



Friday, June 23, 2006

## Spring/Summer Newsletter



A warm aloha to you. Summer is finally here after a winter of unusual weather on Kauai. Following a December drought, the entire island experienced relentless rains for nearly all of February and March. To put this wild winter in perspective, Mount Waialeale, known to be the wettest spot on Earth, received a record low 1.67 inches of rainfall in December, and then during a three week stretch in March, Waialeale received 106 inches of rain - the highest total in 100 years. Tragically, long time Kauai residents and friends were lost when the Ka Loko Reservoir Dam burst and flood waters devastated the areas nearby the Wailapa Stream. After the intense weather of the past winter, we are looking forward to another beautiful summer on the Garden Isle.

## Market Update

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Over the past three months, the market has again favored the buyers' side. Inventory on the island has continued to rise since the previous newsletter, as investors and local residents alike try to cash out on the record appreciation rates of the last several years. We are seeing lots of availability at realistic pricing which was something unseen during the sellers' market of recent years.

National mortgage rate averages are currently at a four-year high and are expected to gradually rise throughout the year as the Fed tries to fend off April's surge in consumer prices (the Consumer Price Index increased 0.6%, more than analysts expected, in April). The average rate on the 30-year fixed-rate mortgages rose to 6.58% at the end of April. This is a 0.8% increase from one year prior when the 30-year mortgage averaged only 5.78%. The average rate on 15-year fixed-rate mortgages rose to 6.21% from 6.17% last week. A year ago, that loan averaged 5.33%. The transition of the market over the past six months from a seller's to a buyer's market is partially attributed to this increase in mortgage rates, as credit becomes more expensive which results in a smaller pool of buyers and therefore, many more of Kauai's beautiful properties remain on the market.

Despite all the talk about real estate bubbles bursting, the numbers show that 2006 is on a pace to be the third best year ever for the real estate market (in line with what the National Association of Realtors forecasted). It's easy to lose perspective of the market after the record-setting appreciation of past years. The fact is, the market is still very strong.

## Spring Sales

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Compared to the outstanding numbers of last year, sales statistics from January through April of 2006 show mixed results. The residential sector again showed strong appreciation with an island wide increase in median home sale's prices from \$540,000 to \$680,000, a 25.9% appreciation, in a year-on-year comparison of January through April of 2005 to January through April of 2006. Despite this healthy increase in sale's price over the past year, residential sales dipped 25.3% from 221 in 2005 to 165 so far this year. The median sale's price of Kauai's condo sector dipped slightly thus far in 2006 from \$428,750 to \$370,000 - a 13.7% decrease. At the same time, condo sales are up 67.6% over last year, jumping from 179 to 300 closings. This is due to the increased condo supply from completed condo projects in Princeville and on the East Side. Kauai land sales behaved similar to the condos sector, slipping in prices but powering forward in sales volume. The island-wide median sale's price for land in 2006 dropped to \$340,000 from \$450,000 in the first four months of '05, while land closings increased from 127.6% from 89 to 198. The strong appreciation in the residential sector shows that people are still willing to pay top dollar for a home on Kauai, but due to high interest rates and a changing market, we're seeing less of the buyer's who are looking to make a quick dollar, and therefore the decline in sale's volume.

## North Shore Numbers

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The North Shore of Kauai also performed with mixed numbers; however, the North Shore's residential sector performed well in both sales volume and appreciation. The median sale's price of a residential North Shore property appreciated another 28.7% in January through April of 2006 - now up to \$1,075,000 from last year's \$835,000. Sales volume for North Shore residential property is up 10.8% as closings increased from 37 to 41. North Shore land also experienced solid appreciation with a median sale's price climbing from \$877,500 in '05 to \$1,030,000 in '06. North shore land sale's volume did take a hit though with a 25% reduction in sales from 28 to 21. The North Shore condo market showed results that were for the most part consistent with last years numbers. North Shore condos turned out a minor 6% reduction in median sale's price from \$570,000 to \$536,066 and a modest 6.1% increase in sale's volume.

