



HAWAII DEVELOPERS' QUARTERLY

Dedicated to the promotion, protection and improvement of real estate development in Hawaii.

HAWAII DEVELOPERS' COUNCIL

Educational Luncheon Meetings

Honolulu Mayor in April

Mayor Mufi Hannemann recently made his first formal speech for the members of Hawaii Developers' Council since being elected Mayor of Honolulu. Held at



Oahu Country Club on Tuesday April 19, the Mayor brought the city's head of Planning and Permitting, Henry Eng.

The Mayor began his comments by describing efforts his administration has made since taking office. He covered basic issues like pot-hole repairs, sewer updates and removing trees on Kuhio Avenue in Waikiki. "The fire department and ambulance drivers agreed that these trees would eventually jeopardize public safety," said Hannemann. "We worked with the Outdoor Circle to ensure that all but 4 of the removed trees would be planted elsewhere."

Most of his talk centered on efforts to streamline the permit process. "The sooner we can get your projects approved, the sooner the City can start receiving property taxes," he observed. Mufi then outlined efforts already underway to hire and train more employees for the Planning and Permitting division. "We are now able to match the State's

(See "Mayor" continued on page 8)

Ferry Transit in June

On Tuesday, June 7, 2005, Hawaii Super Ferry President, Terry White, presented a brief video presentation to a crowd of about 80 members.



Terry is a local, Kailua boy who envisions the Super Ferry as Hawaii's next H-4. The goal is to bring back affordable inter-island transportation. Approximately \$200 million in commercial financing has already been secured and the first ship is being built in Mobile, Alabama by Austal USA and is expected to be completed in 2007. Two additional ships have been ordered and should be completed in 2008.

Initially, there will be daily service to Maui and every other day service to Kauai (Nawiliwili) and the Big Island (Kawaihae). The service to Maui and Kauai will take approximately 3 hours and the service to the Big Island will take approximately 4 1/2 hours.

Hawaii Super Ferry will have world-class ships that will be able to hold up to 282 cars and 866 passengers and they will be able to drive on and drive off with their vehicles. The boarding will be fast and easy with no parking hassles and luggage transfers.

The passenger deck will be

(See "Ferry" continued on page 8)

UPCOMING EVENTS

Mid Year Real Estate Review
Thursday July 21st
Hawaii Prince Hotel
8:00 AM to 11:00 AM

Residential
Harvey Shapiro

Office
Jamie M. Brown

Industrial
C. Mark Ambard

Investments
Steve Metter

Retail
Roger Lyons

Economic Overview
Paul Brewbaker

Details and Registration Form on page 6

Board Room Series XIV

Bob Sumitomo
Subdivision Plan Reviewer

Wednesday August 17

7:30 to 9:00 AM

First Hawaiian Bank Tower
30th floor Board Room

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Catherine
Camp

Presidents Message

It has been a remarkable year; it is hard to believe we are half way through 2005! Where has the year gone? Over these past few

months we have accomplished a great deal and there are some worthy programs coming up over the next few months.

Don't miss out on our annual Mid-Year Review scheduled for July 21st at the Hawaii Prince. Pete Cooper has done an outstanding job in lining up industry leaders for this years' panel including Mark Ambard, Paul Brewbaker, Jamie Brown, Roger Lyons, Steve Metter, and Harvey Shapiro. Thank you goes out to our esteemed panelists and Mahalo Pete for putting it all together. Come join us for breakfast and find out what these experts are predicting for real estate in 2006!

I also want to thank Gary Wiseman, President of the Associated Builders & Contractors, Hawaii Chapter (ABC) for his endless support of the Hawaii Developers' Council. Some of you may not know it but Gary has been the one behind the scenes organizing our lunches, making sure everyone has a nametag, confirming speaker attendance, and is basically the glue that holds HDC together. With the construction industry booming, Gary has informed us that he will no longer be able to devote the endless amount of time to HDC and has passed the reins on to Barbie Rosario.

Hawaii Developers Council welcomes Barbie and thanks her for agreeing to support us. Barbie is no stranger to real estate as she has provided support to Building Industry Association, National Association of Industrial and Office Properties and the Appraisal Institute. Welcome Barbie! Please take a moment to introduce yourself to Barbie at the Mid-Year Review or the next Board Room Series.

