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New home sales soar

Closings were up nearly 63% on Oahu, while new contracts signed jumped 26% in October

Oahu home valuations up 17%

By Lyn Danninger
ldanninger@starbulletin.com

Two new developments and increased activity in the condominium market contributed to another strong month for new home sales in October.

The number of new sales contracts opened on Oahu went up 26 percent over the same month last year, rising to 277 deals in October.

As developers ramped up the pace of construction, home closings also increased. They were up more than 63 percent to 228 closings.

Average prices for new homes in October increased by 3 percent to \$338,453 from October 2002's average \$376,982.

Real estate analyst Ricky Cassidy attributed much of the activity to the acceleration of the multistory condominium market and two new projects, the Windsor in Waikiki and The Colony in Hawaii Kai.

Oahu new home sales

HOME SALES	
October 2003	228
October 2002	140
Change	62.9%

AVERAGE LIST PRICES	
October 2003	\$388,453
October 2002	\$376,982
Change	3.0%

Source: Data@work STAR-BULLETIN

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But overall, Cassidy said, the number of available units on Oahu has declined precipitously when compared to last year. This year the range has been between a high point of 1,100 new homes to October's total available inventory of 698, the lowest for the year, he said.

With a tight home resale market not providing an adequate level of supply, more pressure is placed on the new home market, he said.

"Last year, the range was from 1,200 units available per month to 1,400 units available per month," he said.

"For about a year or so, developers have had a hard time keeping up with demand. They have supply constraints related to areas ranging from sufficient labor to sufficient material. While overall sales and closings are growing, inventory has not been able to keep up."

While there will be a lot of new units coming on the market for sale in the coming year, there is no inventory sitting there waiting to be purchased, said Schuler Homes Vice President Mary Flood.

"Everything we release now is done by lottery," she said.

Flood said Schuler has been looking at ways to speed up the sales to delivery process.

"Next year we are going to have a program called 'Express Homes' where we try to pre-determine the options that are going into homes so we can go ahead and get the permits. This way we can go ahead and build them and install the options a little closer to delivery," she said.

Flood believes the new system will save a minimum of three months in the time it takes for a new home to be built and delivered.

Patrick O'Neill, vice president of sales and market for Stanford Carr Development, predicts little let up in demand going into the new year. Inventory has been a growing problem on all islands, he said.

"They're all experiencing similar problems," he said.

"All indicators, such as job and population growth and interest rates, are positive. I think everyone in our business is looking at continued demand and increases in pricing at least through 2004," he said.

At the Hokua, a luxury 40-story high rise development that broke ground in November, spokeswoman Kathy Inouye said the speed with which buyers have committed to the project has even surprised the developer. Prices for the units, which start at 1,500 square feet, begin at \$1.1 million.

Buyers' second payment installments were due yesterday, Inouye said, and already the company has \$180 million in buyers commitments for the project.

"It's unprecedented in terms of the amount and the speed in which the payments are coming in. It goes to show the strength and the stability of the market," she said.

The best selling new home projects in October were the Windsor, a hotel conversion developed by Oaktree Capital with 55 sales; and Stanford Carr's The Colony in Hawaii Kai with 54 sales. Also selling well was the single-family home Destiny by Castle & Cooke with 23 sales. The Alexander & Baldwin condominium project, Waikiki Lanikea, had 22 sales.

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