GRIGGS REPORT #312 - JULY 31, 2020

A TWICE MONTHLY REAL ESTATE MARKET PERSPECTIVE FOR NORTH KONA AND HAWAII ISLAND

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NORTH KONA RESIDENTIAL DATA

ABOUT THE PENDING RATIO:: The Pending Ratio is used throughout the report to serve as an indicator of Market Strength and Market Trend..
PENDING RATIO = NUMBER OF PENDING SALES DIVIDED BY ACTIVE LISTING TIMES 100. THE **HIGHER RATIO** = **STRONGER MARKET** DEMAND (Pending Sales) vs. SUPPLY (Active Listings).
Why this can be a useful indicator:

1) It is a current leading indicator of market Demand vs. Supply Dynamics based on Pending Sales (Ac & U) and Active listings (A) from MLS Data.
2) It is a readily available data that indicates market strength. When tracked over time it shows the market strength trend.
3) It can be used as a "Litmus Test" of market strength for any market niche with sufficient MLS active listing and pending sales data.

The following Color Codes describe what the ratio numbers mean in terms of the type of market.

PEAK MARKET - Signals the End of the Real Estate Cycle is eminent	PENDING RATIO 100 or GREATER	PEAK
SELLERS MARKET -	PENDING RATIO FROM 51 TO 99	SELLER'S
NEUTRAL OR STABLE MARKET -	PENDING RATIO FROM 30 TO 50	NEUTRAL
BUYERS MARKET -	PENDING RATIO BELOW 30	BUYER'S

NORTH KONA RESIDENTIAL DATA TABLE

TABLE 1 to $4M	ACTIVE LISTINGS	PENDING SALES	PENDING RATIO	TYPE OF MARKET		Number Sold 12 Month Period	Average Price	VOLUME MILLIONS	Median Price	# SOLD Last 30 days
7/31/1997	320	no data	no data	PRICE LOW	>>>>>>>>> >>>>>>>>	252	$ 277,200	$ 69.9	$ 230,500	35
7/31/1998	335	86	26	BUYER'S		265	$ 269,800	$ 71.5	$ 232,500	26
7/31/1999	no data	no data	no data	no data		404	$ 295,500	$ 119.4	$ 234,800	54
7/31/2000	235	100	43	NEUTRAL		446	$ 344,800	$ 153.8	$ 269,900	38
7/31/2001	no data	no data	no data	NEUTRAL		488	$ 353,100	$ 172.3	$ 268,800	34
7/31/2002	222	128	58	SELLER'S		536	$ 361,400	$ 193.7	$ 295,000	41
7/31/2003	155	165	106	SELLER'S		549	$ 411,400	$ 225.9	$ 360,000	70
7/31/2004	129	162	126	DEMAND PEAK		709	$ 521,700	$ 369.9	$ 439,000	62
7/31/2005	188	163	87	PEAK		664	$ 674,000	$ 447.5	$ 581,000	69
7/31/2006	345	71	21	PRICE PEAK	>>>>>>>>> >>>>>>>>	572	$ 756,900	$ 432.9	$ 635,000	41
7/31/2007	391	58	15	BUYER'S		427	$ 737,400	$ 314.9	$ 610,000	33
7/31/2008	393	29	7	DEMAND LOW		309	$ 687,800	$ 212.5	$ 575,000	14
7/31/2009	425	64	15	BUYER'S		222	$ 551,700	$ 122.5	$ 457,500	26
7/31/2010	298	105	35	NEUTRAL		345	$ 487,500	$ 168.2	$ 400,000	21
7/31/2011	286	88	31	NEUTRAL		387	$ 456,500	$ 176.7	$ 375,000	29
7/31/2012	215	112	52	PRICE LOW	>>>>>>>>> >>>>>>>>	399	$ 459,700	$ 183.4	$ 373,000	38
7/31/2013	153	123	80	SELLER'S		451	$ 523,400	$ 236.1	$ 425,000	34
7/31/2014	161	90	56	SELLER'S		435	$ 610,400	$ 265.5	$ 480,000	44
7/31/2015	217	92	42	NEUTRAL		429	$ 657,000	$ 281.9	$ 549,000	42
7/31/2016	232	88	38	NEUTRAL		446	$ 725,700	$ 323.7	$ 572,300	50
7/31/2017	185	88	48	NEUTRAL		485	$ 722,600	$ 350.5	$ 620,000	50
7/31/2018	176	78	44	NEUTRAL		496	$ 750,500	$ 372.2	$ 630,000	25
7/31/2019	150	88	59	SELLER'S		504	$ 740,300	$ 373.1	$ 630,100	46
7/31/2020	103	111	108	SELLER'S		471	$ 813,700	$ 383.3	$ 710,000	42
2019 vs 2020	-31%	26%	84%			-7%	10%	3%	13%	-9%

TABLE 1, CHART 1 - FOR THE FIRST TIME SINCE THE RED HOT MARKET OF 2004 THE PENDING RATIO IS IN THE PEAK MARKET CATEGORY. THE MEDIAN PRICE HAS JUMPED FROM $648,500 IN JANUARY TO THE CURRENT $710,000. IT IS LIKELY THE CONTRIBUTING FACTORS ARE VERY LOW INTEREST RATES AND BUYERS DESIRE TO LIVE IN A BEAUTIFUL AND HEALTHY ENVIRONMENT. THE SHARP INCREASE IN PENDING RATIO STARTED TWO MONTHS AGO. THIS COINCIDES WITH THE SHARP INCREASE IN COVID-19 CASES IN MANY SUNBELT STATES (NOTE BLUE PENDING RATIO LINE IN CHART 1).

