

Current Hawaii Economic Conditions

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to the

Committee on Ways and Means
and
Committee on Finance

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Historical Economic Growth and Projections

A historical review of Hawaii's Economic Growth

Indicator	Annual average growth, %	
	30 years, 1982 - 2012	20 years, 1992 -2012
Real GDP	2.1	1.0
Real personal income	2.2	1.7
Honolulu inflation rate	3.2	2.4
Wage and salary jobs	1.3	0.5
Unemployment rate 1/	4.5	4.7
Visitor arrivals	2.1	1.0
Real visitor expenditures 2/	1.4	0.1

1/ Average of 30 years, 1982 – 2012.

2/ Deflated by Honolulu CPI.

Key Economic Indicators

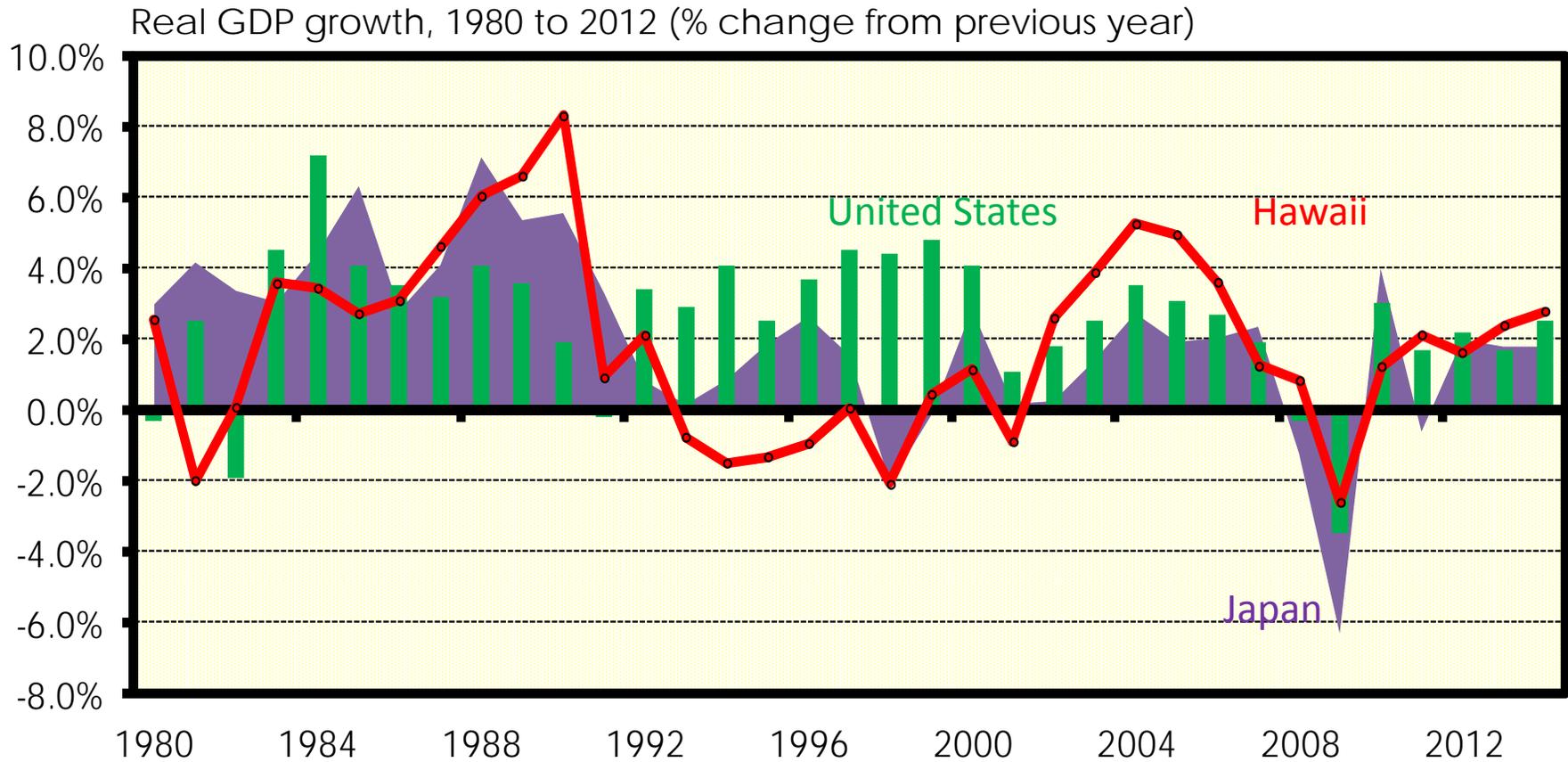
CY 2012 to 2014 (Annual % Change)

	Actual CY 2012	Forecast CY 2013	Forecast CY 2014
Total Population	1.0%	1.0%	1.0%
Visitor Arrivals	10.0%	2.9%	2.7%
Visitor Expenditures	18.1%	3.0%	4.2%
Honolulu CPI-U	2.4%	1.7%	2.1%
Personal Income	3.7%	4.0%	5.5%
Real Personal Income	1.9%	2.3%	3.3%
Total Non-Ag Wage and Salary Jobs	1.9%	1.3%	1.8%
Unemployment Rate (actual rate)	5.8%	4.6%	4.2%
Construction Completed	20.0%	15.8%	15.0%
Real GDP	1.6%	2.4%	2.8%

Source: Department of Business, Economic Development & Tourism.

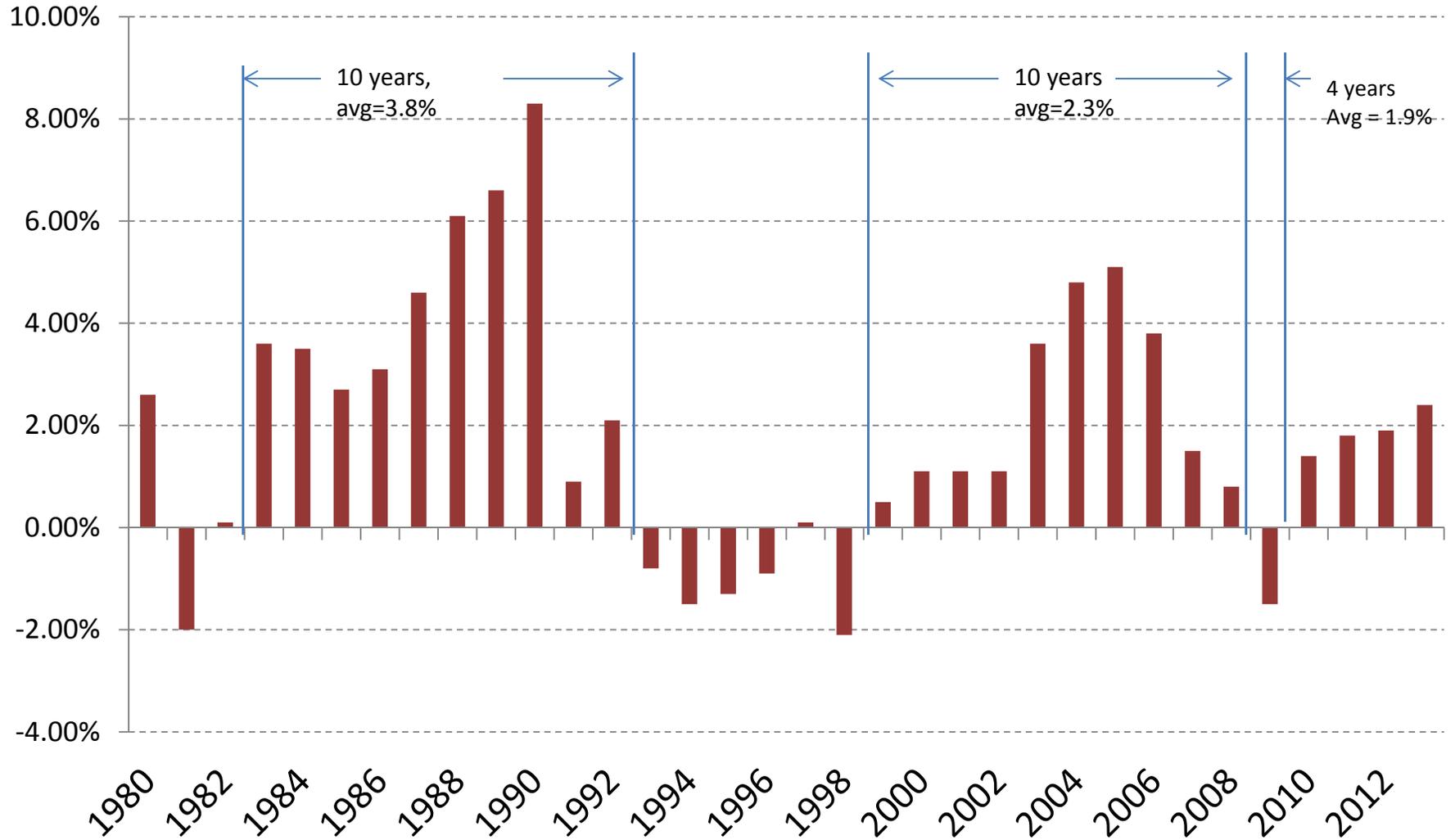
Hawaii Business Cycles

Hawaii's economy is influenced by the US and Japan, Hawaii's economic growth is expected to be higher than those of U.S. and Japan in 2014

