

When looking at the broader Waikiki vicinity (ZIP Code 96815) including the Kapahulu residential area, the resident population jumps to 27,507 for April 1, 2000. However, even with this addition, the area’s population is still only about 3.1% of the Oahu total.

The Economy of Waikiki

Waikiki’s significance increases exponentially when the focus is on its role in the economy. Waikiki is the anchor for the State’s visitor industry, which is in turn the major driving force in Hawaii’s economy.

Visitor Industry

Over the past several decades the state’s visitor industry has diversified geographically from Oahu to the Neighbor Islands, particularly Maui. This has increased the variety of the tourism product that the state is able to provide visitors and has permitted the Neighbor Islands to share in the economic growth generated by visitor activity. On the other hand, it has also reduced Waikiki’s share of statewide tourism.

Nevertheless, Waikiki remains the state’s flagship destination in terms of sheer size. An average of about 72,000 visitors per day occupied Waikiki’s visitor units in 2002. This represents 44% of the statewide, average daily visitor census for that year.

Waikiki and Oahu attract proportionately more international visitors than the state as a whole. About 43% of Oahu’s visitors in 2002 were international travelers. This compares with just 32% for the state as a whole. The international market has grown rapidly over the past several decades. However, the market has shown dips in the past two years in the face of volatile international events.

As Table 1 shows, Waikiki accounted for 45% of the state’s visitor-unit inventory for 2002. This amounted to more than 31,700 visitor units.

Table 1. Inventory of Visitor Units, 2002

Type	Waikiki	Oahu		State	
	Number	Number	% In Waikiki	Number	% In Waikiki
ALL UNITS	31,717	36,457	87.0%	70,783	44.8%
Apartment/hotel	212	307	69.1%	414	51.2%
Bed & Breakfast	0	28	0.0%	485	0.0%
Condominium Hotel	3,331	3,442	96.8%	15,731	21.2%
Hostel	153	213	71.8%	339	45.1%
Hotel	27,505	31,442	87.5%	49,442	55.6%
Indiv. Vacation Unit	147	269	54.6%	1,704	8.6%
Other	369	756	48.8%	2,668	13.8%
<i>Number & percent of above units classified as Registered Timeshare</i>	921	981	93.9%	4,967	18.5%

Source: DBEDT, 2002 Visitor Plant Inventory.

Waikiki’s strong suit is the full service hotel market, with the area accounting for 56% of such units statewide. These properties tend to have higher staffing levels and revenues than other types of visitor units. On the other hand, Waikiki accounted for only 21% of the condominium units in visitor use statewide.

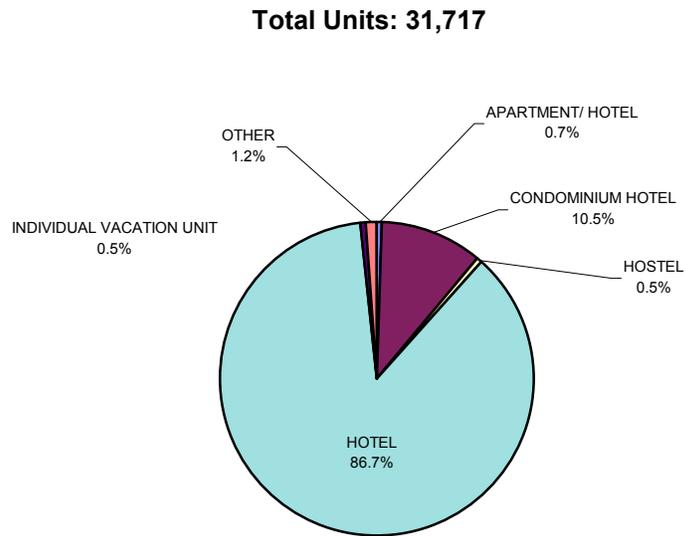
Waikiki has a rather modest presence in the growing timeshare market. Timeshare units accounted for just over 7% of the state’s visitor-unit inventory in 2002. Only 3% of the units in Waikiki were timeshare, and Waikiki accounted for just 19 percent of timeshare units statewide.

As Figure 1 shows, full service hotels dominate the visitor-unit inventory in Waikiki with 87% of all units. The combination of hotels and condominium units in visitor use account for 97% of all units in Waikiki.