## Strong High End Market to Start 2006

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The high end market of Kauai, which is comprised of all sales at least \$1,500,000, did extremely well in the first four months of 2006. Total high end sales on the island increased over 40%, from 27 sales in 2005 to 38 sales this year. The bulk of this high end surge in sale's volume occurred in the residential sector where 24 high end sales were closed from January through April this year - a 118.2% increase in sale's volume from the 11 high end residential closings of '05. May saw huge sales of vacant land on Kauapea Road in Kilauea. The area known as Secret Beach had sales of over \$16,000,000 in May alone!

## Below is a list of the beautiful vacation rentals we offer:

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***Hihimanu. 5 Bedrooms, starting at \$6,500 weekly.*** Take in the panoramic views in this luxury Kauai retreat. Perched on a quiet ridge overlooking Hanalei Bay, an open, airy 7,514 sq ft home with large verandas set on 4.28 acres.

***Private Reserve. 4 Bedrooms, Inquire about pricing.*** One of Kauai's most beautiful homes! Extremely private, set on 55 acres. This Bali modern rental is fully staffed and includes a spa, gym and your own natural fresh water pools with waterfall.

***Ikena Lani. 5 Bedrooms, starting at \$10,500 weekly.*** An extraordinary island retreat located on Kauai's North Shore overlooking Kalihiwai Bay.

***Running J Farms. 2 Bedrooms, \$3,000 daily.*** Relax by the lavish resort-style pool and spa, light your tiki torches and watch the sun set behind Bali Hai. Situated near the Kilauea Lighthouse, a stylish 5,800 square foot loft-like modern barn with a tropical twist, and a walk-in wine cooler.

***Dali Hale at Secret Beach. 9 Bedrooms, Inquire about pricing.*** Dali Hale, which means "The House of Family" has a magical setting providing sweeping views of ocean and the Kilauea Lighthouse. 3 acres of privacy and a pathway to Secret Beach.

***Lani Kai Hale. 2 Bedrooms, \$5,500 weekly (Specials available).*** "Heavenly Ocean House" fits this vacation getaway to a "t".

***Alii Kai. 2 Bedrooms, \$750 weekly.*** Alii Kai 9F features breathtaking mountain views. This condo is beautifully furnished and comes with access to a pool.

***Puu Poa. \$1,800 weekly.*** This Puu Poa condo is the perfect place to sit and relax while watching sunsets and whales (in season) with ocean and Bali Hai views from almost every room.

***Secret's Cottage. 1 Bedroom, \$1,000 weekly.*** This one bedroom, one bathroom cottage on 2 acres is the perfect romantic getaway for a couple. Enjoy sweeping ocean and mountain views from the outdoor Jacuzzi, and a private pathway to Secret Beach.

***The Cove at Anini. 3 Bedrooms, \$3,500 weekly.*** This beachfront 3 bed, 2 bath home has all new furnishings. Only footsteps from the serene waters of Anini Beach.

***Anini Bikini. 4 Bedrooms, \$3,000-\$3,500 weekly.*** Look out at the gorgeous waters of Anini Beach from your bedroom balcony. Three bedrooms, two bathrooms upstairs and a separate one bedroom, one bathroom unit downstairs. We do not rent the downstairs separate.

***Hale Nahele. 2 Bedrooms + Loft, \$2,500 weekly.*** Nestled amongst Cook Island Pines in the woods of Kalihiwai Ridge, privacy is what you pay for with this pristine quality home.

**Below is a list of the exquisite properties we currently offer:**

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***Waha Road, Units 3 & 4 Land offered for sale at \$289,000 EACH. MLS# 178670 & 178677. Unit 1 Land for sale at \$349,000. MLS# 178667. Unit 2 Land for sale at \$379,000.***

**MLS# 178669.** Rim lot with expansive Waialeale and Haupu Ridge views overlooking wide open pastures. Top portion of lot is buildable. County water service to be installed prior to close of escrow.