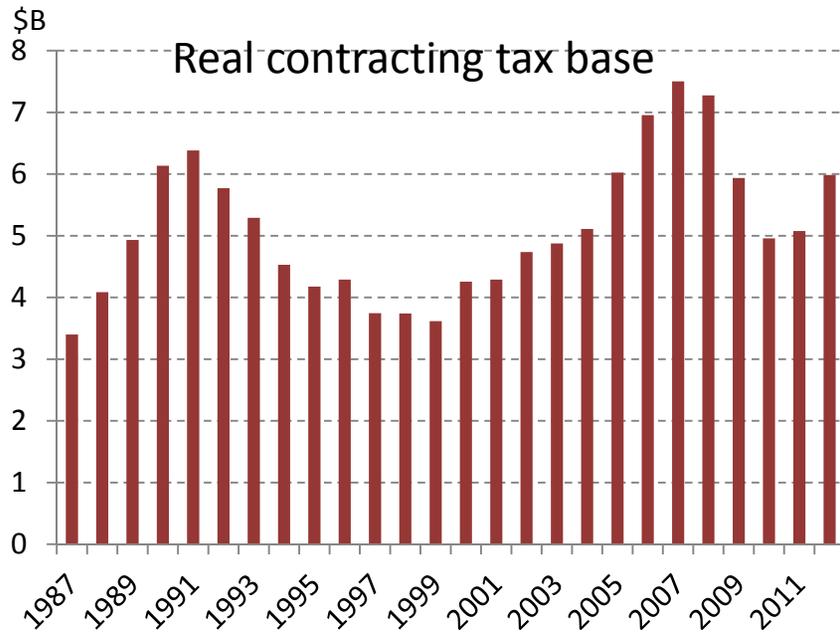
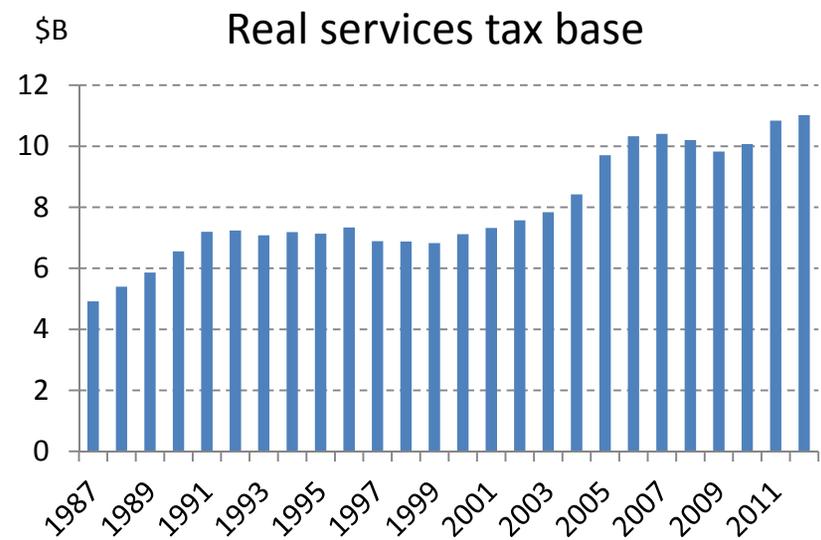
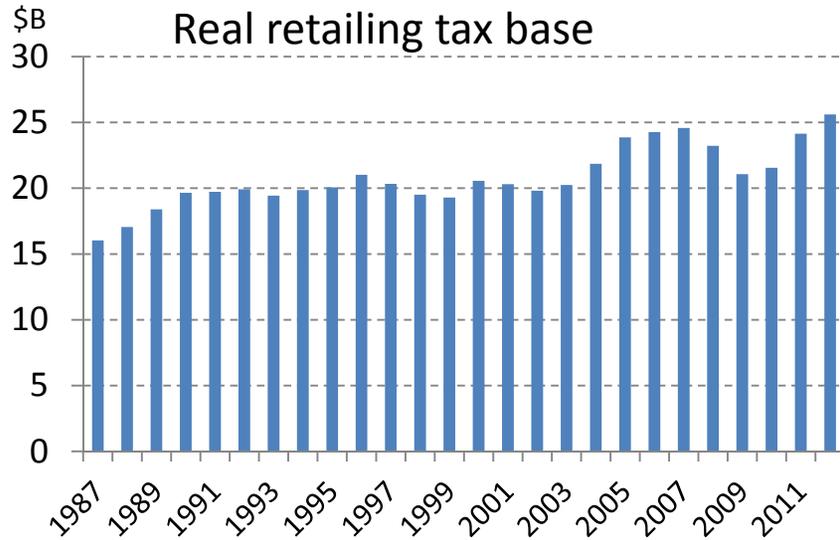


Source: US Bureau of Economic Analysis, Japan Ministry of Internal Affairs and Communications

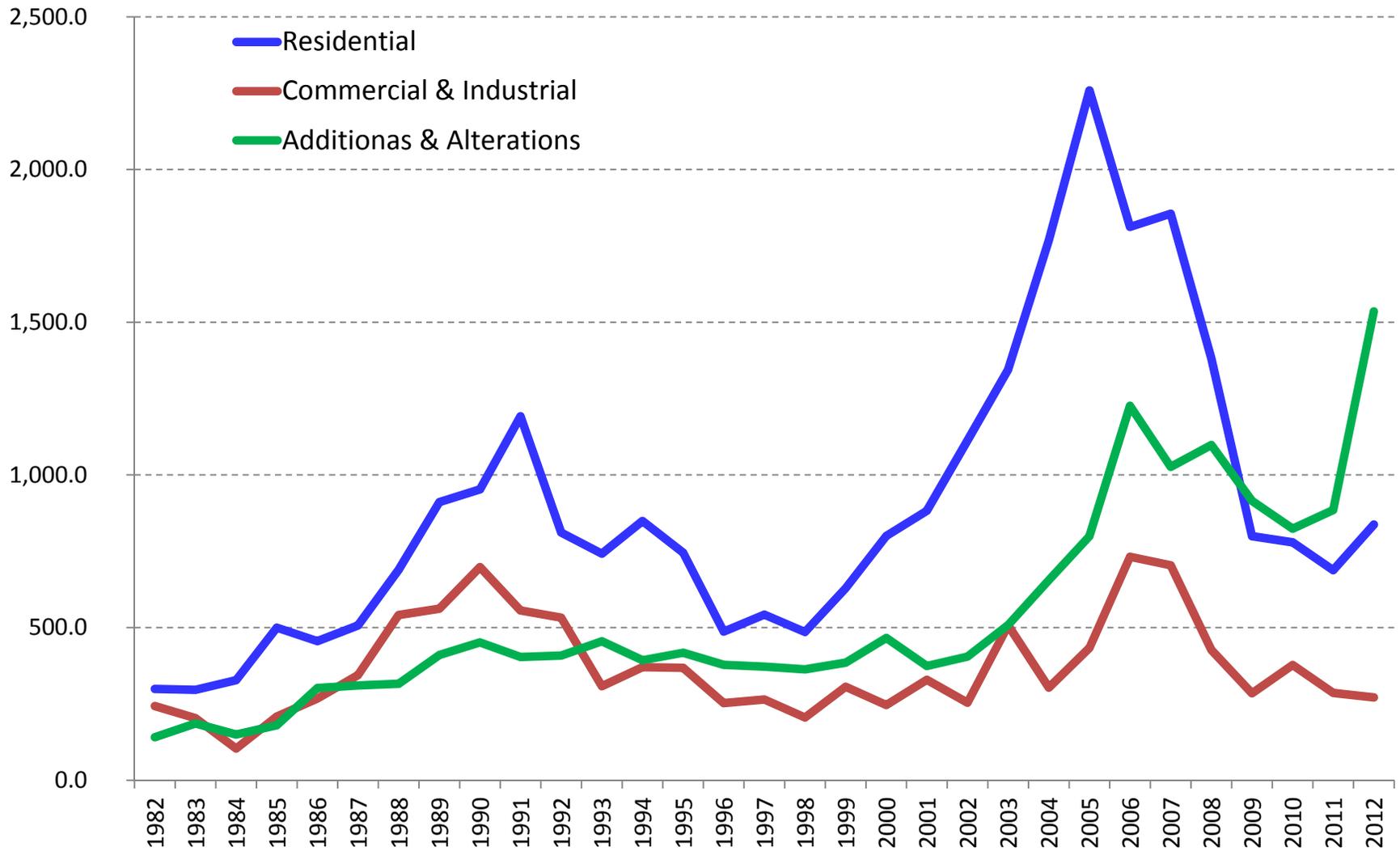
Hawaii Real GDP Growth



Construction activity was the cause for 1993-1999 economic downturn



Residential construction leads the way in business cycle and the last 2 expansion periods were about 8 years



