



Statistical Report

**REAL ESTATE AND  
RENTAL AND LEASING SECTOR  
IN HAWAII**

**April 2015**

**Research and Economic Analysis Division  
Department of Business, Economic Development  
and Tourism  
STATE of HAWAII**



This publication is produced by the Research and Economic Analysis Division (READ) of the Department of Business, Economic Development & Tourism (DBEDT), State of Hawaii which is responsible for its content and presentation.

**Source of data**

U.S. Census Bureau, Economic Census, 2007 and 2012  
U.S. Census Bureau, Nonemployer Statistics, 2007 and 2012

The DBEDT Internet site with 2012 Economic Census information for Hawaii may be found at <http://census.hawaii.gov/economic-census/econo2012/>. Additional data on the Real Estate and Rental and Leasing sector is also available on the U.S. Census Bureau Internet site at <http://www.census.gov/econ/census/>.

**Acknowledgement**

*We would like to express our appreciation to Mr. Andy Hait of the U.S. Census Bureau for his valuable input for this report.*

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## EXECUTIVE SUMMARY

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- Based on the 2012 Economic Census, there were 1,919 employer establishments in Hawaii operating in the Real Estate and Rental and Leasing sector. The 1,919 establishments together hired 11,369 paid employees and generated revenue of \$3.4 billion in 2012.
- Within the Real Estate and Rental and Leasing sector, the Real Estate subsector dominated in the number of establishments and employees, with 1,553 establishments and 7,314 employees comprising 81% of all establishments and 64% of the employees in the overall sector. The next largest subsector was Rental and Leasing Services with about 19% of the establishments and about one-third of the employees in this sector.
- The average size of establishments in the Real Estate subsector, measured by the number of employees per establishment, was the same for both Hawaii and the U.S. at 4.7. Reflecting the high housing value in the state, however, average revenue per establishment was 41% higher in Hawaii than the national average for the subsector. Payroll per employee was also higher than the national average, but only by 5%.
- In contrast, Hawaii businesses in the Rental and Leasing subsector operated on a scale much larger than the national average. The average number of employees per establishment in Hawaii's Rental and Leasing subsector was about 30% larger than its national counterpart, 11.2 versus 8.6 respectively. Although revenue per establishment exceeded the national average by 16%, the average payroll per employee in the Rental and Leasing subsector was 17% lower than the national average in this subsector.
- Since the 2008 recession began with the bursting of housing bubble in the U.S., its impacts seemed to be felt more in the Real Estate and Rental and Leasing sector. The number of establishment, total employment, payroll, and revenue in the sector all fell in Hawaii between 2007 and 2012. Among the four indicators, employment and payroll had a greater impact of the recession. For the sector overall, total number of employees and payroll decreased by 32% and 26% respectively between 2007 and 2012 while the number of establishments decreased 8% for the same period. Total revenue of the sector in 2012 was 14% less than the sector had achieved in 2007.
- Business performances varied by county. For the Real Estate subsector, the average number of employees per establishment for the four counties were fairly close ranging from a high of 5.0 for Honolulu County to a low of 3.5 for Hawaii County. However revenue per establishment in Honolulu County was 121% ~ 263% higher, and its payroll per employee was 38% ~ 49% higher than the neighbor island averages.
- As the Economic Census data only pertains to businesses with at least one paid employee, nonemployer businesses were examined using the Census Bureau's Nonemployer Survey in order to get a complete picture of the sector. In 2012, there were 11,106 nonemployer businesses in Hawaii in the Real Estate and Rental and Leasing sector, which was about 6 times as many as the total number of employer businesses in the sector. Despite of its overwhelming number of businesses, revenue generation of nonemployer businesses in the sector was not significant. Combining the Economic Census employer data with the annual nonemployer data, nonemployer businesses made up 85% of the combined number of establishments, but mere 22% of the combined revenue in 2012.

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## Introduction

This report illustrates business establishments and their activities in the Real Estate and Rental and Leasing sector in Hawaii based on the 2012 Economic Census data.

The Economic Census is conducted by the U.S. Census Bureau every 5 years to provide detailed portraits of national and local economy. It collects information on the number of establishments, employees, payroll, and measures of output (sales, receipts and revenue) from the businesses with one or more paid employees.<sup>1</sup> The 2012 Economic Census was the latest census completed. Some of the businesses excluded from this survey were agricultural production, rail transportation, private households and most that are related to government. The Economic Census combined with the Census of Agriculture and Census of Governments covers about 97% of the nation's GDP.

Since the Economic Census includes only businesses with at least one paid employee, businesses with no employees are not covered in the Economic Census data, and therefore not included in most illustrations in this report. Information on businesses with no employees are collected on an annual basis in a different Census Bureau series called the Nonemployer Statistics. To help get a complete picture of the sector, the last section of this report introduces basic profiles and performance of nonemployer businesses based on the Nonemployer Statistics.

## Sector Overview

The Economic Census publishes data primarily on the North American Industry Classification System (NAICS). The 2-digit NAICS code for the Real Estate and Rental and Leasing sector is "53" and the category includes "establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services."<sup>2</sup>

The Real Estate and Rental and Leasing sector contains the following 3 subsectors (3-digit NAICS level).

- 531. Real Estate
- 532. Rental and Leasing Services
- 533. Lessors of Nonfinancial Intangible Assets (except Copyrighted Works).

Table 1 presents the number of establishments, employees, and revenue in Hawaii for the Real Estate and Rental and Leasing sector overall and for its three subsectors. In 2012, there were 1,919 establishments in Hawaii operating in the Real Estate and Rental and Leasing sector. The 1,919 establishments together hired 11,369 paid employees in 2012.

Among the three subsectors, the Real Estate subsector dominated in the number of establishments, with 1,553 establishments or 81% of all establishments in this sector. It also had 7,314 employees, comprising about two-thirds of the employees in the overall sector. The next largest subsector was Rental and Leasing Services with about 19% of the establishments and about one-third of the employees in this sector.

The Economic Census also provides a good source of revenue data. Revenue information, especially for areas below the national level, are not readily available anywhere else. According to the 2012 Economic Census, the 1,919 establishments in the Hawaii Real Estate and Rental and Leasing sector generated

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<sup>1</sup> See Appendix I at the end of this report for the definition of each term.

