

# What Are the Economic Drivers for Hawaii in 2014 and Beyond

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to the

Realtor Housing Forum

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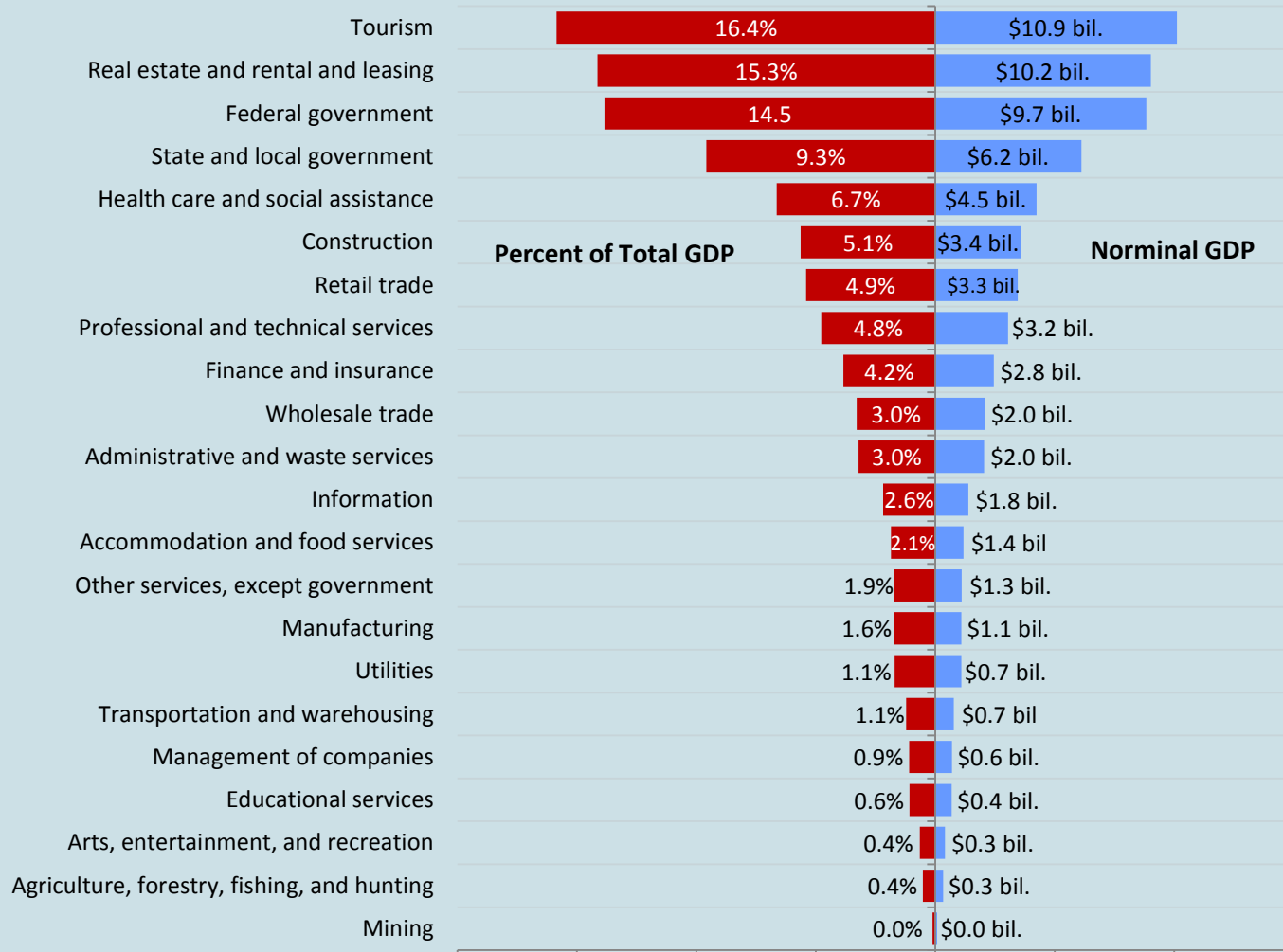
## Some General Statistics

Indicator	State	Oahu	Oahu as % of State
Population in 2013	1,404,054	983,429	70.0%
Residential housing units	524,387	339,422	64.7%
% of single family homes	62.2%	55.8%	-
# of households	447,748	308,072	68.8%
Home vacancy rate	14.6%	9.2%	
Home ownership	56.9%	54.4%	-
Average household size	3.01	3.05	-
Per capita income	\$28,099	\$29,187	103.9%
Total land area	6,422.6 sm	596.7 sm	9.3%
% of Urban land area	4.9%	26.3%	-
Active real estate brokers and Realtors	12,626	7,887	62.5

Source: U.S. Census Bureau and DBEDT

# Historical Economic Growth and Projections

## Hawaii GDP by industry



\*GDP generated in the other sectors by tourism have been subtracted from each industry's measure.

Source: DBEDT, 2011

## A historical review of Hawaii's Economic Growth

Indicator	Annual average growth, %	
	30 years, 1983 - 2013	20 years, 1993 -2013
Real GDP	2.1	1.2
Real personal income	1.9	1.7
Honolulu inflation rate	3.2	2.3
Wage and salary jobs	1.0	0.6
Unemployment rate 1/	4.5	4.7
Visitor arrivals	2.1	1.4
Real visitor expenditures 2/	1.3	0.8

1/ Average of 30 years, 1982 – 2013.

2/ Deflated by Honolulu CPI.

# Key Economic Indicators

## CY 2013 to 2015 (Annual % Change)

	Actual CY 2012	Forecast (F) or preliminary (P) CY 2013	Forecast CY 2014	Forecast CY 2015
<b>Total Population</b>	1.0%	1.0%	1.0%	1.0%
<b>Visitor Arrivals</b>	10.0%	2.6%	1.7%	2.0%
<b>Visitor Expenditures</b>	17.9%	2.0%	3.4%	4.9%
<b>Honolulu CPI-U</b>	2.4%	1.8%	2.1%	2.5%
<b>Personal Income</b>	3.7%	2.8%	5.0%	5.3%
<b>Real Personal Income</b>	1.3%	1.0%	2.8%	2.7%
<b>Total Non-Ag Wage and Salary Jobs</b>	1.9%	1.3%	1.4%	1.5%
<b>Unemployment Rate (actual rate)</b>	5.8%	4.8%	4.2%	4.0%
<b>Construction Completed</b>	20.0%	4.6%	12.4%	8.3%
<b>Real GDP</b>	1.6%	2.4%	2.6%	2.2%

Source: Department of Business, Economic Development & Tourism.

## The economies of most Hawaii visitor origin countries look better in 2014

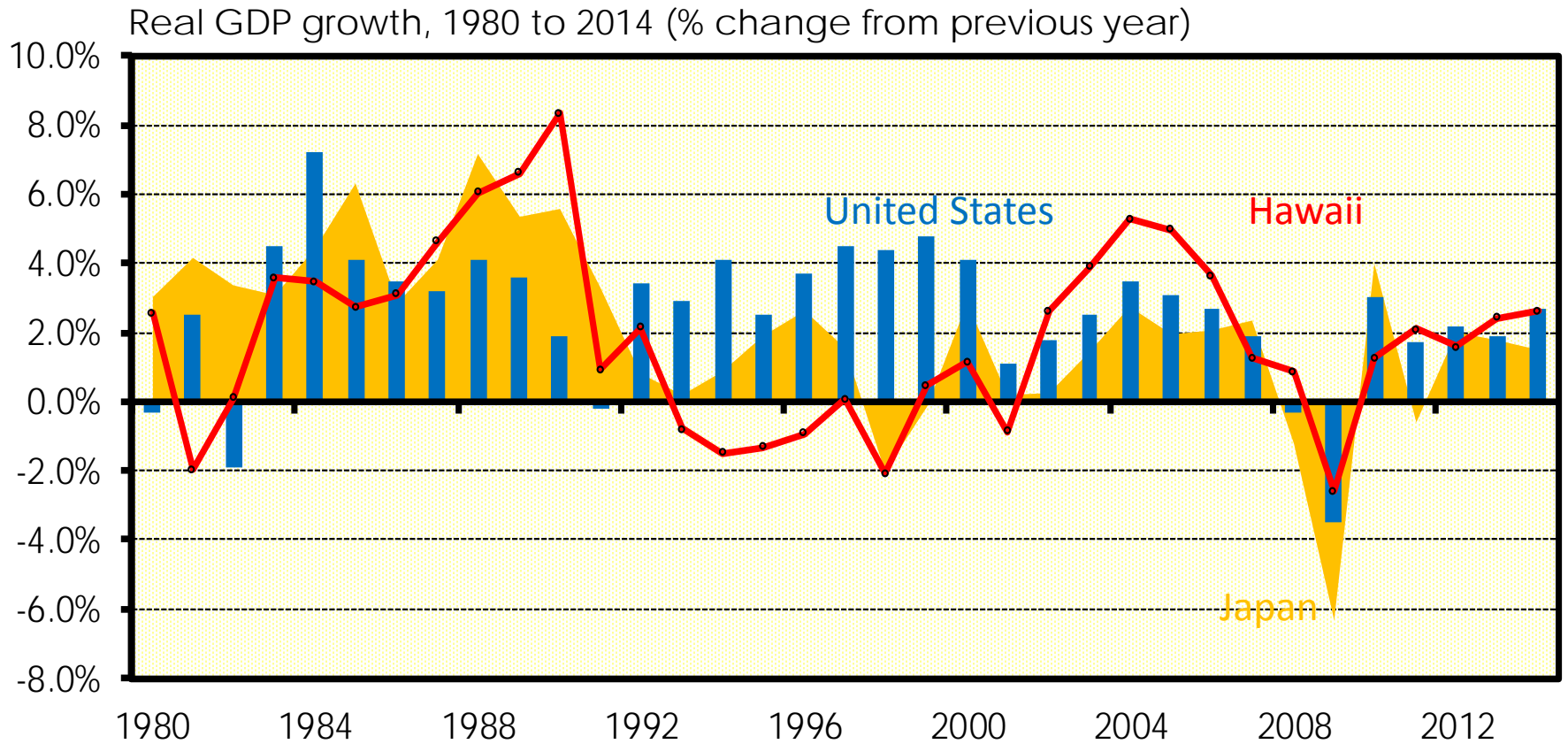
	2013	2014	2015
USA	1.9	2.7	3.0
Canada	1.7	2.3	2.6
Japan	1.8	1.3	1.3
S. Korea	2.8	3.6	3.7
Hong Kong	2.9	3.4	3.4
Taiwan	2.0	3.3	3.7
China	7.7	7.4	7.3
United Kingdom	1.4	2.7	2.5
Germany	0.6	1.8	1.9
France	0.1	0.8	1.3
Eurozone	-0.4	1.1	1.4
Australia	2.5	2.6	2.8
Brazil	2.4	2.0	2.5

