

Housing Market Profile

Pacific • HUD Region IX



Honolulu, Hawaii

The Honolulu metropolitan area is defined as the island of Oahu, which consists of Honolulu County, the most populous county in the state of Hawaii. Downtown Honolulu is Hawaii's financial center, while nearby Waikiki, located on the southern shore of Oahu, draws millions of visitors each year. As of December 1, 2010, the population of the metropolitan area totaled 916,600, an increase of approximately 4,500, or 0.5 percent, compared with the December 1, 2009, population estimate. The rate of population growth has remained relatively unchanged during the past 4 years. Since 2007, net out-migration has averaged 2,000 a year compared with 2,725 annually from 2000 through 2005.

Although economic conditions remain weak, the economy of the metropolitan area is stabilizing because of increased tourism and a strong military presence. Nonfarm payrolls decreased by 400 jobs, or 0.1 percent, to an average of 438,200 jobs during the 12 months ending November 2010 compared with the number of jobs recorded during the previous 12 months. By comparison, payroll declines averaged 3.3 percent during the 12 months ending November 2009. During the past 12 months, the leisure and hospitality sector was one of the few sectors to record job growth, with the addition of 1,700 jobs, a 2.8-percent increase. Growth in this sector is attributed to hiring at several hotels, including Hilton Hotels, the largest private-sector employer in the area, with 6,400 employees. According to the Hawaii Tourism Authority, Oahu accounted for 4.1 million visitors, who spent \$5.1 billion in 2009, which represents declines of 4 and 11 percent, respectively, from 2008 levels. As of the first quarter of 2010, the Oahu Economic Development Board reported an increase in the number of visitors and amount of expenditures of nearly 5 percent compared with data from the first quarter of 2009. Equally vital to the local economy, the U.S. Department of Defense has annual expenditures of \$6.8 billion statewide, according to the Hawaii Chamber of Commerce Military Affairs Council, 90 percent of which is estimated to be in Honolulu. Government-sector jobs decreased less than 1 percent for the 12 months ending November 2010 compared with the number of jobs for the previous period. Increases in federal and local government jobs partially made up for a decline in state government employment of 2,000 jobs due to budget deficits. As job losses began to stabilize, the unemployment rate remained flat at 5.6 percent during the 12 months ending November 2010.

Home sales market conditions in the Honolulu metropolitan area are slightly soft due to the recent economic downturn but appear to be improving. Home sales began to increase in Honolulu during the 12 months ending November 2010, following 4 years of decline, but remained well below the decade-high average of 4,575 homes sold annually from 2003 through 2005, based on the Honolulu Board of REALTORS® data. Approximately 2,975 existing single-family homes were sold during the 12 months ending November 2010, up nearly 15 percent from the 2,600 homes sold during the 12 months ending November 2009. During the same period, the median home sales price decreased nearly 1 percent to \$585,000. Condominium sales, which represent approximately 56 percent of existing home sales, increased by 390 units to 3,875 units sold during the past year, while the median condominium sales price increased by more than 1 percent to \$315,000. Despite the recent increase, condominium sales remained well below the average of 7,600 units sold annually from 2003 through 2005. According to Lender Processing Services Mortgage Performance Data, as of November 2010, the percentage of mortgage loans 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned) in the metropolitan area was 5.6 percent, unchanged from the rate recorded in November 2009.

Homebuilding activity, as measured by the number of single-family building permits issued, has increased slightly in the metropolitan area in response to recovering home sales. Based on preliminary data, for the 12 months ending November 2010, 880 homes were permitted, an increase of 4 percent compared with the number permitted during the previous 12 months. In comparison, during the peak years of 2003 through 2005, an average of 2,325 single-family homes a year were permitted in the metropolitan area. D.R. Horton is currently offering single-family homes on the southwest side of Oahu at Kahiwelo at Makakilo. New homes at Makakilo range in price from \$560,000 for starter homes to nearly \$700,000 for larger, luxury homes.

Rental market conditions in the Honolulu metropolitan area are currently balanced. According to Reis, Inc., as of the third quarter of 2010, the apartment vacancy rate was 3.3 percent, a slight decrease from the 3.5-percent rate recorded in the third quarter of 2009. The average monthly contract rent was \$1,300 as of the third quarter of 2010, which is unchanged from the third quarter of 2009. Apartment rents in the area averaged \$1,100 for a one-bedroom unit, \$1,350 for a two-bedroom unit, and \$1,675 for a three-bedroom unit.



The construction of multifamily units increased substantially to 990 units during the 12-month period ending November 2010 compared with 240 units constructed during the previous 12-month period, based on preliminary building permit data. For the 12 months ending November 2010, condominiums accounted for approximately 20 percent of the multifamily units permitted, down from an average of 45 percent of the multifamily units permitted annually from 2005 through 2009. Construction activity in 2008 and 2009 slowed dramatically to an average of 230 units permit-

ted annually compared with the average of 1,425 units permitted annually from 2005 through 2007. As of November 2010, several apartment projects are either under way or in the leasing stages. Franciscan Vistas Ewa, a 149-unit senior's community, is currently under construction, with an anticipated completion date of May 2011. Rents at Franciscan Vistas Ewa are expected to be income restricted at \$745 and \$885 for one- and two-bedroom units, respectively. Seawind Apartments, a 50-unit affordable housing development in Waianae, is currently in lease up, with rents starting at \$831.