

# Real estate sales on the move after three mediocre years



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The Guam real estate market in 2016 surely outperformed 2015. The 2016 annualized real estate sales volume, based on 11 months of figures through November is \$566.7 million — 75% above the 2015 figure. Although the sales include The Westin Resort Guam transaction at \$125 million, the sales volume is still significant as it is the second highest in the last 15 years, second only to the 2007 peak. After three consecutive mediocre years, activity started to increase. The number of transactions in 2016 at 1,342 also reflects an 8% increase compared to 2015 with 1,241 transactions.

Land sales in 2016 reflect an annualized volume of near \$150 million and 370 transactions. The median size of land parcel sold was 1,858 square meters, or a half acre, with the median price in 2016 at \$80,000.

Tumon, undoubtedly, continues to be the most desirable location in Guam. A Taiwan-based investor acquired one of the last oceanfront pieces in prime Tumon for \$34 million. Another 11-hectare oceanfront piece sold in Pago Bay for \$23 million.

The land sales also include various former federal excess lands in Tiyan, the Route 3 vicinity and Barrigada. Tiyan is the new place to be with more than 150,000 square meters of land transacted with a total price of more than \$11.5 million. This does not include the proposed 52 high-end residential subdivision units proposed for west Tiyan, inspired and benefitting from the lesson learned in Talo Verde Estates. Route 3 vicinity activity has slowed down as the market

absorbed existing supply and the sellers posed a wait-and-see position. Several former federal excess lands in Barrigada also sold. More federal excess lands are expected to add to the supply as land-owners clear up probate issues.

Residential sales volume, including single-family dwellings up to four-plexes and condominium units, increased by 6% from 2015 at \$224.6 million. The sales include 568 single-family dwellings and 291 condominium units. The median price for residential units reflects a 10% increase over 2015 at \$220,000 with the median price of Single family dwellings at \$242,000 and condominium units at \$180,000. As of mid-December, only 110 units condominium units and 295 single-family dwellings are available for sale on the Guam Association of Realtor's Multiple Listing Service.

We reviewed the 12th Annual Demographia International Housing Affordability Survey and applied it to Guam. This study compares the median

house prices and median incomes in various markets in the world. Although our affordability index is much lower than our island neighbor Hawaii, Guam is on the severely unaffordable category. The increase in construction costs are only going to exacerbate affordability issues. Studies on new construction methodology and/or materials will be needed. Further, 2017 will likely see interest rate

### Demographic Housing Affordability Index

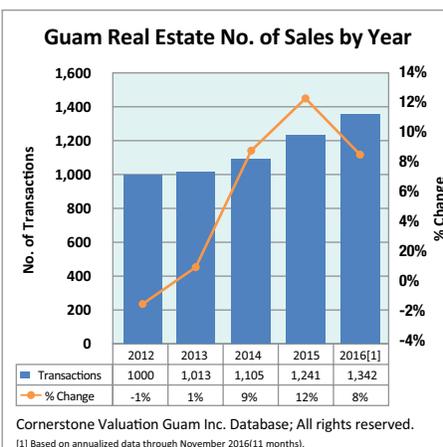
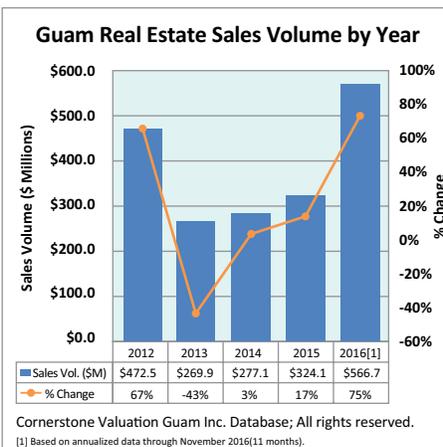
Affordable	3.0 and under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Unaffordable	5.1 and above

Source: 12th Annual Demographia International Housing Affordability Survey

Guam Affordability Index	2016 YTD	2015 YTD
Residential	4.1	3.7
SFD	4.5	4.2
Condominium	3.5	3.3

Market	Affordability	Comments
Guam	4.1	Severely Unaffordable
Honolulu	9.2	Severely Unaffordable
Phoenix, AZ	4.0	Moderately Unaffordable
San Jose, CA	9.7	Severely Unaffordable
Jacksonville, FL	3.8	Moderately Unaffordable

Source: 12th Annual Demographia International Housing Affordability Survey except for Guam figures.

