Current Hawaii Economic Conditions

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at the

Hawaii Chapter of the Institute of Internal Auditors

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Some Interesting Statistics About Hawaii

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Hawaii's Position in Key Indicators to Build Prosperity

CFED Assets & Opportunity Score Card			
	HI	US	HI Rank
Liquid Asset Poverty	29.7%	43.9%	5
Consumers with Sub-Prime Credit	48.2%	56.4%	8
Employers Offering Health Insurance	83.5%	51.0%	1
Retirement Plan Participation	44.3%	44.6%	39
Small Business Ownership	1.5%	1.3%	15
Home Ownership	56.8%	64.6%	47
8th Grade Math Proficiency	30.0%	34.7%	38
8th Grade Reading Proficiency	26.0%	33.5%	44
Housing Affordability	7.9 higher than median income	3.4 times median income	51
Four Year Degree	29.1%	28.5%	19
College Graduates with Debt	38.0%	66.0%	1

Source: Assets & Opportunity Scorecard,

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Some Economic Indicators: History and Current

Indicator	20 year annual growth, %	2013 growth, %
Real GDP	0.8	2.6
Real personal income	1.6	2.6
Wage and salary jobs	0.5	1.8
Visitor arrivals	1.0	4.3
Real visitor expenditures	0.2	2.3
Unemployment rate	4.7	4.8

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DBEDT Forecast
All Key Economic Indicators for Hawaii are positive in 2013 and continue to be positive in 2014

(Annual % Change)

	Actual CY 2012	Forecasted CY 2013	Forecasted CY 2014
Total Population	1.0%	1.0%	1.0%
Visitor Arrivals	10.0%	4.3%	3.0%
Visitor Expenditures	18.1%	5.3%	5.0%
Honolulu CPI-U	2.4%	1.9%	2.2%
Personal Income	3.9%	4.5%	5.2%
Real Personal Income	1.5%	2.6%	2.9%
Total Wage and Salary Jobs	1.9%	1.8%	1.8%
Real GDP	1.6%	2.6%	2.4%

Source: Department of Business, Economic Development & Tourism

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Income and Labor Market

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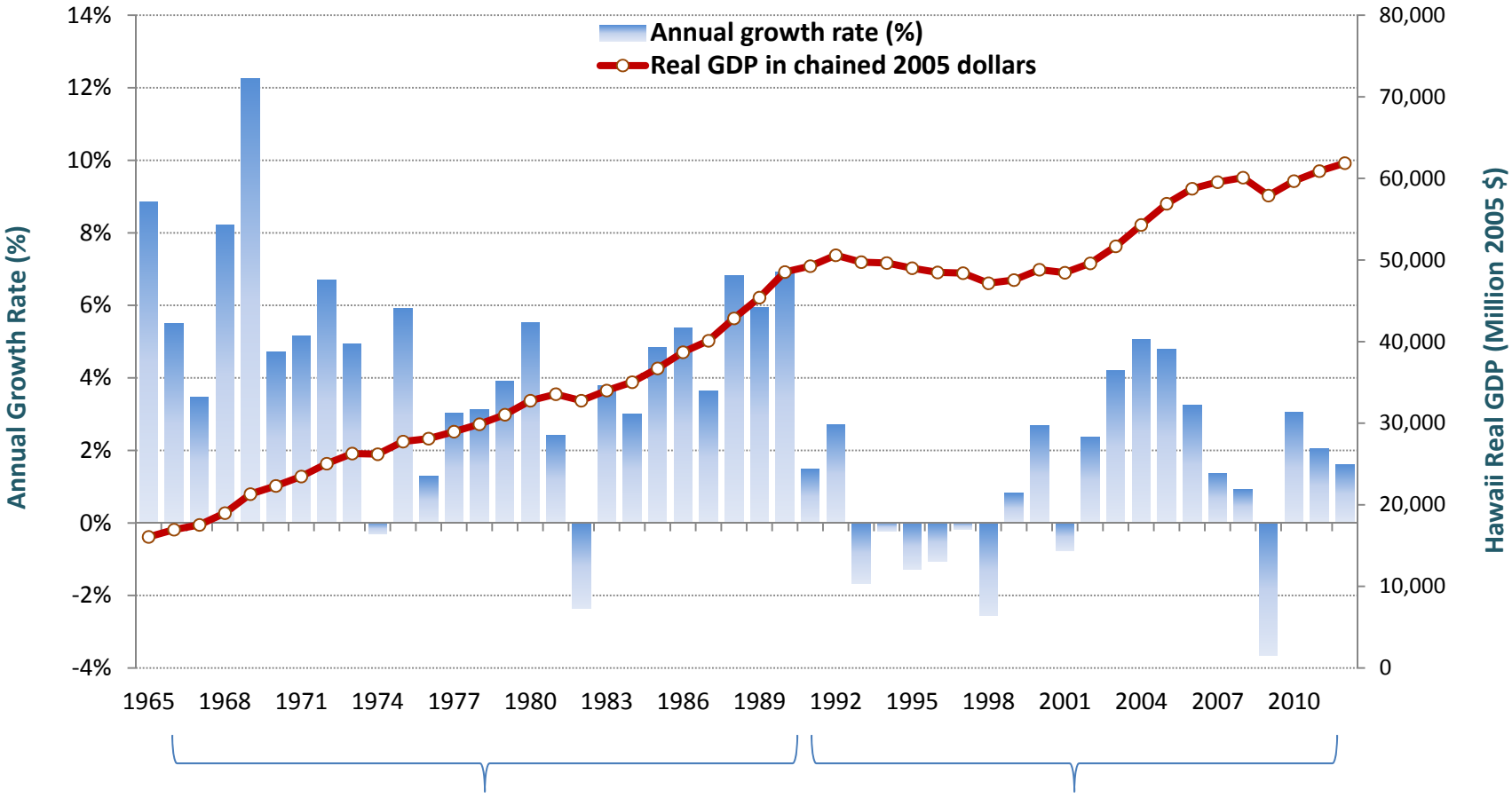
Hawaii Real GDP from 1965 to 2012



1965 – 1990: 4.5%

1991 – 2012: 1.1%

Compound Annual Growth Rate

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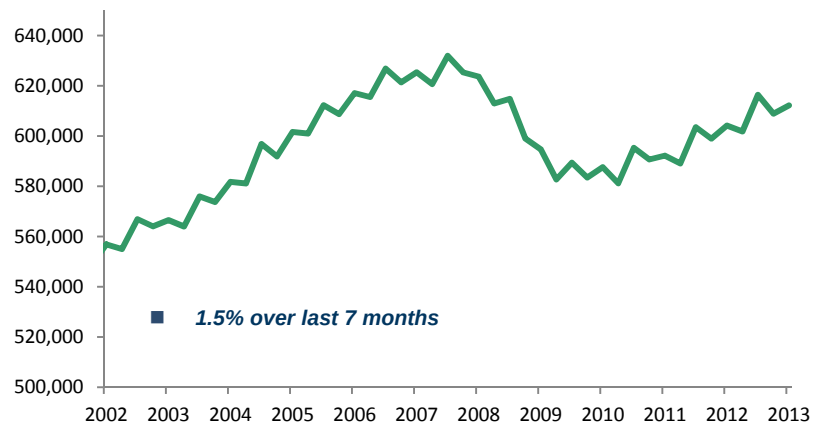
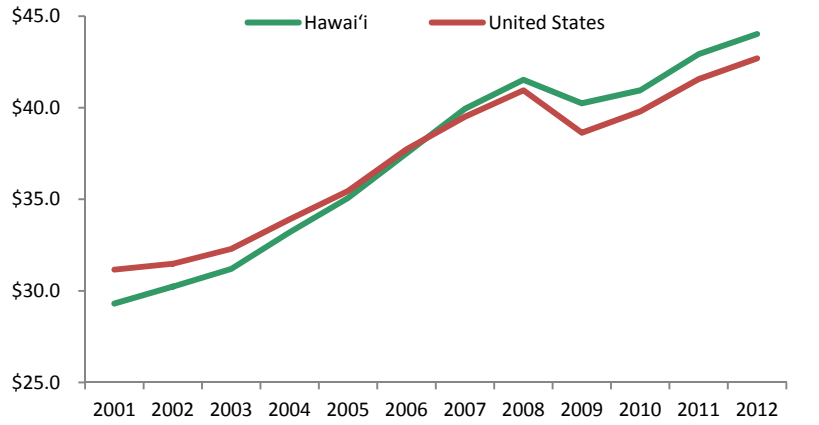
Income and Employment Metrics Are Strong

