



HAWAIIAN BUSINESS COMPASS

by Yamaguchi & Yamaguchi, Inc.

Yamaguchi & Yamaguchi, Inc.

Real Estate Appraisers & Consultants

Since 1967

Volume 6 Winter-Spring 2013-2014

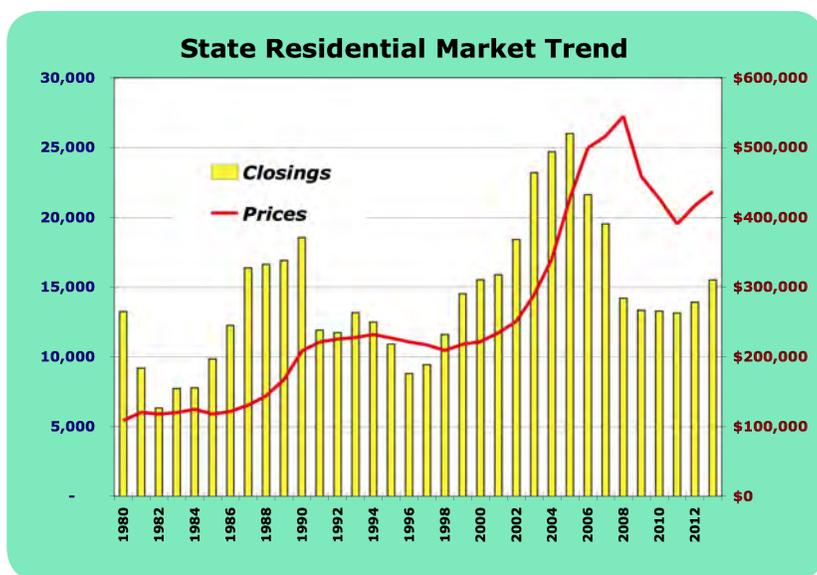
COST VS. VALUE: HAWAII

Here are the most frequently asked real estate questions: First: *What is happening in the Real Estate Market?* Second: *How can I increase the value of my home?* Third: *How much should I spend?*

The first question has to be analyzed before the second and third questions can be answered. The reason for this is the simple function of supply and demand. During periods of high demand and low supply the prices increase and vice versa.

Let's look at Ricky Cassidy's market comparison of 2013 to 2012 and what lies ahead.

CURRENT STATE HOUSING MARKET CONDITIONS, YEAR END 2013



applied). About \$1.5 Billion, or 24% of the \$6.77B, was generated by sales of units located within Resort Master Planned Communities statewide. Unit sales of resort residences statewide, built product (no vacant land sales), were 1,312 dwellings, or 10.4% of total statewide residential sales.

In 2013, 1,678 newly built dwellings were closed, with the remainder being existing (or resale) homes. This equates to developers having a 10.8% share of the total market – and it compares with a 9.9% share last year (but pales against the 20% market share that new homes averaged over the ten years, 1998-2008).

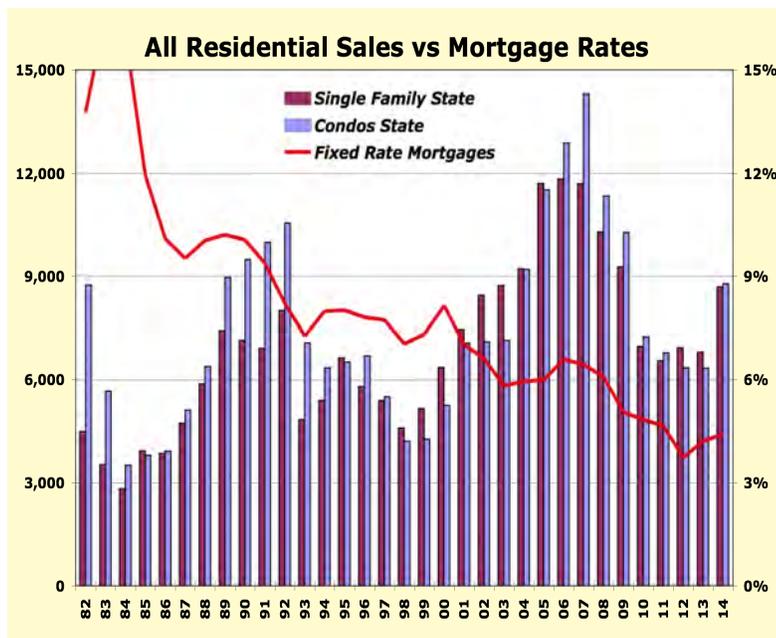
Oahu had 9,152 unit sales, or 59% of the state total residential sales, which was up from 8,213 total sales in 2012. 57% of those sales were attached dwelling units (condos, town homes) and the rest were single-family home units. Statewide, 49% of the unit sales were condos, and 51% were homes (clearly Oahu has the most sales of condos in the state).

