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Housing 'severely unaffordable'

JOHN O'CONNOR | THE GUAM DAILY POST

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EXPERT: Siska Hutapea, president of Cornerstone Valuation Guam Inc., speaks to members of the Guam Chamber of Comrr during the 2020 Guam Economic Forecast. John O'Connor/The Guam Daily Post

Guam's residential housing is "severely unaffordable," based on the median cost of a home against the median income of a household, according to Siska Hutapea, president of Cornerstone Valuation Guam Inc., who was referring to a study on housing

affordability by Demographia.

"Basically, this affordability study is dividing the median price of a house ... by median household income. So our median price of a house is at \$294,000," Hutapea said. The latest median household income is about \$55,000, Hutapea said.

The resulting ratio is about 5.3 and, according to the index from Demographia, this places housing in Guam at severely unaffordable.

Hutapea was speaking before the Guam Chamber of Commerce. She was among a few presenters during the Chamber's 2020 Economic Forecast Forum.

James Martinez, president of the Guam Contractors Association, spoke in part about the effect on real estate of the H-2B worker shortages, which began affecting the island a few years ago.

"That caused havoc on our construction industry and to our economy," Martinez said.

Smaller contractors are hesitant to petition for H-2B workers because there is no guaranty they'll get that worker, he added. Martinez said he believed that might change if smaller contractors see their colleagues risk the petition and apply successfully.

"Cause right now I know the real estate market is hurting a little bit. They're using existing inventory. But, aside from that, there's no new single-family homes being built ... these smaller homes that a lot of these smaller contractors specialize in, those are the ones suffering at this point in time," he added.

Hutapea said the "funny thing" about real estate sales is that the residential sector is increasing from a low period in 2012. Of the \$429 million in real estate sales in the first 10 months of 2019, about two-thirds are in the residential sector, she said. This includes the total amount of single-family Guam homes that sold this year reaching \$225 million and condo sales reaching about \$94.6 million.

But the cost of building homes on Guam has increased in part because of a shortage of labor, she added.

"The H-2 worker kind of disappeared in 2017. If you see, the median price in 2017 for residential in Guam is about \$225,000. As of 2019, the first 10 months, the median price is at \$270,000. That's a 20% increase in median price over a two-year period only," Hutapea added.

Also, the rental market appears to be targeting tenants serving in the military, who can afford to pay higher rents because their rent payments are federally subsidized.

According to Hutapea, as of Thursday, there were about 606 condominium units and single-family dwellings available for rent listed in the Multiple Listing Service, which is a database of available properties in the market.

"Obviously the MLS data is a bit skewed because most low-end apartments are not listed on MLS. But still, 77% out of the 606 units are available at \$2,000 and above, which is kind of, like, the break point of subsidized military rental," Hutapea said.

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Reporting on utilities, education and other topics.