

Foreclosures on the rise

## Residential real estate market slow to rebound

Vanessa Van Voorhis - The Garden Island | Posted: Sunday, February 6, 2011 11:45 pm

LIHU‘E — Last year, the island’s economy experienced a shallow, L-shaped recovery, and real estate was no exception.

While the number of sales showed a marked improvement in 2010 compared to 2009, from 262 to 362, the median price remained largely flat, from \$470,000 in 2009 to \$475,000 in 2010.

Sales volume tells the true activity of the market, showing a rise of only 0.98 percent from \$242 million in 2009 to \$244 million in 2010. The numbers suggest that sales are occurring at the low and high end of the market.

RealtyTrac reports say banks completed a record number of foreclosures on Hawai‘i properties last year, up 38 percent compared to 2009 and triple the levels of 2008. Kaua‘i had 819 foreclosure filings last year, representing 2.75 percent of all homes.

The Associated Press reported last week that a five-month moratorium on non-judicial home foreclosures is pending before the state House of Representatives. Supporters cite the state’s high foreclosure rate.

The bill would allow homeowners time to stay in their homes while seeking loan modifications and other mediation measures with banks.

Non-supporters of the bill argue it would only extend the time it takes for such properties to clear the market and for prices and inventories to normalize.

Julie Black, the principal broker and owner of Kaua‘i Dreams Realty, tracks distressed property transactions throughout Kaua‘i, including short sales, real estate owned sales and foreclosures. She estimates that 40 percent of the real estate sales in 2010 were distressed.

“Twenty to 25 percent of sales were just for REOs,” she said. “Short sales probably made up another 15 percent of the market. For the most part, it kept the market realistic. Short sales and distressed properties do affect pricing.”

A representative of Old Republic Title and Escrow of Hawai‘i, who asked not to be identified, said approximately 25 to 30 percent of the company’s transactions last year were short sales.

“Before, it was hard to close,” they said. “Now it’s getting quicker. Sometimes people don’t want to wait three or four months before they can even go into escrow. My company has been getting more than average short sales, more than other companies.”

Black said the low-end priced market helped increase the number of closings compared to 2009. “I think things will be steady for 2011; but for 2012, we’ll be climbing up. I think of all of those distressed sales, most will get worked out this year. There will be less supply in the future.”

As of this week, there were 1,387 listings on the market or 30 months of inventory, based upon December’s sales levels (46), representing a buyer’s market. Less than three or four months of inventory is generally considered a seller’s market. The excessive supply levels may also affect pricing.

Black said there were more multiple offers on low-priced properties last year, indicating that there are more buyers entering the market. This may be due in part to rising interest rates.

[Bankrate.com](http://Bankrate.com) lists Kaua‘i’s interest rate range on a 30-year fixed mortgage as 4.88 to 5.49 percent. In October and early November, interest rates dipped to 4.25 percent.

“Interest rates always affect things,” Black said. “But I think people just have a little more confidence to buy real estate lately.”

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