There is currently a short supply in residential housing units

Year	Increase in residential housing units	# of persons per unit
2001	4,529	2.63
2002	4,426	2.63
2003	5,503	2.63
2004	6,867	2.64
2005	8,588	2.63
2006	9,278	2.62
2007	6,906	2.59
2008	6,389	2.59
2009	3,697	2.60
2010	2,107	2.62
2011	2,546	2.64
2012	1,861	2.66

Avg. = 2.62

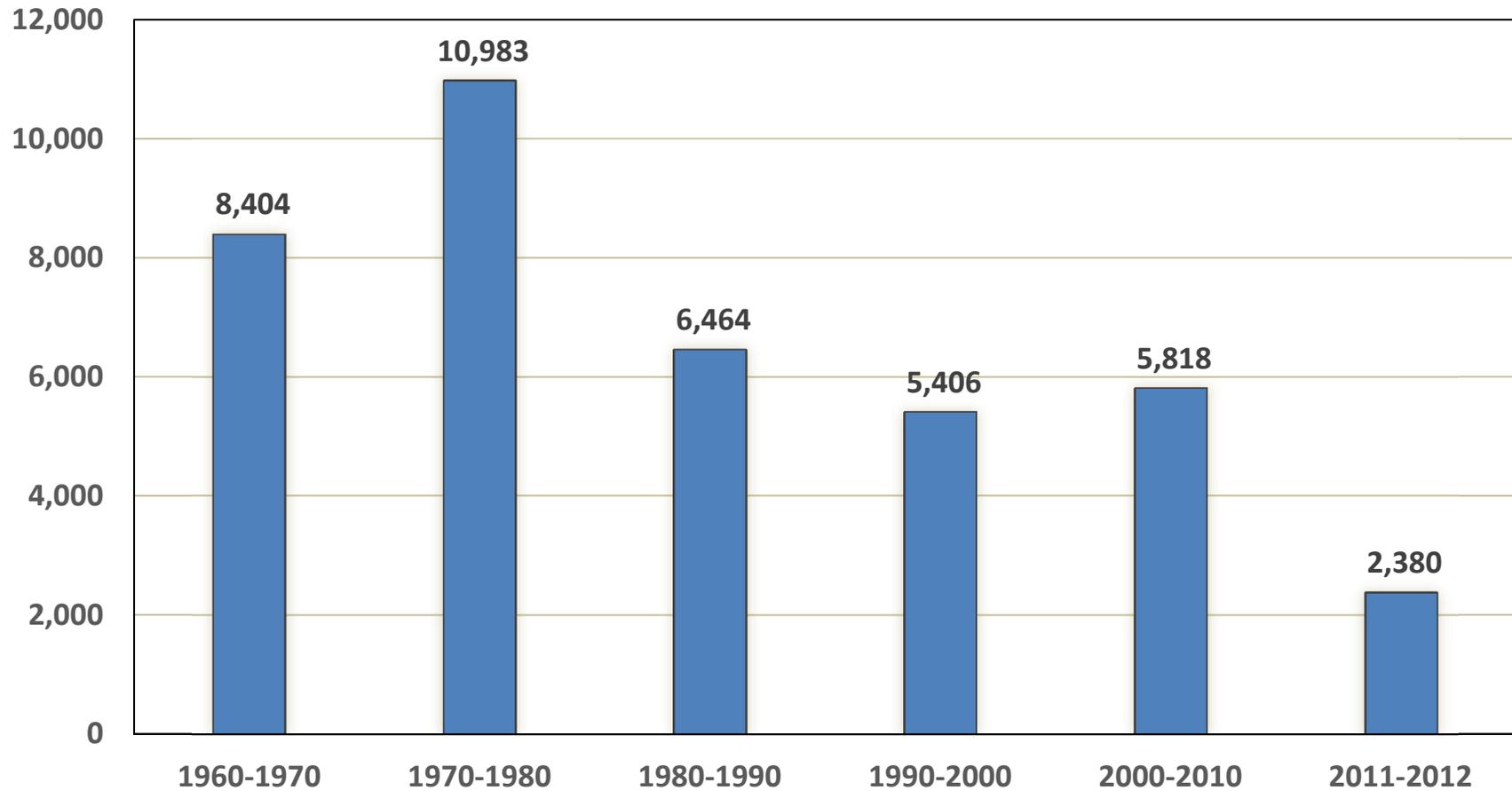
Short supply = $\text{populaton}/2.62 - \text{existing housing units}$
 $= 1,392,313/2.62 - 524,343 = 7,000 \text{ units}$

Source: DBEDT

Annual demand for residential housing units is about 5,700

Annual residential housing units needed
= population change/2.62
= 15,000/2.62
= 5,700

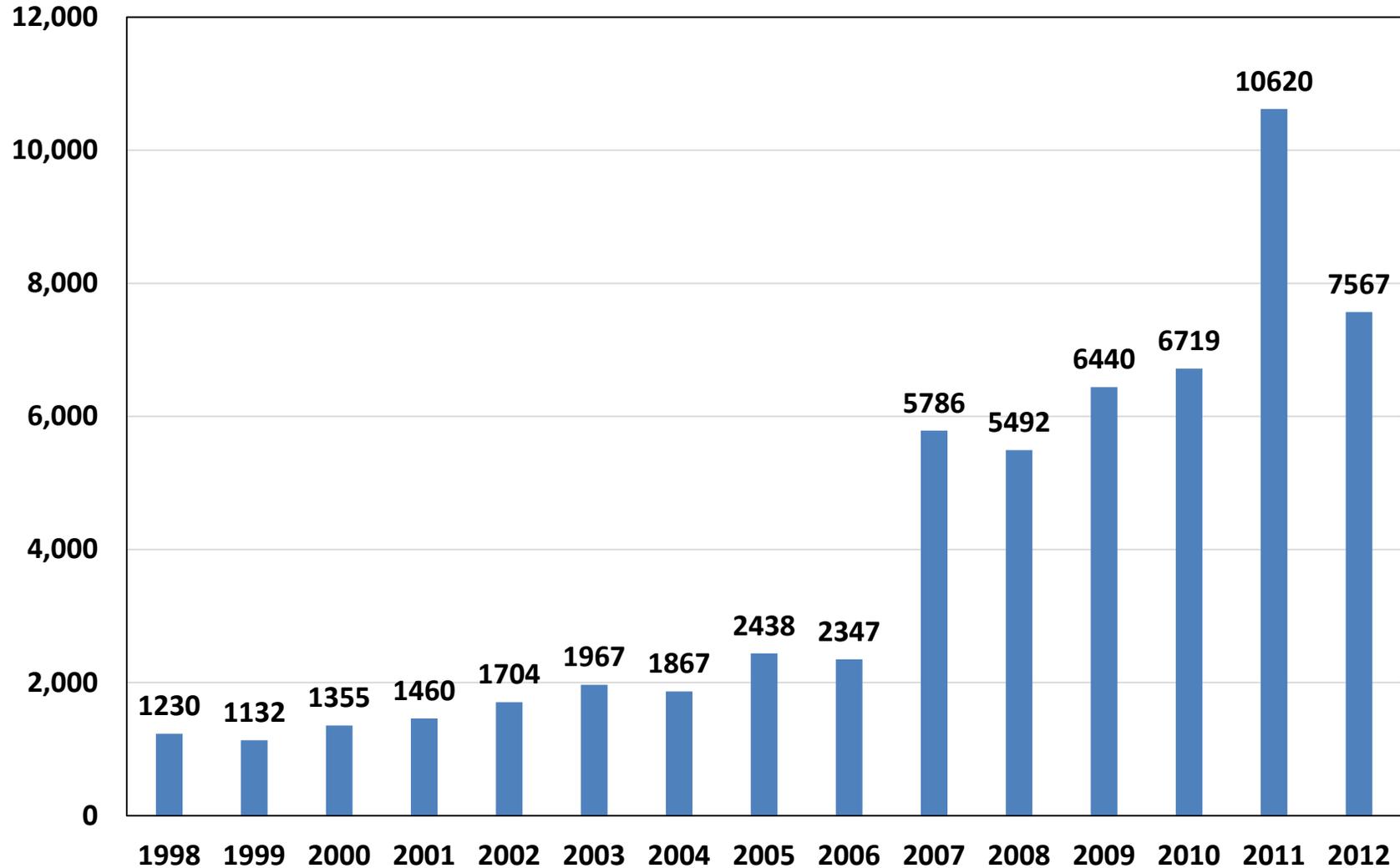
**Planned housing units now is only 41% of what they were
during 2000s**
(average annual planned units, building permits approved)