Source: Blue Chip Economic Indicators, April 10, 2014

# Hawaii Business Cycles

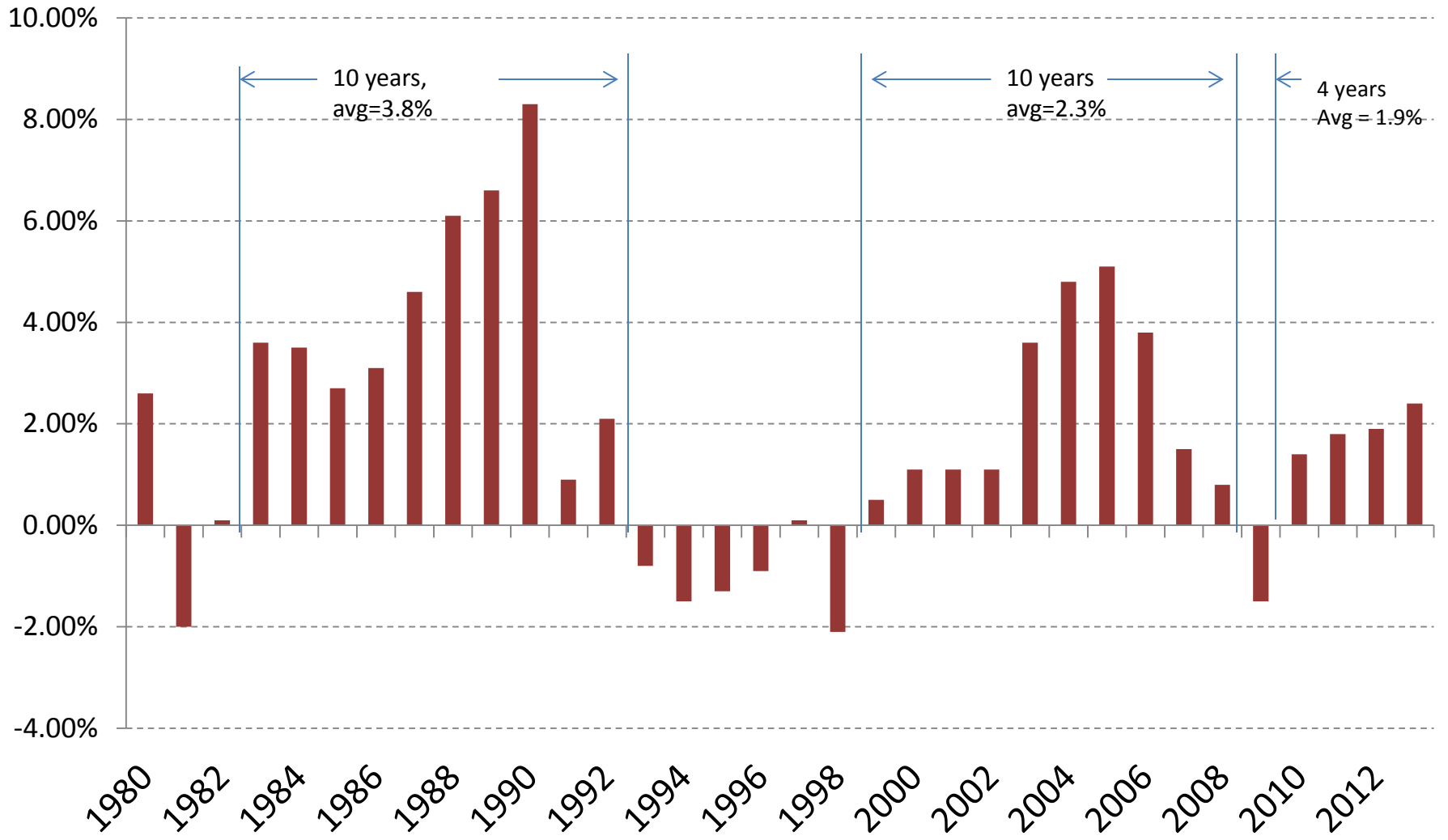


Hawaii's economy is influenced by the US and Japan, Hawaii's economic growth is expected to grow at the similar rate as the U.S.

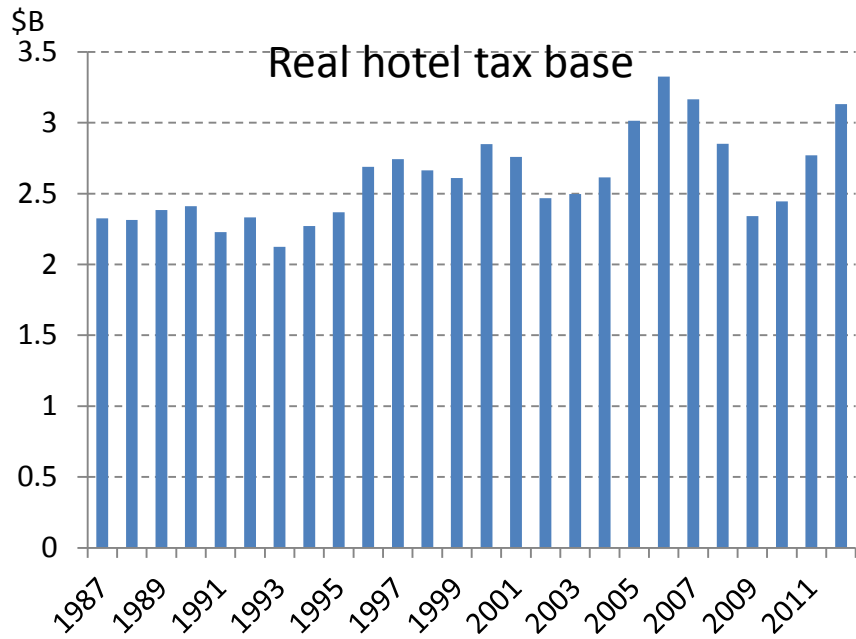
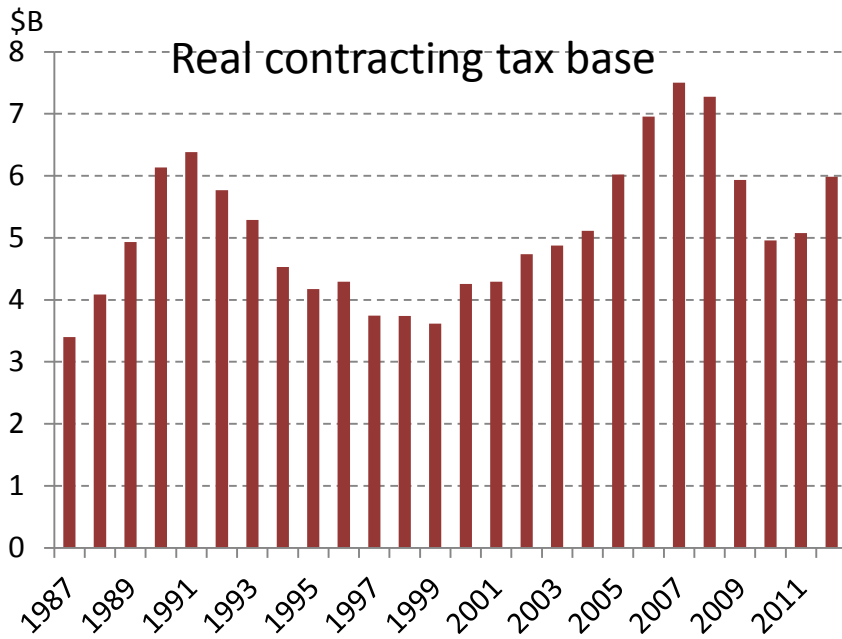
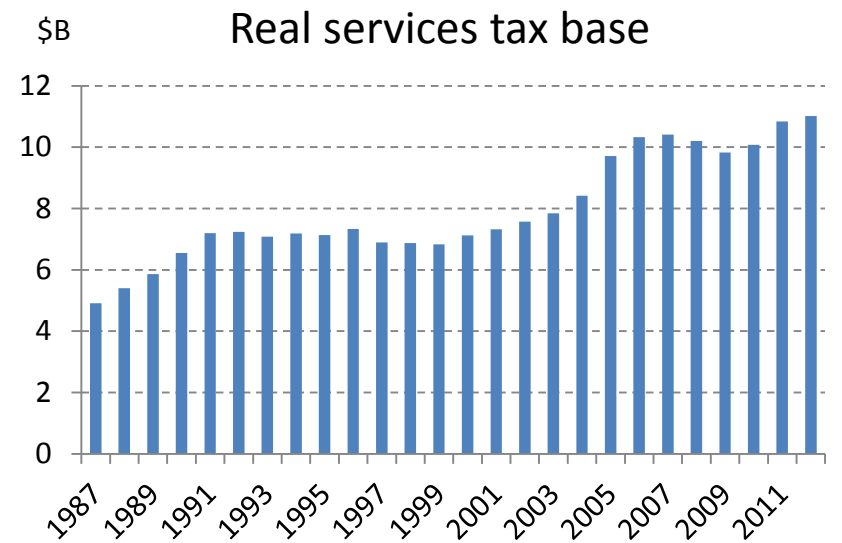


Source: US Bureau of Economic Analysis, Japan Ministry of Internal Affairs and Communications