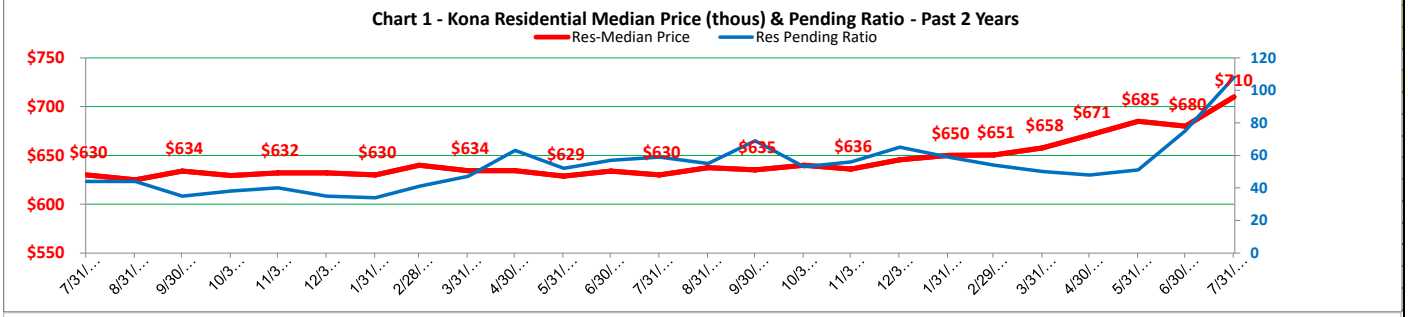


CHART 2 - BACK IN 2004 THE NUMBER OF SALES STARTED TO DECLINE. IT WASN'T UNTIL TWO YEARS LATER THAT THE PRICE STARTED TO DECLINE. IT IS THIS CHANGE IN THE NUMBER SOLD TREND THAT WILL BE THE LEADING INDICATOR OF THE APPROACHING END OF THIS CURRENT CYCLE.

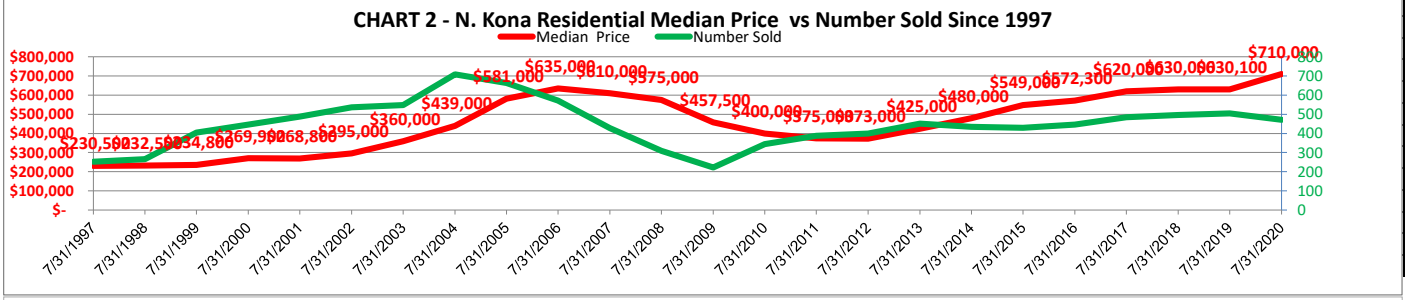
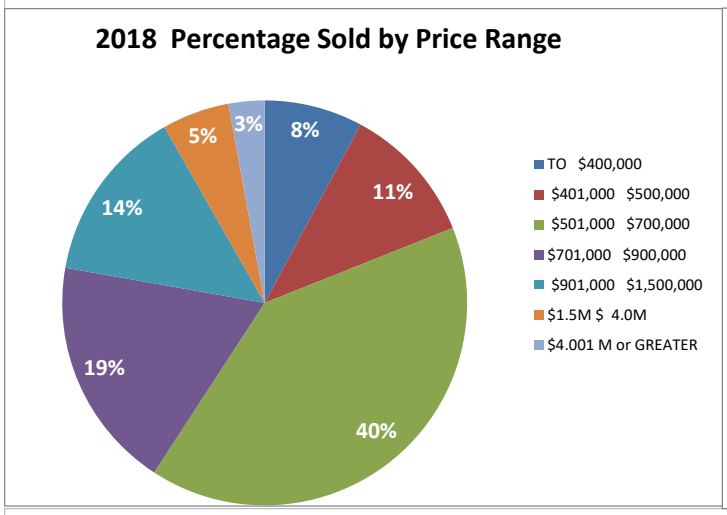
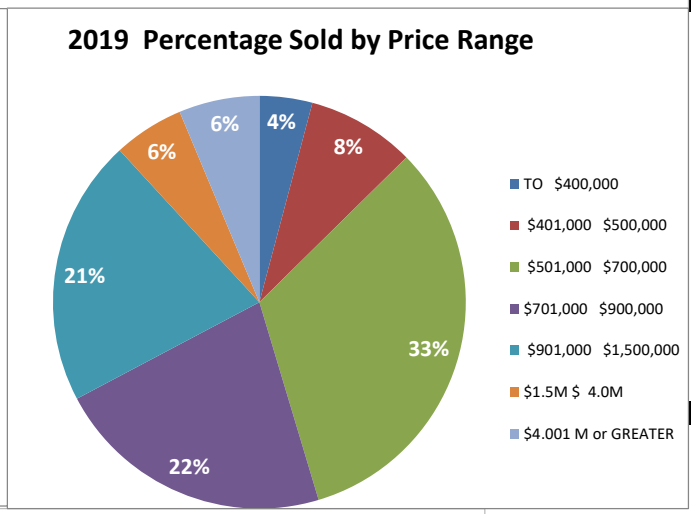


TABLE 2 NORTH KONA RESIDENTIAL PRICE RANGE DATA

KONA PRICE	RESIDENTIAL RANGE	NUMBER ACTIVE	AVERAGE PRICE	PENDING	PRICE	PENDING VOL	RATIO	2019	2020	GAIN / LOSS	TOTALS
TO	$ 400,000	3	$ 343,500	8	$297,400	$ 2.4	267	41	21	-20	
$ 401,000	$ 500,000	1	$ 499,000	7	$ 464,000	$ 3.2	700	58	43	-15	2019
$ 501,000	$ 700,000	17	$ 618,900	41	$ 615,200	$ 25.2	241	210	166	-44	522
$701,000	$ 900,000	23	$ 810,100	29	$ 833,800	$ 18.6	126	97	111	14	
$ 901,000	$ 1,500,000	31	$ 1,186,300	15	$ 1,103,333	$ 16.5	48	73	106	33	2020
$1.5M	$ 4.0M	27	$2,415,500	11	$ 2,014,800	$22	41	28	28	0	507
$4.001 M	or GREATER	26	$ 7,957,700	3	$ 22,233,300	$ 66.7	12	15	32	17	

TABLE 2: ONE OF THE MOST SIGNICANT CHANGES IN THE PRICE RANGE DATA IS THE INCREASE IN HOME SALES PRICED OVER $4.0M. THERE ARE ONLY 44 HOMES FOR SALE UNDER $900,000, WITH 85 IN ESCROW. THE NUMBER OF SALES UNDER $700,000 CONTINUES TO DECLINE AS THE INVERNTORY SHRINKS.