Prime Agricultural Lands to Be Identified

Governor Lingle recently signed HB 1640, a bill that will require the counties to set policies for protecting important agricultural lands and to identify these lands. Once identified, it will take a two-thirds vote of the governing body to have these lands ever reclassified for other uses. This bill implements an amendment to the State Constitution that was made in 1978.

The bill sets forth policies and procedures for the identification of important agricultural lands, including:

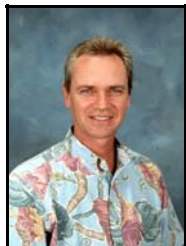
- (A) Policies to assure the conservation and availability of important agricultural lands for long-term agricultural use;
- (B) Standards and criteria for the identification of important agricultural lands;
- (C) A process for the identification of important agricultural lands; and
- (D) Standards and criteria for the reclassification and rezoning of lands identified as important agricultural lands.

However, before the identification process can be done, the counties must provide for the development of incentives for agricultural viability in Hawaii, particularly for agricultural enterprises that farm important agricultural lands and for landowners of important agricultural lands. These incentives would be designed to promote the retention of important agricultural lands for viable agricultural use over the long term.

The incentive process will probably take two years.

More Land Availability is Key to Affordable Housing

By Frederic Berg



Hawaii's recent economic boom and its parallel housing boom have left behind those families in the lower end of our community. With housing prices continuing to increase at double digit rates, existing rental stock has been converted to for-sale units and limited resources to create new housing stock is being directed to the highest bidders, which in today's market leaves little for those families with incomes below the area median. In an open market, developers would respond to the lack of affordable housing, however we have not seen this market response in spite of the persistence of historically low interest rates. So what constraints are impeding a natural market response?

Our land options reflect our island heritage. Most continental communities can spread out in all directions of the compass rose, but geographically we are bounded by the mountains on one side and the ocean on the other, leaving only a narrow strip of land in two directions to expand. Our history with agricultural also constrains our land options as we are reluctant to give up agricultural lands for residential uses. This places a premium on our lands, which is exacerbated when outside demand for property is high. This creates a lack of entitled land and is the biggest constraint to bringing new affordable housing, both rental and for sale, facing the State today. Although construction costs have increased, it is the land component of a housing deal that has increased the most in recent years.

To address the land problem, affordable housing should be considered a part of our island's infrastruc-

ture alongside transportation, communications and education. Without readily available affordable housing our ability to create sustainable growth is limited. Fortunately in Hawaii we are a close community and we will overcome this lack of market response.

Our local government controls the availability of land primarily through entitlements, but also through land it owns. If the government would make lands available with proper entitlements, there are many developers ready to build homes. The recent response to the Housing and Community Development Corporation of Hawaii (HCDCH) RFP for 500 affordable homes in Kapolei is a good example. Rather than seek market value development, HCDCH sought affordable home development and highly qualified developers responded. No entitlement process was necessary and homes will be ready as early as late 2006 for rent and purchase.

With government providing land to the affordable housing equation, the entitlement process, created by government, is much more manageable. The key is to avoid creating new building standards. The counties will ultimately be asked to provide services to these new communities and it is unfair to force the counties to service facilities that do not meet their standards.

There are many sides to affordable housing, which have not been discussed here, such as the financing and subsidy alternatives, infrastructure and development incentives. Although all these deserve attention, our focus in the immediate term in delivering affordable housing today should be on making entitled land available.

Wall Street Journal Ignores Hawaii Market

By Rick Cassiday

On June 13, 2005, the Wall Street Journal had an article on "The Hottest Vacation Home Markets." Nothing at all was said about Hawaii, which had a \$2.5 billion annual market for second homes in 2004.

To elaborate a bit, our state has, in percentage ownership terms, probably more out-of-state buyers than any other state in the union. Indeed, when I saw in the Wall Street Journal article that the table of hot vacation-home communities included Laguna and Malibu, it was not hard to observe that many of those owners live and work in that area, and that the triple digit 5 year price rises observed would include a large number of local residents upgrading to a better house.

By contrast, there are communities in this water-locked state where the home sales made are almost entirely second homes. For instance, on the island of Maui, records show that around 70% of the entire stock of condominium housing has an offshore (out of state) owner.

Furthermore, in terms of price appreciation, some of these neighborhoods have shown triple digit growth over 5 years -- Wailea condos have risen 143% to around \$1.1 million.

