

COMPREHENSIVE HOUSING MARKET ANALYSIS

Urban Honolulu, Hawaii

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2019



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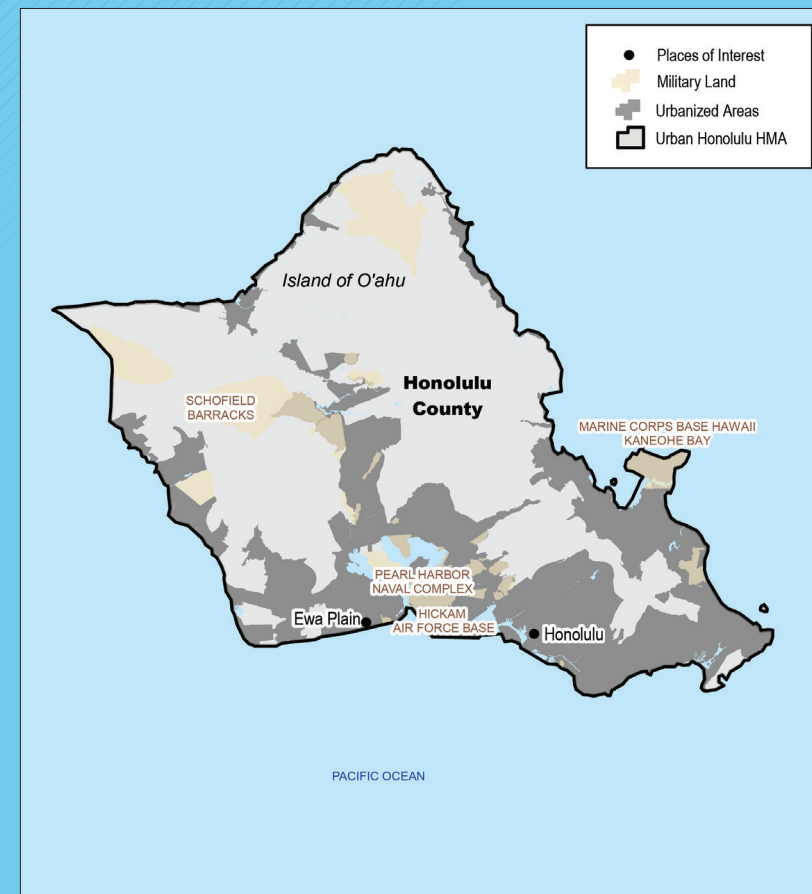
Executive Summary

Housing Market Area Description

The Urban Honolulu Housing Market Area (HMA) is coterminous with the Urban Honolulu, HI Metropolitan Statistical Area (MSA) and is defined as Honolulu County. The island of O'ahu and several smaller islands in its vicinity are all part of Honolulu County, which contains the largest share of the Hawaiian population. It is the second smallest county in the state (by land area) following Kalawao County.

The current population is estimated at 975,900.

Honolulu, which means “place of shelter” in the Hawaiian language, is the largest city in Hawaii and the state capital. The city of Honolulu is home to Fort Shafter and Tripler Army Medical Center, which are among the 10 U.S. military installations located throughout the HMA. Schofield Barracks is the largest installation in the HMA, followed by the Pearl Harbor Naval Complex.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).

Market Qualifiers

Economy



Stable: Nonfarm payrolls in the Urban Honolulu HMA increased by 3,200 jobs, or 0.7 percent, during the 12 months ending July 2019, accounting for virtually all net nonfarm payroll growth in Hawaii during the period.

The HMA economy has expanded for more than 8 consecutive years since the Great Recession. Nonfarm payrolls increased to 479,900 jobs during the 12 months ending July 2019 and accounted for 73 percent of all jobs in Hawaii. During the 3-year forecast period, nonfarm payroll growth in the HMA is expected to continue at a moderate pace, averaging 0.7 percent a year.

Sales Market



Balanced: The average number of months that homes were on the market in the Urban Honolulu HMA was low at 2.5 months during the 12 months ending July 2019, down from 3.5 months during the 12 months ending April 2010.

The sales housing market in the HMA is balanced. The vacancy rate is currently estimated at 1.0 percent, which declined slightly from 1.1 percent in April 2010 partly in response to reduced inventory levels. During the 3-year forecast period, demand is estimated for 1,250 new homes, which is expected to increase slightly in the second and third years of the forecast period because of improving household growth. The 650 homes under construction will satisfy some of the forecast demand.

Rental Market



Slightly Tight: Renter household growth in the Urban Honolulu HMA more than offset the production of year-round rental units since 2010, contributing to the overall tightening of rental market conditions.

The rental housing market in the HMA is slightly tight, with an estimated vacancy rate of 5.1 percent, down from 5.9 percent in 2010 when conditions were balanced. During the forecast period, demand in the HMA is expected for 670 new rental units. The 400 units under construction will meet all the demand in the first year and most of the demand in the second year of the forecast.

TABLE OF CONTENTS

Economic Conditions	4
Population and Households	8
Home Sales Market Conditions	11
Rental Market Conditions	16
Terminology Definitions and Notes	22

3-Year Housing Demand Forecast

	Sales Units	Rental Units
Urban Honolulu HMA		
Total Demand	1,250	670
Under Construction	650	400

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2019. The forecast period is August 1, 2019, to August 1, 2022.
Source: Estimates by the analyst



Economic Conditions

Largest sector: Government Sector

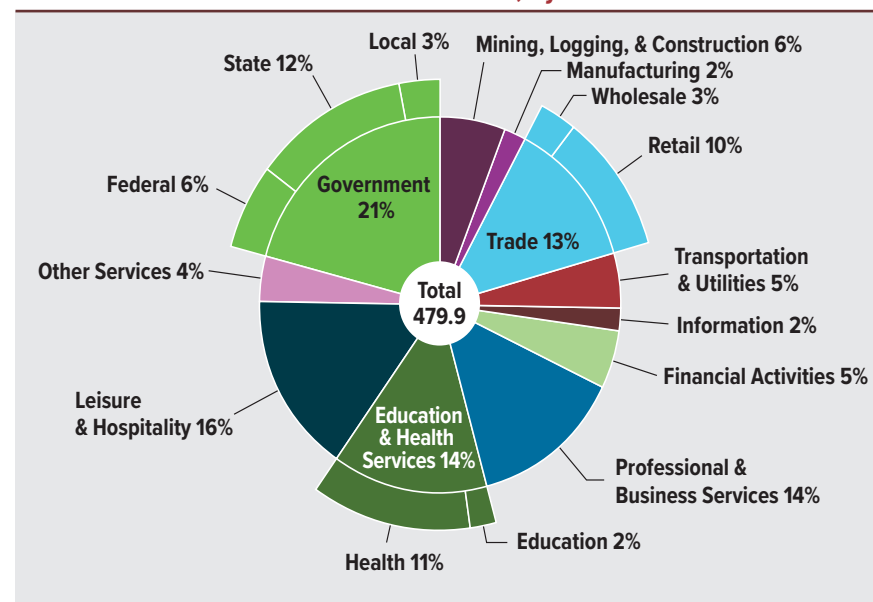
Military and tourism are the leading industries that support economic growth in the HMA, both contributing a combined estimated \$10 billion in annual economic impact on Hawaii (Chamber of Commerce Hawaii and Hawaii Tourism Authority).

Economic Factors in the HMA

The Urban Honolulu HMA has been a major employment center for military and tourism since the mid-20th century. Although U.S. military presence in the HMA dates to the late 1880s, it was the move of the U.S. Pacific Fleet to Pearl Harbor less than a year before the Pearl Harbor attack during World War II that contributed to the prominence of the military in the HMA. The military continued to be the largest economic factor in the HMA until tourism rose. Greater commercialization of air travel during the 1950s, along with Hawaii achieving statehood by 1959, helped transform the HMA into a major tourist destination by the early 1960s. Today, the HMA is among the most popular tourist destinations in the nation, accounting for 60 percent of all visitors to Hawaii (Hawaii Tourism Authority). Annual visitors to the HMA reached nearly 5.94 million in 2018, up from 5.69 million in 2017, while visitor spending increased 7 percent to nearly \$8.2 billion. The number of visitors to the HMA and visitor spending have supported job gains in the leisure and hospitality sector, the second largest sector in the HMA (Figure 1).

Even with the rise in tourism, the military remains vital to the HMA, which is home to all six branches of the armed forces. Ten of the 12 military installations across the state are located in the HMA, including Schofield Barracks, Naval Station Pearl Harbor (Photo 1), Marine Corps Base Hawaii Kaneohe Bay, and Hickam Air Force Base, which are the four largest employers in the HMA (Table 1). Military installations throughout the HMA employ 46,800 military and

Figure 1. Share of Nonfarm Payroll Jobs in the Urban Honolulu HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 due to rounding. Active duty military are not included.

Source: U.S. Bureau of Labor Statistics

14,650 civilian personnel combined, which account for 97 and 73 percent of respective personnel throughout Hawaii (Defense Manpower Data Center, July 2019). The military has supported growth in the defense industry. The Department of the Navy is the largest contracting entity in Hawaii, with more than \$9 billion in defense contracts awarded during the last decade (Hawaii Defense Economy). There is more than \$2 billion in total value of defense contracts in Hawaii annually, with nearly all that occurring in the HMA.

The sectors that have received defense contracts have ranged from the mining, logging, and construction and the manufacturing sectors to the information and the professional and business services sectors (Hawaii Defense Economy).