BIG ISLAND ACTIVE, PENDING SALES AND SALES YEAR TO DATE

TABLE 3	HI ISLE RES	NUMBER	LOW	HIGH	AVERAGE	MEDIAN	MODE	VOLUME (M)	PENDING
3-1 TO 3-4	ACTIVE	484	$35,000	$12,500,000	$437,127	$299,000	$399,000	$ 212	RATIO
ALL EAST HI	PENDING	274	$38,625	$1,000,000	$320,831	$299,000	$325,000	$ 88	
RESIDENTIAL	SOLD YTD	711	$10,700	$2,900,000	$322,115	$275,000	N/A	$ 229	57
3-5 TO 3-9	ACTIVE	347	$39,500	$22,900,000	$2,095,579	$950,000	$1,250,000	$ 7,946	
ALL WEST HI	PENDING	243	$18,000	$45,000,000	$1,036,450	$640,000	$899,000	$ 252	
RESIDENTIAL	SOLD YTD	610	$23,500	$13,200,000	$929,162	$622,250	$450,000	$ 567	70
ALL HI ISLE	ACTIVE	831	$39,500	$22,900,000	$1,129,440	$415,000	$299,000	$ 939	
ALL HI ISLE	PENDING	517	$18,000	$45,000,000	$657,186	$380,000	$325,000	$ 340	
ALL HI ISLE	SOLD YTD	1321	$10,700	$13,200,000	$602,432	$389,000	$235,000	$ 796	62

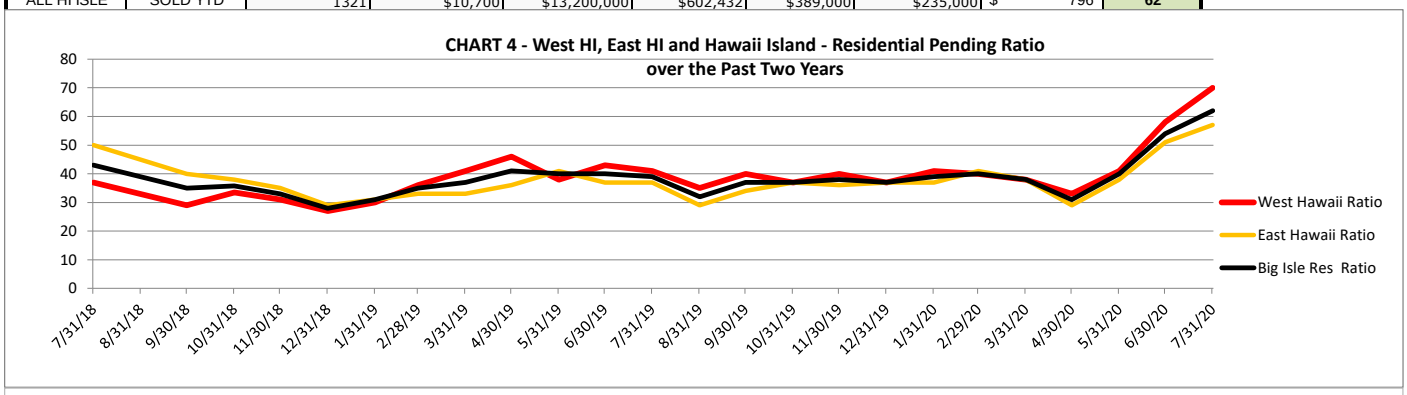


CHART 4 - YOU CAN SEE FROM THE CHART THAT THE SHARP INCREASE IN DEMAND IN THE LAST FEW MONTHS IS AN ISLANDWIDE PHENOMENA.

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BIG ISLAND DISTRESSED RESIDENTIAL PROPERTIES TREND

(TO BE UPDATED QUARTERLY)

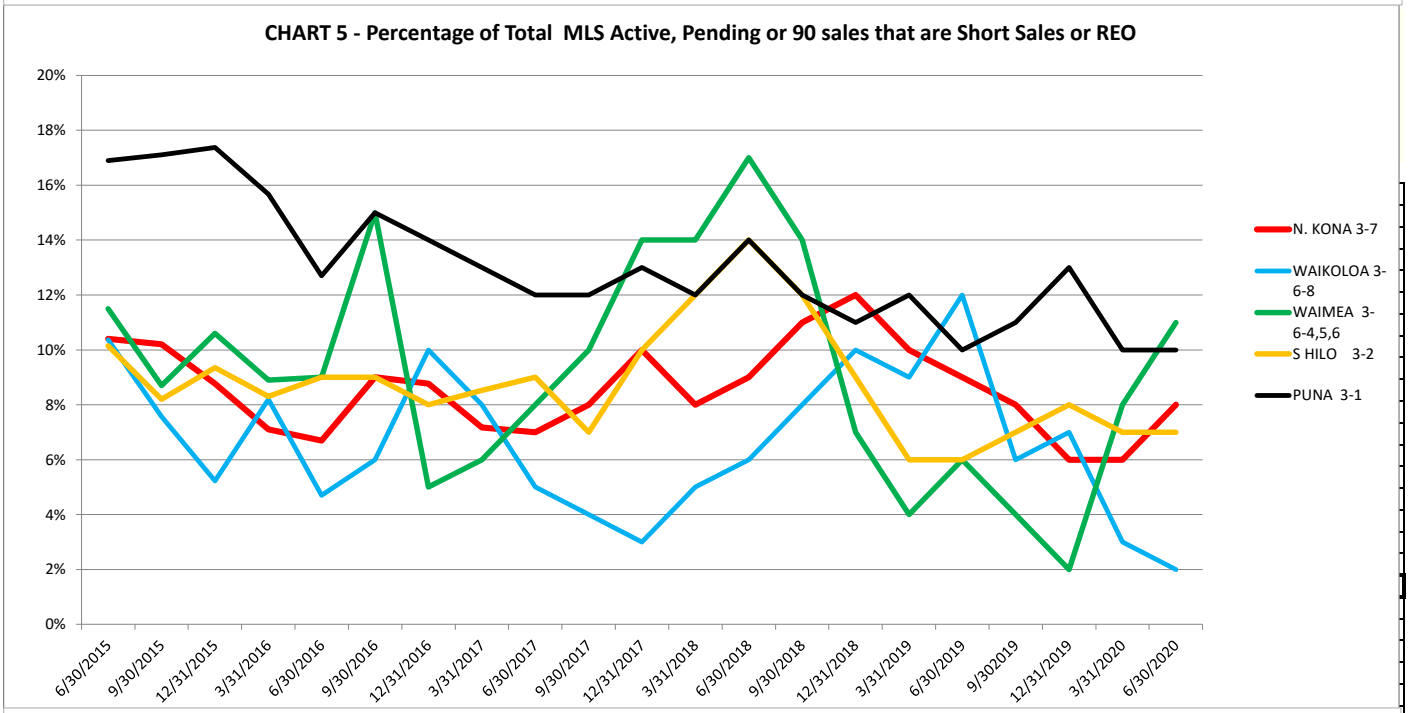

CHART 5: THE PERCENTAGE OF MLS LISTING THAT ARE REO OR SHORT SALES IS PROBABLY THE BEST INDICATOR OF THE DISTRESS PROPERTY TREND. THE PERCENTAGE ON AVERAGE IS DOWN 4% FROM 2015 AND NOW STANDS AT 8%.