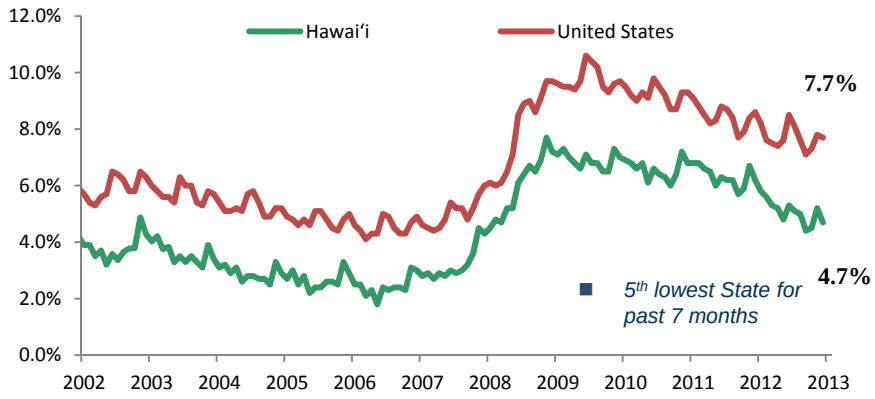
Wage and Salary Jobs[1]



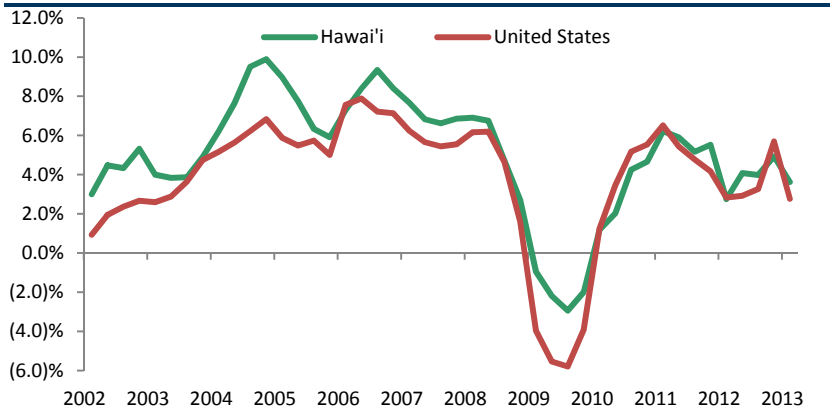
Per Capita Income ($000)



Unemployment Rates[1]



Quarterly Personal Income Growth[2] (Compared to Same Period in Previous Year)



Source: DBEDT, Bureau of Labor Statistics, U.S. Department of Labor
[1] As of July , 2013
[2] As of 1Q 2013

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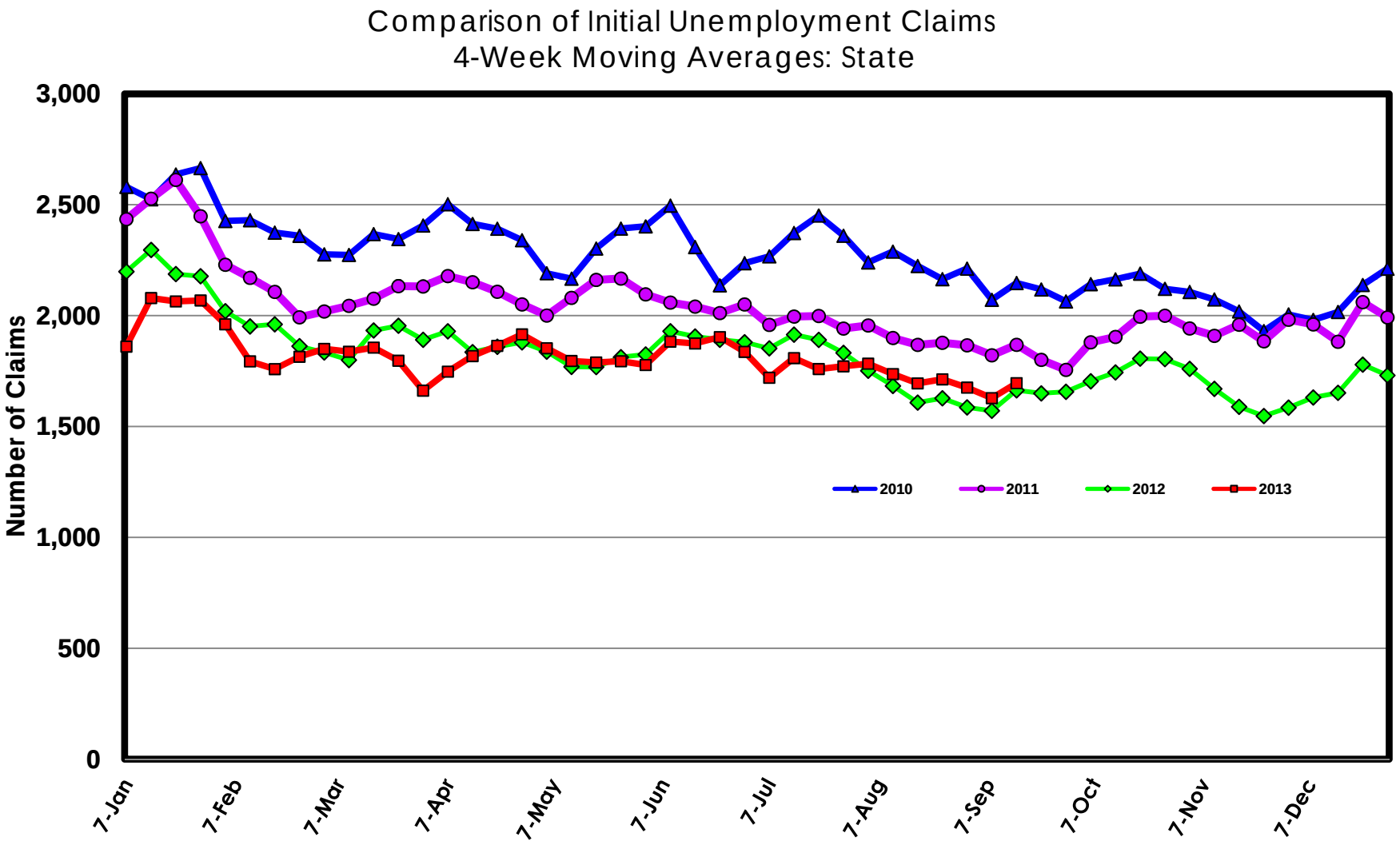
Initial unemployment claims have been declining since the beginning of 2010 and continues to decline in 2011 and 2012; First 8 months of 2013 declined 2.1%



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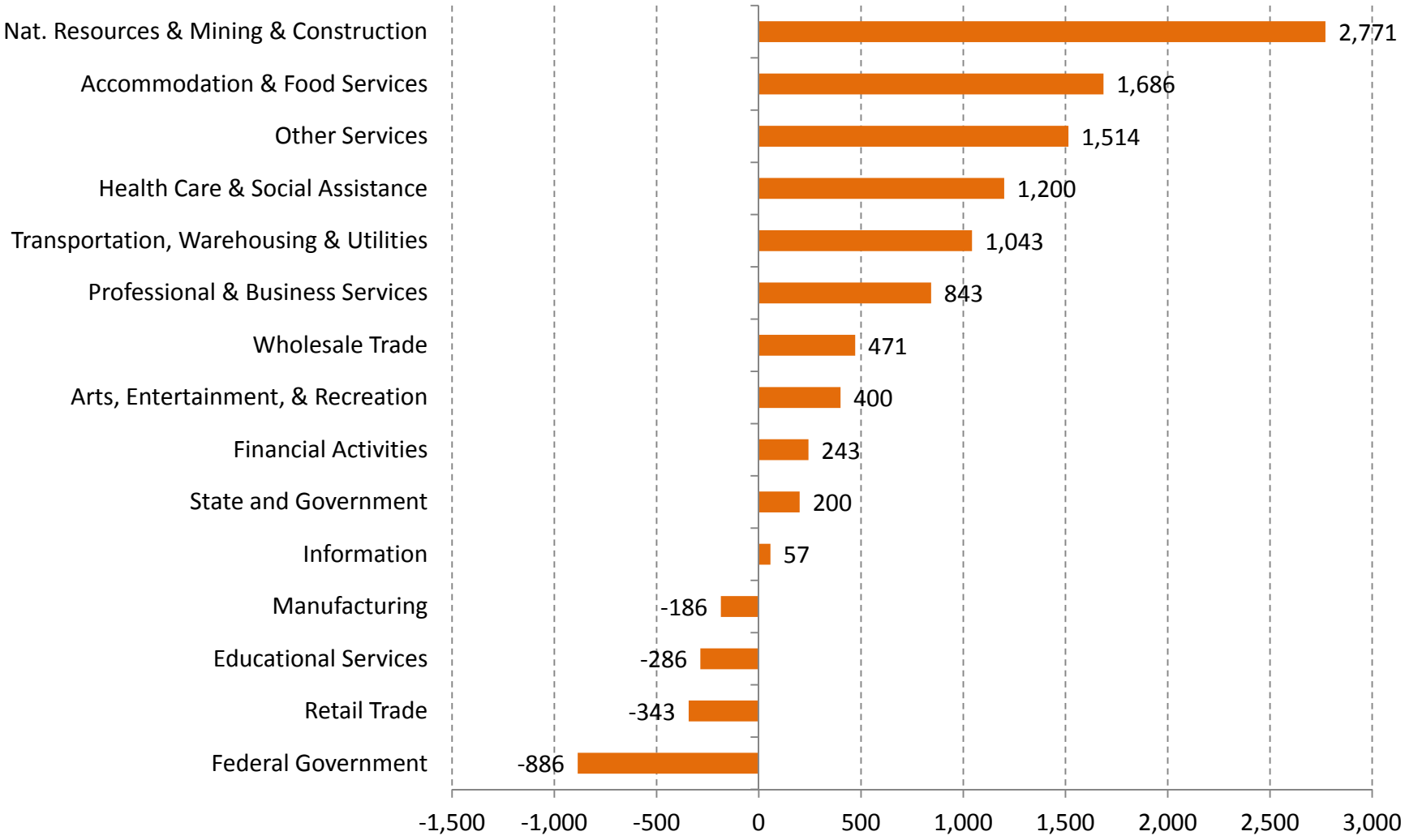
During the 1st 7 months of 2013, Hawaii gained 8,750 jobs