Photo 1. Naval Base Pearl Harbor

Source: MilitaryBases.com

Table 1. Major Employers in the Urban Honolulu HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Schofield Barracks	Government	17,100
Naval Station Pearl Harbor	Government	16,250
Marine Corps Base Hawaii Kaneohe Bay	Government	13,550
Hickam Air Force Base	Government	9,800
The Queen's Health Systems	Education & Health Services	7,025
Hawaii Pacific Health	Education & Health Services	6,975
Starwood Hotels & Resorts Worldwide, Inc.	Leisure & Hospitality	5,500
Hilton Worldwide Holdings Inc.	Leisure & Hospitality	5,400
Hawaiian Airlines, Inc.	Transportation & Utilities	4,900
Kaiser Permanente	Education & Health Services	4,575

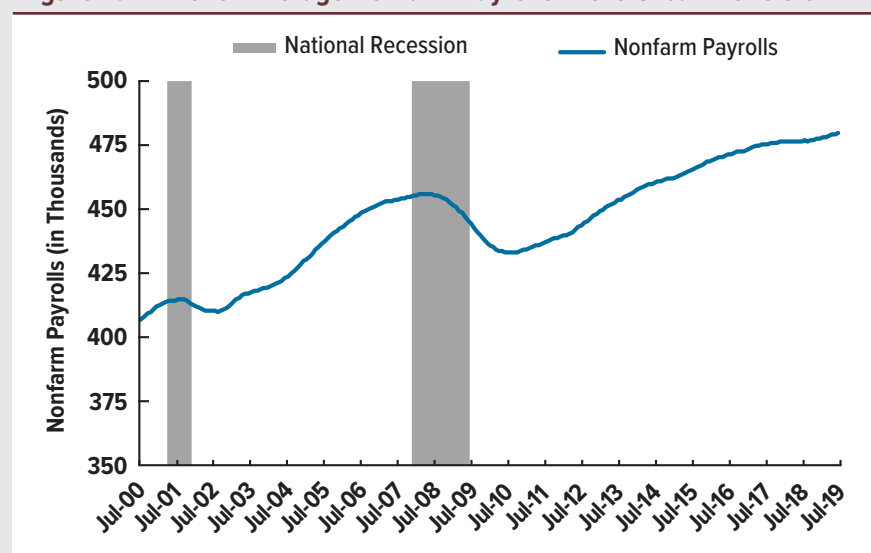
Notes: Excludes local school districts. Data include military personnel, who are not included in nonfarm payroll survey data.

Sources: Defense Manpower Data Center; *Pacific Business News*

Economic Periods of Significance in the HMA

A Period of Expansion: 2001 through 2007

Nonfarm payroll growth in the HMA averaged 6,200 jobs, or 1.4 percent, a year from 2001 through 2007, accounting for 59 percent of job growth in Hawaii. The rate of growth in the HMA (Figure 2) was above the 0.6-percent annual rate for the nation because the HMA was less affected by the national recession of the early 2000s. More than two-thirds of the net job gain in the HMA occurred in the education and health services; the mining, logging, and construction; and the professional and business services sectors, up by annual averages of 1,400, 1,300, and 1,500 jobs, or 2.6, 6.1, and 2.7 percent, respectively. Gains in the health care and social assistance industry accounted for more than three-fourths of the growth in the education and health services sector. Jobs added in the administrative support industry contributed nearly one-half of the increase in the professional and business services sector. The mining, logging, and construction sector had the largest percentage gain, mostly due to growth in the construction subsector. Greater residential building activity from strong sales housing market conditions during most of the period partly contributed to subsector gains.

Figure 2. 12-Month Average Nonfarm Payrolls in the Urban Honolulu HMA

Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

The Great Recession and the Urban Honolulu HMA: 2008 through 2010

By the end of 2007, the Great Recession began, and payrolls in the HMA declined by an average of 7,000 jobs, or 1.6 percent, a year from 2008 through 2010. Overall, the rate of decrease was below Hawaii and the nation, which declined by averages of 2.1 and 1.9 percent a year, respectively. More than two-thirds of the payrolls decline in the HMA was attributable to losses in the leisure and hospitality; the mining, logging, and construction; and the transportation and utilities sectors, down respectively by averages of 1,300, 1,700, and 1,700 jobs, or 2.1, 6.7, and 7.5 percent, annually. The entire loss in the mining, logging, and construction sector resulted from reductions in the construction subsector, partly in response to reduced housing development. In the leisure and hospitality sector, the number of visitors to the HMA declined 9 percent during the period to 4.3 million by 2010 (State of Hawaii Data Book), contributing to an average annual job loss of 1,100 in the accommodation and food services industry. Fewer visitors also partly led to an average of nearly 1,800 jobs lost annually in the air and water transportation industries of the HMA, contributing to the decline in the transportation and utilities sector. Losses during the period included 1,900 positions at Aloha Airlines and 1,000 jobs at Norwegian Cruise Line America when its second cruise ship was pulled out of service.

Current Nonfarm Payroll Trends

Since 2017, nonfarm payrolls in the HMA have expanded but at a slower pace compared with the 2011-through-2017 period. Payrolls were up by 3,200 jobs, or 0.7 percent, to 479,900 jobs during the 12 months ending July 2019 (Table 2); they accounted for 73 percent of all jobs and virtually all net nonfarm payroll growth in Hawaii. Growth was also slower than the nation, which increased 1.7 percent. Losses in the manufacturing and the wholesale and retail trade sectors contributed to reduced growth. The closure of Hagadone Hawaii, a commercial printing manufacturer, resulted in the loss of more than 90 employees in the manufacturing sector. The retail trade subsector, which was down partly in response to a rise in e-commerce, accounted for the entire decline in the wholesale and retail trade sector. Closures of retail stores in the

Economic Recovery and Expansion: 2011 through 2017

Following the economic contraction, nonfarm payrolls in the HMA expanded by an average of 6,000 jobs, or 1.3 percent, annually from 2011 through 2017, accounting for 63 percent of jobs added in Hawaii. The rate of growth, however, was slightly slower than during the previous decade and below the annual rates for Hawaii and the nation, which were up by averages of 1.5 and 1.8 percent annually, respectively. Despite slower growth, nonfarm payrolls in the HMA surpassed prerecessionary levels by the end of 2013. The education and health services, the leisure and hospitality, and the professional and business services sectors accounted for 62 percent of job gains in the HMA from 2011 through 2017. A 1,000-job increase at hospitals throughout the HMA contributed to growth in the education and health services sector, which was up by an average of 800 jobs, or 1.4 percent, a year. The addition of an average of more than 600 jobs annually in the employment services industry supported growth in the professional and business services sector, which increased by an average of 1,000 jobs, or 1.6 percent, annually. The leisure and hospitality sector added the most jobs, up by an average of 1,900 jobs, or 3.0 percent, annually. The number of visitors to the HMA increased 31 percent during the period to nearly 5.7 million, partly influencing the construction of seven hotels at a combined cost of nearly \$838 million, adding 500 jobs in the leisure and hospitality sector during the period.

HMA, including 30 layoffs at Sears, Roebuck and Company, contributed to job losses. Offsetting the declines were notable gains in the government and the leisure and hospitality sectors, which were up by 1,500 and 800 jobs, or 1.5 and 1.0 percent, respectively. In the leisure and hospitality sector, growth was mainly supported by the accommodation and food services industry, which was up by 900 jobs, or 1.4 percent. The opening of the \$100 million Ritz-Carlton Residences Waikiki Beach Diamond Head Tower supported sector growth, adding more than 60 jobs. Nearly three-fourths of jobs added in the government sector were attributed to the state government subsector, with occupations ranging from social services to planning and development (State of Hawaii Department of Human Resources and Development).



Table 2. Nonfarm Payroll Jobs (1,000s) in the Urban Honolulu HMA, by Sector

	12 Months Ending July 2018	12 Months Ending July 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	476.6	479.9	3.2	0.7
Goods-Producing Sectors	37.7	37.7	0.0	0.1
Mining, Logging, & Construction	26.2	26.7	0.5	1.8
Manufacturing	11.5	11.1	-0.4	-3.8
Service-Providing Sectors	439.0	442.2	3.2	0.7
Wholesale & Retail Trade	62.2	61.1	-1.1	-1.8
Transportation & Utilities	23.8	24.0	0.2	0.7
Information	7.4	7.9	0.5	6.8
Financial Activities	21.9	22.0	0.1	0.6
Professional & Business Services	64.9	65.4	0.5	0.8
Education & Health Services	64.8	65.4	0.6	1.0
Leisure & Hospitality	73.9	74.7	0.8	1.0
Other Services	21.5	21.6	0.1	0.3
Government	98.6	100.1	1.5	1.5

Notes: Based on 12-month averages through July 2018 and July 2019. Numbers may not add to totals due to rounding. Data are in thousands.