THE WAIMEA CHART LINE IS QUITE VOLATILE BECAUSE OF THE SMALL DATA POOL A SLIGHT CHANGE IN NUMBERS MAKE A BIG DIFFERENCE IN THE PERCENTAGE.

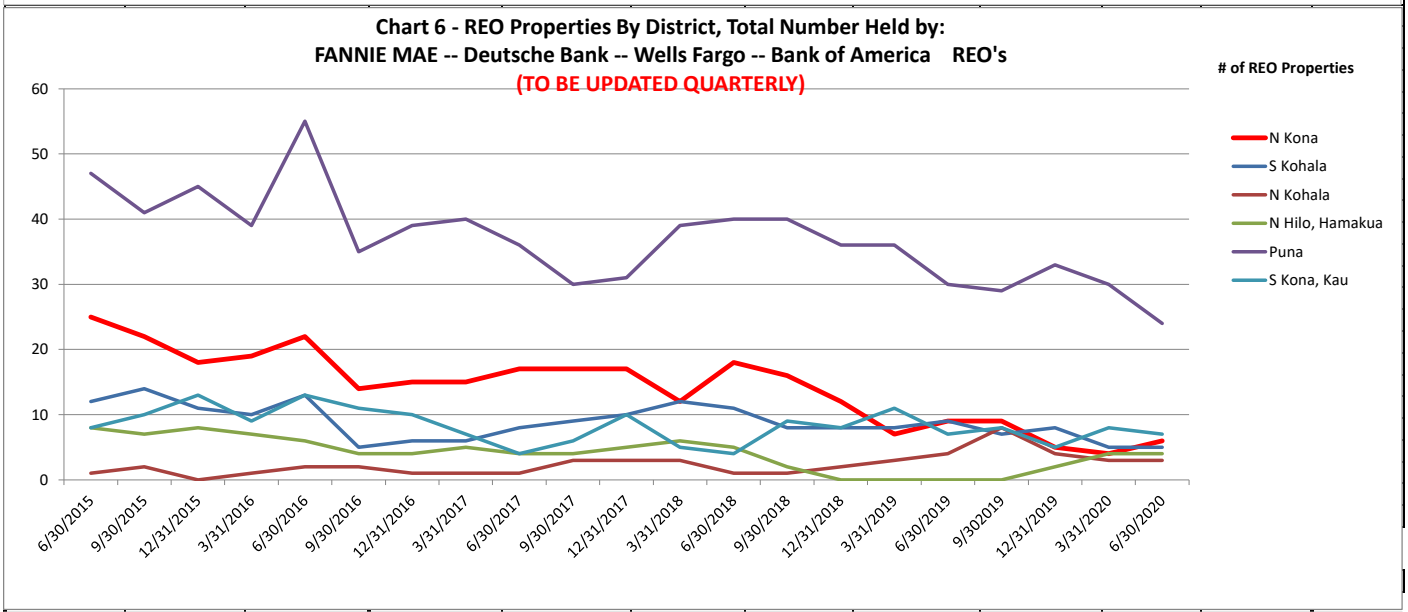

CHART 6: THESE ARE BANK OWNED PROPERTIES TAKEN FROM TMK DATA. THE REO/SS NUMBERS ARE DOWN 53% FROM 2015. THE TOTAL IS NOW AT A RECOVEREY LOW OF 53. IN 2015 THE TOTAL WAS 116. AT THE PEAK IN 2010 THE REO/SHORT SALE COUNT WAS OVER 250.

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NORTH KONA CONDO DATA

TABLE 4 to $1.5M	ACTIVE	PENDING	PENDING RATIO	TYPE OF MARKET		Number Sold 12 Month Period	AVERAGE Price	VOLUME MILLIONS	MEDIAN Price	# SOLD 30 days
7/31/1997	no data	no data	no data	PRICE LOW	>>>>>>>>>>> >>>>>>>>>>	295	$ 132,100	$ 39	$ 111,000	22
7/31/1998	no data	no data	no data	no data		349	$ 129,400	$ 45	$ 112,400	36
7/31/1999	no data	no data	no data	no data		416	$ 147,000	$ 61	$ 133,500	39
7/31/2000	157	96	61	SELLER'S		486	$ 156,900	$ 76	$ 131,000	42
7/31/2001	no data	no data	no data	no data		437	$ 183,200	$ 80	$ 145,000	23
7/31/2002	208	158	76	SELLER'S		374	$ 198,500	$ 74	$ 169,000	27
7/31/2003	96	210	219	PEAK		616	$ 209,100	$ 129	$ 185,000	68
7/31/2004	68	183	269	DEMAND PEAK		581	$ 273,100	$ 159	$ 250,000	41
7/31/2005	140	146	104	PEAK		676	$ 375,900	$ 254	$ 342,900	73
7/31/2006	359	51	14	PRICE PEAK	>>>>>>>>>>> >>>>>>>>>>	528	$ 468,500	$ 247	$ 427,300	35
7/31/2007	375	35	9	BUYER'S		306	$ 412,100	$ 126	$ 380,300	18
7/31/2008	358	19	5	DEMAND LOW		223	$ 385,000	$ 86	$ 340,500	16
7/31/2009	359	35	10	BUYER'S		149	$ 301,200	$ 45	$ 270,000	16
7/31/2010	235	66	28	BUYER'S		252	$ 235,800	$ 59	$ 215,500	20
7/31/2011	188	53	28	PRICE LOW	>>>>>>>>>>> >>>>>>>>>>	307	$ 208,200	$ 64	$ 168,000	28
7/31/2012	156	60	38	NEUTRAL		309	$ 214,000	$ 66	$ 173,000	31
7/31/2013	109	87	80	SELLLER'S		319	$ 237,800	$ 76	$ 212,500	29
7/31/2014	137	43	31	NEUTRAL		372	$ 269,400	$ 100	$ 235,500	30
7/31/2015	163	49	30	NEUTRAL		364	$ 274,900	$ 100	$ 246,000	36
7/31/2016	208	54	26	BUYER'S		333	$ 301,900	$ 101	$ 270,000	25
7/31/2017	148	57	39	NEUTRAL		430	$ 314,600	$ 135	$ 289,900	53
7/31/2018	143	63	44	NEUTRAL		412	$ 323,100	$ 133	$ 304,800	25
7/31/2019	121	81	67	SELLER'S		433	$ 357,600	$ 155	$ 314,000	35
7/31/2020	137	83	61	SELLER'S		354	$ 372,100	$ 132	$ 331,500	30
2019 vs 2020	**13%**	**2%**	**-9%**			**-18%**	**4%**	**-15%**	**6%**	**-14%**