Source: State of Hawaii Data Book

More housing units are converted into visitor use in recent years

Individual vacation units for visitor use



The Construction Projects

Permitted Residential Projects: January – November 2013

Island	Project	Permit value \$M
Oahu	High-rise condo at Waimanu Street, Kakaako	109.90
Oahu	801 South Street Condo, Tower A, Kakaako	105.0
Oahu	Town homes in Kapolei	34.61
Oahu	4 Town home projects in EWA Beach	37.0
Oahu	Assisted-Living Rental complex in Pearl City	16.00
Hawaii	Residential building in Kailua-Kona	5.00
Maui	Residential building in Kihei	3.71
Oahu	Building renovation/addition for Waialae Hale	5.12
Oahu	New senior rental building, Hale Mohalu II	12.20
Hawaii	Apartment alterations and repair, BIHF Riverside	6.24
Hawaii	Building renovation/addition at 720-326 Halihali Place	6.00
Maui	Main Dwelling/Pool Deck at Waterous Residence	4.40
Hawaii	R-3 Dwelling at 7322-30 Ala Kohanaiki HI 73065	4.30

Source: County Building Department

Permitted Retail and Office Building Projects: January – November 2013

Island	Project	Permit Value (\$M)
Oahu	Ala Moana Shopping Center Addition	74.75
Maui	Foodland Supermarket at Kihalani	6.09
Oahu	Downtown Honolulu Wal-Mart	6.00
Oahu	Office building, Hawaiian Airlines	10.00
Hawaii	New Cafeteria, Hawaiian Home Lands, 240 Desha Ave.	4.80
Oahu	Office building addition/alteration in Aiea	7.50
Oahu	Target Supermarket in Kailua	15.00

Source: County Building Department

Permitted Medical Building Projects: January – November 2013

Island	Project	Permit Value (\$M)
Hawaii	Kaiser Hospital Building renovations	22.83
Oahu	Waianae Coast Comprehensive Health Center Building Additions	5.00
Hawaii	Kaumana Drive new nursing homes	7.41
Maui	Maui Memorial Medical Center, building alterations	6.00
Hawaii	HMSA Office building, Big Island	8.00

Source: County Building Department

Permitted Educational Building Projects: January – November 2013

Island	Project	Permit value \$M
Oahu	New classrooms and renovations, UH Manoa	23.69
Hawaii	Student housing renovation, UH Hilo	9.00
Oahu	Campus alterations, Windward Community College	4.43
Oahu	New High School building and renovation, Waipahu Elementary and Kailua High Schools	14.30

Source: County Building Department

Permitted Hotel Projects: January – November 2013

Island	Project	Permit Value (\$M)
Maui	Hotel alteration, Fairmont Kea Lani Resort	4.96
Hawaii	Timeshare alteration, Hilton Resorts	4.00
Maui	Maui Hyatt Vacation Timeshare	87.32
Oahu	Hotel additions, Illikai Hotel	5.25
Oahu	Hyatt Regency Waikiki Hotel additions/alterations	6.00

Source: County Building Department

Permitted Government Projects: January – November 2013

Island	Project	Permit value \$M
Oahu	Honolulu Rapid Transit	64.73
Oahu	Wastewater treatment at Kaneohe Bay, City & County of Honolulu	6.00
Oahu	Police Station in Waianae, City & County of Honolulu	13.41
Hawaii	Office building renovations, Hawaii State	30.30

Source: County Building Department

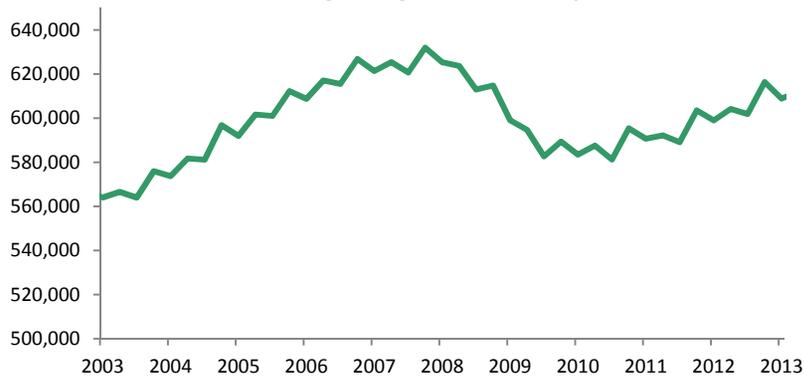
Personal Income And Labor Market Conditions

Stable and Diversified Economy

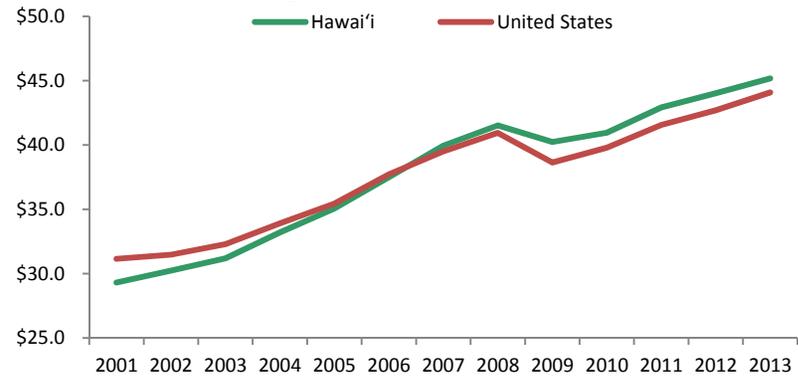
Wage and Employment Metrics

The employment sector in Hawai'i continues to improve

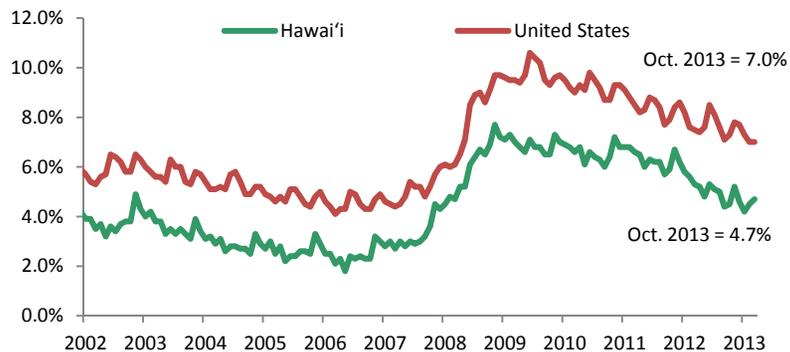
Non-Ag Wage and Salary Jobs



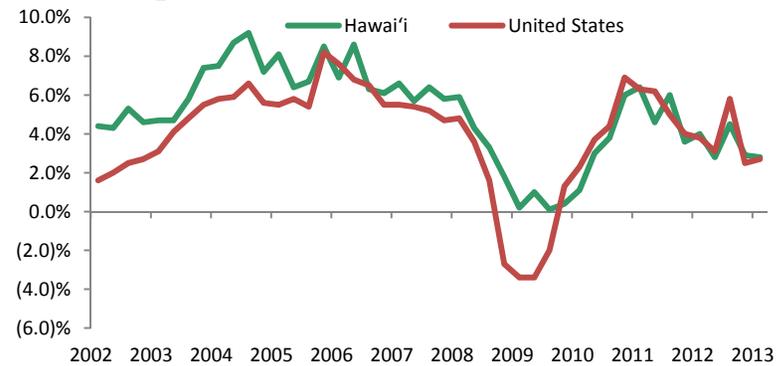
Per Capita Income (\$000)



Unemployment Rate, Not Seas. Adj.



