



STUDY OF

**THE RESALE OF LEASEHOLD PROPERTIES CONVERTED TO FEE SIMPLE
OWNERSHIP UNDER THE HAWAII LAND REFORM ACT OF 1967**

Conducted By

LOCATIONS, INC. RESEARCH & CONSULTING DIVISION

**A REPORT TO THE GOVERNOR
AND THE LEGISLATURE OF THE STATE OF HAWAII**

Submitted By

**THE STATE AUDITOR
STATE OF HAWAII
HONOLULU, HAWAII**

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MARCH 1992

FOREWORD

In 1991, the Hawaii State Legislature adopted House Concurrent Resolution No. 327, House Draft No. 1, requesting the State Auditor to conduct a study of the resale of leasehold properties converted to fee simple ownership under the Hawaii Land Reform Act of 1967.

We contracted with the firm of Locations, Inc. to conduct the study. As requested in the resolution, the firm was asked to determine the extent of leasehold to fee conversions that have occurred, the extent and nature of resale activity that has taken place, and the extent to which speculators and foreign interests have participated in and benefited from the resale of leasehold properties that have been converted to fee simple ownership.

The project director on this study for Locations, Inc. was Michael A. Sklarz and the project manager was Colin T. Yasukochi. We join the Locations, Inc. study team in expressing our appreciation to the Housing Finance and Development Corporation and the various landowners who have provided data for this study.

Marion M. Higa
Acting State Auditor
State of Hawaii
March 1992

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EXECUTIVE SUMMARY

The Resale of Leasehold Properties Converted to Fee Simple Ownership Under the Hawaii Land Reform Act of 1967 Study was developed to provide the Legislature with objective information on the resales of residential house lots in Hawaii that have been converted from leasehold to fee simple ownership as a result of the Hawaii Land Reform Act of 1967. An additional objective of the study was to provide an assessment of the relationship of these resales to general residential real estate market conditions in Hawaii and the possible impact such resales may have on housing prices here.

The Legislature specifically requested information regarding the following leasehold to fee simple conversion topics:

- *Determine the number and composition of leasehold to fee simple conversions that have occurred in the period from 1967 through September, 1991.*
 - A total of 23,754 single family leased fee conversions were identified in Hawaii. Most of these conversions occurred during two time periods — 1979 - 1982 and 1986 - 1990. All but 295 of these leased fee conversions have been on Oahu.
 - The five largest sellers of leased fee interests have been: Bishop Estate with 13,616 (57.3%), Castle Estate with 3,996 (16.8%), Robinson Estate with 2,256 (9.5%), Campbell Estate with 1,583 (6.7%), and Queen's Hospital with 834 (3.5%).
- *Ascertain the extent and nature of resale activity that has taken place among properties that have been converted from leasehold to fee simple ownership since the passage of the Hawaii Land Reform Act of 1967.*
 - The percentage of leasehold to fee simple converted homes which resold at least once was 18.5%. The highest resale percentages are found in the Waialae/Kahala area at 23.8% while the lowest are found in the Upper Windward to North Shore area at 11.7%. Conversely, the percentage of leasehold to fee simple converted homes on Oahu still owned by the original leased fee purchasers is 81.5%.

In terms of multiple fee simple resales, 3.4% of all leasehold to fee simple converted properties resold two times, with 0.1% reselling three times.

Leasehold single family resales as a percentage of all Oahu resales have declined sharply since the late 1970's. At that time leasehold properties comprised approximately 50% of all resales. Since 1990, leasehold properties have comprised less

than 10% of all resales. Based upon Locations' proprietary databases of real property, there are approximately 4,600 (just under 4.0% of an estimated 120,000 total single family homes) leasehold single family homes remaining on Oahu.

Leasehold to fee simple conversions do not appear to stimulate subsequent fee simple resale activity. Resales in most converted neighborhoods followed the overall Oahu market trend. Of the 78 neighborhoods surveyed, the turnover rate (ratio of resales to total single family homes converted) within the first year was 5.6%. Of the major neighborhood areas with resales, the highest first year turnover rates were in Laulima, Koko Kai/Portlock, Blackpoint, and Aikahi Park, (over 10%) while the lowest first year turnover rates were in Halawa Hills, Waialae Gardens, and Alii Shores (under 2%). Thereafter, resales fell off with each succeeding year.

Of the homes which resold within the first year after conversion, the average time of ownership (from leasehold purchase to fee simple sale) was 65 months. The highest average holding periods (from leasehold purchase to fee simple resale) were found in Waialae/Kahala at 74 months and Kailua at 73 months. The lowest average holding periods were found in both Kaneohe and Leeward Oahu at 50 months.

- Leasehold to fee simple conversions do not appear to stimulate resale prices of converted homes. In nearly every neighborhood analyzed, fee simple converted resale prices closely followed the trends of Oahu's traditional fee simple neighborhoods (Kaimuki, Manoa, Mililani, Nuuanu, and Waipahu Triangle to name a few). Thus, if conversions occurred while overall Oahu prices were stable, fee simple converted resale prices remained stable. Similarly, if conversions occurred while overall fee simple prices were rising, fee simple converted resale prices rose.

Fee simple and leasehold single family resale prices within individual neighborhoods have generally moved in tandem over the years. The result is the ratio of median leasehold to median fee simple single family resale prices has ranged from approximately 70% to 90%. The lowest ratios have been in Waialae/Kahala while the highest ratios have been in Kailua. Up until the past several months, there had been a moderate decline in this ratio in recent years. However, recent moves to dramatically increase single family leased fee asking prices have had the predictable effect of depressing leasehold values much further in the associated neighborhoods.

- Over the years, leased fee conversion price trends have followed those of the overall Oahu single family market price trends. In particular, leased fee conversion prices were relatively flat during the early to mid-1980's. Thereafter (between 1987 and 1991) leased fee conversion prices increased sharply along with the overall Oahu marketplace.

Median leased fee conversion prices in individual neighborhoods as a percentage of fee simple resale prices have ranged from approximately 15% to 30%. The lowest numbers have been in Leeward Oahu while the highest numbers have been in Waialae/Kahala.

- The most important factor affecting year-to-year sales activity and sales prices is the condition of the overall real estate market. Trends in the overall market are driven by such factors as basic supply and demand (i.e. — new construction versus employment, population and household income growth), as well as external variables such as interest rates, exchange rates, tax laws, and the attractiveness of alternative investments.
- *Identify the extent to which speculators and foreign interests have participated in and benefitted from the resale of leasehold properties that have been converted to fee simple ownership pursuant to the land reform legislation.*
 - Two approaches were taken to analyze speculation associated with leasehold to fee simple conversions. Because there was no way of knowing the intentions of the participants involved, our analysis of speculation focused on the holding periods between purchase and resale of individual properties. The assumption is that speculative behavior is characterized by short holding periods.

The first approach (*Speculation I*) counted all properties where the leasehold purchase occurred within the two year period prior to conversion and the subsequent fee simple resale occurred within the two year period after conversion. This encompassed a four year time frame and should provide a very liberal count of potentially speculative purchases of leasehold to fee simple converted properties. Of the 23,459 converted properties which were analyzed on Oahu, 1.9% (approximately 445) had leasehold purchases and fee simple resales within two years of leased fee conversion.

Of the 445 properties satisfying the *Speculation I* definition, the highest percentages were found in Laulima (19.5%), Anchorage (11.4%), and Queen's Gate (9.2%), while the lowest percentages were found in Harbor View/Robinson Heights (0.1%), Crown Terrace (0.3%), and Niu Valley (0.4%).

The second approach (*Speculation II*) counted the number of leasehold to fee simple converted homes which experienced two or more fee simple resales within 18 months of one another. All properties were counted regardless of how much time had passed since the leased fee conversion. This should correspond to a more general definition of speculation — that is, one attributable to overall market conditions rather than leased fee conversions, specifically. Of the 23,459 converted properties, 1.5% (approximately 350) experienced two or more fee simple resales within 18 months of one another.

Of the 350 properties satisfying the *Speculation II* definition, the highest percentages were found in Blackpoint (7.1%), Old Kahala (6.4%), and Niu Peninsula and Beach (5.8%) while the lowest percentages were found in Koko Head Terrace (0.2%), Halawa Hills Estates (0.3%), and Crown Terrace (0.3%).

To determine the sensitivity of *Speculation I* and *Speculation II* the time period analyzed was reduced to 12 months instead of plus or minus 24 months for *Speculation I* and 18 months for *Speculation II*. The reduction in the time period analyzed dramatically reduced *Speculation I* from 1.9% to 0.6% of all converted homes. *Speculation II* was reduced far less from 1.5% to 1.1% of all converted homes.

- Two approaches were taken to analyze whether extraordinary investment returns could be attributed to leasehold to fee simple conversions.

The first was to calculate on a year-by-year basis by neighborhood the difference between two numbers — (1) the sum of the median leasehold home price and the median leased fee conversion price and, (2) the median fee simple resale price. This corresponds to an investor buying a leasehold home and its leased fee interest and, in the same year, reselling the home in fee simple. For nearly all the neighborhoods surveyed, the difference in any one year averaged between plus or minus 10%. This indicates that the potential for excess gains by purchasing the leasehold and leased fee interest and reselling in fee simple all within the same year was quite small.

The second approach analyzed the year-by-year investment returns on leasehold purchases in the years up to conversion and fee simple resales in the years subsequent to conversion. The results were presented in both nominal (percentage return realized on actual purchase prices) and excess or market-adjusted terms (which factors in overall Oahu single family market price increases). For homes which were purchased in leasehold during the late 1970's or early 1980's and held in fee simple until 1989-91, typical nominal returns ranged between 250% and 350%. When these returns were adjusted for the price increases of the overall market, however, the so-called "excess returns" typically ranged from plus or minus 5% on an annualized basis. The largest annualized excess gains were in areas such as Old Kahala and Koko Kai/Portlock at 5 to 10%, and Olomana and Alii Shores at 2 to 3%.

- Foreign investors presently own approximately 3.6% of all converted properties. The percentages by neighborhood range from 0.0% in many Windward and Leeward Oahu areas to 25.0% in Blackpoint, 24.4% in Waiialae Golf Course, 21.9% Koko Kai/Portlock, and 18.3% in Old Kahala.

It was found that foreigners (primarily from Japan) were sellers of 1.5% (*Speculation I*) or 7.3% (*Speculation II*) of the transactions which were identified as potentially speculative.

One perception regarding foreigners is that their speculative activity was the primary factor in driving up local real estate prices. Prior research at Locations, Inc. has shown that in the 1987 - 1988 period, the Japanese paid higher prices for homes in the Waiialae/Kahala area than local or other offshore buyers. However, the fact that they paid higher prices, which clearly put added pressures on the neighborhoods involved, does not necessarily mean that they were speculators. Rather, many now fall under the definition of longer-term investors.

- *Assess the inter-relationship between leasehold conversion resales and overall housing prices in Hawaii so as to gauge what effect, if any, leasehold conversion resales may have on rising housing prices.*
- Analysis at Locations, Inc. suggests that the most important driving force behind movements in a particular sector of the market is the trend in sales activity and prices in the overall Oahu real estate market. A finding of this study is that the trend of the overall market is also the primary force behind sales price and sales activity trends of leasehold and fee simple converted properties.

- In each of the fee simple converted neighborhoods, resale activity after the majority of conversions occurred closely tracked resale trends in the overall Oahu single family market. If the fee simple conversion had led to a surge in resale activity, the ratio of resales in a particular neighborhood to that of all Oahu would have shown a distinct peak around that time. No such peak was apparent in any of the neighborhoods analyzed.
- A comparison of median sale prices for leasehold to fee simple converted neighborhoods and the overall traditional Oahu fee simple market yielded similar results. After conversion, fee simple converted resale prices paralleled prices in Oahu's traditional fee simple single family market quite closely. If overall Oahu prices were stable at the time of conversion of a particular neighborhood, then subsequent fee simple resale prices in that neighborhood remained stable. Similarly, if overall prices were rising at the time of conversion, then subsequent fee simple resale prices in that neighborhood also rose.
- Broad economic or financial factors are the driving force behind major trends in the overall Oahu real estate market. These then filter down to individual neighborhoods as they, in turn, reflect what is occurring in the overall marketplace.
- *Make recommendations regarding (1) the collection, compilation, and reporting of data on leasehold conversions and resales, and (2) the undertaking of additional research relating to leasehold conversions and resales.*
 - There needs to be a standard method established for identifying foreign owners.
 - A follow-up study should be performed to identify the long-term trend of resale activity and price trends for the conversions which occurred since 1987. This would allow for a more definitive analysis of trends over the longer term.

SECTION I. INTRODUCTION AND BACKGROUND

PROJECT INTRODUCTION

During its 1991 regular session, the Hawaii State Legislature adopted House Concurrent Resolution No. 327, House Draft No. 1, requesting that the Auditor make a study of the resale of leasehold properties converted to fee simple ownership under the Hawaii Land Reform Act of 1967. The request for the study arose in the context of the current debate over extending the coverage of the Land Reform Act to condominiums and similar multi-unit residential facilities that are situated on leasehold land.

Among the issues causing legislative concern were allegations that the 1967 land reform legislation has not worked as intended. Specific allegations were that:

- Many lessees, after having converted their properties to fee simple under the Act, have made great profits from the resale of such properties;
- Speculation in properties converted to fee simple under the Act has contributed to the inflation of housing prices rather than stabilization of those prices.

In assessing the allegations, the Legislature determined that there is an absence of impartial studies on the subject. Further, there is insufficient objective data available for evaluating the substance of the allegations.

To remedy the lack of information on the subject, the Legislature proposed that a study be performed on the resales of residential house lots in Hawaii that have been converted from leasehold to fee simple ownership as a result of the Hawaii Land Reform Act of 1967. The Legislature stipulated that the study should include an assessment of the relationship of these resales to general residential real estate market conditions in Hawaii and the possible impact such resales may have on housing prices here.

PROJECT SCOPE

The scope of the study was specified to encompass or to take into account the following:

- An overview of leasehold to fee simple conversions.
- An assessment of resales for converted properties, making sure that comparable values are used when tracking the resales of leasehold conversions.
- An examination of the involvement of speculators and foreign investors in the resales of converted properties.
- An assessment of leasehold conversion resales within the broader context of market factors affecting home sales in Hawaii.
- A comparison of market activity and prices between leasehold areas and fee simple areas.

PROJECT OBJECTIVES

Based on the specifications provided by the Auditor, the objectives of the study were as follows:

- To determine the number and composition of leasehold to fee simple conversions that have occurred in the period from 1967 through September, 1991.
- To ascertain the extent and nature of resale activity that has taken place among properties that have been converted from leasehold to fee simple ownership since the passage of the Hawaii Land Reform Act of 1967.
- To identify the extent to which speculators and foreign interests have participated in and benefitted from the resale of leasehold properties that have been converted to fee simple ownership pursuant to the land reform legislation.
- To assess the inter-relationship between leasehold conversion resales and overall housing prices in Hawaii so as to gauge what effect, if any, leasehold conversion resales may have on rising housing prices.
- To the extent appropriate, to make recommendations regarding: (1) the collection, compilation, and reporting of data on leasehold conversions and resales, and (2) the undertaking of additional research relating to leasehold conversions and resales.

REVIEW OF PRIOR RESEARCH

This section provides a summary of findings from prior research related to the study. Information from this research was utilized to assist with formulating initial study questions and in the selection of data used in the study.

GENERAL BACKGROUND ON HAWAII'S LEASEHOLD SYSTEM

Ordway (April, 1991) provides a succinct historical perspective of Hawaii's leasehold system in his study of the residential condominium leasehold issue entitled, *Modeling Long Term Impacts of a Hypothetical Residential Condominium Lease on Lessors and Lessees in Hawaii*.

Citing an early study on Hawaii's leasehold system by Louis A. Vargha (1964), Ordway reports that the leasehold system in Hawaii was primarily a post World War II phenomena. At the time of the Census of Housing of 1940, only about 3.5% of all owner-occupied housing was in leasehold tenure. However, from 1946 to March 1963, a growing percentage of residential lots were offered only in leasehold tenure (See Table I-1).

Table I-1
PERCENTAGE OF LOTS OFFERED
IN LEASEHOLD TENURE

Period of Subdivision	Percent
1946-1950	10.8%
1951-1955	32.4%
1956-1960	45.3%
1961-March 1963	70.5%

*Vargha, 1964, Page 10.

Ordway states that there were three driving forces contributing to the increasing percentage of leases observed by Vargha: The tax consequences of land sales, the reluctance of many landowners to sell their land, and the influence of promoters and developers in convincing landowners of the advantages of land leasing.

The first driving force is rooted in the Internal Revenue Service Code. Citing Midkiff, Ordway relates that "landowners claimed that the federal tax laws were the primary reason they previously had chosen to lease, and not to sell, their lands."

The second driving force was the attitude on the part of many landowners that land should seldom, if ever, be sold. Ordway points out that, in some charitable trusts, there were specific prohibitions against the sale of land unless compelling reasons required the sale of assets.

The third driving force was the activity of promoters and developers who convinced the landowners of the advantages of leasing their land for housing development. These advantages included providing the landowners with steady income streams that would be periodically adjusted to reflect the increase in land values, retention of improvements at the end of leases, and the transfer of responsibility for property taxes and maintenance expenses to lessees.

Quoting from *Hawaii Housing Authority v. Midkiff*, 467 U.S. 229 (1984), the landmark decision in which the U.S. Supreme Court upheld the constitutionality of the Land Reform Act of 1967, Ordway relates that "in the mid-1960's, after extensive hearings, the Hawaii Legislature discovered that while the State and Federal Governments owned almost 49% of the State's land, another 47% was in the hands of only 72 private landowners."

Further quoting the court opinion, Ordway adds that, "the legislature found that 18 landowners, with tracts of 21,000 acres or more, owned more than 40% of this land and that on Oahu, the most urbanized of the islands, 22 landowners owned 72.5% of the fee simple titles." (*Midkiff*, 1984 at 232).

Ordway attributes negative political sentiment in the state government against the concentration of leases in the hands of these few landowners as the primary cause for the passage of the Land Reform Act in 1967. Covering mandatory leasehold conversions of single family homes, the Land Reform Act provides the legal foundation for residents to request the use of the State's power of eminent domain to force landowners to sell leased land under single family homes within five acre development tracts.

GENERAL MARKET TRENDS

Ordway (1989) in his study of foreign investment in real property, cites the root cause of many of Hawaii's current pricing problems to be the imbalance of supply and demand for real property. Among the problems reported by Ordway are rising home prices, increases in property taxes, special condominium problems, and problems of increased prices of leased fee conversion purchases.

Using data prepared by Locations, Inc., Ordway notes that for much of the 1980's, the real estate market was relatively flat. After a sharp drop in housing prices in 1981-82, relative to the Consumer Price Index (CPI), and a period of stagnation in 1982-1984, prices began to rebound in 1985. Average house prices surged in 1986 and 1987.

Ordway states that the median price of houses in Hawaii lagged behind the CPI until the latter part of the decade. He relates that 1986-87 prices only began to match median prices on the West Coast of the mainland United States.

Burns & Meyer (1988), in their study of foreign investment in Honolulu real estate markets, contend that the rising prices may have been due to long overdue price adjustments.

CONVERTED LEASEHOLD PROPERTY RESALES

In a proprietary analysis of the resales of converted leasehold properties, the Locations, Inc. Research Department (1988) found that resales of converted leasehold properties exhibit a broad range of performance. Furthermore, overall investment returns and turnover rates for converted leasehold properties appear to be consistent with general Oahu real estate trends. Locations, Inc. attributed apparent differences in resale prices to the general location of the property and the time between the property's first purchase in leasehold and subsequent sale in fee simple.

Comparing overall Oahu single family property sales, Locations, Inc. identified the Waiialae/Kahala area as particularly noteworthy for above average investment returns evident in resale activity.

Fry and Mak (1983), in their analysis of property price differentials between fee simple and leasehold property in Hawaii, determined that the average price differential is surprisingly small. They offer the explanation that the small differential is due to the fact that many households have constrained borrowing power. Because of this, high discount rates are used to calculate the present value of the future land price at the expiration of the lease.

FOREIGN INVESTMENT

Sakata (1979) reports in his examination of foreign investment in Hawaii that prior to the 1970's, the only major foreign investment in Hawaii real estate was Kenji Osano's 1963 purchase of the Princess Kaiulani and Moana Surfider hotels. In 1972, Japanese, Canadian, and Australian interests began heavily investing in Hawaii real estate. During 1974-75, foreign investments slowed but picked up strongly again in 1977 and 1978.

For the year 1978, Sakata states that residential property and land only represented 1.3% of total foreign investment in Hawaii.

In assessing the impact of foreign investment on Hawaii real estate, Ordway (1989) cites two significant factors that need to be considered. One is the thin real estate market within the state and two is the importance of maintaining goodwill with all major visitor market segments.

The "thinness" of the local market cited by Ordway relates to the relatively small size and number of properties in the local real estate market areas. In this regard, while foreign investment appears to only represent about one or two percent of total real estate transactions in the state, the percentage has been highly localized with significant impact on a select few neighborhoods.

Ordway considers maintaining goodwill with all major visitor market segments an important issue given Hawaii's dependence on the visitor industry. According to Ordway, a cost benefit analysis should be performed when measures directed at foreign investment are considered. While there may be compelling state interests in regulating or restricting certain speculative behaviors, these same restrictions have the potential of giving foreign visitors the impression that they are unwelcome here with consequent impact on their arrival rates.

Burns and Meyer (1988), attribute the decline of foreign investment in real estate after the peak in 1987 to several factors including:

- Negative publicity surrounding foreign real estate purchases.
- The Mayor of Honolulu's call for restrictive legislation on foreign real estate purchases.
- Increased management problems with regard to second home and investment properties.
- Increased caution by Japanese investors.

While discussing the reaction in Hawaii to foreign investment, Burns and Meyer suggest that if the purchases had been accompanied by less publicity, the spillover effect would probably have been less significant.

Ordway (1989) states that the surge in single family property prices in 1986 and 1987 coincided with a period of heavy Japanese investments in Hawaii and the mainland United States. He suggests that this pricing trend may have been an inflated response to foreign investment.

According to Ordway, in the 1987-1988 period, foreign investment, predominantly Japanese investment, in Hawaii involved a relatively small percentage of total real estate transactions. However, the total dollar volume of these transactions was high. In addition, these investments were concentrated in those locations with above average investment returns (e.g. Waikiki and Kahala areas).

In their examination of Japanese purchases in Hawaii residential real estate markets, Miller, Sklarz, and Ordway (1988) attribute the investment activity by the Japanese in Hawaii to a number of factors including the value of the Japanese yen which had soared to nearly double its value relative to the U.S. dollar between 1985 and 1987. This appreciation

in yen value made U.S. and Hawaii real estate seem extremely cheap - i.e. half the cost in the eyes of Japanese investors when they compared 1985 and 1987 prices in yen terms.

SPECULATION

Barron's Dictionary of Finance and Investment Terms defines speculation as, "*assumption of risk in anticipation of gain but recognizing a higher than average possibility of loss. The term speculation implies that a business or investment risk can be measured, and its distinction from the term INVESTMENT is one of degree of risk.*"

The Internal Revenue Service previously distinguished between short and long term capital gains by the length of the holding period. Holding periods of less than one year were considered a short term gain and were taxed at a higher rate than long term gains. Thus, one could reasonably assume that short term gains were a form of speculation.

Ordway (1989) defines speculation as the purchase of assets for the purpose of gaining abnormal profits from market inefficiencies. Conversely, investment is the purchase of assets for the production of income or for use.

In a discussion of Japanese and other foreign speculators, Ordway asserts that they may be reserving their Hawaii real estate purchases for the world rather than the local market. While allowing that these foreign speculators may be contributing to a more efficient allocation of land resources, Ordway states that this efficiency may not necessarily benefit the citizens of Hawaii.

For 1988, Ordway observes that while the median prices have not behaved substantially differently from the prices on the West Coast, the average prices have changed significantly upward. He asserts that this supports the idea that there has been a segmentation of the market, with houses in the upper price ranges behaving differently from houses in lower price ranges.

DATA SOURCES & LIMITATIONS

To obtain the most thorough and accurate data available on leasehold to fee simple conversions, a wide range of sources were tapped. Considering this objective, data directly from the involved landowners were sought. The Housing Finance & Development Corporation (HFDC) had obtained specific conversion data directly from landowners. This data, which contained information on 22,000 converted properties, were made available to Locations, Inc. Data on the remaining conversions were obtained from secondary sources. The secondary sources included MLS Hawaii's REsearch TMK System and court documents.

Three data elements were needed for each converted property: (1) conversion date, (2) conversion price, (3) property tax-map-key number. Approximately 2,200 properties were missing one or more of the data elements. Of these, 1,500 were missing the conversion date and/or conversion price, 500 were missing tax-map-key number references, and 200 were missing all data elements. Therefore, approximately 2,200 properties were excluded from the study analysis when the missing data elements were required. In those cases, available data represented the sample of major area summaries.

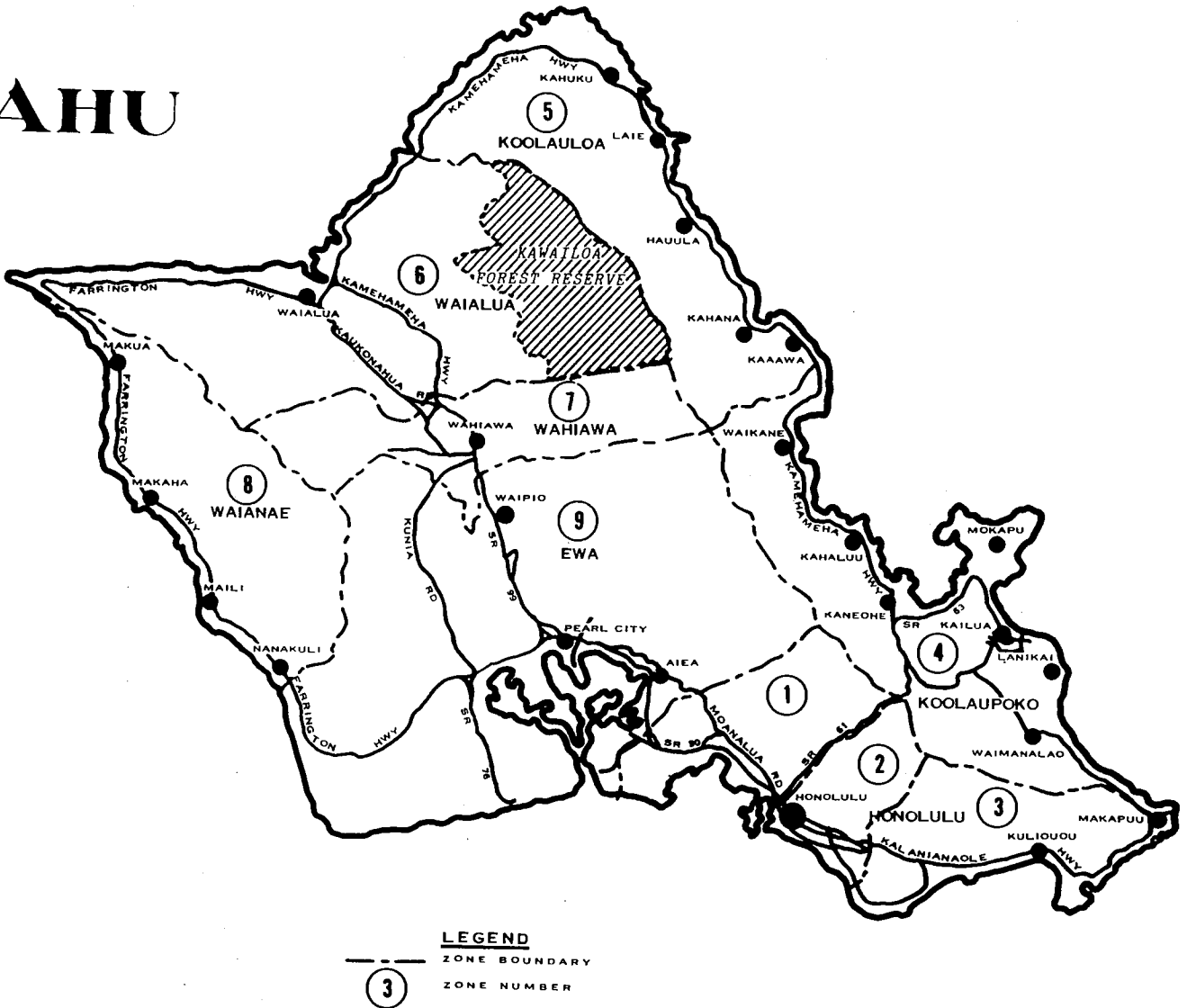
GEOGRAPHICAL AREAS FOR STUDY ANALYSIS

The study analysis was focused on Oahu due to the relative absence of leasehold to fee simple conversions and data for analysis on the Neighbor Islands. The geographical areas for study analysis correspond to tax-map-key zones, major areas, and specific neighborhood areas.

Tax-map-key zones (indicated by the circled numbers 1 - 9) are shown in Exhibit I-1. The major geographical areas and the specific neighborhoods within the major areas are shown in Table I-2.

EXHIBIT I-1 MAP OF OAHU TAX-MAP-KEY ZONES

OAHU



**TABLE I-2
OAHU SINGLE FAMILY NEIGHBORHOOD NAMES**

EAST HONOLULU

* Kaimuki
St. Louis Heights
* Lower Manoa
* Upper Manoa
Kapiolani
* Kapahulu
Kapahulu Ewa
Waikiki
Diamond Head Gold Cst
Diamond Head
* Lower Palolo
* Upper Palolo
Maunalani Heights
Aina Haina
Niu Peninsula & Beach
Niu Valley
Hawaii Loa Ridge
Wailupe Pen & Beach
Kuliouou
Kamehameha Terrace
Lowell Tract

CENTRAL HONOLULU

* Alewa Heights
Downtown
Punchbowl
Kakaako
Lower Nuuanu
* Pacific Heights
* Nuuanu
* Makiki
* Makiki Hts/Roundtop
* Lower Makiki
Ala Moana
* Mc Cully
* Moiliili

WEST HONOLULU

Salt Lake
Aliamanu
* Moanalua Valley
* Moanalua Gardens
Halawa Hills Estates
Halawa Heights
Halawa Valley Estates
Foster Village

WAIALAE/KAHALA

Old Kahala
Waialae Gardens
Waialae Nui
Aina Koa
Waialae Golf Course
Waialae Iki
Kai Nani
Waialae Beach
Blackpoint

HAWAII KAI

Koko Kai/Portlock
Koko Kai Triangle
Koko Head Terrace
Lunalilo Terrace
Mariner's Ridge
Hahaione Valley
West Marina
Mariner's Cove
Mariner's Valley
Mariner's Village
Kalama Valley
Queen's Gate
Anchorage
Laulima
Kealaula Kai
Lunalilo Marina
Kamehame Ridge

KAILUA

Enchanted Lake
Maunawili
* Maunawili Estates
Olomana
Pohakapu
Kailua Beach
* Lanikai
Kalaheo Hillside
* Coconut Grove
Kawailoa
Kainalu
Kawainui Canal
Kuulei
Aikahi Park
Kaimalino
Kailua Bay Estates
Kaelepulu
Kukanono
Country Club Knolls
Keolu Hills
Bluffs
Yacht Club Hills

*Used in Analysis of Traditional Fee Simple Prices

KANEOHE

Kaneohe Town
 Haiku Village
 Haiku Plantation
 Alii Shores
 Crown Terrace
 Haiku Knolls
 Alii Bluffs
 Keapuka
 * Kapunahala
 Kokokahi
 Kaneohe Bay
 Puohala Village
 * Halekou

UPPER WINDWARD/NORTH SHORE

Pikoiloa
 Parkway
 Ahuimanu
 Ahuimanu Hills
 * Woodridge
 Clubview Estates
 * Kahaluu
 Heeia
 Kaaawa
 Punaluu
 Hauula
 Laie
 Kawela
 * Sunset Beach
 * Pupukea
 Haleiwa
 * Waialua/Mokuleia

LEEWARD

Wahiawa
 * Waipio
 * Waipio Gentry
 * Mililani
 * Newtown Estates
 Pearl View Estates
 Pearlridge Estates
 Pacific Palisades
 Holiday City
 Twin View
 Momilani
 Waiiau View Estates
 Waimalu Vista
 Newtown Villa
 Enchanted Hills
 * Royal Summit
 Ewa Beach
 Soda Creek
 West Loch Estates
 * Waipahu Triangle
 * Waipahu Estates
 Village Park
 Royal Kunia
 Crestview Seaview
 Harbor View/Rob Hts
 * Nanakai Gardens
 Makakilo
 Waianae
 Nanakuli
 Makaha
 * Waianae
 Nanakuli
 Makaha

*Used in Analysis of Traditional Fee Simple Prices

ORGANIZATION OF FIGURES

Providing the most accurate and comprehensive data on leasehold to fee simple conversions was an important objective of this study. The total volume of data generated made it impractical to display all charts and graphics within the body of the written report. However, the importance of providing this information in detailed form was recognized. Therefore, a complete set of charts and graphics is provided in Appendix I. The figures are numbered sequentially by section.

Selected charts and graphics have also been inserted into the written body of the report. The charts and graphics selected for insertion into the written body of the report display important points or provide examples of specific categories of data summaries. The charts and graphics inserted into the written body of the report follow their numbering in Appendix I.

GLOSSARY OF TERMS

Sources for the following terms include: *A Guide to Hawaii's Residential Leasehold - Single Family Residences*, authorized by the Hawaii State Legislature and the State's HFDC; *Barron's Dictionary of Finance and Investment Terms*; and *The American Heritage Dictionary* by Houghton Mifflin.

Arbitrage:

Profiting from the differences in price when the same commodity is traded on two or more markets.

Average:

The number obtained by dividing the sum of a set of values by the number of values in the set.

Fee Simple:

The highest degree of ownership in real property recognized by law. Fee simple ownership may be transferred by gift, sale, or succession and includes most rights to the enjoyment and use of the property, indefinitely, subject to federal, state, and local laws. When the land is leased, the unencumbered fee simple interest and the right to possession are held separately until the leasehold and leased fee interests are again merged.

Land Reform Act:

A State of Hawaii law designed to allow lessees of single family residential lots to purchase the fee simple interest in their lots. The Land Reform Act was first adopted by the Hawaii Legislature in 1967 and is found in Chapter 516, Hawaii Revised Statutes.

Leasehold to Fee Simple Conversion, Conversion, or Converted Property:

The process of transforming a leasehold interest in land to an unencumbered fee simple interest through the sale of the leased fee interest to the owner of the leasehold interest (lessee). Conversion involves the merging of the leasehold and the leased fee interests to form a fee simple.

Lease:

A written agreement by which the owner of property (lessor) gives possession of it to another person (lessee) for a definite period of time in return for the payment of rent. The lessor retains the right to retake possession at the end of the lease term. The specific type of lease may be a sublease, a ground lease, or any other kind of lease.

Lease Rent:

Periodic rental payments exclusive of any other payment required under the lease made by the lessee to the owner (lessor) in return for the right to use and occupy the property. The lease rent is specified in the lease agreement. The lease usually also specifies where and when lease rent payments are to be made.

Lease Term:

The length of time, as specified in the lease, during which the lessee may rightfully use and occupy the leased property. A ground lease typically has a term of 55 years or more.

Leasehold Interest:

The rights and obligations of the lessee in the property as controlled by the lease agreement.

Leasehold Property or Leasehold:

A property held under the terms of a lease agreement. The holder of a leasehold interest (lessee) usually pays the owner of the lease fee interest (lessor) a stated amount of lease rent over a specified lease term in consideration for the right to use and occupy the property.

Leased Fee Interest or Leased Fee:

The property interest retained by a landowner who has leased the rights to the use of the fee simple land for a definite period of time. The value of a leased fee interest includes the receipt of lease rents throughout the lease term and the reversion of the fee simple rights to the landowner at the end of the lease term.

Lessee:

The person to whom property is rented or leased. The lessee possesses the right to use or occupy the property (the leasehold interest) in return for the payment of rent over the entire term of the lease agreement.

Lessor:

The person who rents or leases property to another (the lessee) under a lease agreement. The lessor retains an interest in the property called the leased fee interest.

Median:

The middle value in a distribution sorted by from lowest to highest, above and below lie an equal number of values.

Multiple Resale:

A property that has sold more than once after conversion.

Speculation I:

A working definition used in this study for property purchased less than 24 months before the leasehold to fee simple conversion and sold less than 24 months after the leasehold to fee simple conversion.

Speculation II:

A working definition used in this study for resales of converted property that occurred within 18 months of one another subsequent to conversion.

Study:

This study on the Resale of Leasehold Properties Converted to Fee Simple Under the Hawaii Land Reform Act of 1967.

Traditional Fee Simple Property:

Property that is unaffected by leasehold to fee simple conversion or has historically been fee simple.

Unencumbered:

A title to real property that is free and clear of encumbrances such as leases, restrictions, mortgages and other liens.

SECTION II. LEASEHOLD TO FEE SIMPLE CONVERSIONS

INTRODUCTION

This section summarizes the total number of leasehold to fee simple conversions and the corresponding conversion prices in the State of Hawaii from 1967 to September 1991. For each converted property identified, the landowner involved, conversion date, conversion price, and neighborhood area was recorded when available. This enabled the presentation of leasehold to fee simple conversions by landowner, landowner and year, neighborhood area; and the presentation of median conversion prices by neighborhood area and year.

METHODOLOGY

For this segment of the analysis, a conversion data table containing tax-map-key references, conversion dates, and conversion prices was initially created. Several databases derived from both primary and secondary data sources were used in the development of the conversion data table.

An important primary data source for the development of the conversion data table was the Housing Finance and Development Corporation (HFDC). With the cooperation of the HFDC, access was provided to landowner leasehold to fee simple conversion records and, in some cases, actual court records.

Primary landowner data obtained through HFDC included the following:

- | | |
|------------------|---|
| Bishop Estate: | Data for all converted properties were provided, including tax-map-key references and conversion sale dates. No conversion prices were made available. |
| Castle Estate: | Data for all converted properties were provided, including tax-map-key references, conversion sale dates and conversion prices. |
| Robinson Estate: | Data for converted properties were provided, including tax-map-key references, conversion dates and conversion prices. Significantly, for about 700 property records, conversion dates were not provided. |

- Campbell Estate: Data for all converted properties were provided, including tax-map-key references, and conversion dates and prices.
- Queens Medical Ctr: Data for all converted properties were provided, including tax-map-key references, conversion dates and prices.
- Kalama Land Co.: Data for all converted properties were provided, including tax-map-key references, conversion sale dates and prices.
- Pflueger/Cassiday: Data for all converted properties were provided, including tax-map-key references, conversion sale dates and prices.
- Robert Mitsuyasu: Data for all converted properties were provided, including tax-map-key references, conversion sale dates and prices.
- Marianist Province: A total count of converted properties was provided.
- Zion Securities/
Deseret: A total count of converted properties was provided.
- Morris Trust:
(Alika Dowsett) A total count of converted properties was provided.
- Lunalilo Estate:
(Aina Lunalilo) A total count of converted properties was provided.

Secondary data sources were utilized for developing the conversion data table where primary data from the landowners were unavailable or incomplete. An important secondary data source was Locations, Inc.'s proprietary databases of computerized conveyance and sales information.

Developed from data independently generated by Locations, Inc. and from other public domain and private sources, including the MLS Hawaii's *REsearch TMK* system, the Locations, Inc. databases contain detailed real property sales and conveyance information for transactions occurring in the period 1977 - 1991. Specific information contained in the Locations, Inc. databases includes:

- Property Description (zoning, structure type, land and building description, year built)
- Real Property Sales (tax-map-key, sales type, sales date, sales price, tax payer name, tax assessed values)

- Neighborhood Sales (median sales prices, average sales prices, sales turnover rates)
- Foreign Buyers (sale price, sale date, buyer name, buyer country)

A listing of the major Oahu areas and neighborhoods is provided in Section I, Geographical Areas for Study Analysis.

A multiple step process was used for developing the conversion data table for this segment of the study. The steps included the following:

- The data table was initially populated with approximately 7,500 data records for leasehold to fee simple conversion properties where the tax-map-key references, conversion dates and conversion prices were all available directly from landowners through HFDC.
- For approximately 14,500 properties, partial conversion transaction data were provided by the landowners. These transactions were for properties that were confirmed as converted, but missing either the conversion date or conversion price. The Locations, Inc. computerized databases were used to identify the missing data elements. Information from these databases completed approximately 13,000 of these converted property records.

The approximately 13,000 complete property records and 1,500 partially complete property records were subsequently added to the data table. The 1,500 partially complete property records were missing either the conversion price or date or both.

- No data were available from ten of the smaller landowners who were confirmed to have had properties converted through Chapter 516, Hawaii Revised Statutes procedures. To identify the converted properties for these landowners, the HFDC was asked to provide tract area references and estimated counts of the total number of converted properties. The HFDC estimate of converted properties for these small landowners was approximately 1,700.

Using this information, search parameters were developed and used to query the Locations, Inc. computerized databases to obtain data for these conversion transactions. Approximately 1,500 converted property transaction records were identified and subsequently added to the data table. Information on the remaining 200 conversions was not obtained.

- A series of computerized validation tests were performed on the conversion data table after it was initially constructed to eliminate potential errors that may have been introduced during the development stage.
 - Editing runs were performed to check for duplicate records.
 - Conversion totals by landowner were compared with HFDC totals to identify potential discrepancies.
 - Conversion price summaries by neighborhood were reviewed to identify potentially discrepant values.
 - Sampling procedures were applied to extract records that were then compared with Bureau of Conveyance data sources to confirm the accuracy of the conversion transaction data contained in the data table.

For the analysis of leasehold to fee simple conversions, statistical procedures were then applied to the conversion data table to obtain conversion totals and distributions.

FINDINGS

Total Number of Conversions. As of September, 1991, the analysis was able to identify 23,754 single family residence leasehold to fee simple conversions in Hawaii. A total of 23,459 were on Oahu and a total of 295 were on other islands. Based upon Locations' proprietary databases of real property, there are approximately 4,600 (just under 4.0% of an estimated 120,000 total single family homes) leasehold single family homes remaining on Oahu.

Total Number of Conversions by Land Owner. Leasehold to fee simple conversions were confirmed for twenty landowners. The landowners and the distribution of their leasehold to fee simple conversion transactions are presented in *Leasehold to Fee Simple by Landowners*, Table II-1 and graphically in Figure II-1(see Appendix I).

Five of the landowners account for 93.8% (22,285) of the total number of leasehold to fee simple conversions. They are Bishop Estate at 57.3% (13,616), Castle Estate at 16.8% (3,996), Robinson Estate at 9.5% (2,256), Campbell Estate at 6.7% (1,583), and Queen's Medical Center at 3.5% (834).

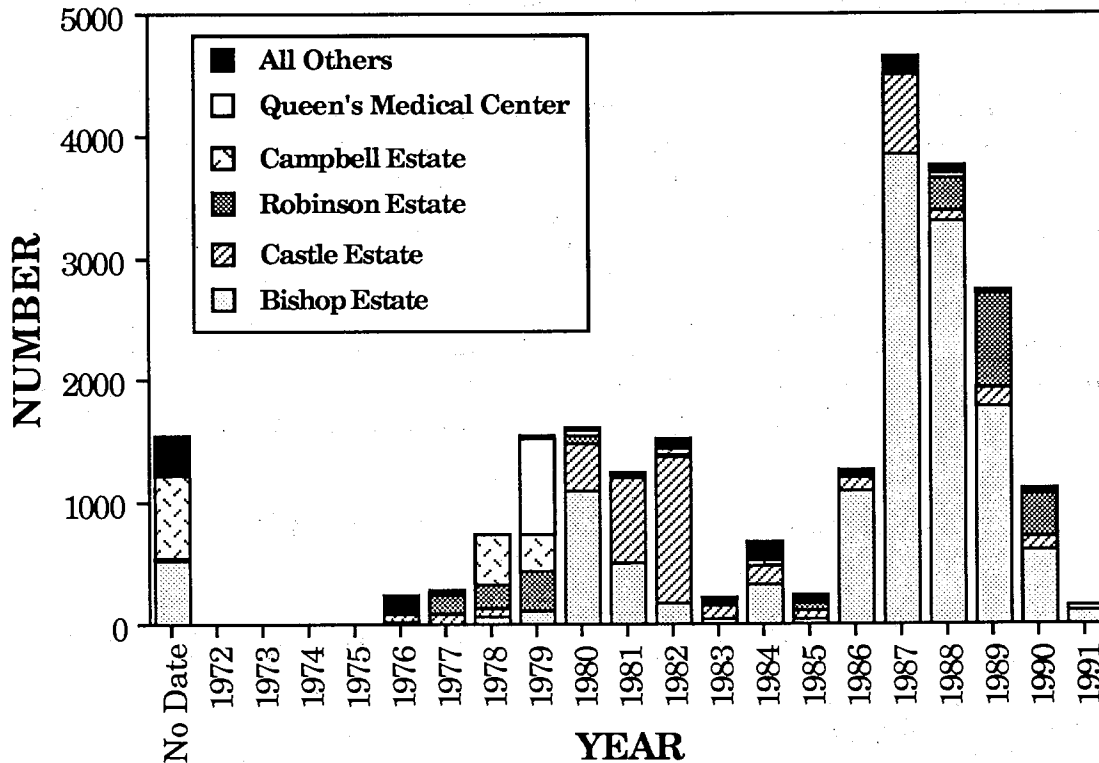
**Table II-1
LEASEHOLD TO FEE SIMPLE CONVERSIONS
BY LANDOWNER**

<u>LAND OWNER</u>	<u>TOTAL CONVERTED LOTS</u>
Bishop Estate	13,616 (57.3%)
Castle Estate	3,996 (16.8%)
Robinson Estate	2,256 (9.5%)
Campbell Estate	1,583 (6.7%)
Queen's Medical Center	834 (3.5%)
Pflueger/Cassiday	318 (1.3%)
Zion/Deseret	238 (1.0%)
Marianist Province	215 (0.9%)
Kualoa Ranch	135 (0.6%)
Bishop Museum	110 (0.5%)
Robert Mitsuyasu	101 (0.4%)
Lunalilo (Aina Lunalilo)	79 (0.3%)
Mary Parish Heirs	70 (0.3%)
Gaspar Estate	61 (0.3%)
Wong Family	45 (0.2%)
Kalama Land Company	35 (0.2%)
Lum Yip Kee	30 (0.1%)
Ackerman/Nottage	26 (0.1%)
Morris Trust (Alika Dowsett)	4 (0.02%)
Spadaro	2 (0.01%)
TOTAL	23,754 (100.0%)

Distribution of Conversions by Land Owner and Year. Since the first leasehold to fee simple conversions in 1972, there are two periods when the majority of conversions took place (Figure II-2).

Figure II-2

LEASED FEE CONVERSIONS BY YEAR



In the first of these two periods, 1979 - 1982, approximately 30% of the total number of conversions occurred. The second major conversion period took place in 1986 - 1990. During this latter period, over 57% of the total number of conversions were recorded.

In 1976 - 1978, just under 1,300 conversion transactions were completed. This relatively slow period was followed by a four year period, 1979 - 1982 in which approximately 1,500 conversion transactions per year were recorded. In this period, Bishop Estate, Castle Estate, Queen's Medical Center, Campbell Estate, and Robinson Estate accounted for most of the conversion activity.

The volume of conversions dropped from over 1,500 transactions in 1982 to a little more than 200 conversions in 1983. This reduced activity in conversion activity continued until 1986.

The years 1986 - 1990 were the most active period for conversions with over 13,500 conversions recorded. In the peak 1987 year, there were over 4,500 conversions. Most of the transactions occurring during this period involved Bishop Estate properties.

Of the total number of leasehold to fee simple conversions, all except 295 have occurred on Oahu. Bishop Estate properties account for all of the Neighbor Island (Maui and Hawaii) conversion transactions.

Table II-2 shows the distribution of conversions for selected neighborhood areas by periods. Figures II-3 through II-11 (see Appendix I) display this same data for the corresponding major areas by year.

Table II-2
LEASEHOLD TO FEE SIMPLE CONVERSIONS
BY NEIGHBORHOOD & PERIODS

Neighborhood	No Date	Prior to 1987	1987-Sept 1991
<i>East Honolulu</i>			
Lowell Tract	0	21	5
Moiliili	8	3	0
Upper Manoa	0	41	1
St Louis Hts	0	4	16
Niu Valley	0	243	21
Niu Pen & Beach	0	48	4
Aina Haina	0	15	6
<i>West Honolulu</i>			
Halawa Hills Estates	5	341	28
Foster Village	2	835	46
Halawa Valley Estates	1	69	71
<i>Waialae/Kahala</i>			
Old Kahala	59	875	150
Waialae Gardens	1	247	14
Waialae Nui	0	0	416
Aina Koa	0	0	38
Waialae Iki	6	141	590
Blackpoint	1	31	16
Kai Nani	1	0	27
Waialae Beach	1	0	18

Table II-2 (Cont.)

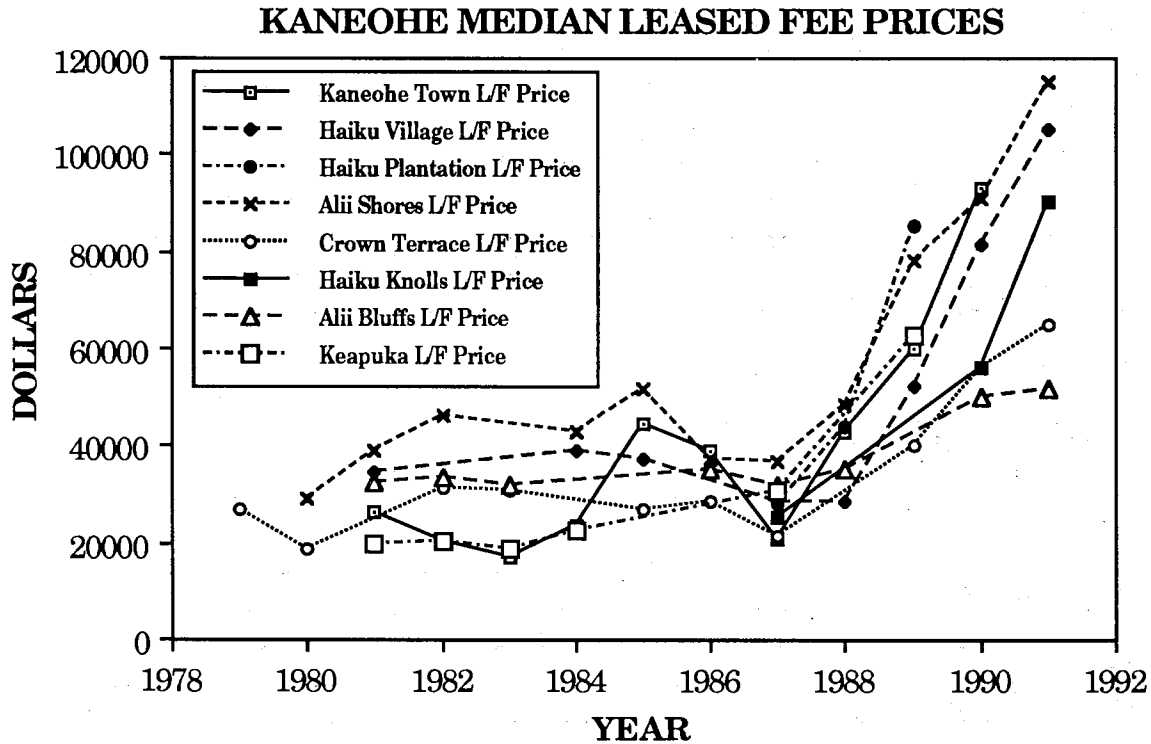
Neighborhood	No Date	Prior to 1987	1987-Sept 1991
<i>Hawaii Kai</i>			
Koko Kai/Portlock	1	0	364
Lunalilo Marina	24	0	156
Koko Head Terrace	0	390	214
Lunalilo Terrace	1	72	684
Mariner's Ridge	0	0	392
Hahaione Valley	48	0	505
West Marina	0	0	403
Mariner's Cove	0	0	368
Mariner's Valley	0	0	649
Koko Kai Triangle	14	1	205
Kamehame Ridge	0	69	11
Kalama Valley	0	0	1008
Queen's Gate	0	0	138
Anchorage	1	0	97
Laulima	0	0	93
Kealaula Kai	0	0	60
<i>Kailua</i>			
Enchanted Lake	1	0	1268
Maunawili	89	150	180
Olomana	0	286	12
Pohakapu	2	234	17
Kailua Beach	0	138	69
Kalaheo Hillside	68	306	94
Kainalu	0	60	25
Kawainui	1	273	105
Kuulei	1	99	86
Aikahi Park	0	35	237
Kaimalino	1	91	18
Kaelepulu	5	52	151
Keolu Hills	34	0	0
Kukanono	16	71	11
Country Club Knolls	0	0	96
<i>Kaneohe</i>			
Yacht Club Hills	0	0	17
Kaneohe Town	0	92	16
Kaneohe Bay	3	69	20
Haiku Village	3	21	168
Haiku Plantation	0	1	178
Alii Shores	14	166	52
Crown Terrace	36	371	105
Haiku Knolls	0	0	132
Alii Bluffs	1	32	6
Keapuka	0	379	72

Table II-2 (Cont.)

Neighborhood	No Date	Prior to 1987	1987-Sept 1991
<i>Upper Wind/N. Shore</i>			
Pikoiloa	4	524	108
Heeia Beach Lots	0	18	4
Laie	0	76	138
Hauula	0	2	9
Punaluu	1	4	10
Haleiwa	1	12	64
Waihawa	0	182	5
<i>Leeward</i>			
Ewa Beach	173	506	54
Makakilo	522	463	39
Crestview/Seaview	0	358	94
Village Park	1	0	1122
Harbor View/Rob Hts	0	536	137
Waiuu View Estates	0	1	411
Pearlridge Estates	0	248	34
Enchanted Hills	0	11	19
<i>Neighbor Island</i>			
Kahauola-Keawaiki	0	0	9
Kuakini Houselots	0	0	51
Alae	0	31	4
Kahaluu	0	35	23
Volcano Golf Course	86	38	15

Median Conversion Prices By Neighborhood Area and Year. Line charts displaying median conversion price trends by neighborhood area and year are provided in Figures II-12 through II-18 (Appendix I).

Figure II-17



For most of the neighborhoods, median conversion prices remained stable until 1987. Beginning in 1987, median conversion prices in most neighborhoods began to steadily increase.

From 1987 to 1991, median conversion prices doubled on average. For some neighborhoods, the increase in median conversion price was significantly greater.

SECTION III. RESALE OF CONVERTED PROPERTIES

INTRODUCTION

This section summarizes the resales of leasehold to fee simple converted properties. Each converted property was analyzed to determine if resales had occurred. If a property resold, the number of resales and the time between resales was recorded. This enabled the presentation of both total number of properties which have resold and the total number of properties which have resold more than once. The following sections report the resale findings.

METHODOLOGY

Total number of resales, multiple resales, and median resale prices. For the assessment of resale activity involving converted properties, a resale data table was created using the conversion data table and the Locations, Inc. computerized databases. To create the resales table, tax-map-keys from the conversion data table were used as key references and compared with conveyance transaction data in the Locations, Inc. computerized databases.

Conveyance transactions with tax-map-keys matching those in the conversion data table were extracted and used to initially populate the resale data table. Subsequently, the transaction records were processed through a series of validation tests to eliminate non-sale and other non-applicable transactions.

- The transaction records were sorted by type of sale and all obvious non-sale (e.g. quit claim deeds, fractional sales, multiple (bulk) sales, etc.) transactions were deleted.
- For converted neighborhoods, median fee simple price series were then created using Locations, Inc.'s proprietary database of single family resale transactions. The transaction records were compared with these neighborhood based values.

If a transaction appeared to be unreasonably high or low for that particular area, it was further investigated. This involved reviewing the specific property attributes, buyer name, and the type of sale code (i.e. deed, assignment of lease, agreement of sale, transfer, commissioners deed, multiple property transaction, etc).

After examining all available information, a determination of whether this transaction represented an actual open market sale was made. If a transaction was determined not to represent an actual sale, it was eliminated.

For the examination of resales activity involving converted properties, the resales data table was processed through statistical procedures to create resale totals and distributions.

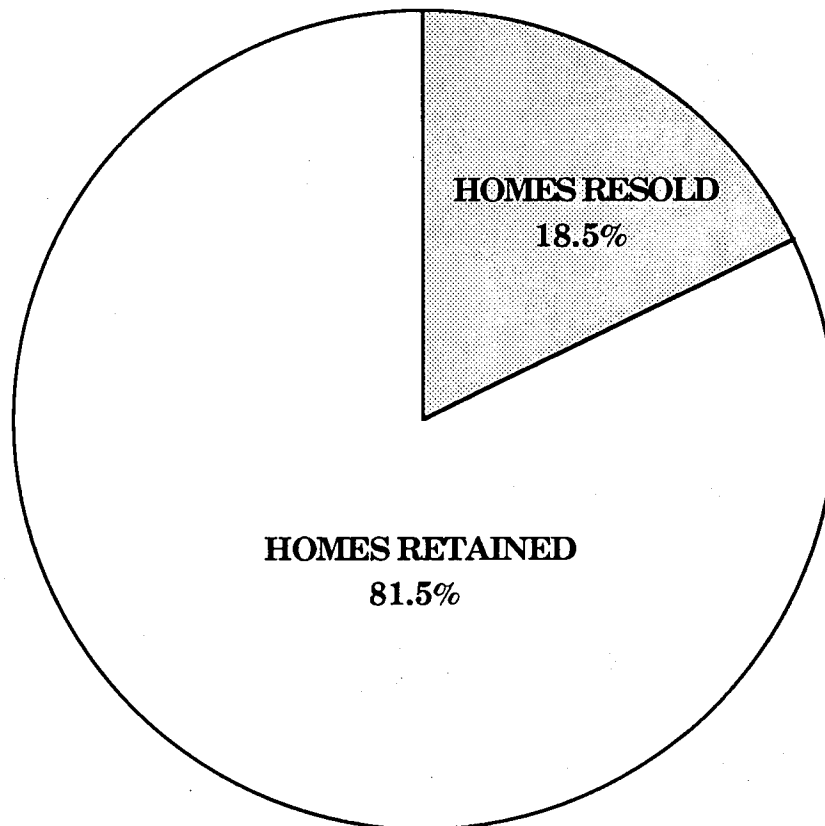
Additionally, **average holding periods** or the time between conversion date and first resale, second resale, third resale, etc. were examined when sufficient data existed. The objective of this examination was to determine if a higher than normal percentage of properties resold within one year of conversion. To address this objective, several indicators were developed to assess the extent and timing of resales and the possibility of speculation. These indicators were:

- The average holding period between two resales prior to conversion.
- The average holding period between one resale before and one resale after conversion.
- The average holding period between two resales subsequent to conversion.

FINDINGS

Total Resales. Of the 23,459 properties converted on Oahu since 1972, 4,340 or 18.5% have been subsequently resold in fee simple (Figure III-1). This means that 81.5% of the converted homes have been retained by the original leased fee interest purchaser.

Figure III-1
PERCENT OF CONVERTED HOMES RESOLD & RETAINED
1972 To September 1991



Those homes which were resold after conversion did so over a period of several years. Within one year after conversion 5.6% of all converted homes resold (Figure III-2). The homes that did resell within the first year after conversion had been held an average of 65 months (Figure III-3). After the first year, the percent of homes reselling gradually decreases.

Figure III-2
PERCENT OF CONVERTED HOMES RESOLD
EACH YEAR AFTER CONVERSION

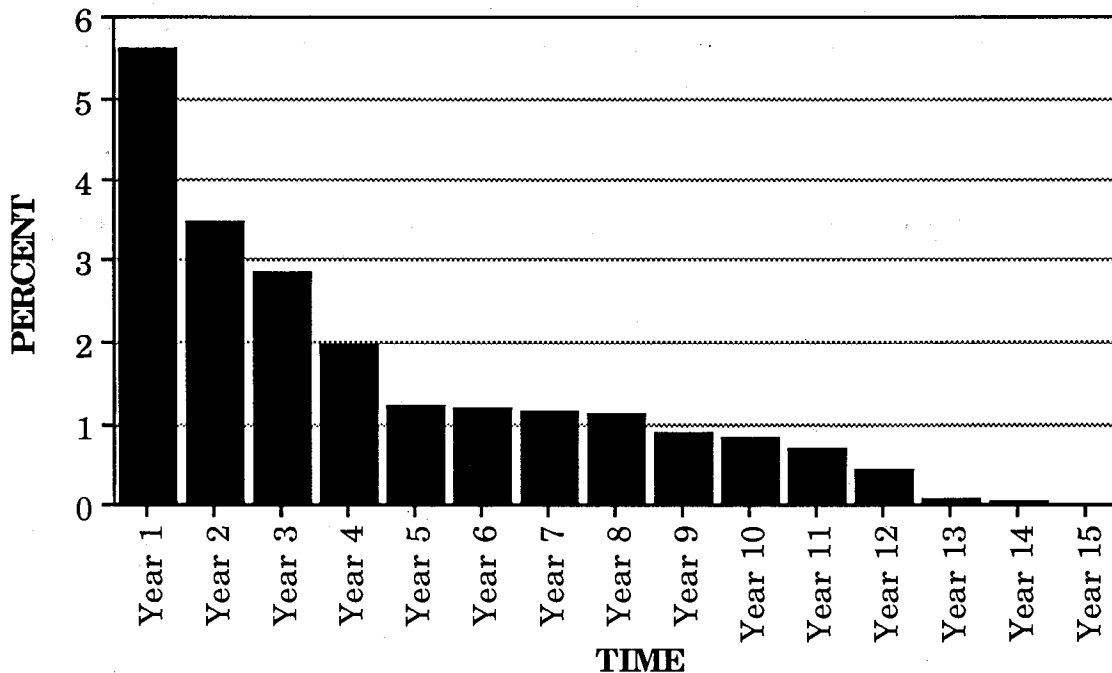
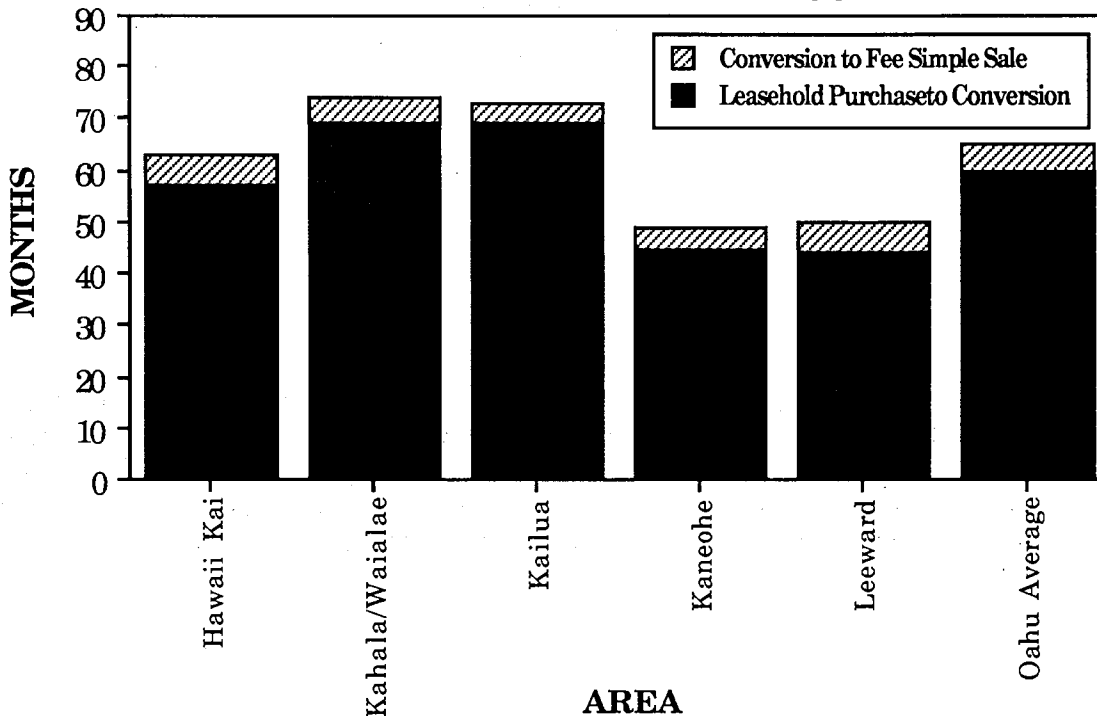
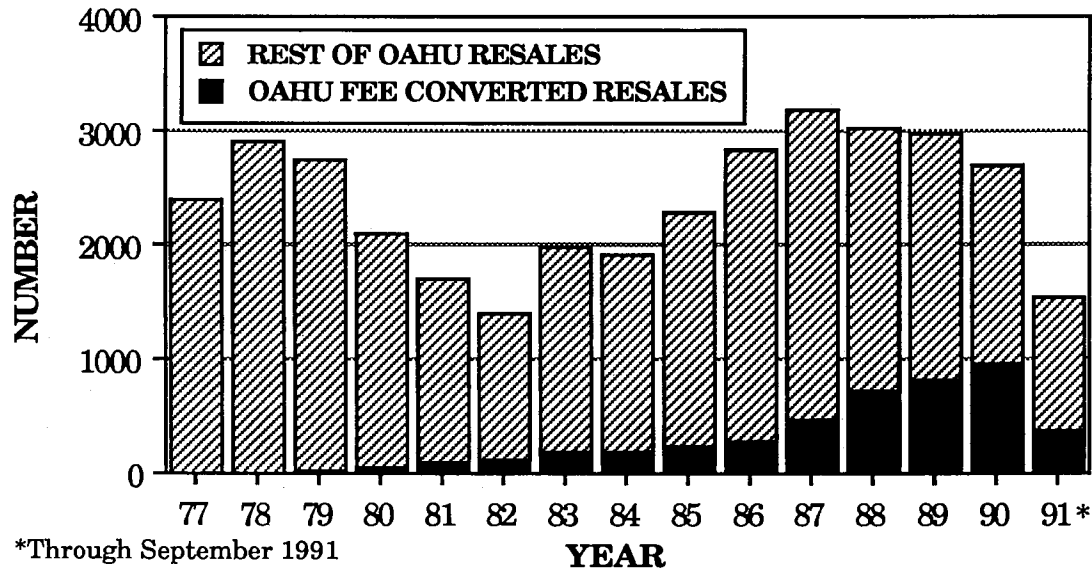


Figure III-3
AVERAGE HOLDING PERIOD OF CONVERTED HOMES
RESOLD WITHIN ONE YEAR AFTER CONVERSION



Resales of converted properties were highest during the 1987 - 1990 period (Figure III-4). This corresponds to the most recent peak in the overall Oahu real estate market.

Figure III-4
TOTAL OAHU SINGLE FAMILY REALES & CONVERTED REALES



The trend in the total number of resales of converted properties shows a steady increase through 1990. The percentage of resales involving converted properties through 1990 are in line with the percentage of converted properties to all single family homes.

Resales By Major Area. The distribution of resales by major Oahu area is presented in Table III-1.

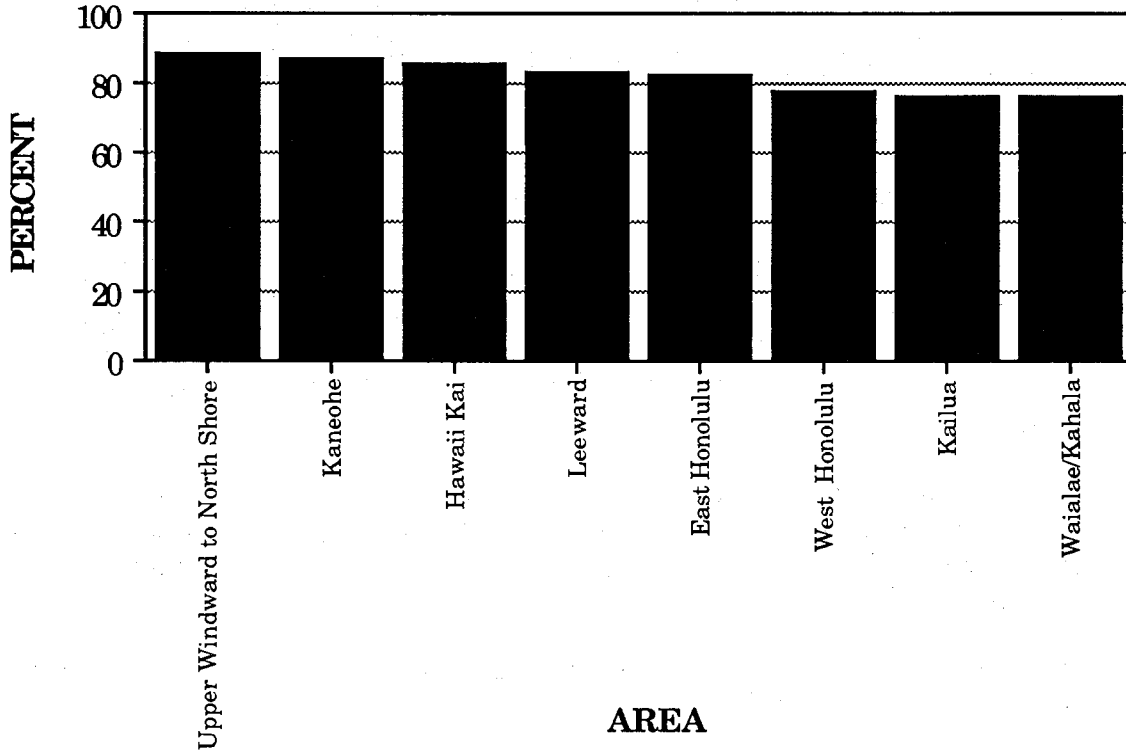
Table III-1
PROPERTIES RESOLD AFTER CONVERSION

Area	Total Converted	No. Resold	% of Homes Resold	% Resold Within 1 Year
East Honolulu	561	94	16.8	4.1
West Honolulu	1,398	308	22.0	2.0
Waiialae/Kahala	2,767	659	23.8	5.7
Hawaii Kai	5,968	919	15.4	7.5
Kailua	4,382	1,034	23.6	6.7
Kaneohe	2,016	262	13.0	3.0
Upper Windward-North Shore	977	114	11.7	4.6
Leeward Oahu	4,916	821	16.7	3.5
Oahu	23,459	4,340	18.5	5.6

In the major Oahu areas, the percentage of converted properties that have been resold is small compared to the percentage of converted properties retained by the original leased fee interest purchaser (Figure III-5). Resales were lowest in the Upper Windward to North Shore area at 11.7% and highest in the Waialae/Kahala area at 23.8%.

**Figure III-5
OAHU**

PERCENT OF HOMES CURRENTLY OWNED BY LEASED FEE PURCHASERS



The percentage of converted homes resold within one year of conversion is consistently low for all of the major Oahu areas. The lowest resale rate was in West Honolulu at 2.0% while the highest resale rates were in Hawaii Kai (7.5%), Kailua (6.8%), and Waialae/Kahala (5.7%) (see Table III-2, also Figure III-6 in Appendix I). The three areas with the highest resale rates within the first year after conversion were the areas with the longest average holding periods (Figure III-3). The implication is that the bulk of these resales probably resulted from natural turnover factors.

Table III-2
PERCENT OF CONVERTED HOMES
RESOLD EACH YEAR AFTER CONVERSION

Area	Year 1	Year 2	Year 3	Year 4	Year 5	>5 Years
East Honolulu	4.1	2.0	2.0	1.8	0.5	7.1
West Honolulu	2.0	1.7	2.0	1.8	1.8	12.8
Waialae/Kahala	5.7	2.8	3.5	2.8	1.4	7.7
Hawaii Kai	7.5	4.1	2.3	0.8	0.2	0.1
Kailua	6.8	4.7	3.4	2.8	1.4	4.6
Kaneohe	3.0	1.9	1.5	1.5	0.8	4.4
Upper Wind/N. Shore	4.6	1.4	1.2	1.0	0.9	2.6
Leeward	3.5	2.4	1.5	1.3	1.6	6.5

Resales By Neighborhood Area. The pattern of resales by neighborhood areas appears consistent with that found for overall Oahu and for the major Oahu areas. Like the larger geographical areas, very high percentages of leasehold to fee simple converted homes are still owned by the original leased fee interest purchasers. Most resales occurred over a period of many years.

A summary of resale activity for converted properties by neighborhood area is presented below. Neighborhood areas are arranged by the following major Oahu areas: East Honolulu, West Honolulu, Waialae/Kahala, Hawaii Kai, Kailua, Kaneohe, Upper Windward to North Shore, and Leeward Oahu. Due to the visibility of converted waterfront property resales, they have been separated for two of the best known neighborhoods, Old Kahala and Koko Kai/Portlock.

Supporting data for each neighborhood are provided in Tables III-3 through III-5. The tables include the following information:

- The percentage of converted single family homes resold and retained.
- The percentage of converted single family homes resold by year from conversion date.
- The number of converted single family homes resold by year.

Table III-3
PERCENT OF CONVERTED PROPERTIES
RESOLD VS. RETAINED AFTER CONVERSION*

Neighborhood	# Converted	Resold	Retained	Neighborhood	# Converted	Resold	Retained
<i>East Honolulu</i>				<i>Kailua</i>			
Aina Haina	21	100.0%	0.0%	Aikahi Park	272	27.2%	72.8%
Kamehameha Terrace	121	13.8%	86.2%	Country Club Knolls	96	22.6%	77.4%
Niu Pen & Beach	52	45.5%	54.5%	Enchanted Lake	1,269	18.0%	82.0%
Niu Valley	264	15.5%	84.5%	Kaelepulu	208	21.4%	78.7%
St Louis Heights	20	27.8%	72.2%	Kailua Beach	207	42.7%	57.3%
Upper Manoa	42	2.4%	97.6%	Kaimalino	110	40.7%	59.3%
<i>West Honolulu</i>				Kainalu	85	32.8%	67.2%
Foster Village	883	34.1%	65.9%	Kalaheo Hillside	468	32.3%	67.8%
Halawa Hills Estates	374	5.3%	94.7%	Kawainui Canal	379	27.6%	72.4%
Halawa Valley Estate	141	7.7%	92.3%	Kukanono	98	13.6%	86.4%
<i>Waialae/Kahala</i>				Kuulei	186	25.4%	74.6%
Aina Koa	38	5.3%	94.7%	Maunawili	419	1.5%	98.5%
Blackpoint	48	28.6%	71.4%	Olomana	298	30.9%	69.1%
Kai Nani	28	15.4%	84.6%	Pohakapu	253	30.3%	69.7%
Old Kahala	1,084	38.1%	61.9%	<i>Kaneohe</i>			
Waialae Beach	19	38.9%	61.1%	Alii Bluffs	39	2.8%	97.2%
Waialae Gardens	262	3.4%	96.6%	Alii Shores	232	22.9%	77.1%
Waialae Golf Course	135	33.0%	67.0%	Crown Terrace	512	9.2%	90.8%
Waialae Iki	737	19.1%	80.9%	Haiku Knolls	132	21.4%	78.6%
Waialae Nui	416	12.0%	88.0%	Haiku Plantation	179	5.6%	94.4%
<i>Hawaii Kai</i>				Haiku Village	192	15.8%	84.2%
Anchorage	98	22.7%	77.3%	Kaneohe Bay	92	6.5%	93.5%
Hahaione Valley	553	12.6%	87.4%	Kaneohe Town	108	14.8%	85.2%
Kalama Valley	1,008	15.1%	84.9%	Keapuka	451	12.9%	87.1%
Kamehame Ridge	80	6.5%	93.5%	<i>Leeward</i>			
Kealaula Kai	60	5.3%	94.7%	Crestview Seaview	452	20.6%	79.4%
Koko Head Terrace	604	10.0%	90.0%	Ewa Beach	733	29.1%	70.9%
Koko Kai Triangle	220	26.8%	73.2%	Harbor View/Rob Hts	673	13.4%	86.6%
Koko Kai/Portlock	365	28.1%	71.9%	Makakilo	1,024	31.5%	68.5%
Laulima	93	54.0%	46.0%	Pearlridge Estates	282	13.7%	86.3%
Lunalilo Marina	180	12.0%	88.0%	Village Park	1,123	7.7%	92.3%
Lunalilo Terrace	757	7.5%	92.5%	Wahiawa	187	18.2%	81.8%
Mariner's Cove	368	14.3%	85.8%	Waiiau View Estates	412	8.0%	92.0%
Mariner's Ridge	392	23.6%	76.5%	<i>Up Wind/N. Shore</i>			
Mariner's Valley	649	7.3%	92.7%	Haleiwa	77	16.3%	83.7%
Queen's Gate	138	26.7%	73.3%	Hauula	11	25.0%	75.0%
West Marina	403	16.5%	83.5%	Laie	214	7.5%	92.5%
				Pikoiloo	636	12.1%	87.9%
				Punaluu	15	50.0%	50.0%

*Some Properties Excluded

**Table III-4
TIME FROM CONVERSION TO FIRST RESALE
AS A PERCENTAGE OF TOTAL CONVERTED HOMES**

Neighborhood	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	>5 YEARS
<i>East Honolulu</i>						
Aina Haina	14.3%	28.6%	14.3%	0.0%	0.0%	42.9%
Kamehameha Terrace	2.6%	1.7%	3.5%	1.7%	0.0%	4.3%
Niu Peninsula & Beach	13.6%	4.6%	4.6%	9.1%	4.6%	9.1%
Niu Valley	3.0%	0.6%	0.6%	1.8%	0.6%	8.9%
St Louis Heights	16.7%	0.0%	5.6%	0.0%	0.0%	5.6%
Upper Manoa	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%
<i>West Honolulu</i>						
Foster Village	2.6%	2.6%	2.8%	2.3%	2.3%	21.5%
Halawa Hills Estates	0.8%	0.3%	1.1%	1.1%	1.1%	0.8%
Halawa Valley Estates	2.3%	0.8%	0.8%	0.8%	0.8%	2.3%
<i>Waialae/Kahala</i>						
Aina Koa	5.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Blackpoint	16.7%	4.8%	2.4%	2.4%	2.4%	0.0%
Kai Nani	3.9%	3.9%	0.0%	7.7%	0.0%	0.0%
Old Kahala	6.4%	3.3%	3.7%	3.6%	2.9%	18.2%
Waialae Beach	16.7%	0.0%	16.7%	5.6%	0.0%	0.0%
Waialae Gardens	1.2%	0.4%	0.0%	1.5%	0.4%	0.0%
Waialae Golf Course	4.5%	1.8%	1.8%	3.6%	1.8%	19.6%
Waialae Iki	6.8%	3.1%	5.5%	2.4%	0.5%	0.9%
Waialae Nui	3.9%	3.1%	2.6%	2.2%	0.2%	0.0%
<i>Hawaii Kai</i>						
Anchorage	20.5%	2.3%	0.0%	0.0%	0.0%	0.0%
Hahaione Valley	4.9%	2.9%	3.5%	1.4%	0.0%	0.0%
Kalama Valley	8.6%	4.6%	1.9%	0.0%	0.0%	0.0%
Kamehame Ridge	5.2%	1.3%	0.0%	0.0%	0.0%	0.0%
Kealahou Kai	5.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Koko Head Terrace	2.4%	4.4%	0.5%	1.2%	1.2%	0.3%
Koko Kai Triangle	12.2%	3.9%	6.8%	3.4%	0.5%	0.0%
Koko Kai/Portlock	16.7%	4.8%	5.4%	1.2%	0.0%	0.0%
Laulima	42.5%	5.8%	4.6%	1.2%	0.0%	0.0%
Lunalilo Marina	4.0%	6.0%	2.0%	0.0%	0.0%	0.0%
Lunalilo Terrace	3.6%	0.9%	1.4%	1.2%	0.1%	0.3%
Mariner's Cove	6.3%	4.6%	2.3%	1.1%	0.0%	0.0%
Mariner's Ridge	9.4%	9.2%	3.4%	1.6%	0.0%	0.0%
Mariner's Valley	3.4%	3.0%	0.9%	0.0%	0.0%	0.0%
Queen's Gate	11.5%	10.7%	4.6%	0.0%	0.0%	0.0%
West Marina	8.1%	4.6%	3.1%	0.8%	0.0%	0.0%
<i>Kailua</i>						
Aikahi Park	11.4%	5.9%	4.4%	3.7%	0.4%	1.5%
Country Club Knolls	9.7%	9.7%	1.1%	2.2%	0.0%	0.0%
Enchanted Lake	7.1%	5.3%	4.3%	1.4%	0.0%	0.0%
Kaelepulu	7.8%	4.7%	1.6%	3.7%	1.6%	2.1%
Kailua Beach	10.5%	2.8%	4.2%	2.8%	4.9%	17.5%
Kaimalino	6.5%	8.3%	6.5%	2.8%	5.6%	11.1%
Kainalu	1.6%	7.8%	4.7%	4.7%	3.1%	10.9%
Kalaheo Hillside	7.7%	4.0%	3.7%	4.2%	3.5%	9.2%
Kawainui Canal	8.9%	4.3%	3.3%	3.5%	1.6%	6.0%
Kukanono	3.7%	1.2%	2.5%	3.7%	1.2%	1.2%
Kuulei	4.9%	8.1%	1.1%	6.0%	1.6%	3.8%
Maunawili	0.0%	0.3%	0.0%	0.6%	0.0%	0.6%
Olomana	4.4%	3.0%	3.4%	3.7%	2.4%	14.1%
Pohakapu	7.2%	4.8%	4.4%	3.6%	2.4%	8.0%
<i>Kaneohe</i>						
Alii Bluffs	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%
Alii Shores	1.4%	1.4%	3.6%	2.1%	1.4%	12.9%
Crown Terrace	1.4%	1.2%	1.2%	0.9%	0.6%	4.0%
Haiku Knolls	14.3%	0.0%	7.1%	0.0%	0.0%	0.0%
Haiku Plantation	0.0%	0.0%	5.6%	0.0%	0.0%	0.0%
Haiku Village	4.0%	5.1%	1.1%	4.0%	0.0%	1.7%
Kaneohe Bay	3.3%	1.1%	2.2%	0.0%	0.0%	0.0%
Kaneohe Town	2.8%	3.7%	2.8%	1.9%	0.9%	2.8%
Keapuka	3.6%	1.3%	0.4%	1.6%	1.3%	4.7%
<i>Leeward</i>						
Crestview Seaview	2.2%	2.0%	1.1%	1.8%	2.0%	11.5%
Ewa Beach	3.6%	2.7%	3.1%	2.7%	3.6%	13.3%
Harbor View/Rob Hts	2.4%	1.7%	1.0%	0.2%	0.8%	7.4%
Makakilo	4.6%	3.0%	2.4%	2.4%	3.8%	15.2%
Pearlridge Estates	4.0%	2.5%	2.2%	2.5%	1.4%	1.1%
Village Park	4.6%	2.9%	0.3%	0.0%	0.0%	0.0%
Wahiawa	2.7%	2.1%	0.5%	0.5%	3.7%	8.6%
Waiau View Estates	2.3%	1.0%	2.3%	2.0%	0.5%	0.0%
<i>Upper Wind/N. Shore</i>						
Haleiwa	14.0%	0.0%	2.3%	0.0%	0.0%	0.0%
Hauula	0.0%	25.0%	0.0%	0.0%	0.0%	0.0%
Laie	3.3%	1.4%	0.5%	0.5%	0.5%	1.4%
Pikoiloo	4.0%	1.4%	1.4%	1.2%	1.1%	3.1%
Punaluu	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**Table III-5
NUMBER OF CONVERTED PROPERTY RESALES BY YEAR***

Neighborhood	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91
<i>East Honolulu</i>															
Aina Haina	1	0	0	0	0	0	0	0	1	3	0	1	0	1	1
Kamehameha Terrace	0	0	0	0	0	1	3	3	1	3	0	4	1	2	0
Niu Peninsula & Beach	0	0	0	0	1	0	1	0	2	2	3	2	2	1	0
Niu Valley	0	1	0	0	0	0	2	0	3	1	8	2	1	5	4
St Louis Heights	0	0	0	0	1	0	0	0	0	0	1	1	0	2	0
Upper Manoa	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0
<i>West Honolulu</i>															
Foster Village	0	0	5	10	19	16	16	23	20	26	22	37	18	20	19
Halawa Hills Estates	0	0	0	0	1	0	0	0	0	3	5	3	8	1	1
Halawa Valley Estates	0	0	0	0	0	0	1	0	1	0	1	2	3	2	2
<i>Waialae/Kahala</i>															
Aina Koa	0	0	0	0	0	0	0	0	0	0	0	2	0	1	0
Blackpoint	0	0	0	0	0	0	0	0	0	0	5	3	4	5	1
Kai Nani	0	0	0	0	0	0	0	0	0	0	1	0	1	2	1
Old Kahala	0	0	0	12	12	17	24	25	19	40	81	51	77	86	16
Waialae Beach	0	0	0	0	0	0	0	0	0	0	2	1	2	2	1
Waialae Gardens	0	0	0	0	0	0	0	0	0	2	1	0	1	5	0
Waialae Golf Course	0	0	0	0	4	2	1	2	2	5	13	4	7	3	1
Waialae Iki	0	0	0	0	0	1	2	2	5	5	12	31	38	41	14
Waialae Nui	0	0	0	0	0	0	0	0	0	0	5	11	14	20	11
<i>Hawaii Kai</i>															
Anchorage	0	0	0	0	0	0	0	0	0	0	0	0	7	10	4
Hahaione Valley	0	0	0	0	0	0	0	0	0	0	0	21	10	23	13
Kalama Valley	0	0	0	0	0	0	0	0	0	0	0	0	63	61	33
Kamehame Ridge	0	0	0	0	0	0	0	0	0	0	0	0	0	4	2
Kealahou Kai	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2
Koko Head Terrace	0	0	0	0	0	0	0	1	0	0	5	28	5	16	10
Koko Kai Triangle	0	0	0	0	0	0	0	0	0	0	12	22	12	13	7
Koko Kai/Portlock	0	0	0	0	0	0	0	0	0	0	30	12	33	30	5
Laulima	0	0	0	0	0	0	0	0	0	0	6	18	10	16	7
Lunalilo Marina	0	0	0	0	0	0	0	0	0	0	0	4	7	7	0
Lunalilo Terrace	0	0	0	0	0	0	0	0	1	2	5	20	10	12	9
Mariner's Cove	0	0	0	0	0	0	0	0	0	0	0	16	20	12	10
Mariner's Ridge	0	0	0	0	0	0	0	0	0	2	31	35	30	6	
Mariner's Valley	0	0	0	0	0	0	0	0	0	0	5	15	20	10	
Queen's Gate	0	0	0	0	0	0	0	0	0	0	4	15	18	4	
West Marina	0	0	0	0	0	0	0	0	0	0	0	18	20	40	6
<i>Kailua</i>															
Aikahi Park	0	0	0	0	0	0	2	3	2	2	18	21	20	18	11
Country Club Knolls	0	0	0	0	0	0	0	0	0	0	0	7	7	6	4
Enchanted Lake	0	0	0	0	0	0	0	0	0	0	0	70	60	77	34
Kaelepu	0	0	2	1	0	5	2	1	0	2	5	13	11	8	3
Kailua Beach	0	0	1	3	0	3	4	7	4	7	18	7	9	19	4
Kaimalino	0	0	0	0	0	3	7	6	7	9	10	5	9	5	5
Kainalu	0	0	0	0	0	2	1	2	4	2	1	0	5	7	1
Kalaheo Hillside	0	0	0	0	0	8	9	15	13	29	23	22	23	25	13
Kawainui Canal	0	0	0	0	2	11	9	14	19	11	17	23	15	15	4
Kukanono	0	0	0	0	0	1	1	2	2	1	1	0	3	1	0
Kuulei	0	0	0	0	1	0	3	2	12	5	11	16	9	7	3
Maunawili	0	0	0	0	1	0	1	0	0	1	2	0	1	0	0
Olomana	0	0	0	0	10	4	12	9	16	10	18	11	14	16	8
Pohakapu	0	0	0	0	0	2	9	8	13	10	9	14	12	19	4
<i>Kaneohe</i>															
Alii Bluffs	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Alii Shores	0	0	0	0	1	2	6	1	4	5	4	6	3	4	0
Crown Terrace	0	0	0	0	3	2	2	1	4	3	4	3	0	8	3
Haiku Knolls	0	0	0	0	0	0	0	0	0	0	2	1	0	4	2
Haiku Plantation	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Haiku Village	0	0	0	0	0	0	0	0	0	0	4	5	8	7	4
Kaneohe Bay	0	0	0	0	0	0	0	0	0	1	0	3	0	3	0
Kaneohe Town	0	0	0	0	0	0	1	0	0	2	3	6	3	2	2
Keapuka	0	0	0	0	0	1	10	3	3	6	12	11	11	7	5
<i>Leeward</i>															
Crestview Seaview	0	0	2	9	7	6	9	14	9	9	4	8	17	18	6
Ewa Beach	0	0	1	3	8	11	14	15	13	16	20	23	24	36	10
Harbor View/Rob Hts	0	1	5	6	4	0	8	5	10	12	12	7	10	11	4
Makakilo	0	7	15	9	11	8	14	8	15	15	14	36	31	25	7
Pearlridge Estates	0	0	0	0	0	0	0	0	0	7	7	5	10	9	4
Village Park	0	0	0	0	0	0	0	0	0	0	0	2	17	46	25
Wahiawa	0	0	0	0	1	2	0	4	5	7	6	2	2	7	1
Waiuu View Estates	0	0	0	0	0	0	0	0	0	0	3	7	12	10	3
<i>Upper Wind/N. Shore</i>															
Haleiwa	0	0	0	0	0	0	0	0	0	0	1	2	1	3	2
Hauula	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Lale	0	0	0	0	0	0	0	0	1	0	1	7	3	4	2
Pikoilua	0	0	0	0	0	3	11	13	10	15	8	8	14	11	5
Punaluu	0	0	0	0	0	0	0	0	0	0	0	0	2	0	1

*Properties Without Conversion Dates Excluded

In addition, holding periods for those properties resold within one year after conversion are shown in Figure III-7 (Appendix I) for selected neighborhoods.

East Honolulu:

- A total of 94 resales of converted properties was recorded in East Honolulu. Most of these were in Niu Valley.
- Resale rates ranged from 2.4% in Upper Manoa to 100.0% in Aina Haina. The 100.0% resold figure in Aina Haina reflected a total of only 21 converted properties.
- The resales of converted properties are well dispersed throughout the middle to late 1980's. The areas with the highest resale rates tend to be those which converted earliest.

West Honolulu:

- A total of 308 resales of converted properties was recorded in West Honolulu. Most of these were in Foster Village. Foster Village was the first neighborhood to convert in West Honolulu.
- Resale rates ranged from 5.3% in Halawa Hills Estates to 34.1% in Foster Village. Over two-thirds of the resales in Foster Village occurred more than five years after conversion.
- The resales of converted properties were well dispersed throughout the 1980's.

Waialae/Kahala:

- A total of 659 resales of converted properties was recorded in Waialae/Kahala. Most of these were in Old Kahala. This appears reasonable since Old Kahala was the first large neighborhood to be converted in this area.
- Resale rates ranged from 3.4% in Waialae Gardens to 38.1% in Old Kahala and 38.9% in Waialae Beach. Nearly 50% of the resales in Old Kahala occurred more than five years after conversion. The Old Kahala homes which resold within one year of conversion were held an average of 3.0 years by the leased fee interest purchaser.
- The resales of converted properties were clustered in the 1987-90 period. This period corresponds to the surge in Japanese investment and overall Oahu sales activity.

Hawaii Kai:

- A total of 919 resales of converted properties was recorded in Hawaii Kai. Most of these were in Kalama Valley.
- Resale rates ranged from 5.3% in Kealaula Kai to 54.0% in Laulima.

Laulima resale rates are exceptionally high relative to not only other neighborhoods in Hawaii Kai but also to most neighborhoods on Oahu, reflecting the high level of investor buyers in this newer subdivision. Over 75% of the resales occurred within one year of conversion; these homes were held for only 20 months on average.

- The resales of converted properties were clustered in the 1988-90 period, several years after conversions occurred.

Kailua:

- A total of 1,034 resales of converted properties was recorded in Kailua. Most of these were in Enchanted Lake.
- Resale rates ranged from 1.5% in Maunawili to 42.7% in Kailua Beach. Most of the resales in Kailua Beach occurred more than 5 years after conversion.

Kaimalino was also on the higher end of Kailua resale rates at 40.7%. Resales in this area were well distributed by year, indicating steady turnover.

- The resales of converted properties were clustered in the 1987-90 period.

Kaneohe:

- A total of 262 resales of converted properties was recorded in Kaneohe. Most of these were in Keapuka.
- Resale rates ranged from about 2.8% in Alii Bluffs to 22.9% in Alii Shores and Heeia Beach Lots. Most of the resales in both Alii Shores and Heeia Beach Lots occurred more than 5 years after conversion.

Haiku Knolls showed relatively high first year turnover rates. However, this involved only 19 homes reselling.

- The resales of converted properties were clustered in the 1987-90 period.

Upper Windward to North Shore:

- A total of 114 resales of converted properties was recorded in Upper Windward to North Shore. Most of these were in Pikoiloa, the largest neighborhood in this area.
- Resale rates ranged from about 7.5% in Laie to 50.0% in Punaluu. All of the resales occurred within the first year of conversion in Punaluu. However, the Punaluu resales involved only seven homes.
- The resales of converted properties were well distributed since 1983.

Leeward Oahu:

- A total of 821 resales of converted properties was recorded in Leeward Oahu. Most of these were in Makakilo and Ewa Beach.
- Resale rates ranged from 7.7% in Village Park to 31.5% in Makakilo. Nearly 50% of all resales in Makakilo occurred more than five years after conversion.
- The resales of converted properties were clustered in the 1988-90 period.

Waterfront - Old Kahala and Koko Kai/Portlock:

- There were 18 resales in Old Kahala and 21 resales in Koko Kai/Portlock. There were a total of 46 conversions in Old Kahala and 74 conversions in Koko Kai/Portlock.
- Resale rates were 39.1% in Old Kahala and 28.4% in Koko Kai/Portlock.

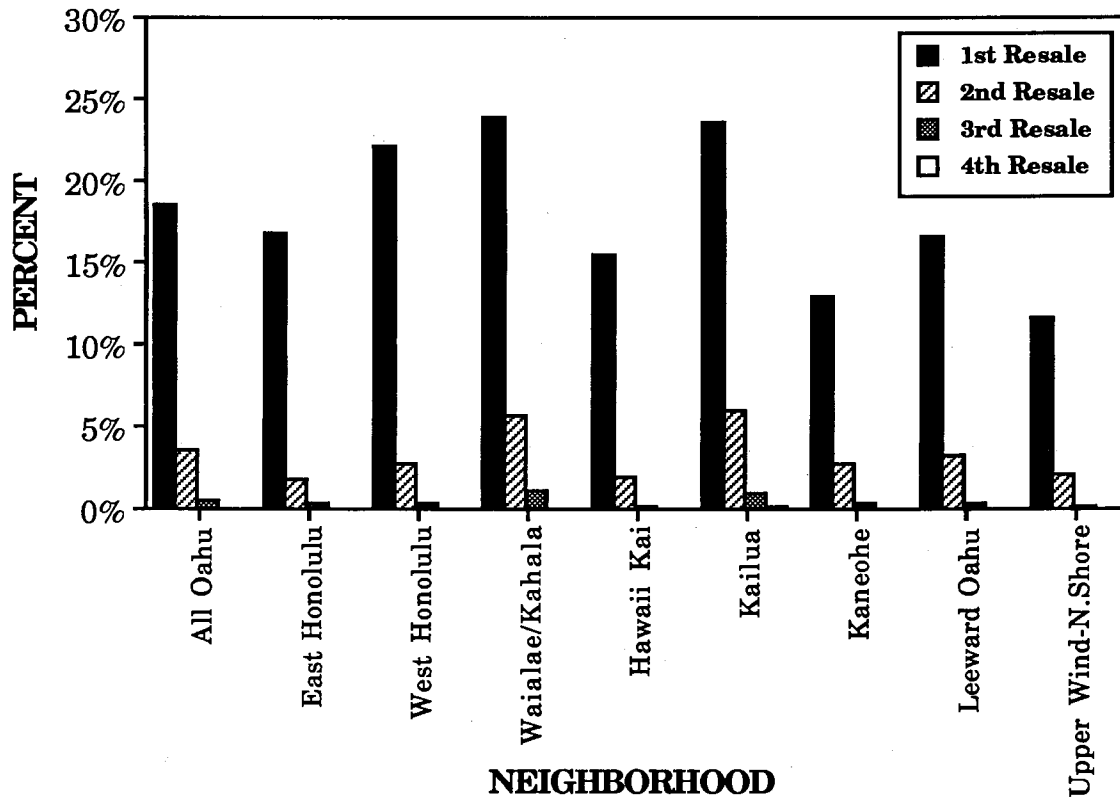
This is indicative of higher than normal turnover as waterfront properties experienced the largest prices gains of all residential property types and were the primary focus of Japanese investors.

- The resales of converted properties were clustered in the 1987-89 period.

Distribution of Multiple Resales. Of the 23,459 leasehold to fee simple converted homes on Oahu, 3.4% were found to have multiple resales after conversion. Figure III-8 shows the multiple resale rate for all of Oahu and for each major area.

Figure III-8

PERCENT OF TOTAL CONVERTED HOMES RESOLD



Most of the multiple resales occurred more than 60 months (five years) after conversion. Within 60 months after conversion, 1.4% of all converted homes resold more than once. Within 12 months after conversion 0.2% of all converted homes resold more than once.

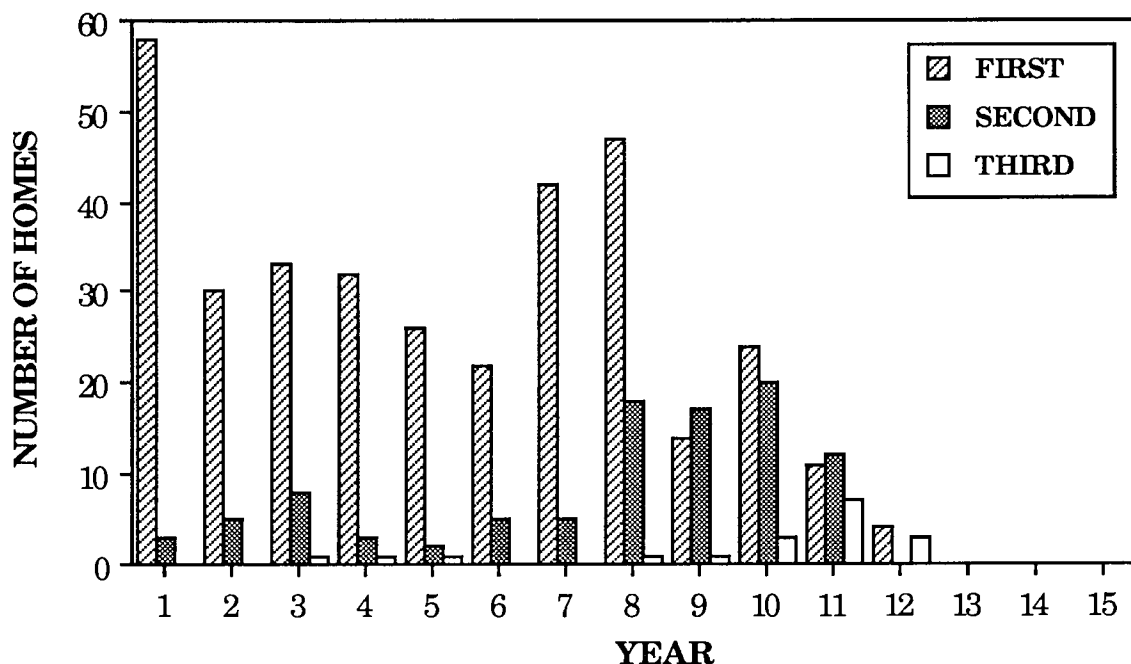
For converted homes with multiple resales, the average holding period between resales after conversion was approximately 42 months (weighted average of leasehold to fee simple sale and fee simple to fee simple sale) (Figure III-9, see Appendix I). Because only three to four years have passed since the majority of the conversions occurred, a 42 month holding period for converted property resales after conversion is not too unexpected.

Although multiple resales receive a great deal of attention, and often times publicity, they make up a very small portion of converted homes resold. By major area, Kailua and Waialae/Kahala possess the highest

multiple resale turnover, both at approximately 6% of all converted homes (Figure III-8, second resale). Multiple resales represent 25% of all resales of converted properties in Kailua (1,034 total properties resold) and Waialae/Kahala (659 total properties resold). On Oahu, approximately 19% of the homes resold were resold more than once.

The percent of homes reselling multiple times is, to a large extent, a function of the number of years the property was held after conversion. To examine the pattern of multiple resales for leasehold to fee simple converted homes, bar charts were generated for representative neighborhoods with multiple resales. The selected neighborhoods with multiple resales include: Foster Village, Old Kahala, Waialae Golf Course, Waialae Iki, Koko Kai/Portlock, Koko Head Terrace, Kalama Valley, Enchanted Lake, Olomana, Pohakapu, Kalaheo Hillside, Kuulei, Ewa Beach, Makakilo, and Old Kahala and Koko Kai/Portlock waterfront (Figures III-10 through III-25, see Appendix I).

Figure III-11
OLD KAHALA RESALES BY YEAR(S) AFTER CONVERSION



The pattern found for several neighborhoods with multiple resales was that second resales tend to increase about five years after the leased fee conversion. In Old Kahala, a neighborhood frequently cited as having high multiple resale turnover, second resales did not start occurring in significant numbers until eight years after most of the homes were converted (Figure III-11). Third resales have been insignificant to date making up 0.5% of all converted homes. This pattern is consistent in all neighborhoods where more than five years have passed since most of leasehold to fee simple conversions occurred.

Median Resale Prices by Neighborhood and Year. Median prices of resales of leasehold to fee simple converted properties remained relatively flat during the early to mid-1980's. Once the economy became more buoyant and interest rates declined to more reasonable levels in 1986 - 1987, prices began to move up sharply. This trend started to occur in the more desirable neighborhood areas in East Honolulu before making its way out to Windward and then Leeward Oahu. In most cases, median prices of converted properties doubled between 1986 - 1987 and 1990. This scenario of flat prices between 1981 and 1986 - 1987 reflected the overall Oahu single family market.

A summary of the median resales prices is shown in Table III-6 for the years 1981, 1987, and 1990. This table illustrates median price increases of approximately 100%. Most of the neighborhood areas showed increases in the 80% to 120% range. Graphic displays of historical median prices of resales of leasehold to fee simple converted properties by neighborhood area are shown in Figures III-26 through III-32 (Appendix I).

**Table III-6
MEDIAN RESALE PRICES OF FEE CONVERTED HOMES**

Neighborhood	1981	1987	1990	% Change 87-90
East Honolulu				
Niu Valley	\$234,500	\$251,000	\$470,000	87.3%
West Honolulu				
Halawa Hills	\$139,500	\$186,000	\$373,000	100.5%
Foster Village	\$158,500	\$195,000	\$385,000	97.4%
Waiialae/Kahala				
Old Kahala	\$337,500	\$385,000*	\$1,117,000	90.1%
Waiialae Gardens	n.a.	\$240,000	\$580,000	141.7%
Waiialae Nui	n.a.	\$312,000	\$675,000	116.3%
Waiialae Golf Course	n.a.	\$528,000*	\$1,000,000	89.4%
Waiialae Iki	n.a.	\$324,000*	\$900,000	177.8%
Hawaii Kai				
Koko Kai Triangle	n.a.	\$433,000	\$700,000	61.7%
Koko Head Terrace	n.a.	\$188,000	\$365,000	94.1%
Lunalilo Terrace	n.a.	\$220,000	\$365,000	65.9%
Kailua				
Enchanted Lake	\$133,750	\$180,000	\$376,000	108.9%
Maunawili	n.a.	\$207,000	\$385,000	86.0%
Olomana	\$138,500	\$173,000	\$345,000	99.4%
Pohakapu	\$100,000	\$178,000	\$319,000	79.2%
Kailua Beach	\$300,000	\$360,000	\$675,000	87.5%
Kalaheo Hillside	\$139,500	\$175,000	\$335,000	91.4%
Kainalu	\$176,500	\$230,000	\$445,000	93.5%
Kawainui Canal	\$115,000	\$186,000	\$400,000	115.1%
Aikahi Park	\$190,000	\$212,000	\$401,000	89.2%
Kaimalino	n.a.	\$248,000	\$465,000	87.5%
Kaelepulu	\$146,000	\$235,000	\$409,000	74.0%
Kaneohe				
Kaneohe Town	\$111,000	\$138,000	\$293,000	112.3%
Haiku Village	\$140,000	\$186,000	\$380,000	104.3%
Haiku Plantation	n.a.	\$370,000	\$685,000	85.1%
Alii Shores	\$190,000	\$209,000	\$425,000	103.3%
Crown Terrace	\$135,000	\$165,000	\$310,000	87.9%
Haiku Knolls	\$135,000	\$222,000	\$400,000	80.2%
Keapuka	\$135,250	\$172,000	\$348,000	102.3%
Upper Windward				
Pikoiloa	\$142,500	\$160,000	\$320,000	100.0%
Leeward				
Pacific Palisades	\$130,000	\$158,000	\$299,000	89.2%
Holiday City	n.a.	\$185,000	\$370,000	100.0%
Waiiau View Estates	n.a.	\$183,000	\$350,000	91.3%
Enchanted Hills	\$175,000	\$225,000	\$470,000	108.9%
Ewa Beach	\$104,500	\$125,000	\$260,000	108.0%
Crestview/Seaview	\$133,900	\$150,000	\$285,000	90.0%
Harbor View/Rob Hts	\$127,000	\$143,000	\$268,000	87.4%
Makakilo	\$120,000	\$145,000	\$290,000	100.0%

SECTION IV. FOREIGN INVESTOR AND SPECULATOR INVOLVEMENT

INTRODUCTION

This section summarizes the extent to which speculators and foreign interests have participated in and benefited from the resale of leasehold to fee simple converted properties. Each converted property was analyzed to determine if speculative activity or foreign ownership was present, as defined in this study. This analysis enabled the reporting of speculative activity by neighborhood area and year, speculative activity by foreigners and non-foreigners, and current ownership of converted properties by foreigners.

METHODOLOGY

Foreign Investors. The resales data table and Locations, Inc. computerized database of foreign investors were the primary data sources used for the foreign investor analysis segment of the study. In addition, a previous data study of foreign investors conducted by Locations, Inc. for the State of Hawaii was referenced to assist with determining the extent of foreign participation in properties converted from leasehold to fee simple.

The foreign investor database was initially created using data extracted from the Locations, Inc. proprietary real property sales database. It contains sales transactions data involving foreign investors from 1986 - 1991. Foreign investors were identified by analyzing owner information (e.g. owner tax bill addresses, owner names, company business registration) and comparing property addresses with tax bill addresses.

The following procedure was used to categorize an owner as a foreign investor:

- Owner tax bill addresses were reviewed to identify owners from foreign, non-United States countries.
- For sales transactions involving company or business names, business registration records at the Department of Commerce and Consumer Affairs were consulted to determine if there were foreign origin or non-United States principal owners. Businesses with confirmed foreign origin or non-United States principal owners were coded as foreign investors. No threshold ownership percentage was applied in making the determination of foreign ownership.
- Property addresses were compared to tax bill addresses. If the two addresses were found to be different, then the owner name was reviewed to determine if:

- The owner name appeared to be a name that is not commonly found in Hawaii or mainland United States. In these cases, the property address was checked to determine if it was in an area (e.g. Kahala, Diamond Head, Portlock) where high levels of foreign investment have been documented.
- The tax bill address was sent to a local business address or matched the property address but was listed without a homeowners exemption.

Speculators. Two approaches were taken to analyze speculation associated with leasehold to fee simple conversions. Because there was no way of knowing the intentions of the participants involved, our analysis of speculation focused on the holding periods between purchase and resale of individual properties. The assumption is that speculative behavior is characterized by short holding periods.

Utilizing the resales data table, conversion dates were referenced to determine the extent and timing of subsequent resales. Resales transactions were identified as potentially speculative if :

SPECULATION I:

- The property was purchased less than 24 months before the leasehold to fee simple conversion and sold less than 24 months after the leasehold to fee simple conversion.

SPECULATION II:

- After the leasehold to fee simple conversion, resale transactions occurred within 18 months of one another.

FINDINGS

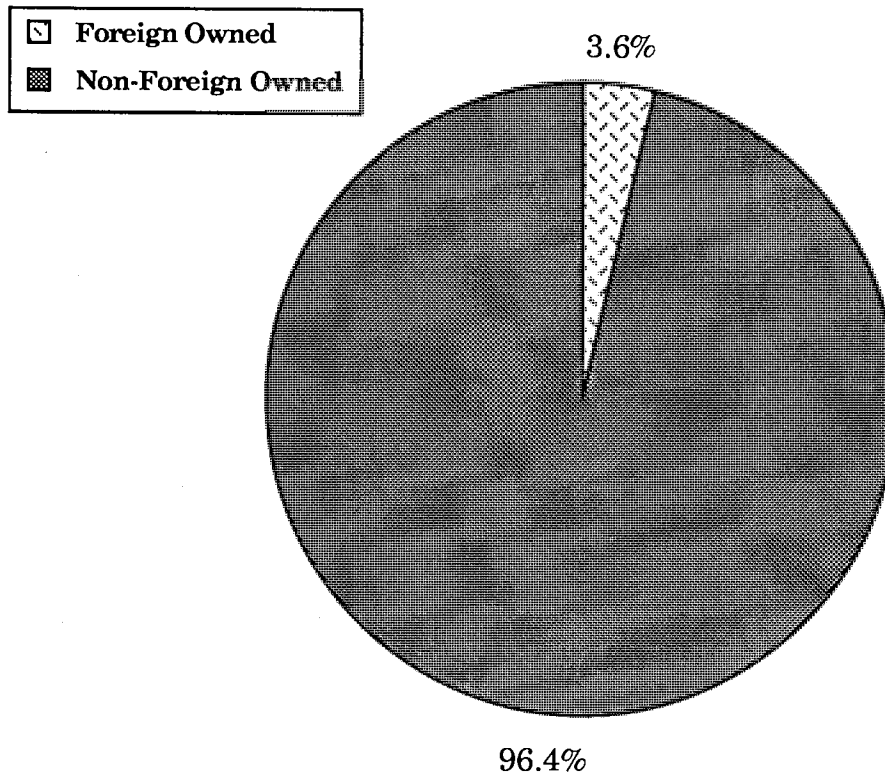
Foreign Investor Involvement

Overview of Foreign Investment in Hawaii. Foreign investment in Hawaii real estate began to surge in the mid-1980's. This surge was led primarily by the Japanese who accounted for approximately 90 percent of all foreign purchases between 1987 - 1990. In Oahu's residential real estate market, the Japanese focused primarily on luxury single family homes located between Diamond Head and Hawaii Kai.

Extent of Foreign Investor Involvement. It is estimated that foreign investors currently own 845 (3.6%) of the 23,459 leasehold to fee simple converted properties on Oahu (Figure IV-1).

Figure IV-1

CURRENT FOREIGN OWNERSHIP OF FEE CONVERTED PROPERTIES

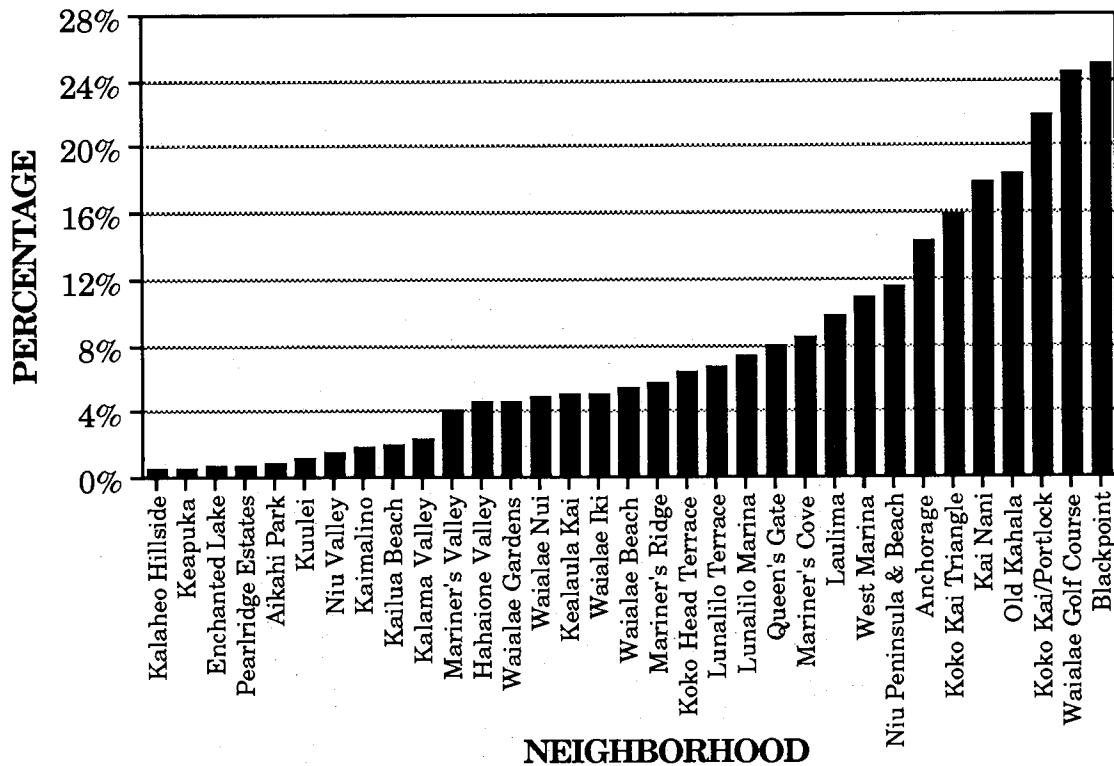


Foreign Investor Involvement by Neighborhood Area. Foreign ownership of leasehold to fee simple converted properties is concentrated in the Waialae/Kahala and Hawaii Kai areas. These two areas account for 94.8% of the foreign ownership (Figure IV-2, see Appendix I).

By specific neighborhood area, current foreign ownership of leasehold to fee simple converted properties is highest in East Oahu and the lowest in Leeward Oahu. Figure IV-3 shows present foreign ownership as

a percentage of all fee simple converted properties by neighborhood. Fifty of the 78 neighborhoods surveyed had no foreign ownership. The neighborhoods with the highest concentration of foreign ownership are Blackpoint at 25.0%, Waialae Golf Course at 24.4%, Koko Kai/Portlock at 21.9%, Old Kahala at 18.3%, Kai Nani at 17.9%, and Koko Kai Triangle at 15.9%. The lowest concentration neighborhoods are Kalaheo Hillside at 0.4%, Keapuka at 0.4%, Enchanted Lake at 0.6%, Pearlridge Estates at 0.7%, and Aikahi Park at 0.7%.

Figure IV-3
PERCENT OF CONVERTED HOMES
UNDER FOREIGN OWNERSHIP AS OF SEPT. 1991



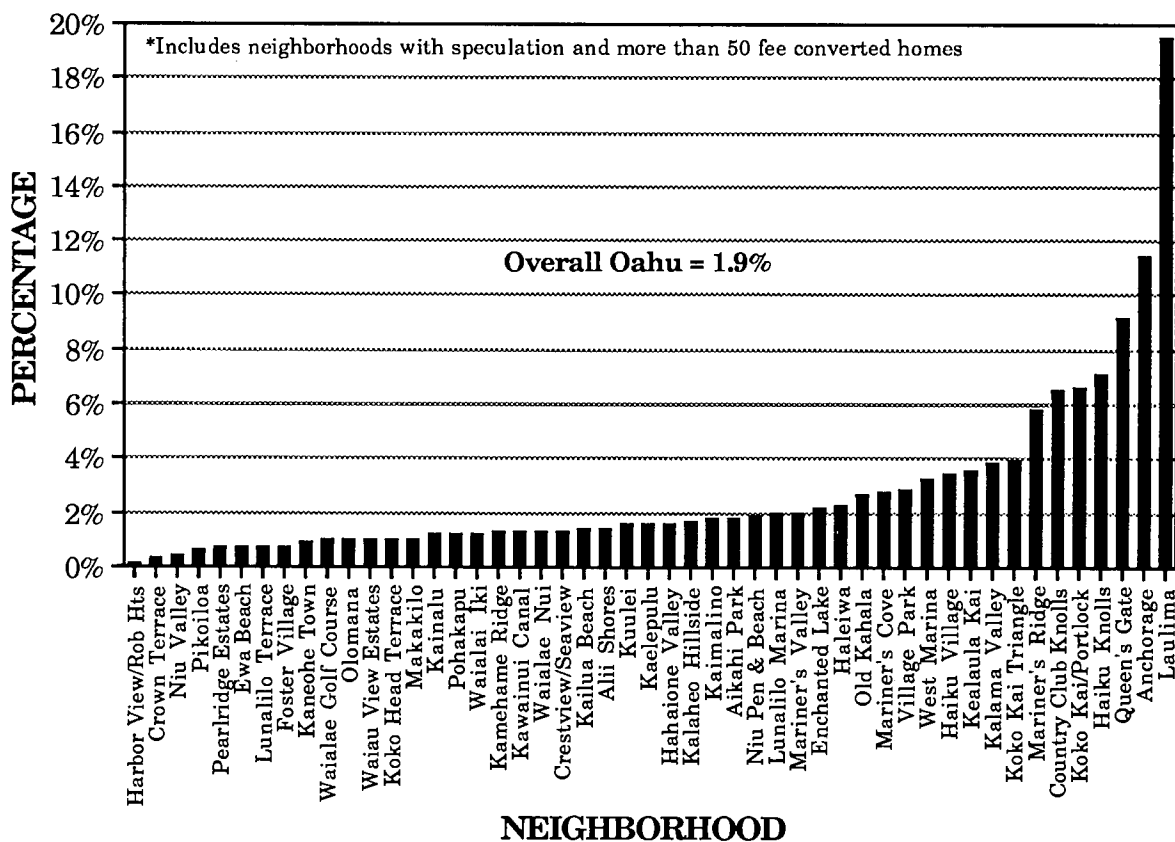
Foreign Investor Involvement by Year. Foreign investor purchases of leasehold to fee simple converted properties were concentrated in 1987 - 1990. For current owners, Figure IV-4 (Appendix I) shows the number of purchases for each year between 1986 and September 1991 by foreign investors in Waialae/Kahala, Hawaii Kai, and the rest of Oahu. The highest volume of foreign purchases was in 1990.

Foreign Investor Involvement by Country of Origin. Current foreign ownership in leasehold to fee simple converted properties is dominated by the Japanese. The Japanese represent 90.0% of all foreign buyers (Figure IV-5, see Appendix I). Hong Kong buyers are the next highest at a relatively insignificant 4.2%.

Speculator Involvement

Extent of Speculation by Neighborhood Area. Of the 23,459 leasehold to fee simple converted properties on Oahu, approximately 1.9% of the homes were involved in speculative activity according to the *Speculation I* definition: purchased in leasehold in the two year period prior to leased fee conversion and subsequently sold in fee simple in the two year period subsequent to conversion (Figure IV-6). A total of 1.5% of the homes were involved in speculative activity according to the *Speculation II* definition: two fee simple resales within 18 months of one another, regardless of the conversion date (Figure IV-7).

Figure IV-6
CONVERTED HOME SPECULATION I BY NEIGHBORHOOD



SECTION V. MARKET COMPARISON

INTRODUCTION

This section summarizes the effect leasehold to fee simple conversions had on the overall single family housing market on Oahu. Each neighborhood area affected by conversions was analyzed in detail to determine if excessive turnover resulted, inflated prices resulted, and excessive gains resulted. This enabled the presentation of turnover rates, resale prices, and gains in converted neighborhoods as compared to the overall Oahu market standard.

The presentation of methodology and findings is divided into three sections covering the major areas of analysis:

- (1) Comparison of Leasehold to Fee Simple Conversion Resales by Year and Percentage of Total Single Family Resales.
- (2) Comparison of Leasehold and Fee Simple Prices for Converted Neighborhoods and Traditional Fee Simple Prices.
- (3) Comparison of Excessive Gains/Losses for Leasehold to Fee Simple Converted Neighborhoods by Year.

MARKET COMPARISON

1. **Comparison of Leasehold to Fee Simple Conversion Resales by Year and Percentage of Total Single Family Resales.**

Methodology

Comparison of Property Resales. To address whether excessive turnover occurred in leasehold to fee simple converted areas, the resales data table was used to develop two comparative looks at the resale rates of neighborhoods with converted properties relative to traditionally fee simple areas and the overall Oahu market. Because of the relative absence of conversions on the Neighbor Islands, only Oahu data were used for this segment of the analysis.

To properly establish excess turnover rates, trends in the overall market must be separated from those of individual neighborhoods. Therefore, resale activity trends of individual neighborhoods relative to the overall Oahu market were analyzed. Both looks at resale rates include traditionally fee simple areas for comparative purposes.

In addition to these comparative views, the average holding period measures previously created were further analyzed to reveal potential patterns of excessive turnover.

The first view on resales: Comparison of overall Oahu resale trends to converted neighborhood resales. For this comparative view, annual single family resale activity series for the overall Oahu market by neighborhood area were constructed. Charts were created for each neighborhood comparing the total number of neighborhood resales with total Oahu resales by year. Reference lines marking the year that the majority of leasehold to fee simple conversions occurred are denoted on each chart.

In this view, it was expected that the pre-conversion resale trend line should closely correspond to the overall Oahu line. After conversion, if excessive turnover occurred in a neighborhood, then the post-conversion resale trend should increase at a significant higher rate relative to the Oahu market line.

The second view on resales: Comparison of the percentage of total Oahu resales that each converted neighborhood represents. This is actually a variation of the first view. For this comparative view, both leasehold and fee simple single family resales for Oahu from 1977 to September, 1991 were included. The data were summarized by year and neighborhood area.

Annual single family resale activity series for the overall Oahu market by neighborhood area were constructed. The percent of resales relative to the overall Oahu market was then computed from 1977 for all neighborhood areas with sufficient resale activity.

Using these computed data, line charts were created displaying the percentage of total Oahu resales for each neighborhood over time. On each chart, a reference line was denoted marking the year that the majority of leasehold to fee simple conversions occurred.

Excessive turnover was expected to be indicated by a significant change in the percentage of resales a converted neighborhood displayed on the chart relative to the overall Oahu market. It is noted that this view was also expected to result in high turnover findings for new or growing neighborhood areas. However, in these instances, the likely cause would be natural mobility rather than excessive turnover.

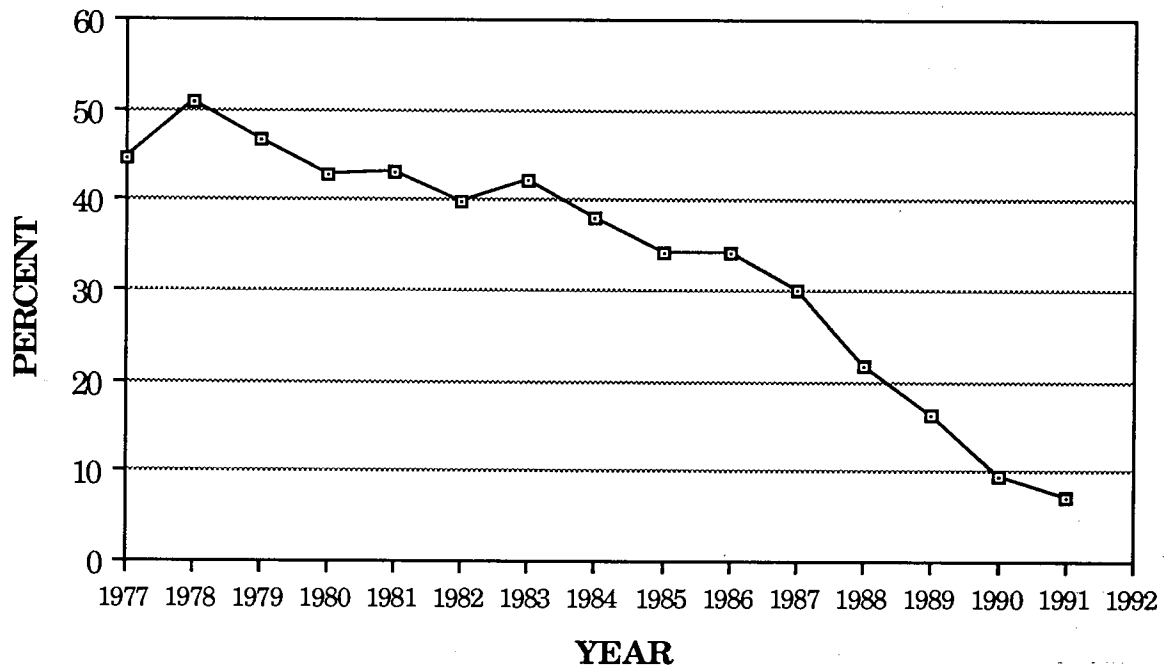
First Year Turnover for Converted Neighborhoods assesses the pattern of post conversion resales. The time between the property conversion date and first resale, second resale, third resale, etc. was calculated. With this analysis technique, it was expected that if excessive turnover was present, then a higher than normal percentage of properties could reasonably be expected to resell within one year of conversion.