<sup>2</sup> See Appendix II at the end of this report for detailed description of NAICS code.

revenue of approximately \$3.4 billion in 2012, about 72% of the revenue from the Real Estate subsector and another 28% from the Rental & Leasing subsector.

The last subsector, Lessors of Nonfinancial Intangible Assets, made up less than 1% of the sector's establishments, employees and revenue.

**Table 1. Real Estate and Rental and Leasing sector in Hawaii: 2012**

2012 NAICS code		Establishments		Employees		Revenue	
		Number	Share (%)	Number	Share (%)	\$Million	Share (%)
<b>53</b>	<b>Real Estate and Rental and Leasing</b>	<b>1,919</b>	<b>100.0</b>	<b>11,369</b>	<b>100.0</b>	<b>3,411</b>	<b>100.0</b>
531	Real Estate	1,553	80.9	7,314	64.3	2,442	71.6
532	Rental and Leasing Services	358	18.7	4,002	35.2	952	27.9
533	Lessors of Nonfinancial Intangible Assets	8	0.4	53	0.5	18	0.5

Using statistics such as performance-per-unit allows us to see how Hawaii compared with the nation as a whole. Table 2 presents selected indicators to measure the performance of the Real Estate and Rental and Leasing sector for both Hawaii and the U.S. Measured by the average number of employees per establishment, the size of establishment in the Real Estate subsector was the same for both Hawaii and the U.S. at 4.7. Reflecting the high housing value in the state, however, average revenue per establishment was 41% higher in Hawaii than the national average for the subsector. Payroll per employee was also higher than the national average, but only 5% higher.

In contrast, Hawaii businesses in the Rental and Leasing subsector operated on a scale much larger than the national average. The average number of employees per establishment in Hawaii's Rental and Leasing subsector was about 30% larger than its national counterpart, 11.2 versus 8.6 respectively. Although revenue per establishment exceeded the national average by 16%, the average payroll per employee in the Rental & Leasing subsector was 17% lower than the national average.

**Table 2. Selected indicators for Real Estate and Rental and Leasing sector in U.S. and Hawaii: 2012**

2012 NAICS code		Employee per establishment		Revenue per establishment (\$1,000)		Payroll per employee (\$)		Population per establishment	
		Hawaii	U.S.	Hawaii	U.S.	Hawaii	U.S.	Hawaii	U.S.
<b>53</b>	<b>Real Estate and Rental and Leasing</b>	<b>5.9</b>	<b>5.4</b>	<b>1,778</b>	<b>1,388</b>	<b>42,566</b>	<b>44,388</b>	<b>726</b>	<b>885</b>
531	Real Estate	4.7	4.7	1,572	1,116	45,921	43,629	897	1,062
532	Rental and Leasing Services	11.2	8.6	2,658	2,287	35,836	43,423	3,890	5,559
533	Lessors of Nonfinancial Intangible Assets	6.6	13.1	2,217	13,711	87,698	91,454	174,096	124,697

### Comparison between 2007 and 2012

The Economic Census is conducted every five years, in years ending “2” or “7”. Although the Economic Census has a long history, only the last two Economic Census years of 2007 and 2012 may be compared for the Real Estate and Rental and Leasing sector because of a NAICS classification change relating to real estate investment trusts (REITs). Most of the REITs were moved to Real Estate in 2007. Prior to 2007, the REITs were in the Finance and Insurance sector.

Comparison of 2012 performance with that of 2007 is a little tricky because of the recession that the whole global economy experienced between 2007 and 2012. Hawaii was no exception. Almost all sectors in Hawaii started to see job decline from mid-2008, which continued for about two years. Total civilian non-agricultural jobs in Hawaii decreased by 7% for two years from February 2008 to February 2010. Even if the Hawaii economy showed a recovery from mid-2010, the average job level in 2012 was still 3% lower and the average unemployment rate was 3 percentage points higher than those in 2007.

Since the recession began with the bursting of housing bubble in the U.S., its impacts seemed to be felt more in the Real Estate and Rental and Leasing sector. The number of establishment, total employment, payroll, and revenue in the sector all fell in Hawaii between 2007 and 2012. Among the four indicators, employment and payroll had a greater impact of the recession. For the sector overall, total number of employees and payroll decreased by 32% and 26% respectively between 2007 and 2012 while the number of establishment decreased 8% for the same period. Total revenue of the sector in 2012 was 14% less than the sector had achieved in 2007.

Performance between 2007 and 2012 varied by subsector though. As a dominant subsector, the performance of the Real Estate subsector was similar to the performance of the overall sector. The Rental and Leasing subsector showed a similar pattern in the number of establishments and employments: some decrease in the number of establishments (6%) and a much greater decrease in the number of employees (27%). Unlike the Real Estate subsector, however, the decrease in total payroll and revenue for the five year period was very modest in the Rental and Leasing subsector.

Lessors of Nonfinancial Intangible Assets subsector, which comprised a very small portion of the sector with only 8 establishments and 53 employees in Hawaii, showed a very different performance during the period. This subsector did extremely well between 2007 and 2012 with a 200% increase in revenue (from \$6 million to \$18 million), 65% increase in employees and a 156% increase in annual payroll.

**Table 3. Real Estate and Rental and Leasing sector in Hawaii: 2007 vs. 2012**

2012 NAICS code		Number of establishments		Number of employees		Annual payroll (\$million)		Revenue (\$million)	
		2012	% CHG from 2007	2012	% CHG from 2007	2012	% CHG from 2007	2012	% CHG from 2007
<b>53</b>	<b>Real Estate and Rental and Leasing</b>	<b>1,919</b>	<b>-7.9</b>	<b>11,369</b>	<b>-32.2</b>	<b>484</b>	<b>-26.0</b>	<b>3,411</b>	<b>-14.2</b>
531	Real Estate	1,553	-8.4	7,314	-34.9	336	-33.5	2,442	-17.9
532	Rental and Leasing Services	358	-6.3	4,002	-27.1	143	-2.4	952	-4.1
533	Lessors of Nonfinancial Intangible Assets	8	14.3	53	65.6	5	156.1	18	200.7

Compared to the U.S. as a whole, the Real Estate and Rental and Leasing sector in Hawaii experienced a more severe downturn between 2007 and 2012. Although the number of establishments followed a similar decline for both Hawaii and the U.S., -7.9% vs. -7.7%, the trend for total employments, payroll and revenues differed. While the sector employment in Hawaii decreased by 32% between 2007 and 2012, the sector employment in the whole U.S. market decreased only by 12%. While Hawaii's revenue and annual payroll between 2007 and 2012 decreased by 14% and 26% respectively, the nation's figures increased slightly.