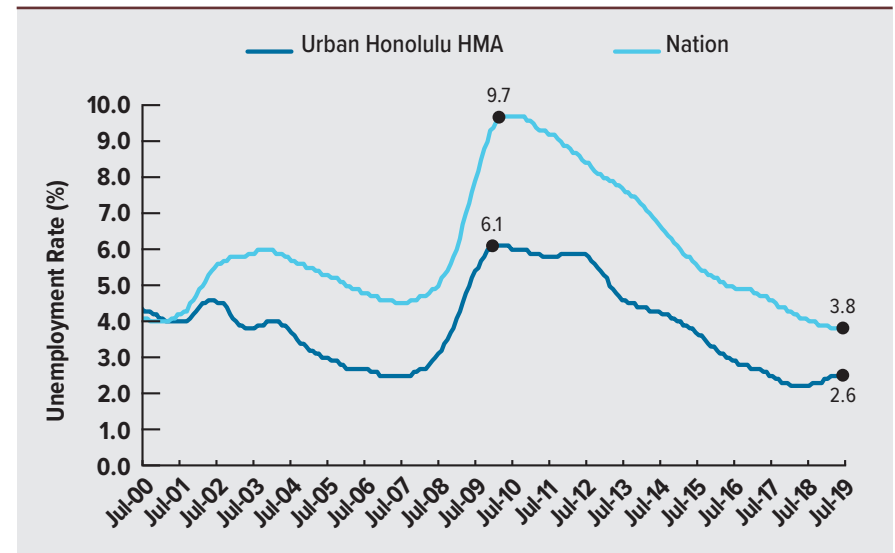
Source: U.S. Bureau of Labor Statistics

Unemployment Trends

The average unemployment rate in the HMA rose during the 12 months ending July 2019 to 2.6 percent from 2.2 percent a year earlier but remains below the high of 6.1 percent during the 12 months ending January 2010 (Figure 3). Despite the increase, the current unemployment rate in the HMA is below the 3.7-percent rate for Hawaii and the 3.8-percent rate for the nation.

Employment Forecast

During the forecast period, nonfarm payrolls in the HMA are expected to increase by an average of 3,400 jobs, or 0.7 percent, annually. Gains in the

Figure 3. 12-Month Average Unemployment Rate in the Urban Honolulu HMA and the Nation

Source: U.S. Bureau of Labor Statistics

government and the leisure and hospitality sectors are expected to contribute to overall growth. Two hundred of the nearly 320 state government job openings throughout Hawaii are in the HMA and are expected to support growth in the government sector once positions are filled. In the leisure and hospitality sector, the completion of two hotels at a combined cost of \$609 million is expected to add more than 70 jobs by the end of 2020. Additionally, although not included in the nonfarm payroll data, military personnel are expected to increase by 200 at Schofield Barracks by the end of 2021 (U.S. Army), contributing to overall economic stability in the HMA.

Population and Households

Current population: 975,900

Population growth has slowed since 2013, as reductions in military personnel during most of the period and higher home prices contributed to net out-migration from the HMA.

The population of the Urban Honolulu HMA is estimated at 975,900 as of August 1, 2019 (Table 3). Overall, the HMA accounts for approximately 69 percent of the resident population in Hawaii, which had a population of 1.42 million as of July 2018 (U.S. Census Bureau). More than one-third of HMA residents live in the largest city, Honolulu, which has 347,400 residents.

Table 3. Urban Honolulu HMA Population and Household Quick Facts

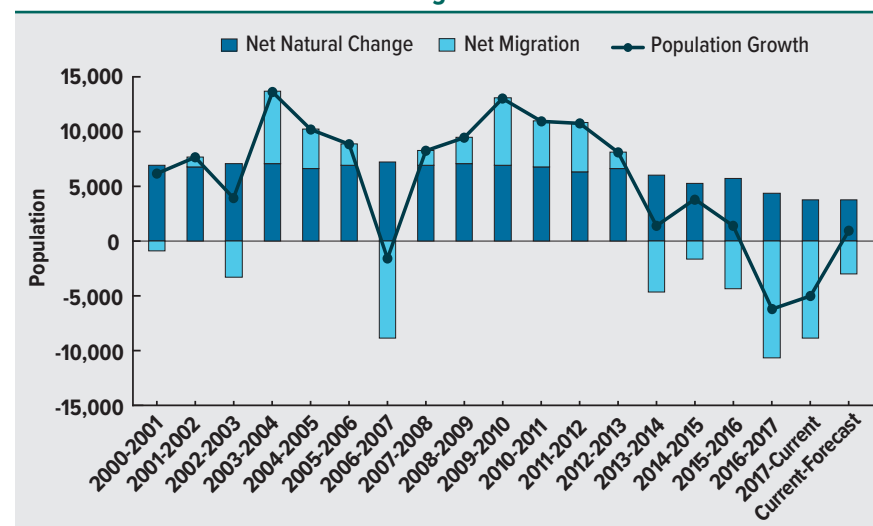
	2010	Current	Forecast
Population Quick Facts	Population	953,207	975,900
	Average Annual Change	7,700	2,425
	Percentage Change	0.8	0.3
Household Quick Facts	Households	311,047	320,800
	Average Annual Change	2,450	1,050
	Percentage Change	0.8	0.3

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (August 1, 2019) to August 1, 2022. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Resident Population and Demographic Trends

Overall resident population growth and trends in migration in the HMA during most of the period since 2000 have been influenced by economic conditions, mortgage lending standards, housing prices, and significant changes in military personnel—some of whom bring dependents. In addition, net natural change has also supported overall population growth in the HMA during this period (Figure 4).

Figure 4. Components of Population Change in the Urban Honolulu HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (August 1, 2019) to August 1, 2022. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

During the early 2000s, prior to the sales housing market expansion, population growth in the HMA was slow, averaging 5,575 people, or 0.6 percent, a year from 2000 to 2003. Despite economic expansion during the period, net out-migration occurred nearly each year, averaging 1,350 people annually, a portion of which was attributed to 400 fewer military personnel in 2003. Lenient mortgage-lending standards coupled with strong economic conditions that characterized the subsequent housing market expansion of the early-to-mid 2000s had contributed to increased homebuying and a surge in residents moving to the HMA. From 2003 to 2006, population growth accelerated to an average of 1.2 percent, or 10,900 people, annually, while net in-migration averaged 4,025 people a year. People mainly came from international locations and the island of Maui, and a small portion came from California, including both the Anaheim-Santa Ana-Irvine, CA and San Diego-Carlsbad, CA MSAs (Internal Revenue Service migration data).

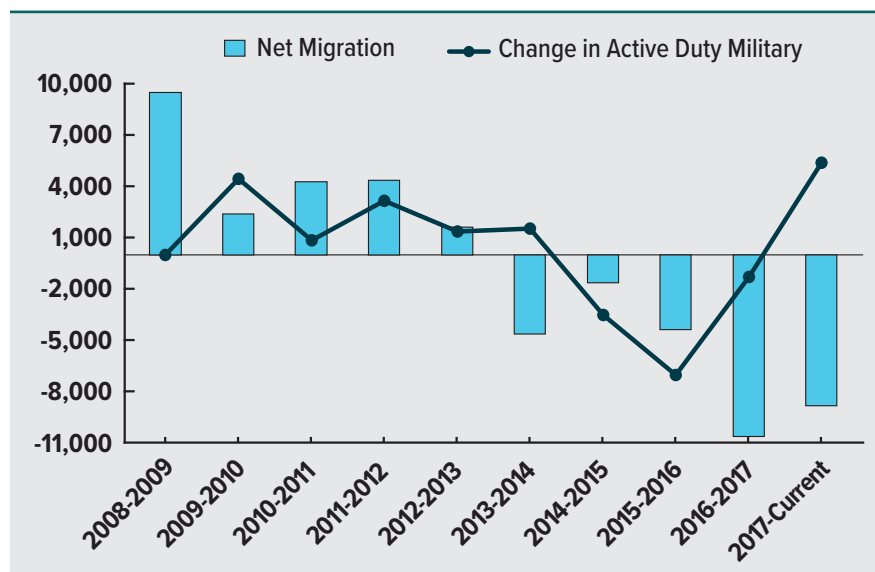
Net out-migration would return as home prices rose at the height of the housing market expansion, contributing to a decline in the population by 1,625 people, or 0.2 percent, from 2006 to 2007 as net out-migration totaled 8,800 people. Significantly fewer people moved to the HMA from international locations and an even greater number of HMA residents moved to the mainland United States, including to the Las Vegas, NV MSA and the Phoenix, AZ MSA, where home prices averaged at least \$118,100 less than in the Urban Honolulu HMA. By the end of 2007, the draw of residents from the HMA to purchase homes elsewhere slowed as housing markets across the nation began to weaken. Net in-migration returned each year of the Great Recession and through part of the current economic expansion. In addition, personnel gains in the military occurred nearly each year from 2007 to 2013 (Figure 5), supporting average net in-migration of 3,400 people annually, leading to population growth accelerating to an average of 1.1 percent,

or 10,150 people, a year. As home prices escalated and significant reductions in military personnel occurred, net out-migration returned, averaging 6,525 people a year since 2013. The population of the HMA declined, but at a slower rate than during the early 2000s, by an average of 1,700 people, or 0.2 percent, a year.

Visitor Population in the Urban Honolulu HMA

In any given year, long-term visitors, or those who might stay in the HMA for as long as 3 to 6 months out of a year, contribute significantly to the de facto population in the HMA and may place additional pressures on the HMA housing markets. From 2000 to 2017, the HMA received approximately 186,400 long-term visitors annually (Hawaii State Department of Business, Economic Development and Tourism). These visitors effectively added approximately 9 to 12 percent to the resident population in the HMA during the period (Figure 6).