***5405 Kumole Street Home offered for sale at \$549,000. MLS# 176844.*** This single family residence also has a studio with 17-year income producing history. Mountain views from front deck.

***Kalihiwai Valley Road Land offered for sale at \$689,000. MLS# 167411.*** More than an acre located on the river in tropical Kalihiwai Valley. Pass Kalihiwai beach, tropical flowers, and waterfalls as you drive along the river to your private paradise.

***5974 Lokelani Road Home offered for sale at \$760,000. MLS# 179097.*** Two year old plantation style home in Wailua Homesteads with Brazilian cherry floors throughout, granite countertops, and stainless steel appliances.

***Kilauea Farms - Waiakalua Street Land offered for sales at \$850,000. MLS# 170285.*** Enjoy views of: Bertlemans Hill, Crater Hill, mountains, and the ocean from this beautiful 2.24 acre lot conveniently located in Kilauea Farms. Close to Kilauea and several secluded beaches on Kauai's north shore.



**Namahana Farms Lot #12-2 Land offered for sale at \$875,000. MLS# 176072.** Ready to build your dream home. Comfortably located at the foot of Namahana Mountain. Private end of cul-de-sac lot with commanding mountain and waterfall views.

**Kuamo'o Road Land offered for sale at \$995,000. MLS# 162562.** This one acre exquisite property overlooks the Opaeka'a stream just above the waterfalls. ADU approved.

**3590 Moloa'a Road Home offered for sale at \$1,085,000. MLS# 165364.** This 1 bedroom, 1 bathroom home on the edge of Moloa'a Bay has both an ocean and mountain view.

**Kamo'okoa Road Land offered for sale at \$1,095,000. MLS# 167396.** Build your estate amongst a stand of mature Paperbark Trees in beautiful Kalihiwai Ridge. This is Neal's favorite pick of the North Shore vacant land in the price range.

**Waha Road Land, Units 5 & 6 offered for sale at \$1,295,000. MLS# 178673.** Rare opportunity to own large parcel with residence and guest house rights on two lots totaling 18.9 acres.

**7771 Ko'olau Road Home offered for sales at \$1,475,000. MLS# 172958.** Located at the gateway to the North Shore is a beautifully landscaped 1.5 acres with mature fruit, cashew nut, allspice, mahogany and flowering trees. Wrapped by 360 degrees of mountain, ocean, & farmland views that take in morning sunrises & evening sunsets. Custom built 2 story 2100 sq.ft. home.

**3703 Kaweonui Road Home offered for sale at \$1,495,000. MLS# 162108.** This 3 bedroom, 2 bath layout has a roomy kitchen with recently upgraded stainless appliances, laundry room with new washer and dryer, open living room, and garden room.

**4790 Kuawa Road Guest House offered for sale at \$1,650,000. MLS# 164257.** Private five acres on Kuawa Road. Lush landscaping and a quiet country setting only minutes away from Kilauea set this property apart.



**7475-E Ko'olau Road Home offered for sale at \$1,880,000. MLS# 166113.** Secluded plantation style home in Waipake amidst lush landscaping. Ocean and mountain views. Recently reduced price and will not last long.

**7200-A Ko'olau Road Home for sale at \$1,975,000. MLS# 176071.** This beautiful property is surrounded by pasture lands and ocean views. Just a short stroll from secluded and pristine Larsen's Beach.

**4625-C Waiakalua Street Home for sale at \$1,995,000. MLS# 176071.** Cottage with screened lanai and enclosed garage with an Asian twist. Overlooks and fronts a large lake, waterfalls and ponds.

**Kahili Makai Street Land offered for sale at \$2,100,000. MLS# 164567.** 17-acres of amazing frontage on the Kilauea River. Heavily wooded with bamboo, breadfruit, and many other tropical trees and also a 60-foot waterfall.