The average payroll per employee for the sector increased by 9% in Hawaii from 2007 to 2012, which was not enough to cover the 14% inflation that occurred during the 5 year period in Hawaii. For the same 5 year period, payroll per employee in the U.S. increased by 15%.

As a result of the relatively larger employment cut in Hawaii, employees per establishment decreased by 26% in Hawaii while it decreased 5% in the U.S. By the same token, revenue per employee and revenue per each dollar of payroll increased by 27% and 16% respectively in Hawaii from 2007 to 2012.

**Table 4. Selected indicators for Real Estate and Rental and Leasing sector in Hawaii: 2007 vs. 2012**

Indicator	Hawaii			U.S.
	2007	2012	2007-2012 % change	2007-2012 % change
Number of establishments	2,084	1,919	-7.9	-7.7
Total employment	16,759	11,369	-32.2	-12.0
Revenue (\$ Millions)	3,974	3,411	-14.2	1.5
Annual payroll (\$ Millions)	654	484	-26.0	0.9
Employees per establishment	8	6	-26.3	-4.7
Revenue per establishment (\$1,000)	1,907	1,778	-6.8	10.0
Revenue per employee (\$1,000)	237	300	26.5	15.3
Revenue per \$ of payroll	6	7	16.0	0.7
Payroll per employee (\$)	39,010	42,566	9.1	14.6

Were there any areas of growth in Real Estate and Rental and Leasing sector, though? The answer may be found in the more detailed NAICS 4-digit industry level data shown in Figure 1 and Table 5.

Except for the Lessors of Non-financial Intangible Assets subsector that showed a remarkable growth from 2007 to 2012, all other 8 sectors at the 4 digit industry level experienced a decrease in employment between 2007 and 2012. The biggest drop in employments was found in "Office of Real Estate Agents and Brokers", "Activities Related to Real Estate", and "General Rental Centers", with -51%, -40%, and -64% respectively. Revenue of these industries also decreased at a similar rate from 2007 to 2012.

Although revenue decreased in most other 4-digit level industries, two industries, "Lessors of Real Estate" and "Automotive Equipment Rental & Leasing", were able to increase its revenue from 2007 to 2012.



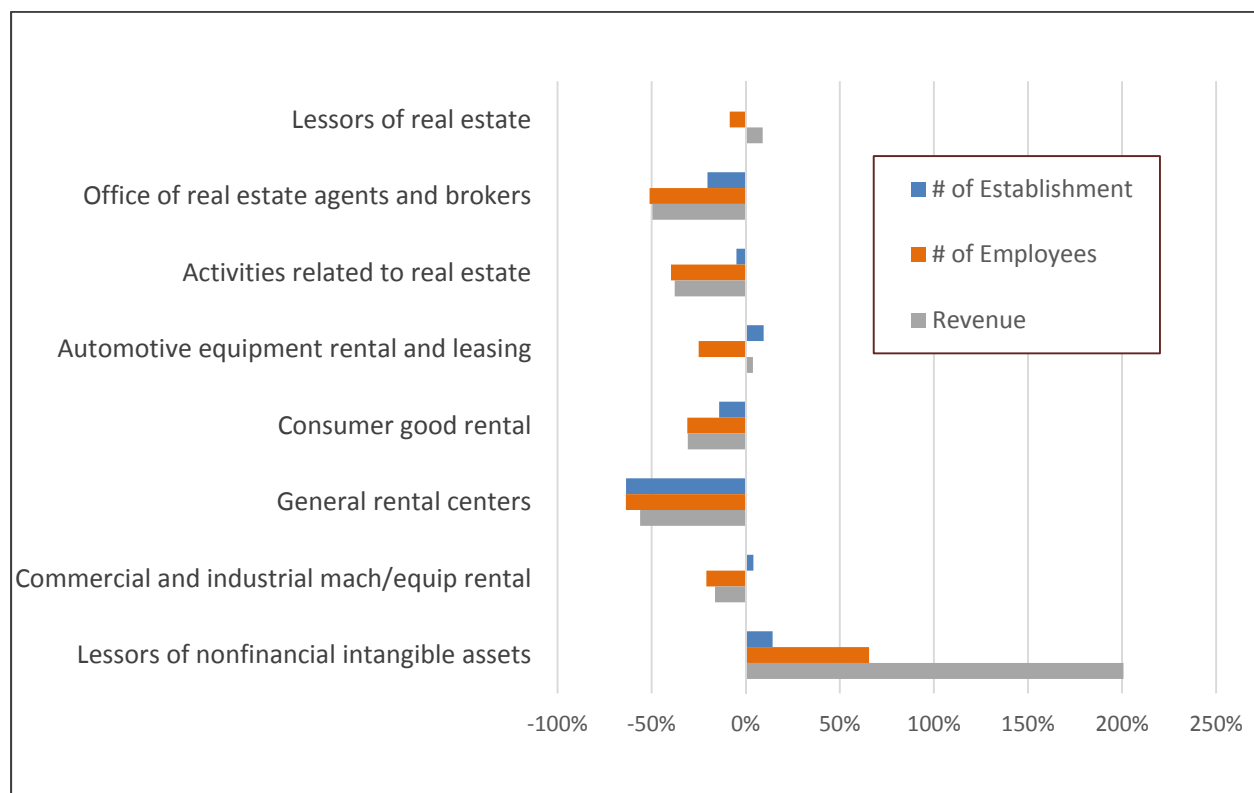
The 2007 and 2012 censuses revealed that the industry with the largest amount of revenue, “Lessors of Real Estate” grew its revenue by 9 percent from \$1.5 billion to \$1.6 billion. Although the number of employees decreased by about 9 percent, its annual payroll increased slightly by 5 percent. The Lessors of Real Estate industry includes lessors of residential buildings and dwellings, nonresidential buildings, mini-warehouses and self-storage facilities, other real estate property as well as Real Estate Investment Trusts (except mortgage Real Estate Investment Trust).