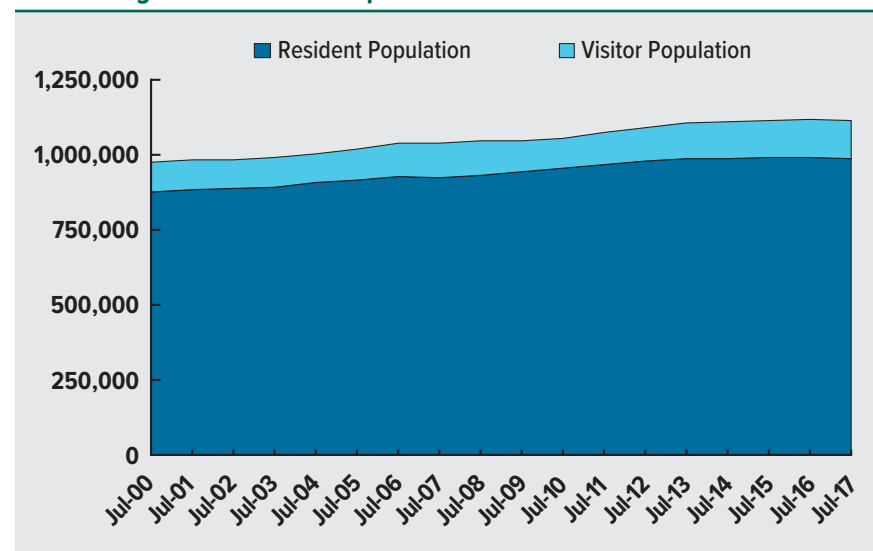
Figure 5. Military Personnel and Net Migration Trends in the Urban Honolulu HMA



Notes: Data only include military personnel. The current date is August 1, 2019.

Sources: U.S. Census Bureau; 2000–2018 State of Hawaii Data Books; Defense Manpower Data Center

Figure 6. De Facto Population in the Urban Honolulu HMA



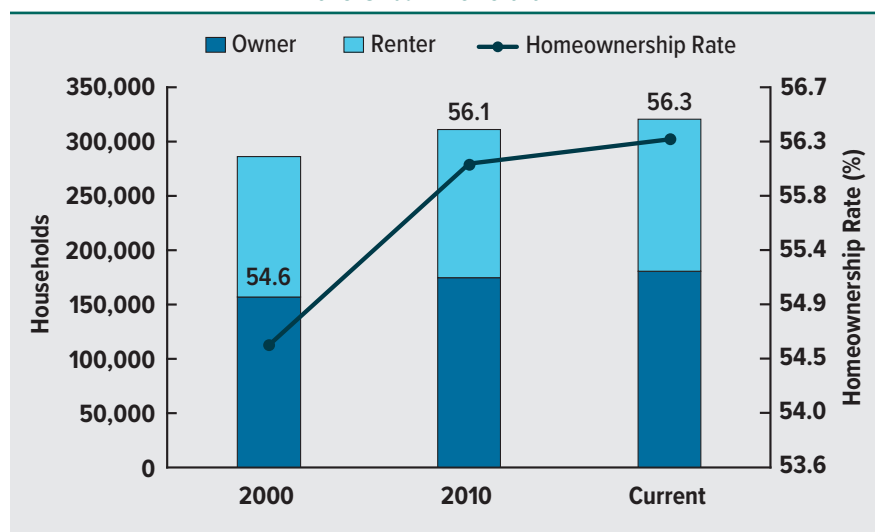
Notes: The de facto population is defined as the number of persons physically present in an area, regardless of military status or usual place of residence. 2017 is the most recent data available.

Sources: U.S. Census Bureau; Hawaii State Department of Business, Economic Development and Tourism

Resident Household Trends

Net out-migration from the HMA since 2013 has contributed to reduced resident household growth compared with growth during the 2000s. The number of households in the HMA is currently estimated at 320,800, up an average of 1,050, or 0.3 percent, annually since 2010, compared with an average increase of 2,450, or 0.8 percent, annually during the 2000s. The proportion of owner households in the HMA increased slightly from 56.1 percent in 2010 to 56.3 percent currently (Figure 7). This was partly because of job growth and the introduction of affordable sales communities in recent years. Although the proportion of household growth consisting of homeowners has been lower since 2010, at 64 percent, than the proportion in the 2000s of 74 percent, the homeownership rate has continued to increase.

Figure 7. Households by Tenure and Homeownership Rate in the Urban Honolulu HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Military Household Trends

Overall, military household growth has improved with notable increases in military personnel since 2017; however, personnel levels remain below the 2014 peak due to reductions that occurred from 2015 to 2017. Military households currently account for an estimated 3 percent of owner households and 18 percent of renter households in the HMA, both nearly unchanged since 2010. Growth in military households has fluctuated since 2010 but overall, during that time period, has accounted for less than 1 percent of owner household growth and 8 percent of renter household growth.

Forecast

During the next 3 years, the resident population of the HMA is expected to increase by an average of 910 people, or 0.1 percent, a year, reflecting reduced net out-migration during the first and second years and a return to net in-migration by the third year of the forecast period. The overall slowdown expected during the first year is in response to the higher cost of both sales and rental housing; this cost is expected to lessen by the second year as sales prices are anticipated to adjust downward and as tightening regulations of short-term rentals to tourists help to improve rental market conditions by increasing the amount of units available for year-round rent. Net in-migration to the HMA is expected by the third year as the economy expands at a slightly faster pace compared with the first and second years. The population of the HMA is estimated to reach 978,600 by the end of the 3-year forecast period.

The number of households in the HMA is expected to grow during the forecast by an average of 300, or 0.1 percent, annually, to 321,700. Owner households are expected to increase slightly to 56.4 percent of the total households in the HMA by the end of the forecast period. Military households are expected to account for 19 percent of total renter households and less than 1 percent of total owner households in the HMA by the end of the forecast period.

Home Sales Market Conditions

Market Conditions: Balanced

Absentee owner purchases contributed to lower levels of available for-sale housing inventory and generally stronger sales housing market conditions even during the contraction of the late 2000s.

Sales Market Conditions

The sales housing market in the Urban Honolulu HMA is balanced, with an estimated sales vacancy rate of 1.0 percent, down from 1.1 percent in April 2010. Overall, the inventory of homes for sale declined 7 percent, or by 370 homes, from the 12 months ending March 2010 to the 12 months ending July 2019 (CoreLogic, Inc.), contributing to the decrease in the vacancy rate. Since 2010, the overall decline in inventory occurred despite a recent rise during the 12 months ending July 2019, when the inventory of homes available for sale rose 7 percent compared with a year ago, partly in response to net out-migration and a rise in development since 2013. Despite the recent increase in inventory, the sales housing market remains balanced, and the average number of months on the market is relatively low at 2.5 months during the 12 months ending July 2019, down from an average of 3.6 months during the 12 months ending March 2010. Growth in the number of owner households since 2010 and purchases of homes by absentee owners for seasonal or occasional use, which have accounted for an average of one-half of home sales since 2010, contributed to fewer months on the market compared with the national average of 2.7 months during the recent 12-month period (Table 4). Months on the market peaked in the HMA during 2009, when the market was weakest, at 3.8 months, compared with 4.2 months nationally during the same period.

New and Existing Home Sales

New and existing home sales in the HMA were generally high during the mid-2000s, averaging 22,200 homes sold annually from 2005 through 2007 (Figure 8; Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The number of homes sold annually was the highest average in nearly 15

Table 4. Home Sales Quick Facts in the Urban Honolulu HMA and the Nation

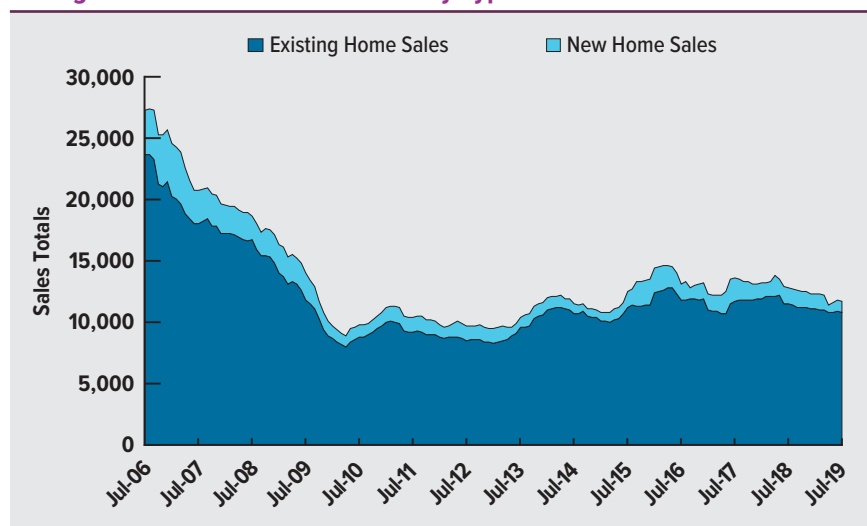
	Urban Honolulu HMA	Nation
Vacancy Rate	1.0%	NA
Months on the Market	2.5	2.7
Total Home Sales	11,800	6,041,000
1-Year Change	-4%	-6%
Existing Home Sales Price	\$706,800	\$296,300
1-Year Change	5%	3%
New Home Sales Price	\$705,800	\$382,400
1-Year Change	-41%	1%
Mortgage Delinquency Rate	1.8%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date (August 1, 2019); home sales, months on the market, and prices are for the 12 months ending July 2019; and mortgage delinquency data are as of July 2019.

Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Figure 8. 12-Month Sales Totals by Type in the Urban Honolulu HMA



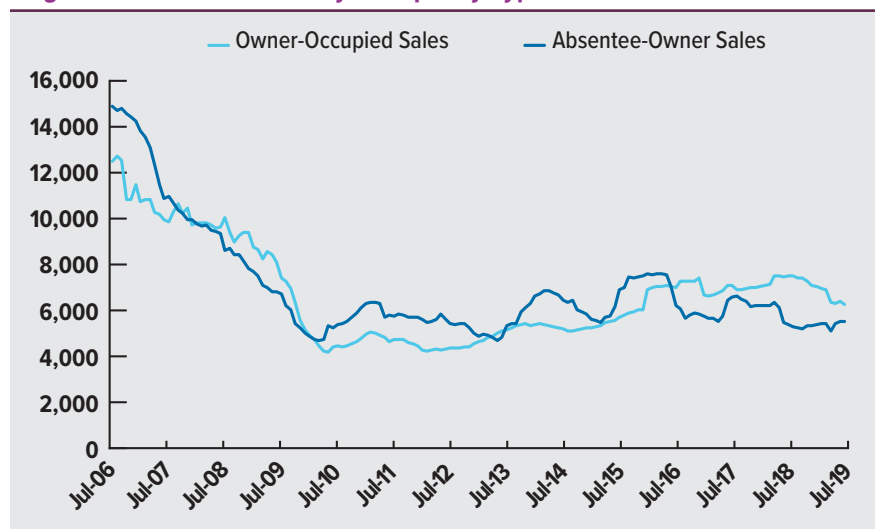
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

years despite net out-migration that occurred during part of that period. Lenient mortgage lending standards during the early to mid-2000s, which allowed a larger proportion of households to purchase homes, combined with a greater proportion of absentee owner purchases (Figure 9) to contribute to the higher level of sales. As lending standards tightened and the economy contracted by the end of the 2000s, home sales declined during 2008 and 2009 by an average of 4,425 homes, or 28 percent, a year, reaching a low of 9,725 by the end of 2009. Declines in regular resales and new home sales by averages of 3,950 and 475 homes, or 29 percent each, respectively, a year accounted for the entire decline. Distressed sales were essentially unchanged during the 2-year period because the decrease of 280 distressed home sales during 2008 was offset by an increase of the same amount during 2009. By 2010, home sales in the HMA would increase to 10,350 homes sold, up by 610 homes, or 6 percent, from 2009. The gain in sales was unlike the nation where homes sales declined 3 percent that year because many areas were still generally impacted by the Great Recession. The share of absentee-owner purchases rose to 55 percent of the total sales by the end of 2010 compared with 46 percent at the beginning

of 2009, a portion of which were from international buyers not affected by the national housing crisis. Regular resales, distressed sales, and new home sales all increased during 2010 in the HMA, up by 330, 40, and 240 homes, or 4, 5, and 26 percent, respectively.

Since 2010, new and existing home sales have been relatively stable despite variations in net migration. This is partly attributed to the prominence of absentee-owner purchases, which continued to account for roughly one-half of home sales in the HMA. From 2011 through 2018, new and existing home sales averaged 11,900 homes. During this period, regular resales were up by an average of 240 homes and distressed sales were down by an average of 50 homes a year, while new home sales were relatively unchanged from 2011 through 2018. Since 2018, home sales have declined, but the total volume of sales remains similar to the average number sold since 2010. During the 12 months ending July 2019, 11,800 homes were sold, down 4 percent from the 12 months ending July 2018. Declines in regular resales, distressed, and new home sales by 240, 50, and 160 homes, or 2, 13, and 13 percent, respectively, accounted for the decrease.

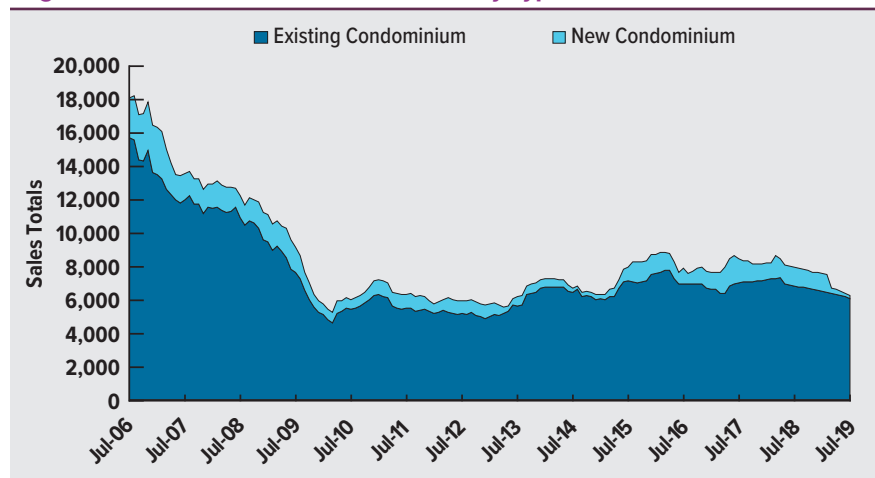
Figure 9. 12-Month Sales by Occupancy Type in the Urban Honolulu HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Condominium Sales

Since the mid-2000s, condominium sales have accounted for an average of more than 60 percent of total home sales, while single-family homes and townhomes have accounted for the remaining portion. A limited supply of developable land near job centers and resort areas, high development costs in the HMA, and demand for both affordable and luxury sales housing have contributed to the prominence of this sales housing type. Overall, trends in condominium sales since the mid-2000s have been similar to total home sales (Figure 10). From 2005 through 2007, condominium sales averaged 14,650 homes sold annually before declining an average of 31 percent annually during 2008 and 2009 to a low of 6,075 homes sold by the end of 2009. During 2010, condominium sales increased by 200 homes, or 3 percent, before averaging 7,125 homes sold annually from 2011 through 2018. Recently, condominium sales have decreased, mostly because of a reduction in the sale of new luxury condominiums. During the 12 months ending July 2019, new and existing condominiums declined 19 percent to 6,100 homes sold from 7,550 homes sold during the previous 12 months. More than two-thirds of the decline was attributed to decreased new condominiums sales, which were down by 970 homes, or 92 percent.

Figure 10. 12-Month Condominium Sales by Type in the Urban Honolulu HMA

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Delinquent Mortgages and REO Properties

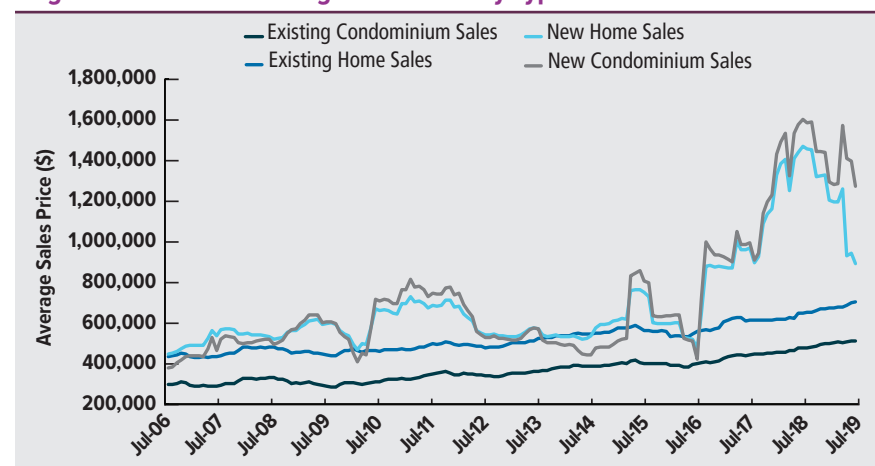
Since 2010, the rate of seriously delinquent mortgages and real estate owned (REO) properties has declined. As of July 2019, 1.8 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.9 percent in July 2018 and a peak of 5.1 percent in February 2010 (CoreLogic, Inc.). The current rate, however, is slightly above the 1.4-percent rate for the nation.

New and Existing Home Sale Prices

Home prices in the HMA have declined recently due a reduction in luxury home sales that lowered the overall new home sales price and offset a gain in existing home sales prices. During the 12 months ending July 2019, the average price for homes declined 3 percent to \$706,500, following a 7-percent increase during the previous 12-month period.

New home prices decreased 41 percent to \$705,800, whereas existing home prices rose 5 percent to an average of \$706,800 during the period. The reduction in new home prices partly resulted from a 21-percent decrease in

prices for new condominiums, which were down from \$1,280,200 to \$1,014,800 because fewer new luxury condominiums were being sold. Overall, new condominiums represent the most expensive housing option in the HMA, whereas existing condominiums represent the most affordable (Figure 11). Existing condominiums had an average price of \$514,600 during the 12 months ending July 2019, up 3 percent from a year ago.

Figure 11. 12-Month Average Sales Price by Type in the Urban Honolulu HMA

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Despite the recent decline, home sales prices have generally increased an average of 3 percent a year since 2010, which was partly attributed to significant gains from 2016 through 2018; during this period, prices increased an average of 9 percent a year due to a greater number of new luxury condominiums being sold. The increased number of luxury condominium sales during the period created a large divergence between existing and new home prices, a trend that had not been as extreme in previous years. Generally, the divergence in new and existing home prices, which varied since the mid-2000s, was largely attributed to heightened prices for new condominiums. Overall, home sales prices averaged \$549,700 from 2012 through 2015, up 9 percent from the average price of \$503,100 that prevailed from 2010 through 2011. By comparison, home prices

averaged \$475,500 during the housing market downturn from 2008 through 2009, down from \$486,100 in 2007. The overall decline in prices during the period was mostly due to a decrease in regular resale prices, which averaged \$456,500 during 2008 and 2009, down from \$484,400 in 2007.