TABLE 4 - THE CONDO MARKET HAS NOT RESPONDED WITH THE SAME VIGOR AS THE RESIDENTIAL MARKET. HOWEVER THE DATA IS STILL VERY POSITIVE WITH GOOD PENDING SALES ACTIVITY AND INCREASING MEDIAN PRICE. THE 12 MONTH SALES NUMBER DISAPPOINTS.

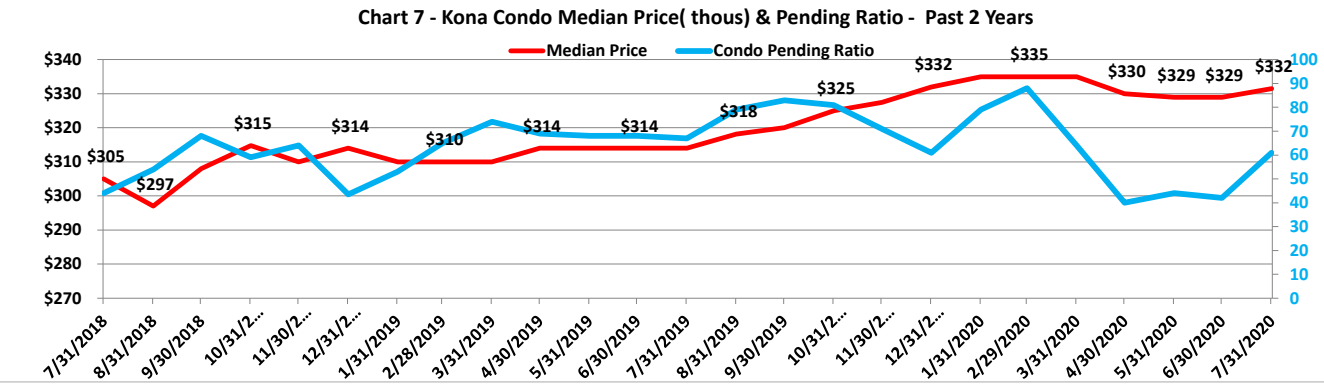
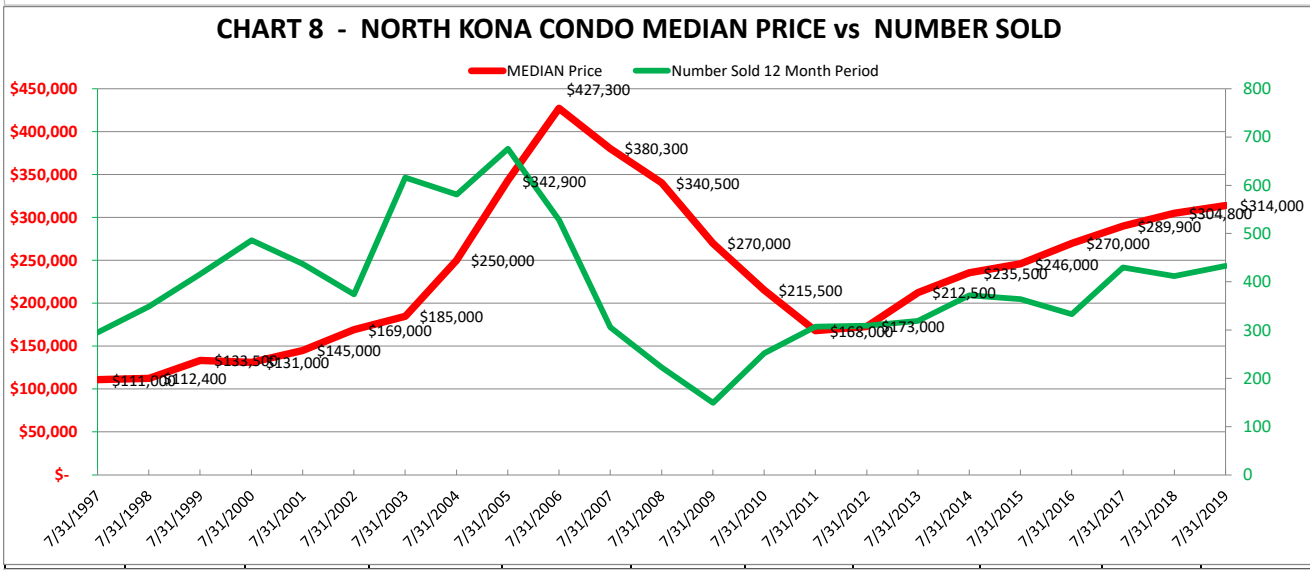


CHART 8 - THE MEDIAN PRICE TREND CONTINUES TO CLIMB. MEDIAN PRICE IS STILL WELL BELOW THE LEVELS OF THE LAST MARKET PEAK. THIS SUGGEST WE



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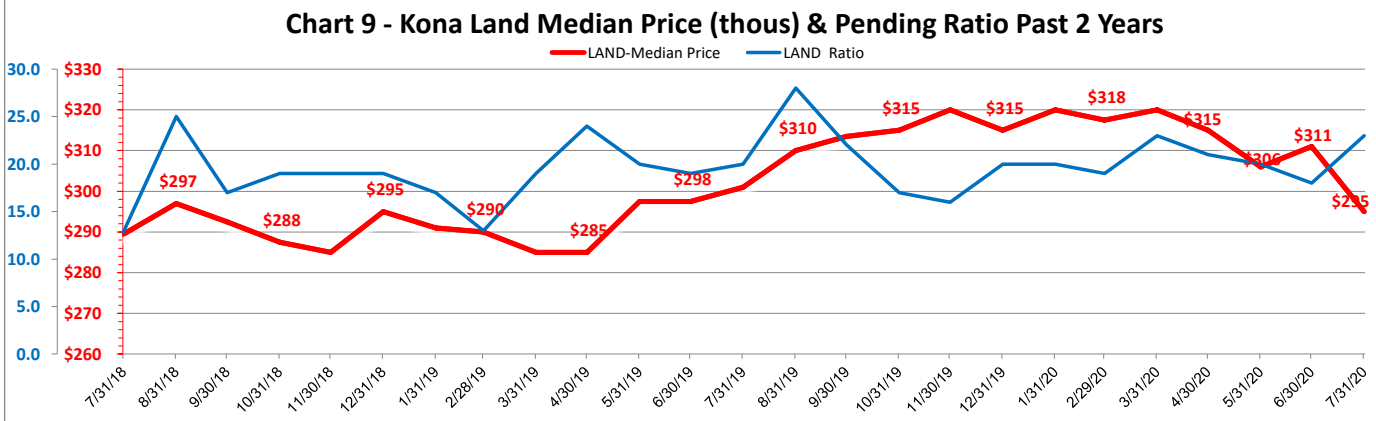
NORTH KONA LAND DATA