**Did you ever wonder if.....*The mini-warehouses and self-storage business grew in Hawaii between 2007 and 2012?***

*According to the Economic Census data for Hawaii, although the number of establishments and employees decreased slightly, revenues from this type of businesses increased by 25%, from \$44.8 million to \$56.4 million.*

Similarly, the Automotive Equipment Rental and Leasing industry expanded with establishments growing by about 10%, and revenue by about 4%. This industry group includes passenger car rental, passenger car leasing, and truck, utility trailer, and recreational vehicle rental and leasing.

**Figure 1. Performance by 4-digit industry level: Percentage change between 2007 and 2012**



**Table 5. Performance by 4-digit industry level: 2007 vs. 2012**

2012 NAICS code		Number of establishments		Number of employees		Revenue (\$million)	
		2007	2012	2007	2012	2007	2012
5311	Lessors of real estate	643	643	2,916	2,669	1,485	1,618
5312	Offices of real estate agents & brokers	586	467	3,285	1,608	885	446
5313	Activities related to real estate	466	443	5,038	3,037	606	377
5321	Automotive equipment rental & leasing	116	127	3,298	2,472	731	758
5322	Consumer goods rental	170	146	1,521	1,049	140	97
5323	General rental centers	22	8	113	41	14	6
5324	Commercial / industrial machinery and equipment rental & leasing	74	77	556	440	108	90
5331	Lessors of nonfinancial intangible assets	7	8	32	53	6	18

### *By County and Small Area*

Within the State of Hawaii, the 2012 Economic Census data is available for 4 counties, 2 metropolitan statistical areas (MSA), and 2 micropolitan statistical areas. The fifth county, Kalawao, was combined with the Maui County data. But in 2012, there were no businesses in Kalawao County. The 2012 Economic Census is the first Economic Census to display data for the new Kahului-Wailuku-Lahaina MSA. In addition to that, Honolulu MSA was renamed to Urban Honolulu MSA. For the Real Estate and Rental and Leasing sector, data are provided for 73 economic places – 39 in Honolulu County, 10 in Hawaii County, 9 in Kauai County, and 15 in Maui County.<sup>3</sup>

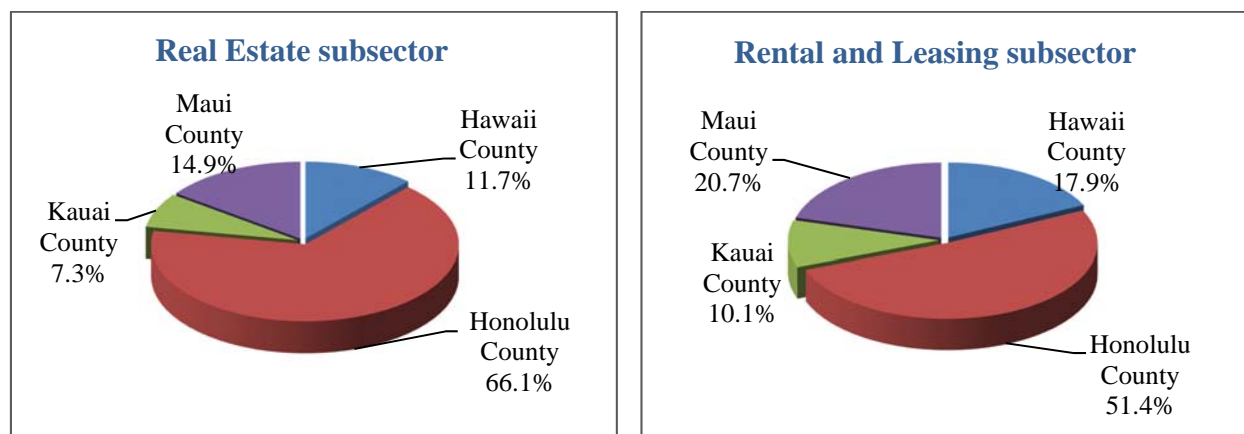
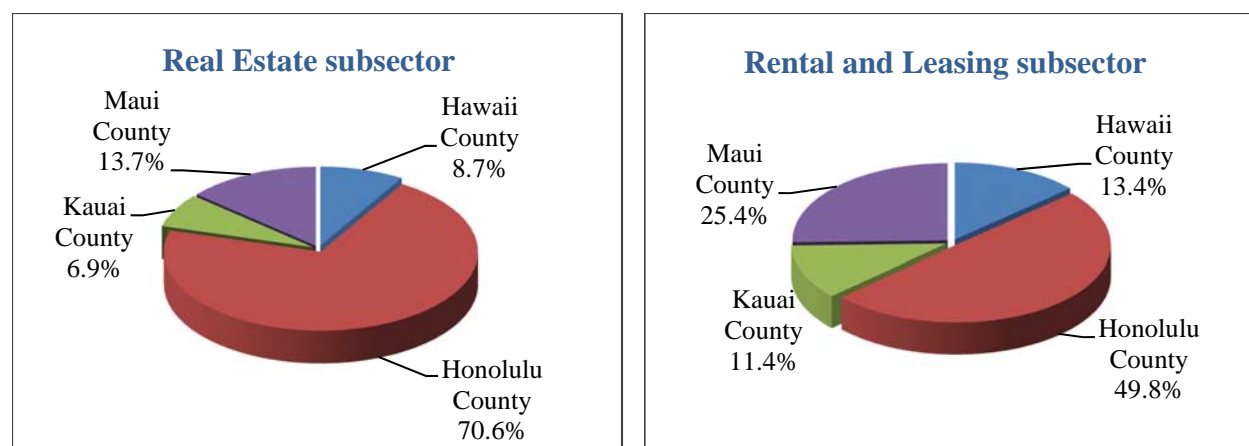
How did the establishments and employees in each subsector compare among the four counties in Hawaii? For the Real Estate subsector, Honolulu County had the largest number of employees with over 5,000 employees, accounting for more than 70% of the state total. This subsector share is consistent with the large share of the state population residing in Honolulu County.

For the Rental and Leasing subsector, the neighbor island counties had a high level of activity in relation to their proportion of the state population. This may be due to the large number of visitors to these areas. For the Lessors of Nonfinancial Intangible Assets, all 8 establishments were in Honolulu County.