Housing Affordability in the HMA: Owner

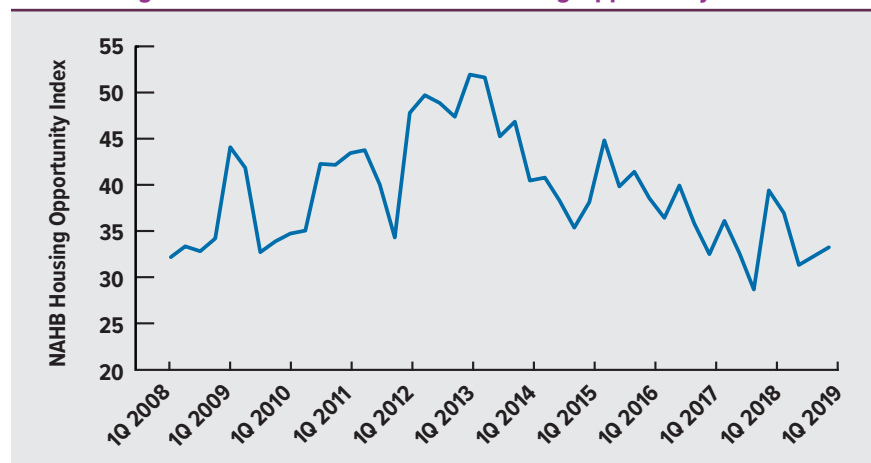
Overall, the affordability of buying a home in the HMA has generally declined since 2013 as home prices have increased nearly each year during this period, although affordability has improved slightly from the previous two quarters. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 33.2 during the first quarter of 2019, up slightly from 31.3 two quarters ago but down from a high of 51.9 during the first quarter of 2013 (Figure 12). The Urban Honolulu HMA was the 21st least affordable area in the nation during the first quarter of 2019, when 218, or 91 percent, of the 239 ranked metropolitan areas in the nation were more affordable than the HMA.

Sales Construction Activity

Home sales building activity in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted, has included a greater proportion of condominium homes since 2010 than in previous years (Figure 13). Approximately 22 percent of building activity during the 2000s consisted of condominiums, a proportion that has nearly doubled since 2010, reflecting greater development in the city of Honolulu in recent years. Lower-density development, including single-family homes and townhomes, has generally occurred outside of the city on rezoned land that had once been set aside for agriculture.

During the early 2000s, an average of 1,925 homes were permitted annually from 2000 through 2002 before increasing to nearly 4,050 homes permitted in 2003. Sales construction activity slowed by 2004 despite overall strong sales market conditions and averaged 2,500 homes a year from 2004 through 2007. As the sales market contracted in 2008 and 2009, sales construction activity decreased and remained at a lower level through 2012 despite improved sales conditions. From 2008 through 2012, an average of 920 homes were permitted

Figure 12. Urban Honolulu HMA Housing Opportunity Index

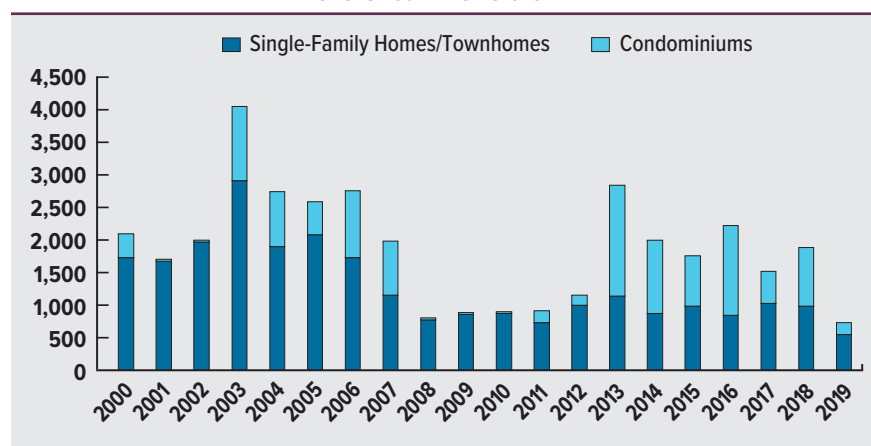


1Q = first quarter. NAHB = National Association of Home Builders.

Note: A decline in the index is an indicator of reduced affordability.

Source: NAHB/Wells Fargo

Figure 13. Average Annual Sales Construction Activity in the Urban Honolulu HMA



Notes: Includes single-family homes, townhomes, and condominiums for both year-round and seasonal sales markets. Data for 2019 are only through July 2019.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

annually, down 63 percent from the 2004-through-2007 period average. By 2013, sales construction activity increased more than 100 percent from the previous year averaging 2,025 homes permitted annually from 2013 through 2018. Homebuilding activity, however, has slowed recently. During the 12 months ending July 2019, 1,525 homes were permitted, a decrease of 200 homes, or 12 percent, from the 1,725 homes permitted during the same period a year earlier (preliminary data; estimates by the analyst).

Currently, single-family home development has been concentrated in the Ewa Plain area (Photo 2), located 20 miles from downtown Honolulu on former sugar plantations, whereas condominium development continues to be concentrated in the city of Honolulu. The Ewa Plain is a master planned community that will include a mix of 11,750 single-family homes, townhomes, and condominiums. Development of the community began in 2016, with the first homes completed in late 2017. Currently, more than 300 homes have been completed in two phases, with buildout of the entire community expected in the next 20 to 30 years. Approximately 70 percent of homes planned at buildout will be market rate, with the remaining 30 percent set aside for low-to-moderate income households. The third phase, Iliahi at Ho'opili, is among the largest developments underway, with 156 single-family homes and townhomes planned at buildout. Fifteen homes have been completed and an additional 7 homes will become available later in 2019. Three-bedroom homes start at \$650,300, and four-bedroom homes start at \$760,300. The sale of homes will be by lottery due to the desirability of the location and the shortage of new single-family homes for sale in the HMA. Haloa at Ho'opili was recently completed, with 140 townhomes at market-rate prices that start in the \$500,000s. Of the 140 townhomes, 56 were set aside for low-to-moderate income households with prices that start in the \$300,000s.

Condominiums underway include the 751-unit 'A'ali'i, located in the Ward Village of the city of Honolulu, which is expected to be complete by mid-2021. The property began construction in late 2018, with prices that will range from \$400,000 for studio units to \$1,500,000 for luxury two-bedroom units. Newly completed condominiums in the city of Honolulu include Kapiolani Residences, a mixed-income development with 484 units, and Ae'o at Ward Village, with 466 luxury units. Both properties were completed in December 2018; however,

Photo 2. Subdivision Development in the Ewa Plain



Source: HomeQuest Hawaii, LLC

preselling of units started in 2017. Kapiolani Residences, which is 98-percent occupied, offers 292 units affordable to those at or below 100 percent of the area median income (AMI). The remaining 192 units are market rate, with one-, two-, and three-bedroom units starting at \$688,000, \$919,900, and \$1,100,000, respectively. Ae'o at Ward Village is 92-percent occupied with prices for studio, one-, two-, and three-bedroom units starting at \$615,000, \$835,000, \$1,269,000, and \$2,080,000, respectively.

During the next 3 years, demand for year-round sales housing is estimated for 1,250 new homes (Table 5), which is expected to increase slightly in the second and third years of the forecast period because of improved owner household growth partly from an anticipated downward adjustment in home prices. The 650 homes under construction in the HMA will satisfy all the demand in the first year and a portion of demand in the second year.

Table 5. Demand for New Sales Units in the Urban Honolulu HMA During the Forecast Period

Sales Units	
Demand	1,250 Units
Under Construction	650 Units

Note: The forecast period is August 1, 2019, to August 1, 2022.

Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Slightly Tight

Rental market conditions have tightened since 2010 despite an increase in inventory during the period.

Current Conditions

The rental housing market in the Urban Honolulu HMA is slightly tight. The overall rental vacancy rate currently is estimated at 5.1 percent, down from 5.9 percent in 2010 when conditions were balanced (Table 6). Renter household growth in the HMA more than offset an increase in the number of single-family homes available for rent and the production of year-round rental units since 2010, contributing to the overall tightening of the rental market. Conditions are expected to improve during the next 3 years as a greater portion of short-term rentals transition to the year-round rental market under Ordinance 19-18, increasing the supply of available year-round rental housing by at least 1,800 units through the forecast period (City and County of Honolulu, Department of Planning & Permitting). Under the ordinance, the number of short-term rental units that can be owned will be reduced to one per owner for units located

Table 6. Rental Market Quick Facts in the Urban Honolulu HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.9	5.1
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	41
	Multifamily (2–4 Units)	13	9
	Multifamily (5+ Units)	49	50
	Other (Including Mobile Homes)	0	0

Notes: The current date is August 1, 2019. Percentages may not add to 100 percent due to rounding.
Sources: 2018 American Community Survey, 1-year data; 2010 rental vacancy rate—U.S. Census Bureau; current rental vacancy rate—estimate by the analyst

outside of designated resort areas and there will be increased enforcement of Non-Conforming Use Certificates, which are needed to legally operate short-term rentals.

Single-Family Home Rentals

An estimated 41 percent of single-family homes in the HMA were occupied by renters in 2018, up from 38 percent in 2010, representing an increase of 4,475 during the period. The rental market for single-family homes has improved slightly from tight conditions a year ago. Some of the improvement may have been attributed to an increased supply of year-round homes for rent. Vacancy rates for professionally managed single-family rental homes during July 2019 ranged from 2.2 percent for two- and three-bedroom homes to 2.7 percent for a one-bedroom home (CoreLogic, Inc.). Vacancy rates for one- and three-bedroom homes increased 0.1 percentage point from a year earlier, whereas all others remained unchanged. Average rents for single-family homes decreased from a year earlier, ranging from a 1-percent decline for two-bedroom homes to a 5-percent decline for one-bedroom homes. These decreases followed rent increases that ranged from 1 percent for two-bedroom homes to 6 percent for three- and four-bedroom homes during the previous year. Despite the recent decline, rents have increased an average of approximately 2 percent a year, based on the number of bedrooms, since July 2012, with average monthly rents for one-, two-, three-, and four-bedroom homes currently at \$1,987, \$2,455, \$3,082, and \$3,594, respectively.