TABLE 5 to $1.5M	ACTIVE	PENDING SALES	PENDING RATIO	TYPE OF MARKET		Number Sold 12 Month Period	Average Price	VOLUME MILLIONS	Median Price	# SOLD Last 30 days
7/31/1997	no data	no data	no data	no data		107	$ 196,100	$ 21.0	$ 140,000	13
7/31/1998	no data	no data	no data	PRICE BOTTOM	>>>>>>>>>>>>>>>>>>>>>	145	$ 156,300	$ 22.7	$ 111,000	11
7/31/1999	no data	no data	no data	no data		162	$ 150,800	$ 24.4	$ 117,500	18
7/31/2000	231	47	20	BUYER'S		295	$ 182,900	$ 54.0	$ 130,000	21
7/31/2001	no data	no data	no data	no data		246	$ 215,400	$ 53.0	$ 181,500	22
7/31/2002	220	75	34	NEUTRAL		244	$ 186,700	$ 45.6	$ 150,000	22
7/31/2003	124	108	87	SELLLER'S		274	$ 236,400	$ 64.8	$ 190,500	19
7/31/2004	65	50	77	SELLLER'S		315	$ 322,600	$ 101.6	$ 285,000	27
7/31/2005	48	55	115	DEMAND PEAK		173	$ 400,000	$ 69.2	$ 375,000	14
7/31/2006	167	24	14	PRICE PEAK	>>>>>>>>>>> >>>>>>>>>>>	127	$ 584,100	$ 74.2	$ 500,000	8
7/31/2007	244	13	5	BUYER'S		72	$ 445,300	$ 32.1	$ 418,500	6
7/31/2008	262	12	5	BUYER'S		53	$ 469,800	$ 24.9	$ 370,000	3
7/31/2009	302	9	3	BUYER'S		38	$ 328,600	$ 12.5	$ 300,000	6
7/31/2010	201	6	3	DEMAND LOW		58	$ 271,500	$ 15.7	$ 227,500	3
7/31/2011	186	13	7	BUYER'S		64	$ 222,600	$ 14.2	$ 177,600	4
7/31/2012	200	25	13	BUYER'S		64	$ 314,700	$ 20.14	$ 202,500	8
7/31/2013	157	32	20	PRICE BOTTOM	>>>>>>>>>>>>>>>>>>>>>	134	$ 199,700	$ 26.76	$ 177,000	16
7/31/2014	146	17	12	BUYER'S		160	$ 338,000	$ 54.1	$ 225,000	14
7/31/2015	126	21	17	BUYER'S		135	$ 468,800	$ 63.3	$ 279,000	7
7/31/2016	162	19	12	BUYER'S		92	$ 357,700	$ 32.9	$ 270,000	6
7/31/2017	139	29	21	BUYER'S		108	$ 375,400	$ 40.5	$ 300,500	6
7/31/2018	140	18	13	BUYER'S		104	$ 337,900	$ 35.1	$ 289,500	5
7/31/2019	119	20	17	BUYER'S		98	$ 356,700	$ 35.0	$ 301,400	8
7/31/2020	88	20	23	BUYER'S		87	$ 332,500	$ 28.9	$ 295,000	5
2019 vs 2020	-26%	0%	35%			-11%	-7%	-17%	-2%	-38%

TABLE 7 and CHART 9 - THE LAND STATS ARE MIXED. INVENTORY IS QUITE LOW. THIS PROBABLY IS CONTRIBUTING TO THE DECLINE IN 12 MONTH SALES. PRICES WITH THIS NEW UPDATE APPEAR TO BE TRENDING DOWN. WITH ONLY 87 SALES, THE AVERAGE AND MEDIAN PRICE CAN CHANGE MORE DRAMATICALLY THAN WITH THE LARGE DATA POOL FOUND IN RESIDENTIAL AND CONDO.