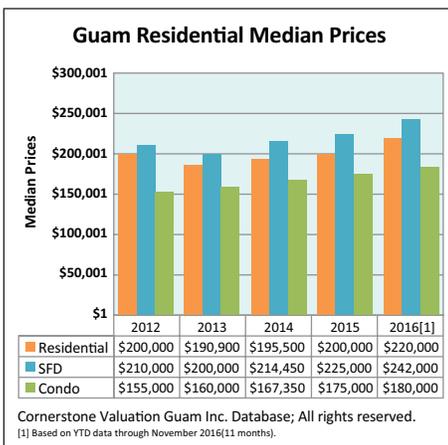
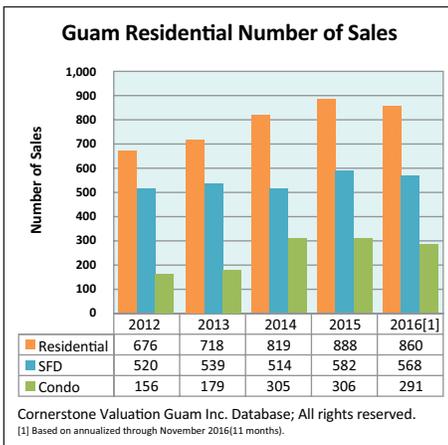
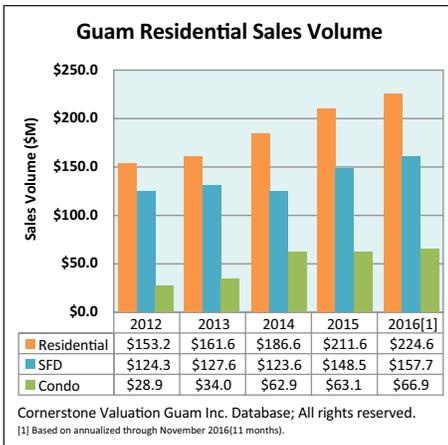


hikes that will reduce the affordability.

Residential rental activity on the Guam Association of Realtors' MLS reflects a relatively similar volume and number of transactions. However, the median monthly rental amount has increased to \$2,450.

The multi-family sector reflected seven sales with total volume for 2016 year to date of \$6.7 million. The sales include mostly underperforming properties ready for renovation by new investors. The sales include the five-unit Agat Apartments and the 30-unit Oasis Apartments, previously Kina Court Motel. Limited new additions to this sector and conversion into short-term rentals may drive up rental rates in the coming year.

The commercial and industrial sectors reflected 19 sales at \$29.2 million in 2016 year to date. The sales include the \$5.55 million Para Oceana building in Harmon, acquired by Core Tech for \$2 million, the former Jack Peters & Co. facility in Upper Tumon, the \$1.6 million proposed Federated States of Micronesia consulate building on Route 16, the \$5 million Harmon Public Storage and the \$2.05 million proposed cold storage of Carson Guam Corp. It is interesting to note in this sector, as can be seen across various sales, that the increased con-



struction costs have been one of the key factors in purchases. Buyers are willing to acquire abandoned, lower quality properties in poor condition and spend the capital on renovations.