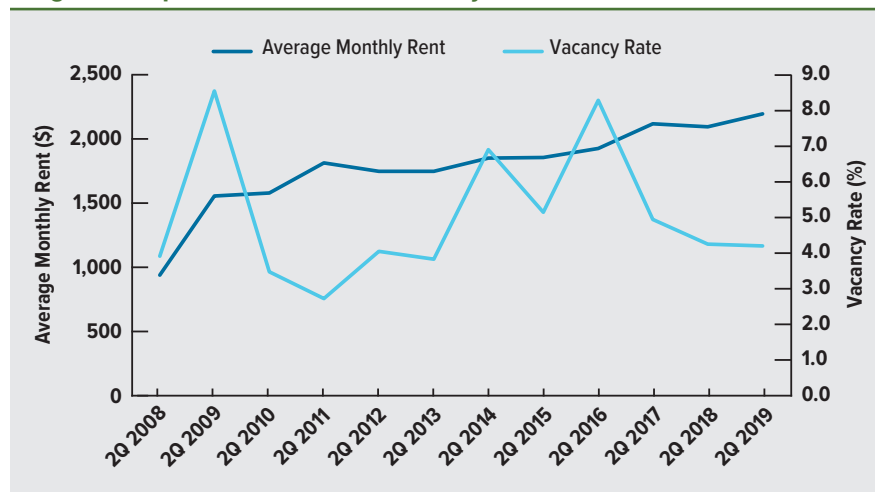
Apartment Market Trends

Approximately one-half of all rental housing units in the HMA are in structures with five or more units. As with single-family homes, a portion of these units may be occupied by seasonal renters who tend to stay during the winter months, and vacancy rates have generally been lower during that period. Other factors that impact the rate include newly completed apartment units that have yet to be absorbed and overall reduced affordability in the sales housing market. The apartment market is slightly tight, and the vacancy rate for properties with 50



or more units was 4.2 percent during the second quarter of 2019. The vacancy rate was down from 4.3 percent during the same quarter a year earlier and from a recent high of 8.3 percent in 2016 (Figure 14; RealPage, Inc.). An increase in apartment completions in 2016 contributed to the high rate. Despite general fluctuations in the vacancy rate, average rents have increased each year since 2008, which was partly supported by newer high-rent apartments being added to the rental supply. During the second quarter of 2019, the average apartment rent rose 5 percent to \$2,195, from \$2,095 a year earlier. The average apartment rent increased an average of 8 percent a year from 2008 through 2018. The tightest segment of the HMA is the Kapolei neighborhood of the Ewa Plain, which has an estimated vacancy rate currently at 2.2 percent and an average rent of \$2,650. Next is the Wahiawa area, adjacent to Schofield Barracks, with a vacancy rate of 2.7 percent and an average rent of \$1,875. The city of Honolulu contains the largest share of apartments in the HMA due to its proximity to jobs and bases. The city of Honolulu had an estimated vacancy rate of 4.6 percent and an average rent of \$1,600.

Figure 14. Apartment Rents and Vacancy Rates in the Urban Honolulu HMA



2Q = second quarter.
Source: RealPage, Inc.

Military Housing

The HMA is home to approximately 46,800 military personnel and 56,800 dependents. More than two-thirds of military personnel rent rather than own their home. Nearly 80 percent of rental military housing in the HMA is single-family homes and townhomes, followed by garden-style apartments (Photo 3). Currently, housing for the military includes 5,800 beds in 63 facilities for junior personnel and approximately 17,000 single-family home, townhome, and apartment rentals in multiple neighborhoods managed by three property management companies—Hickam Communities, Island Palm Communities, and Ohana Military Communities. The vacancy rate for military housing, excluding barracks, is currently estimated to be less than 1.0 percent. Outside of these three communities, an estimated 7,800 military households rent units throughout the HMA. During the mid-2000s to early 2010s, several military townhome communities were constructed or renovated. During this period, developments included the completion of 1,208 new homes and the renovation of 1,126 existing homes by Hickam Communities at Pearl Harbor and Hickam, and the construction and renovation of 7,756 homes by Island Palm Communities. Currently, no plans are known to add on- or off-base military housing in the HMA.

Photo 3. Military Rental Housing



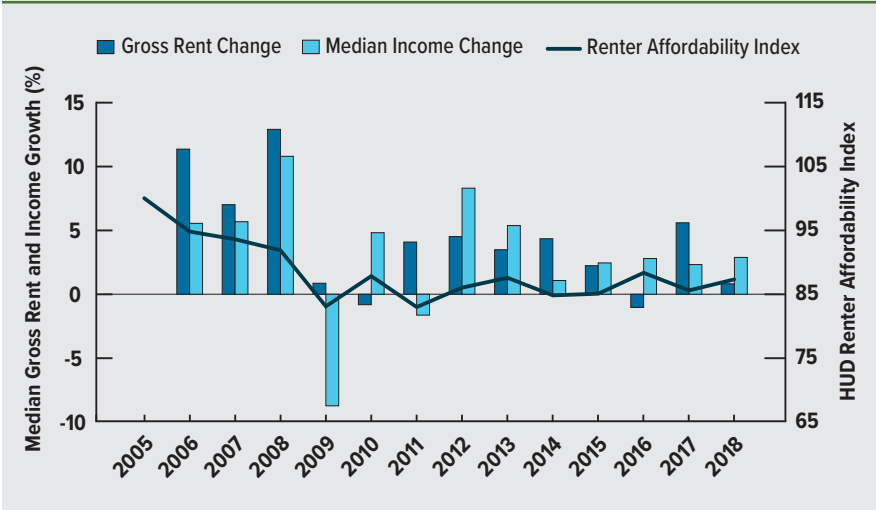
Source: MilitaryBases.com

Housing Affordability: Rental

Overall Affordability Issues

Rental housing in parts of the HMA is expensive, although overall affordability in the HMA has been slightly improving because of the economic recovery and growth in the number of affordable rental units. Overall, the increase in median income has been greater than the increase in median gross rent in the HMA, but general affordability remains below 2005 levels (Figure 15). The median renter household income increased 28 percent, from a low of \$47,118 in 2011 to \$60,326 by 2018, whereas the median gross monthly rent rose 22 percent from \$1,419 to \$1,726. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has increased. The index was 87.4 during 2018, up from 85.6 in 2017 and 83.0 in 2011. The index, however, remained less in 2018 than in 2005, when it reached 100.0, prior to the housing market decline and subsequent recession.

Figure 15. Urban Honolulu HMA Rental Affordability



Source: American Community Survey, 1-year data

Renter Cost Burdens

Despite general improvement in rental affordability since 2011, an estimated 24.6 percent of all renter households in the HMA were cost-burdened during the 2012-through-2016 period (Table 7). These households were spending between 30 and 49 percent of their income on rent, whereas a greater proportion, 27.3 percent, were severely cost-burdened, spending more than 50 percent of income toward rent. Nationwide, there was a lower proportion of renter households that were cost-burdened and severely cost-burdened at 21.9 and 23.3 percent, respectively, compared with the HMA. There was a greater proportion of severe cost burdens for lower-income renter households, or those with incomes less than 50 percent of the area median family income (AMFI). In the HMA, approximately 56.9 percent of renter households, with incomes less than 50 percent of the AMFI, were paying more than 50 percent of their incomes toward rent, compared with 49.3 percent nationwide.

Table 7. Percentage of Cost Burdened Renter Households by Income in the Urban Honolulu HMA and the Nation, 2012–2016

	Cost Burdened		Severely Cost Burdened	
	Urban Honolulu HMA	Nation	Urban Honolulu HMA	Nation
Renter Households with Income <50% AMFI	20.7	26.4	56.9	49.3
Total Renter Households	24.6	21.9	27.3	23.3

AMFI = area median family income.
Note: “Cost-burdened” households spend between 30–49 percent of their income on rent and “severely cost-burdened” households spend over 50 percent of their income on rent.
Sources: Consolidated Planning/CHAS Data; 2012–2016 American Community Survey, 5-year estimates; huduser.gov

Homelessness

Nearly 4,500 people throughout the HMA were homeless, which accounted for nearly 70 percent of all homeless people throughout Hawaii in 2018 (Point-in-Time Count). Of the number of people that were homeless in the HMA, 48 percent were unsheltered, a higher proportion compared with approximately 35 percent throughout the nation, Puerto Rico, and the U.S. territories.

Policy Initiatives

Statewide policy initiatives are under way to address affordability issues and homelessness in the HMA. The Housing First initiative was introduced statewide in 2018, facilitating access to transitional and permanent supportive emergency housing by the homeless population. In addition, links between housing and key services, including mental health and job resources, were facilitated by the Institute of Human Services, which has served more than 5,100 homeless individuals in the HMA since 2008. Plans to add additional housing for the homeless are under way. The proposed Kahauiki Village is planned for 153 one- and two-bedroom homes to be built in six phases on 11 acres of land that will provide long-term, permanent, affordable housing for homeless families with children in the HMA. The first phase, with 30 units, was completed in 2018, and the second phase, also with 30 units, is currently under way, with completion expected by 2020. The development is a unique public and private partnership in the HMA, consisting of the county, the state, nonprofit organizations, and community partners.

In addition, the state of Hawaii established a goal to build 22,500 affordable rental units statewide by the end of 2026 under Act 127. Some of the measures include reaffirming inclusionary zoning practices to require that a certain percentage of new construction be targeted toward lower-income households and streamlining zoning guidelines to allow developments to move forward in a timely manner. In the HMA, vacant and underutilized state lands have been identified as sites for additional affordable housing. These targeted areas are located near O'ahu rail stations, public transportation, employment centers, and key services. Currently, a net addition of up to a combined 10,600 units in 10 developments have been planned for the HMA, 5 developments of which have already begun construction that will add a net of approximately 4,175 affordable units by the end of the forecast period.