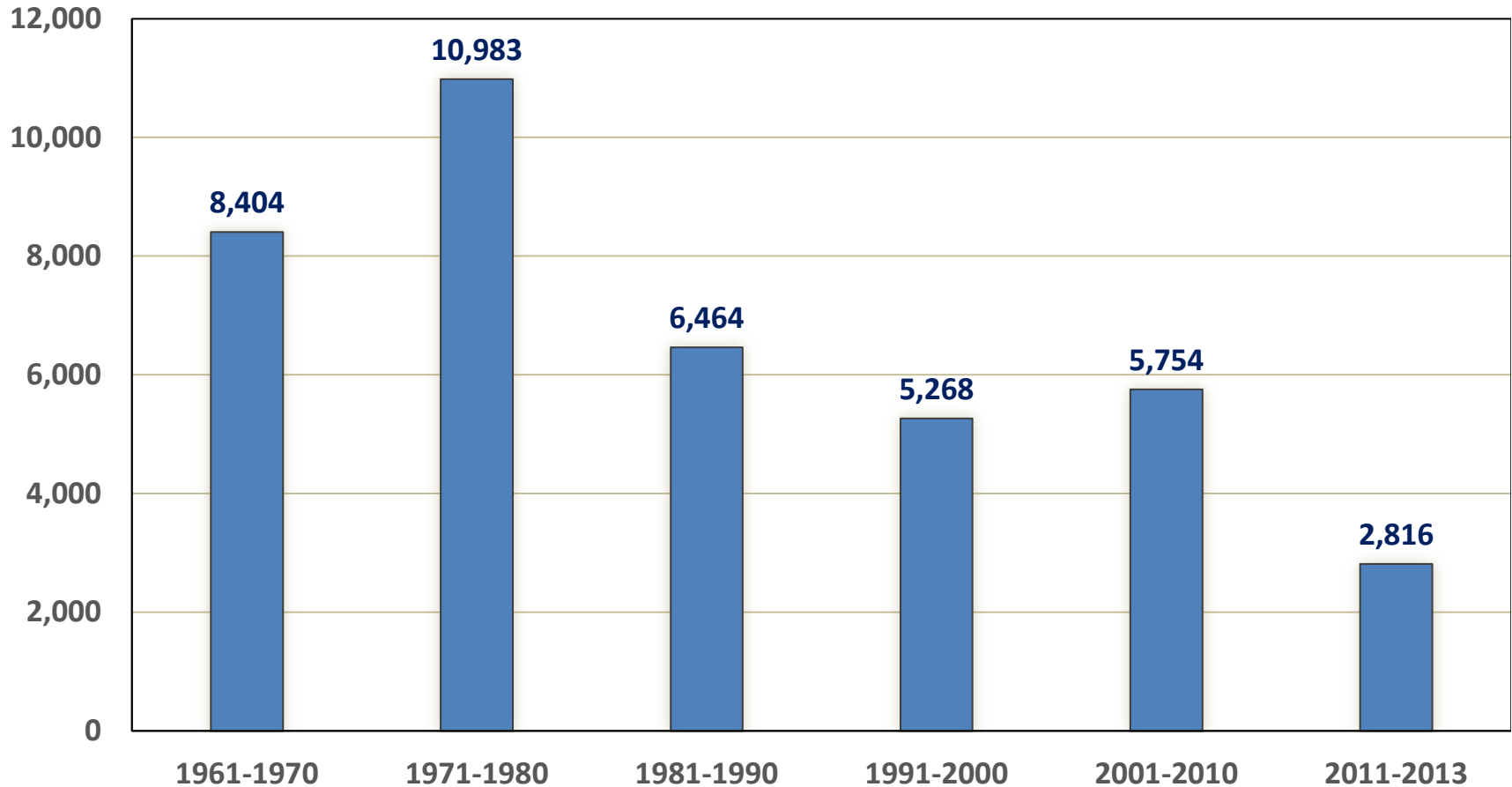
# Hawaii Real GDP Growth



# Construction activity was the cause for 1993-1999 economic downturn

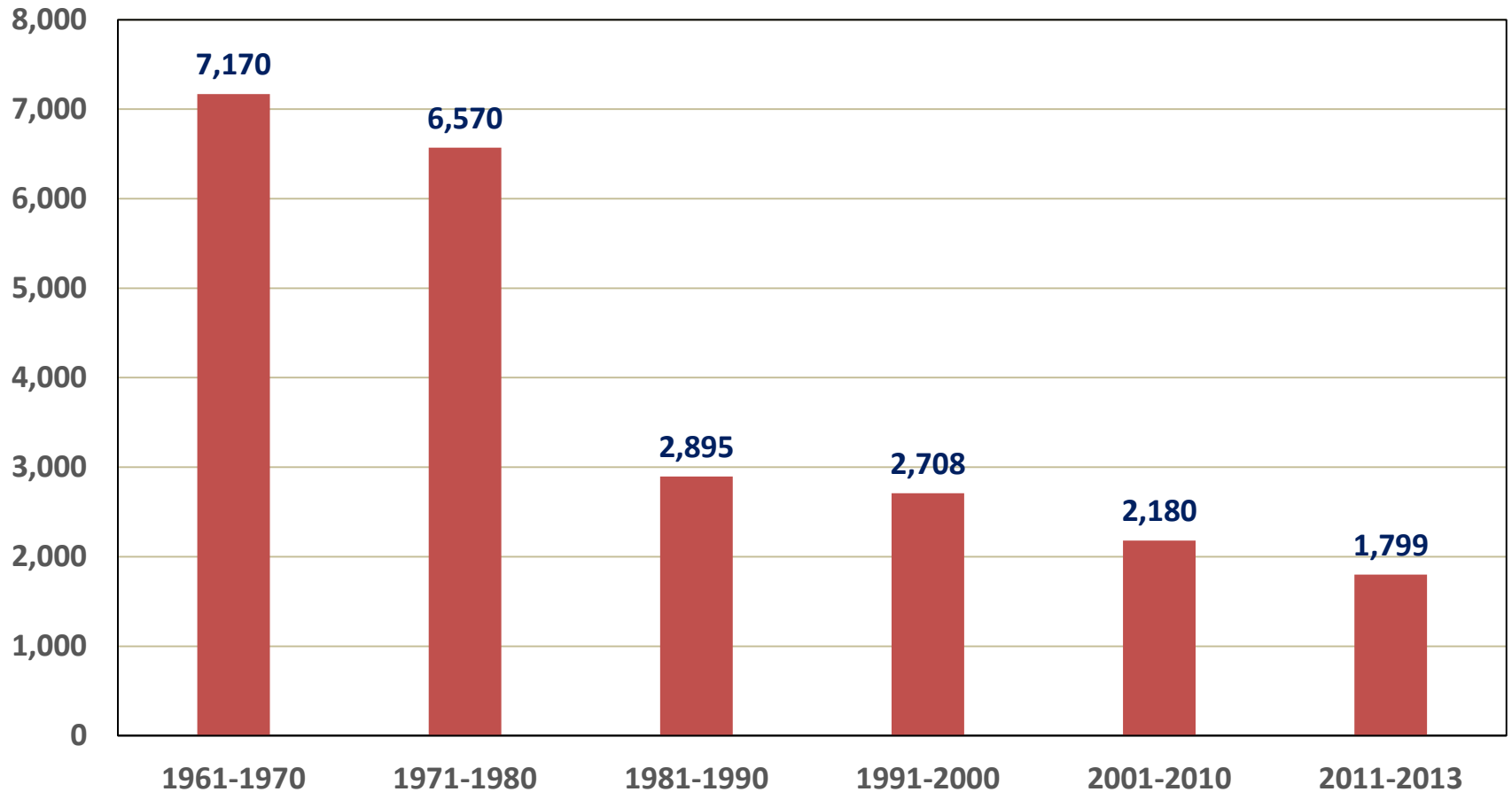


**Statewide planned housing units now is only 49% of what they were during 2000s  
(average annual planned units, building permits approved)**



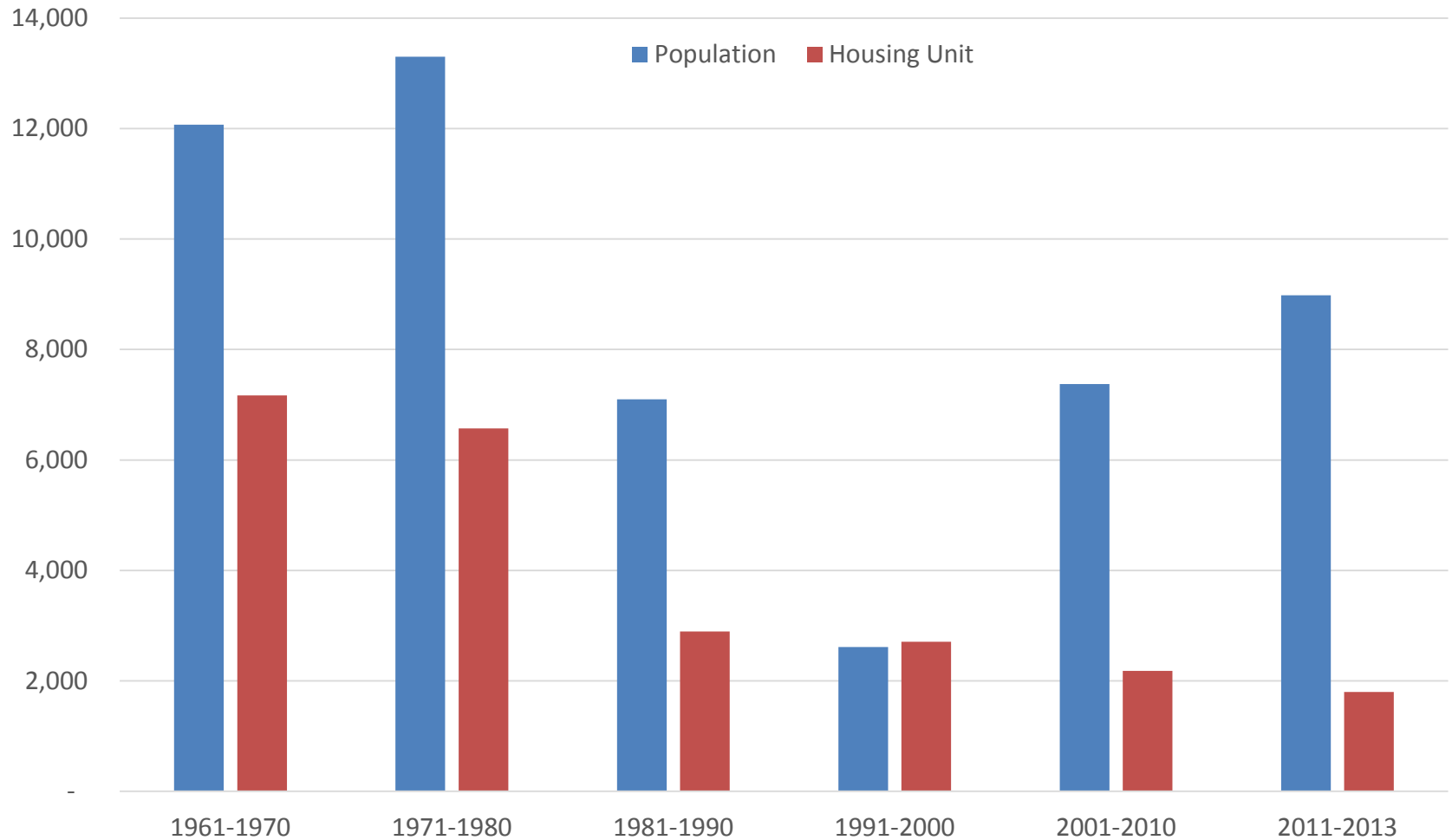
# Oahu planned housing units now is 83% of what they were during 2000s

