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Housing prices will keep soaring

**Hawaii economic experts say
a shortage of available homes
will continue boosting prices**

By Dan Martin
dmartin@starbulletin.com

The breathtaking rise in island home prices has everyone asking, how high can they go?

The answer: quite a bit higher, according to several experts who addressed a meeting of the Hawaii Economic Association yesterday.

They said the median resale price of a single-family home on Oahu -- which shot to a record \$439,000 in March -- is likely to gain further altitude in the months and maybe even years ahead due to record-low levels of inventory following the home-buying spree of the past few years.

"Even if interest rates go up, and demand declines, we still have such tight inventory that prices will continue to increase over 2003 levels," said Harvey Shapiro, research economist with the Honolulu Board of Realtors.

Shapiro and Paul Brewbaker, chief economist with the **Bank of Hawaii**, also said that despite the run-up in prices, homes today are as affordable as they've been in three decades when personal income levels are factored in.

Shapiro said that at the height of the real estate bubble of 1990, it took 60 percent of the median family income to afford the median single-family home sales price at prevailing interest rates. Today, it takes around 30 percent.

"This has really strengthened our market," he said.

Brewbaker said prices will eventually hit an affordability "ceiling" but added that his computations put that level at more than \$600,000.

"Eventually we'll reach a point at which -- broadly speaking -- everyone who could have afforded to buy would have already done it," he said.

But it's the historic shortage of housing on the market that should really prop up prices, the experts said.

"This is really a crisis on Oahu that developers are trying to address," Shapiro said. "The question is whether new inventory will come on the market before the market turns. I think it will."

Paula Harris, president of the **Harris Co.** development consultancy, said the problem was becoming particularly acute on the neighbor islands. She said many Maui's home prices -- the highest in the state -- are causing many Realtors to take investors to sleepy Molokai.

"Now inventory on Molokai has been wiped out, too," Harris said.

Given the disparity between supply and demand, Harris said it was probably premature to declare the current market a "bubble."

"Everything is in demand. And as long as we have a stable economy, and inflation, unemployment and interest rates are kept under control, the sky's the limit," she said.