Past research at Locations, Inc. has found that normal annual turnover rates range from a low of approximately 2% to a high of approximately 5%, depending on the type and location of the neighborhood. Typically, older and lower priced neighborhoods are expected to have higher turnover rates than newer and higher priced ones.

Findings

Overview. Leasehold single family resales as a percentage of total single family resales have declined sharply since the late 1970's (Figures V-1, see Appendix I and Figure V-2). At that time, leasehold sales comprised approximately 50% of all resales. Since then, leasehold resales have continued to decline to their current level of approximately 7.0%. This is not unexpected since just under 4% or 4,600 of an estimated 120,000 total single family homes are presently leasehold, according to the Locations, Inc. proprietary databases of real property.

Figure V-2
OAHU SINGLE FAMILY LEASEHOLD RESALES
AS A PERCENTAGE OF TOTAL RESALES

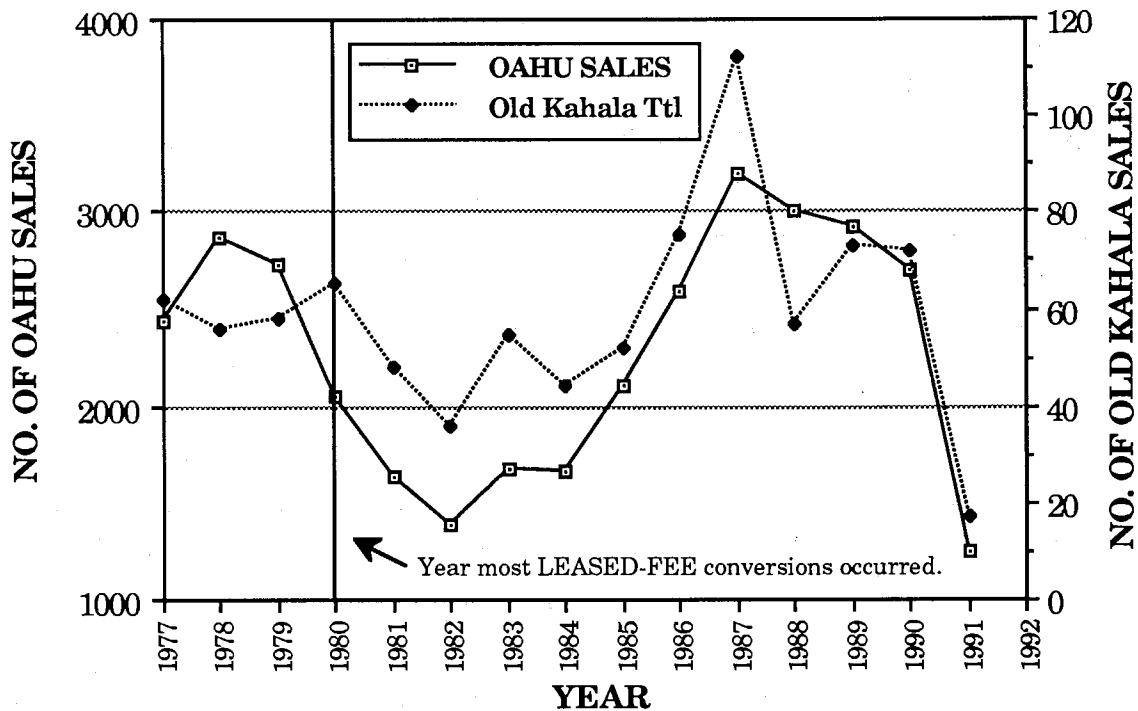


To determine if excessive turnover resulted from leasehold to fee simple conversions, resale rates were compared to the overall Oahu market. One comparison looked at the trends in resale activity for both converted areas and all of Oahu. The other comparison looked at what percentage of overall Oahu resales a converted neighborhood represented.

Comparison of Converted Areas to Oahu Resale Trends. Leasehold to fee simple conversions do not appear to stimulate subsequent fee simple resale activity. Most neighborhoods followed the overall Oahu market trend. That is, when the factors affecting real estate induced rising and falling sales activity levels, converted neighborhood areas did the same. The external factor of a leasehold to fee simple conversion did not result in excessive turnover compared to the overall Oahu market.

Figures V-3 through V-29 (Appendix I) compare changes in resale trends in converted areas to all of Oahu. The charts show annual resale activity for both the converted neighborhood and all of Oahu. Relative changes in resale activity can be best viewed by superimposing the two series using a double-scaled chart. The number of Oahu resales appears on the left hand scale and is represented by the solid line. The number of converted neighborhood resales appears on the right hand scale and is represented by the dotted line. As a point of reference, the year the majority of the leasehold to fee simple conversions occurred for each neighborhood is denoted using a solid vertical line. If excessive turnover was evident, the converted neighborhood resale rate should deviate from that of Oahu.

Figure V-7
OLD KAHALA & OAHU SINGLE FAMILY RESALES BY YEAR



Of the 27 neighborhoods surveyed, ten showed movements that were in tandem with the Oahu trend one year after conversion, eight showed movements contrary to the Oahu trend one year after conversion, and nine showed movements that were more pronounced but in the same direction with the Oahu trend one year after conversion.

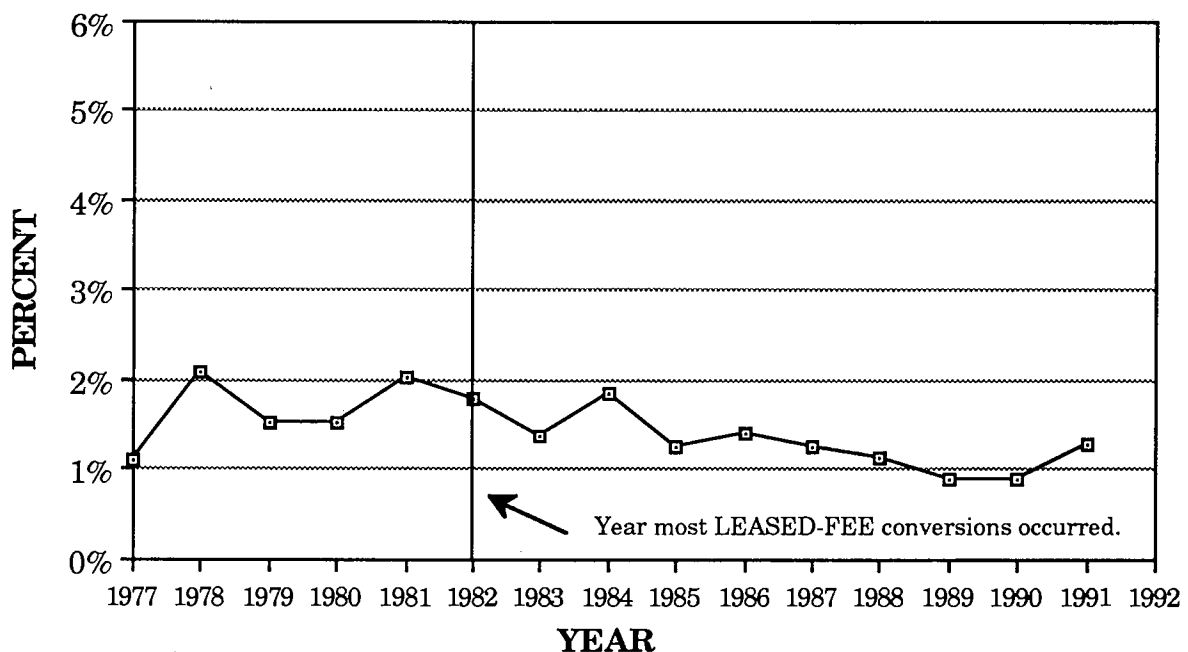
Comparison of Converted Area Resales as a Percentage of Oahu Resales. The comparison of resales in converted neighborhoods as a percentage of all Oahu sales indicates that conversions did not stimulate subsequent resales activity. Both before and after conversion, the ratio (percent) of resales in converted neighborhoods to all resales of Oahu single family homes remained quite stable, as expected. The neighborhoods experiencing the most fluctuation were generally smaller and thus were affected more significantly by small changes in their resale activity.

The overall Oahu market trend appears to be the driving force behind resale activity. The conclusion is that leasehold to fee simple conversions did not give rise to excessive turnover.

Figures V-30 through V-56 (Appendix I) display the results of the comparison of resales of converted neighborhoods as a percentage of all Oahu single family resales. The charts show on an annual basis what percentage of overall Oahu resales that resales in converted neighborhood represents. As a point of reference, the year that the majority of leasehold to fee simple conversions occurred is denoted using a solid vertical line. If excessive turnover was evident, the percent of total Oahu resales a converted neighborhood's resales represented should spike upwards.

Figure V-46

KALAHEO HILLSIDE RESALES AS A PERCENTAGE OF OAHU RESALES



The figures displaying the comparison of resales show that resale patterns before and after conversion were quite similar relative to the overall Oahu market. Most converted neighborhoods experienced small variations as a percentage of overall Oahu resales in the time period bracketing the conversions. Those that deviated from the Oahu trend did so

only temporarily. There was no evidence of a general rise in turnover resulting from leasehold to fee simple conversions. Rather, turnover in leasehold to fee simple converted areas is dictated primarily by trends in the overall Oahu market.

Comparison of Traditionally Fee Simple Areas to Oahu Resale Trends. Traditionally fee simple neighborhoods were analyzed to determine if they behaved differently from leasehold to fee simple converted neighborhoods. Figures V-57 through V-69 (Appendix I) show that traditional fee simple neighborhoods followed overall Oahu resale trends quite closely. As a percentage of all Oahu single family resales, traditionally fee simple neighborhoods remained relatively stable. Neighborhoods which experienced varying percentages relative to overall Oahu resales were generally quite small, or were new — such that the housing inventory has been increasing over time.

First Year Turnover for Converted Neighborhoods. The final measure of excessive turnover looked at the percentage of all converted homes which resold within the first year after conversion. Generally, turnover rates for all Oahu have ranged from approximately 2% to 5%. Turnover rates by specific neighborhood areas vary considerably.

**Table V-1
PERCENT OF CONVERTED HOMES RESOLD
IN THE FIRST YEAR AFTER CONVERSION**

Neighborhoods With Less Than 10% Turnover

Neighborhood	1st Year Turnover	Neighborhood	1st Year Turnover
Halawa Hills Estates	0.8%	Pearlridge Estates	4.0%
Waialae Gardens	1.1%	Lunalilo Marina	4.0%
Alii Shores	1.4%	Pikoiloa	4.0%
Crown Terrace	1.4%	Olomana	4.4%
Kainalu	1.6%	Waialae Golf Course	4.5%
Crestview Seaview	2.2%	Village Park	4.6%
Waiiau View Estates	2.3%	Makakilo	4.6%
Halawa Valley Estates	2.3%	Kuulei	4.9%
Harbor View/Rob Hts	2.3%	Hahaione Valley	4.9%
Koko Head Terrace	2.4%	Kamehame Ridge	5.2%
Kamehameha Terrace	2.6%	Kealaula Kai	5.3%
Foster Village	2.6%	Mariner's Cove	6.3%
Wahiawa	2.7%	Old Kahala	6.4%
Kaneohe Town	2.8%	Kaimalino	6.5%
Niu Valley	3.0%	Waialae Iki	6.8%
Kaneohe Bay	3.3%	Enchanted Lake	7.1%
Laie	3.3%	Pohakapu	7.2%
Mariner's Valley	3.4%	Kalaheo Hillside	7.7%
Keapuka	3.6%	Kaelepulu	7.8%
Ewa Beach	3.6%	West Marina	8.1%
Lunalilo Terrace	3.6%	Kalama Valley	8.6%
Kukanono	3.7%	Kawainui Canal	8.9%
Waialae Nui	3.8%	Mariner's Ridge	9.4%
Haiku Village	4.0%	Country Club Knolls	9.7%

Neighborhoods With Greater Than 10% Turnover

Neighborhood	1st Year Turnover
Kailua Beach	10.5%
Aikahi Park	11.4%
Queen's Gate	11.5%
Koko Kai Triangle	12.2%
Niu Peninsula & Beach	13.6%
Haleiwa	14.0%
Haiku Knolls	14.3%
Blackpoint	16.7%
Koko Kai/Portlock	16.7%
Anchorage	20.5%
Laulima	42.5%

The first year after conversion turnover rate for leasehold to fee simple converted neighborhoods is shown in Table V-1 and Figure V-70 (Appendix I). Sixty-nine of 78 converted neighborhoods had some turnover within one year of conversion.

To establish an excessive turnover rate for converted properties, turnover rates for all Oahu neighborhoods were calculated for each calendar year from 1977 through 1990 (Figures V-71 through V-83, see Appendix I). Minimum, median, and maximum turnover rates by neighborhood area provided benchmark turnover rates that reflected specific neighborhood areas and market conditions. Based on this data, a reasonable estimate of high turnover for converted neighborhoods would be defined as being in excess of 10% of total units.

Within the first year after conversion, only 11 of 78 (14.1%) of the neighborhoods have turnover rates in excess of 10%. Based on this measure, excessive turnover was not a widespread phenomenon. In the few instances where excess turnover did occur, it was limited to the first year after conversion.

2. Comparison of Leasehold and Fee Simple Prices for Converted Neighborhoods and Traditional Fee Simple Prices.

Methodology

Comparison of Leasehold and Fee Simple Resales Prices. To assess the price performance of converted leasehold to fee simple properties, leasehold and fee simple property resale prices were compared within converted neighborhood areas and then compared with traditionally fee simple areas. The results of these comparisons would display whether there were significant differences in the appreciation or price performance of:

- Leasehold properties prior to conversion (from leasehold to fee simple).
- Fee simple properties after conversion (from leasehold to fee simple).
- Traditionally fee simple properties.

Using the Locations, Inc. proprietary single family resales database and the conversion resales data table, line charts were plotted for both leasehold and fee simple median home prices within specific neighborhood areas. Leasehold prices were based upon the resale prices of homes that either are still leasehold or were formerly leasehold. The fee simple prices are based upon the resale prices of fee simple converted homes.

In some neighborhood areas, both traditionally fee simple and fee simple converted home resales were included in the fee simple price series. This mixing is limited to an insignificant number of neighborhood areas. Analyses from prior studies performed by Locations, Inc. indicate insignificant price differences between *identical* fee simple converted and traditionally fee simple homes. Thus, the small proportion of mixing of fee simple home prices was not expected to materially affect the study findings.

By plotting both leasehold and fee simple prices within specific neighborhoods on the same line chart, it was expected that significant price performance differences would be easily observable. If both price series move in tandem with one another, then one did not outperform the other.

Additionally, it was expected that leasehold prices would begin to under perform fee simple prices as renegotiation or expiration dates near or leased fee prices make the combined price of leasehold plus leased fee significantly greater than comparable fee simple prices.

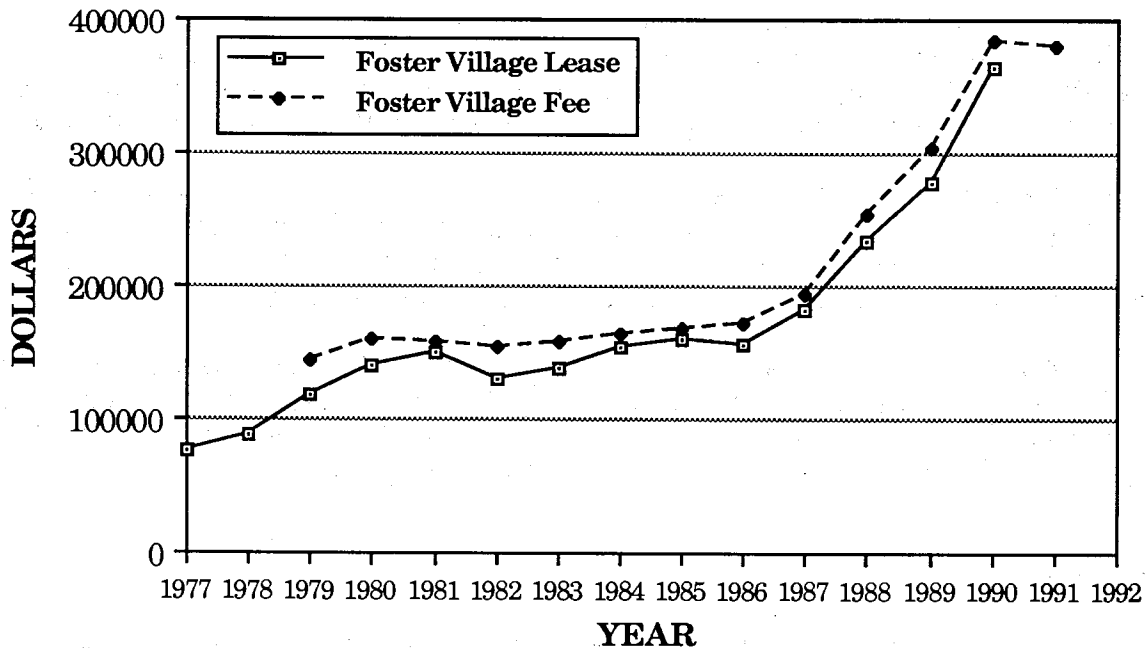
Findings

Overview. Hawaii real estate prices have increased dramatically over the past 15 years. Prices have approximately quadrupled since the mid-1970's. Sharply curtailed supply dating back to the mid-1970's combined with a rapidly growing population and economy have placed enormous pressures on the Oahu housing market. Once interest rates declined to attractive levels, a surge in housing demand developed resulting in prospective buyers bidding up prices for the limited available supply. This fundamental imbalance between supply and demand has affected all local real estate and will continue to be the driving force behind Hawaii's high home prices.

Comparison of Leasehold and Fee Simple Prices for Converted Neighborhoods. Fee simple and leasehold prices have generally moved in tandem over the years. The factors behind this can be attributed to overall real estate market conditions. Up until the past year, leasehold to fee simple conversions have had little impact on the magnitude of change in both leasehold and fee simple home prices.

To assess the price performance of both leasehold and fee simple prices within the same converted neighborhood, historical median resale prices were plotted. Figures V-84 through V-112 (Appendix I) show these comparisons by neighborhood. As seen in most charts, leasehold and fee simple prices have tended to track one another quite closely until 1986 with leasehold prices representing approximately 70% to 90% of fee simple prices. Thereafter there is an increasing gap. The differential between the two, which averages 15% to 30%, approximates the most recent leased fee conversion price.

Figure V-87
FOSTER VILLAGE MEDIAN PRICES



In some areas, fee simple prices have outperformed leasehold prices, particularly in recent years. These neighborhoods are Old Kahala (Figure V-88) and Waialae Iki (Figure V-91). In Old Kahala, the Japanese buyers provided an added stimulus to this market. They generally preferred fee simple over leasehold and were willing to pay a substantial premium for such properties. In addition, the relatively high leased fee conversion prices which were charged in Old Kahala have had the effect of suppressing leasehold prices. These factors resulted in fee simple prices moving up much faster than leasehold prices. In Waialae Iki, some of these same factors have also been at work. However, during the period of leasehold to fee simple conversion, the composition of homes in Waialae Iki was changing significantly. As existing leasehold homes were being converted to fee simple, new custom fee simple homes were being built and subsequently resold. The mix of homes selling in Waialae Iki thus gave the appearance of extraordinarily higher prices (Figure V-91).

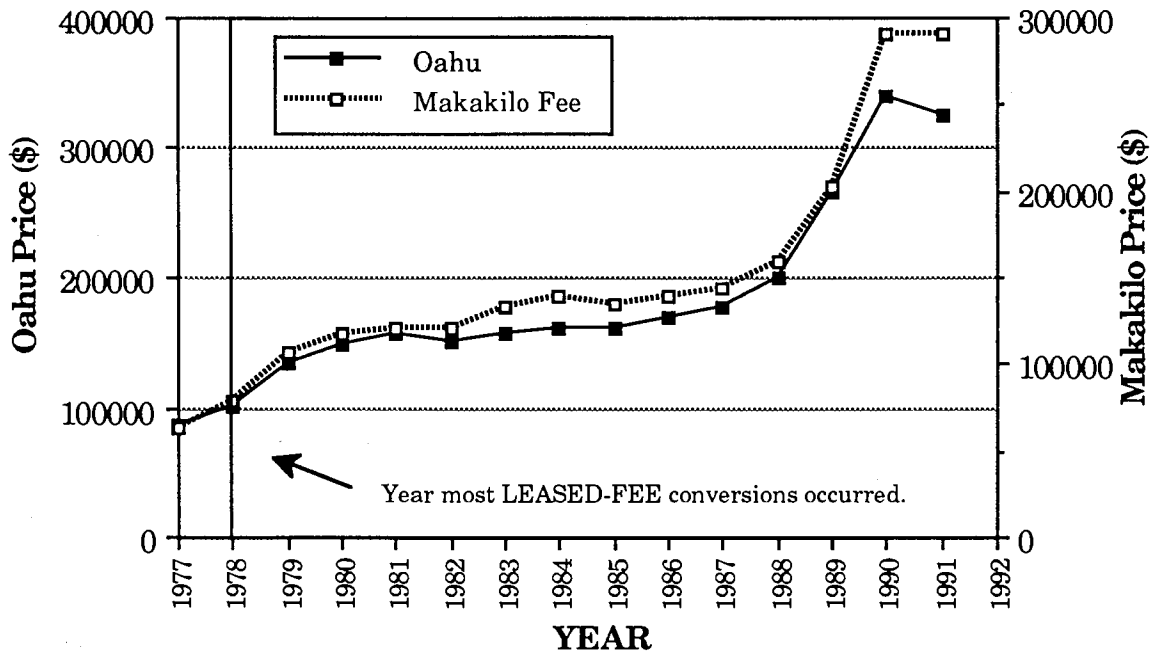
Comparison of Fee Simple Prices in Converted Neighborhoods to Traditionally Fee Simple Neighborhoods. Price trends of leasehold to fee simple converted homes have mirrored those of traditional fee simple neighborhoods. Leasehold to fee simple conversions do not appear to stimulate resale prices of converted homes.

To assess the price performance of properties converted from leasehold to fee simple, historical median price series of converted and traditional Oahu (a composite of all defined areas) fee simple homes were plotted. The display of relative changes in median resale prices was

facilitated by superimposing the two series using a double-scaled chart. The Oahu prices appear on the left hand scale and are represented by the solid line. The converted neighborhood prices appear on the right hand scale and are represented by the dotted line. As a point of reference, the year the majority of leasehold to fee simple conversions occurred was denoted using a solid vertical line — the year for this would vary with each neighborhood. If higher than normal price performance was evident, converted neighborhood resale prices should clearly and consistently deviate from traditional fee simple areas of Oahu.

Figure V-139

MAKAKILO & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES



Figures V-113 through V-139 (Appendix I) show median annual prices of converted neighborhoods along with Oahu's traditional fee simple price series. The two series track one another quite closely in nearly every chart. This is true both before and after the year the majority of conversions occurred. The only exception was, again, Old Kahala where prices began to deviate from the Oahu traditional fee simple trend seven years after conversion (Figure V-117). However, notice how closely the two price series tracked one another between 1980 (the year 65 percent of the homes converted to fee simple) and 1986. It was not until 1987, when fee simple prices began to surge due to an influx of Japanese buyers, that the price series diverged. This added stimulus affected prices primarily in Old Kahala.

3. Comparison of Excessive Gains/Losses for Leasehold to Fee Simple Converted Neighborhoods by Year.

Methodology

Excess Gains/Losses Comparison. Two approaches were used to measure the potential presence of excess gains/losses in leasehold to fee simple conversion resales. Both approaches utilize historical median resale prices for leasehold single family homes, fee simple single family homes, and leased fee conversions.

The first approach, **Same Year Purchase and Resale**, analyzed median leasehold, leased fee conversion, and fee simple prices each year after conversion for a selected sample of neighborhood areas. Leasehold and lease fee conversion prices were added together ("leasehold plus leased fee"), when sufficient data were available, on a year-to-year basis. The leasehold plus leased fee price was compared to the prevailing fee simple price on a year-to-year basis to determine if excess gains were present.

This approach utilized an arbitrage perspective to assess the potential presence of excess gains/losses. Arbitrage, as defined by Barron's *Dictionary of Finance and Investment Terms*, is profiting from the differences in price when the same commodity is traded on two or more markets.

As an example, an investor might purchase a leasehold property on the open market and its leased fee interest from the landowner and then, in the same year, resell the fee simple converted property. If excess gains were available, then the fee simple converted price to the new purchaser should be higher than the combined leasehold property plus leased fee conversion price paid by the investor. The implication would be that the fee simple property purchaser was willing to pay a premium over and above the simple cost of a leasehold property plus the leased fee interest.

To measure the potential for excess gains, the percentage difference between fee simple prices and leasehold plus leased fee conversion prices was calculated for selected neighborhood areas. If this percentage was positive, then excess gains were presumed to be available.

Percent Difference =

$$\frac{(\text{Fee Simple Price} - (\text{Leasehold Price} + \text{Leased Fee Price}))}{(\text{Leasehold Price} + \text{Leased Fee Price})}$$

The second approach for assessing potential excess gains, **Factoring in Price Movements**, involved the analysis of the investment returns on leasehold property purchases each year up to conversion and the fee simple converted resales each year subsequent to conversion. The investment returns for fee simple converted resales were assessed from both nominal and excess gain perspectives.

Nominal gains/losses are defined as the percentage return realized based on the purchase and resale prices. Nominal gains do not account for holding periods or changes in overall resale price levels.

Nominal gain analysis was presented because it is a commonly used measure to describe excess gains. However, the weakness in discussing the idea of nominal gains is that it incorporates neither the element of time nor price trends in the overall marketplace. For the purposes of this study, the two terms are treated as having different meanings and are not interchangeable.

Excess gains/losses are defined as the percentage returns above or below what occurred for the overall real estate market. To measure excess gains/losses, overall market price trend information is factored into the gain/loss calculation.

From this perspective, if overall Oahu single family resale prices increased by 100% between 1987 and 1990, then leasehold to fee simple converted property gains would be considered *normal* if they increased by a comparable amount when factoring in the leased fee conversion purchase price.

For the nominal gain/loss analysis, the following prices series were developed:

- Median leasehold resale prices for converted neighborhoods.
- Median fee simple prices for converted neighborhoods.
- Median leased fee conversion prices.

To calculate the nominal year-to-year investment returns for converted resales, median leasehold purchase prices from 1977 to the year that the majority of leased fee conversions occurred were identified by neighborhood. The year that the majority of leased fee conversions occurred will vary by neighborhood. The median leased fee conversion price for the year that the majority of leased fee conversions occurred was then added to the median leasehold resale price for each year up until the year that the majority of leased fee conversions occurred.

Median leasehold plus leased fee conversion prices were compared to the prevailing median fee simple price. A percentage gain/loss was then calculated, resulting in a year-to-year investment return or the nominal gain/loss that could have been realized by homeowners if they chose to resell in any year after leasehold to fee simple conversion.

For the excess gain/loss analysis, the following price series were developed:

- Leasehold and fee simple price indices.
- Median leasehold resale prices for converted neighborhoods.
- Median fee simple prices for converted neighborhoods.
- Median leased fee conversion prices.

The leasehold and fee simple price indices were constructed to establish benchmark appreciation/depreciation rates for these property types. The indices, representing percentage price changes from 1977, were based upon median resale prices for leasehold properties and traditionally fee simple properties. The indices used for the gain/loss calculation are shown in Figures V-176 to V-178 (Appendix I).

To control for observed regional differences in price performance on Oahu, leasehold and traditional fee simple price indices were constructed by the major tax-map-key zone numbers 2, 3, 4, 5 - 6, and 9 (see Exhibit I-1).

The calculation of excess year-to-year investment returns was performed by identifying median leasehold resale prices by neighborhood from 1977 up until the year the majority of leased fee conversions occurred. These median leasehold resale prices were then adjusted from the year purchased by the leasehold index up until the year the majority of leased fee conversions occurred. This provided a year-to-year estimation of market value up to the time of leased fee conversion purchase.

The median leased fee conversion price was then added to the adjusted leasehold value at the time of leased fee conversion purchase. Finally, the adjusted leasehold value at the time of leased fee conversion purchase plus the leased fee conversion purchase price was adjusted on an annual basis up to September, 1991 by the fee simple index.

Both the leasehold and fee simple indices corresponded to the respective tax-map-key zones encompassing the neighborhood selected for this analysis segment. The adjusted leasehold plus leased fee conversion prices subsequent to conversion were then compared to the prevailing fee simple prices within the same neighborhood area. This resulted in an excess percentage gain/loss on a year-to-year basis.

To account for different holding periods, the total percentage gain/loss calculation was annualized. The annualized excess gain/loss was determined by calculating the annual or compounded percentage rate of return (assuming an array of leasehold purchases and subsequent fee simple resale dates).

By annualizing the total percentage gain/loss, the actual excess rate of return/loss received can be more properly reflected for property resales in a particular year. The annualized figures show how much excess gain/loss could have been realized by homeowners if they choose to resell in any year after leasehold to fee simple conversion.

Findings

Excessive Gain/Loss Measurement — Same Year Purchase and Resale. The availability of potential excess gains for someone purchasing a leasehold home and its leased fee interest and then reselling the package in fee simple, all within the same calendar year, was found to be very small. Typically, most neighborhoods surveyed showed the annual difference between leasehold plus leased fee conversion and fee simple to be in a range of plus or minus 10%.

Considering transaction costs, these gains would likely be reduced by approximately 7.0% (standard commission rate and closing costs). Unless excess gains exceeded approximately 7.0%, transaction costs would all but eliminate any potential gain. Therefore, this method indicates that very small, if any, potential excess gains were possible via fee simple conversion within the same year. If such gains did occur, they were due to overall market price appreciation having pulled up prices between the leasehold purchase and fee simple resale.

**Figure V-148
KOKO KAI/PORTLOCK MEDIAN PRICES**

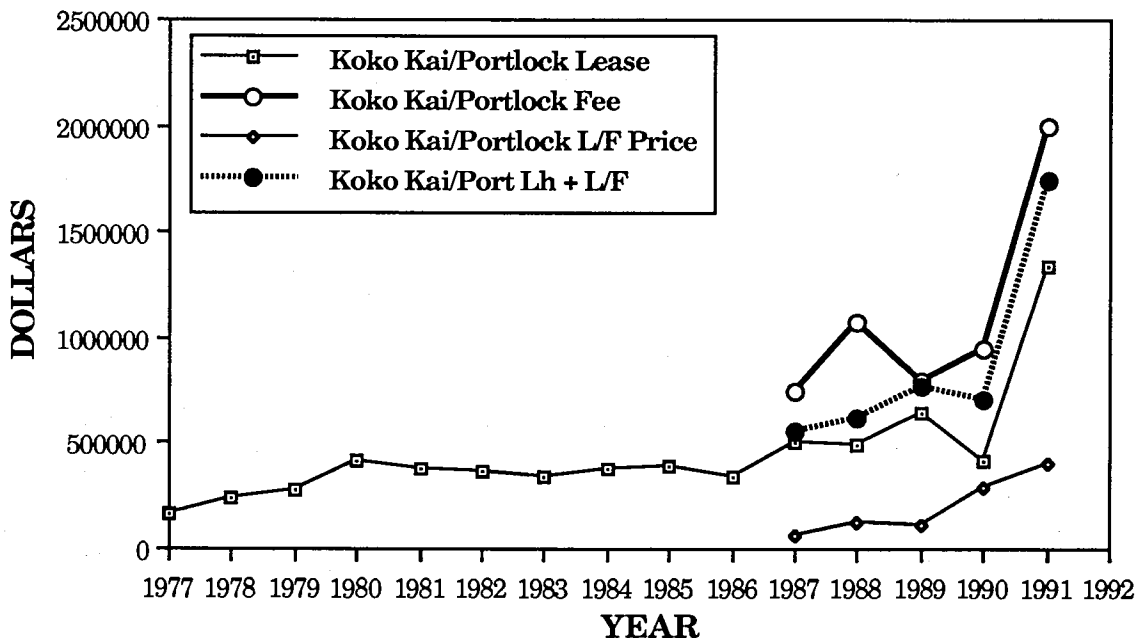


Table V-2
EXCESS GAIN/LOSS — SAME YEAR PURCHASE & RESALE

Neighborhood	Year	78	79	80	81	82	83	84	85	86	87	88	89	90	91
<i>West Honolulu</i>															
Halawa Hills Estates	1%	-4%	-15%	0%	0%	32%	0%	-25%	-10%	19%	0%	-15%	-2%	3%	
Halawa Valley	0%	0%	0%	0%	0%	0%	0%	0%	0%	-5%	5%	-1%	0%	0%	
Foster Village		9%	2%	-4%	5%	0%	0%	0%	0%	0%	-3%	0%	0%	0%	
<i>Waialae/Kahala</i>															
Old Kahala	0%	20%	-4%	-17%	-26%	-15%	-19%	-31%	-24%	24%	2%	11%	14%	0%	
Waialae Nui										0%	-2%	-8%	0%	0%	
<i>Hawaii Kai</i>															
Koko Kai Triangle										32%	72%	4%	34%	14%	
Koko Head Terrace										5%	-8%	9%	1%	-2%	
Lunalilo Terrace										11%	22%	3%	-1%	-7%	0%
Mariner's Ridge												14%	7%	4%	13%
Hahaione Valley												2%	-13%	1%	19%
Mariner's Cove												11%	-2%	-7%	-7%
Mariner's Valley												5%	1%	1%	17%
Kalama Valley													2%	-10%	15%
Laulima												36%	-1%	-2%	1%
<i>Kailua</i>															
Enchanted Lake											-8%	11%	3%	8%	-11%
Olomana				-5%	9%	7%	-4%	2%	-8%	-8%	0%	1%	12%	0%	
Pohakapu					-13%	0%	-2%	-16%	-6%	0%	-9%	-4%	1%	0%	
Kalaheo Hillside				-7%	5%	3%	-3%	2%	0%	-17%	0%	6%	-13%	0%	
Kainalu				-9%	-28%	-5%	0%	0%	0%	-10%	3%	12%	0%	1%	
Kawainui				-22%	2%	14%	19%	-13%	-14%	-2%	0%	-7%	3%	0%	
Kuulei				0%	0%	-11%	3%	-9%	6%	7%	2%	0%	-25%	18%	
Aikahi Park				7%	0%	3%	-2%	0%	0%	1%	7%	0%	-12%	0%	
Kaelepulu	-12%	1%	0%	0%	0%	0%	9%	-34%	1%	0%	30%	-16%	3%	0%	
<i>Kaneohe</i>															
Kaneohe Town				-17%	-4%	-14%	-1%	-18%	7%	14%	-16%	10%	0%	0%	
Alii Shores				-5%	-20%	0%	5%	0%	-11%	4%	-9%	17%	1%	-13%	
Crown Terrace		-5%	5%	0%	0%	7%	0%	-1%	-7%	1%	0%	0%	-14%	-16%	
Keapuka				-9%	9%	6%	18%	0%	0%	1%	0%	-8%	0%	0%	
Haiku Plantation										9%	15%	-14%	0%	0%	
<i>Leeward</i>															
Pearlridge Estates										-1%	-3%	5%	-26%	4%	0%
Waiiau View Estates											11%	3%	4%	9%	0%
Ewa Beach		-2%	-6%	-11%	-9%	-12%	-4%	-15%	-5%	14%	-14%	12%	4%	0%	
Village Park												5%	8%	3%	0%
Hbr View/Rob Hts	-5%	-4%	0%	0%	0%	9%	0%	7%	0%	0%	0%	21%	-11%	0%	
Makakilo	9%	10%	9%	12%	8%	1%	10%	-2%	21%	9%	11%	20%	0%	0%	

To assess the presence of excess gains/losses, historical charts of leasehold, leased fee conversion, leasehold plus leased fee conversion, and fee simple prices were plotted. Figures V-140 through V-175 (Appendix I) show these price series by neighborhood. If excessive gains were present on a year-to-year basis then the leasehold price plus the price of purchasing the leased interest should be significantly lower than the fee simple price. The purchase of a leasehold home and the leased fee interest would be less than the cost of a comparable existing fee simple home. As seen in most charts, the leasehold plus leased fee conversion price is usually very close to the fee simple price, indicating substantial market efficiency. The small variations between the two series represent the potential for excess gain/loss.

The year-to-year excess gains/losses are summarized in Table V-2. The majority of neighborhoods had a greater number of years where losses instead of gains were present. The exceptions were most neighborhoods in Hawaii Kai and about half of the neighborhoods in Leeward Oahu. The neighborhoods with the largest potential for losses were Kalaheo Hillside, Kainalu, Kaneohe Town, and Ewa Beach. The neighborhoods with the largest potential for gains were Halawa Hills, Blackpoint, Koko Kai/Portlock, Koko Kai Triangle, and Makakilo. Old Kahala had the highest potential for both gains and losses. There were no neighborhoods showing consistently high or low gains/losses beyond the plus or minus 10% band.

The realization of these gains/losses was highly dependent on market conditions at the time of leasehold to fee simple conversion. For example, if excessive gains/losses were present during the weak real estate market of the early to mid-1980's, few could actually realize them. Once the market strengthened after 1986-87, a higher percentage could have realized gains/losses if they were available. However, the efficiency of the real estate market appears to have precluded excessive gains/losses on a year-to-year basis.

Excessive Gain/Loss Measurement — Factoring in Price Movements. The presence of excessive gains/losses for resales of leasehold to fee simple converted properties was found to be very small. When factoring in general price movements and annualizing rates of return to account for time differences, most neighborhoods surveyed showed a potential excess gain/loss within a band of plus or minus 5%. Old Kahala and Koko Kai/Portlock were the only neighborhoods with consistently higher than normal potential for excess gains.

Sharply contrasting the excess gains, as expected, were nominal gains. Nominal gains typically ranged from 0 to 10% in the first year after conversion to 250 to 350% currently. It is important to recognize that nominal gain calculations do not factor in general price movements.

To assess the presence of excess gains/losses by neighborhood, matrices including the following were constructed:

- total percentage of nominal gains/losses by year
- total percentage of excess gains/losses by year
- annualized percentage of excess gains/losses by year

The matrices were developed by neighborhood for the year that the majority of leased fee conversions occurred. If there were more than one year with a significantly large number of conversions, then a second matrix was developed for the same neighborhood. The second matrix provided additional information on the presence of excess gains/losses. A total of 20 neighborhoods with available data were analyzed. The gain/loss results are shown in Figures V-179 through V-202 (Appendix I). These figures display nominal gains/losses, excess gains/losses, and annualized excess gains/losses. Gains/losses are provided for all possible leasehold purchases from 1977 to the year that the majority of conversions occurred and fee simple resales of those properties subsequent to conversion. For example:

In Koko Kai/Portlock most conversions occurred in 1987. With available resale data back to 1977, one could have purchased a home in leasehold between the years 1977 to 1987. After conversion, one could have resold the property in fee simple between the years 1987 to 1991. The matrices show, for example, if one purchased a leasehold home in Koko Kai/Portlock in 1977 and resold it in 1987, after purchasing the leased fee interest, the nominal gain would have been 223%. The excess gain/loss adjusted by the indices would have been 60%. If this were annualized, the annual excess gain/loss would have been 4.4%.

Figure V-184

Neighborhood: **Koko Kai/Portlock**
 Leased Fee Conversion Date: **1987** No. Converted: **231**

Nominal Gain/Loss

Year Purchased in Leasehold	YEAR	Year Sold in Fee Simple				
		1987	1988	1989	1990	1991
1977	223%	366%	248%	314%	n.a.	
1978	148%	258%	167%	218%	n.a.	
1979	120%	218%	137%	182%	n.a.	
1980	57%	127%	69%	101%	n.a.	
1981	71%	148%	85%	120%	n.a.	
1982	76%	155%	90%	127%	n.a.	
1983	88%	171%	102%	141%	n.a.	
1984	68%	142%	81%	115%	n.a.	
1985	63%	135%	76%	109%	n.a.	
1986	87%	171%	102%	140%	n.a.	
1987	32%	91%	42%	69%	n.a.	

Excess Gain/Loss

Year Purchased in Leasehold	YEAR	Year Sold in Fee Simple				
		1987	1988	1989	1990	1991
1977	60%	87%	-6%	0%	n.a.	
1978	48%	73%	-13%	-7%	n.a.	
1979	72%	102%	2%	8%	n.a.	
1980	33%	56%	-21%	-17%	n.a.	
1981	55%	82%	-8%	-3%	n.a.	
1982	44%	69%	-15%	-10%	n.a.	
1983	56%	83%	-8%	-2%	n.a.	
1984	48%	73%	-13%	-8%	n.a.	
1985	38%	62%	-18%	-13%	n.a.	
1986	41%	65%	-17%	-12%	n.a.	
1987	32%	54%	-22%	-17%	n.a.	

Annualized Excess Gain/Loss

Year Purchased in Leasehold	YEAR	Year Sold in Fee Simple				
		1987	1988	1989	1990	1991
1977	4.4%	5.4%	-0.4%	0.0%	n.a.	
1978	4.0%	5.1%	-1.1%	-0.6%	n.a.	
1979	6.2%	7.3%	0.1%	0.6%	n.a.	
1980	3.6%	5.0%	-2.4%	-1.7%	n.a.	
1981	6.5%	7.8%	-1.0%	-0.3%	n.a.	
1982	6.3%	7.8%	-2.0%	-1.1%	n.a.	
1983	9.3%	10.6%	-1.2%	-0.3%	n.a.	
1984	10.2%	11.6%	-2.3%	-1.1%	n.a.	
1985	11.4%	12.8%	-4.0%	-2.4%	n.a.	
1986	18.9%	18.3%	-4.4%	-2.4%	n.a.	
1987	31.8%	24.2%	-8.0%	-4.7%	n.a.	

Table V-3 provides a summary of the gain/loss results by neighborhood and type for a leasehold purchase in 1977 and fee simple resale in 1990. This time period was judged to be the most representative since it encompassed the price surge periods of the late 1970's and 1980's. Some neighborhoods such as Harbor View, Kalaheo Hillside, Ewa Beach, and Old Kahala had two distinct times when most conversions took place. The neighborhoods are listed below according to both times of conversion.

**Table V-3
GAIN/LOSS RESULTS**

Neighborhood	Conversion Year	Nominal Gain/Loss 77 - 90	Excess Gain/Loss 77 - 90
Harbor View/Rob Hts	1989	189%	-1.1%
Lunalilo Terrace	1987	265%	-0.9%
Kalaheo Hillside	1989	216%	-0.6%
Mariner's Ridge	1987	278%	-0.6%
Aikahi Park	1987	278%	-0.5%
Kalaheo Hillside	1982	248%	-0.4%
Enchanted Lake	1988	282%	-0.4%
Harbor View/Rob Hts	1978	236%	-0.3%
Koko Kai/Portlock	1987	314%	0.0%
Village Park	1989	117%	0.2%
Halawa Hills Estate	1984	248%	0.3%
Kalama Valley	1989	243%	0.4%
Waialae Nui	1987	331%	0.5%
Waiiau View Estates	1987	278%	0.8%
Ewa Beach	1984	298%	0.9%
Ewa Beach	1979	315%	1.0%
Keapuka	1981	312%	1.1%
Alii Shores	1980	268%	1.2%
Foster Village	1979	327%	1.2%
Olomana	1980	290%	1.5%
Makakilo	1978	337%	1.6%
Old Kahala	1987	344%	1.9%
Pearlridge Estates	1986	363%	2.3%
Old Kahala	1980	520%	2.4%

The neighborhoods with the lowest nominal gain/loss were Village Park at 117%, Harbor View (conversion year, 1989) at 189%, and Kalaheo Hillside (conversion year, 1989) at 216%. The neighborhoods with the highest nominal gain/loss were Old Kahala (conversion year, 1980) at 520%, Pearlridge Estates at 363%, and Old Kahala (conversion year, 1987) at 344%.

The neighborhoods with the lowest annualized excess gain/loss were Harbor View (conversion year, 1989) at -1.1%, Lunalilo Terrace at -0.9%, and Kalaheo Hillside (conversion year, 1989) and Mariner's Ridge at -0.6%. The neighborhoods with the highest annualized excess gain/loss were Old Kahala (conversion year, 1980) at 2.4%, Pearlridge Estates at 2.3%, and Old Kahala (conversion year, 1987) at 1.9%.

SECTION VI. LEASEHOLD TO FEE SIMPLE CONVERSIONS WITHIN THE BROADER CONTEXT OF FACTORS AFFECTING THE HAWAII HOUSING MARKET

INTRODUCTION

This section summarizes the interrelationship between leasehold to fee simple conversions and overall housing prices in Hawaii so as to gauge what effect, if any, leasehold to fee simple conversions and property resales may have had on rising housing prices.

METHODOLOGY

To determine what effect, if any, that leasehold conversions have had on the Hawaii real estate market, leasehold to fee simple conversions were examined within the broader context of the Hawaii housing market. In this examination, basic housing supply and demand factors, domestic economic and financial conditions, and external (primarily foreign) real estate, economic, and financial conditions were reviewed. To explain Hawaii real estate market trends and what led up to changes in conditions, the major factors affecting those trends were analyzed and compared to the timing and extent of leasehold to fee simple conversions.

FINDINGS

Analysis of Hawaii real estate markets suggests that the most important driving force behind a particular sector of the market is the trend in sales activity and prices in the overall market. This conclusion pertains to leasehold to fee simple converted properties, as well.

Figures V-3 through V-29 (Appendix I) compare annual resale activity in fee simple converted neighborhoods with the overall Oahu single family resale market. A reference line indicating the year that the majority of conversions occurred is denoted. After conversion, just as many neighborhoods experienced increased resale activity as experienced decreased activity. If the leased fee conversion had led to a subsequent surge in resale activity, it would have been apparent in such a presentation. Instead, subsequent resale activity closely tracked sales activity trends in the overall Oahu single family market.

A comparison of median sales prices for leasehold to fee simple converted neighborhoods and the Oahu's traditionally fee simple single family market yielded similar results. Figures V-113 through V-139 show median fee simple prices for converted neighborhoods superimposed on the traditional Oahu fee simple prices where a double scaled chart has been used. A reference line indicating the year that the majority of conversions occurred is denoted. As seen, the two price series track one another quite closely. When traditional Oahu fee simple single family prices were stable, the same was true for fee simple converted neighborhoods. Similarly, increasing prices in traditional Oahu fee simple neighborhoods were associated with increasing prices in fee simple converted neighborhoods. These charts show that the timing of the leased fee conversions is not the primary factor behind subsequent resale price movements. Rather, the factors which impact overall market prices are the driving force behind individual neighborhood price movements.

In the case of the Oahu real estate market, a number of macroeconomic factors have had an impact over the past 15 years. In the late 1970's, high inflation and a general rush to purchase tangible assets caused a surge in real estate sales activity and sales prices. This situation was exacerbated by very low rental vacancy rates. This was followed by a severe national recession, accompanied by historically high interest rates, which negatively impacted both the national and local real estate markets in the early 1980's. This caused Oahu and neighbor island real estate prices to flatten out for owner occupied units and decline sharply for investor and resort oriented properties. In the case of the latter, there were many instances where prices declined between 30 to 50%, particularly on the neighbor islands.

This general malaise persisted until the 1986 - 1987 period when a number of factors came together to cause another upswing in the Hawaii real estate market. These included attractive interest rates, a generally prosperous local economy characterized by a very low unemployment rate, low rental vacancy rates and rising rents because of inadequate levels of new housing construction in the 1980's, and rising household incomes. This led to a classical clash between supply and demand which propelled real estate prices higher.

The confluence of these factors received a further boost from a surge of interest in local real estate by Japanese investors. Japanese investors were driven by a number of external factors in the 1986 - 1989 period. These included the rapidly increasing value of the Japanese Yen relative to the U.S. Dollar, a huge merchandise trade surplus with the U.S., extremely low interest rates in Japan, soaring Japanese stock and real estate markets, aggressive lending practices by Japanese banks, and a lack of real estate investment opportunities in Japan. (These factors and a more detailed analysis of Japanese purchases of Oahu single family homes are discussed in the paper "*Japanese Purchases, Exchange Rates and Speculation in Residential Real Estate Markets*" which is included in the Appendix II). The confluence of these factors led to unprecedented levels of

Japanese purchases of Hawaii real estate. The Japanese purchases included hotels, luxury single family homes and condominiums, shopping centers, office buildings, golf courses, industrial properties, and vacant land. In the case of the Oahu single family market, the Japanese focused most of their purchases on east Oahu, in particular, from Diamond Head to Hawaii Kai.

The Japanese were reported to have a preference for fee simple properties much like their local counterparts. The availability of fee simple homes in very desirable neighborhoods such as Kahala, Waiialae Iki, and Koko Kai/Portlock only served to solidify their attraction to those areas. However, based upon their broad participation in other fee simple and leasehold sectors of the Oahu real estate market (e.g. condominiums, office buildings, shopping centers, etc.) it appears unlikely that the primary reason for their purchases of east Oahu single family homes was the availability of fee simple ownership.

SECTION VII. RECOMMENDATIONS REGARDING DATA AND ADDITIONAL RESEARCH

There needs to be a standard method established for identifying *foreign owners*. Current Hawaii statutes are inadequate for identifying foreign participation in Hawaii real property sale transactions. Significantly, there is no requirement for non-United States citizens and corporate entities to report the purchase of Hawaii real property.

There needs to be uniform statutory definitions of a *foreign owner*. Depending upon the legal, tax, and financing circumstances, any of the following could be legitimately considered a *foreign owner*:

- Non resident foreign national
- Resident foreign national
- Non resident U.S. citizen
- Non resident U.S. corporation
- Non resident foreign corporation
- Resident foreign corporation

Sales transactions involving non resident foreign nationals and non resident foreign corporations are nominally the clearest with regard to classifying foreign ownership. Cases involving resident foreign nationals and resident foreign corporations that are established in Hawaii are less clear.

Non resident U.S. citizens using foreign capital to make purchases of Hawaii real property could legitimately be considered foreign purchasers. U.S. companies that are incorporated offshore for tax purposes might likewise be considered foreign purchasers.

Besides defining the *foreign owner* however, there is the additional need for a guideline regarding the form of ownership (e.g. partnership, shareholder, master leaseholder) and the extent of ownership for classifying real property sales transactions. This is a significant issue for classifying transactions involving corporations that are partially owned/held by foreign nationals or corporate entities.

A follow-up study needs to be performed to identify the long-term effects of resale activity and price trends for the conversions which occurred since 1987. A substantial proportion of leasehold to fee simple conversions only recently occurred during 1987 - 1990. Since mean turnover for those single family residences reselling in Hawaii is approximately five years, there may not have been adequate elapsed time for the *actual* resale turnover and price pattern to be established. A follow-up would allow for a more definitive analysis of these trends in the context of the most recent real estate cycle.

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APPENDIX I

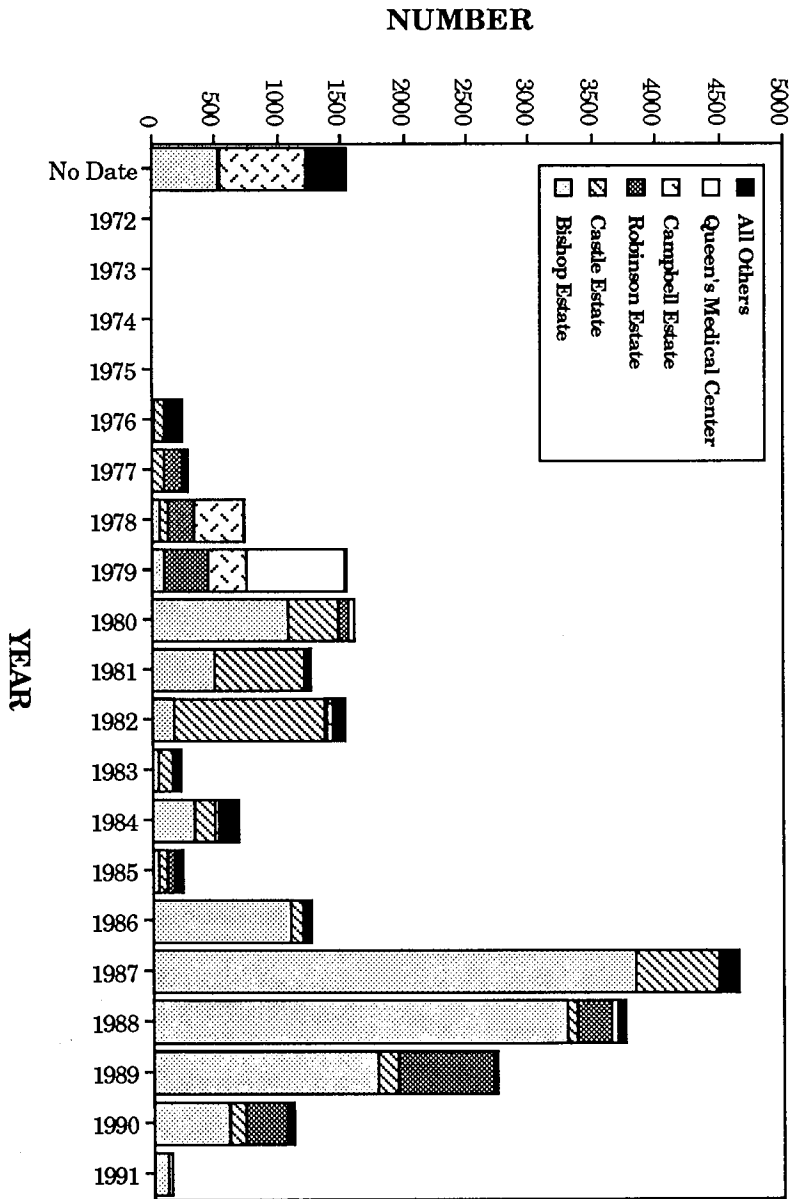


Figure II-2

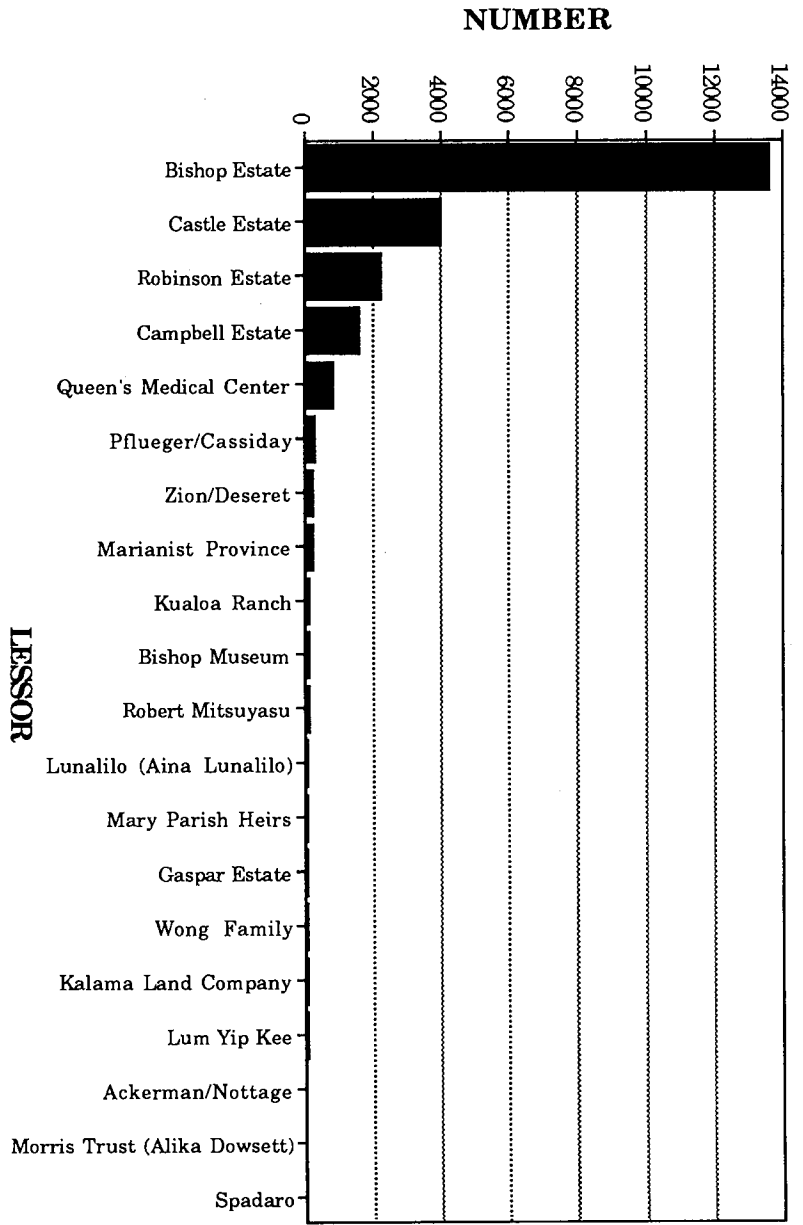


Figure II-1

Figure II-3

EAST HONOLULU LEASED FEE CONVERSIONS BY YEAR

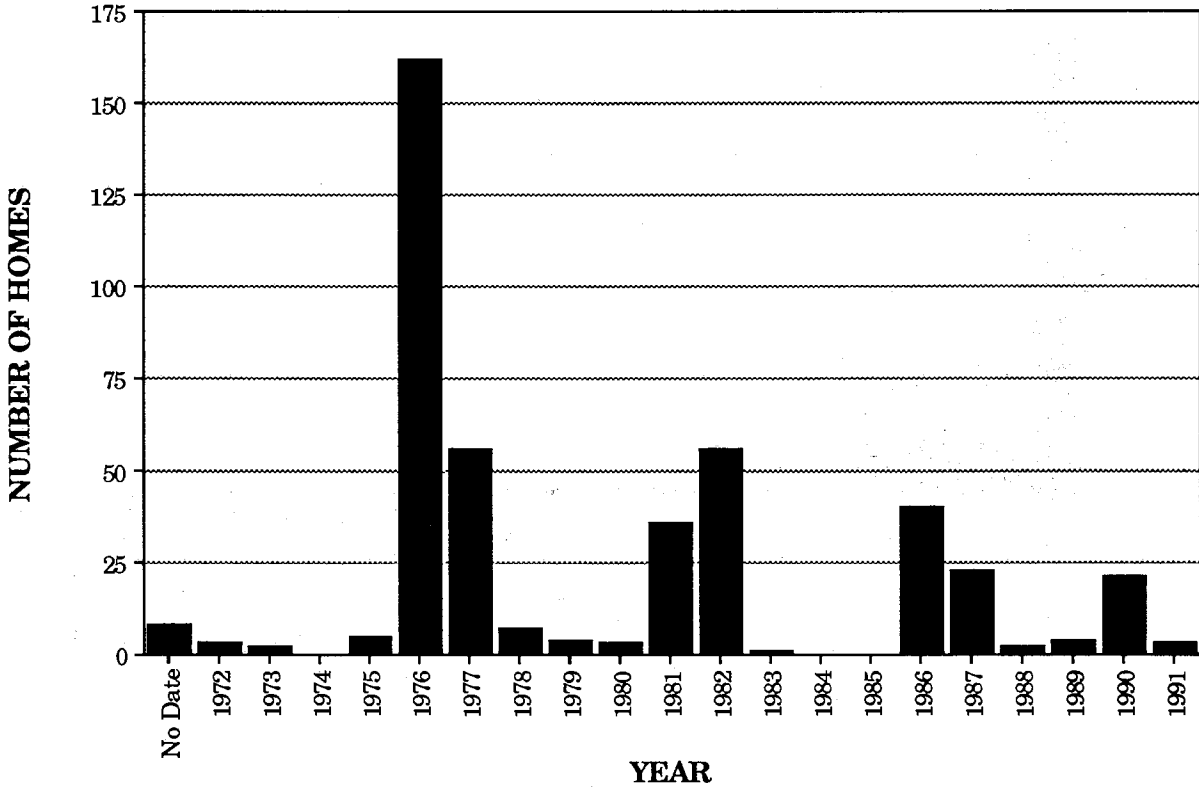


Figure II-4

WEST HONOLULU LEASED FEE CONVERSIONS BY YEAR

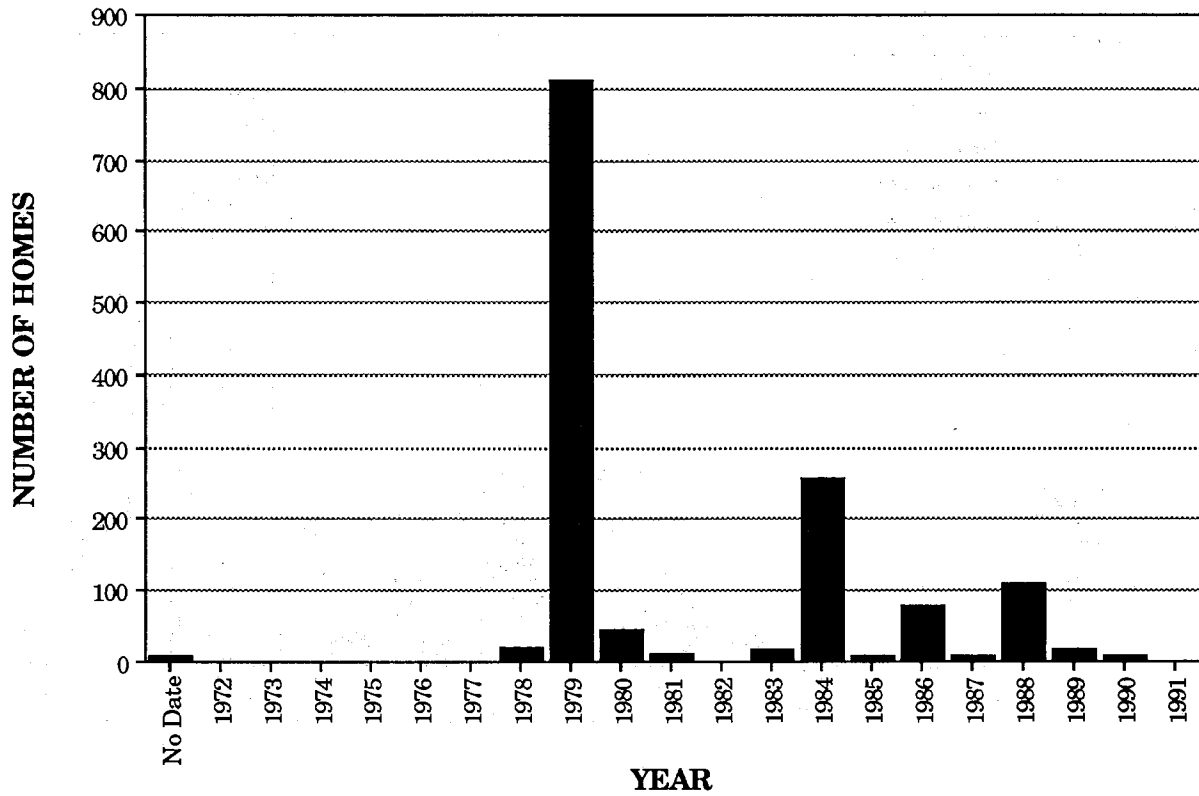


Figure II-5
WAIALAE/KAHALA LEASED FEE CONVERSIONS BY YEAR

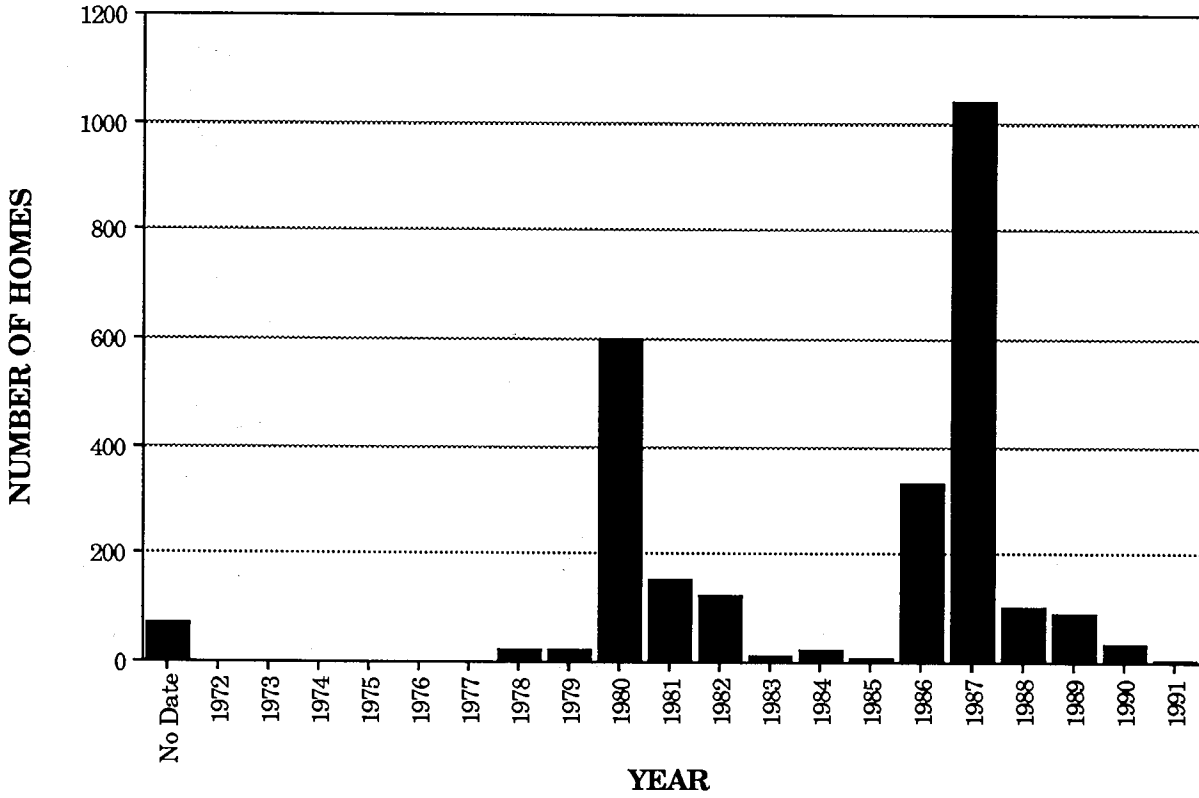


Figure II-6
HAWAII KAI LEASED FEE CONVERSIONS BY YEAR

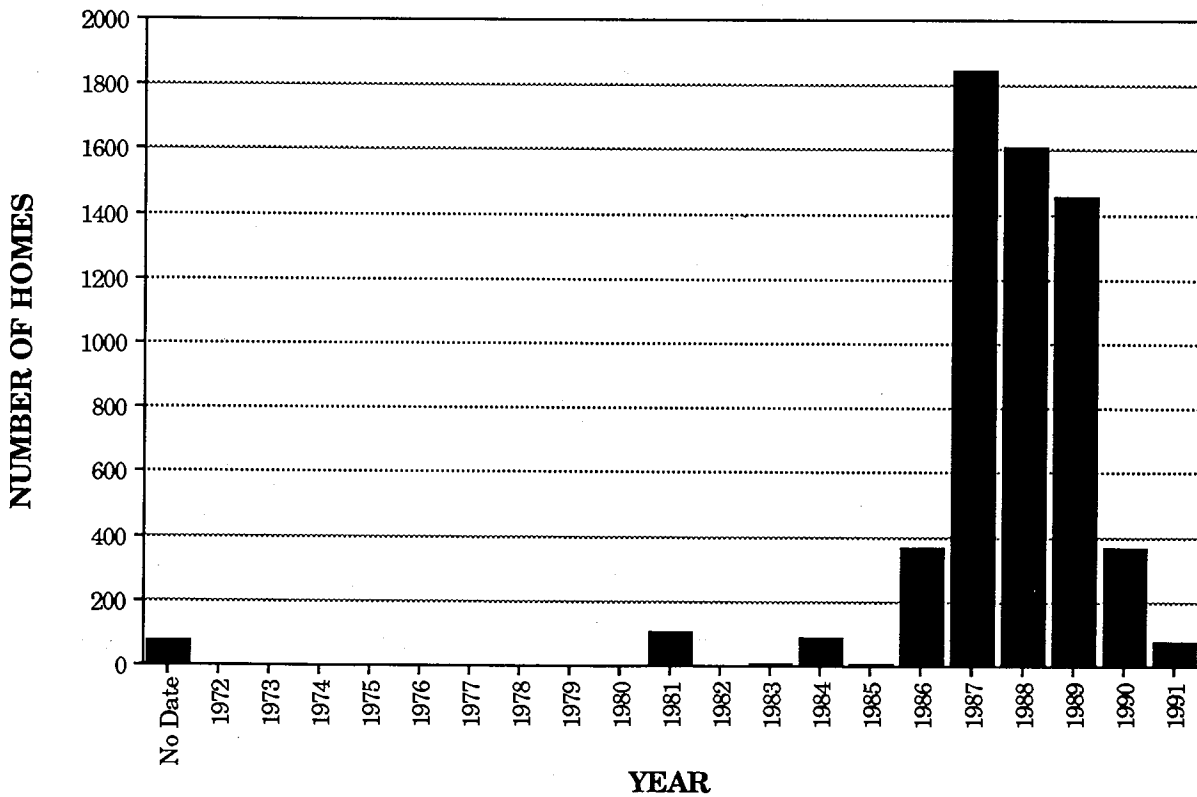


Figure II-7
KAILUA LEASED FEE CONVERSIONS BY YEAR

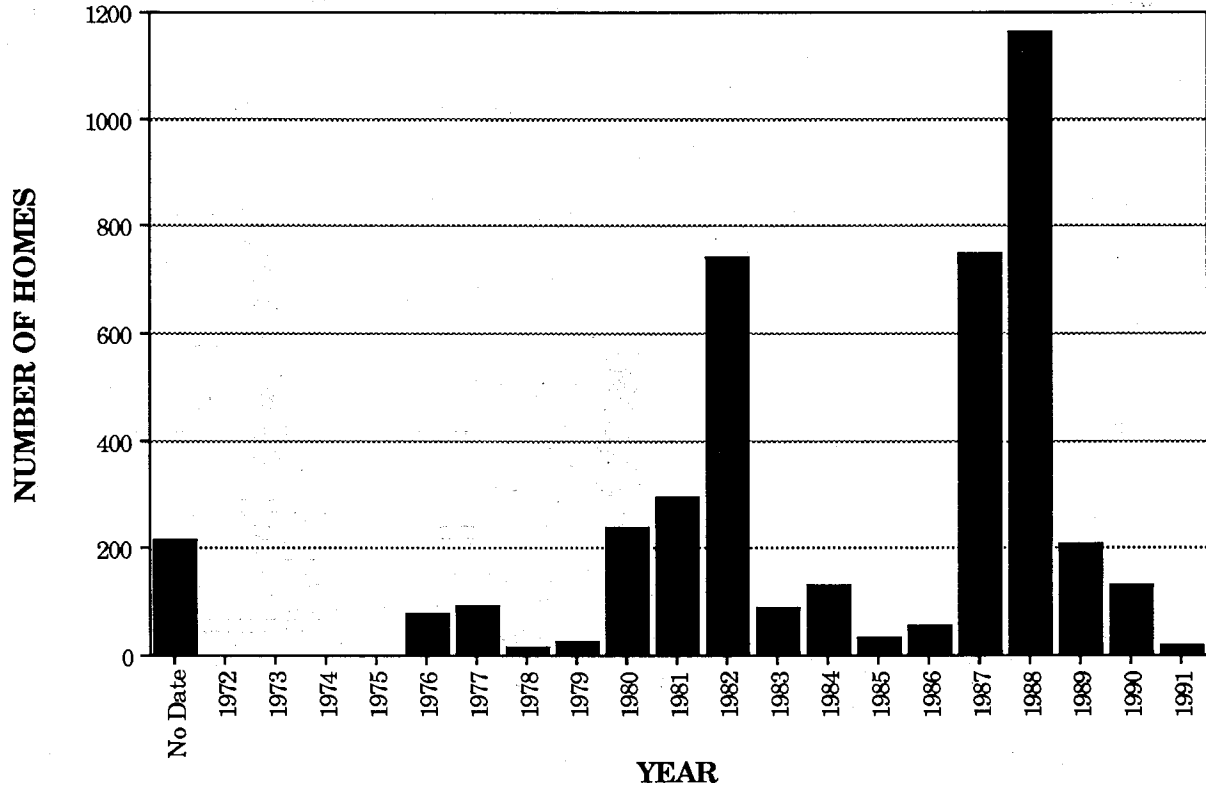


Figure II-8
KANEHOHE LEASED FEE CONVERSIONS BY YEAR

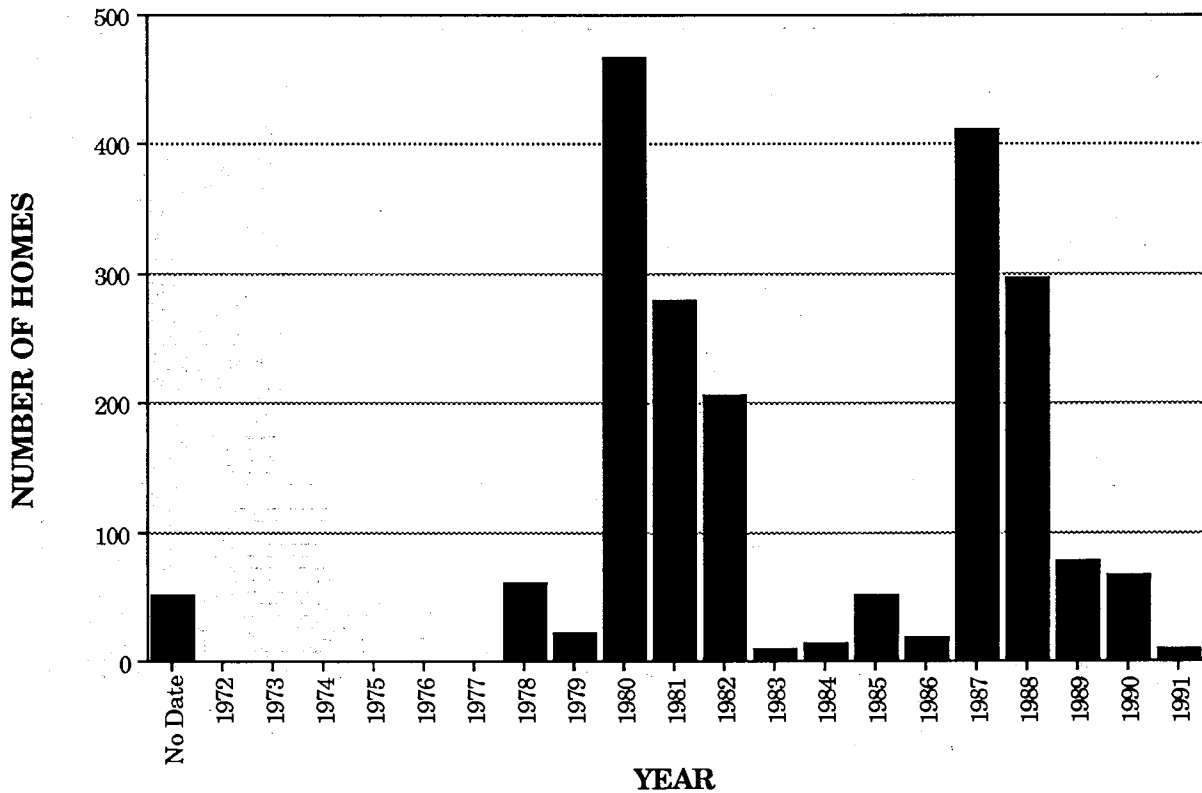


Figure II-9
UPPER WINDWARD TO NORTH SHORE LEASED FEE CONVERSIONS BY YEAR

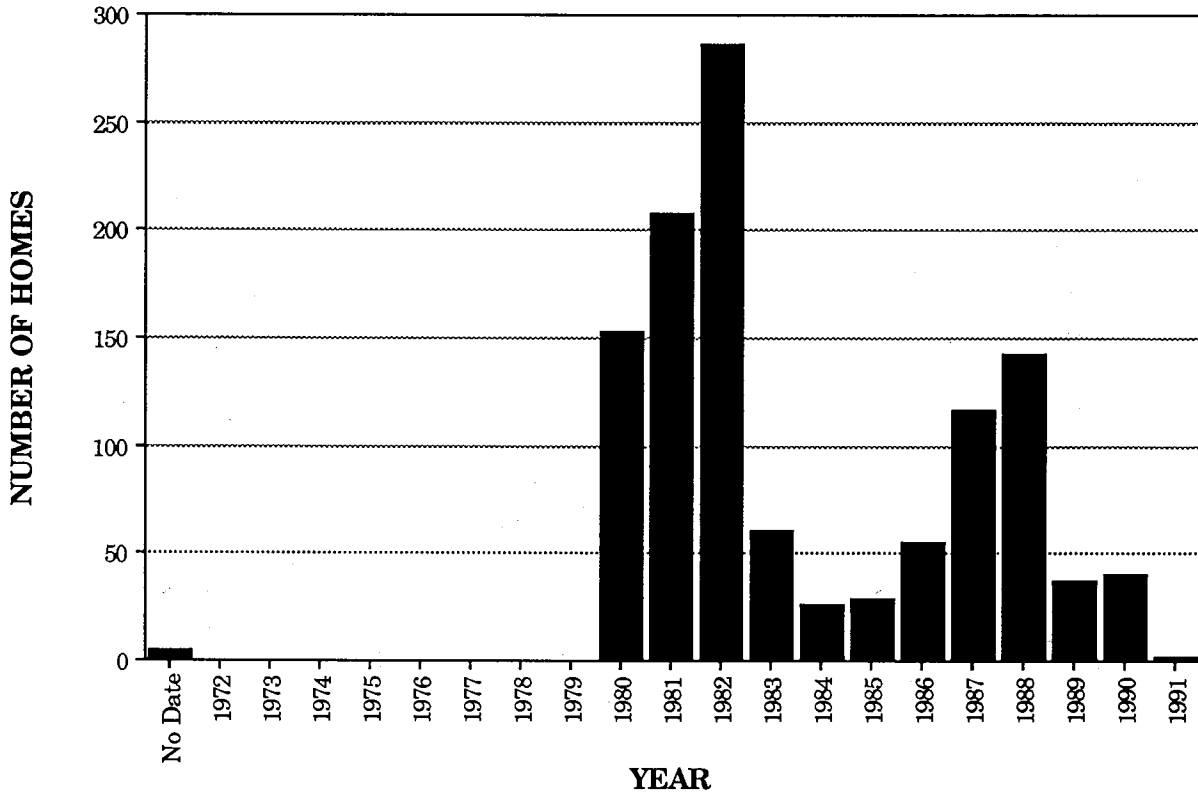


Figure II-10
LEEWARD LEASED FEE CONVERSIONS BY YEAR

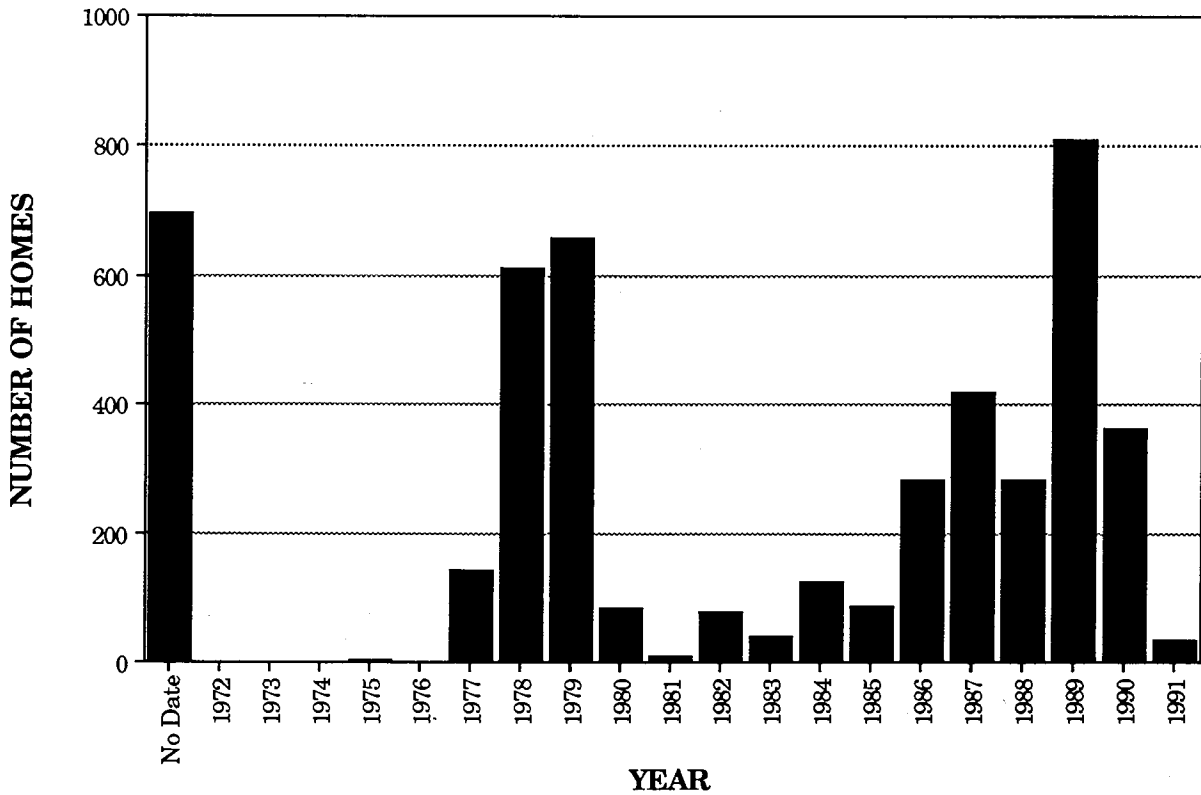
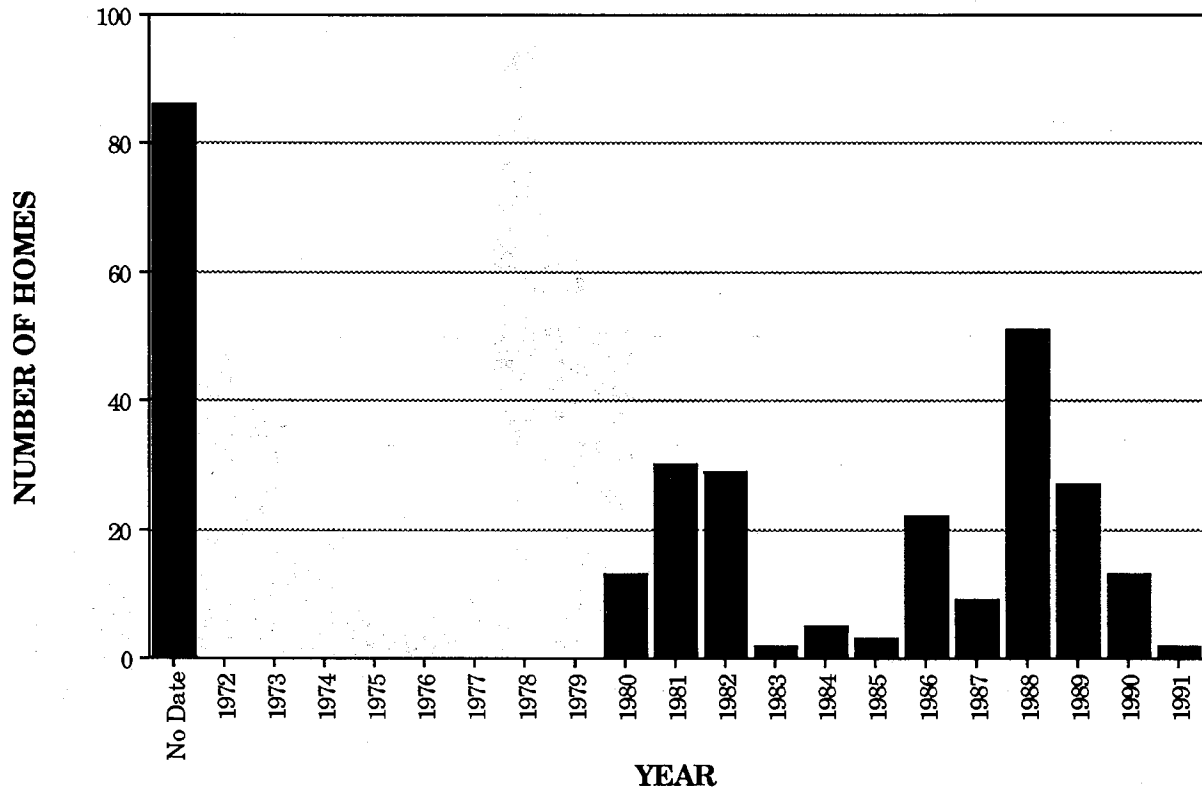


Figure II-11

NEIGHBOR ISLAND LEASED FEE CONVERSIONS BY YEAR



EAST HONOLULU MEDIAN LEASED FEE PRICES

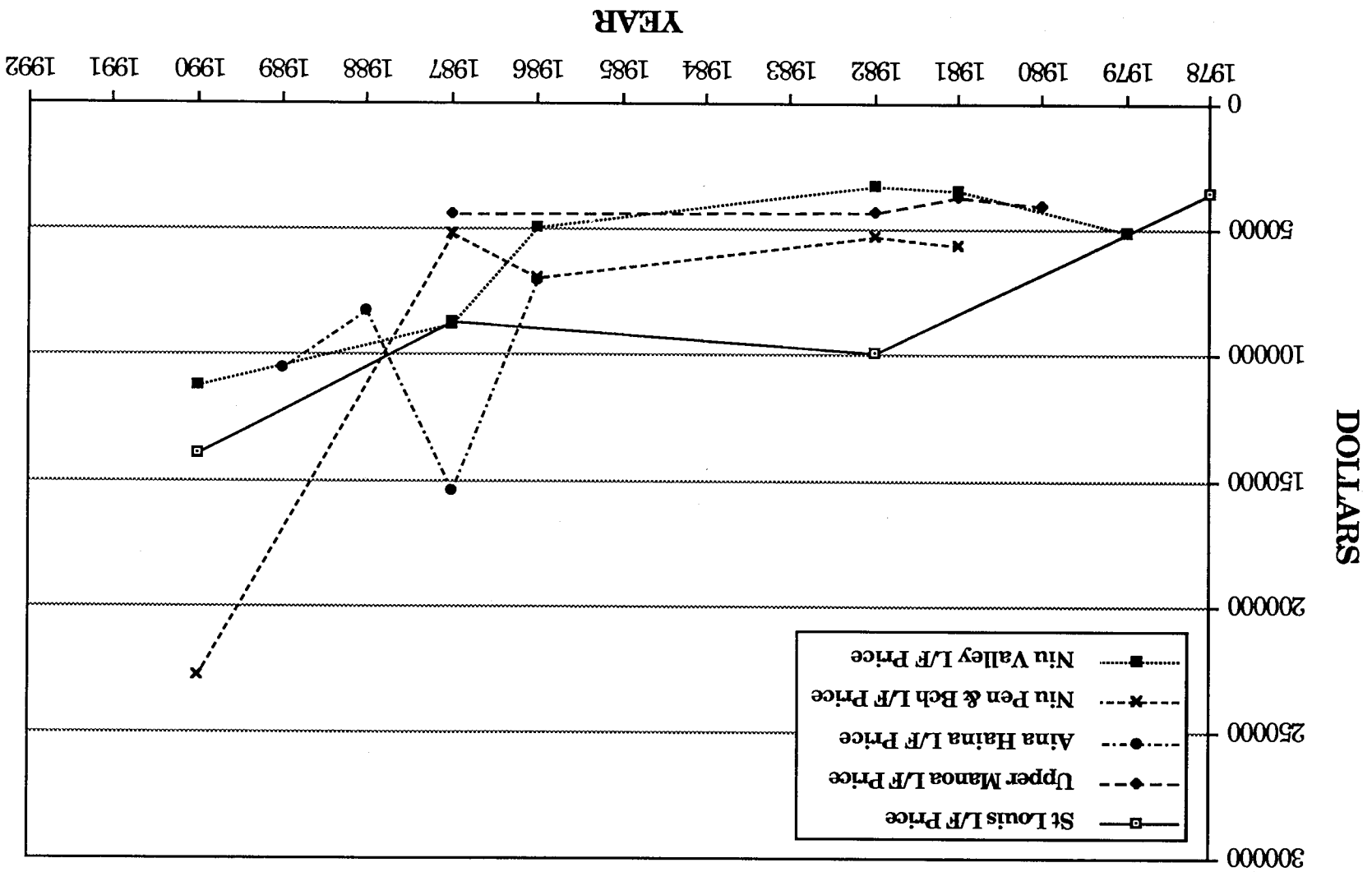


Figure II-12

WEST HONOLULU MEDIAN LEASED FEE PRICES

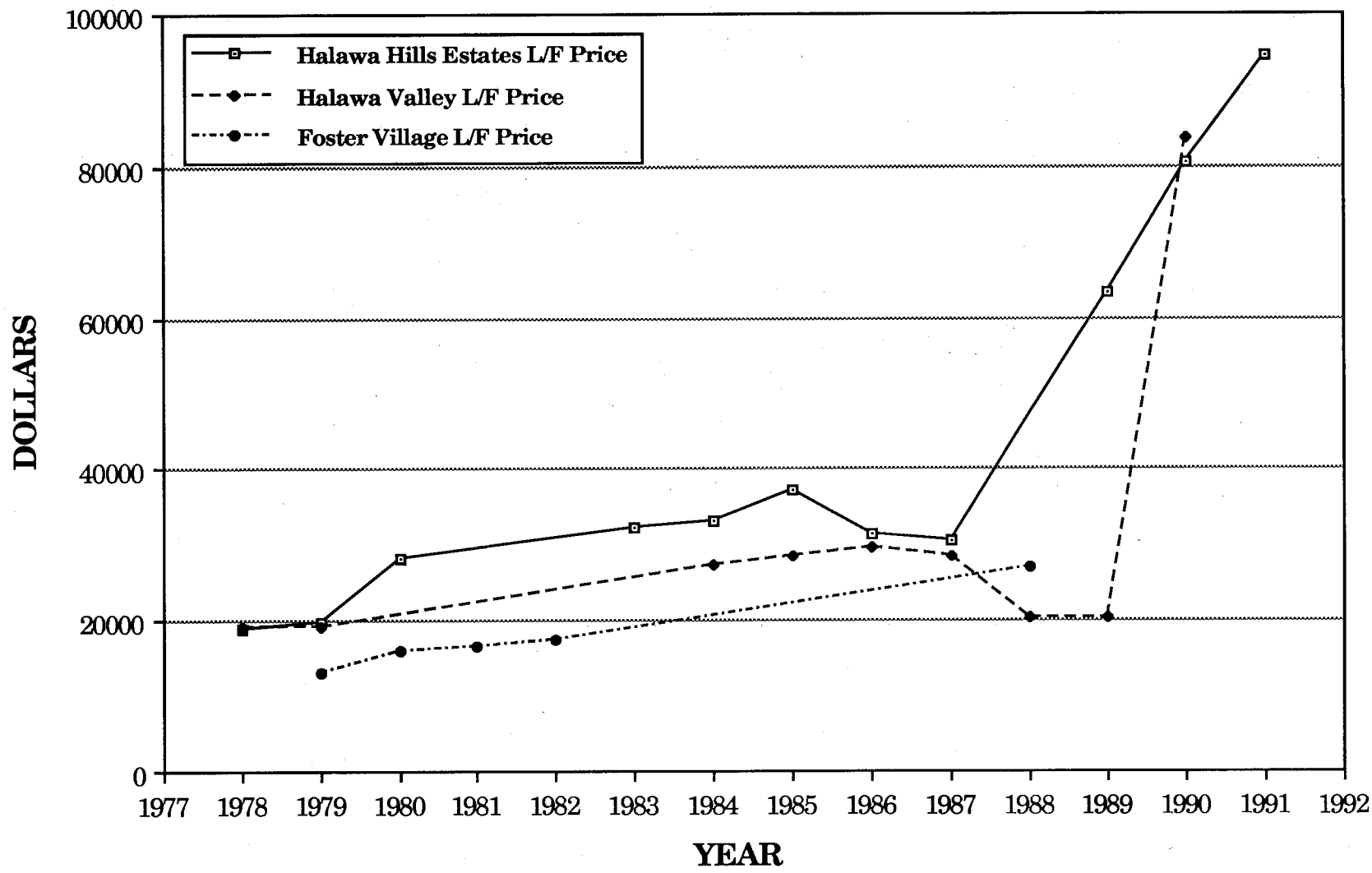


Figure II-13

WAIALAE/KAHALA AREA MEDIAN LEASED FEE PRICES

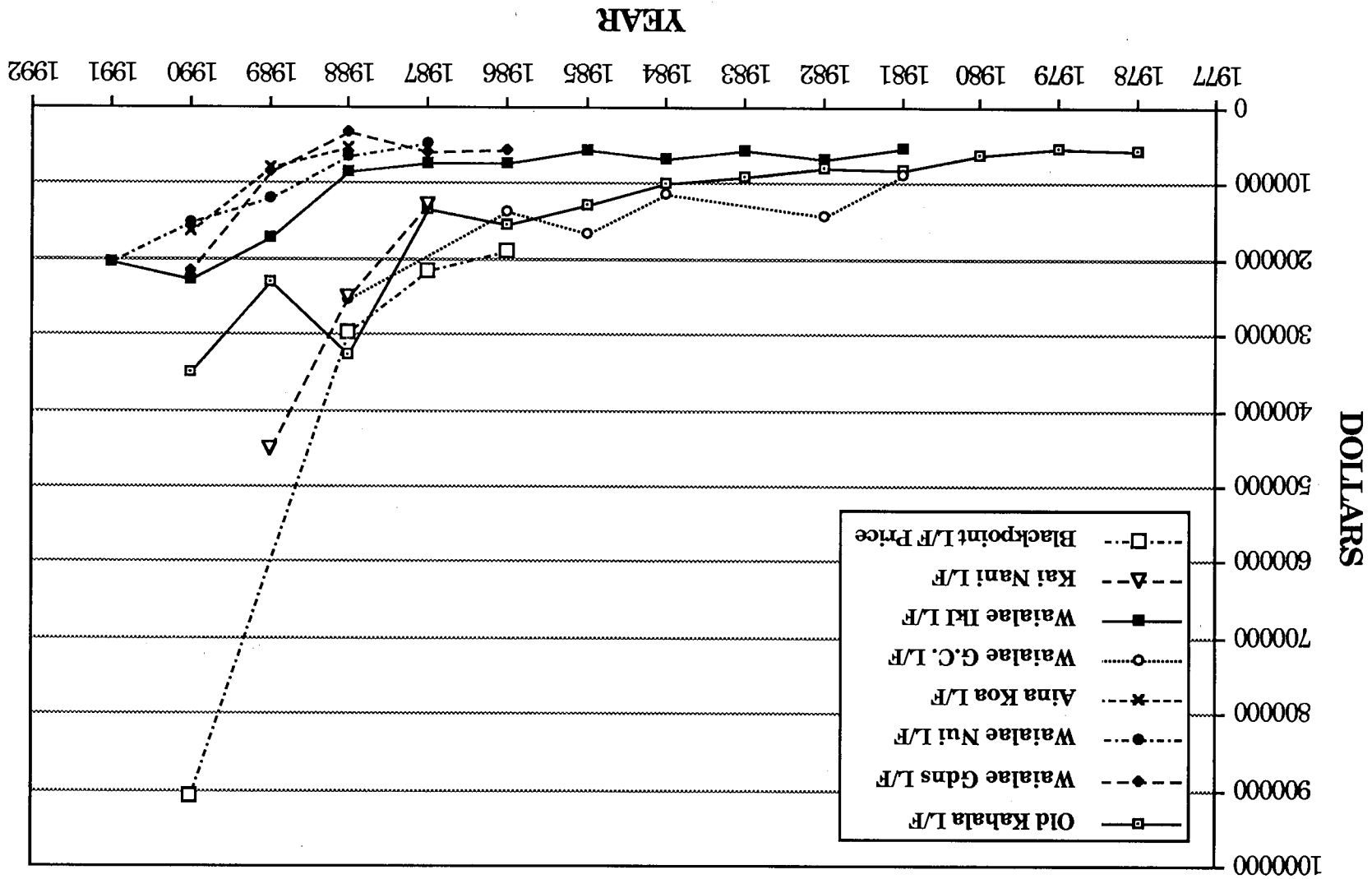


Figure II-14

HAWAII KAI MEDIAN LEASE FEE PRICES

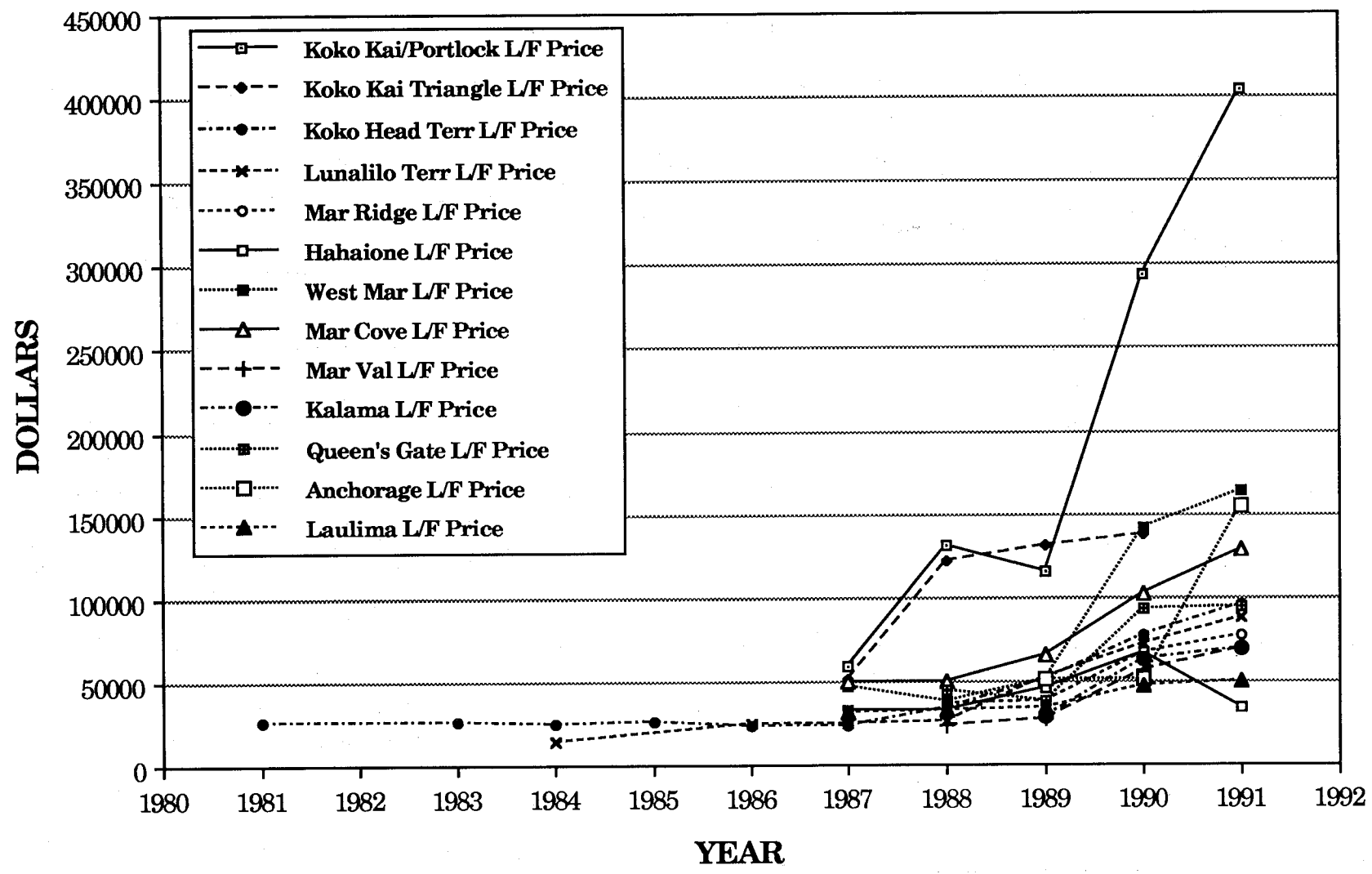


Figure II-15

KAILUA MEDIAN LEASED FEE PRICES

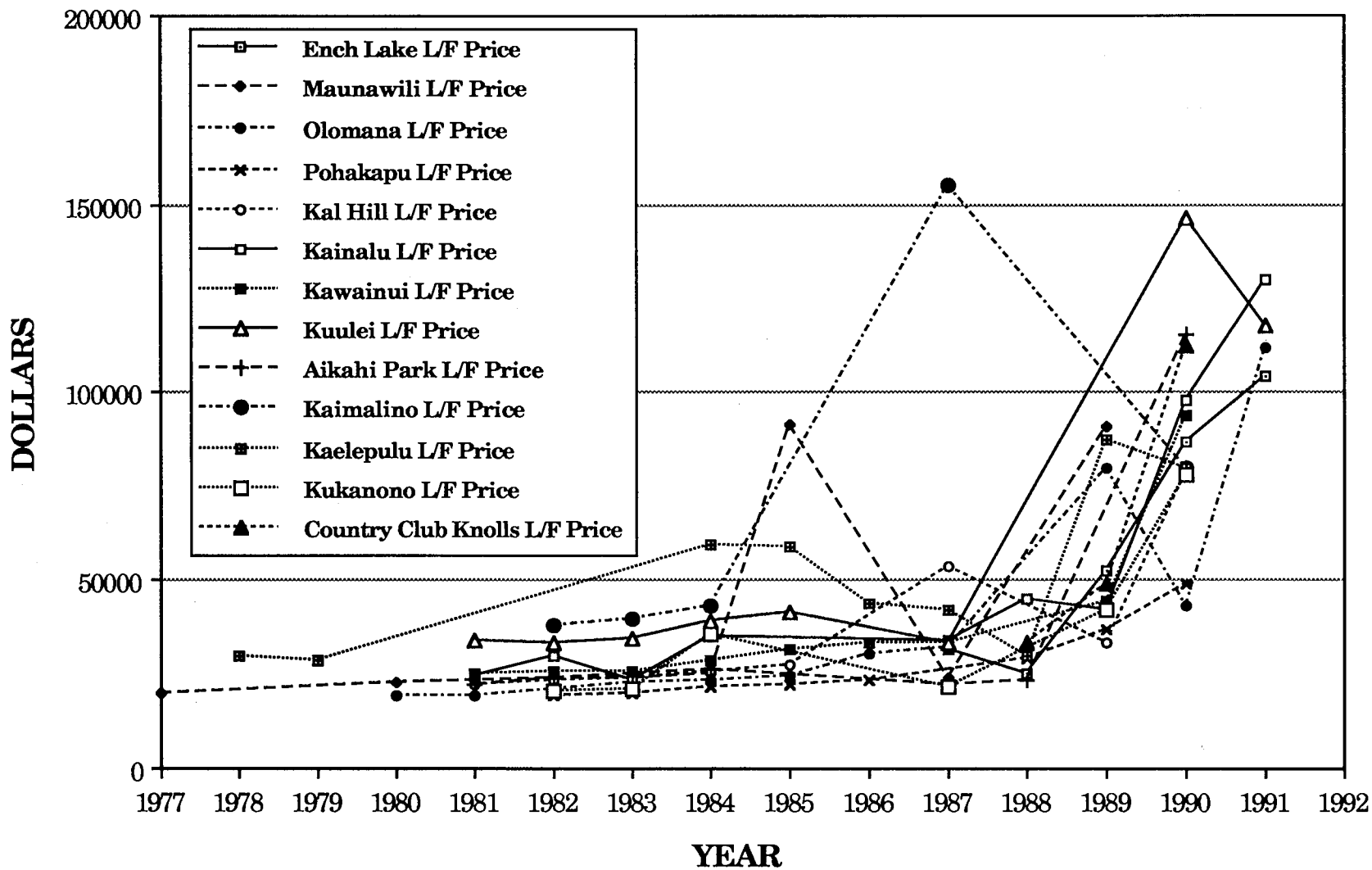


Figure II-16

KANEOHE MEDIAN LEASED FEE PRICES

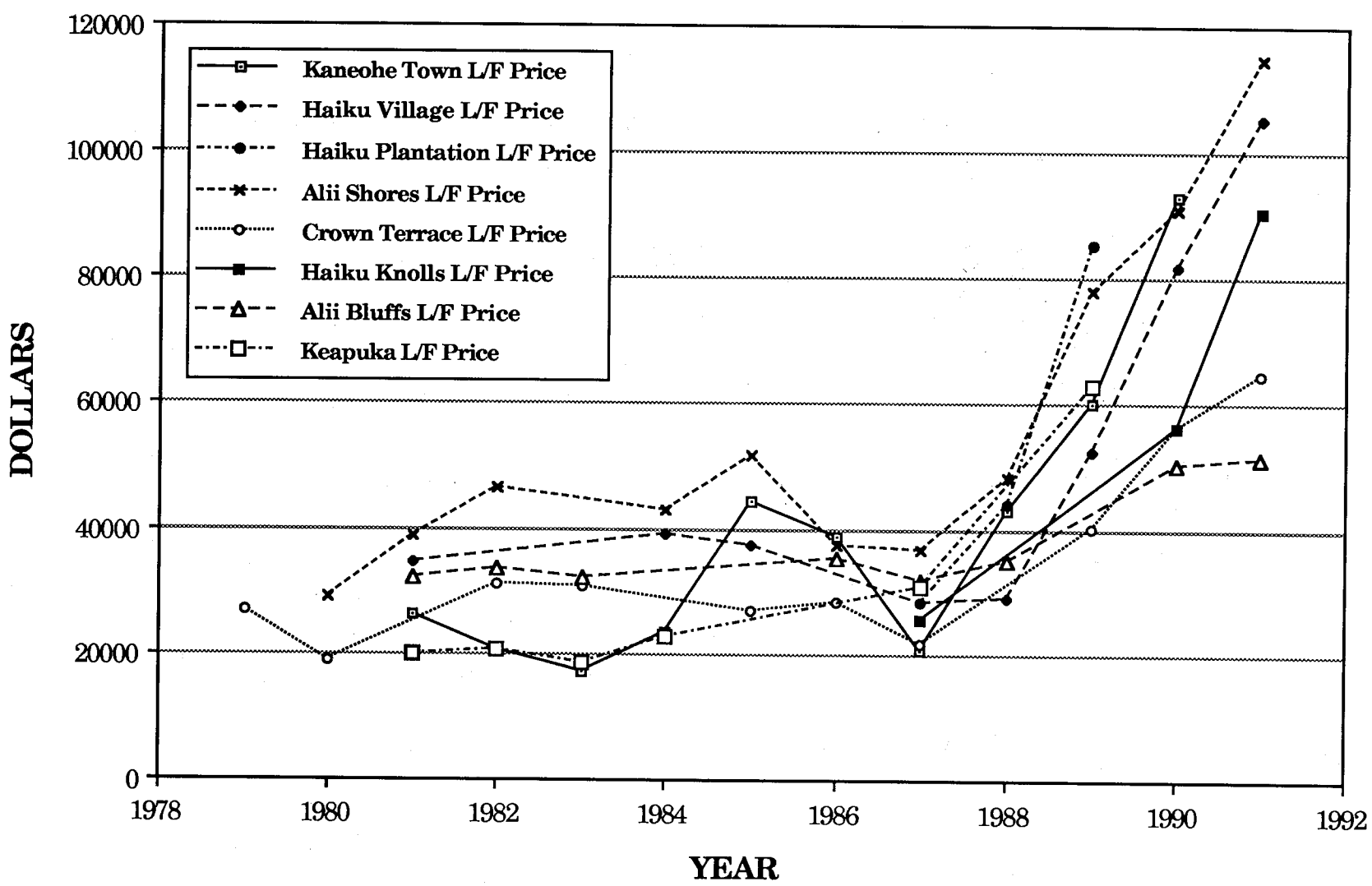


Figure II-17

LEeward OAHU MEDIAN LEASed FEE PRICES

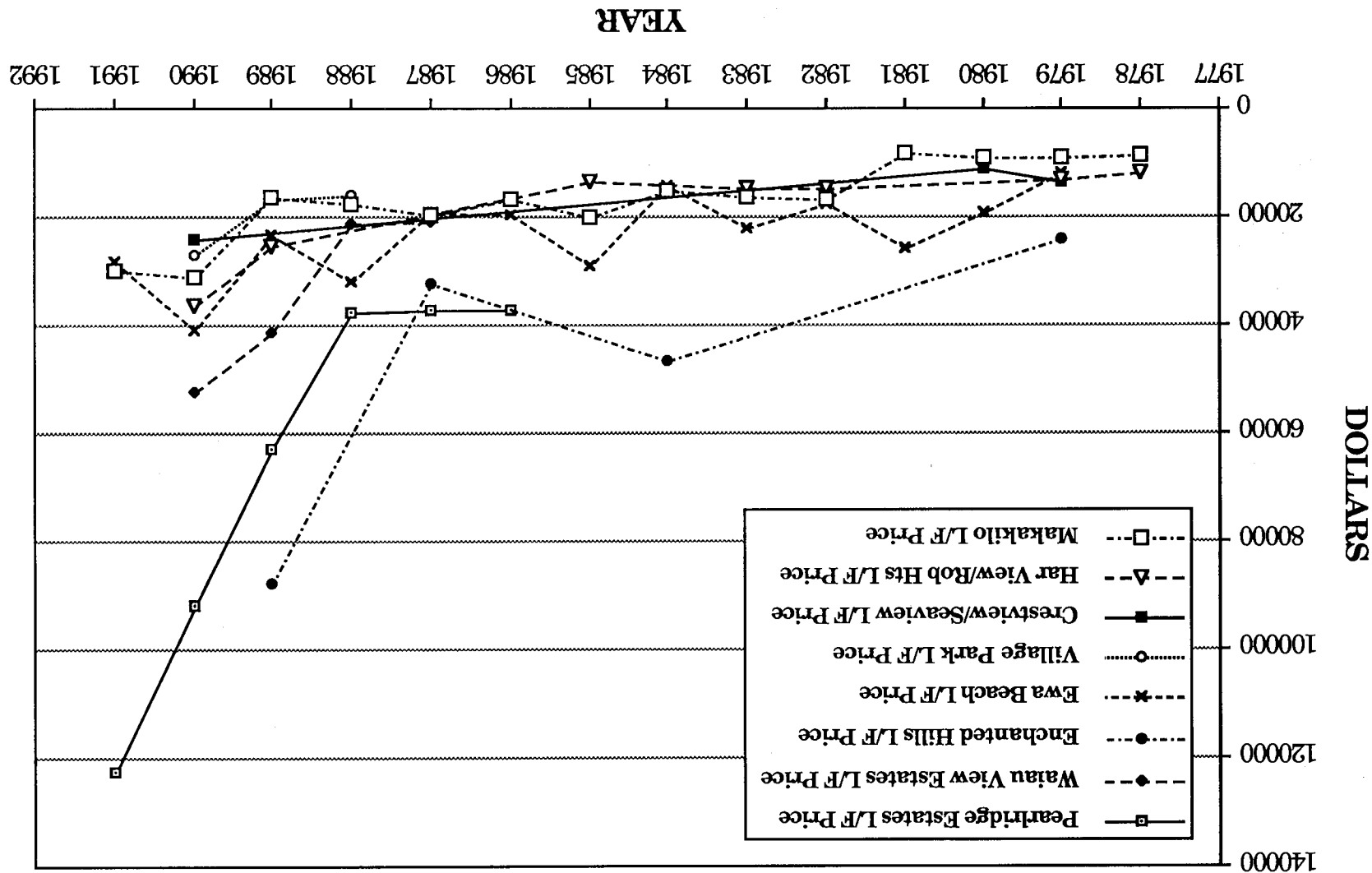


Figure II-18

Figure III-1
PERCENT OF CONVERTED HOMES RESOLD & RETAINED
1972 To September 1991

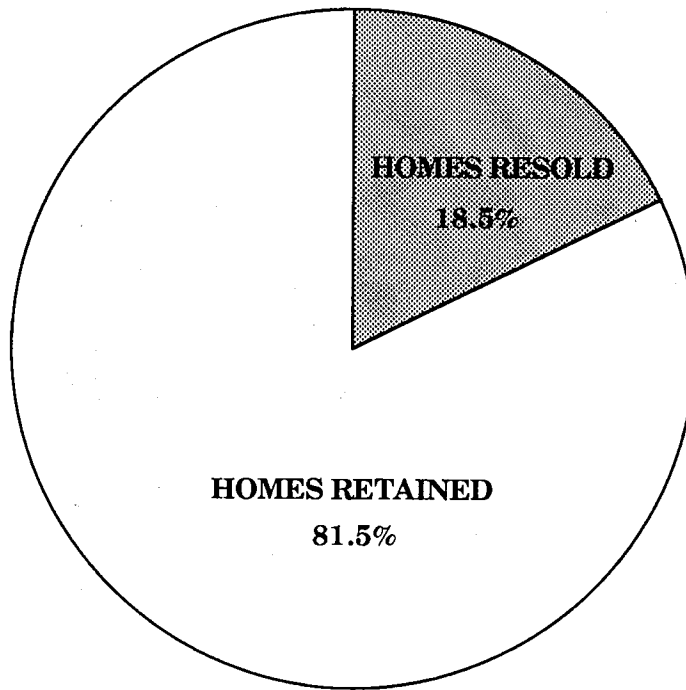


Figure III-2
PERCENT OF CONVERTED HOMES RESOLD EACH YEAR AFTER CONVERSION

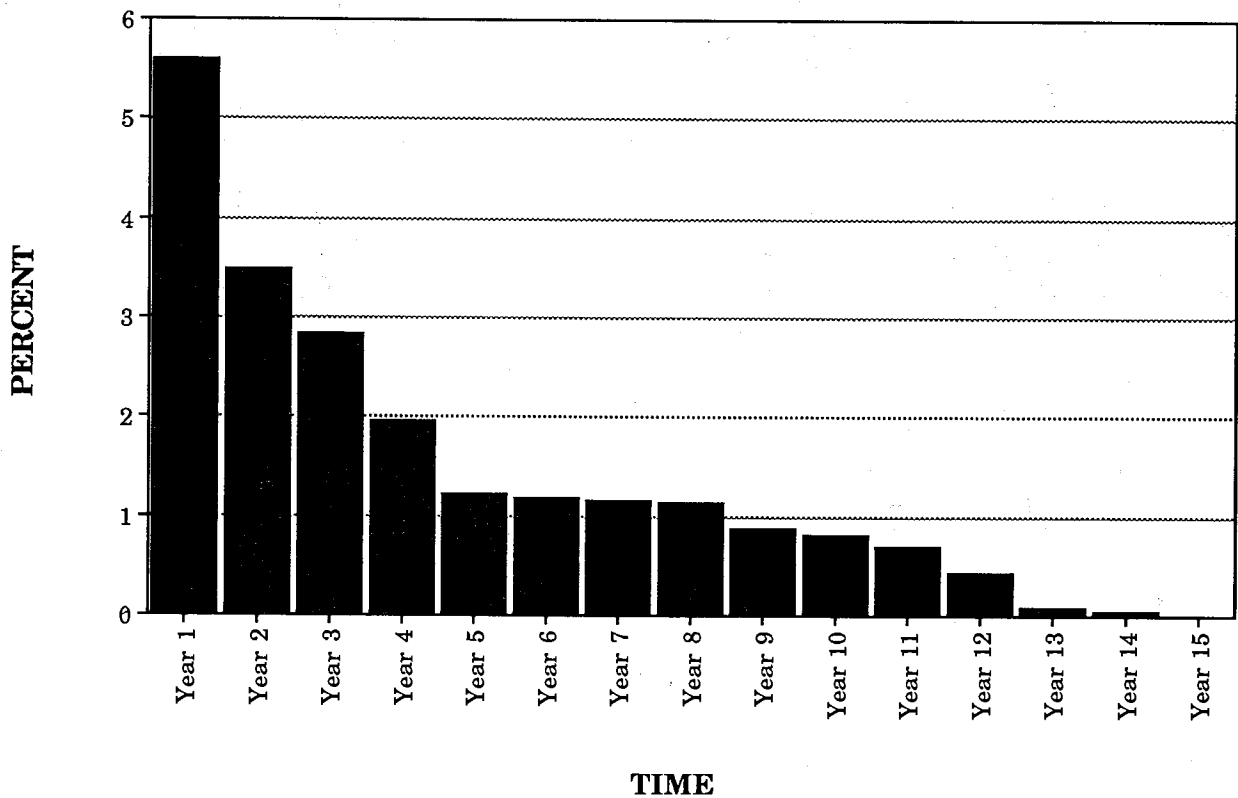


Figure III-3
AVERAGE HOLDING PERIOD OF CONVERTED HOMES
RESOLD WITHIN ONE YEAR AFTER CONVERSION

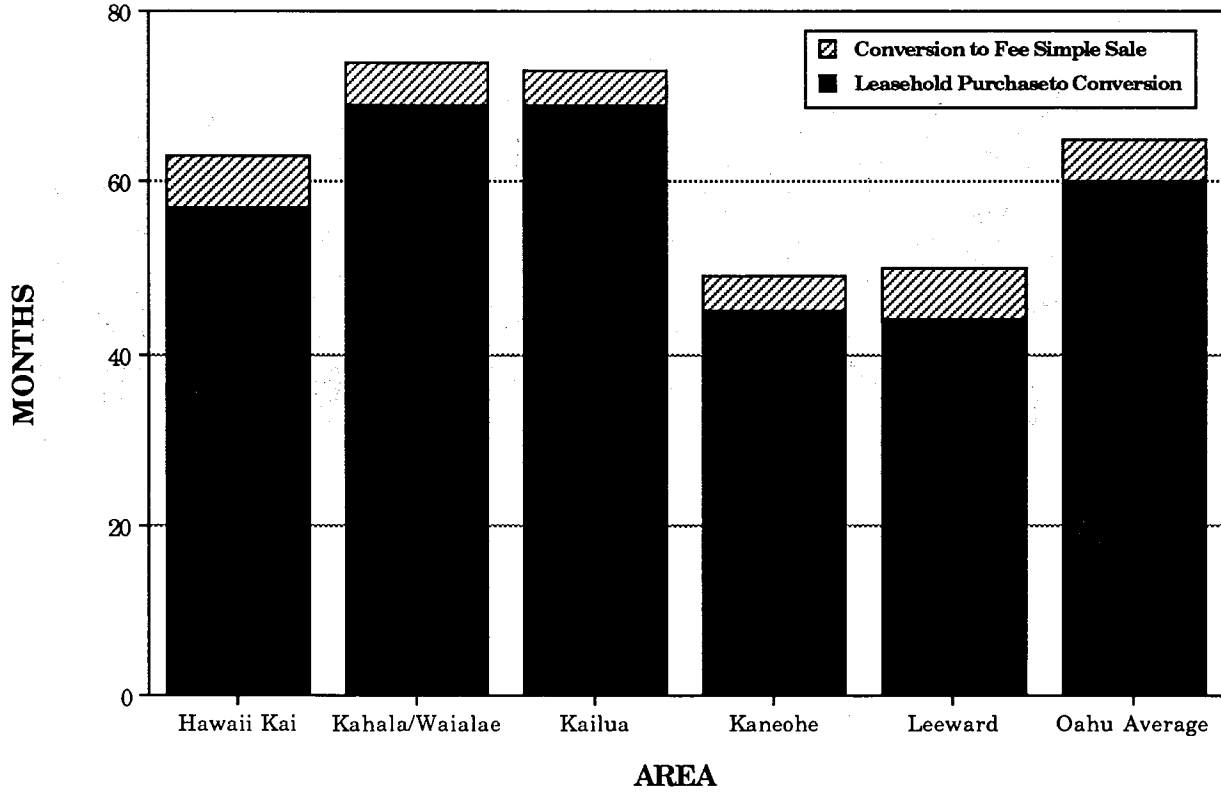
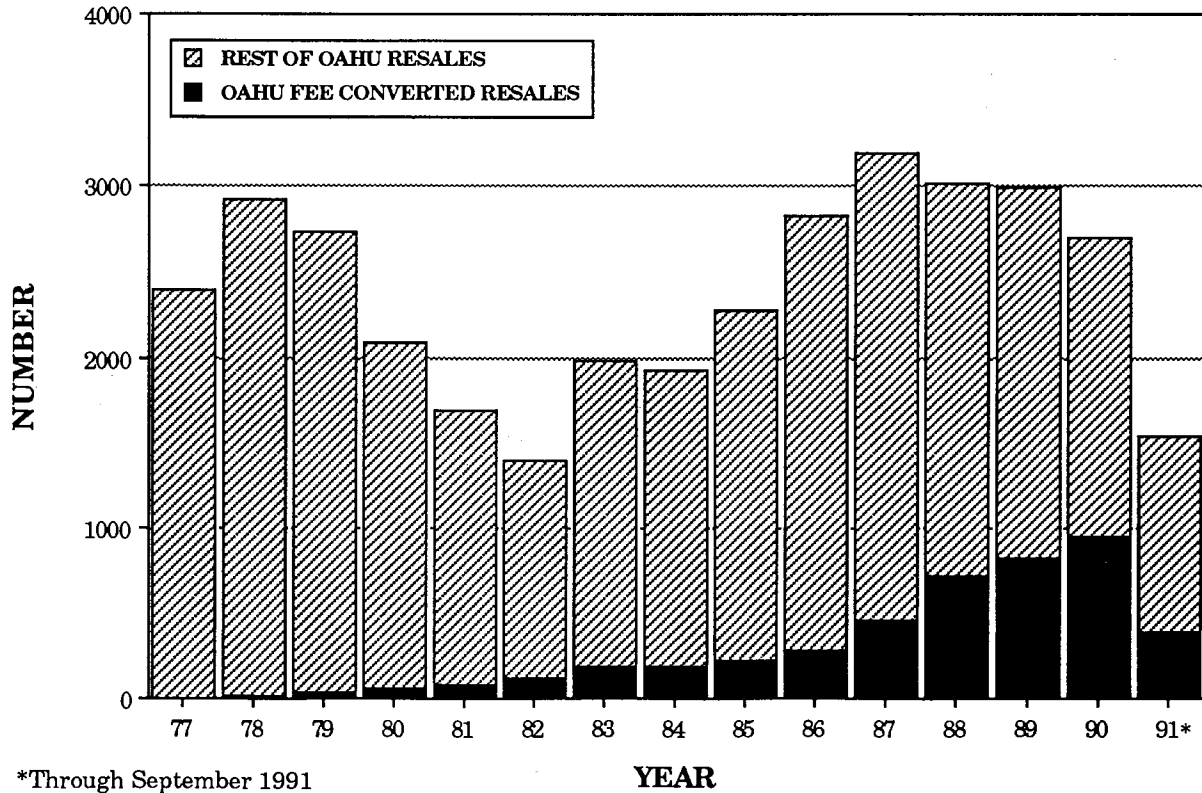
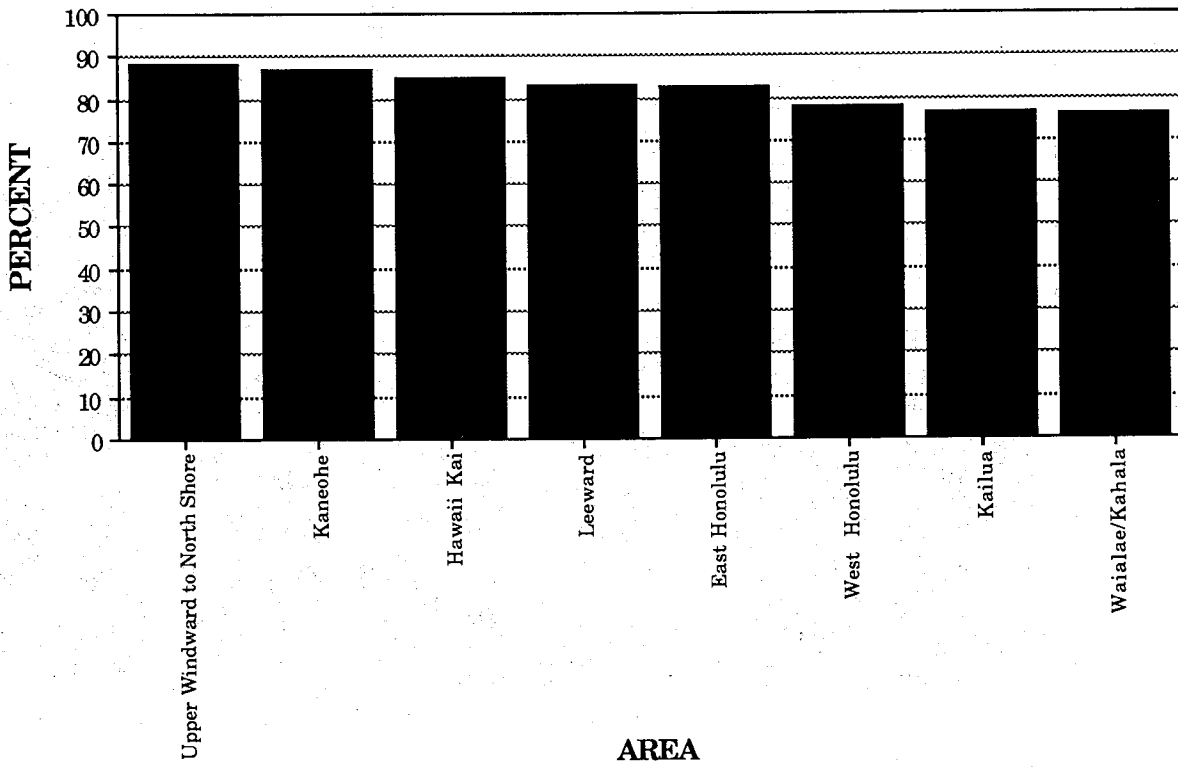


