

Happy July! I hope your 4th of July holiday weekend was fantastic. The weather was perfect- has been for quite a while and it shows with the traffic on the island. In speaking to some local business owners they are smiling broad smiles and cautiously optimistic that this is going to be a good summer for their businesses.

I am hoping this will translate into real estate as well because our first half statistics are far from "glowing".

The second quarter was very disappointing. The "hot flash" we all felt in March was quickly cooled not only by the rains and cooler than normal temperatures but the market temperature also went cold. We missed May and June productivity of 2009-which in and of itself was a less than banner year. While we are slightly ahead in units sold +8.7% year to date, this is only as a result of a strong March. We need an exceptionally active summer season to work off some of this inventory we have been building up.

Since January 1, 2010 we have seen our inventory levels grow by double digits 23% more single family homes 16% more condo/townhomes- 100% more multi family dwellings. We entered our second half and summer selling season with 590 residential units to sell between both communities, the most we have seen since August of 2008.

Average prices continue to adjust in both single home categories and condo/townhome. We are reaching 2004 values in both communities in residential dwellings. This change is reflective of the units we are selling- lower priced single homes as well as townhomes/condos. If you are selling lower priced property it stands to reason your average price will reflect in lower average prices. Of the 57 single homes sold year to date 46 are under \$2.0 million 31 are under \$1.5 million 13 are under \$1.0 million. Conversely thru June 2005 we had sold 35 homes OVER \$2.0 million; in 2006 - 25 and 2004 28.

There are specific market segments that have begun to "normalize" meaning the new norm has been set. This comes only as a direct result of adjusted sale prices and buyers responding to these adjustments. Only when the buyers have seen the price reflect what they perceive to be the "new norm" are we seeing interest resulting in offers.

The "in town" townhomes have found their "new norm" as evidenced by the consistent sales of these property styles ranging in price from \$600,000 to \$800,000. In the condo market this occurred in the bay front condo market where we saw the sale of 4 bay front condos starting in July 2009 thru February 2010.

For the most part, and with few exceptions, the condos selling have been those of the older duplex style in the under \$500,000 price range or the bay front units. In June 2010 we finally saw four "typical" condos go under agreement all selling under \$600,000. In the south end of the island a long awaited short sale occurred at \$450,000 and while not necessarily the "new norm" will certainly impact the value of the condos in the southend.

The single family homes in the west and 100 block in the north end have settled in to a "new norm" with land value sitting in the \$900,000 range in the west block based on several sales in the first half of 2010.

As sales occur throughout the island, the "new norm" will be set by the buyers and sellers who successfully negotiate and the appraisers who verify this new value to the banks. Without the latter the "new norm" will not be set.

The good news is the mortgage rates are still favorable and have the attention of the buyers. Only if the buyer perceives true value will they be comfortable with making an offer and taking one more home out of our inventory. Only with adjusted inventory levels will we start to see the complete normalization of this market.