**5754 Kahiliholo Road Home offered for sale at \$2,495,000. MLS# 165238.** A modern lakefront home located on 4.3 acres in beautiful Kalihawai Ridge – a must see.

**2883 Kalihawai Road Home offered for sale at \$2,500,000. MLS# 168992.** This is a beautiful 5 bedroom, 3 bath home perched on a hill top overlooking 2.23 meticulously landscaped acres with a 900 sq.ft. art studio. Conveniently located walking distance from Kalihawai Bay and Secret Beach.

**4710 Kahiliholo Road Home offered for sale at \$2,600,000. MLS# 167963.** The elegant and inviting two bedroom, two bathroom plantation style home features a bright kitchen, formal dining room, spacious living room, sitting room, and large screened lanai. Must see the wonderful details and amazing gardens. This property is tastefully done!

**Kauapea Road Land offered for sale at \$2,900,000. MLS# 177454.** Ten acres of prime location above beautiful Secret Beach. Situated on the cul-de-sac at the end of popular Kauapea Road, this private location features expansive views of the ocean and a trail to the beach.

**4248 North Waiakalua Street Home for sale at \$2,950,000. MLS# 177026.** This property must be seen to fully appreciate the exquisite tropical hardwoods used throughout. As a perfect study in contemporary Asian influenced design, this high end home is built with unsurpassed quality. Take in the ocean views, lilly ponds, & water features.

**4560 Lawai Beach Road offered for sale at \$3,195,000. MLS# 168149.** Magnificent oceanfront location with residence on Kukuiula Harbor on Poipu’s “Gold Coast.”

**4146 Waiakalua Street Home offered for sale at \$3,650,000. MLS# 178487.** Brand new custom home with big ocean and mountain views on 2.5 acres. The home has 3 bedrooms, each with its own bathroom finished with marble and travertine. Each bedroom opens onto a lanai with a big ocean view. Has a trail to a secluded white sand beach.

**Anini Beachfront Home offered for sale at \$4,495,000. MLS# 179111.** Enjoy 365 days of swimming a year in the tranquil waters of Anini Beach.



**2801 Kauapea Road offered for sale at \$11,600,000.**

**MLS# 176434.** Running J Farm is a tropical paradise estate with a modern twist. Here Bali meets New York style loft, with exquisite attention to detail in this 5,800 sqft home. Cottages, barns and an artist studio are all hidden from view while you enjoy sweeping ocean and mountain views. Lay out beside the most tastefully done pool on Kauai or walk to Secret Beach on your own trail.

Pocket Listings:

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**Anini Beachfront Home / \$14,000,000**

**Secret Beach Cottage with access to Secret Beach / \$3,000,000**

**Hanalei Beachfront Home / \$8,000,000**

**Two 3-acre Vacant Lots with great views in Upper Moloa'a on Ko'olau Road / \$875,000 each**

**Large Estate Home in Princeville Stable area / \$5,000,000**

**Hawaiiana Shack in Hanalei / \$2,000,000**

If Koa Properties, Land and Homes, LLC can be of your assistance, please do not hesitate to call our office at 808.828.6644 or visit our website, [www.koakauai.com](http://www.koakauai.com), which will give you more detailed information. We will be happy to help you in any way possible.

Wishing you a warm aloha,

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**KOA**  
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*Below is a recent article from the Los Angeles Times that we think any homeowner would find interesting.*

## Taking stock of your property -- on the financial market

The next big gamble for everyday investors: Betting on the rise and fall of housing prices.

By Lew Sichelman, United Feature Syndicate

May 7, 2006

WASHINGTON — Until now, the only way regular folks could bet on housing was to buy a property and hope prices would rise so they could benefit from the expected appreciation, or else buy shares in a real estate investment trust.

But soon, there may be a new way to speculate on housing, much as you do in the stock market.