Last year, Hawaii's market for residential property moved towards the middle of a cyclical upswing, fed by good economic fundamentals and favorable environment for financing. We feel there is a good likelihood that a new record for closings statewide will be set each year for at least two years, given the coming construction of new condominiums Here follows some statistics summarizing the year that just passed, 2013, and comparing it to the one before.

SALES: For 2013, total residential sales – all condominium and single family dwellings, as well as existing (resale and newly constructed (developer sales) – reached 15,509, some 11.6% above 2012's 13,902 units.

Total gross sales revenues hit \$6.77 Billion, up some 17% from 2013's \$5.79 Billion. This has moved up from the \$5.13 Billion in 2011, but off the \$11.1 Billion received in 2005.

\$5.83 Billion of the \$6.77B was generated by resales, throwing off a bit under \$350 million in realtor commissions (assuming the full 6% commission rate is



Oahu had the highest median prices for homes, with the index at \$659,161 and the resale price only at \$640,000. The lowest priced homes were on the Big Island at, for the index, \$296,105 and for the resale only home price, at \$295,000.

LISTINGS:

Year-end listing counts statewide stood at 7,873 units, down from 2012's 9,466 units listed, or 17.4% down. The low for condo listings came in 2005, at 3,277 units.

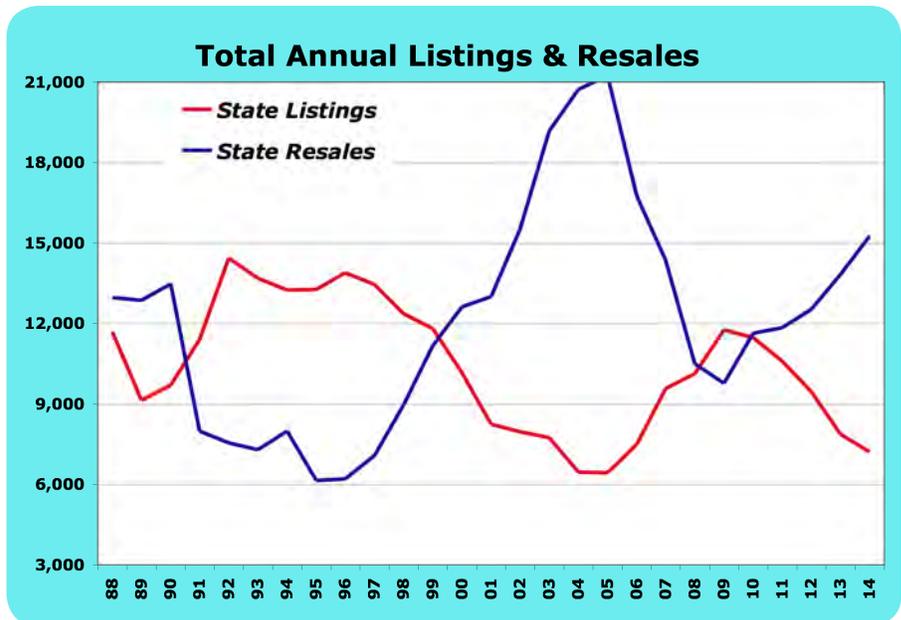
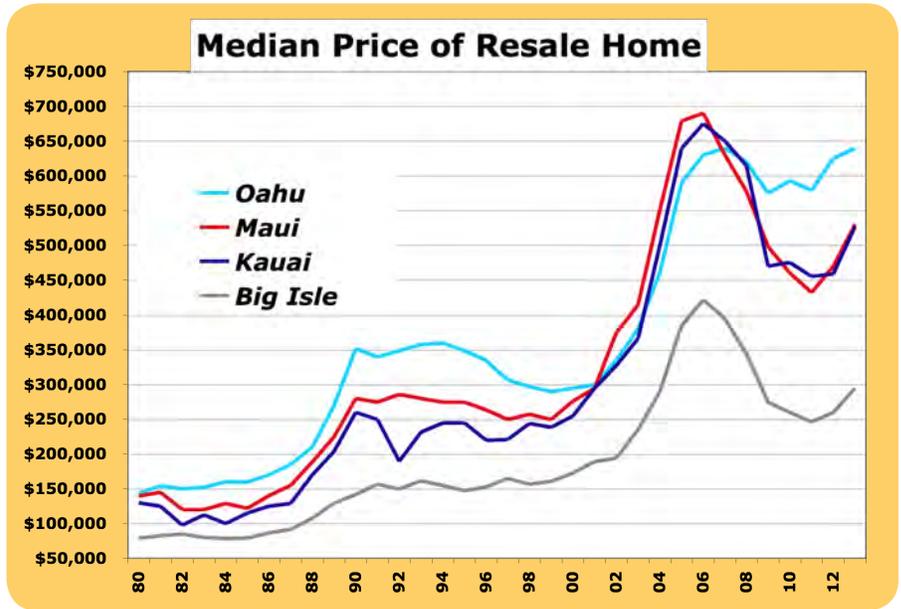
For homes, the year-end listing count stood at 3,832 homes available, down from 4,572 homes listed in 2012, or off 9.3%. The low in this came in 2005 at 3,121 units listed.