I think the article's omission of Hawaii limits the WSJ reader's understanding of the breadth and depth of the vacation-home market, quantitatively, and prevents many from appreciating one of the most sophisticated and well-featured second home markets in the country. While this is my personal qualitative judgment, it is one in keeping with those of Paul Allen, Michael Dell, Steve Case,

(Wall Street Journal – continued on page 5)

Winning at the Islander

By Tom Ritchie and Candace Chase, Trans Pacific Mortgage

With the island real estate economy incredibly robust and the construction industry incredibly challenging, much has been said and misunderstood about the conversion of hotel rooms to condominiums, also known as "condotels." Shocking as it may seem to some, the conversion of hotel rooms to "lodging units" which are then sold to the public as con-



Islander on The Beach - Kauai

dominiums are a very hot product type. Why? Relative to the normal condominium price in resort areas, they are a) affordable and b) can go back into the hotel-managed pool and generate income to help amortize their costs; a feature many traditional condos cannot accomplish.

Who finds these attractive? Investors, second home buyers and disenchanted time-share purchasers who have not been able to experience the benefits of real estate ownership from these investments.

TransPacific Mortgage Group was able to actively participate in one such conversion at the Islander on the Beach in Kauai, by:

- Identifying the needs of two clients, one the Owner of the Islander, who wanted to sell and the other, a well-known developer, and introducing them.

Is Your Inventory Protected from Interest Rate Volatility?

By Jon Whittington



When interest rates fluctuate, developers may ask themselves, "Will the home I sold today be out of the buyer's reach by the time construction is completed?" Thanks to a Builder Rate Cap

Program that puts a ceiling on the buyer's rate, you can confidently answer, "No," to that question.

Countrywide Home Loans offers a Builder Rate Cap Program designed to protect both developers and their customers. The program locks in rates for conventional fixed and adjustable rate loans, as well as government loan programs. The lock periods available include a wide choice of options, from 2 to 24 months.

The rate caps are competitively priced, ranging from .125 to .75

- Structuring and placing the acquisition, conversion and construction financing for the development.
- Creating and closing the specialized loan programs for Purchasers of these units.

The results: the original owners were pleased with their sale, the developer has paid off his \$31 Million loan within 9 months from acquisition from sales proceeds and the new buyers are already experiencing appreciation in values and love their units.

TransPacific was thrilled to have been of service. Everybody wins!

percent above current rates. Countrywide's program also includes a Price Float-Down feature. If interest rates drop, the Float-Down feature enables buyers to contact their Countrywide loan officer or branch manager and request a lower rate. On 2 and 3-month lock-in terms, buyers can request the Float-Down within 10 days prior to loan closing. For 4, 6, 9, 12 and 14-month locks, the Float-Down can apply within 60 days of closing. Certain restrictions apply to requests made within 3 days of closing, regardless of lock-in terms.

Best of all, this program is available at no cost to developers. Buyers pay a small fee for the program that varies depending upon the length of the lock-in term. This fee is applied to closing costs.

Protecting your buyer's purchasing power gives you a competitive advantage. With Countrywide's Builder Rate Cap Program, developers have a marketing tool that attracts buyers, and more importantly, secures your investment in new-home inventory.

Jon Whittington is Vice President and Hawaii Regional Manager at Countrywide Home Loans. To reach your nearest branch, call Jon at 808-524-1117, our National Builder Division at 800-747-1871, or visit the company's Web pages dedicated to its builder business partners at <http://builders.countrywide.com>.



GENTRY'S MONTECITO & TUSCANY COMMUNITIES

Gentry Homes, Ltd. has opened its newest neighborhoods, **Montecito** and **Tuscany**, in the Ewa by Gentry master-planned community. These new neighborhoods of single-family condominium homes feature the design and detail reminiscent of life on the Mediterranean. Warm colors and rich accents recall the subtle craftsman features of the old world.



Starting in the low \$300,000's, Montecito and Tuscany are designed for today's homebuyers who enjoy active lifestyles. Health and fitness can become an everyday possibility with a new recreation center, complete with a swimming pool, cabanas and barbecue area that are centrally located for all residents to enjoy. The location is ideal with the Ewa Town Center, six beautiful golf courses, beach, parks, and bike paths to provide buyers the convenience of a mature, master-planned community.