<sup>3</sup> See Appendix III at the end of the report for the definition of economic place.

**Table 6. Real Estate and Rental and Leasing sector in Hawaii, by county: 2012**

2012 NAICS code		Number of establishments				Number of employees			
		Hawaii County	Honolulu County	Kauai County	Maui County	Hawaii County	Honolulu County	Kauai County	Maui County
53	<b>Real Estate and Rental and Leasing</b>	<b>245</b>	<b>1,219</b>	<b>149</b>	<b>306</b>	<b>1,172</b>	<b>7,213</b>	<b>962</b>	<b>2,022</b>
531	Real Estate	181	1,027	113	232	635	5,167	507	1,005
532	Rental and Leasing Services	64	184	36	74	537	1,993	455	1,017
533	Lessors of Nonfinancial Intangible Assets	-	8	-	-	-	53	-	-

**Figure 2. County share of businesses (number of establishments): 2012****Figure 3. County share of businesses (number of employees): 2012**

A closer look at average figures revealed that:

- For the Real Estate subsector, the average of employees per establishment for four counties were fairly close ranging from a high of 5.0 for Honolulu County to a low of 3.5 for Hawaii County. Honolulu County had a noticeably higher average for revenue per establishment, however, at about \$2 million as well as a higher average for payroll per employee at \$50,000
- For the Real Estate subsector, Honolulu County's average employee per establishment figure was 12% ~ 43% higher than the neighbor island averages; its revenue per establishment was 121% ~ 263% higher than the neighbor island averages ; and its payroll per employee was 38% ~ 49% higher than the neighbor island averages
- For the Rental and Leasing subsector, the average of employees per establishment as well as the revenue per establishment followed a similar pattern with Maui County having the highest average, followed by Kauai County, then Honolulu County and Hawaii County having the lowest averages. The average payroll per employee was similar for all counties
- Averages for the Real Estate subsector were much lower than the averages for the Rental and Leasing subsector for employees per establishment as well as for revenue per establishment. The average for payroll per employee were close, with the exception of Honolulu County's high value for the Real Estate subsector which was mentioned earlier.

**Figure 4. Business characteristics by county: 2012**



The lowest geographic level available in the Economic Census is the economic place.<sup>4</sup> Since the Real Estate subsector was the largest among the three in the overall Real Estate and Rental and Leasing sector, a more detailed look at this subsector was done. The top 15 economic places for this subsector based on the number of establishments in the area in 2012 are included in Table 7. Seven of the top fifteen areas were located in Honolulu County, six in Maui County, two in Hawaii County, and one was in Kauai County. Urban Honolulu proved to be the top revenue-producing area, generating 59% of the state total. This area also included about 46% of the establishments and 53% of the employees in the Real Estate subsector.

**Table 7. Top 15 Economic places in Hawaii for the Real Estate subsector \***

Rank	Area	Establishments		Employees		Revenue		Payroll	
		Number	Share (%)	Number	Share (%)	\$1,000	Share (%)	\$1,000	Share (%)
	<b>State of Hawaii</b>	<b>1,553</b>	<b>100.0</b>	<b>7,314</b>	<b>100.0</b>	<b>2,441,969</b>	<b>100.0</b>	<b>335,866</b>	<b>100.0</b>
1	Urban Honolulu	713	45.9	3,850	52.6	1,444,166	59.1	198,146	59.0
2	Hilo, Hawaii	61	3.9	196	2.7	33,797	1.4	4,814	1.4
3	Kihei, Maui	51	3.3	155	2.1	48,477	2.0	6,113	1.8
4	East Honolulu	44	2.8	81	1.1	15,813	0.6	3,904	1.2
5	Kailua, Honolulu	44	2.8	122	1.7	24,954	1.0	5,089	1.5
6	Wailuku, Maui	35	2.3	116	1.6	18,388	0.8	4,600	1.4
7	Kailua, Hawaii	32	2.1	152	2.1	23,665	1.0	5,622	1.7
8	Kahului, Maui	26	1.7	128	1.8	20,386	0.8	6,014	1.8
9	Lahaina, Maui	26	1.7	181	2.5	27,221	1.1	4,427	1.3
10	Lihue, Kauai	25	1.6	82	1.1	17,179	0.7	3,323	1.0
11	Waimalu, Honolulu	24	1.5	81	1.1	20,568	0.8	3,287	1.0
12	Waipahu, Honolulu	24	1.5	77	1.1	15,248	0.6	2,244	0.7
13	Kaneohe, Honolulu	21	1.4	62	0.8	7,359	0.3	2,119	0.6
14	Pearl City, Honolulu	18	1.2	42	0.6	7,104	0.3	1,320	0.4
15	Kaanapali, Maui	15	1.0	40	0.5	36,905	1.5	1,913	0.6
15	Wailea, Maui	15	1.0	34	0.5	17,035	0.7	1,590	0.5

\*ranked by the number of establishments in the area

<sup>4</sup> See Appendix III at the end of the report for the definition of economic place.

### Nonemployer Businesses

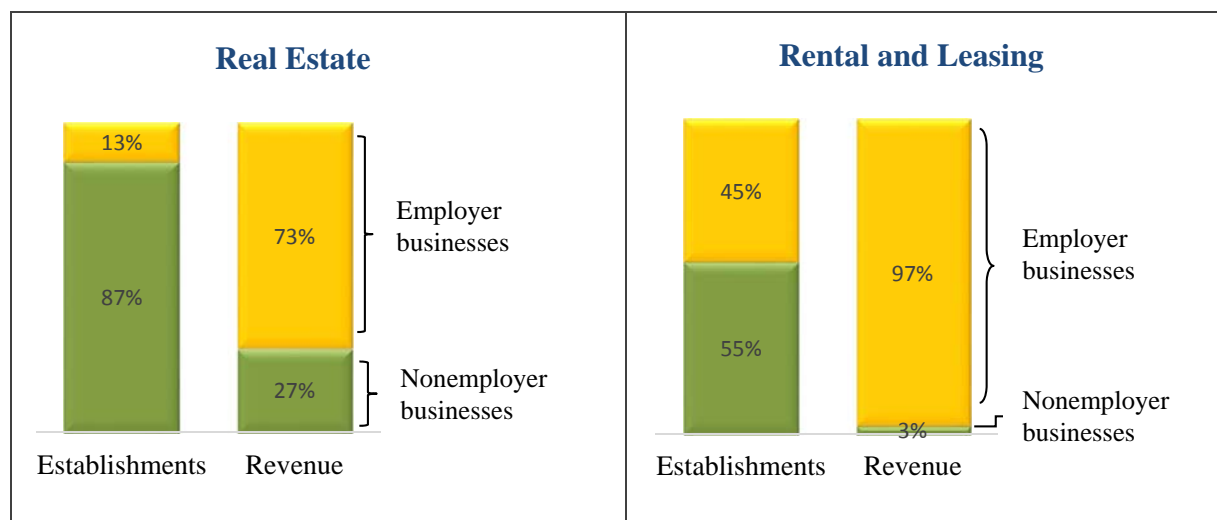
All the statistics discussed in the previous sections were based on the Economic Census. Since the Economic Census data only pertains to employer businesses, businesses with at least one paid employee, nonemployer businesses must also be examined in order to get a complete picture of the sector.