(average annual planned units, building permits approved)



# Oahu housing development has been behind the population growth

Average annual increase in population and authorized housing units



Source: U.S. Census Bureau and Honolulu County Building Department

## There is currently a statewide short supply in residential housing units

Year	Increase in residential housing units	# of persons per unit
2001	4583	2.63
2002	4471	2.63
2003	5557	2.63
2004	6471	2.64
2005	8168	2.63
2006	8864	2.62
2007	6546	2.60
2008	5932	2.60
2009	3261	2.61
2010	4398	2.62
2011	2546	2.64
2012	1861	2.66

Avg. = 2.62

Short supply in 2013 = population/2.62 - existing housing units =  $1,404,054/2.62 - 526,248 = 9,650$  units

## The short supply is actually all happening on Oahu

Year	Increase in residential housing units	# of persons per unit
2001	1,895	2.77
2002	1,900	2.78
2003	2,589	2.77
2004	2,930	2.79
2005	3,525	2.79
2006	3,426	2.79
2007	2,066	2.76
2008	2,307	2.77
2009	892	2.79
2010	-273	2.83
2011	563	2.86
2012	1,110	2.88

Avg. = 2.78

Short supply in 2013 = population/2.78 - existing housing units =  $983,429/2.78 - 341,170 = 12,581$  units



Annual demand for residential housing units is about 5,300 for statewide and 3,500 for Oahu

Annual residential housing units needed statewide

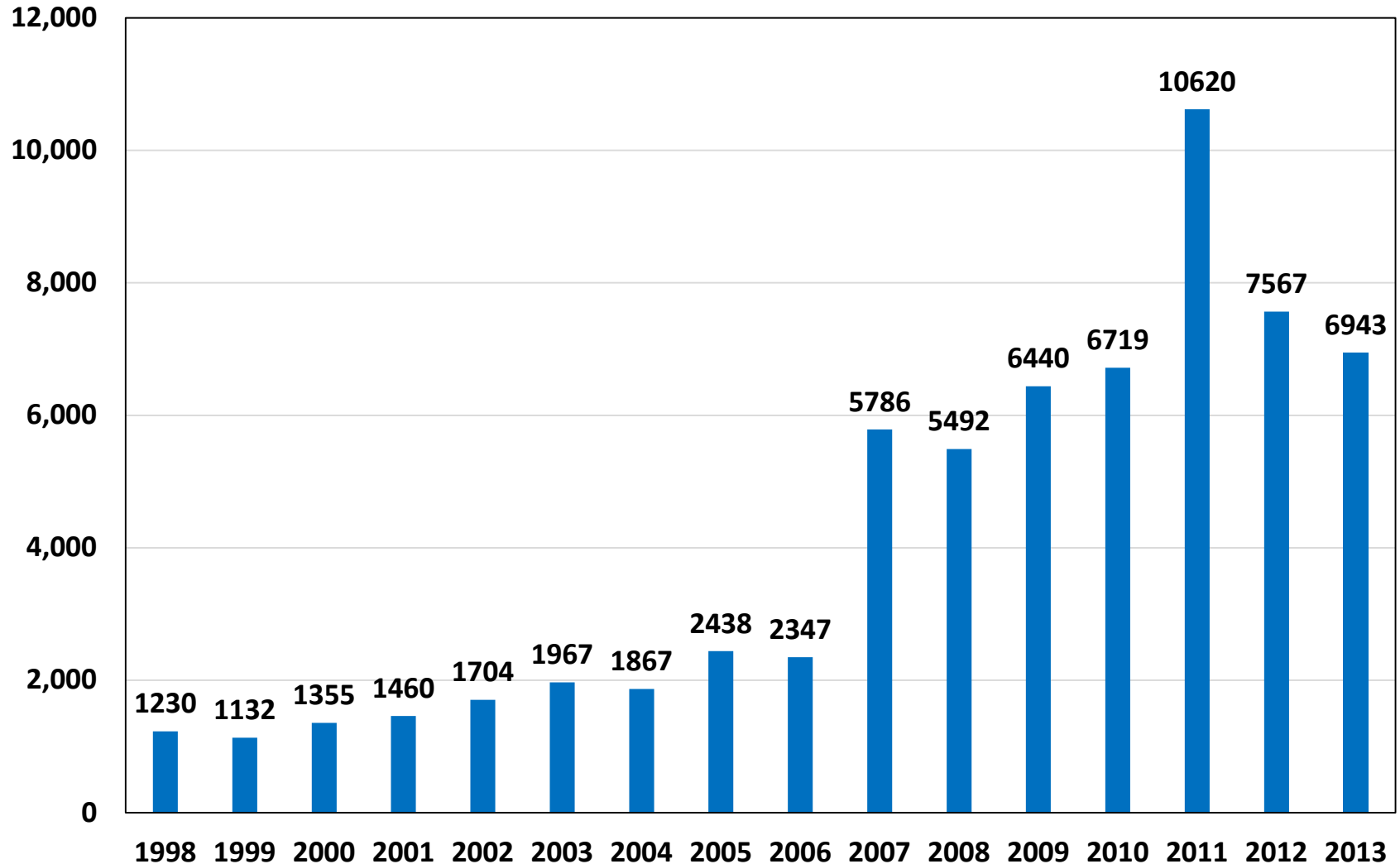
$$\begin{aligned} &= \text{population change}/2.62 \\ &= 14,000/2.62 \\ &= 5,340 \end{aligned}$$

Annual residential housing units needed for Oahu

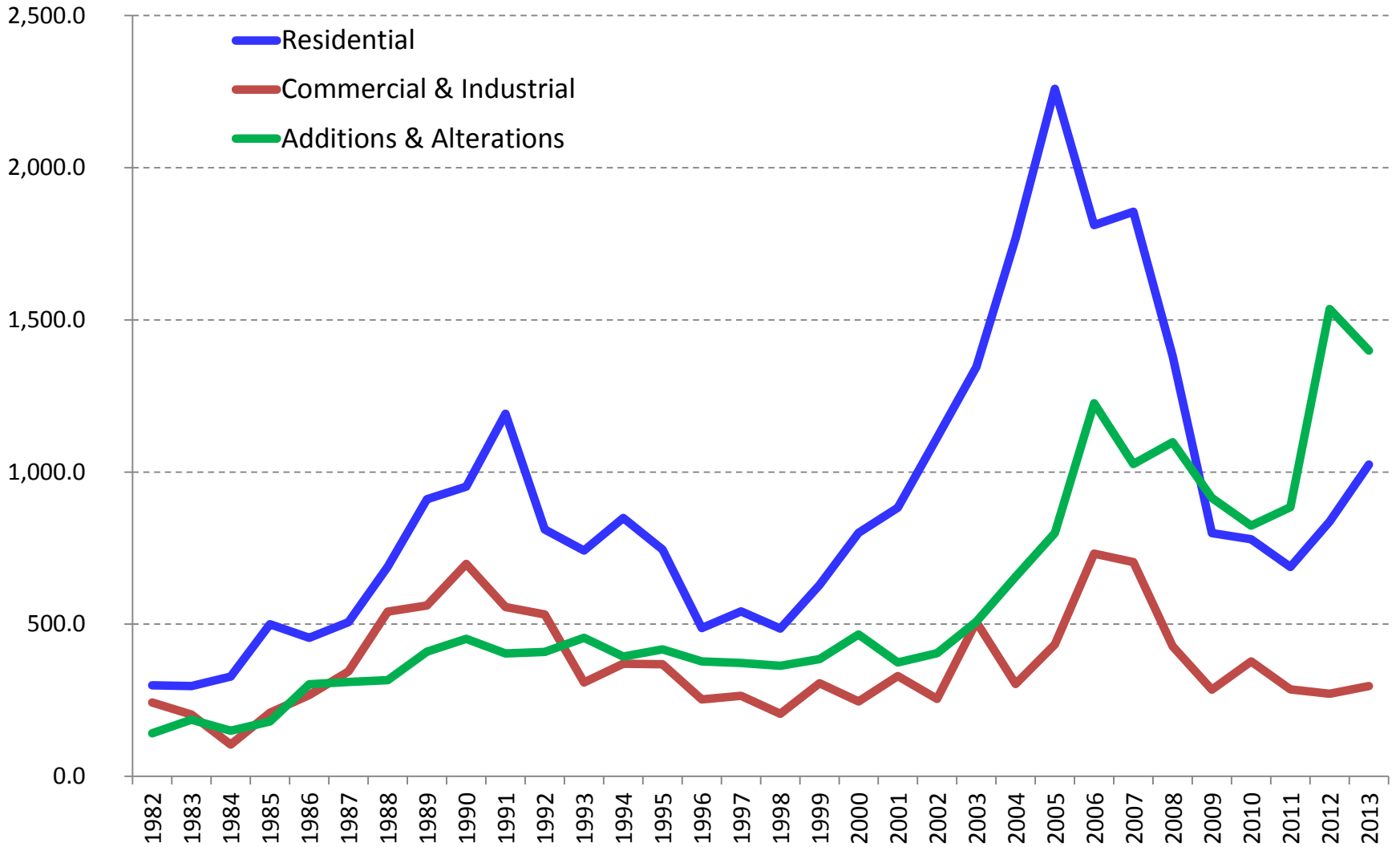
$$\begin{aligned} &= \text{population change}/2.78 \\ &= 9,800/2.78 \\ &= 3,525 \end{aligned}$$

# More housing units are converted into visitor use in recent years

## Individual vacation units for visitor use



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



Source: County building departments, data through December 2013.