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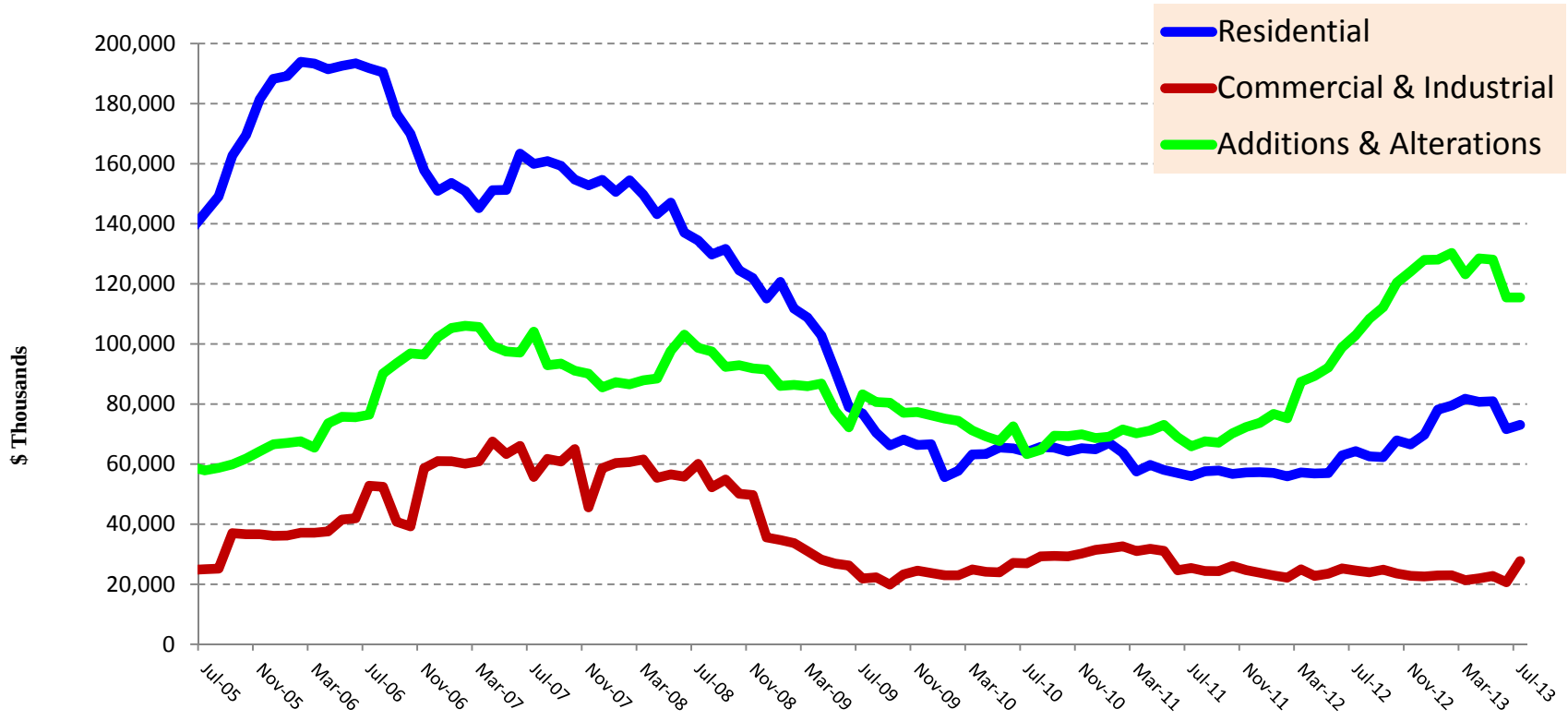
Construction and Real Estate

Private Construction Activity

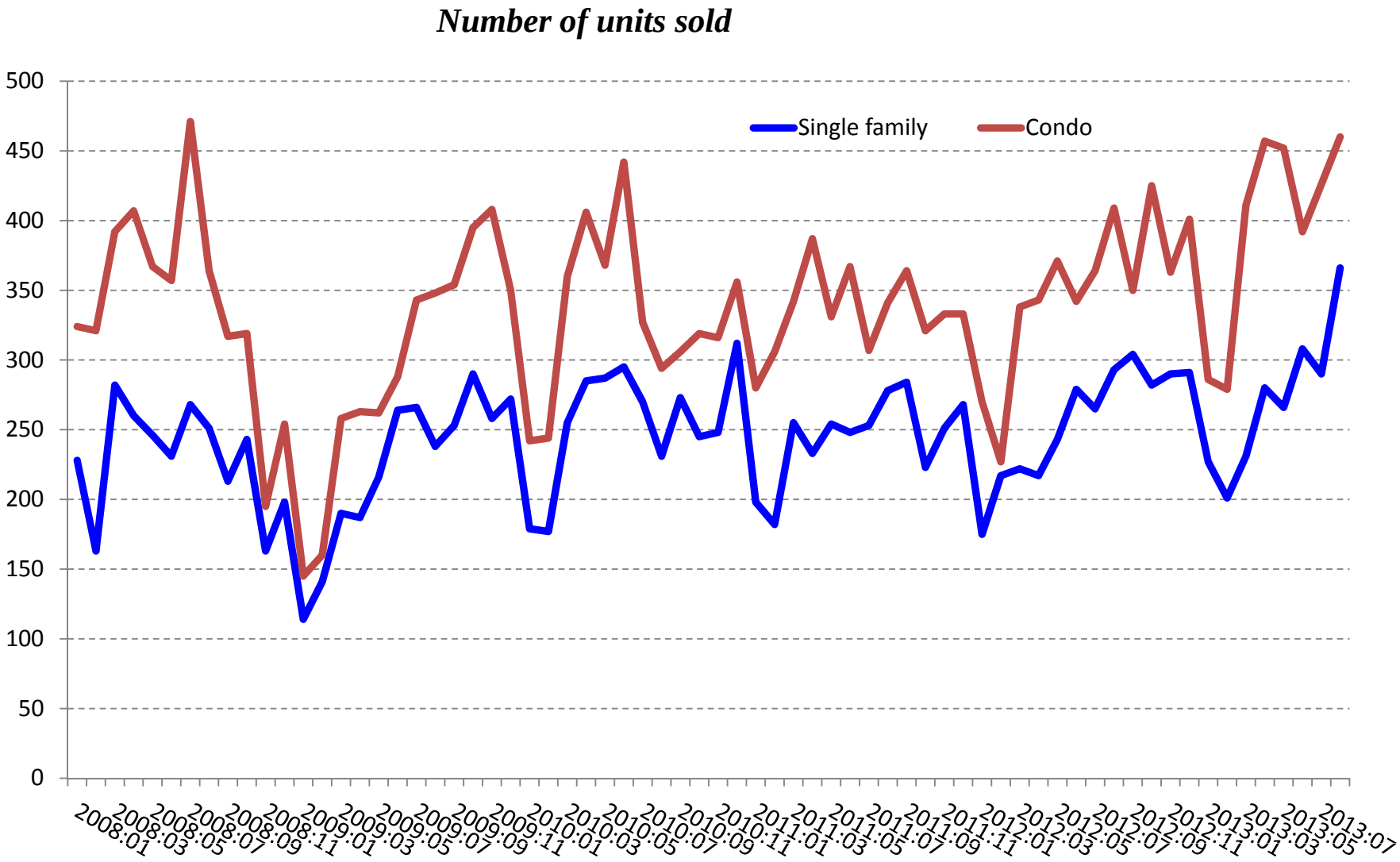
Private Construction Activity Has Turned the Conner in 2012

12-Month Moving Average of Building Authorization Components*



**Additions and Alterations and Commercial & Industrial data do not include Kauai. All data through July 2013.*
Source: County building departments and U.S. Census Bureau.

