye said, given the demand, she would love to have another parcel to develop in Kapolei. But the company waited for nearly seven years for the market to recover sufficiently to start building Kapolei Kai. Still, the developer won't be short of things to do. It is in the due diligence phase on what would be about a 200-unit luxury condominium in the Ala Moana area.



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A cozy downstairs living area in The Peninsula's Executive Plan Two model in Hawaii Kai entices prospective buyers.

Castle & Cooke and Schuler Homes

Meanwhile, two of the state's largest developers, Castle & Cooke Homes and Schuler Homes Hawaii, have been busy with multiple projects in several locations.

Castle & Cooke will deliver 500 to 525 homes this year at its two multiproject developments at Mililani Mauka and Royal Kunia, said Bruce Barrett, vice president of sales and marketing.

Again because of increased demand, the company has done everything it can to finish homes as soon as possible, he said.

Prices in the developments have also edged up in the past year. "Price increases vary depending on market segments. Some are a couple of percent up to 10 percent," Barrett said.

Castle & Cooke's latest community, the Heritage, will be unveiled June 23 with prices for single-family homes ranging from more than \$300,000 to more than \$400,000, Barrett said.

The company, like others, is increasingly able to sell homes even before the models are completed.

"That's an indicator of the strength of the marketplace," Barrett said.

Castle & Cooke also has plans to move down the road to build a new single-family community in Waipahu called Renaissance on a 39-acre parcel.

When completed, that project will contain about 230 homes and will take about 2 1/2 years to build, Barrett said.

Castle & Cooke's Royal Kunia development is scheduled to be completed in 2004, while the master plan calls for communities in Mililani Mauka to be completed by 2007. But Barrett notes schedules can slide backward and forward depending upon demand.

Schuler is nearly complete with its StarsEdge single-family home project in Makakilo and will have a lottery for the six remaining lots.

Other Schuler projects now in process or soon to come on line include Kapolei Knolls, a single-family home project; KaiNui Court, a condominium project in Hawaii Kai; Kalamakuu, a condominium project at Kalama Valley; Leolani Hawaii Kai, a single-family home project; and Watercolors, a single-family detached condominium project at Makakilo.

Mike Jones, Schuler Homes Hawaii Division president, said most of the projects had been on the books for some time but, like other developers, the company was able to get moving on them in the last couple of years.

As demand increased, the company cut some buyer incentives.

"We were offering anything from 4 to 5 percent of sales price in incentives. Now we're probably down anywhere from zero to 2 percent in different communities," he said.

Prices have also moved up.

"The base price in some situations has edged up 3 percent over a couple of years, but mostly it's been fewer incentives," he said.

Schuler is keen to take advantage of current favorable interest rates. But houses can only be built so fast.

"You can only go so quickly and you have to be careful so quality doesn't suffer," Jones said.

Despite the urgency, builders will likely be cautious about increasing the inventory above sustainable levels, Jones said.

"No one can look in a crystal ball," he said. "About a year and a half ago, everyone decided the market was coming back. But I think they will be careful about not building too many houses out in front of themselves. It's really a matter of not having too much land and product inventory and having a good range of prices so you're not locked in."