## Permitted Large Residential Projects on Oahu: January 2013 – April 2014

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	383 Kailaimoku, Ritz-Carlton Building in Waikiki	56.0
Oahu	1555 Kapiolani Blvd, One Ala Moana	50.0
Oahu	850 Kapiolani Blvd, Symphony, Kakaako	45.22
Oahu	4 Town home projects in EWA Beach	37.0
Oahu	Town homes in Kapolei	34.61
Oahu	New senior rental building, Hale Mohalu II, Pearl City	20.20
Oahu	Assisted-Living Rental complex in Pearl City	16.00
Oahu	Waikiki Palms, 1860 Waioo Drive, Waikiki	13.0

Source: County Building Department

## Permitted Large Commercial Projects: January 2013 – April 2014

Island	Project	Permit Value (\$M)
Oahu	Ala Moana Shopping Center Addition	243.9
Oahu	Rengo Packaging Facility, Kapolei	18.0
Oahu	Target Supermarket in Kailua	15.0
Oahu	Hawaii FIT, PV Power Plant	10.2
Oahu	Office building, Hawaiian Airlines	10.0
Oahu	Downtown Honolulu Wal-Mart	6.00
Oahu	Walgreen, 1488 Kapiolani Blvd	5.5

Source: County Building Department

## Permitted Medical Building Projects: January 2013 – April 2014

Island	Project	Permit Value (\$M)
Oahu	Queen's Medical Center, Kapolei	32.5
Oahu	Mary Savio Medical Plaza, Aiea	14.5
Oahu	Kaiser Medical Center	6.5
Oahu	Queen's Medical Center, Punchbowl	5.7
Oahu	Waianae Coast Comprehensive Health Center Building Additions	5.00

Source: County Building Department

## Permitted Educational Building Projects: January 2013 – April 2014

Island	Project	Permit value \$M
Oahu	New classrooms and renovations, UH Manoa	23.69
Oahu	Tokai International College	22.8
Oahu	Stevenson Middle School	10.9
Oahu	New High School building and renovation, Waipahu Elementary and Kailua High Schools	14.30
Oahu	Hickam Elementary School	7.2
Oahu	Campus alterations, Windward Community College	4.43

## Permitted Hotel Projects: January 2013 – April 2014

Island	Project	Permit Value (\$M)
Oahu	Hyatt Regency Waikiki Hotel additions/alterations	6.00
Oahu	Hotel additions, Illikai Hotel	5.25

Source: County Building Department

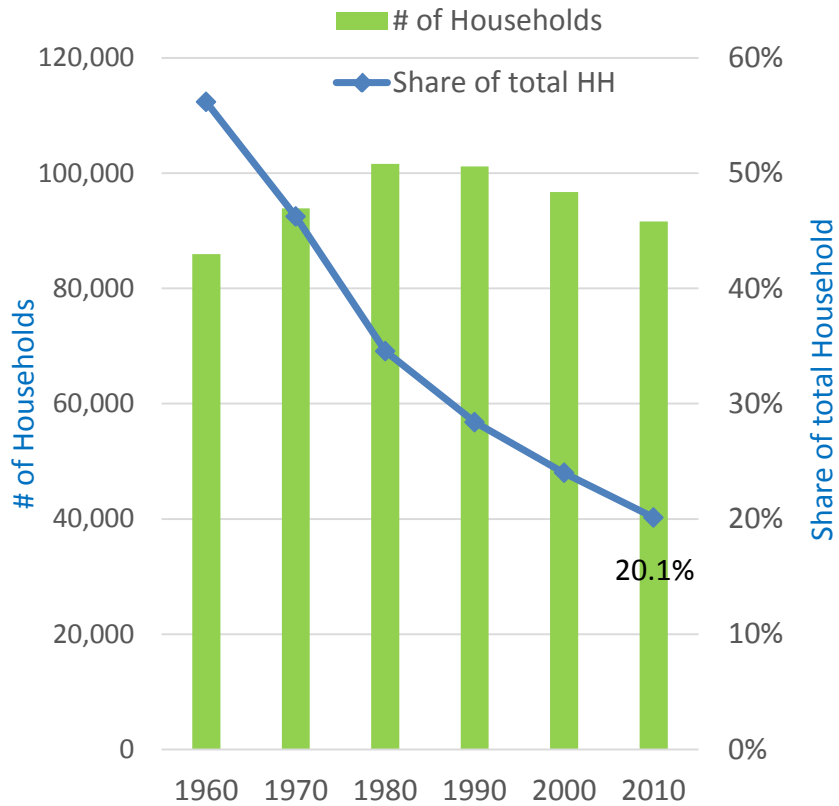


## Permitted Government Projects: January 2013 – April 2014

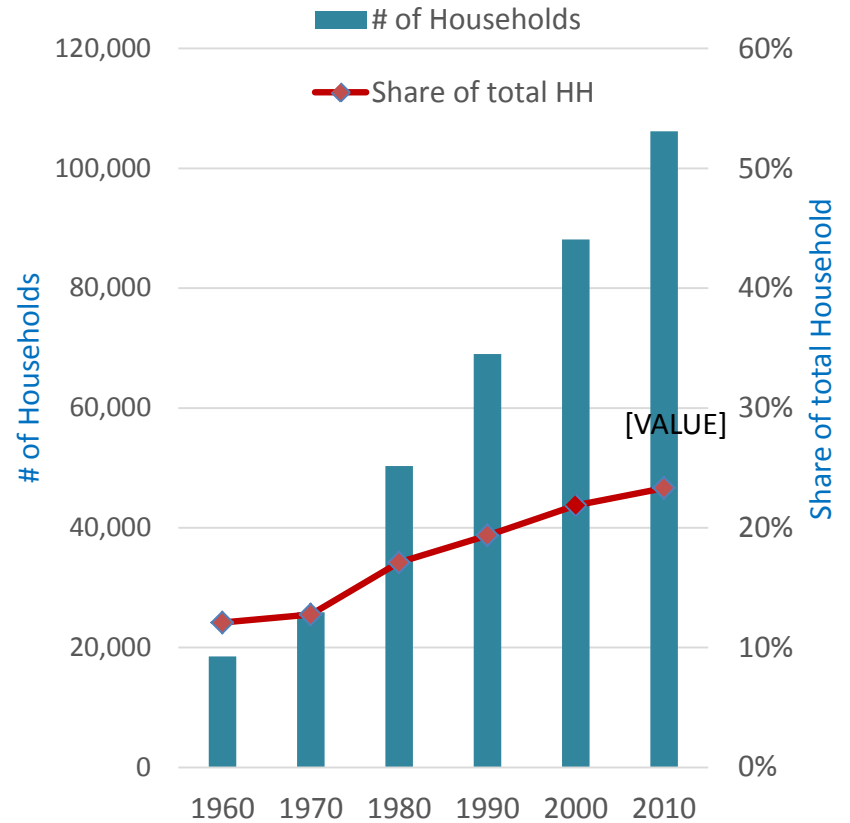
Island	Project	Permit value \$M
Oahu	Honolulu Rapid Transit	64.7
Oahu	Wastewater treatment	25.9
Oahu	Police Station in Waianae, City & County of Honolulu	13.4
Oahu	HCDA Office building	4.4

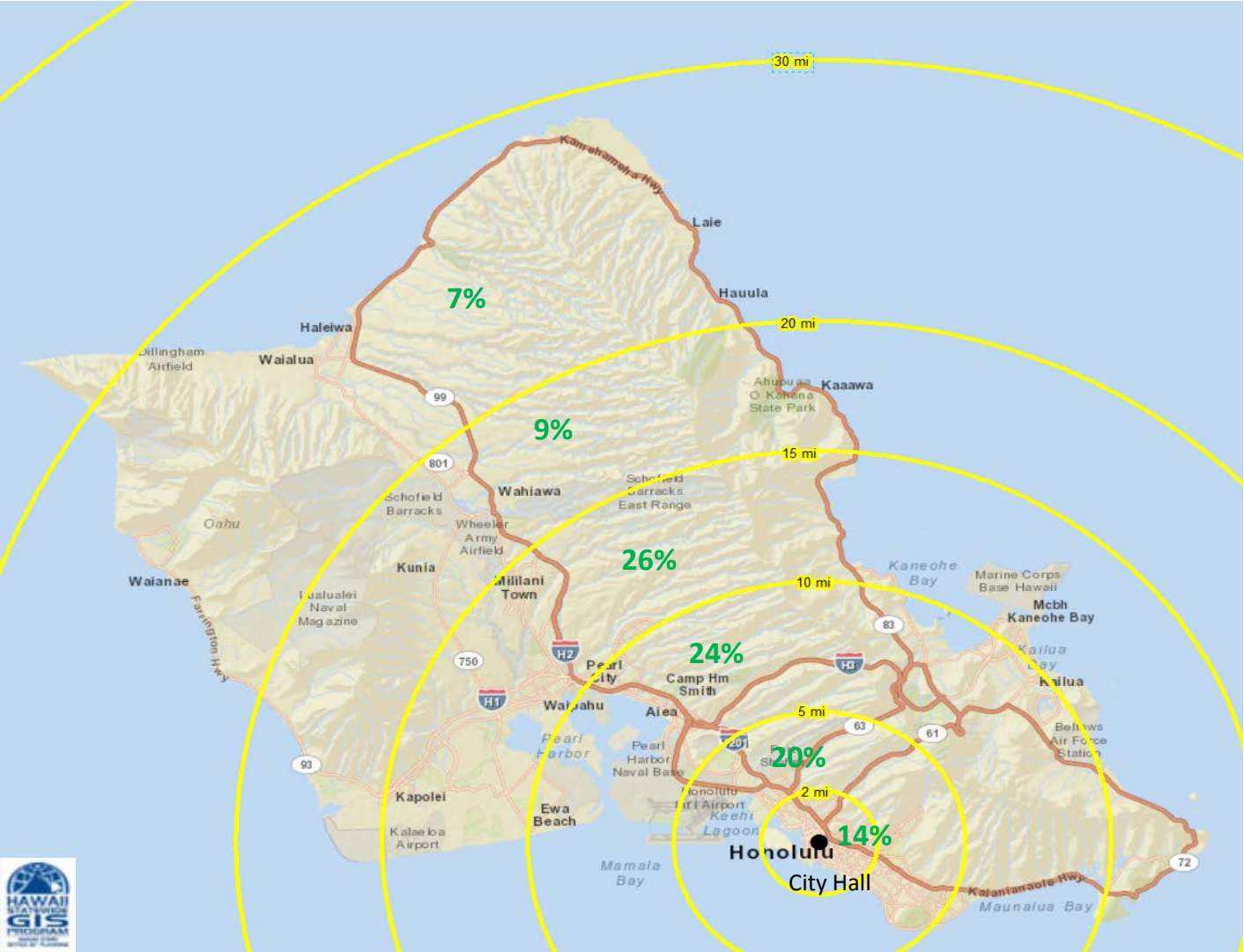
Source: County Building Department

**“Married Couple with own Children” Households (Hawaii)**



**Living Alone (Hawaii)**





### Where people live in Honolulu? (2010)

Distance from City Hall*	Population share
0-2 mi	14%
2-5 mi	20%
5-10 mi	24%
10-15 mi	26%
15-20 mi	9%
Over 20 mi	7%