In 2012, there were 11,106 nonemployer businesses in Hawaii in the Real Estate and Rental and Leasing sector, which was about 6 times as many as the total number of employer businesses in the sector. Despite of its overwhelming number of businesses, revenue generation of nonemployer businesses was not significant. Combining the Economic Census employer data with the Bureau's annual nonemployer data, nonemployer businesses made up 85% of the combined number of establishments, but a mere 22% of the combined revenue in 2012.

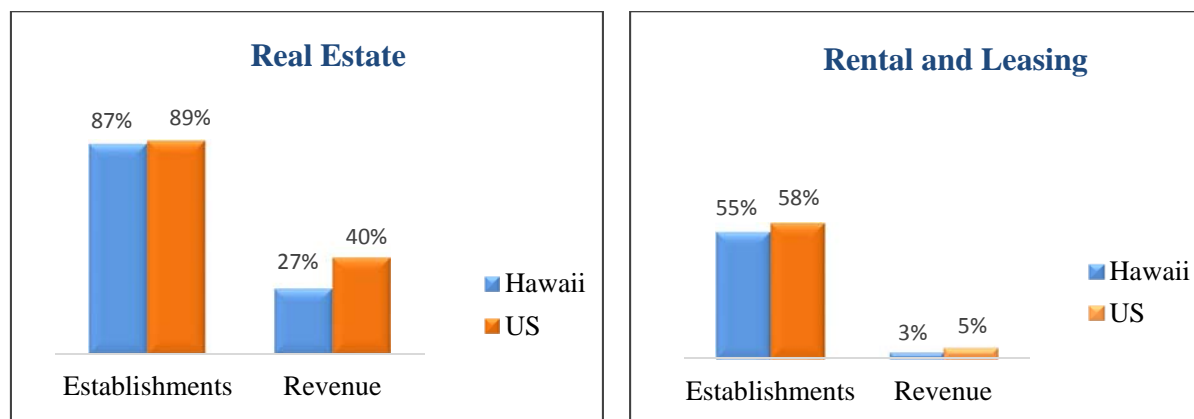
A majority of these nonemployer businesses were found operating in the Real Estate subsector. Of the 11,106 nonemployer businesses in the sector, 10,670 (96%) businesses were in the Real Estate subsector. Nonemployer businesses in this subsector comprised 87% of total combined number of establishments and 27% of the total combined revenue in this subsector.

The role of nonemployer businesses was much smaller in the Rental and Leasing subsector. The 432 nonemployer businesses in the Rental and Leasing subsector comprised 55% of total combined number of businesses, but its share of total combined revenue in this subsector was only 3% in 2012.

**Figure 5. Share of employer and nonemployer businesses in Hawaii: 2012**



The dominance of nonemployer businesses in the number of businesses was not unique to Hawaii. Hawaii and the nation were similar in regards to the percentage of establishments which were in the nonemployer category. This was true for both the Real Estate subsector as well as the Rental and Leasing subsector. Revenues for the Real Estate subsector differed, however, with Hawaii's share of nonemployer revenue being 27% while the U.S. share was a much bigger number at 40%.

**Figure 6. Share of nonemployer businesses, Hawaii vs. U.S.: 2012**

Earlier, we observed that the sector's employer businesses in Hawaii showed declines in both their number of establishments and revenue between 2007 and 2012. It was true for both Real Estate subsector and Rental and Leasing subsector. A decrease in the number of businesses was also observed in the nonemployer businesses for both subsectors, although their percentage decrease was slightly smaller than the employer businesses for the period.

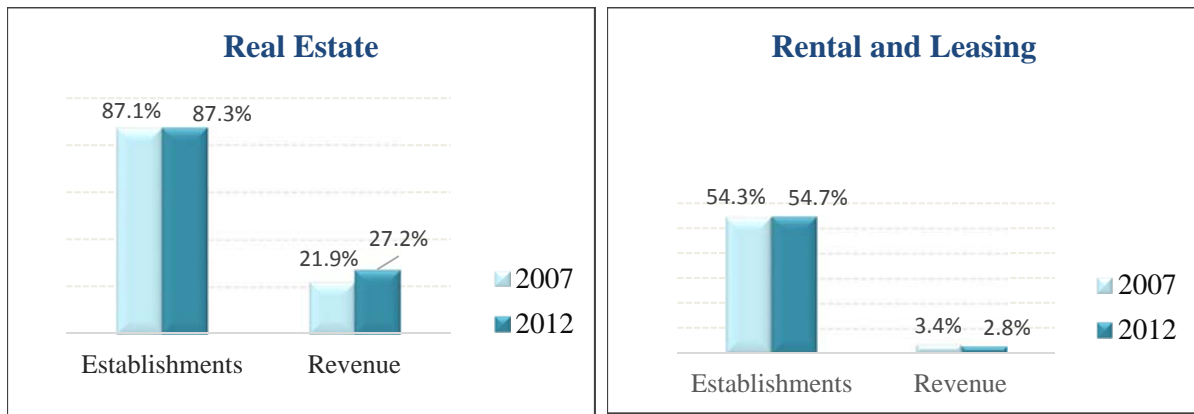
Their revenue trend varied by subsector, though. Nonemployer businesses in the Real Estate subsector did much better than the employer businesses in terms of revenue generation during the recession. Total revenue of nonemployer businesses increased by 9% between 2007 and 2012, while total revenue of employer businesses decreased by 18% in this subsector. As a result, nonemployer businesses' share of total combined revenue increased from 22% in 2007 to 27% in 2012 in the Real Estate subsector.