Figure III-4
TOTAL OAHU SINGLE FAMILY RESALES & CONVERTED RESALES



*Through September 1991

**Figure III-5
OAHU
PERCENT OF HOMES CURRENTLY OWNED BY LEASED FEE PURCHASERS**



**Figure III-6
PERCENT OF CONVERTED HOMES RESOLD EACH YEAR AFTER CONVERSION**

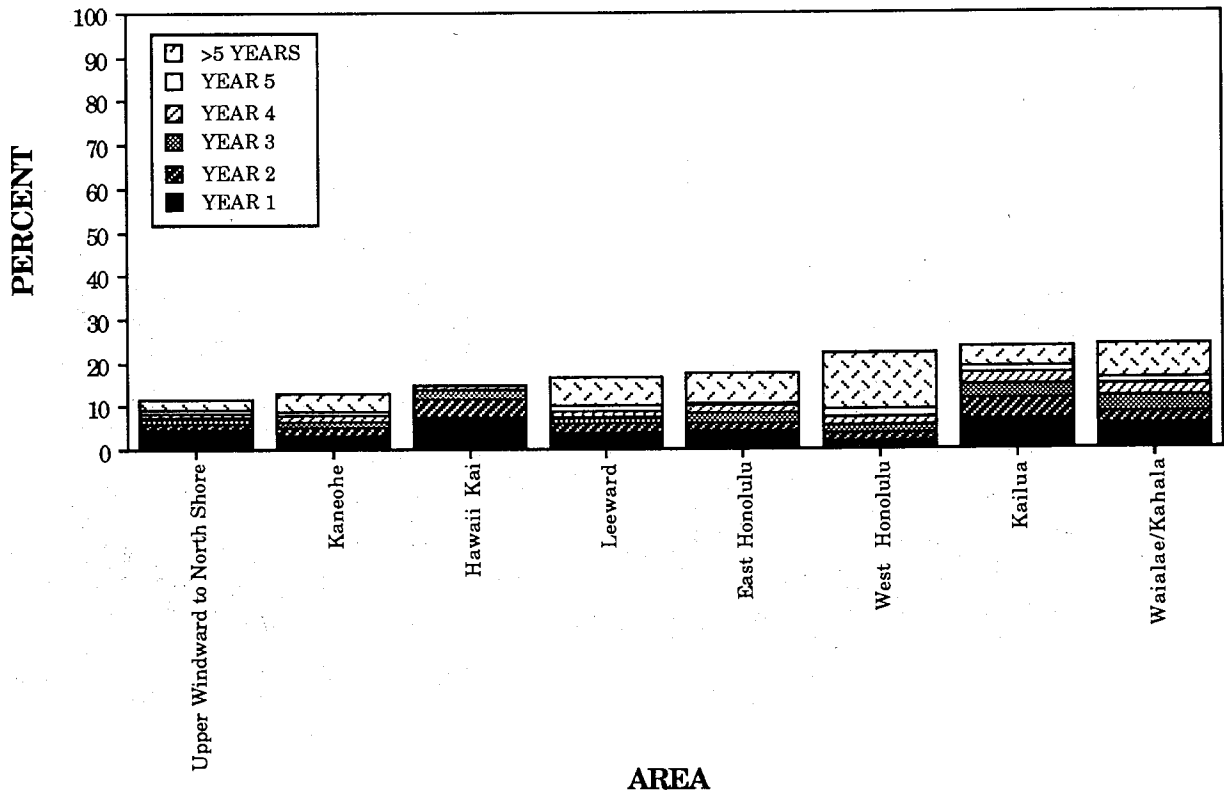


Figure III-7
AVERAGE HOLDING PERIOD OF CONVERTED HOMES
RESOLD WITHIN ONE YEAR AFTER CONVERSION

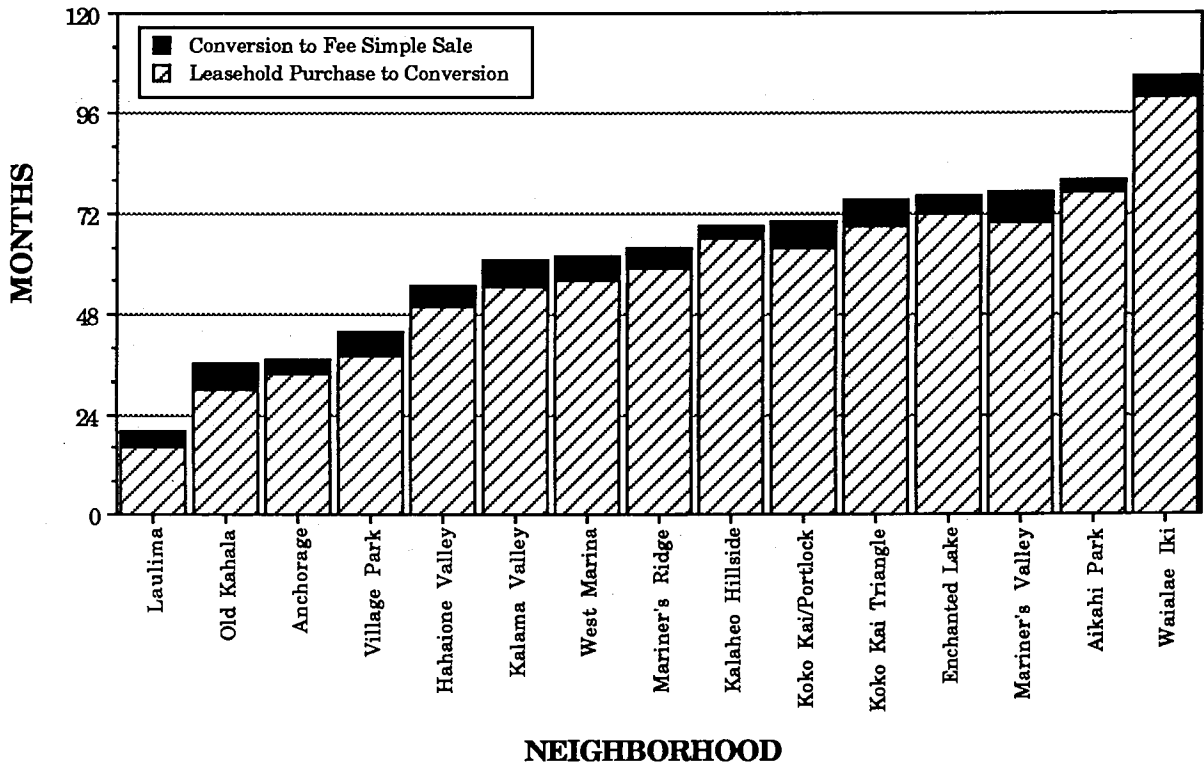


Figure III-8
PERCENT OF TOTAL CONVERTED HOMES RESOLD

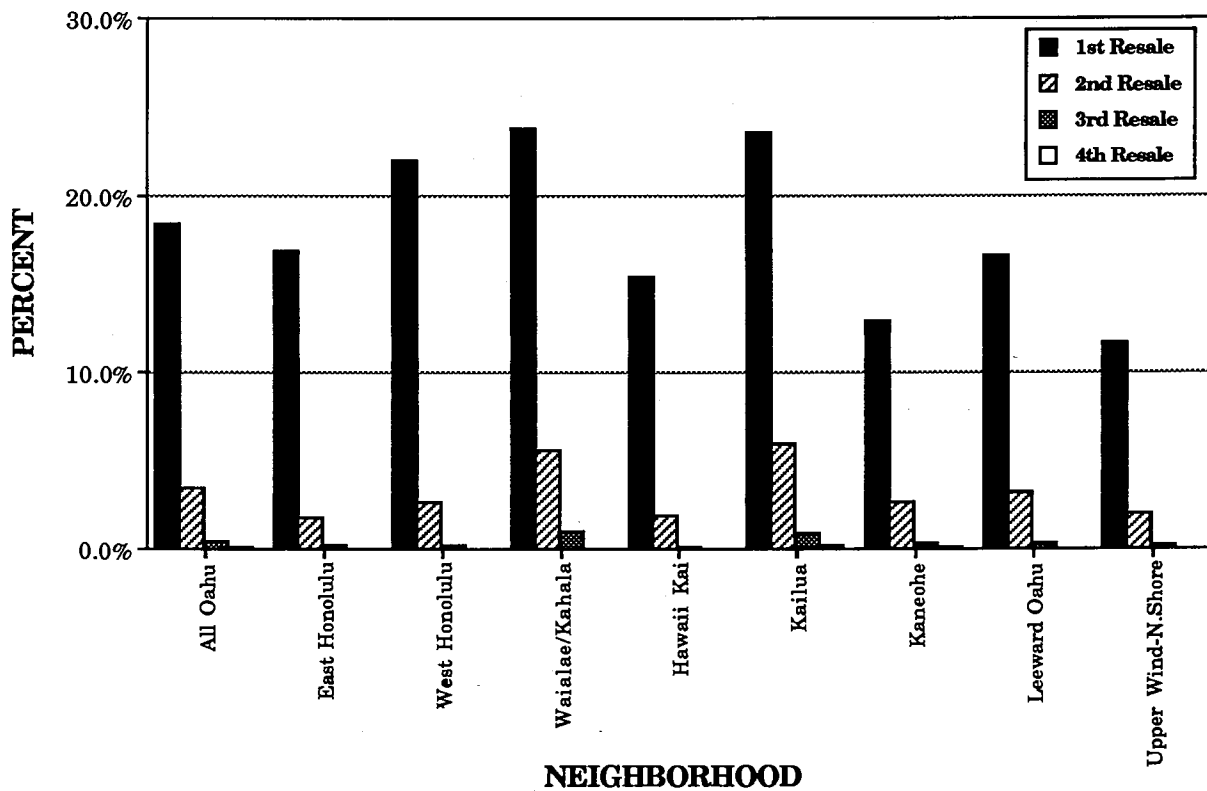


Figure III-9
AVERAGE HOLDING PERIOD BY AREA
 (AVERAGE OF RESOLD HOMES)

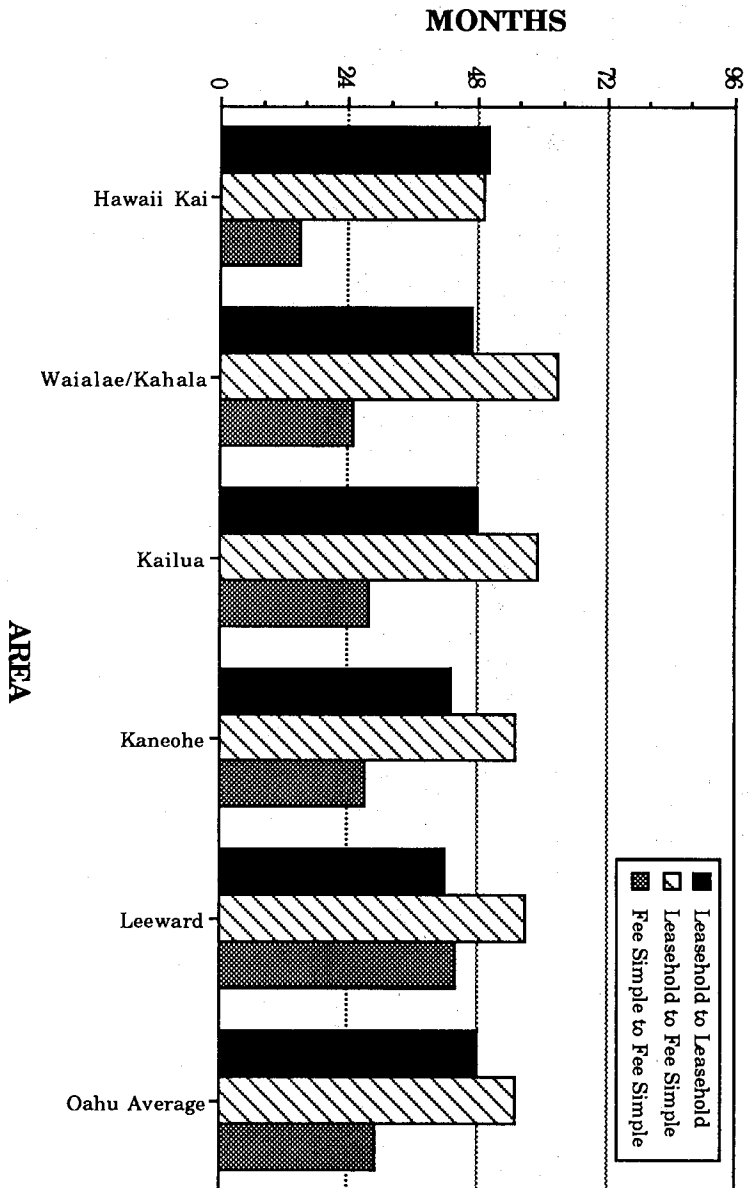


Figure III-10
FOSTER VILLAGE RESALES BY YEAR(S) AFTER CONVERSION

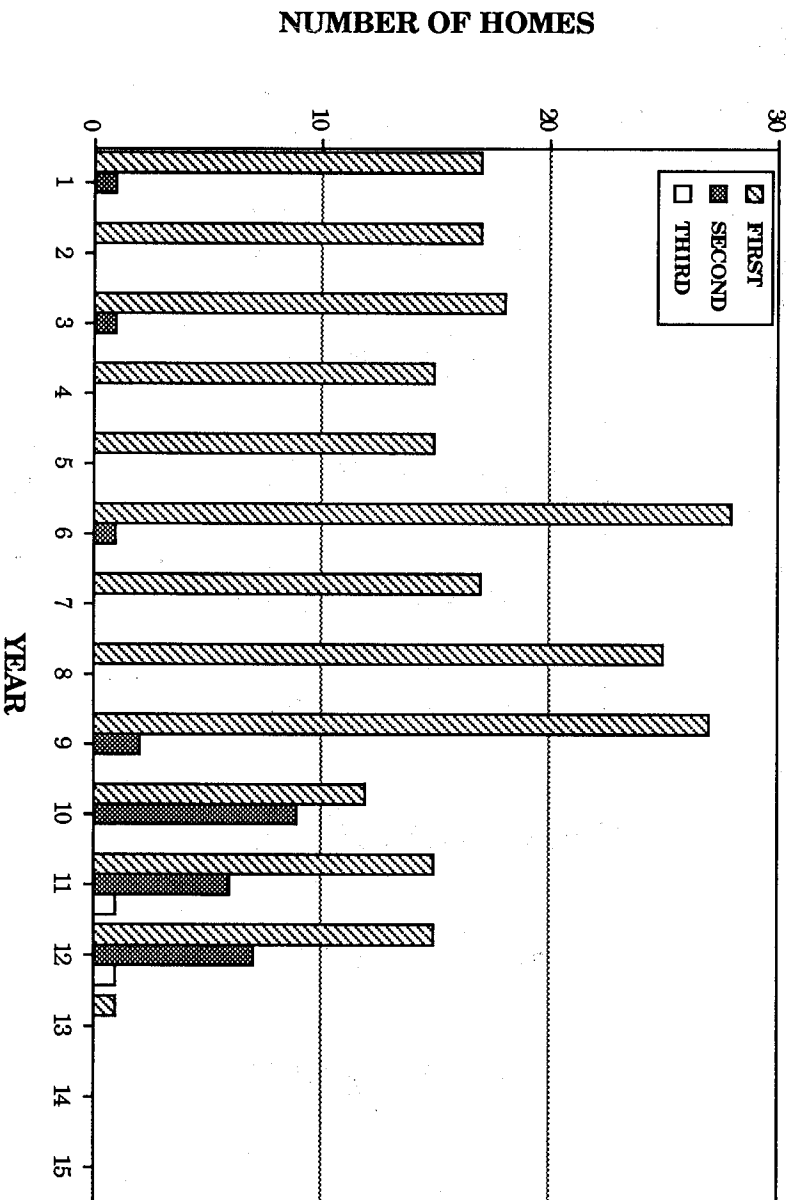


Figure III-11
OLD KAHALA RESALES BY YEAR(S) AFTER CONVERSION

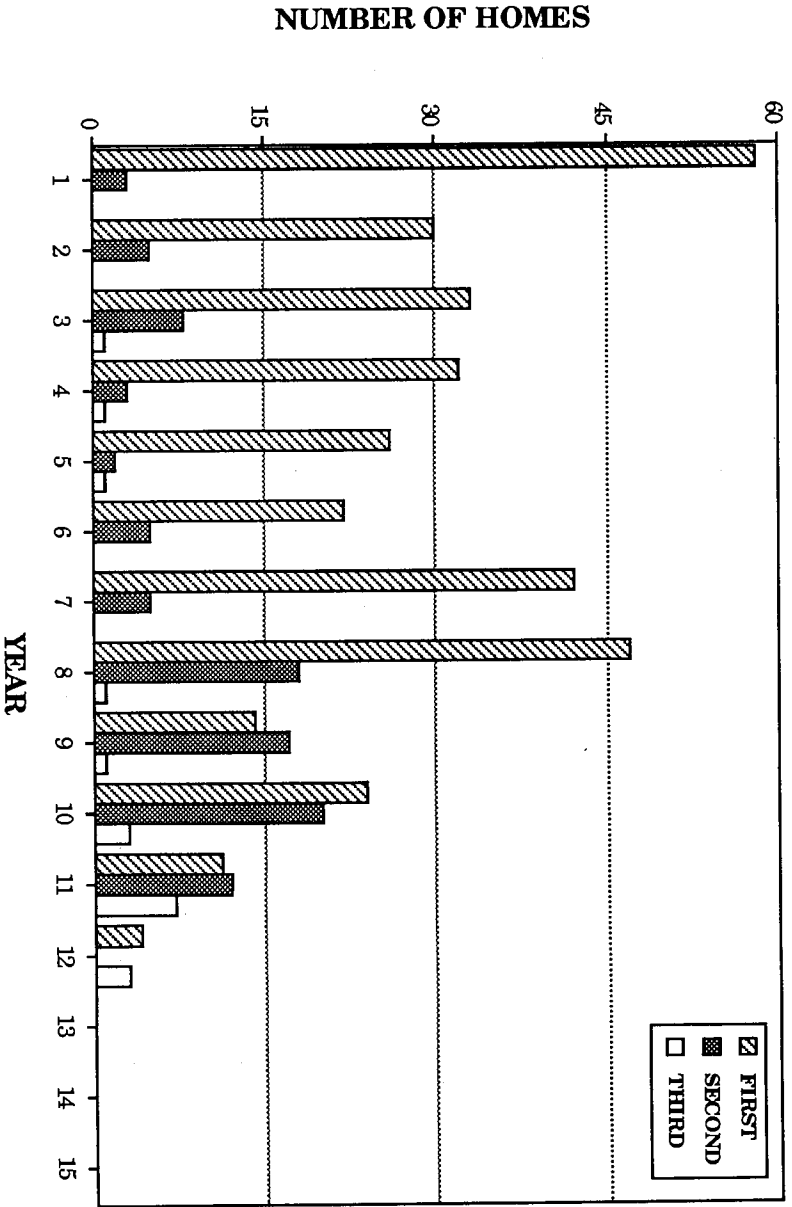


Figure III-12
WAIALAE GOLF COURSE RESALES BY YEAR(S) AFTER CONVERSION

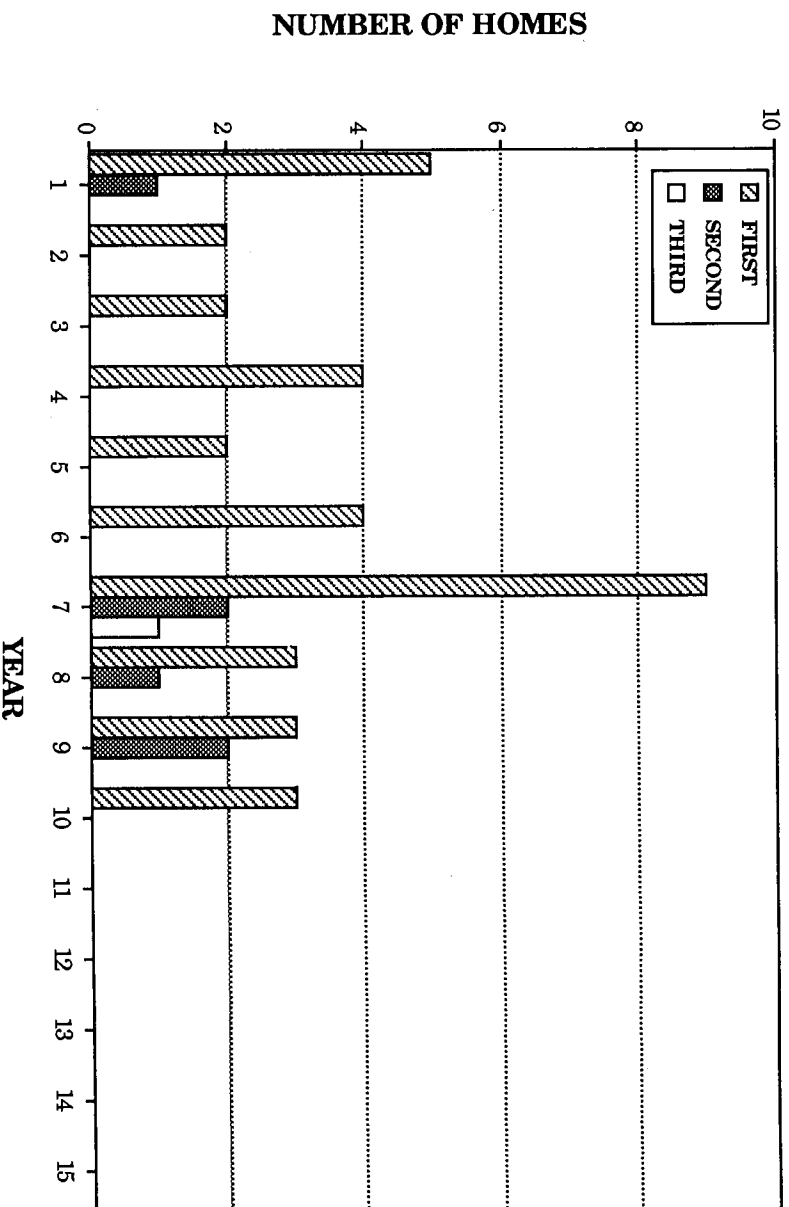


Figure III-13

WAIALAE IKI RESALES BY YEAR(S) AFTER CONVERSION

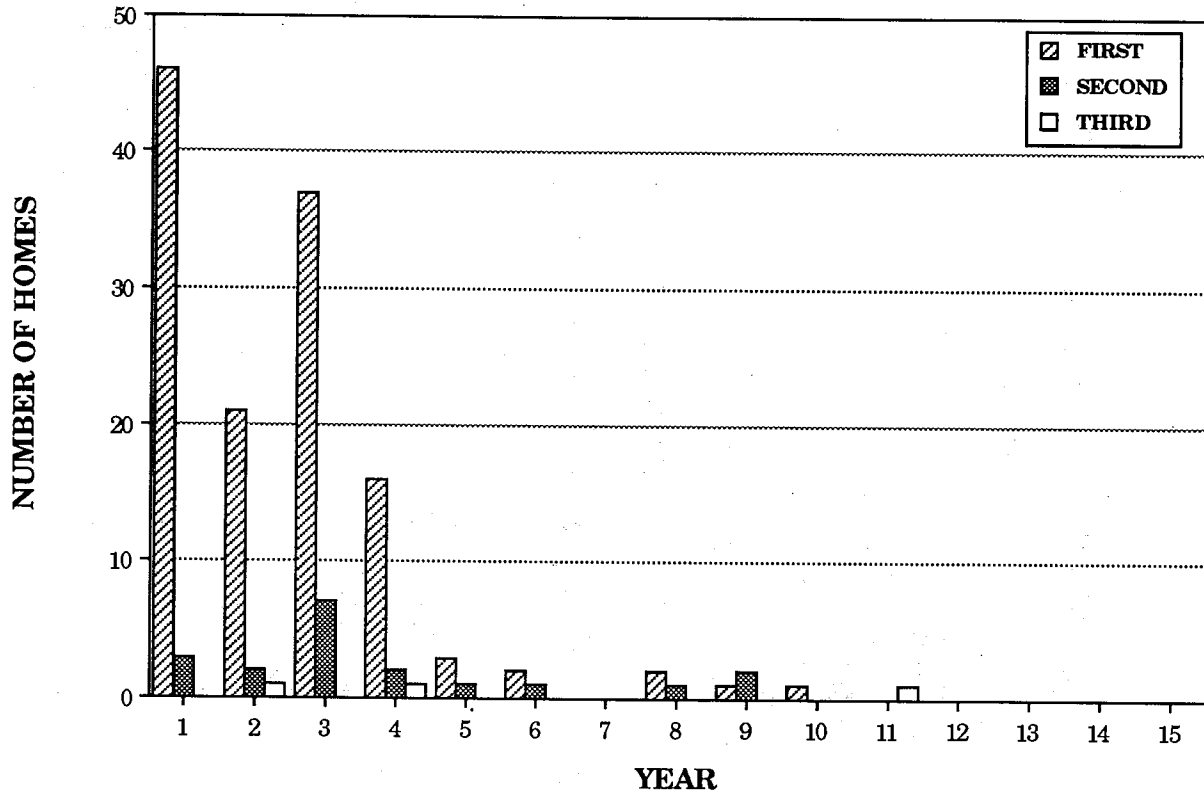


Figure III-14

KOKO KAI/PORTLOCK RESALES BY YEAR(S) AFTER CONVERSION

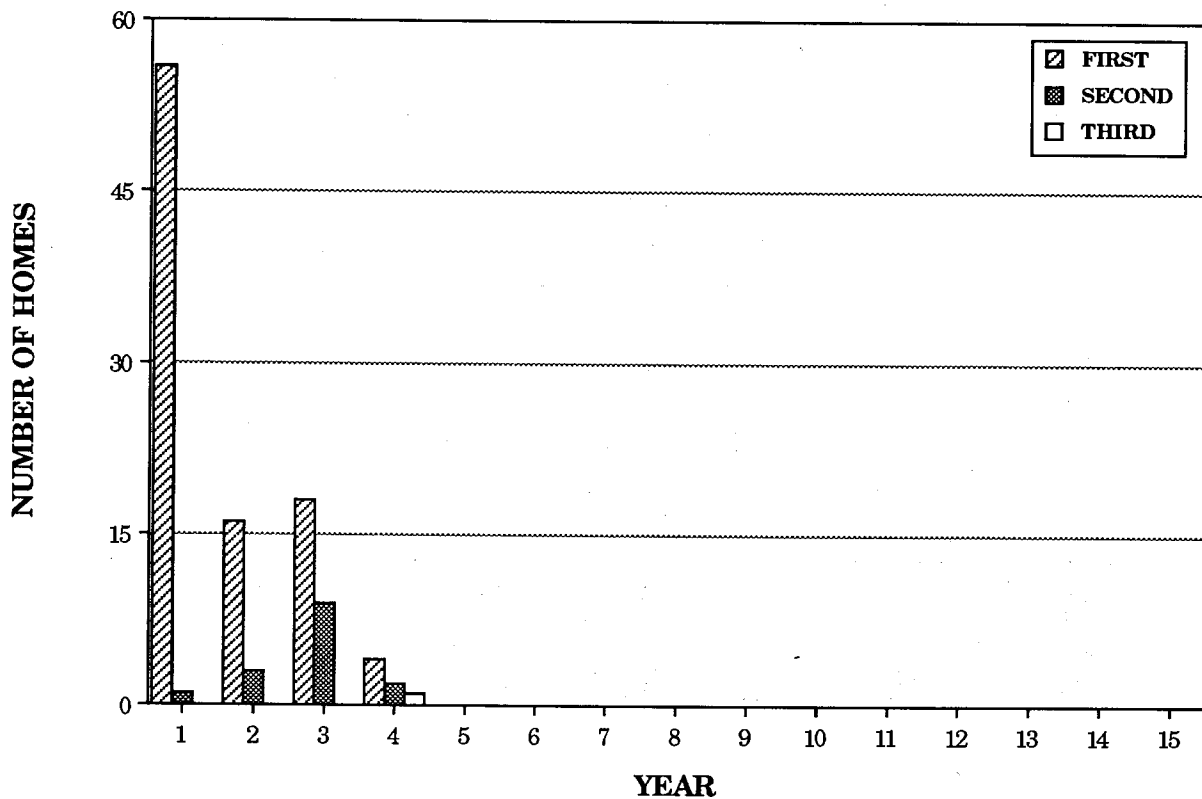


Figure III-15

KOKO HEAD TERRACE RESALES BY YEAR(S) AFTER CONVERSION

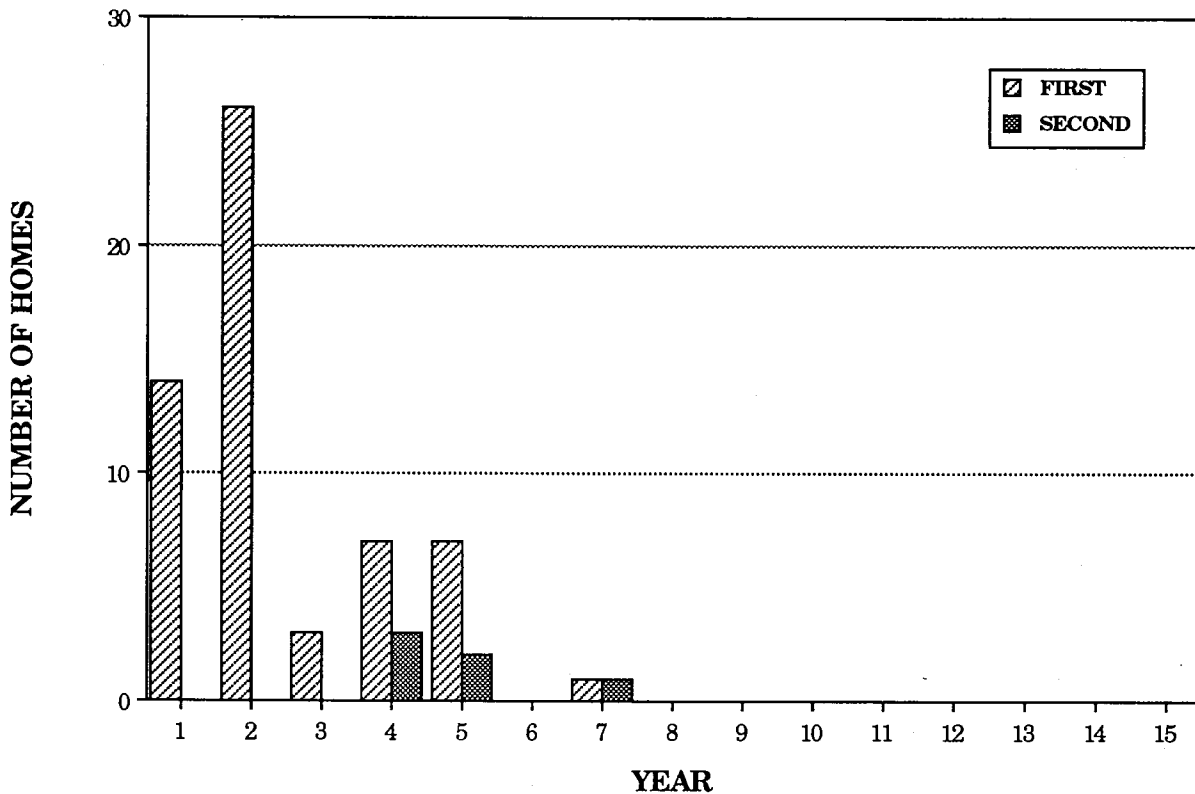


Figure III-16

KALAMA VALLEY RESALES BY YEAR(S) AFTER CONVERSION

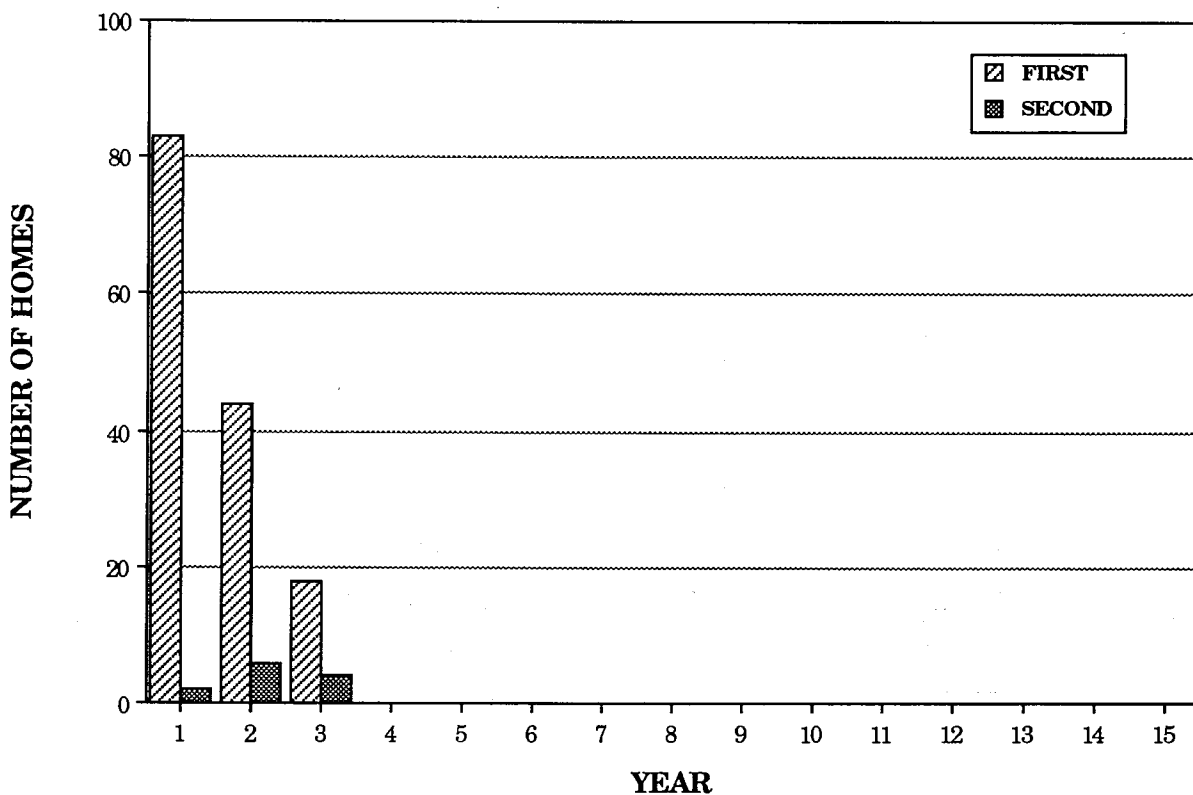


Figure III-17

ENCHANTED LAKE RESALES BY YEAR(S) AFTER CONVERSION

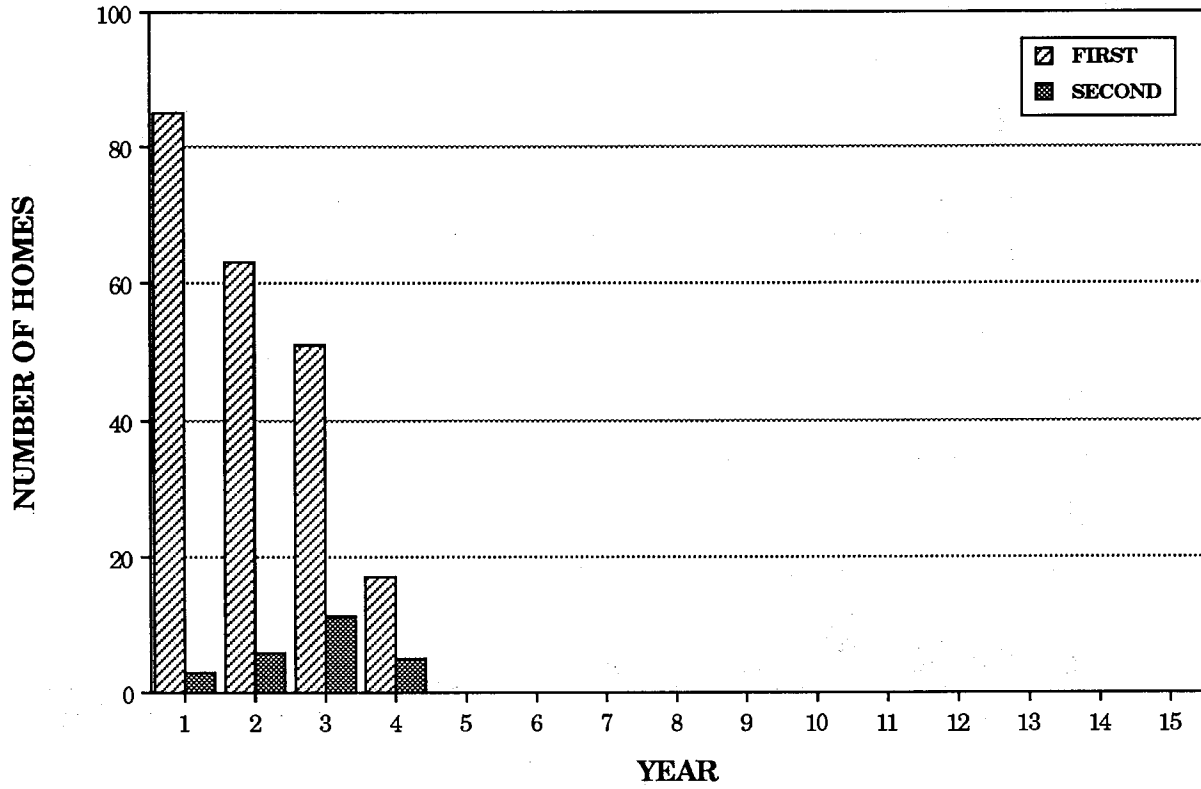


Figure III-18

OLOMANA RESALES BY YEAR(S) AFTER CONVERSION

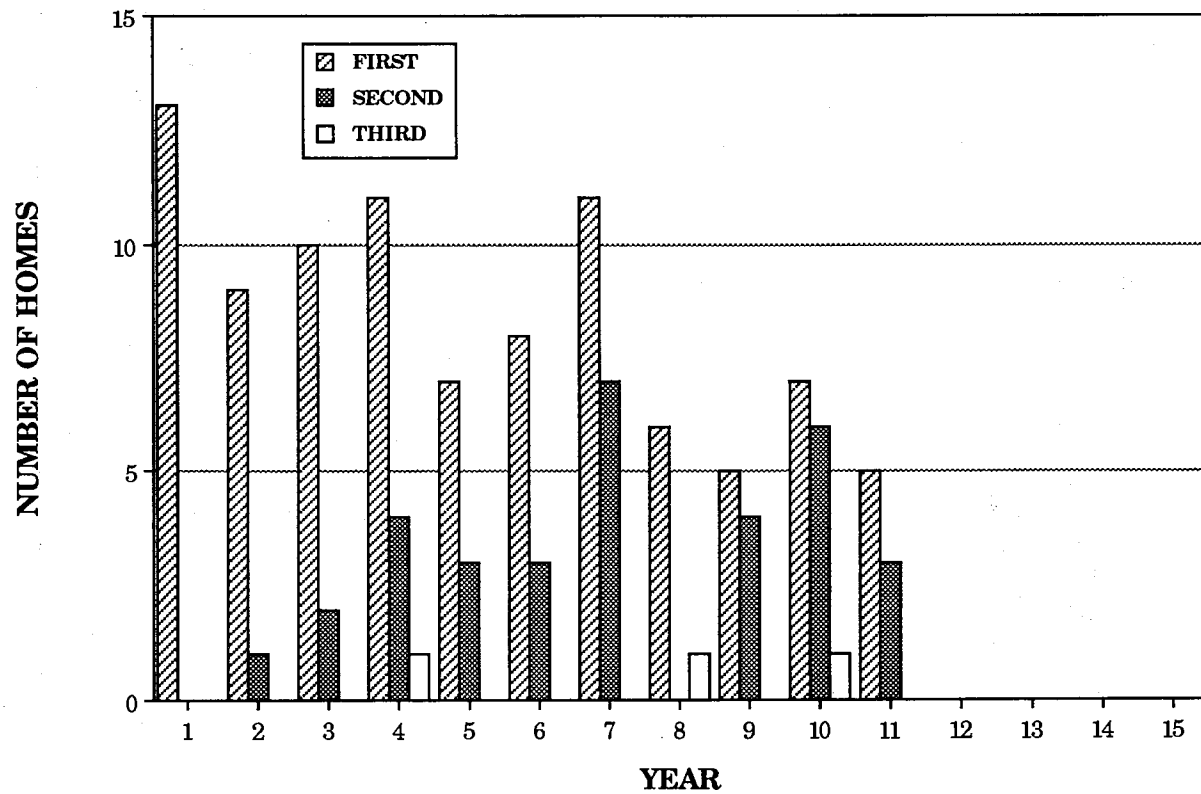


Figure III-19

POHAKAPU RESALES BY YEAR(S) AFTER CONVERSION

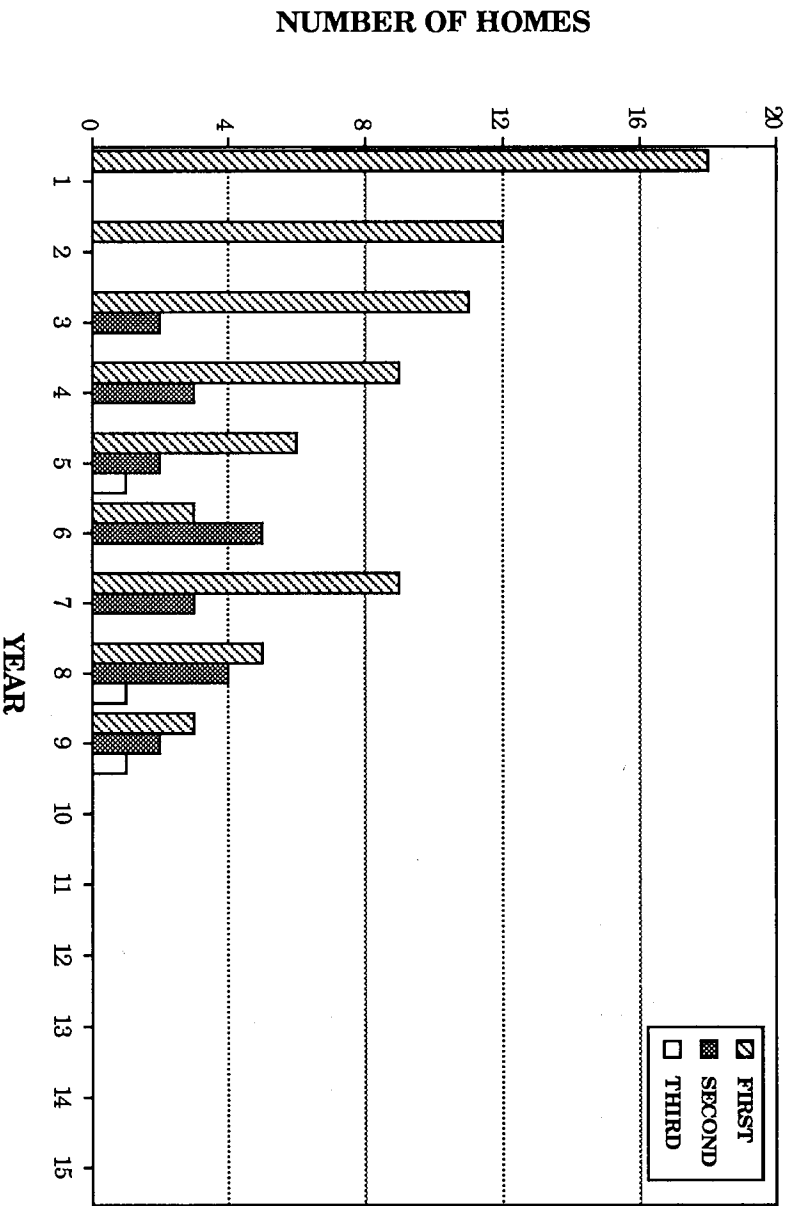


Figure III-20

KALAHEO HILLSIDE RESALES BY YEAR(S) AFTER CONVERSION

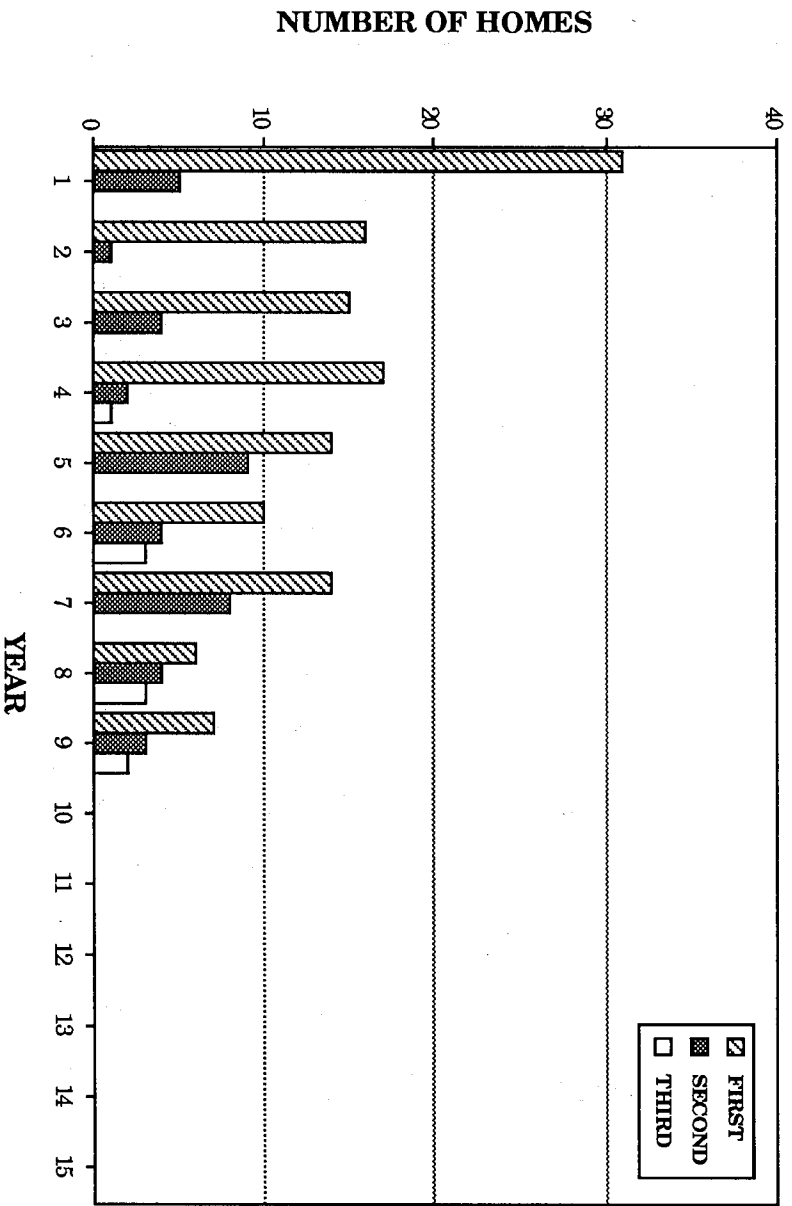
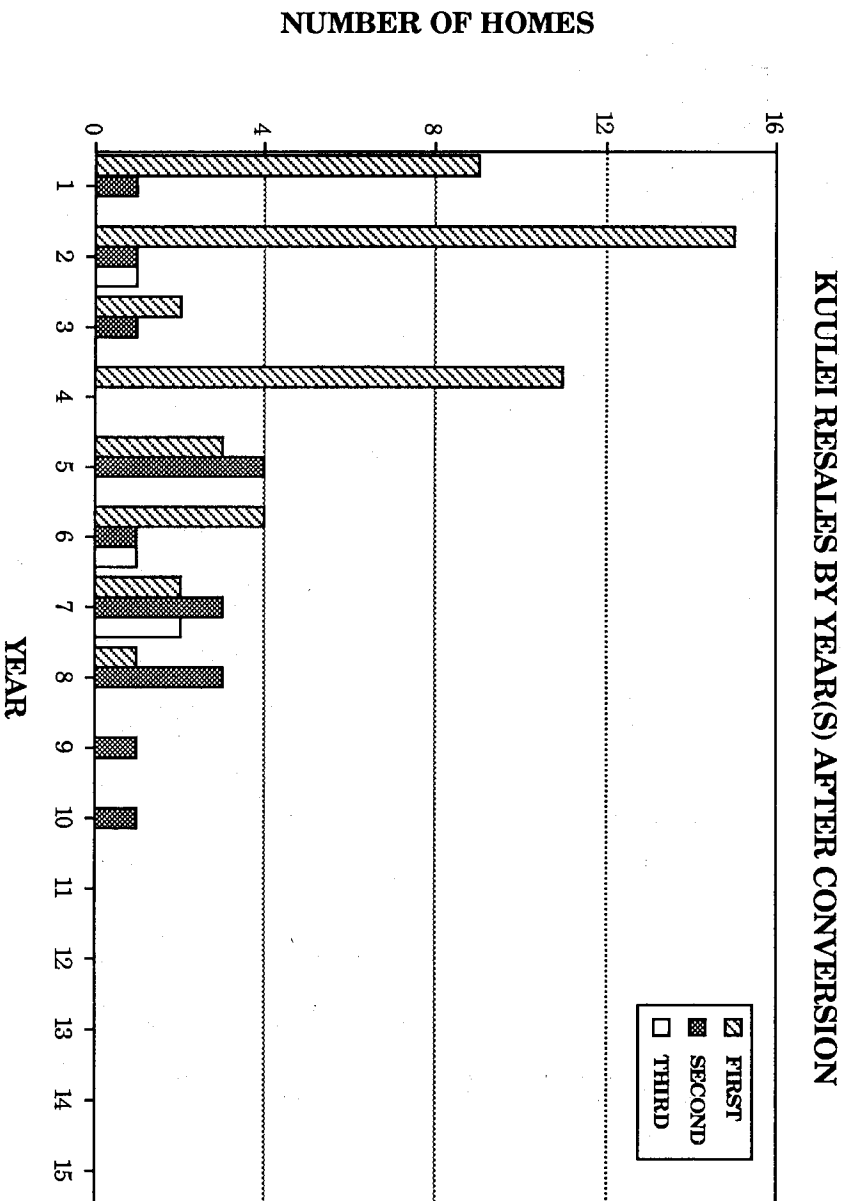
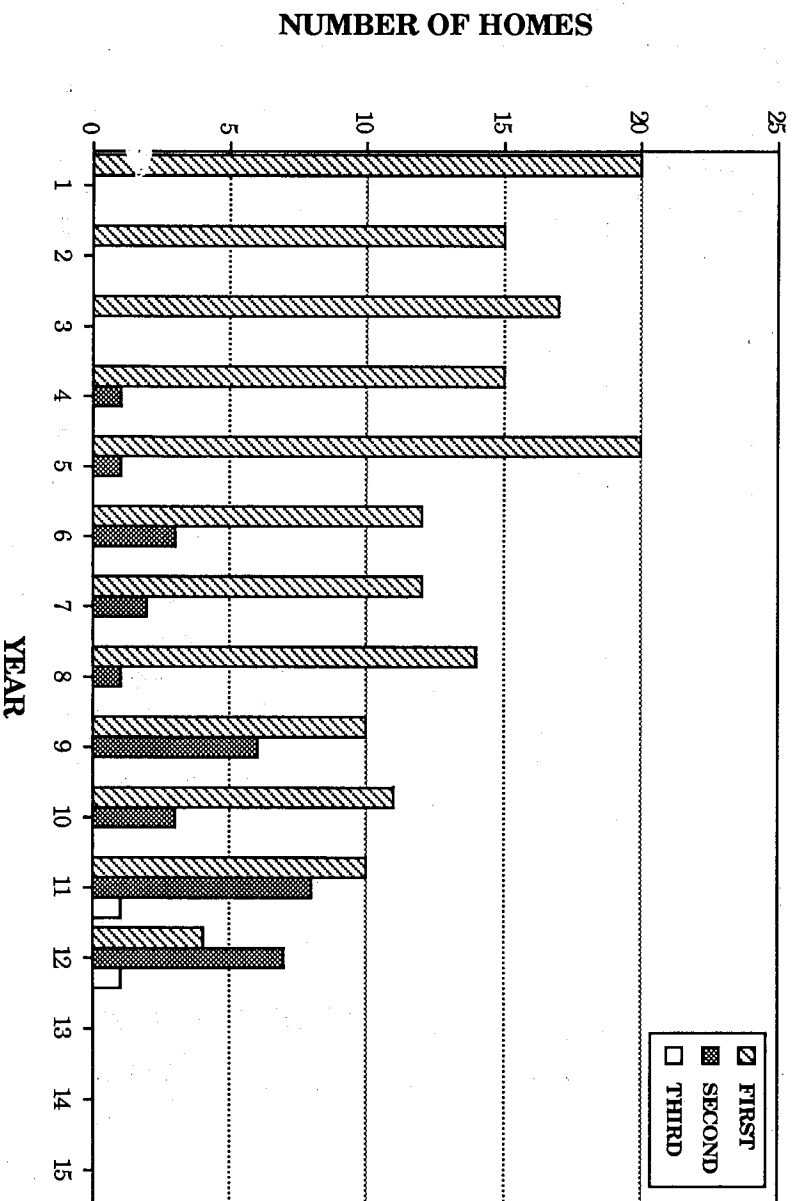


Figure III-21



KULUEI RESALES BY YEAR(S) AFTER CONVERSION

Figure III-22



EWA BEACH RESALES BY YEAR(S) AFTER CONVERSION

Figure III-23

MAKAKIJO RESALES BY YEAR(S) AFTER CONVERSION

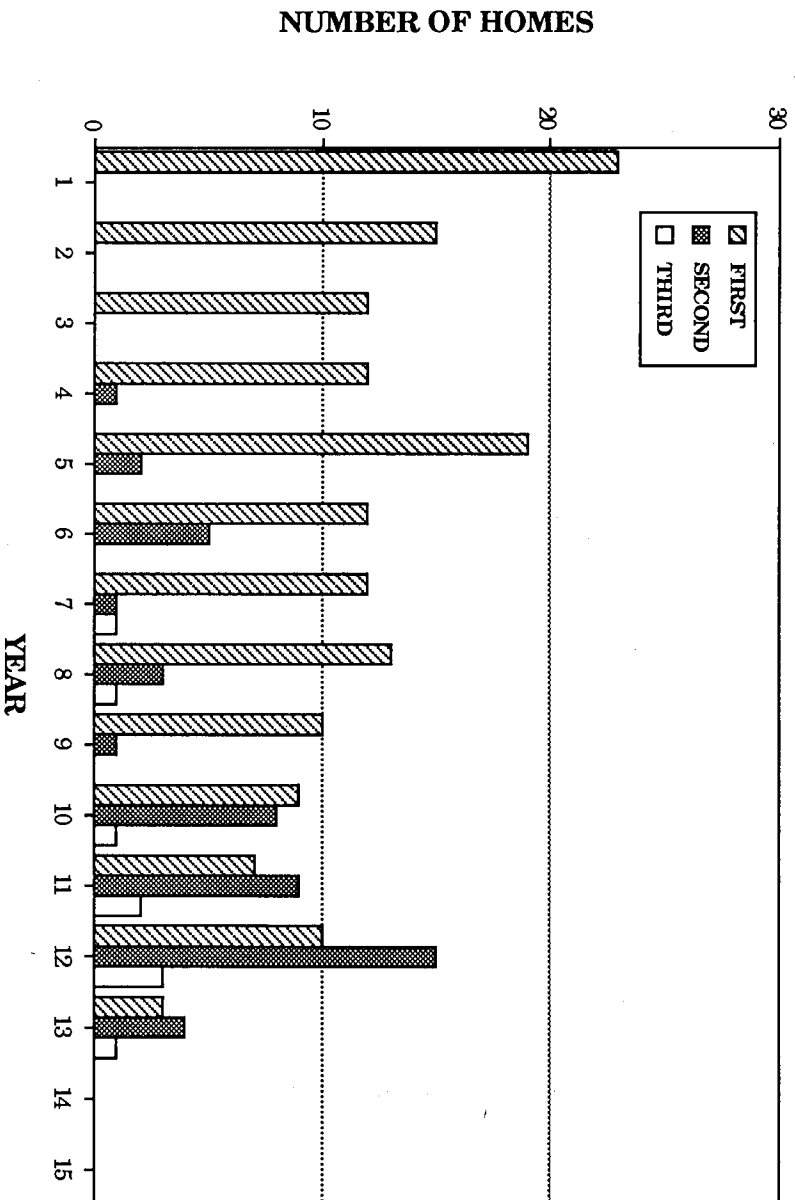
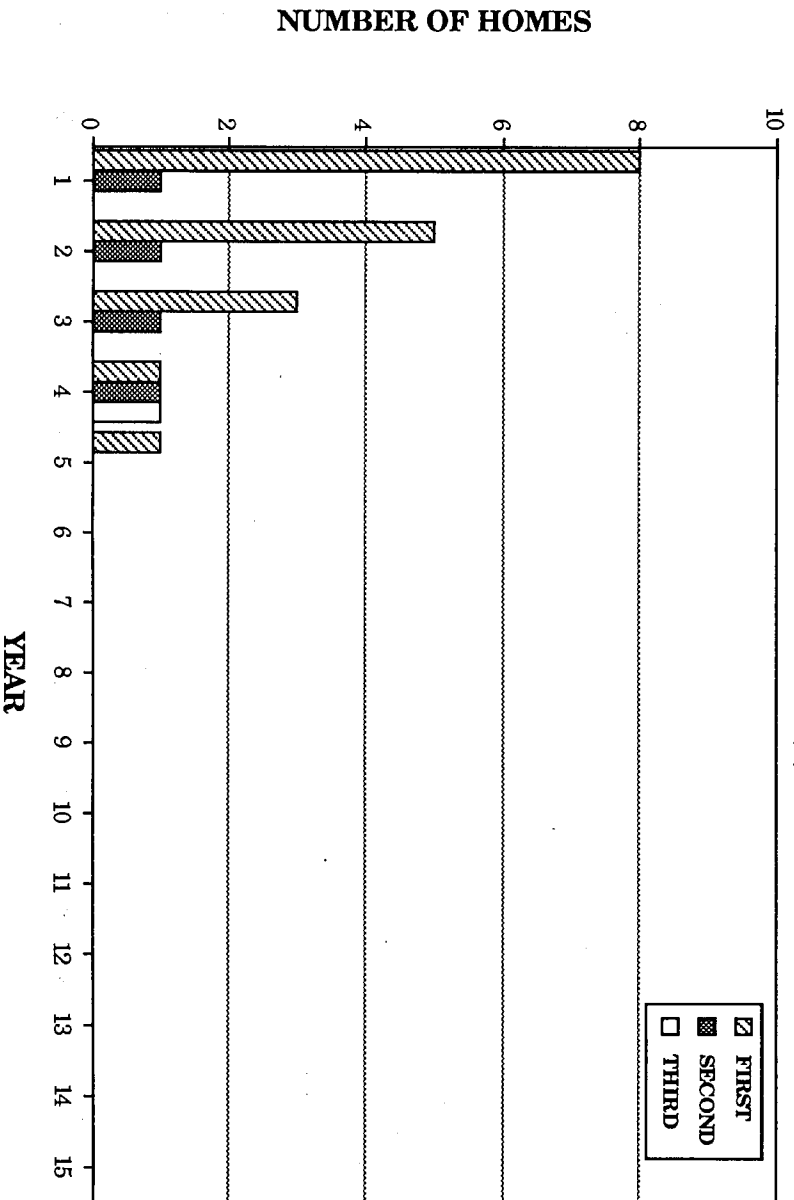


Figure III-24
 WATERFRONT
 OLD KAHALA RESALES BY YEAR(S) AFTER CONVERSION



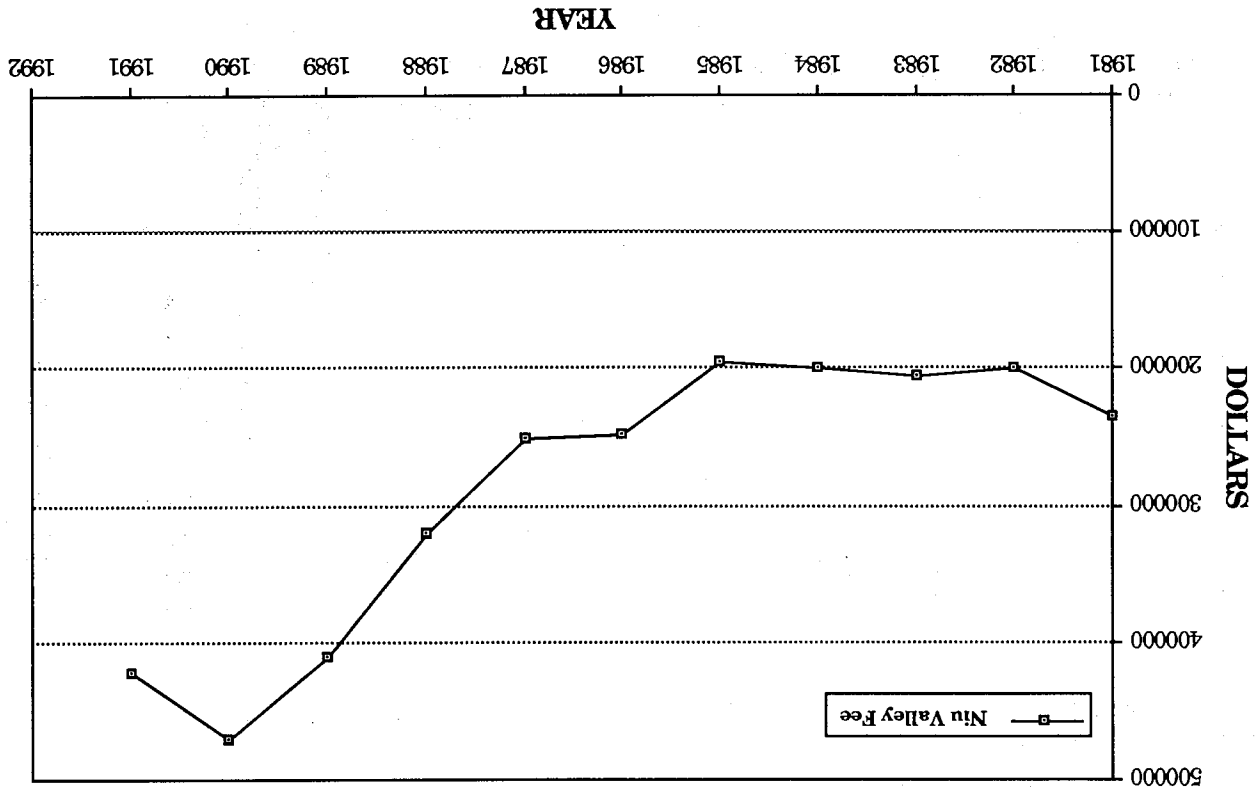


Figure III-26
EAST HONOLULU MEDIAN RESALE PRICES OF FEE CONVERTED HOMES

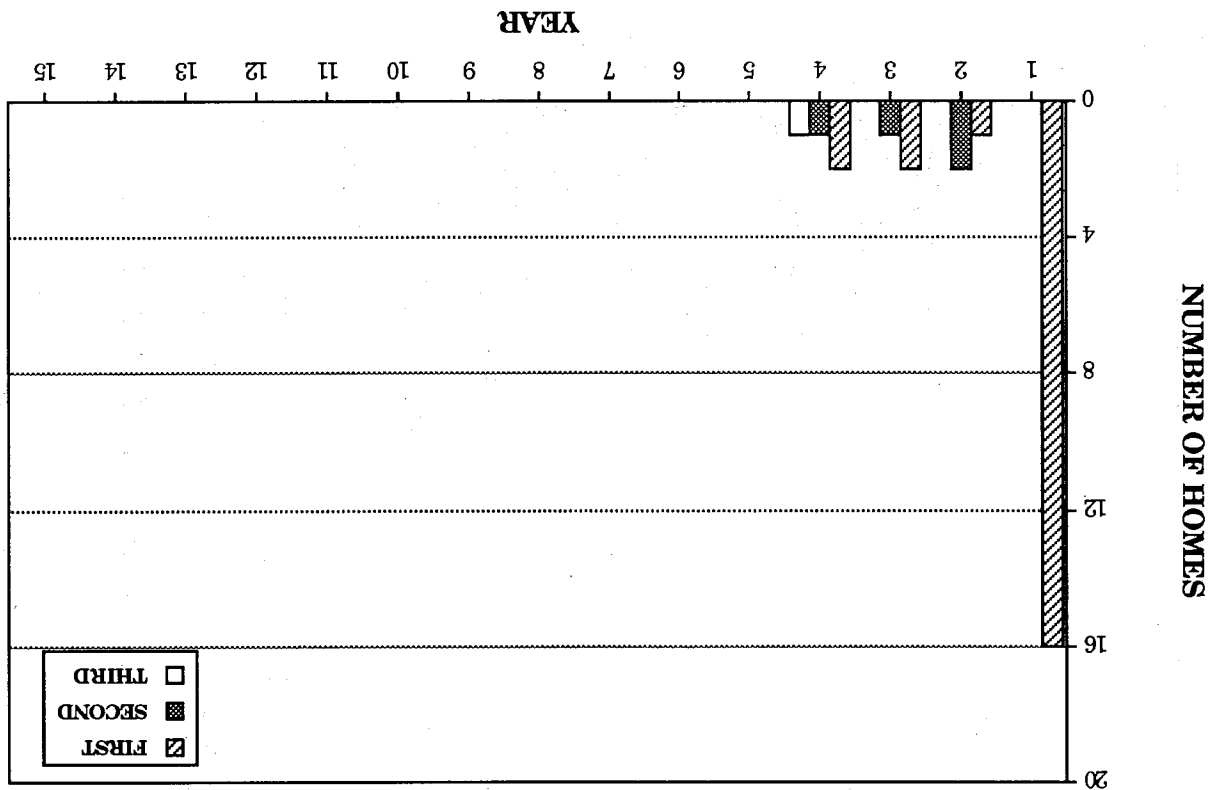


Figure III-25
KOKO KAI/PORTLOCK WATERFRONT
RESALES BY YEAR(S) AFTER CONVERSION

Figure III-27

WEST HONOLULU MEDIAN RESALE PRICES OF FEE CONVERTED HOMES

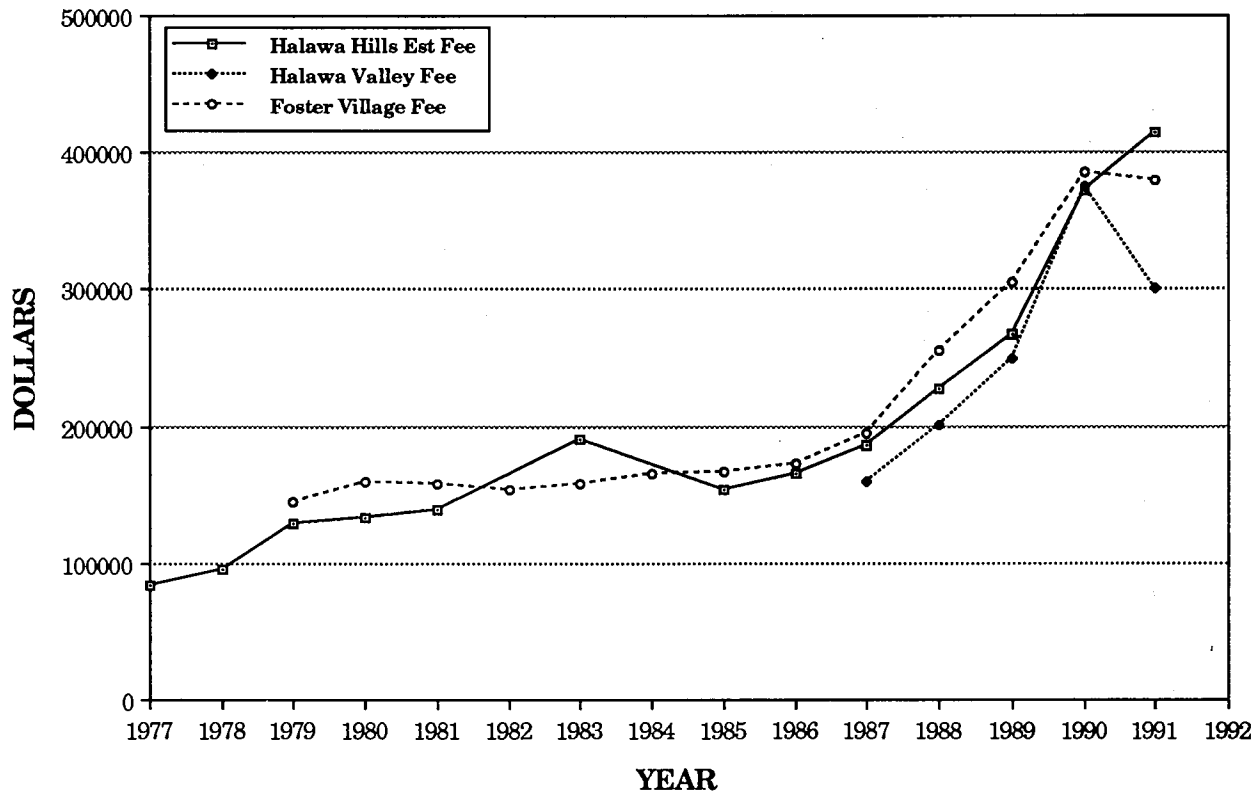


Figure III-28

WAIALAE/KAHALA MEDIAN RESALE PRICES OF FEE CONVERTED HOMES

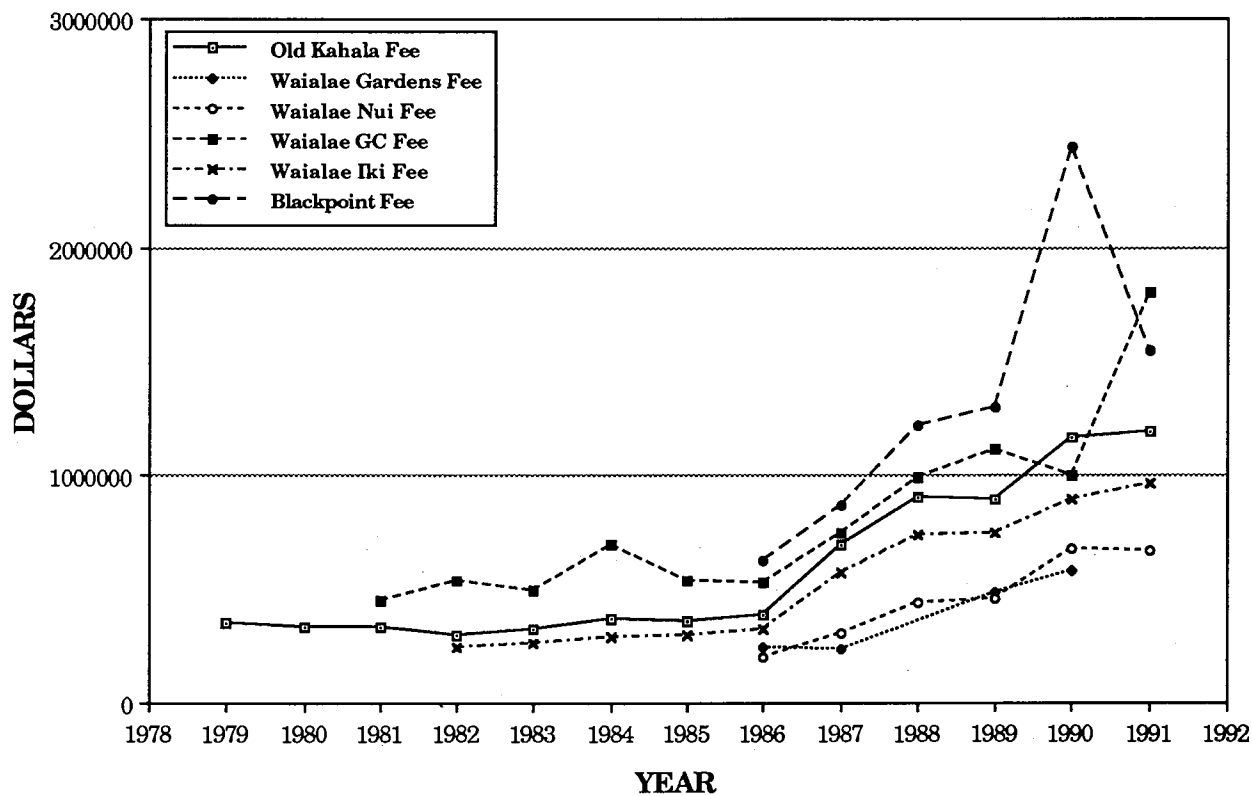


Figure IV-1
CURRENT FOREIGN OWNERSHIP OF FEE CONVERTED PROPERTIES

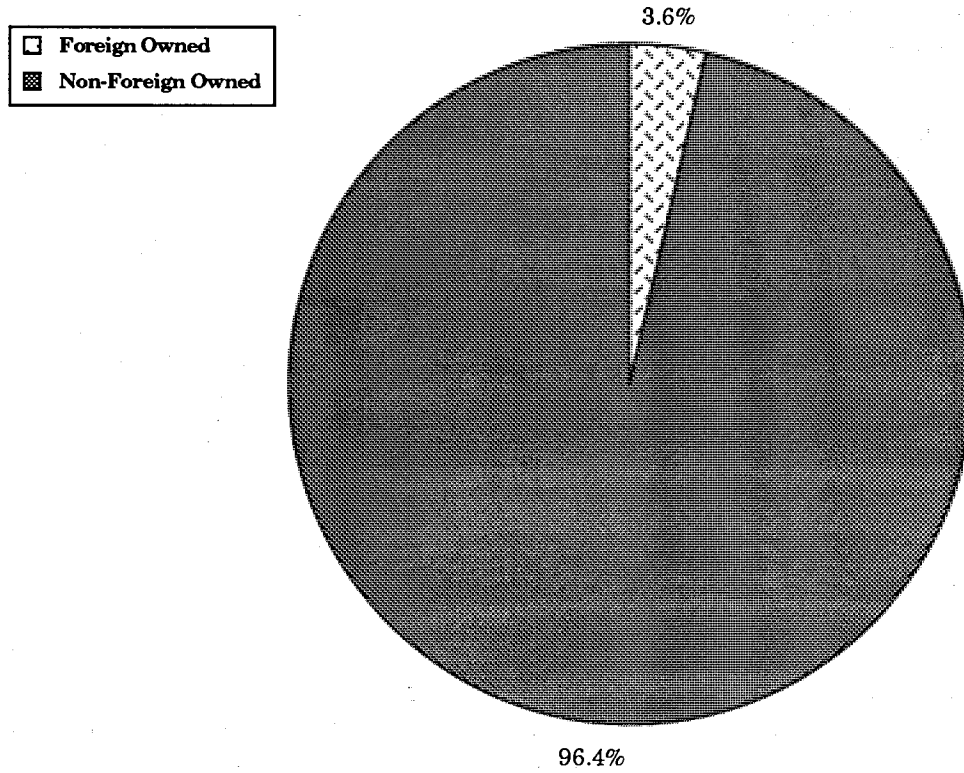


Figure IV-2
CURRENT FOREIGN OWNERSHIP OF FEE CONVERTED PROPERTIES BY AREA

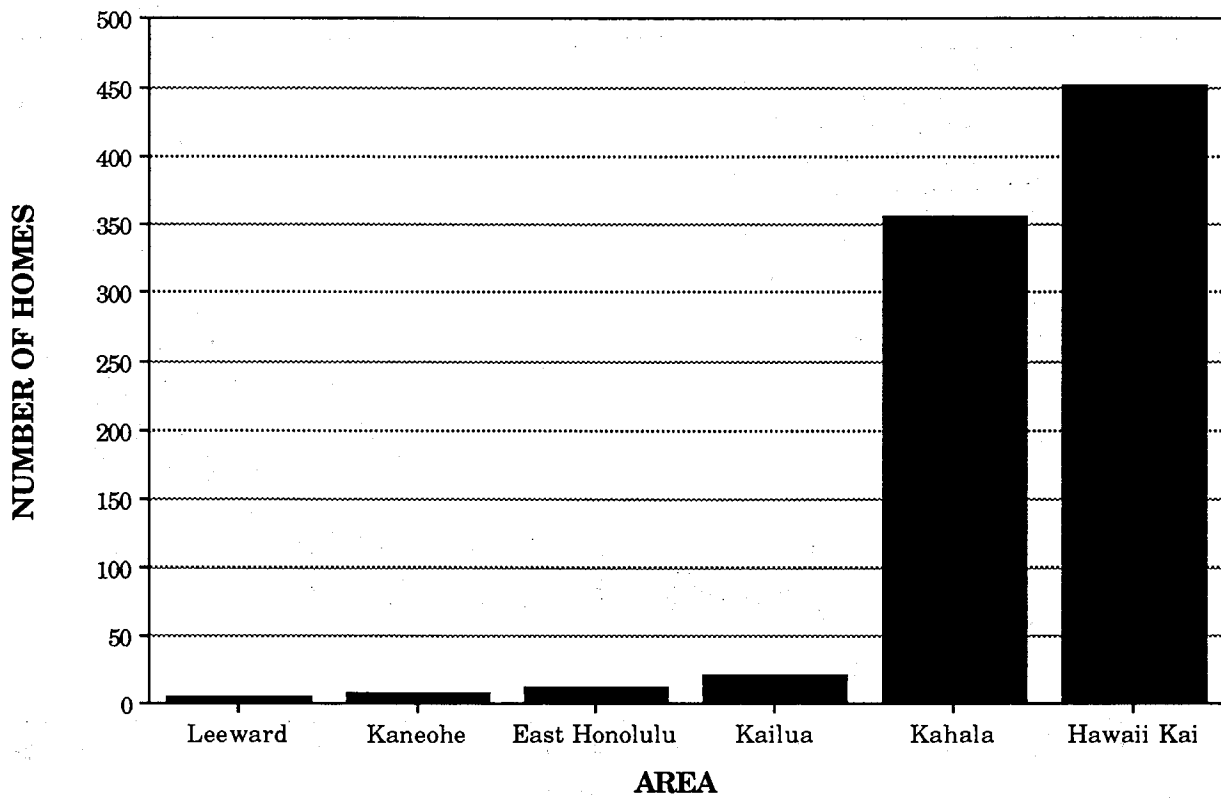


Figure IV-3

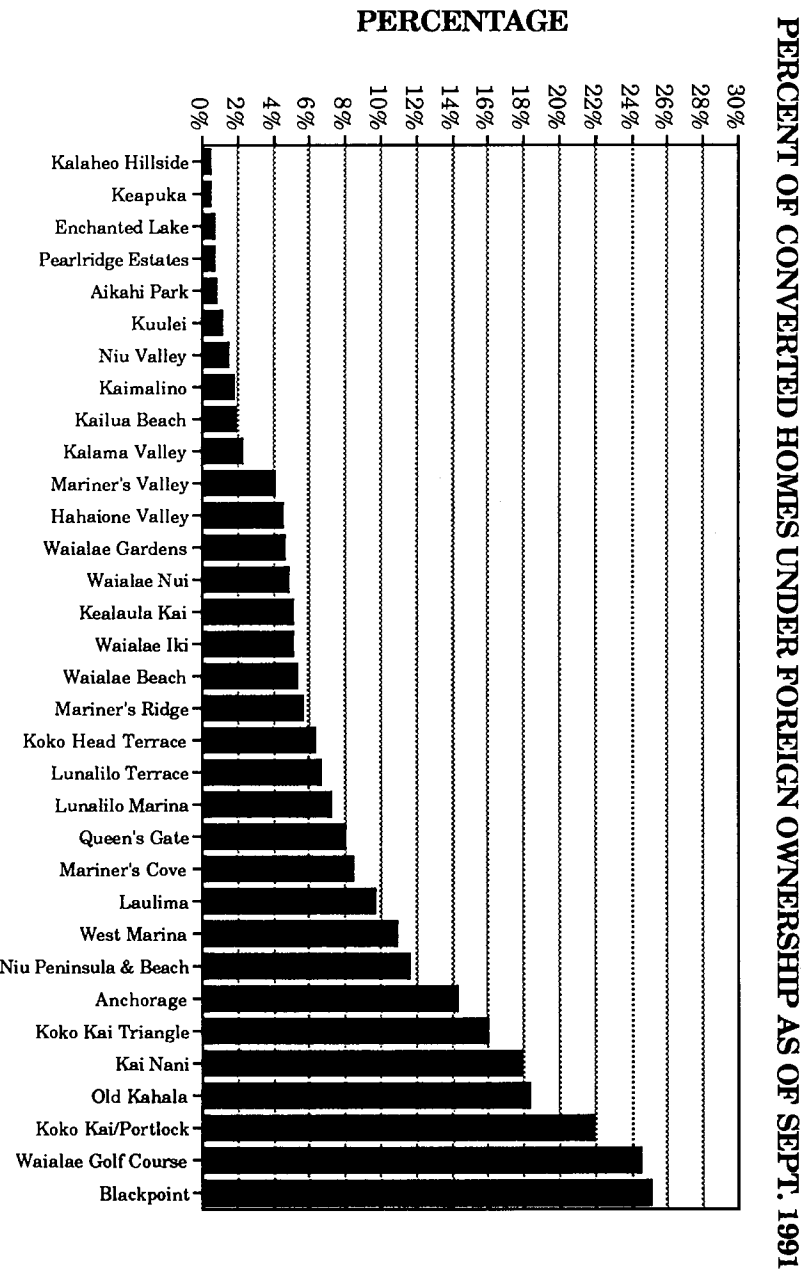


Figure IV-4
NUMBER OF CONVERTED PROPERTIES UNDER FOREIGN OWNERSHIP BY AREA AND YEAR PURCHASED, AS OF SEPT. 1991

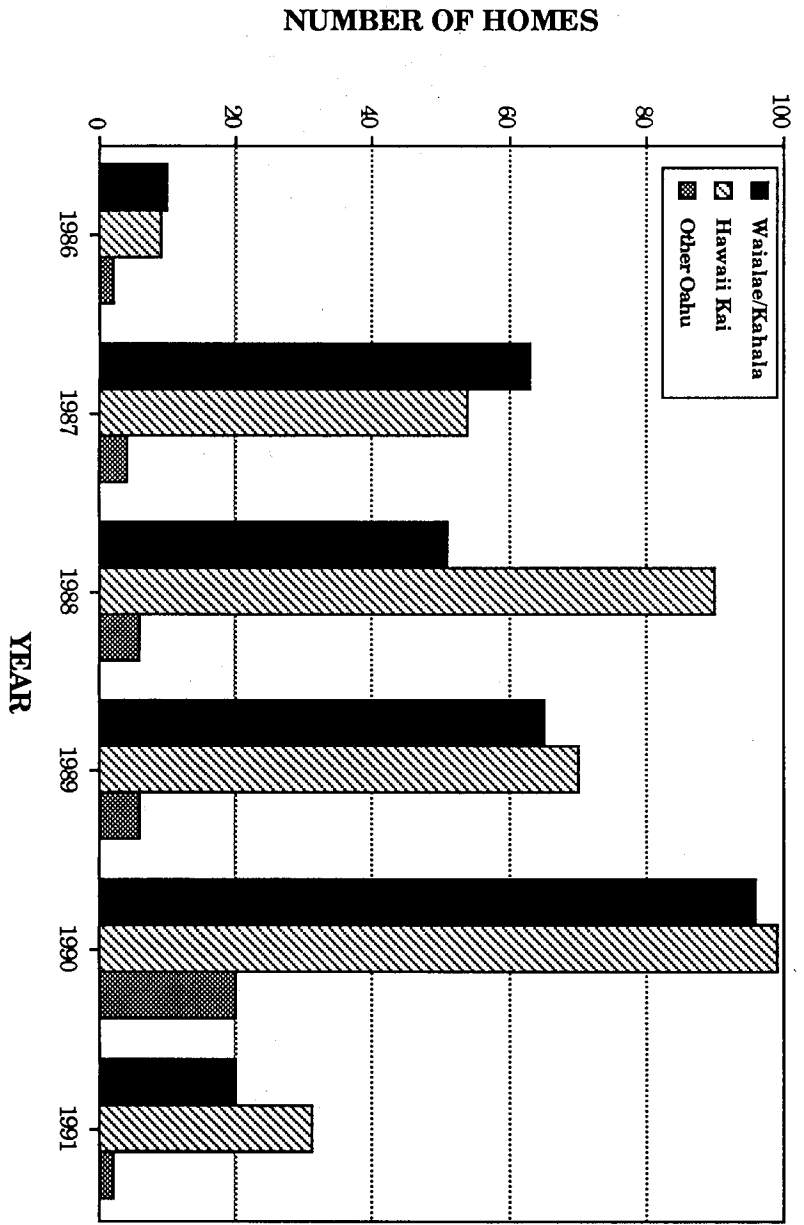


Figure IV-5
CURRENT FOREIGN OWNERSHIP OF CONVERTED PROPERTIES BY COUNTRY
PERCENT OF HOMES WITH CURRENT FOREIGN OWNERSHIP

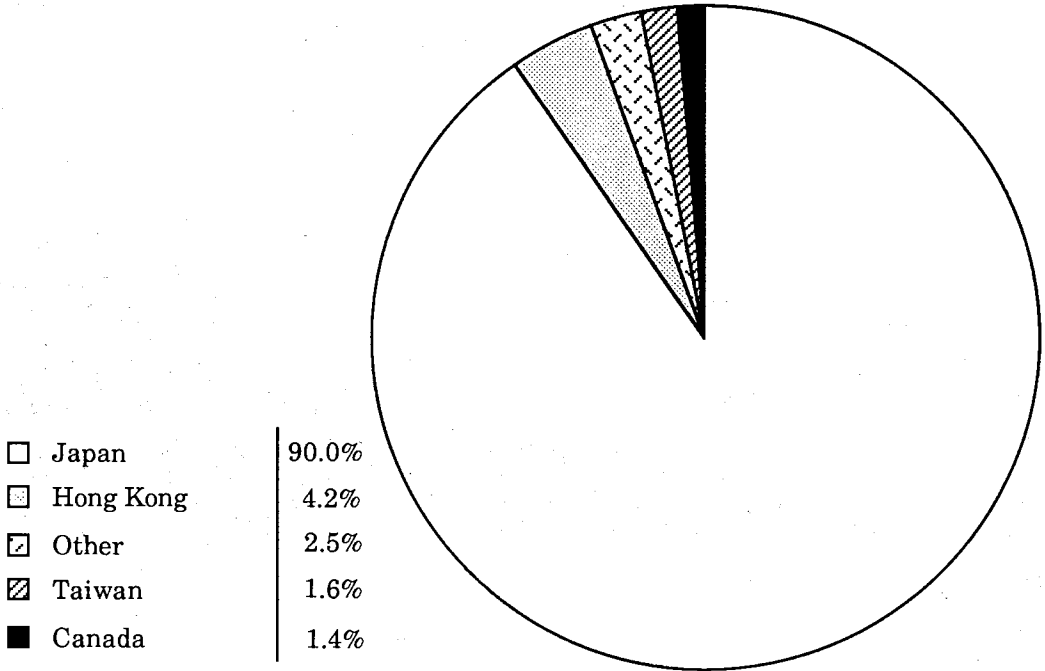


Figure IV-6
CONVERTED HOME SPECULATION I BY NEIGHBORHOOD

Assumptions: Purchased no more than 24 months prior to conversion and sold no more than 24 months after conversion.

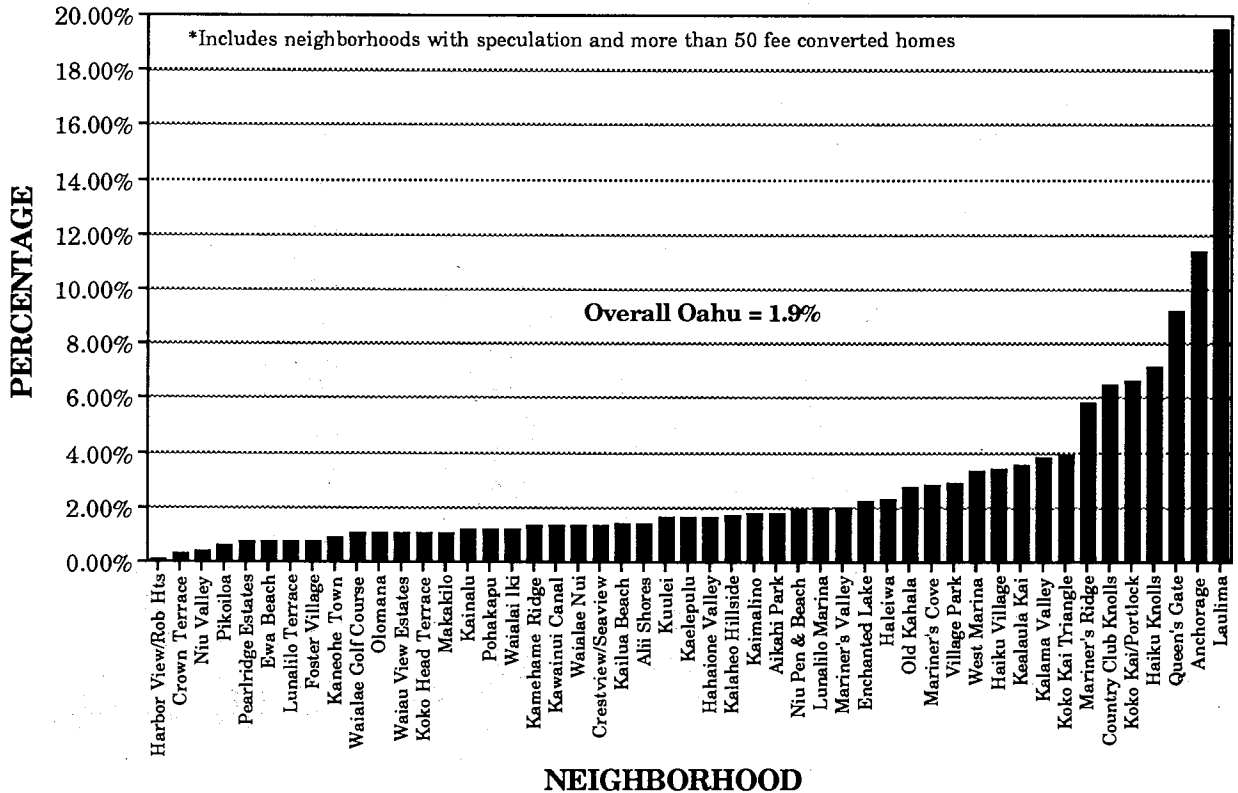


Figure IV-7
CONVERTED HOME SPECULATION II BY NEIGHBORHOOD
 Assumptions: Anytime after conversion; resales within 18 months of one another

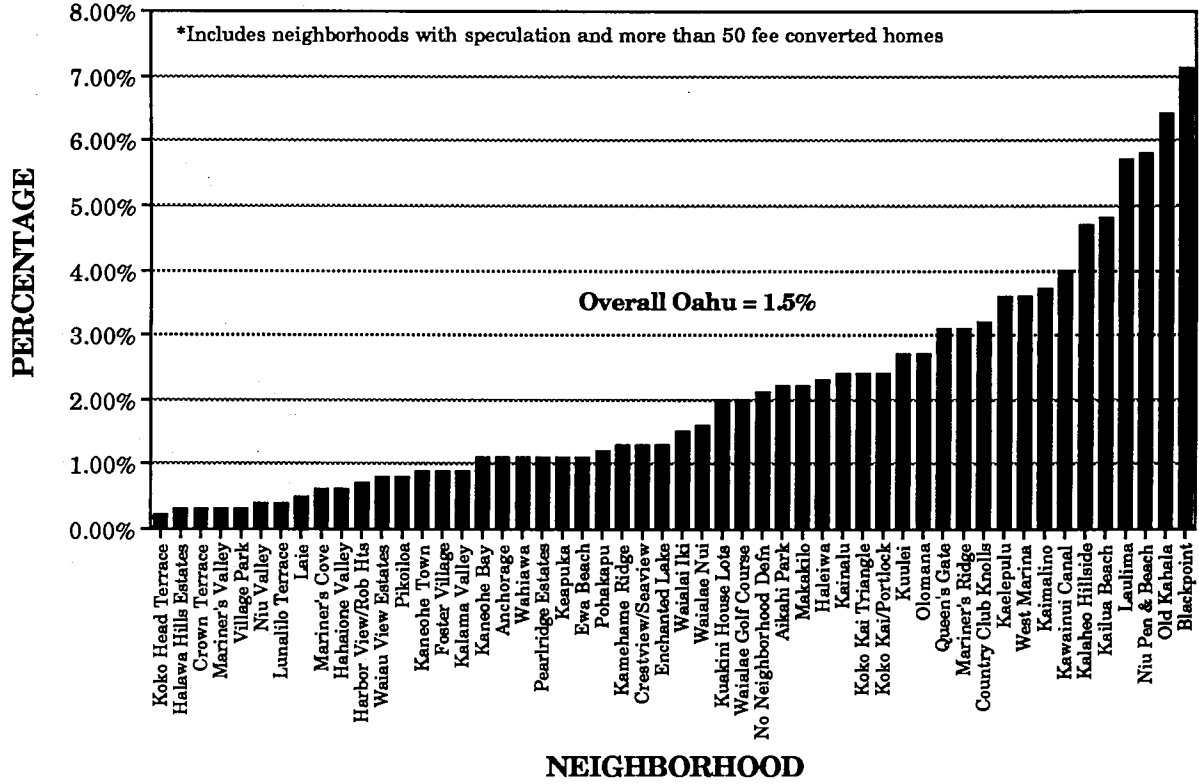


Figure IV-8
OAHU WATERFRONT FEE CONVERTED HOME SPECULATION
 Assumptions: Purchased no more than 24 months prior to conversion and sold no more than 24 months after conversion

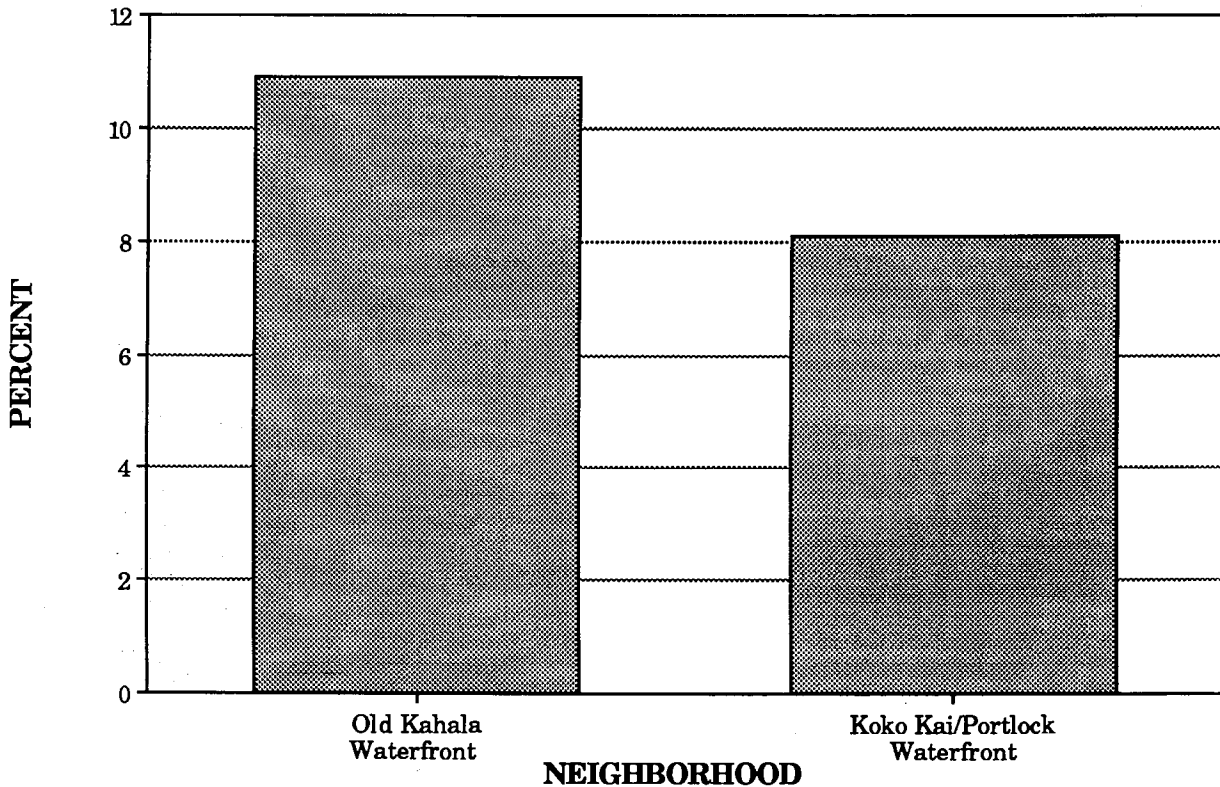


Figure IV-9
SPECULATION I RESALES BY YEAR

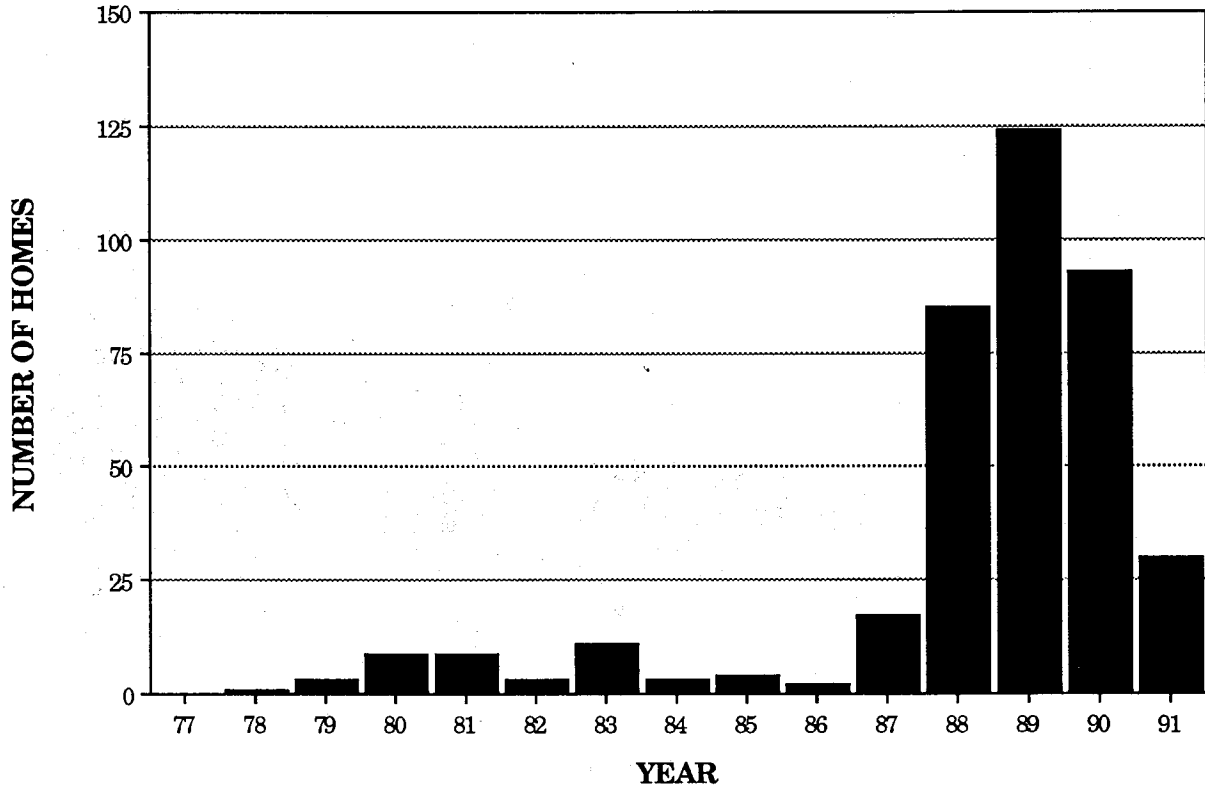


Figure IV-10
SPECULATION II RESALES BY YEAR

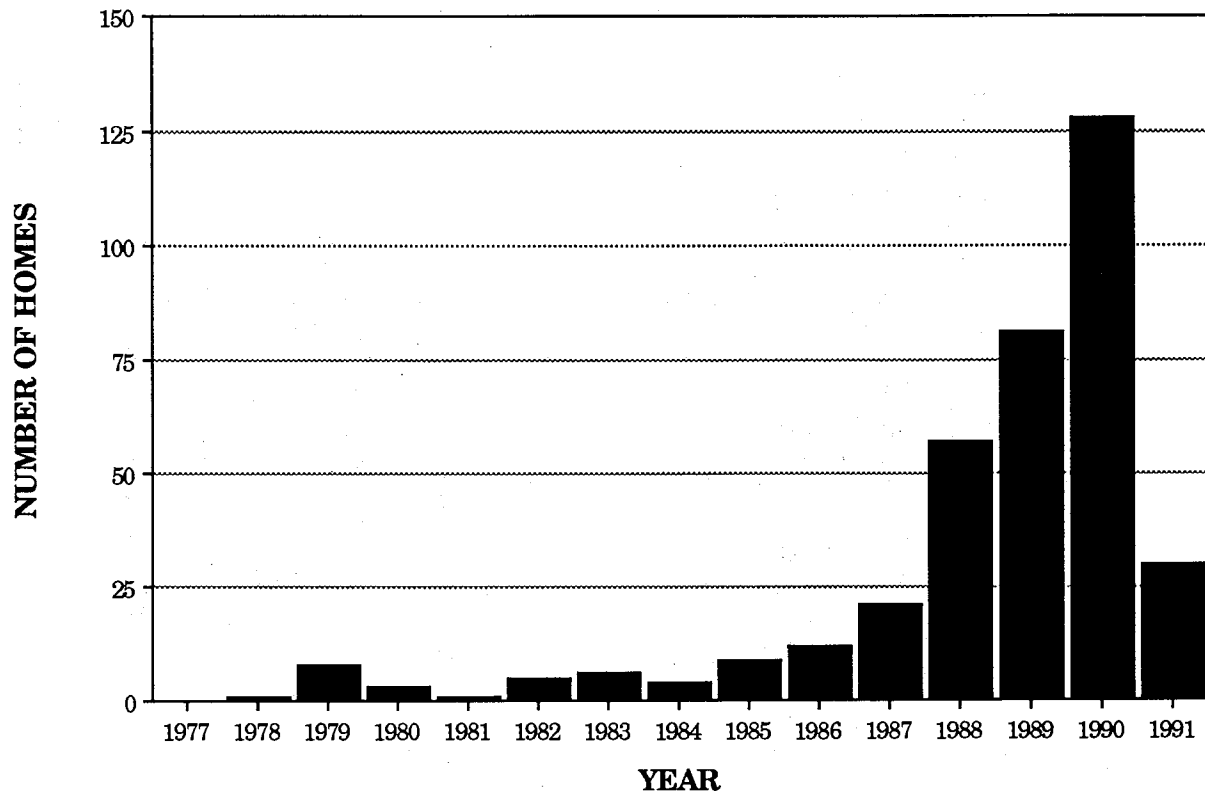


Figure IV-11

SPECULATIVE I RESALES AS A PERCENT OF TOTAL CONVERTED RESALES BY YEAR
(LEASEHOLD PURCHASE AND FEE SIMPLE RESALES EACH WITHIN 2 YEARS OF FEE CONVERSION)

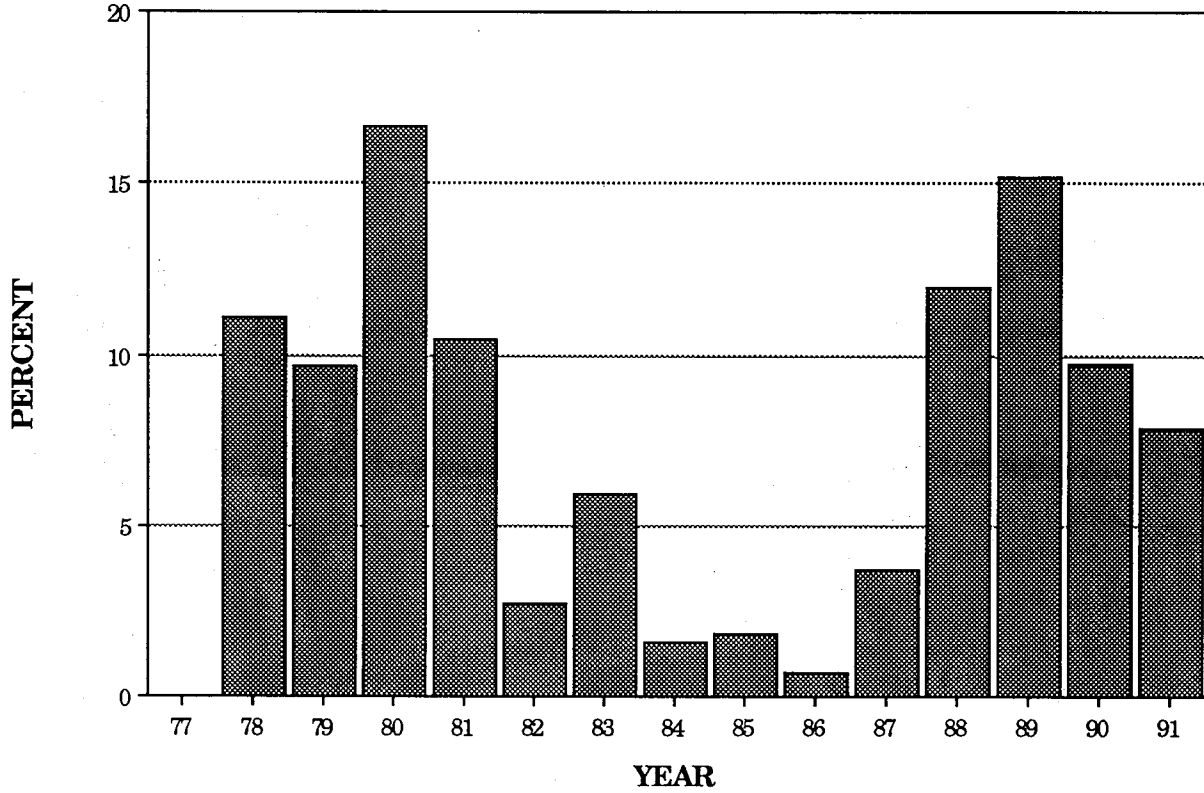


Figure IV-12

SPECULATION II RESALES AS A PERCENTAGE OF TOTAL CONVERTED RESALES BY YEAR
(TWO FEE SIMPLE RESALES WITHIN 18 MONTHS OF ONE ANOTHER)

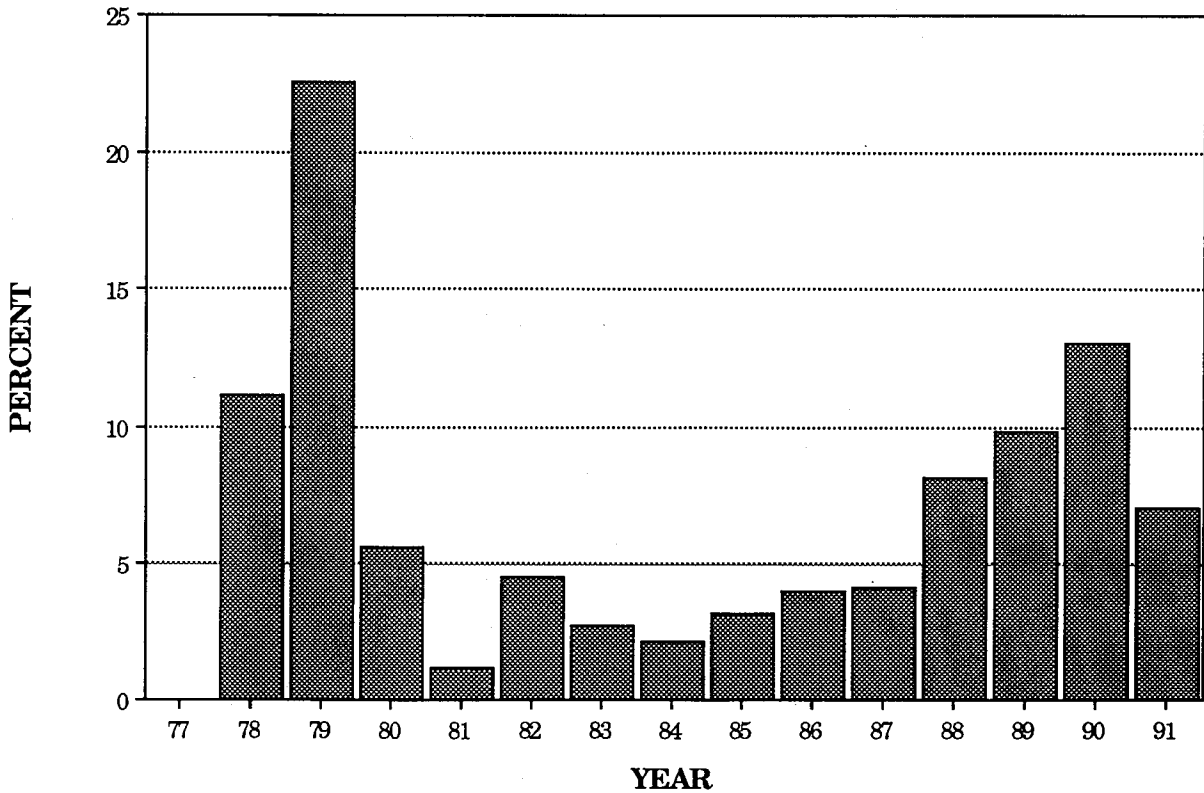


Figure IV-13
OAHU SPECULATION REALES AS A PERCENTAGE OF TOTAL REALES BY YEAR
 (Two Resales Within 18 Months of One Another)

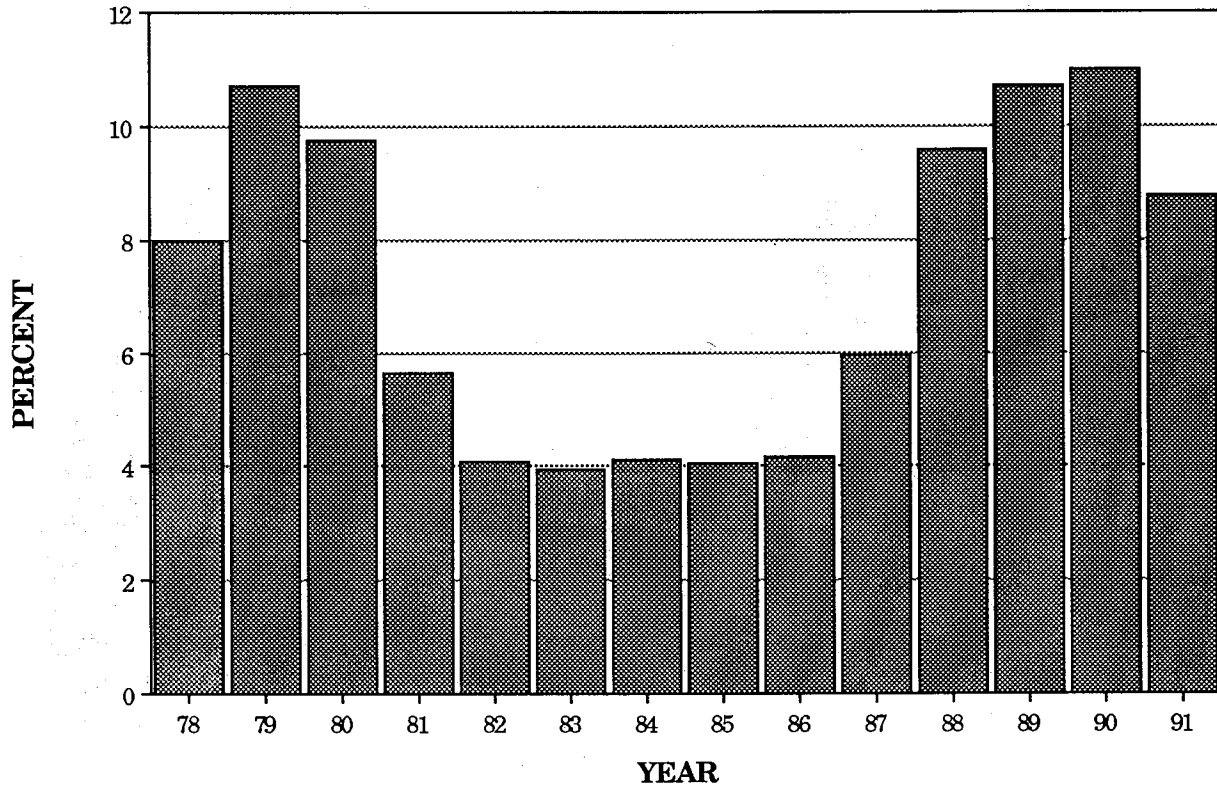


Figure IV-14
FOREIGN & NON-FOREIGN SPECULATION I REALES OF CONVERTED PROPERTIES BY YEAR
 (LEASEHOLD PURCHASE AND FEE RESALE EACH WITHIN 2 YEARS OF CONVERSION)

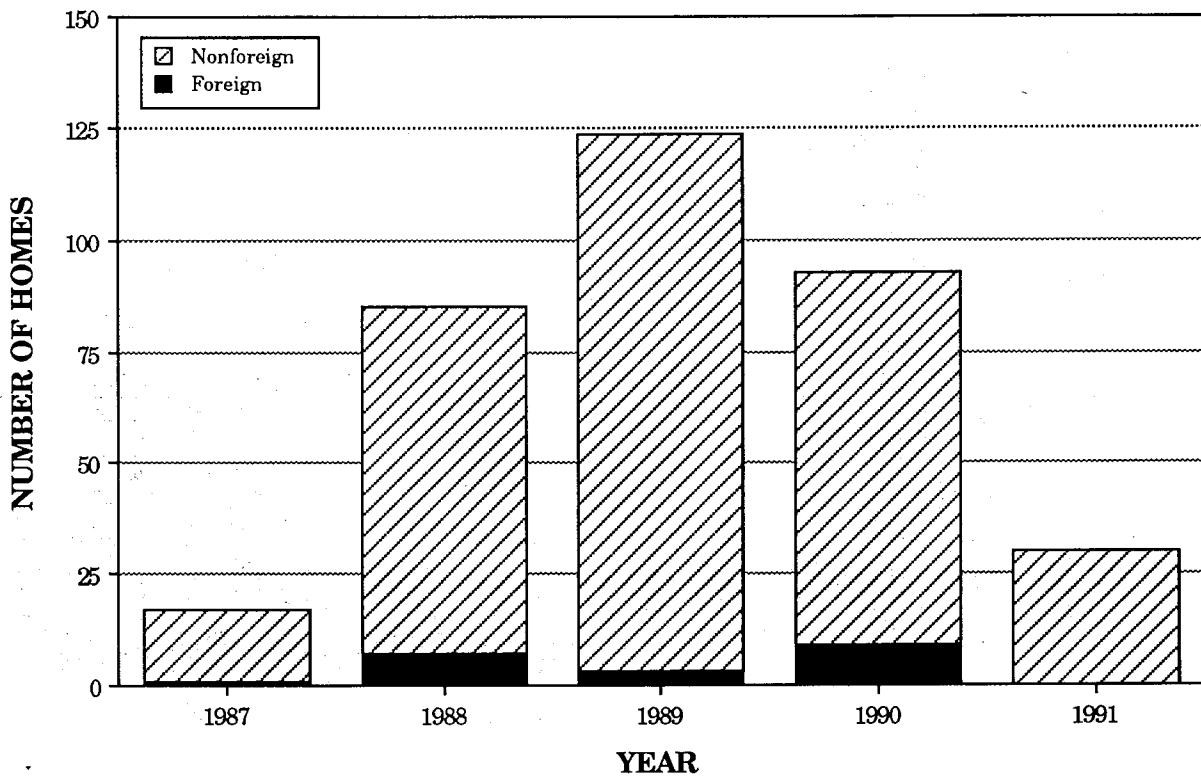


Figure IV-15
FOREIGN & NON-FOREIGN SPECULATION II RESALES OF CONVERTED PROPERTIES BY YEAR
(HOMES WITH TWO RESALES WITHIN 18 MONTHS OF CONVERSION)