Year-end listing counts statewide stood at 4,041 units offered for condos. This is down from 2012's 4,894 condo units listed, or 17.4% down. The low for condo listings came in 2005, at 3,277 units.

For homes, the year-end listing count stood at 3,832 homes available, down from 4,572 homes listed in 2012, or off 9.3%. The low in this came in 2005 at 3,121 units listed.

The Months of Remaining Inventory calculated using condo listings and condo resale closings, stood, statewide, at 6.73 months. This is down 18.3% from 2012's 9.1 months of remaining inventory, but above the lowest level for this indicator of 3.6 months, set back in 2005.

The Months of Remaining Inventory, calculated using single-family home listings and single-family resale closings, stood, statewide, at 6.94 months. This is down 23% from 2012's 9.01 months of remaining inventory, but above the lowest level for this indicator of 4 months, set back in 2005.



What is happening in the real estate market?

Ricky's report indicates that the residential real estate market is strong with high demand and low supply, stable interest rates and a growing economy that will continue for several years. I will add that Hawaii is unique in having good climate, rich multi ethnic cultures, world famous waterfronts and beaches, the Aloha Spirit, and a very low supply of developable land. Thus, in the current market, the lines get blurred. Is the buyer driven by the lack of inventory or the property's condition and amenities?

Real Estate changes with time and what worked previously may not work today; let's explore some examples. During the early 1950's to around the mid 1970's, a local Hawaii amenity that had very little value consideration was VIEW. Unless it was an oceanfront property, homes were originally designed and oriented with kitchens and living rooms in the front and bedrooms and baths at the rear. Hillside dwellings built during this era only had views out their bedroom jalousie windows. Many of these homes have been redeveloped or renovated with living rooms and decks that make use of the various view amenities. Today, we have ocean views, bay views, harbor views, canal

views, mountain views, channel views, corridor views, perimeter views, city views, airport views, garden views, and on and on.

Another, notable historical transition in homes and condominiums is the size and design of kitchens and bathrooms. Condominiums of the 70's and 80's featured small kitchens as the growing trend was the economics of double income families and increasing single occupant buyers who were getting married or having children later in life. People chose to eat out more often due to lack of time. Thus, developers designed smaller units and small barely functional kitchens. Today's buyers are similar but are sophisticated, prefer larger open kitchens, entertain often and demand much more. For example, some baby boomers can remember the 1970's and 1980's when fine dining restaurants were a handful and wine lists were less than a page. You could name the top echelon of wines on one hand: Mateus, Blue Nun, Lancers, and Almaden. But now go to any good restaurant and there are anywhere from 50 to 100 (+) bottles of different types of wines. Real estate is no different; it has evolved into a very sophisticated market.