**Quarterly Personal Income Growth⁽¹⁾
(Compared to Same Period in Previous Year)**

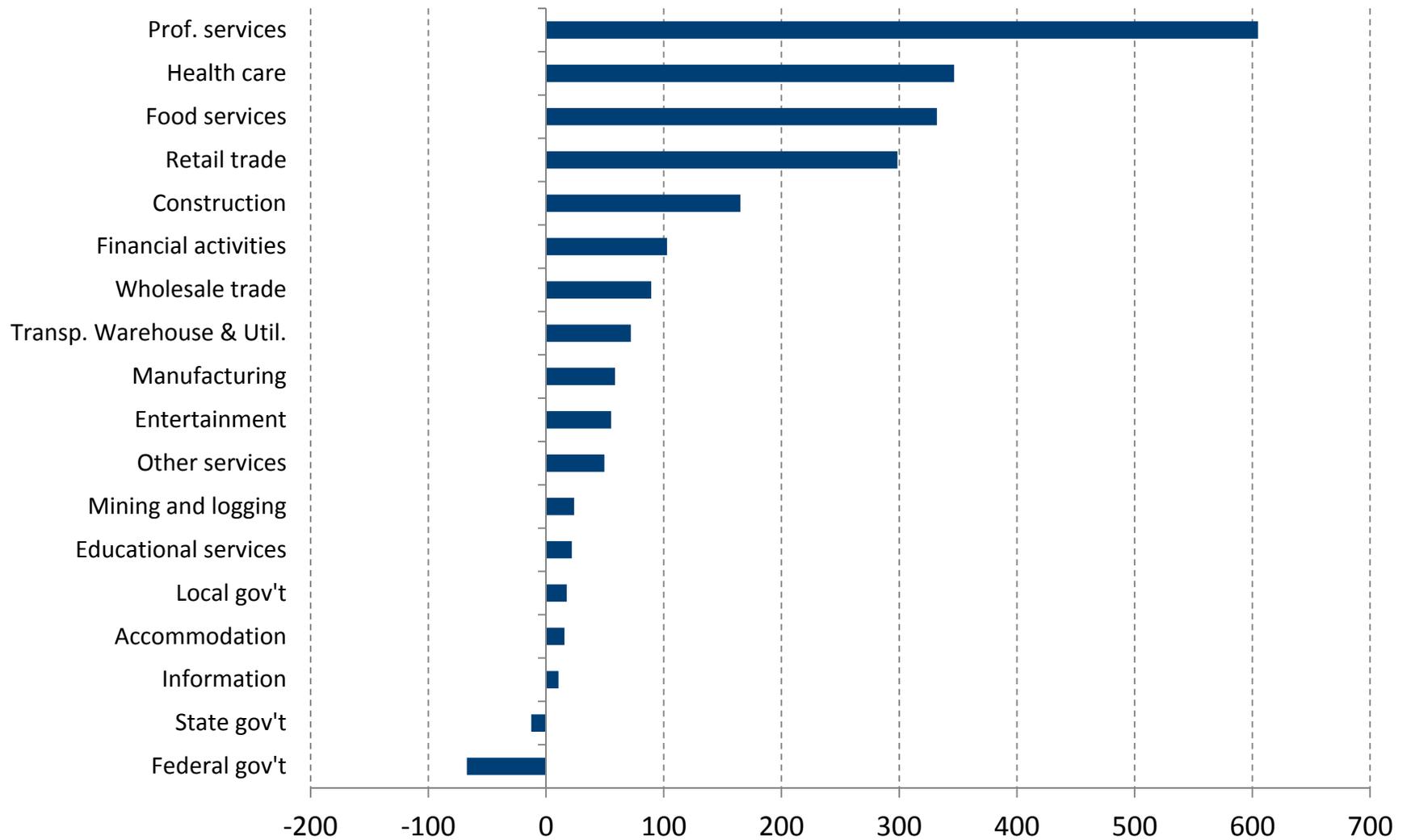


(1) As of 2Q 2013.

Source: Hawai'i Dept. of Labor & Industrial Relations; U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics.

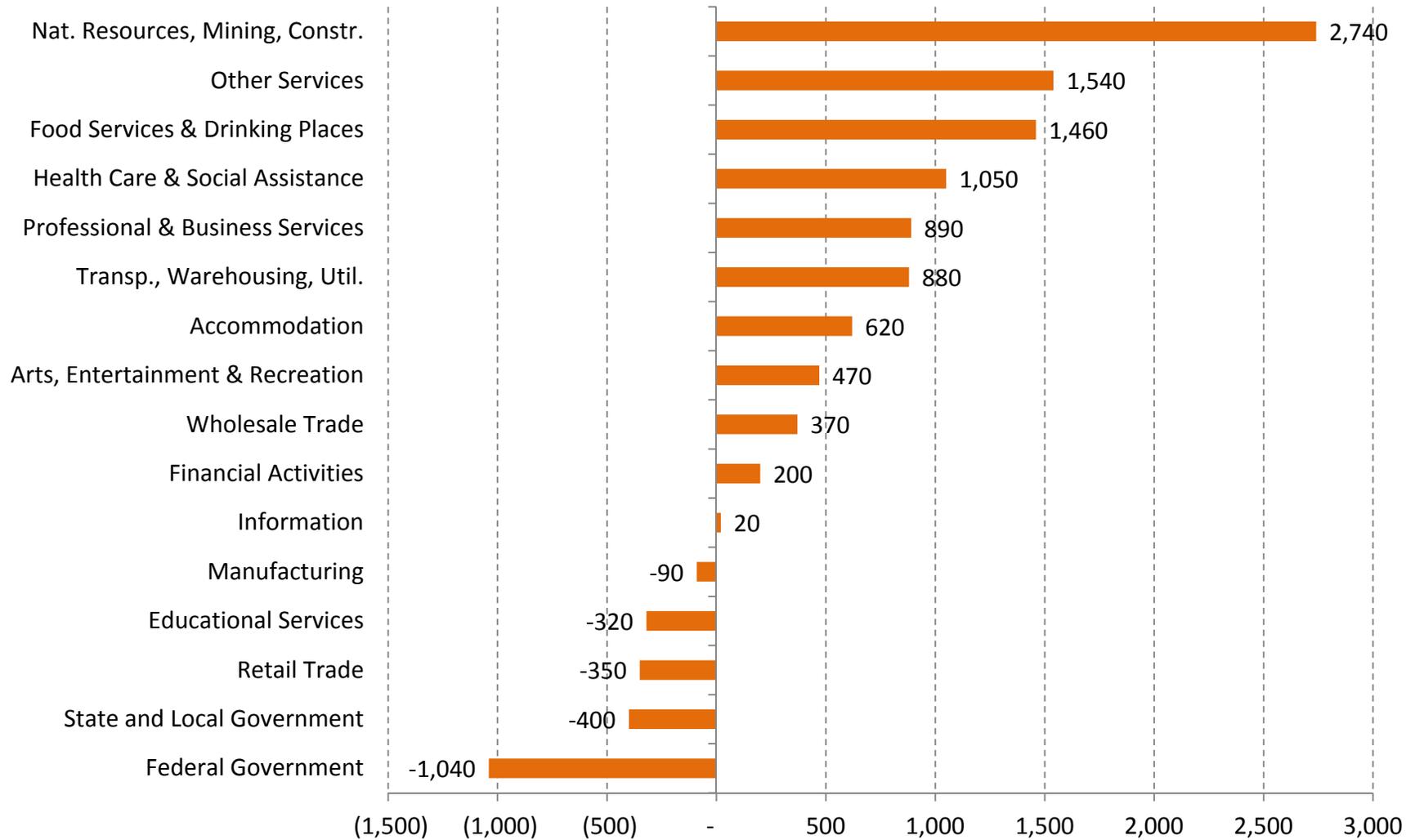
In the United States, other than Federal and State governments, all industries gained jobs during the 1st 11 months of 2013

(change in jobs from same period in prior year, in 1,000 jobs)



Source: BLS, **Employment, Hours, and Earnings – National**(Current Employment Statistics - CES) <<http://www.bls.gov/data/>>

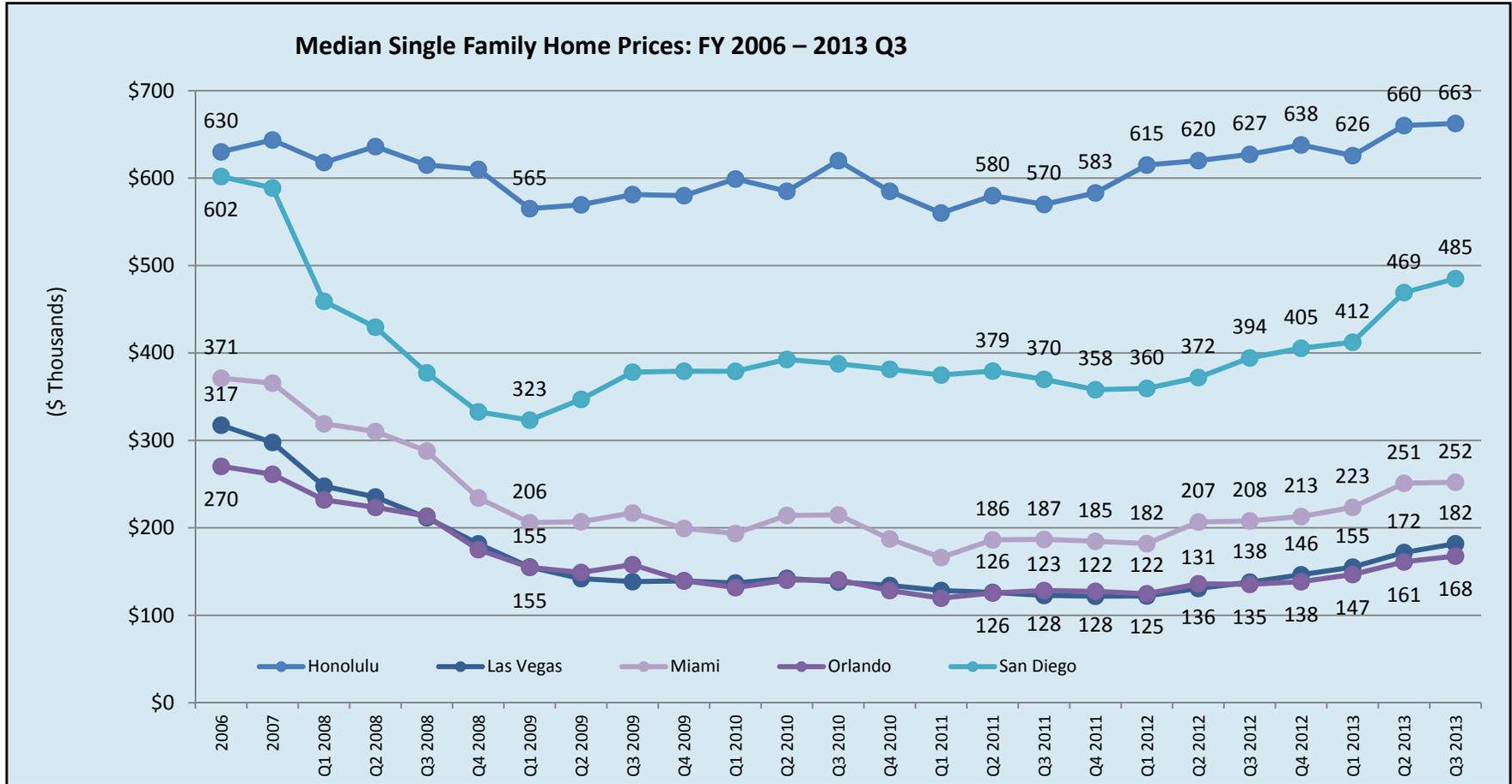
During the 1st 10 months of 2013, Hawaii gained 8,000 jobs