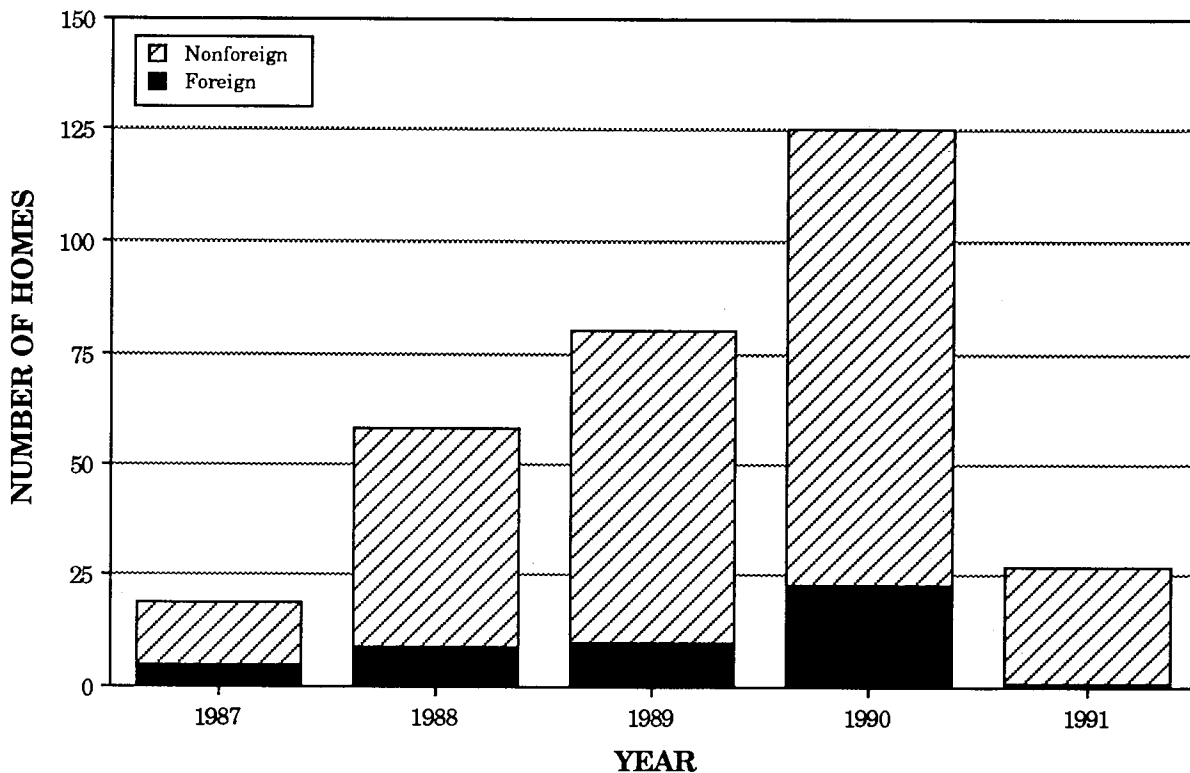


Figure V-1
OAHU SINGLE FAMILY FEE SIMPLE & LEASEHOLD RESALES BY YEAR

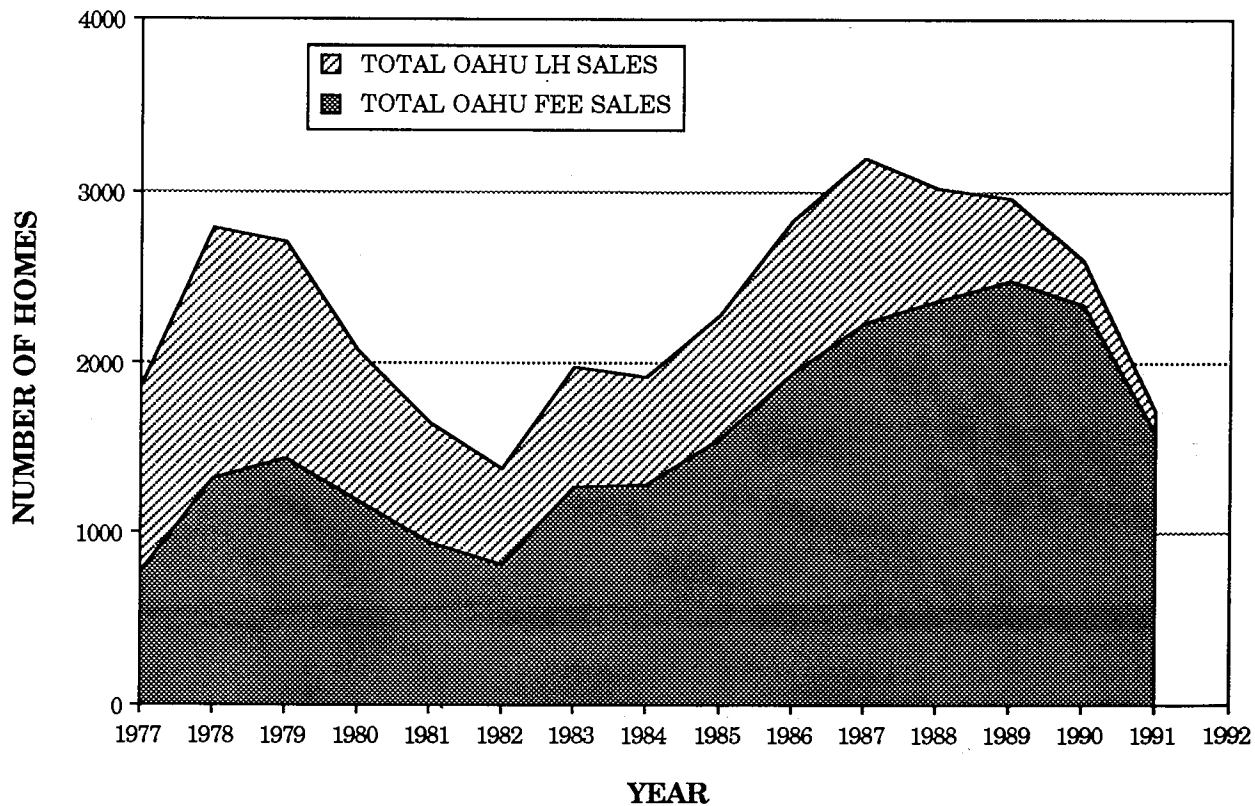


Figure V-2

OAHU SINGLE FAMILY LEASEHOLD RESALES AS A PERCENTAGE OF TOTAL RESALES

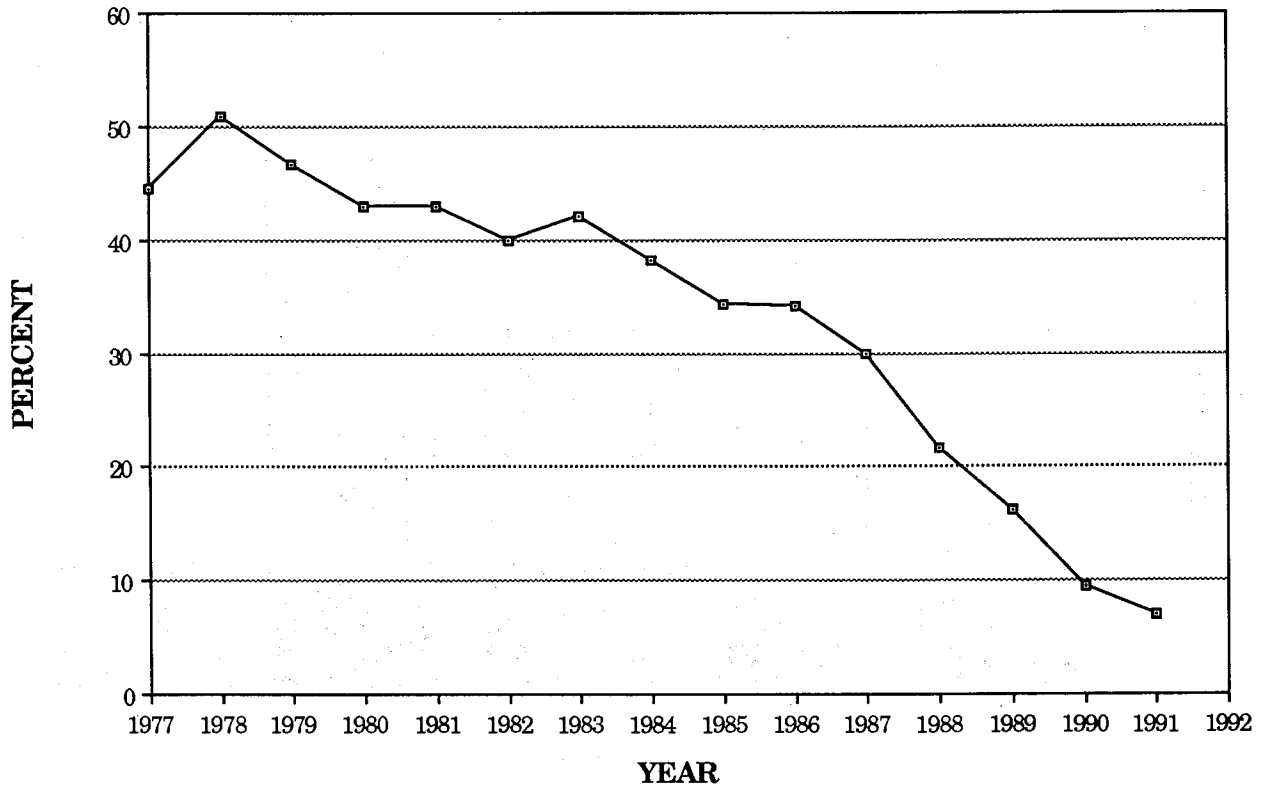


Figure V-3

ST. LOUIS HTS & OAHU SINGLE FAMILY RESALES BY YEAR

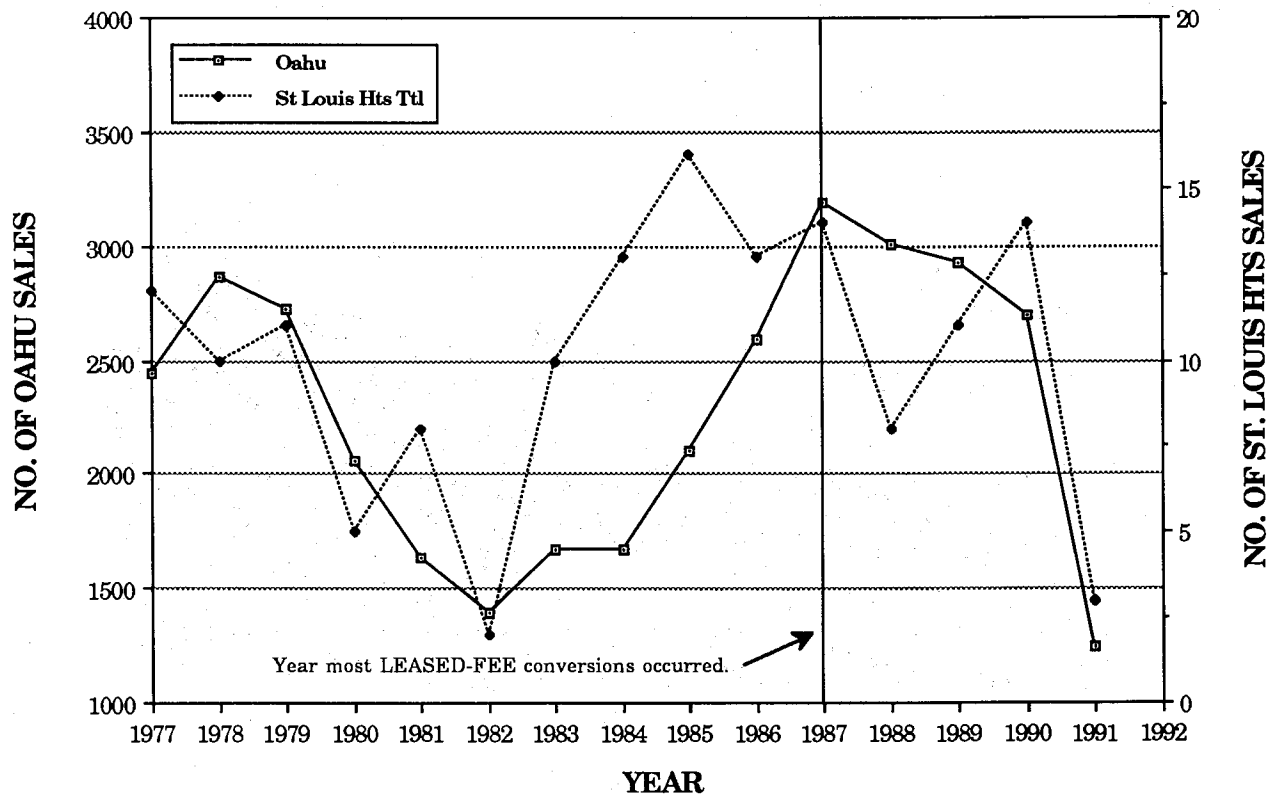


Figure V-4
NIU VALLEY & OAHU SINGLE FAMILY RESALES BY YEAR

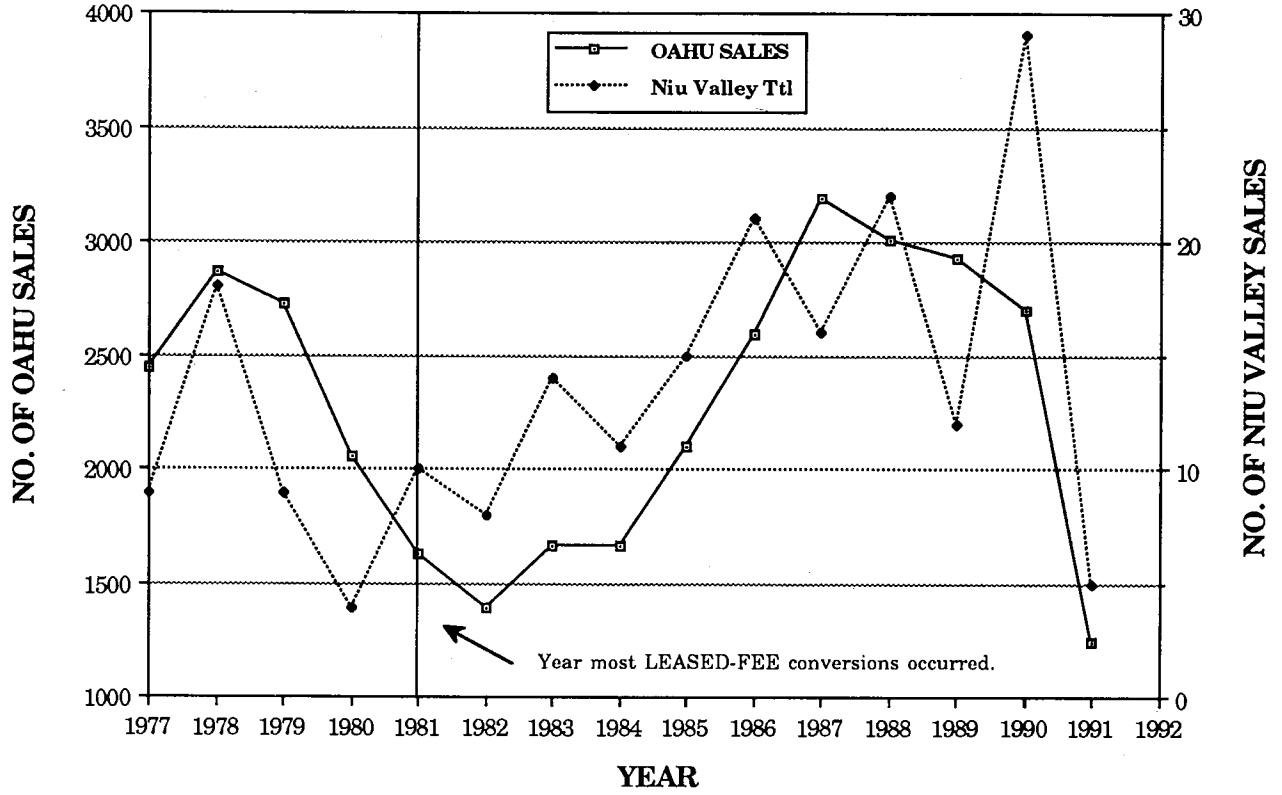


Figure V-5
HALAWA HILLS & OAHU SINGLE FAMILY RESALES BY YEAR

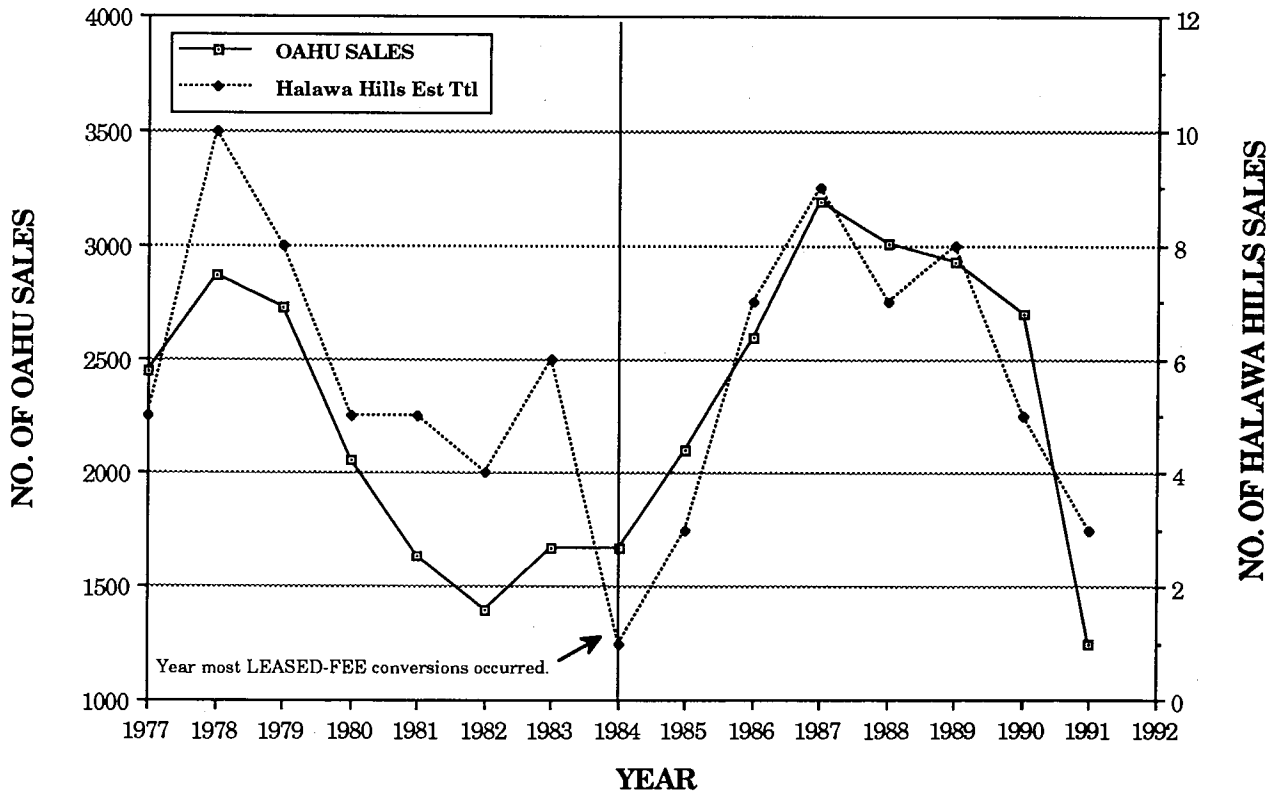


Figure V-6

FOSTER VILLAGE & OAHU SINGLE FAMILY RESALES BY YEAR

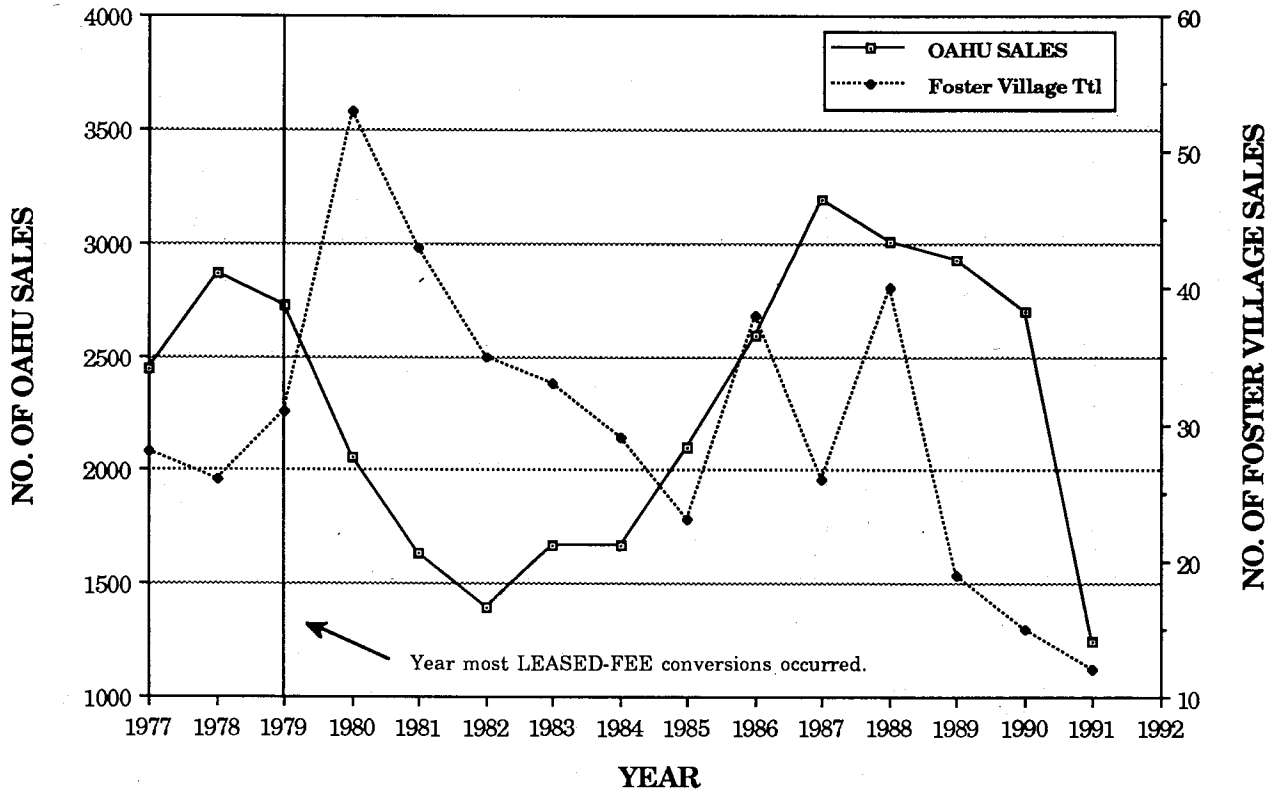


Figure V-7

OLD KAHALA & OAHU SINGLE FAMILY RESALES BY YEAR

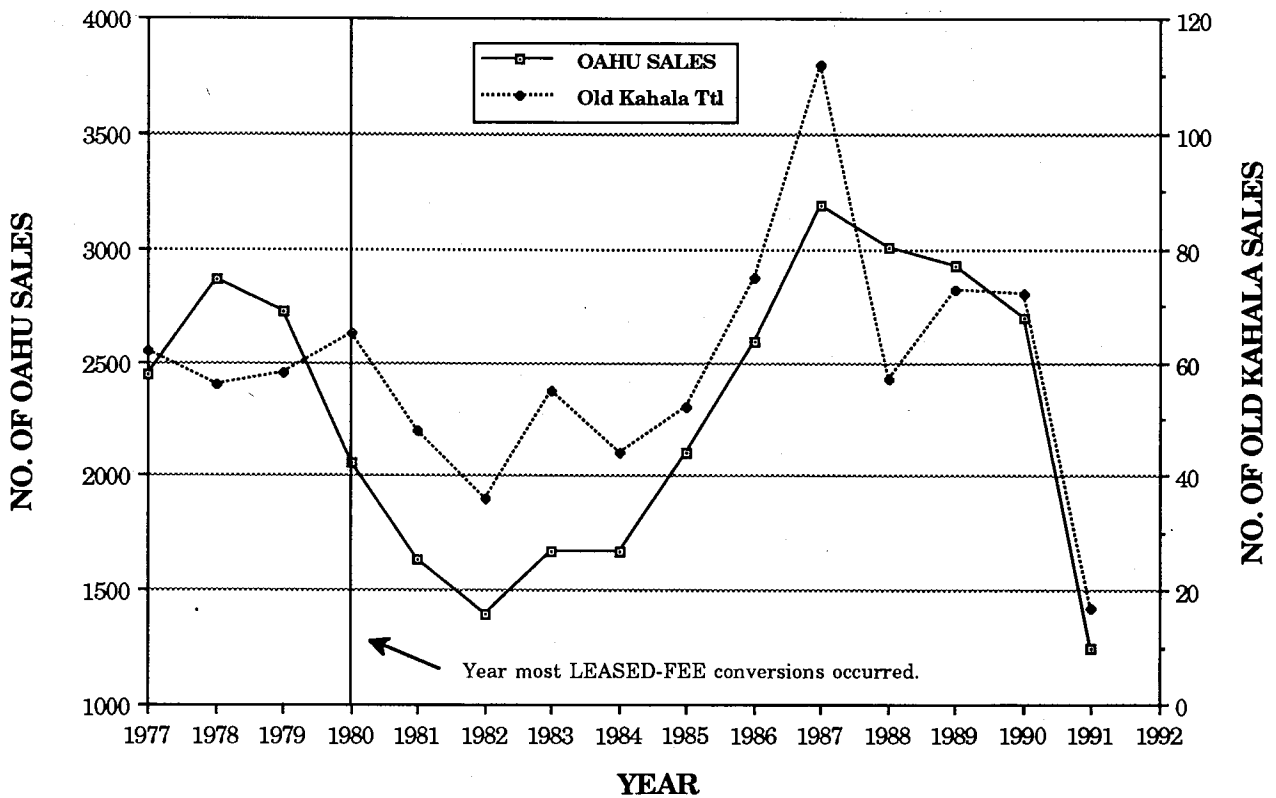


Figure V-8

WAIALAE GARDENS & OAHU SINGLE FAMILY RESALES BY YEAR

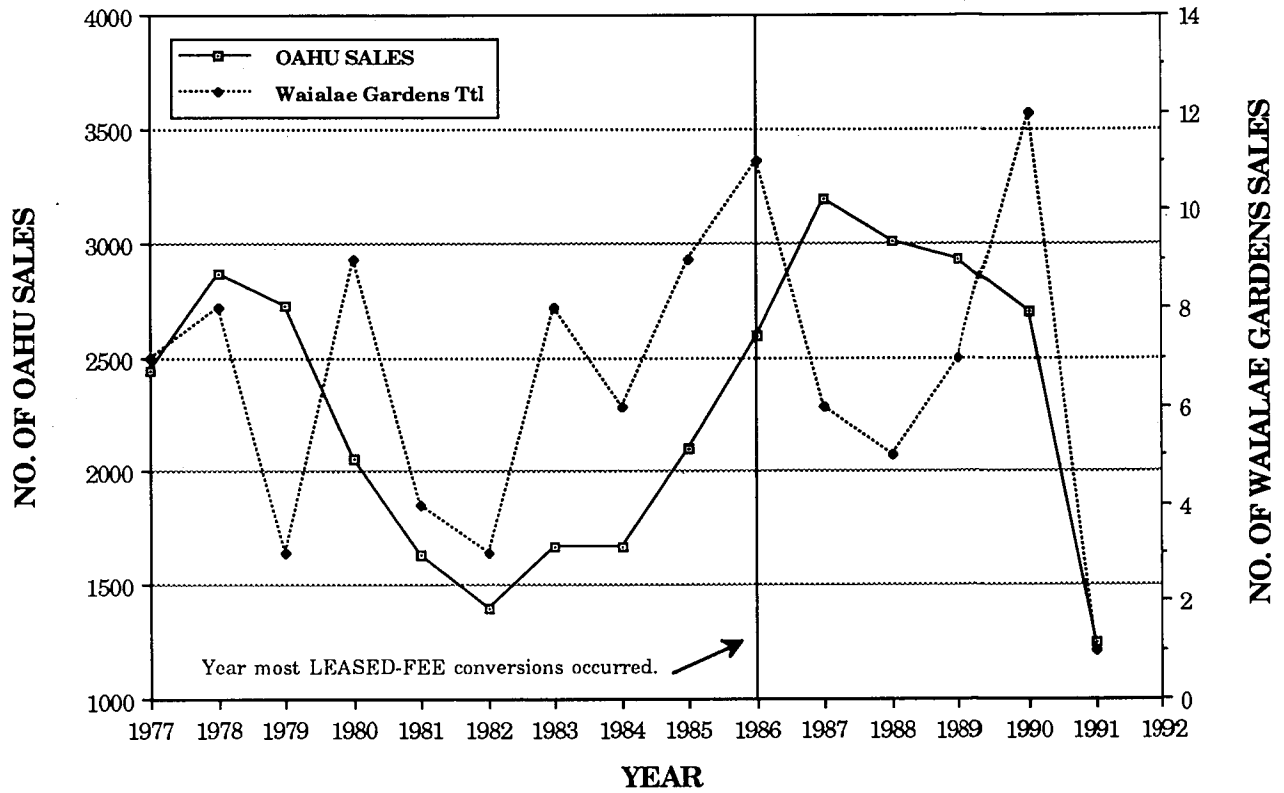


Figure V-9

WAIALAE NUI & OAHU SINGLE FAMILY RESALES BY YEAR

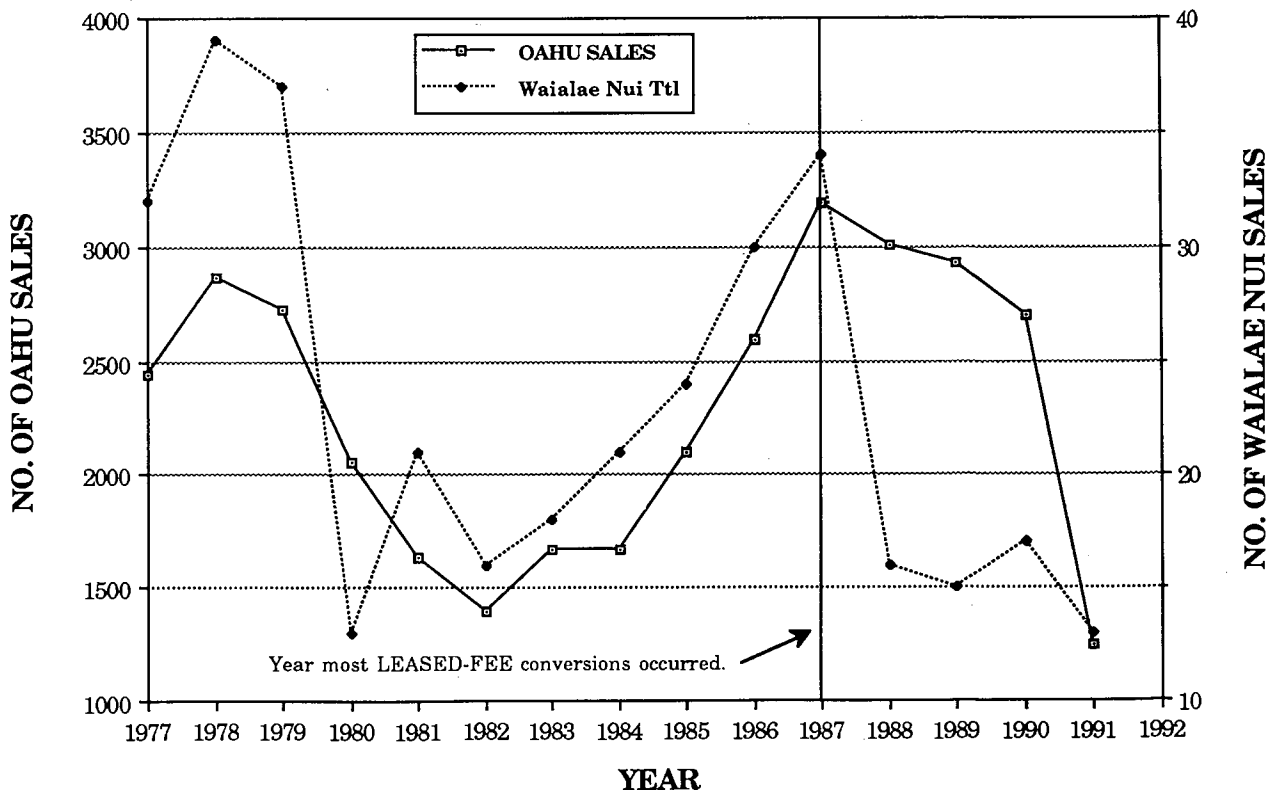


Figure V-10

KOKO KAI/PORTLOCK & OAHU SINGLE FAMILY RESALES BY YEAR

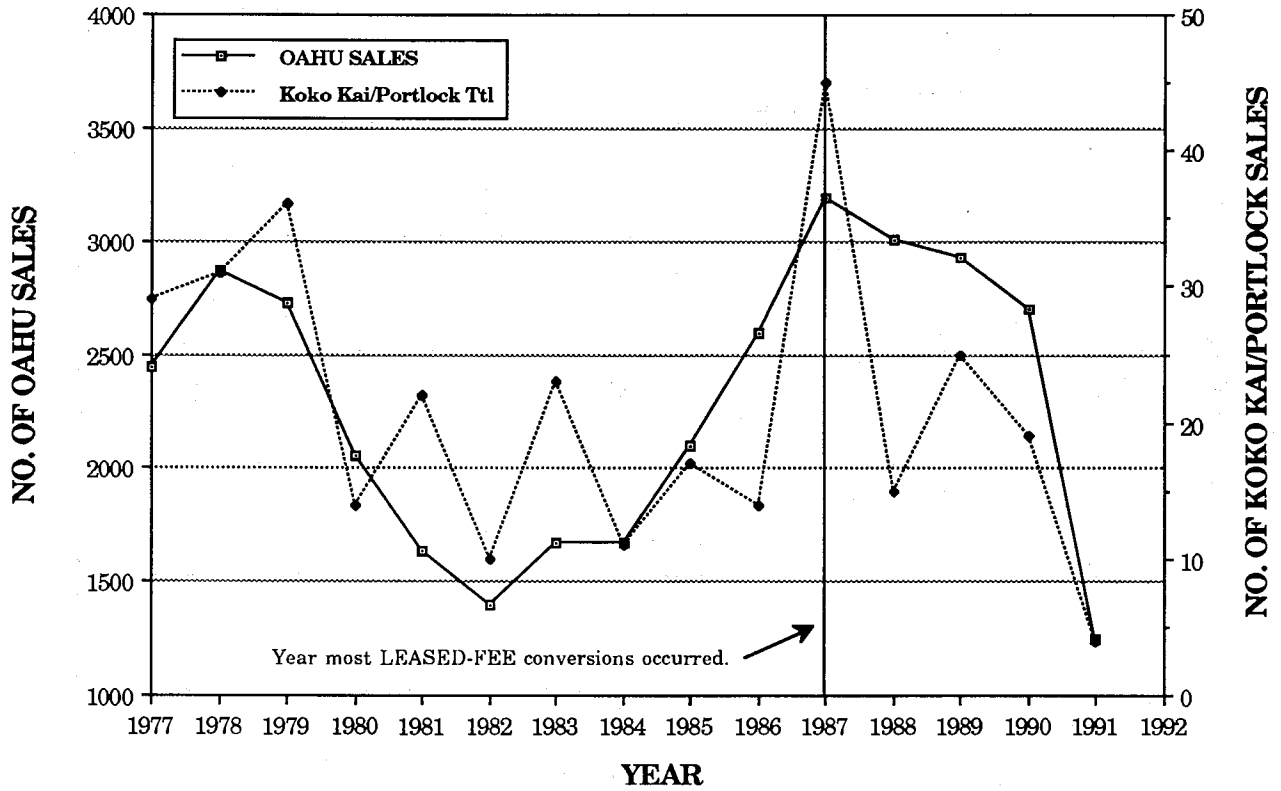


Figure V-11

KOKO HEAD TERRACE & OAHU SINGLE FAMILY RESALES BY YEAR

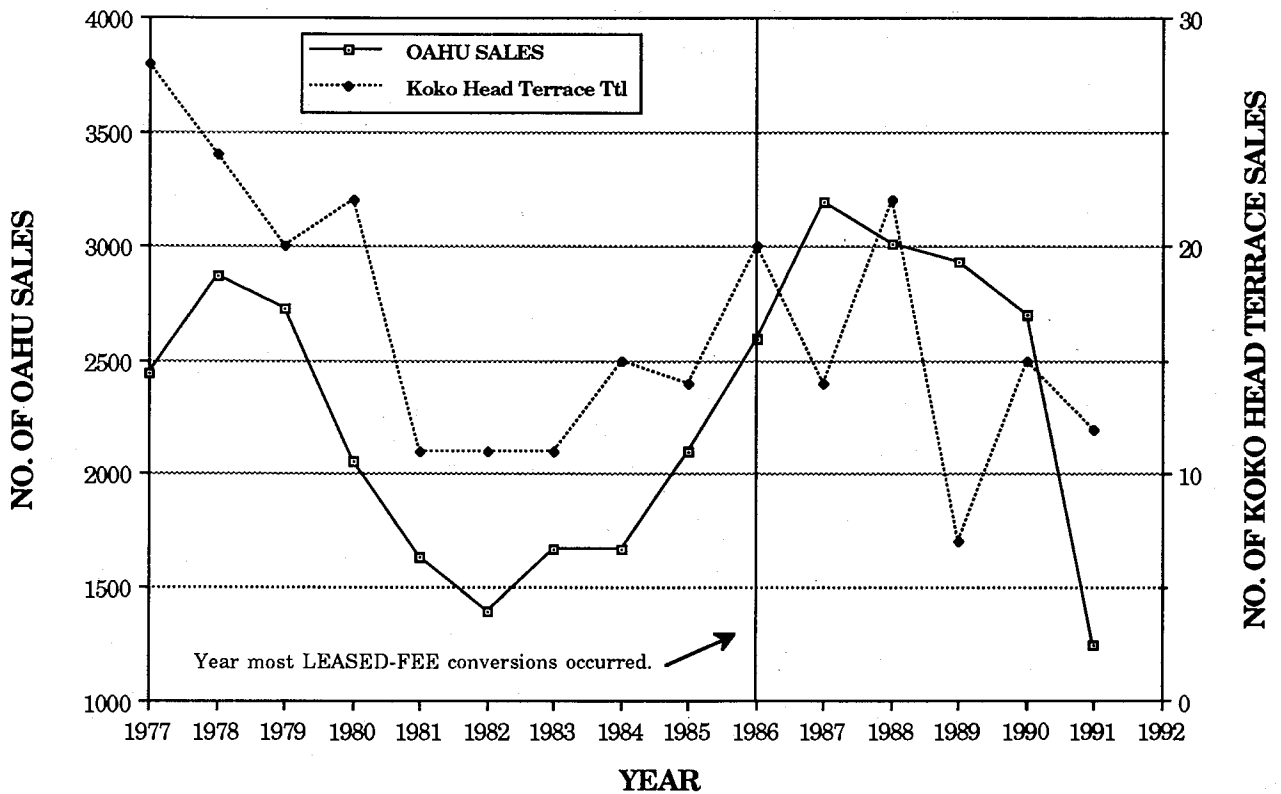


Figure V-12

LUNALILO TERRACE & OAHU SINGLE FAMILY RESALES BY YEAR

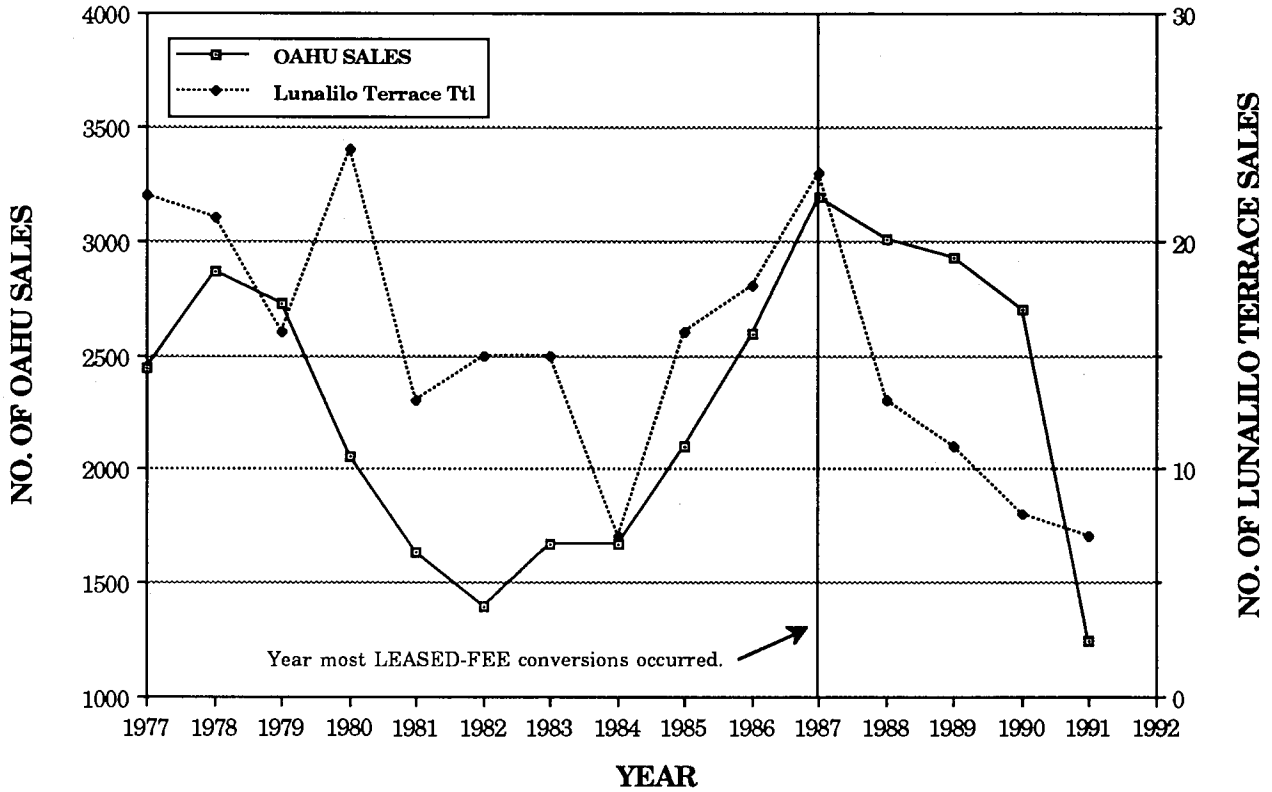


Figure V-13

MARINER'S RIDGE & OAHU SINGLE FAMILY RESALES BY YEAR

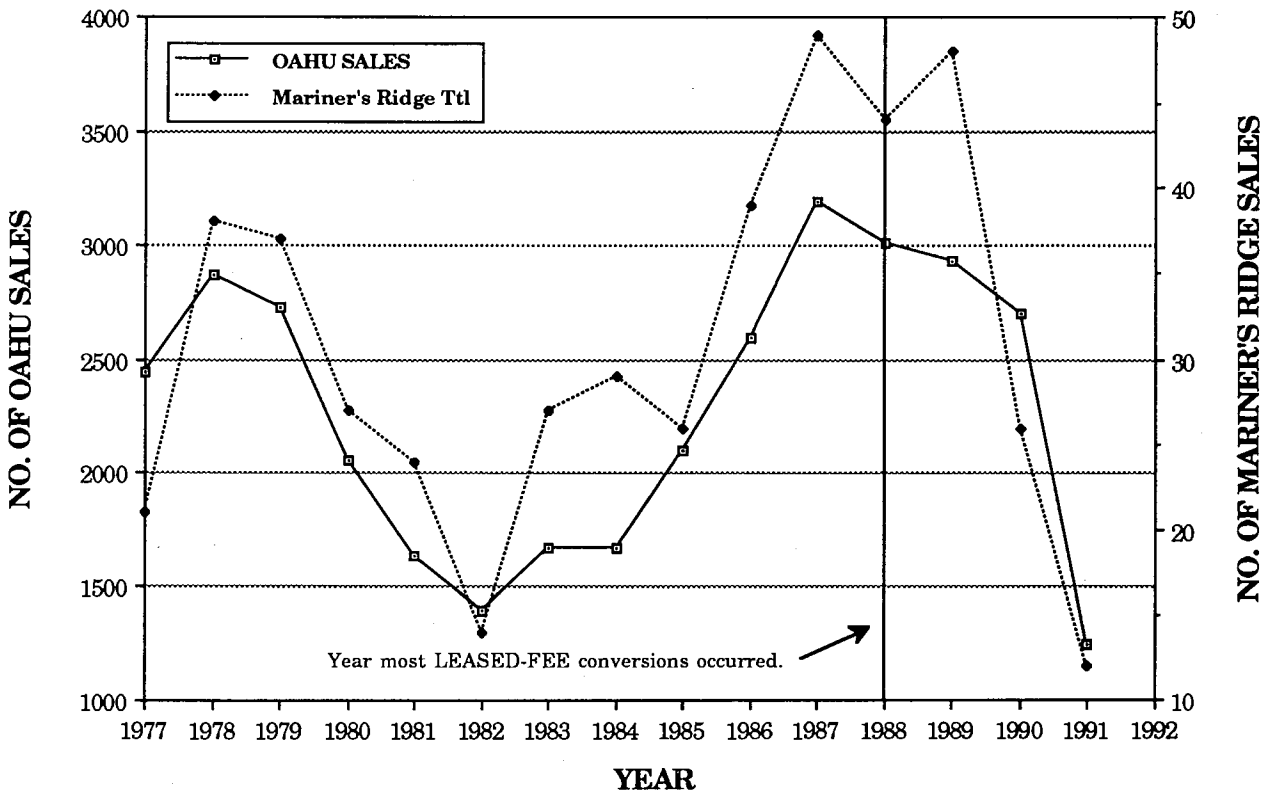


Figure V-14

HAHAIONE VALLEY & OAHU SINGLE FAMILY RESALES BY YEAR

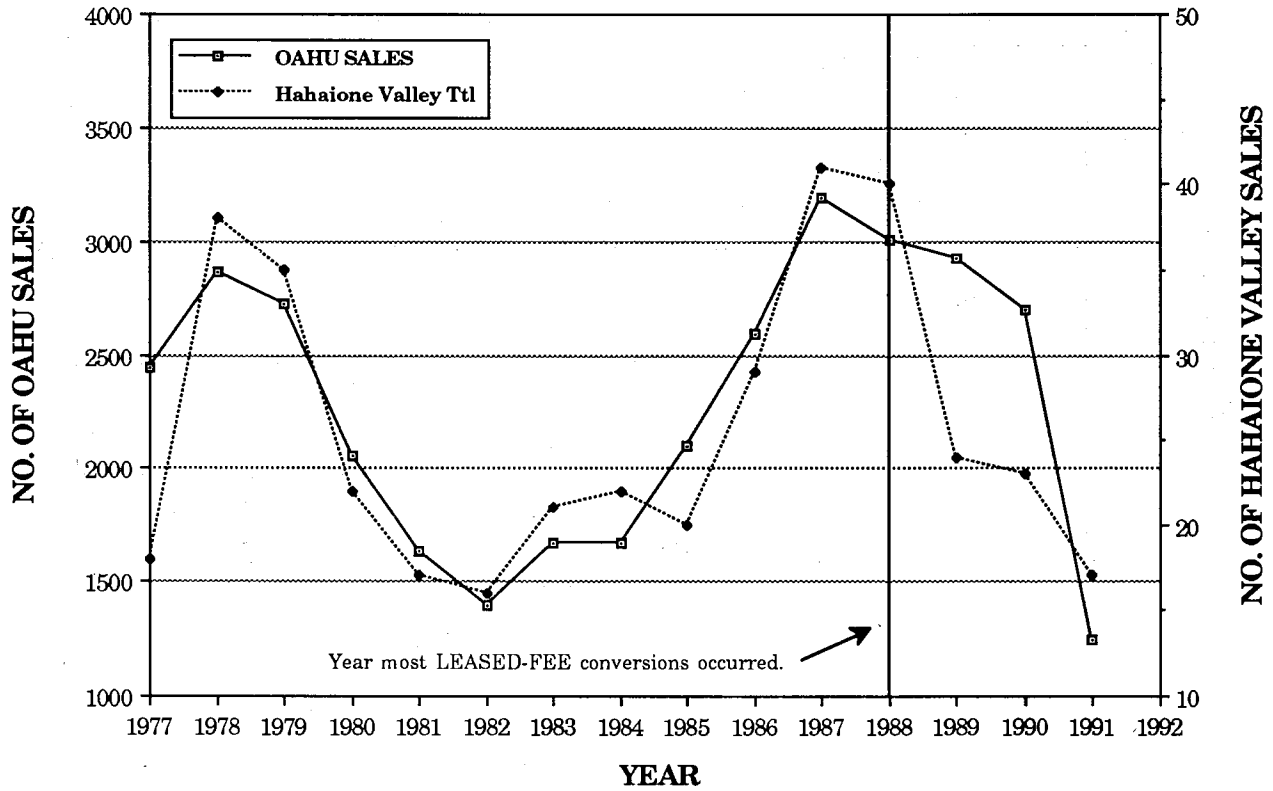


Figure V-15

MARINER'S COVE & OAHU SINGLE FAMILY RESALES BY YEAR

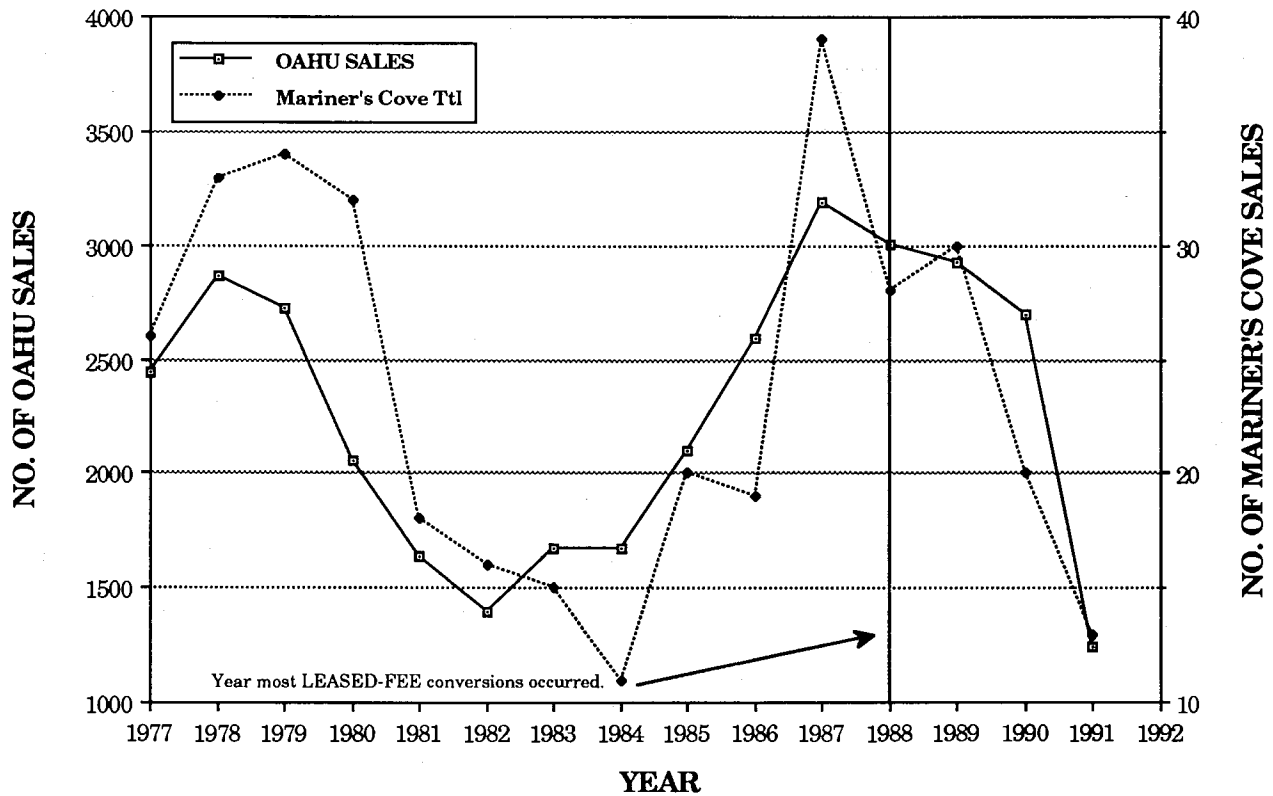


Figure V-16
KALAMA VALLEY & OAHU SINGLE FAMILY RESALES BY YEAR

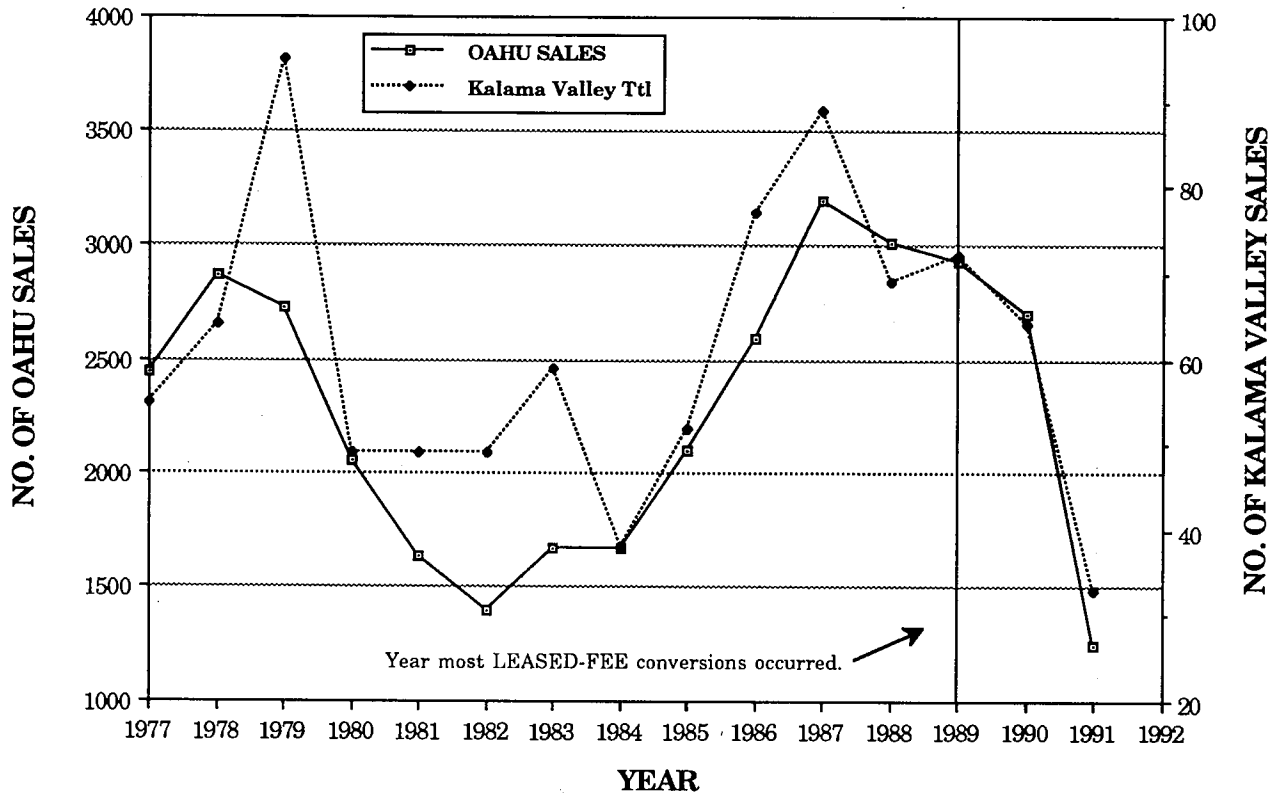
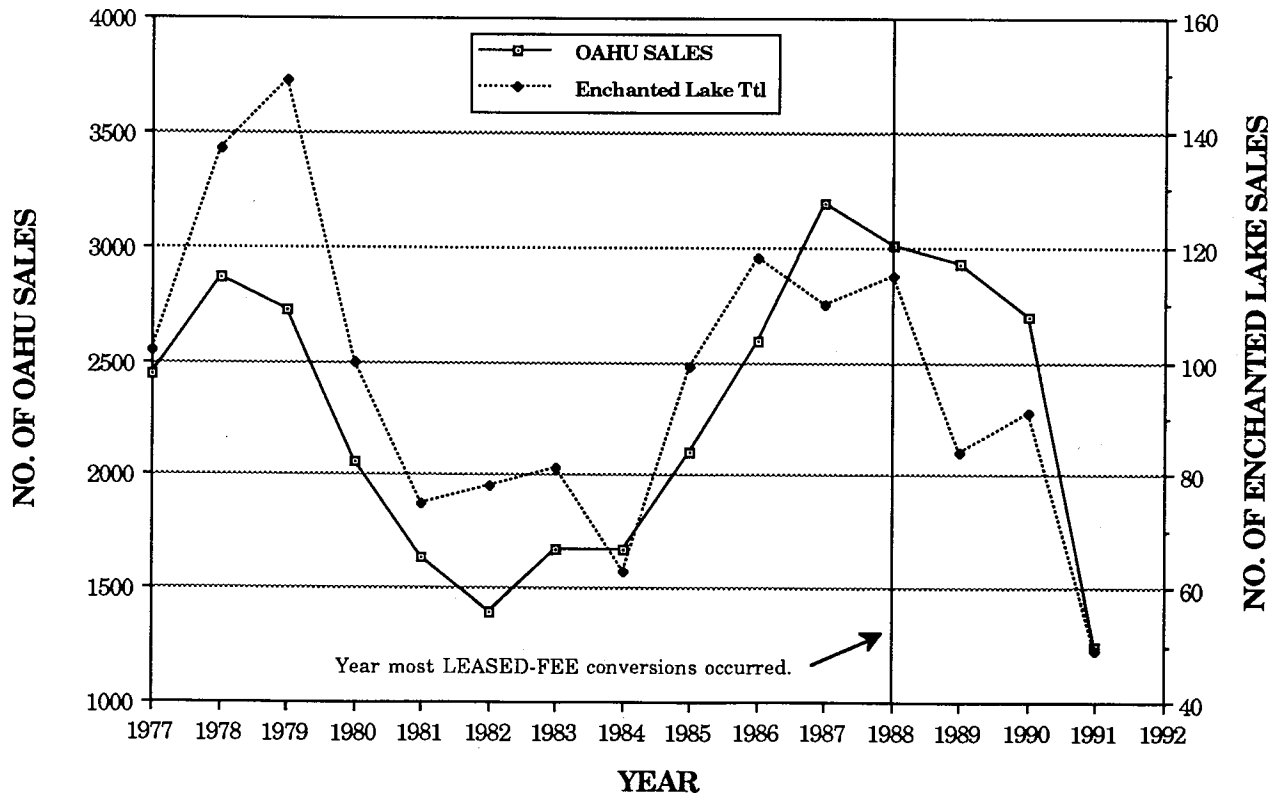