Montecito features four different floor plans, all two stories, with up to 1,229 square feet of living area. Each Montecito home offers 3 bedrooms, 2 ½ baths, an enclosed 2-car garage, with an option for 3rd car parking on selected home sites.

Tuscany features five different floor plans, all two stories, up to 1,522 square feet, and up to 5 bedrooms and 3 baths. Both neighborhoods include an abundance of upgraded "Gentry VIP Features" (Value Included in the Price) such as 9 foot ceilings on the first floor, central air conditioning, and dual pane low-E windows for superior insulation, rain gutters, and fenced rear yards with a gate for additional privacy.

For the first time ever, HECO solar water heaters are now included in each new Gentry home, an energy efficient feature that can save a family of

four up to \$480 per year on their electric bill. As an added bonus, HECO's solar water heating system program includes a 100-point post-installation inspection that assures homeowners of the unit's performance.

The exterior color and detailing of each Montecito and Tuscany home creates

the charm and warmth of romantic Mediterranean villas. Exterior siding materials are applied vertically as well as horizontally for a unique appearance. In addition, each home features spacious interior designs, kitchens with

GE appliances, walk-in closets in the master suites, plush carpeting, and pre-selected exterior colors that make each Montecito and Tuscany home unique.

Montecito and Tuscany exteriors include Hardi-plank 50-year warranty siding, composite roofs with a 30-year warranty, Borate pressure treated framing lumber with a 30-year warranty, and Truss Joist silent floor systems. Additional upgrade options are available on most homes, such as covered lanais, mounted microwave ovens, and stainless steel GE appliances. Montecito home prices start from the low \$300,000's fee-simple, while Tuscany home prices begin in the high \$300,000's. First occupancies are scheduled to occur in June 2005.

To visit Montecito and Tuscany in the Ewa by Gentry master-planned community, take the H-1 freeway west to the Ewa Exit (5A) to Fort Weaver Road, turn left at Iroquois Road, then right on Keaunui Drive, then left on Ho'owalea Street. The Montecito and Tuscany on-site sales offices are on your right or call (808) 447-841

(Wall Street Journal- continued from page 3)

Laurence Rockefeller, etc., all of whom found Hawaii an attractive place to have a second home.

This omission may have been brought about due to the way that their data source, Fiserv CWS and other mainland real estate transactional data purveyors haven't been able to extract meaningful data points from our local data sources. In other press-released market data, Fiserv CWS appears to omit Hawaii in it's survey of national housing markets -- in their table of zips with big price rises, there's no mention of any island markets.

To be sure, when all is said and done, it's no big thing... But, in case the WSJ is planning an update, I'd be happy to lend them a helping hand in detailing any future assessment of this market by sharing some of the results of the feasibility studies that I do.

Welcome New Members!

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Mid-Year Real Estate Review & Forecast
Thursday, July 21, 2005

Full Breakfast: 7:30-8:30 am; Program 8:00 -11:00 am
Hawaii Prince Hotel near Ala Moana Blvd & Hobron, Waikiki
Parking: Valet or self parking at Prince Hotel or Ilikai Marina next door

Moderator: Catherine Camp
President of Hawaii Developers' Council

Panelists:

- Residential - Harvey Shapiro, Honolulu Board of Realtors
Office - Jamie M. Brown, Colliers Monroe Friedlander, Inc.
Industrial - C. Mark Ambard, Ambard & Company
Investments - Steve Metter, MW Group, Inc.
Retail - Roger Lyons, CB Richard Ellis
Economic Overview- Paul Brewbaker, Bank of Hawaii

Table with 4 columns: Category, Register Before 7/15, Register After 7/15, # Attending, Amount. Rows for Members, Non-Members, and Total Owed.

Name(s):
(Attach list of names if more space is needed)

Company:

Ph. No: Fax: E-mail:

Mail your check to Hawaii Developers Council, P.O. Box 2537, Honolulu, HI. 96804
RSVP: No later than Friday July 15. No shows will be invoiced!

We accept Visa, Mastercard, American Express but not Discover!

Complete the following information and fax this to 847-6575:

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CVC (that code on the signature line on the back of your card)

Name on Card

Signature

Address for Cardholder

City, State, Zip

LANDSCAPE & DESIGN ESSENTIALS BY HAWAIIAN SANDMAN

Hawaiian Cement is proud to announce the introduction of its brand new line of Essential products for Hawaii's Landscape & Architectural Design Market.

