

News

> [Local News](#) > [News](#)

[Print this Page](#)

[«--back to story](#)

Economist: Real estate at low; hard times gone

Says don't wait too long if searching for bargains

By HARRY EAGAR, Staff Writer

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WAIKAPU - If Maui real estate prices haven't already hit rock bottom, they're not going to get much lower, economist Paul Brewbaker said Friday.

He told the Realtors Association of Maui that his take-home message was that people shouldn't wait too long to buy if they're hoping to find bargains.

"It's not worth looking for that last five dollars," he said.

Several weeks ago, Brewbaker told another Maui audience that the recession was over, even in Hawaii.

On Friday, he spent much of his hour in front of 120 real estate professionals at the King Kamehameha Golf Club defending that pronouncement, trying to explain why the hard times are past, even if they don't feel like it.

Sure, it is a jobless recovery, he said.

When a dip in the business cycle ends, "the last thing you do is hire somebody. First, you work your employees to death. Then you realize your buddy is going to steal them and pay them more."

That's when employers start hiring again, he said.

Brewbaker noted that the unemployment rate on Oahu, 5.5 percent, is about what has been considered "full employment" on the Mainland. The Neighbor Islands are lagging, but Brewbaker tried to explain that snapshots of statistics have to be interpreted in a longer time frame.

One Realtor worried about a large oversupply of housing for sale: about 3,000 listings today at the Realtors Association's Multiple Listing Service, and probably another 1,500 in various forms of foreclosure and distress that are going to be piled on top of that.

But Brewbaker said that wasn't so bad.

The backlog of foreclosures is more attributable to Maui's distance from the bankers and brokers who are doing the paperwork to work out the problems than to any real increase in distress.

"I can't tell you how many people have told me about sales on the courthouse steps being postponed," he said.

On the Mainland, where the technocrats are, things are just moving faster, he said.

A couple of years ago, Maui's proportion of housing in distress ranked it among the five best states. The proportion hasn't changed much, but now Maui ranks in the middle of the pack. But that's just because more of the Mainland's problems have been disposed of.

The uptick in housing prices in California foretells an uptick here, since, as Brewbaker puts it, "Maui is the western edge of Orange County."

Brewbaker also noted very little new housing is being built, creating additional pressure on supply that will drive prices up.

Building permits are running about 400 a year, only a fifth of past experience. For several decades, he said, the proportion of housing starts compared with the increase in population has been falling steadily, mostly due to government regulations.

Maui County's snail's pace in keeping up with demand for infrastructure is only further suppressing the development of new housing, he said.

"The Department of Water Supply looks more like the Department of Water non-Supply," he said.

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— Paul Brewbaker, economist

Put it all together, and it looks as if the fall in prices - around 30 percent on average since 2007 - probably is about over, he said.

Brewbaker acknowledged that agents are going to feel resistance from clients, who might still be wary.

The Federal Reserve has said it intends to keep interest rates very low. Brewbaker does not consider worries about a "double-dip" recession compelling.

Although the current recession was bigger than any of the previous six recessions - although at only about 3 percent contraction nationally, not even one-fifth as bad as the Great Depression - when graphed, it takes its place in the up and down curve of a business cycle.

It isn't a double dip - that is, a new episode of the recession that ended in 2009 - that should concern people, Brewbaker said, but the occurrence of the next regular recession "in 2019 or whenever."

He did note some oddities of the current Maui real estate situation. Prices of single-family houses and condominiums have converged, while they used to be further apart, the way they still are on Kauai.

Although, he said that there might be some structural changes (there was an explosion of condo building at the destination resorts, which aspired to more luxury), he expects the price gap to re-emerge.

He titled his talk "Housing after the Recovery," and it was expected to be posted at the Realtors Association website, www.ramaui.com, by today.

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