In the pipeline to add to the supply in 2017 is the 21,000-square-foot Phase II of the Camacho Landmark Center by the ITC intersection. Various owner-occupant facilities are under construction, including the W.M. Engineering facility in Tamuning, Matson headquarters in Anigua and others. A strip mall center is nearing

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### Real estates sales over \$1 million in 2016

Property	Municipality	Land Area (sm)	Transaction Date	Indicated Price
The Westin Resort Guam	Tamuning	20,582	4/14/2016	\$125,000,000
Tumon Oceanfront Land	Tamuning	50,470	9/6/2016	\$34,000,000
Pago Bay Oceanfront Land	Yona	111,121	1/19/2016	\$23,000,000
Windward Hills Golf Course	Yona	678,620	6/14/2016	\$8,516,000
Former Texas A&M Land	Yona	4,584,866	10/26/2016	\$7,000,000
South Tiyan Land	Barrigada	90,751	9/2/2016	\$6,120,756
ParaOceana Business Center	Dededo	8,094	6/23/2016	\$5,550,000
Harmon Public Storage	Tamuning	13,890	5/20/2016	\$5,000,000
Hagatna Bay Oceanfront Land	Tamuning	6,072	10/7/2016	\$3,650,000
West Tiyan Properties	MTM	30,858	4/6/2016	\$3,586,167
Talo Verde Cliffline House	Tamuning	1,569	2/17/2016	\$3,500,000
Oasis Apartments	Mongmong-Toto-Maite	3,437	6/20/2016	\$2,125,000
Yigo Payless Land	Yigo	15,738	9/30/2016	\$2,100,000
South North Harmon Warehouses	Tamuning	6,885	5/27/2016	\$2,050,000
Jack Peters Building	Tamuning	4,211	6/17/2016	\$2,000,000
Marine Corps Drive Land	Dededo	14,684	10/21/2016	\$1,880,000
Paseo De Oro House	Tamuning	1,818	1/5/2016	\$1,628,000
Tumon Oceanfront Condominium	Tamuning		4/14/2016	\$1,600,000
Route 16 Commercial Building	Tamuning	2,109	6/6/2016	\$1,600,000
Interior Tumon Land	Tamuning	3,879	3/22/2016	\$1,531,000
Former Federal Excess Land	Barrigada	62,337	2/2/2016	\$1,504,000
Manibusan Condominium	Barrigada	1,782	5/4/2016	\$1,500,000
Commercial Building Harmon	Tamuning	2,392	9/23/2016	\$1,500,000
Tumon Oceanfront Condominium	Tamuning	3,863	1/20/2016	\$1,300,000
Tumon Oceanfront Condominium	Tamuning	1,718	2/22/2016	\$1,240,000
Route 16 Commercial Building	Dededo	1,991	4/27/2016	\$1,200,000
Smart Enterprises Building	Tamuning	2,321	6/16/2016	\$1,200,000
NCS Vicinity Townhouses	Dededo	2,050	4/22/2016	\$1,200,000
Tumon Oceanfront Condominium	Tamuning	2,596	3/31/2016	\$1,125,000
Tiyan Vicinity Land	Barrigada	30,428	11/4/2016	\$1,058,680
Paseo De Oro Land	Tamuning	2,340	6/24/2016	\$1,050,000
Marine Corps Drive Land	Dededo	10,948	6/1/2016	\$1,008,000
Cliffline House	Tamuning	1,110	1/11/2016	\$1,000,000

# ECONOMIC OUTLOOK

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completion along Route 10 near its intersection with Route 15. Another dialysis center is also under construction along Route 3 in Dededo. Pre-leasing is still not popular in Guam and tenants typically wait until the building is completed.

The things to watch for in 2017 and the years to come include the continuous shift in Guam's tourist profile, sharing economy, e-commerce, interest rates, and yes, the new U.S. commander in chief.

The shifts in Guam's tourist profile affect real estate directly. The tourists are shifting from the "packaged" type to the Free Individual Travelers, or FITs. We are aware of several apartment operations that are shifting into "AirBnB" types of operations. Mom-and-pop car rentals are also on the rise with more FITs on our island. Local brands and restaurants are increasing in popularity with FITs.