The occupancy rate for Waikiki hotels in 2002 was 70.3%, about one percentage point above the state average and nearly two percentage points over the 2001 level for Waikiki. However, the average daily hotel room rate in Waikiki was

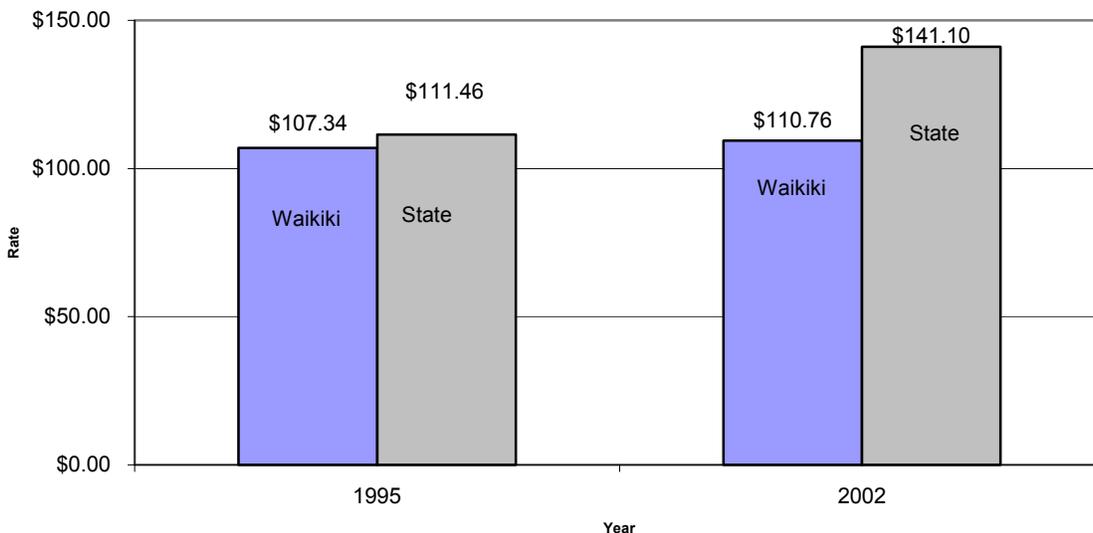
well below the state average in 2002. Waikiki’s average hotel rate was \$111 for the year compared with a state average of \$141. The average Waikiki rate for 2002 was down \$6 per room from 2001, compared to a \$4 decline statewide. As Figure 2 indicates, Waikiki room rates have increased much more slowly than the state average over the past seven years.

Figure 1. Waikiki Visitor Units, 2002



Source: DBEDT

Figure 2. Average Hotel Room Rates



Source: Hospitality Advisors LLC

Employment & Businesses

Not surprisingly, Waikiki is a major employment center for the Island of Oahu. Based on business and employment information compiled by ZIP Code by the Bureau of the Census, the Waikiki area (ZIP Code 96815) contained more than 1,600 businesses in the year 2000.² These businesses employed about 32,300 workers and paid total wages of \$807 million for the year.

Of these jobs in Waikiki, DBEDT estimates that visitor accommodations accounted for roughly 13,000, or about 40% of the wage and salary jobs in the Waikiki ZIP Code area for the year 2000. The rest of the jobs in the Waikiki area were in other industries that either supported visitor activity or serviced the area’s resident population.

While the Waikiki area supplied more than 32,000 jobs, other census data show that fewer than 12,000 wage and salary workers actually lived in the area in 2000. It is not known how many of those workers were actually employed in the Waikiki area. However, even if all of them worked in Waikiki (which is quite unlikely), it would only account for a little more than a third of the workforce there. Thus, it is clear that Waikiki serves as a major employment center for the Island as a whole.

Retail trade, accommodations & food service industries accounted for about 55% of the 1,600 business establishments in the Waikiki ZIP Code area. The distribution of firms among the various industries is shown in Table 2. The employment in these individual industries is not available.

Table 2. Establishments in Waikiki, 2000

Industry	Total Establishments	Industry	Total Establishments
ALL ESTABLISHMENTS	1,607	Professional, scientific & technical services	49
Construction	18	Management of companies & enterprises	20
Manufacturing	11	Admin, support, waste mgt, remediation serv.	138
Wholesale trade	50	Educational services	13
Retail trade	522	Health care and social assistance	27
Transportation & warehousing	22	Arts, entertainment & recreation	30
Information	11	Accommodation & food services	342
Finance & insurance	25	Other services (except public administration)	197
Real estate, rental & leasing	117	Other and unclassified	15

Source: U.S. Census Bureau, ZIP Code Business Patterns (ZIP Code 96815).