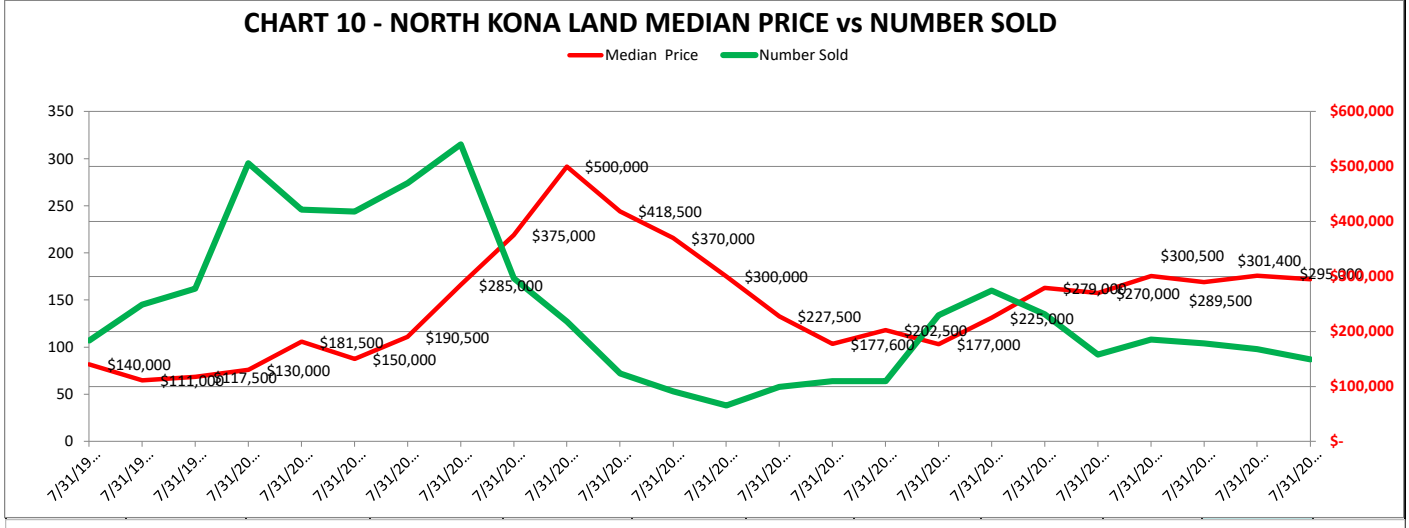


CHART 10 - THE CURRENT MEDIAN PRICE IS STILL WELL BELOW LAST PEAK PRICE. THIS SUGGESTS THERE MAY BE YEARS TO GO BEFORE NEXT MA RKET PEAK. HERE AGAIN WE SEE AT THE END OF THE LAST CYCLE THERE WAS A SHARP DROP IN SALES NUMBERS (2005) PRECEEDS THE SHARP DROP IN PRICE BY TWO YEARS (2007).

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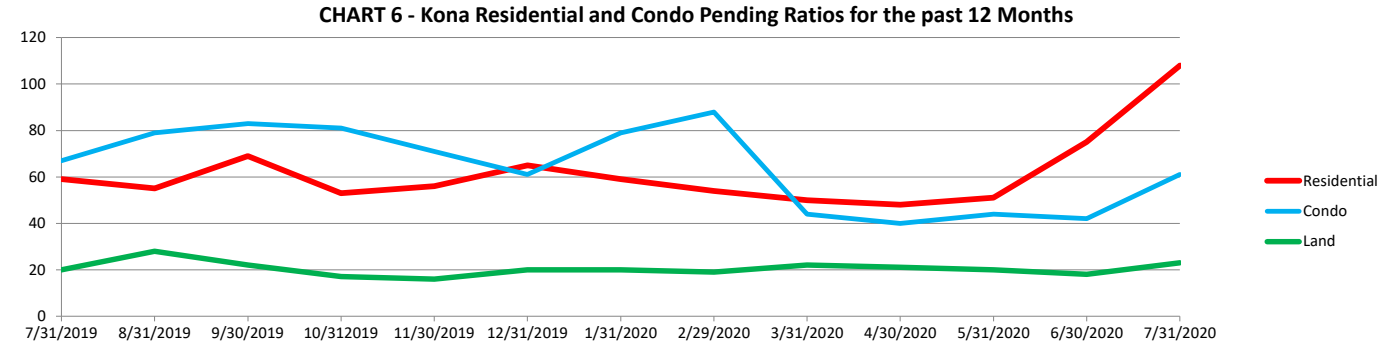
SUMMARY TABLE OF PENDING RATIO TRENDS FOR N. KONA RESIDENTIAL, CONDO AND LAND , BIG ISLAND RESIDENTIAL AND

COLOR	GUIDE	FOR	MARKET	TYPE:			PEAK	SELLERS	NEUTRAL	BUYERS

KONA RES , CONDO, LND & BIG IS PENDING RATIO TRENDS					KONA RESIDENTIAL PRICE RANGE PENDING RATIO'S					
TABLE 6	Residential	Condo	Land	Average	Hawaii Island	To $400k	$400k-$500k	$500k-$700k	$700k-$900k	$900-$1.5M	$1.5M- $4M
7/31/2005	89	104	115	103							
7/31/2006	21	14	14	16							
7/31/2007	15	9,33	5	10							
7/31/2008	7	5	5	6							
7/31/2009	15	10	3	9	17	49	17	13	4	6	2
7/31/2010	35	28	3	22	26	85	42	24	12	6	4
7/31/2011	31	28	7	22	25	78	31	11	32	1	3
7/31/2012	52	38	13	34	34	180	42	18	44	13	7
7/31/2013	80	80	20	60	44	209	152	85	29	30	13
7/31/2014	56	31	12	33	36	357	72	83	20	31	6
7/31/2015	42	30	17	30	33	74	56	50	38	11	41
7/31/2016	38	26	12	25	34	220	88	42	37	25	9
7/31/2017	48	39	21	36	46	117	125	65	43	38	12
7/31/2018	44	44	13	34	43	114	86	71	53	18	10
7/31/2019	59	67	20	49	39	225	109	138	36	45	10
8/31/2019	55	79	28	54	32	300	111	81	59	42	11
9/30/2019	69	83	22	58	37	180	533	97	67	47	14
10/312019	53	81	17	50	37	83	433	104	56	36	5
11/30/2019	56	71	16	48	38	38	117	104	47	55	21
12/31/2019	65	61	20	49	37	44	333	82	62	83	24
1/31/2020	59	79	20	53	39	57	400	69	78	67	6
2/29/2020	54	88	19	54	40	44	80	62	119	50	5
3/31/2020	50	44	22	39	38	50	233	65	66	42	12
4/30/2020	48	40	21	36	31	50	120	63	56	34	22
5/31/2020	51	44	20	38	40	57	233	64	63	37	19
6/30/2020	75	42	18	45	54	120	900	111	62	53	33
7/31/2020	108	61	23	64	62	267	700	241	126	48	41
2019 vs 2020	83%	-9%	15%	32%	59%	19%	542%	75%	250%	7%	310%

TABLE 6 - PENDING RATIO - Higher Ratio = Stronger Market

THE ANNUAL CHANGE IN PENDING RATIOS IS UP IN MOST CATAGORIES WITH THE EXCEPTION OF KONA CONDOS. CHART 6 CLEARLY ILLUSTRATES THE SIGNICANT UPWARD TREND IN KONA RESIDENTIAL RATIOS IN THE LAST TWO MONTHS.