Marketed under the 'Hawaiian Sandman' brand, this initial product showing promises to stimulate your imagination with pieces of distinctive elegance, presence, uniqueness and reliable quality.



Sand: Hawaiian Sandman offers the widest variety of Silica and Inland Beach sand for every landscaping application from home improvement projects to golf course greens top dressing and bunker sands.

Blended Materials: Our State of the art Mobile Blending Unit can meet your specification from general landscaping and irrigation needs to sophisticated precision blending of soil

amendments, peat moss, fertilizers, sand, etc.

Cut Stone: Featuring Hawaii's own natural resource "Cut Lava Stone" is available in 1" to 2" thickness'. Create that distinctively memorable entry, lanai deck or a signature drive and walkway.

Pebbles: Create a fashion statement with fourteen stylish colors and sizes ranging from 1/2" to 6". Cherry Red, Cherry Blossom Pink, Palomino, Mochi Green, Gray Stallion and Clydesdale, Black & Brown Striped, Ivory and Black Polished.

Statues: Carved from various colors of solid Granite & Basalt. Select from an existing assortment for designer pieces or create your own signature piece.

Contact George Stewart at Hawaiian Cement for details: 808 673.4213

Invite an associate to join Hawaii Developers' Council!

With dues at only \$100 per year,
HDC is the best
value in town!

Applications can
be found at
www.hawaiideveloperscouncil.org

Or send an email to Gary Wiseman at gary@abchawaii.org

TG's Hi-Tech Answer to Heavy Demands

By Judy Engkabo

With so much activity in today's lucrative real estate market, keeping up is a definite challenge. At Title Guaranty, we understand what it takes to ensure the completion of a successful development



and are committed to servicing our clients based on their individual needs. Through our emphasis on technology and customer service, we have made a few developments

of our own. Our internet-based business solutions are built to support today's busy real estate professional by streamlining their workflow, keeping them organized, effective and efficient.

Docutrieve is our way of moving towards a true paperless industry. Its online electronic document storage and retrieval system allows you to search, upload and store your document images, giving you unlimited access to your files. You will never have to make copies of your contracts again with our new online file storage system.

TGExpress Plus, our newest web-based transaction management tool, puts you in control from beginning to end. With smart title reports, hyperlinks to termite reports and surveys, automated timelines/reminders, customized developers' reports and much more, **TGExpress Plus** is our way of communicating with you 24 hours a day, 7 days a week.

Best of all, it's free. Go to www.tghawaii.com to request a free login and password.

(Mayor continued from page 1)
 pay scale for Engineers, which will help us recruit and retain key employees.”

Other new efforts include hiring a concierge who can tell people which line that they need to stand in for their service needed. They have also implemented a separate pick up line for individuals who are simply picking up and paying for their permits. They are also posting the number being served in real time.

The Mayor enticed the audience of developers by outlining future changes being considered. These include an on-line pre

application that design professionals can complete before going downtown. They are also working on an appointment option for design professionals with larger projects. Another idea to save time would allow the pre-payment of permit fees.

The final idea would be to allow for real time comments from the various plan reviewers as the project works its way through the review process. “This would allow your design professional to start making changes without waiting for the entire plan set to be returned,” said Hannemann.

In response to an audience question, the Mayor and his department head committed themselves to doing their best to implement these changes before Hawaii Developers' Council's Mid Year Real Estate review (July 21).

(Ferry continued from page 1)
 comfortable with airline-type seating but with a cruise ship-like atmosphere. A game arcade/kid's play area is planned as well as live television, movies and wi-fi internet access.

White anticipates roundtrip fares to run between \$50-\$60 for passengers and \$55-\$75 for cars (vans/pickups will be slightly more) depending on the day of the week. He anticipates that a family of 5 that might travel to Maui with a surfboard would spend approximately \$530 instead of the roughly \$1,000 that it would cost them on traditional air transport.

The legislature has appropriated \$40 million for harbor improvements. The Super Ferry has a 20-year commitment to the state and will be paying back the investment. About 350 people will be employed and 650 indirect jobs created which is a significant benefit to the state.



Left to right, Cathy Camp, Mayor Mufi Hannemann, Henry Eng and Pete Cooper

Hawaii Developers' Council

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