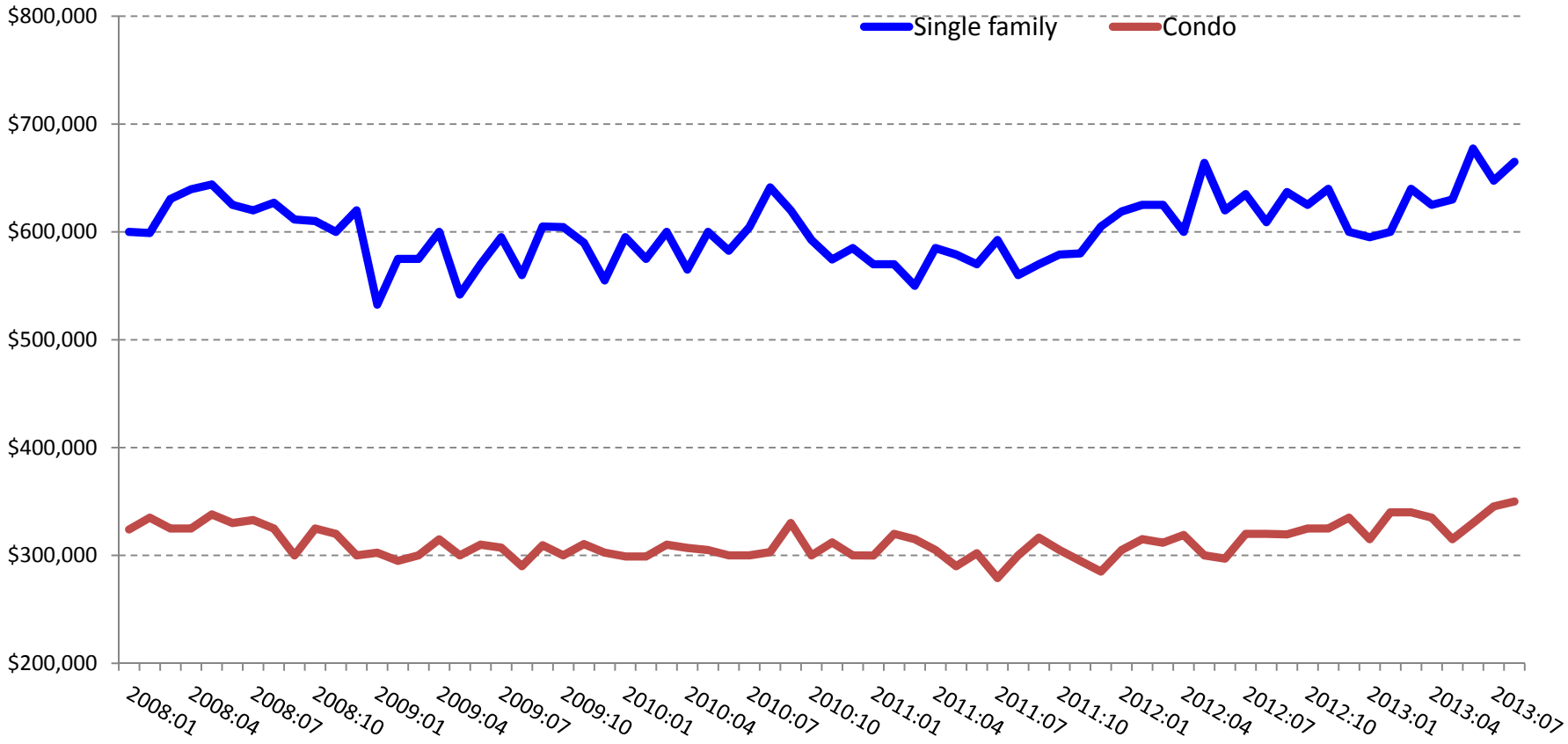
Honolulu Home Sales Increased in 2013



Updated through **August** 2013.
Source: Honolulu Board of Realtors

Honolulu Housing Prices Are Creating New Records

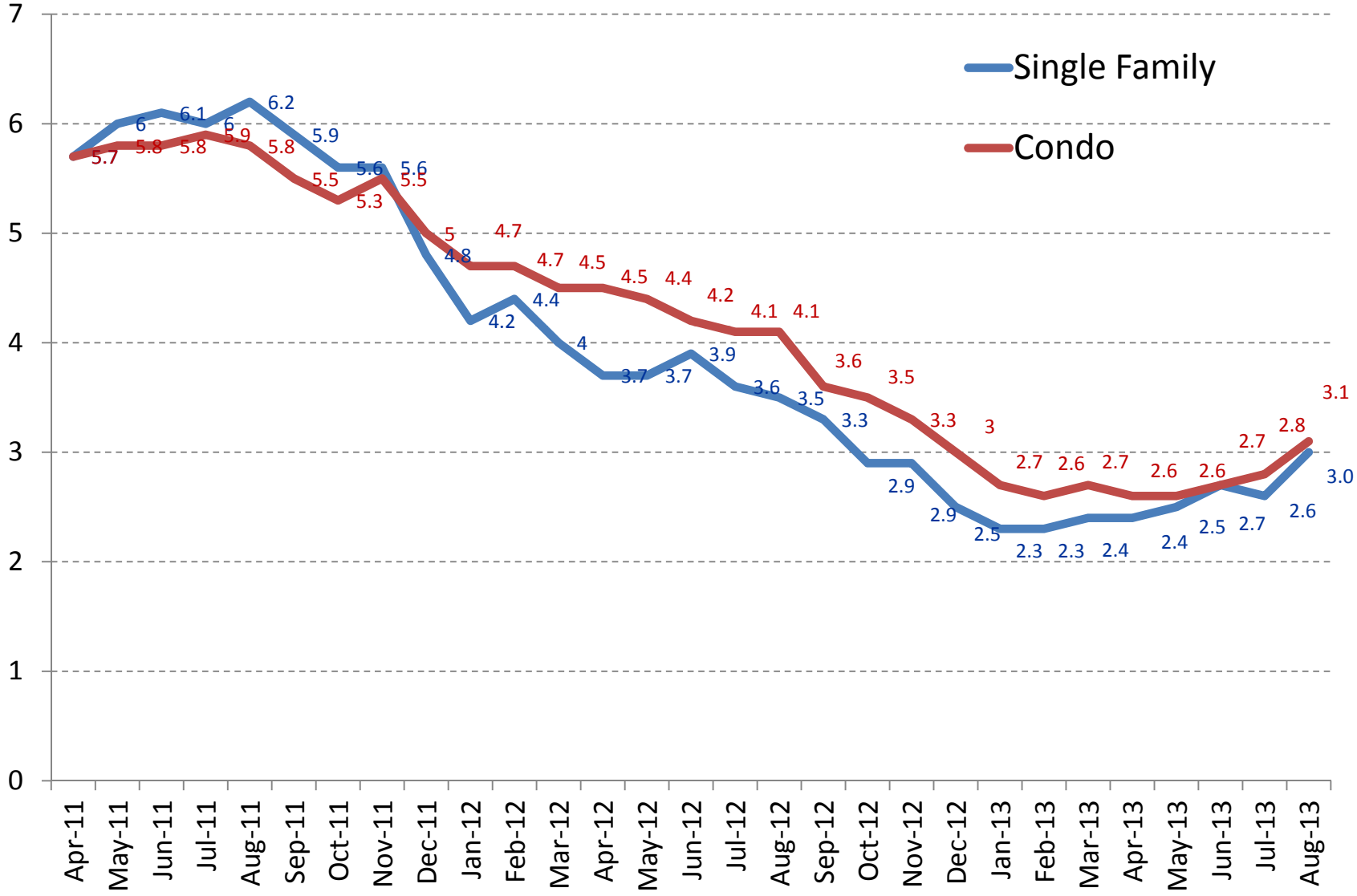
Honolulu median selling prices



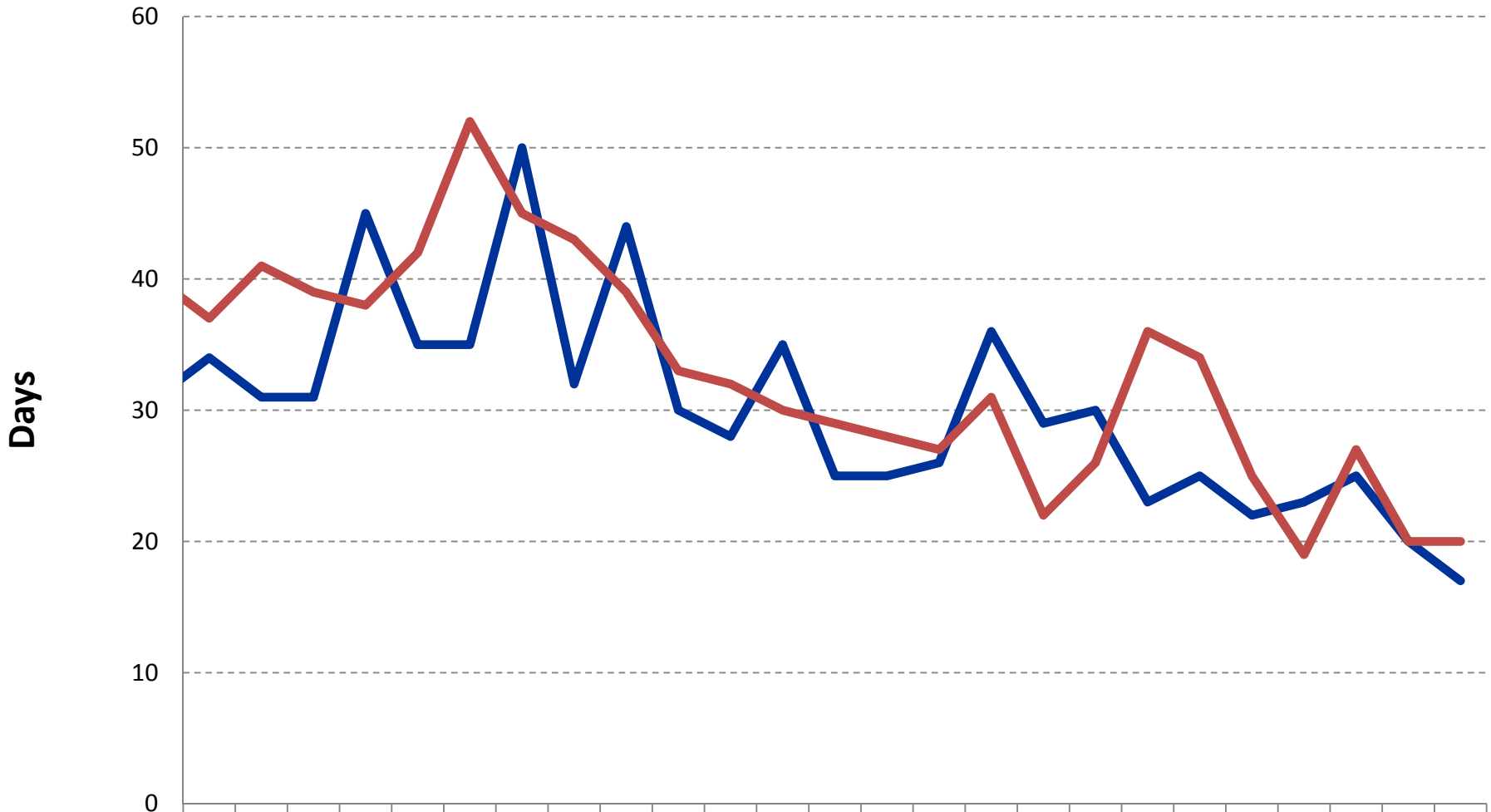
Updated through **August** 2013.
Source: Honolulu Board of Realtors

Honolulu Residential Inventory

Compares the Number of active listings available to the average monthly pending sales



Honolulu Resale Days on Market



	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Single Family	34	31	31	45	35	35	50	32	44	30	28	35	25	25	26	36	29	30	23	25	22	23	25	20	17
Condo	37	41	39	38	42	52	45	43	39	33	32	30	29	28	27	31	22	26	36	34	25	19	27	20	20

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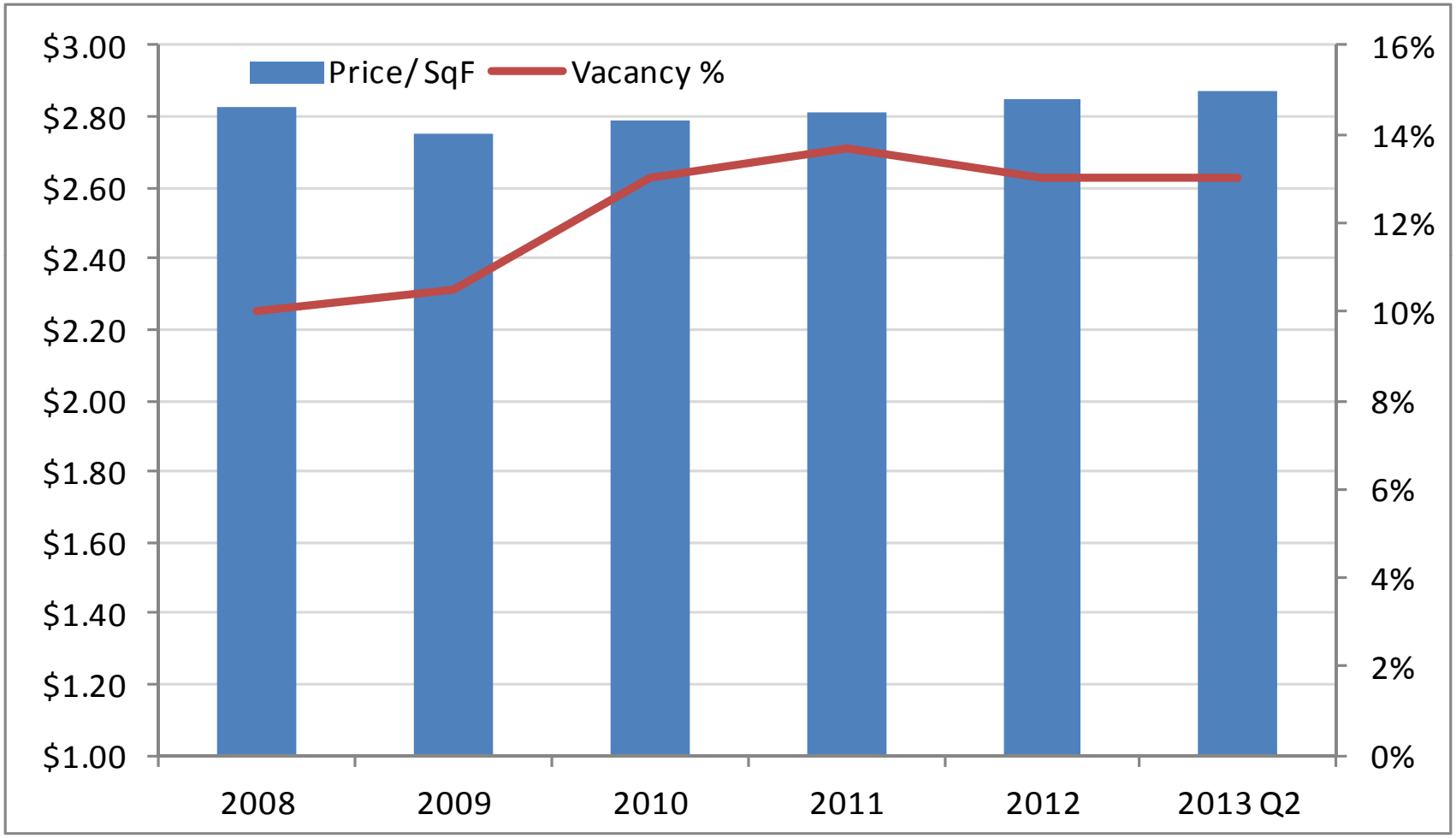
Honolulu Office Occupancy Rate is Flat while Rental Price is Going Up



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Kakaako Development

3 projects under construction: 658 total units

3 projects granted permits: 1,123 total units

7 Planned projects: 2,310 total units

One Ala Moana

Developers: The Howard Hughes Corporation, The Mac Naughton Group, and The Kobayashi Group.

23 stories with 206 units

760 square feet to 4,100 square feet

$500,000 for a one bedroom ground floor unit to $9 million for penthouse suites

Average price per unit is $1.6 million.

Units are all sold.

Ritz Carlton Residence in Waikiki

One of the largest residential construction projects in the Waikiki

37 stories with 309 units

Price = $500,000 to $15 million

90 percent of the units have already been sold.