The high-end retail sector enjoyed fairly good times in 2016 due to the strengthening yen until it weakened in late 2016. The retail sector also experienced boosts with the availability of

Item	No. of Transactions			Sold Volume		
	2015	2016	% Change	2015	2016	% Change
Condo/Townhouse/Apt	1,048	998	-4.8%	\$1,646,867	\$1,631,689	-0.9%
Single family dwelling	675	696	3.1%	\$1,523,178	\$1,590,302	4.4%
Residential	1,723	1,694	-1.7%	\$3,170,045	\$3,221,991	1.6%

low-cost carriers from Philippines. While Macy's is closing in Kailua and other parts of the mainland, Guam's Macy's expanded and now looks like a real Macy's with 200,000 square feet of space in Micronesia Mall. Macy's obviously understood the Asian profile of Guam's tourists and looked beyond our "mere" 180,000 population.

The sharing economy will remain popular, with AirBnB and Uber, or Guam's Stroll. Although e-commerce has reduced footprints of retail in the U.S. mainland, it will be a while before Guam catches up with this trend, as our tourists will likely want to buy U.S. brands on tax-free U.S. soil.

Item	Median Rent Price		
	2015	2016	% Change
Condo/Townhouse/Apt	1,500	1,700	13.3%
Single family dwelling	2,205	2,450	11.1%

Interest rate hikes are highly anticipated and will affect affordability. The new U.S. commander in chief will impact Guam's military buildup and policy on construction workers.

Although it is too early to tell where these policies may lead us, we may be fortunate to find out about them on Twitter. ■

## TALKING SHOP

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### How competitive is the market for fighting apparel and equipment in Guam?

It's a big sport here. Within the last five to 10 years, it's blown up. I remember doing it when it wasn't even a big thing, when I was 12 years old.

### Does your store sell any products or brands exclusively for Guam?

We make our own products to cater to tourists or anyone who wants to contribute to promoting Guam. We have custom Guam patches, shirts and Guam gloves. We made our own Guam logo. Jits Life Brand is also local.

We are the main distributor of Fairtex. It's a muay thai brand. Fairtex is actually a family name, from Thailand. They've always been in the sport. They started manufacturing gloves, shin guards and other stuff. They perfected the way to make it: They only use genuine leather. They hand-make all their stuff. I went there and trained at Fairtex sports complex. People from around the world go there to train. I wanted to promote it on Guam because we don't have that quality. They have a passion for it there. It's a national sport, and that's why they make such great quality products.

We also have the rights to Venum from Singapore. It's a world-renowned brand. You'll find it in [the Ultimate Fighting Championships] and any other contact sports or events. They're a big company that started recently. We're just trying to promote better quality all around.

### What are your most popular products?

Training Mask is our most popular product. Everyone's trying to get in shape. It's a brand that a lot of famous people from different sports — from fighting to biking — use because it simulates high-altitude training, so it forces you to take deeper breaths, so your lungs expand, and it builds your cardio and endurance.

### How would you describe your customer base?

Whoever is willing to come in and needs the product. If they know the brand, they know they can come here to get it. The product speaks for itself. Because of where we are, there's a lot of impulse buying. Curiosity makes people come in. If they can appreciate the product, they get it. Some people don't like the fact that there is a fight shop. We're

not trying to promote fighting in a bad way. We just want people to do it safely.

### What has been your biggest challenge as a small-business owner?

Figuring out the right things to bring in. I've been using the brands that I sell my whole life. I couldn't sell something I didn't love to use myself.

### What has been your proudest moment in owning this store?

Whenever I see someone come in, and they find what they need, and they smile and they're excited because they can't wait to use what they bought when they train. I know that feeling, too. When I see people come in and smile, it makes me smile too because it shows me that I did something right.

### What new products or changes can your customers look forward to in 2017?

We're going to have a greater variety of items — more colors and more sizes from my brands. I'm also working on promoting events with iFit, like kick-boxing tournaments.

We're also thinking of opening a shop on Andersen Air Force Base. ■