Current Affordable Housing Options: LIHTC, PBRA, HVC

Low-income housing tax credit (LIHTC) is the primary source of funding for new affordable rental housing in the nation. Since 2010, 3,150 LIHTC units, or an average of nearly 340 units annually, have been placed in service in the HMA, accounting for 78 percent of all units placed in Hawaii. From 2000 through 2009, approximately 2,400 LIHTC units were placed in service in the HMA, or an average

of approximately 240 units annually, accounting for 77 percent of all units placed in the state. Approximately 45 percent of all LIHTC units placed in service in the HMA since 2010 have been in the city of Honolulu, with another 20 percent in the Ewa Beach area.

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCVs) through the local public housing agency (PHA). The PHAs in the HMA administered more than 6,100 HCVs in 2018 (Table 8). The waitlists for HCVs and public housing in the HMA are currently closed, with a waiting time of up to 6 years for those on the HCV list and 3 years for those waiting for public housing. There are 15,500 subsidized units through project-based rental assistance and other programs (Picture of Subsidized Households). The number of households that have an HCV in the HMA has increased 12 percent, or an average of 1.2 percent annually, since 2010. The increase in assisted households occurred as an inflation-adjusted rent subsidy from HUD has increased 6.9 percent since 2010; during the same time, the inflation-adjusted tenant contribution for HCVs went down 1.6 percent. By comparison, the total number of voucher households in the nation expanded 11.6 percent since 2010, whereas the inflation-adjusted HUD subsidy declined 1.4 percent, and the inflation-adjusted tenant contribution increased 1.2 percent.

Table 8. Picture of Subsidized Households in the Urban Honolulu HMA and the Nation, 2018

	Urban Honolulu HMA	Urban Honolulu HMA Change Since 2010 (%)	National Total	National Change Since 2010 (%)
Total Assisted Households (2018)	12,307	5.5	4,628,247	4.5
Total Housing Voucher Households (2018)	6,106	12.0	2,276,722	11.6
Average HCV Tenant Monthly Contribution	\$511	-1.6	\$379	1.2
Average Monthly HUD Subsidy	\$1,272	6.9	\$793	-1.4

HCV = housing choice voucher.

Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).

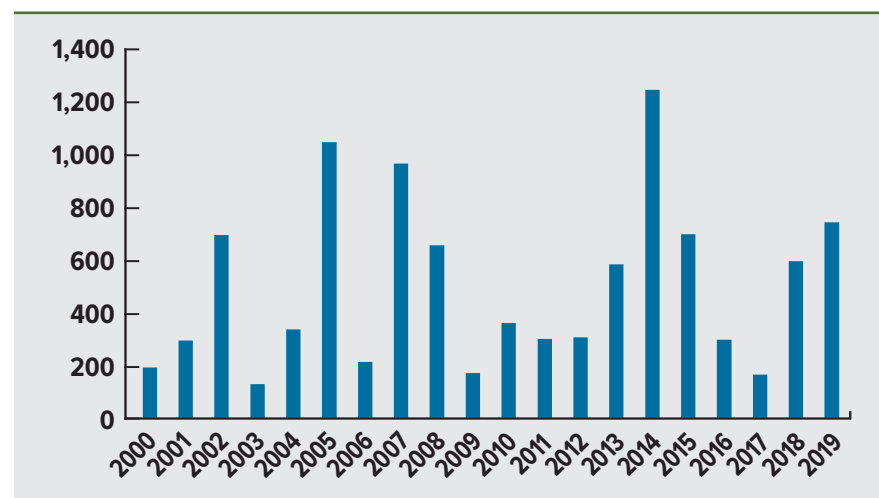
Source: National and local assisted housing, huduser.gov



Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has been increasing recently but levels are relatively low compared with the peak in 2014 (Figure 16). The overall easing of construction occurred as newly completed units were being absorbed and as population growth declined from net out-migration, two factors that have also caused general fluctuation in building activity since 2000. After increasing by 250 units permitted a year from 2001 through 2002, reaching a high of 690 units permitted, construction levels declined sharply to only 130 units permitted in 2003 (U.S. Census Bureau and estimates by the analyst). Rental construction would increase again by an average of 460 units from 2004 through 2005 annually, partly in response to net in-migration, and reached nearly 1,050 units permitted by 2005, before dropping to a low of 210 units permitted in 2006. The sharp decline was partly in response to the number of units that needed to be absorbed. By 2007, construction increased to nearly 970 units, before declining by an average

Figure 16. Average Annual Rental Construction Activity in the Urban Honolulu HMA



Notes: Includes apartments and units intended for rental occupancy for both year-round and seasonal rental markets. Data for 2019 are through July 2019.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

of 400 units each year from 2008 through 2009, reaching a low of 170 units permitted by 2009. Rental construction remained low through 2012, averaging 320 units permitted annually from 2010 through 2012 despite net in-migration and the tightening of the apartment market. Development began to pick up in 2013, increasing by an average of 470 units annually to reach a peak of 1,250 units permitted by 2014. It declined once again from 2015 through 2017 by 360 units a year, reaching a low of 160 units permitted. Since 2017, construction has increased 430 units, to 590 units permitted in 2018, because of a tightening of rental market conditions that occurred despite net out-migration. During the 12 months ending July 2019, nearly 990 units were permitted in the HMA, compared with 420 units permitted during the previous 12-month period.

Market-rate apartments that have been completed since July 2017 or are currently under construction in the HMA total approximately 1,550 units, with more than three-fourths of these units concentrated in the city of Honolulu. The Kapolei neighborhood of the Ewa Plain accounts for another 20 percent. Recently completed properties include the 16-story tower, Nohona Hale, which was completed in May 2019 with 110 affordable units in downtown Honolulu. The property is the first micro-housing development in the HMA, with unit sizes averaging 285 square feet and with rents that range from \$500 to \$995 a month, depending on income, for a 300-square foot studio unit. The 128-unit Hale Kewalo Apartments was completed in the city of Honolulu in January 2019. The 11-story building is the most recent LIHTC development in the HMA. Units at the development are affordable to households at 30, 50, and 60 percent of the AMI, ranging from \$656 for one-bedroom units to \$1,819 for three-bedroom units. Developments under construction include East Kapolei II, with 320 affordable townhome-style apartments in the Ewa Plain. Depending on income, one-, two-, and three-bedroom units will start from \$587 for a one-bedroom unit to \$784 for a three-bedroom unit. The completion of East Kapolei II is planned for 2020. The 105-unit Maili-Hale Makana O Maili is another affordable development, which will be available to those ages 55 and older with incomes ranging from 30 to 60 percent of the AMI once it opens in 2021. The property will have 80 studio units and 25 one-bedroom units, with rents that range from \$553 to \$1,243, depending on income.

Forecast

During the forecast period, demand is estimated for 670 new year-round rental units in the HMA (Table 9). Demand is expected to increase slightly from improved migration during the second and the third year of the forecast. The 400 rental units under construction are expected to meet all the demand during the first year and most of the demand in the second year of the forecast period.

Table 9. Demand for New Rental Units in the Urban Honolulu HMA During the Forecast Period

Rental Units	
Demand	670 Units
Under Construction	400 Units

Note: The forecast period is August 1, 2019, to August 1, 2022.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Cost Burdened	Spending more than 30 percent of household income on housing costs.
De Facto Population	The de facto population is defined as the number of persons physically present in an area, regardless of military status or usual place of residence. It includes visitors present but excludes residents temporarily absent, both calculated as an average daily census.
Demand	All demand estimates in this report are for the total year-round housing production needed to achieve a balanced sales or rental market at the end of the forecast period and do not contain any estimates for seasonal or vacation housing. The demand estimates in the analysis are not a forecast of building activity. They are estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. These estimates do not account for units currently under construction or units in the development pipeline.
Distressed Home Sales	Short sales and real estate owned (REO) sales.
Forecast Period	8/1/2019–8/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.

Homes/ Units Under Construction	Units under construction represent sales or rental housing for year-round residents of the HMA and do not include units that would be intended for occasional visitors to the HMA.
Net Natural Change	Net natural change is resident births minus resident deaths.
Nonfarm Payroll Jobs	Includes civilian nonfarm payroll jobs as defined by the U.S. Bureau of Labor Statistics. These data exclude military personnel.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term, therefore, includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the U.S. Census Bureau.
Population	Only includes resident population. This contrasts with the de facto population, which is the sum of resident and visitor populations.
Regular Resales	These are existing home sales that exclude distressed home sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
Residential Building Permits	Residential building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some residential units may be constructed with a different type of building permit. For example, some residential units might be classified as commercial structures and would not be reflected in the residential building permits. The building permits in this report includes an estimate of this additional construction activity. The sales and rental permits in this report may also include a portion of residential structures that are intended for the seasonal sales or rental markets.

Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Short-Term Rentals	Properties that rent for 30 days or less.
Homes/ Units Under Construction	Units under construction represent sales or rental housing for year-round residents of the HMA and do not include units that would be intended for occasional visitors to the HMA.
Year-Round	<p>Year-round households are those that reside in the HMA for 12 months out of the year or specify the HMA as their usual place of residence.</p> <p>Year-round homes or rental units refer to sales or rental housing that is generally made available to year-round households. Year-round housing can include pricing structures that cater to year-round residents or minimum length-of-stay occupancy rules.</p>

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	The National Association of Home Buyers (NAHB)/Wells Fargo Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
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2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis HMA within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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