



Sterling C. Chisholm, R Broker

Phone: 828-2156

Cell: 635-0494

Fax: 828-2191

Email: chisholm@gte.net

www.alohasterling.com

KAUAI REAL ESTATE UP DATE 2005

People often ask me, “What is going on in real estate on Kauai today?” Well, let me start by saying that in a nut shell, since about 1999 the direction of real estate prices here in all of Hawaii has been in an upward direction with no end in sight.

The next leading question is, when is all of this going to end? If I had a crystal ball and could answer that, I would be a multi billionaire and not have to sit here and try to answer that question, however, the short answer is, “As long as the money holds out!!!” There is a phenomenon that has been taking place throughout the United States in the past half decade, especially in highly desirable areas, many of which are resort areas, where **the millionaires have come in and bought out the “Locals” and now the billionaires are coming in and buying out the millionaires.** If you look around the country at places like Vail or Aspen you will see what I am talking about. Kauai (Maui too) is no different except that the billionaires cannot fly their Lear Jets here from the Mainland.

Why is all of this happening? In a world of increasing population with crowded cities, urban sprawl, congested freeways there are fewer and fewer places in this world that are an oasis and stand out head and shoulders above the rest. Kauai just happens to be one of those very special places. It is a matter of simple economics. Kauai is a small, beautiful Island out in the middle of the Pacific Ocean with a limited amount of land available coupled with a very high demand for that land.

Who is buying up Kauai? In a word, **Baby Boomers!!!** The general profile of these Buyers is that they are near retirement age, live in a fairly large home in large metropolitan areas, and primarily live on the West Coast. They are by and large well educated with children who have left home making many Baby Boomers “empty nesters”. Their homes are either debt free or with low mortgages. In many cases, the Baby Boomer’s

parents (two sets of parents when you consider it) are passing away leaving a sizable chunk of cash and or real estate behind to their children. Many of the Baby Boomers have had good investments of their own and have survived the Dot-Com crash coupled with decent retirement programs. These affluent groups of people have incredible disposable cash assets at their finger tips and tend to believe in tangible assets like real estate rather than paper assets. They have been to Kauai early on in their young adult hood years and are returning to enjoy a more peaceful life style in a very beautiful place. While Kauai appeals to them as a good investment, it is also a returning to a way of life that they once knew when they were younger and when they were living with their parents and living in a somewhat more rural environment than presently surrounds them.

What is interesting about the typical Kauai real estate Buyer and our over all market place is that we generally only see the winners here....simply because the losers cannot afford to come here. As I mentioned above, we have had our share of millionaires here who have bought out the Locals and who are now being bought out by the billionaires. While many of these people come here to live, even if it is in a second home, there are also the investors who understand what high demand and limited supply mean to their portfolios. With more cash in the money management accounts than there has ever been before in the history of this country, real estate on Kauai is a literal hey day for investors who want to transfer their cash into tangible assets....especially a tangible asset that they can live in and where they can enjoy life.

So, where is all of the real estate on Kauai? Kauai is a small Island about thirty mile across and about a hundred miles around. The majority of the land available to the public is located from the shore line and at the most, goes several miles back toward the mountains. This land, which is made up of small parcels and lots, consist of about 10% of the Island as a whole. The remainder of the land is owned by the State of Hawaii with a sizable chunk of the land in the hands of a few old families or family trusts or old Island corporations made up of the “Big Five” original missionary families. This latter property was and in some cases still is sugar plantation land here on Kauai, but not for long. Also, a good portion of interior of Kauai is made up of some fairly steep, inaccessible mountainous land that is pretty rugged but also very beautiful.

What have all of these factors done to real estate on Kauai in the past few years? It doesn't take a rocket scientist to figure that question out! Basically speaking there are three categories of properties on Kauai aside form commercial property.... which there is little of. I have always considered ocean front and or ocean bluff properties with spectacular ocean views to be “A” properties.

The “B” properties are those that are a little further back from the ocean and may have some acreage to them and include special features such as being on a lake or stream or having great mountain views and or distant ocean views. C properties are all those properties that are left over in less desirable areas with little or no special features that set them aside from anything else. Of course, there are other types of real estate such as condos that have their own A, B, and C ratings which usually depending upon the complex and the unit locations within the complex. But, generally speaking, in the past five years, most of the A properties have simply disappeared with the B properties moving up into the A property price range. Now the B properties are beginning to disappear, and some of the C properties are moving up into the older B property range and surprisingly enough some of the C properties are moving up into the old A property range. When an A property or other spectacular property surfaces for sale (even an old B property), their prices are stand alone prices, only because these properties are getting to be very rare and can command the special prices. With the limited amount of inventory of these types of properties to begin with it is safe to say that the market place here is not and probably will not be flooded with these property at any time in the near future. Not only that, many of these A and B properties have been substantially improved with landscaping and or with new and expensive homes which only adds to the price tag. The pressure is definitely on only because there are not many places in the United States like Kauai. With world unrest such as it is and the value of the dollar being eroded away, Kauai is a smart buy both in the short term and in the long run.

The pendulum of affordability on Kauai. It goes without saying that while the price of real estate has escalated most dramatically here on the North Shore of Kauai, only because it is the most beautiful part of the Island and in high demand, the value of real estate elsewhere has also begun to rise proportionally. While there are certain locations like the North Shore and Poipu where the values are certainly the highest, there are other areas like the West Side (Kekaha, Waimea Hanapepe) that are beginning to open up as potentially good investment areas, only because the prices there are substantially less than anywhere else on the Island. In the 1970ies the County of Kauai designated three areas as Tourist Destination Areas. Princeville on the North Shore was one, Kapaa/Wailua on the East Shore was another and Poipu on the South Shore was the last. For better than thirty years that was the case until recently when portions of the West Side got the green light as Tourist Destination Areas as well. As a result of lower land cost in this area, which will not last for long, there are numerous developments coming on line including a proposed 18 hole golf course and a proposed expanded marina project in Waimea. While the North Shore and Poipu have spoken for themselves over the years, the West Side is slowly becoming the Kona of Kauai without the vog from the volcano. At this point the West Side is probably the best kept secret on Kauai. Needless to say, the pendulum of affordability and the opportunity is swinging around the Island in that direction. There is more to this story that I have alluded to here, however, I think you get the picture.

Where do I get information on Kauai Real Estate? You are in the right place!!! Simply navigate back to the map of Kauai on my home page and follow the simple directions that will help you locate properties for sale on Kauai. If you are interested in more detailed information, please click on my e-mail address that is found at the top of each page in this web site indicate your request. I will be glad to send you the “military version” (condensed information) of what we as Realtors use to do our research. It is interactive and will save you lots of time. I just need to know the areas you are interested in so that the information will be location specific when you get it. Otherwise, give me a call. I look forward to helping you with your Kauai property purchase.