**How can I increase the value of my home?
How much should I spend?**

So how do you add value to your home? First, investigate the supply and demand topic explained above. Then, investigate your neighborhood and determine what the most desirable amenities are for the majority of buyers in your marketplace. For example, would the addition of a large swimming pool that cost \$100,000 and added to a home in a Midrange Neighborhood/Project command more or less value upon sale as compared to the same pool in an Upscale Neighborhood/Project?

If you make a decision to add an amenity or renovate your home, do your homework and choose your design, colors and materials wisely. I have experienced many renovations that appealed to the personal owner's taste but not what was desired in the marketplace. My advice is to

seek professionals who have successful track records in the specified neighborhood. Do not hesitate to ask for their work product examples and make a concerted effort to visit the sites; the higher the dollar amount the more important this due diligence will become.

Let's explore basic cost vs. value top ten improvement statistics from the National Realtor Magazine January 2013 (2014 statistics for renovation costs recouped are expected to increase).

Midrange Projects **Cost Recouped**

- | | |
|------------------------------------|-------|
| 1. Entry Door Replacement (steel): | 85.0% |
| 2. Deck Addition (wood): | 77.3% |
| 3. Garage Door Replacement: | 75.7% |
| 4. Minor Kitchen Remodel: | 75.4% |
| 5. Window Replacement (wood): | 73.3% |
| 6. Tie: Attic Bedroom: | 72.9% |
| Tie: Siding Replacement (vinyl): | 72.9% |
| 7. Window Replacement (vinyl): | 71.2% |
| 8. Basement Remodel: | 70.3% |
| 9. Major Kitchen Remodel: | 68.9% |
| 10. Deck Addition (composite): | 67.5% |

Upscale Projects **Cost Recouped**

- | | |
|--|-------|
| 1. Siding Replacement (fiber-cement): | 79.3% |
| 2. Garage Door Replacement: | 75.2% |
| 3. Siding Replacement (foam backed vinyl): | 71.8% |
| 4. Window Replacement (vinyl): | 71.2% |
| 5. Window Replacement (wood): | 68.4% |
| 6. Grand Entrance (fiberglass): | 63.0% |
| 7. Deck Addition (composite): | 59.7% |
| 8. Major Kitchen Remodel: | 59.7% |
| 9. Bathroom Remodel: | 58.3% |
| 10. Roofing Replacement: | 56.7% |

According to the magazine every region improved over last year's survey. The Pacific region, Alaska, California, Hawaii, Oregon and Washington had the highest cost to value ratio overall at 71.2%,

despite having the highest construction costs in the country.

The above statistics is a summary of an article published in the January 2013 edition of the Realtor Magazine; for updated detailed information please visit www.costvsvalue.com.



Conclusion

Every property is different in location, improvement type, design, quality and amenities. An increase of value due to a renovation or remodeling is dependent on the design, quality and condition of each property as it compares to competition within the neighborhood.

We have found that the higher demand and lower supply of homes available for sale in a particular neighborhood, results in a higher return on investment for the renovation or amenity, *if completed tastefully and if it matches the neighborhood.*

Consequently, a lower demand and a higher supply for homes in the neighborhood, will likely result in a lower return on investment for major renovation or amenity projects. In this type of market, more cosmetic improvements such as painting and change of floor covering and basic finishes may be more appropriate to receive an acceptable return on investment.

ABOUT THE AUTHORS

Ricky Cassidy of Data@Work has developed the most functional database of real estate transactions for analyzing the residential market across the state of Hawaii. The data draws upon both public and private data sources and goes back to 1985, covering 2 major market cycles. It includes all islands and all resort and residential property types, including leasehold. He has produced numerous types of studies (project feasibility, pricing programs, absorption projections, marketing strategy, product development, market entry and positioning) as well as long-term demand forecasts and models for specific markets and master planned

developments. His work has helped to inform every major Hawaiian developer, financing institution, residential design firms, most landowners and construction companies. He has been a featured public speaker at the Hawaii Developer's Council, the ULI Hawaii Chapter, the Society of Corporate Planners, Hawaii State Association of Counties, the Hawaii Association of Mortgage Brokers, the BIA Hawaii chapter, Association of Realtors for all the islands, numerous private groups, and the MBA Income Property, Investment Committee. He has been quoted in the Wall Street Journal, New York Times, San Francisco Chronicle, and Inman News.