Real Estate Market

Honolulu Home Prices

Honolulu Home Prices Have Been Higher & More Stable Than Other Major Vacation Destinations



Source: www.realtor.org, National Association of Realtors [for Honolulu from 2012Q3] and Honolulu Board of Realtors

Real estate markets are booming on all the islands

(% change during 11 months of 2013)

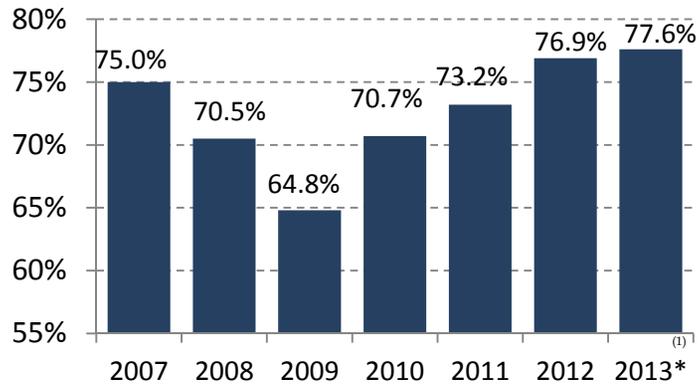
Island	Single Family Homes		Condo Homes	
	Closed sales	Median price	Closed sales	Median price
Honolulu	5.7%	3.2%	13.9%	4.8%
Maui	6.0%	14.0%	10.0%	6.0%
Hawaii	19.5%	17.1%	11.4%	4.1%
Kauai	7.7%	16.9%	12.0%	2.4%

Source: Property Profiles Incorporated, and Honolulu Board of Realtors

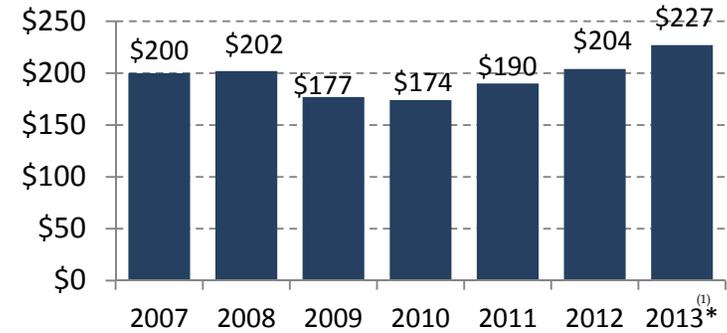
Tourism

Visitor Accommodation Statistics

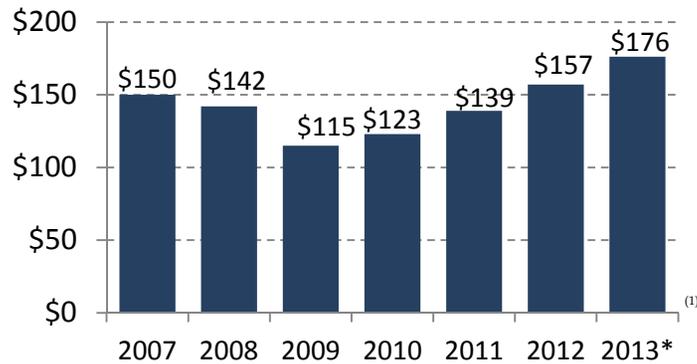
Occupancy Rates



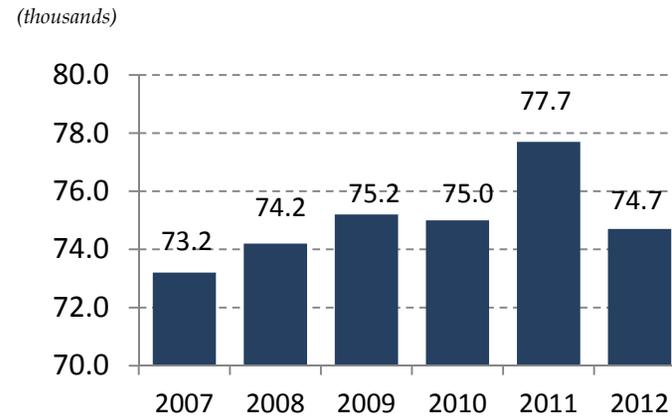
Average Room Rates



Revenue Per Available Room



Room Inventory

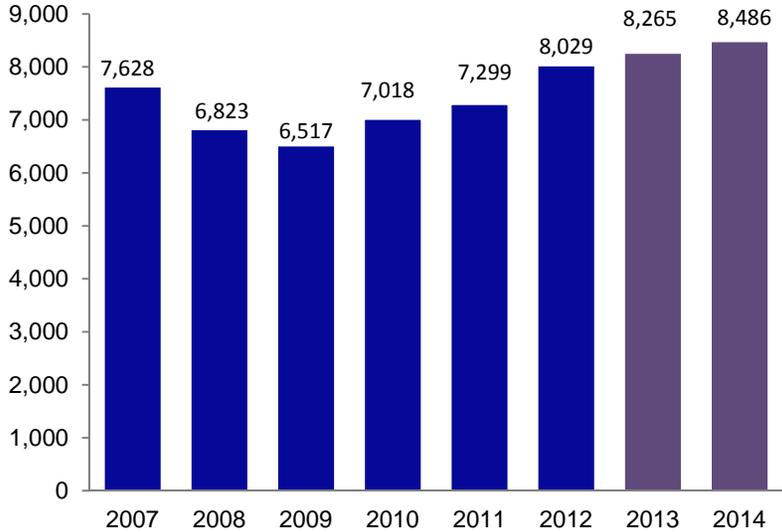


Source: Smith Travel Research, Hospitality Advisors LLC and Hawaii Tourism Authority.

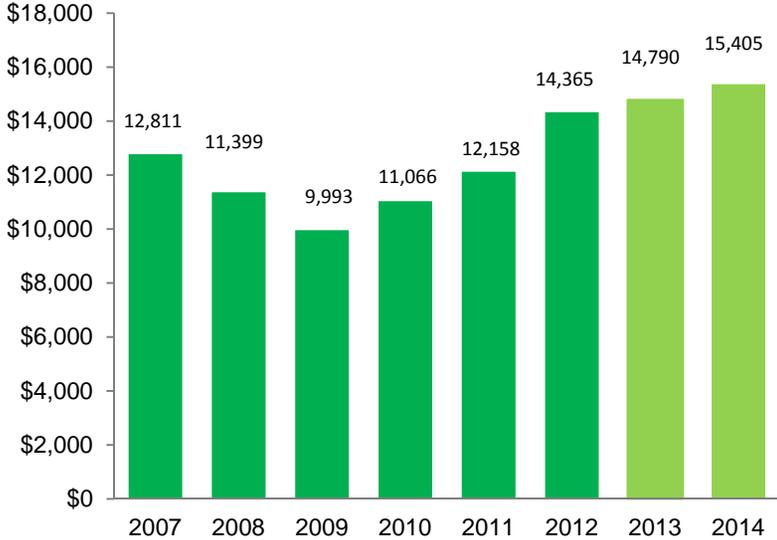
* First 9 months of 2013

Hawai'i's Tourism Industry Continues to Show Remarkable Strength

Visitor Arrivals Over the Last 7 Years (000)¹



Visitor Expenditures Over the Last 7 Years (\$mm)¹



Source: DBEDT, Smith Travel Research, Hospitality Advisors LLC
¹ 2013 & 2014 figures are projections