Figure V-17
ENCHANTED LAKE & OAHU SINGLE FAMILY RESALES BY YEAR



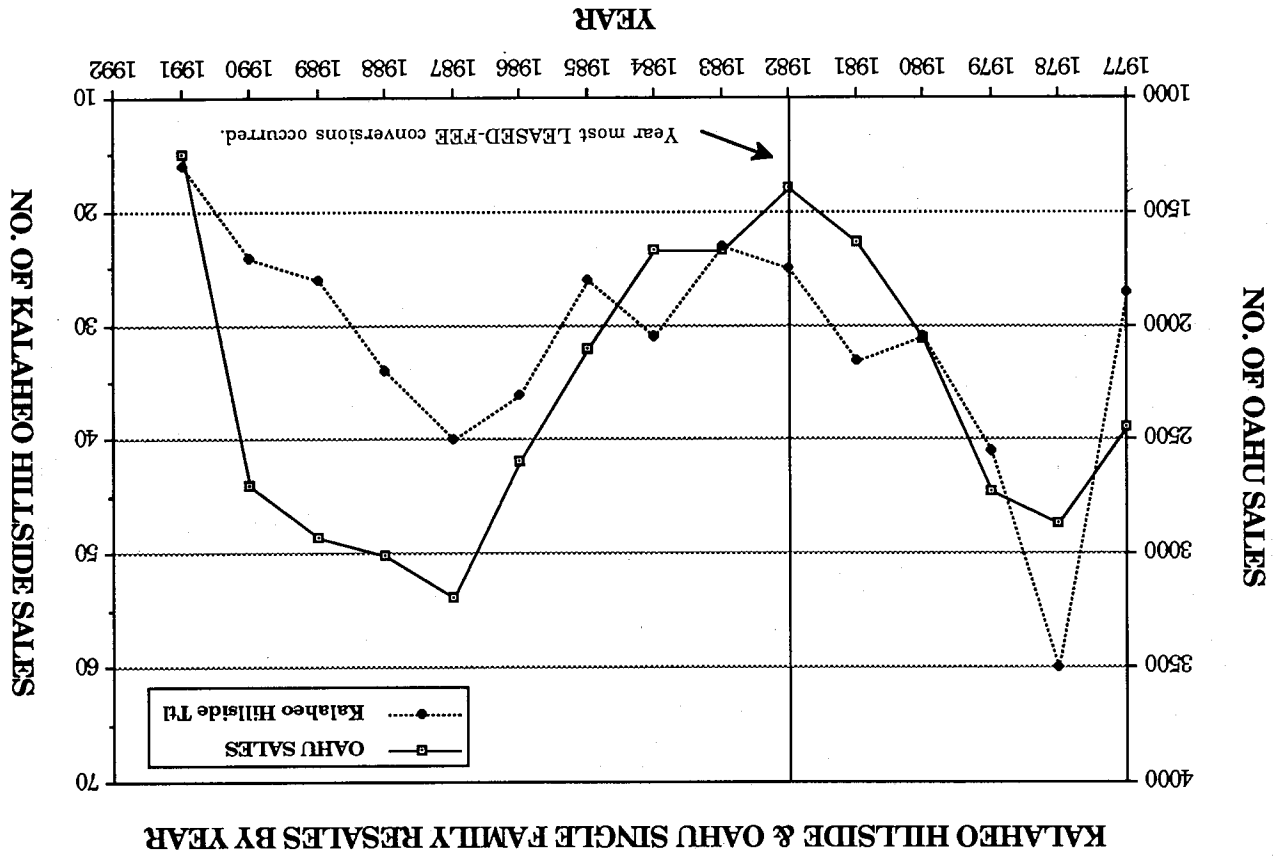


Figure V-19

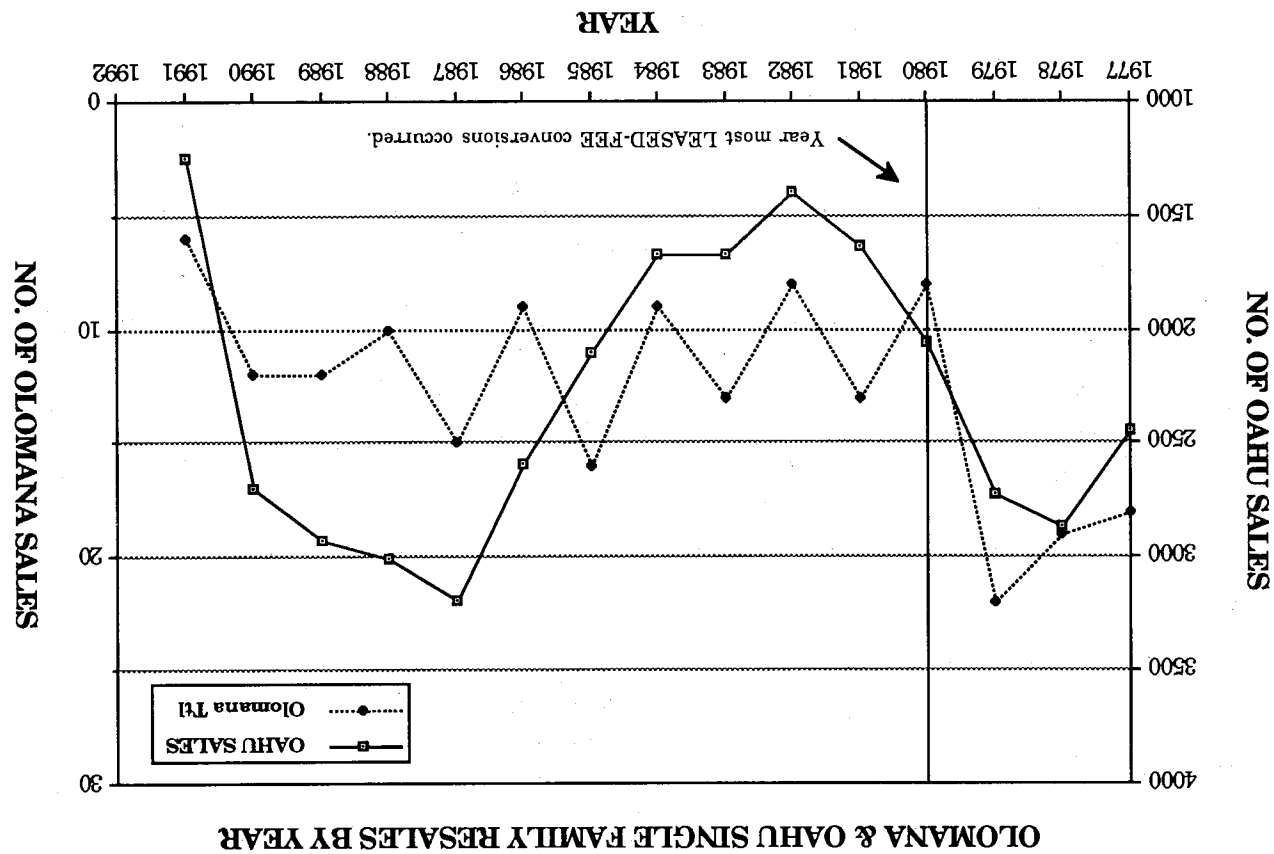


Figure V-18

Figure V-20

KAWAINUI CANAL & OAHU SINGLE FAMILY RESALES BY YEAR

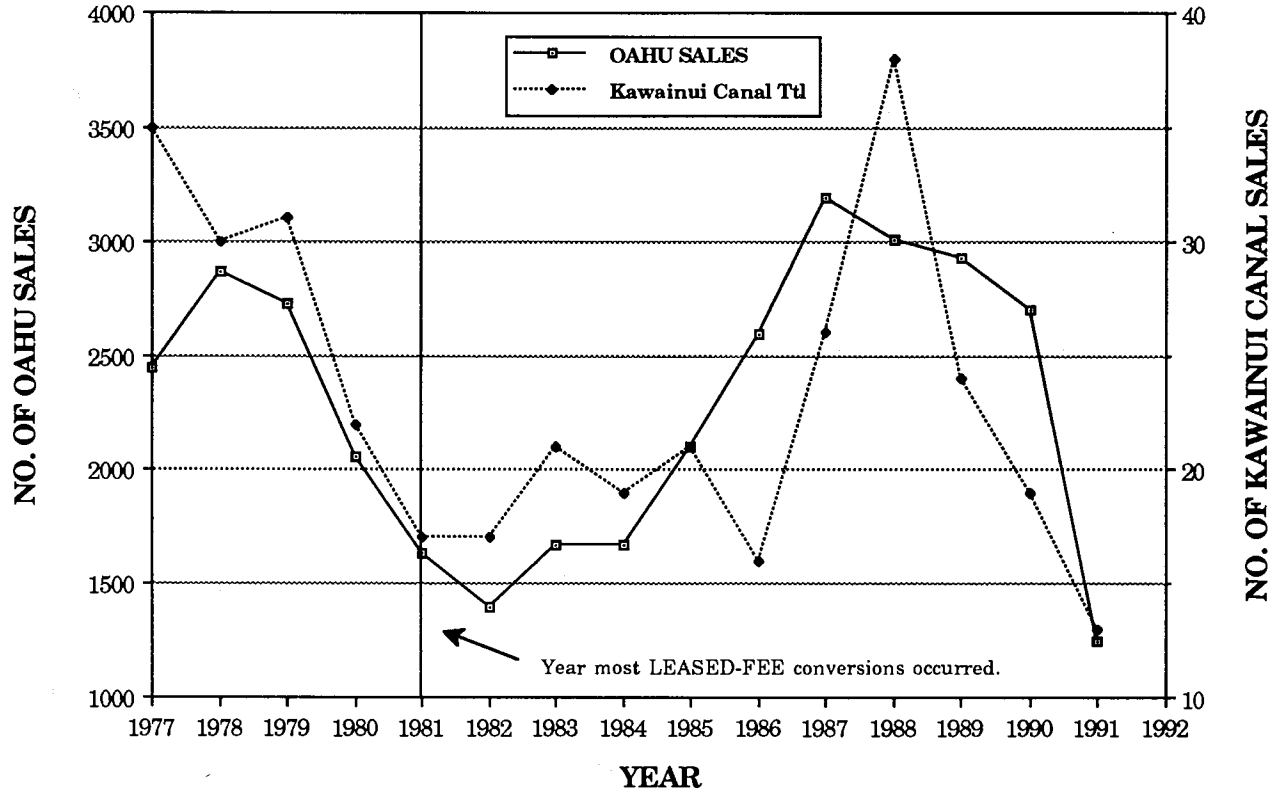


Figure V-21

AIKAHI PARK & OAHU SINGLE FAMILY RESALES BY YEAR

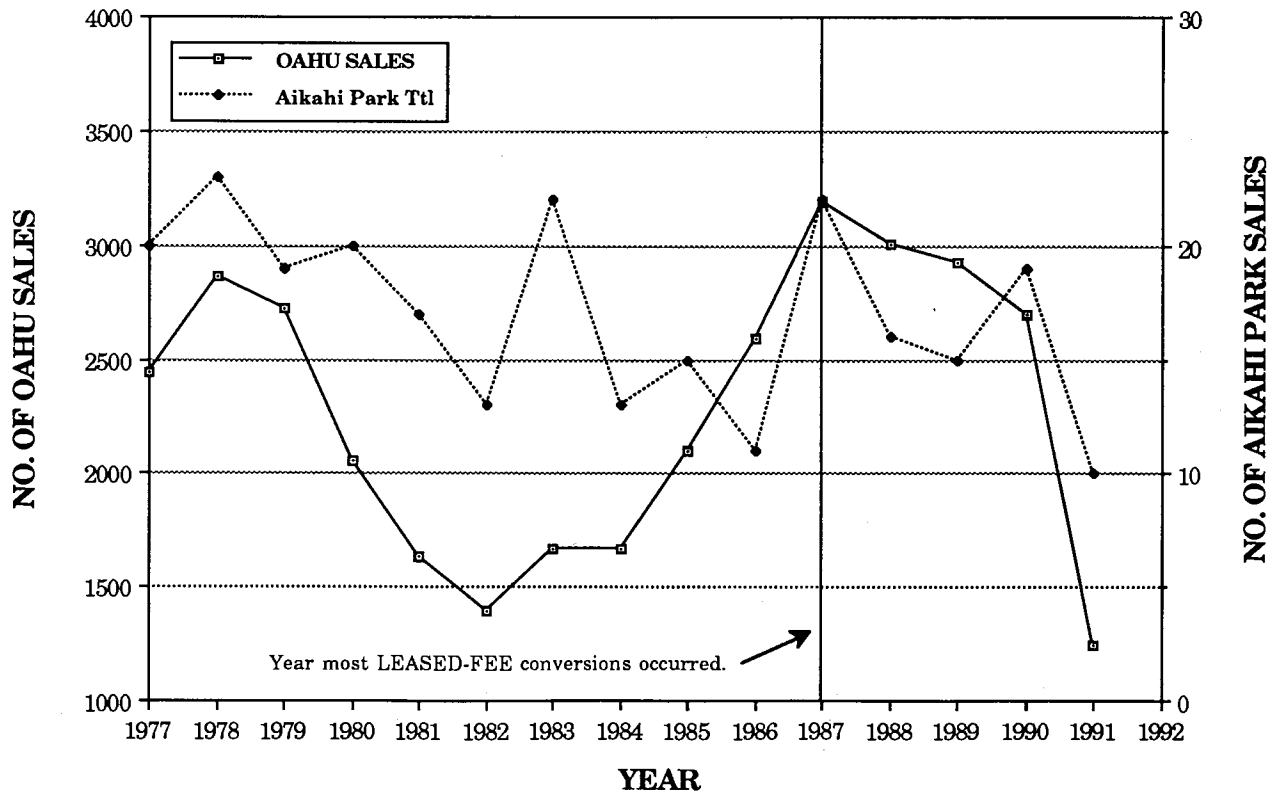


Figure V-22

ALII SHORES & OAHU SINGLE FAMILY RESALES BY YEAR

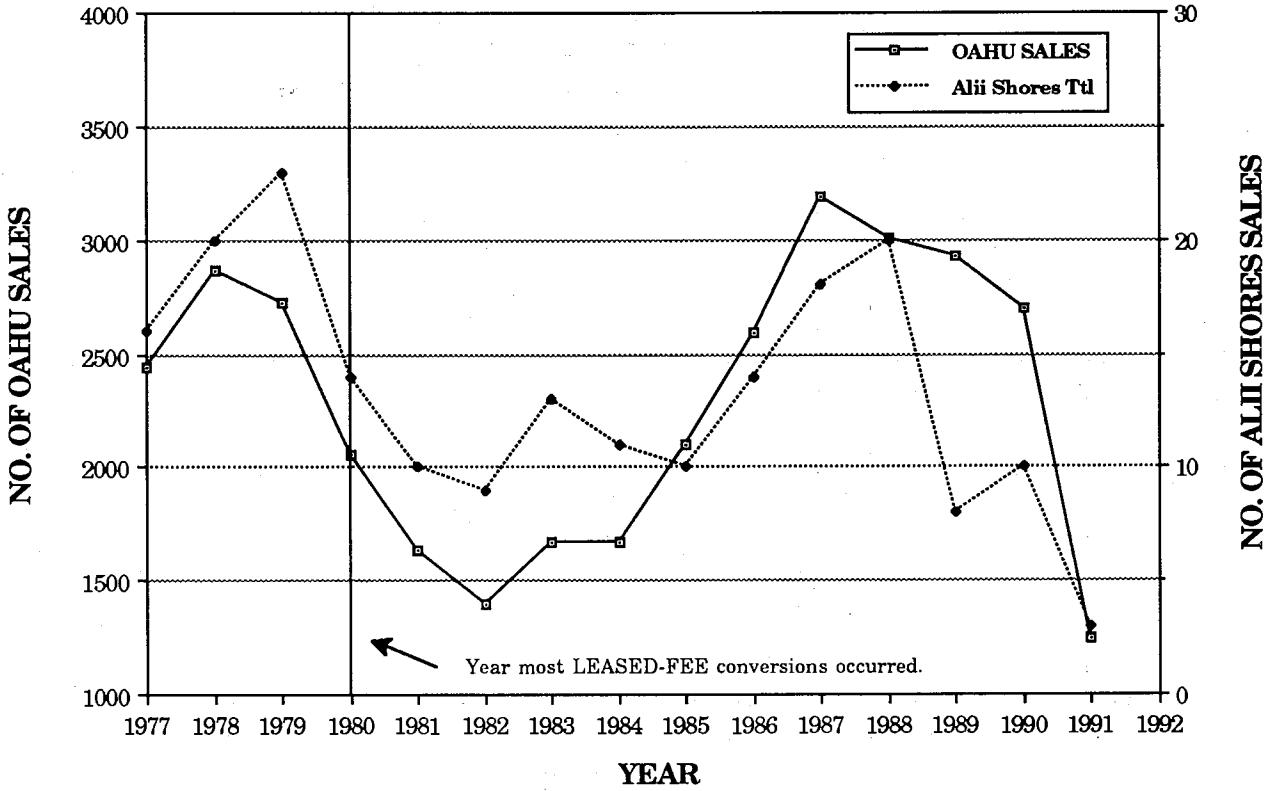


Figure V-23

CROWN TERRACE & OAHU SINGLE FAMILY RESALES BY YEAR

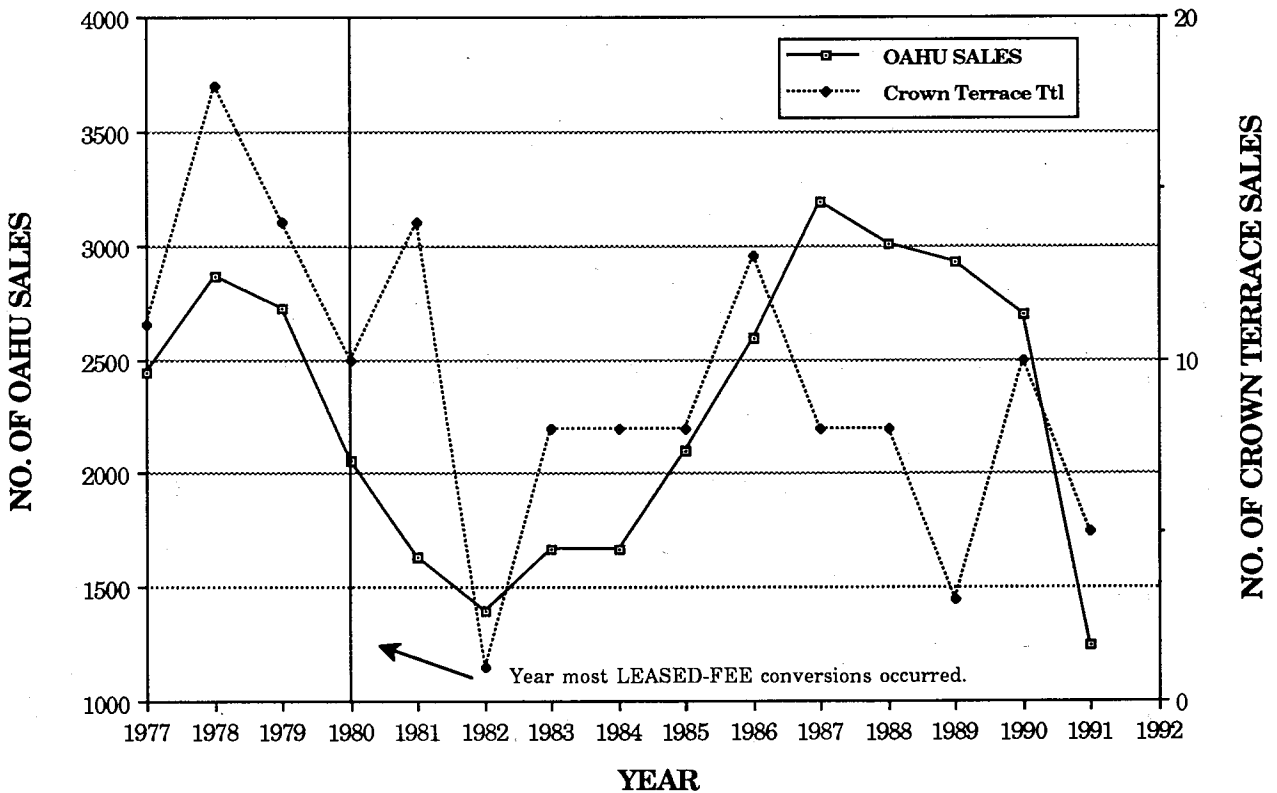


Figure V-24
KEAPUKA & OAHU SINGLE FAMILY RESALES BY YEAR

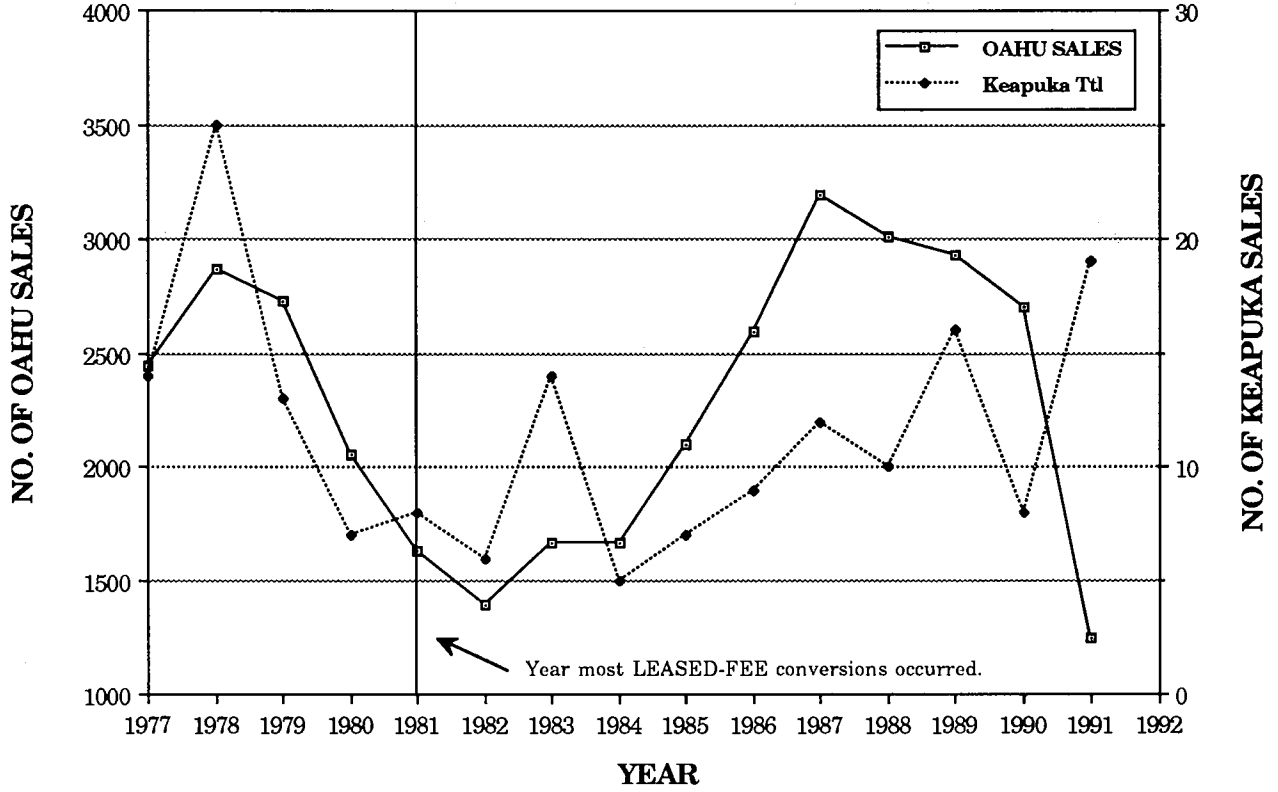


Figure V-25
PEARLRIDGE ESTATES & OAHU SINGLE FAMILY RESALES BY YEAR

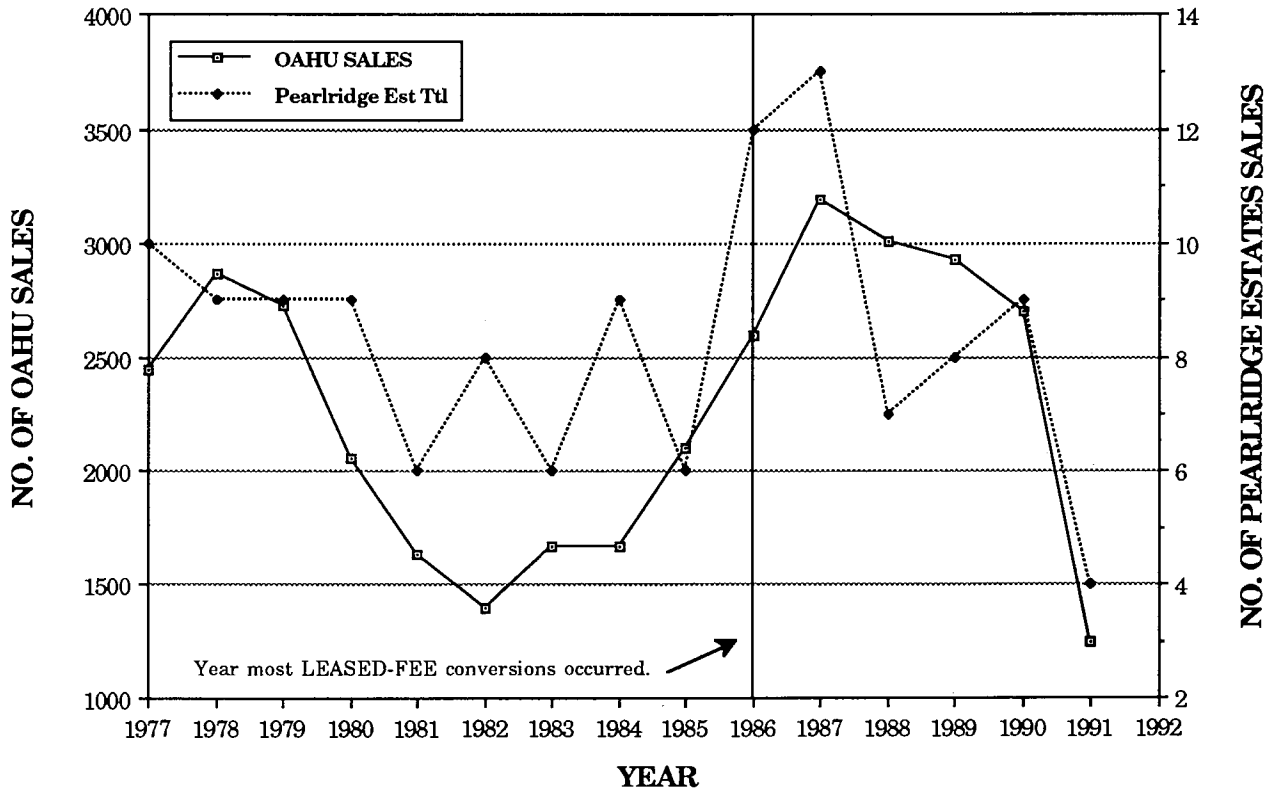


Figure V-26

WAIAU VIEW ESTATES & OAHU SINGLE FAMILY RESALES BY YEAR

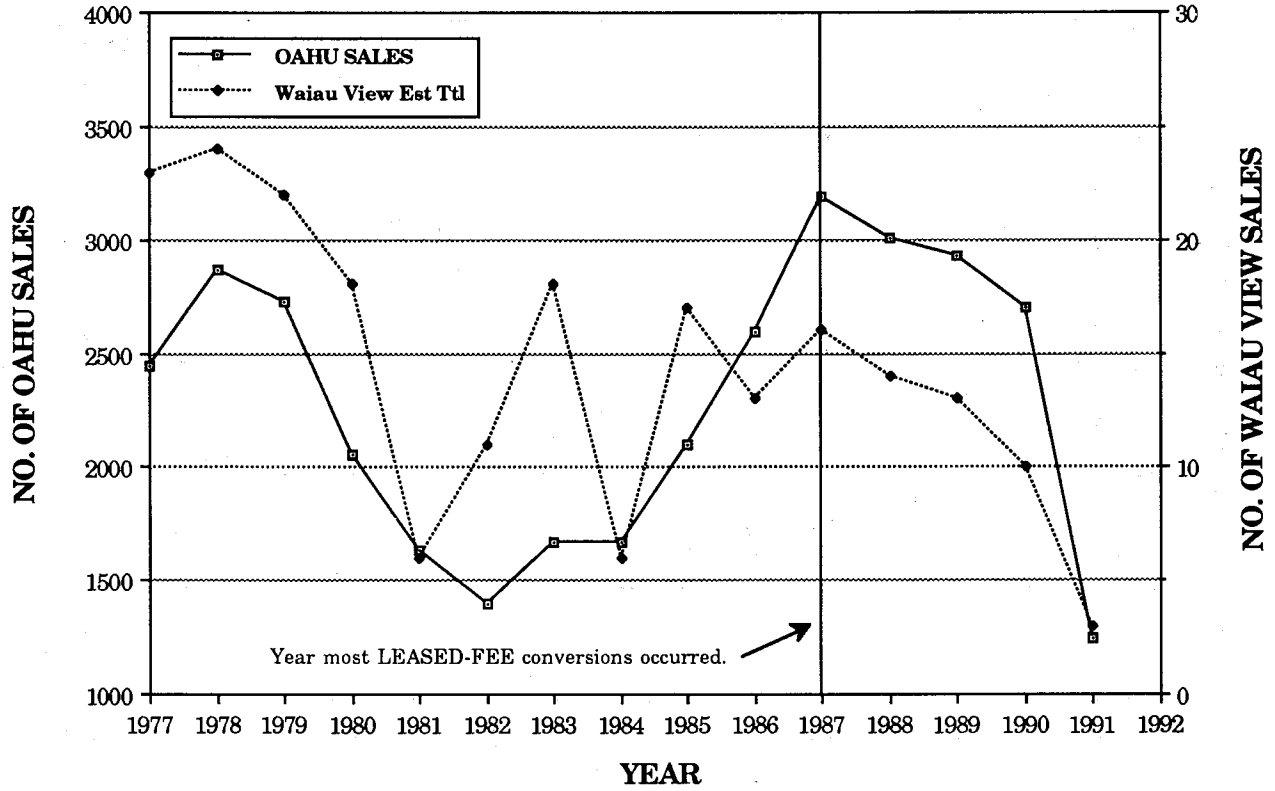


Figure V-27

EWA BEACH & OAHU SINGLE FAMILY RESALES BY YEAR

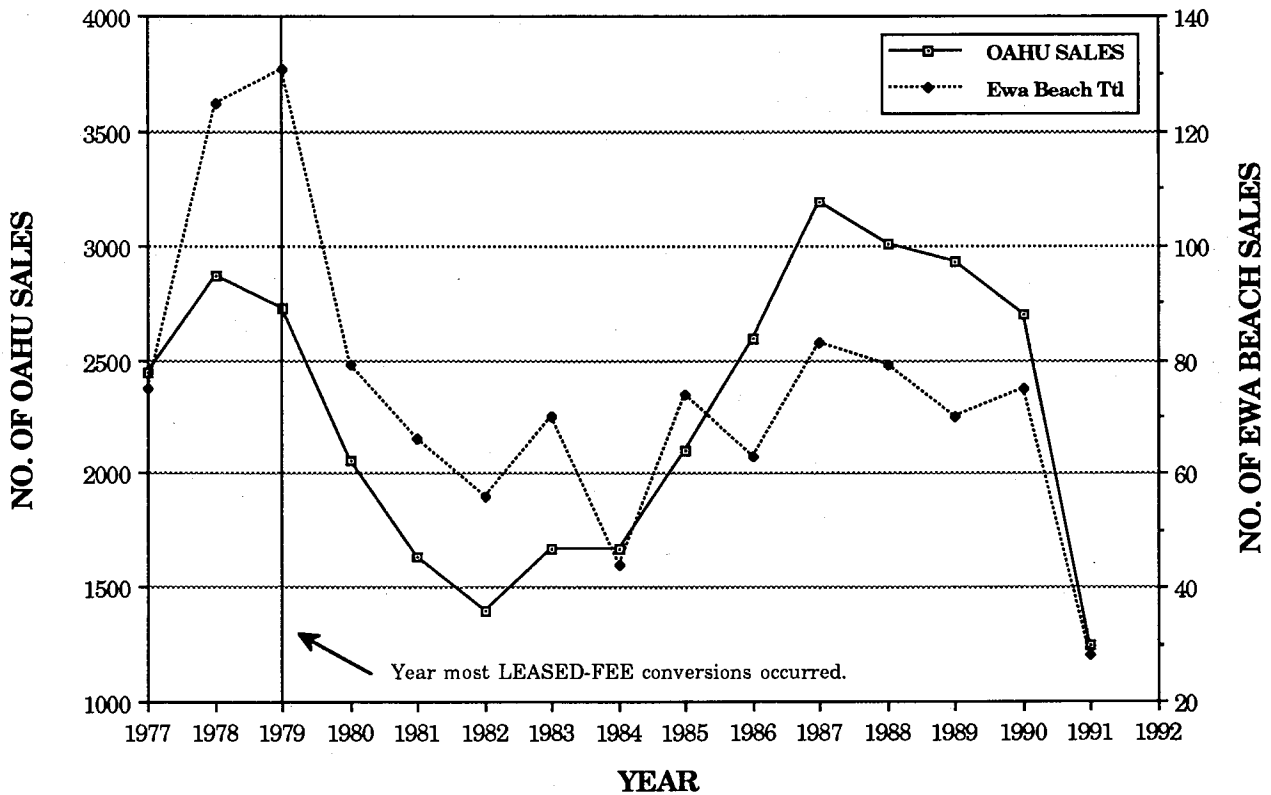


Figure V-28

HARBOR VIEW/ROBINSON HTS & OAHU SINGLE FAMILY RESALES BY YEAR

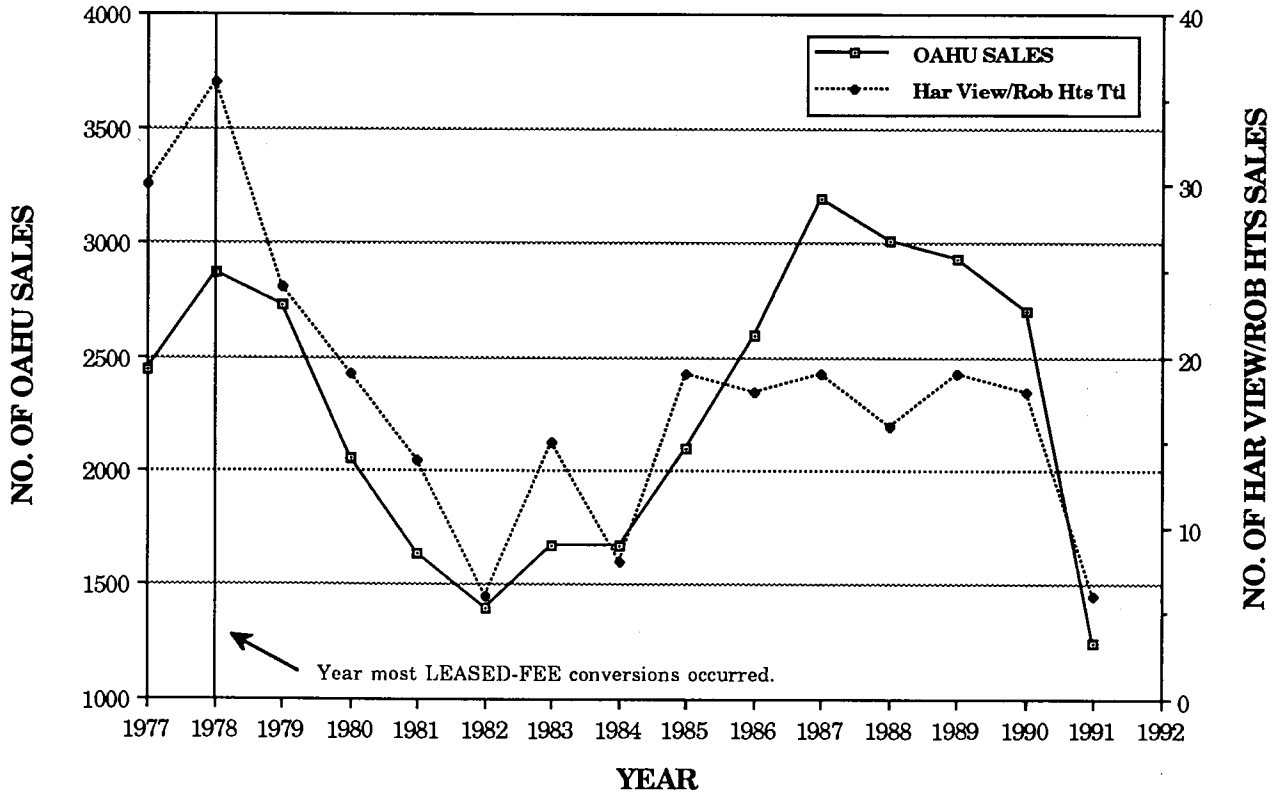


Figure V-29

MAKAKILO & OAHU SINGLE FAMILY RESALES BY YEAR

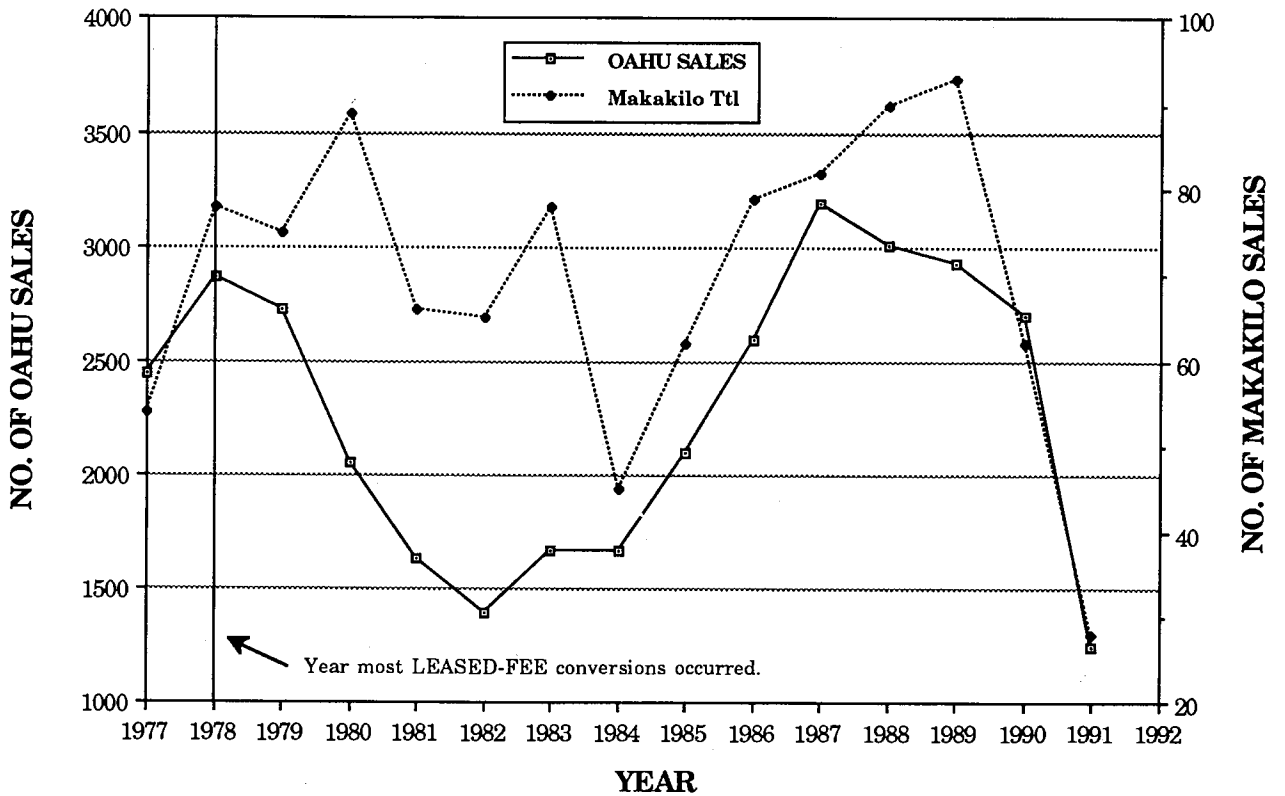


Figure V-30

ST LOUIS HTS RESALES AS A PERCENTAGE OF OAHU RESALES

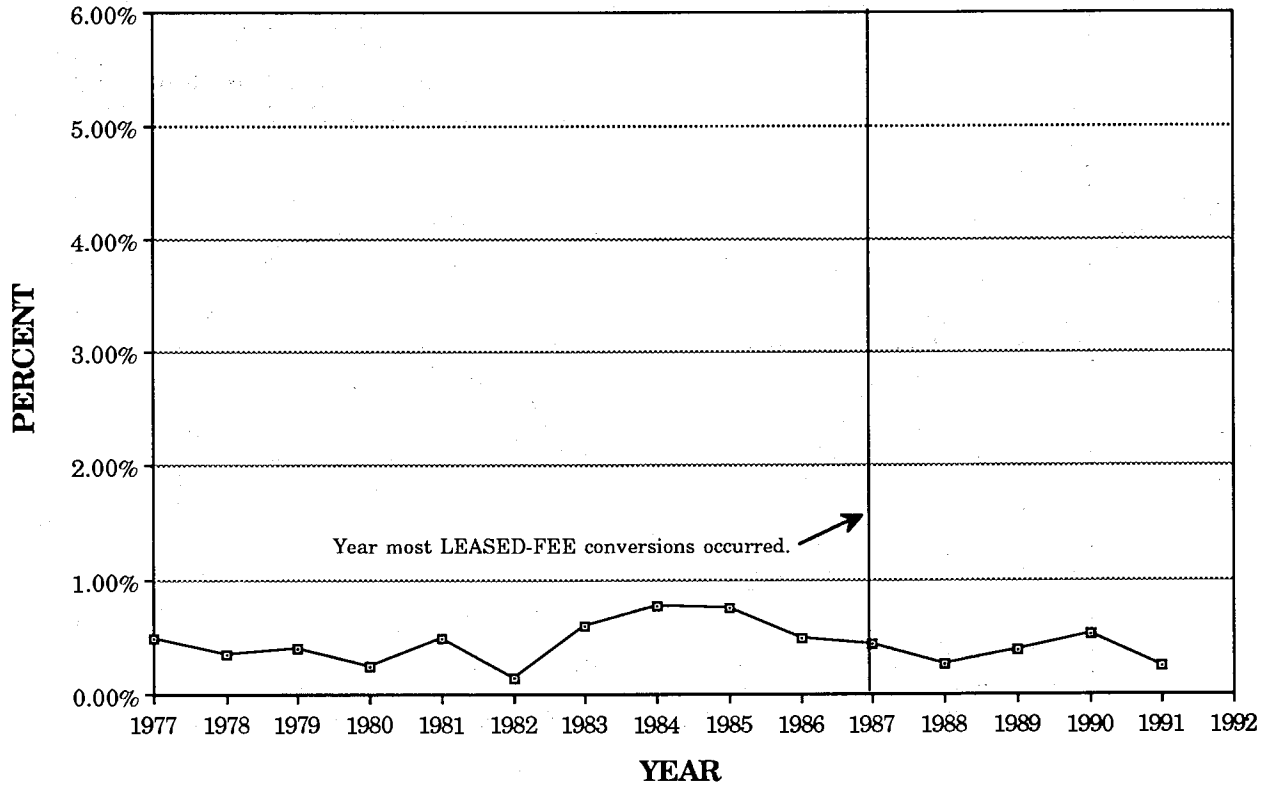


Figure V-31

NIU VALLEY RESALES AS A PERCENTAGE OF OAHU RESALES

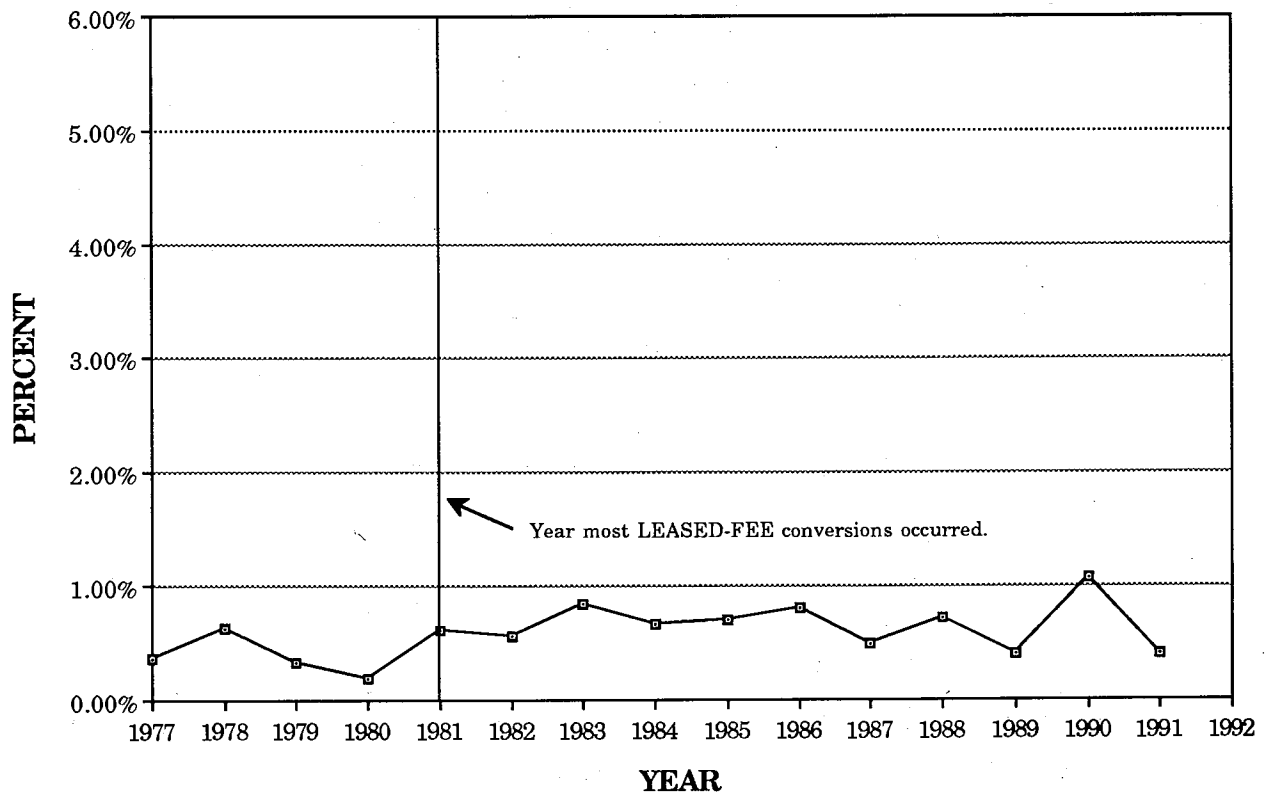


Figure V-32

HALAWA HILLS RESALES AS A PERCENTAGE OF OAHU RESALES

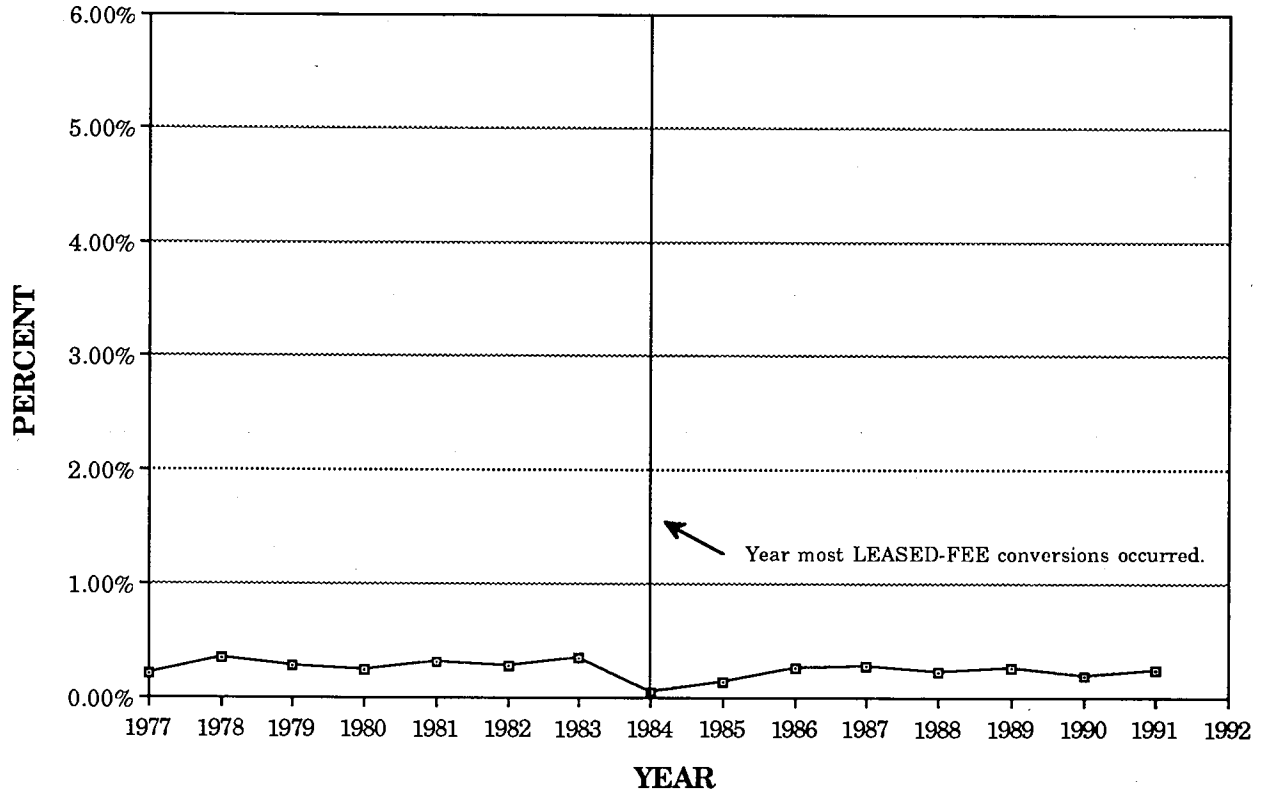


Figure V-33

FOSTER VILLAGE RESALES AS A PERCENTAGE OF OAHU RESALES

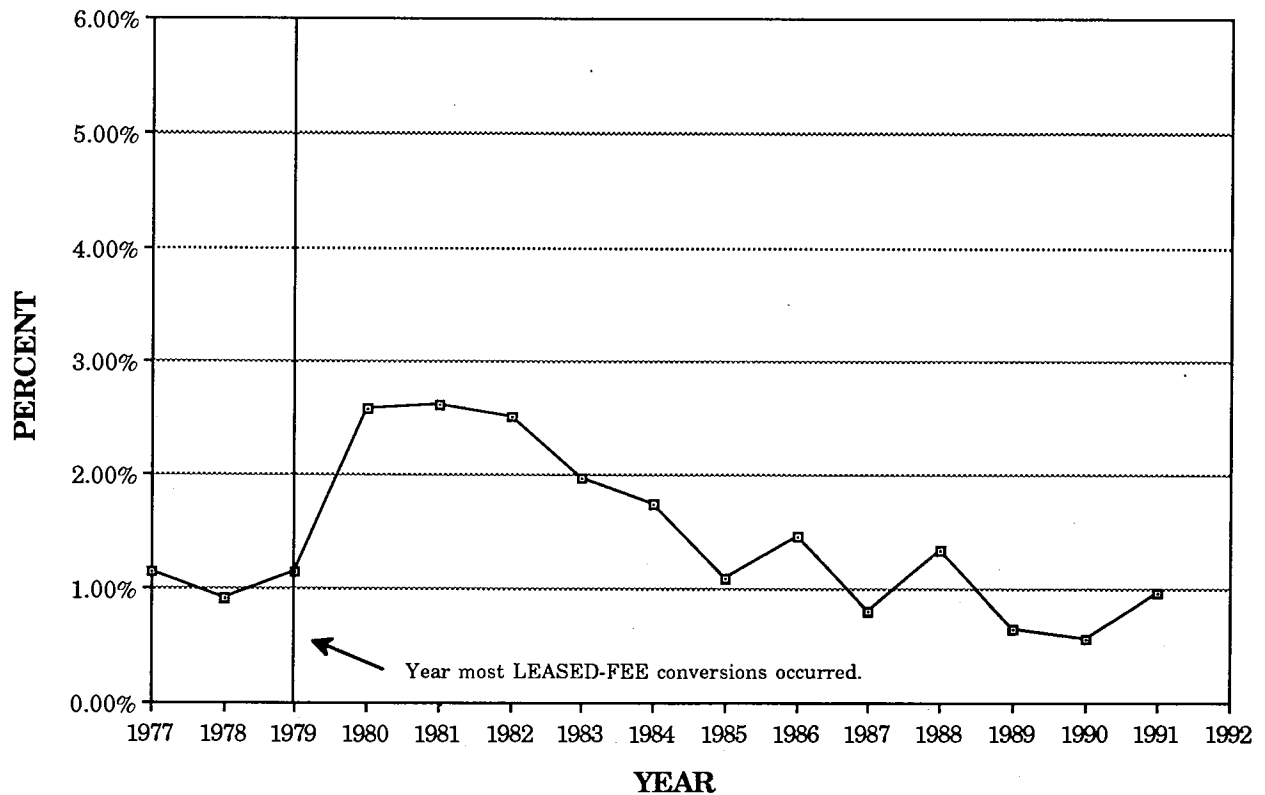


Figure V-34

OLD KAHALA RESALES AS A PERCENTAGE OF OAHU RESALES

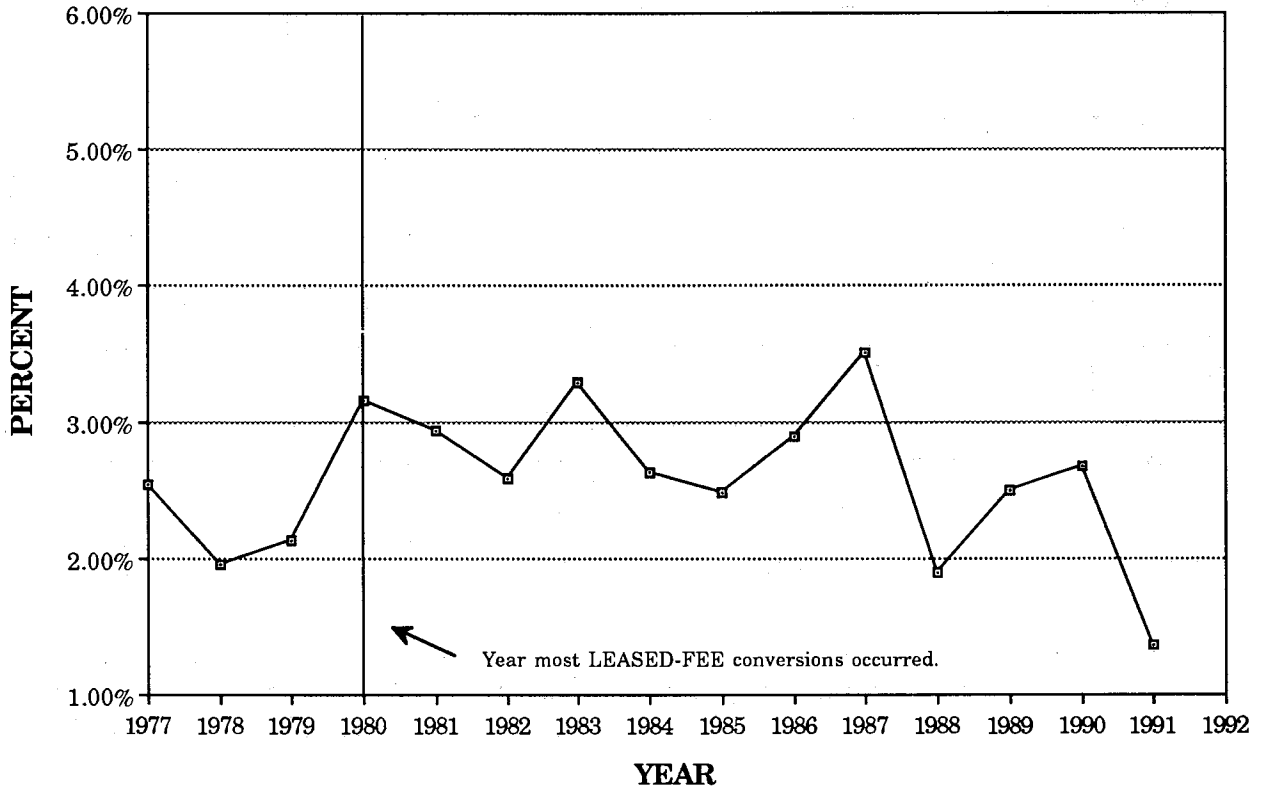


Figure V-35

WAIALAE GARDENS RESALES AS A PERCENTAGE OF OAHU RESALES

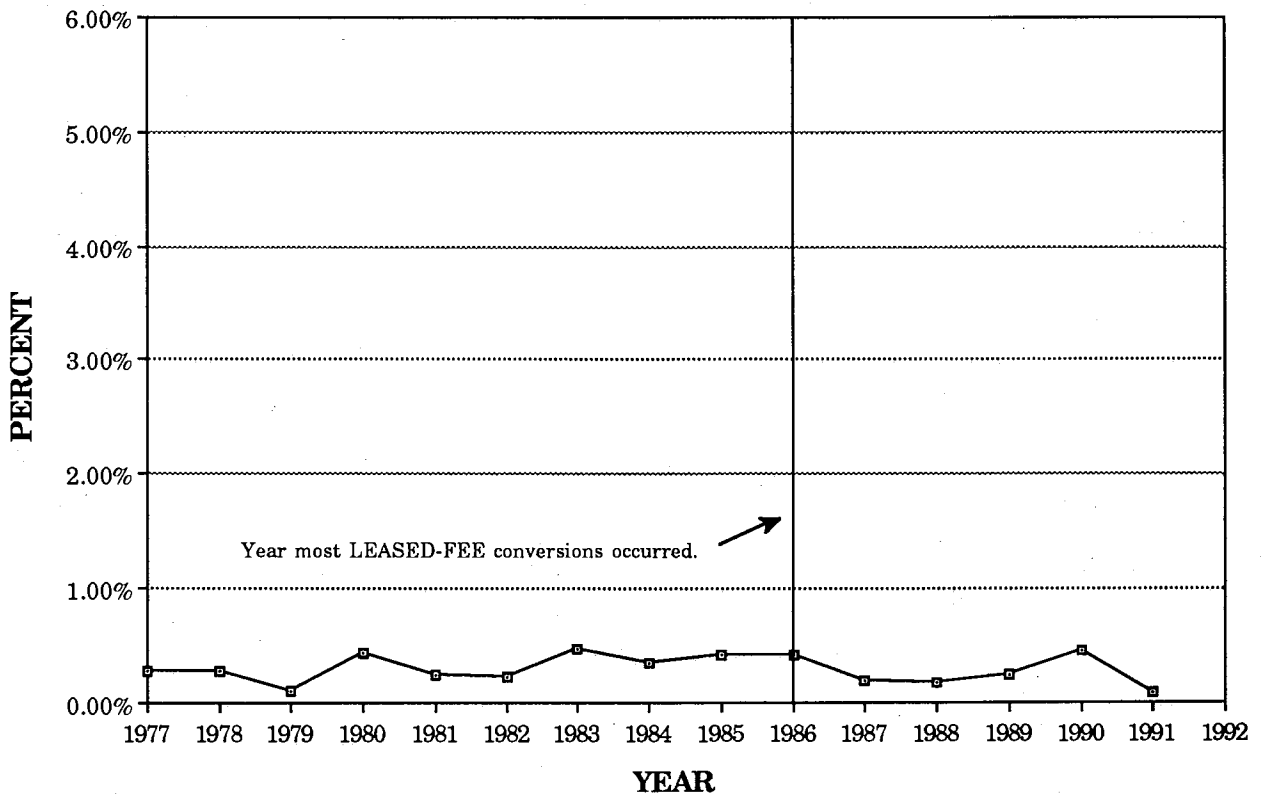


Figure V-36

WAIALAE NUI RESALES AS A PERCENTAGE OF OAHU RESALES

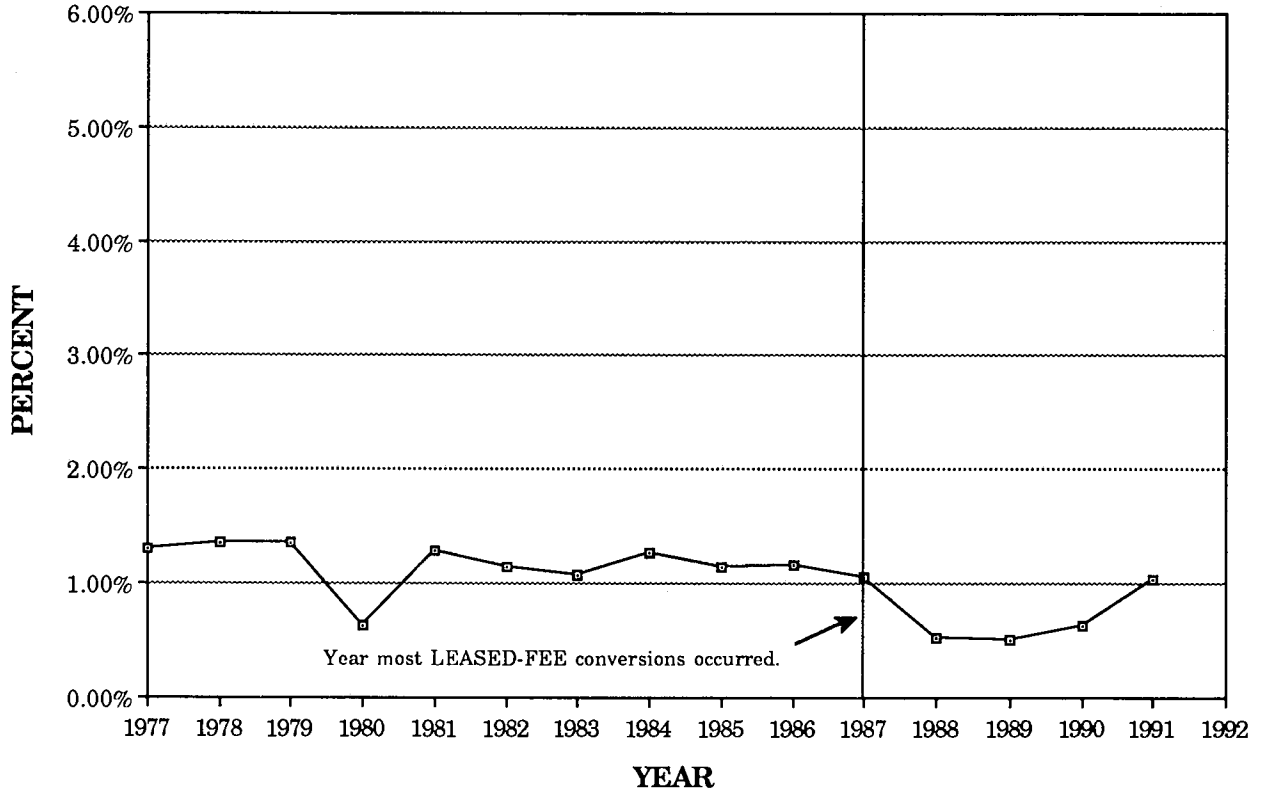


Figure V-37

KOKO KAI/PORTLOCK RESALES AS A PERCENTAGE OF OAHU RESALES

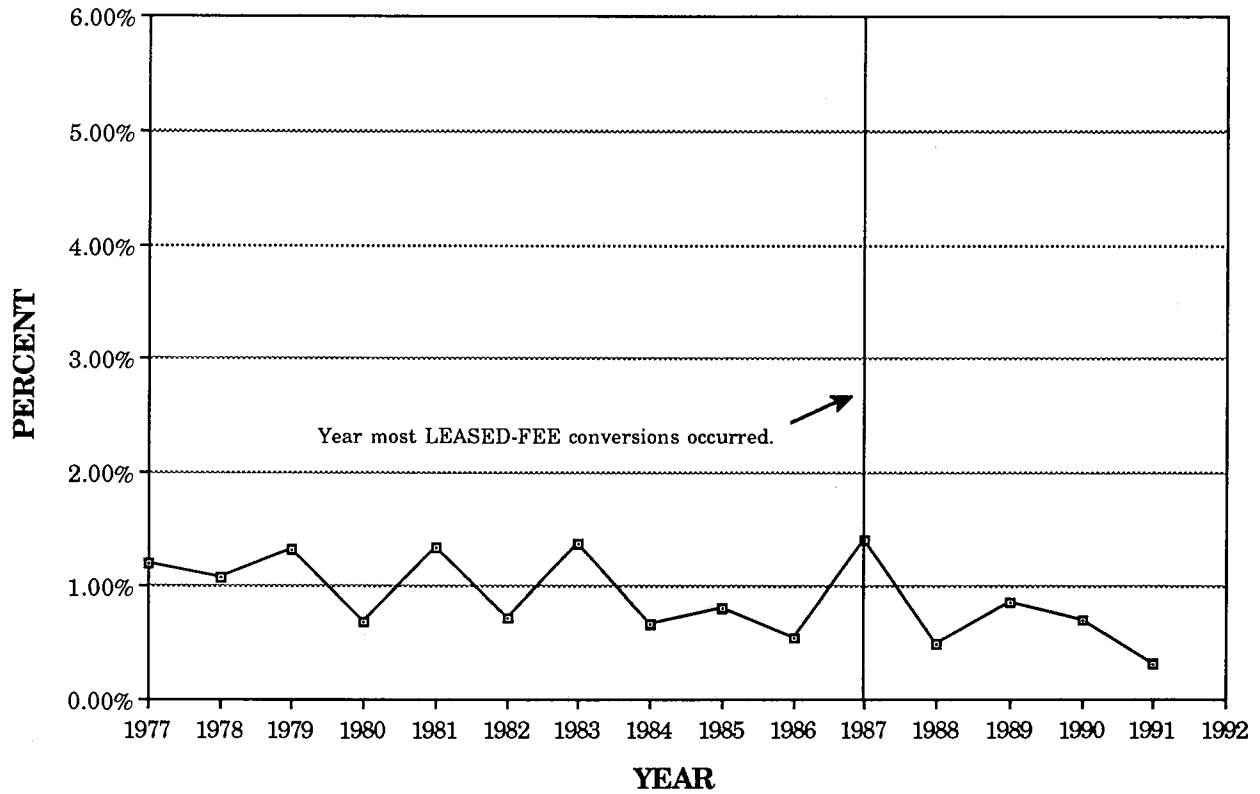


Figure V-38

KOKO HEAD TERRACE RESALES AS A PERCENTAGE OF OAHU RESALES

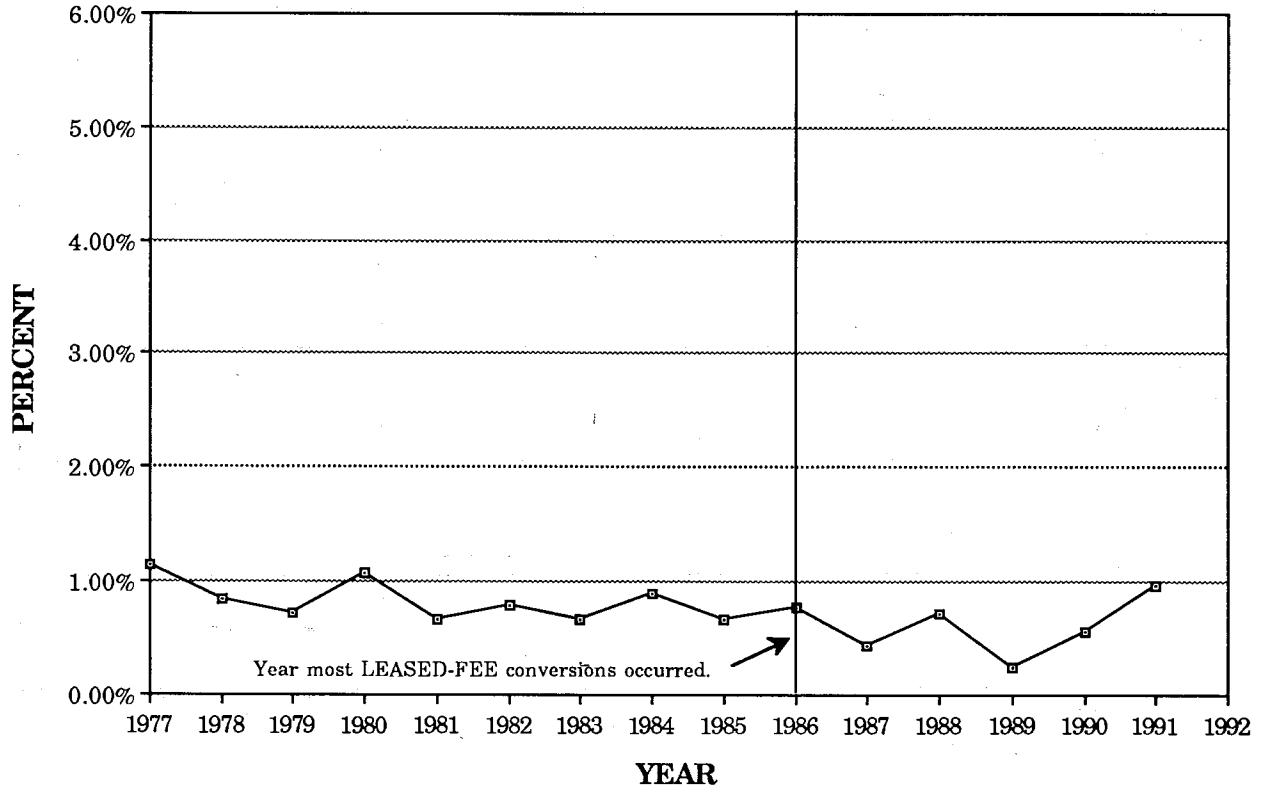


Figure V-39

LUNALILO TERRACE RESALES AS A PERCENTAGE OF OAHU RESALES

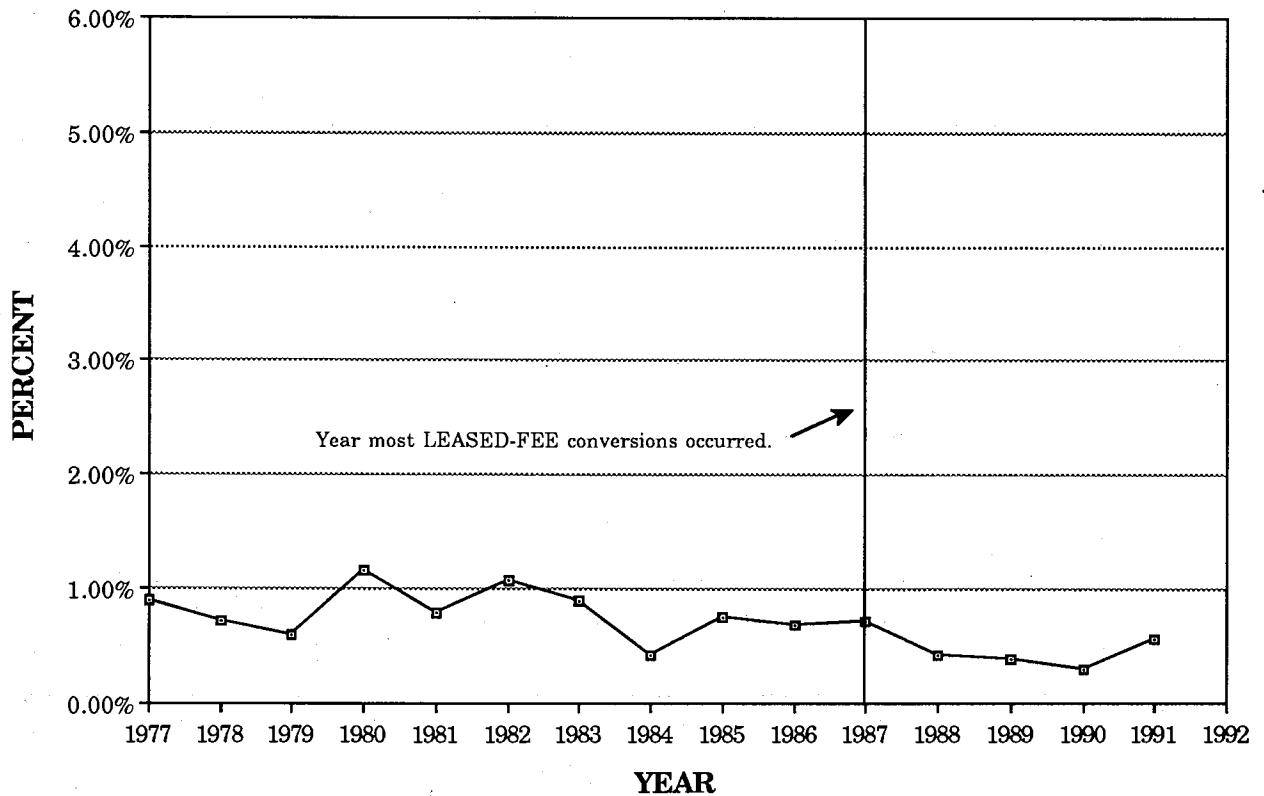


Figure V-40

MARINER'S RIDGE RESALES AS A PERCENTAGE OF OAHU RESALES

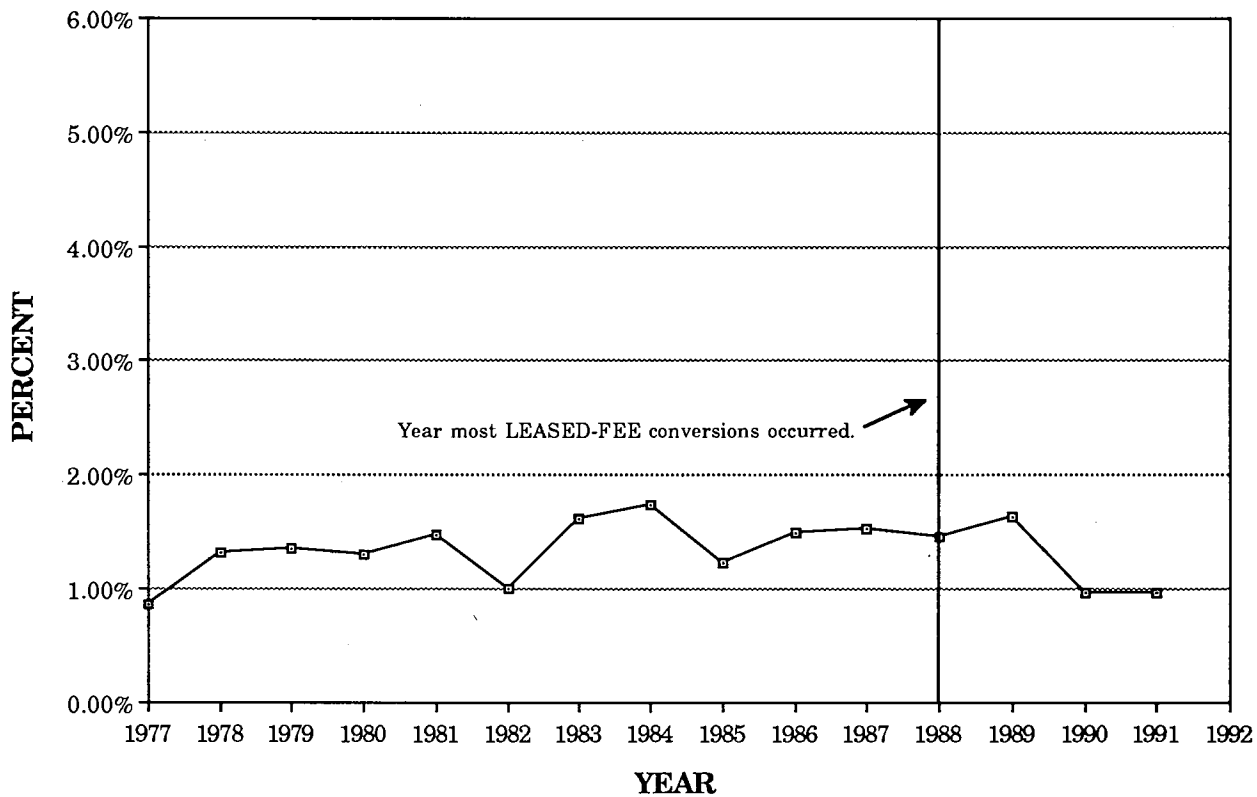


Figure V-41

HAHAIONE VALLEY RESALES AS A PERCENTAGE OF OAHU RESALES

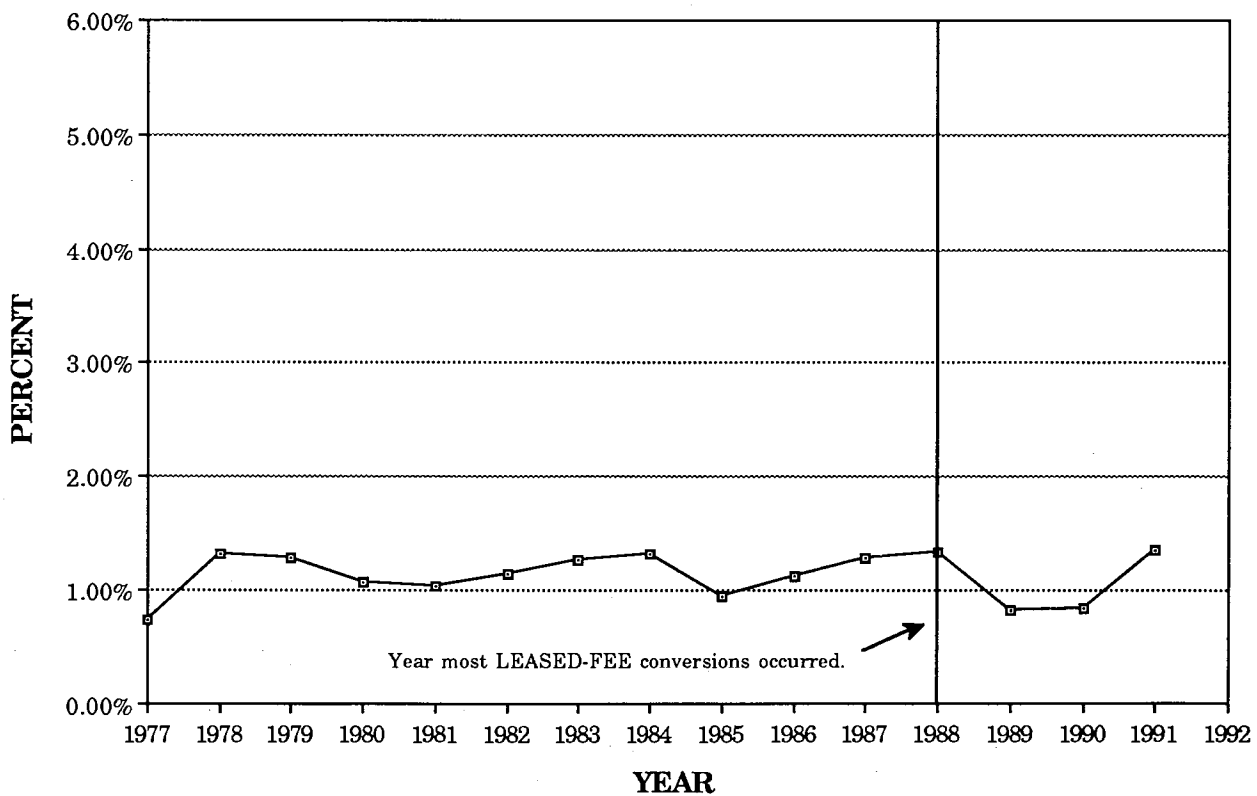


Figure V-42

MARINER'S COVE RESALES AS A PERCENTAGE OF OAHU RESALES

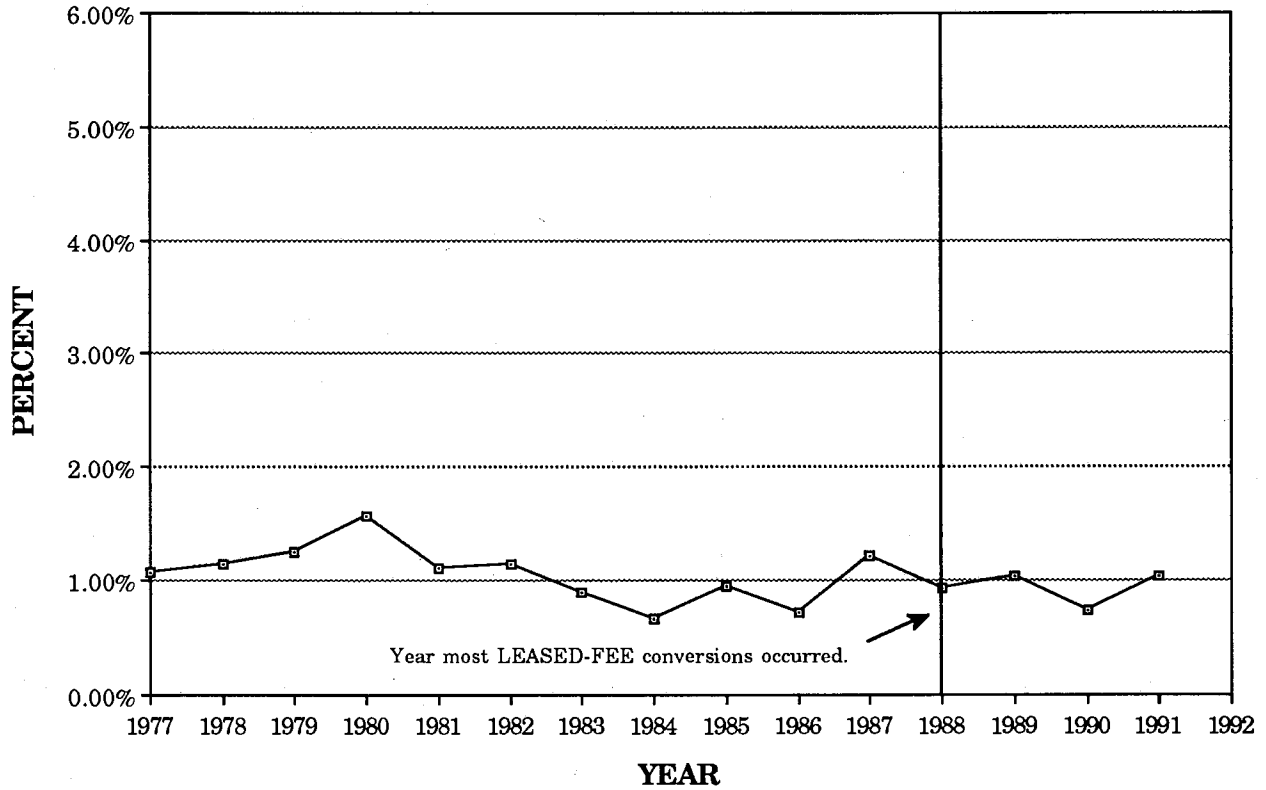


Figure V-43

KALAMA VALLEY RESALES AS A PERCENTAGE OF OAHU RESALES

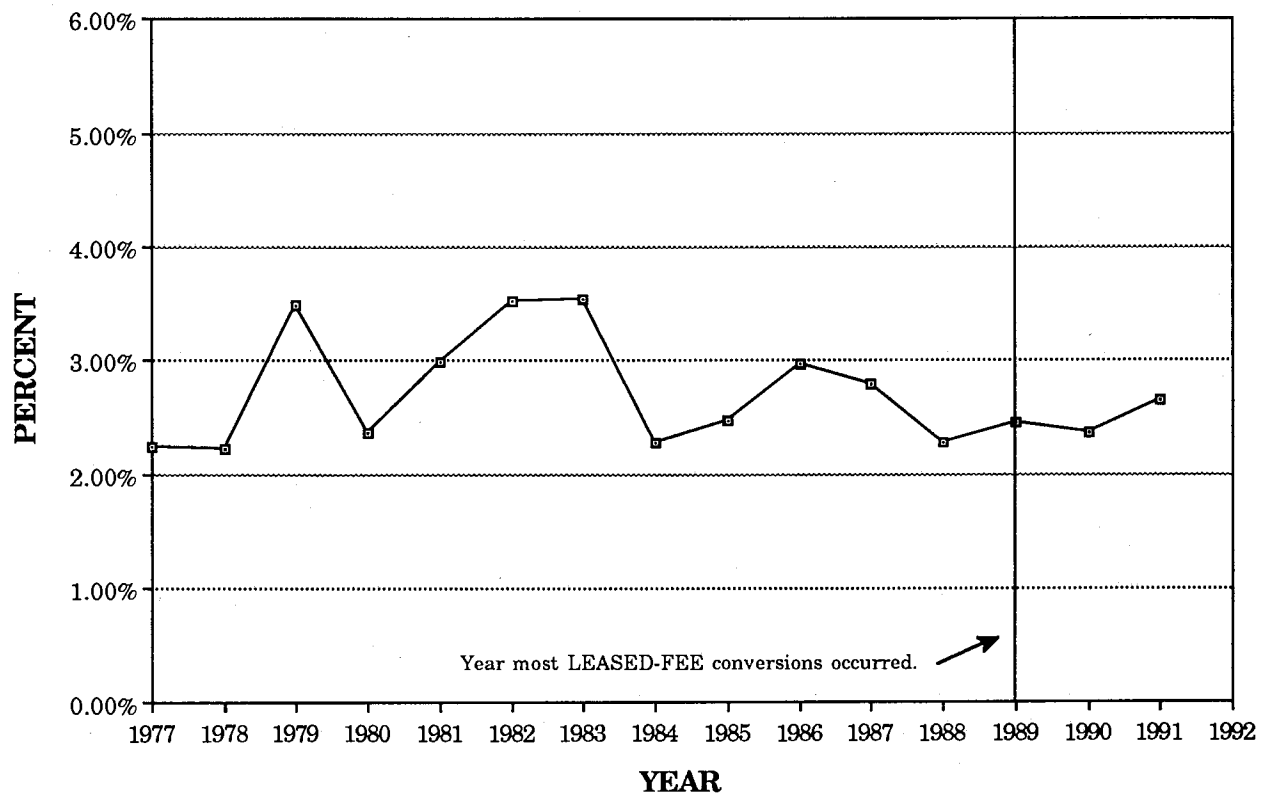


Figure V-44

ENCHANTED LAKE RESALES AS A PERCENTAGE OF OAHU RESALES

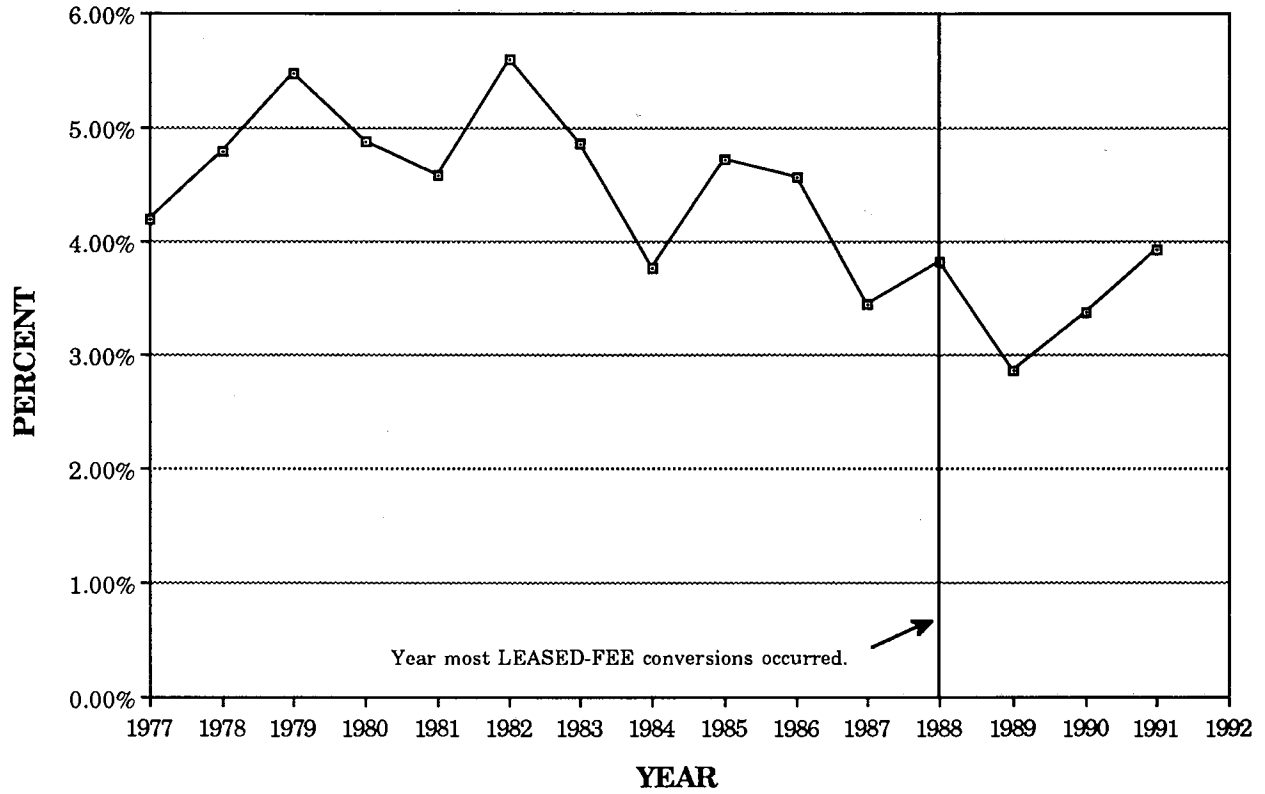


Figure V-45

OLOMANA RESALES AS A PERCENTAGE OF OAHU RESALES

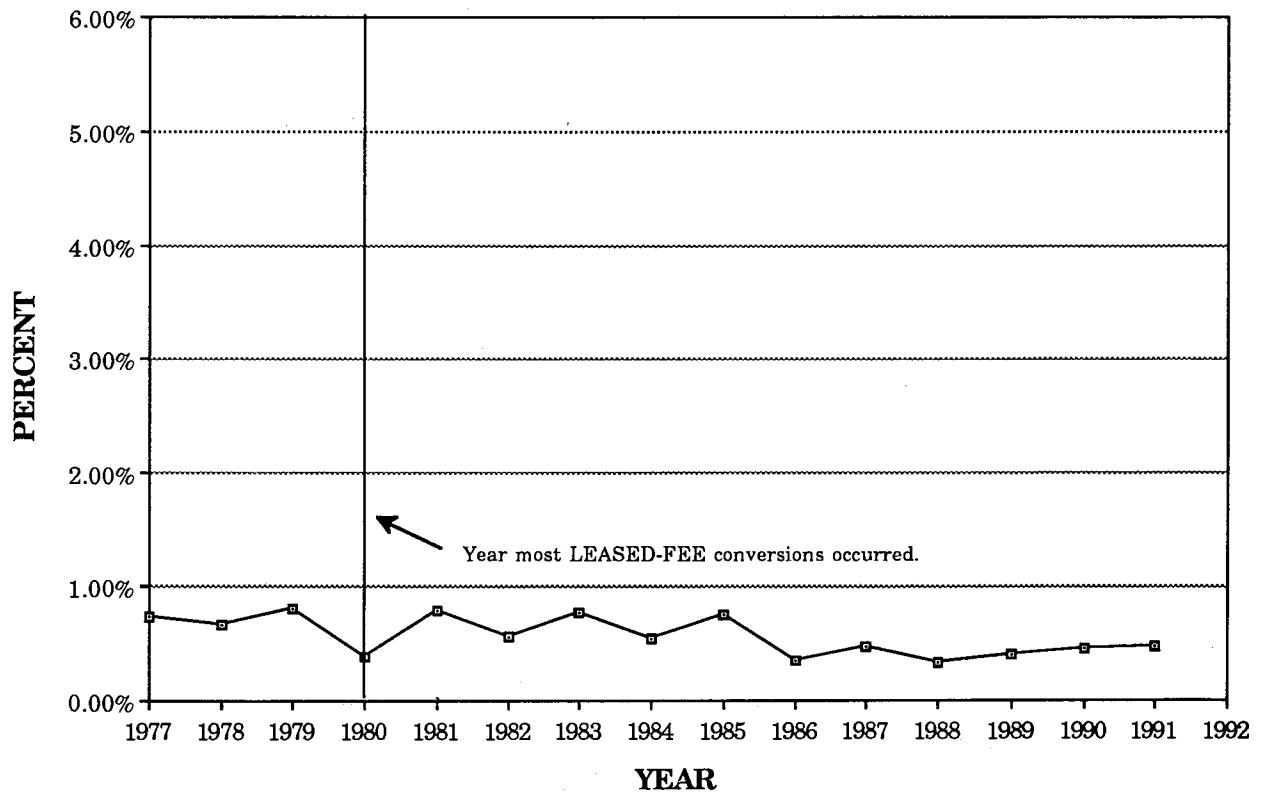


Figure V-46

KALAHEO HILLSIDE RESALES AS A PERCENTAGE OF OAHU RESALES

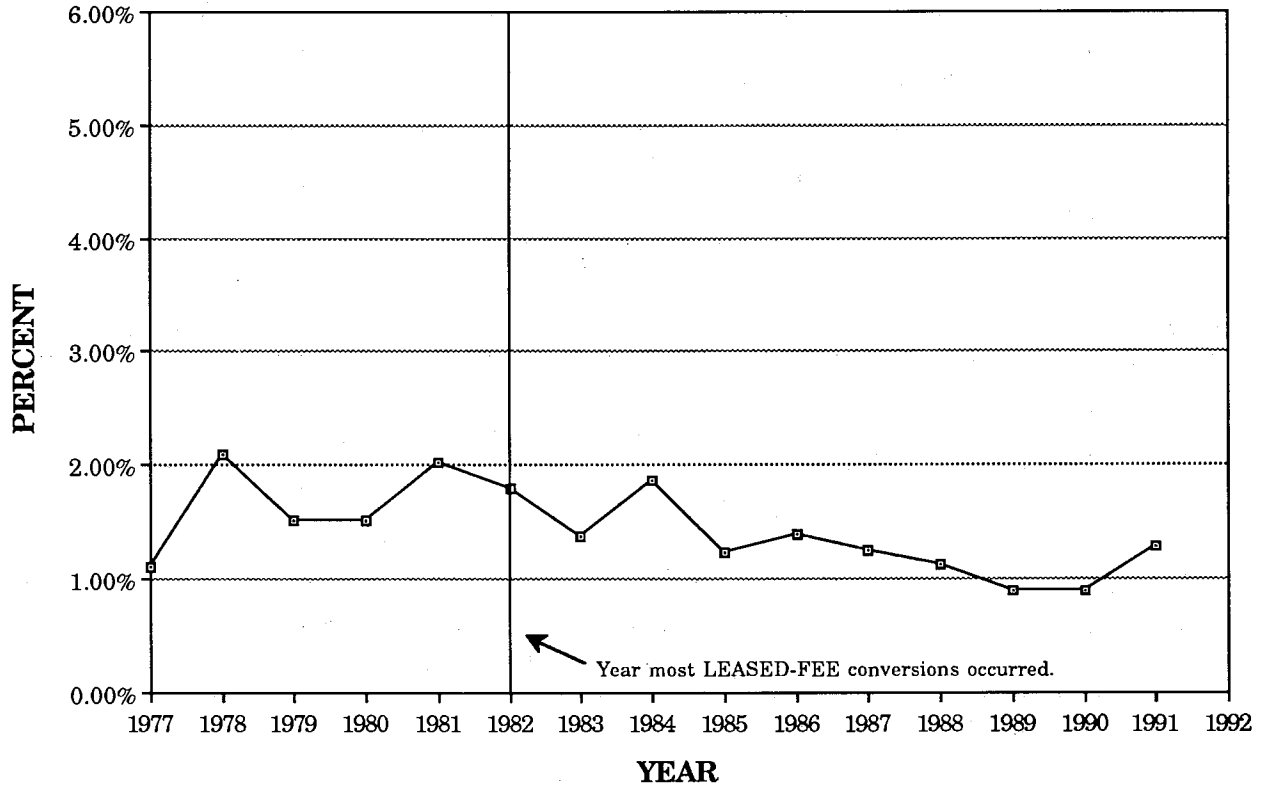


Figure V-47

KAWAINUI CANAL RESALES AS A PERCENTAGE OF OAHU RESALES

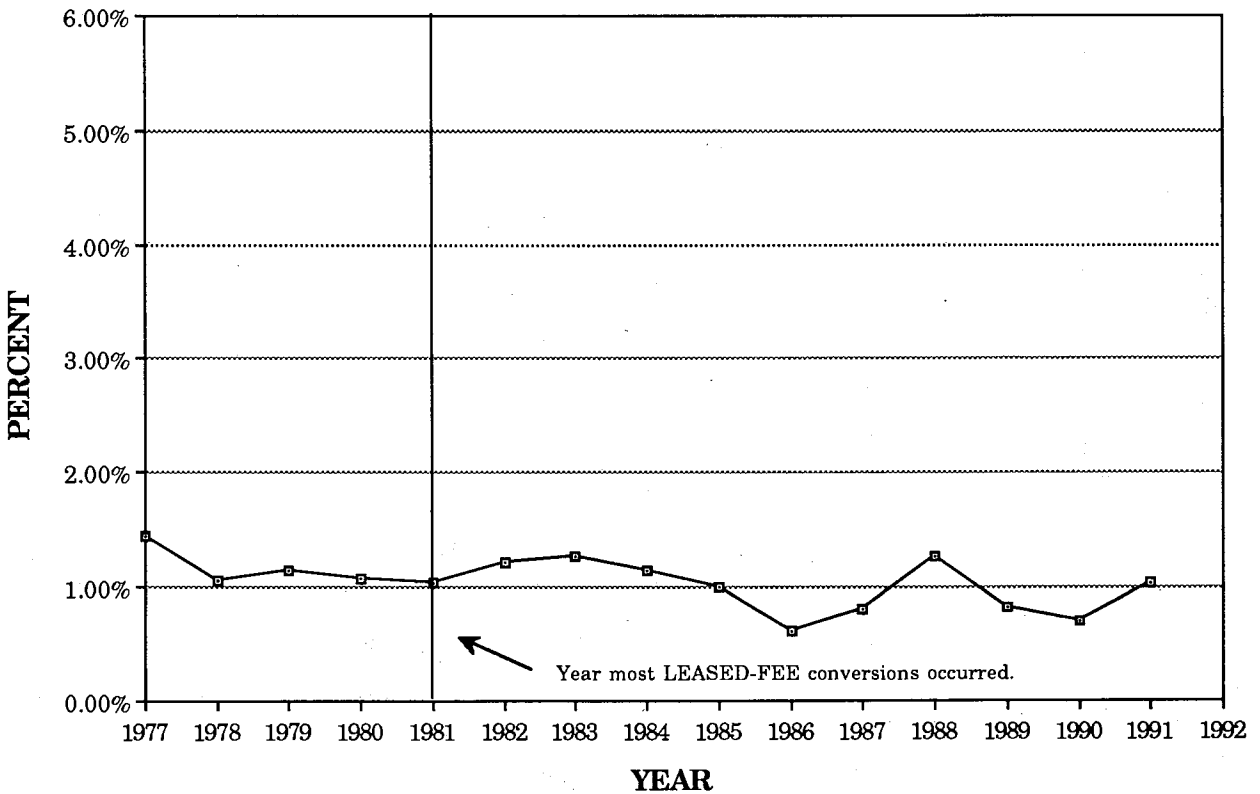


Figure V-48

AIKAHI PARK RESALES AS A PERCENTAGE OF OAHU RESALES

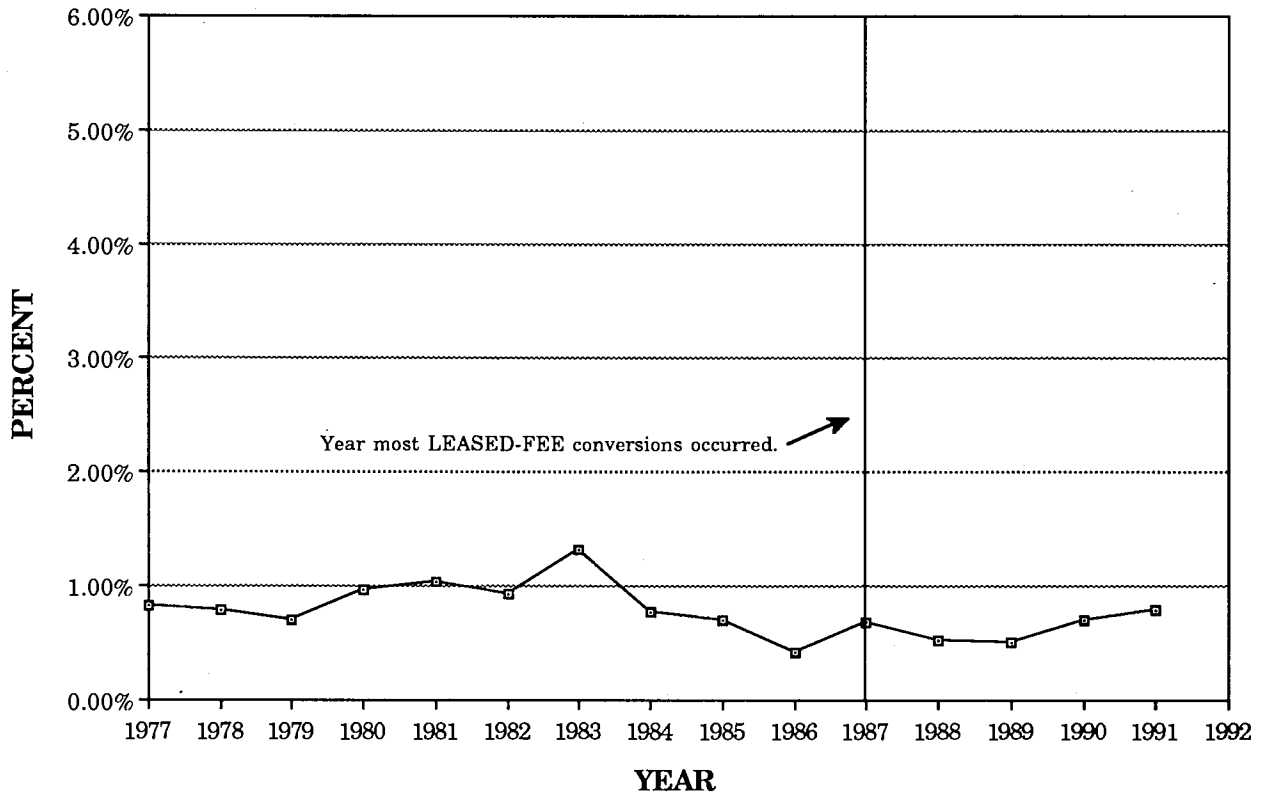


Figure V-49

ALII SHORES RESALES AS A PERCENTAGE OF OAHU RESALES

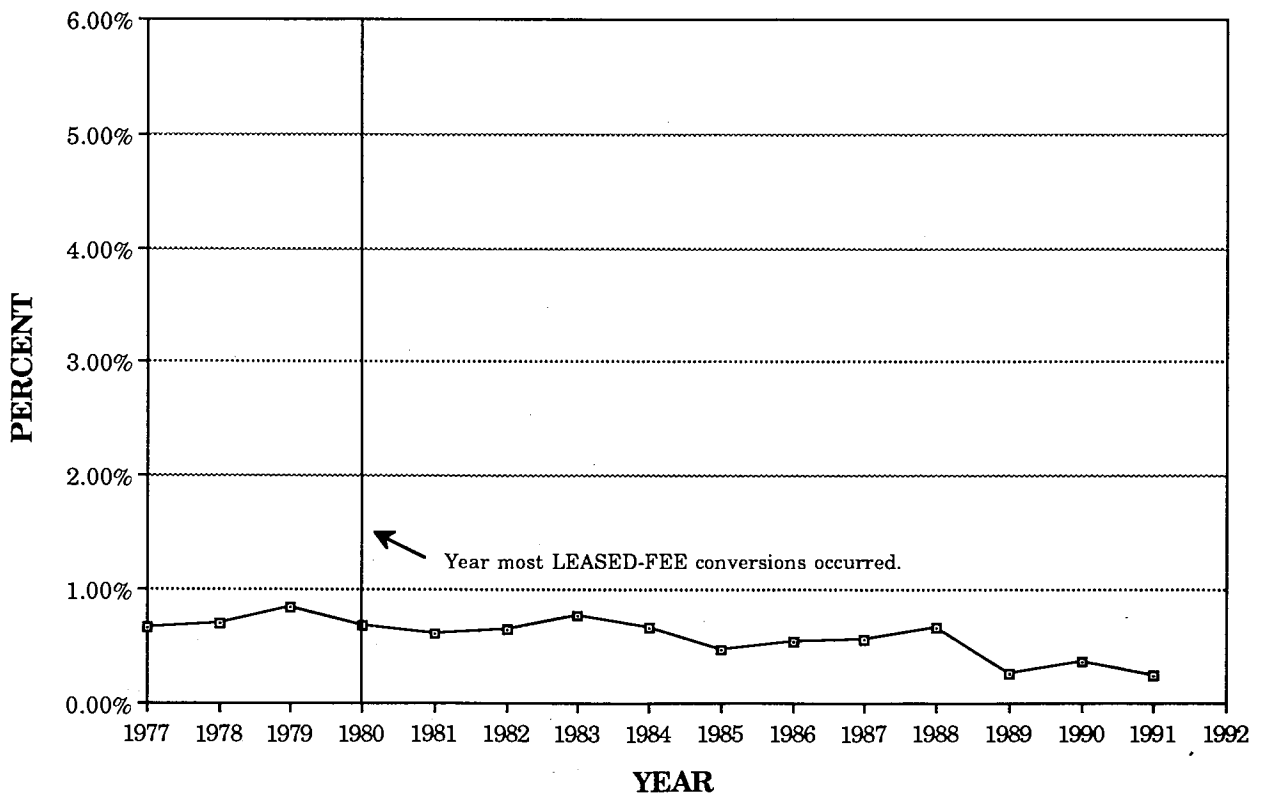


Figure V-50

CROWN TERRACE RESALES AS A PERCENTAGE OF OAHU RESALES

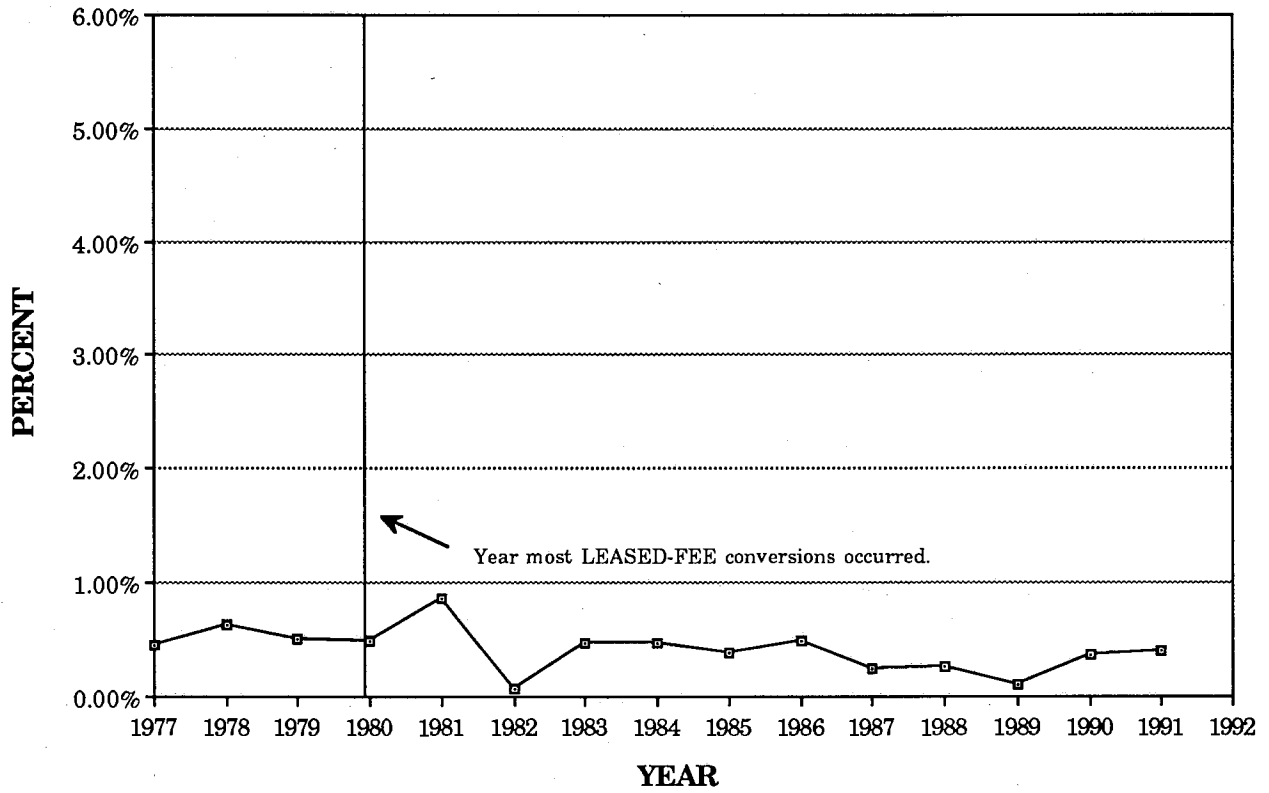


Figure V-51

KEAPUKA RESALES AS A PERCENTAGE OF OAHU RESALES

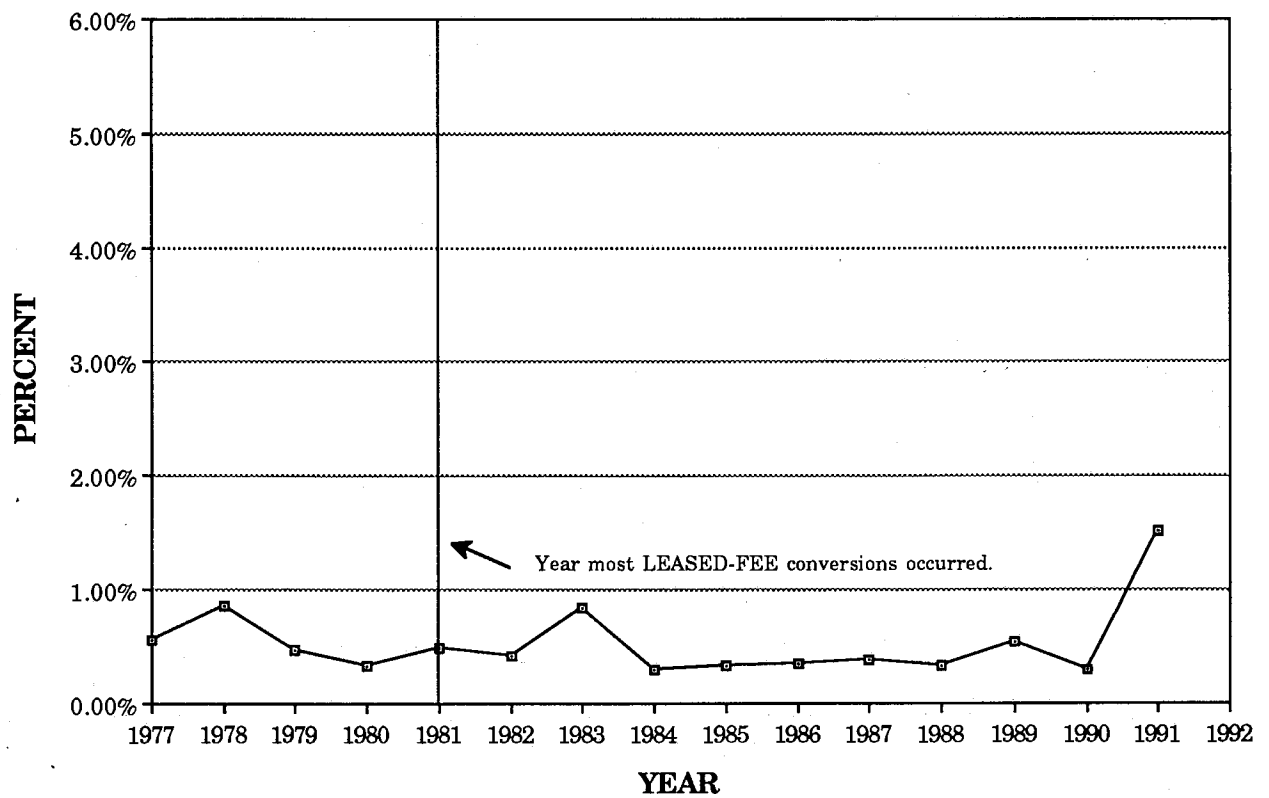


Figure V-52

PEARLRIDGE ESTATES RESALES AS A PERCENTAGE OF OAHU RESALES

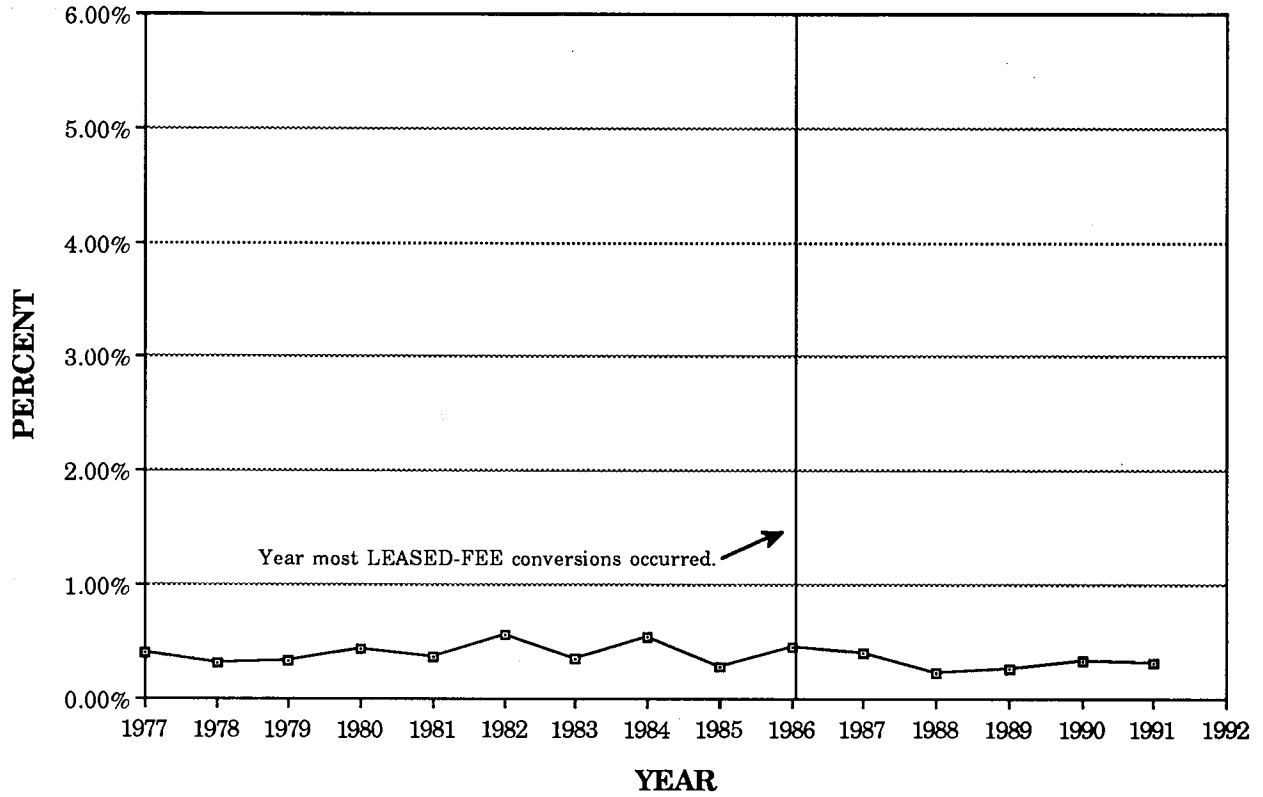


Figure V-53

WAIU VIEW ESTATES RESALES AS A PERCENTAGE OF OAHU RESALES

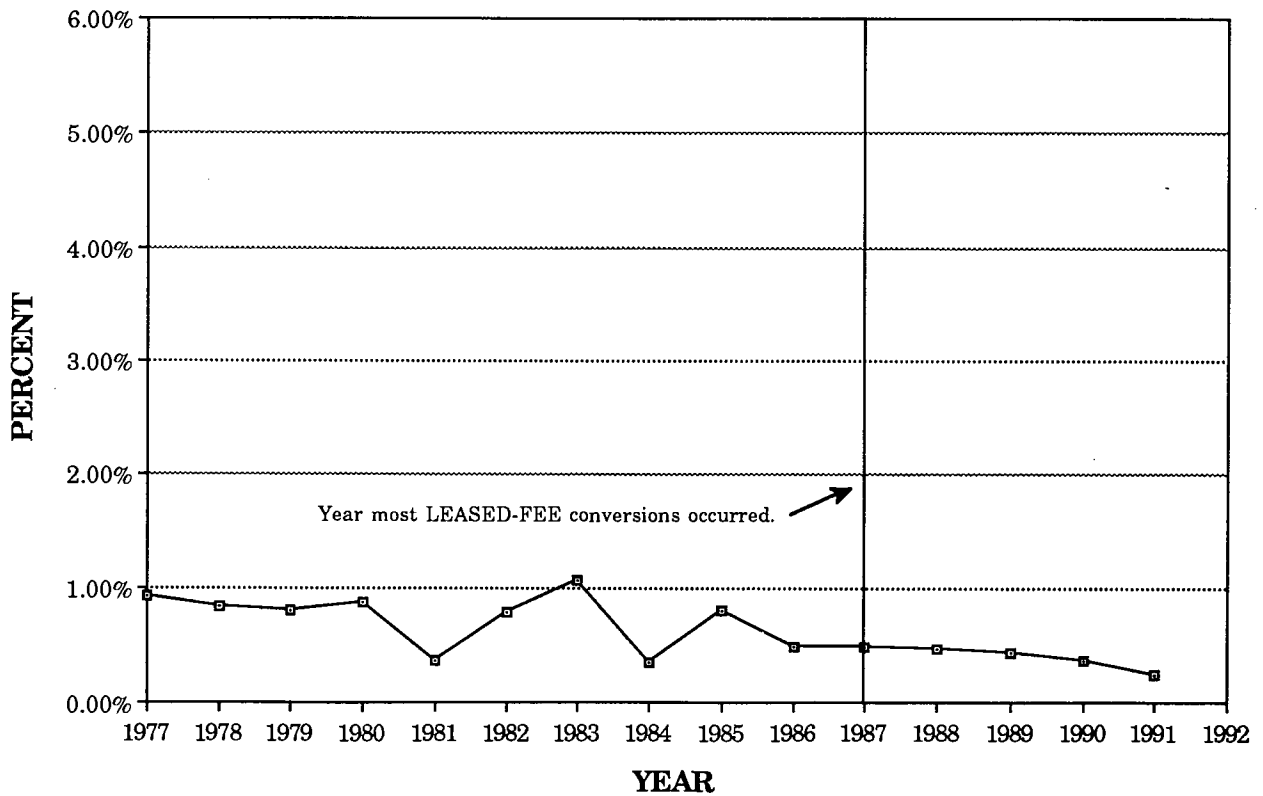


Figure V-54

EWA BEACH RESALES AS A PERCENTAGE OF OAHU RESALES

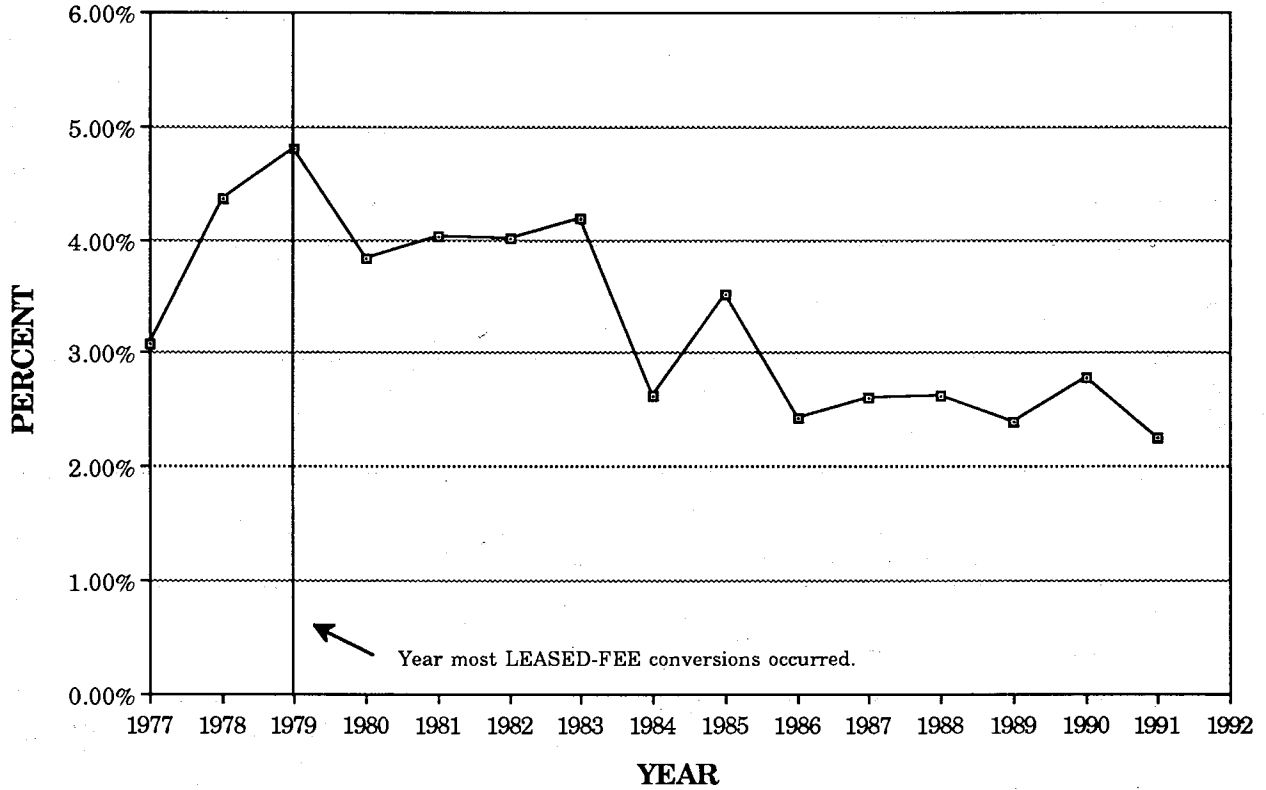


Figure V-55

HARBOR VIEW/ROB HTS RESALES AS A PERCENTAGE OF OAHU RESALES

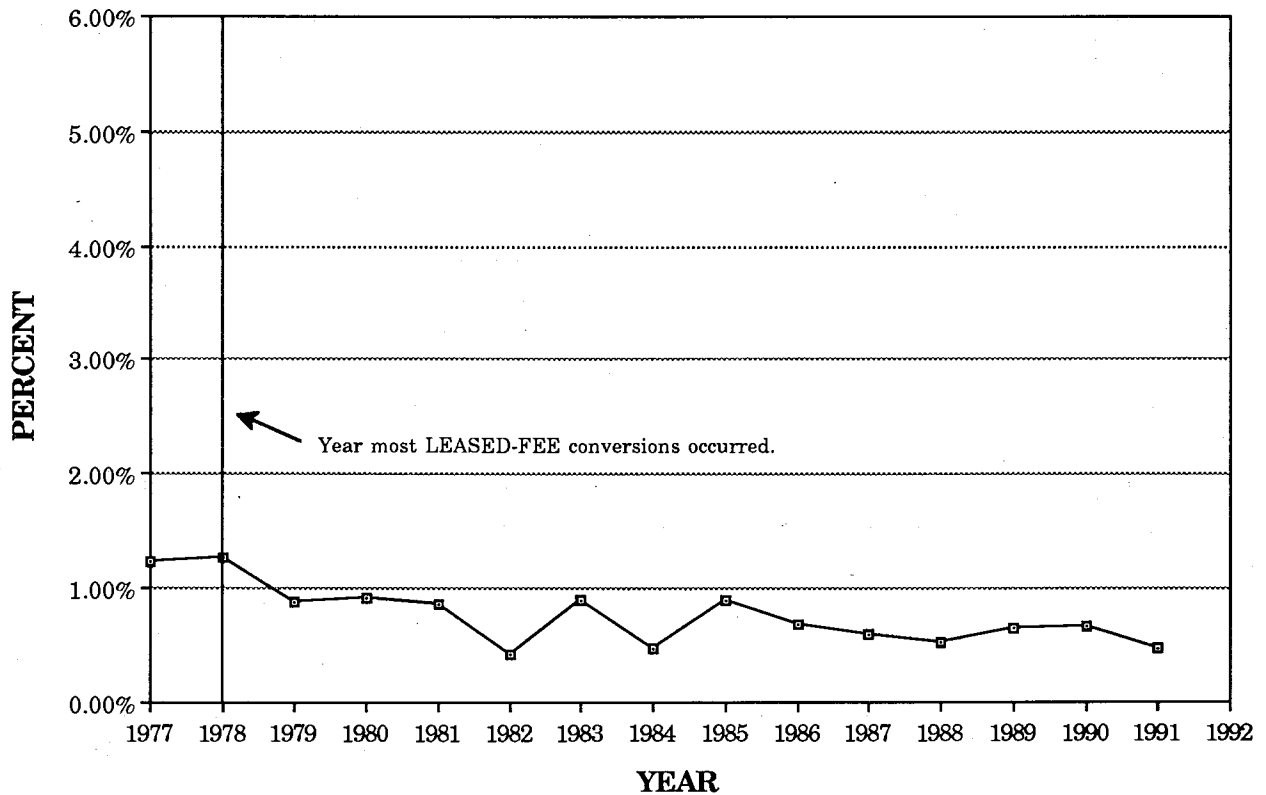


Figure V-56

MAKAKILO RESALES AS A PERCENTAGE OF OAHU RESALES

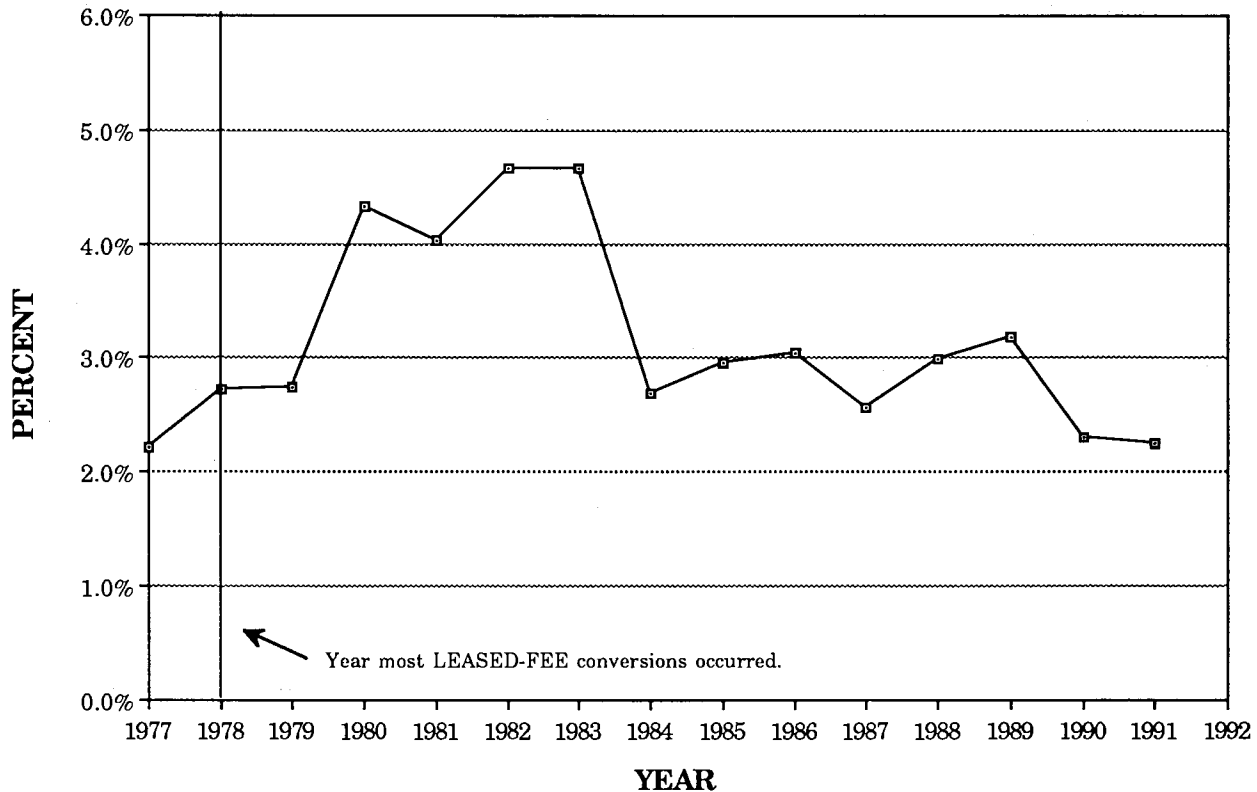


Figure V-57

KAIMUKI & OAHU SINGLE FAMILY RESALES BY YEAR

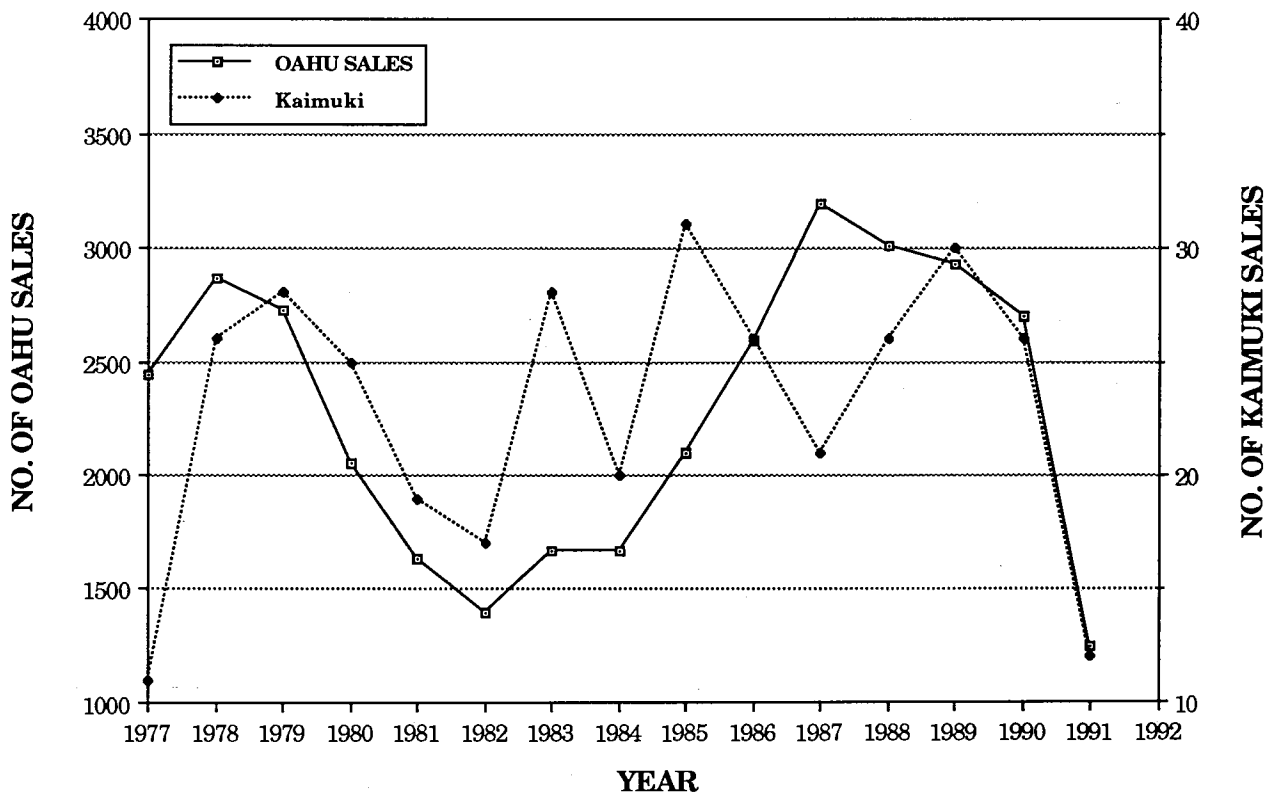


Figure V-58

UPPER MANOA & OAHU SINGLE FAMILY RESALES BY YEAR

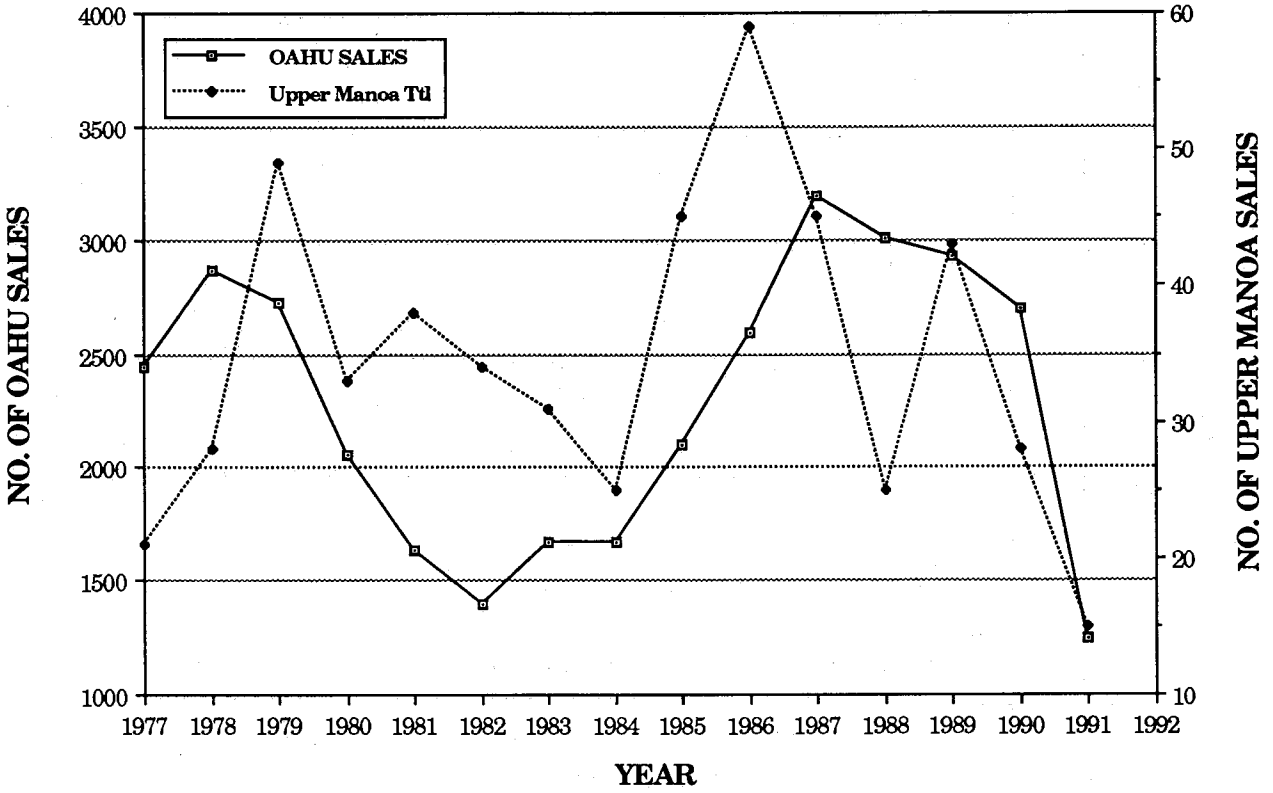
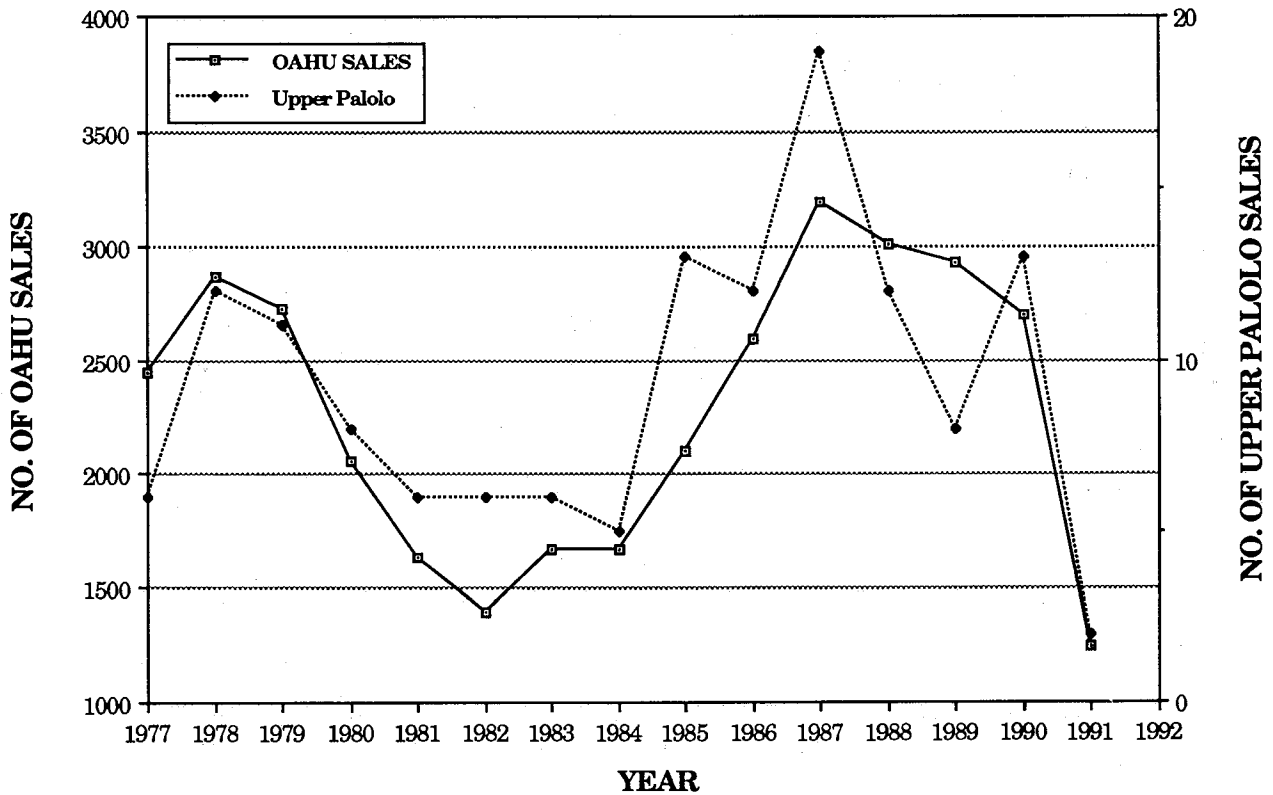
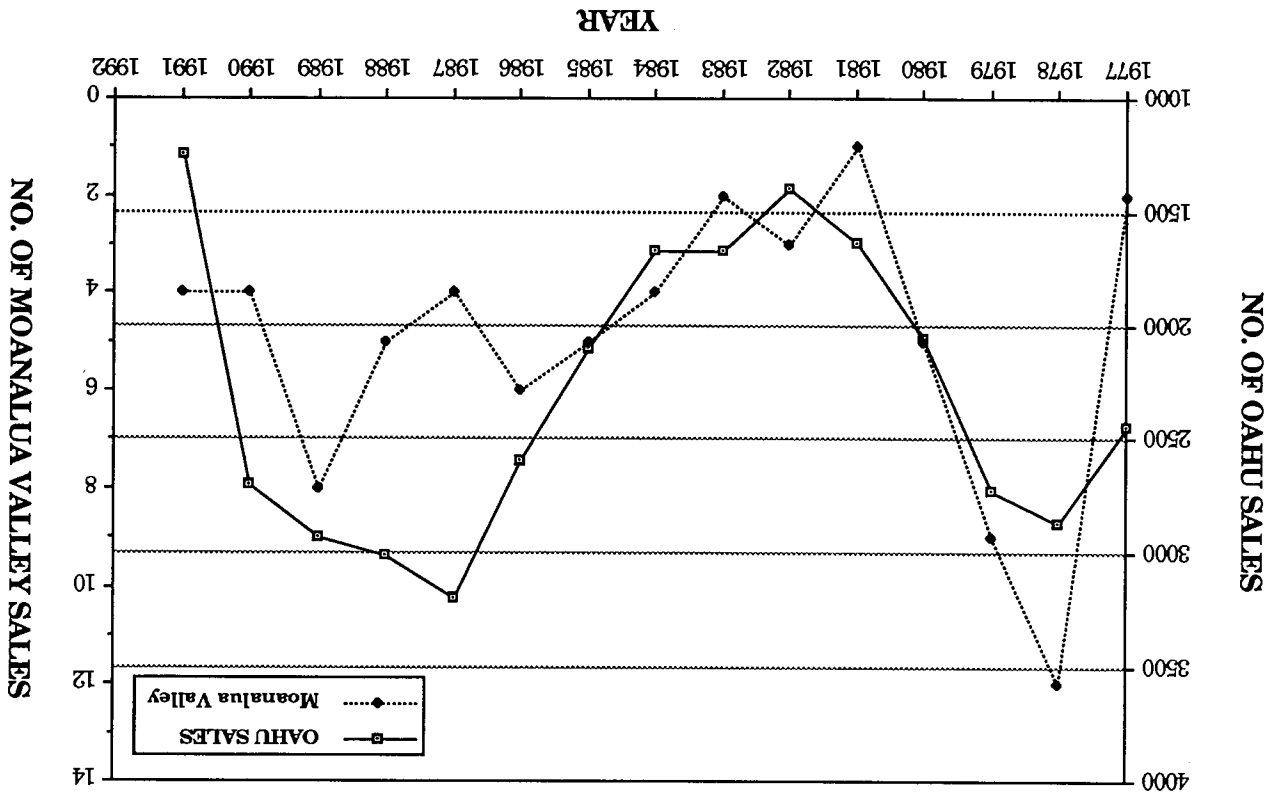


