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Dollar's drop gives foreign investors edge

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The weak dollar has given foreign investors strong incentive to buy property in Hawai'i's slowing housing market, which just capped a second year of declining sales.

Australian, Canadian and European currencies have risen sharply in recent months to give real estate investors from those countries their strongest buying power in more than a decade.

In addition, though Japan's currency has been stronger in recent years, a rise in the yen is making Hawai'i attractive again for Japanese, who historically have been the dominant foreign force in local real estate acquisition.

The international currency leverage — which also extends to South Korea, China and other countries — is expected to help maintain stability in Hawai'i's cooling real estate market, mostly in the luxury home and resort condominium areas less dominated by local buyers.

Last week, one investor from Japan snapped up two O'ahu homes — one in Kailua and one in Portlock — for \$28 million in cash.

There is no good public data tallying how many Hawai'i homes are bought by foreign investors, but local brokers and other observers said more foreigners should be acquiring property as the dollar's weakness persists.

"We are seeing a smattering of that," said Paul Brewbaker, chief economist at Bank of Hawaii, who expects to see increased Hawai'i real estate purchases by foreign investors.

Conversely, Brewbaker said the big wave of investors from the Mainland has receded. "They're done," he said.

In Canada, the luxury real estate marketing firm S&P Destination Properties, handling several sales projects in Hawai'i, advertises that the Hawaiian Islands are "on sale."

"It was not many years ago that our 'seventy cent' dollar, combined with a powerful U.S. housing market all but eliminated Canadians from finding good value," the Canada-based company said in marketing materials promoting Hawai'i real estate purchases. "Today, these conditions have shifted in favour of Canadians."

The Canadian dollar in November set a 30-year trading high buying about \$1.09, up from 62 cents six years ago. So a \$1 million Hawai'i property in 2001 would have cost about \$1.6 million in Canadian dollars. Now it's roughly an even deal for Canadians. "Now is clearly the time to buy," the company said.

In Europe, the British pound is worth around \$2 and the euro is worth just less than \$1.50.

The Australian dollar is trading around 90 cents, up from around 50 cents seven years ago just before the start of Hawai'i's last real estate boom. Japan's currency this week hit a three-year high, where 100 yen bought 94 cents, up from 81 cents in June.

Ricky Cassidy, a local housing market analyst, said he has been working with a lot of Canadian investors lately and also has received strong interest from Japan and South Korea.

"Hawai'i holds its value long-term, and now is the time for foreigners to get a good bang with our buck," he said.

Among examples of foreign buyers purchasing Hawai'i trophy property in recent years was the \$24 million sale of a pair of resortlike homes fronting Kailua Beach in late 2006. The buyer was a European investor who set a sales record for a Windward O'ahu residential estate.

\$22M SALE IN KAILUA

Last week's \$28 million purchase, which involved a home on 2 acres fronting Kailua Beach that sold for \$22 million, rivals others made in recent years.

The Japanese buyer was unidentified, but bought a 4,925-square-foot mansion with four bedrooms and six bathrooms built in 1981 and remodeled last year, according to listing agent Tracy Allen of Coldwell Banker Pacific Properties. The property also included a 1,521-square-foot caretaker's cottage.

The other home was a 5,869-square-foot oceanfront house in Portlock remodeled in 2003. The sale price was \$6.4 million.

Jeannie Fogarty, president and principal broker of Fogarty Realty, which represented the buyer in both purchases, said some local real estate industry players believed purchases from Japan would wane, but the yen's resurgence is boosting interest.

"Japan is not completely dead yet," she said. "The yen is really strong, so it's a perfect time to buy."

Of course, a lot of luxury Hawai'i real estate will continue to be bought by local and Mainland buyers. Last week, a domestic buyer bought a 1-acre oceanfront estate in Kailua for \$9 million.

"The economy doesn't seem to be an issue with them," said Connie Carvill, whose firm, Carvill & Co., represented the buyer and the seller of the \$9 million property called Castle Point that sold after spending just eight days on the market.

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