However, this positive performance of nonemployer businesses in the Real Estate subsector was not shared by the Rental and Leasing subsector. Total revenue of nonemployer businesses in the Rental and Leasing subsector decreased by a much bigger magnitude than employer businesses: -24% for nonemployer businesses vs. -4% for employer businesses.

**Table 8. Nonemployer businesses in Hawaii in the Real Estate and Rental and Leasing sector**

2012 NAICS code		Number of establishments			Revenue		
		2007	2012	% CHG from 2007	2007	2012	% CHG from 2007
53	Real Estate and Rental and Leasing	11,885	11,106	-6.6	872,174	939,232	7.7
531	Real Estate	11,426	10,670	-6.6	836,277	911,762	9.0
532	Rental and Leasing Services	454	432	-4.8	35,449	27,060	-23.7

**Figure 7. Share of nonemployer businesses in Hawaii: 2007 vs. 2012**





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## APPENDIX I: TERM DEFINITION<sup>5</sup>

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**Establishment** - An establishment is a single physical location at which business is conducted. It is not necessarily identical to a company or enterprise, which may consist of one establishment or more. Economic census figures represent a summary of reports for individual establishments rather than companies. For cases where a census report was received, separate information was obtained for each location where business was conducted. When administrative records of other federal agencies were used instead of a census report, no information was available on the number of locations operated. Each economic census establishment was tabulated according to the physical location at which the business was conducted. The count of establishments represents those in business at any time during 2012.

When two or more activities were carried on at a single location under a single ownership, all activities generally were grouped together as a single establishment. The entire establishment was classified on the basis of its major activity and all data for it were included in that classification. However, when distinct and separate economic activities (for which different industry classification codes were appropriate) were conducted at a single location under a single ownership, separate establishment reports for each of the different activities were obtained in the census.

Data for individual properties leased or managed by property lessors or property managers are not normally considered separate establishments, but rather the permanent offices from which the properties are leased or managed are considered establishments. Data for separate automotive rental offices or concessions (e.g., airport locations) in the same metropolitan area, for which a common fleet of cars is maintained, are merged together and not considered as separate establishments.

**Revenue** - Includes revenue from all business activities whether or not payment was received in the census year, including commissions and fees from all sources, rents, net investment income, interest, dividends, and royalties. Revenue from leasing property marketed under operating leases is included. Revenue also includes the total value of service contracts, amounts received for work subcontracted to others, and rents from real property sublet to others.

Revenue does not include sales and other taxes (including Hawaii's General Excise Tax) collected from customers and paid directly by the firm to a local, state, or federal tax agency.

**Paid employees** - Paid employees consist of full- and part-time employees, including salaried officers and executives of corporations, who were on the payroll during the pay period including March 12. Included are employees on paid sick leave, paid holidays, and paid vacations; not included are proprietors and partners of unincorporated businesses; independent (nonemployee) agents; full- and part-time leased

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<sup>5</sup> Source: American FactFinder page on the U.S. Census Bureau website, <http://factfinder.census.gov>

employees whose payroll was filed under an employee leasing company's Employer Identification Number (EIN); and temporary staffing obtained from a staffing service. The definition of paid employees is the same as that used by the Internal Revenue Service (IRS) on Form 941.

**Annual payroll** - Payroll includes all forms of compensation such as salaries, wages, commissions, dismissal pay, bonuses, vacation allowances, sick-leave pay, and employee contributions to qualified pension plans paid during the year to all employees and reported on Internal Revenue Service (IRS) Form 941 as taxable Medicare Wages and tips (even if not subject to income or FICA tax). Excluded are commissions paid to independent (nonemployee) agents, such as real estate agents. For corporations, payroll includes amounts paid to officers and executives; for unincorporated businesses, it does not include profit or other compensation of proprietors or partners. Payroll is reported before deductions for social security, income tax, insurance, union dues, etc. This definition of payroll is the same as that used by the IRS on Form 941.

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## APPENDIX II: INDUSTRY CLASSIFICATION<sup>6</sup>

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**North American Industry Classification System (NAICS)** – NAICS is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. It is based on a hierarchical structure. Codes range from two to six digits and correspond to the following levels: 2-digit is the sector; 3-digit is the subsector; 4-digit is the industry group; 5-digit is the NAICS industry; and 6-digit is the national industry. This system is used in the United States, Canada and Mexico. NAICS is reviewed every five years and the latest revision was in 2012.

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### SECTOR 53 -- REAL ESTATE AND RENTAL AND LEASING

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The Real Estate and Rental and Leasing sector comprises establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services. The major portion of this sector comprises establishments that rent, lease, or otherwise allow the use of their own assets by others. The assets may be tangible, as is the case of real estate and equipment, or intangible, as is the case with patents and trademarks.

This sector also includes establishments primarily engaged in managing real estate for others, selling, renting and/or buying real estate for others, and appraising real estate. These activities are closely related to this sector's main activity, and it was felt that from a production basis they would best be included here. In addition, a substantial proportion of property management is self-performed by lessors.

The main components of this sector are the real estate lessors industries (including equity real estate investment trusts (REITs)); equipment lessors industries (including motor vehicles, computers, and consumer goods); and lessors of nonfinancial intangible assets (except copyrighted works).

Excluded from this sector are establishments primarily engaged in renting or leasing equipment with operators. Establishments renting or leasing equipment with operators are classified in various subsectors of NAICS depending on the nature of the services provided (e.g., transportation, construction, agriculture). These activities are excluded from this sector because the client is paying for the expertise and knowledge of the equipment operator, in addition to the rental of the equipment. In many cases, such as the rental of heavy construction equipment, the operator is essential to operate the equipment.

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### SUBSECTOR 531-- REAL ESTATE

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Industries in the Real Estate subsector group establishments that are primarily engaged in renting or leasing real estate to others; managing real estate for others; selling, buying, or renting real estate for

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<sup>6</sup> Source: NAICS page on the U.S. Census Bureau website, <http://www.census.gov/eos/www/naics/>

others; and providing other real estate related services, such as appraisal services.