Smaller markets are creating new records while big markets are recovering

Region	Historical peak level	2008 Arrivals	LTM Arrivals ¹	% Change
US Mainland	5,173,264	4,452,343	5,019,119	12.7
Japan	2,216,890	1,175,199	1,498,975	27.6
Canada	477,564	459,580	509,588	10.9
China	81,738	54,235	132,579	144.5
Korea	122,902	38,110	175,318	360.0
Taiwan	88,193	11,482	17,217	49.9
Australia	237,808	137,812	290,804	111.0
Europe	231,604	115,172	138,780	20.5
Latin America	22,116	18,896	29,546	56.4

Source: Department of Business, Economic Development & Tourism, Hawaii Tourism Authority

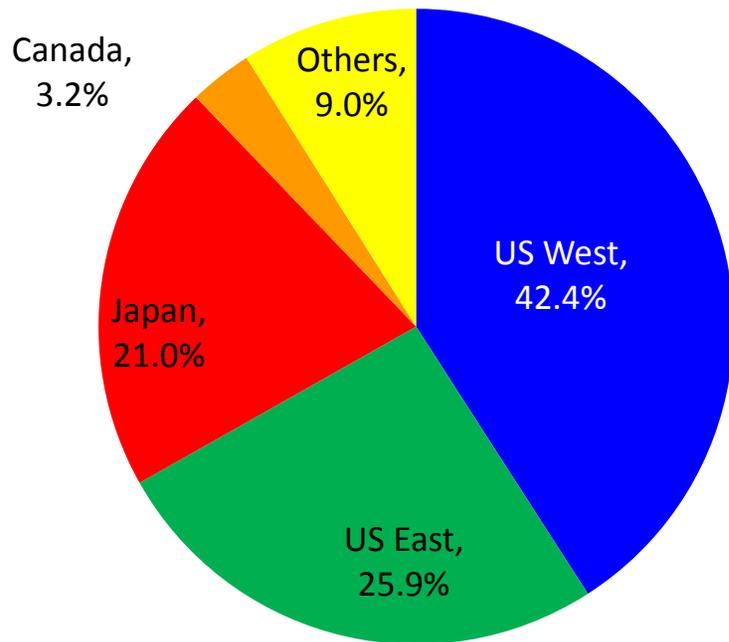
¹ Last Twelve months from November 2012 to October 2013

Visitor Activity

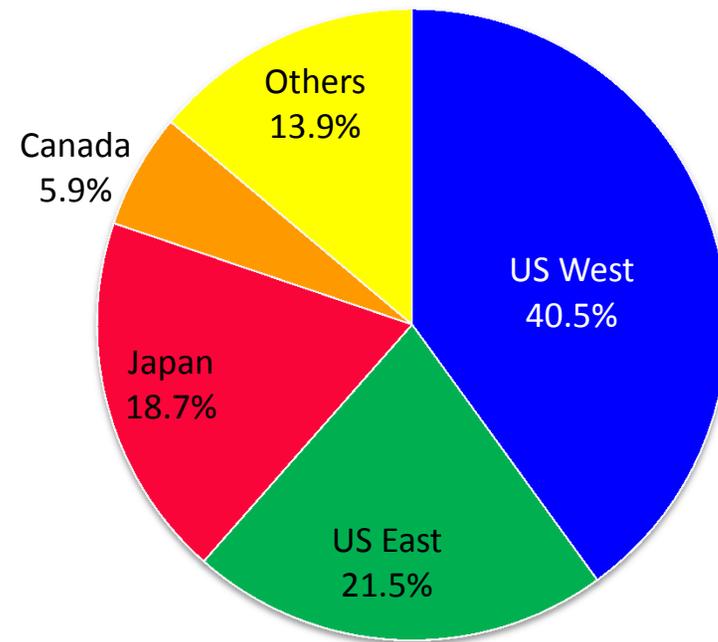
For the First 10 Months of 2013, 62.6% of Hawaii Visitors Were From the U.S. with Japanese Visitors Accounting for 17.8%

- Visitors from Canada and other markets are increasing

2003



First 10 Months of 2013



Source: DBEDT and Hawaii Tourism Authority

The economies of Hawaii visitor origin countries will look better in 2014

	2012	2013	2014
USA.	2.2	2.0	2.6
Canada	2.1	1.9	2.5
Japan	1.8	0.7	1.2
S. Korea	2.3	3.1	4.0
Hong Kong	1.7	3.2	4.1
Taiwan	1.3	3.1	4.1
China	7.7	8.0	8.1
United Kingdom	-0.1	1.0	1.7
Germany	0.9	0.9	1.4
France	0.1	0.2	1.0
Eurozone	-0.4	0.0	0.9
Australia	3.5	2.7	3.1
Brazil	1.5	3.4	4.1

Source: Blue Chip Economic Indicators, December 10, 2013

New Airs seats for 2013*

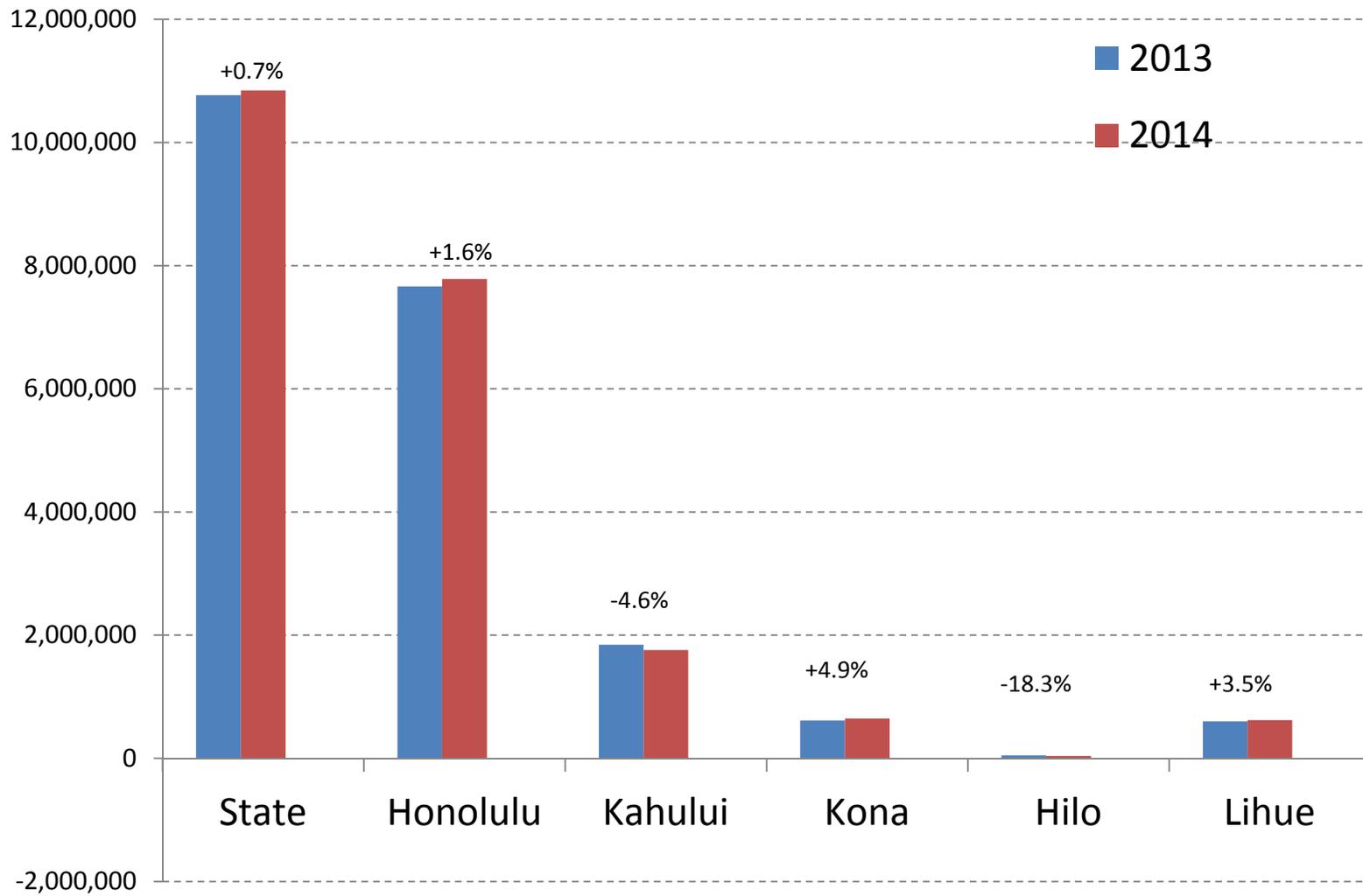
New airseats added in 2013 on scheduled flights