Figure V-59

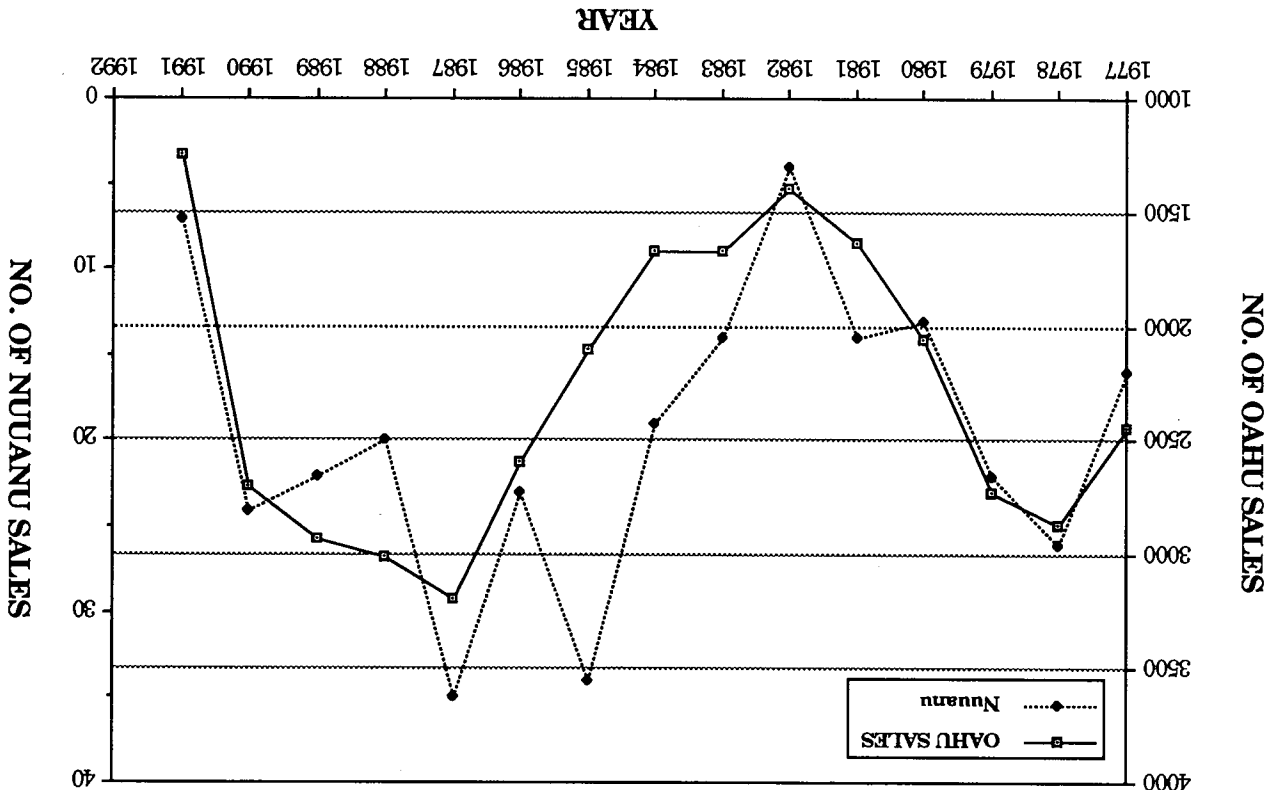
UPPER PALOLO & OAHU SINGLE FAMILY RESALES BY YEAR





MOANALUA VALLEY & OAHU SINGLE FAMILY RESALES BY YEAR

Figure V-61



NUUANU & OAHU SINGLE FAMILY RESALES BY YEAR

Figure V-60

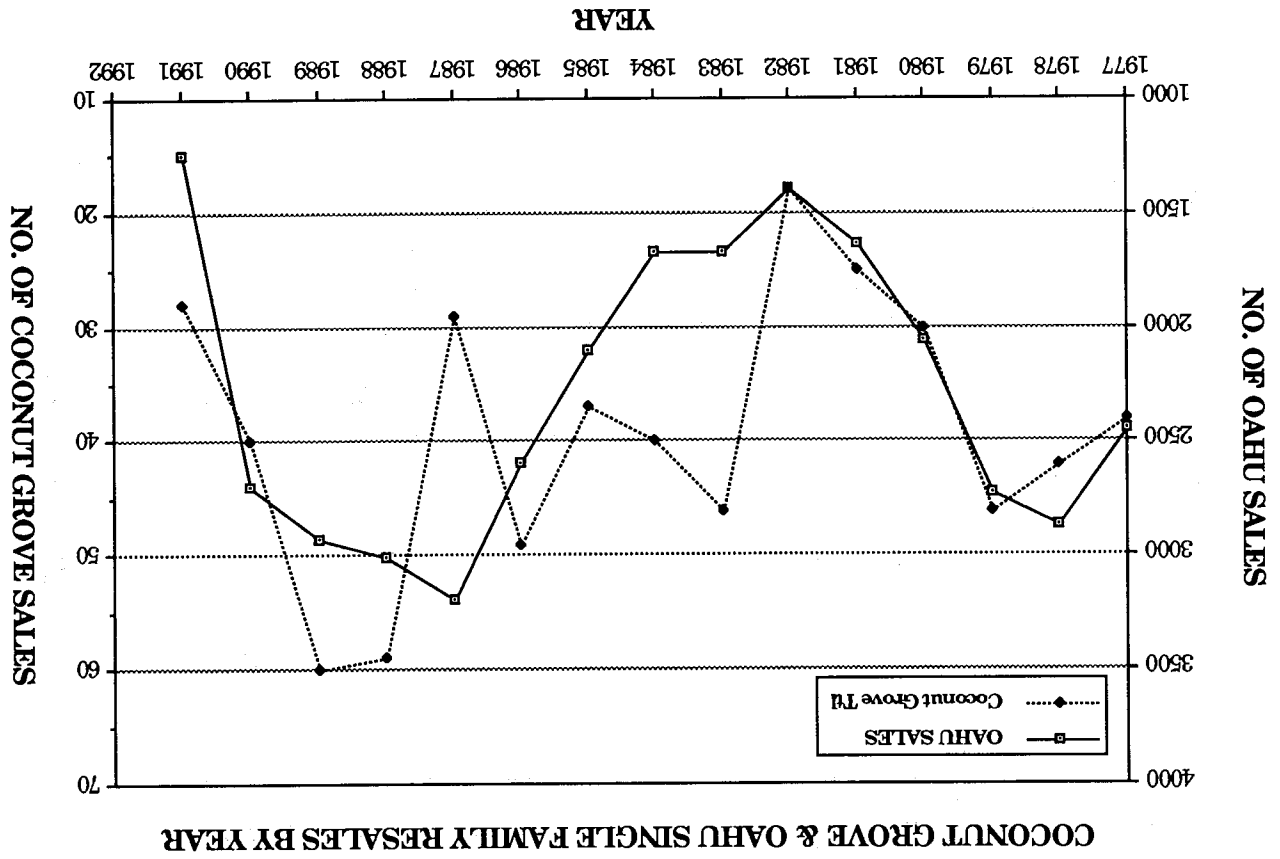


Figure V-63

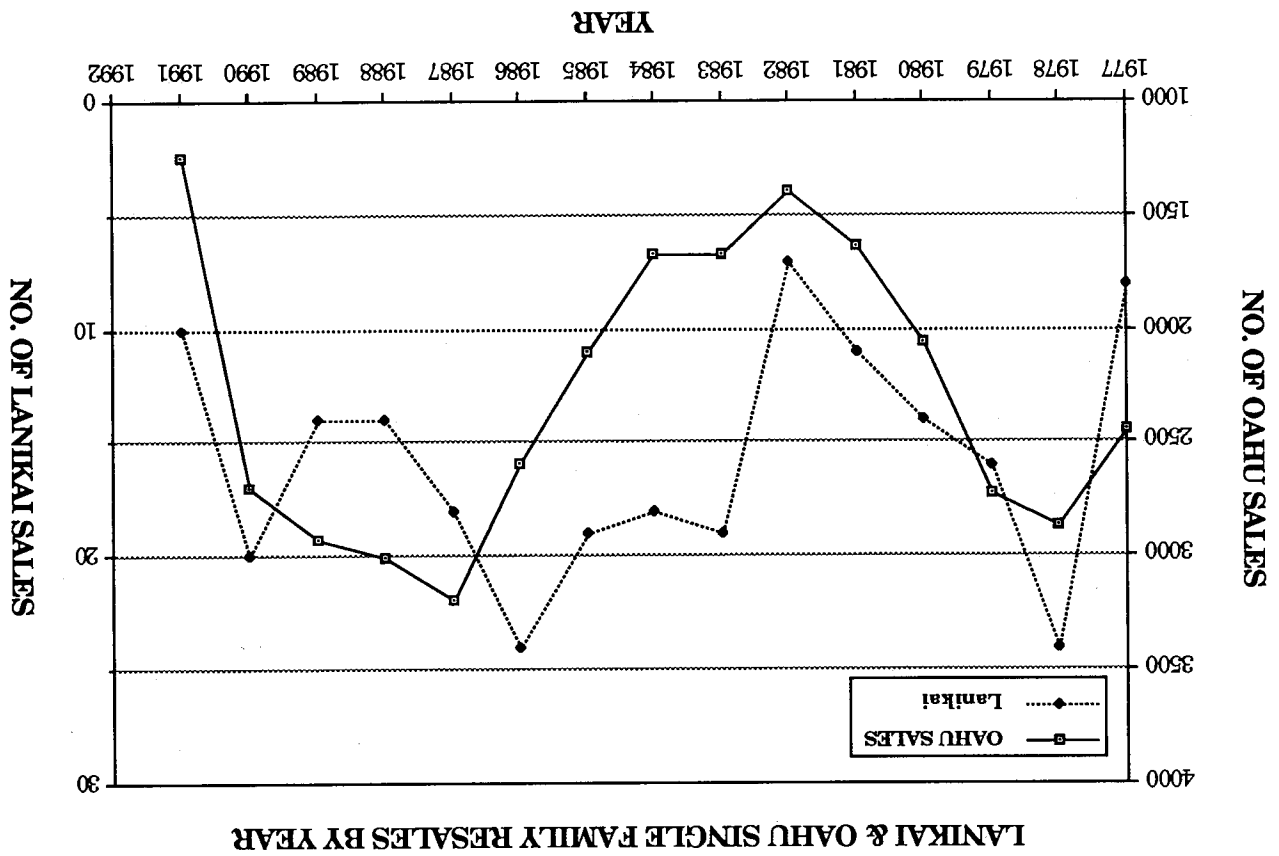


Figure V-62

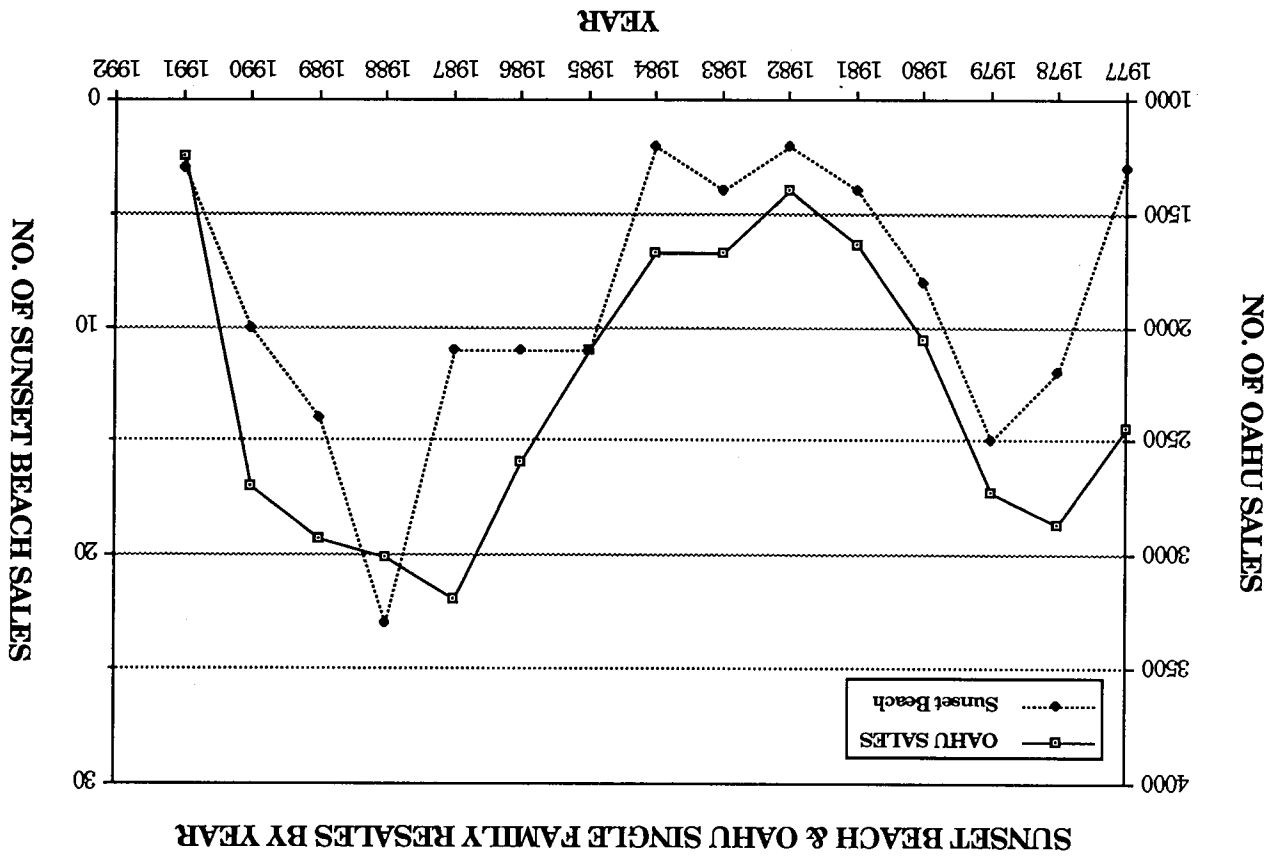


Figure V-65

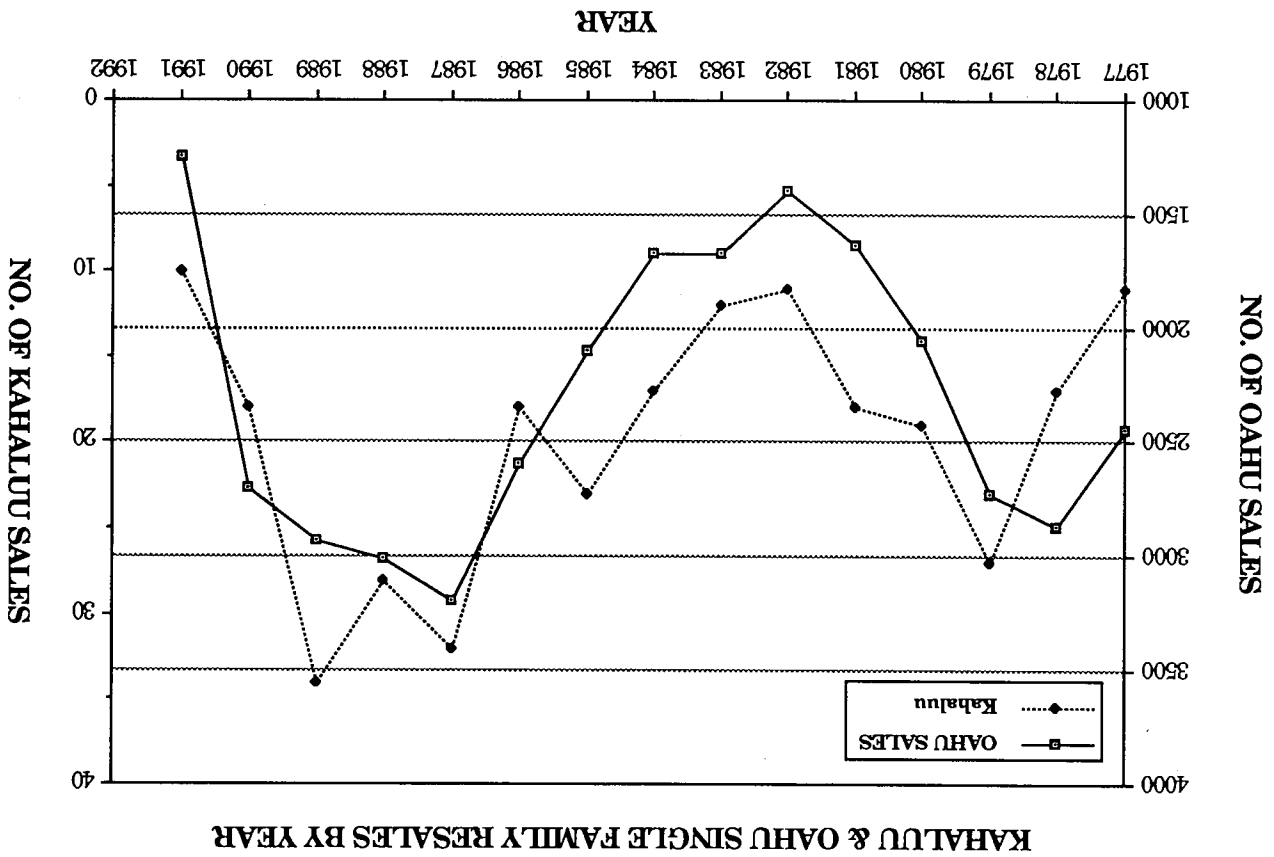


Figure V-64

Figure V-66
MILILANI & OAHU SINGLE FAMILY RESALES BY YEAR

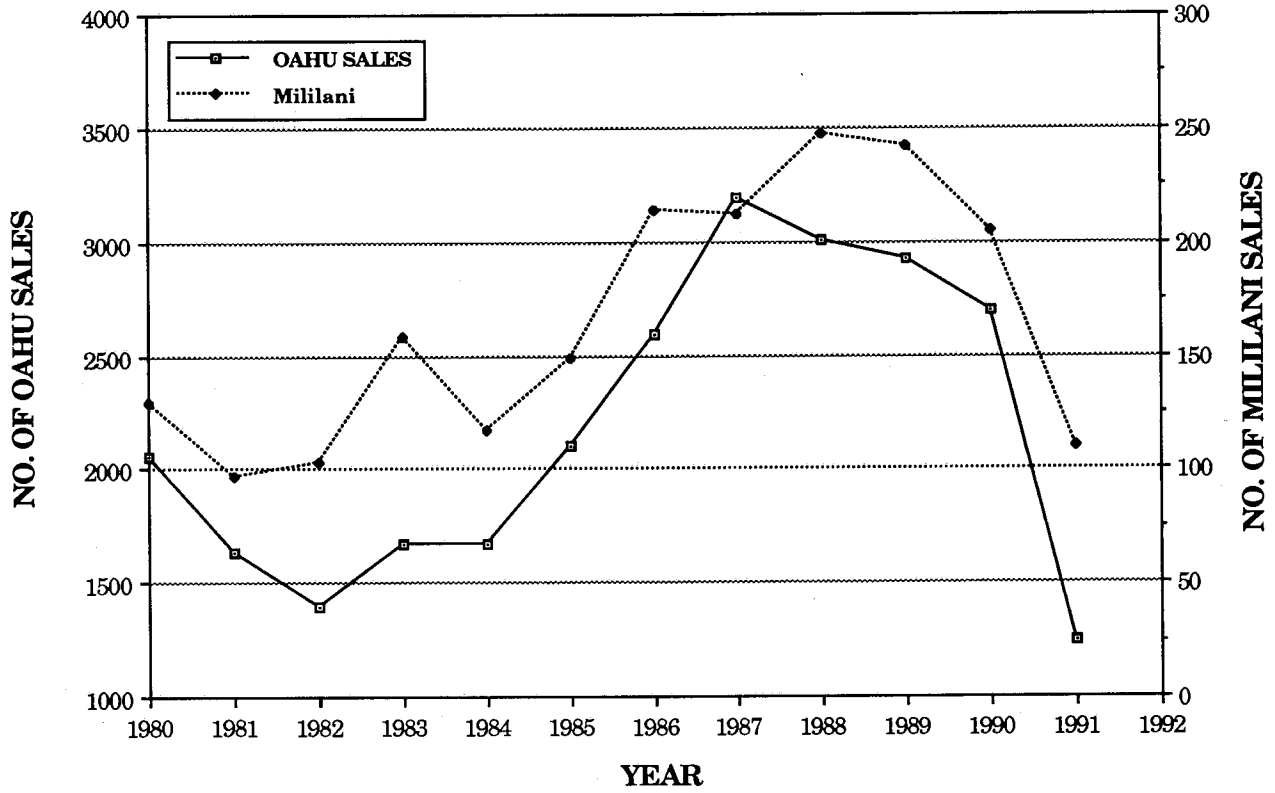


Figure V-67
NEWTOWN ESTATES & OAHU SINGLE FAMILY RESALES BY YEAR

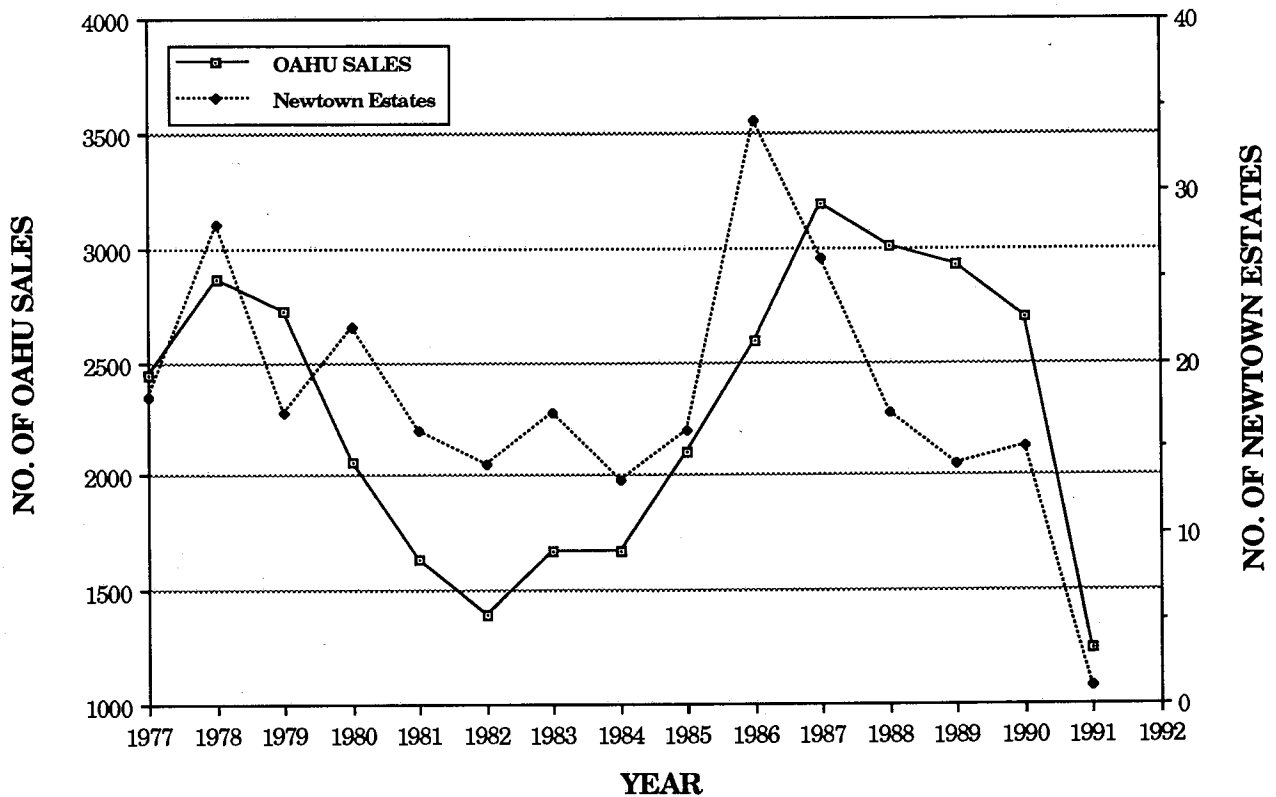


Figure V-68

WAIPAHU TRIANGLE & OAHU SINGLE FAMILY RESALES BY YEAR

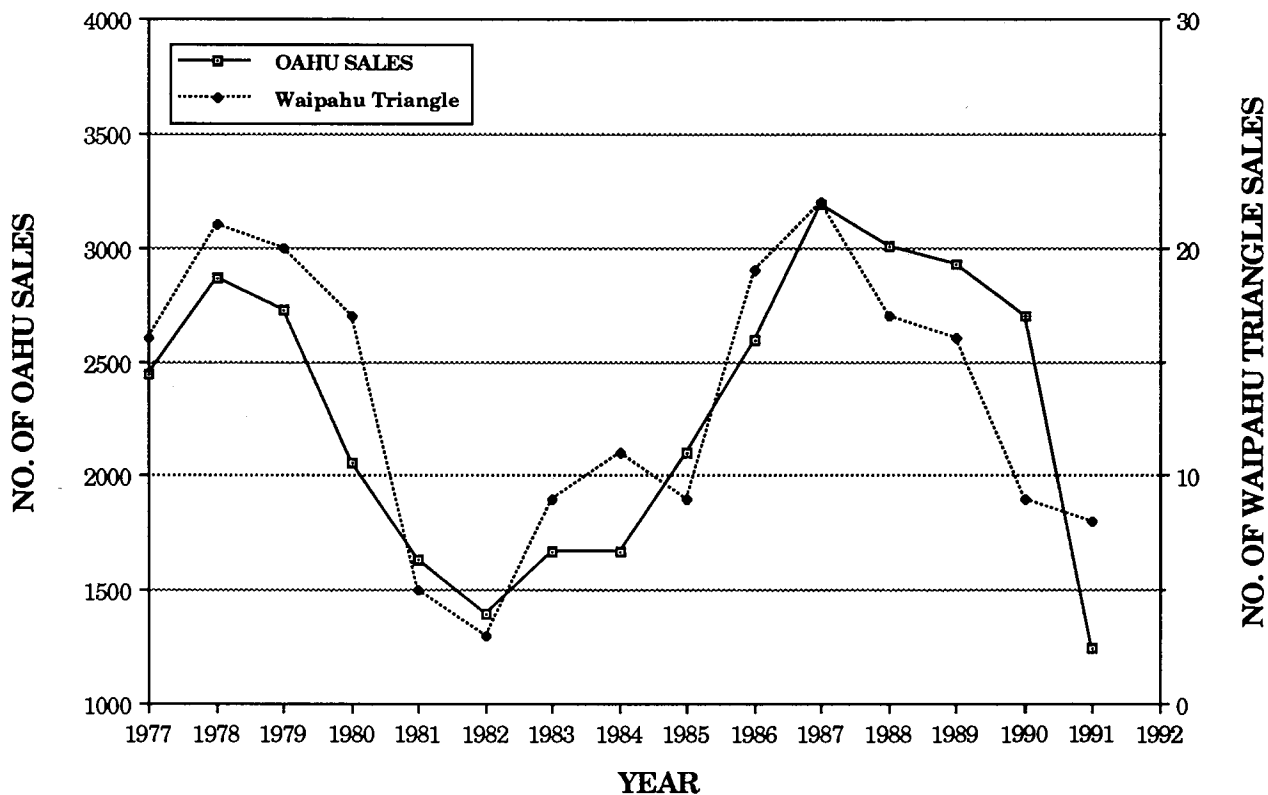


Figure V-69

NANAKAI GARDENS & OAHU SINGLE FAMILY RESALES BY YEAR

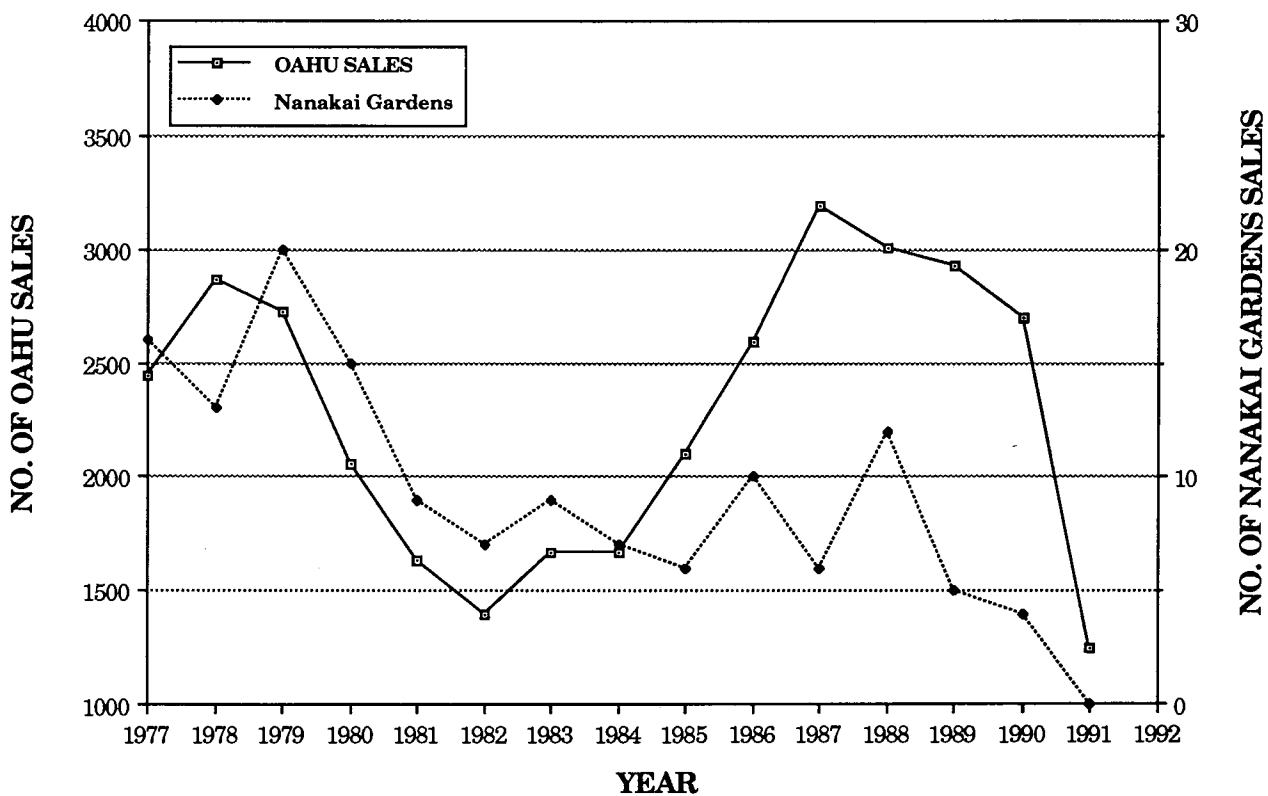


Figure V-70

PERCENT OF CONVERTED HOMES RESOLD IN THE FIRST YEAR AFTER CONVERSION

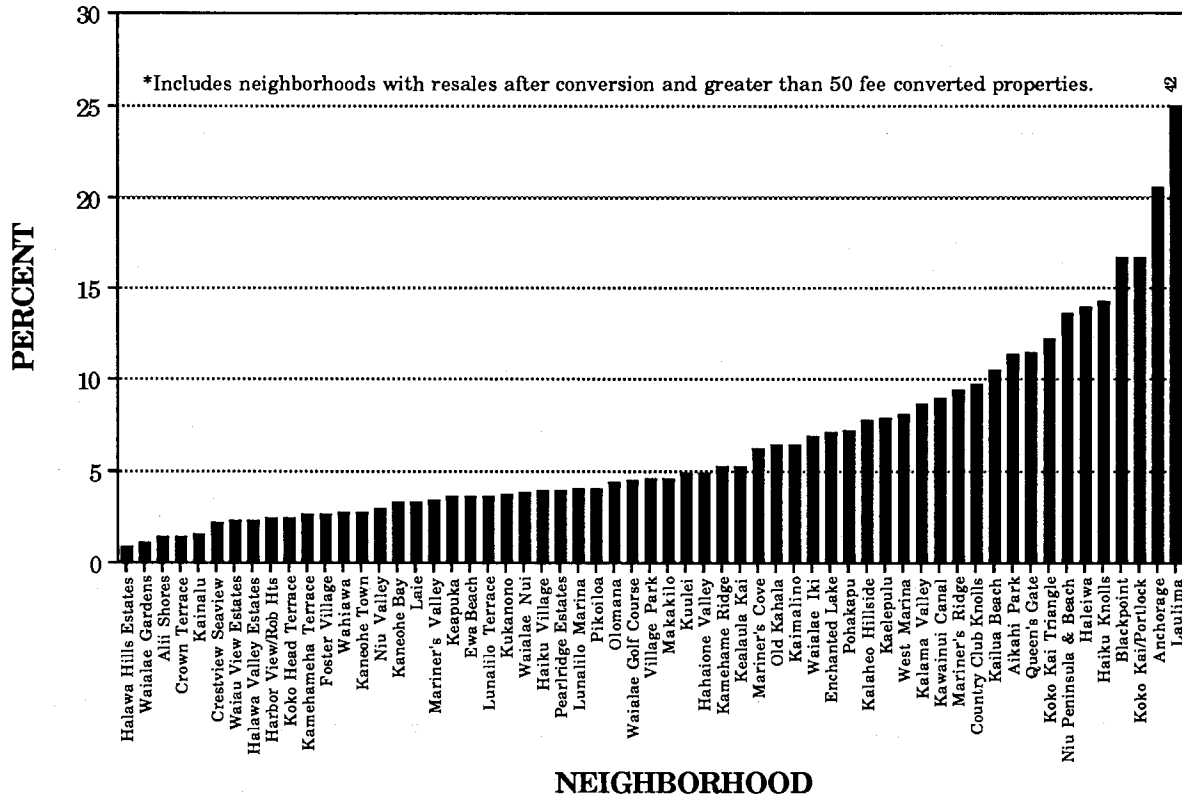


Figure V-71

EAST HONOLULU NEIGHBORHOOD TURNOVER RATES, 1977-1990

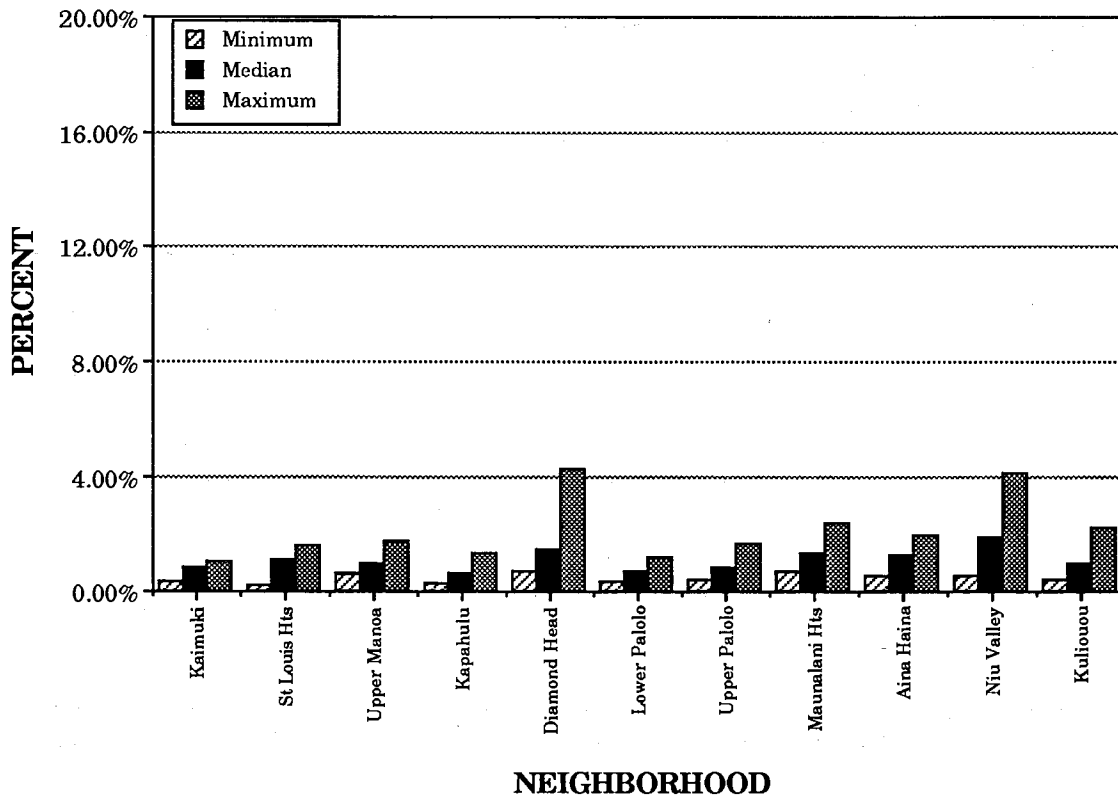


Figure V-72

CENTRAL OAHU NEIGHBORHOOD TURNOVER RATES, 1977-1990

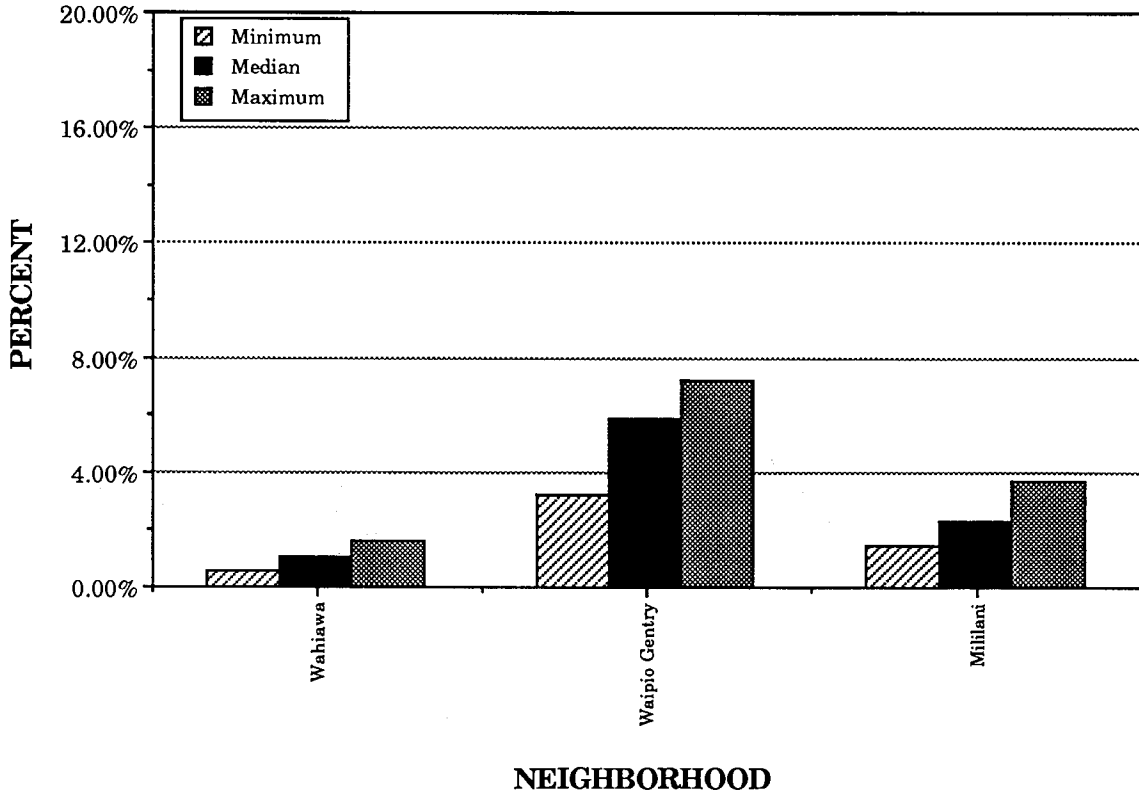


Figure V-73

WEST HONOLULU NEIGHBORHOOD TURNOVER RATES, 1977-1990

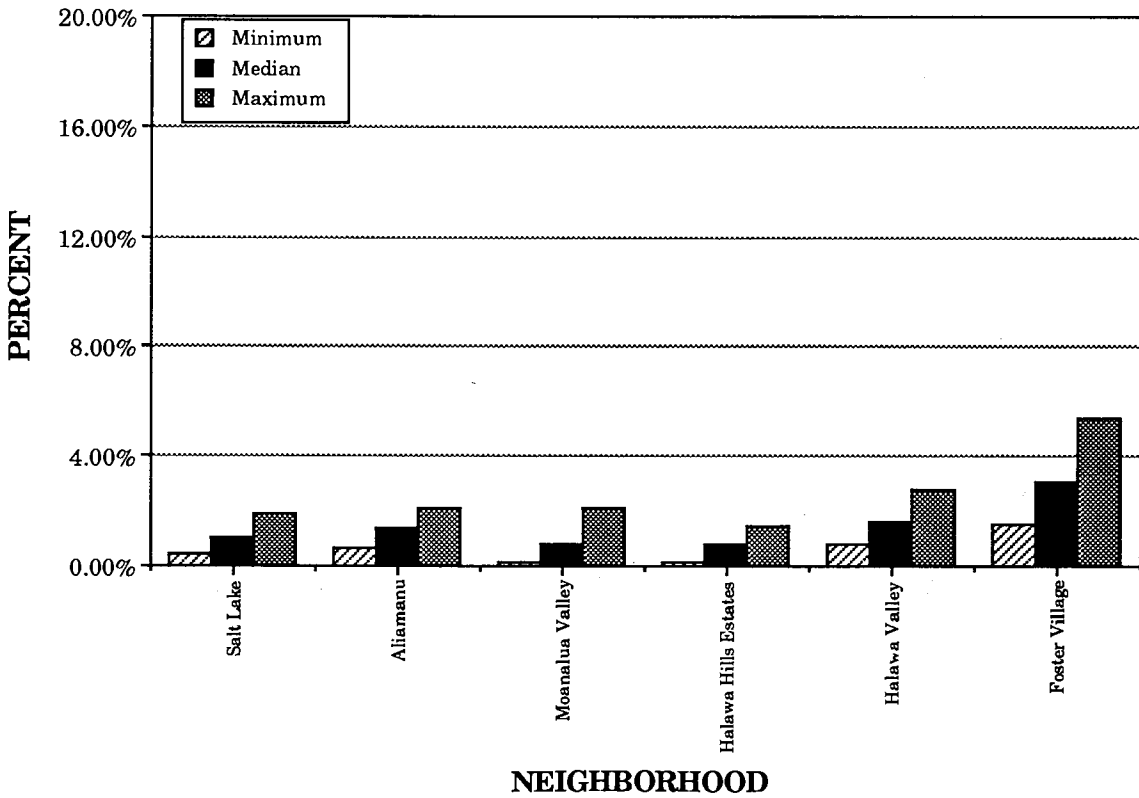


Figure V-74

WAIALAE/KAHALA NEIGHBORHOOD TURNOVER RATES, 1977-1990

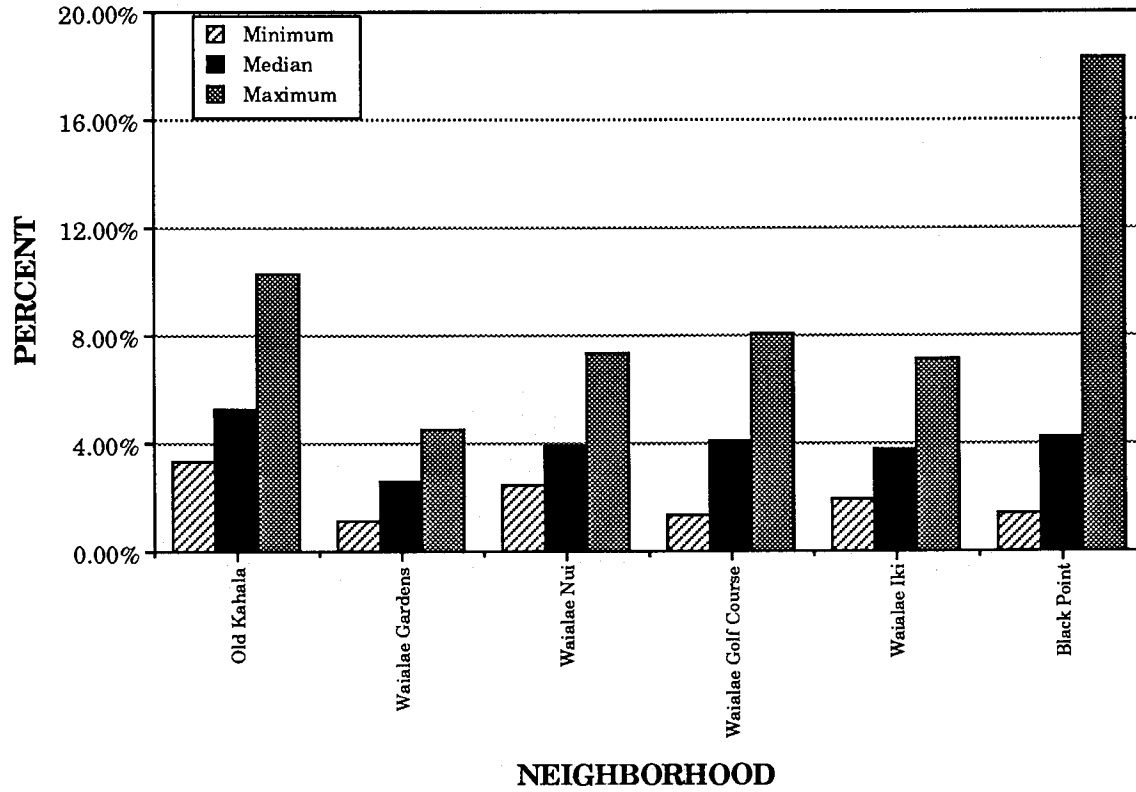


Figure V-75

HAWAII KAI NEIGHBORHOOD TURNOVER RATES, 1977-1990

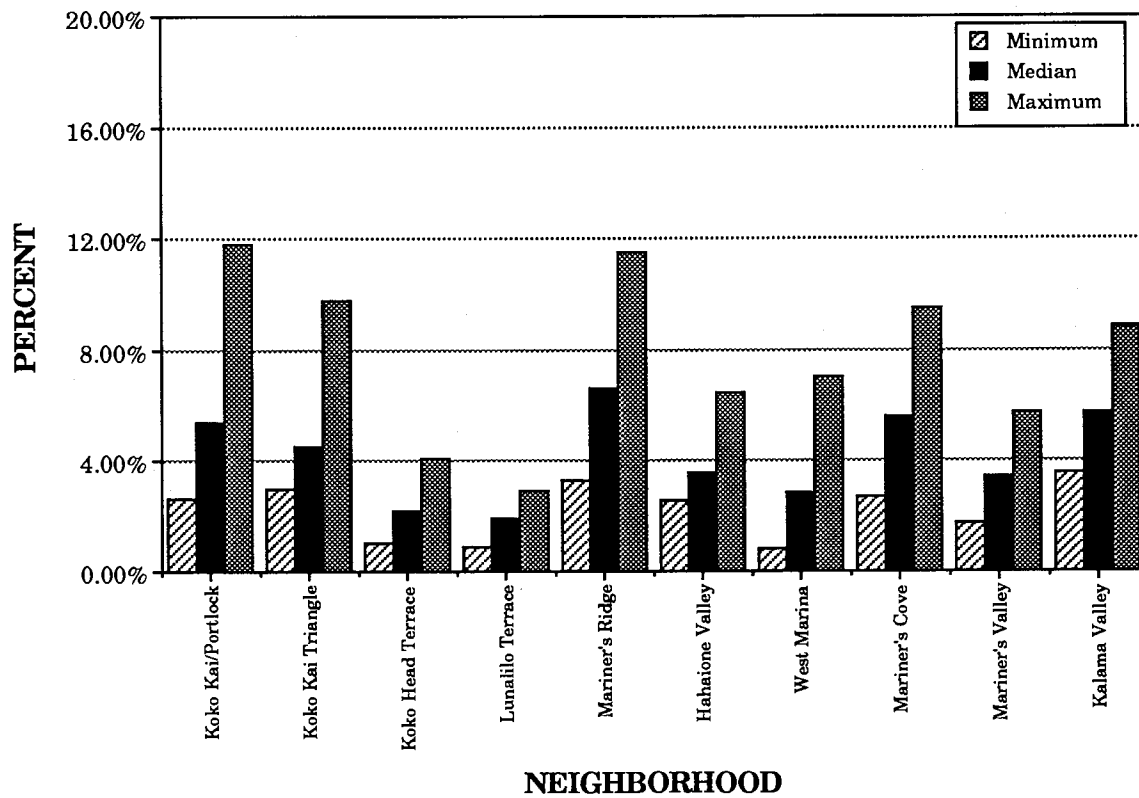


Figure V-76

KAILUA NEIGHBORHOOD TURNOVER RATES, 1977-1990

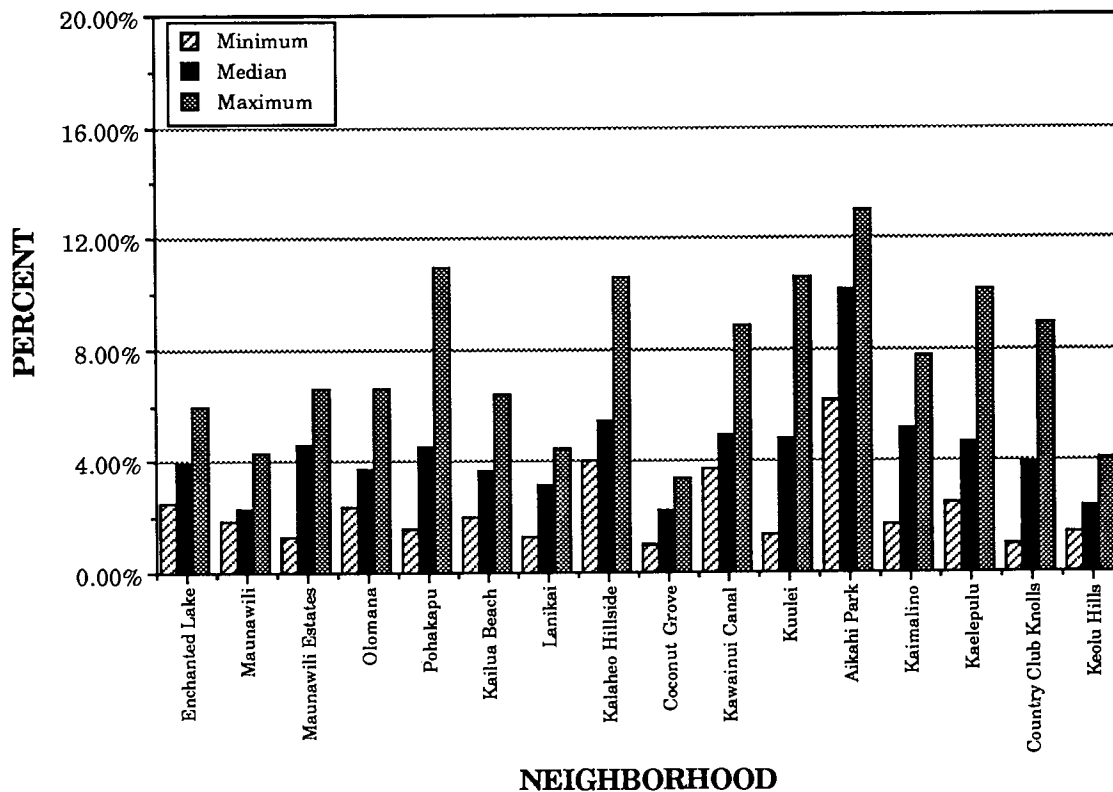


Figure V-77

KANEHOHE NEIGHBORHOOD TURNOVER RATES, 1977-1990

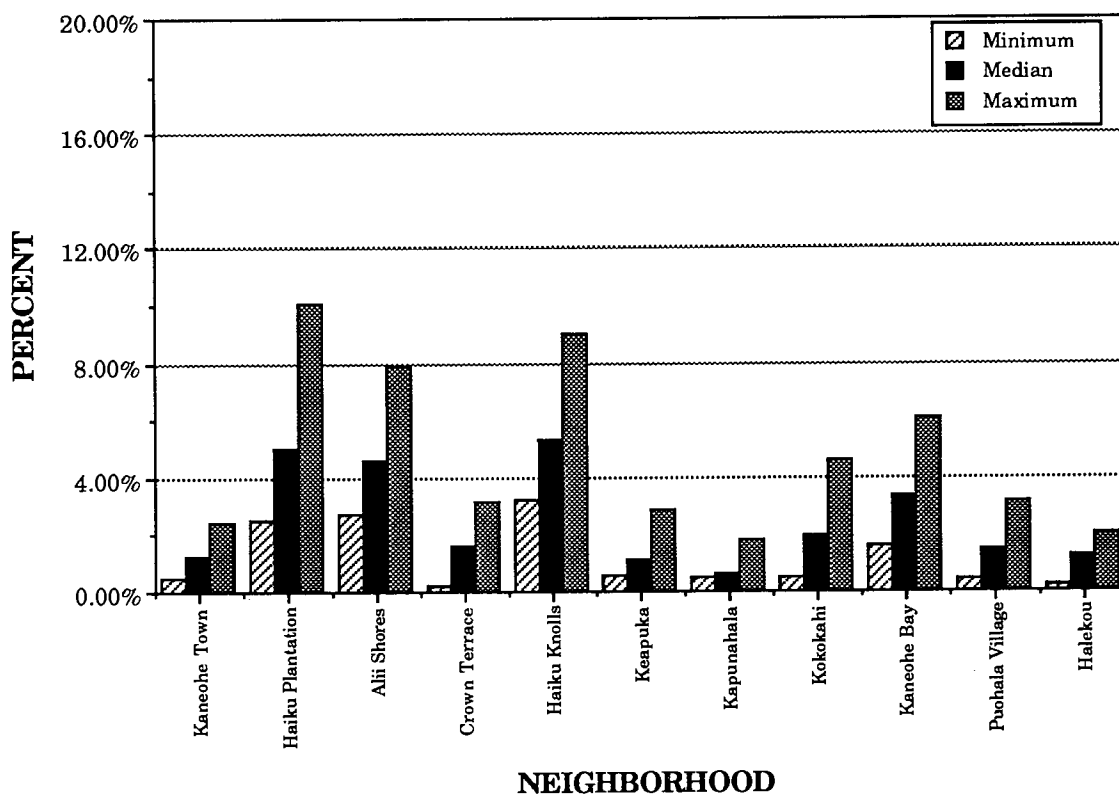


Figure V-78

UPPER WINDWARD NEIGHBORHOOD TURNOVER RATES, 1977-1990

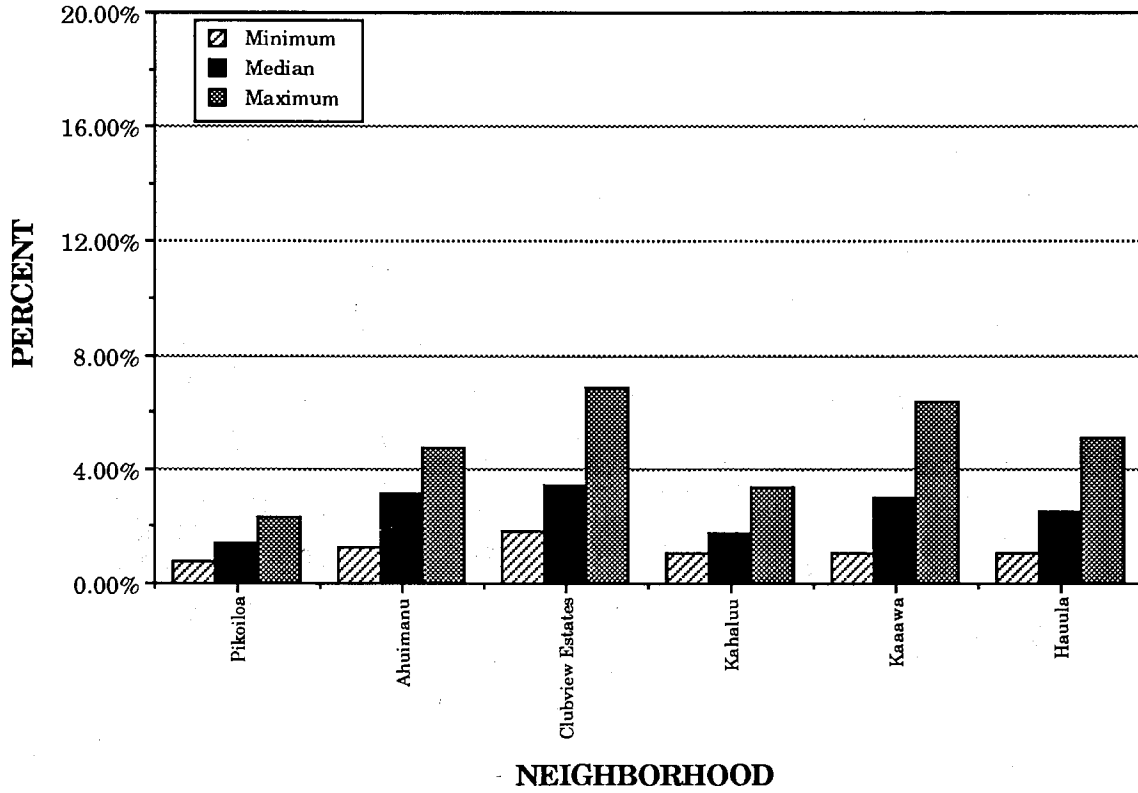


Figure V-79

NORTH SHORE NEIGHBORHOOD TURNOVER RATES, 1977-1990

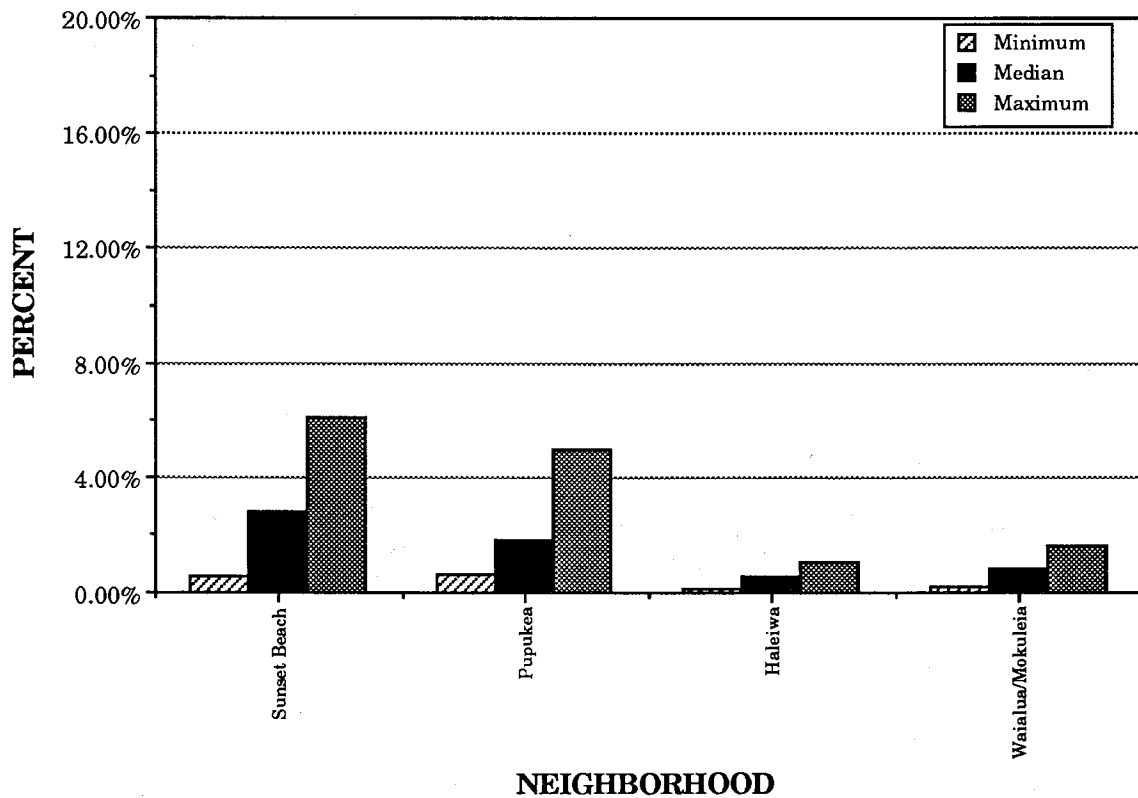


Figure V-80

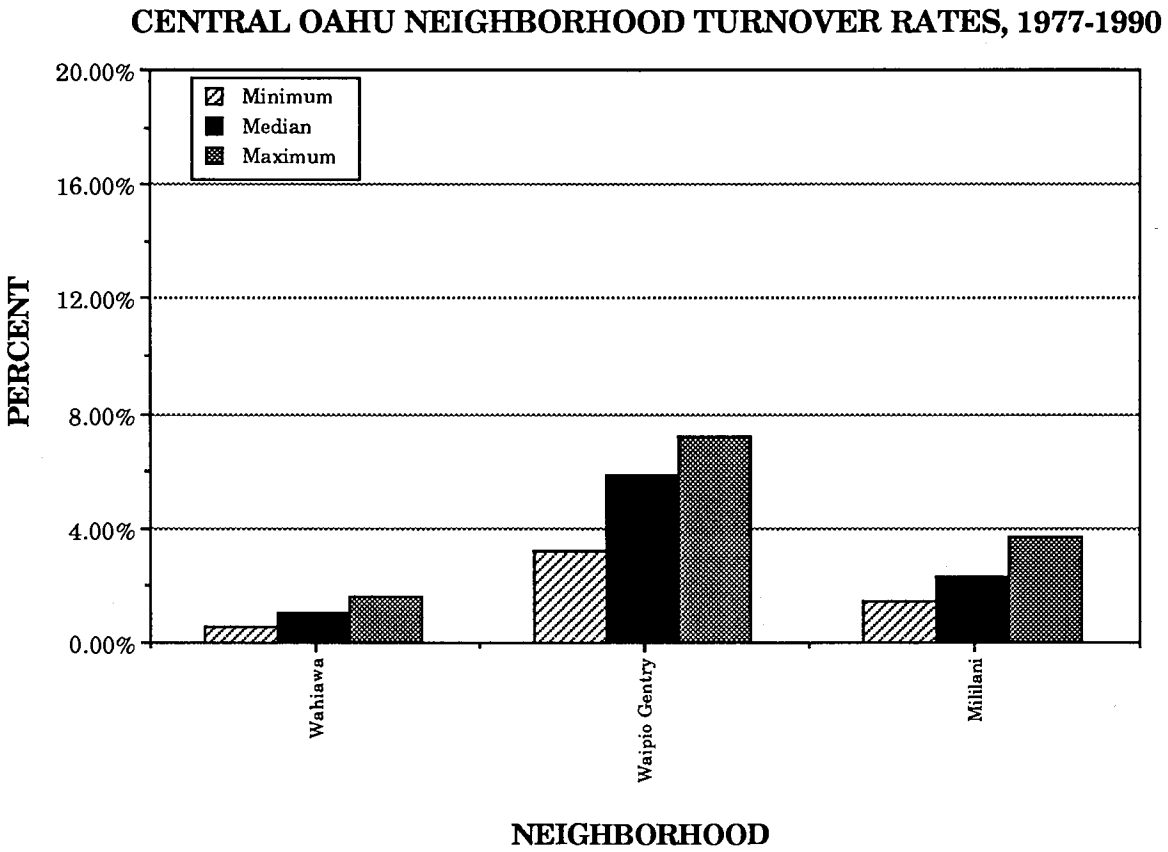


Figure V-81

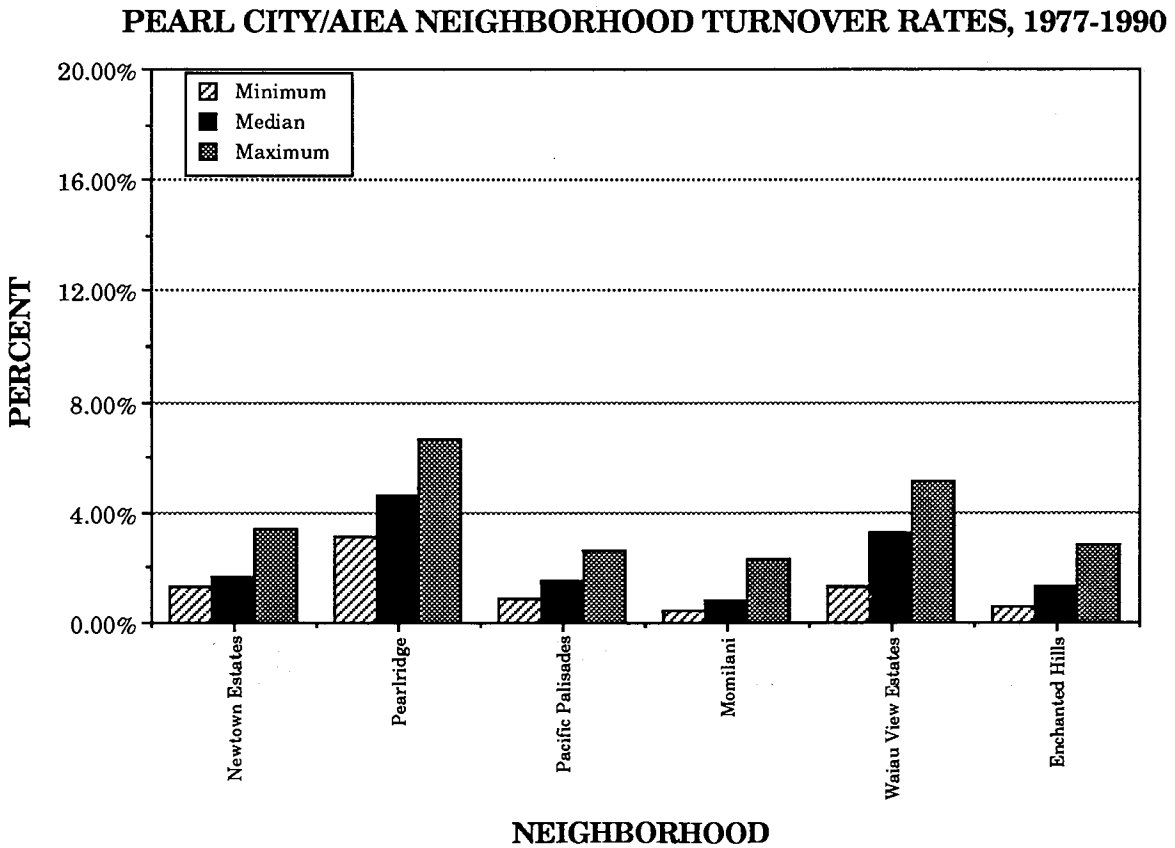


Figure V-82

EWA NEIGHBORHOOD TURNOVER RATES, 1977-1990

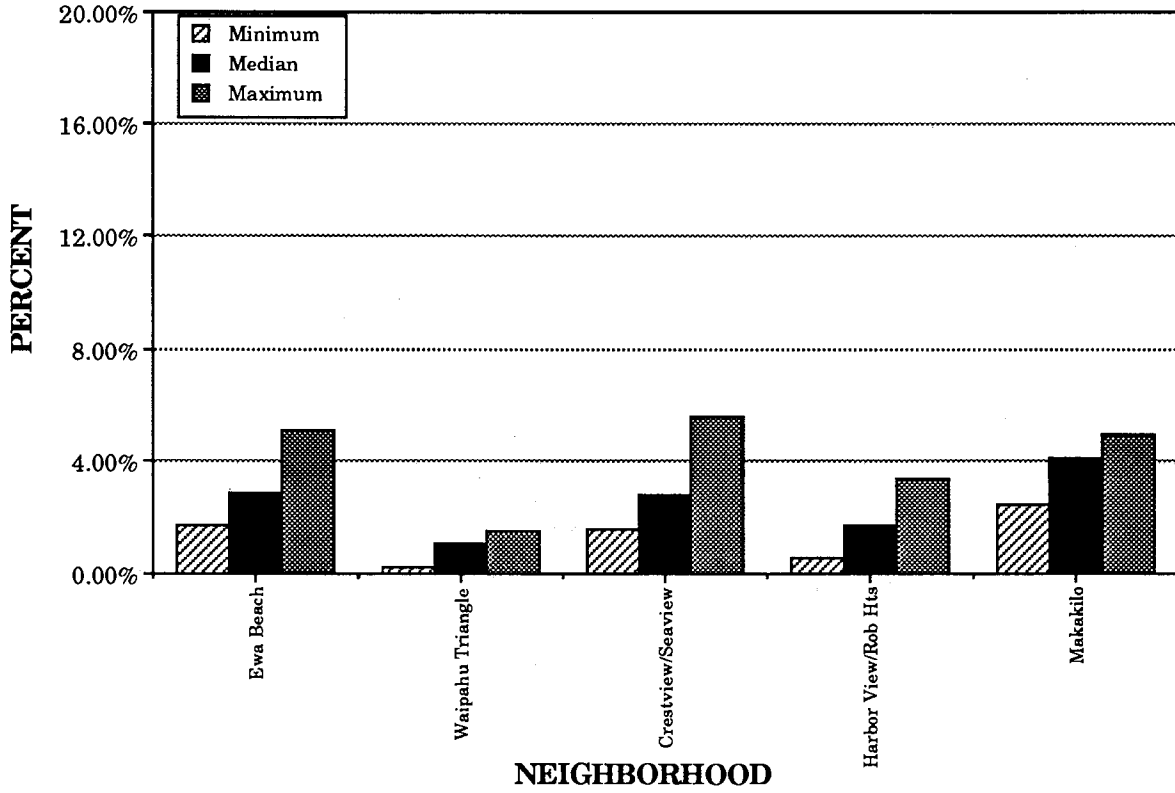


Figure V-83

LEEWARD NEIGHBORHOOD TURNOVER RATES, 1997-1990

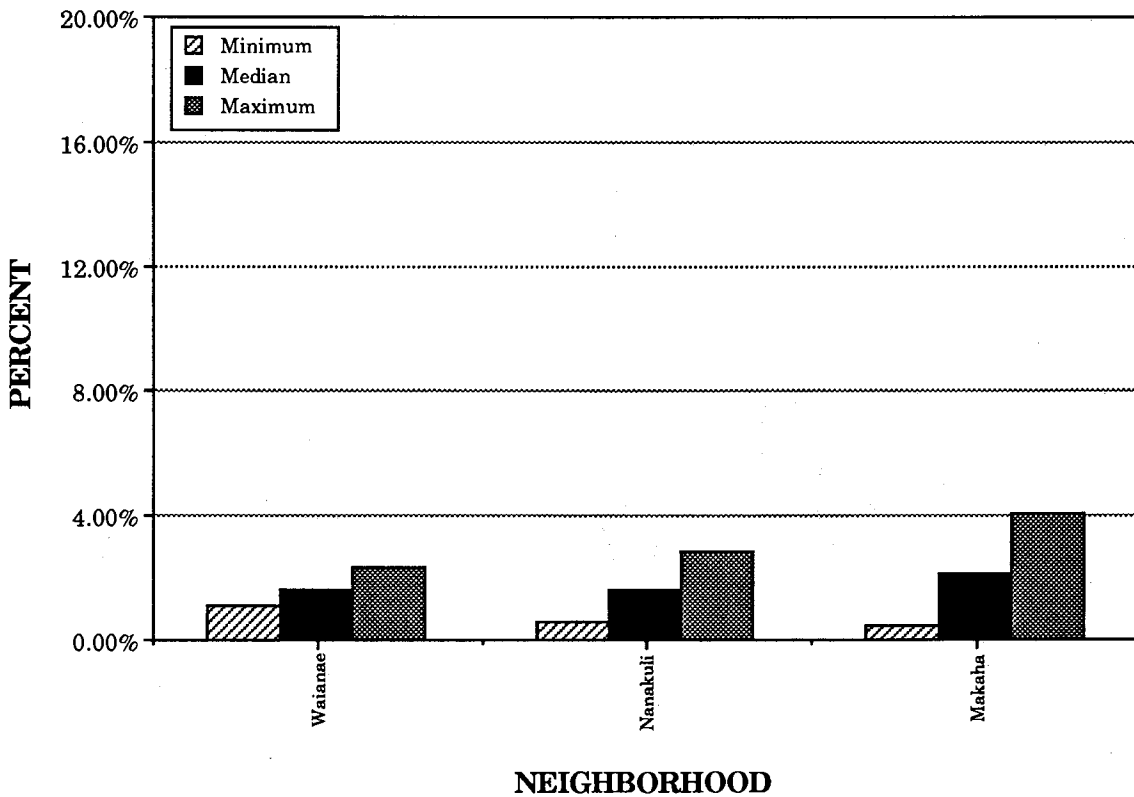


Figure V-84
NIU VALLEY MEDIAN PRICES

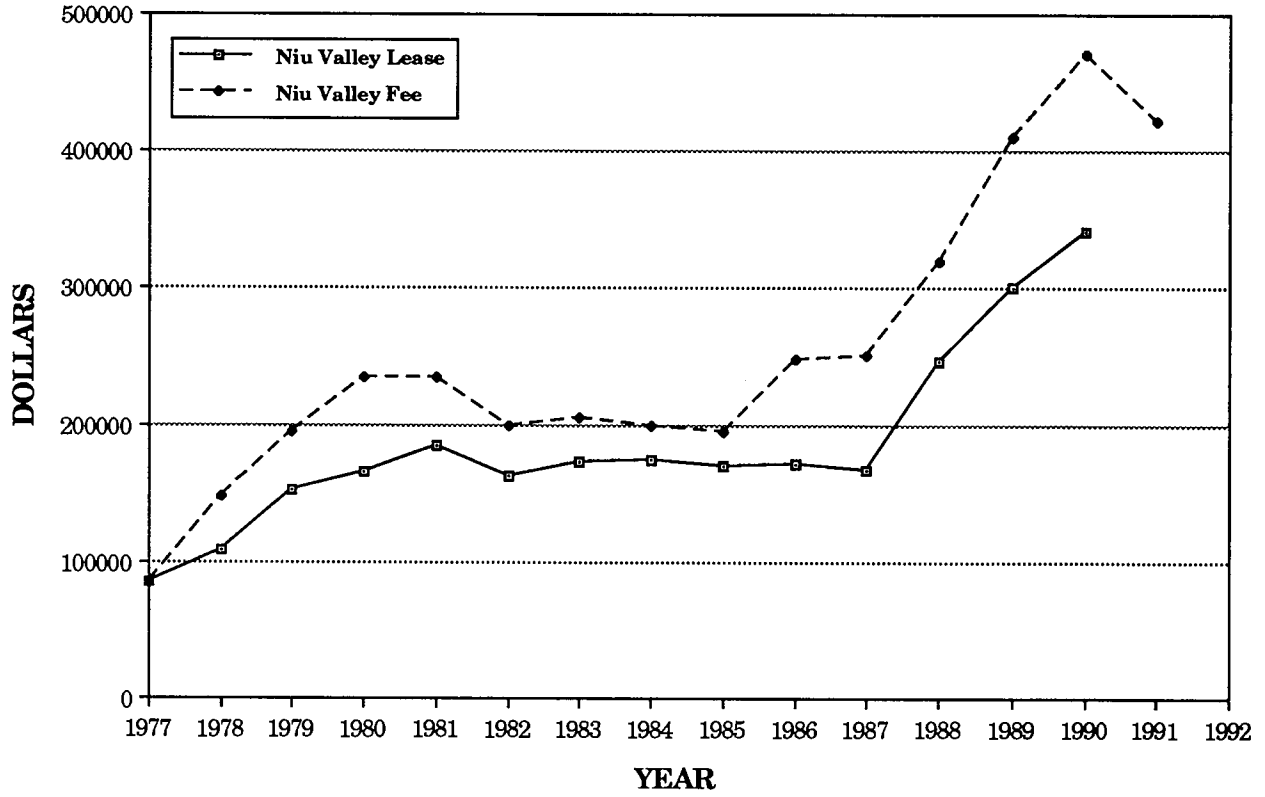


Figure V-85
ALIAMANU MEDIAN PRICES

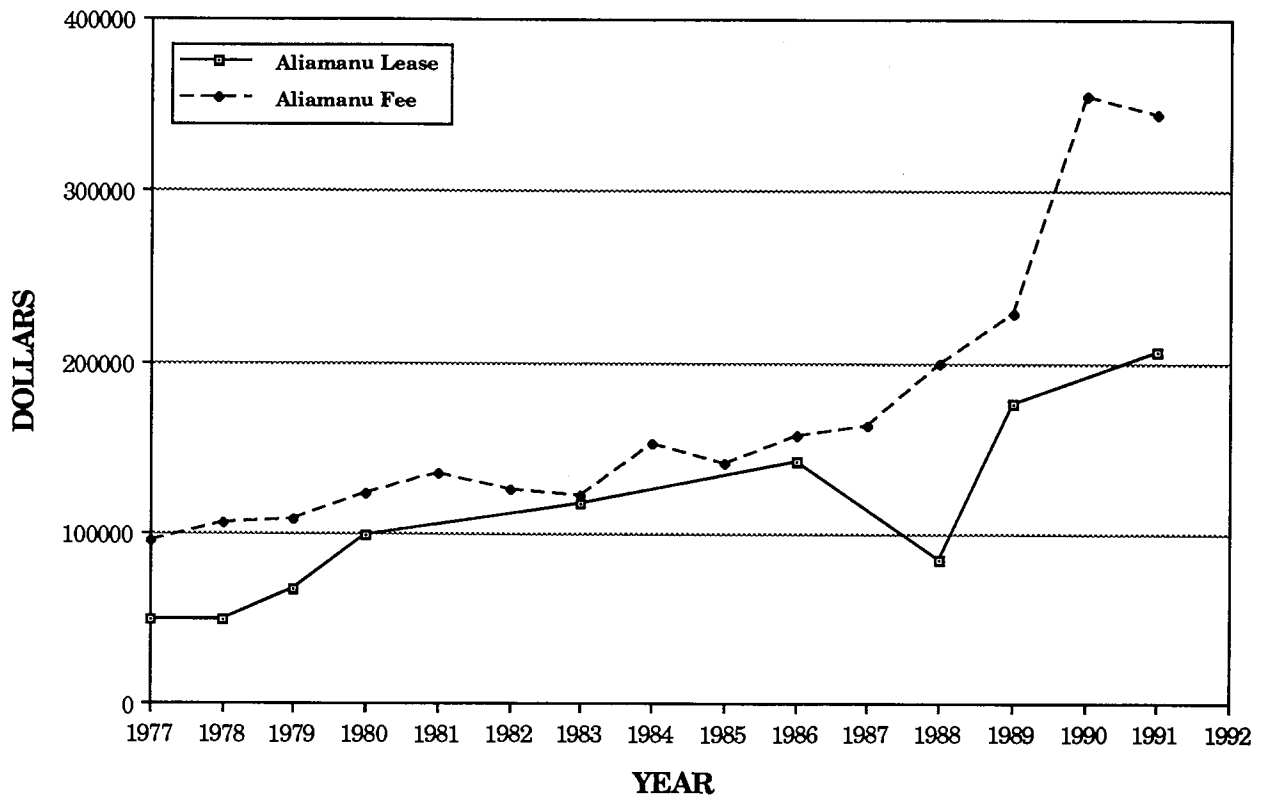


Figure V-86

HALAWA HILLS MEDIAN PRICES

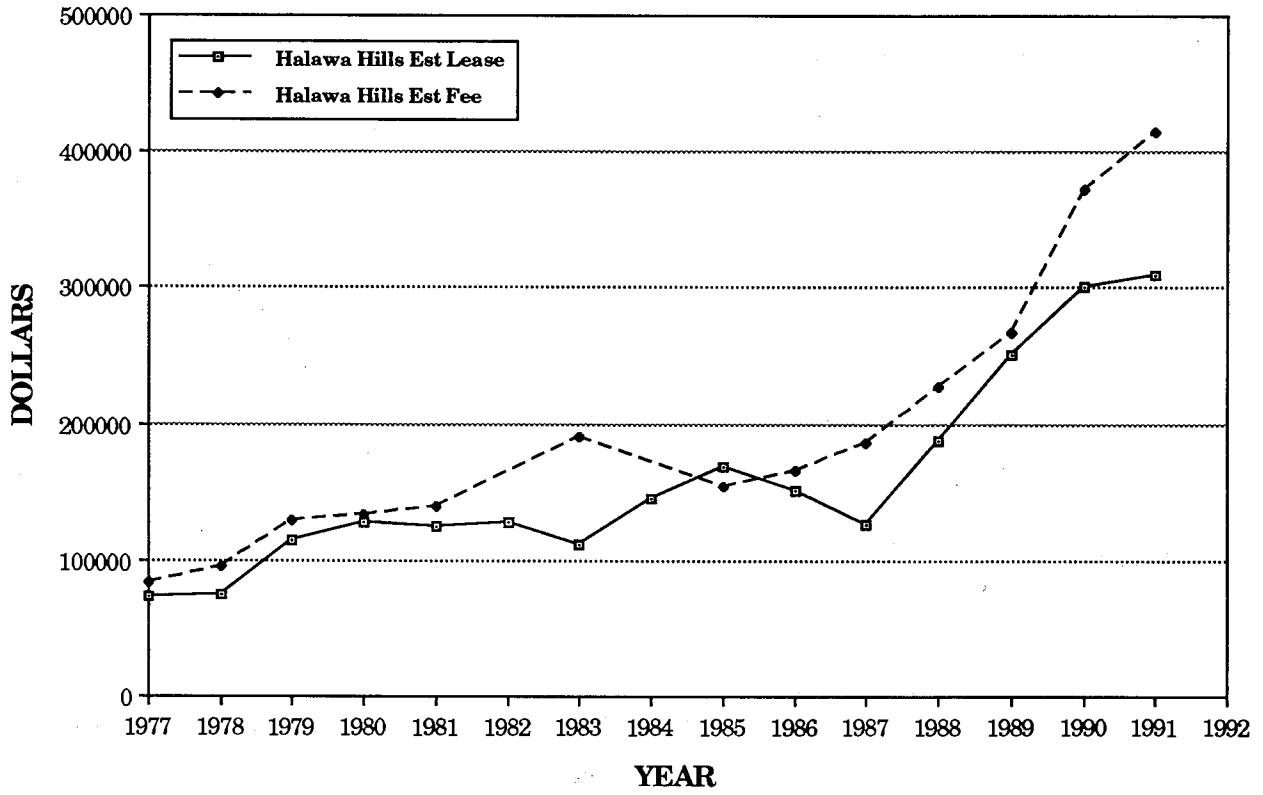


Figure V-87

FOSTER VILLAGE MEDIAN PRICES

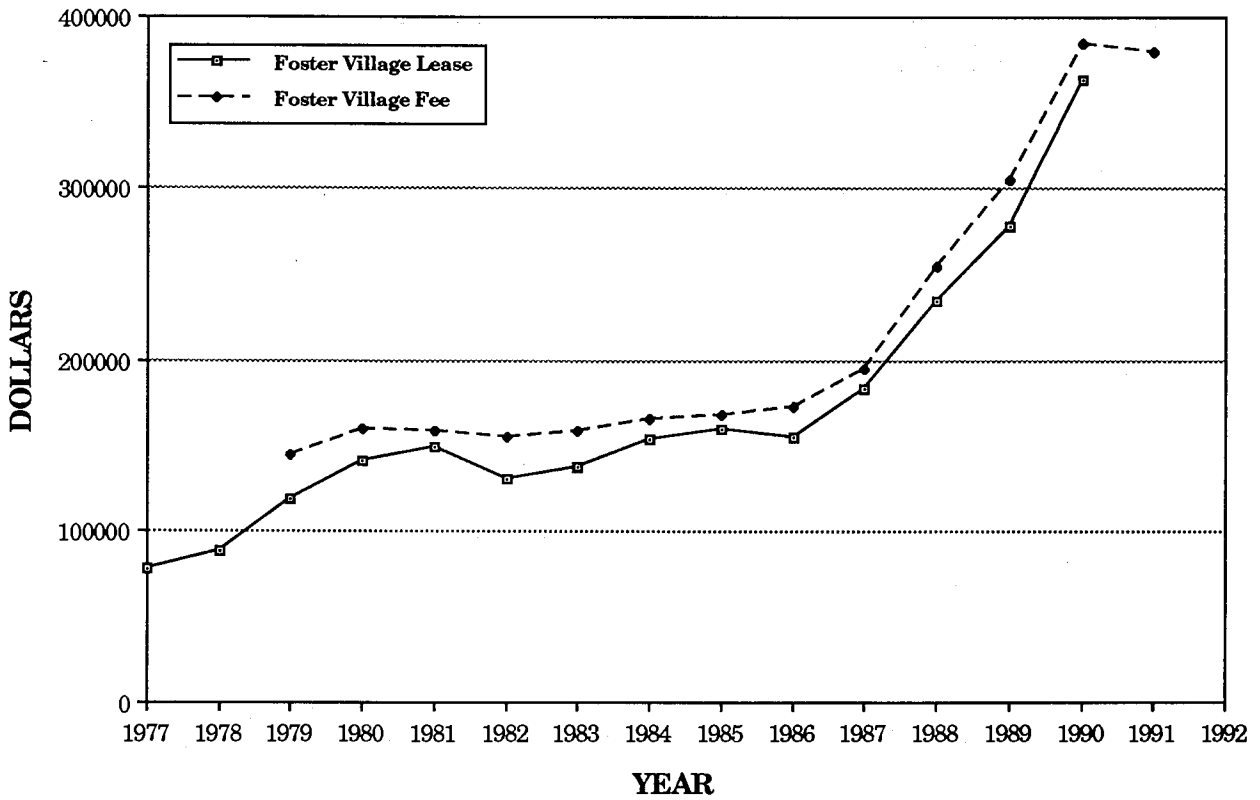


Figure V-88
OLD KAHALA MEDIAN PRICES

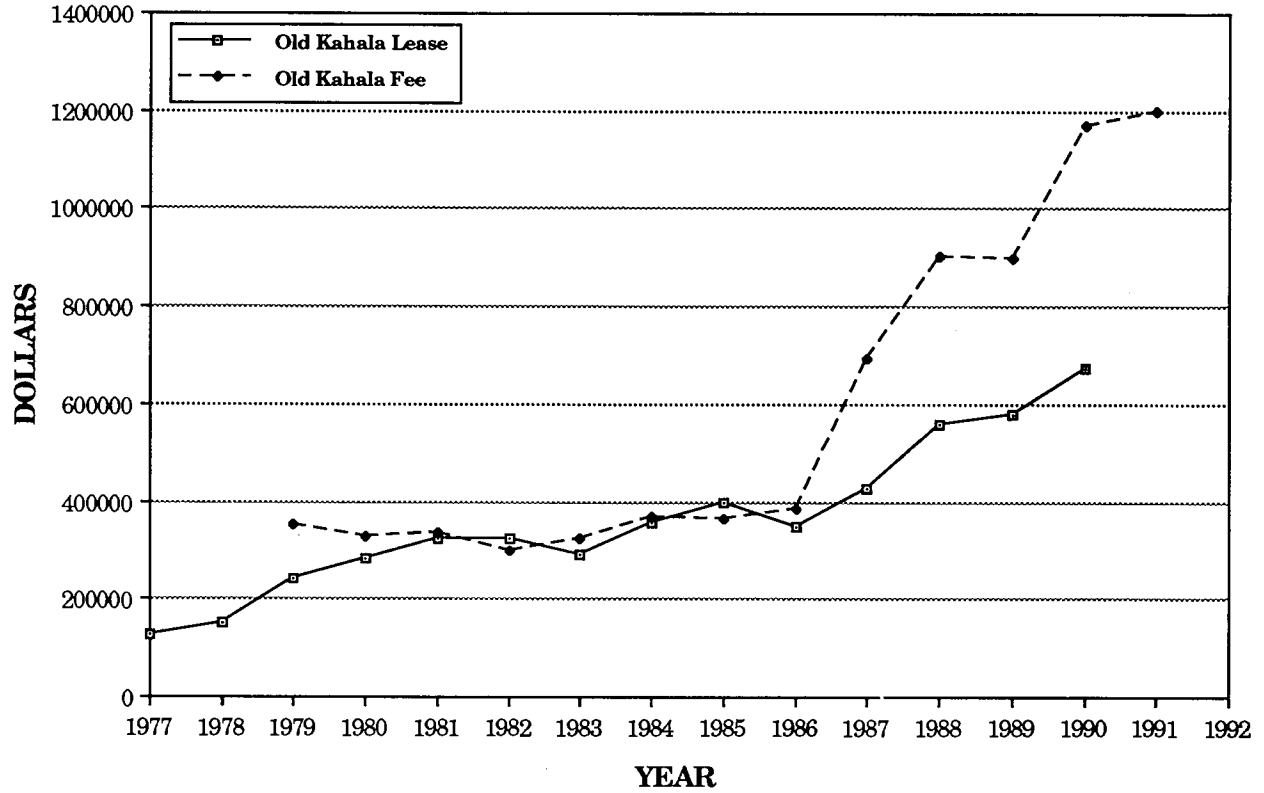


Figure V-89
WAIALAE NUI MEDIAN PRICES

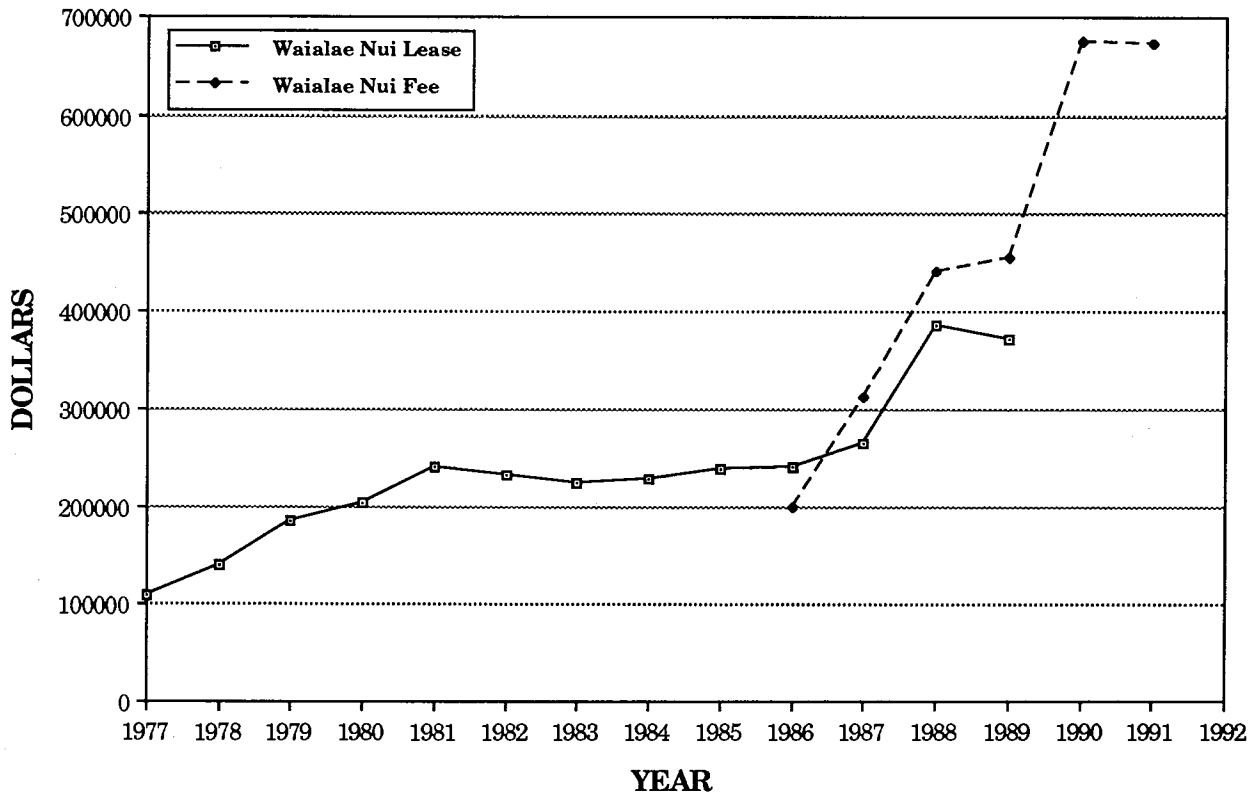


Figure V-90
AINA KOA MEDIAN PRICES

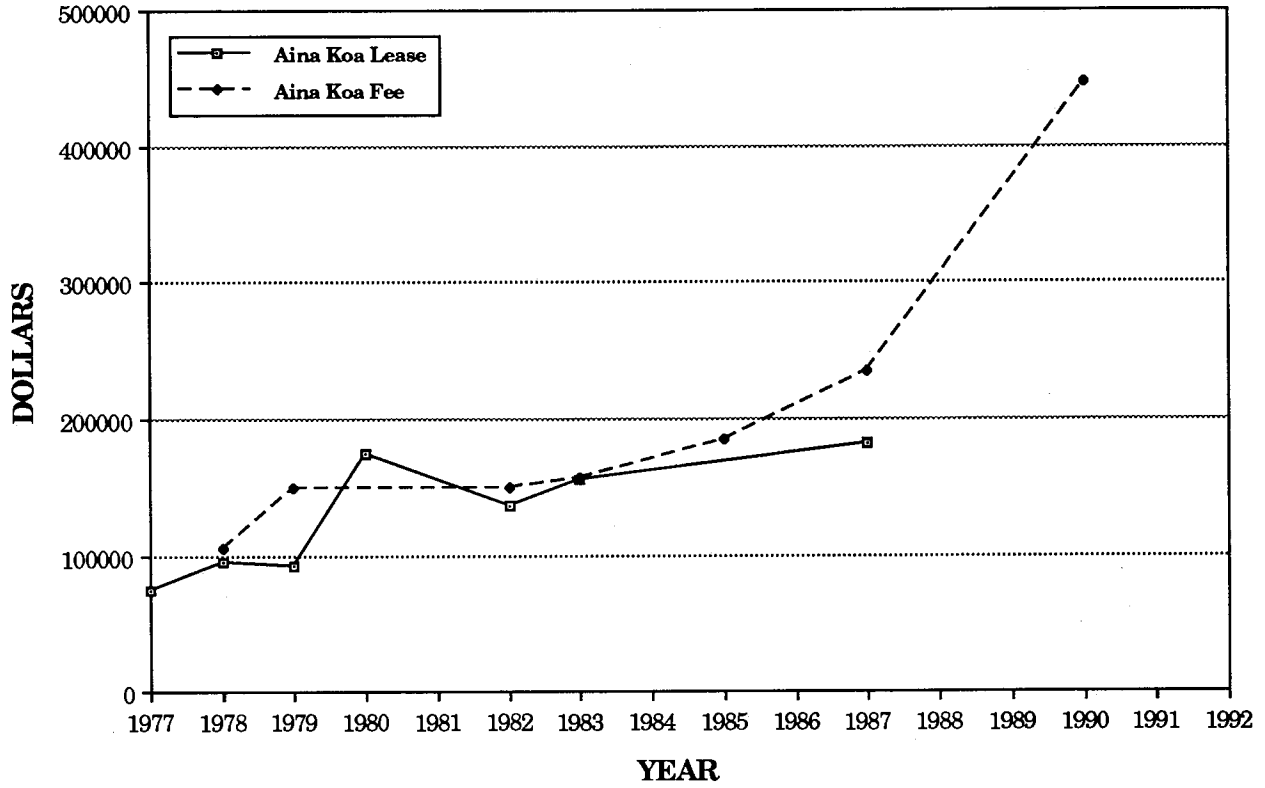


Figure V-91
WAIALAE IKI MEDIAN PRICES

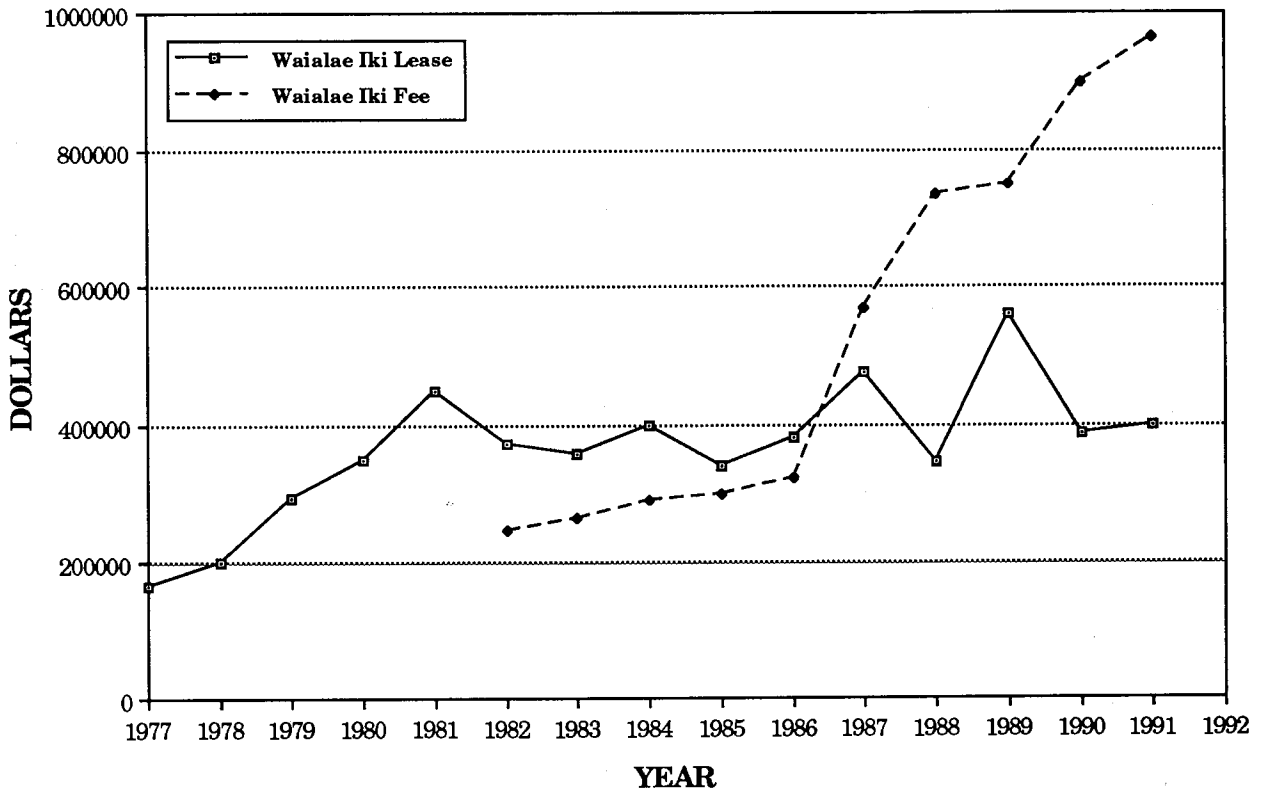


Figure V-92

KOKO KAI/PORTLOCK MEDIAN PRICES

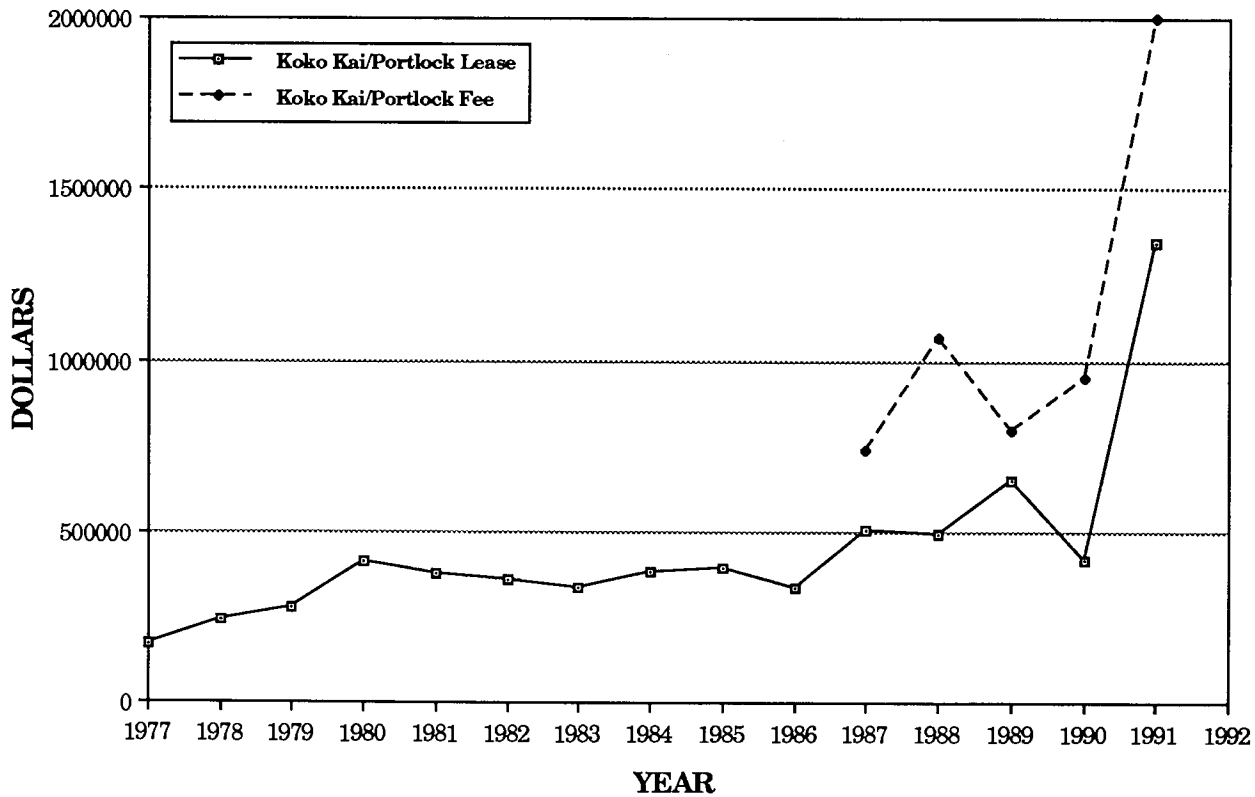


Figure V-93

KOKO HEAD TERRACE MEDIAN PRICES

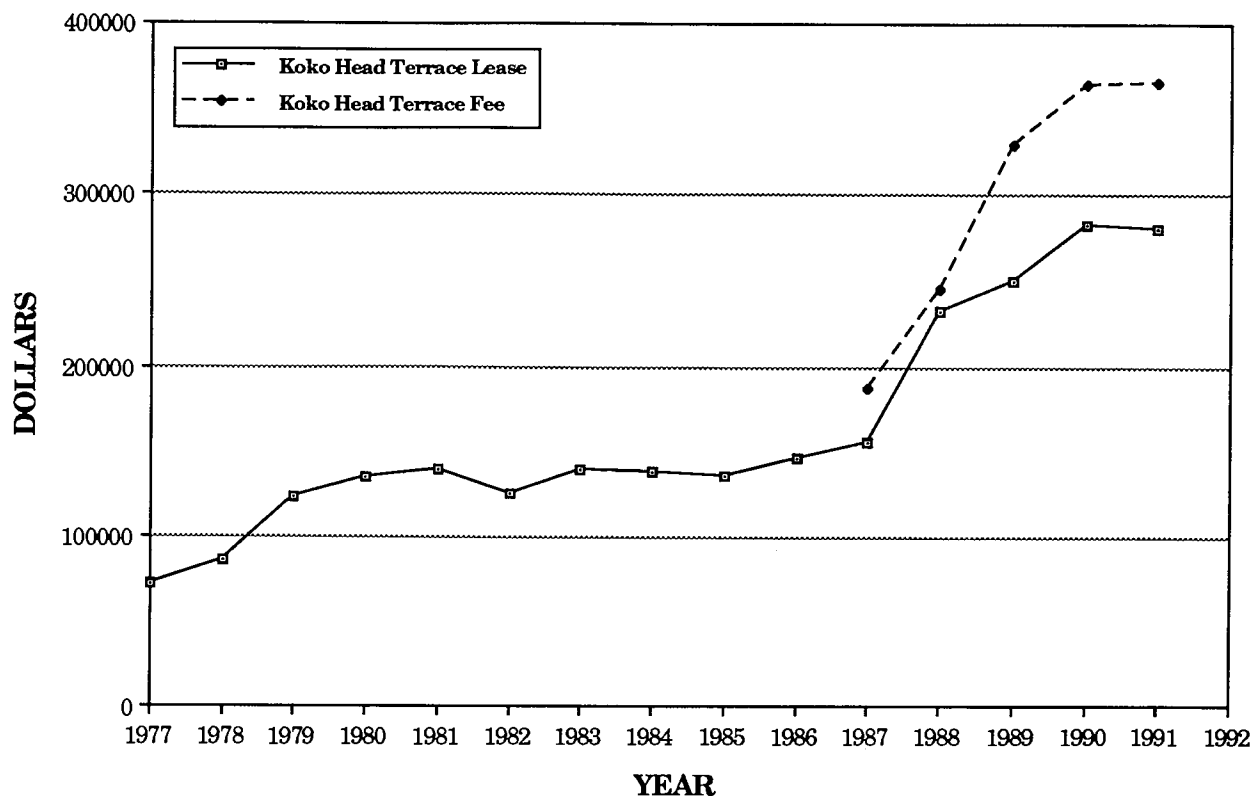


Figure V-94

MARINER'S RIDGE MEDIAN PRICES

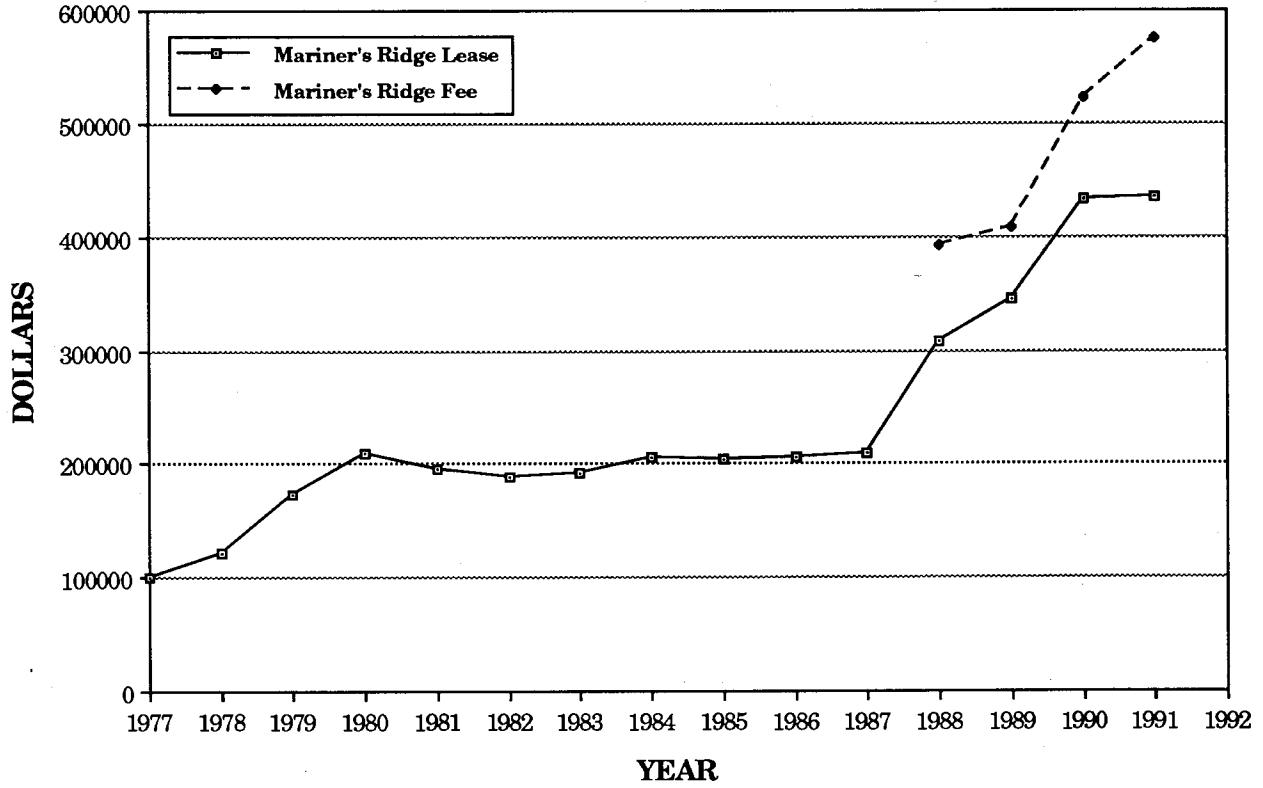


Figure V-95

KALAMA VALLEY MEDIAN PRICES

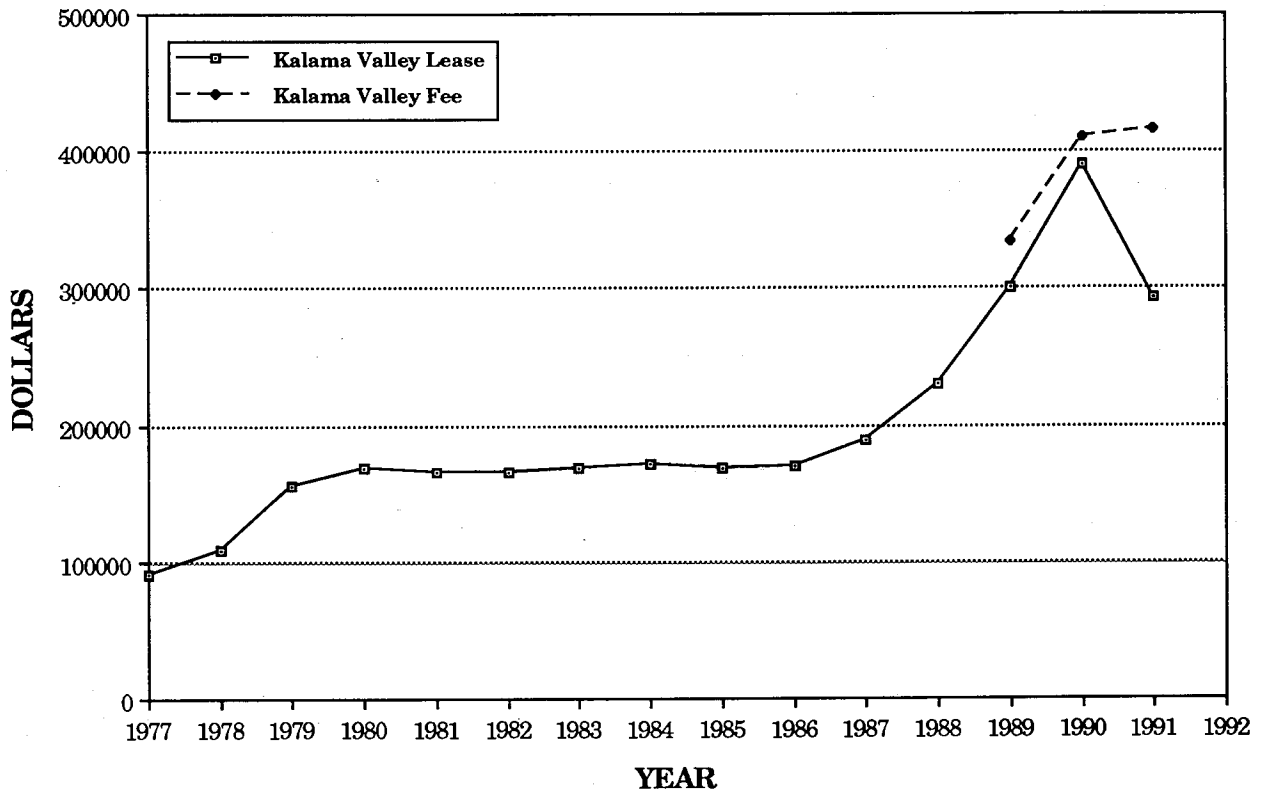


Figure V-96
QUEEN'S GATE MEDIAN PRICES

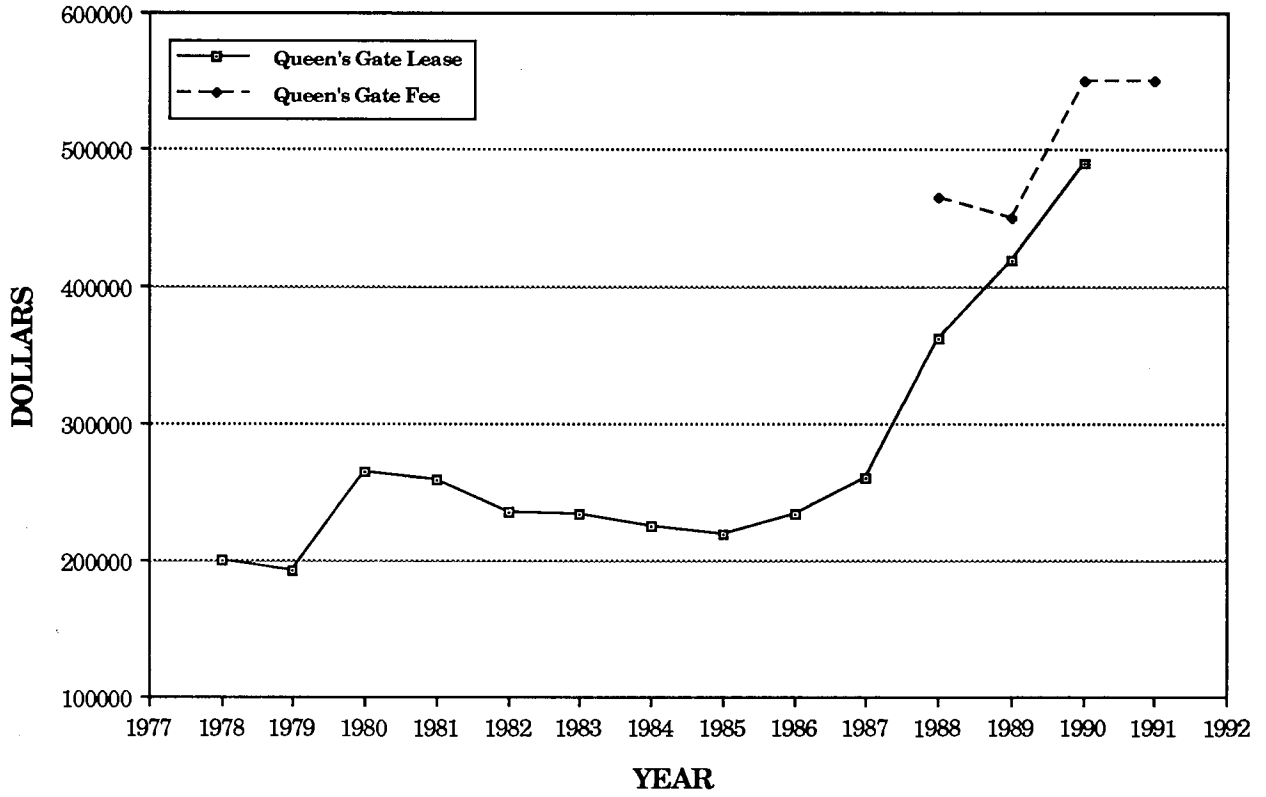


Figure V-97
ENCHANTED LAKE MEDIAN PRICES

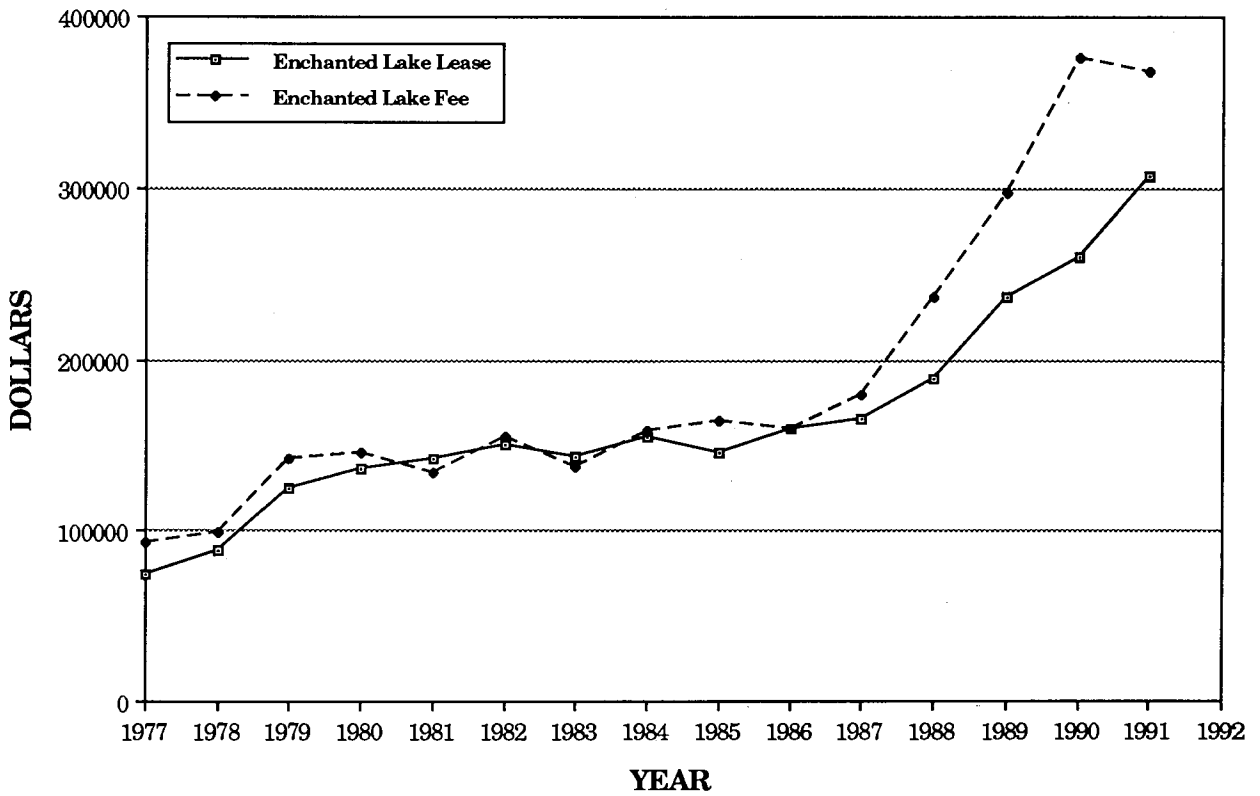


Figure V-98
OLOMANA MEDIAN PRICES

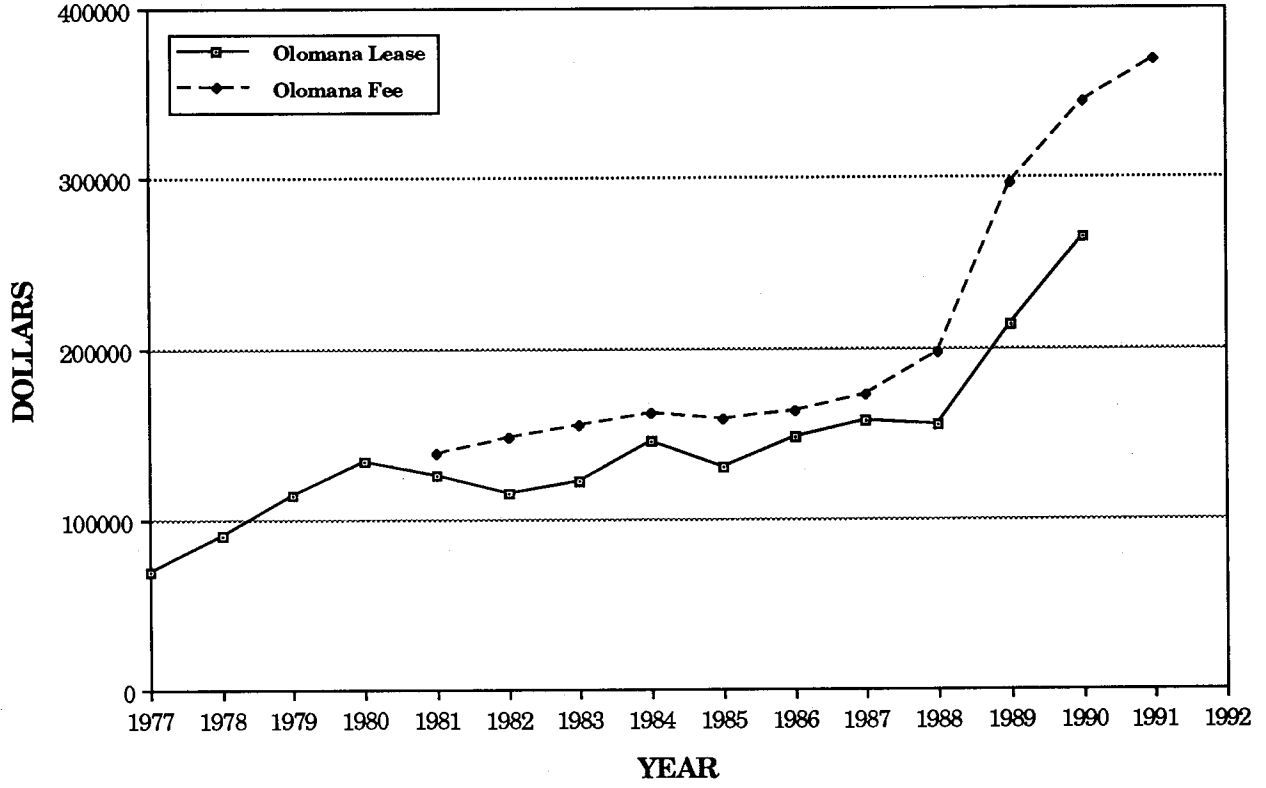


Figure V-99
KALAHEO HILLSIDE MEDIAN PRICES

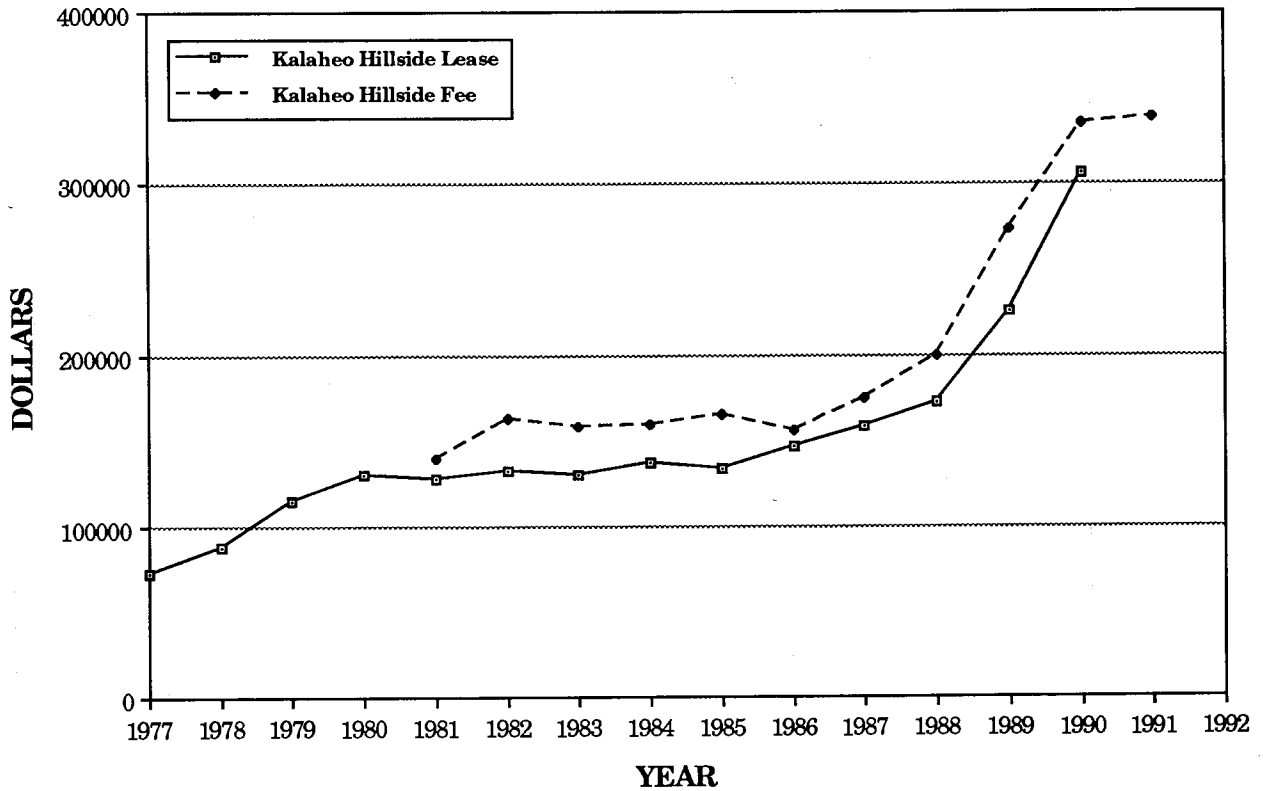


Figure V-100
AIKAHI PARK MEDIAN PRICES

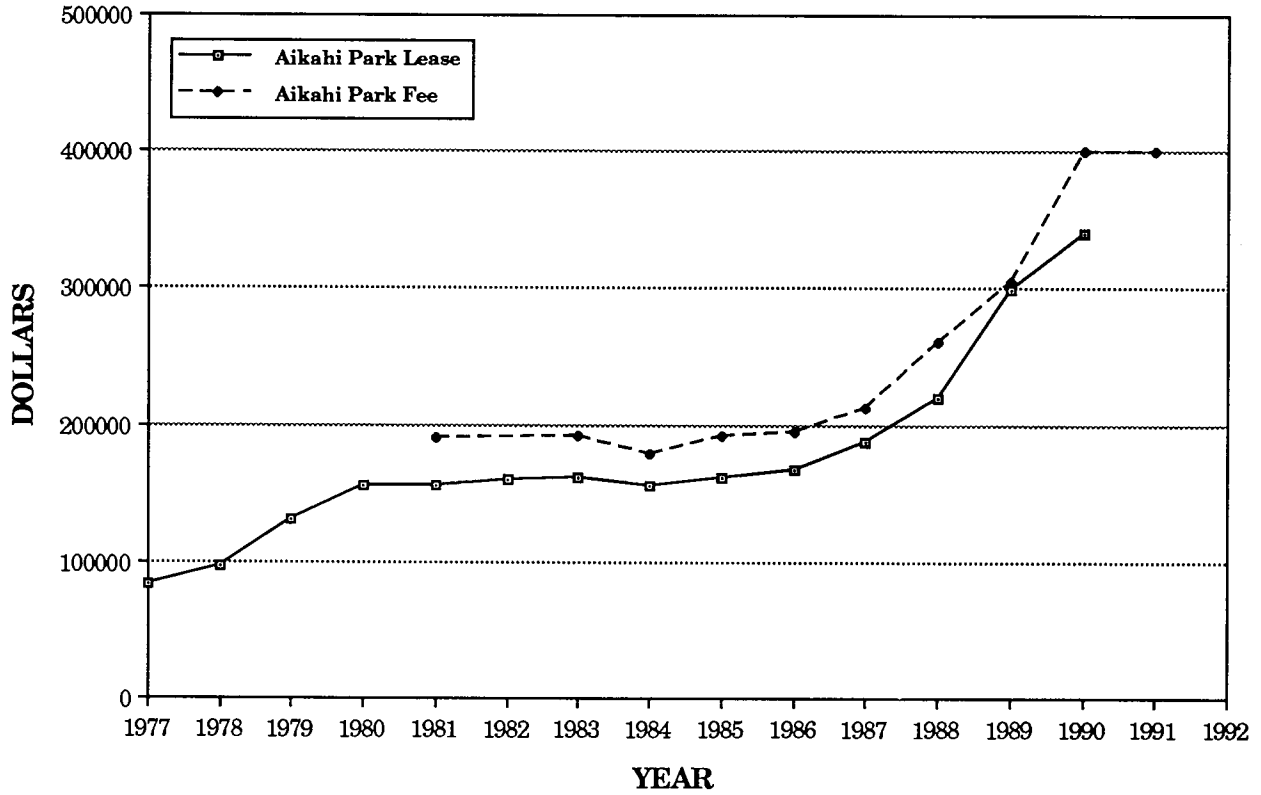


Figure V-101
KANEOHE TOWN MEDIAN PRICES

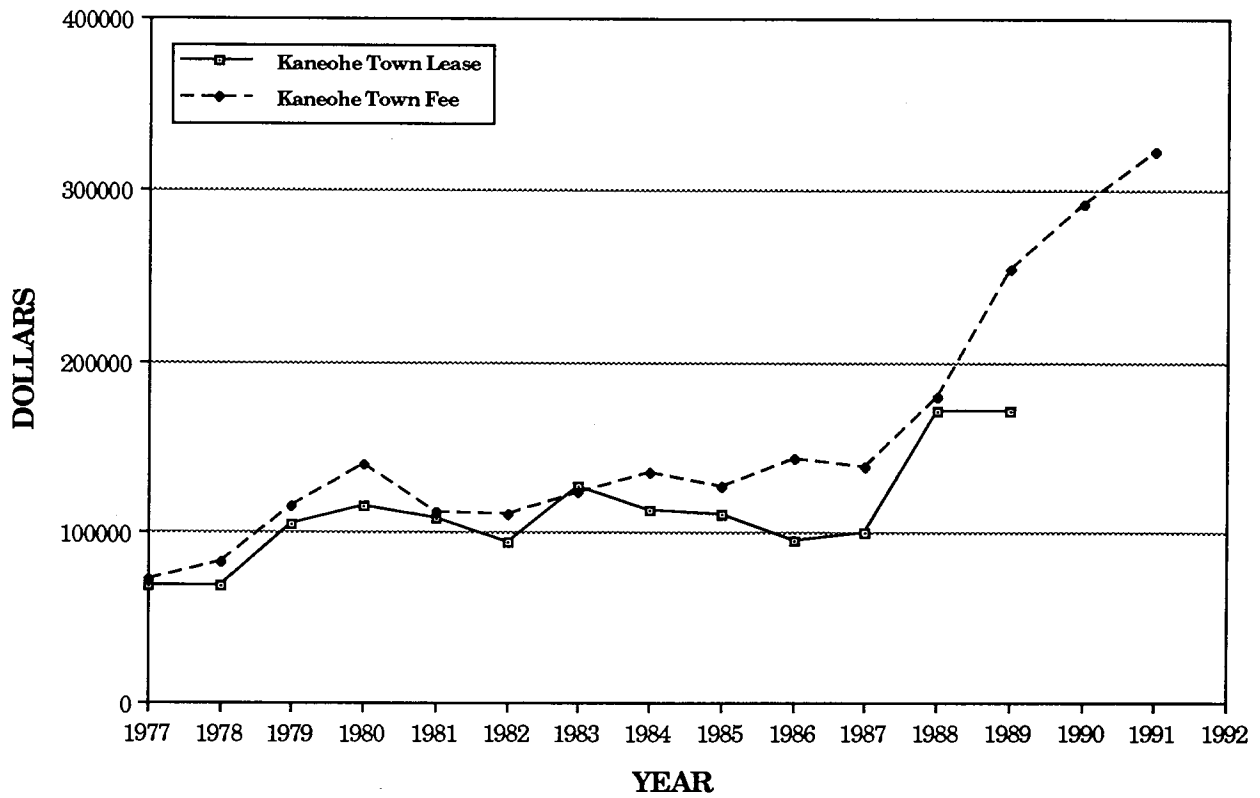


Figure V-102
ALII SHORES MEDIAN PRICES

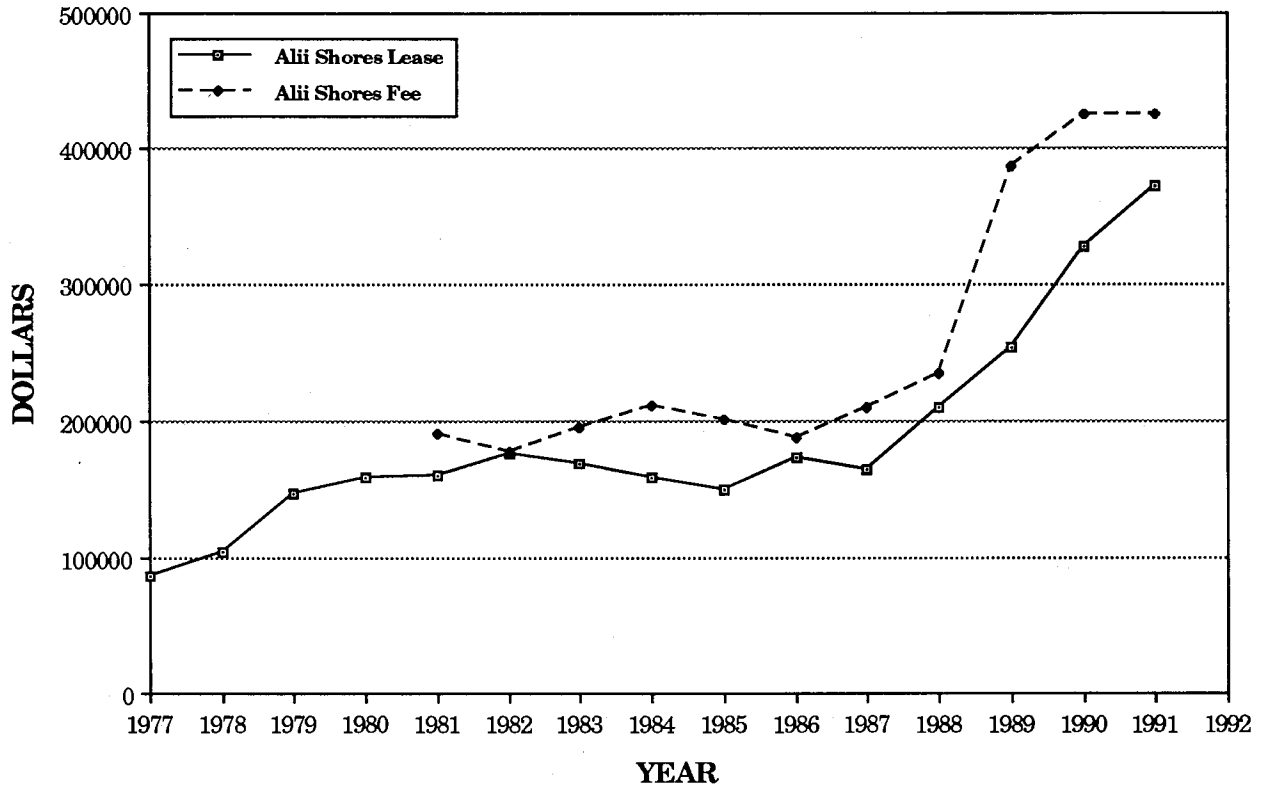


Figure V-103
HAIKU KNOLLS MEDIAN PRICES

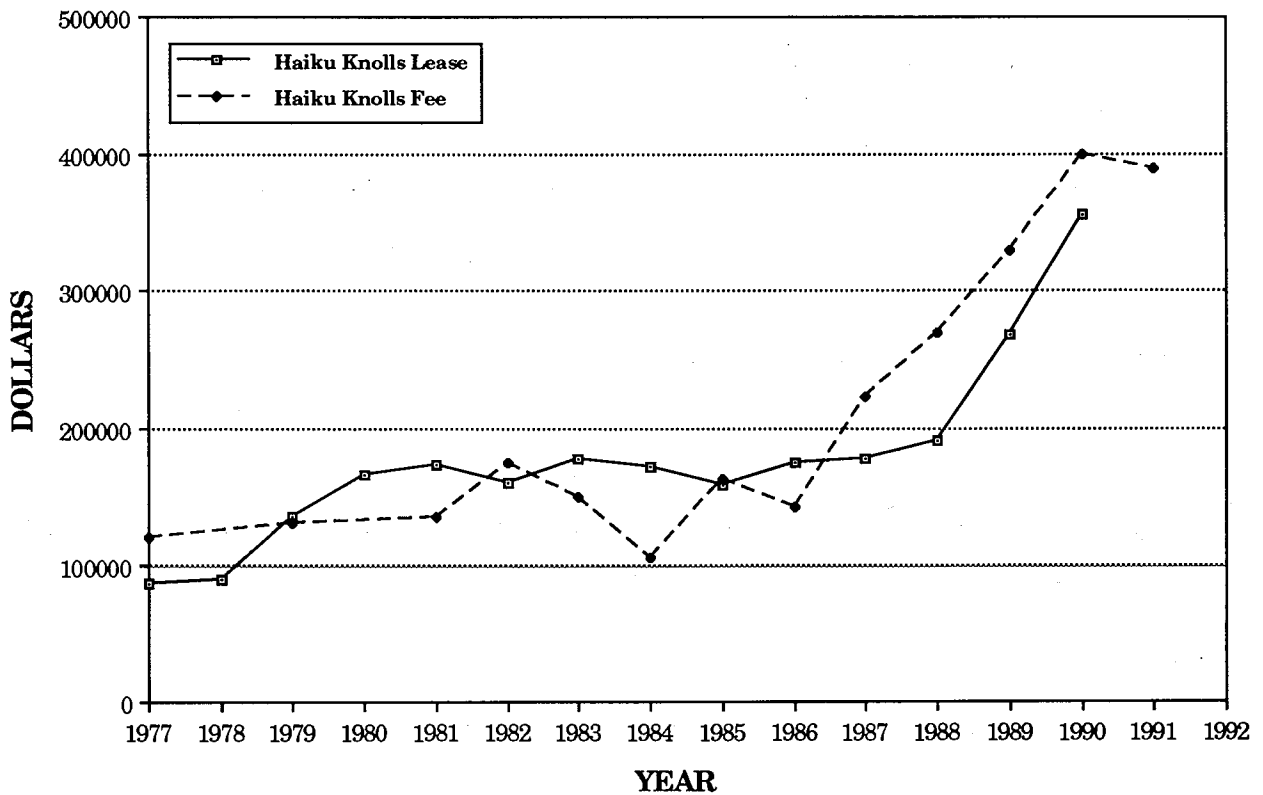


Figure V-104

PIKOILOA MEDIAN PRICES

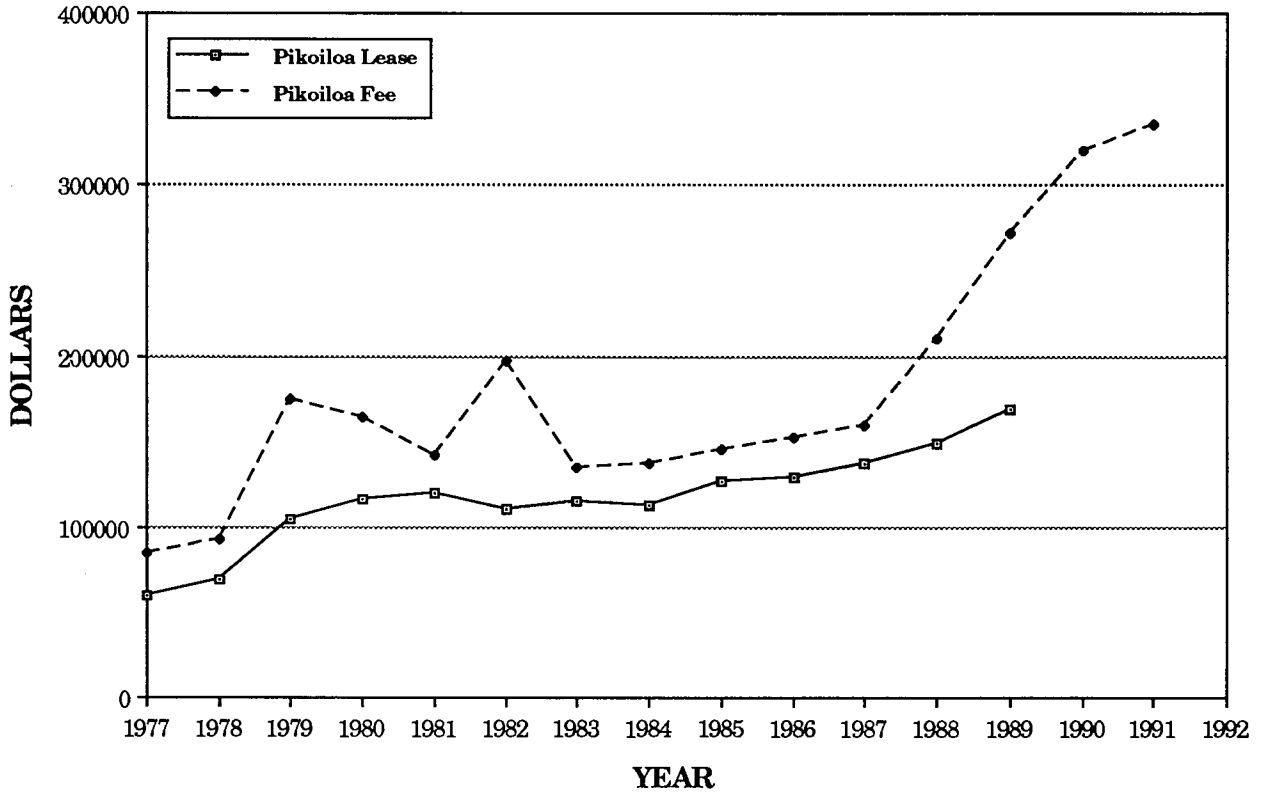


Figure V-105

KAAAWA MEDIAN PRICES

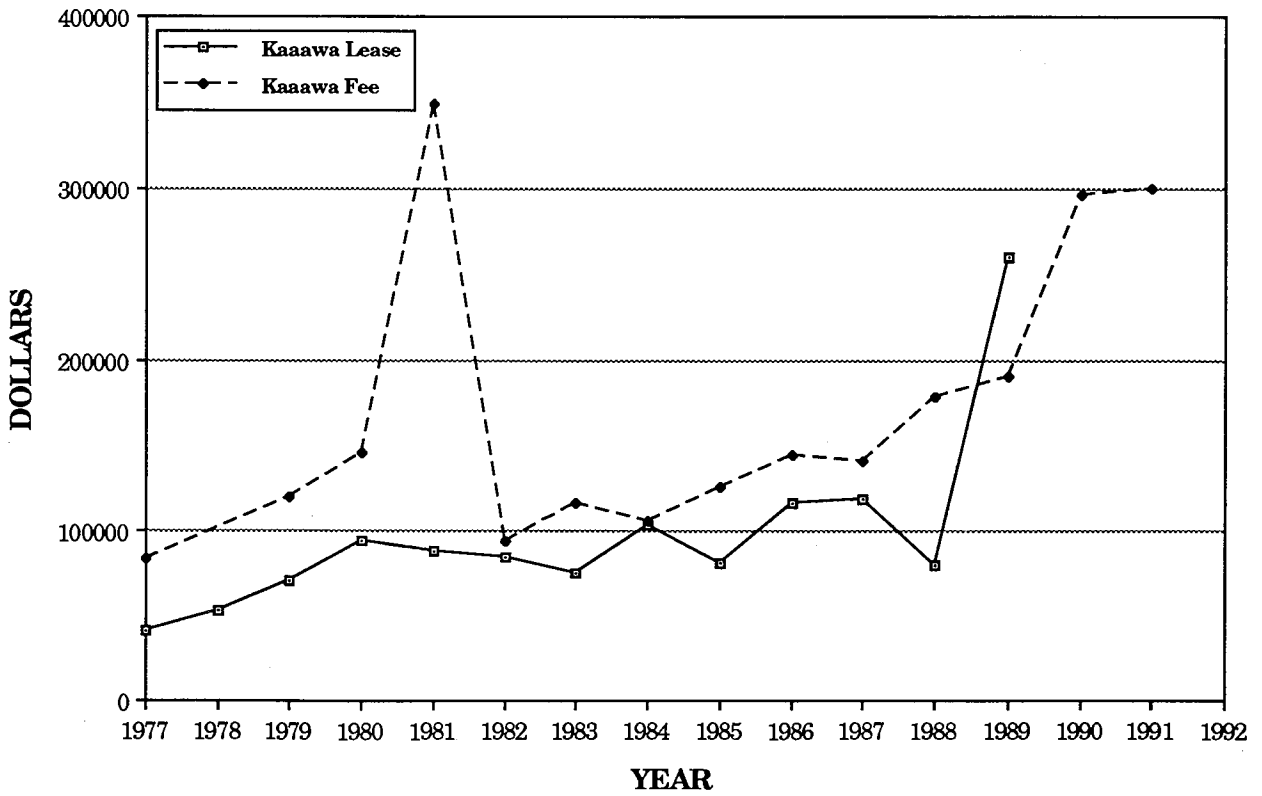


Figure V-106
HAULA MEDIAN PRICES

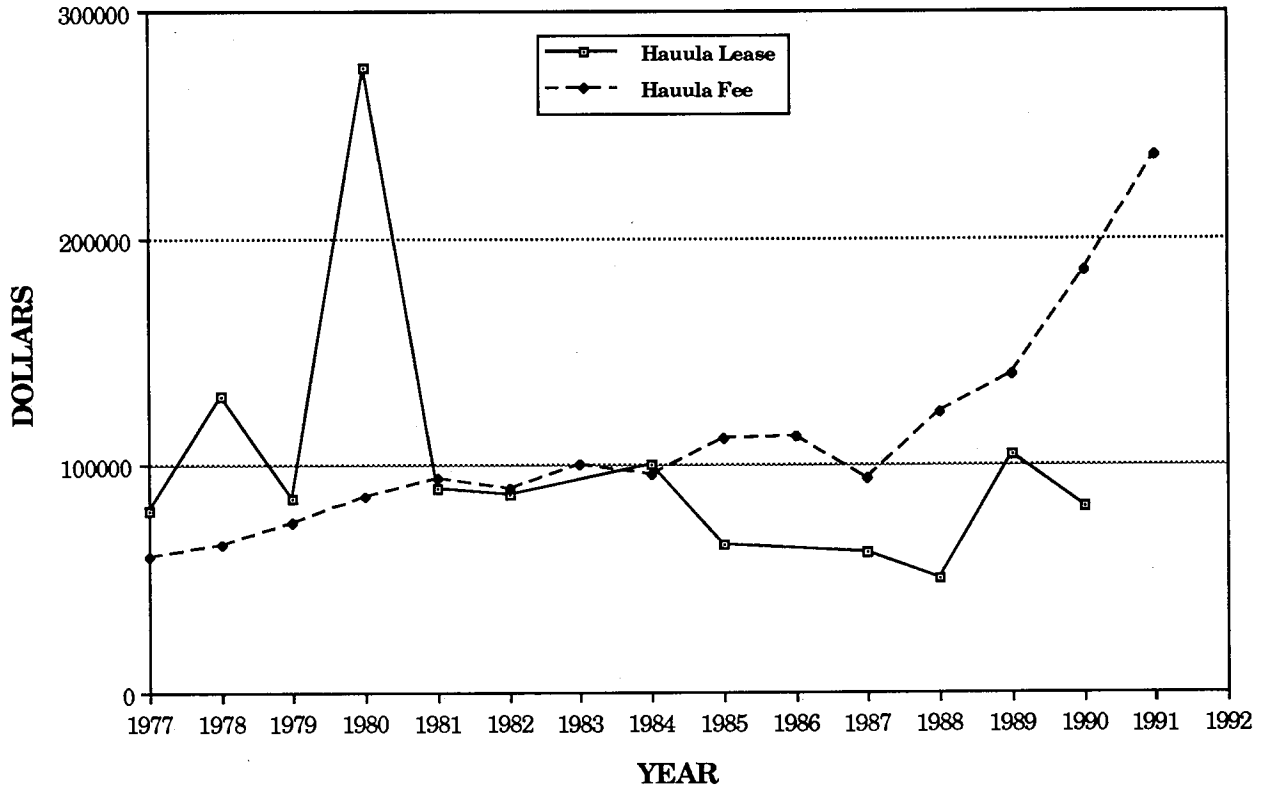


Figure V-107
WAHIAWA MEDIAN PRICES

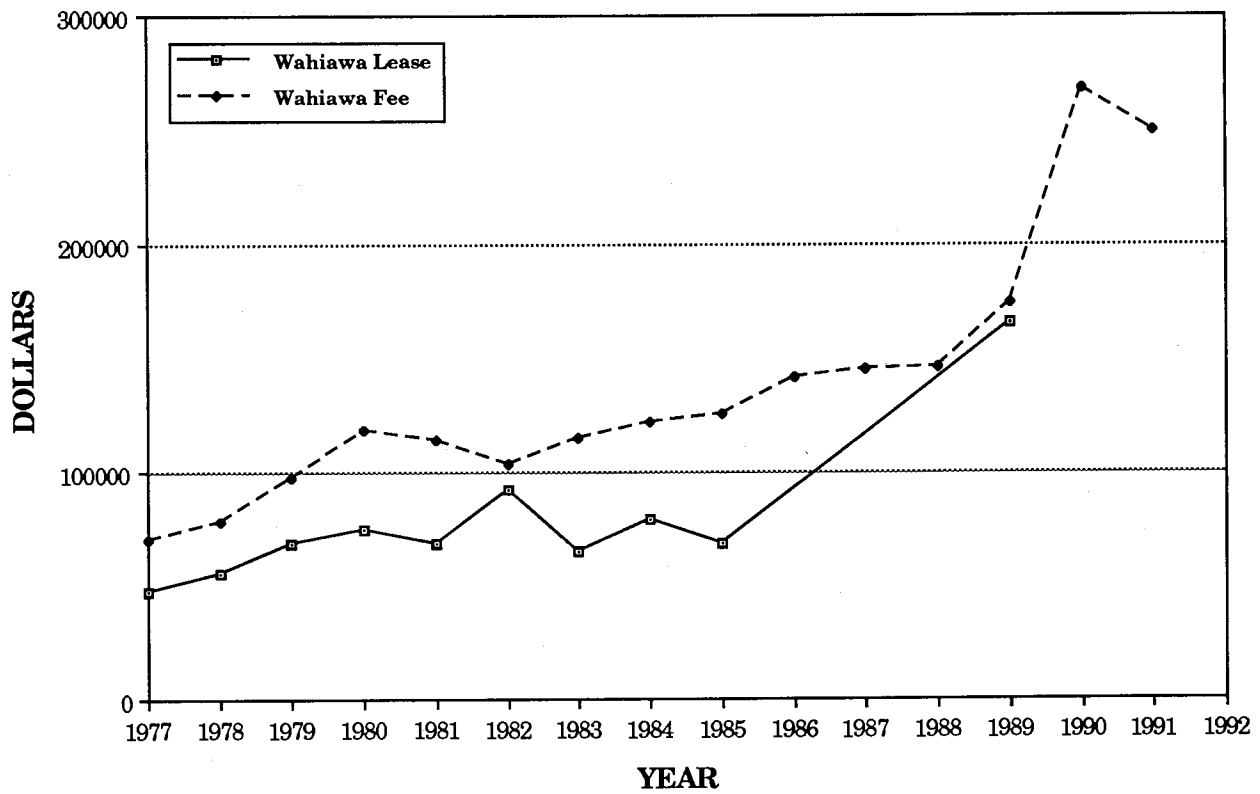


Figure V-108
PACIFIC PALISADES MEDIAN PRICES

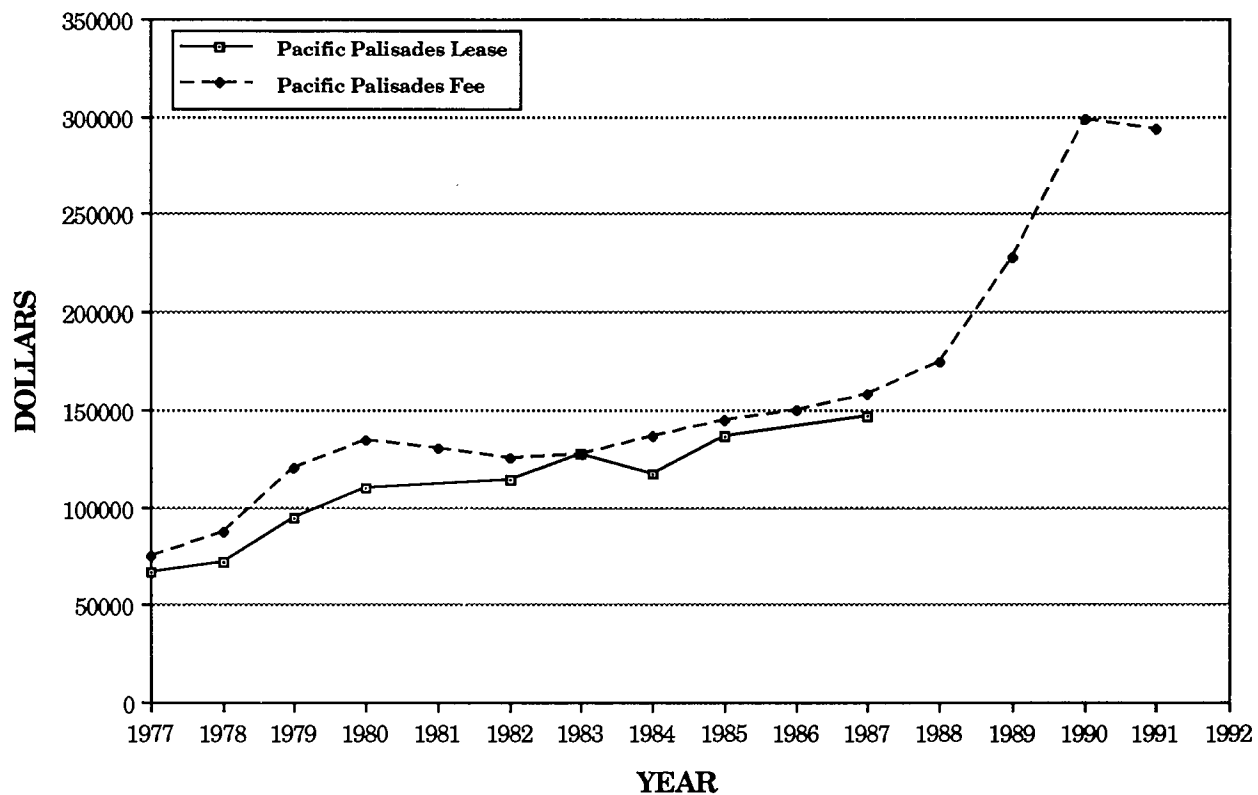


Figure V-109
MOMILANI MEDIAN PRICES

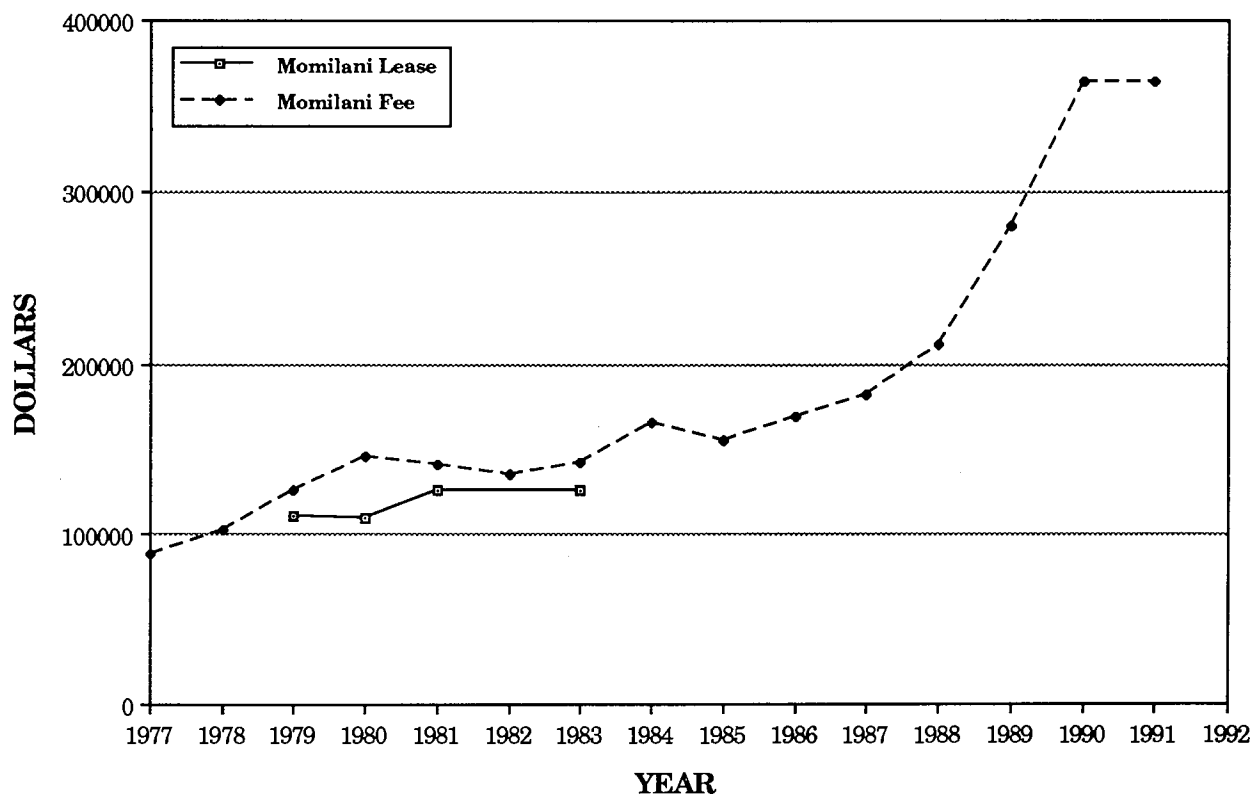


Figure V-110
EWA BEACH MEDIAN PRICES

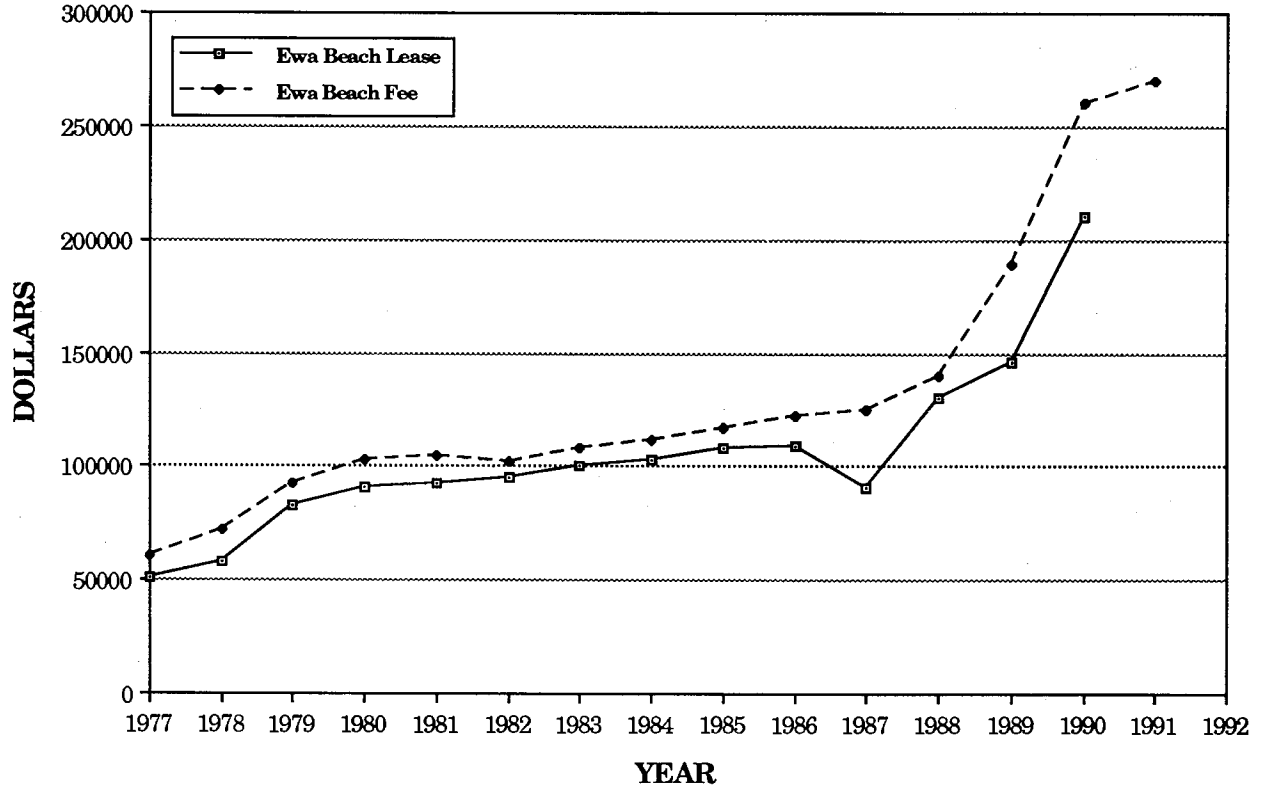


Figure V-111
VILLAGE PARK MEDIAN PRICES

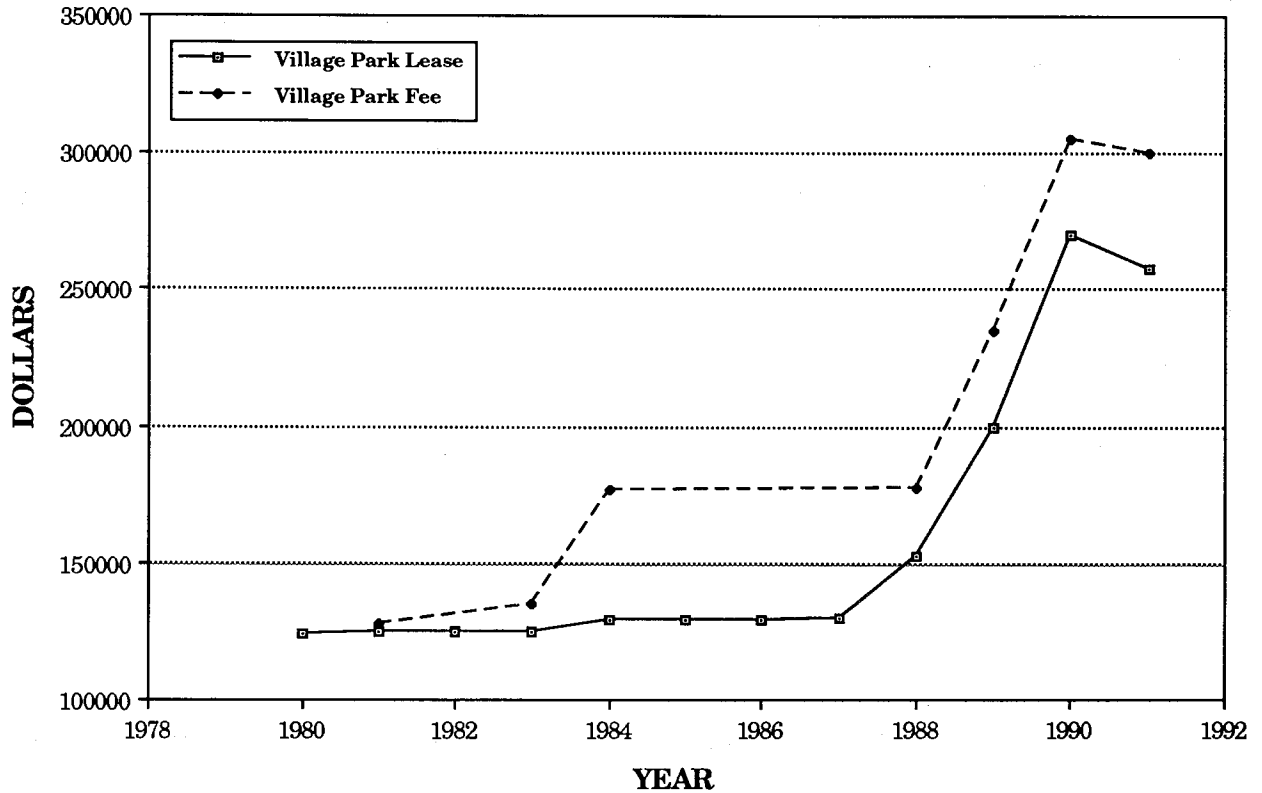


Figure V-112
MAKAKILO MEDIAN PRICES

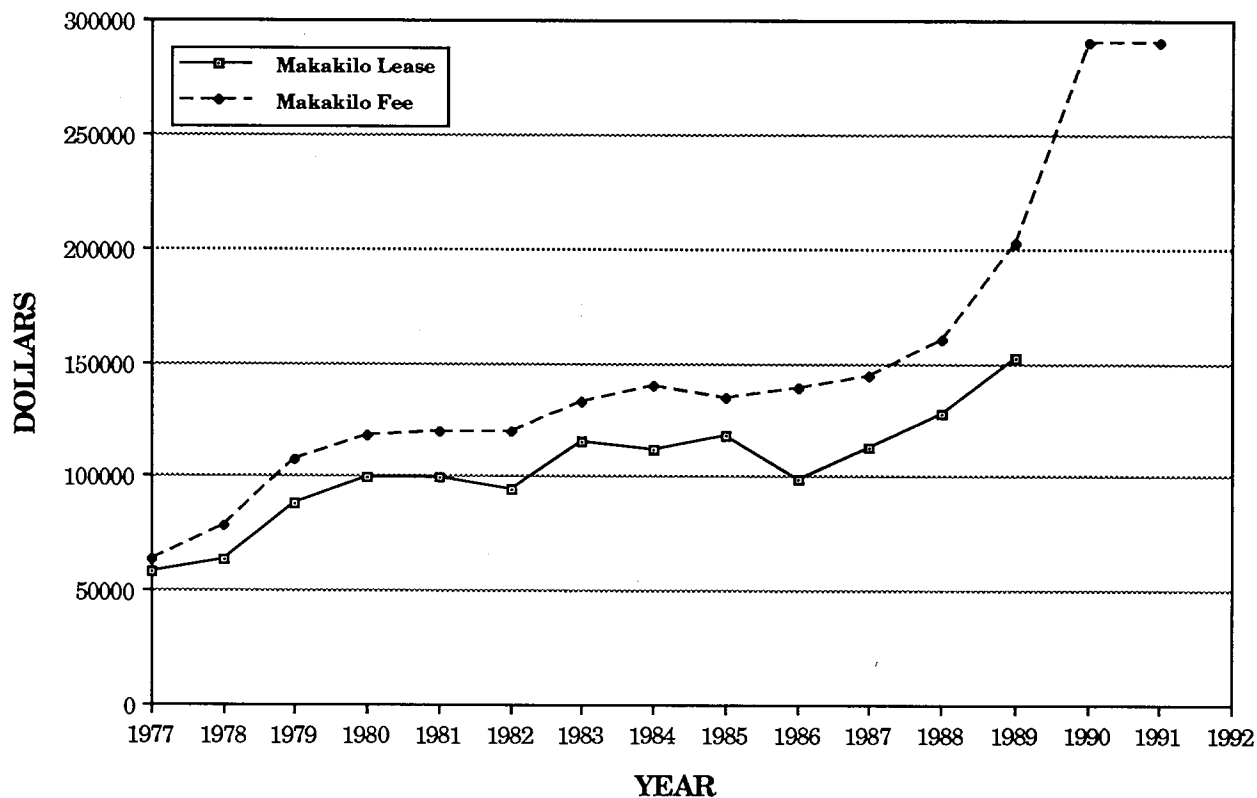


Figure V-113
ST LOUIS HTS & TRADITIONAL OAHU MEDIAN FEE SIMPLE RESALE PRICES

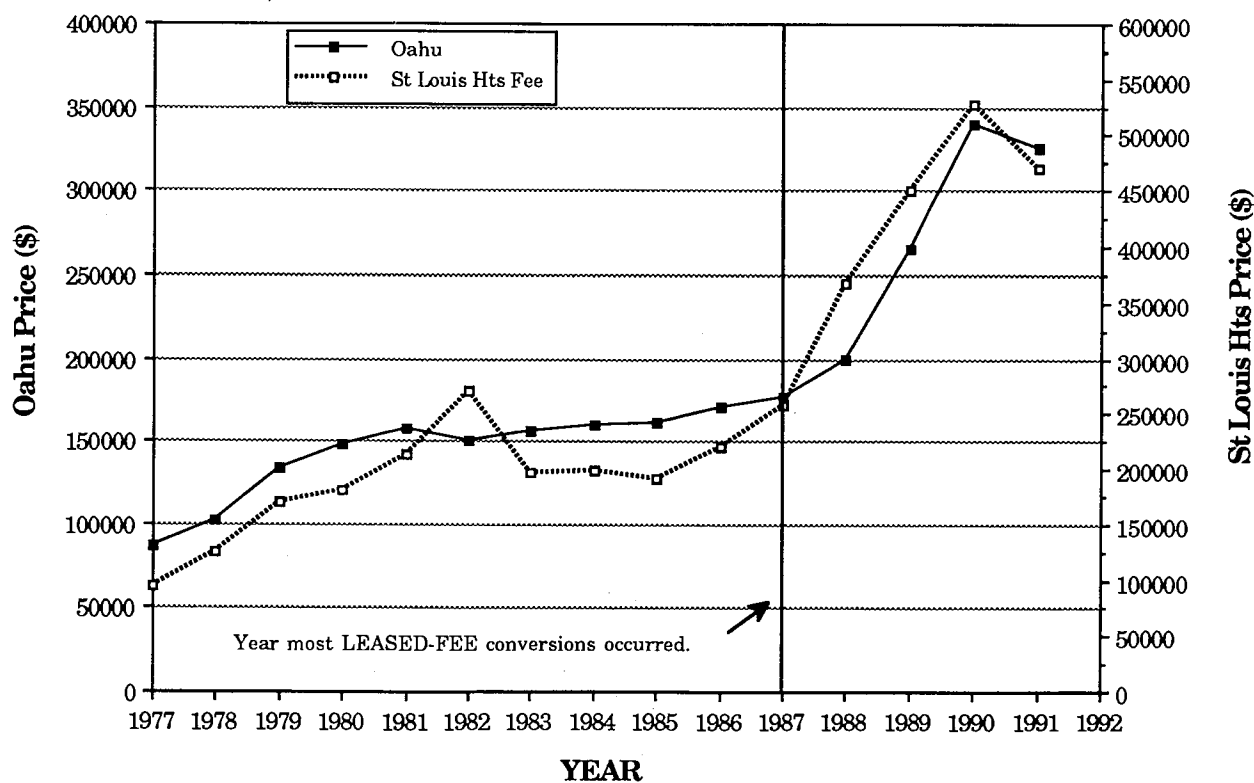


Figure V-114

NIU VALLEY & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

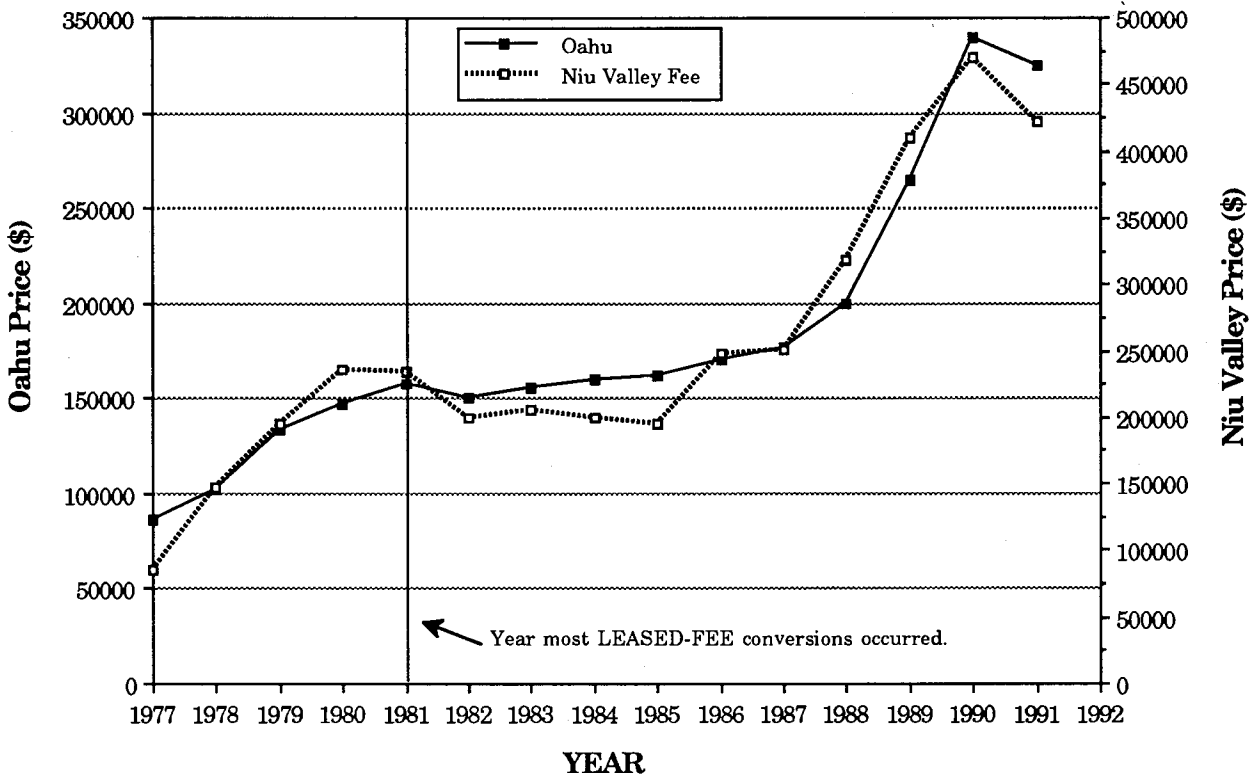


Figure V-115

HALAWA HILLS & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

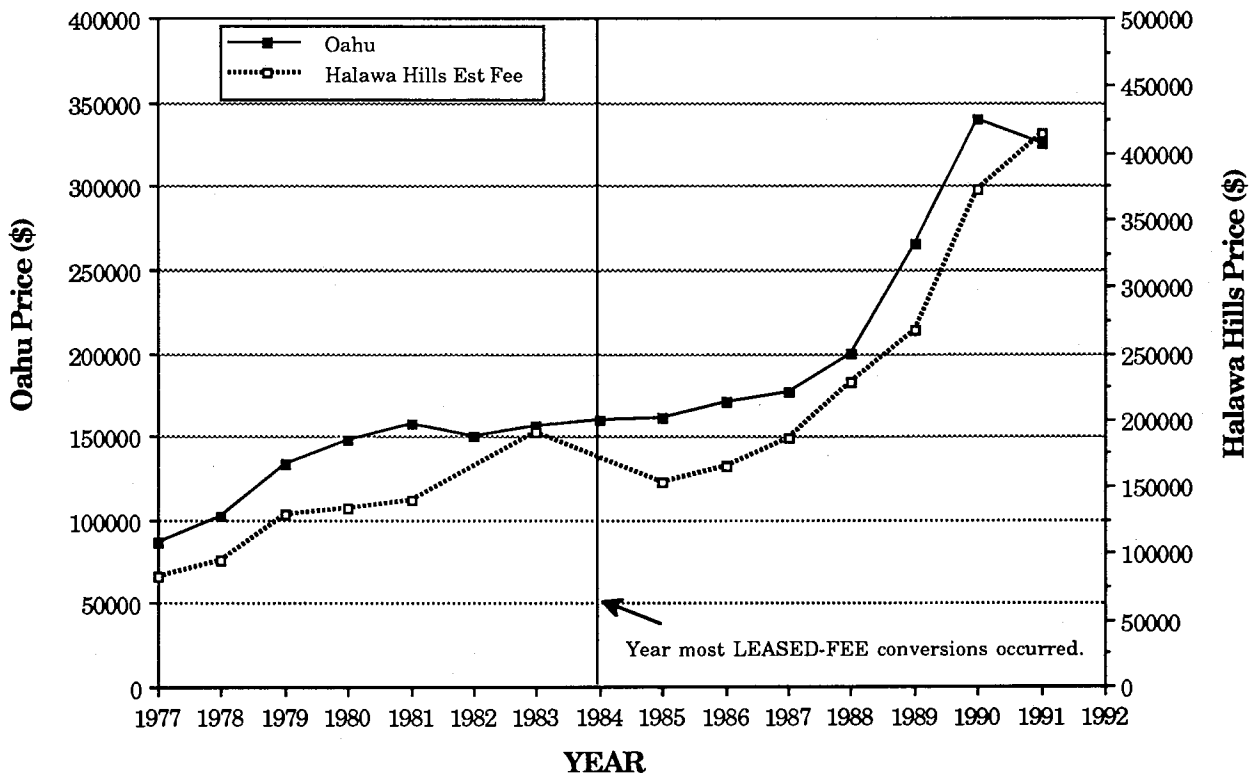


Figure V-116

FOSTER VILLAGE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

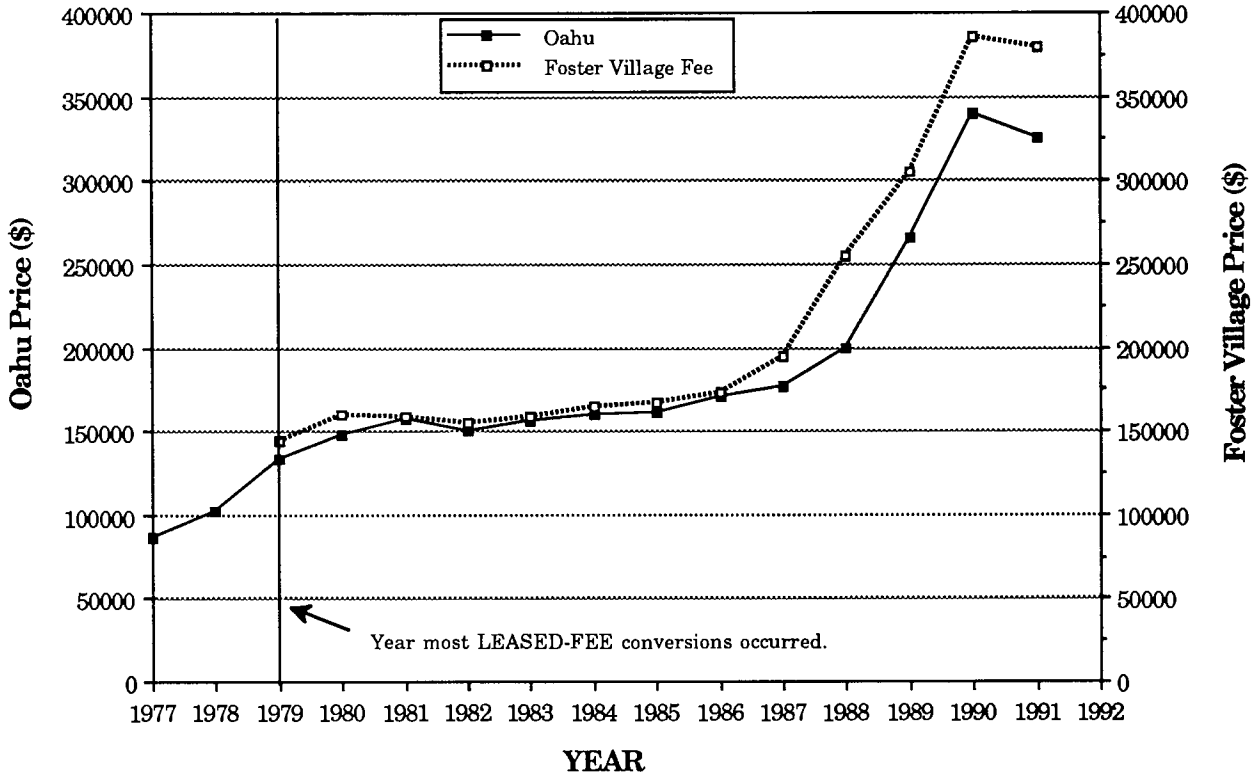


Figure V-117

OLD KAHALA & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

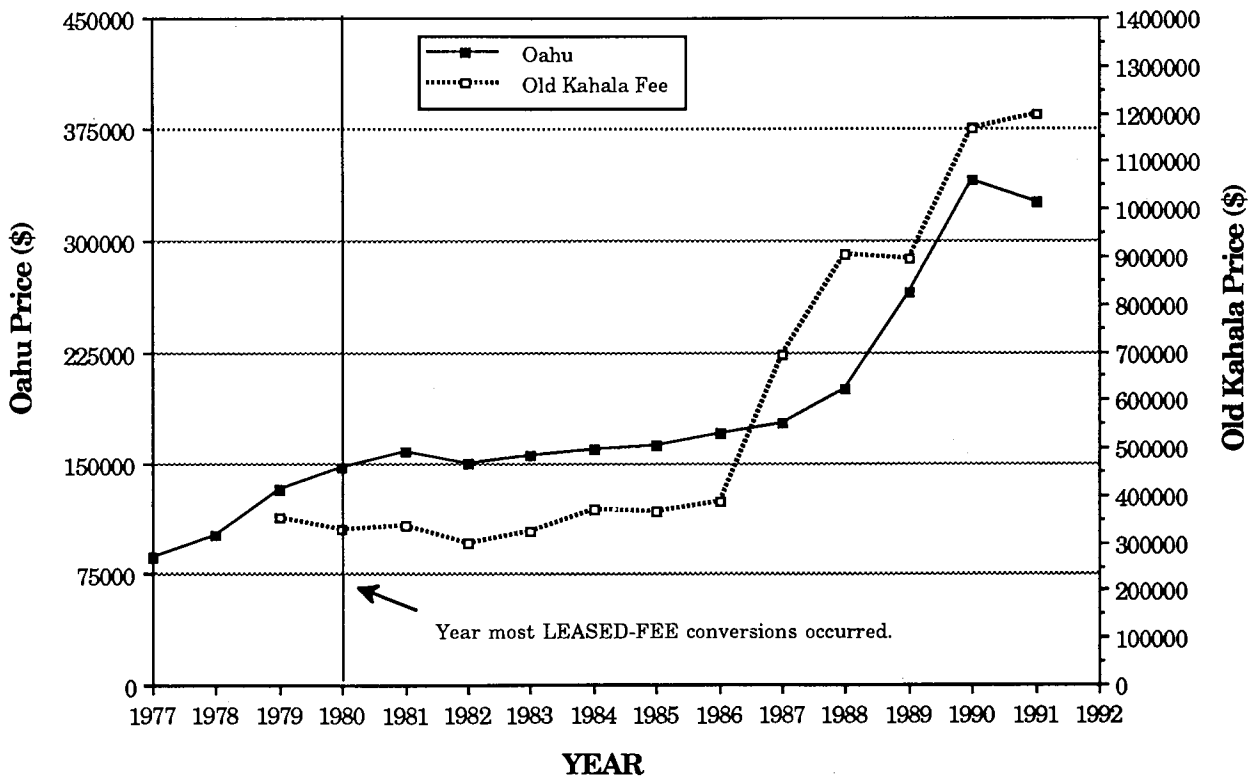


Figure V-118

WAIALAE GARDENS & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

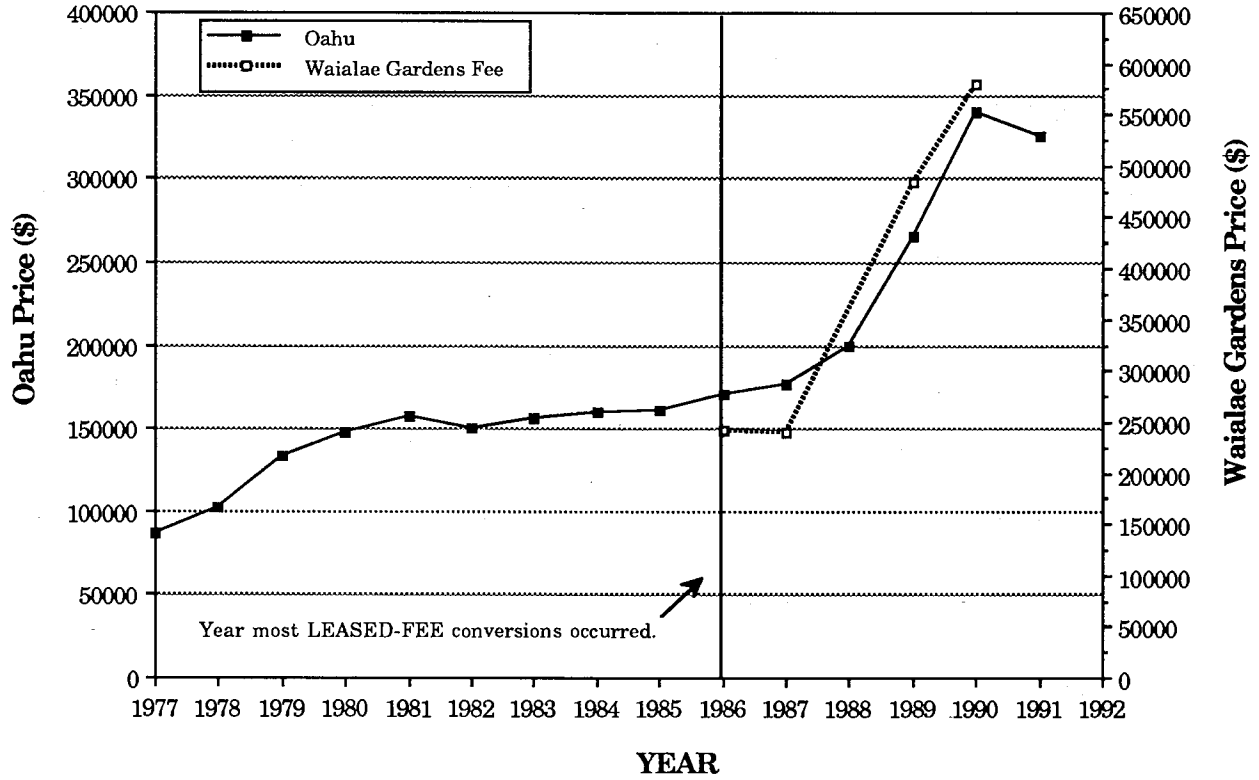


Figure V-119

WAIALAE NUI & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

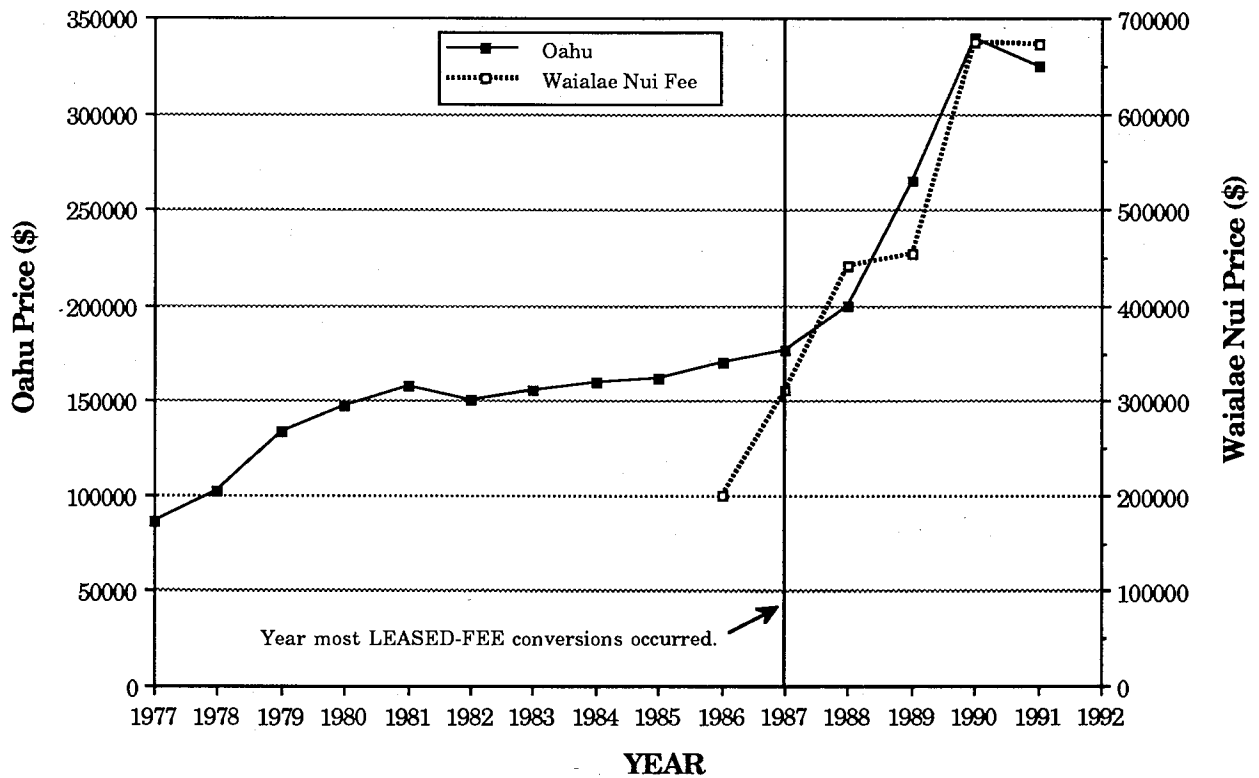


Figure V-120

KOKO KAI/PORTLOCK & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

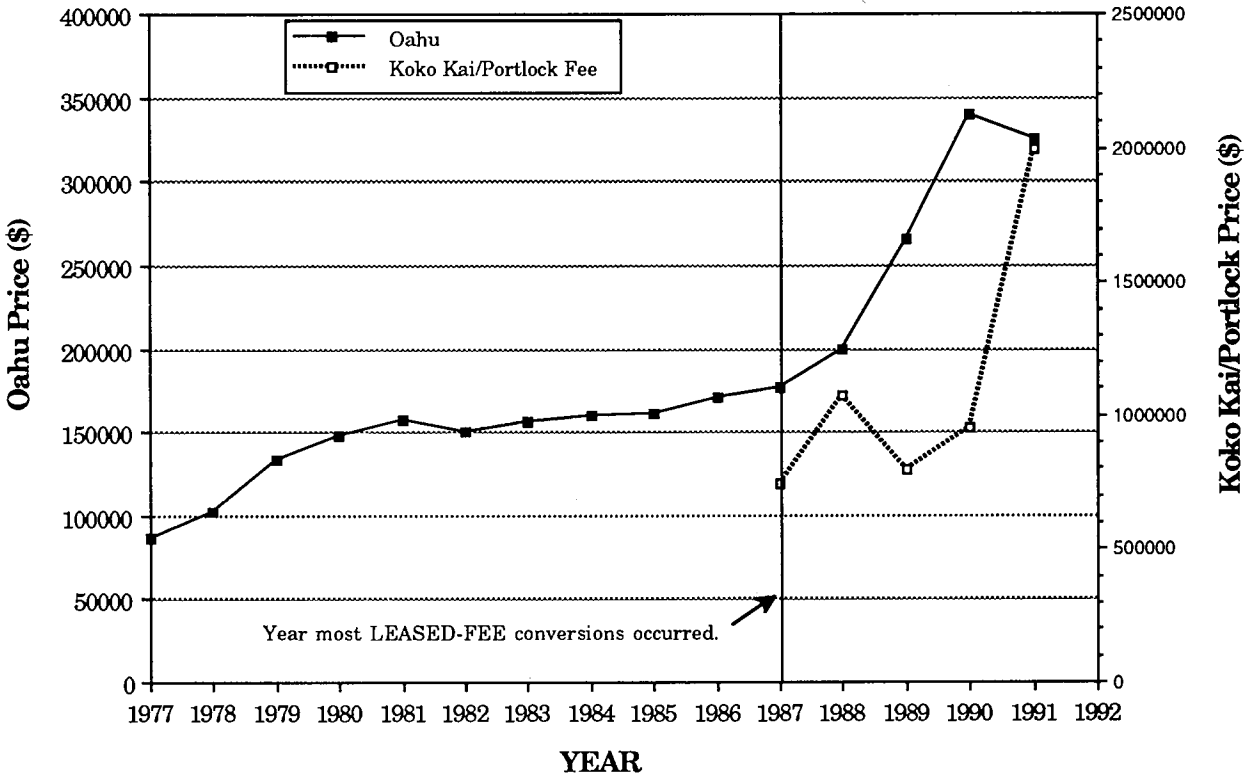


Figure V-121

KOKO HEAD TERRACE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

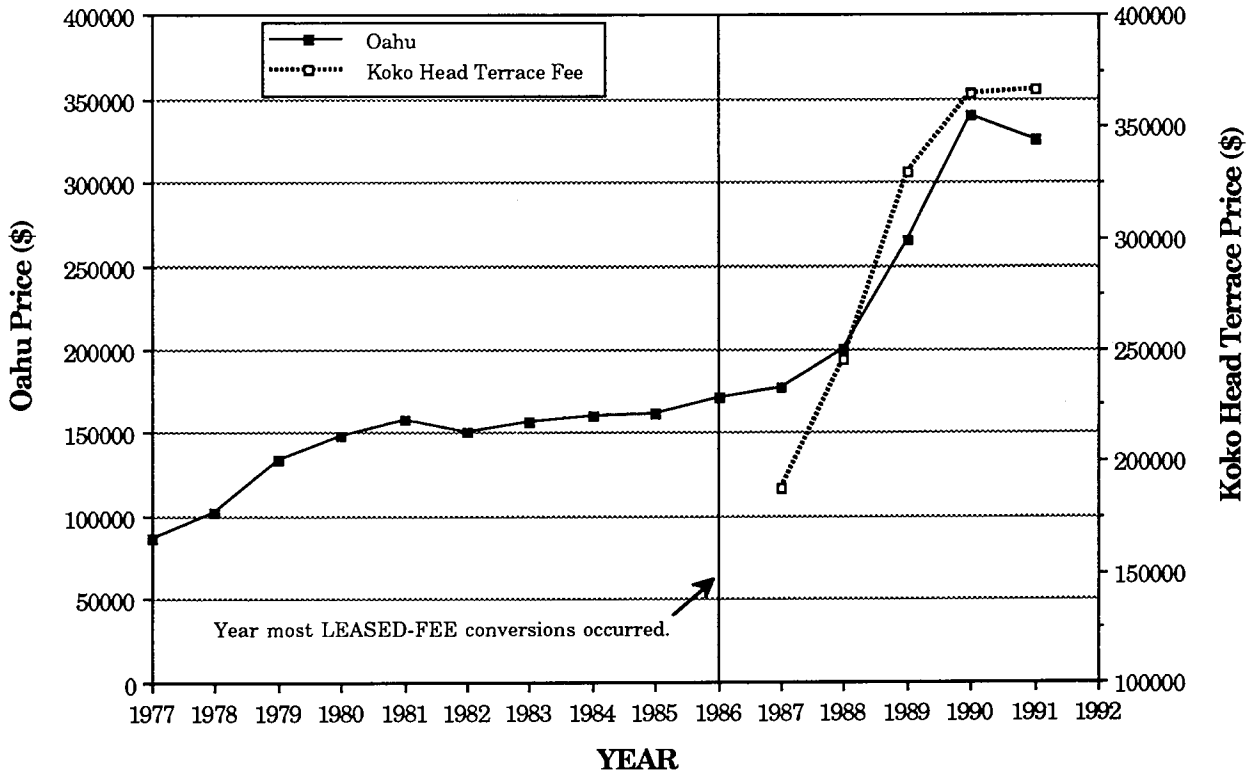


Figure V-122

LUNALILO TERRACE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

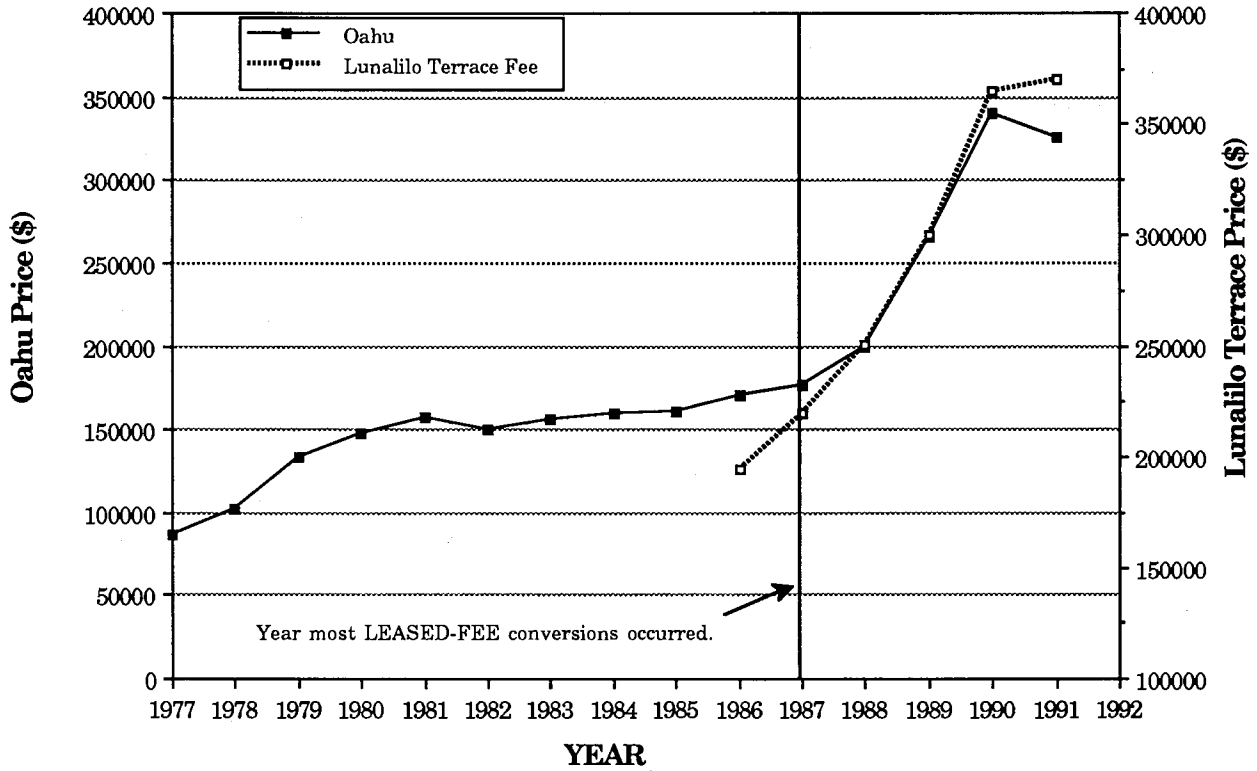


Figure V-123

MARINERS RIDGE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

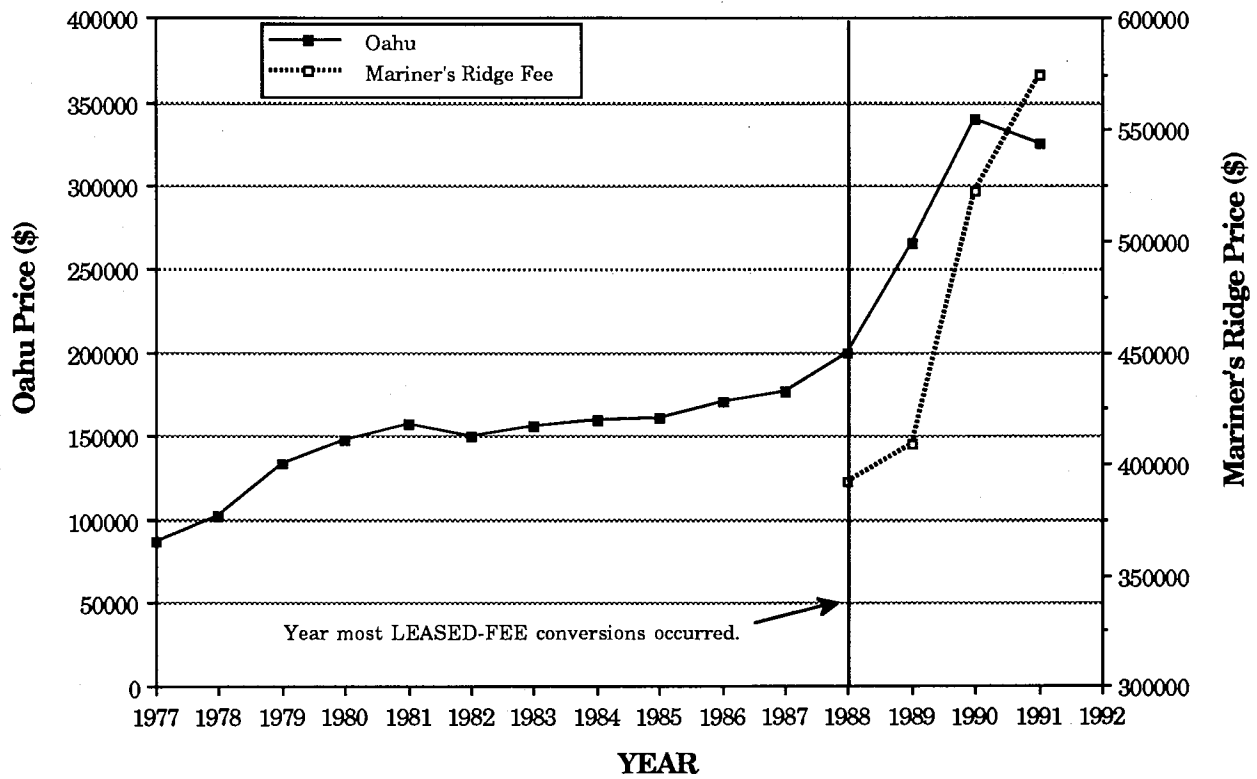


Figure V-124

HAHAIONE VALLEY & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

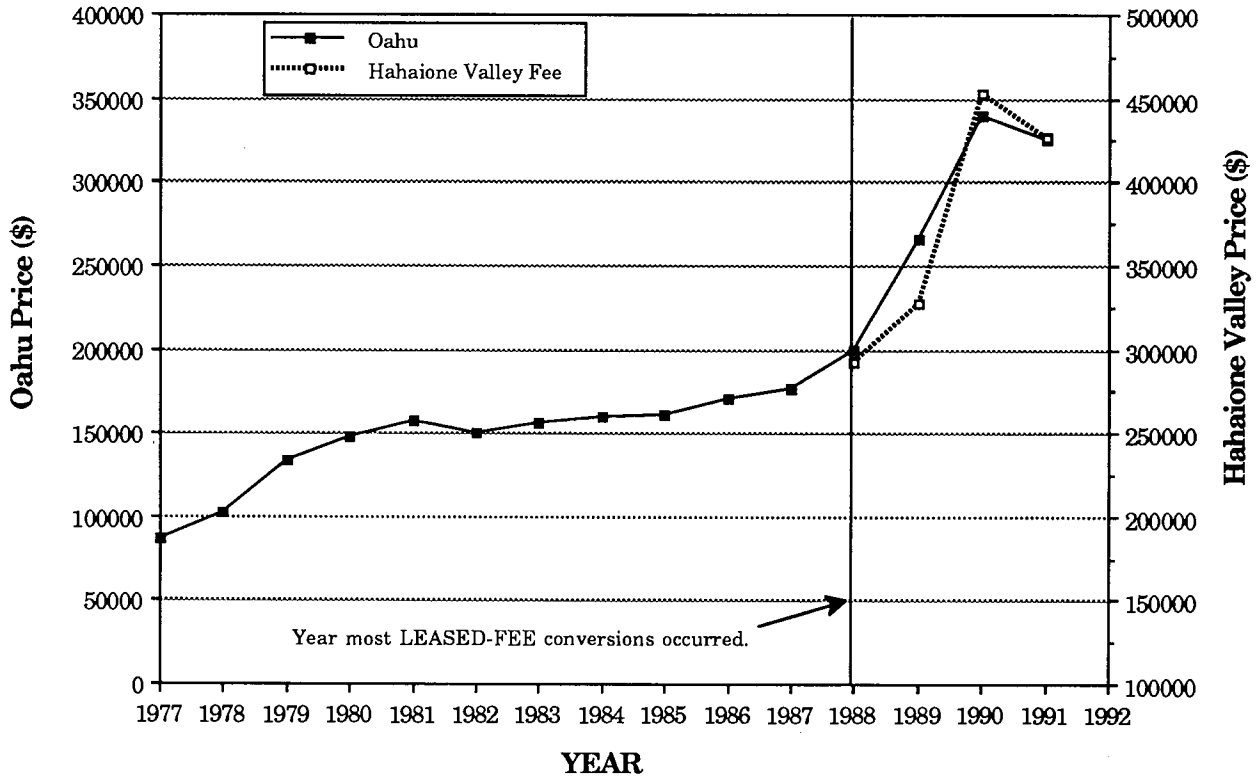


Figure V-125

MARINER'S COVE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

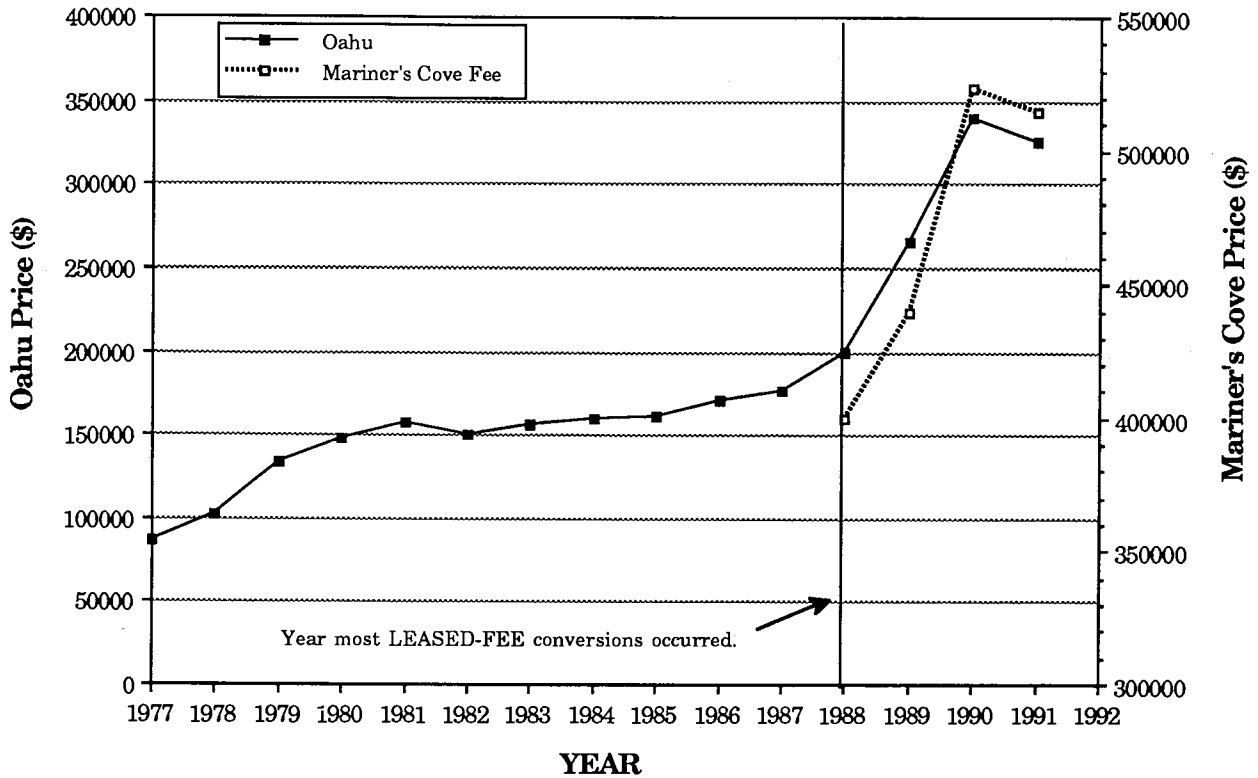


Figure V-126

KALAMA VALLEY & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

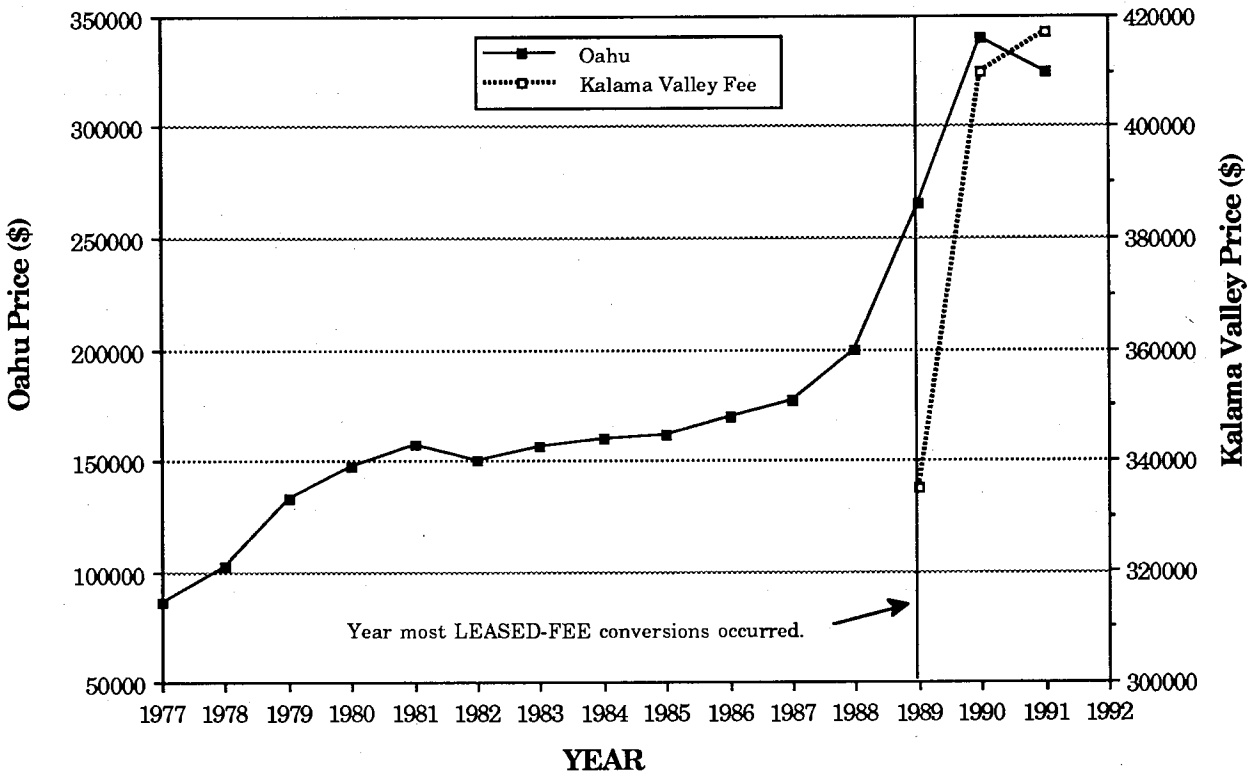


Figure V-127

ENCHANTED LAKE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

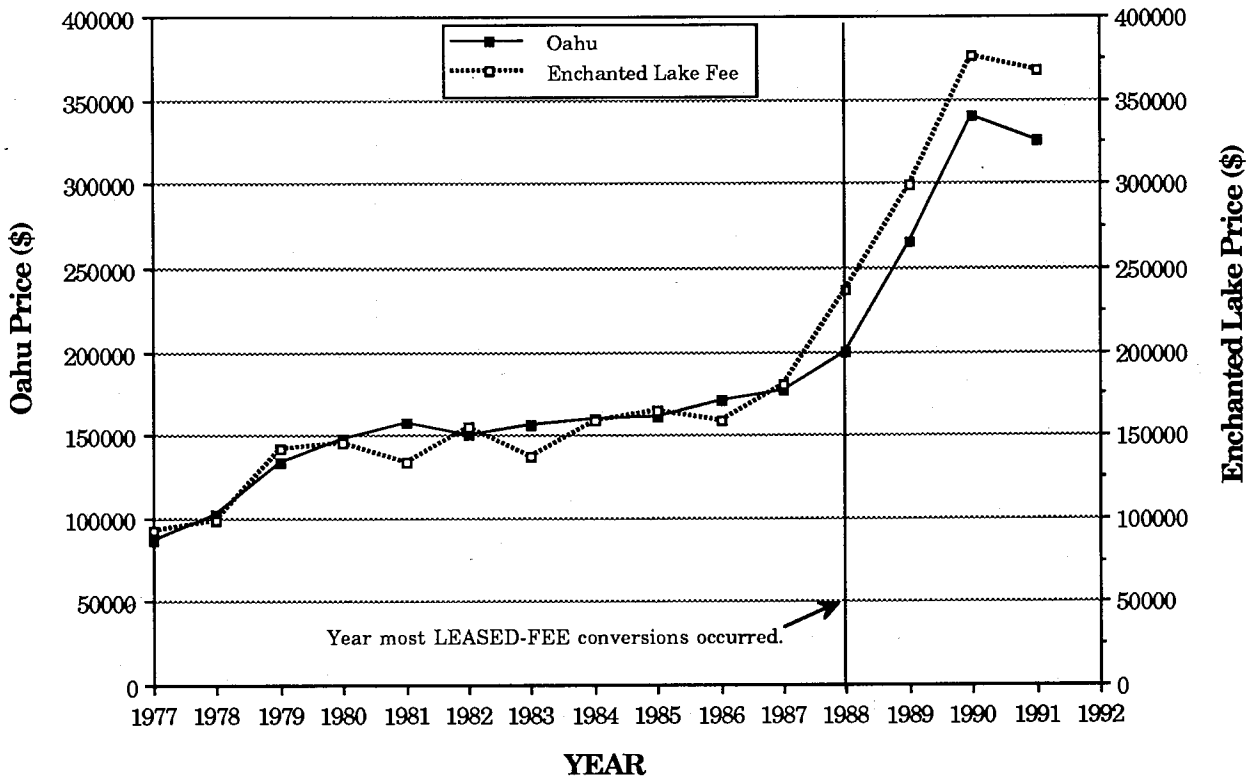


Figure V-128

OLOMANA & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

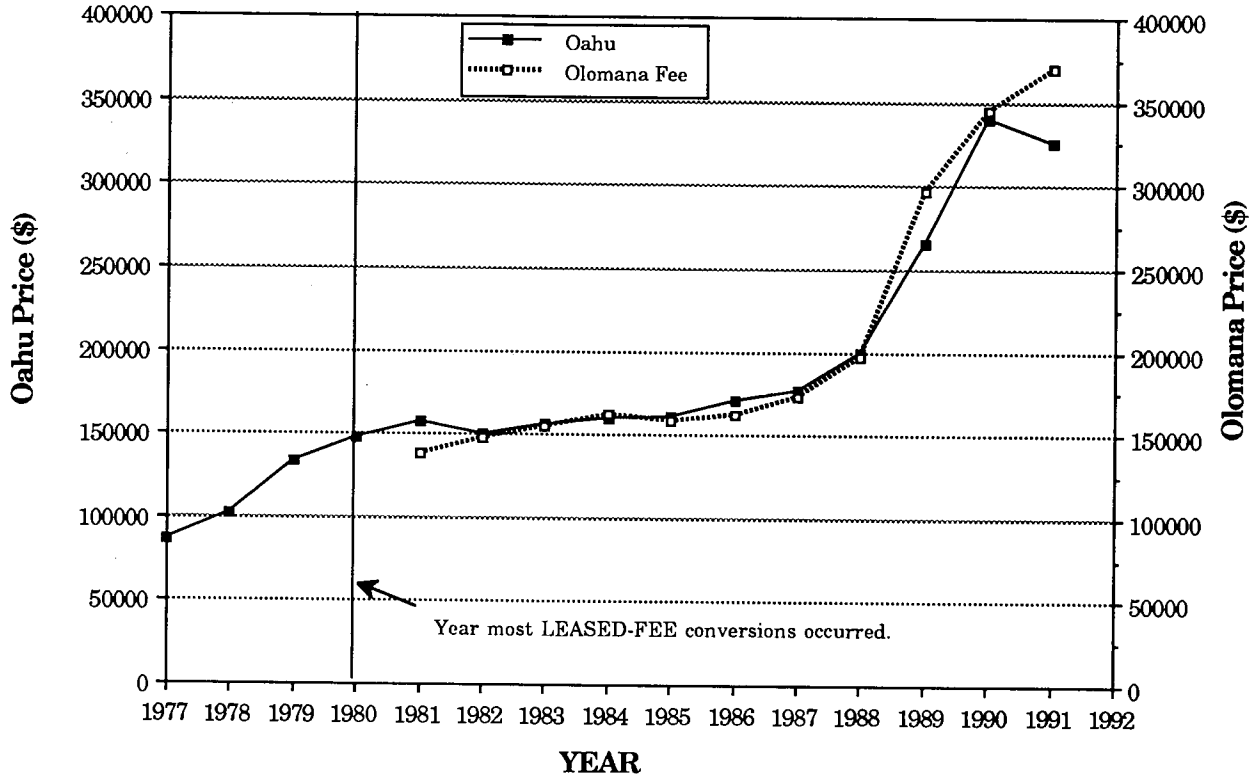


Figure V-129

KALAHEO HILLSIDE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

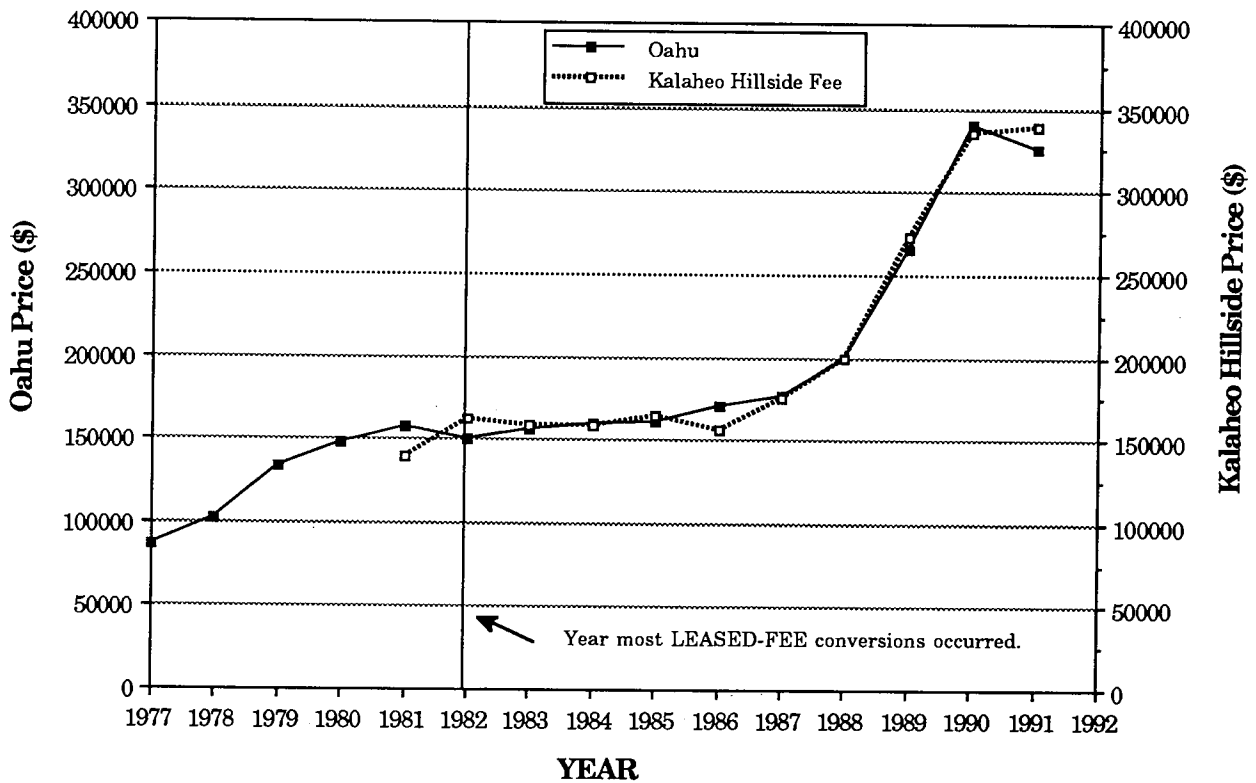


Figure V-130

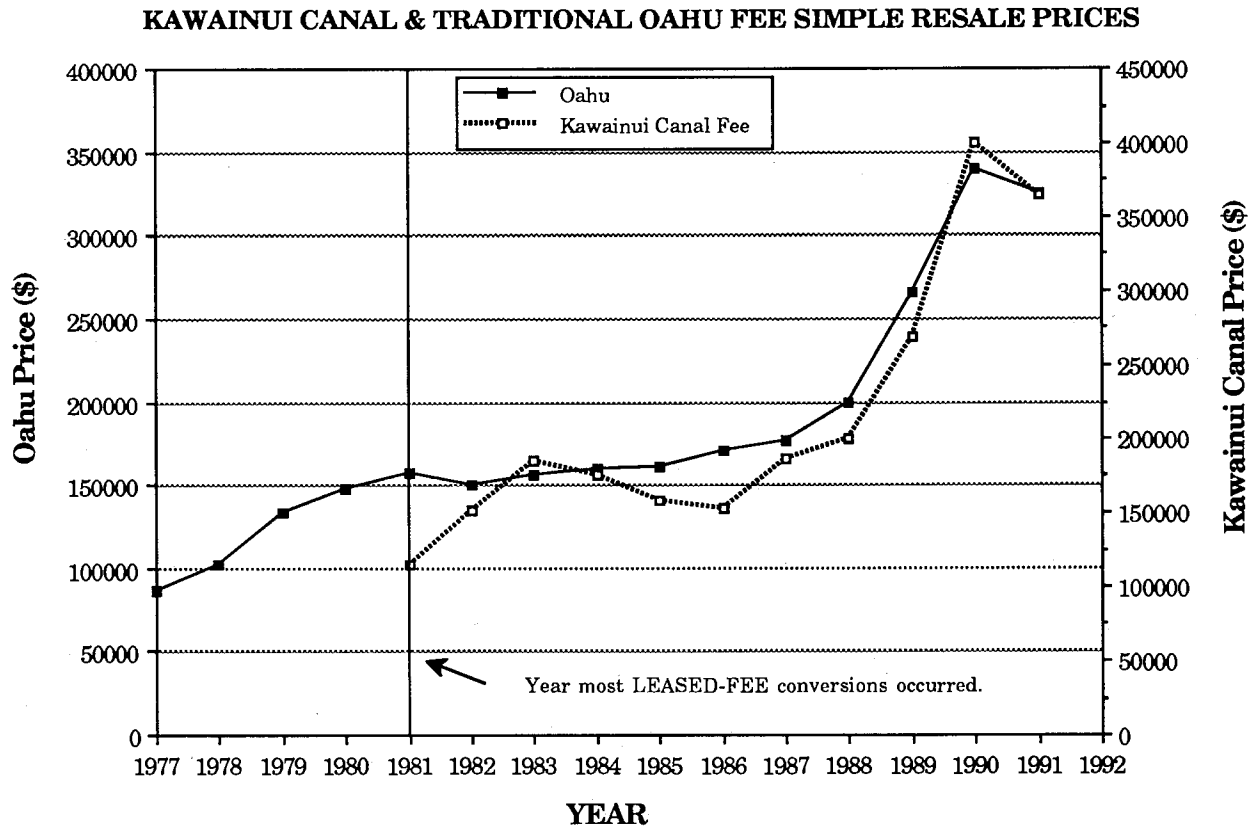


Figure V-131

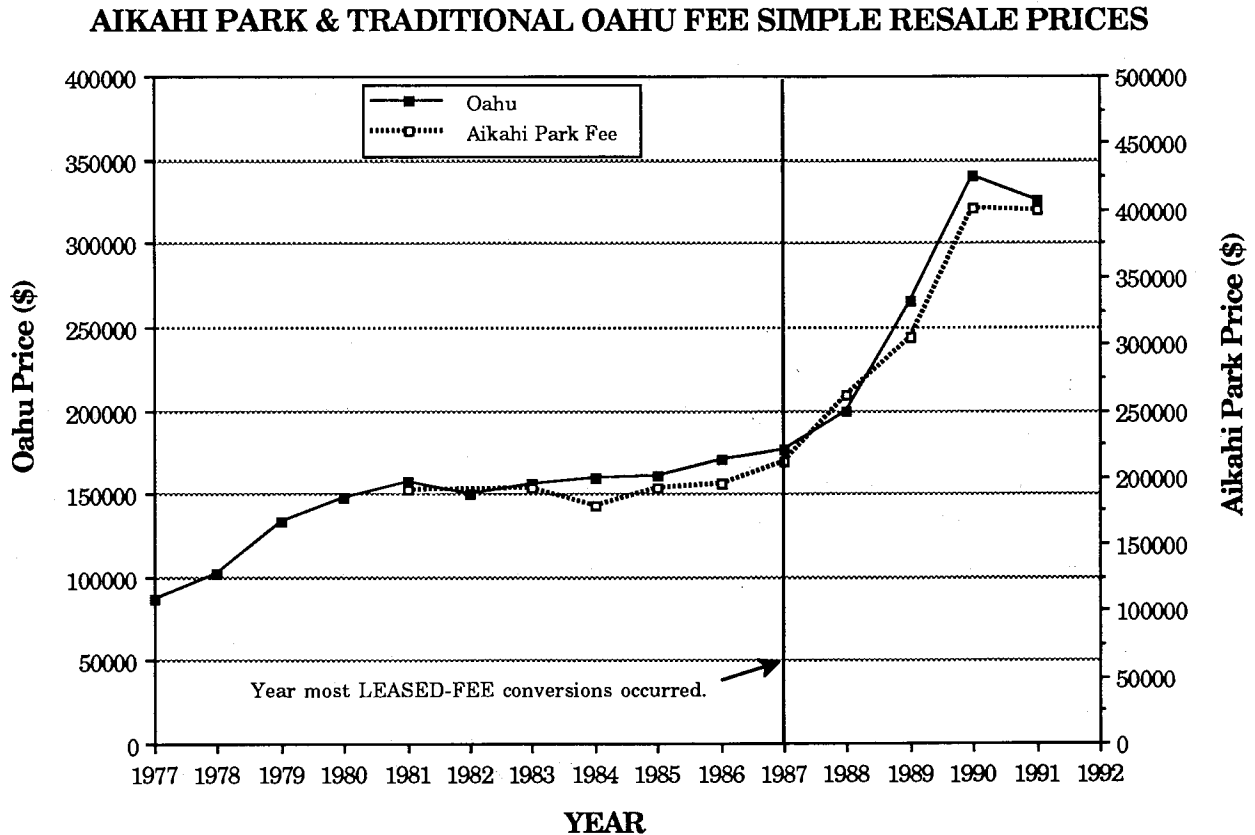


Figure V-132

ALII SHORES & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

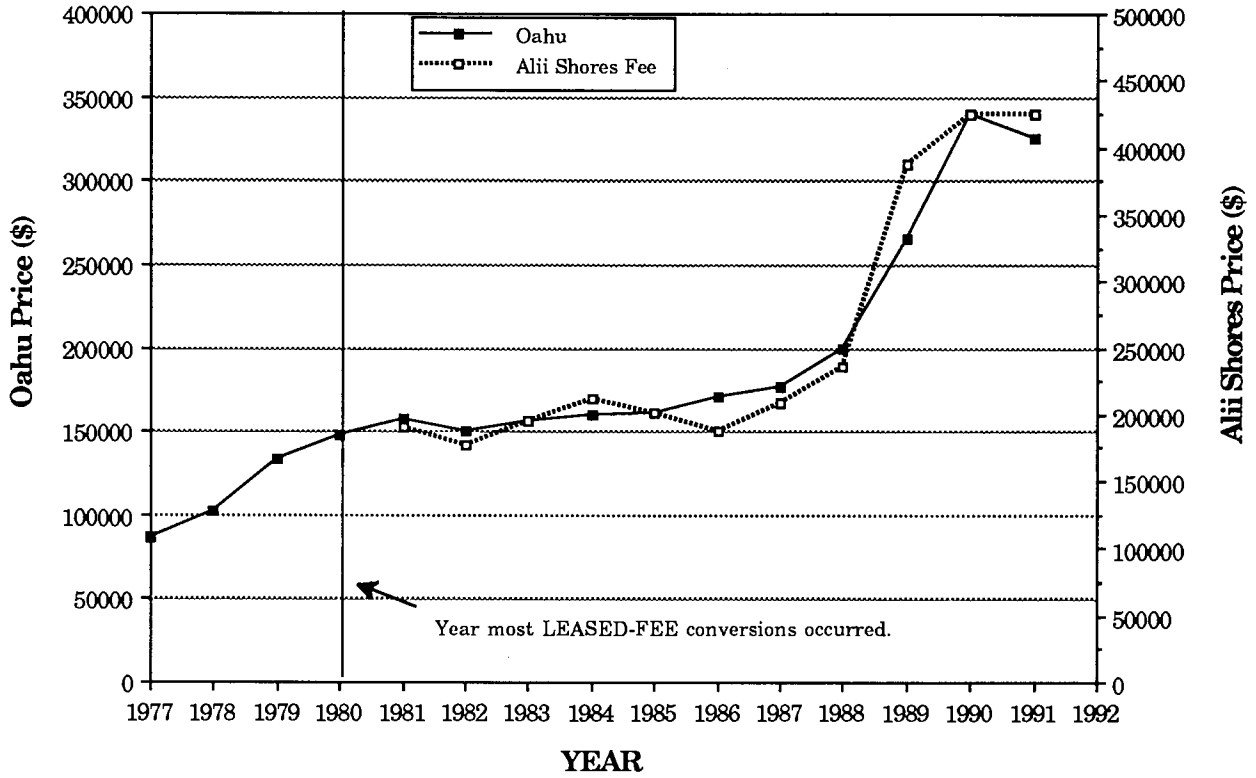


Figure V-133

CROWN TERRACE & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

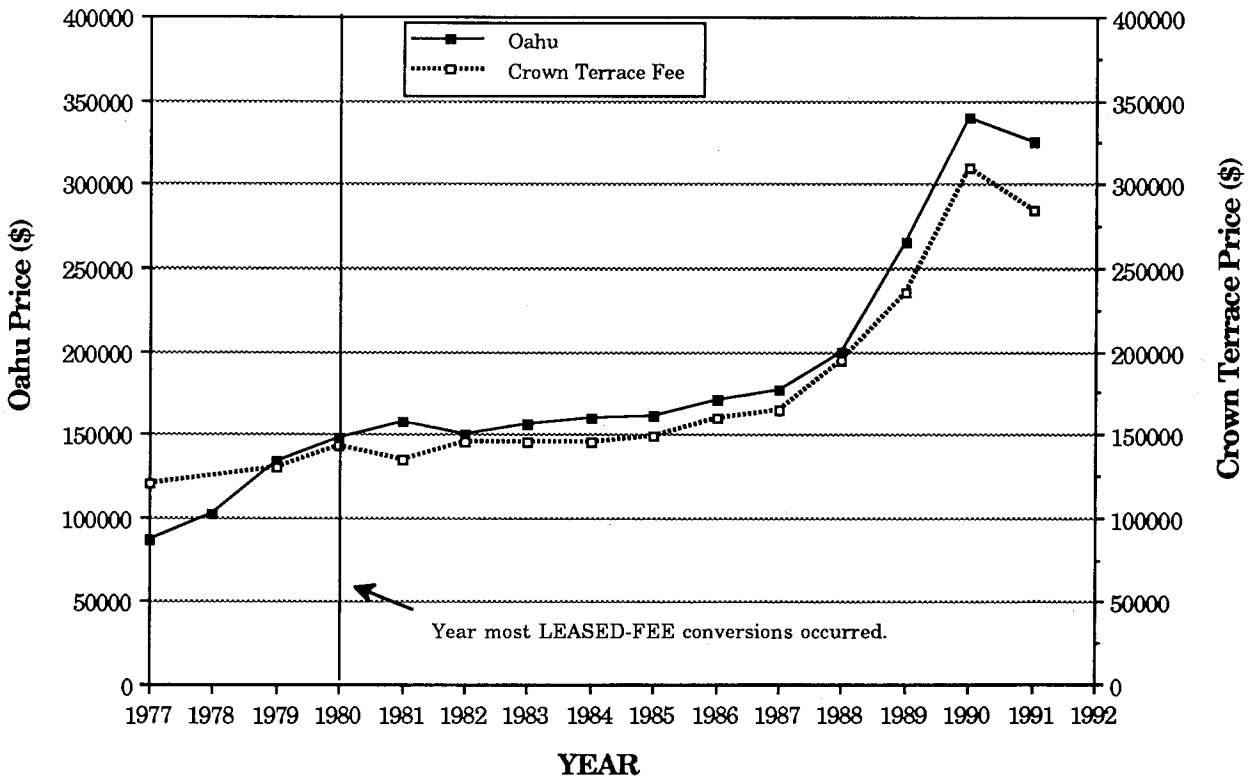


Figure V-134

KEAPUKA & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

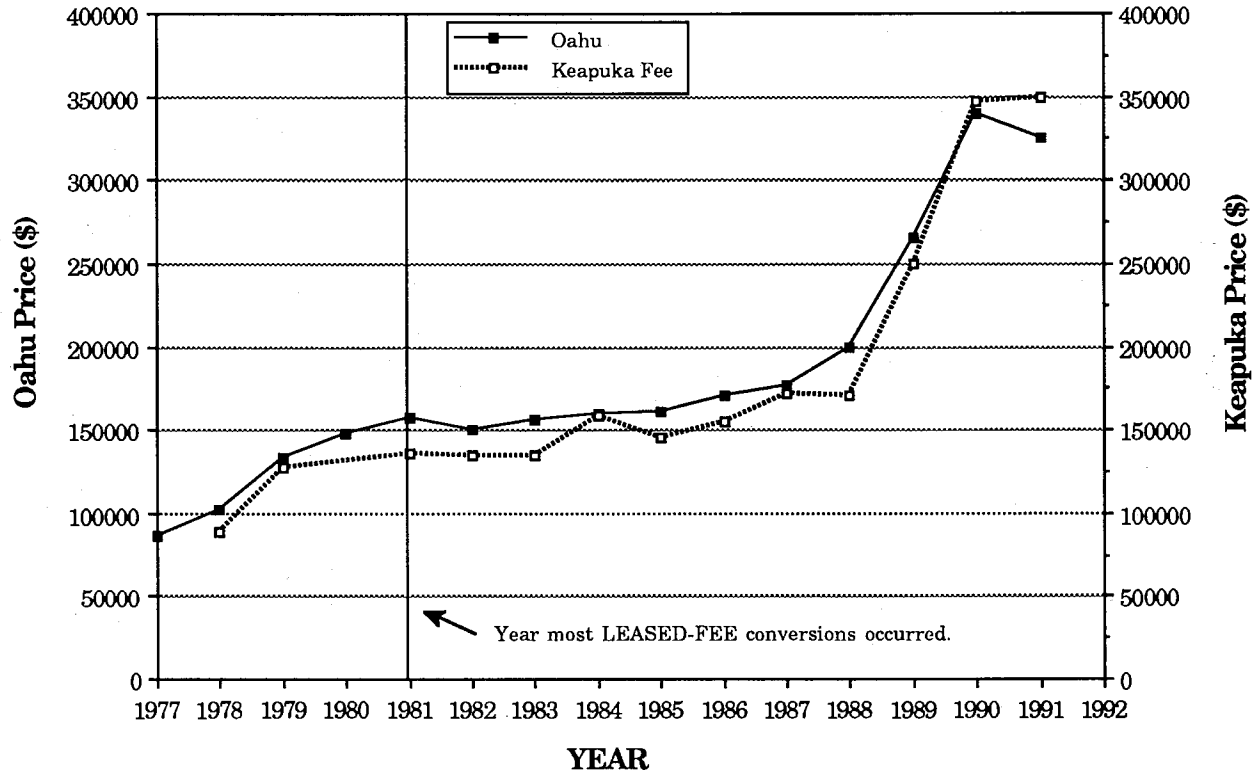


Figure V-135

PEARLRIDGE ESTATES & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

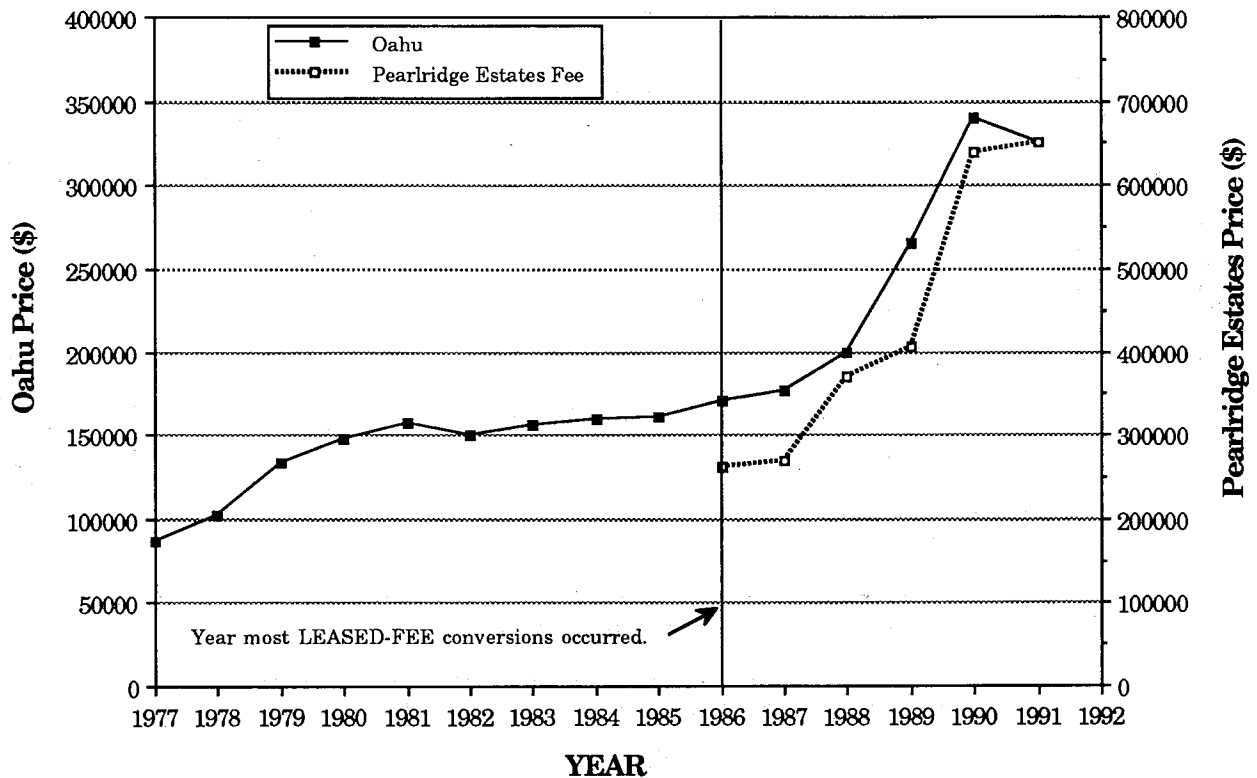


Figure V-136

WAIAU VIEW ESTATES & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

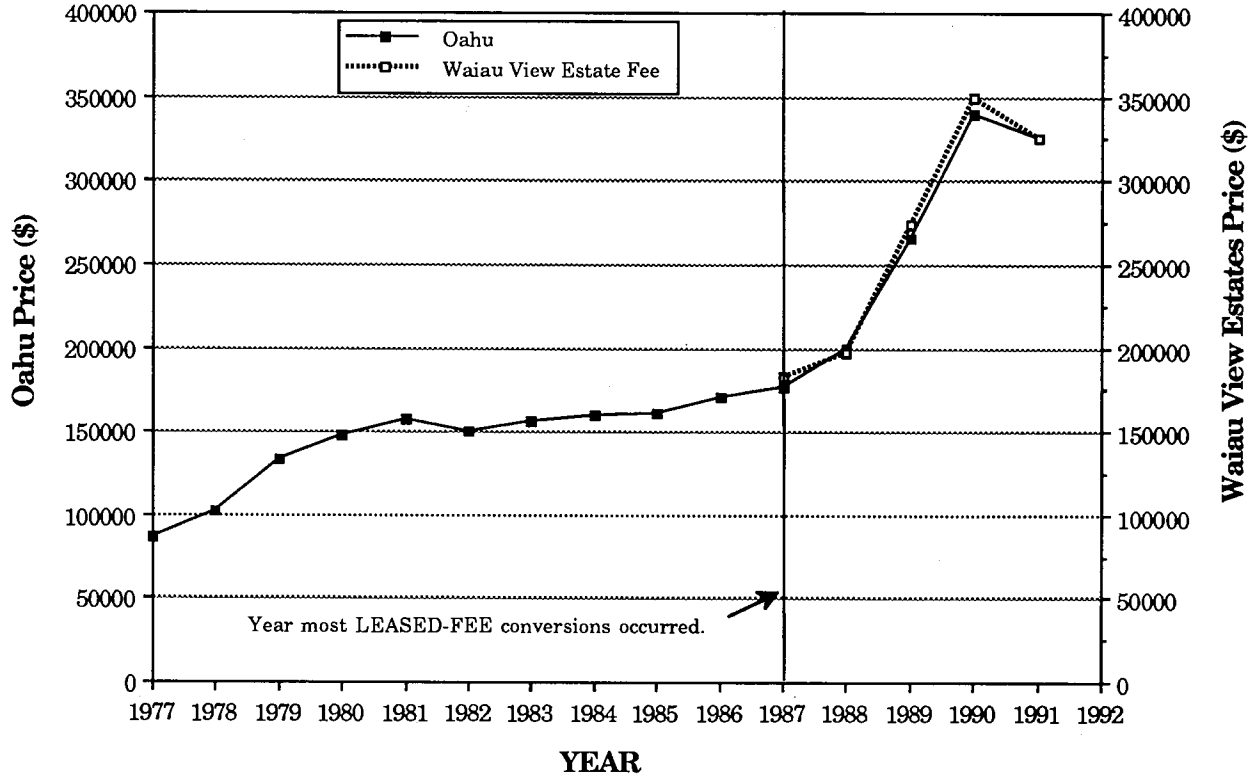


Figure V-137

EWA BEACH & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

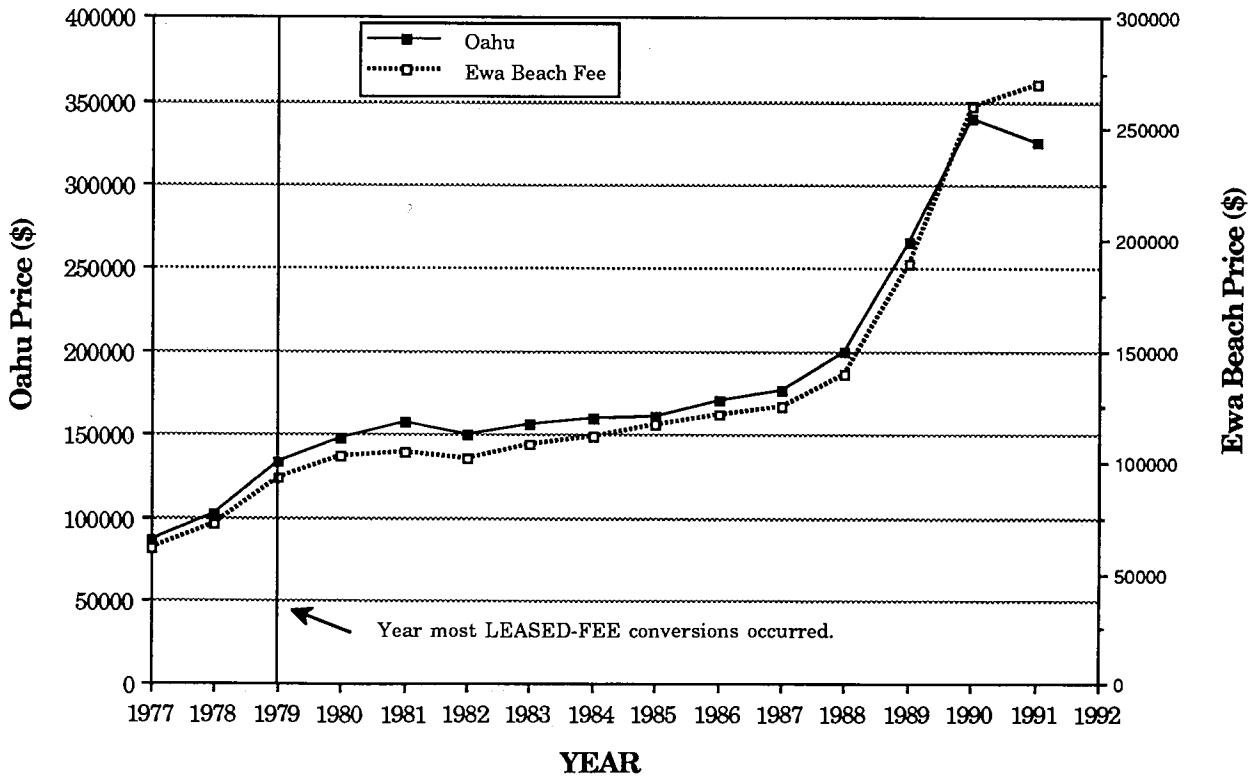


Figure V-138

HARBOR VIEW/ROBINSON HTS & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

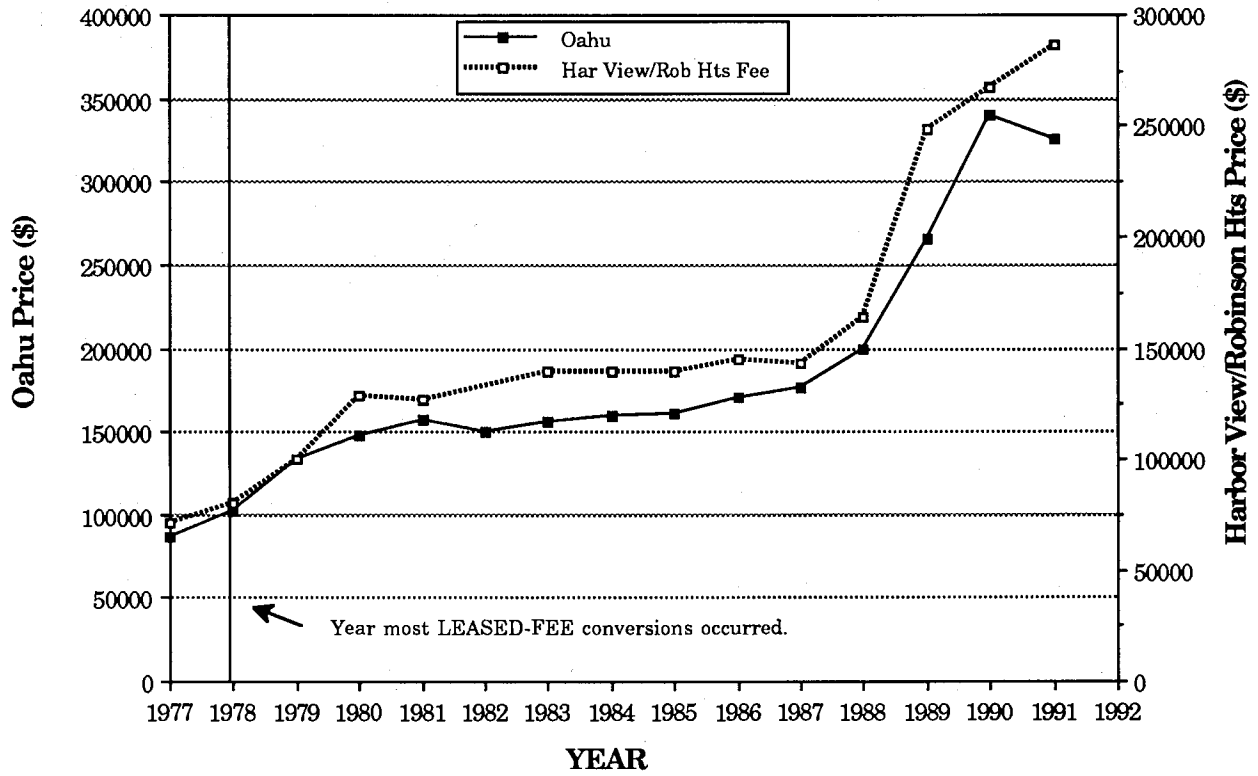


Figure V-139

MAKAKILO & TRADITIONAL OAHU FEE SIMPLE RESALE PRICES

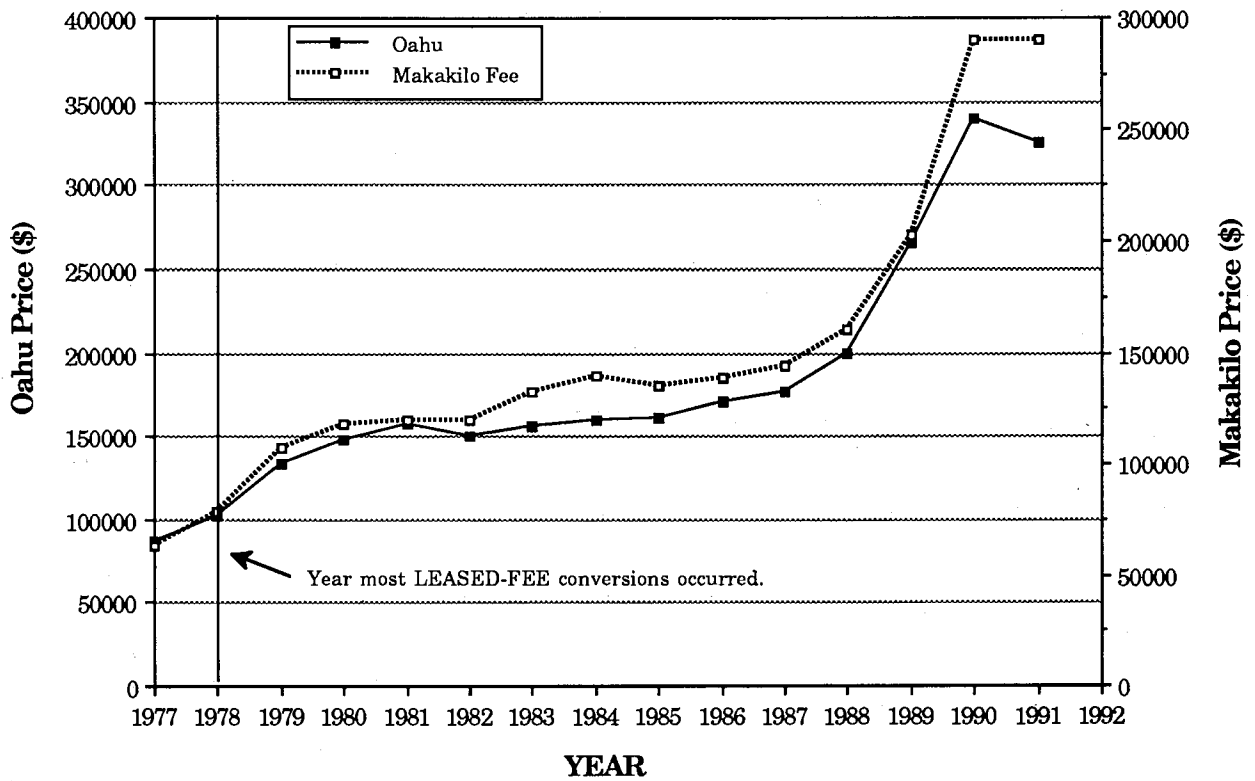


Figure V-140
NIU VALLEY MEDIAN PRICES

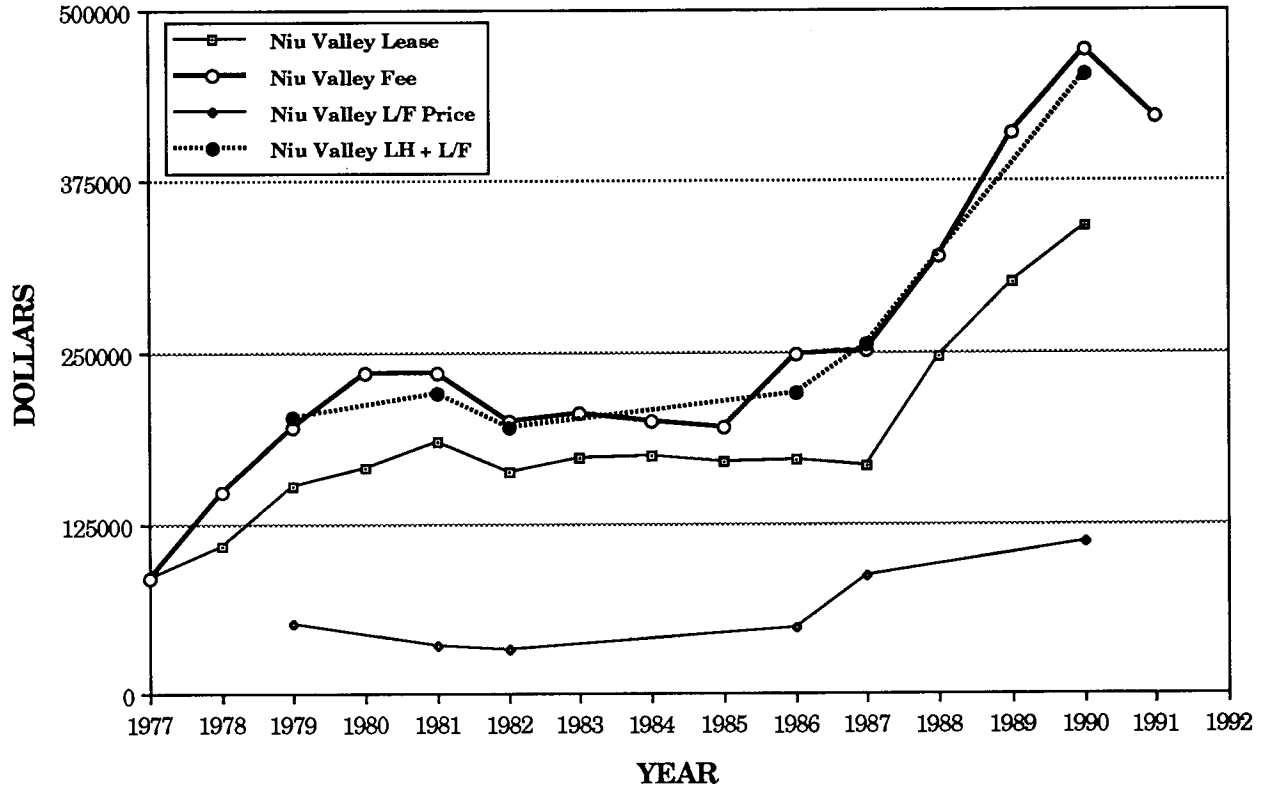


Figure V-141
HALAWA HILLS MEDIAN PRICES

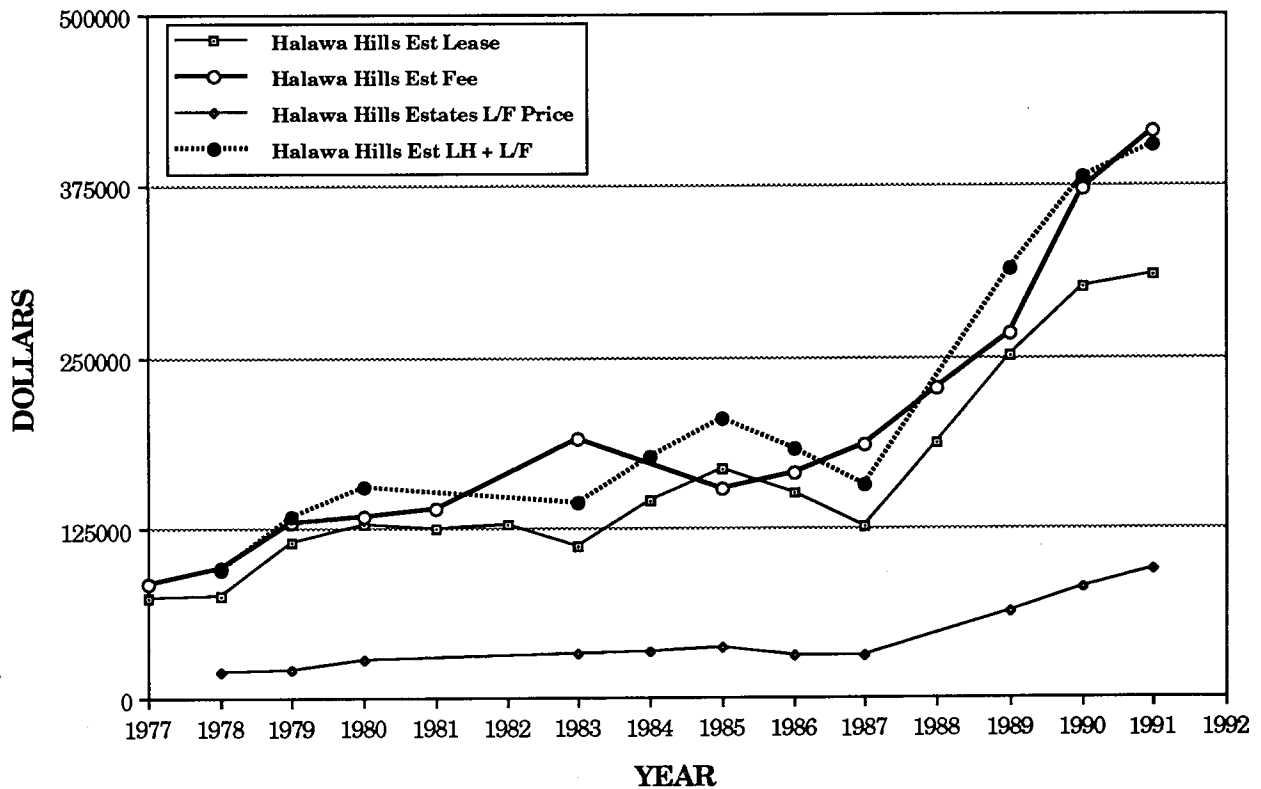


Figure V-142

HALAWA VALLEY MEDIAN PRICES

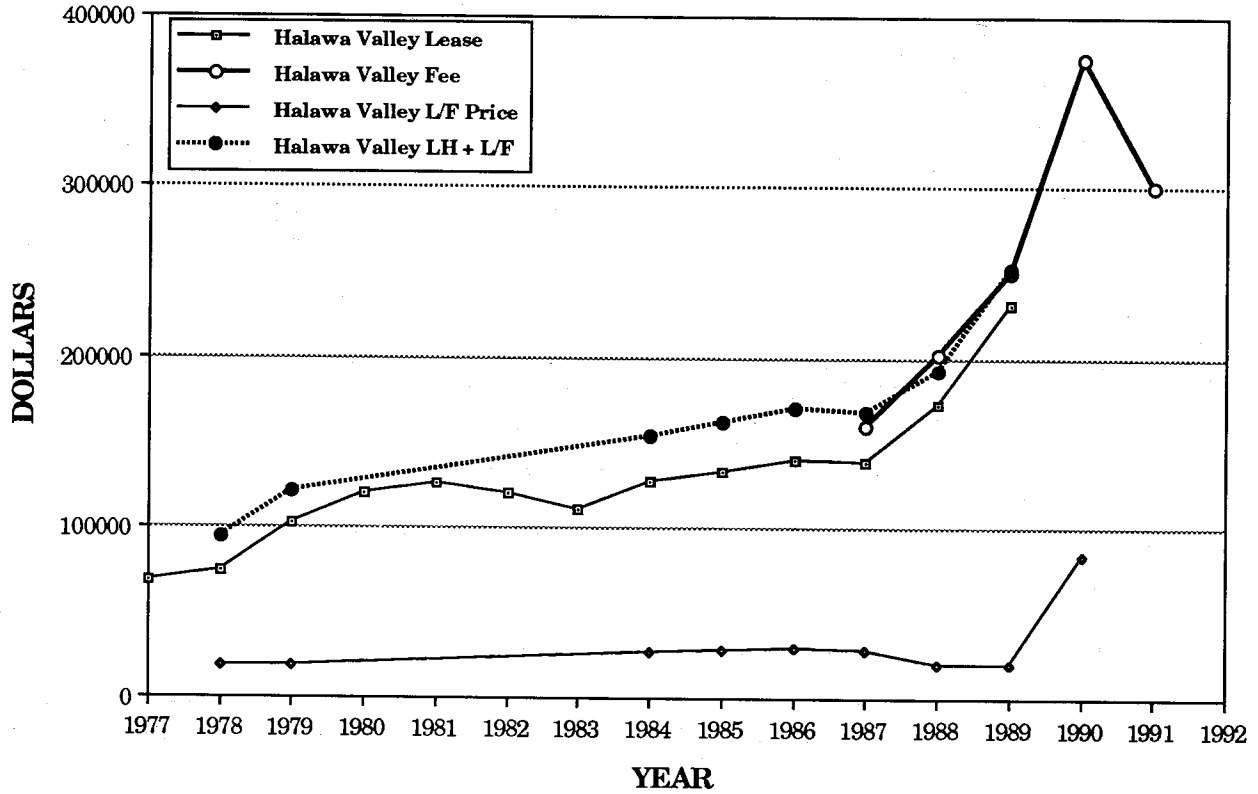


Figure V-143

FOSTER VILLAGE MEDIAN PRICES

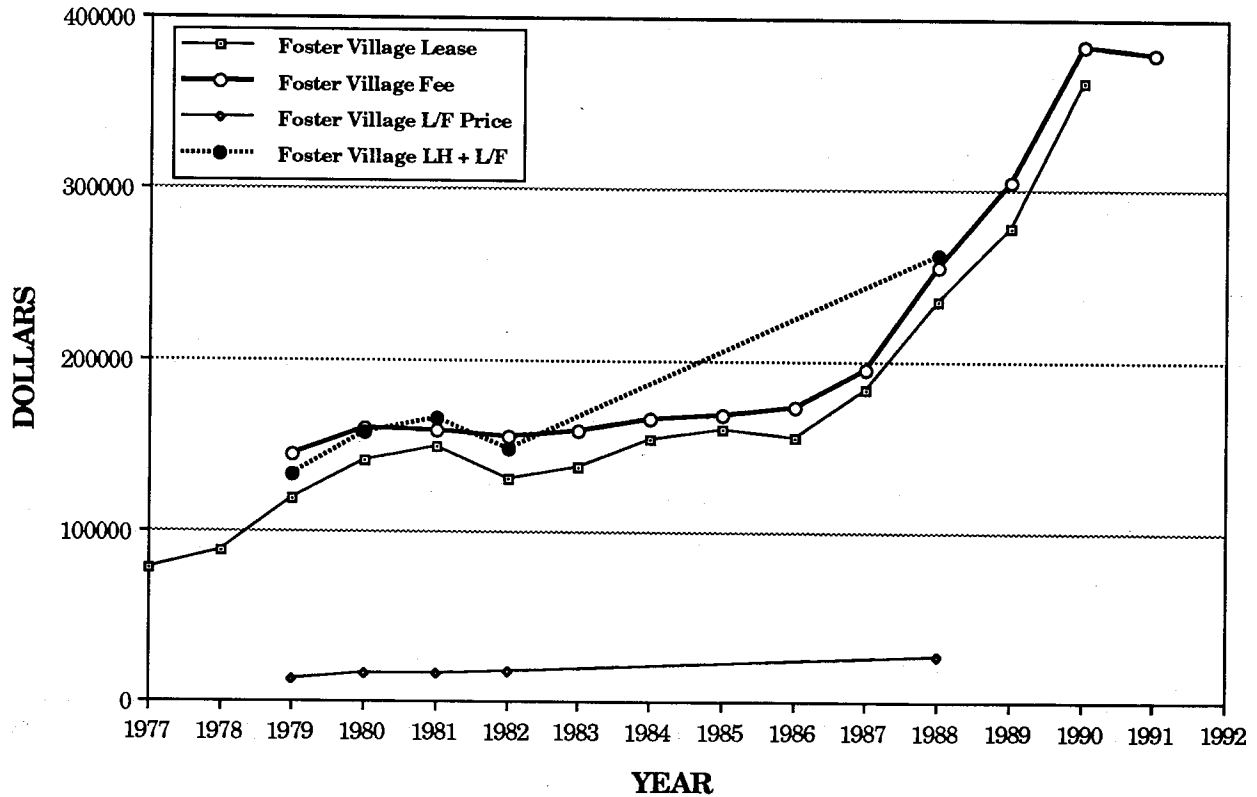


Figure V-144
OLD KAHALA MEDIAN PRICES

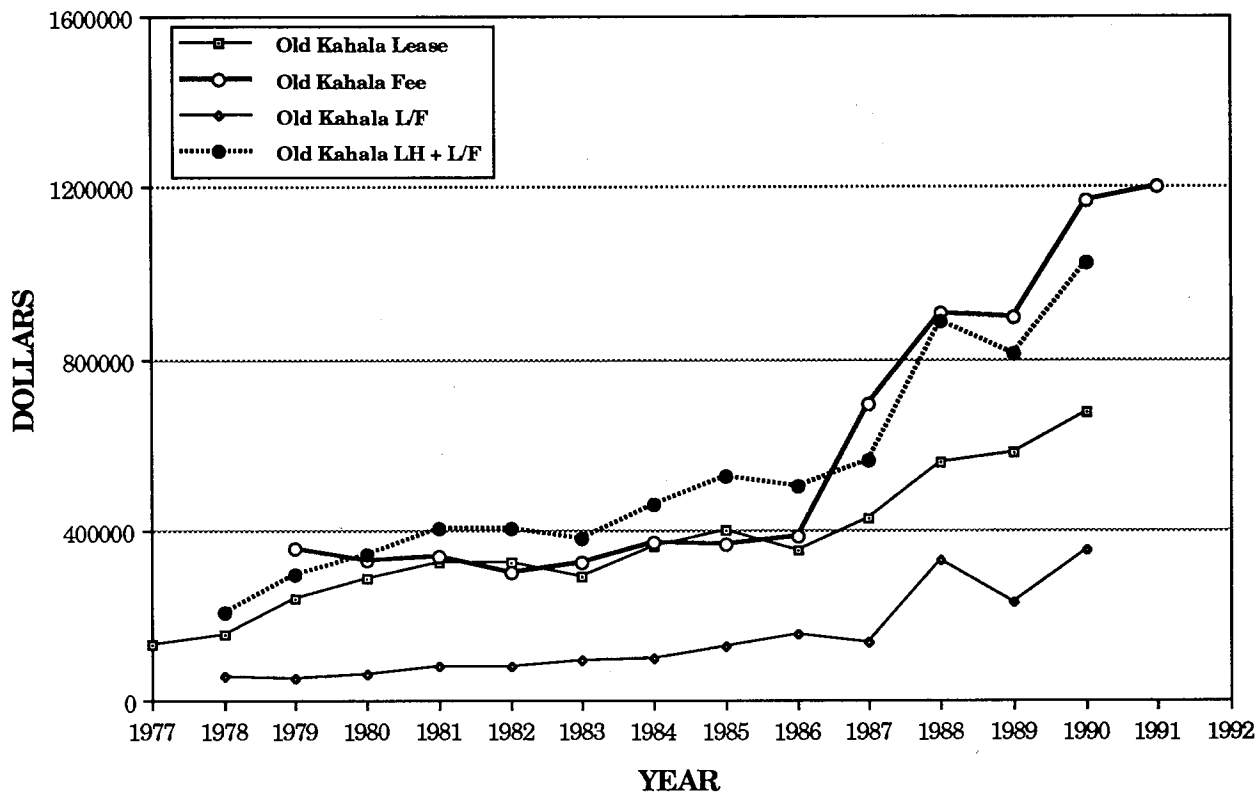


Figure V-145
WAIALAE NUI MEDIAN PRICES

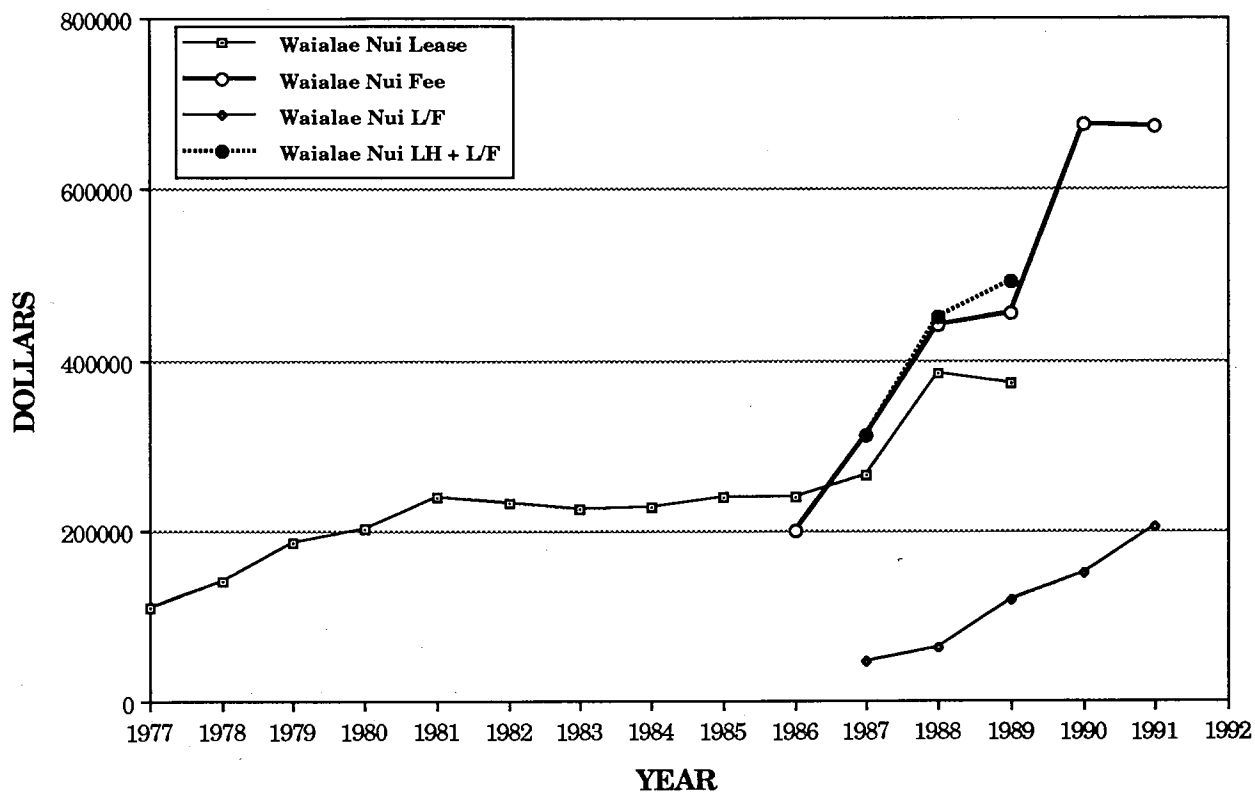


Figure V-146
WAIALAE IKI MEDIAN PRICES

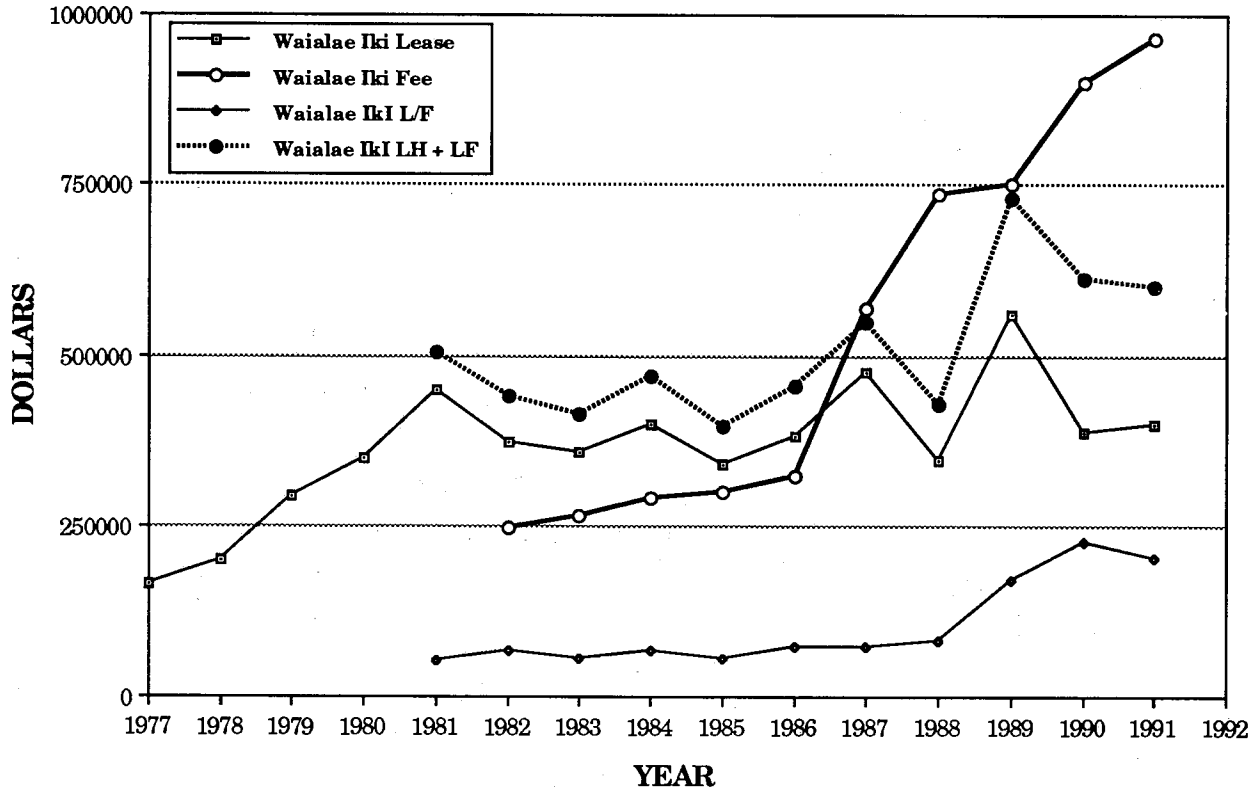


Figure V-147
BLACKPOINT MEDIAN PRICES

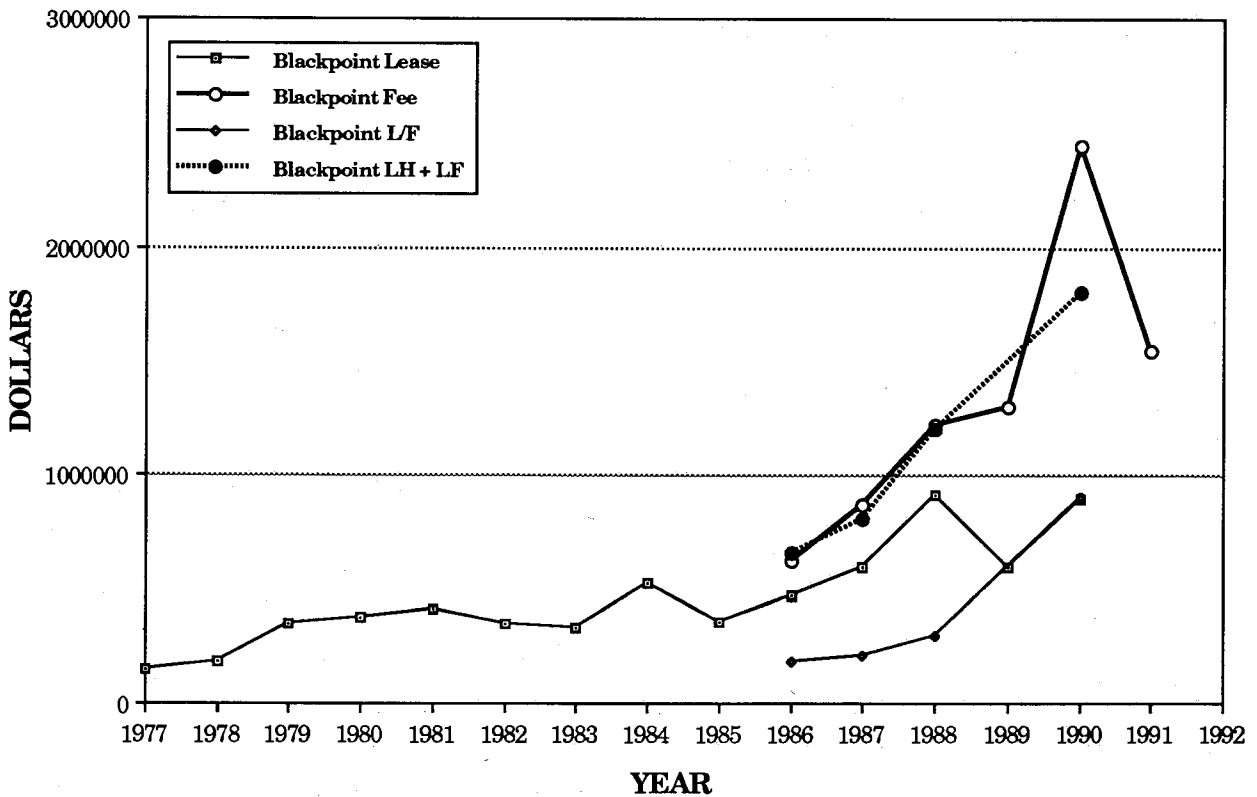


Figure V-148

KOKO KAI/PORTLOCK MEDIAN PRICES

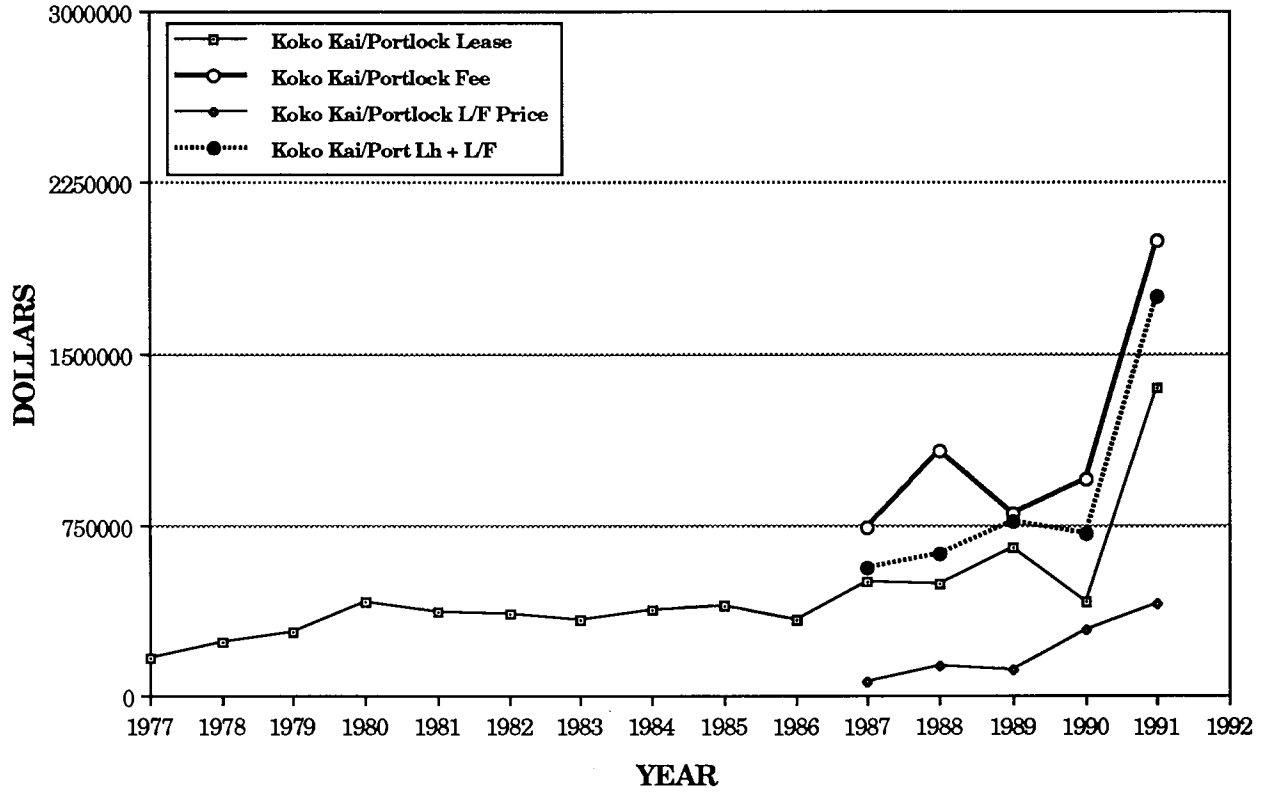


Figure V-149

KOKO HEAD TERRACE MEDIAN PRICES

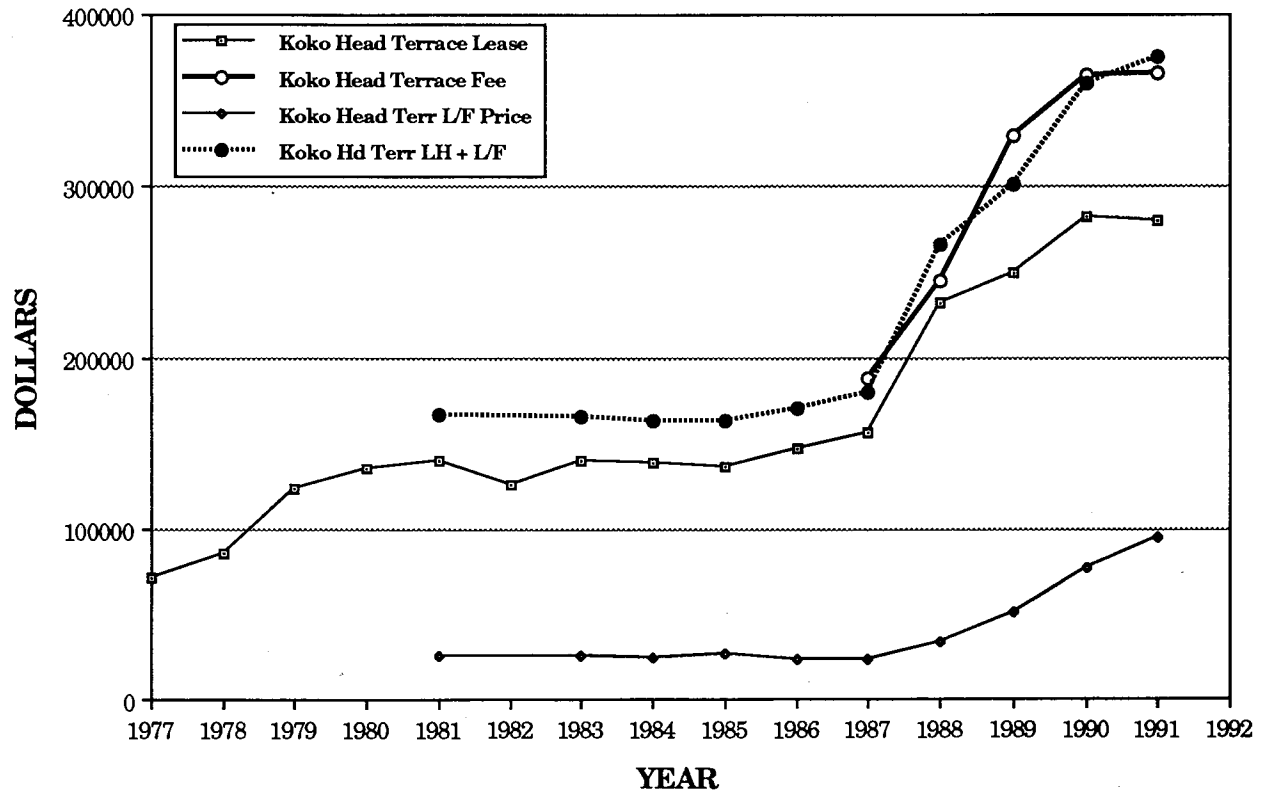


Figure V-150

LUNALILO TERRACE MEDIAN PRICES

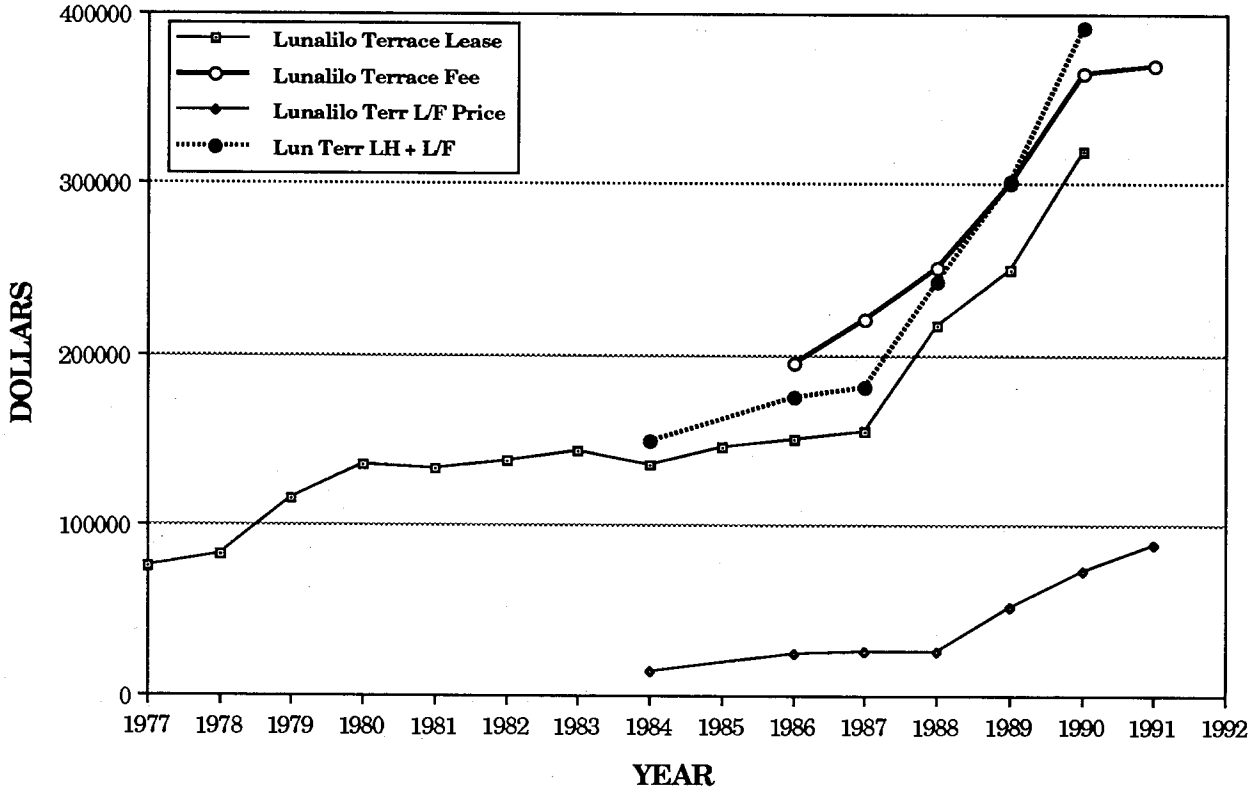


Figure V-151

MARINER'S RIDGE MEDIAN PRICES

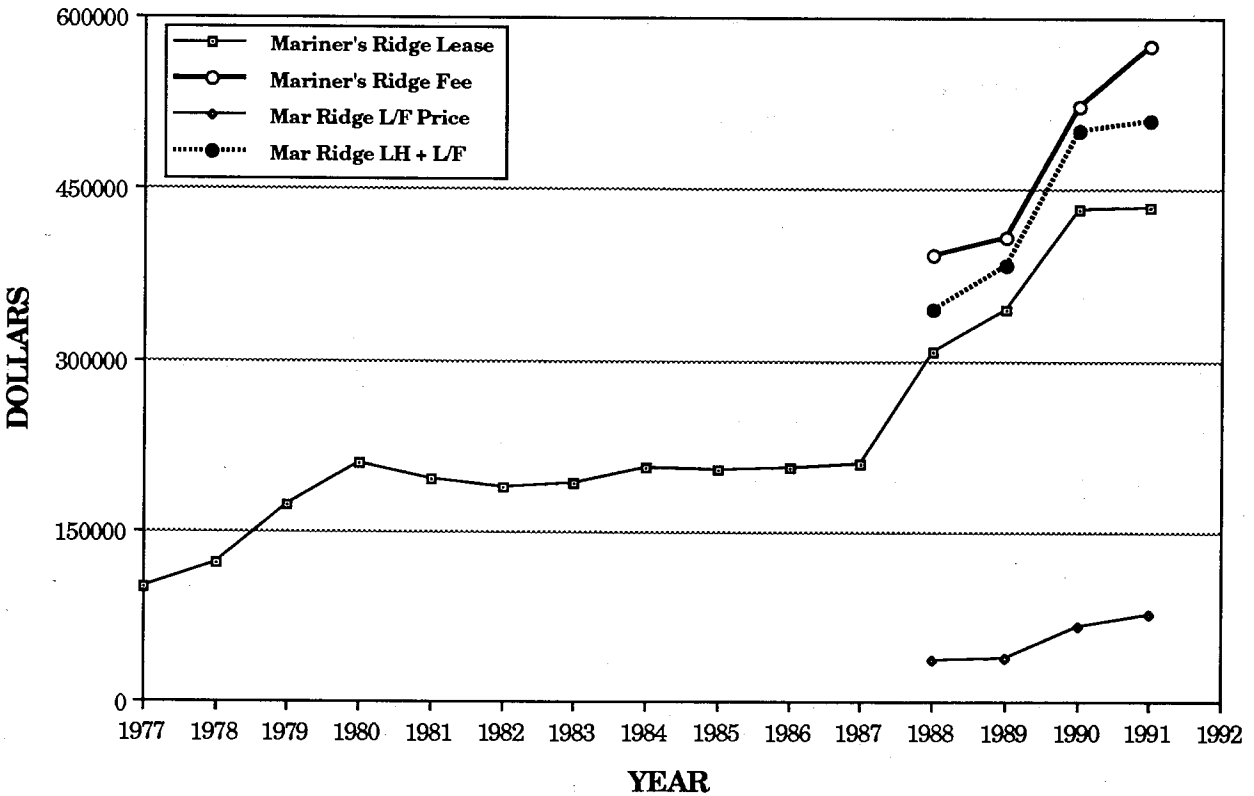


Figure V-152
MARINER'S COVE MEDIAN PRICES

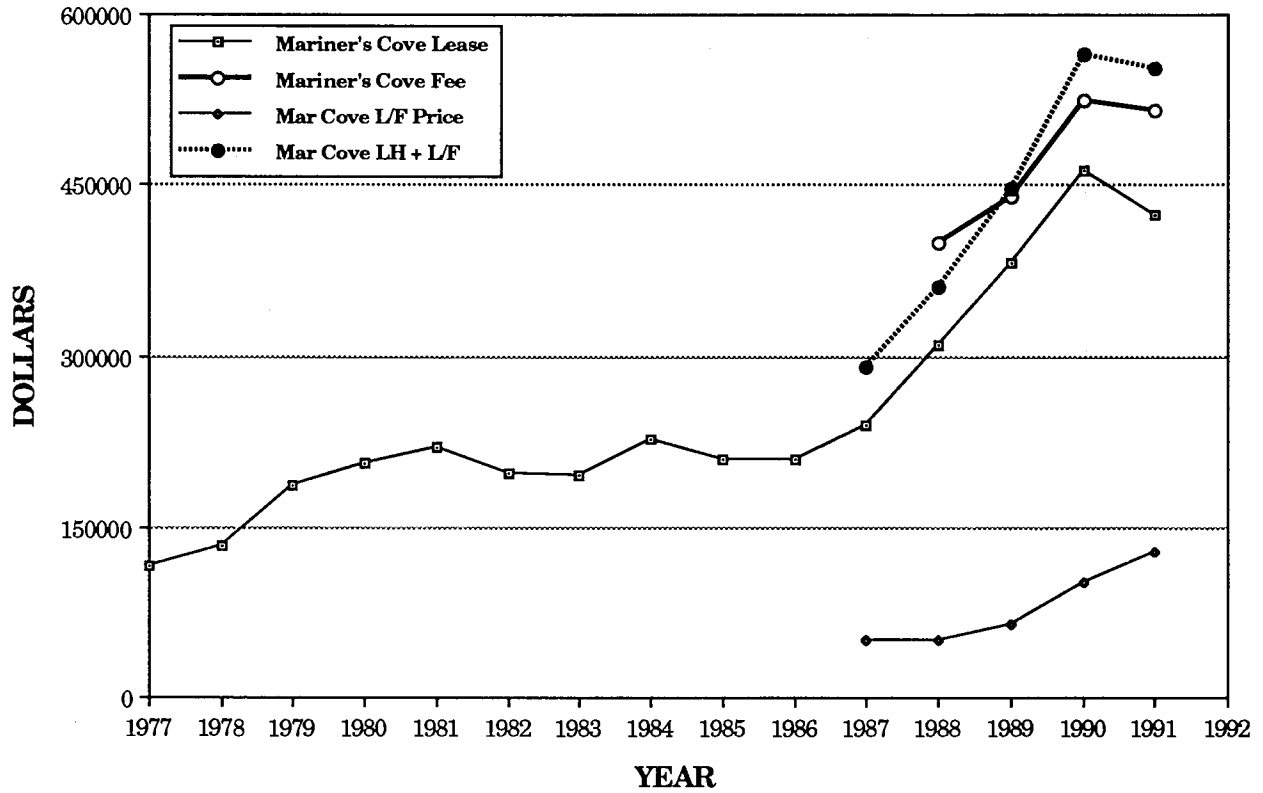


Figure V-153
QUEEN'S GATE MEDIAN PRICES

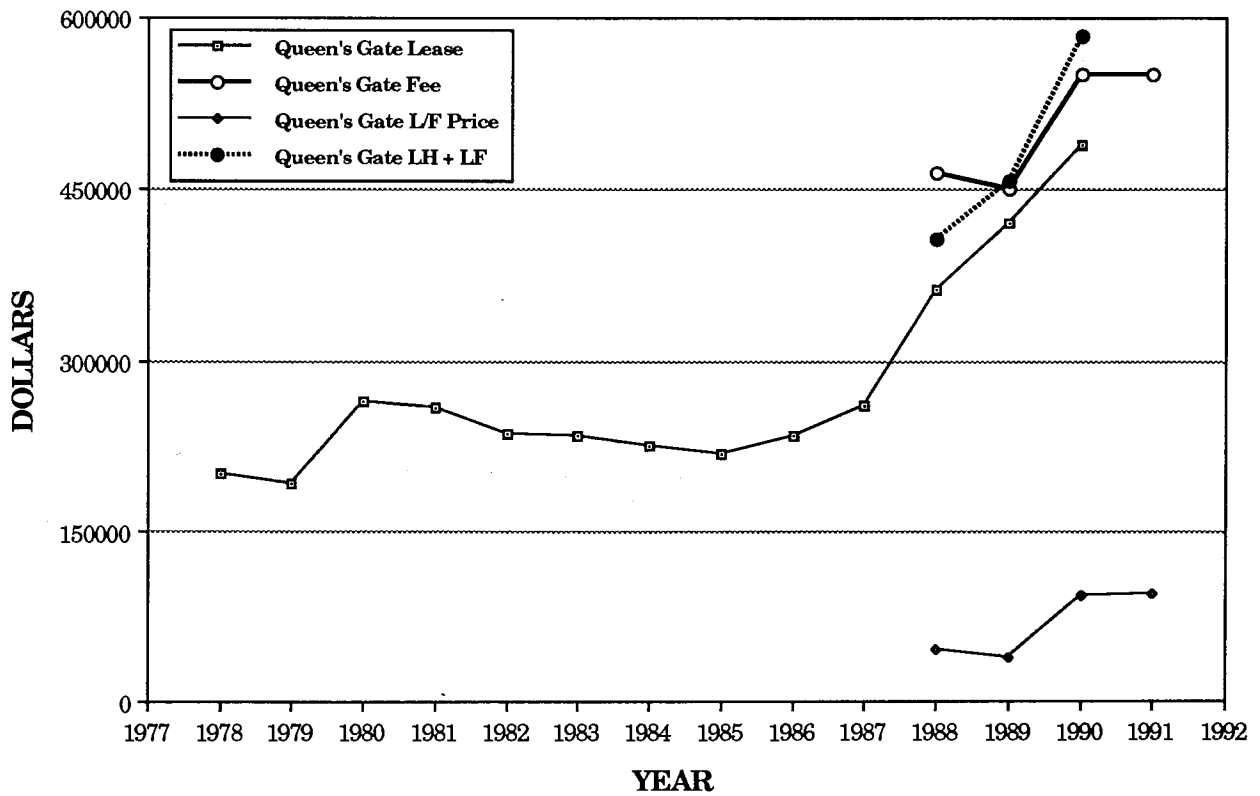


Figure V-154
LAULIMA MEDIAN PRICES

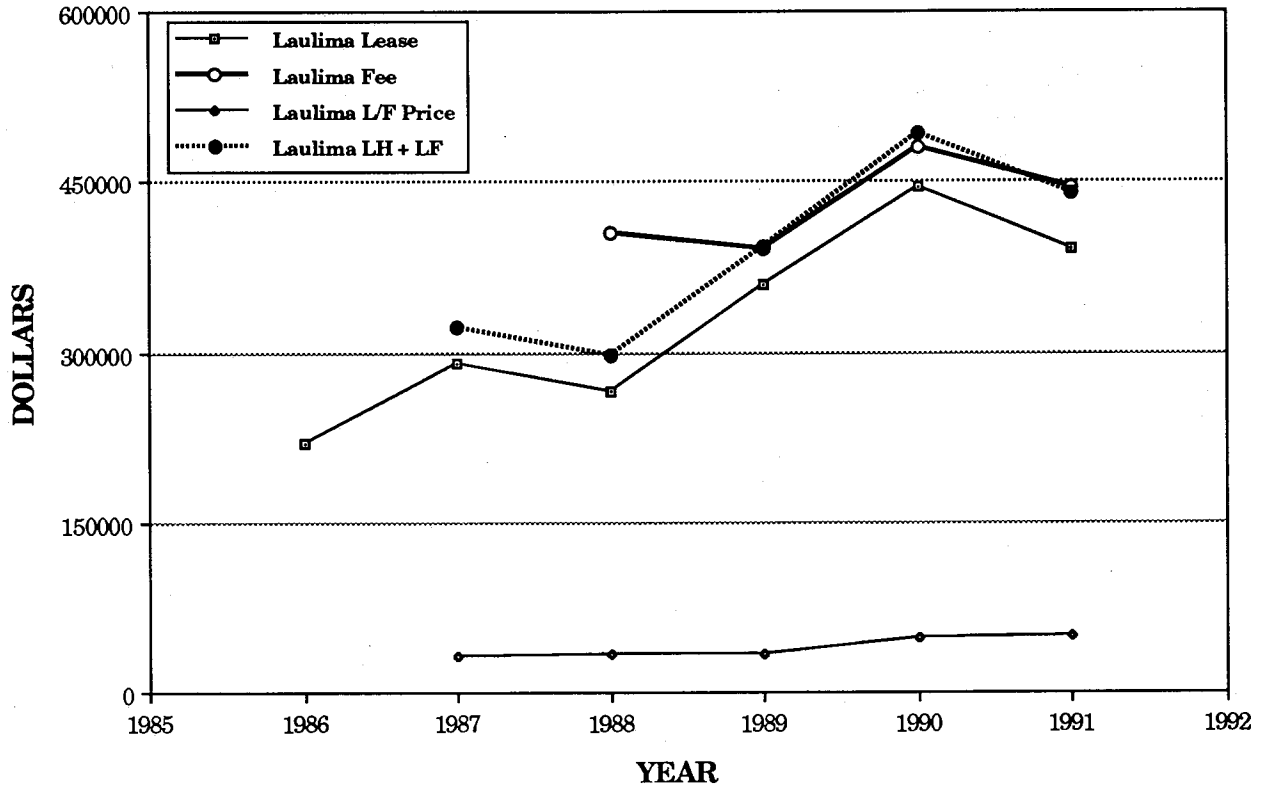


Figure V-155
ENCHANTED LAKE MEDIAN PRICES

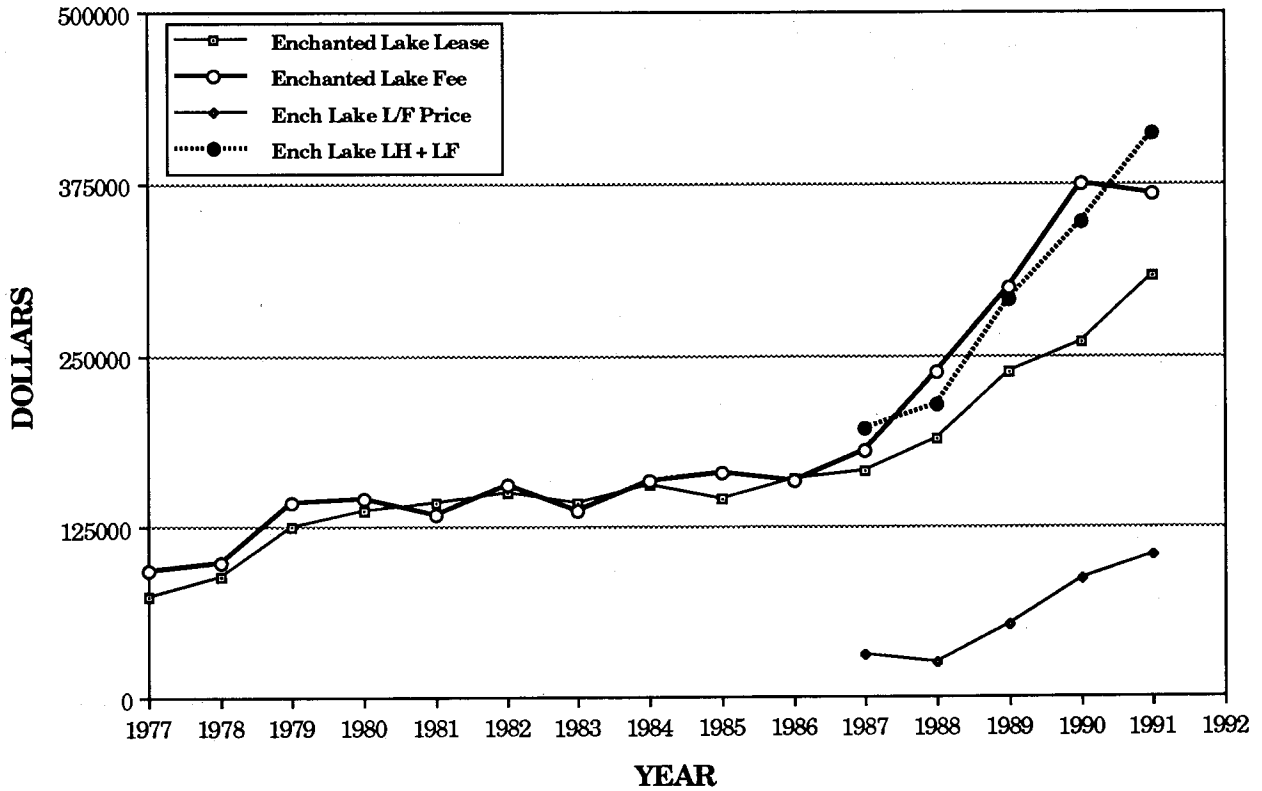


Figure V-156
OLOMANA MEDIAN PRICES

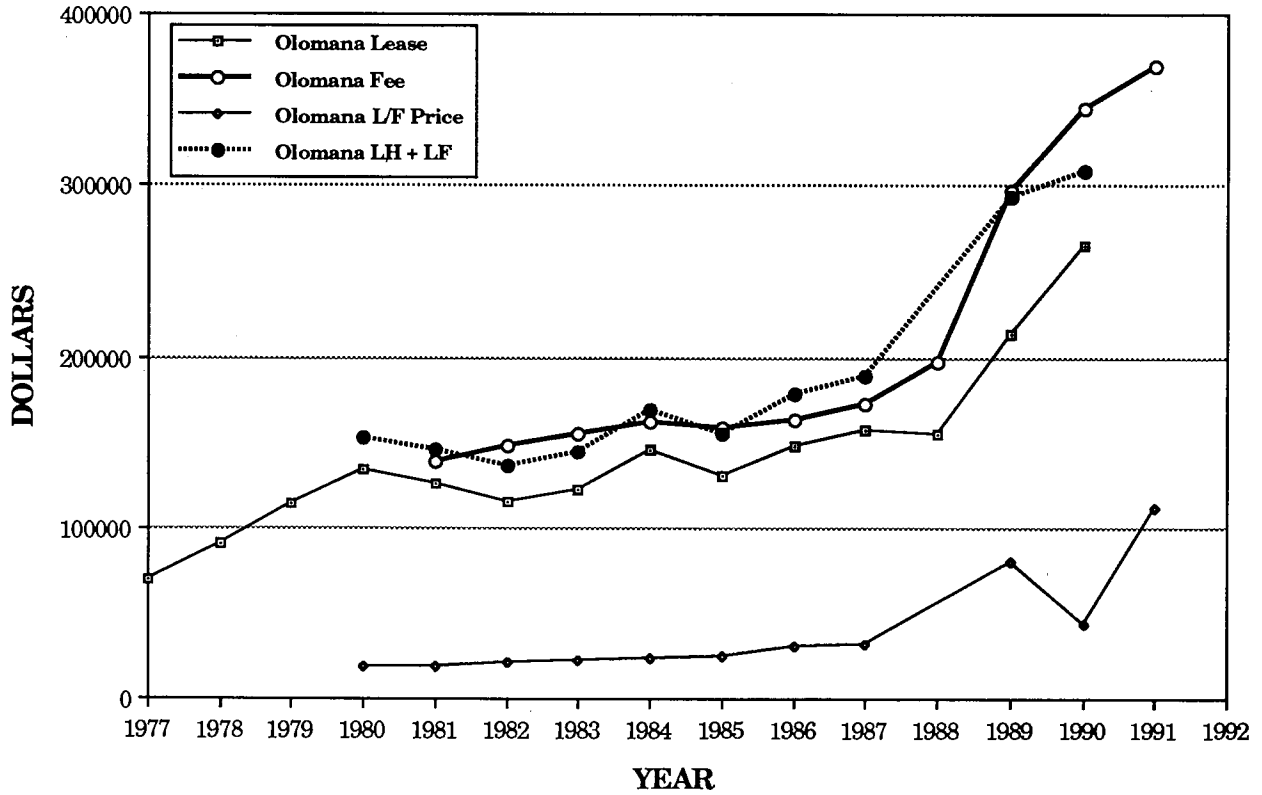


Figure V-157
POHAKAPU MEDIAN PRICES

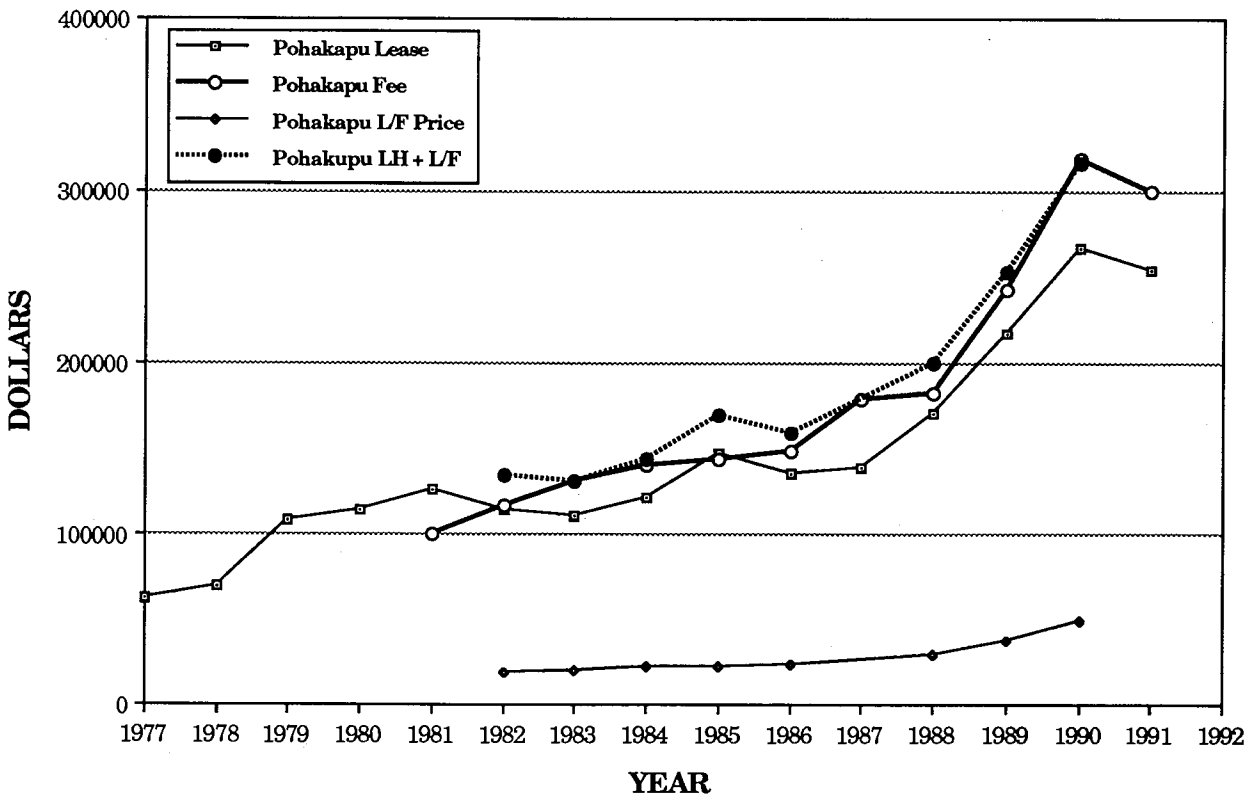


Figure V-158

KALAHEO HILLSIDE MEDIAN PRICES

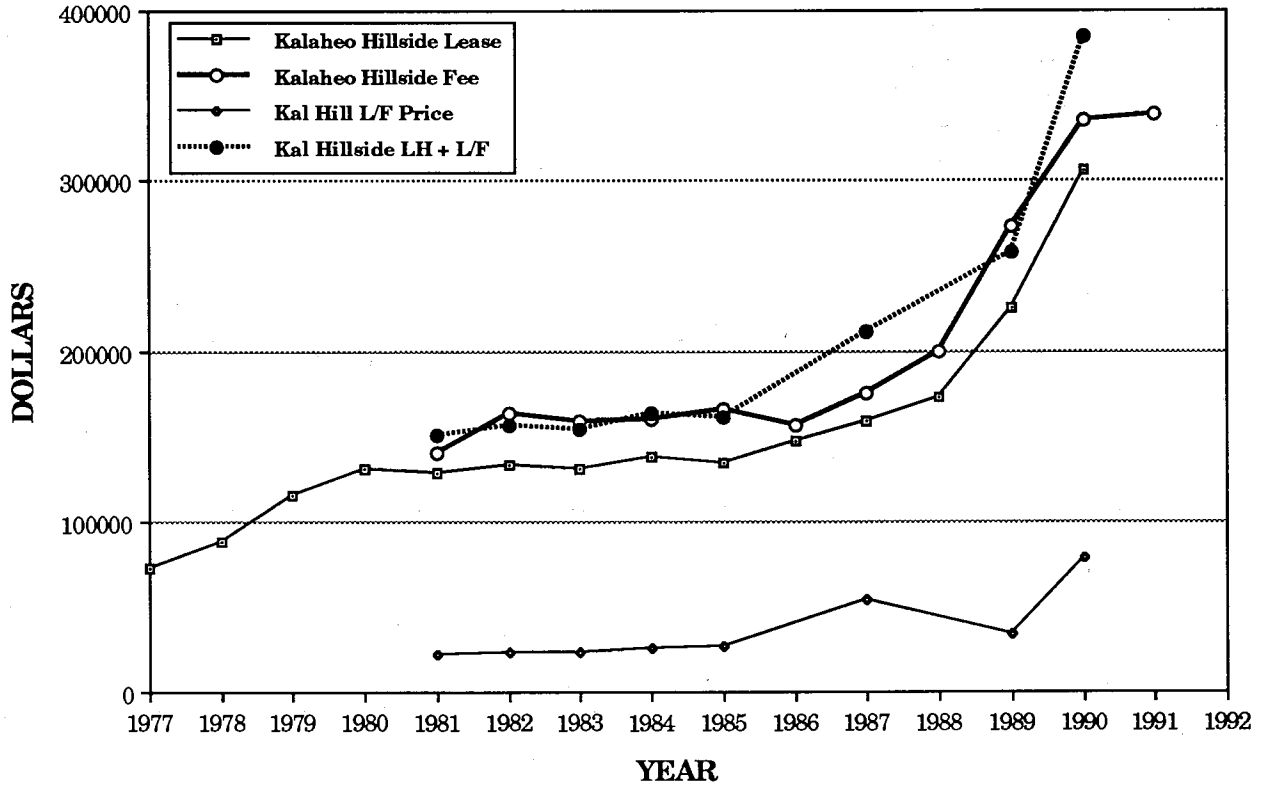


Figure V-159

KAINALU MEDIAN PRICES

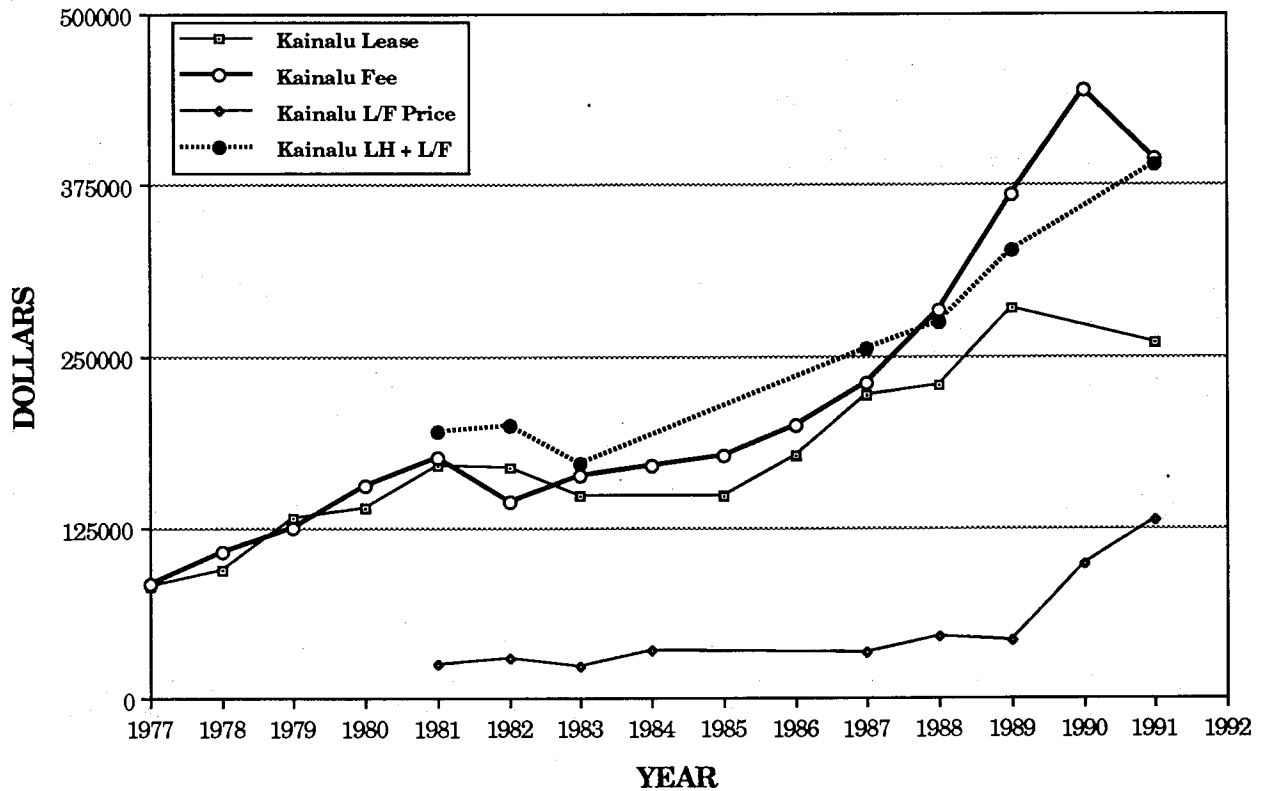


Figure V-160
KAWAINUI CANAL MEDIAN PRICES

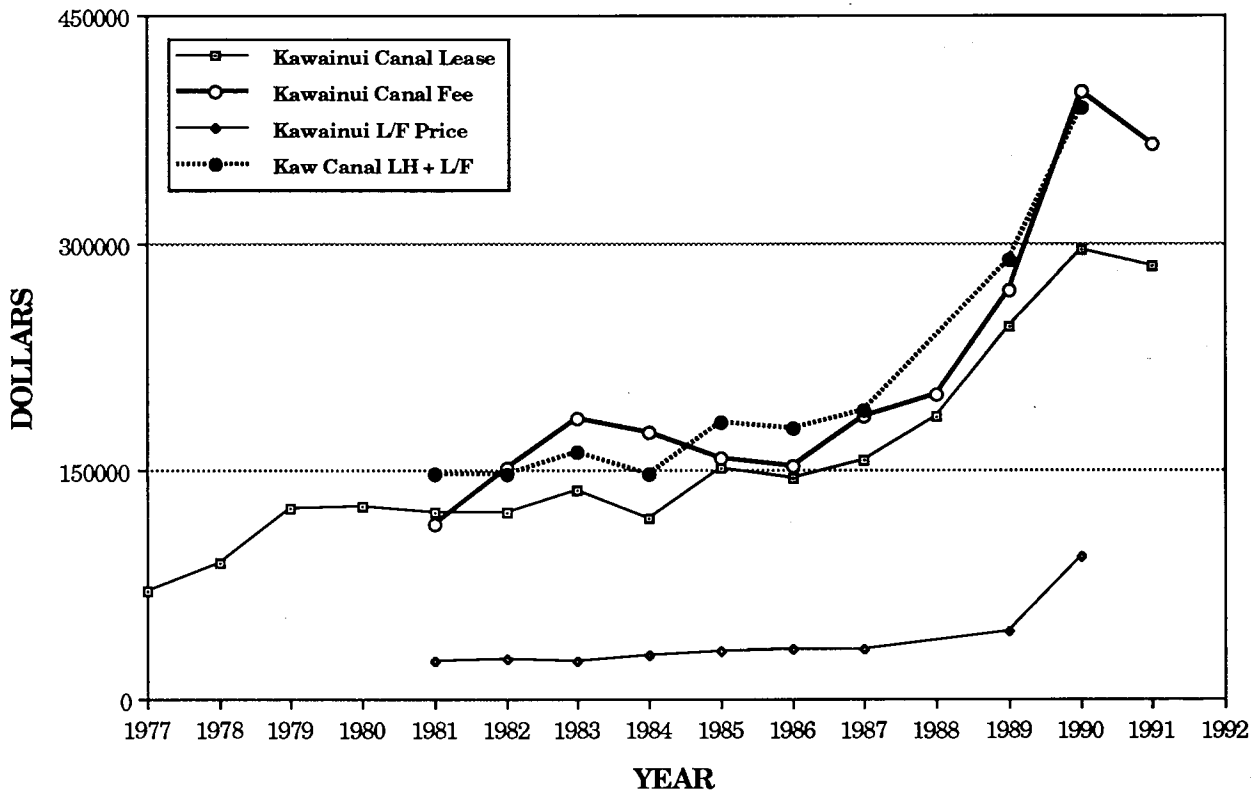


Figure V-161
AIKAHI PARK MEDIAN PRICES

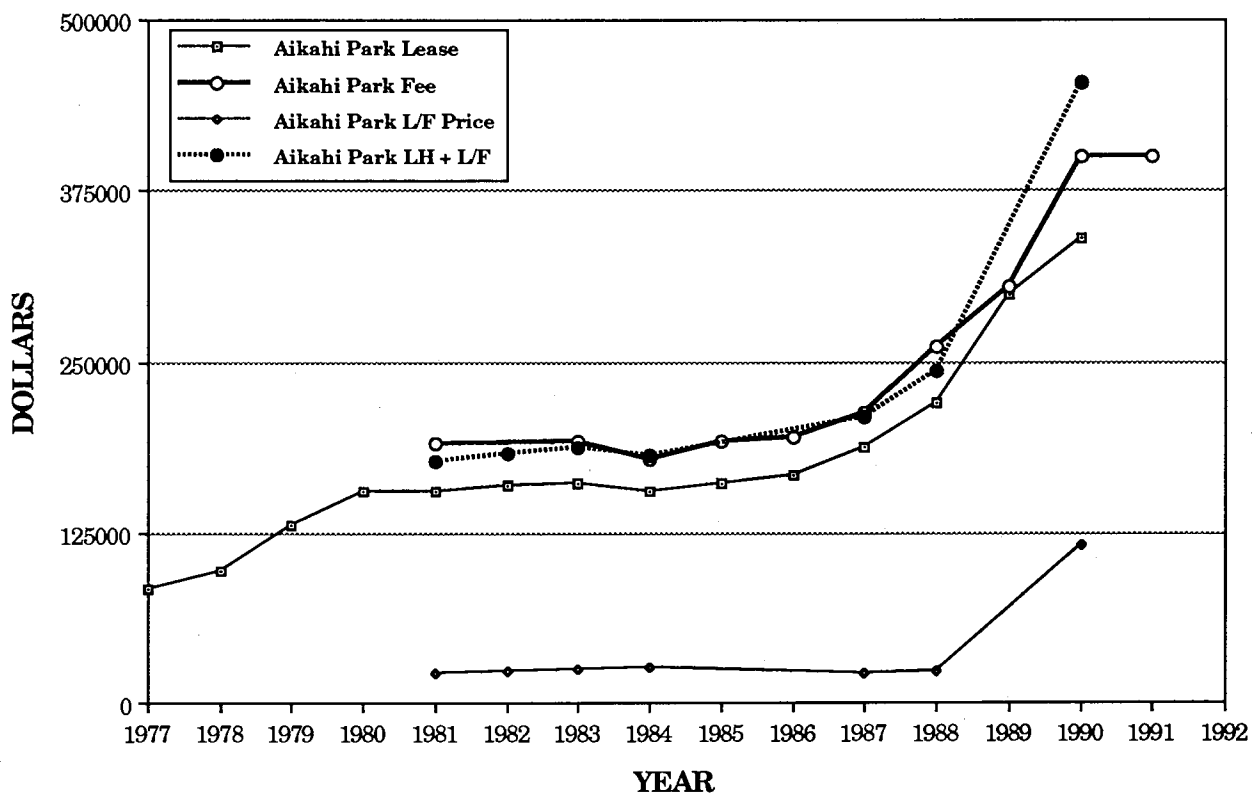


Figure V-162
KAELEPULU MEDIAN PRICES

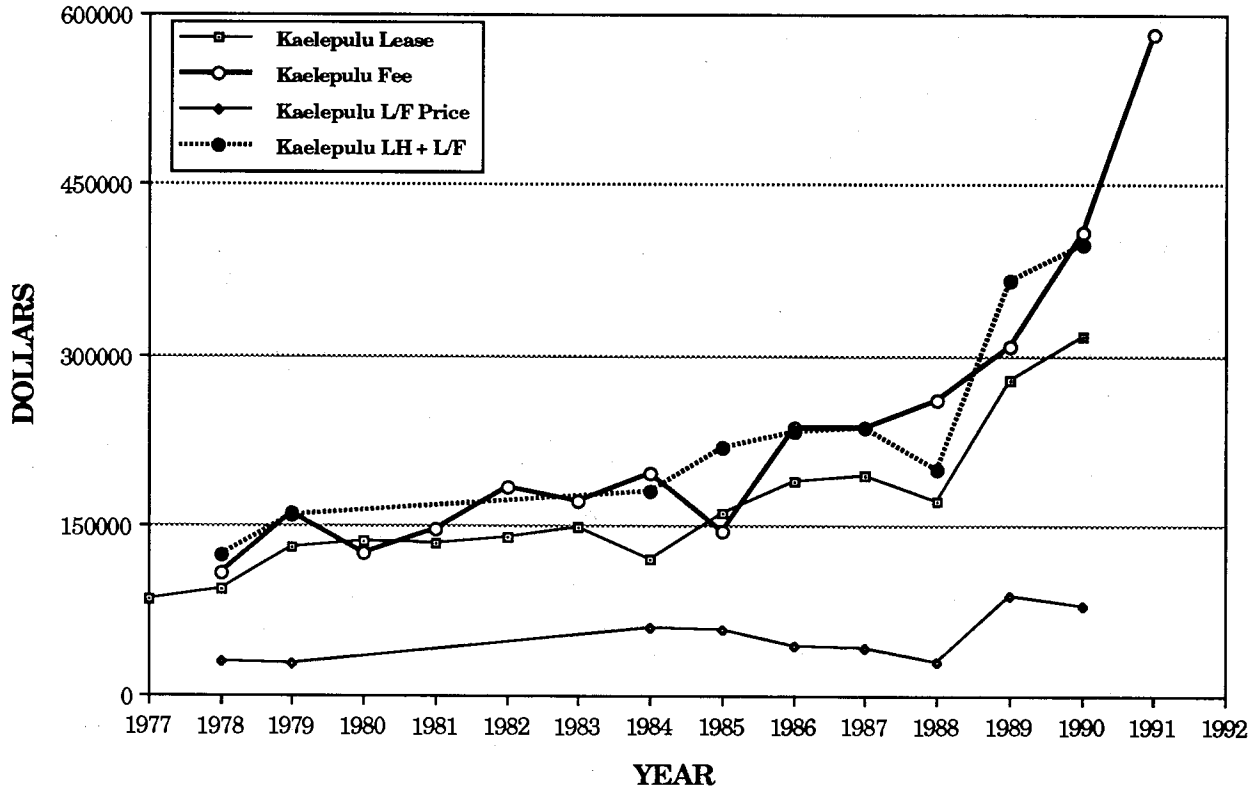


Figure V-163
KANEOHE TOWN MEDIAN PRICES

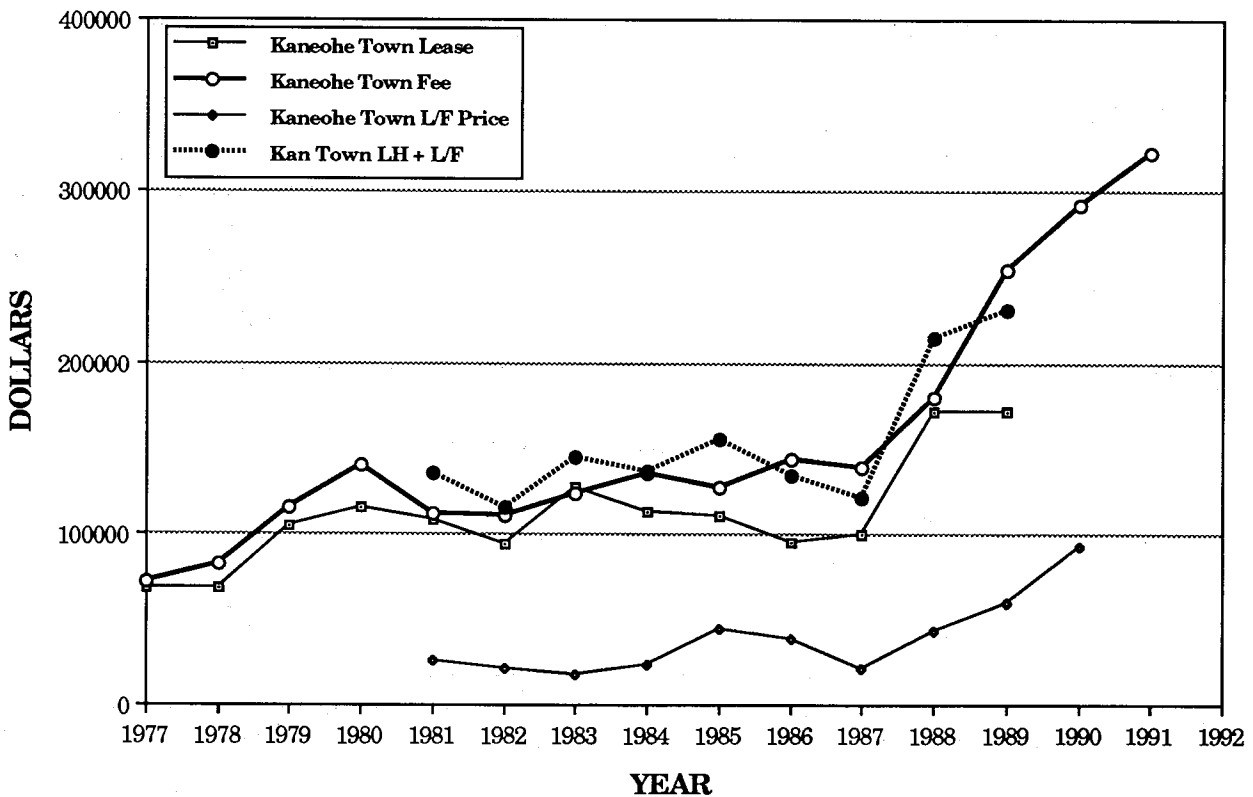


Figure V-164

HAIKU PLANTATION MEDIAN PRICES

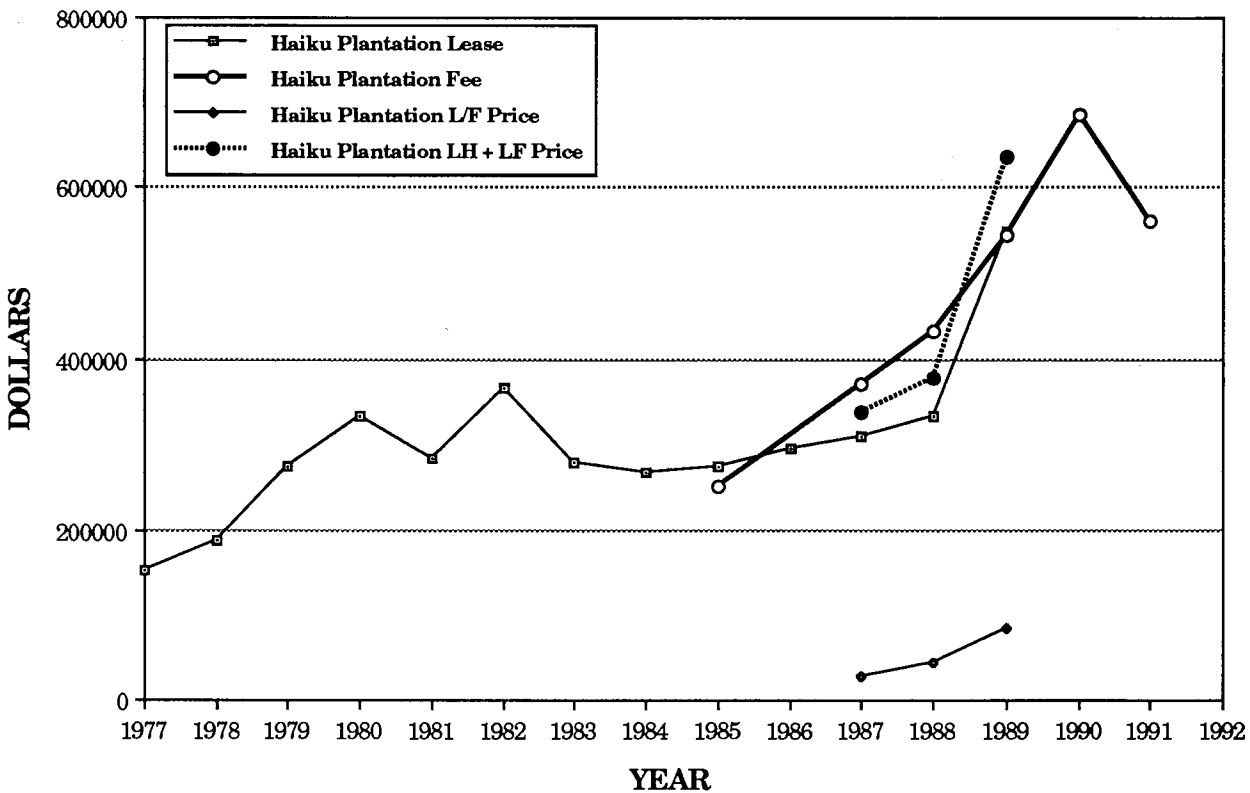


Figure V-165

ALII SHORES MEDIAN PRICES

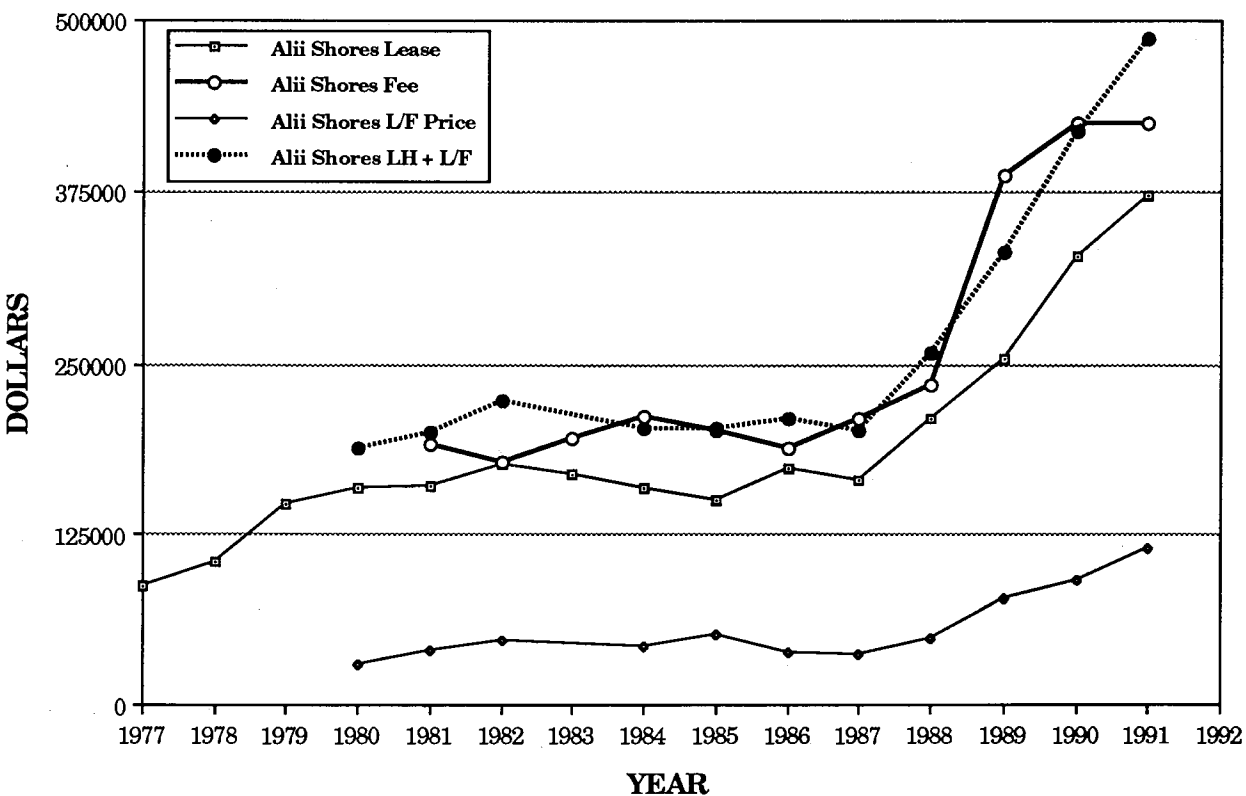


Figure V-166
CROWN TERRACE MEDIAN PRICES

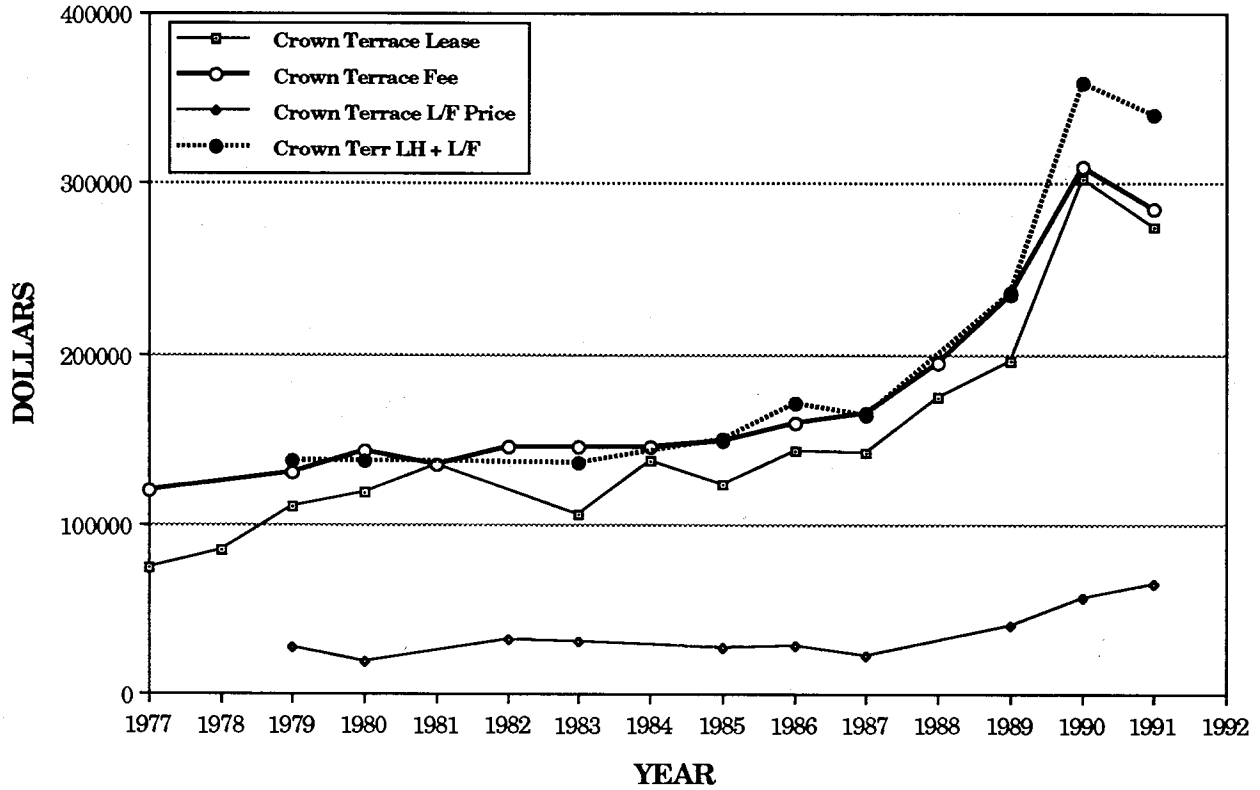


Figure V-167
KEAPUKA MEDIAN PRICES

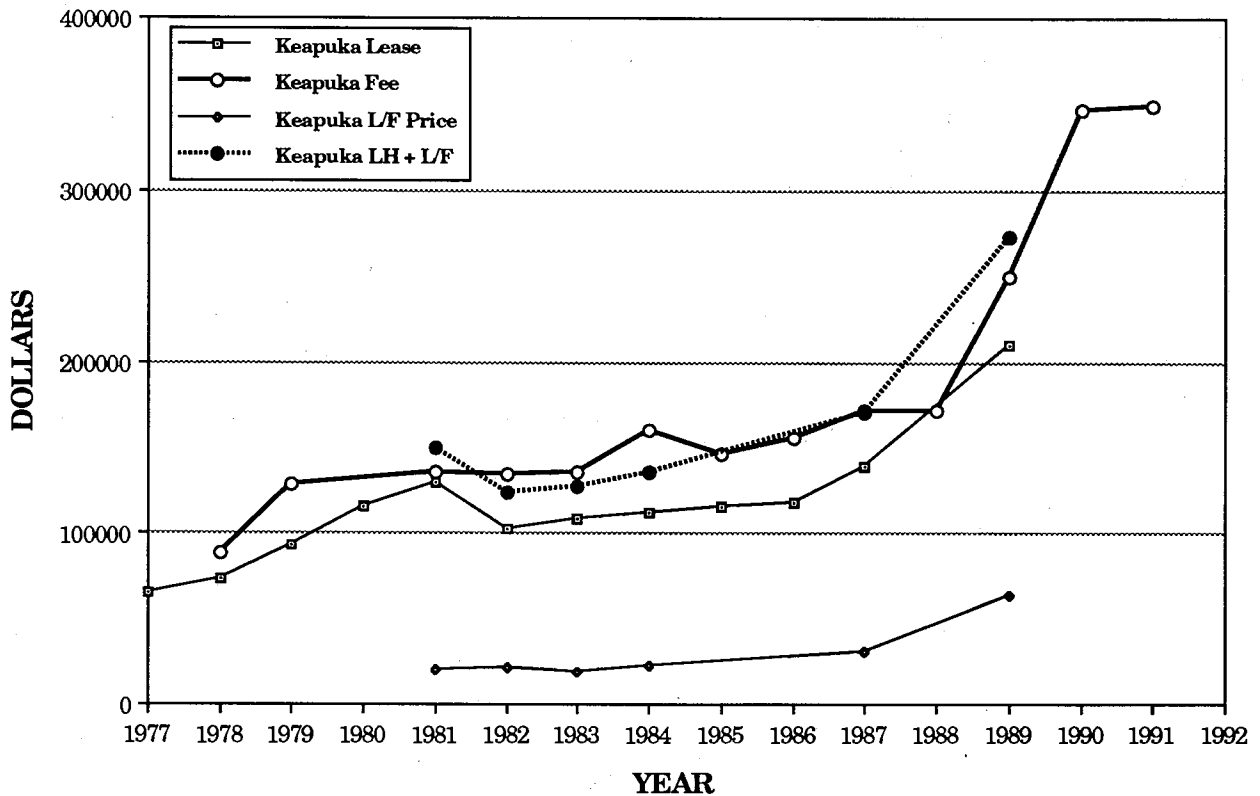


Figure V-168

PEARLRIDGE ESTATES MEDIAN PRICES

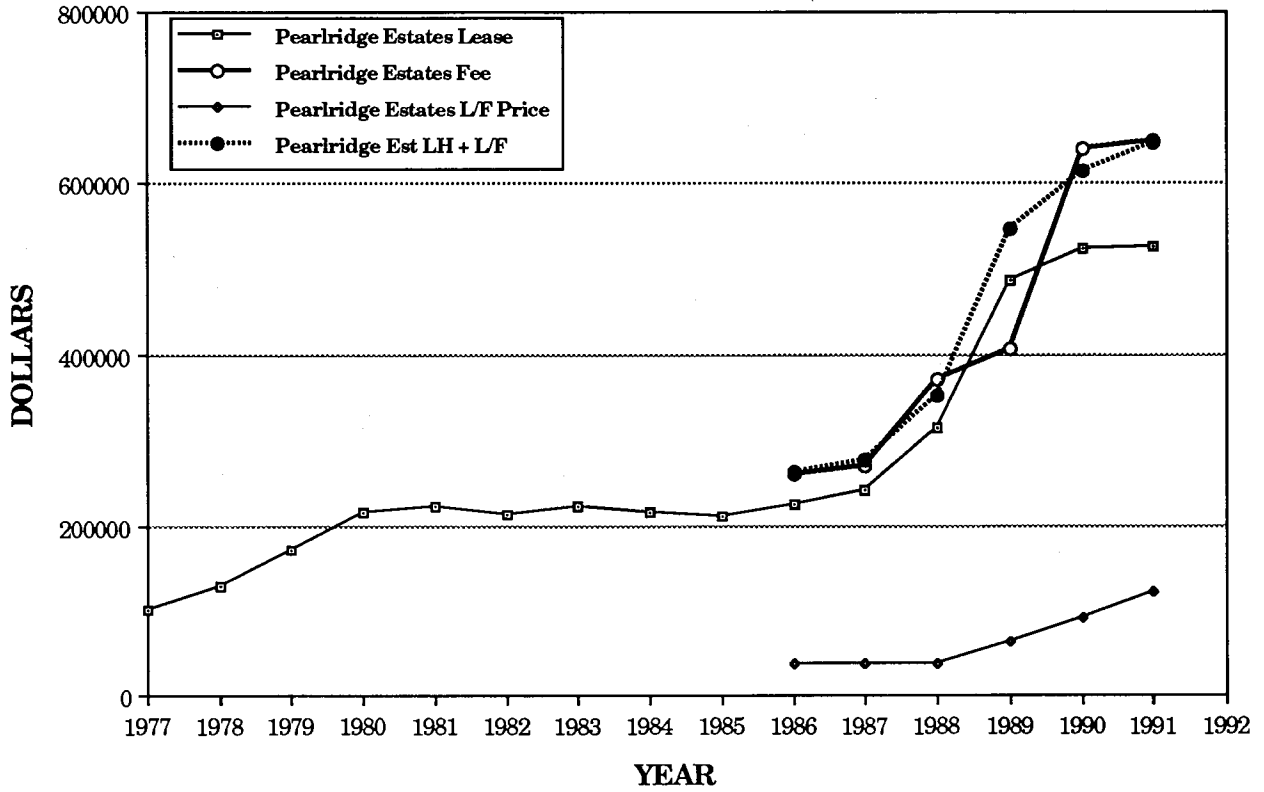


Figure V-169

WAIAM VIEW ESTATES MEDIAN PRICES

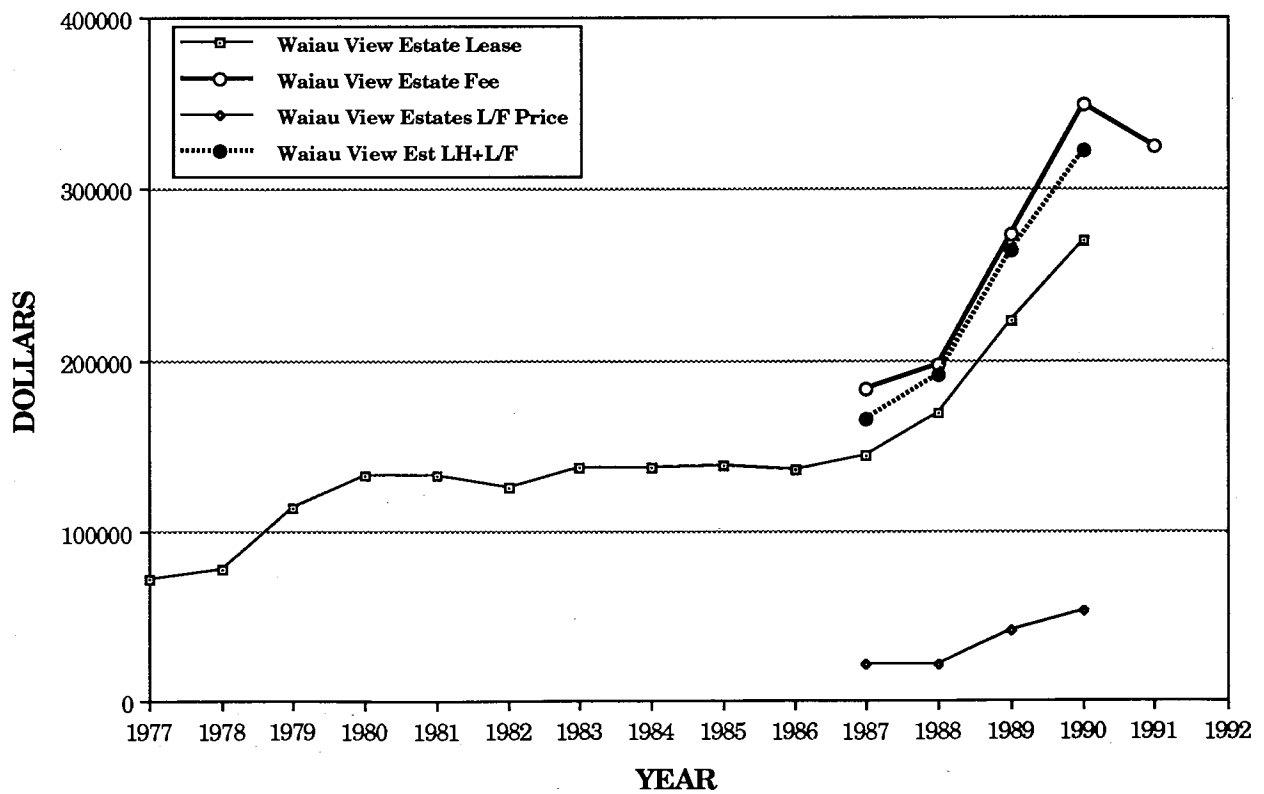


Figure V-170
EWA BEACH MEDIAN PRICES

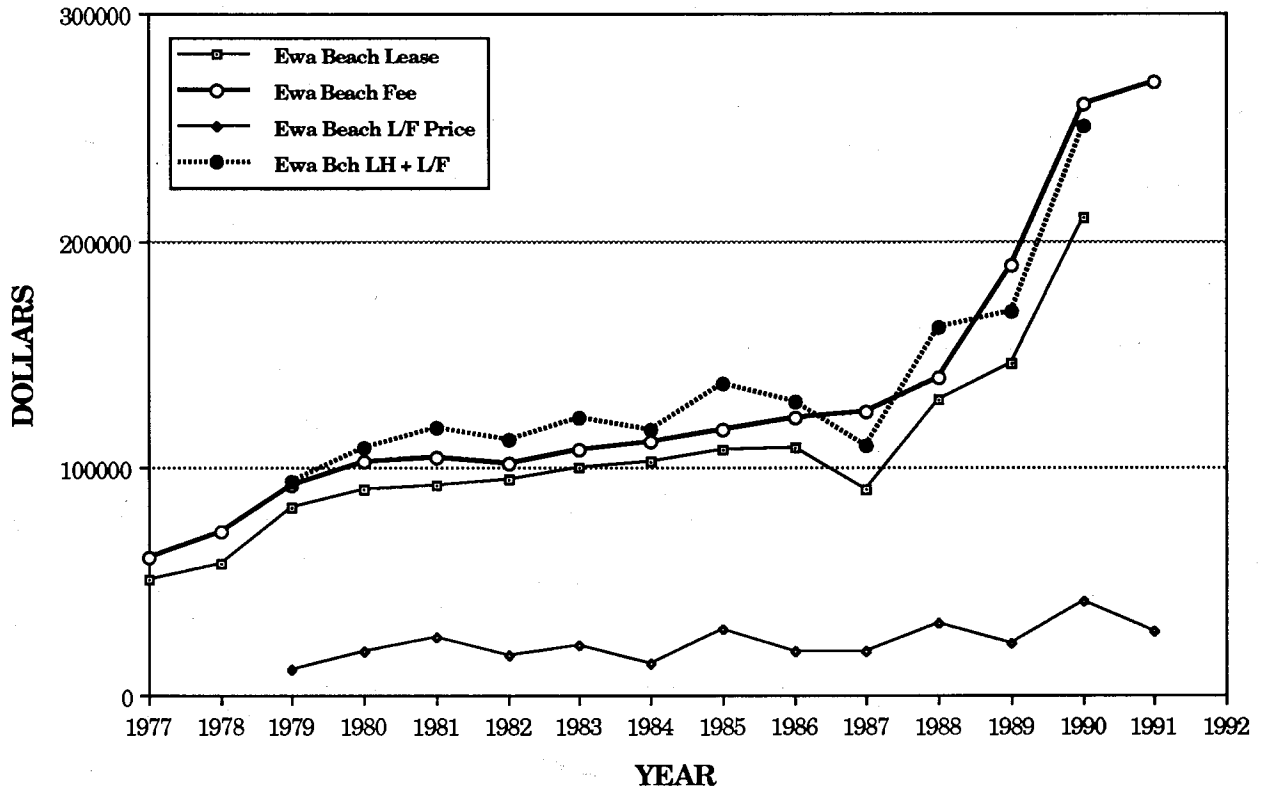


Figure V-171
VILLAGE PARK MEDIAN PRICES

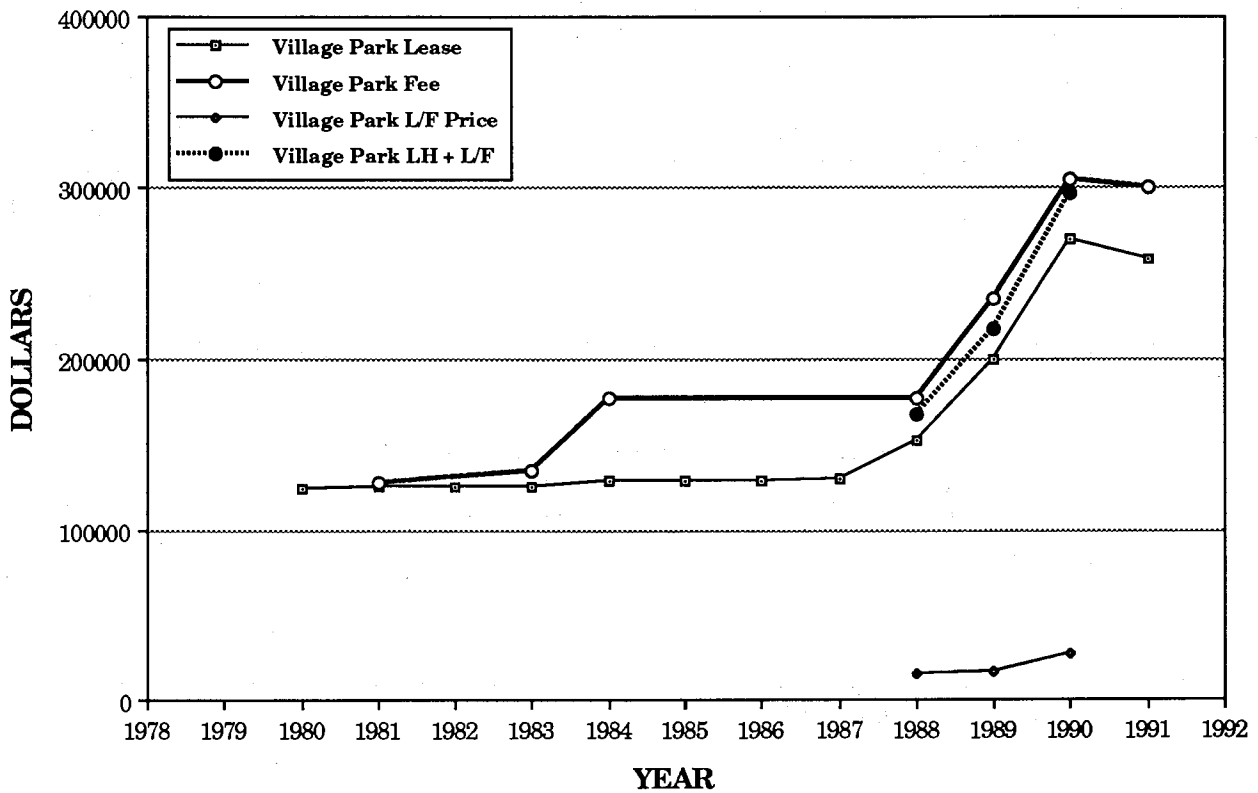


Figure V-172

HARBOR VIEW/ROBINSON HTS MEDIAN PRICES

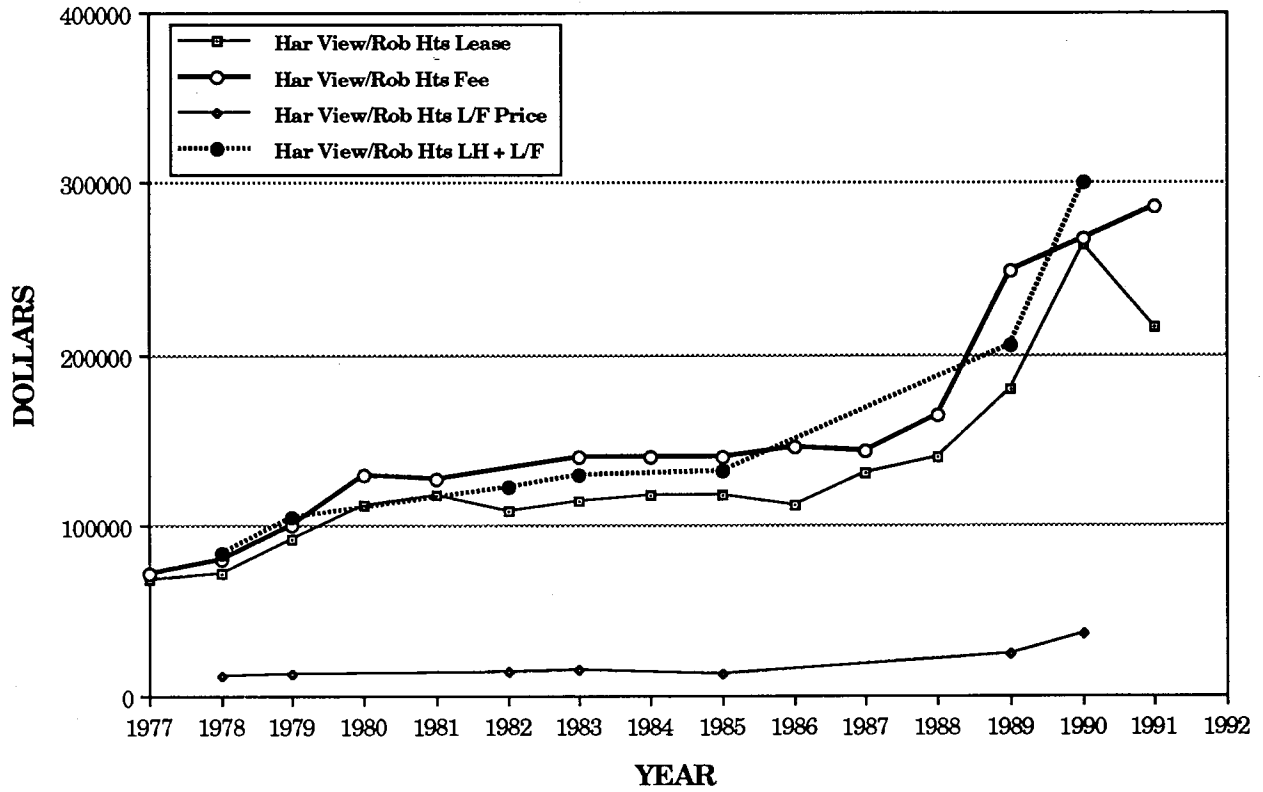


Figure V-173

MAKAKILO MEDIAN PRICES

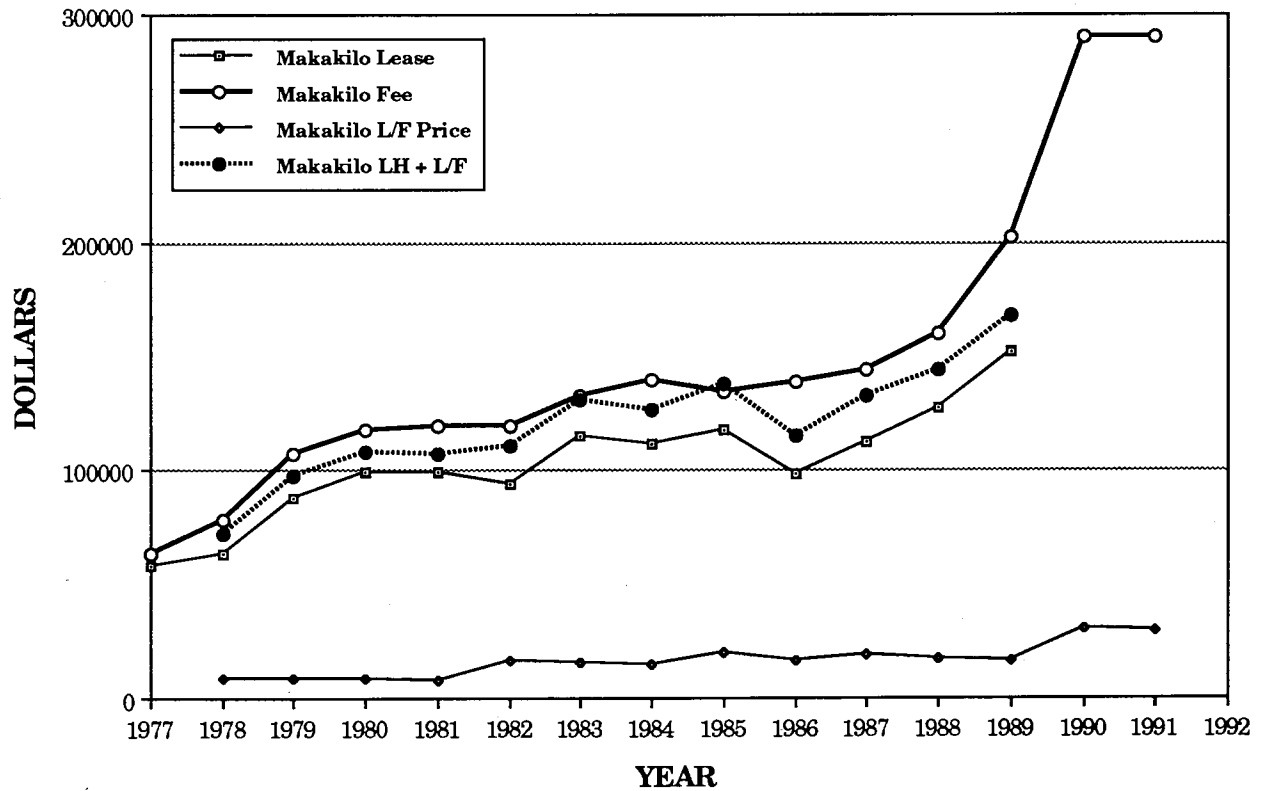


Figure V-174

OLD KAHALA WATERFRONT MEDIAN SALES PRICES

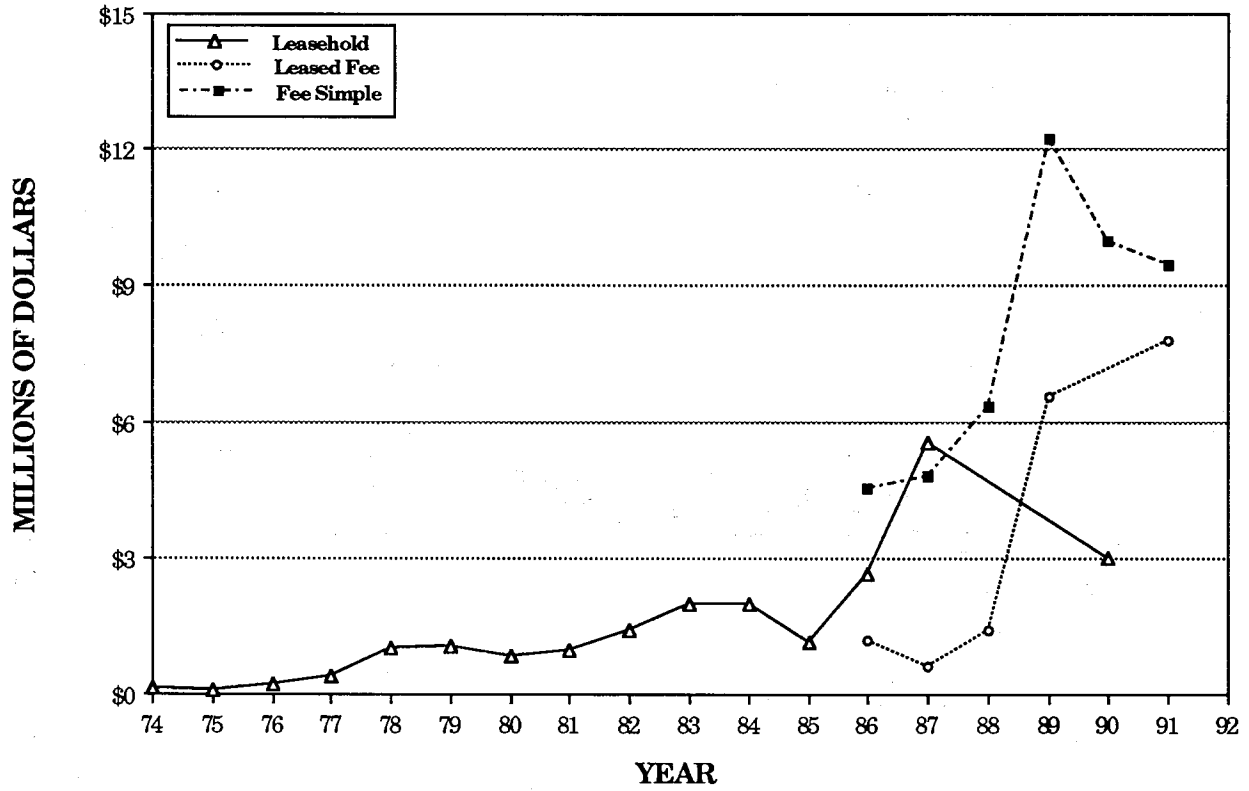


Figure V-175

KOKO KAI/PORTLOCK WATERFRONT MEDIAN SALES PRICES

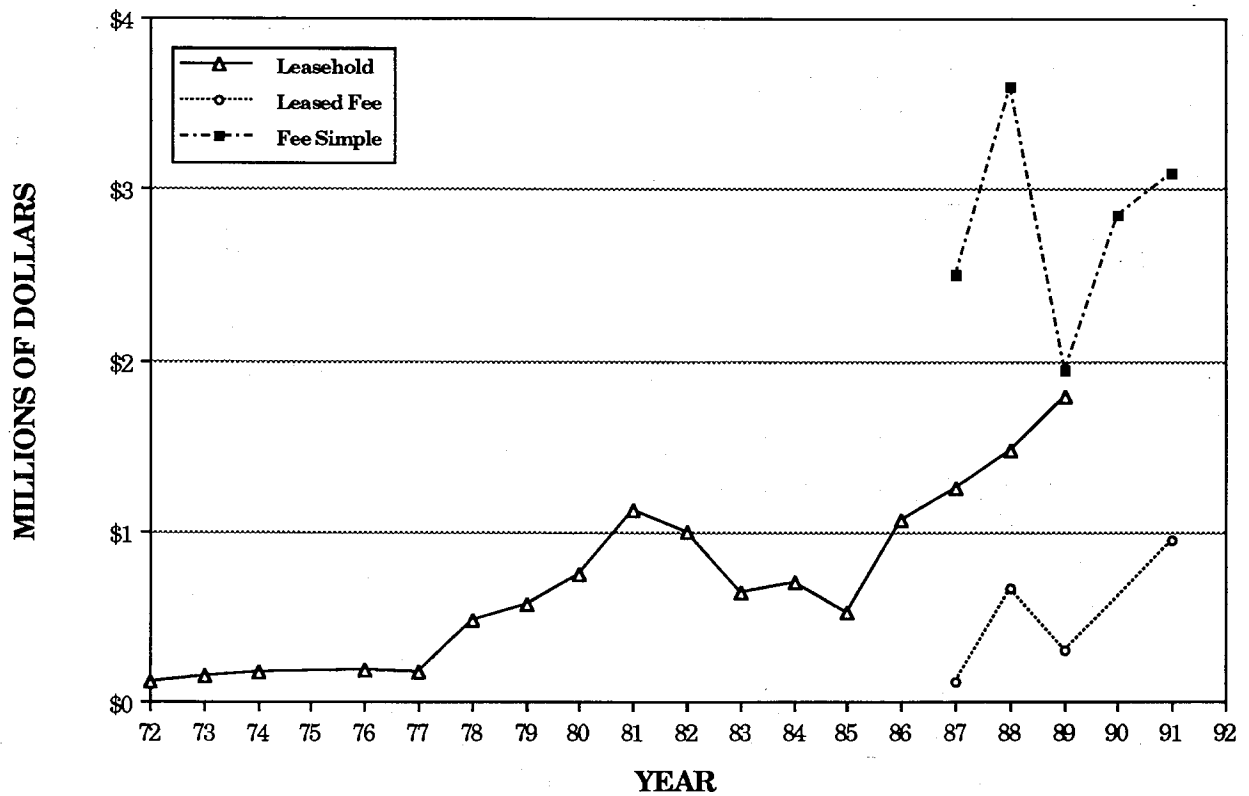


Figure V-176

OAHU TRADITIONAL FEE SIMPLE AND LEASEHOLD PRICES INDICES

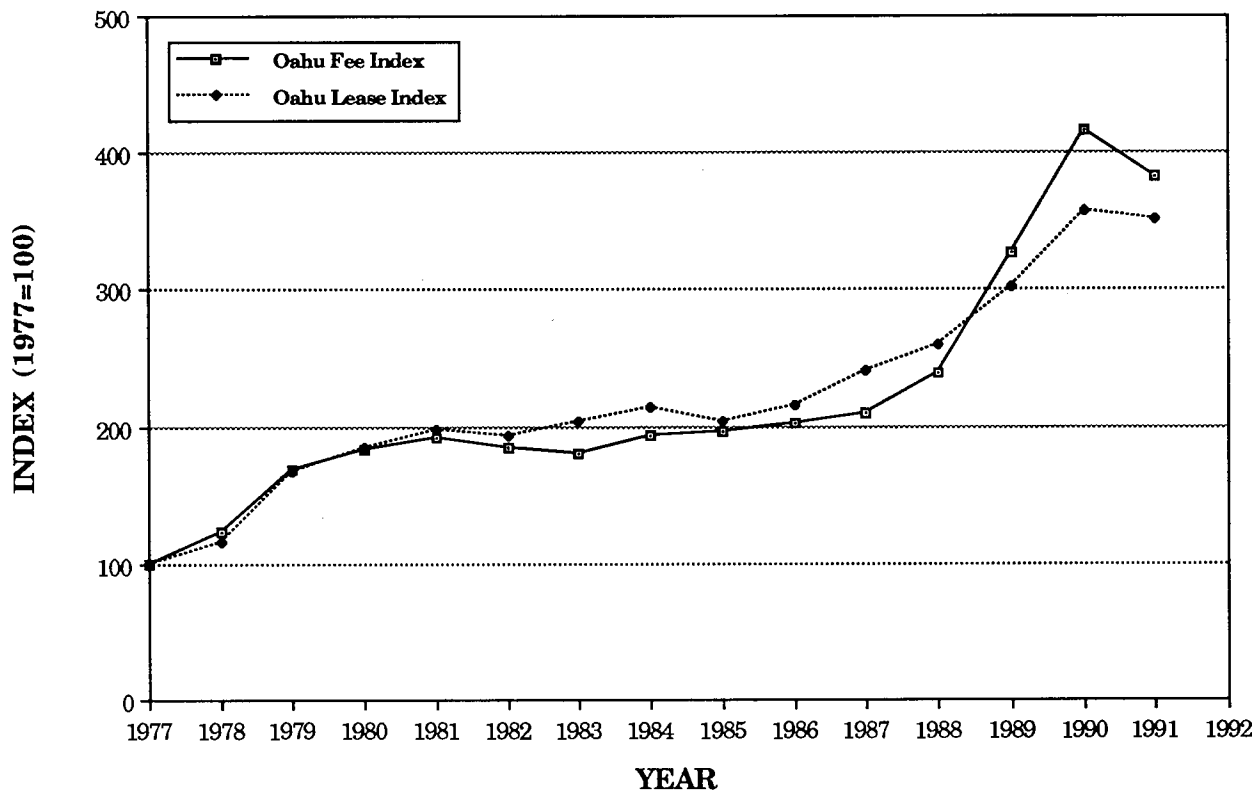


Figure V-177

OAHU TRADITIONAL FEE SIMPLE PRICE INDICES BY AREA

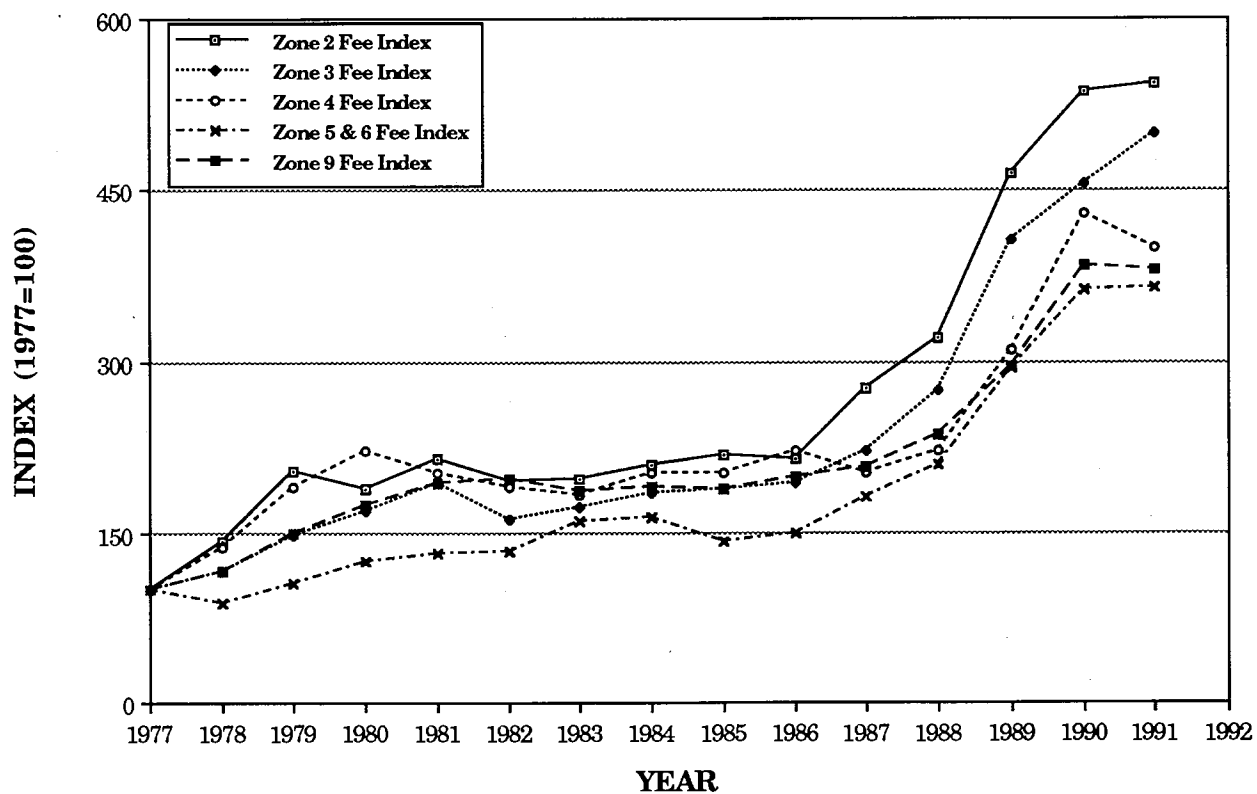


Figure V-178

OAHU LEASEHOLD PRICE INDICES BY AREA

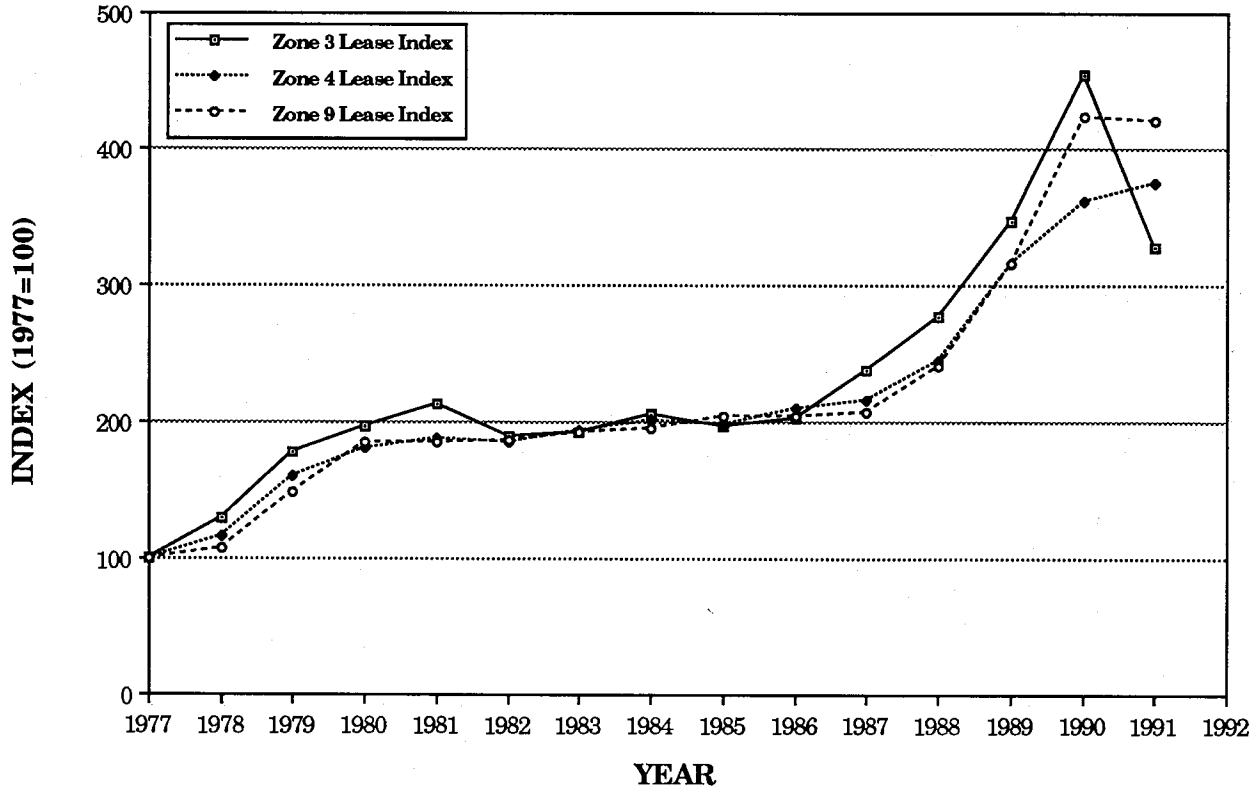


Figure V-179

Neighborhood: Halawa Hills Estates
 Leased Fee Conversion Date: 1984 No. Converted: 199

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple							
	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	43%	54%	74%	112%	150%	248%	n.a.
1978	n.a.	42%	53%	72%	110%	147%	245%	n.a.
1979	n.a.	4%	12%	27%	55%	82%	153%	n.a.
1980	n.a.	-4%	3%	16%	42%	67%	132%	n.a.
1981	n.a.	-3%	4%	18%	44%	69%	136%	n.a.
1982	n.a.	-5%	2%	16%	41%	66%	131%	n.a.
1983	n.a.	6%	14%	28%	57%	84%	157%	n.a.
1984	n.a.	-14%	-7%	5%	28%	50%	109%	n.a.

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple							
	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	-13%	-11%	-4%	4%	-3%	4%	n.a.
1978	n.a.	-8%	-7%	1%	9%	2%	9%	n.a.
1979	n.a.	-15%	-14%	-7%	1%	-6%	1%	n.a.
1980	n.a.	-7%	-6%	2%	10%	3%	10%	n.a.
1981	n.a.	-6%	-5%	3%	11%	4%	11%	n.a.
1982	n.a.	-7%	-6%	2%	10%	3%	10%	n.a.
1983	n.a.	6%	8%	16%	26%	17%	26%	n.a.
1984	n.a.	-13%	-11%	-4%	4%	-3%	4%	n.a.

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple							
	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	-1.5%	-1.2%	-0.3%	0.3%	-0.2%	0.3%	n.a.
1978	n.a.	-1.1%	-0.8%	0.1%	0.8%	0.2%	0.7%	n.a.
1979	n.a.	-2.3%	-1.8%	-0.7%	0.1%	-0.5%	0.1%	n.a.
1980	n.a.	-1.3%	-0.9%	0.2%	1.0%	0.3%	0.9%	n.a.
1981	n.a.	-1.3%	-0.8%	0.5%	1.4%	0.5%	1.1%	n.a.
1982	n.a.	-1.8%	-1.1%	0.4%	1.4%	0.4%	1.1%	n.a.
1983	n.a.	1.9%	1.8%	3.1%	3.9%	2.3%	2.9%	n.a.
1984	n.a.	-6.6%	-3.9%	-1.0%	0.7%	-0.5%	0.5%	n.a.

Figure V-180

Neighborhood: Foster Village
 Leased Fee Conversion Date: 1979 No. Converted: 782

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple													
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Year	1977	60%	78%	75%	71%	76%	83%	86%	92%	116%	183%	239%	327%	322%
Purchased in	1978	42%	57%	56%	52%	56%	62%	65%	70%	92%	151%	200%	279%	274%
Leasehold	1979	9%	21%	20%	17%	20%	25%	27%	31%	48%	93%	131%	191%	188%

Excess Gain/Loss

YEAR	Year Sold in Fee Simple													
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Year	1977	13%	7%	-4%	-8%	-1%	2%	4%	2%	10%	27%	21%	17%	17%
Purchased in	1978	7%	1%	-10%	-14%	-6%	-4%	-2%	-4%	4%	20%	14%	11%	10%
Leasehold	1979	9%	4%	-7%	-12%	-4%	-2%	1%	-2%	6%	23%	17%	13%	13%

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple													
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Year	1977	4.3%	1.8%	-0.8%	-1.5%	-0.1%	0.2%	0.5%	0.2%	0.9%	2.0%	1.5%	1.2%	1.1%
Purchased in	1978	3.3%	0.3%	-2.5%	-2.9%	-1.1%	-0.6%	-0.2%	-0.5%	0.4%	1.7%	1.1%	0.8%	0.7%
Leasehold	1979	9.4%	1.8%	-2.5%	-3.0%	-0.8%	-0.3%	0.1%	-0.2%	0.7%	2.1%	1.4%	1.0%	1.0%

Figure V-181

Neighborhood: Old Kahala
 Leased Fee Conversion Date: 1980 No. Converted: 600

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple												
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Year	1977	75%	79%	58%	71%	96%	93%	104%	268%	379%	375%	520%	535%
Purchased in	1978	55%	59%	40%	52%	74%	72%	81%	227%	326%	322%	450%	464%
Leasehold	1979	10%	12%	-1%	7%	23%	21%	28%	131%	201%	199%	289%	299%
	1980	-4%	-2%	-13%	-6%	7%	6%	12%	102%	163%	160%	240%	248%

Excess Gain/Loss

YEAR	Year Sold in Fee Simple												
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Year	1977	5%	-6%	0%	1%	8%	5%	7%	69%	78%	19%	38%	29%
Purchased in	1978	12%	0%	7%	8%	16%	12%	14%	80%	90%	28%	48%	38%
Leasehold	1979	1%	-10%	-4%	-3%	4%	1%	3%	62%	71%	15%	33%	24%
	1980	-4%	-15%	-9%	-8%	-1%	-4%	-3%	54%	62%	9%	26%	18%

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple												
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Year	1977	1.2%	-1.3%	0.0%	0.1%	1.0%	0.5%	0.7%	4.9%	4.9%	1.4%	2.4%	1.7%
Purchased in	1978	4.0%	0.0%	1.3%	1.3%	2.1%	1.4%	1.5%	6.1%	6.0%	2.1%	3.1%	2.4%
Leasehold	1979	0.5%	-3.4%	-1.0%	-0.6%	0.7%	0.1%	0.3%	5.5%	5.5%	1.3%	2.4%	1.7%
	1980	-4.2%	-7.6%	-3.1%	-2.0%	-0.3%	-0.8%	-0.4%	5.5%	5.5%	0.8%	2.1%	1.4%

Figure V-182

Neighborhood: Old Kahala
 Leased Fee Conversion Date: 1987 No. Converted: 68

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	164%	243%	241%	344%	355%
1978	142%	215%	212%	307%	318%
1979	85%	141%	139%	212%	220%
1980	66%	116%	114%	179%	186%
1981	52%	98%	96%	156%	163%
1982	51%	97%	95%	155%	161%
1983	64%	113%	112%	176%	183%
1984	41%	83%	82%	137%	143%
1985	30%	69%	68%	119%	125%
1986	44%	87%	85%	142%	148%
1987	24%	61%	60%	109%	114%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	58%	66%	11%	29%	21%
1978	67%	76%	18%	37%	28%
1979	52%	61%	8%	25%	17%
1980	45%	53%	3%	19%	12%
1981	40%	48%	-1%	15%	8%
1982	28%	35%	-10%	5%	-2%
1983	41%	49%	0%	16%	8%
1984	26%	33%	-11%	4%	-3%
1985	13%	19%	-20%	-7%	-13%
1986	15%	21%	-19%	-6%	-12%
1987	24%	31%	-12%	2%	-5%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	4.2%	4.3%	0.8%	1.9%	1.3%
1978	5.3%	5.3%	1.4%	2.5%	1.8%
1979	4.8%	4.9%	0.7%	1.9%	1.2%
1980	4.8%	4.9%	0.3%	1.6%	0.9%