This subsector includes equity Real Estate Investment Trusts (REITs) that are primarily engaged in leasing buildings, dwellings, or other real estate property to others. Mortgage REITs are classified in Subsector 525, Funds, Trusts, and Other Financial Vehicles.

Establishments primarily engaged in subdividing and developing unimproved real estate and constructing buildings for sale are classified in Subsector 236, Construction of Buildings. Establishments primarily engaged in subdividing and improving raw land for subsequent sale to builders are classified in Subsector 237, Heavy and Civil Engineering Construction.

NAICS codes for detailed sectors in the 531 subsector are as follows.

- 5311 Lessors of Real Estate
- 53111 Lessors of Residential Buildings and Dwellings
- 531110 Lessors of Residential Buildings and Dwellings
- 53112 Lessors of Nonresidential Buildings (except Miniwarehouses)
- 531120 Lessors of Nonresidential Buildings (except Miniwarehouses)
- 53113 Lessors of Miniwarehouses and Self-Storage Units
- 531130 Lessors of Miniwarehouses and Self-Storage Units
- 53119 Lessors of Other Real Estate Property
- 531190 Lessors of Other Real Estate Property

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## **SUBSECTOR 532 -- RENTAL AND LEASING SERVICES**

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Industries in the Rental and Leasing Services subsector include establishments that provide a wide array of tangible goods, such as automobiles, computers, consumer goods, and industrial machinery and equipment, to customers in return for a periodic rental or lease payment.

The subsector includes two main types of establishments: (1) those that are engaged in renting consumer goods and equipment and (2) those that are engaged in leasing machinery and equipment often used for business operations. The first type typically operates from a retail-like or store-front facility and maintains inventories of goods that are rented for short periods of time. The latter type typically does not operate from retail-like locations or maintain inventories, and offers longer term leases. These establishments work directly with clients to enable them to acquire the use of equipment on a lease basis, or they work with equipment vendors or dealers to support the marketing of equipment to their customers under lease arrangements. Equipment lessors generally structure lease contracts to meet the specialized needs of their clients and use their remarketing expertise to find other users for previously leased equipment.

Establishments that provide operating and capital (i.e., finance) leases are included in this subsector.

Establishments primarily engaged in leasing in combination with providing loans are classified in Sector 52, Finance and Insurance. Establishments primarily engaged in leasing real property are classified in Subsector 531, Real Estate. Those establishments primarily engaged in renting or leasing equipment with operators are classified in various subsectors of NAICS depending on the nature of the services provided (e.g., Transportation, Construction, Agriculture). These activities are excluded from this subsector since

the client is paying for the expertise and knowledge of the equipment operator, in addition to the rental of the equipment. In many cases, such as the rental of heavy construction equipment, the operator is essential to operate the equipment. Likewise, since the provision of crop harvesting services includes both the equipment and operator, it is included in the agriculture subsector. The rental or leasing of copyrighted works is classified in Sector 51, Information, and the rental or leasing of assets, such as patents, trademarks, and/or licensing agreements is classified in Subsector 533, Lessors of Nonfinancial Intangible Assets (except Copyrighted Works).

NAICS codes for detailed sectors in the 532 subsector are as follows.

- 5321 Automotive Equipment Rental and Leasing
- 53211 Passenger Car Rental and Leasing
- 532111 Passenger Car Rental
- 532112 Passenger Car Leasing
- 53212 Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing
- 532120 Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing

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### **SUBSECTOR 533 -- LESSORS OF NONFINANCIAL INTANGIBLE ASSETS (EXCEPT COPYRIGHTED WORKS)**

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Industries in the Lessors of Nonfinancial Intangible Assets (except Copyrighted Works) subsector include establishments that are primarily engaged in assigning rights to assets, such as patents, trademarks, brand names, and/or franchise agreements for which a royalty payment or licensing fee is paid to the asset holder. Establishments in this subsector own the patents, trademarks, and/or franchise agreements that they allow others to use or reproduce for a fee and may or may not have created those assets.

Establishments that allow franchisees the use of the franchise name, contingent on the franchisee buying products or services from the franchisor, are classified elsewhere.

Excluded from this subsector are establishments primarily engaged in leasing real property and establishments primarily engaged in leasing tangible assets, such as automobiles, computers, consumer goods, and industrial machinery and equipment. These establishments are classified in Subsector 531, Real Estate and Subsector 532, Rental and Leasing Services, respectively.

NAICS codes for detailed sectors in the 533 subsector are as follows.

- 5331 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)
- 53311 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)
- 533110 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)

For more NAICS coding, go to <http://www.census.gov/eos/www/naics/>

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## APPENDIX III: GEOGRAPHICAL AREA DEFINITION<sup>7</sup>

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**Economic Place** - The concept of an economic census place (EC place) varies from that of a place used to tabulate data for the decennial census and American Community Survey (ACS). Entities that may be included as an EC place include incorporated places, census designated places (CDPs) in selected states, minor civil divisions (MCDs) in selected states and balances of MCDs or counties.

An incorporated place, CDP, MCD or balance of MCD or county qualifies as an EC place if it contains

- 2,500 or more people according to the 2010 Decennial Census,
- 2,500 or more jobs according to data from the 2006-2010 5-year ACS period estimates
- Is a new or significantly revised place since the 2010 Census and has an estimated population of 2,500 or greater

For the 2007 Economic Census, 5,000 or more people or jobs were required to qualify as an economic place. The lower requirement for 2012 allows for data for more small communities, a total of nearly 5,000 additional economic places.

Hawaii is the only state where the U.S. Census Bureau does not report data for “incorporated places” (or more commonly known as “cities”), although legally, the City and County of Honolulu is an incorporated city. Instead, the Census Bureau through an agreement with the State of Hawaii recognized the 151 “census designated places” (CDPs) as “places” for data reporting purposes. Had the City and County of Honolulu been recognized as an “incorporated place”, census geography rules would have precluded the reporting of sub-county data, such as East Honolulu, Ewa Beach, Mililani Town, etc. Therefore all economic places are equivalent to CDPs within the State of Hawaii.

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<sup>7</sup> Source: Geography page on the U.S. Census Bureau website, <http://www.census.gov/geography.html>