Economic Contribution of Waikiki

Waikiki is the largest among a handful of unique geographical areas of the state that generate substantial export income for Hawaii. Most geographical areas of the state have some sort of business activity that adds to employment, income, taxes and Gross State Product (GSP). However in most cases, a good deal of this business represents secondary spending of export-industry income earned elsewhere in the state.

Waikiki, on the other hand, is a major platform for the export of the state’s visitor services. In this role it facilitates the injection of billions of outside dollars into the rest of the economy. For this reason, Waikiki is not only a source of employment, income and taxes, but also one of the state’s major economic-growth assets. It’s effectiveness in competing for visitors and providing them a satisfying vacation experience is important to the stability and growth of the state’s economy. Much like the anchor store in a

² 2000 County Business Patterns, U.S. Census Bureau. The 96815 ZIP Code includes the narrowly defined Waikiki area (census tracts 18.01 through 20.02) and a good deal of the Kapahulu area (Census Tracts 17, 16 and parts of 15). However compared to the Waikiki area, the Kapahulu business area is small and located primarily along Kapahulu avenue. Its inclusion in the data on Waikiki, therefore, probably does not unduly inflate the measure of Waikiki business activity.

shopping center, Waikiki’s visitors will spread their vacation spending around to other businesses on the island. Many visitors will also book neighbor island visits for a day, overnight or longer.

But how much does Waikiki matter in the economy? It is difficult to know precisely how much Waikiki contributes to the economy, but a rough estimation is possible based on the area’s share of state tourism.

The estimated role of Waikiki in Hawaii’s statewide tourism industry is shown in Tables 3. Depending on the measure, Waikiki accounted for between 44% and 46% of statewide tourism in 2002. About 44% of all visitors in the state were based in Waikiki on the average day in 2002. Waikiki had 45% of the available visitor units in the state that year. More than \$5 billion, or 46% of all visitor expenditures in the state were generated by Waikiki-based visitor activity during 2002.

Table 3. Waikiki’s Share of Tourism, 2002

Measure of Tourism	Statewide Visitor Industry	Waikiki	
		Number	Percent of Statewide Tourism
Visitors	6,389,018	3,718,768 ¹	NA ²
Ave. daily visitor census	164,634	71,756 ¹	43.6%
Visitor units	70,783	31,717	44.8%
Occupied units (average)	49,053	22,297	45.5%
Total visitor expenditures ³ (\$millions)	\$11,023.9	\$5,015.9	45.5%

NA: Not applicable.

¹ Estimated as a proportion of Oahu.

² Because many visitors tour more than one island, percent is not applicable.

³ Includes a portion of the overseas airfare supporting Hawaii-based airline services.

Source: DBEDT.

Accounting for Economic Contributions

The estimated economic contribution of Waikiki and statewide tourism are shown in Table 4.

Table 4. Contribution to the State’s Economy by Statewide Visitor Industry and Waikiki, 2002

Type of Impact	Statewide Visitor Industry Contribution to Economy		Waikiki Contribution to State Economy	
	Number	Percent of State Economy	Number	Percent of State Economy
Direct Impact¹				
Gross State Product (GSP) ²	NA	NA	NA	NA
Civilian Jobs ³	122,219	17.0%	55,610	7.7%
State & Local Taxes (\$millions)	\$776.3	21.6%	\$353.2	9.8%
Direct and Indirect⁴				
GSP ⁴ (\$millions)	\$7,973.6	17.3%	\$3,628.0	7.9%
Civilian Jobs ³	160,787	22.3%	73,158	10.2%
State & Local Taxes (\$millions)	\$949.3	26.4%	\$431.9	12.0%

NA: Not Applicable.

¹ Measures the impact of visitor expenditures on only those firms that sell directly to visitors.

² In this Input-Output analysis, direct and indirect GSP are not readily separated.

³ Civilian jobs include wage and salary jobs plus self-employed but exclude non-civilian military jobs.

⁴ Measures the impact of visitor expenditures through all firms that contributed to goods and services sold to visitors.

Source: DBEDT.