MMA	STATE	HONOLULU	KAHULUI	KONA	HILO	LIHUE
TOTAL	524,939	465,350	62,609	-10,653	-9,306	16,939
US WEST	154,435	89,760	70,941	-13,735	-9,306	16,775
US EAST	66,075	75,698	-9,623			
JAPAN	120,415	120,415				
CANADA	159	-4,378	1,291	3,082		164
OTHER ASIA	68,239	68,239				
OCEANIA	115,124	115,124				
OTHER	492	492				

*1st 10 months of 2013

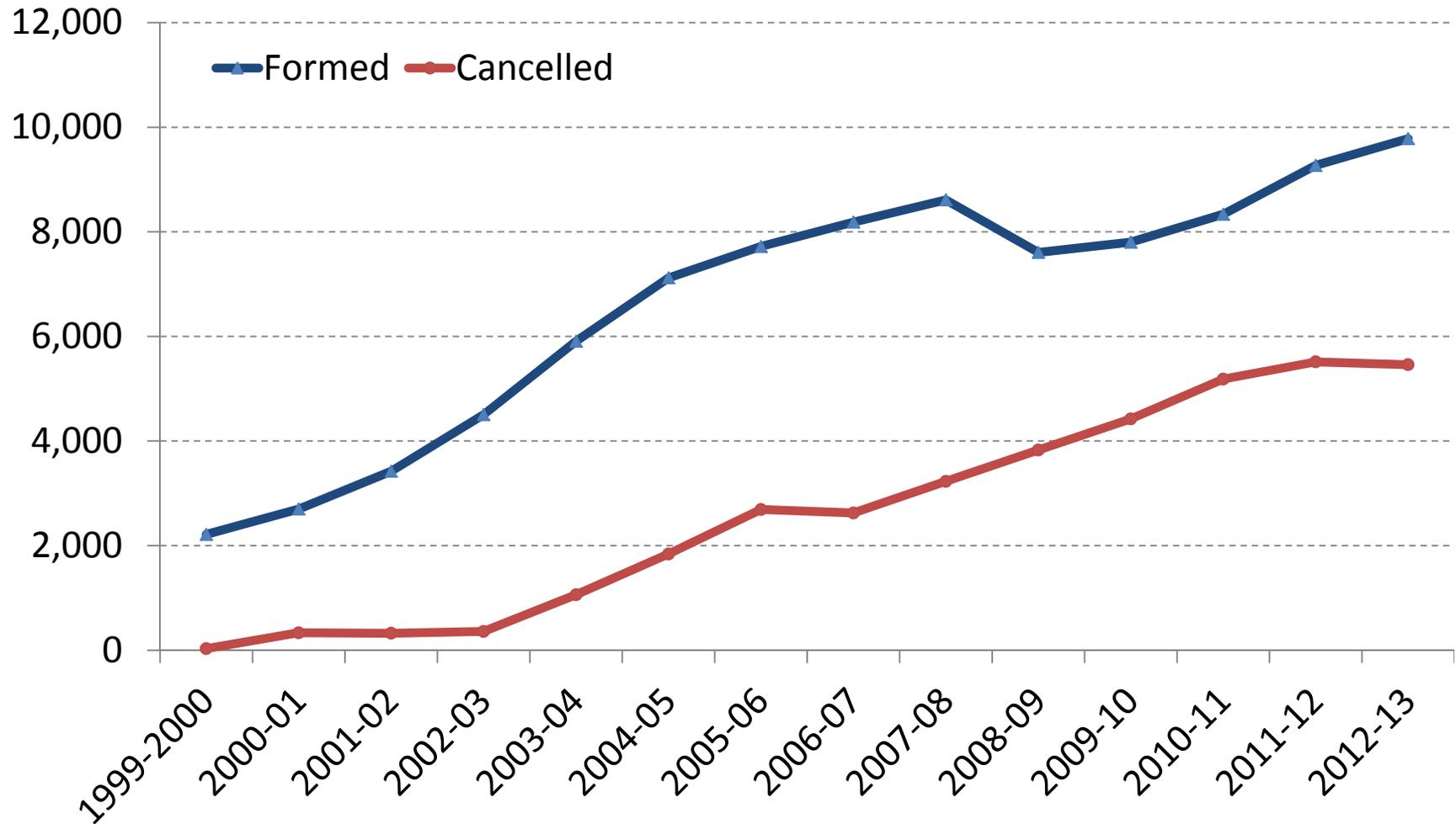
Source: HTA and OAG

Air Seats Will Increase by 0.7% in 2014



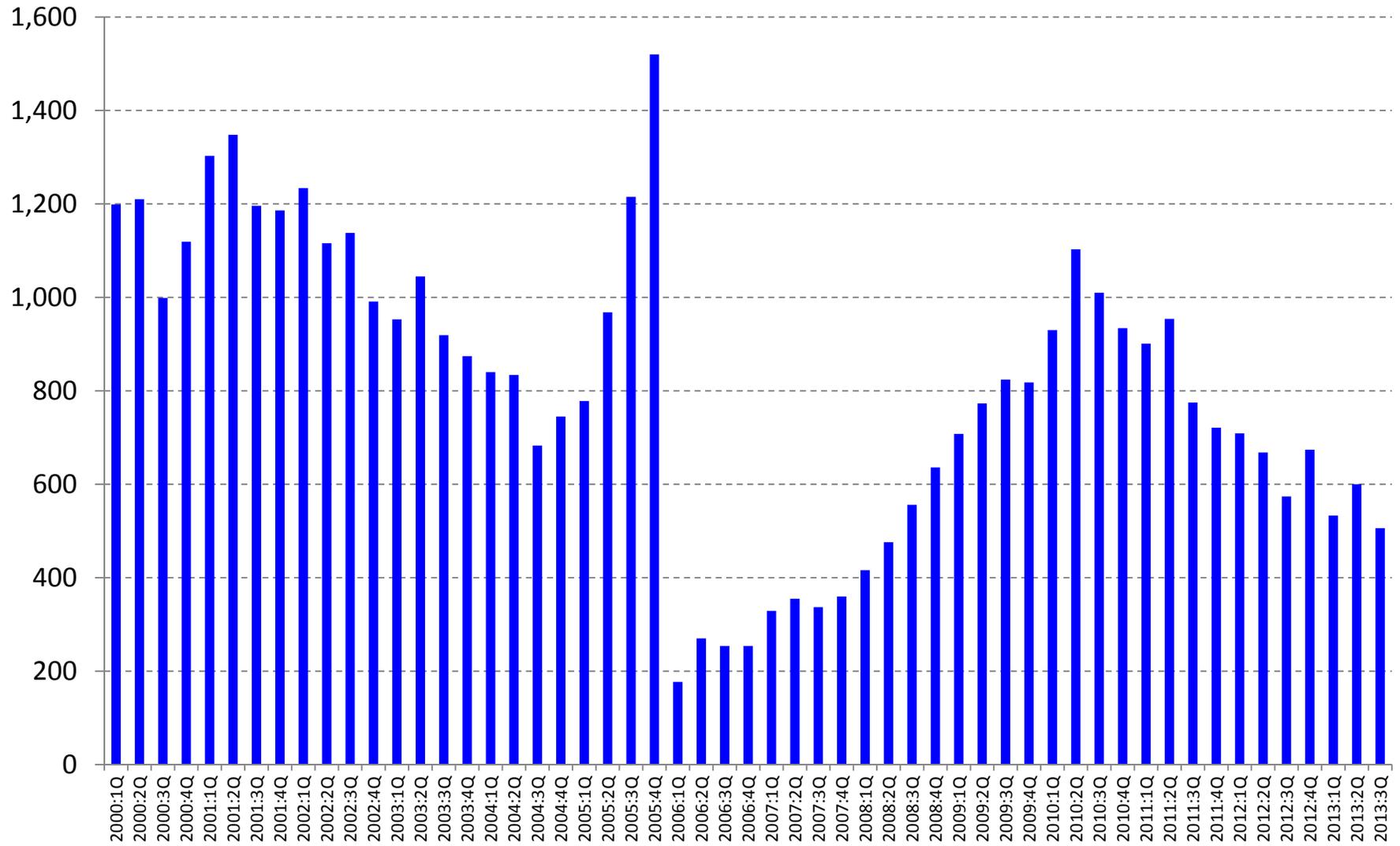
Business Formation

LLC and LLP Firms Registered in Hawaii



Source: Hawaii State Department of Commerce and Consumer Affairs

Hawaii bankruptcy filings has been declining since the 3rd quarter of 2010



Summary

- All the economic indicators show that Hawaii's economy is on a normal growth path
- Visitor industry growth will be slowing down due to capacity limit
- Labor market will continue to improve in 2014
- Construction industry will be the main driver for economic growth in 2014, probably a new record year
- Personal income will continue to grow at a rate similar to the national average
- Hawaii's economy will grow at a higher rate than the nation in 2014
- Hawaii's unemployment rate will still be better than the nation in 2014