Developers: Albert C. Kobayashi Inc., Baldridge & Associates Structural Engineering. Moss Engineering, Notkin Hawaii, Guerin Glass Architects and Brett Hill Construction.

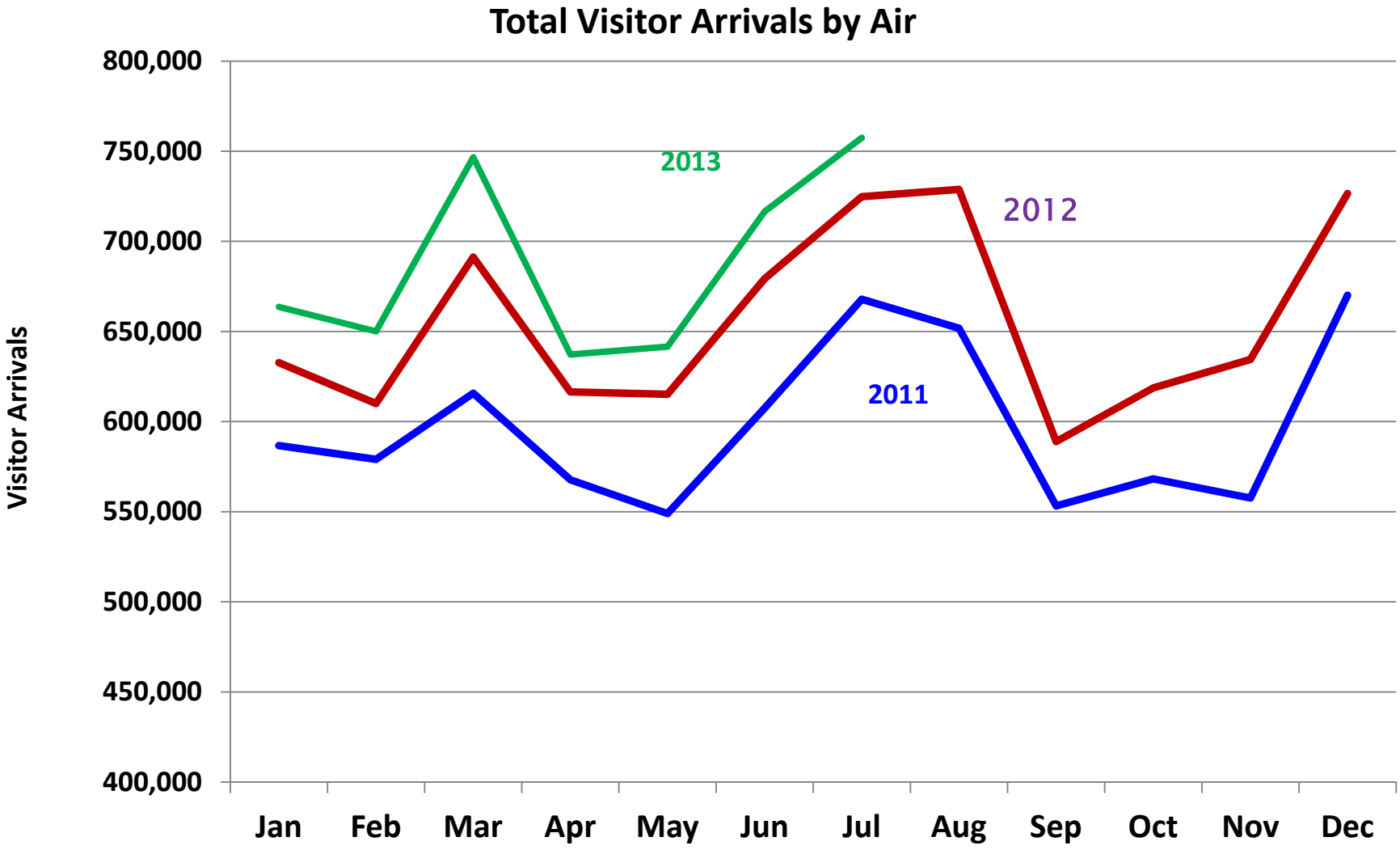
Selected Commercial Construction Projects

Island	Property	Type	Est. Amt. ($M)
O'ahu	Hilton Hawaiian Village Beach and Spa	Restoration & 550 New Units	$760
O'ahu	Sheraton Princess Ka'iulani	Redevelopment	$700
O'ahu	PacRep Waikiki Condo	34-Story Condominium	$375
O'ahu	Hale Ka Lae	Luxury Condominium	$350
O'ahu	Moana Surfrider	Tower Reconstruction	$200
Kaua'i	Coco Palms	Resort Redevelopment	$150
Maui	Andaz Wailea Resort	Resort Redevelopment	$75
Kaua'i	Grand Hyatt	Room Renovations & Golf Course	$47
Maui	Hyatt Regency Maui	Time-Share (131 Units)	$40
Hawai'i	Kona Village Resort	Resort Redevelopment	$40
Hawai'i	Mauna Lani Resort	Room & Facility Renovations	$30
Kaua'I	Sheraton Kaua'i	Room Renovations & Timeshare Expansion	$16
O'ahu	Disney Resort	Expansion of Hotel and Ancillary Facilities	TBD
Lana'I	Four Seasons	Various Improvements	TBD

Island	Property	Type	Est. Amt. ($M)
O'ahu	Koa Ridge Community Project	Master Planned Community Development	$2,200
O'ahu	Ward Centers	Mixed-Use Redevelopment	$1,000
O'ahu	Ala Moana Center	~650,000 sq.ft. Expansion (Bloomingdales, new Sears wing)	$572
O'ahu	Waikiki Retail Complex	$300 mm replace International Marketplace (with Saks)	$300
O'ahu	Symphony Condominiums	407 Residential Units	$200
O'ahu	Honolulu Advertiser Building	Tow 400-foot Condo Towers	$200
O'ahu	Kaka'ako	Condo Tower (43 floors)	$200
O'ahu	One Ala Moana	210 Unit Luxury Condo Tower	$80
O'ahu	Ho'opili	12,000 Home Subdivision	$70
O'ahu	Gateway at Mililani Mauka	Office Complex Development	$11
Maui	Maui Business Park	Business Park	$7
O'ahu	Former Kamehameha Drive-in Theater	+224,000 sq.ft. of Housing and Office Space	TBD
Hawai'i	Kukio	Housing Development	TBD
Hawai'i	Kohanaiki	High-end Real Estate & Golf	TBD

Tourism

Monthly Visitor Arrivals by Air 2011 to July 2013



Through June 2013

Source: Hawai'i Tourism Authority

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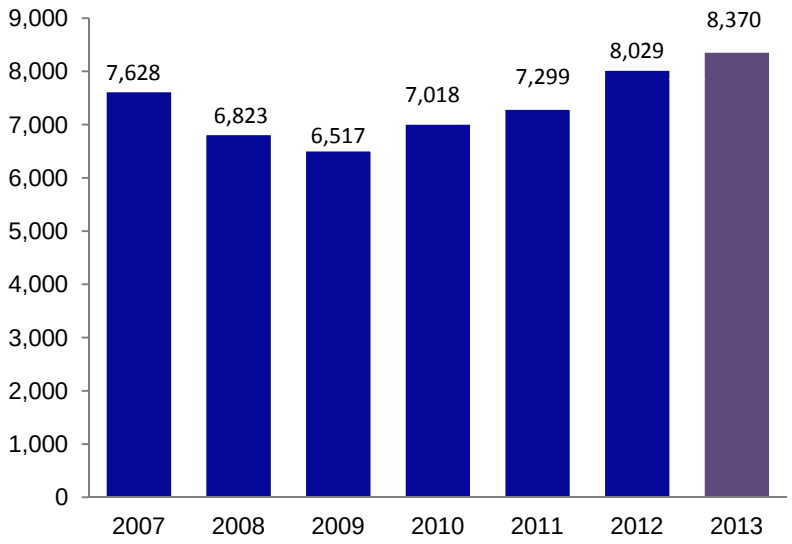
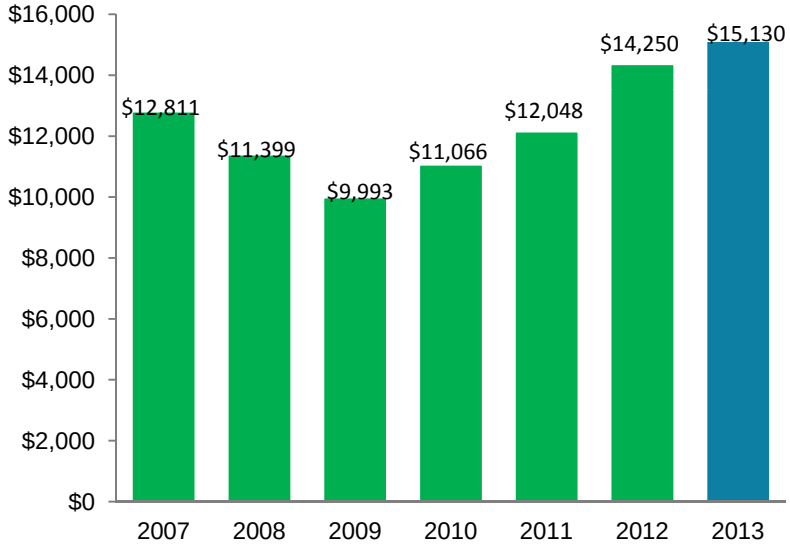
Hawai'i's Tourism Industry Continues to Show Remarkable Strength

