

Housing Market Profile

Pacific • HUD Region IX



Honolulu, Hawaii

Coterminous with the island of Oahu, the Honolulu metropolitan area comprises Honolulu County, the most populous county in the state of Hawaii and home to the state capital, Honolulu. The metropolitan area draws more than 4.4 million visitors each year, with more than 2,600 businesses involved in the leisure and hospitality sector, according to the Oahu Economic Development Board (OEDB). The metropolitan area is home to the United States Pacific Command headquarters, which contributes approximately 90 percent of the \$12.2 billion in military economic impact in the state. As of January 1, 2013, the population of the metropolitan area was estimated at 974,800, reflecting an average annual increase of 7,850, or 0.8 percent, since July 1, 2011, slowing from the average annual increase of 10,000, or 1.1 percent, from 2008 through 2010. Population growth began to slow during 2011 because fewer mainland retirees moved to the metropolitan area and defense personnel relocated to the mainland states, including Texas and Virginia. Since 2011, net in-migration has averaged 1,000 people a year compared with an average of 3,375 people annually from 2008 through 2010, when employment conditions were weakest. The net in-migration from 2008 through 2010 was partly because of a net in-migration of internationals taking advantage of reduced home sales prices.

Employment in the Honolulu metropolitan area improved during the past year, but it has yet to fully recover from the decline that began during 2008. During the 12 months ending November 2012, nonfarm payrolls increased by 4,100 jobs, or 0.9 percent, to 442,400 jobs compared with a gain of 3,875 jobs, or 0.9 percent, during the previous 12 months. Despite these gains, payrolls remain down 9,425 jobs, or 2.1 percent, from the peak level recorded during 2007, before the economic downturn. The leisure and hospitality and the trade sectors led nonfarm payroll growth, increasing by 3,425 and 1,000 jobs, or 5.5 and 1.7 percent, respectively. An increase in spending by visitors to the metropolitan area bolstered growth in these sectors; those visitors spent \$6.7 billion during 2012, up from \$5.6 billion during 2011, according to data from the OEDB. Hilton Hotels & Resorts and Starwood Hotels & Resorts Worldwide, Inc., are among the largest private employers, with 5,400 and 4,950 employees, respectively. The three largest employers, all of which are in the government sector, are Schofield Barracks, Pearl Harbor Naval Complex, and Fort Shafter, with 53,600,

21,600, and 16,250 civilian and military employees, respectively. The mining, logging, and construction and the information sectors, down 850 and 700 jobs, or 3.9 and 1.0 percent, respectively, experienced the greatest declines among sectors, partially offsetting growth in other sectors. Among the developments that will start construction during 2013 is the \$200 million Kyo-ya Hotels & Resorts, LP Diamond Head Tower, a 26-story hotel and condominium that will add 110 staff jobs by 2015. During the 12 months ending November 2012, as economic conditions improved, the average unemployment rate declined to 5.4 percent from 5.7 percent during the previous 12 months.

Despite improved employment conditions, the sales housing market in the Honolulu metropolitan area is soft because of tight mortgage lending standards and slower population growth. During the 12 months ending October 2012, new and existing home sales decreased 12 percent, to 9,575, from 10,850 homes sold a year earlier and decreased 28 percent from the average of 13,250 homes sold annually from 2008 through 2010, according to Hanley Wood, LLC. During the 12 months ending October 2012, the average sales price for new and existing homes increased 5 percent, to \$527,700, which was 9 percent above the average price of \$483,300 recorded from 2008 through 2010. Because of land scarcity in the metropolitan area, condominiums are a significant part of the housing market, representing 56 percent of total sales in the metropolitan area. During the 12 months ending October 2012, 5,400 condominiums sold, down 15 percent from the 6,350 sold during the previous 12 months. The average condominium price declined 1 percent, to \$374,200, compared with the average price of \$379,200 recorded during the previous 12-month period. The decline in the average price of condominiums was attributable entirely to declining new condominium prices. According to LPS Applied Analytics, as of December 2012, 5.9 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up from 5.6 percent in December 2011 but below the 8.1-percent rate for Hawaii.

Soft sales market conditions resulted in a reduction of single-family home construction activity, as measured by the number of homes permitted, compared with that of the strong building years in the early-to-mid 2000s. According to preliminary data, during the 12 months ending November 2012, single-family homebuilding activity totaled 1,000 homes permitted, up from the 750



homes permitted during the previous 12-month period. New home permitting averaged 2,125 homes annually from 2002 through 2006 before declining to average 920 homes annually from 2007 through 2010. Developments under construction or in planning include Ke Ola O Pokai Bay, with 135 homes, and the condominium portion of the Kyo-ya Hotels & Resorts, LP Diamond Head Tower, with 40 units intended for whole ownership, or nonseasonal housing. Prices for these homes start at \$420,000 for starter homes and at more than \$680,000 for luxury homes.

Rental market conditions in the Honolulu metropolitan area are balanced, with an overall estimated vacancy rate of 5.9 percent as of January 2013, unchanged from April 2010 despite a slight increase in the apartment market vacancy rate during the past year. According to Axiometrics Inc., during the third quarter of 2012, the average apartment vacancy rate was 5.9 percent, up from

3.5 percent during the third quarter of 2011. The average monthly rent for apartments was nearly unchanged at \$1,913. Based on preliminary data, during the 12 months ending November 2012, multifamily building activity, as measured by the number of multifamily units permitted, declined to 740 units compared with the 970 units permitted during the previous 12-month period. Construction activity slowed dramatically during 2008 and 2009, to average 420 units permitted annually after averaging 1,700 units permitted annually from 2004 through 2007, in part because of a reduction in the number of new condominiums constructed. Condominiums have accounted for approximately 20 percent of the multifamily units permitted since 2008, down from an average of 54 percent from 2004 through 2007. Recently completed apartment developments include Ala Wai Garden Plaza, a 44-unit complex consisting entirely of one-bedroom units with rents starting at \$1,550.