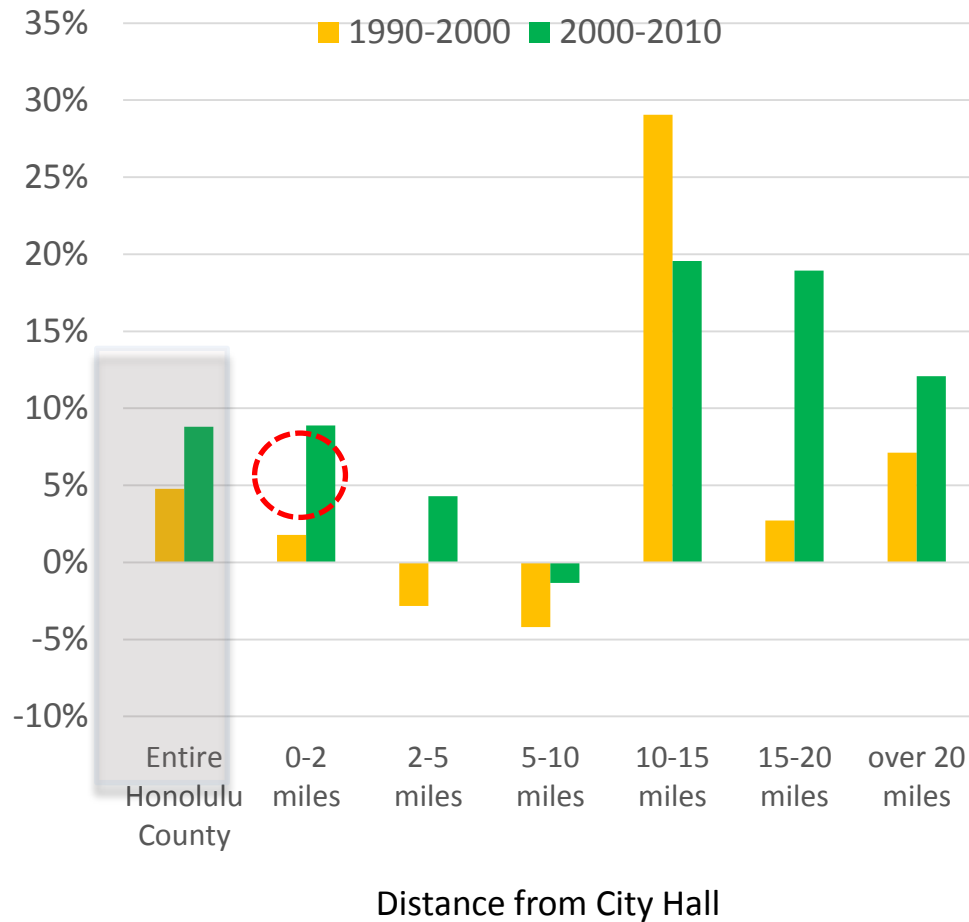
34% lived within 5 miles from the city hall

\* City hall was considered to be the core of a city.



# Population shift in Honolulu -- moving back to city core?

Population growth over each 10 year period



## 1990-2000 Period

- Most population growth took place in the outer side of the city
- The area within 10 miles from the city hall experienced a very small growth or negative growth.

## 2000-2010 Period

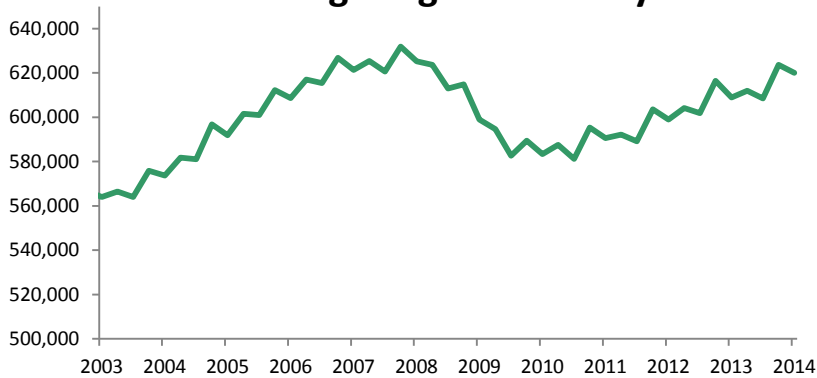
- The area within 5 miles from the city hall experienced a decent population growth.
- Especially, the city core area (0-2 miles) gained over 10,000 population (8.9%) during this period.

# **Personal Income And Labor Market Conditions**

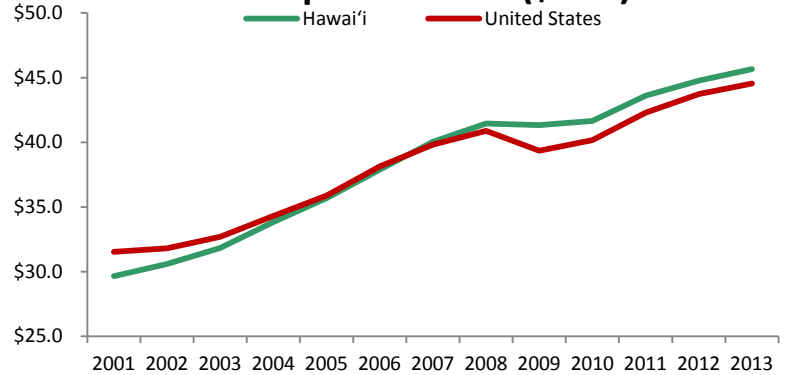
## Statewide employment and income

### The employment sector in Hawai'i continues to improve

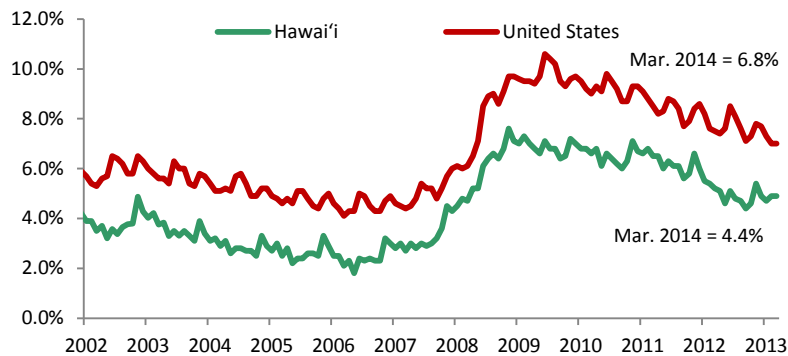
#### Non-Ag Wage and Salary Jobs



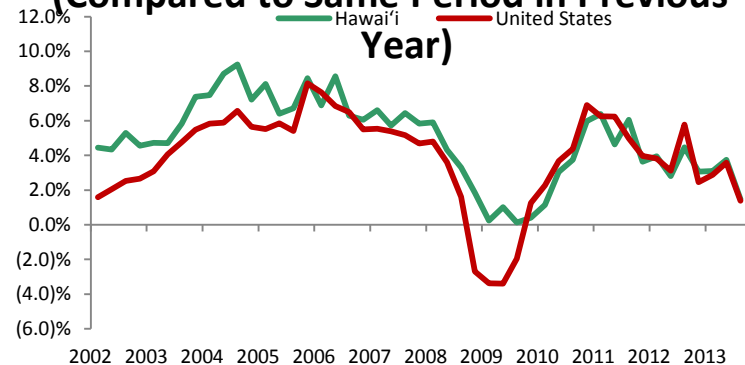
#### Per Capita Income (\$000)



#### Unemployment Rate, Not Seas. Adj.



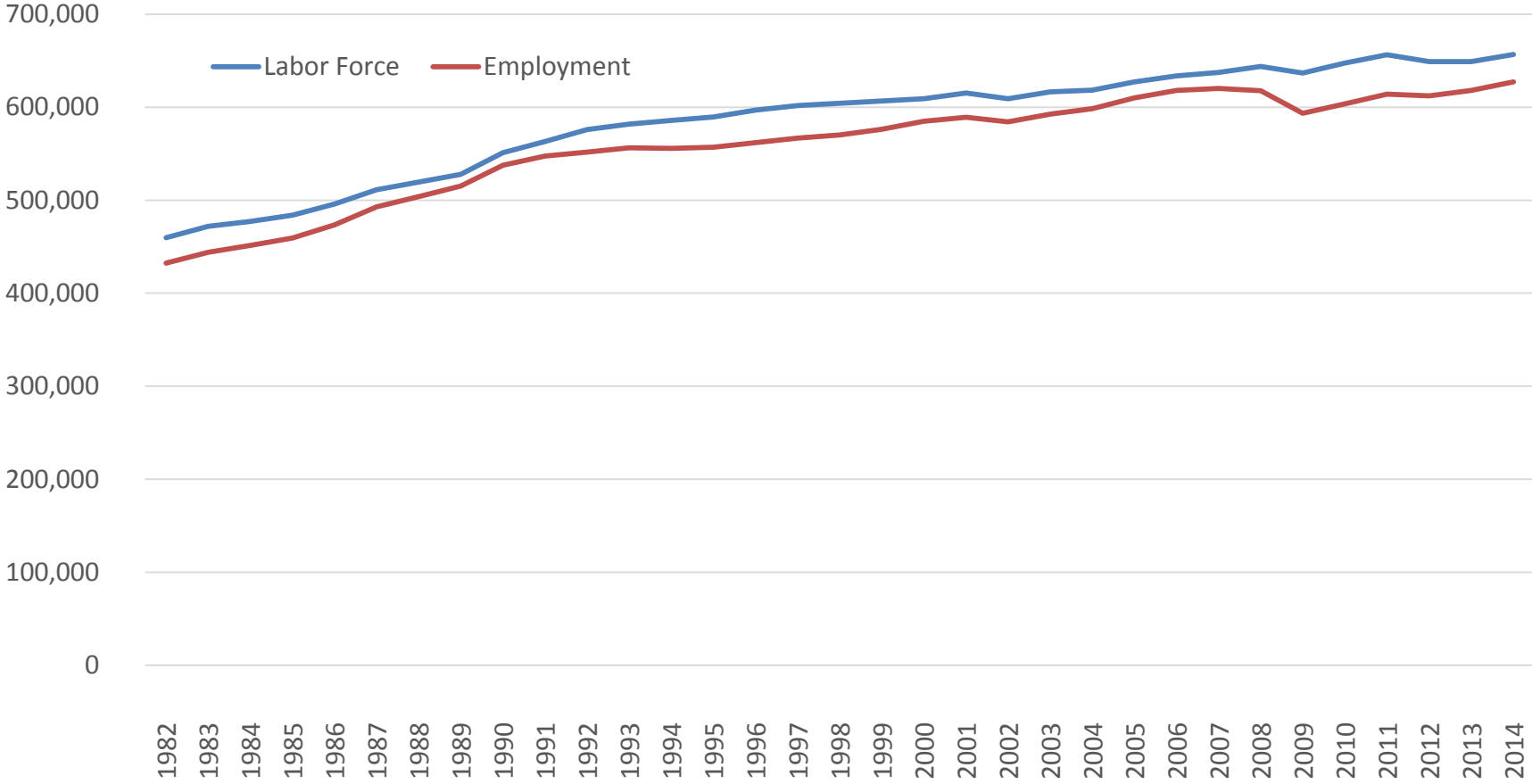
#### Quarterly Personal Income Growth<sup>(1)</sup> (Compared to Same Period in Previous Year)



(1) As of 4Q 2013, released March 25, 2014.