1981	5.0%	5.0%	-0.1%	1.4%	0.7%
1982	4.2%	4.4%	-1.2%	0.5%	-0.2%
1983	7.1%	6.8%	0.0%	1.8%	0.9%
1984	6.0%	5.9%	-1.8%	0.5%	-0.4%
1985	4.1%	4.4%	-4.4%	-1.3%	-2.0%
1986	7.2%	6.6%	-5.0%	-1.1%	-2.1%
1987	23.9%	14.3%	-4.3%	0.4%	-1.0%

Figure V-183

Neighborhood: Waialae Nui
 Leased Fee Conversion Date: 1987 No. Converted: 354

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	99%	182%	191%	331%	329%
1978	67%	136%	143%	261%	259%
1979	34%	90%	96%	191%	190%
1980	25%	77%	82%	170%	169%
1981	9%	54%	58%	135%	134%
1982	12%	58%	63%	141%	141%
1983	15%	63%	68%	149%	148%
1984	14%	61%	66%	146%	145%
1985	9%	54%	59%	136%	135%
1986	9%	54%	58%	135%	134%
1987	0%	42%	46%	116%	115%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	2%	17%	-19%	7%	-3%
1978	2%	17%	-18%	8%	-2%
1979	6%	22%	-15%	12%	2%
1980	7%	23%	-14%	13%	3%
1981	-1%	13%	-21%	4%	-5%
1982	-8%	9%	-27%	-3%	-12%
1983	-4%	10%	-23%	1%	-8%
1984	1%	15%	-20%	6%	-4%
1985	-7%	7%	-26%	-2%	-11%
1986	-5%	9%	-24%	0%	-9%
1987	0%	15%	-20%	5%	-4%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	0.1%	1.3%	-1.6%	0.5%	-0.2%
1978	0.2%	1.5%	-1.7%	0.6%	-0.1%
1979	0.7%	2.0%	-1.5%	0.9%	0.1%
1980	0.9%	2.3%	-1.5%	1.1%	0.2%
1981	-0.2%	1.6%	-2.6%	0.4%	-0.5%
1982	-1.4%	0.7%	-3.8%	-0.4%	-1.3%
1983	-0.8%	1.6%	-3.7%	0.2%	-0.9%
1984	0.1%	2.9%	-3.6%	0.8%	-0.5%
1985	-2.4%	1.6%	-5.8%	-0.3%	-1.6%
1986	-2.5%	2.9%	-6.6%	0.1%	-1.5%
1987	0.0%	7.1%	-7.2%	1.3%	-0.9%

Figure V-184

Neighborhood: Koko Kai/Portlock

Leased Fee Conversion Date: 1987 No. Converted: 231

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	223%	366%	248%	314%	n.a.
1978	148%	258%	167%	218%	n.a.
1979	120%	218%	137%	182%	n.a.
1980	57%	127%	69%	101%	n.a.
1981	71%	148%	85%	120%	n.a.
1982	76%	155%	90%	127%	n.a.
1983	88%	171%	102%	141%	n.a.
1984	68%	142%	81%	115%	n.a.
1985	63%	135%	76%	109%	n.a.
1986	87%	171%	102%	140%	n.a.
1987	32%	91%	42%	69%	n.a.

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	60%	87%	-6%	0%	n.a.
1978	48%	73%	-13%	-7%	n.a.
1979	72%	102%	2%	8%	n.a.
1980	39%	56%	-21%	-17%	n.a.
1981	55%	82%	-8%	-3%	n.a.
1982	44%	69%	-15%	-10%	n.a.
1983	56%	83%	-8%	-2%	n.a.
1984	48%	73%	-13%	-8%	n.a.
1985	38%	62%	-18%	-13%	n.a.
1986	41%	65%	-17%	-12%	n.a.
1987	32%	54%	-22%	-17%	n.a.

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	4.4%	5.4%	-0.4%	0.0%	n.a.
1978	4.0%	5.1%	-1.1%	-0.6%	n.a.
1979	6.2%	7.3%	0.1%	0.6%	n.a.
1980	3.6%	5.0%	-2.4%	-1.7%	n.a.
1981	6.5%	7.8%	-1.0%	-0.3%	n.a.
1982	6.3%	7.8%	-2.0%	-1.1%	n.a.
1983	9.3%	10.6%	-1.2%	-0.3%	n.a.
1984	10.2%	11.6%	-2.3%	-1.1%	n.a.
1985	11.4%	12.8%	-4.0%	-2.4%	n.a.
1986	18.9%	18.3%	-4.4%	-2.4%	n.a.
1987	31.8%	24.2%	-8.0%	-4.7%	n.a.

Figure V-185

Neighborhood: Lunalilo Terrace

Leased Fee Conversion Date: 1987 No. Converted: 636

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	120%	151%	200%	265%	270%
1978	104%	132%	178%	238%	243%
1979	57%	78%	113%	160%	163%
1980	37%	56%	87%	127%	131%
1981	39%	59%	90%	131%	134%
1982	35%	54%	85%	125%	128%
1983	31%	49%	78%	117%	120%
1984	37%	56%	87%	127%	131%
1985	29%	46%	75%	113%	116%
1986	25%	43%	71%	108%	111%
1987	22%	39%	66%	102%	105%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	9%	0%	-19%	-12%	-19%
1978	24%	14%	-7%	0%	-7%
1979	23%	13%	-8%	-1%	-8%
1980	17%	8%	-13%	-5%	-13%
1981	27%	17%	-5%	2%	-5%
1982	11%	2%	-17%	-10%	-17%
1983	9%	0%	-19%	-12%	-19%
1984	21%	12%	-10%	-2%	-10%
1985	10%	1%	-18%	-11%	-18%
1986	12%	3%	-16%	-9%	-16%
1987	22%	12%	-9%	-1%	-9%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	0.8%	0.0%	-1.6%	-0.9%	-1.4%
1978	2.2%	1.2%	-0.6%	0.0%	-0.5%
1979	2.3%	1.3%	-0.8%	0.0%	-0.7%
1980	2.0%	0.8%	-1.3%	-0.5%	-1.1%
1981	3.4%	2.0%	-0.6%	0.2%	-0.5%
1982	1.8%	0.3%	-2.3%	-1.2%	-1.8%
1983	1.7%	0.0%	-2.9%	-1.6%	-2.3%
1984	4.9%	2.2%	-1.7%	-0.3%	-1.2%
1985	3.1%	0.2%	-3.9%	-2.0%	-2.8%
1986	5.8%	1.1%	-4.4%	-2.0%	-2.9%
1987	21.9%	6.0%	-3.1%	-0.3%	-1.8%

Figure V-186

Neighborhood: Mariner's Ridge

Leased Fee Conversion Date: 1987

No. Converted: 274

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	n.a.	184%	196%	278%	316%
1978	n.a.	148%	158%	230%	263%
1979	n.a.	87%	95%	149%	174%
1980	n.a.	59%	66%	111%	133%
1981	n.a.	69%	76%	125%	148%
1982	n.a.	74%	81%	131%	155%
1983	n.a.	72%	79%	129%	152%
1984	n.a.	61%	68%	115%	137%
1985	n.a.	63%	70%	117%	139%
1986	n.a.	62%	69%	116%	138%
1987	n.a.	59%	66%	111%	133%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	n.a.	15%	-19%	-8%	-8%
1978	n.a.	22%	-14%	-2%	-2%
1979	n.a.	18%	-16%	-5%	-5%
1980	n.a.	9%	-23%	-12%	-12%
1981	n.a.	24%	-12%	0%	0%
1982	n.a.	16%	-18%	-7%	-7%
1983	n.a.	16%	-18%	-7%	-7%
1984	n.a.	15%	-19%	-8%	-7%
1985	n.a.	12%	-21%	-10%	-10%
1986	n.a.	15%	-19%	-8%	-8%
1987	n.a.	28%	-9%	3%	3%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	n.a.	1.1%	-1.6%	-0.6%	-0.5%
1978	n.a.	1.8%	-1.3%	-0.2%	-0.1%
1979	n.a.	1.7%	-1.6%	-0.4%	-0.4%
1980	n.a.	1.0%	-2.6%	-1.2%	-1.1%
1981	n.a.	2.8%	-1.4%	0.0%	0.0%
1982	n.a.	2.1%	-2.5%	-0.8%	-0.7%
1983	n.a.	2.5%	-2.8%	-0.9%	-0.7%
1984	n.a.	2.9%	-3.4%	-1.1%	-0.9%
1985	n.a.	2.9%	-4.5%	-1.7%	-1.4%
1986	n.a.	4.7%	-5.1%	-1.6%	-1.3%
1987	n.a.	13.3%	-3.2%	0.8%	0.7%

Figure V-187

Neighborhood: Kalama Valley

Leased Fee Conversion Date: 1989

No. Converted: 979

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple		
	1989	1990	1991
1977	180%	243%	249%
1978	143%	197%	202%
1979	82%	123%	126%
1980	70%	107%	111%
1981	73%	111%	115%
1982	73%	111%	115%
1983	69%	107%	110%
1984	67%	105%	108%
1985	69%	107%	110%
1986	68%	106%	109%
1987	54%	88%	91%
1988	30%	59%	61%
1989	2%	25%	27%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple		
	1989	1990	1991
1977	-2%	6%	-1%
1978	4%	13%	5%
1979	1%	10%	2%
1980	3%	12%	4%
1981	12%	22%	13%
1982	1%	10%	2%
1983	0%	9%	1%
1984	5%	15%	6%
1985	2%	12%	3%
1986	5%	14%	6%
1987	10%	19%	11%
1988	6%	16%	7%
1989	2%	11%	3%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple		
	1989	1990	1991
1977	-0.2%	0.4%	-0.1%
1978	0.3%	0.9%	0.3%
1979	0.1%	0.8%	0.1%
1980	0.3%	1.0%	0.3%
1981	1.3%	2.0%	1.1%
1982	0.1%	1.0%	0.2%
1983	0.0%	1.1%	0.1%
1984	0.8%	2.0%	0.8%
1985	0.5%	1.9%	0.5%
1986	1.2%	2.7%	1.0%
1987	3.1%	4.5%	2.1%
1988	3.0%	4.9%	1.7%
1989	1.8%	5.3%	0.9%

Figure V-188

Neighborhood: Enchanted Lake
 Leased Fee Conversion Date: 1988 No. Converted: 1,100

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple			
	1988	1989	1990	1991
1977	141%	204%	282%	274%
1978	111%	165%	234%	227%
1979	59%	101%	153%	147%
1980	47%	85%	133%	128%
1981	42%	78%	125%	120%
1982	36%	71%	115%	111%
1983	41%	78%	124%	120%
1984	32%	66%	109%	105%
1985	40%	76%	121%	117%
1986	28%	62%	103%	99%
1987	25%	57%	98%	94%
1988	11%	39%	76%	72%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple			
	1988	1989	1990	1991
1977	16%	4%	-5%	0%
1978	13%	2%	-7%	-2%
1979	11%	0%	-9%	-5%
1980	13%	2%	-8%	-3%
1981	12%	1%	-8%	-3%
1982	6%	-5%	-13%	-9%
1983	15%	4%	-6%	-1%
1984	11%	0%	-9%	-4%
1985	16%	4%	-5%	0%
1986	22%	10%	0%	5%
1987	12%	0%	-9%	-4%
1988	11%	0%	-9%	-4%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple			
	1988	1989	1990	1991
1977	1.2%	0.3%	-0.4%	0.0%
1978	1.1%	0.1%	-0.6%	-0.2%
1979	1.0%	0.0%	-0.8%	-0.4%
1980	1.3%	0.1%	-0.7%	-0.2%
1981	1.5%	0.1%	-0.8%	-0.3%
1982	0.8%	-0.6%	-1.6%	-0.9%
1983	2.4%	0.5%	-0.7%	-0.1%
1984	2.1%	0.0%	-1.4%	-0.5%
1985	3.7%	0.8%	-0.9%	0.0%
1986	6.8%	2.3%	-0.1%	0.8%
1987	5.7%	0.2%	-2.2%	-0.7%
1988	10.7%	-0.2%	-3.2%	-1.1%

Figure V-189

Neighborhood: Olomana
 Leased Fee Conversion Date: 1980 No. Converted: 238

Nominal Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple											
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	57%	67%	75%	83%	79%	84%	95%	123%	236%	290%	318%
1978	n.a.	26%	35%	41%	48%	44%	48%	58%	80%	171%	215%	237%
1979	n.a.	4%	11%	16%	21%	19%	22%	30%	48%	123%	159%	178%
1980	n.a.	-9%	-3%	2%	6%	4%	7%	13%	29%	95%	126%	143%

Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple											
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	5%	20%	30%	23%	20%	13%	31%	37%	47%	23%	43%
1978	n.a.	-5%	8%	17%	11%	6%	2%	18%	23%	33%	12%	29%
1979	n.a.	3%	17%	27%	20%	17%	10%	28%	34%	44%	21%	39%
1980	n.a.	-1%	13%	23%	16%	13%	7%	24%	29%	39%	17%	35%

Annualized Excess Gain/Loss

Year Purchased in Leasehold	Year Sold in Fee Simple											
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	1.0%	3.0%	3.8%	2.6%	2.0%	1.2%	2.5%	2.6%	3.0%	1.5%	2.4%
1978	n.a.	-1.3%	1.6%	2.7%	1.5%	1.0%	0.2%	1.7%	1.9%	2.4%	0.8%	1.8%
1979	n.a.	0.9%	4.0%	4.9%	3.1%	2.3%	1.2%	2.8%	2.9%	3.4%	1.6%	2.6%
1980	n.a.	-0.3%	4.2%	5.3%	3.0%	2.1%	0.9%	2.7%	2.9%	3.4%	1.4%	2.5%

Figure V-190

Neighborhood: Kalaheo Hillside
 Leased Fee Conversion Date: 1982 No. Converted: 215

Nominal Gain/Loss

Year	Year Sold in Fee Simple										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Purchased	69%	64%	65%	72%	62%	82%	107%	184%	248%	252%	
in	46%	42%	43%	49%	40%	58%	79%	146%	202%	205%	
Leasehold	1979	18%	14%	15%	20%	13%	27%	44%	98%	143%	145%
	1980	6%	3%	4%	7%	1%	14%	30%	78%	118%	121%
	1981	7%	4%	5%	9%	3%	16%	31%	80%	121%	124%
	1982	5%	2%	2%	8%	0%	13%	28%	75%	115%	118%

Excess Gain/Loss

Year	Year Sold in Fee Simple										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Purchased	3%	4%	-5%	-2%	-15%	4%	8%	6%	-6%	2%	
in	1978	0%	1%	-8%	-5%	-18%	1%	5%	3%	-9%	-1%
Leasehold	1979	5%	5%	-4%	0%	-14%	6%	10%	8%	-4%	4%
	1980	4%	5%	-5%	-1%	-15%	5%	9%	7%	-5%	3%
	1981	9%	9%	0%	3%	-11%	10%	14%	12%	-1%	8%
	1982	5%	5%	-4%	0%	-14%	6%	10%	7%	-5%	4%

Annualized Excess Gain/Loss

Year	Year Sold in Fee Simple										
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	
Purchased	0.5%	0.5%	-0.7%	-0.2%	-1.6%	0.4%	0.7%	0.4%	-0.4%	0.2%	
in	1978	0.0%	0.1%	-1.2%	-0.6%	-2.1%	0.1%	0.5%	0.2%	-0.7%	0.0%
Leasehold	1979	1.2%	1.0%	-0.7%	0.0%	-1.9%	0.6%	1.0%	0.7%	-0.4%	0.3%
	1980	1.3%	1.1%	-0.9%	-0.2%	-2.2%	0.6%	1.0%	0.7%	-0.5%	0.3%
	1981	4.3%	3.0%	-0.1%	0.7%	-1.9%	1.3%	1.7%	1.2%	-0.1%	0.7%
	1982	4.5%	2.5%	-1.4%	-0.1%	-3.0%	0.9%	1.3%	0.9%	-0.5%	0.4%

Figure V-191

Neighborhood: Kalaheo Hillside
 Leased Fee Conversion Date: 1989 No. Converted: 83

Nominal Gain/Loss

Year	Year Sold in Fee Simple			
	1989	1990	1991	
Purchased	157%	216%	219%	
in	1978	126%	177%	180%
Leasehold	1979	84%	126%	129%
	1980	67%	105%	107%
	1981	69%	108%	110%
	1982	65%	102%	105%
	1983	67%	105%	108%
	1984	60%	96%	98%
	1985	63%	101%	103%
	1986	52%	86%	88%
	1987	42%	75%	77%
	1988	32%	63%	64%
	1989	6%	30%	31%

Excess Gain/Loss

Year	Year Sold in Fee Simple			
	1989	1990	1991	
Purchased	3%	-8%	0%	
in	1978	0%	-11%	-3%
Leasehold	1979	5%	-7%	1%
	1980	4%	-7%	1%
	1981	9%	-3%	5%
	1982	5%	-7%	1%
	1983	11%	-2%	7%
	1984	9%	-3%	5%
	1985	10%	-2%	6%
	1986	16%	3%	12%
	1987	3%	-9%	-1%
	1988	6%	-6%	3%
	1989	6%	-6%	2%

Annualized Excess Gain/Loss

Year	Year Sold in Fee Simple			
	1989	1990	1991	
Purchased	0.3%	-0.6%	0.0%	
in	1978	0.0%	-0.9%	-0.2%
Leasehold	1979	0.4%	-0.6%	0.1%
	1980	0.4%	-0.7%	0.1%
	1981	1.0%	-0.3%	0.5%
	1982	0.6%	-0.8%	0.1%
	1983	1.5%	-0.2%	0.8%
	1984	1.5%	-0.5%	0.7%
	1985	1.9%	-0.4%	0.9%
	1986	3.7%	0.5%	1.9%
	1987	0.9%	-2.3%	-0.2%
	1988	3.1%	-1.9%	0.7%
	1989	5.5%	-3.2%	0.6%

Figure V-192

Neighborhood: Aikahi Park

Leased Fee Conversion Date: 1987

No. Converted: 227

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	100%	146%	187%	278%	277%
1978	79%	120%	157%	238%	237%
1979	38%	70%	99%	162%	161%
1980	20%	47%	72%	126%	126%
1981	19%	47%	72%	126%	125%
1982	17%	44%	68%	121%	120%
1983	15%	42%	66%	118%	117%
1984	19%	47%	71%	125%	125%
1985	15%	42%	66%	118%	118%
1986	12%	38%	61%	111%	111%
1987	1%	24%	45%	91%	91%

Excess Gain/Loss

YEAR	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	4%	17%	-2%	-7%	0%
1978	5%	19%	-1%	-6%	1%
1979	7%	20%	0%	-5%	2%
1980	2%	15%	-4%	-9%	-2%
1981	5%	19%	-1%	-6%	1%
1982	2%	14%	-5%	-9%	-3%
1983	4%	18%	-2%	-7%	0%
1984	12%	26%	5%	0%	7%
1985	7%	20%	0%	-5%	2%
1986	12%	26%	6%	0%	8%
1987	1%	14%	-5%	-10%	-3%

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple				
	1987	1988	1989	1990	1991
1977	0.4%	1.3%	-0.2%	-0.5%	0.0%
1978	0.5%	1.6%	-0.1%	-0.5%	0.1%
1979	0.7%	1.9%	0.0%	-0.4%	0.2%
1980	0.3%	1.6%	-0.4%	-0.8%	-0.2%
1981	0.8%	2.2%	-0.1%	-0.6%	0.1%
1982	0.3%	1.9%	-0.6%	-1.1%	-0.3%
1983	0.9%	2.7%	-0.3%	-0.9%	0.0%
1984	2.9%	4.7%	0.8%	0.0%	0.9%
1985	2.2%	4.7%	0.0%	-0.8%	0.3%
1986	6.0%	8.1%	1.4%	0.1%	1.2%
1987	1.1%	6.7%	-1.7%	-2.5%	-0.6%

Figure V-193

Neighborhood: Aili Shores

Leased Fee Conversion Date: 1980

No. Converted: 146

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple											
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	65%	53%	69%	83%	74%	62%	81%	103%	235%	268%	268%
1978	n.a.	43%	33%	46%	59%	51%	41%	57%	76%	191%	219%	219%
1979	n.a.	9%	1%	11%	21%	15%	7%	19%	34%	121%	143%	143%
1980	n.a.	1%	-6%	4%	13%	7%	0%	11%	25%	106%	126%	126%

Excess Gain/Loss

YEAR	Year Sold in Fee Simple											
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	12%	11%	27%	25%	19%	1%	23%	27%	49%	18%	27%
1978	n.a.	9%	8%	23%	21%	15%	-2%	20%	23%	45%	15%	24%
1979	n.a.	8%	7%	22%	20%	14%	-3%	18%	22%	43%	14%	22%
1980	n.a.	11%	10%	25%	23%	17%	0%	22%	25%	47%	17%	26%

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple											
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	n.a.	2.3%	1.8%	3.5%	2.8%	1.9%	0.1%	1.9%	2.0%	3.1%	1.2%	1.6%
1978	n.a.	2.2%	1.6%	3.6%	2.8%	1.8%	-0.2%	1.8%	1.9%	3.2%	1.1%	1.5%
1979	n.a.	2.4%	1.7%	4.0%	3.0%	1.9%	-0.4%	1.9%	2.0%	3.3%	1.1%	1.6%
1980	n.a.	5.2%	3.2%	5.8%	4.2%	2.7%	0.0%	2.5%	2.5%	4.0%	1.4%	1.9%

Figure V-194

Neighborhood: Keapuka
 Leased Fee Conversion Date: 1981 No. Converted: 228

Nominal Gain/Loss

Year	Year Sold in Fee Simple										
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Purchased	80%	59%	60%	89%	72%	84%	103%	103%	197%	312%	315%
in	47%	46%	47%	73%	58%	69%	86%	86%	172%	278%	280%
Leasehold	1979	20%	19%	20%	41%	29%	38%	53%	52%	122%	209%
	1980	0%	-1%	0%	18%	8%	15%	27%	27%	85%	158%
	1981	-9%	-10%	-9%	7%	-3%	4%	15%	15%	68%	133%
											135%

Excess Gain/Loss

Year	Year Sold in Fee Simple										
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Purchased	-4%	2%	6%	13%	3%	1%	22%	11%	16%	17%	26%
in	1978	-1%	5%	9%	17%	7%	4%	26%	15%	20%	31%
Leasehold	1979	6%	12%	16%	24%	13%	11%	34%	22%	28%	39%
	1980	-3%	3%	7%	14%	4%	2%	23%	12%	17%	28%
	1981	-9%	-4%	0%	7%	-3%	-5%	15%	5%	10%	19%

Annualized Excess Gain/Loss

Year	Year Sold in Fee Simple										
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Purchased	-0.8%	0.3%	0.8%	1.5%	0.3%	0.1%	1.8%	0.9%	1.1%	1.1%	1.6%
in	1978	-0.2%	1.0%	1.5%	2.2%	0.8%	0.5%	2.3%	1.3%	1.5%	1.9%
Leasehold	1979	1.8%	2.8%	3.1%	3.7%	1.8%	1.3%	3.3%	2.0%	2.2%	2.6%
	1980	-1.4%	0.9%	1.7%	2.7%	0.7%	0.3%	2.6%	1.3%	1.6%	2.1%
	1981	-9.3%	-2.1%	0.0%	1.6%	-0.5%	-0.8%	2.0%	0.6%	1.0%	1.6%

Figure V-195

Neighborhood: Pearlridge Estates
 Leased Fee Conversion Date: 1986 No. Converted: 248

Nominal Gain/Loss

Year	Year Sold in Fee Simple					
	1986	1987	1988	1989	1990	1991
Purchased	89%	96%	168%	194%	363%	371%
in	1978	56%	62%	121%	143%	283%
Leasehold	1979	25%	29%	77%	94%	206%
	1980	4%	7%	47%	61%	154%
	1981	1%	4%	43%	56%	147%
	1982	5%	8%	48%	62%	156%
	1983	1%	4%	43%	56%	147%
	1984	4%	7%	47%	61%	154%
	1985	5%	9%	49%	63%	158%
	1986	-1%	3%	41%	54%	143%

Excess Gain/Loss

Year	Year Sold in Fee Simple					
	1986	1987	1988	1989	1990	1991
Purchased	8%	7%	29%	13%	37%	41%
in	1978	-8%	-8%	11%	-3%	17%
Leasehold	1979	-4%	-5%	15%	0%	22%
	1980	-4%	-5%	14%	0%	21%
	1981	-7%	-8%	11%	-3%	17%
	1982	-3%	-4%	16%	2%	23%
	1983	-4%	-5%	15%	0%	22%
	1984	0%	-1%	20%	5%	27%
	1985	5%	4%	26%	10%	33%
	1986	5%	4%	26%	10%	33%

Annualized Excess Gain/Loss

Year	Year Sold in Fee Simple					
	1986	1987	1988	1989	1990	1991
Purchased	0.8%	0.6%	2.2%	0.9%	2.3%	2.3%
in	1978	-0.9%	-0.9%	0.9%	-0.3%	1.2%
Leasehold	1979	-0.5%	-0.5%	1.4%	0.0%	1.6%
	1980	-0.6%	-0.7%	1.5%	0.0%	1.7%
	1981	-1.3%	-1.2%	1.3%	-0.4%	1.6%
	1982	-0.6%	-0.6%	2.2%	0.2%	2.3%
	1983	-1.0%	-1.0%	2.4%	0.1%	2.5%
	1984	0.1%	-0.1%	3.7%	0.8%	3.5%
	1985	2.7%	1.4%	6.0%	2.0%	4.9%
	1986	5.3%	2.1%	8.0%	2.4%	5.9%

Figure V-198

Neighborhood: Ewa Beach
 Leased Fee Conversion Date: 1984 No. Converted: 101

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple								
	1984	1985	1986	1987	1988	1989	1990	1991	
Year Purchased in	1977	71%	79%	87%	91%	114%	189%	298%	313%
	1978	55%	62%	69%	73%	93%	161%	259%	273%
	1979	16%	21%	26%	29%	44%	95%	168%	179%
Leasehold	1980	7%	12%	17%	19%	34%	81%	148%	158%
	1981	5%	10%	15%	17%	32%	78%	144%	154%