Through DBEDT’s input-output model it is estimated that visitor-industry firms (those firms selling goods and services directly to the visitor) accounted for more than 122,000 jobs in the state during 2002. However, there are a large number companies that receive visitor dollars indirectly by supplying and servic-

ing visitor-industry firms. Taking into account these firms, it is estimated that in total, nearly 161,000 jobs were supported directly and indirectly by visitor expenditures in 2002.

Likewise, visitor-related expenditures generated \$776 million in state and local tax revenues among visitor industry firms and \$949 million among all firms (direct and indirect).

Statewide tourism's contribution to GSP was about \$8.0 billion in 2002³. As Table 4 indicates, the contribution to GSP by tourism is lower than the value of visitor expenditures. This is primarily because a portion of the goods and service purchased by visitor expenditures was actually imported from outside the state. That imported portion does not count toward the calculation of GSP.

The contribution to the economy by tourism of \$8.0 billion compares to a total Gross State Product for 2002 of \$46 billion, meaning that about 17% of Hawaii's GSP for the year was generated by visitor activity. The export of visitor services is the largest single contributor to Hawaii's annual GSP.

Waikiki Contribution

Waikiki's major contribution to the economy is through its role as a resort destination. Based on its share of total occupied visitor units in the state for 2002, it is estimated that the Waikiki resort area accounted for roughly 73,000 jobs statewide. About 56,000 of these jobs were in businesses serving the visitor directly. In addition, Waikiki-based visitor activity generated an estimated \$432 million in tax revenues for the state and counties. In particular, Waikiki generates a substantial amount of property taxes for the City and County of Honolulu. A compilation by the Waikiki Business Improvement District shows that the 4,650 commercial parcels in Waikiki generated \$54.9 million in property taxes for fiscal year 2002. The assessed property value of these parcels was nearly \$5.7 billion. Millions of dollars more in property taxes were paid by residential owners in the district.

It is estimated that Waikiki-based visitor activity accounted for about \$3.6 billion or 46% of statewide tourism's total contribution to GSP in 2002. In terms of its role in the state's economy as a whole, about 8% of Hawaii's GSP for 2002 can be attributed to visitor activity based in Waikiki.

Additional Contributions

Visitor-related expenditures associated with Waikiki actually generate more economic activity than the analysis above can take into account. That additional activity is generated by the consumer expenditures of workers who make their living directly or indirectly through visitor industry activity. Economists refer to this as the "induced" impact of visitor related expenditures. This impact occurs when employees go out into the community and spend money for groceries, rent, recreation and so forth. This money, in turn is re-spent by the businesses and employees of those community businesses. As a result, even more income, jobs, taxes and GSP are generated in the state.

Unfortunately, it is a more complex task to accurately capture the magnitude of the induced impact of visitor-related spending on the economy than is possible in this limited study. Nevertheless, it is a very real impact and helps explain why local sales in many communities far from resort destinations may reflect the ups and downs of visitor industry performance.

Just as there are additional economic *benefits* that are not captured in this analysis, there are also *costs* to the state, county and community from growth in Waikiki that are beyond the scope of this analysis. These include the typical costs of police, fire, water and sewage services, and may also include the cost of dealing with increased congestion, environmental problems and future capacity of the infrastructure. These cost issues are common to many sources of economic growth besides resort tourism.

³ This loosely represents a combination of the direct and indirect contribution to GSP. For technical reasons the direct contribution of tourism alone is more complicated to estimate in the Input-Output framework than the direct & indirect combination.

Conclusions

Despite the diversification of the visitor industry towards the neighbor islands and other parts of Oahu, Waikiki remains the flagship of the state's tourism industry with 45% of all visitor units. As an economic asset, Waikiki's visitor industry supports approximately 8% of the Gross State Product, and even more when one considers the respending of the visitor dollar by employees of tourism-related firms.

Directly and indirectly, the small, one-square-mile area of Waikiki can be associated with supporting about 11% of all civilian jobs in the state and 12% of state and local tax revenues.

Finally, there are additional economic benefits and costs associated with Waikiki activity that are not captured in this accounting of the area's contribution to the state. On one hand, these include the additional benefit of the induced effect of tourism workers' personal consumption expenditures. On the other hand, the costs of activity and growth in Waikiki are also not captured in this estimate of the resort's contribution to the state's economy.