Jon Yamaguchi CRE, FRICS, SRPA, SRA is the President of Yamaguchi & Yamaguchi, Inc., a real estate appraisal and consulting firm accomplished in both residential and commercial markets. Since 1967, Yamaguchi & Yamaguchi has serviced the real estate community throughout Hawaii and parts of the Pacific Rim including Asia. They have assisted their clients in decision making relative to various needs, such as mortgage lending, investment decisions, collateral review, due diligence studies, lease negotiations and arbitration, condemnation, estate planning and date of death valuation.



A graduate of Iolani School and Colorado State University, Jon has been awarded the CRE designation from the Counselors of real Estate, Fellow (FRICS) of the Royal Institution of Chartered Surveyors, and the SRPA and SRA Real Estate Appraiser designations from the Appraisal Institute. He maintains a certified general license as a real estate appraiser and a real estate broker license in the State of Hawaii. He is the principal broker for REMM Pacific Realty LLC. Jon has also served in various positions and boards with the Counselors of Real Estate (CRE), Building Industry of Hawaii (BIA), Better Business Bureau (BBB), Honolulu Board of Realtors (HBR), Appraisal Institute (AI), Fannie Mae (FNMA), Vice Chair of the International Committee of the National Counselors of Real Estate Organization (CRE), Advisory Board for REMM International, Inc. and Principal of Y3 International LLC.

Chef Sato's Orange Shoyu Chicken

Yield: 2 portions

- ❖ **4 pieces of your favorite check part or 12 oz. cut up chicken meat** (bone-in works best)
- ❖ **Zest of 1 Orange**
- ❖ **Juice of 1 Orange**
- ❖ **4 cups Basic Teriyaki Sauce**

1. Strain all of the ginger, garlic, and green onion out of the Basic Teriyaki Sauce
2. Place all ingredients in a medium pan and bring to a simmer
3. Simmer the chicken until the internal temperature hits a minimum of 165° F

- ❖ For chicken pieces with skin on, sear the chicken skin portion first, then, simmer with all of the ingredients to render some of the fat out of the skin
- ❖ For a crispier finish, pan the cooked chicken on a pan with parchment paper skin side up and bake for 5 minutes at 350° F to crisp the outer skin and form an amber sheen on the skin surface.

Simply Stephanie ... *Continued from Page 5*

Chef Sato's Speed Scratch Char Siu Pork

Yield: 4 portions

- ❖ **3/4# Pork Butt cut into logs 1.5" x 1.5" x 6-7" long**
- ❖ **1/4 cup Red Food Coloring**
- ❖ **4 cups Basic Teriyaki Sauce**
- ❖ **2T Chinese 5 Spice**

1. Mix the Basic Teriyaki Sauce with the food coloring and the Chinese 5 Spice in a bowl using a spoon or wire whip
2. Marinate the pork in the sauce for a minimum of 2-3 days
3. Roast the pork at 325° - 350° F until the internal temperature hits 155° F
4. Allow the pork to rest for 10-15 minutes before slicing

- ❖ Use the Char Siu as a main dish, snack, pupu, or garnish for chow mein, chow funn, or saimin
- ❖ Chicken can be substituted for the pork as long as you cook the chicken to 165° F to kill any salmonella bacteria that might be present
- ❖ You may pull one cup of the marination aside before marinating and thicken with the cornstarch slurry to glaze the finished product for extra sheen and flavor.



Simply ...
Stephanie

Work Hard ♦ Play Hard

That's my philosophy of the balance in life; my yin yang, so to speak. In reality though, the fulcrum is rarely centered and the scale repeatedly slants away from play. So I have decided for my column to focus only on fun things . . .

Chef Grant Sato... Shoyu 101...

Did you know that shoyu (aka soy sauce) is not a “one-type-fits-all”? Growing up in a typical local household that used only one type of shoyu for everything, it never dawned on me that there was a difference. Well, not until Jon and I enrolled in Chef Grant Sato’s culinary class at Kapiolani Community College called Cooking Local: Shoyu Family.



Not only did we prepare four different marinated meals to take home and either roast or grill (you know Jon picked the later), we actually had a Shoyu Tasting! This was a first, and much like wine, beer or sake tastings, it was an amazing and very educational experience.