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.

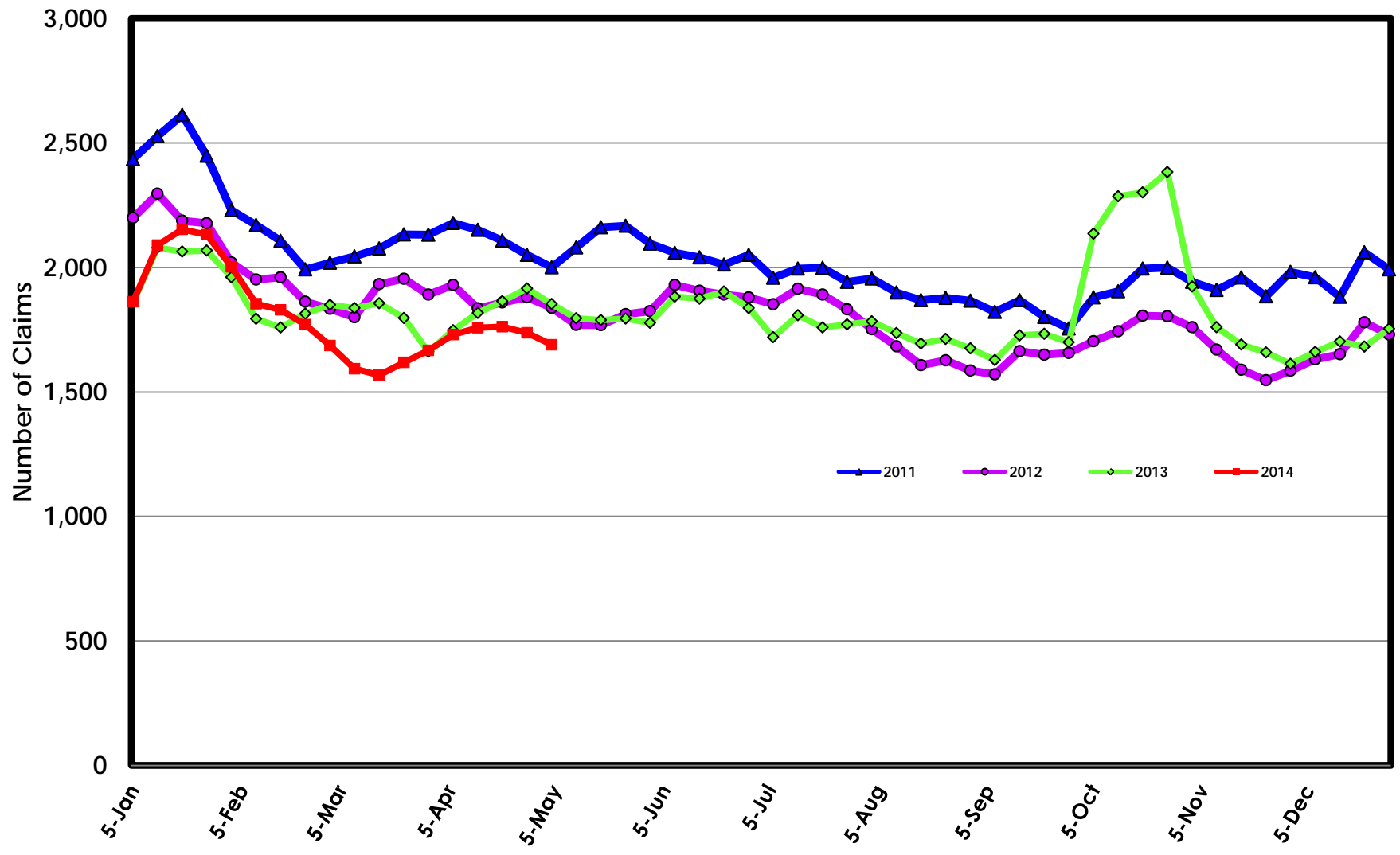
# Statewide Labor Force and Employment



Source: Hawaii State Department of Labor and Industrial Relations

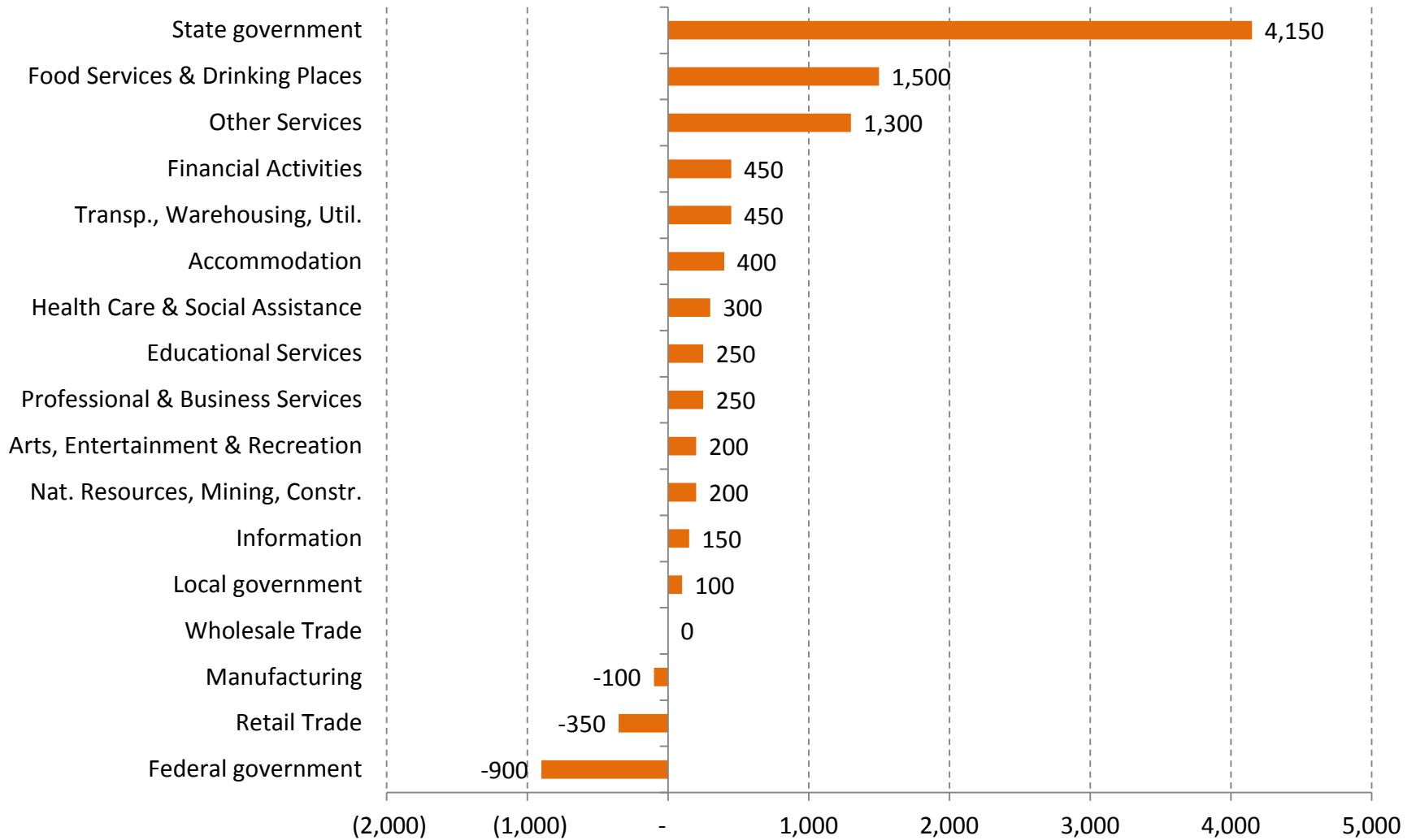
# First 4 months of 2014, unemployment claims dropped 3.3%