A year ago, an online financial market called HedgeStreet went live with a program that allows investors to gamble on the direction of single-family-house values in six cities.

The Chicago Mercantile Exchange, the same institution that deals in pork bellies, foreign currency and the direction of interest rates and stock prices, has also announced that it expects to offer a series of futures and options where people can bet on the rise and fall of housing prices in 10 cities.

It would work like this: A seller, wanting to hedge against the price of his own home falling, could buy and sell futures contracts tied to a Standard & Poor's-based home-price index. If home prices indeed fell in the region, the seller — who had essentially bet this would happen — could hit payday and offset the decrease in his home's value.

A third entry in the "hedge-your-house-bets" market is the Chicago Board Options Exchange, which says that pending regulatory approval, it too will offer futures contracts that track prices nationally and regionally. And sometime in the near future, the London-based International Real Estate Exchange will allow anyone with a few dollars to buy and sell contracts based on home prices in all 50 states or in the country as a whole.

"What we are trying to do is give every single retail investor an opportunity to go out and speculate in the real estate markets without actually having to buy physical property," says INREEX's chief executive, Paul Rozenberg.

Each of the four exchanges has its subtle differences, but they all will operate pretty much in the same way as the stock market. You can buy "shares" — in this case, contracts — if you think prices are rising.

You can sell when you think values have reached their peak. You can also "sell short," which means to sell borrowed shares at a high price with the intention of buying them back at a lower price before you have to deliver them, with the difference being your profit.

Say, for example, the house you bought a year ago for \$200,000 is now worth \$300,000. But prices are beginning to fall in your market. You can protect your \$100,000 gain, or hedge your position, by investing in a short sale on one of the exchanges.

"For most Americans, their home is their single largest investment and, as such, the desire to reduce risks surrounding that asset is important," says John Nash of HedgeStreet, based in San Mateo, Calif. This is "a unique way for them to hedge against depreciation in the value of a home."

HedgeStreet allows anyone with a \$100 deposit and an Internet connection to trade in instruments called "housing price hedgelets" based on prices in Chicago, L.A., Miami, New York, San Diego and San Francisco.

The Chicago Mercantile Exchange has created five new futures and options contracts designed to follow home prices in the same six cities, plus Boston, Denver, Las Vegas and Washington, D.C. The contracts are designed largely for builders and developers, lenders and professional investors with large positions in real estate. But individuals can participate as well.

The HedgeStreet contracts are benchmarked to the median price of existing-home sales as tracked by the National Assn. of Realtors, while the Chicago exchange's contracts will be tied to a Standard & Poor's price-based index. Newcomer INREEX, which also is seeking regulatory approval, intends to offer contracts tied to average home prices published by the Office of Federal Housing Enterprise Oversight, the agency that regulates mortgage giants Fannie Mae and Freddie Mac.

Contract prices will be traded at one-one hundredth the price of the federal agency's home price index to encourage liquidity. So, if the average price of a house in, say, Minnesota is \$241,000, the INREEX contract for that state would trade at \$2.41.

The exchange's trading technology allows investors to log on anywhere in the world and buy, sell or short the entire country or one or more states. The exchange ([www.inreex.com](http://www.inreex.com)) offers such tools as real-time quotes, charts, order books, watch lists and a proprietary screening page that allows users to identify possible trends in the marketplace.

"We want to make this system as close as possible to the stock market," Rozenberg says.

While INREEX is seeking government approval, potential investors can play with the technology by opening a virtual account and using free money. The INREEX system is already live in the United Kingdom using real money, and a demonstration held last

month for the U.S. system produced "a lot of traffic," Rozenberg says. "People liked the idea of trading on housing prices, even if it was only with paper money."

"The great thing about this is anyone with \$4 or \$5 in their pockets can speculate on housing prices," he says.

Which of the four exchanges is better — or which, if any, will survive — remains to be seen. But all four believe the time has come for real estate to take the next step as an investment vehicle.