I asked Chef Grant to further clarify and expand on my notes from the class:

Do not cook with low sodium shoyu. It is supplemented with vinegar, citric acid, lactic acid, etc. Why does this matter? The acid flavor is pronounced so you will have a salty sour flavor to the dish you are making. Some people don’t know this and use it as a substitute only to find out later that the teriyaki sauce they made ended up tasting like a sweet sour sauce instead.

Uzukuchi (“Balance of the Palate” close translation): 50% soybean/50% wheat. Saltier. Use for sushi, dipping, etc. Not for marination. This is used for dipping sauces but not marinades as it is too salty and will draw out too much liquid from the protein leaving you with a tough dry product.

Yamasa (“Chef’s Choice”): 920 mg sodium; Not good for marination. Yamasa is called the chefs choice because chefs love the flavor of Yamasa over the other brands, but the sodium level is high so when used for a marination the Yamasa is sometimes watered down a little.

Kikkoman (known as “American’s Favorite”): 920 mg sodium; Not good for marination.

The strong smoky roasted soy bean flavor is great on its own but usually masks other flavors in a marinade or sauce. The high sodium content will draw out too much liquid from a protein item making it dry and tough but if you insist on Kikkoman shoyu for your marinade then you can water it down a little.

Amakuchi: Sweeter. Soybean, very little wheat, and sugar. Amakuchi-Sweet Mouth-literal translation is the variety Aloha Shoyu makes.

Regular Aloha Shoyu: Best for marination or simmering. What’s the difference between regular and “Gold”? Both are good for marination they have about 720mg of sodium per tablespoon so the shoyu is not too salty and will not draw out too much liquid from the protein you are marinating. The gold just has a little more flavor.

Organic shoyus need to be refrigerated. Only because it has no preservatives in it, the most common preservatives are either alcohol or citric acid.

For every inch of protein marinate a minimum of 1 day to 3 days max. One day of marination for every inch of thickness of protein but for large items up to 3 days

maximum as the product will lose quality from a long marination due to the amount of liquid being drawn out by the sodium in the marinade.

Marinades with minced ginger, onion, etc. have a 3-day shelf life. If the green onion, ginger, and garlic are minced or chopped in a food processor, the marinade made will be good only for up to 3 days before they start to decay and sour.

Marinades with larger ginger, onion, etc. have up to 1-week shelf life. If they are left whole or just smashed or bruised, they will last longer.

I bought a Kikkoman shoyu “for Sashimi”, probably Uzukuchi. It has a whopping 1,010 mg sodium but really enhances the taste of the sashimi. Is this something that renowned Sushi Chef Jiro Ono (Jiro Dreams of Sushi) brushes on the nigiri? In the film I noticed that no one dips the sushi in shoyu. Jiro and other sushi chefs make a reduction sauce based off of shoyu to brush on their sushi.

Are you still offering the Cooking Local: Shoyu Family classes? If there is a demand yes, usually in the summer.

Chef Sato’s Basic Teriyaki Sauce

Yield: 1 gallon

- | | |
|-------------------------|---------------------------|
| 5 cups Aloha Gold Shoyu | ½ cup Minced Garlic |
| 5 cups Granulated Sugar | ½ cup Minced Ginger |
| 5 cups Water | ½ cup Chopped Green Onion |

Combine all ingredients in a bowl and stir well using a wire whip or spoon

- ❖ This can be used as a marinade for protein that will marinate for less than 2 days
- ❖ For longer marinations, chop or crush the ginger, garlic and green onion
- ❖ For glazes, heat the sauce and thicken with a cornstarch slurry (equal parts cornstarch and water mixed well)
- ❖ You CANNOT use the marinade after a protein has been marinated in it; the blood in the marinade will coagulate and form grey clumps in the heated sauce

Have a Happy,
Healthy &
Prosperous 2014



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***“ Strive not to be a success,
but rather to be of value.”***

~~ Albert Einstein

ABOUT HAWAIIAN BUSINESS COMPASS

Our Hawaiian Business Compass newsletter was created to provide our friends and clients with informational topics that could possibly benefit them in their business and personal lives.

We author and feature articles that pertain to:

- Real estate trends and valuation
- Business issues
- Positive motivational content
- Human interest stories, and
- Varying topics provided by guest writers

As relationships are very important to us, our HBC newsletter gives us an opportunity to keep in touch, share our information and create something that is interesting and fun.

Jon and Stephanie Yamaguchi