## Comparison of Initial Unemployment Claims





## During 1Q 2014, Hawaii gained 8,450 jobs

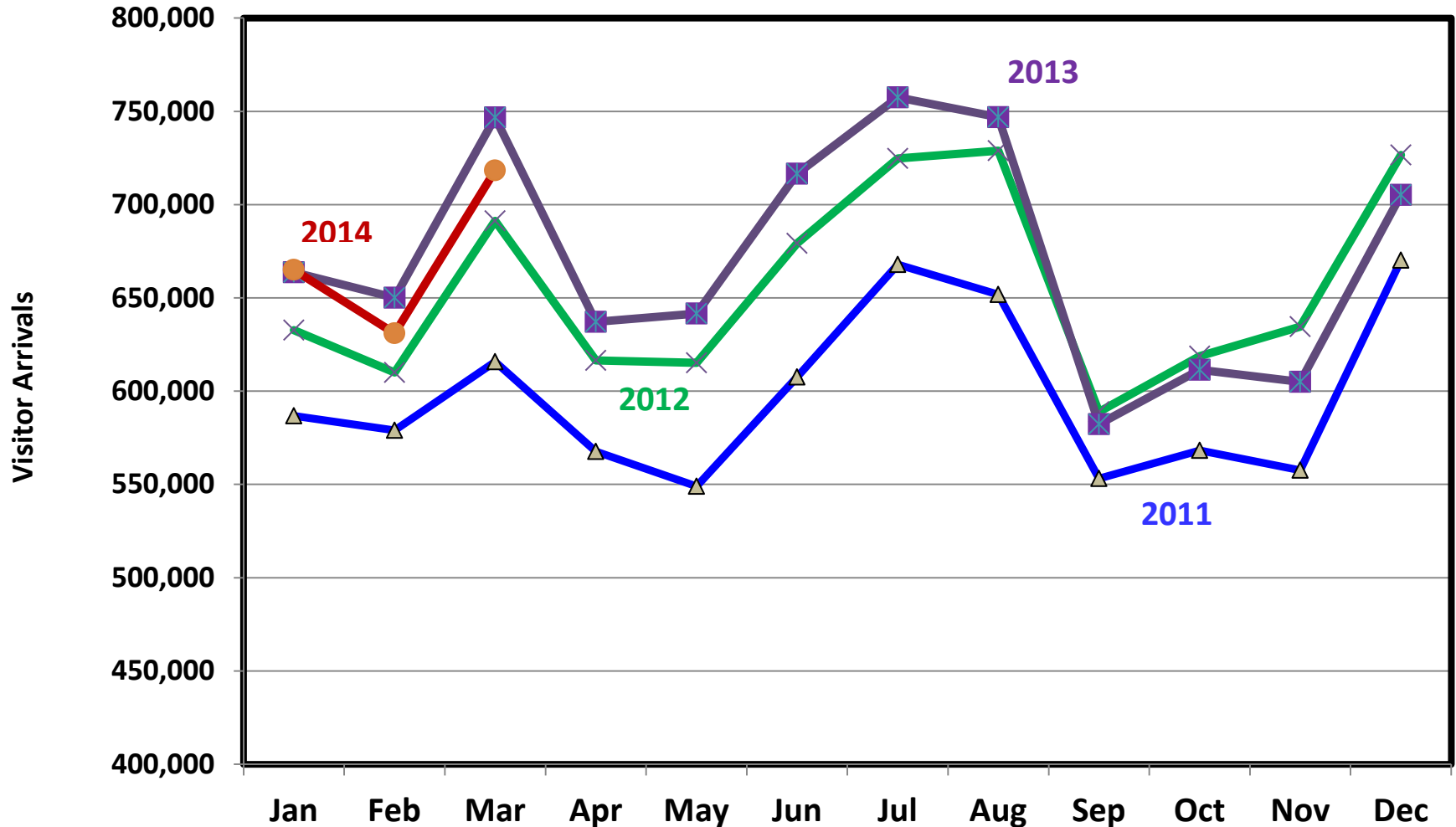


Source: Hawaii Dept. of Labor & Industrial Relations

Tourism

# Monthly Visitor Arrivals by Air 2011 to 2014

## Total Visitor Arrivals by Air

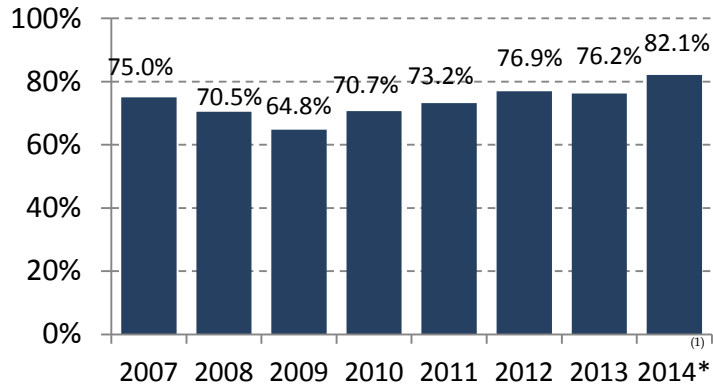


Through February 2014

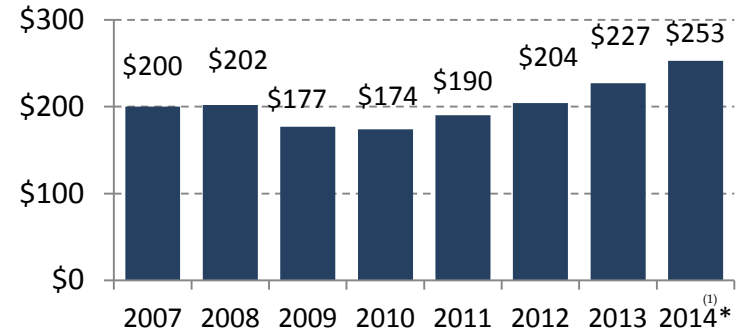
Source: Hawai'i Tourism Authority

# Visitor Accommodation Statistics

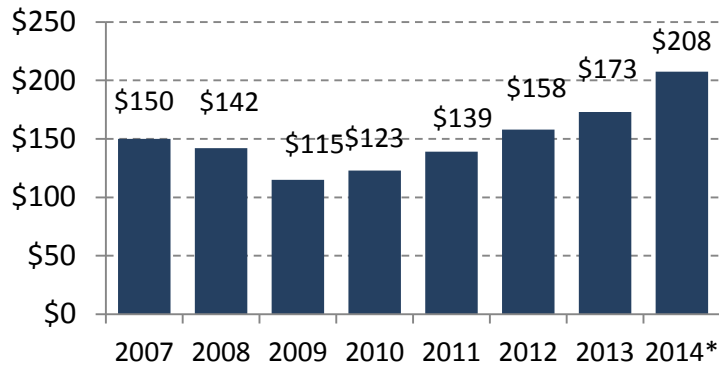
## Occupancy Rates



## Average Room Rates

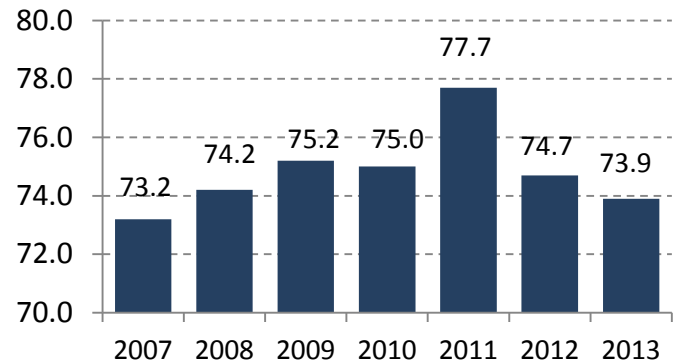


## Revenue Per Available Room



## Room Inventory

(thousands)



\* First 2 month

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

## New Air Seats Added in 2014 on Scheduled Flights

MARKET	STATE	% change
TOTAL	320,694	3.0
US WEST	202,186	3.2
US EAST	8,262	1.0
JAPAN	43,776	2.2
CANADA	18,692	5.1
OTHER ASIA	71,149	15.4
OCEANIA	3,805	0.9
OTHER	-27,176	-9.5

Source: Hawaii Tourism Authority

## Smaller markets are creating new records while big markets are recovering

Region	2006 Arrivals	2013 Arrivals	% Change
US Mainland	5,173,624	4,918,075	-4.9
Japan	1,362,878	1,523,302	11.8
Canada	280,920	509,565	81.4
China	54,924	132,634	141.5
Korea	37,912	171,506	352.4
Taiwan	15,513	27,013	74.1
Australia	117,043	305,783	161.3
Europe	106,032	141,408	33.4
Latin America	19,020	30,131	58.4

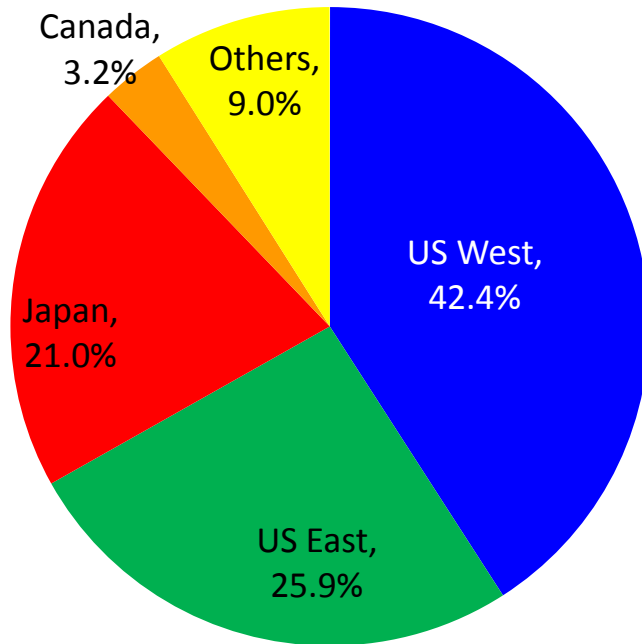
Source: Department of Business, Economic Development & Tourism, Hawaii Tourism Authority

# Visitor Activity

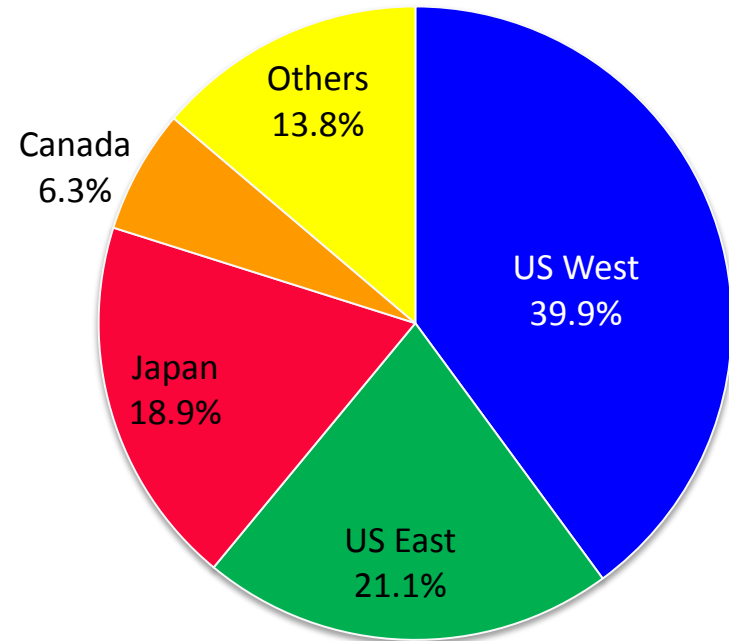
61.0% of Hawaii Visitors Were From the U.S. with Japanese Visitors Accounting for 18.9% in 2013

- Visitors from Canada and other markets are increasing

2003



2013



Source: DBEDT and Hawaii Tourism Authority

## 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 and high prices
- 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 the similar rate as the nation in 2014
- Hawaii's unemployment rate will still be better than the nation in 2014