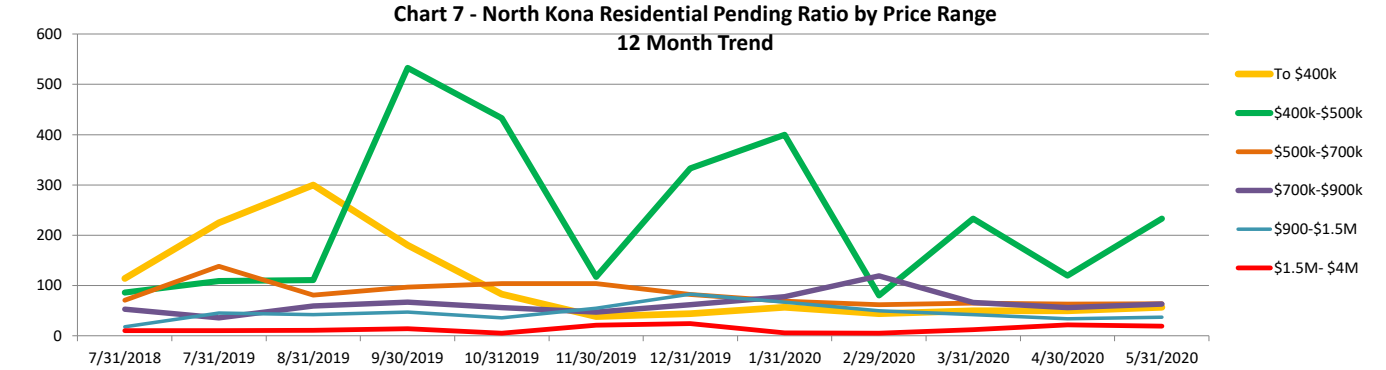
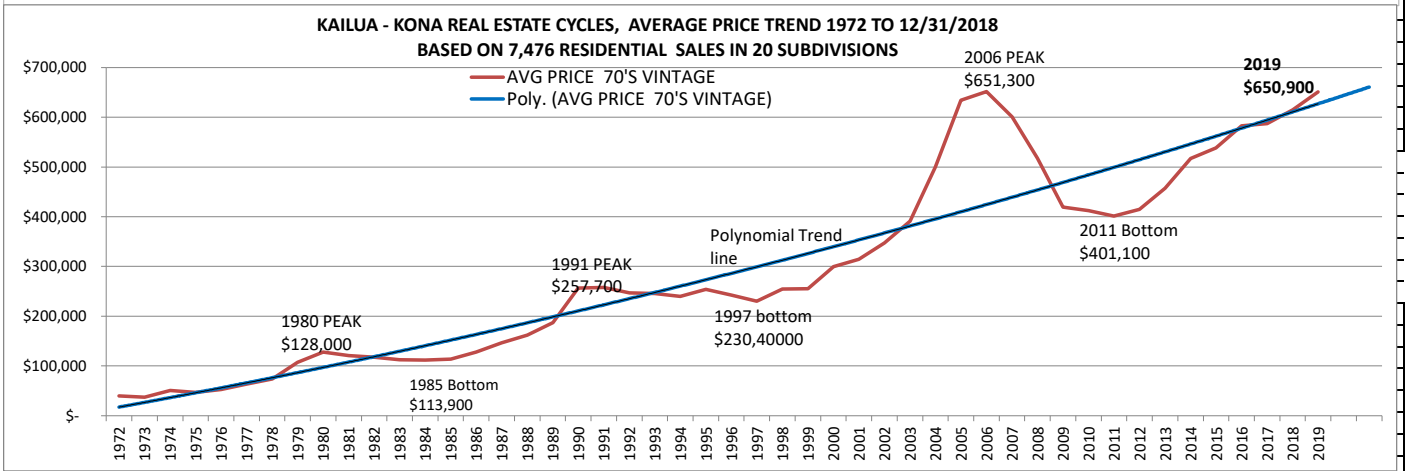


Chart 7 -

KONA RESIDENTIAL PRICE TREND FROM 22 SUBDIVISIONS DEVELOPED IN THE LATE 1960'S TO 2000. THESE HOMES WITH SIMILARITIES IN



2017 UPDATE: The sales data for this Chart is from 20 subdivisions with total of over 3,997 lots. These were selected because the are representative of mid market housing and date back into the 70's. These homes generally are similar in lot and home size . The price range in 2019 was from $477,500 (HILLCREST) to $897,0300 (VISTAS I). The data totals over 7860 new sales and resales in these subdivisions: Kona Highland, Wonder View, Coast View, Palisades, K. Heights, Aloha K., Hillcrest, Seaview, Sunset, Kilo Hana, Kailua view, Komohana Kai, Kuakini Makai, Cho Cho Est, Malulani Gardens, Kealoha, Kona Vistas I, Keauhou View, Alii Heights I, Pualani Estates, Lokahi Makai.

LESSONS FROM THE PAST:

1) The Cycles have been getting longer: 1970 to 1980 =10 yrs., 1980 to 1991= 11, 1991 to 2006 = 16yrs.

2) THE CURRENT CYCLE IS ENTERING ITS 14TH YEAR. THIS CYCLE HAD A "CYCLE" WITHIN A CYCLE. THIS "PART I CYCLE" WAS MARKED BY AN UNPRECEDENTED NUMBER OF DISTRESSED PROPERTIES, EITHER REO OR SHORT SALES. THIS "CYCLE" WAS FROM 2009 TO 2013-14. PREVIOUS CYCLES IN KONA HAD DISTRESSED PROPERTIES AT THEIR LOW POINTS BUT THESE DID NOT DOMINATE THE LISTING INVENTORY AS WE HAVE SEEN IN THE 2009 TO 2013 PORTION OF THE CURRENT CYCLE. THIS PROBABLY HAS HAD THE EFFECT OF ADDING APPOXIMATELY FOUR YEARS ON TO THE CURRENT CYCLE. BASED ON MY INTERPRETATION OF THE DATA I PREDICT THIS CYCLES PEAK TO BE 2024-25. THIS IS MY OPINION ONLY AND SHOULD BE VIEWED, LIKE ALL FORECAST, WITH A HEALTHY DOSE OF SKEPTICISM.

3) Average annual price increase rate from 1972 to 2019 has been +6.9%. However, the appreciation rate seems to be slowing. Since 1987 the appreciation rate has been in the +5.6% range.

4) THE GREATEST ANNUAL RATE OF PRICE APPRECIATION HAS COME IN THE FINAL TWO OR THREE YEARS OF THE CYCLE.

5) The price change FOR 2018 TO 2019 was PLUS SIX PERCENT (+6%). IT IS INTERESTING TO NOTE THAT IN THE LAST CYCLE THE PRICE CHANGE FROM 2000 TO 2001 WAS + 5% (SAME AS 2017 TO 2018). THEN THE FOLLOWING YEAR 2001 TO 2002 WAS +10%, SIMILAR TO THE +6% OF LAST YEAR. IF HISTORY DOES REPEAT THIS SUGGESTS THAT IN FACT WE HAVE FOUR YEARS TO NEXT PEAK. THIS YEAR SHOULD SHOW APPRECIATION GREATER THAN CURRENT +6% AND THEN 2021 AND 2022 SHOULD SHOUL EVEN GREATER PRICE INCREASE?