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 figure is a projection

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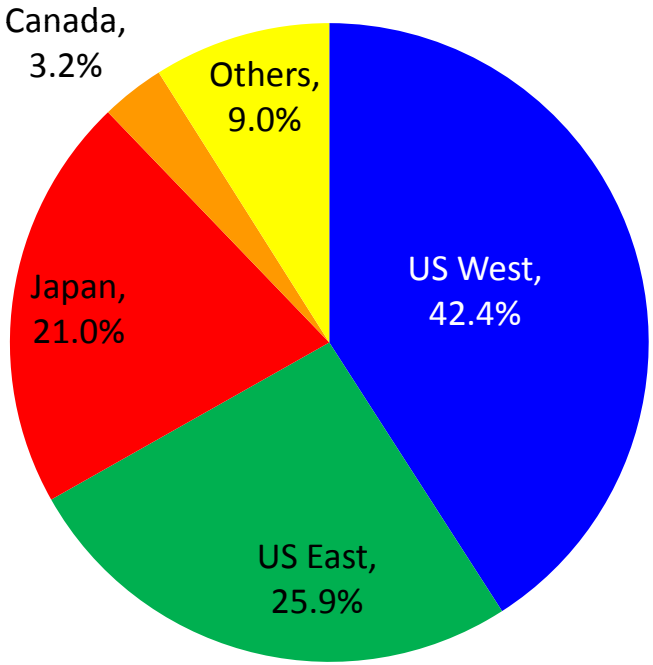
Visitor Activity

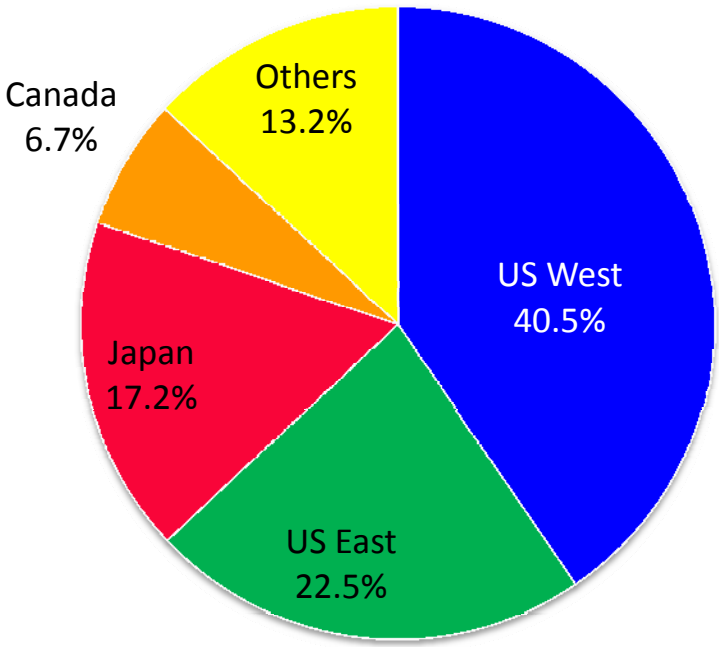
For the First 7 Months of 2013, 63.0% of Hawaii Visitors Were From the U.S. with Japanese Visitors Accounting for 17.2%

- Visitors from Canada and other markets are increasing

2003



First 7 Months of 2013



Source: DBEDT and Hawaii Tourism Authority

The Aviation Sector Continues to Commit Substantial New Capacity to the Hawai'i Market

Select Routes in 1st 7 months of 2013

Arrival City	Air Seats Added in 1st 7 months of 2013	% increase
Bellingham	34,084	101.9%
Los Angeles	46,116	3.6%
Oakland	16,280	8.3%
Phoenix Mesa	15,164	NA
Portland	21,749	14.9%
San Diego	14,512	11.3%
San Francisco	14,430	2.8%
Seattle	27,703	7.5%
New York JFK	45,570	271.9%
Washington D.C.	34,614	272.8%
Fukuoka	49,673	96.4%
Sapporo	23,634	NA
Seoul	37,817	20.2%
Auckland	22,250	134.0%
Brisbane	24,492	640.8%
Melbourne	17,085	447.0%
Sydney	14,378	10.7%
TOTAL	**488,747**	**8.4%**

Source: Hawaii Tourism Authority

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Smaller markets are creating new records while big markets are recovering

Region	Historical peak level	LTM Arrivals[1]
US Mainland	5,173,264	5,019,772
Japan	2,216,890	1,496,040
Canada	477,564	508,996
China	81,738	129,567
Korea	122,902	170,681
Taiwan	88,193	13,681
Australia	237,808	286,235
Europe	231,604	136,944
Latin America	22,116	29,174

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

[1] Last Twelve months from July 2012 to June 2013

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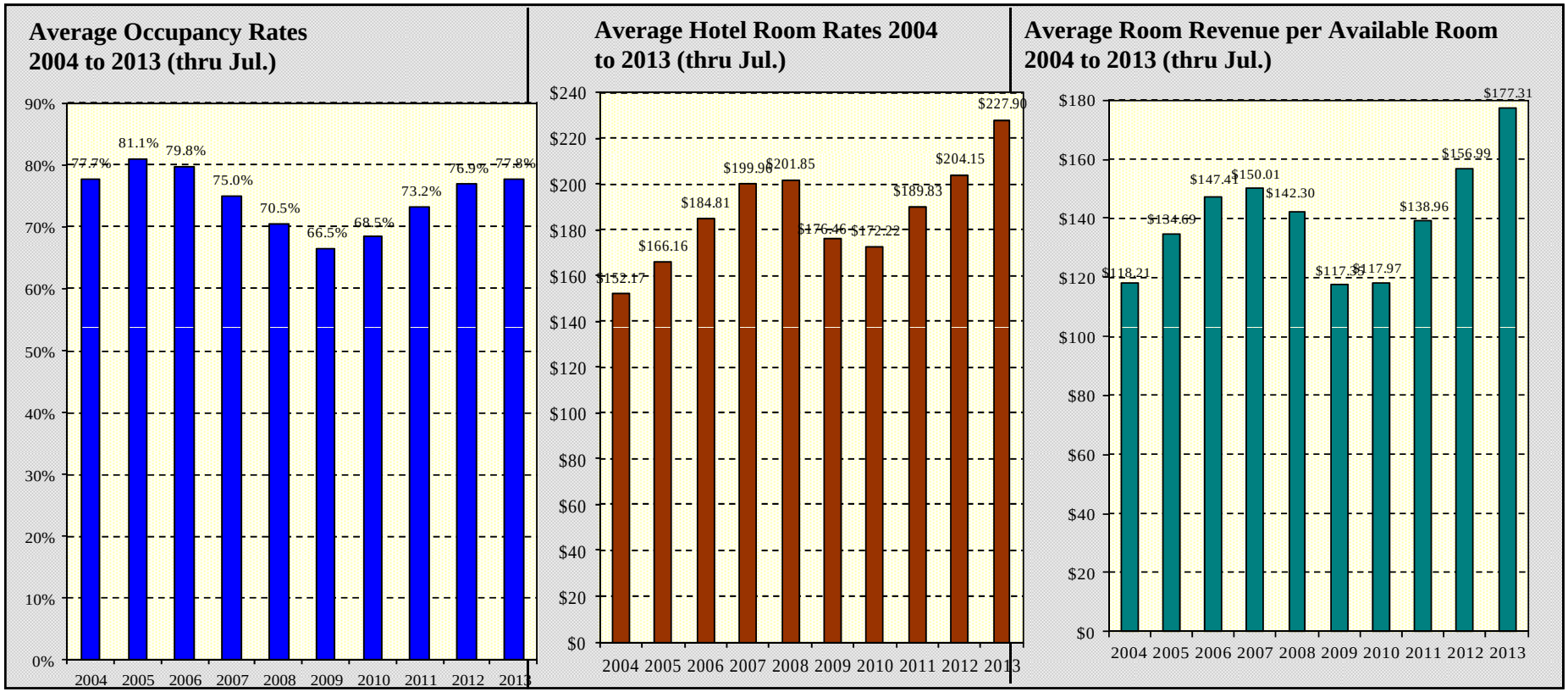
Hotel Room Rate and Revpar Set New Records During the First 7 Months of 2013