	1982	2%	7%	12%	14%	28%	73%	138%	147%
	1983	-2%	2%	7%	9%	22%	65%	127%	136%
	1984	-4%	0%	4%	7%	20%	62%	122%	131%

Excess Gain/Loss

YEAR	Year Sold in Fee Simple								
	1984	1985	1986	1987	1988	1989	1990	1991	
Year Purchased in	1977	-2%	4%	2%	1%	-1%	7%	13%	19%
	1978	-7%	-1%	-2%	-4%	-5%	2%	8%	13%
	1979	-9%	-4%	-5%	-7%	-8%	-1%	5%	10%
Leasehold	1980	2%	8%	6%	4%	3%	11%	17%	23%
	1981	0%	6%	4%	3%	1%	9%	15%	21%
	1982	-2%	4%	2%	1%	-1%	7%	13%	19%
	1983	-3%	2%	1%	1%	-2%	5%	11%	17%
	1984	-4%	1%	0%	-2%	-3%	4%	10%	16%

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple								
	1984	1985	1986	1987	1988	1989	1990	1991	
Year Purchased in	1977	-0.2%	0.4%	0.2%	0.1%	0.0%	0.5%	0.9%	1.2%
	1978	-1.0%	-0.1%	-0.3%	-0.4%	-0.5%	0.1%	0.6%	0.9%
	1979	-1.5%	-0.5%	-0.6%	-0.7%	-0.8%	-0.1%	0.4%	0.8%
Leasehold	1980	0.4%	1.2%	0.9%	0.5%	0.3%	1.0%	1.4%	1.8%
	1981	0.0%	1.1%	0.7%	0.4%	0.2%	1.0%	1.4%	1.7%
	1982	-0.6%	1.0%	0.5%	0.1%	-0.1%	0.8%	1.4%	1.7%
	1983	-1.7%	0.7%	0.2%	-0.2%	-0.4%	0.7%	1.3%	1.7%
	1984	-4.2%	0.7%	0.0%	-0.4%	-0.6%	0.7%	1.4%	1.9%

Figure V-199

Neighborhood: Village Park
 Leased Fee Conversion Date: 1989 No. Converted: 656

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple			
	1989	1990	1991	
Year Purchased in	1980	67%	117%	113%
	1981	65%	115%	111%
	1982	66%	115%	112%
Leasehold	1983	66%	115%	112%
	1984	61%	109%	105%
	1985	61%	109%	105%
	1986	61%	109%	106%
	1987	60%	108%	104%
	1988	39%	80%	77%
	1989	8%	41%	38%

Excess Gain/Loss

YEAR	Year Sold in Fee Simple			
	1989	1990	1991	
Year Purchased in	1980	2%	2%	2%
	1981	1%	1%	1%
	1982	2%	2%	2%
Leasehold	1983	5%	5%	5%
	1984	4%	4%	3%
	1985	7%	7%	7%
	1986	7%	7%	7%
	1987	8%	8%	8%
	1988	8%	8%	7%
	1989	8%	8%	8%

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple			
	1989	1990	1991	
Year Purchased in	1980	0.2%	0.2%	0.1%
	1981	0.1%	0.1%	0.0%
	1982	0.3%	0.2%	0.2%
Leasehold	1983	0.7%	0.6%	0.5%
	1984	0.6%	0.5%	0.4%
	1985	1.4%	1.2%	1.0%
	1986	1.8%	1.4%	1.1%
	1987	2.7%	2.0%	1.5%
	1988	3.9%	2.5%	1.8%
	1989	8.2%	4.0%	2.5%

Figure V-200

Neighborhood: Harbor View/Robinson Hts
 Leased Fee Conversion Date: 1978 No. Converted: 215

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	1%	26%	62%	60%	n.a.	76%	76%	76%	82%	80%	106%	212%	236%	260%
1978	-5%	19%	53%	52%	n.a.	67%	67%	67%	73%	71%	95%	196%	219%	242%

Year Purchased in Leasehold

Excess Gain/Loss

YEAR	Year Sold in Fee Simple													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	-5%	-7%	2%	-9%	n.a.	4%	2%	3%	1%	-4%	-4%	16%	-4%	4%
1978	-5%	-7%	3%	-8%	n.a.	5%	3%	4%	2%	-4%	-3%	17%	-3%	5%

Year Purchased in Leasehold

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	-2.7%	-2.6%	0.4%	-1.9%	n.a.	0.5%	0.2%	0.3%	0.1%	-0.4%	-0.3%	1.2%	-0.3%	0.3%
1978	-4.5%	-3.4%	0.9%	-2.1%	n.a.	0.8%	0.4%	0.5%	0.2%	-0.4%	-0.3%	1.3%	-0.2%	0.4%

Year Purchased in Leasehold

Figure V-201

Neighborhood: Harbor View/Robinson Hts
 Leased Fee Conversion Date: 1989 No. Converted: 102

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple		
	1989	1990	1991
1977	168%	189%	209%
1978	156%	176%	195%
1979	114%	130%	146%
1980	81%	95%	109%
1981	74%	88%	101%
1982	87%	102%	116%
1983	79%	93%	106%
1984	75%	88%	101%
1985	74%	87%	101%
1986	81%	95%	109%
1987	60%	72%	84%
1988	51%	62%	74%
1989	21%	30%	39%

Year Purchased in Leasehold

Excess Gain/Loss

YEAR	Year Sold in Fee Simple		
	1989	1990	1991
1977	4%	-14%	-7%
1978	5%	-13%	-6%
1979	13%	-6%	2%
1980	14%	-6%	2%
1981	9%	-9%	-2%
1982	19%	-1%	7%
1983	17%	-3%	5%
1984	15%	-4%	4%
1985	19%	-1%	7%
1986	19%	-1%	7%
1987	10%	-9%	-1%
1988	19%	-2%	7%
1989	21%	0%	9%

Year Purchased in Leasehold

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple		
	1989	1990	1991
1977	0.3%	-1.1%	-0.5%
1978	0.4%	-1.1%	-0.4%
1979	1.1%	-0.5%	0.1%
1980	1.3%	-0.5%	0.2%
1981	1.0%	-1.0%	-0.2%
1982	2.2%	-0.1%	0.7%
1983	2.3%	-0.4%	0.5%
1984	2.4%	-0.6%	0.4%
1985	3.6%	-0.2%	1.0%
1986	4.5%	-0.3%	1.1%
1987	3.3%	-2.2%	-0.2%
1988	9.0%	-0.6%	1.6%
1989	21.0%	0.1%	2.8%

Year Purchased in Leasehold

Figure V-202

Neighborhood: Makakilo
 Leased Fee Conversion Date: 1978 No. Converted: 398

Nominal Gain/Loss

YEAR	Year Sold in Fee Simple													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	18%	61%	78%	81%	81%	100%	111%	104%	110%	118%	141%	205%	337%	337%
1978	9%	49%	64%	67%	67%	84%	94%	88%	93%	101%	122%	181%	303%	303%

Year Purchased in Leasehold

Excess Gain/Loss

YEAR	Year Sold in Fee Simple													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	11%	19%	12%	3%	1%	17%	21%	19%	16%	15%	13%	14%	25%	26%
1978	9%	16%	10%	1%	-1%	15%	19%	17%	14%	13%	11%	11%	23%	24%

Year Purchased in Leasehold

Annualized Excess Gain/Loss

YEAR	Year Sold in Fee Simple													
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1977	5.4%	5.8%	2.8%	0.6%	n.a.	2.3%	2.5%	1.9%	1.5%	1.3%	1.0%	1.0%	1.6%	1.6%
1978	9.0%	7.8%	3.1%	0.3%	n.a.	2.4%	2.5%	1.9%	1.4%	1.3%	0.9%	0.9%	1.6%	1.6%

Year Purchased in Leasehold

APPENDIX II

Japanese Purchases, Exchange Rates and Speculation in Residential Real Estate Markets

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Abstract. Several luxury single-family home markets in Hawaii have experienced significant price movements in 1987 and 1988, along with a tremendous influx of Japanese buyers. Most noteworthy is the Waialae-Kahala neighborhood in Honolulu, where average price increases of over 60% in the past two years have occurred. This surge in prices has stimulated a great deal of speculative interest. The purpose of this article is to examine the effect of exchange rates (yen/dollar) and Japanese buyers on selected residential market prices and turnover. Using the most exhaustive and complete data set available in Hawaii covering 1986 through early 1988, hedonic pricing models as well as descriptive statistics are used to examine the effects of strong foreign interest in local housing submarkets.

Introduction

Several luxury single-family home markets in Hawaii have experienced significant price movements in 1987 and 1988. Most noteworthy is the Waialae-Kahala neighborhood in Honolulu. Average price of non-waterfront homes in this area sold during the first half of 1987 was \$641,000, up 51% over the same period a year earlier. Waterfront homes sold during the first half of 1987 averaged \$4.5 million dollars which is up more than 100% compared with the same period in 1986. This surge in prices has stimulated a great deal of speculative interest. The purpose of this article is to examine the effect of exchange rates (yen/dollar) and Japanese buyers on selected residential market prices and turnover. In order to provide greater insight for the reader, an extensive background follows on the setting within which data was collected.

Background

The Japanese have not put a very large percentage of their available United States-based capital into real estate, about \$4 billion in 1986.¹ Although this was a substantial increase in

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Exhibit 2
Kahala Avg. Single-Family Sales Price
(In U.S. Dollars and Japanese Yen)

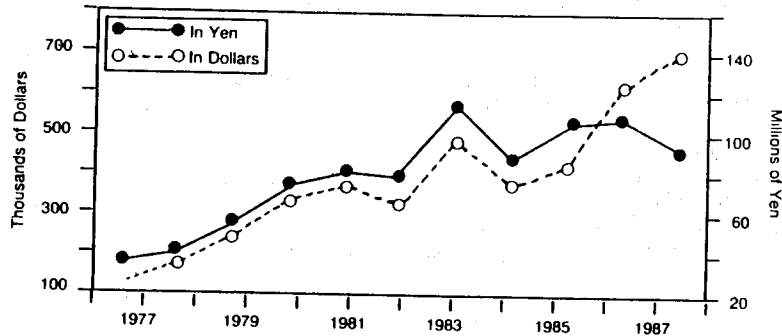


Exhibit 3
Waikiki Average Condominium Prices

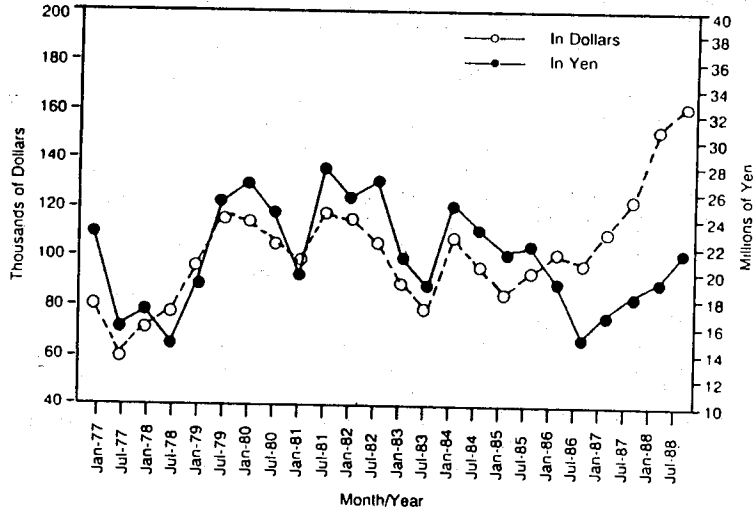
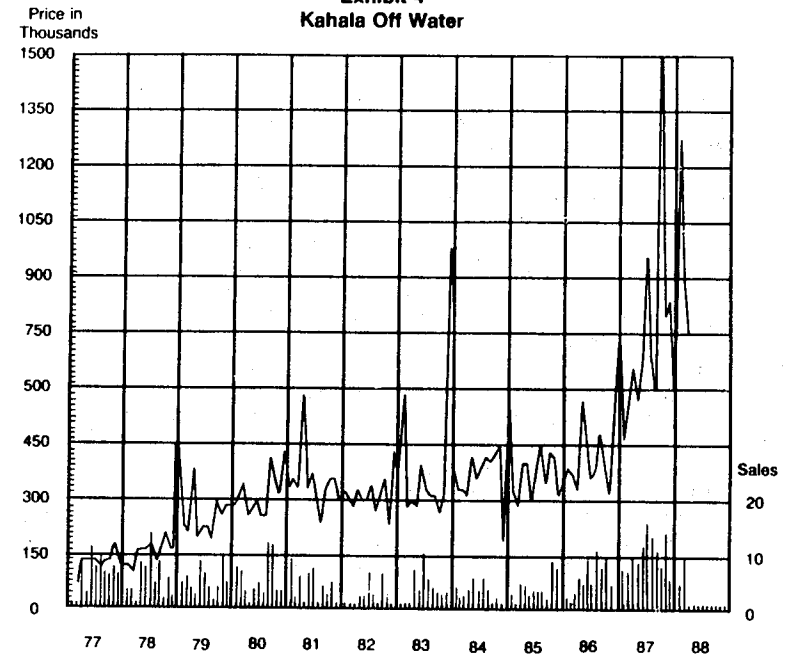


Exhibit 4
Kahala Off Water



an average of 23 million yen to 22 million yen. Thus, the Japanese are viewing the average Waikiki condominium prices in 1988 as similar to those in 1977, even in nominal terms. As a percentage of all Waikiki condominium buyers, the Japanese represented a similar proportion as for the high-priced Kahala homes. Yet, among the up-scale condominiums (\$250 dollars per square foot and up), the Japanese have represented nearly half of all buyers in 1987, and over half of all buyers through June of 1988.

Monthly sales volumes in the east Honolulu area (extending from Diamond Head to Hawaii Kai) increased dramatically over the 1986 through 1988 time period, reflecting the number of new buyers in the market. The relationship between sales volume and average selling price is shown for off-water single-family homes in Kahala from 1977 through March of 1988, in Exhibit 4.

Although much media attention was given to the Japanese "invasion" of American real estate markets over the middle and late part of 1988, Exhibits 5 and 6 show that the number of Japanese buyers for both single-family and condominiums in Oahu had peaked in late 1987 and early 1988. The condominium purchases were concentrated almost entirely in Waikiki, while the single-family purchases have been concentrated in the above mentioned markets.

Exhibit 5
Oahu Single-Family Japanese Purchases
 (Based upon Conveyance Data)

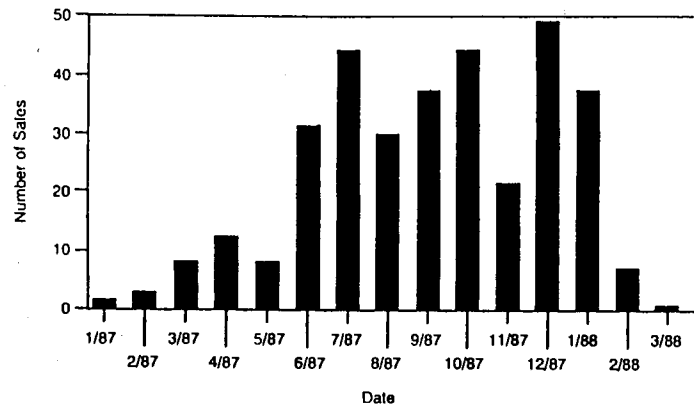
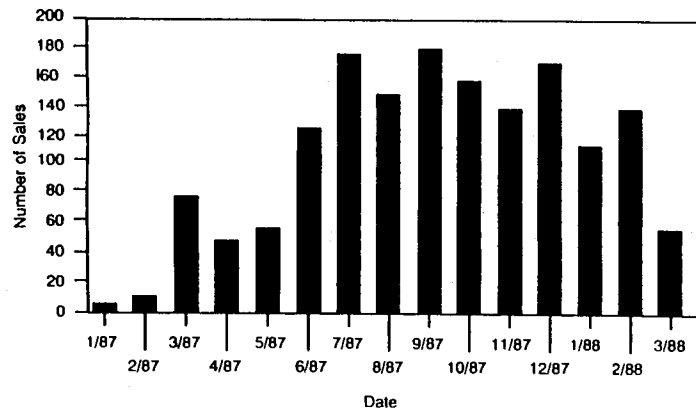


Exhibit 6
Oahu Condominium Japanese Purchases
 (Based upon Conveyance Data)



Japanese Buyer Results

In examining the relationship between the price paid and the "Japanese" buyer variable, the exchange rate variable had to be dropped because of multicollinearity with the time period sold. Sold date is based on the month of the sale measured from December, 1985. Fee simple is a property without any land leasehold, which is similar financially to an exemption from a portion of property taxes, and creates a positive price premium. The area variable separates out a distinct neighborhood area, other than waterfront.

Regression results of the best fit model with the entire 421-sample is shown below, with the Japanese buyer identified via a dummy variable:

	Adjusted $R^2 = .873$		
	F-value = 189.46		
Estimated	Coefficient	Variable	T-statistic
Selling Price	= + 26.09	Fee simple/sq. ft. lot	11.026
	+ 152.75	Living area/sq. ft.	7.683
	+ 37.48	Waterfront/sq. ft. lot	15.260
	+ 1.38	Sold date/sq. ft. lot	8.285
	+ 11.11	Japan buyer/sq. ft. lot	4.255
	+ 52.04	Other Roofed Area var./sq. ft.	2.240
	Intercept = -279,780		

All variables are significant at the 95% level or above. The variables of interest are highly significant and show the expected signs. In addition to a premium resulting from exchange rates paid by all buyers, we also find a premium paid by Japanese buyers. The regression coefficient, if interpreted literally, would suggest that the Japanese, on average, pay \$11.11 per square foot of lot area *more* than do their local buyer counterparts. This represents approximately a 21% premium for the average-priced home.

Regression Results with Sales Deletion

In order to check for any extreme bias caused by the very high-priced homes, where the wealthy Japanese buyers paying "outrageous" prices have created a field day for the media, another regression analysis was run with the top end of the sales removed. Three sales were removed that had sold for over \$4 million dollars, all purchased by very wealthy Japanese buyers. The remaining 418 sales were used in the following analysis:

	Adjusted $R^2 = .839$		
	F-value = 165.79		
Estimated	Coefficient	Variable	T-statistic
Selling Price	= + 10.03	Japanese buyer/sq. ft. lot	4.251
	+ 150.83	Living area/sq. ft.	8.789
	+ 1.30	Sold date/sq. ft. lot	8.451
	+ 33.18	Waterfront/sq. ft. lot	13.910
	+ 19.63	Fee simple/sq. ft. lot	8.313
	+ 47.725	Other Roofed Area var./sq. ft.	2.225
	Intercept = -206,590		

The results are quite similar to the other regression, except that the Japanese premium is slightly less in dollars, but almost identical to the percentage of selling price paid. Here, the Japanese premium is approximately 19 % for the average-priced home.

Conclusions

High home prices are nothing new in places like Hawaii, but an influx of foreign buyers is new. Dramatic appreciation rates have occurred in isolated home markets. In Waialae-Kahala, the average annual appreciation rates were over 20% in 1986, and over 40% in 1987. In Hawaii Kai, an area ignored by the Japanese in 1986, the annual appreciation rate ran about 2%, but rose to nearly 50% along with increased Japanese buyer activity in 1987. These dramatic price increases have paralleled some significant moves in the value of the yen relative to the dollar. In 1988 the exchange rate stabilized (at least as of the time of this writing) and the speculative buying behavior died down as well. A significant increase in the dollar could easily negate most Japanese interest in Hawaiian home markets, but it is doubtful that we would see any panic selling on the part of Japanese owners.

At least three factors have caused the isolated real estate market price increases: (1) the exchange rates, (2) speculative buying behavior on the part of some Japanese, along with the possibility of information asymmetry and the options sought by these buyers, and (3) an increase in the number of buyers active in the market, increasing effective demand.

It is impossible to accurately separate out these effects. Political hysteria over rising home prices in Hawaii could easily result in setting some very unfortunate precedents in land use controls in the United States. The latest episode in foreign investment in Hawaiian homes and its impact on prices is more a symptom of Hawaii's long-evolving housing shortfall and not the cause of it. Rapidly growing populations and severely restrictive land use controls were driving up the average home prices long before the Japanese took an interest in the highest-priced home markets, and making housing affordability a severe problem. In fact, the lowest-priced home markets in Hawaii, where most of the average and lower-income residents live, have been totally ignored by the Japanese buyers.

While some of the Japanese buyers are speculators, many are not. A speculator tends to be a short-term holder of investments. The majority of the Japanese buyers appear to be true investors. Japan's incredibly impressive economic success is derived, in good part, from a strong philosophical base of patience, saving a significant part of earnings and investing for the longer term. To date, there is little evidence that Japanese participation in U.S. real estate will be any different.

Notes

¹Kenneth Leventhal & Co. reports.

²Leventhal & Co. reports.

³See Norman G. Miller and Judith A. Kautz, "Automated Homebuilding in Japan," *Urban Land* (June 1987), 11-15.

⁴See "Hawaii: Some Want a Ban on the Japanese Buy-Up," *San Diego Union*, April 24, 1988, p. I-10. A local anonymous architect cited by the above newspaper claims to have built his home in Kahala for under 1 million in 1970. While he was not planning on selling, he found 6 million dollars too good to resist. Another factor raised by one of the local Kahala residents, also a real estate broker, with no plans to sell, is that with several neighbors' homes now vacant (owned by Japanese as investments and only occasionally occupied), his children have no one to play with any more. The neighbors are all gone,

which detracts from the attractiveness for his family to remain, even though they love their house and lot.

⁵See "Hawaii: Some Want a Ban on the Japanese Buy-Up," *San Diego Union*, April 24, 1988, p. I-10.

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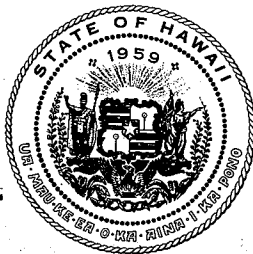
Response of the Affected Agency

Comments on Agency Response

A preliminary draft of this report was transmitted on February 25, 1992, to the Housing Finance and Development Corporation. A copy of the transmittal letter is included on page B-2.

The Housing Finance and Development Corporation did not submit a response to the preliminary draft.

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February 25, 1992

C O P Y

The Honorable Joseph K. Conant
Executive Director
Housing Finance and Development Corporation
Seven Waterfront Plaza, Suite 300
500 Ala Moana Boulevard
Honolulu, Hawaii 96813

Dear Mr. Conant:

Enclosed are three copies, numbered 6 through 8, of our draft report, *Study of the Resale of Leasehold Properties Converted to Fee Simple Ownership Under the Hawaii Land Reform Act of 1967*. We ask that you telephone us by Thursday, February 27, 1992, on whether you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, March 2, 1992.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
Acting Auditor

Enclosures