Source: Smith Travel Research, Hospitality Advisors LLC

Business Formation

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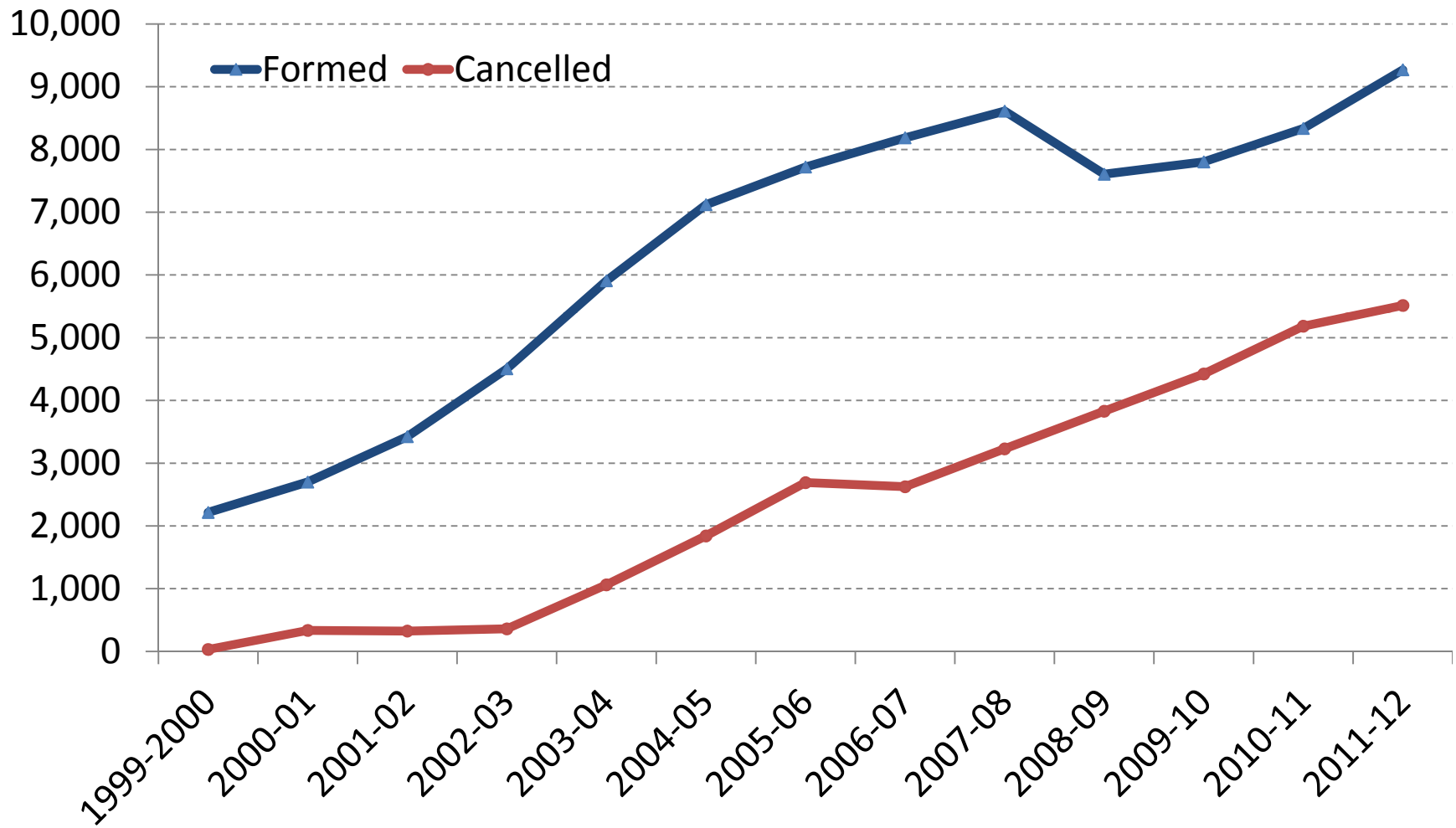
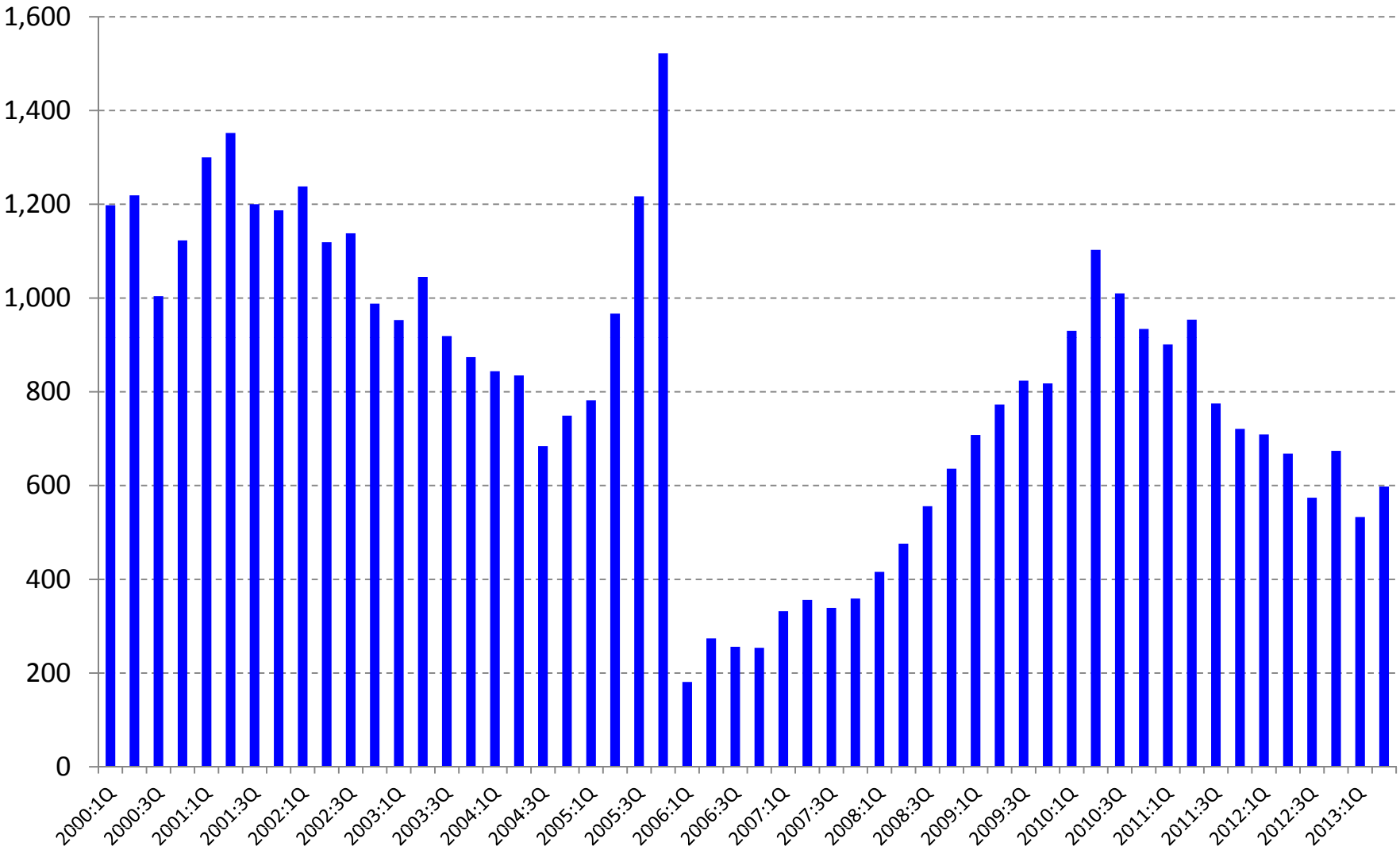
LLC and LLP Firms Registered in Hawaii



Source: Hawaii State Department of Commerce and Consumer Affairs

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



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Summary

- All the economic indicators show that Hawaii's economy is on a expansion path
- Visitor industry performed very strong and will set a new record in 2013 and will continue to growth in 2014
- Labor market will continue to improve in 2013
- Construction industry is bright in 2013 and will be brighter in 2014
- Hawaii's economic will grow at a higher rate than the nation in 2013.
- Hawaii's unemployment rate will continue to be better than the nation in 2013 and 2014

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Mahalo

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